

FLORIDA TAXWATCH, INC.



1989 ANNUAL REPORT

One Giant Step for Taxpayers

It has been ten years since a handful of business and civic leaders with a dream met in Tampa, Florida to form an organization designed to make a difference. Their dream consisted of a Florida wherein citizens would receive better government, not more government, in return for their growing tax investments.

They envisioned a highly trained team of professionals making up a private, non-profit, non-partisan research institute. It was to be a "government watchdog" which, without lobbying, would independently scrutinize state government tax and spend policies and report on their findings. Its goal would be to improve public management service delivery and advance a more informed, responsive and accountable taxation policy. In short, they knew the system needed changing and they saw a way to make a constructive difference.

In February 1979, the dream became reality, and the Citizens Council for Budget Research was established. Naysayers predicted an early demise. Supporters were cautiously optimistic, giving the newly spawned organization three years to catch on. Some scoffed, others applauded, still others waited, silently watching for the first, refreshing indications that at last Florida's taxpayers had a true watchdog in Tallahassee.

Within weeks of its inception, the research team went to work, publishing dozens of probing studies on the type and quality of services state government was providing for taxpayers. The newly formed Council scrutinized areas like public school expenditures, cost overrides in state agency procedures and the real reasons behind state budget increases. They found facts that Florida's taxpayers had a right to know — knowledge that would soon make a genuine difference, both today and for many tomorrows.

It didn't take long for even the naysayers to realize that the new taxpayer watchdog was here to stay. From one end of the state to the other, among press and public, all the way to the halls of the Capitol and the floors of the Legislature, people became aware that the days of business as usual were over. And the business at hand was to challenge government to pursue cost savings, cut waste, increase productivity, and improve performance. To give Florida's citizens what they very much want and deserve: productive, responsive government with sound fiscal and performance management practices.

Today, the dream is not only still alive, it has grown into an acknowledged, respected reality widely known as Florida TaxWatch. And it will continue, with the help and support of its many members, to champion the cause of better, not just bigger government. Quality, not quantity legislation. Productive and accountable use together with equitable distribution of responsive state tax revenues.

That translates to a better lifestyle for all Floridians.

Florida TaxWatch, Inc.
Founders
In Alphabetical Order



J.E. DAVIS
WINN-DIXIE STORES, INC.



T. WAYNE DAVIS
TINE W. DAVIS FAMILY FOUNDATION



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GEORGE JENKINS
PUBLIX SUPER MARKETS, INC.



PHILIP D. LEWIS
FORMER PRESIDENT
FLORIDA SENATE



KENNETH A. PLANTE
FORMER STATE SENATOR

Letter From The Chairman and The President

Dear Fellow Member:

Over the last ten years, the name Florida TaxWatch has become synonymous with highly credible tax and spend research which generates noticeable results. That's one reason why during the next decade we will enhance our efforts to promote tangible public improvements which benefit all Florida taxpayers.

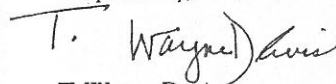
Floridians deserve results that increase government efficiency and accountability, deliver effective public services and produce a budgetary structure

designed to meet the challenges that face our state as we move into the twenty-first century. These basic, systematic improvements can and must make a measurable difference in the lifestyle of every man, woman and child who reside in or visit our great state.

Florida TaxWatch will continue its commitment to ensure Florida's citizens the high standards and positive return which they have a right to expect from their growing tax investment. Your valuable support along with the proven, credible research produced by Florida

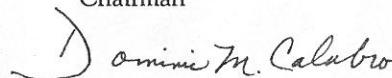
TaxWatch will keep the momentum going and enable us to meet many of the critical, growth-related challenges that face our state now and in the foreseeable future.

Respectfully,



T. Wayne Davis

Chairman



Dominic M. Calabro

President



Davis



Calabro

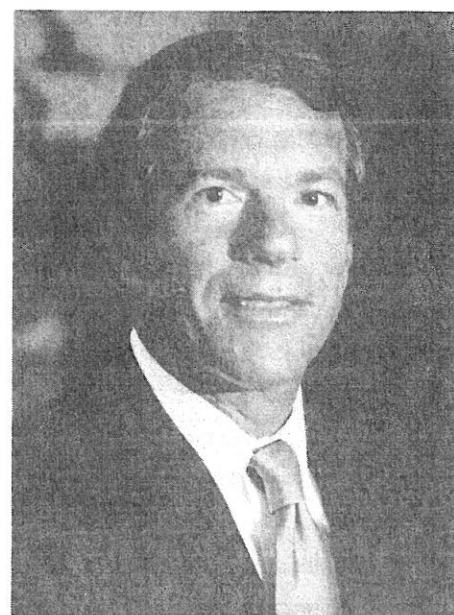
Officers



Chairman, T. Wayne Davis
Tine W. Davis Family Foundation



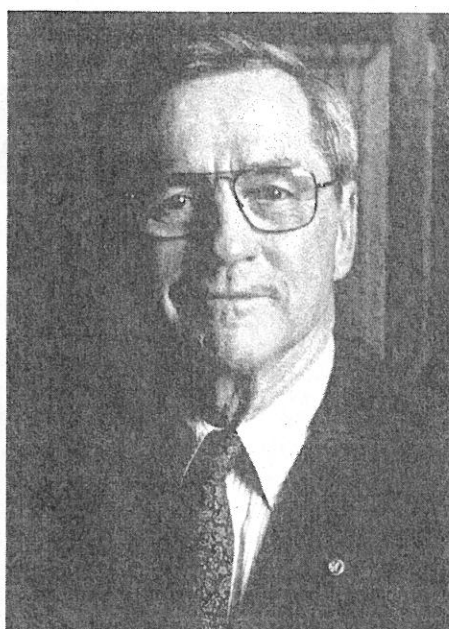
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Florida TaxWatch, Inc.



Vice Chairman, Michael Zagorac, Jr.
Jack Eckerd Corporation



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Secretary, George R. Langford
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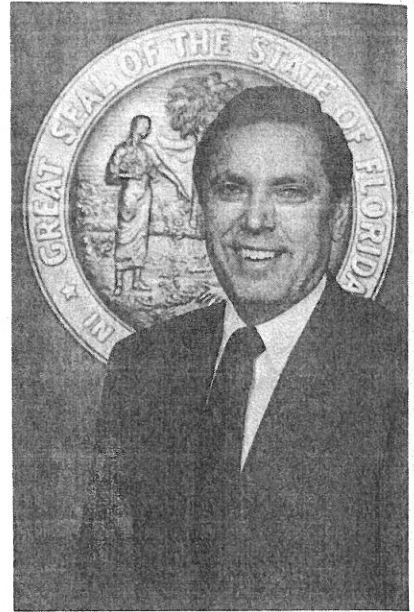
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From the Governor



STATE OF FLORIDA
OFFICE OF THE GOVERNOR
BOB MARTINEZ



Greetings:

It is a pleasure to extend greetings to those who have gathered for Florida TaxWatch's Annual Meeting.

The cooperative effort between Florida's elected officials, administrators and the private sector works to inject needed business acumen and efficiencies into our State Government to ensure that public funds are spent prudently. This effort and your accomplishments are invaluable to the citizens of Florida.

Best wishes for a productive meeting and for continued success.

Sincerely,

A handwritten signature of Bob Martinez in cursive script.

Governor

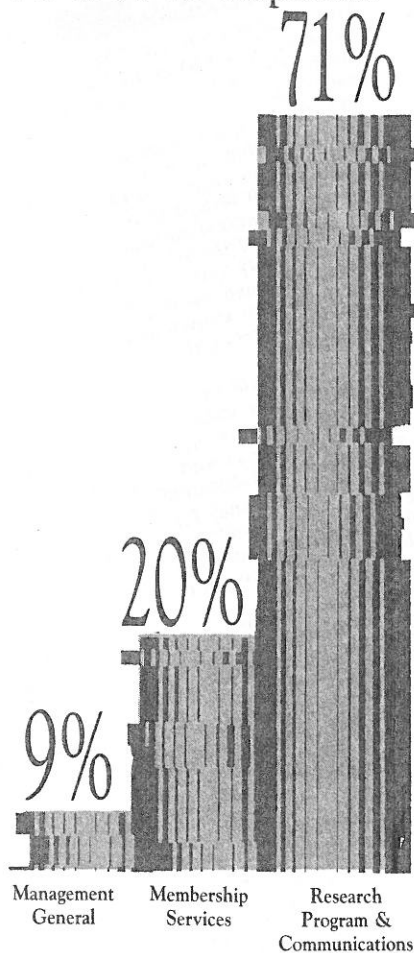
BM/rdw

Treasurer's Report

Florida TaxWatch, Inc. further expanded its financial resources and membership base by 26 %, thereby broadening its statewide representation of taxpayer concerns in Florida during the fiscal year ended January 31, 1989. This widening support demonstrates the recognized quality and enhanced public value of the Corporation's mission and research program accomplishments.

Total expenses of \$481,052 were kept below the \$543,000 expense budget by 11.4%. Also, total expenses were held below the \$682,758 in total income by 29.5%.

FY 1988-89 Expenses



During its last fiscal year, Florida TaxWatch continued to adhere to the fiscal standards which have been its hallmark. The Corporation's Financial Statements and Auditor's Report for FY 1988-89 indicate expenses were kept below income and were held under the amount budgeted – a practice which has continued during all of the ten years since the Corporation's inception.

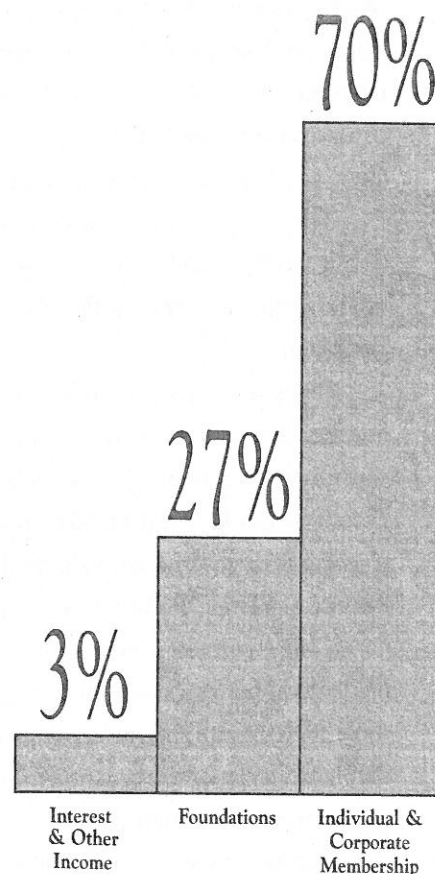
The Auditor's report for FY 1988-89 demonstrates the sound management practices and proper financial controls applied by the Corporation which ensure effective and productive operations with direct accountability.

According to the audited record of expenses, all expenditures went to prepare, conduct, publish, disseminate and properly communicate the research program's findings, conclusions and recommendations about Florida government tax and spend policies and practices. No expenses or activities went to lobbying, as is specifically restricted by the Corporation's Articles of Incorporation and Bylaws.

Respectfully,

L. Charles Hilton, Jr.
Treasurer

FY 1988-89 Income



Florida TaxWatch Is . . . Research That Gets Results

If research involving government policies is to achieve its objectives of better government, it must consistently maintain a balanced, constructive, non-partisan point of view. It must also be clear, accurate and empirically sound.

These are the key attributes which distinguish the widely respected, highly visible research program at Florida TaxWatch.

Our research products reflect an ongoing effort to provide timely and constructive recommendations on how to effectively pay for the demand Floridians place on their government today and in the future. Florida TaxWatch actively pursues ways to make government more productive and responsive, then translates those findings into specific action items that make sense for the constituents and customers of government.

Common sense . . . right at your fingertips.

Page 8A — THE NEWS — Thursday, March 16, 1989

Boca Raton News

Established 1955

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Consumer watchdogs monitor public purse

OUR VIEW

If you pay taxes in Florida, you might want to drop by the Sheraton of Boca Raton Hotel and Towers today at noon and shake hands with Dominic Calabro. He and the outfit he works for have saved you a lot of money in recent years, and they will save you more.

The speaker at today's Boca Forum luncheon, Calabro is president of Florida TaxWatch Inc., a non-partisan watchdog group that keeps an eye on state spending. TaxWatch is financed by a broad spectrum of interests, with most of its support coming from the business community. While its efforts tend to reflect the interests of business, all taxpayers benefit — and substantially.

TaxWatch is directly responsible for reducing the cost of state government by many millions since it was formed in 1979. This group uses smart research, smart publicity and smart business approaches to identify ways to save tax money and make government work better. Toward the end of each legislative session, TaxWatch issues its "Turkey Watch," a list of pork barrel projects slipped into the budget that

have little or no merit. The governor vetoed \$150 million worth of the projects on last year's list.

TaxWatch has teamed up with the Florida Council of 100 to study management of the state's four largest state agencies. Recommendations last year pointed the way to greater efficiency and improved management in the state's corrections system and the state Department of Transportation.

Major reports will be forthcoming on the state Department of Health and Rehabilitative Services and the Department of Education.

Where does the money for these studies come from? Very simple: Business learned long ago that it is less expensive to get involved, to help government cut costs and improve operations, than to pay higher and higher taxes without asking questions.

TaxWatch, which performs admirably at asking questions and suggesting answers, has proven to be a good investment.

Welcome to South County, Mr. Calabro, and thanks.

Partners In Productivity

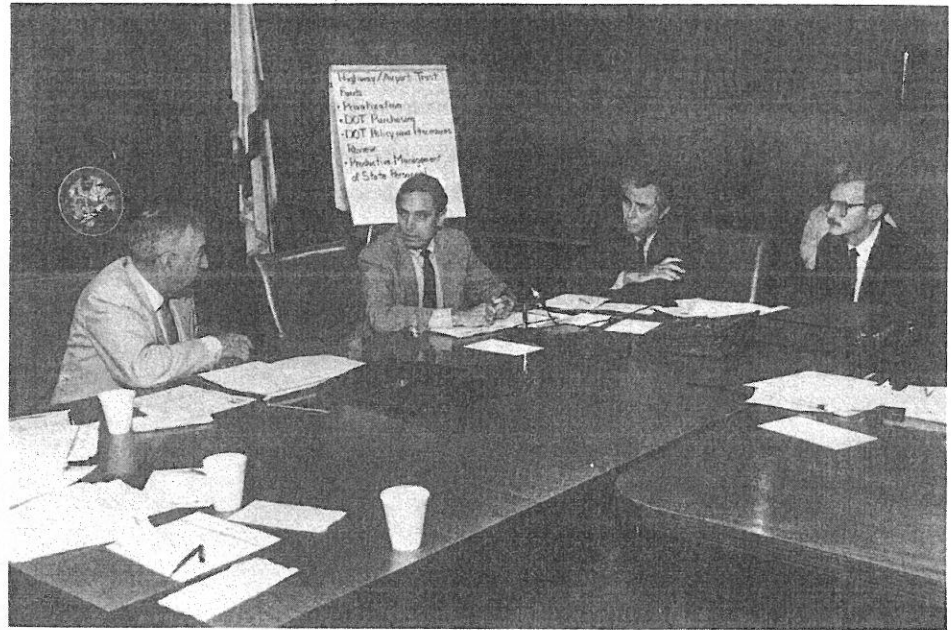
A Results-Oriented Initiative

A unique, public and private cooperative effort by Florida TaxWatch and The Florida Council of 100 spearheaded the formulation in October, 1987 of Partners in Productivity. Its mission is to implement and reward major government cost savings and performance enhancements. It will also assess how much and where Florida government is adding value to Florida taxpayers by annually measuring Florida government productivity performance.

Participating in the initiative are 39 of the state's top business executives along with government managers and citizens, all of whom are committed to the goal of capitalizing on opportunities for cost savings and efficiencies in government.

The year 1988 saw the publication of two landmark reports resulting from studies conducted by specially appointed Partners in Productivity subcommittees on four of the state's largest agencies.

The first report, issued in September and entitled, *The Future of Florida's Prisons*, recommended innovations projected to save or avoid costs of over \$50 million in 1989.



Focusing on increasing cost effective management and productivity in several key corrections areas, the report cites capacity enhancement and greater use of alternatives to incarceration to accommodate a burgeoning prison population as priority areas. Its main recommendation is for a five-year master plan to deal with future facility needs to help alleviate space shortages.

The second report, entitled, *Florida Transportation: A System at Risk*, takes an in-depth look at ten major operations and management areas in Florida's \$1 billion road building program, providing over 80 hands-on ways to improve them.

The report cites Florida's nearly 6,000 lane miles of highways in need of repair and its over 1,300 deficient bridges as key reasons why Florida's transportation future is in serious jeopardy.

The subcommittee made many valuable recommendations, including ways to cut work delays and cost overruns by speeding up the work order issuance procedure, new procedures for including both contract time and price in competitive bid packages, and ways to reduce time consuming supplemental contract agreements by ten percent annually over the next five years.

PARTNERS in PRODUCTIVITY



Other recommendations include: returning to competitive selection for quality and price in procuring architectural and engineering services while ensuring high calibre products; reducing DOT's internal forms by 20 percent; shaving state road building appropriations categories; and expanding moderately priced computer systems in lieu of more expensive, elaborate systems.

A follow-up report card together with ongoing evaluation of current and proposed performance measures will track DOT's progress in boosting Florida road building now and into the next decade.

Another report, scheduled for a mid-1989 release, will focus on Florida's Department of Health and Rehabilitative Services. The report will make recommendations concerning competitively bidding and pooling purchases of state health care services and cost effectively removing welfare recipients from the rolls and placing them into productive jobs.

The fourth agency report, regarding the Department of Education, will offer strategies for more cost effectively building and utilizing our public schools, restructuring the delivery of education through greater use of technology, and reducing Florida's dropout rate.

Subsequent to issuance of the four major agency reports, Partners in Productivity will produce a fifth report recommending productivity standards, a performance measurement system and major management improvement initiatives to the Governor, Cabinet, Legislature and Florida taxpayers.

The second phase of Partners in Productivity involves development of a first-in-the-nation productivity and performance measurement system for

improving Florida's state government that promises to serve as a prototype for use by other states in the nation as well as Florida's local governments.

Phase III will implement a government employee cash awards program based in part on development of Phase II measures.



The ultimate goal of Partners in Productivity is to create new incentives to turn the state's bureaucracy toward a continuous, automatic focus on increasing performance and productivity for better public service. This new direction will give government a new image – one of producer – and will for the first time in many years engender public confidence. That confidence will help taxpayers accept and support the investments they must make for increased and enhanced public services.

Partners in Productivity is a pioneer effort which will result in a role model program for over 400 local governments throughout Florida and the rest of the nation, and will redirect our citizens' tax dollars to yield a better return on their tax

investment. This will in turn offer them legitimate and observable reasons to support public investments that translate into a more healthy, productive society.

Florida's 1988 Tax Freedom Day!

In 1988, like the previous year, it took until early May for Floridians to pass the earnings "break even" point. At this time, estimates Florida TaxWatch, Floridians begin earning money for themselves instead of for federal, state and local government tax collectors.

During 1988, working Floridians spent about one-third of the year working for the government at all levels. This was also the second year in a row in which Tax Freedom Day occurred later than ever before. This publication tracks Floridians' support of government at the national, state and local levels - it compares to the relative value or purchasing power of Floridians' paychecks.

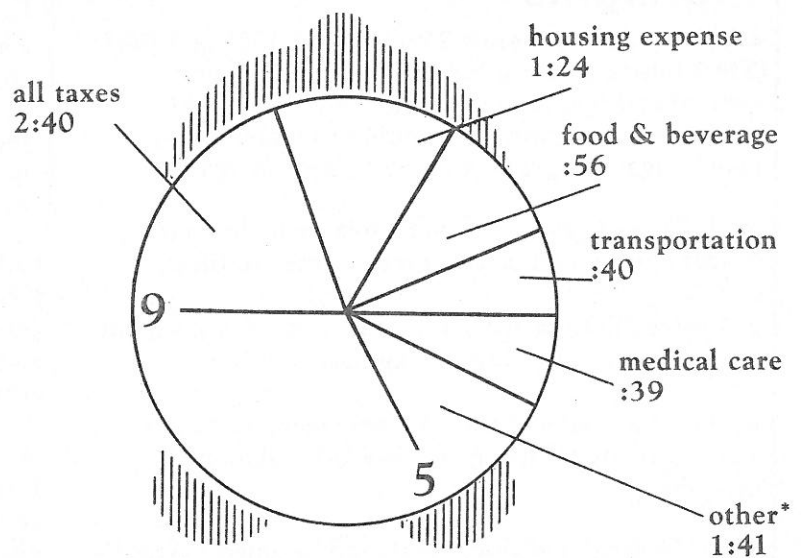
Tax Freedom Day in the 1980s A Look Back

	Florida	# of workdays	National	# of workdays
1988	May 2	86	May 5	89
1987	May 1	86	May 4	87
1986	April 25	82	May 2	86
1985	April 29	84	May 1	86
1984	April 29	84	April 28	83
1983	April 25	80	April 30	85
1982	April 28	83	May 3	86
1981	April 28	83	May 4	87
1980	April 28	83	May 1	86

Source: Florida TaxWatch, Inc. and Tax Foundation, Inc. April 1988.

Where Your Workday Earnings Go

Estimated Expenditure of the Average Florida Wage Earner in 1988
(based on an 8-hour day)



*includes clothing, recreation and savings

Source: Florida TaxWatch, Inc. and Tax Foundation, Inc., April 1988.

Improve Compliance of Internal Audit Law To Safeguard \$20 Billion State Spending

In 1983, Florida TaxWatch issued a detailed analysis of the state's internal audit function and made numerous recommendations to substantially improve it. In May 1986, we revisited the subject and found that most departments still lacked adequate internal auditing and oversight capability. Prompted by that report, the 1986 Legislature passed a law incorporating most TaxWatch recommendations for sound internal auditing in all state agencies.

This report assessed how well the new law had been followed and made recommendations for further strengthening state government internal

auditing. Florida TaxWatch surveys conducted in October 1987 and January 1988 documented both significant improvements and lingering problems.

The report went on to reveal whether or not state agencies were following the new internal audit mandate. It also highlighted some examples of measured cost savings and increased performance brought about by effective internal auditing, pointed out some problem areas in the existing system and offered valuable suggestions on how the law could be fine-tuned to make the law stronger and more effective.

Highlights

- The state budget grew 25% between 1986 and 1988 (\$14.7 billion to \$18.4 billion) but the number of internal auditors remained the same. Additional internal auditor positions should be created as the state budget, programs and work force increase.
- Three agencies which spend over half the state budget have a total of just nine internal auditors.
- Twelve (40%) of the state agencies surveyed do not have full time chief internal auditor positions.
- Chief internal auditors in seven agencies do not report directly to the agency head, a violation of state law.
- The internal auditing law should be amended to clarify whether or not chief internal auditors must be

Need to Get Going

The internal audit statute is scheduled to sunset October 1, 1990. It is imperative that all state agencies increase their efforts to fully implement this important management tool so the Legislature can accurately gauge the benefits of internal auditing when it considers whether to retain the law.

full time employees in each state agency, strengthen legislative monitoring and oversight, require audit committees in all agencies and allow program managers additional time to develop constructive plans for correcting audit deficiencies.

- The classification and compensation system for chief internal auditors and their staff should be carefully reviewed. Purpose: To streamline position classes, ensure competitive and equitable pay levels and reduce costly turnover that disrupts sound internal auditing.

New Law Is A Balanced Approach To Taxing Insurance Premiums

June 1988

RESEARCH REPORT AND SURVEY SUMMARY

New Law is a Balanced Approach to Taxing Insurance Premiums

Beginning July 1, 1988, insurance companies based in Florida and their consumers will begin paying the state's insurance premium tax, ending nearly forty years of exemption. Due to challenges to the constitutionality of that exemption, the 1988 Florida Legislature subjected all companies writing policies in Florida to the state's 2% premium tax. Making a fundamental change in state tax policy is never easy, and amending the premium tax law raised questions of fairness. The dilemma facing the Legislature was to make the law constitutional and fair, while still promoting Florida as an attractive state for insurance company investment.

This Florida TaxWatch analysis finds that even though the Chairman of the House Insurance Committee stated, "We're not really talking fairness here, we're talking taxes," the new law is prudent, equitable and workable.

Florida TaxWatch has monitored the two-year process of changing the insurance premium tax law to assess its potential effect on the desirability of the state as a home for insurance companies. Insurance is a clean, big-money and fast growing industry and Florida should not jeopardize its growth in the state. Such a fundamental tax change should not occur without an examination of the potential consequences it might have on the industry and the availability, quality and cost of insurance products to Florida consumers. Moreover, Florida should uphold the commitment it made to companies who made substantial investments by locating their headquarters or regional offices in the state when the law was changed in 1949 and 1953 to invite the industry to our state.

HIGHLIGHTS

- The 1988 Florida Legislature changed the insurance premium tax law that exempts domestic insurers, taxes foreign insurers at 2% and taxes foreign insurers with offices in Florida at 1%. Beginning July 1, 1988, all insurers are subject to the 2% tax, with added credits for intangible taxes paid and salary paid to Florida employees.
- The new law will raise \$224.7 million in FY 1988-89. This is approximately \$30 - \$40 million more than the law currently in effect, but over \$30 million less than the law previously scheduled to take effect July 1, 1988.
- The new law offers increased tax credits to continue to make it more attractive for insurers selling in Florida to maintain a corporate presence here.
- An insurance industry survey by Florida TaxWatch indicates that the new law is consistent with what the industry inside and out of Florida perceives to be fair. A 2% tax is close to the national average. The law is also consistent with industry expectations concerning tax breaks given companies domiciled in the state.
- Florida TaxWatch finds the new law to be a prudent and equitable way of dealing with the constitutional questions of the current law.
- However, the law will need close monitoring. The state did little to assess its impact on competition in the insurance industry, the quality and availability of various lines of insurance or the ultimate cost to consumers.

As the result of a 1987 U. S. Supreme Court decision and subsequent measures passed by the 1987 Florida Legislature, the 1988 Legislature passed a law mandating that all Florida-based insurance companies and their consumers begin paying the state's insurance premium tax, ending an exemption of nearly forty years.

Beginning last July 1, all Florida-based insurance companies and their customers became subject to a two percent tax, with added credits for intangible taxes and salary paid to Florida employees.

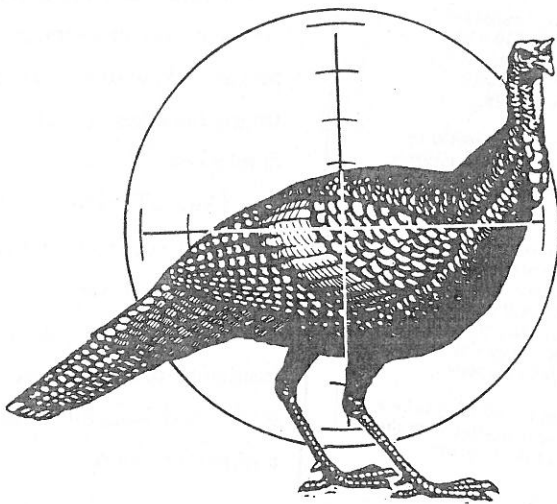
Florida TaxWatch found the new state law to be prudent, equitable and workable. However the law will require close monitoring to assess the impact on insurance industry competition, product quality and availability, and the ultimate cost to consumers.

Florida
TaxWatch
Inc.

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1988 Turkey Watch

1988 TURKEY WATCH



**An Unprecedented \$150 Million Worth of
Turkeys Require Governor's Veto**

June 24, 1988

and update of June 28, 1988 Governor's vetoes

Florida
TaxWatch
Inc.

Given the fact that the state budget jumped 15.7 percent (or \$2.8 billion) over the year before, the unprecedented number of low priority or inappropriately funded legislative measures revealed last year by Florida TaxWatch was a matter of grave concern.

Aptly dubbed "Turkeys," these dubious measures can take many forms: items which are included in the budget after the start of the General Session, allowing lawmakers to sidestep the normal planning process; subsidies to private organizations or projects which by rights should obtain their funding from private sources; local government projects benefitting local residents; and "pet" projects of special interest groups.

Also cited were measures which seemed low in priority when compared to more serious needs around the state. Some of these turkeys included a \$.15 million water hyacinth study and \$.05 million for a film documenting the story of Florida water, to name just two. When all the gobblers were added up, the tab came to more than \$150 million. Fortunately, two-thirds or \$76.7 million of the appropriations had a close encounter with the Governor's veto pen.

Florida TaxWatch recommendations included establishment of an annual "turkey allowance" not to exceed ten percent of the Working Capital ("Rainy Day") fund in any given year.

How Does Florida Compare?

A look at state taxes presented by Florida TaxWatch, Inc.

HOW DOES FLORIDA COMPARE?



August 1988

The answer to the title's question is: not as well as it once did. In this report, Florida TaxWatch ranked our per capita taxation, or the level of individual taxation when compared to the other 49 states, at 37th – up from 42 in 1983.

Moreover, the short-lived sales tax on services and the sixth cent sales tax had yet to be tallied at the time of this report, so Florida's tax level could jump a few more points once those figures are compiled for the next "Compare" report.

Taxation and Budget Reform Commission Can Help Floridians Get the Future They Pay For

A proposed constitutional amendment establishing a Taxation and Budget Reform Commission was passed by voters last November with hopes to institutionalize a rational, non-political and comprehensive review of how the state provides for its citizens' needs.

This report, along with statewide media support, were the instruments of citizen education by which Florida TaxWatch backed the passage of this important amendment.

The new amendment will mean that beginning in 1990 and every ten years thereafter, a 25-(voting) member commission would examine the state's tax and spend policies and practices and recommend to the Legislature and Governor ways to improve the state's budget process, to make our tax structure more equitable and responsive in November, 1992, and each decade thereafter.

The commission would also take tax and budget reform issues directly to the voters by proposing constitutional changes for acceptance by the general electorate. In that way, the commission would give taxpayers and public leaders alike an official vehicle for scrutinizing the whole picture. This should help ensure that our public officials enact responsive tax and spend policies that provide effective, productive public services that add value to Floridians' lives.

RESEARCH REPORT

*A compelling need for
tax and budget reform*

Taxation and Budget Reform Commission Can Help Floridians Get the Future They Pay For

When the final report of the State Comprehensive Plan Committee was released in February 1987, Floridians were staggered by its price tag. The report stated that Florida would need \$53.9 billion in **additional** tax revenue over the next ten years to meet our state's pressing needs. This is over and above what the state's existing tax structure was expected to raise.

Meeting Florida's infrastructure and public service deficit would take \$35.9 billion at the state level and \$18 billion locally. The report concluded that significant tax hikes would be needed.

Today, many Floridians understand the necessity for this funding and acknowledge that accomplishing it will require some form of new taxes. But few of our citizens know that since the State Plan Report was released, tax increases sufficient to cover nearly three-fourths, or \$25 billion, of the state's portion have been enacted by the Florida Legislature.

More importantly, Floridians need and deserve assurances that their \$25 billion investment will actually deliver three-fourths of the needs set forth in the State Plan.

Some of the revenue increases suggested by the State Plan Committee have been enacted. But most of its recommendations dealing with "uncompromising and ongoing efforts to improve productivity" and "additional assurances (of public accountability) that Floridians are receiving a full dollar's worth of services for every dollar they are taxed"

Nearly 3/4 or \$25 Billion of State Portion of the State Plan Funded

Table 1

Major Revenue Hikes in Florida Since
Release of the State Comprehensive
Plan Report in February 1987

(\$ in billions)

Revenue Source	Additional Revenue* Through FY 1997
Sales Tax (6th cent on goods)	\$15,150.6
Lottery (45% of gross)	7,565.6
Additional Auditors & Tax Amnesty	820.6
Sales Tax (on mail orders)	245.0
Insurance Premium Tax	471.3
Documentary Stamp Tax	357.2
Sales Tax (on services)**	436.2
License Tags and Registration	119.0

Total \$25,165.5

State funding called for in the
State Comprehensive Plan Report \$35,915.0

Portion of State Plan funded 70%

* State portion only, does not include local tax increases or local portion of state tax hikes (i.e., 9.88% of the 6th cent sales tax).
** repealed

Source: Florida Consensus Revenue Estimating Conference, Florida Department of Revenue and Florida TaxWatch, Inc., October 1988.



October 1988

111 N. Gadsden Street • P.O. Box 10209 • Tallahassee, FL 32302 • Phone (904) 222-5052

Pension Legislation Is An Injustice For All.

RESEARCH REPORT

December 1988

Pension Legislation is an Injustice for All

Special Risk Benefits Raise Financial and Constitutional Dilemma

A law passed by the 1988 Legislature and scheduled to take effect on January 1, 1989 will increase the pension credit benefit by fifty percent for designated "special risk" members of the Florida Retirement System (FRS). The Special Risk Class was created in 1970 to provide earlier retirement for law enforcement officers, correctional officers and firefighters who could not be expected to work until the normal retirement date of regular members without risk to themselves, co-workers or the general public. Special risk members represent about 7.6 percent of the participants in the FRS.

5-Year Price Tag: \$461 Million

The extra pension credit was previously "guesstimated" by Florida legislators to cost cities, counties, and the state \$336 million over the first five years. However, after the law's passage an actuarial study and Division of Retirement assessment pegged the true cost at \$461 million -- \$130 million for the state and \$331 million for local taxpayers.

The law is believed to be a clear violation of the Florida Constitution, Chapter 112, Florida Statutes and Senate Rule 3.13. Termed by Florida TaxWatch as "an injustice for all," the law is grossly unfair to three groups of Floridians:

- Special risk pension members who have been promised benefits which the state and local governments may not or can not provide;
- State and local taxpayers who will have to make up the differences in funding with higher taxes;

• Needy Floridians whose services and care may be in jeopardy because of the need to finance this \$1/2 billion unconstitutional travesty.

Special risk employees can retire at age 55 or after 25 years of service. Their retirement benefits will be equal to those of regular FRS members who retire at age 62 or after 30 years of service. This has been done by giving special risk members a two percent pension credit for each year of service as opposed to a 1.6 percent credit for regular members.

Counties Planning Lawsuit

The pension measure, signed into law by Governor Martinez last July and due to take effect on January 1, 1989, would cause extreme financial hardship for Florida's state and local governments and taxpayers alike. Due to the fiscal strain this law places on city and county governments and its dubious constitutionality, the Florida Association of Counties is planning to sue the state if the 1989 Legislature does not take remedial action.

Although state law and Senate Rules call for an actuarial study prior to the passage of any such law and the Florida Constitution requires that increased government pension benefits be funded "on a sound actuarial basis," none was done. A state actuarial study was performed after the measure became law which found the pension hike funding was not actuarially sound, and was in violation of the Florida Constitution.

The pension's added insolvency will force local governments to seek new or higher revenue



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But the blush faded when Florida TaxWatch revealed the grim realities. First, promulgating the new law without the legally required actuarial study rendered it unconstitutional and in clear violation of Florida Statutes and Senate Rule 3.13. Second, legislators originally "guesstimated" the pension's cost over the first five years to cities, counties and the state at \$336 million. But a later state actuarial study and Division of Retirement assessment pegged the real cost at \$461 million -- \$130 million for the state and \$331 million for local taxpayers.

Florida TaxWatch termed the law unfair to three groups of Floridians: Special risk pension members who were promised benefits which were not provided for; state and local taxpayers stuck with an obviously unconstitutional law; and needy Floridians whose services and care would be threatened by the need to "borrow from Peter to pay Paul."

Florida TaxWatch recommended immediate court action to invalidate the measure, further recommending that the 1989 Legislature repeal the unconstitutional provision of the law and find a way to make any similar, replacement legislation legal and actuarially sound. We also called for parity for other FRS members who may not fall into the special risk category -- such as those who work with AIDS patients, hazardous waste or emotionally or mentally disturbed and potentially violent patients.

The 1988 Legislature passed a law increasing the designated "special risk" members of the Florida Retirement System (FRS) pension credit by 50 percent. At first blush, the measure seems warranted due to the "special risk" designation of some FRS members; the group consists primarily of firefighters, law enforcement officers, and others who regularly risk their lives in their work.

Capitol Focus

Throughout the year, Florida TaxWatch has provided Florida taxpayers with regular updates on the state's tax and spend issues and how they affect the lifestyle and pocketbook of our citizens. Our monthly newsletter, *Capitol Focus*, is a multitopic source of timely information designed to keep readers abreast of government policy changes, innovations, and TaxWatch activities.

During 1988 our newsletter covered such topics as a TaxWatch prompted cutback of DOT's overpriced park and


ride program along South Florida's I-95. We also reported on the high price Floridians pay for federal grants and we called attention to the benefits of enhanced internal agency audits.

Our innovations section featured many new ideas and government actions that saved taxpayers millions of dollars. We commended the Department of Commerce for obtaining additional corporate sponsorship for its publications, saving taxpayers over \$3 million; also commended was the Department of

General Services' program which recycles used state office supplies and furniture and the Department of Highway Safety and Motor Vehicles received our thanks for their FLOMOBILE – a licensing office on wheels that saves time, money and customers' tempers.

The ongoing innovations feature is one small but important step which Florida TaxWatch takes to catch government managers and employees doing "something good, better and noble" through wise use of Floridians' tax dollars.

**Capitol
FOCUS**

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CAPITOL FOCUS is published monthly by **Florida TaxWatch Inc.**, a statewide non-partisan, non-profit research foundation for Florida taxpayers.

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