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REPORT OF FEBRUARY 4-8, 2008 COMMITTEE WEEK

**Select Committee on Property Insurance  
Accountability**

Property Insurance Rates: On February 4<sup>th</sup> and 5<sup>th</sup>, the Committee heard from the Florida Office of Insurance Regulation (OIR) and took testimony from Allstate representatives, specifically related to property insurance rate calculations. In February 2007, OIR notified all property insurers of HB1A requirements that rate filings clearly show savings to customers. Florida Insurance Commissioner McCarty provided an update on the anticipated and actual reinsurance rate filings (submitted September 30, 2007) for major property insurers in Florida.

As of February 4<sup>th</sup>, 58% of insurers' True-Up filings had been approved by OIR. Commissioner McCarty explained that savings resulting from HB1A will not be realized until a customer completes the insurance renewal process, thus many consumers have yet to see rate reductions. Select Committee members sought clarification about whether the Florida-backed Cat Fund actually placed downward pressure on rates, as was the intention. Commissioner McCarty responded that the Cat Fund should theoretically force rate reductions, but that an insurance company's risk portfolio actually determines acceptable rates.

Allstate Floridian Insurance Company: Extensive sworn testimony of four top-executives with Allstate occurred. Of primary concern to the Select Committee was Allstate's use of a non-OIR approved risk model to determine rates. Allstate's chief actuary testified as to their use of the "near-term" model, and sought to justify the rate increase of 43% based on a comprehensive assessment of risk. Select Committee members questioned Allstate's rate adjustment and failure to disclose their use of a non-approved near-term

model when setting rates. Testimony regarding the Allstate court case and OIR document request led to questioning Allstate's motives in using the near-term models based on internal memoranda.

Nationwide, Florida Farm Bureau, The Hartford Group and American Strategic Insurance Company rate filings were also reviewed.

**Bills of Interest**

Several pieces of legislation being watched by county departments passed through committees this week, including:

- SB564—Automated External Defibrillators (passed favorably with one amendment)
- SB646—HIV and AIDS Educational Requirements (passed with two amendments)
- SB366/HB233—Abuse of Elderly Persons and Disabled Adults (passed in House and Senate Committees with no amendments)
- HB247—Nursing Facilities (passed favorably with two amendments)

**Clerks Bill**

HB399 related to Financial Management by Local Governments, passed favorably with a strike-all amendment. Many non-charter counties oppose this bill, as does the Florida Association of Counties. The legislation arises from litigation with Collier County over the Clerk of the Circuit Court's role in reviewing and certifying financial statements. The primary concern is that the bill will give clerks internal/programmatic audit powers. While Broward County remains confident that based on Article VIII, Section 1(d) of the Florida Constitution, this bill will have no effect on our financial management structure, the Clerks agreed to amend the bill to specifically state same.

### **FY 08 State Budget Reductions Expected**

The schedule for further reducing the current fiscal year's budget was released February 7<sup>th</sup>. Appropriations Committees expect to meet the week of February 18<sup>th</sup> to finalize additional reduction proposals for FY 08, which will include the 4% annual "hold-back" based on a 1% per quarter budget retention agencies have utilized throughout the year. Committees will develop criteria for exemptions and review all entitlements and mandatory programs during the third week of February. By Friday, February 22<sup>nd</sup>, all bills will be drafted. Monday, February 25<sup>th</sup> bills will be filed and Friday, February 29<sup>th</sup>, amendments will be due. The Thursday of the first week of Session, March 6<sup>th</sup>, it is expected that the bill(s) will be on second and third reading. Sunday, March 9<sup>th</sup>, the Conference Report will come out with final votes expected Monday, March 10<sup>th</sup>.

### **FY 09 Governor's State Budget**

The Governor released his recommended FY 2009 budget which was presented in various Senate and House committees throughout the week. Of significant concern to members is the use of \$1.1B in reserves (non-recurring revenue) to fund recurring projects, like Medicaid service expansions. Trust Funds being "swept" include the Sadowski Housing, Local Government Housing, Worker's Compensation and others. In November 2006, the Florida Constitution was amended through referendum to limit the amount of non-recurring General Revenue (GR) which may be appropriated for recurring purposes to 3% of the total budget. The Governor's budget proposes 3.23% of non-recurring GR for recurring programs. Committee members pointed out that the 3.23% does not include the \$400M raid on Lawton Chiles' Endowment Fund, which the Governor's staff asserts would not be a factor in calculating the constitutionally mandated non-recurring GR cap. Overall, the Governor's budget relies on \$1.1B in reserves, \$.6B in "enhancements" (including lottery and Seminole Gaming Compact), as well as \$.2B in "efficiencies" (base budget reductions). The Governor's budget was careful to reflect \$.138B for Amendment One's hold harmless provision, ensuring K-12 would be funded with state dollars.

The Environmental budget includes \$500M for Florida Forever and Everglades Restoration, of which \$400 is bonded, as well as \$200M in Energy Diversity and Climate Change initiatives.

During the Senate Environmental Preservation and Conservation Committee, the financial stability and long-term viability of Florida Forever was discussed in the context of land acquisition. Several groups testified and encouraged the legislature to appropriate additional funds to the program in an effort to acquire environmentally sensitive lands during this economic downturn.

In the proposed Transportation and Economic Development budget, the Governor focused on a \$75M increase for interest rate buy-down, down payment and closing cost assistance for first-time and low-income homebuyers, as well as \$80.2M in home repair and community improvement funding. Also included is \$41.4M for museum, library and cultural grants and \$87M for workforce and early learning initiatives. The Office of Tourism, Trade & Economic Development budget proposes maintaining existing Innovation Incentive and Quick Action Closing Programs, while enhancing the Film and Entertainment Incentives by \$15M. The Qualified Defense Contractor and Target Industry Refund Incentives, as well as the High-Impact Performance Incentive—all seeking to attract high-wage jobs to the state—receive a total of \$5.7M in increases in this proposal. Other programs receiving funding increases include: VISIT FLORIDA, Enterprise Florida, Space Florida and initiatives promoting development of rural communities, brownfield areas, military bases, international relationships, and expansion of minority entrepreneurship.

Health and Human Services sees modest increases for the Agency for Persons with Disabilities, Department of Health, Department of Veteran's Affairs (VA), and Department of Children and Families (DCF), with losses in Agency for Health Care Administration and Department of Elder Affairs. The largest gains in positions go to DCF (125 FTEs) and the VA (259 FTEs); DCF expects growth in its ACCESS program which handles food stamp and Temporary Assistance to Needy Families (TANF) applicants, while the VA plans to transition an existing contract to employee positions. The Governor adopted the outreach model piloted in Broward to create a 3-year, \$63.9M Health Care Access Act. Included in the Public Safety budget is \$28.8M for offender substance abuse treatment, \$3M for gang initiatives, and \$4.6M to support reforms articulated in the Blueprint Commission Report.

## Juvenile Justice Blueprint Commission

The Blueprint Commission on Juvenile Justice unveiled its report to the Florida Legislature this week. The “Getting Smart about Juvenile Justice in Florida” report provides 52 recommendations addressing a wide variety of juvenile justice issues and asserts that a more balanced juvenile justice system is needed in Florida. The report calls for the state to invest in a “continuum of services” that can provide the right set of services in the least restrictive environment, while at the same time ensuring that sanctions are maintained for those juveniles involved in serious and violent crimes. Among the many recommendations, the report includes:

- Revising Florida’s “Detention Risk Assessment Instrument” that is used to evaluate youth for detention placement;
- Developing and funding alternatives to secure detention for youth whose risk does not require this costly level of control;
- Establishing appropriate community health, mental health, and substance abuse programs for youth and allowing courts to place youth as a condition of a probationary sanction;
- Revising Florida’s Medicaid policy of disenrolling of previously eligible youth committed to a high or maximum-risk program;
- Developing gender-specific services to address the needs of a continually-growing female youth population in juvenile detention.

Commissioner Eggelletion addressed the House Committee on Juvenile Justice, Wednesday, on behalf of the Florida Association of Counties, praising the Blueprint Commission’s report and encouraging members to carefully consider its recommendations, especially those which will lower pre-disposition costs for county governments. Commissioner Eggelletion also added that juveniles must be ensured access to appropriate health care, especially mental health and substance abuse services, and they should not be terminated from Medicaid benefits that are needed to complete or continue treatment upon release from detention. Committee Chair, Rep. Mitch Needleman, announced that a committee bill addressing some of the recommendations in the report would be prepared for consideration during the first week of the legislative session.

## Tribal Gaming Compact Bill

SB 980 by Senator Geller was heard in the Senate Regulated Industries Committee on Wednesday and passed on a 5-4 vote. The bill designates the Governor as the state official with responsibility to negotiate and execute tribal-state gaming compacts on behalf of the State of Florida. The Governor must submit a tribal-state compact to the Legislature for ratification by majority vote of the House and Senate and to the Secretary of State. Once ratified by the Legislature, the Secretary of State must submit the compact to the U.S. Secretary of the Interior for review and approval. If ultimately approved, the bill could affect the present litigation between the Governor and House of Representatives pending before the Florida Supreme Court, presuming the Court has not yet issued an opinion resolving the matter. The bill next goes to the Governmental Operations Committee for consideration.