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The 1987 Legislative Session

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FOREWORD

THE 1987 LEGISLATIVE SESSION

JON MILLS*

The 1987 Legislative session is one that will be remembered for many years; it signifies the year Florida grew up. As Sophocles said, "One must wait until the evening to see how splendid the day has been"; this landmark session will not easily be assessed for some time. For the past several years, Florida has been working to create a vision for its future and this year took its first steps toward that future. We have only just begun and, like the beginning of any long journey, we began by taking a first step. Our commitment today must be followed by action tomorrow.

The House took action on a number of issues crucial to Florida's future including:

I. THE TAX ON SERVICES

During the 1986 Regular Session, the Legislature passed measures to sunset, or end, a large number of exemptions from Florida's 5% sales tax. Since the great bulk of these exemptions was for services, such as those performed by attorneys, accountants, architects, engineers, and numerous other professionals and quasi-professionals, the stage became set for the Great Service Tax Controversy of 1987.

During the 1987 Regular Session, both houses, with the support of Governor Bob Martinez, enacted legislation that, for the first time since Florida adopted its sales tax on goods in 1949, placed a tax on many of these services. The decision to do so was prompted by a number of extremely significant concerns.

* Speaker, Florida House of Representatives.

Florida was facing the responsibility of funding its future with an extremely narrow tax base. A state tax on personal income is prohibited by the Florida Constitution. Local government ad valorem taxation is limited by statutory millage caps and further inhibited by generous homestead exemptions. Fully 67% of Florida's revenues were derived from its existing sales tax on goods. A means to broaden the state's tax to encompass the service sector—predicted as the fastest growing sector of our state's economy in the foreseeable future. Taxing services appeared logical, equitable and extremely necessary.

Additionally, Florida faces a need for revenues that is considerably more acute than in most other states. It ranks in the bottom quartile in state spending per capita in almost every major category from education to social services to the salaries of highway patrol troopers. In short, Florida has a great deal of catching up to do if it is to provide the social services and infrastructure commensurate with what is to be expected from the fourth largest state in the nation. Also, Florida is in the midst of a period of remarkable growth—estimates are that 893 new residents move to our state each day, bringing with them the need for more schools, more roads, more fire fighting and police services, and more sewage treatment plants, water treatment facilities, and recreational facilities. The service tax legislation passed during the 1987 Legislative Session was calculated to raise about \$700 million during its imposition for the remainder of 1987 and some \$1.3 billion on an annual basis.

Even before it became law, national advertisers and national and multinational companies doing business in Florida began a massive television and radio ad campaign aimed at undermining public acceptance of the tax. Polls taken during the late summer 1987 indicated significant citizen opposition to the service tax and, interestingly, a desire on the part of many Floridians to replace the service tax with an additional penny sales tax on goods—a move which, if accomplished, was estimated to cost the average Florida family almost double the cost of the services tax.

During special legislative sessions called by the Governor in September and October, the Legislature significantly revised the original service tax bill, eliminating most of the problems in its administration that became apparent since the new tax went into effect on July 1st. The Governor, who by this time had decided to oppose any form of a services tax, vetoed the bill passed by both Houses of the Legislature.

As this book goes to press, the leadership of both the House and the Senate are touring major cities in Florida, soliciting from citizens their sentiments on the services tax versus an increased tax on goods. At the same time, negotiations are under way with the Governor to reach agreement on a taxing package acceptable to both the legislative and executive branches that will adequately fund Florida's needs in the short term and provide the basis for funding Florida's future. Meanwhile, the services tax package passed during the 1987 Regular Session remains in effect.

II. THE BUDGET

The budget is the most important bill adopted by the Legislature. This year our budget highlights include:

- 4,276 new prison beds
- \$4 million additional for Probation and Parole Officers
- \$201 million for indigent care
- \$4 million for HRS drug treatment and care
- \$7 million for AIDS research and treatment
- \$15 million for environmental programs per SWIM bill
- \$1 billion for road and bridge projects
- \$22 million for growth management funding
- \$9.3 million for historic properties
- \$15 million for Eminent Scholars' Program
- \$5 million for undergraduate education
- 8% public school teacher's salary increases
- \$11 million for high technology research

III. EDUCATION

One of the major education packages enacted during the 1987 Legislative Session was aimed at eliminating adult illiteracy, reducing the number of student dropouts, and facilitating private sector partnerships in education. Approximately 18% of adult Floridians are believed to be functionally illiterate. In Florida, almost 39% of high school students quit school before graduation, thereby virtually assuring themselves of difficulty in obtaining jobs and of earning a lower income than young people who graduate. This education package also creates the Florida Private Sector and Education Partnership Act (which seeks to improve the quality of education by more deeply involving business in the educational process), the Florida Public Schools Challenge Grants Program (which appropriates \$300,000 for a matching grant program with

business), and the Florida Compact Pilot Program (a new dropout prevention program).

IV. HIGHER EDUCATION

Education is the cornerstone of economic development. Quality education promotes a quality workforce and ultimately serves as the best insurance for our future. This year we created the Florida Prepaid Postsecondary Education Expense Program under which a student's tuition and dormitory fees can be prepaid in advance of the student's attending college. This method provides cost savings and acts as a hedge against tuition increases. We also enacted the Speaker's Blue Chip Program, and the Good-Gulfstream Trust Fund. Both are designed to keep our home-grown high school talent at Florida colleges and universities.

V. SWIM

The Surface Water Improvement and Management (SWIM) Act provides state funds to help clean up certain contaminated bodies of water. This hallmark piece of legislation enacts statewide policy in environmental clean up.

VI. INDIGENT CARE

The indigent health care bill expands and enhances the Medicaid program and develops local primary health care services for Medicaid recipients and low-income persons in all sixty-seven counties. The bill also rewrites the state's certificate of need law and deregulates some areas of health care, including obstetrics and ambulatory surgical centers. This bill places Florida at the forefront in caring for the indigent population and provides financial relief to the hospitals with the greatest need.

VII. STATE LOTTERY

The Department of the Lottery and the State Lottery Commission were created by House Bill 1247. During the first full year of operation the lottery will likely generate \$250-\$300 million. The lottery funds earmarked for education will enhance our ability to meet our needs in this vital area.

VIII. CRIME

To help combat Florida's significant substance abuse program and related criminal activity, the Legislature enacted a wide-ranging package designed to enhance effective law enforcement. The criminal justice package creates the Safe Neighborhoods Act which allows neighborhoods to organize and rebuild in order to discourage crime. This new law also imposes stiffer penalties for the sale of drugs near schools. The package gives judges greater discretion under Florida's Sentencing Guidelines to impose more severe sentences for drug-related offenses.

IX. CONCLUSION

Have we answered all the problems of the State? Absolutely not. We have taken a solid first step. To meet our needs, we have asked Floridians to invest in their future through a modest tax increase. This investment will make for safer streets, better education for our children, and cleaner water. I think most people are willing to accept the mutual burden. None of us want to pay taxes, but all of us want to live in a better state. As I said, in many ways this year was a beginning. While Florida has not solved all of its problems, we have taken an all-important first step. We have shown that this state can look forward to the future, beyond the next year, beyond the next election, to the next decade.

Florida is in a time about which one could say, to paraphrase Dickens, "It was the best of times. It was the worst of times." After this session, I think the best of times is very possible and that Florida has created a spring of hope for the future.

