

Florida **TaxWatch**

2001 ANNUAL REPORT

Florida TaxWatch is your eyes and ears for government accountability throughout Florida. Since 1979, Florida TaxWatch has been watching how your tax dollars are raised and spent. Florida TaxWatch consistently finds new ways to promote and encourage government efficiency and cut waste.

Florida TaxWatch is a private, nonprofit, nonpartisan research institute supported by voluntary, tax-deductible membership contributions and philanthropic grants. All types of taxpayers--homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations benefit handsomely from membership in Florida TaxWatch.

Florida TaxWatch is one of a kind--the only statewide organization dedicated to protecting the economic future of our state while ensuring that our tax dollars are spent wisely, efficiently and productively.

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Dear Fellow Taxpayers:

Twenty-two years ago, the founders of Florida TaxWatch established a very unique public policy watchdog and effective guide dog. With your participation and support, TaxWatch will continue to make a constructive and value-added difference for Florida's taxpaying citizens. Its public-spirited work is rooted in intellectually honest, sound solutions to complex public problems and has helped TaxWatch become one of the state's premier institutions -- vigilantly serving the people of Florida.

Several days after the shock of September 11, 2001, the Governor and key state leaders called upon TaxWatch for common sense proposals to help Florida's economy recover and responsibly cut the state budget. TaxWatch's published recommendations to stimulate Florida's economy and tourism became a cornerstone of the Governor's Economic Stimulus Plan and were promptly enacted in the special legislative session. During this new year, TaxWatch will examine numerous economic and tax proposals that can significantly increase and diversify Florida's economy by encouraging capital formation and good paying jobs in Florida.

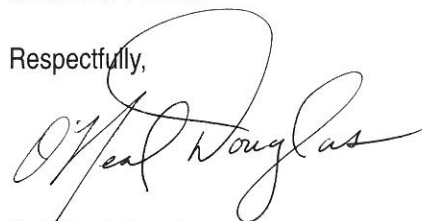
TaxWatch published government cost savings and innovations that can slice approximately \$1.1 billion without cutting core functions or direct services -- as a first line of budget reductions. Some call this "un-common common sense." But they require the collective support of the Governor, legislators, the taxpaying business community and the affected education, health and social service advocacy groups -- TaxWatch is working to do just that.

Since Florida's health and economic vitality rests with the effective performance and accountability of our K-20 education system, TaxWatch will continue researching ways to enhance student performance and reduce taxpayer cost. TaxWatch will work with key statewide groups, civic/business leaders and philanthropic foundations to establish a rigorous Principal of the Year Program that identifies, recognizes and rewards truly outstanding principals who make a significant, measurable difference in their students' academic performance. TaxWatch will also work with the Legislature and respected groups to inject competition and accountability by redirecting non-instructional costs of \$1/4-\$1/2 billion into the classroom where it can positively change a child's life.

In addition to these initiatives, TaxWatch will continue its research to modernize Florida's tax structure, to enhance the performance and accountability of the state's management and civil service systems and to create a modern, market-driven public retirement system to serve Florida's citizens and taxpayers throughout the 21st Century.

Let us go forward, reminding all that our government belongs first, last and always to you, the taxpaying citizens of Florida.

Respectfully,



T. O'Neal Douglas
Chairman



Dominic M. Calabro
President and CEO

LETTER FROM CHAIRMAN & PRESIDENT

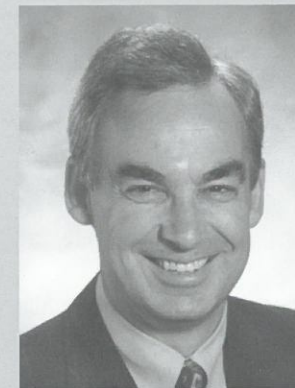
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EXECUTIVE COMMITTEE



Chairman
T. O'Neal Douglas
American Heritage Life Insurance



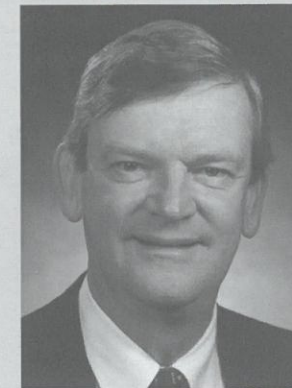
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John W. Gray Sugar Cane Growers Coop.		

LETTERS OF SUPPORT



STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

www.flgov.com
850-486-7146
850-487-0801 fax

November 1, 2001

Mr. Dominic Calabro, CEO

Florida TaxWatch

106 N. Bronough Street


Tallahassee, FL 32301-7723

Dear Dominic:

Congratulations to Florida TaxWatch on another successful year of delivering common sense solutions to the fiscal and economic challenges facing Florida government, and its citizens and businesses. Florida TaxWatch's presence in our state ensures a more sound public policy and greater government productivity and accountability which improves the quality of life for all Floridians and visitors to our state.

I recognize the hard work and exemplary leadership provided by your organization. We can always count on Florida TaxWatch to look out over Floridians' best interests. Thank you for your invaluable service to the taxpayers of Florida.

Sincerely,



Jeb Bush

BOB GRAHAM

FLORIDA

United States Senate

WASHINGTON, DC 20510-0903

November 2, 2001

Florida TaxWatch

106 North Bronough Street

Tallahassee, Florida 32301-7723

Dear Friends:


It is my pleasure to extend my congratulations to Florida TaxWatch for another year of successful service to the citizens of our state.

Now more than ever, Florida government needs a responsible partner to offer sound policy recommendations and productivity enhancements. Florida TaxWatch is that entrusted friend of taxpayers, carefully watching that our citizens' hard-earned dollars are put to smart use.

I appreciate the diligence and efforts of your organization. Many thanks for your continued vigilance.

With kind regards,

Sincerely,



United States Senator

BG/ser

BILL NELSON

FLORIDA

United States Senate

WASHINGTON, DC 20510-0905


November 8, 2001

Dear Friends:

Congratulations, Florida TaxWatch. Your work as an advocate for Florida's taxpayers is more important than ever during this time of fiscal belt-tightening. As independent eyes and ears, your findings and recommendations provide an invaluable perspective to help ensure that the state's important decisions are made with the interests of all Floridians foremost in mind.

Keep up the good work. Florida's decision-makers will continue to look to your organization for independent insight on matters of economic, fiscal and public policy.

Sincerely,



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Throughout the past year, particularly as the state's fiscal picture has worsened, Florida TaxWatch released publications on the state budget shortfall and made numerous recommendations to address it. During the 2001 Legislative Session and in preparation for the October 2001 Special Session, Florida TaxWatch research activities brought attention to this critical issue and others that affect Florida's taxpayers and businesses.

Senior Research Fellows

The Senior Research Fellows assist and advise Florida TaxWatch with its research agenda and annual evaluation of Davis Productivity Awards nominations. Each fellow is a prominent scholar or professional of national repute, chosen for his public policy analysis and evaluation expertise in the areas of state and local government accountability, finance and taxation. **Continuing Fellows include:**

Dr. John Lombardi, Fellows Chair and Director, Center for Studies in the Humanities & Social Sciences, University of Florida; and Past President, University of Florida

Dr. Roger Kaufman, Fellows Vice Chair and Director, Office of Needs Assessment and Planning, Florida State University; associated with the faculty in Industrial Engineering, University of Central Florida; and Research Fellow, New Jersey Institute of Technology/Newark College of Engineering

Dr. Lance deHaven-Smith, Professor, Askew School of Public Administration and Policy; and Associate Director, Florida Institute of Government, Florida State University

Mr. Arnold Greenfield, Attorney; Former Director, Florida Division of Bond Finance; and Lecturer, Askew School of Public Administration and Policy, Florida State University

Dr. Arnold A. Heggstad, Holloway Professor of Finance & Entrepreneurship, Warrington College of Business Administration, University of Florida

Dr. William Earle Klay, Professor and Director, Askew School of Public Administration and Policy, Florida State University

Dr. Jerry Kolo, Professor, Department of Urban and Regional Planning, College of Architecture, Urban and Public Affairs, Florida Atlantic University

Dr. Harold Peckron, Visiting Professor, Barry University of Orlando, School of Law

Dr. Craig E. Reese, Professor of Accounting/Taxation, Department of Business Administration, St. Thomas University

Dr. Bernard Sliger, Director, Gus A. Stavros Center; and Past President, Florida State University

Dr. Henry Thomas, Chairman, Department of Political Science and Public Administration, University of North Florida

Newly Appointed:

Dr. Stephen Morrell, Professor of Economics and Finance, Andreas School of Business, Barry University of Miami

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BUDGET WATCH

■ Guiding Florida Through Our Fiscal Storm: TaxWatch Offers \$1 Billion Budget Cuts, November 2001.

In our first November *Budget Watch*, TaxWatch called on the Governor to summon a new special session at an early date. Now that he has done so, both he and the Legislature will have to make some tough, but essential budget decisions when they meet again on November 27, 2001. Floridians continue to have legitimate concerns about their public health, safety and the economy and will hold lawmakers accountable if they do not rise to the challenge this time around. As anticipated, the recessing economy has continued its downward path since the tragedy of September 11, 2001. The state's economy, particularly the tourist industry, continues to be hard pressed.

■ Florida TaxWatch Offers Additional Ideas to Deal With Budget Shortfall, October 2001.

Earlier this month, Florida TaxWatch issued a *Budget Watch* detailing \$700 million worth of cost savings and budget cuts in the face of a projected budget shortfall caused by a slowing economy and exacerbated by the terrorist attacks of September 11, 2001. Since then, state revenue estimators have revised their projections and have increased the estimated budget shortfall for the current fiscal year from \$670 million to \$1.3 billion. Florida TaxWatch offers in this *Budget Watch* another set of ideas to save almost \$400 million.

■ Guiding Florida Through Our Fiscal Storm: TaxWatch Offers \$700 Million Budget Cuts, October 2001.

Florida's Governor and Legislature will be making some tough decisions over the next few months as they face the reality that Florida will have less money than anticipated, both for the current budget year and the next. Governor Bush has called for a special session of the Legislature to deal with the current budget shortfall. While the Governor has rightly stated that everything should be on the table for discussion, appropriate budgetary policy and taxpayer concerns lead Florida TaxWatch to recommend that the Governor and Legislature opt for reducing spending first. In this *Budget Watch*, TaxWatch makes the following cost-saving recommendations.

■ Florida Must Continue to Be Open for Business, October 2001.

The terrible events of September 11 have created many challenges for the nation. In addition to thousands of profound personal tragedies and the threat to our national security, the economy was also dealt a serious blow. It is now certain that Florida will have less money than anticipated, both for the current budget year and the next. What is not certain is what will happen next. The state must take steps to deal with the current shortfall and the key to that is to keep Florida's 16 million residents and its tens of millions of visitors back in the business and hospitality of Florida.

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■ **Two Possible Scenarios Prescribed by State Law for Resolving a Projected Budget Deficit and Putting Things in Perspective, September 2001.**

Since Florida's Constitution requires a balanced budget, what are the options available to Florida lawmakers should the state face a projected budget deficit, as now appears likely? In this *Budget Watch*, Florida TaxWatch examined how lower than expected revenues will force mandated procedures to take effect to rebalance the state budget.

■ **Revenue Estimates Cut by 228 Million Setting Stage for House and Senate Budget Battle, March 23, 2001.**

This is the third in a series of *Budget Watch* alerts that Florida TaxWatch released during the 2001 Legislative Session. This report examined the budgetary implications of slower revenue growth, the resulting budget squeeze and the battle being waged in the Florida Legislature. Also explored were possible sources of funding that could be used to fund high priority initiatives that otherwise may go begging.

■ **Analysis of the Governor's 2001-2002 Budget Recommendations, February, 2001.**

This second in a series of *Budget Watch* alerts reviewed the Governor's proposed 2001-2002 budget and an attempt by the Governor's Office to develop a more accurate system of budget accounting to eliminate excess or misleading budget authority to reveal a truer spending number.

■ **Florida's 2001-2002 Budget Squeeze: Slowing Revenue Growth Slams Into Higher Demands for Services and Spending Commitments, December 2000.**

This first in a series of *Budget Watch* alerts contrasted programs and issues in the FY 2001 budget, reviewed funding requirements for existing programs and initiatives, recommended guiding principles for coping with an impending budget squeeze, and identified the cost saving evaluation criteria it uses to determine which state programs and spending measures were deemed to be worthy of retention, elimination, consolidation, outsourcing or efficiency/effectiveness enhancement.

■ **Budget Fax, 2001.**

Florida TaxWatch's seventh annual *Budget Fax* series was disseminated periodically before and during the 2001 Legislative Session. *Budget Faxes* contain important information on legislation in several major topic areas: budgeting and taxation, civil service reform, education, transportation, growth management and general government, as well as any other major legislative developments as they occur.

A Clarion Call for Statesmanship of the Highest Order: Veto the Post-Session Spending Plan and Start Over!, November 2001. Floridians need to be able to say that Florida state government rose to the occasion when the health, safety and economic welfare of its citizens was directly threatened. In this *Briefing*, TaxWatch calls on the Governor to summon a new special session at the earliest possible date to create a new spending plan which will allow Florida to get its fiscal house back in order and also to jolt Florida's tourism-dependent economy back on track.

Bold Actions are Required to Get Air Tourists Back to Florida!, October 2001. Florida's economy, so dependent on tourism, is caught in the eye of the storm. In fact, approximately \$5.6 billion to \$6.9 billion of state tax collections in Florida's General Revenue Fund in 1999 came from direct and indirect tourism-related activities. With the airlines being so hard hit by the recent events, TaxWatch outlines which steps to take to get tourists flying again and what more needs to be done by Florida to restore this integral part of the state economy.

Estate Tax Phase-out a Formidable Challenge to Florida's Budget: Initial Estimate Shows \$174.3 Million Impact in 2003, May 2001. This was an update to the preceding *Briefing* on developments in Congress on the Estate Tax Bill.

Accelerated Estate Tax Changes Pose Threat to Florida: First Year Impact \$460 Million Additional on Florida, May 2001. Florida's estate tax is a "pick-up" tax which works as if the state had enacted an estate tax which rates equal to the credit schedule specified in Florida law. Florida and 34 other states have no other estate tax than the share they get "piggy-backing" on to the federal tax. There is no additional net burden to the taxpayer from the state tax. In its absence, the entire sum of the estate tax is paid to the federal treasury.

Taxpayers receive a credit on their federal estate tax and give that amount to the state. If the federal credit is eliminated, so too is the Florida estate tax.

Reinstatement of the Federal Income Tax Deduction for State and Local Taxes Would Restore Equity Across the States, May 2001. Prior to 1986, taxpayers were permitted to deduct all of their state and local taxes paid (along with some other taxes) when computing their federal tax liability. Since the creation of the Federal Income Tax in 1861 until 1986, the sales tax deduction had been accepted as a necessary feature of federalism. In 1986, Congress broadened the base of income by eliminating many of the deductions and credits that previously existed in the code, including the deduction for state and local sales taxes. In this *Briefing*, TaxWatch documented current efforts to repeal this provision.

Florida's Economic Outlook: Just a Bad Case of Hiccups?, May 2001. Within the shadow of early 2001 economic conditions, anxieties about the national and thus the state economy fueled speculation of impending doom and gloom. A slowing economy means less tax dollars for governments to spend, and in Florida, the recent "revenue shortfall" prompted legislators to talk about budget cuts and unmet needs. In this *Briefing*, TaxWatch provided a rationale for the most recent forecasts and insight to a solution.

Florida's Ongoing Budget Battle Over Shrinking Revenues: Everglades or "Nevermoreglades?" Is that the Question?, April 2001. For more than a decade, the Florida Preservation 2000 Program (P-2000) has financed the acquisition of conservation, recreation and water resource lands throughout the state of Florida. This year, there is debate brewing over using some of this P-2000 money to free up general revenue for non-environmental programs. TaxWatch recommended that the Florida Legislature seek solutions to assure the long-term funding of the Everglades restoration.

Requiring Supermajority Vote on Constitutional Amendments: Changing Florida's Fundamental Governing Document Should Require a Broad Consensus, April 2001. In the latest research on the topic, TaxWatch made three recommendations for the Legislature to consider when implementing a supermajority requirement to pass constitutional amendments which would put Florida at the forefront of the struggle to limit the influence of special interests and help restore Floridians' confidence in our democratic-republic form of government.

Modernizing Florida's Taxes: Capping the Documentary Stamp Tax on Unsecured Loans Would Limit the Practice of Closing Such Transactions Out of State, April 2001. This *Briefing* reviewed pending legislation which would change the way businesses could execute large loans and make the state more friendly to those businesses as well. Florida TaxWatch made further recommendations in this report from *The Center for a Competitive Florida*.

Sharing State Government Productivity Earnings, Tax Savings "Dividends" for Employees and Taxpayers Alike, April 2001. A discussion of the newest state programs to increase productivity and cost savings by state government employees. These include the Reversion Recovery Program, the Productivity Enhancement Program, the Productivity Bonus Program and Reward Efficiency Initiatives.

Delivering the Promise of Government Performance and Accountability: Outcome-Based Total Accountability Act and Quality Unit Cost Analysis Critical Next Steps, March 2001. In this sixth in a series on implementation of the 1994 Government Performance and Accountability Act, TaxWatch made recommendations to require that agencies provide additional unit cost data in their legislative budget requests: a critical step toward achieving more accountable government.

Florida's New Retirement Program Should Offer More, Not Fewer, Informed Choices for Employees, January 2001. An aspect of the Public Employee Optional Retirement Program (PEORP) may undermine the very fundamentals of a defined contribution retirement plan by unduly limiting options available to the member/investor employee. In this Briefing, TaxWatch made recommendations to strengthen the way that the retirement plan operates.

Modernizing Florida's Civil Service: A Necessary Beginning for Meaningful Change, January 2001. Florida TaxWatch has worked for a number of years in behalf of the bipartisan effort to modernize Florida's Career Service. In this Briefing, TaxWatch presented six principles necessary to bring about sustainable reform in Florida's Career Service.

State Constitution Is Not The Appropriate Destination For Proposed High Speed Rail, October 2000. On November 7, 2000, voters approved a constitutional amendment requiring that construction of a high speed ground transportation system to connect Florida's five largest urban areas begin not later than November 1, 2003. This *Briefing* expressed three concerns about the proposed amendment: that it limits the state to current high speed rail systems, foreclosing on any future alternatives that are more cost effective and offer greater benefits in a constantly changing technological environment; that it requires construction to begin less than three years after voter approval; and that it does not specify a funding source. It also pointed out that since 1968, Florida's Constitution has been amended 86 times by as few as 17.2% of all voters. Florida TaxWatch has long recommended raising the bar on approval of constitutional amendments from a simple majority to a supermajority of three-fifths of those voting on each proposed amendment.

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CREDIBLE REPUTATION INCREDIBLE RESULTS

ARTICLES IN THE 2000-2001 NEWSLETTER INCLUDED:

- ◆ Fostering Healthy Competition and Accountability in Public School Services
- ◆ Florida TaxWatch Contributes to Election Reform Efforts
- ◆ Governor Vetoes TaxWatch-Tagged Turkeys
- ◆ Florida TaxWatch Reaches Out to Young Ukrainian Democracy
- ◆ Economic Boom Sparks Nationwide Tax Cutting Spree
- ◆ Davis Productivity Awards Winners Added \$416 Million for Florida Taxpayers
- ◆ Florida Faces Critical Challenges to Succeed in New Economy
- ◆ Florida Spending in the States--Winners and Losers
- ◆ Florida Civil Service Reform Task Force Makes Recommendations
- ◆ Legislation Targets Long-Term Care Reform
- ◆ Florida TaxWatch Team Publishes in Real Estate Journal--"Florida's Business Climate: The Corporate Income & Other Business Taxes"
- ◆ Education and Recruitment Aimed at Nursing Shortage
- ◆ Cutting Prescription Costs to Save Money
- ◆ Re-Reforming Welfare
- ◆ Restoring Sanity to the Crazy Cost of Drugs
- ◆ Governor Appoints Florida TaxWatch Members to State University Boards of Trustees
- ◆ Florida TaxWatch Welcomes New Members to the Board of Trustees

IDEAS IN ACTION

This annual series provides an opportunity for expression of ideas, positions and opinions by business and community leaders in Florida and other states, legislators and government managers and concerned citizens.

Florida Voters Know Where The Bullet Train Should Go, March 2001. In this *Ideas in Action*, David B. Hill, Director of Hill Research Consultants, made the point that when it comes to the state's transportation needs, the people of Florida have more vision for the future of their state than do most of their leaders. Mr. Hill pointed out the majority of Floridians have said that high-speed rail can become a reasonable, valuable component of a much broader system to address Florida's transportation needs.

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CREDIBLE REPUTATION INCREDIBLE RESULTS

12 RESEARCH REPORTS

Research

FLORIDA JOINS THE STREAMLINED SALES TAX PROJECT: AN IMPORTANT FIRST STEP IN MODERNIZING FLORIDA'S TAX SYSTEM, AUGUST 2001. This is the first in a series of Special Reports on modernizing Florida's tax system by The Center for a Competitive Florida. The report, prepared by Florida TaxWatch Founding Corporate Secretary, current Board Member and noted tax attorney Richard H. Hunt, Jr., looked at Florida's special, and possibly unique, vulnerability to recent major developments in our economy, in information technology and in tax jurisprudence which, in converging, are opening great holes in the sales and use tax bases of all states. In light of Florida's dependence on the sales and use tax, a vast increase in electronic commerce not subject to the tax, and Congress' recent repeal of the federal estate tax over the next 10 years, Floridians must carefully examine whether a strategic restructuring of Florida's tax policies needs to be examined as an alternative to the disjointed incrementalism of the past.

TURKEY WATCH 2001, JUNE 2001. Florida TaxWatch found 528 "turkeys" worth \$282.8 million in the 2001-2002 state budget. This year's hunt found the largest flock of turkeys in 18 years of Turkey Watch reports, exceeding the previous record of \$234.7 million found in 1999. In number, this year's 528 just passed 1999's total of 526. This confirms that turkeys are back in full force after a few years of relatively small turkey numbers in the early 1990s.

FULLY RE-ENGINEERED STATE AGENCY PURCHASING SYSTEMS CAN SAVE \$300 MILLION BY 2004, JUNE 2001. In 1997, the country's first totally electronic system from point of sale through charge approval and bank payment was introduced by Florida's State Comptroller, Department of Banking and Finance and Secretary of the Department of Management Services. In this *Research Report*, TaxWatch reviewed the system and made recommendations for changes to strengthen this statewide program in the future.

TRIM AND PROPERTY TAXES: A PRIMER, MAY 2001. The Truth in Millage Act (TRIM) sets forth the legal requirements all local governments must follow in setting tax rates and adopting budgets. This special report is a taxpayer information publication to help Floridians better understand the property tax system. It explains the TRIM (Truth in Millage) process and statement, provides a calendar of important dates, and summarizes the "nuts and bolts" of property taxes, including the process of notifying taxpayers of increases in their tax rates.

FLORIDA TAXPAYER INDEPENDENCE DAY 2001, MAY 2001. Florida Taxpayer Independence Day, May 8, 2001, fell two days earlier than in 2000. Although the deadline for paying your taxes to the IRS was April 16, the average Floridian did not earn enough to pay his or her total tax bill for 2001 until three weeks later. On May 8, Floridians could take satisfaction knowing they were earning money for themselves rather than for the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations.

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RESEARCH REPORTS, CONT.

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Research

FLORIDA'S NEW RETIREMENT PROGRAM SHOULD OFFER MORE, NOT FEWER, INFORMED CHOICES FOR EMPLOYEES and USING MULTIPLE BUNDLED PROVIDERS ADDS COMPETITION AND NEEDED CHOICE TO FLORIDA'S NEW OPTIONAL RETIREMENT PROGRAM, APRIL 2001. These are the third and fourth in a series of Florida TaxWatch reports on state and local government employees' new optional retirement choices. The first two reports (released in April 1999 and April 2000) had the goal of providing a strategy to enhance Florida public employers' competitive position to attract and retain high quality workforce without adding billions of dollars in current and long-term taxpayer costs and liabilities. The 2000 Legislature achieved this goal when it created the Public Employee Optional Retirement Program (PEORP).

The State of Florida is in the process of implementing the new retirement program. There has been considerable debate regarding the issue of the proposed mix of investment providers, products and services. Florida TaxWatch has been following this debate and makes recommendations on the best course of action for the Legislature to follow.

The third report warns of problems associated with limiting choice in the plan. The fourth report focuses on inclusion of bundled providers in PEORP. It examines whether they will add value to the program and looks at issues including cost considerations and fiduciary exposure. Florida TaxWatch offers recommendations to ensure that meaningful choice along with appropriate safeguards is provided.

ADAPTATION AND IMPLEMENTATION OF 2000 DAVIS PRODUCTIVITY AWARDS ACHIEVEMENTS: FIRST INSTALLMENT, NOVEMBER 2000. This publication summarizes 112 award winning achievements from the 2000 awards competition that can and should be adapted and implemented by individuals and work units throughout state government to improve service delivery and add tens of millions of dollars of value to the delivery of state services.

SPECIAL PROJECTS

COMPARATIVE EVALUATION OF PROJECT CHILD: PHASE II. Academic achievement in schools is currently one of Florida's most important social policy issues. Education is seen as key to Floridians thriving in an information age, and it is considered vital for both the economic and democratic future of our state and nation. However, parents, community leaders and policymakers remain concerned that many of Florida's children are not receiving the type of classroom instruction that will enable them to thrive in today's information age and prepare them for the future. To get to the bottom of the issue, Florida TaxWatch undertook a controlled, comparative evaluation of Project CHILD, an innovative computer-integrated instructional program designed to increase academic achievement.

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(PROJECT CHILD, CONT.) The Tax Watch evaluation uses statistical analysis, expert opinion and anecdotal data to evaluate the efficiency and effectiveness of the Project CHILD program. Phase I of the study focused on three diverse and geographically dispersed elementary schools, and Phase II included two additional schools. TaxWatch analyzes the effect of class size on academic achievement in reading, writing and mathematics. Initial assessments indicate that, even with considerably larger class size enrollments than traditional schools, Project CHILD students score statistically higher than counterpart traditional students. If expanded to other schools, the program has the potential to generate cost savings.

Phase III of the study includes four evaluation components: replication of the scope and purpose of Phase II; quantification of the extent to which the quality of implementation of Project CHILD components in the classroom effect student performance; a comparative case-study of the highest and lowest performing schools in Phase II; and analysis of the individual growth in achievement by Project CHILD students who participated in the entire three-year study.

THE PRINCIPAL'S EXECUTIVE LEADERSHIP PROGRAM FOR HIGH QUALITY SCHOOLS. Florida TaxWatch evaluated a principal training program developed by the Florida Association of School District Superintendents. The purpose of the training was to improve principal performance and, over time, student performance. Florida TaxWatch analyzed the training process and outcomes to determine the change in principals' ability to use data analysis for decision making and subsequent changes in student achievement at the participants' schools. Qualitative data collected during the training indicate that the training program was largely successful in meeting many of the needs that principals express. Because of the limited time frame of the study, further research is necessary to determine the effect that training had on student achievement at participant schools.

DEVELOPMENTAL SERVICES EQUITABLE RATE STUDY. Florida TaxWatch, in conjunction with the Center for Prevention and Early Intervention Policy at Florida State University, conducted a rate study of services delivered by the Department of Children and Families' Developmental Services Program. Recommendations for each service included uniform policies, procedures and standards for establishing equitable statewide rates; a reasonable range of reimbursement rates, incorporating cost differences associated with variations in client level of need; equity recommendations; and financial impact of the proposed rate structure.

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SPECIAL PROJECTS, CONT.

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ASSESSMENT OF PREVENTION SERVICES OF THE FLORIDA NETWORK FOR YOUTH AND FAMILIES.

This Florida TaxWatch study evaluated the track record of services provided by the Florida Network of Youth and Families (the Network). The Network, a not-for-profit, statewide association consisting of 24 agencies at 34 sites, provides juvenile crime prevention program services under contract with the Florida Department of Juvenile Justice (DJJ). This study included the following components:

- ◆ A summary of the Network's history; its organization; the services it offers to at-risk youth and their families; and information about the youth and families it serves;
- ◆ A review of DJJ's measurement of the Network's performance, DJJ's continuum of services and its efforts to prevent crime;
- ◆ A review of an Orange County, California report on juvenile crime that is highly touted by DJJ; and
- ◆ A comparative evaluation of the annual costs per child served by both the Network and DJJ, and potential cost savings resulting from Network services provided to Florida's troubled youth and families.

Based on the data analyzed by this report, TaxWatch found that a strong argument can be made that the Network does benefit troubled youth and their families and the services the Network provides produce cost savings for the state.

STATUS OF SERVICE IMPROVEMENTS AND COST SAVINGS RECOMMENDED TO HILLSBOROUGH COUNTY GOVERNMENT.

In 1997, the Hillsborough County Commission (BOCC) contracted with Florida TaxWatch for six deliverables comparing and analyzing government structures, functions, services and taxes in Florida and other states; criteria to evaluate Hillsborough County's services and service levels; performance-based standards for measurement of County services; government improvements in other Florida counties and other states that can help Hillsborough County; cost saving recommendations to help stretch Hillsborough County's budget; and a 10-year plan to improve the County's capacity to address revenue, expenditure and program challenges.

In late 1998, TaxWatch submitted the six deliverables to the BOCC recommending more than 100 management and operational improvements and cost savings. Throughout 1999-2001, the BOCC, assisted by County Administration, conducted a detailed review of each recommendation.

A soon-to-be-released Florida TaxWatch status report on the above recommendations, plus those of a Blue Ribbon Committee on Hillsborough County Finances, shows that the BOCC and County Administration, together with selected constitutional offices and independent authorities, had implemented 54% of the recommendations in part or in whole by July 31, 2001. Another 13% awaited action and the remaining third had been either modified and implemented, rejected or set aside without further action.

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(HILLSBOROUGH COUNTY, CONT.) Total recurring and nonrecurring added value (cost savings, cost avoidances and increased revenue) of approximately \$13 million from these recommendations plus other laudable initiatives noticeably lags a 1998 TaxWatch estimate of up to \$50 million added value (including budget redirects) from full implementation of the Blue Ribbon Committee and TaxWatch recommendations. Thus, while progress has been made, much more can be done. Recommendations not yet implemented include a real effort to consolidate approximately \$70 million worth of common county services; managed competition to drive down costs; and implementations of a performance-based productivity awards initiative that could generate up to \$20 million annual added value based on the 13-year-old Davis Productivity Awards Program for state employees. These should be top priorities for the immediate future.

DR. ROSTYSLAV PAVLENKO,
FREEDOM HOUSE VISITING FELLOW
WITH FLORIDA LT. GOVERNOR FRANK T. BROGAN



FREEDOM HOUSE VISITING FELLOW AT FLORIDA TAXWATCH

Florida TaxWatch was honored to work, during the months of June and July, 2001, with Rostyslav Pavlenko, a visiting Freedom House Fellow from the International Comparative Analysis Institute (ICAI), Kyiv, Ukraine. Dr. Pavlenko's Fellowship was sponsored by Freedom House, founded as a bipartisan effort by Eleanor Roosevelt and Republican leaders as a nonprofit, nonpartisan organization dedicated to establishing liberty, freedom and democracy throughout the world. The visiting fellows program provides professional training for new leaders from Central and Eastern Europe's young democracies. The program gives them an opportunity to work side-by-side with select policy and research organizations in the United States and equips them with the expertise to develop the infrastructure upon which democratic societies can be built and prosper.



ROSTYSLAV PAVLENKO, PH.D., AND TAXWATCH PRESIDENT DOMINIC M. CALABRO
MEET WITH LT. GOVERNOR FRANK T. BROGAN

THE DAVIS PRODUCTIVITY AWARDS PROGRAM CELEBRATES 13TH YEAR

One of Florida TaxWatch's long-term objectives is to help change state government's corporate culture and incentive structure so that hard-working, properly dedicated and competent employees can be recognized and rewarded. This objective is actualized through the Davis Productivity Awards, made possible by the vision and generosity of the late J. E. Davis and his brother, the late A. D. Davis, co-founders of Winn-Dixie Stores, Inc., and co-founders of Florida TaxWatch.

Up to \$100,000 is provided annually by the Davis Family for cash awards, commemorative plaques and certificates of commendation presented at ceremonies around the state. The Davis' generosity is supplemented by corporate, individual and philanthropic foundation contributors. The program is sponsored by Florida TaxWatch and the Florida Council of 100, and is chaired by Lt. Governor Frank T. Brogan.

Since 1989, the Davis Productivity Awards program has publicly recognized and rewarded more than 5,000 state employees and work units for making measurable improvements in the way they perform their duties and deliver services to Florida citizens. The winners' smart ideas and hard work have created added value of \$3.9 billion, or more than \$3,000 for each dollar contributed to the program.

This year, the 13th anniversary of the program, a record 835 nominations were submitted for individuals and work units that helped save the state \$436 million and brought in an additional \$59 million of revenue collected under Florida law for total added value of \$495 million.

An annual awards magazine and web-based material promotes wide dissemination and application of state employee innovations, smart ideas and performance improvements in order to help maximize their productive value.



FLORIDA TAXWATCH CHAIRMAN O'NEAL DOUGLAS AND PRESIDENT DOMINIC M. CALABRO ACCEPT A RESOLUTION HONORING
2000 THE DAVIS PRODUCTIVITY AWARDS FROM GOVERNOR BUSH AND THE FLORIDA CABINET WITH DPA TITANIUM SPONSORS
ANNE BOSSI AND FLORIDA TAXWATCH EXECUTIVE COMMITTEE MEMBER MIKE JENNINGS OF PRUDENTIAL.

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Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 2001. This widening support demonstrates the recognized quality and enhanced public value of the Institute's mission and research program accomplishments. During this fiscal year, Florida TaxWatch continued to adhere to the sound fiscal standards required of such a respected research institute. According to the financial statement and Treasurer's Report, total expenses of \$1,374,208 were kept below total revenues of \$1,428,243. The practice of keeping expenses below revenue has continued in each of the Institute's 22 years of operation.

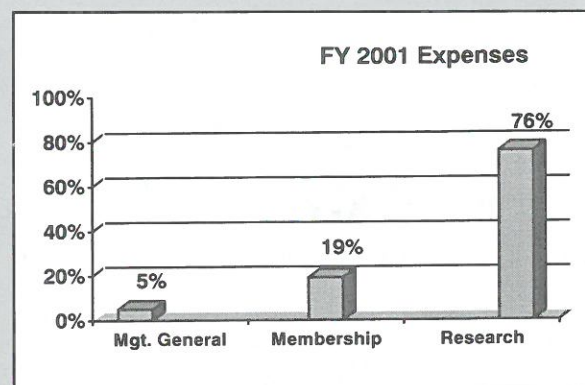
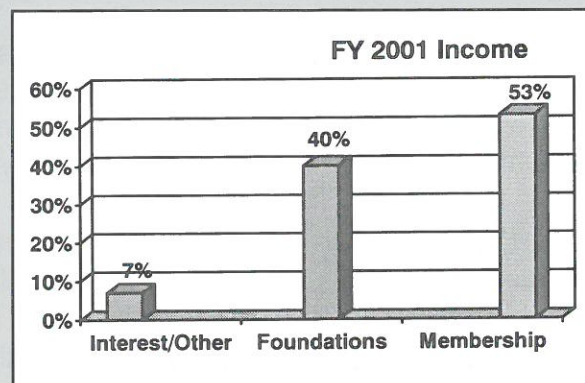
According to the year-end record of expenses, all expenditures went to prepare, conduct, publish, disseminate and properly communicate the research program's findings, conclusions and recommendations about Florida government tax and spend policies and practices. No funds were expended on lobbying activities, as is specifically restricted by the Institute's Articles of Incorporation and Bylaws.

The Treasurer's Report for FY 2001 demonstrates the sound management practices and proper financial controls applied by the Institute which ensure effective and productive operations with direct accountability.

Respectfully,

William A. O'Toole

William A. O'Toole
Treasurer and Chairman of the Audit Committee



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"TAXWATCH HAS IMPROVED CONDITIONS FOR FLORIDA BUSINESSES AND ALL TAXPAYERS BY CULTIVATING GOOD PUBLIC POLICY. WE MUST ENSURE THAT TAXWATCH IS GOING TO BE AROUND TO FULFILL ITS CRITICALLY IMPORTANT ROLE IN FUTURE YEARS: HELPING FLORIDA GOVERNMENT BECOME MORE EFFICIENT."

T. O'NEAL DOUGLAS
CHAIRMAN, FLORIDA TAXWATCH

"I VIEW FLORIDA TAXWATCH AS A VITAL PARTNER IN RESHAPING GOVERNMENT'S ROLE, STRATEGIES AND APPROACH TO WORK...TAXWATCH IS ESSENTIAL TO HELP US GET THERE."

GOVERNOR JEB BUSH

"FLORIDA TAXWATCH, THE STATE'S PREMIER WATCHDOG OVER STATE SPENDING..."

THE ST. PETERSBURG TIMES

"THE CONTRIBUTION OF FLORIDA TAXWATCH IS UNPARALLELED IN THE HISTORY OF FLORIDA GOVERNMENT."
U.S. SENATOR BOB GRAHAM

"PART OF THE REASON TAXWATCH DESERVES OUR INTEREST AND SUPPORT IS THAT IT FOCUSES ON WHAT CAN BE DONE, INSTEAD OF WHAT HAS BEEN DONE WRONG."

LYNDA KEEVER
PUBLISHER, FLORIDA TREND

"...THE STATE IS UNDOUBTEDLY MORE HEALTHY AND PROSPEROUS BECAUSE TAXWATCH HAS BEEN ON THE JOB. IT HAS BEEN AN HONEST WATCHDOG IN WARNING OF ABUSES, A CREDIBLE GUIDE DOG IN FINDING THRIFTY SOLUTIONS TO PROBLEMS AND A TIRELESS BIRD DOG IN MAKING SURE TAXPAYERS GET THEIR MONEY'S WORTH."

TAMPA TRIBUNE

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CREDIBLE REPUTATION INCREDIBLE RESULTS

Credible Reputation.

Don't let others decide how your tax dollars are spent. It's your state and your tax dollars, get involved! Become a partner in our efforts to directly impact state laws, constitutional amendments, budgets and government programs.

Incredible Results.

Since 1979, policy makers and government employees have implemented three-fourths of TaxWatch's cost-saving recommendations, saving taxpayers more than \$6.2 billion--approximately \$1,067 in added value for every Florida family!

JOIN FLORIDA TAXWATCH TODAY



FLORIDA TAXWATCH STAFF, BACK ROW, LEFT TO RIGHT: KURT WENNER, SR. RESEARCH ANALYST, PHIL CANTO, RESEARCH ASSISTANT, MIDDLE ROW: DEBORRAH HARRIS, ASSISTANT TO THE PRESIDENT AND CEO, DEBORAH HUNT, SR. V.P., BARBARA TAFF, SR. V.P., DAVE DAVIS, SR. RESEARCH ANALYST, FRONT ROW: ABDULHAMIT YAGMURCU, RESEARCH ASSISTANT, LOUISE HORKAN, RESEARCH ANALYST, DOMINIC M. CALABRO, PRESIDENT & CEO, JANET HERNDON, RESEARCH ANALYST, SHIRLEY GLOER, OFFICE ADMINISTRATOR, KEITH G. BAKER, PH.D., SR. V.P. & COO AND CHINMAOBI ONWUNLI, OFFICE ASSISTANT



FLORIDA TAXWATCH OFFICERS, BACK ROW, LEFT TO RIGHT: CHAIRMAN O'NEAL DOUGLAS, SR. V. P. AND COO, KEITH G. BAKER, PH.D., CHAIRMAN-ELECT STEVE EVANS, FRONT ROW: PRESIDENT AND CEO DOMINIC M. CALABRO, SR. V.P. BABS TAFF AND SR. V. P. DEBORAH HUNT

You cannot strengthen the weak by weakening the strong. You cannot help small men by tearing down big men. You cannot help the poor by destroying the rich. You cannot lift the wage earner by pulling down the wage payer. You cannot keep out of trouble by spending more than your income. You cannot further the brotherhood of man by inciting class hatreds. You cannot establish security on borrowed money. You cannot establish character and courage by taking away a man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves. ~ Abraham Lincoln

This Report was written and compiled by
David M. Davis, Senior Research Analyst and
Deborrah Harris, Assistant to the President and CEO
with and under the direction of
Keith G. Baker, Ph.D.,
Senior Vice President and Chief Operating Officer
T. O'Neal Douglas, Chairman;
Dominic M. Calabro, President and Publisher

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106 N. BRONOUGH ST. (32301) P.O. Box 10209 (32302)
TALLAHASSEE, FLORIDA



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