

MEMORANDUM

TO: NAIOP of Florida
FROM: GrayRobinson
DATE: March 31, 2017
SUBJECT: 2017 Legislative Session – Week 4 Summary

The fourth week of the 2017 Legislative Session brought lots of floor action, and the thing everyone in "The Process" has been waiting for: Budget documents.

The House has proposed spending \$81.2 billion in fiscal year 2017-18, while the Senate's preliminary budget documents put forward an \$83.2 billion plan. That sum might be deceiving, though. The House proposal includes nearly \$2 billion in tuition revenue, but the Senate plan doesn't. Once that money is factored in, the Senate spending plan is closer to \$85 billion, and is larger across the board than the House proposal.

The Appropriations Committees for both chambers will discuss and vote out their respective plans. The full House is tentatively scheduled to vote on its budget April 13.

The budget may be the main event, but there was plenty that happened last week in the world of gambling, FRS and home rule. As well, there's plenty of things on the agenda this week to keep you occupied until it's time to talk money.

Business Rent Tax Reduction – The House tax packages is out and the BRT reduction is included.

House Unveils Its Tax Package - A wide-ranging \$296.8 million tax cut package from the House would eliminate sales taxes on diapers and feminine hygiene products, offer tax "holidays" for purchasing school and hurricane supplies and trim a commercial lease tax. The reduction on the commercial lease tax would be a 1.5% reduction taking effect on January 1, 2018 and continuing through January 1, 2020, at which time the reduction would be a permanent .5% reduction.

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The package, introduced Wednesday by the House Ways & Means Committee, is smaller than a collection of tax cuts proposed by Governor Rick Scott. The fate of the proposals will depend on upcoming budget negotiations between the House and Senate.

Ways & Means Chairman Jim Boyd, R-Bradenton Republican, said the House package would provide multi-year relief that could potentially reach \$949 million and grow to \$2.2 billion when added to a House measure being introduced next week that would ask voters to increase the homestead exemption for property taxes.

A similar homestead-exemption proposal in the Senate (SJR 1774) has been approved by one committee.

Senate Bill 378 – Relating to Taxation – This swap of an insurance premium tax credit for a reduction in the Business Rent Tax did not move this past week, which was expected. With the House debuting its tax package, the Senate was expected to wait.

Ending the Tax on a Tax - House Bill 463, by Holly Raschein, eliminates the sales tax on the portion of ad valorem taxes paid by a tenant. Senate Bill 704, by Rene Garcia, is the companion. This bill is awaiting a score from the revenue estimating conference.

UPDATE: The House bill is still waiting to be moved, which may not happen now that the House has proposed a general rate cut of the tax.

One-Cent Reduction in BRT – Senate Bill 484, by Dorothy Hukill, reduces the BRT by one cent. This bill is awaiting a scoring by the revenue estimating conference.

UPDATE: The Senate Community Affairs Committee has placed this bill on its April 3rd agenda.

Stair-step Reduction of BRT - House Bill 223, by Larry Ahern stair-steps exemptions from business rent tax over multiple years, starting with first \$10,000 in 2018 and increasing \$10,000 each year until it reaches \$90,000 in 2026. Senate Bill 838, by Keith Perry, is the companion. Neither bill has moved in either chamber. The House bill is awaiting a hearing in Ways & Means.

Eliminate BRT for Properties with less than \$50,000 in Rent – Senate Bill 820, filed by Travis Hutson, eliminates the BRT for any property for which the total annual rental payment does not exceed \$50,000. This bill is awaiting its first hearing in Commerce & Tourism.

UPDATE: While neither bill has moved, the House bill has picked up 22 co-sponsors. If anything, this is a good sign for the general rate reduction.

Other Bills to Watch:

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Property Appraiser Duties Regarding Assessments – House Bill 1127 (Gruters) and Senate Bill 1366 (Artiles), if passed, would put in place new parameters on the duties of a property appraiser in assessing properties. Namely, it would put a cap in place for four (4) years on any assessments approved in the court and based on competent and substantial evidence. Neither the House or Senate bill has moved yet.

UPDATE: Neither bill has moved.

Summary of Week 4 Legislative Session

House and Senate Debut Their Budgets

As the respective appropriation subcommittees for the House and Senate debuted their proposed budgets, those that would benefit from said budgets held their breath. In the end the House upheld their promise of cutting the base budget by at least \$1 billion and the two chambers cobbled together their proposed budgets, which will be voted upon this Wednesday in each chamber's Appropriation Committees. Below is a graph that captures the main budget silos of the Senate's \$83 billion and House's \$81 Billion proposed budgets.

Budget Silo	House	Senate
Education	\$23.816 Billion	\$22.673 Billion
Health & Human Services	\$34.006 Billion	\$35.517 Billion
Criminal Justice & Corrections	\$4.387 Billion	\$4.549 Billion
Natural Resources/Environment	\$3.445 Billion	\$3.807 Billion
Transportation	\$10.849 Billion	\$10.880 Billion
General Gov't (Citrus, Financial Services, DOR, Lottery, etc.)	\$4.230 Billion	\$5.208 Billion
Judicial	\$505 Million	\$528 Million
Total:	\$81.237 Billion	\$83.164 Billion

House Introduces Florida Retirement System (FRS) Reform

On Monday, the House Government Accountability Committee introduced a proposed committee bill (now HB 5007) that proposes reforms to the FRS. It is similar to a bill in the Senate (SB 1246) which has yet to be heard in its first committee (Governmental Oversight & Accountability) of four. Like most retirement reform bills, some of the changes are welcome by members of the FRS (expands the survivor benefit) and some are not so welcome (automatic enrollment into investment plan for new members that do not elect). The House bill was approved on Wednesday and has one reference (Appropriations). It proposes to do the following:

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- Authorizes renewed membership in the investment plan for retirees of the investment plan and certain optional retirement programs. Such renewed member will be a renewed member of the appropriate membership class in the investment plan, unless employed in a position eligible for participation in an optional retirement program, in which case the retiree will become a renewed member of such applicable program.
- Expands the survivor benefit for members of the Special Risk Class. Specifically, it provides that such survivor benefits are retroactive to July 1, 2002.
- Establishes a survivor benefit for all other membership classes of the investment plan who are killed in the line of duty and provides that the benefit is retroactive to July 1, 2002. The survivor benefits are the same as those currently provided for other membership classes of the pension plan. It also provides a process for calculating the retroactive benefit.
- Closes the Senior Management Service Optional Annuity Program to new participants.
- Prohibits elected officials from joining the Senior Management Service Class in lieu of the Elected Officers' Class.
- Changes the default from the pension plan to the investment plan for members who do not affirmatively choose a plan.
- Prohibits members initially enrolled in a position covered by the Elected Officers' Class from participating in the pension plan and requires participation in the investment plan.
- Finally, it reduces the service accrual rate for purposes of calculating the pension plan benefit from 3.3 percent to 3.0 percent for certain members of the Elected Officers' Class.

Gambling Bill Moving In Both Chambers

The House and Senate advanced diametrically opposed gambling packages Thursday, setting the stage for the first serious negotiations in years between legislative leaders --- and the Seminole Tribe of Florida --- on the thorny issue.

The Senate overwhelmingly approved a gambling proposal (SB 8) that is friendly to the pari-mutuel industry. The bill would allow slot machines in eight counties where voters have approved them, legalize controversial card games at the heart of a legal battle with the Seminoles and allow nearly all tracks and jai alai frontons to do away with live racing or games, a process known as "decoupling."

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Hours later, a major House committee supported a more status-quo measure (HB 7037) focused on a 20-year agreement with the Seminoles, called a "compact." A portion of a 2010 compact that gave the tribe exclusive rights to operate banked card games, such as blackjack, at most of its casinos expired in 2015, prompting a new round of negotiations --- and litigation --- with the state.

Meanwhile, the Seminoles, who want to add craps and roulette at tribal casinos, have warned Scott and legislative leaders the U.S. Department of the Interior, which must sign off on a compact, would not approve any deal that requires the tribe to pay more to the state unless the terms also include additional exclusivity.

Preview of Week 5

Education

The PreK-12 Appropriations Subcommittee on Monday will tackle a bill (HB 549) that would require the state Department of Education to release standardized tests every three years after they've been taken. Under the proposal, education officials would have to release the FSA for third-grade and tenth-grade English language arts and Algebra I beginning in 2020. The same committee will consider a proposal (HB 7101) that could pave the way for more charter schools in the state.

Later in the week, the Senate Appropriations Committee is scheduled to hear a bill (SB 392) that would require students to take a half-credit of financial literacy to graduate from Florida's high schools. The committee is also scheduled to discuss the "College Competitiveness Act of 2017" (SB 374) and a bill (SB 376) that addresses charter school funding.

Insurance

The Senate Banking & Insurance Committee will hear legislation (SB 1218) that addresses assignment of benefits abuses when it meets Monday. The bill aims to curb an increasing number of lawsuits by creating new requirements for assignments of post-loss benefits from property insurance policies. The proposal, among other things, allows insurers to prohibit the assignment of post-loss benefits and creates a regulatory system for professional water damage restorers.

The committee is also expected to take up a bill (SB 1582) that would revamp the state's workers compensation insurance laws and a bill (SB 1766) that would repeal the Florida Motor Vehicle No-Fault Law, which requires every owner and registrant of motor vehicle to maintain \$10,000 in personal injury protection (PIP) coverage. The bill replaces the PIP coverage mandate with a medical payments (MedPay) coverage mandate of \$5,000.

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Regulations

The Senate Commerce and Tourism Committee will take up a host of bills dealing with alcohol regulations when it meets on Monday. The committee will discuss a proposal (SB 166) that, among other things, removes the limit on how many bottles craft distillers can sell to consumers and allows craft distillers to bypass the three-tier system of separate alcoholic beverage manufacturers, distributors and retailers put in place after Prohibition.

The committee will also hear a bill (SB 1040) that would allow beer distributors to give away glasses from brewers imprinted with product names and logos to bars and restaurants, and a proposal (SB 388) that would allow beer companies to advertise in theme parks.

On Tuesday, the House Government Operations & Technology Appropriations Subcommittee will discuss a bill (HB 211) that eliminates a policy requiring cosmetic manufacturers get approval before taking a product to market.

In Session

The House is scheduled to hold a floor session beginning at 1:30 p.m., and has several issues on the Special Order Calendar. The House is scheduled to consider a bill (HB 221) that would create statewide regulations for transportation network companies, like Uber and Lyft. That bill was scheduled to be heard last week, but was temporarily postponed.

Also on the Special Order calendar: A bill (HB 303) that spells out school districts can't discriminate against a student on the basis of religious viewpoint or expression. On March 23, the Senate voted 23-13 to approve its version (SB 436) of the "Florida Student and School Personnel Religious Liberties Act.

The House has also placed its "whiskey and Wheaties" bill (HB 81) on the Special Order Calendar. The bill was previously scheduled to be heard on March 29, but was temporarily postponed. The Senate version (SB 106) passed on a 21-17 vote.

Members will also begin debate on their 2017 gambling bill (HB 7037) this week. The Senate voted their bill (SB 8) out 32-6 on March 30, and legislative leaders are already preparing to head to conference to try and hammer out the differences.

The Senate heads into session at 1:30 p.m. Tuesday, but doesn't have as heavy of an agenda. Members will be asked to give final approval to a bill (SB 78) that would require school districts to provide 20 minutes of mandatory recess each day for students in kindergarten through fifth grade. They'll also begin debate on a proposal (SB 882) to make the Secretary of State an elected position and member of the Cabinet.

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The House is tentatively scheduled to hold a floor session on Wednesday afternoon; while the Senate is tentatively scheduled to be back on the floor Thursday afternoon.