

# Florida **TaxWatch**

2003 Annual Report



# Florida TaxWatch

## Mission

The mission of Florida TaxWatch is to provide the citizens of Florida with high quality, independent research and education on government revenues, expenditures, taxation, policies and programs to promote the effective and efficient use of the taxpayers' dollars and to increase the productivity and accountability of Florida government.

# Florida TaxWatch

is your eyes and ears for government performance and accountability throughout Florida.

It is the only statewide organization devoted entirely to Florida taxing and spending policies and practices. Since its inception in 1979, TaxWatch has worked diligently and effectively to inform and safeguard the interests of the taxpayer, helping to reduce inefficiencies and prompting responsible cost-effective improvements in the management and operation of citizens' hard earned tax dollars without lobbying. TaxWatch is supported by all types of taxpayers--homeowners, small businesses, large corporations, professional firms, members of the news media, associations and individuals--representing a wide spectrum of citizens.

TaxWatch is a statewide non-partisan, non-profit government watchdog and taxpayers' research foundation supported entirely by voluntary tax-deductible membership contributions. Membership is open to any organization or individual interested in supporting sound research which promotes a more effective, responsive and efficient government.

## Table of Contents

|                                      |       |
|--------------------------------------|-------|
| About Florida TaxWatch               | 1     |
| Letter from the Chairman & President | 2-3   |
| Executive Committee                  | 4     |
| Board of Trustees                    | 5     |
| Letters of Support                   | 6     |
| Senior Research Fellows              | 7     |
| Research Advisory Committee          | 7     |
| Research                             | 8-12  |
| Budget Watch/Budget Fax              | 8     |
| Briefings                            | 8-9   |
| Focus Newsletters                    | 10    |
| Special Projects                     | 10-11 |
| Research Reports                     | 11-12 |
| TaxWatch Centers                     | 13-14 |
| Davis Productivity Awards            | 15-16 |
| Treasurer's Report                   | 17    |
| Quotes                               | 18    |
| TaxWatch Team                        | 19-20 |

TaxWatch publishes several types of research products which range from detailed research findings and recommendations as to where and how productivity improvements in government can be achieved, to explaining how timely economic, financial and tax related developments may impact Florida's citizens.

**TaxWatch is ever present to ensure that taxes are fair, equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in their stewardship of public funds.**

Dear Fellow Members:

As we approach our historic 25<sup>th</sup> Anniversary this next year, the singular point of pride in our organization is the value that Florida TaxWatch has brought to the citizens of our state. The diligence of our outstanding volunteer leadership and the work of our professional staff ensures our tradition of contributing to the healthy future of Floridians.

Our work at Florida TaxWatch continues as Florida faces a number of challenges – both immediate and long-term – in the budget and taxation arena. Rising government spending and slowed revenue growth in our state make the TaxWatch mission of providing high quality, independent research on fiscal and economic policies – and alternatives to those policies - more critical than ever before.

TaxWatch's key achievements this past year include the following:

- ◆ Leading the state Supreme Court challenge that resulted in removal of Constitutional Amendment 5 from the November 2002 ballot. Amendment 5 would have established a 12-member panel of legislators that could have unilaterally imposed any sales and use tax exemption or exclusion in the state. TaxWatch, working with other key groups, successfully fought bad fiscal policy and promoted a sound, practical and balanced approach. Amendment 5 could have raised billions of new state sales and use taxes without constitutional safeguards or political accountability. While Florida TaxWatch will continue to reveal and appropriately oppose similarly flawed and potentially dangerous constitutional amendments, we also have made good on our promise to offer conscientious and long-term solutions to modernize Florida's system of state taxation.
- ◆ Fighting for increased efficiencies and effectiveness in government operations. The tremendous cooperative efforts of our two task forces, the Cost Savings Task Force, Chaired by Chairman-Elect Barney Barnett and the Center for a Competitive Florida Task Force on Tax System Modernization, Chaired by Executive Committee Member Dave McIntosh, resulted in the publication of a special Joint Report. This unprecedented effort uncovered **\$2.8 billion** in cost savings and productivity improvements and offered sound reforms that will stabilize the state's finances, budget and tax system without tapping into trust funds inappropriately.
- ◆ Developing a respected blue ribbon panel within the Center for Educational Performance & Accountability, tapping into Florida's business, education and government sectors to provide broad representation and key leadership. This panel of respected Floridians, Chaired by Florida TaxWatch Board member Tom Slade, is called upon to examine where Florida is spending its education taxpayer dollars and to suggest thoughtful improvements and policy alternatives for greater student academic achievement.
- ◆ Producing econometric modeling that showed the importance to Florida's economy of reducing Workers' Compensation costs, which are some of the highest in the nation. The Legislature passed in March the most comprehensive changes in Workers' Compensation laws in nearly a decade.

In keeping with TaxWatch's long-standing mission of identifying and promoting efficiencies in government practices, we have compiled a guidebook of more than 100 money saving ideas from past winners of our Davis Productivity Awards. Florida TaxWatch recognizes that wider implementation of these adaptable achievements can help government to do its part to accelerate Florida's economic recovery, increase federal and state revenues without raising taxes or fees, and produce cost savings and cost avoidances worth \$300 million over the next three years.

In the coming year, we will be focusing our efforts on the following:

- ◆ Assessing and disclosing potentially severe consequences of select constitutional amendments slated for the 2004 ballot, including one that could automatically sunset most sales and use tax exemptions and exclusions costing taxpayers billions beginning July 1, 2007 and every ten years thereafter.
- ◆ Raising the qualification requirements on constitutional amendments, to avoid the "Californization of Florida". Florida TaxWatch is working with key groups throughout the state in this effort.
- ◆ Eliminating the myths about Florida's tax structure. Florida TaxWatch will hold forums around the state to provide citizens a more accurate and informed understanding of their tax and fiscal system. This outreach initiative is aimed at empowering Florida's taxpayers to participate in the democratic process in which they play a pivotal role. By holding government officials accountable, an informed electorate can demand responsive and responsible steps are taken to meet the challenges of modernizing Florida's tax structure with the public interest in mind.
- ◆ Prompting the state to remedy/repeal key sections in the substitute business communications tax of the recently enacted communications services tax that could significantly raise taxes, create administrative burdens and seriously impair the competitiveness of Florida's economy and adversely affect our state's employees, businesses and customers alike.
- ◆ Recognizing Florida TaxWatch's 25 years of service to the citizens of the state of Florida and its commitment to providing focus, sound fiscal research and guidance in an effort to ensure government accountability, taxpayer equity and fairness.

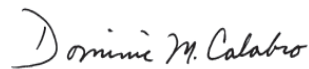
The financial challenges of our state's budget can be met directly and successfully without harming Florida's economic environment, an environment that is solidly centered on the cornerstones of capital formation and high-wage job growth. But if left unmet, these challenges can adversely impact not only the economic health and business climate of our state but the economic prosperity and well being of all Floridians. TaxWatch will continue to work together with the public and private sectors to attain these desired fiscal and economic policies.

Florida TaxWatch recognizes and appreciates the outstanding contributions and support of the many leaders who have helped guide us this year and over the past 24 years. We also rely on our members to bring forward ideas for research topics and provide introduction of our efforts to other persons and organizations that benefit from this important research. We thank you for your continued involvement in and commitment to helping Florida TaxWatch build a stronger, healthier and more prosperous Florida because you, the taxpayers of Florida rightfully deserve and should expect nothing less.

Respectfully yours,



Steven L. Evans  
Chairman



Dominic M. Calabro  
President & Chief Executive Officer

## Officers

# Executive Committee



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Gulf Power Company

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Greenberg Traurig

**Richard Lehfeldt**  
TECO Energy, Inc.

**Fred Loopman**  
AIGValic

**Rick McAllister**  
Florida Retail Federation

**J. Elliott Messer**  
Messer Law Firm

**Governor Wayne Mixson**

**Patrick K. Neal**  
Neal Custom Homes

**Mark Neimeiser**  
AFSCME

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FL Hospital Assoc.

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FL Phosphate Council

**Robert M. Rhodes**  
The St. Joe Company

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FL Bankers Association

**Frank Satchel, Jr.**

**Fred Seamon**  
MGT of America

**Jim Shaeffer**  
McKenzie Tank Lines

**Allen Shiver**  
Flowers Industries, Inc.

**Adelaide A. Sink**

**Tom Slade**  
Tidewater Consulting

**Daniel W. Smith**  
Altria Corp. Services, Inc.

**Doug Smith**  
Sonitrol

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BIZPAC

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Capital City Bank Group

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**Stanley G. Tate**  
Stanley Tate Builders

**John Thomas**  
FL League of Cities

**Lloyd A. Turman**  
Florida Institute of CPAs

**Maurice Veissi**  
FL Assoc. of Realtors

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Vickers Madsen & Goldman

**William G. Walker III**  
Florida Power & Light

**Richard J. Walsh**  
Darden Restaurants

**Ben West**  
WestWayne

**Robert Wilson**  
Florida Gas Transmission

**Joanna Wragg**  
Wragg & Casas PR

**Michael Zagorac, Jr.**  
Hill and Knowlton

**John B. Zumwalt III**  
Post Buckley Schuh &  
Jernigan

Letters of Support

BOB GRAHAM  
FLORIDA

**United States Senate**  
WASHINGTON, DC 20510-0903

October 28, 2003

Florida TaxWatch  
106 North Bronough Street  
Tallahassee, Florida 32301-7723

Dear Friends:

It is a pleasure to thank Florida TaxWatch for another tremendous year providing the citizens of our state with independent research on the public policy issues affecting them. The information generated by Florida TaxWatch provides incredible value to the taxpaying citizens and businesses of our state. By representing the broader public interest, Florida TaxWatch's work goes a long way toward improving the way our Florida government serves its constituents.


I extend my thanks to your entire organization for your commitment to the taxpayers of Florida for a more accountable and efficient state government.

With kind regards,

Sincerely,  


United States Senator

BG/gbs


  
**United States Senate**  
WASHINGTON, DC 20510-0905


BILL NELSON  
FLORIDA

October 29, 2003

Dear Friends:

Congratulations on your 24<sup>th</sup> year of service to the taxpayers of Florida. Thank you for your significant contributions over the past year. Florida TaxWatch provides an invaluable public service by monitoring trends in state and local finances and the promotion of effective, accountable and responsive Florida government. I will continue to look to Florida TaxWatch to provide sound, objective and unbiased public policy recommendations to the benefit of all Floridians.

Sincerely,  


  
JEB BUSH  
GOVERNOR


STATE OF FLORIDA  
**Office of the Governor**  
THE CAPITOL  
TALLAHASSEE, FLORIDA 32399-0001  
www.flgov.com  
800-488-7146  
800-487-0801 Fax

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

## 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 Senior Research 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.

**Dr. John Lombardi**, Fellows Chair; Chancellor, University of Massachusetts, Amherst; and Past President, University of Florida

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

**Dr. Neil S. Crispo**, Visiting Professor, Askew School of Public Administration and Policy, Florida State University; and Senior Vice President Emeritus, Florida TaxWatch

**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 Executive Director, Florida Division of Bond Finance; and Lecturer, Askew School of Public Administration and Policy, Florida State University

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

**Dr. Harold Peckron**, Professor of Law, Barry University of Orlando

**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

## RESEARCH ADVISORY COMMITTEE

The Research Advisory Committee is comprised of Florida TaxWatch members charged with evaluating proposed research projects to determine whether or not the project contributes to one or more of Florida TaxWatch's core values. These core values include the promotion of taxpayer value, government accountability and citizen understanding. The Research Advisory Committee reports its findings and submits advisories to the Executive Committee for its consideration.

Committee Chair Currently Vacant

**Adelaide Sink**, Committee Vice Chair

**Janegale Boyd**, FL Assoc. of Homes for the Aging

**J. Allison DeFoor III**, EarthBalance

**Courtney G. Hyers**, CSX Corporation

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**Van Poole**, Poole, McKinley & Blosser

**Tom Slade**, Tidewater Consulting

**Michael Zagorac, Jr.**, Hill and Knowlton

**John B. Zumwalt III**, Post Buckley Shuh & Jernigan

## BUDGET WATCH/BUDGET FAX

### **Budget Fax: A Summary of Legislative Action on Selected Issues, April 11, 2003 & May 7, 2003**

These *Budget Fax* summary publications were faxed to the Florida TaxWatch membership during the legislative sessions and outlined a number of important legislative issues including state budgeting and spending, taxation, and education.

### **House and Senate Refine Their Budgets: Major Differences Remain, April 4, 2003**

This *Budget Watch* outlined the differences between the initial budgets approved by the House and Senate during the regular 2003 Legislative Session. This included new revenues, the class-size amendment, high-speed rail, education spending, raiding trust funds and turkeys. Many of the differences mentioned played a large part in the long and contentious budget process that was to follow.

### **Challenges and Constructive Suggestions to Successfully Guide Florida's Fiscal Ship of State, November 2002**

This letter to newly re-elected Governor Jeb Bush from Florida TaxWatch President and Chief Executive Officer Dominic M. Calabro first ran in the *Tallahassee Democrat* and several other newspapers across Florida and offered Florida TaxWatch's assistance to the Governor in the hopes of steering Florida towards sound and responsible fiscal solutions in the midst of challenging economic circumstances.

## BRIEFINGS

### **The New Law on Substitute Communications Systems Needs To Be Revised to Avoid Major Tax Increases and Unintended Ill Effects to Florida's Economic Competitiveness, September 2003**

The 2000 Legislature passed a bill creating a new Communications Services Tax that took a very important and much needed step in modernizing Florida's tax structure by overhauling the way the state and local governments tax communications services. However, as part of the implementation process, the Florida Department of Revenue is developing a rule that could offset the good done by the law by significantly raising taxes, creating administrative burdens and seriously affecting the competitiveness of our state's businesses. The proposed rule, dealing with "substitute communications systems" would apply the tax very broadly, affecting every business with a computer network, telephone system or other communications system. The report calls on the Legislature to clarify this issue and avoid the chilling effect such a tax would have on Florida's economy.

### **2003 Legislative Wrap-Up, June 2003**

After the 60-day regular session during which the Legislature accomplished very little, a 16-day special session produced more results—some good, some bad. This *Briefings* examined a number of actions, including a state budget, workers' compensation reform and the implementation of the class size amendment. Although Florida TaxWatch applauded lawmakers for having a budget free of localized member projects or turkeys, their use of non-recurring revenues and trust fund monies to balance the budget is a sign of less responsible budgeting practices.

## BRIEFINGS, CONTINUED

**Tax Amnesty Proposal Is A Good One, But Provisions To Nearly Double Taxpayer Interest Rates Is Unfair, April 2003**

This *Briefings* analyzed a proposed committee bill to create a Tax Amnesty Program. Florida TaxWatch supported Tax Amnesty—a longstanding recommendation—but cautioned that the bill contained a provision dealing with interest rates on delinquent taxes that would unfairly raise these rates too high.

**\$20 Million Needed Now to Bring Back Florida Tourism!  
...Another \$10 Million to Keep Florida's Powder Dry, April 2003**

TaxWatch challenged Florida lawmakers, in an October 2001 *Briefings*, to step out and take bold action in response to the tragedy of 9/11 and help get air tourists back to the state. The Governor and Legislature responded—wisely setting aside \$20 million, that was more than matched by an additional \$26 million generated by VISIT FLORIDA from the private sector to supplement the marketing of tourism. This timely response proved to be vital to Florida's economy at a time when the tourism industry was struggling to rebound from the greatest American tragedy since Pearl Harbor. In this *Briefings*, Florida TaxWatch called on the Governor and Legislature to boldly act again—this time on two fronts: (1) set aside \$20 million for a new supplemental marketing intervention and (2) establish a \$10 million reserve—a “Keep Florida's Powder Dry Fund”—to be used at the discretion of the Governor, in consultation with the Speaker of the House and Senate President, should Florida need to seize the day in the most timely and constructive manner possible if faced with additional unforeseen challenges or unusually good opportunities to recapture and enhance Florida's tourism sectors.

**Poll Says Floridians Willing to Accept Year-Round Schools, March 2003**

Florida TaxWatch reported, based on the December 2002 public survey of “likely” Florida voters by McLaughlin and Associates that 64% of respondents either approve or strongly approve of year-round schools if it were to reduce classroom size without raising any state taxes. Significantly, the high approval rating did not fluctuate much across state regions thereby indicating that voters' approval rating of year-round schools is both pervasive and strong. For example, the percentage of voters who strongly approve was 47.5% in North Florida (where many districts have passed School Capital Outlay Taxes and have fewer class size problems), and 45.3% among likely voters in South Florida (where school crowding is a greater problem overall). Although year-round school will not remedy all of the financial problems generated from the class-size reduction, it can result in considerable savings of capital expenditures (up to 33%); it has been shown to maintain or enhance student achievement; and it is well supported among Floridians.

**Voters Approve 8 of 9 Proposed Local Taxes - With More to Come, October 2002**

This *Briefings* reviewed a selection of various local government proposed tax increases and/or extensions on the 2002 election ballots. It reported that eight out of nine proposed taxes had been approved and that several remaining proposals had good chances of becoming adopted as numerous counties looked for ways to increase their tax base.

**Florida Legislators Should Take Their Salaries Off Auto-Pilot, October 2002**

Since 1985, Florida legislators have enjoyed a pay increase almost every year, without ever having to vote on it. This report urged the Legislature to restore accountability to the voters and taxpayers by stopping this practice now.

## FOCUS/NEWSLETTER

Research

### Articles in 2002-2003 Newsletters Included:

- Florida TaxWatch Supports Equal and Rigorous Accountability of Public and Non-public Schools
- Florida Stands Its Ground In the Testing Arena with the A+ Plan: Accountability Pays Off
- Responses of States to Fiscal Stress
- State Budget Woes and Pitfalls to Avoid
- Davis Productivity Awards Recognize Innovations in Florida Government that Add \$321 million in Taxpayer Value
- Congratulations to Dave Davis on his 20<sup>th</sup> Anniversary with Florida TaxWatch!
- “New Immigrants” Contributed to Job and Economic Growth During the 1990’s
- Florida TaxWatch Releases Cost Savings and Tax Reform Report
- Florida TaxWatch Conducting Evaluation in Marion County
- Florida’s Virtual School Continues to Grow
- Florida TaxWatch Welcomes Albanian Officials
- Internet Sales Tax Effort May be Dead for 2003

## SPECIAL PROJECTS

### Marion County/CIM Evaluation

Florida TaxWatch was asked by the Marion County School District to (1) conduct an independent evaluation of its multiple-year implementation of the District’s Continuous Improvement Model (CIM) developed in Brazosport, Texas to heighten student achievement, and (2) to provide the District with ongoing feedback. Begun in December 2002, the evaluation will assess the CIM implementation and the impact that various components might have had on student achievement as measured by the Florida Comprehensive Assessment Test (FCAT) and the Stanford-9 test (SAT-9) scores in reading, writing and math, irrespective of the students’ socio-economic or minority status.

### Comparative Evaluation of Project CHILD

Academic achievement in schools is currently one of Florida’s most important social policy imperatives. 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 policy makers 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 this issue, Florida TaxWatch, for the past four years, has conducted a comparative evaluation of Project CHILD (Changing How Instruction for Learning is Delivered), an innovative computer-integrated instructional program designed to increase academic achievement.

The current year’s focus is a multifaceted evaluation, using both quantitative and qualitative methods to measure the effectiveness of the Project CHILD program in two Florida counties, Osceola and Marion. Florida TaxWatch will track individual student achievement in CHILD classes and will also determine CHILD best practices. An additional component of this year’s appraisal will determine if there are any relationships between CHILD best practices and those of the Continuous Improvement Model.

# SPECIAL PROJECTS, CONTINUED

Research

## Tourism Update

Florida TaxWatch's Center for Tourism has been commissioned by its Steering Committee to do an update of a study it did for Visit Florida in 2000 entitled, *The Benefits and Costs of Tourism To Florida*.

The update analyzes, as did the previous study, the impact that tourism is having on Florida's economy and, by implication, on the quality of life of all Floridians. Additionally analyzed is an important emerging issue—Florida's tourism's relationship to high tech companies across the state.

The study begins with an overview of the benefits of tourism to Florida's economy that are directly associated with employment, spending by tourists and state consumption taxes.

Direct measures of several categories of tourism-related cost data are updated—seasonality of employment; unemployment compensation; traffic congestion; public safety; health care; transportation; and the environment.

The Center report employs the same sophisticated forecasting and simulation models employed in 2000, one a static model (IMPLAN) and the other a dynamic scoring model (REMI) to capture, in time and longitudinally, multiplier effects of tourism benefits. By measuring induced and indirect impacts that tourism has on Florida's economy, a more complete story emerges regarding the impact that tourism has on Florida's economy than otherwise would be revealed. *(For more information, see Center for Tourism, page 14.)*

## Joint Report of the Florida TaxWatch Cost Savings Task Force and the Center for a Competitive Florida Task Force on Tax System Modernization, March 2003

This Joint Report was the work product of more than nine months of effort by a coalition of dedicated Floridians—a broad representation of Florida's business community, employing the state's most capable business minds and resources.

The Joint Report offered recommendations to address the State's immediate and long-term budget reconciliation issues:

1. The State should first look to increasing the efficiency of government operations, especially the Florida TaxWatch Cost-Savings Task Force's list of cost-savings, productivity enhancements and revenue maximization recommendations worth \$2.8 billion.
2. The State should next look at the effectiveness of government operations and ensure that it is collecting all the funds possible under existing tax and revenue laws. In particular, the state should enact law to take the next step in achieving the goals of the Streamlined Sales and Use Tax Agreement.
3. The Governor and the Legislature should review Florida's sales and use tax system, recognizing that the vast majority of sales tax exemptions are fully justified. The Task Force recommended that three major categories of "exemptions" be retained permanently: structural components, life's necessities and economic development exemptions. It recommended that all goods and services which do not fall squarely within one of these categories above should be examined periodically by the Legislature for suitability to taxation. *(For more information, see Center for a Competitive Florida, page 13.)*

## RESEARCH REPORTS

**Accelerating Florida's Economic and Fiscal Recovery: 101 Ways To Maximize Taxpayer Resources and Taxpayer Value, September 2003** This publication features adaptable Davis Productivity Awards achievements from the past five awards cycles whose wider implementation will help state government do its part to hasten Florida's economic recovery. Maximizing federal revenues, increasing state revenue collections under existing law, cutting costs and stretching resources through increased productivity can be worth up to \$300 million over the next three years – in some cases as an alternative to service cuts during tight budget times.

# RESEARCH REPORTS, CONTINUED

## Research

**The 2003 Turkey Watch Report, June 2003** After four years of record turkey stuffing in the state budget, the 2003 Florida Legislature produced a “turkey-free” budget for FY 2003-04. Florida TaxWatch’s annual review uncovered no traditional turkeys—local member projects placed in the budget by legislators outside the proper appropriations process. The report cautions that turkeys will be back. Hopefully, this year’s focus on member projects has heightened the debate, and legislators will not be so cavalier about placing local projects in the budget without following proper review, competition and deliberation procedures.

**Florida Taxpayer Independence Day 2003!, April 2003** This annual publication announced that Florida Taxpayer Independence Day 2003 was April 26. Floridians must work almost one-third of the year, or 115 out of 365 days, to pay their taxes—one day less than last year. Largely due to federal tax cuts, this is the earliest Taxpayer Independence Day has come since 1991. This is the third year in a row it was earlier and is two weeks earlier than in 2000.

**A Significant Reduction in Workers’ Compensation Costs Would Be a Boon to the Economy, Creating 13,000 New Jobs, April 2003** At the request of Lieutenant Governor Toni Jennings, Florida TaxWatch assessed the economic impact of reducing workers’ compensation costs. The purpose of this study was to give the taxpayers and policy-makers a more accurate and comprehensive understanding of what impact that would likely have on the health and economic well-being of Florida’s workers, employers and the vitality of the overall economy of the state of Florida. Based on economic modeling performed for Florida TaxWatch by Florida State University’s Center for Economic Forecasting and Analysis, a significant reduction in workers’ compensation costs would result in annual increases of thousands of jobs, and hundreds of million of dollars in gross state product, wages and state taxes.

**Florida Credit Unions Receive Tax Exemptions Worth \$102 Million, April 2003** Florida TaxWatch examined the issue of tax exemptions afforded credit unions. Using detailed financial information on each individual credit union in the state, Florida TaxWatch has developed new estimates for these exemptions. The total value of tax exemptions granted Florida credit unions is \$102.2 million. Of this amount, \$70.0 million are federal taxes, \$30.3 million are state taxes and \$1.9 million are local taxes.

**Increase the Current Limits on the Corporate Income Tax Credit for Scholarships Program To Help Alleviate the Fiscal Burden of Amendment 9 Class-Size Reduction Requirements, February 2003** Florida TaxWatch conducted an analysis of the impact of increasing the Corporate Income Tax for Scholarships Program from its earlier state-wide cap of \$50 million to \$75 or \$100 million. The Legislature agreed with TaxWatch concerning the appropriateness of increasing the cap and passed a compromise cap of \$88 million. This innovative program for low-income students will result in nearly \$1 billion in taxpayer savings over the next eight years and help Florida meet its constitutional obligation to reduce class size. Substantial savings have already been realized in the first year of the program and considerable additional savings will result from the new cap of \$88 million. Increasing the state-wide cap will extend educational choice to a much larger segment of Florida’s limited-and low-income student population who can now afford to attend a private school of choice which, by reducing the public school student population and the classrooms and teachers needed, will also help Florida meet its constitutional obligation to reduce class size.

**Amendment 9 on Class Size Reduction is Structurally Unsound; Putting at Great Risk Revenues, Costs, Quality Teachers and Florida’s Future, October 2002** This report warned Florida voters of the potential fiscal impact of passing Amendment 9 which passed in November 2002 and constitutionally mandates legislative funding to reduce the number of students in each classroom. The report estimates the amendment’s annual and cumulative costs per Floridian and per Florida household and breaks down an array of possible revenue sources as examples of the magnitude of Amendment 9’s impact on average Floridians.

## Center for a Competitive Florida

Florida TaxWatch's Center for a Competitive Florida (CCF) promotes responsible growth and development and a competitive economy in the post-industrial age. Without such a knowledgeable and practical research effort "on guard," Florida will not be able to as effectively compete in global, substate-regional or interstate markets nor foster free enterprise and create suitable jobs.

The CCF equips TaxWatch with an enhanced ability to provide world-class research, technical services, and consensus-building symposia, consortia and workshops in its promotion of sound fiscal and tax policies. Its mission is to promote Florida's ability to effectively compete, at home and abroad, in future economic markets through a consensus of the major civic, business and professional men and women across our state.

Recently, The Center for a Competitive Florida launched two Task Forces, the Center for a Competitive Florida Task Force on Tax System Modernization, chaired by Executive Committee member Dave McIntosh, and the Cost Savings Task Force, chaired by Chairman-Elect Barney Barnett, to guide the Center in its mission. The work of these two Task Forces culminated in a special *Joint Report*, released to serve as a fiscal blueprint for achieving a balanced state budget and increased government productivity.

*(For more information, see Center research, Joint Report..., page 11; and A Significant Reduction..., page 12.)*

## Center for Educational Performance & Accountability

This scientific research Center serves as a powerful force, on guard, evaluating, monitoring and reporting on the performance outcomes of K-20 education programs which fall short of addressing the educational needs of Florida's students, and promoting the replication of those programs which achieve a sustainable high level of student learning and academic achievement. The Center serves to identify the best of what practices currently exist to ensure continuous improvement toward better practices. It is a resource partner for Florida schools, providing access to research that is relevant and timely.

*(For more information, see Center research, including: Poll Says..., page 9; Marion County, page 10; Project CHILD, page 10; Increase the Current..., page 12; and Amendment 9..., page 12.)*

# Center for Tourism



Increasing technical complexity, emerging developments in international trade and other global challenges are transforming the nature of economic competition throughout the world and are having untold consequences on the economic vitality of Florida's tourism industry--an industry essential to the economic health and vitality of Florida. In an effort to promote and sustain the supply of Florida tourists, Florida TaxWatch created the research Center for Tourism.

***The Center's Mission:***

**The Center, through its objective research and research-based policy initiatives, stimulates economic development by promoting:**

- Florida's Tourism Industry Overall
- The Recreation, Attractions and Entertainment Sectors of Florida's Tourism Industry
- The Hotel, Restaurant, Car Rental, Air/Sea Port, Retail and Services Sectors
- Other Indirect Tourist-Related Sectors

***The Center for Tourism Steering Committee:***

The Center for Tourism Steering Committee, Chaired by Florida TaxWatch member Jack Healan, consists of Florida TaxWatch members and leaders from Florida's crucial tourism and supporting industries. The Steering Committee serves in an advisory capacity in aiding the Center for Tourism in its mission to ensure the economic health of Florida's tourism.

*(For more information, please see Center research, including: \$20 Million Needed..., page 9; and Tourism Update, page 11.)*



## The Davis Productivity Awards Program Celebrates 15th Year



“This is a story that will delight – and perhaps astonish – taxpayers. It is a tale of government workers who grasp the true meaning of public service. It is a side of bureaucracy that is generally overlooked. The good news comes to us through the generosity of two men who understand the importance of rewarding initiative – the Davis brothers, co-founders of the Florida based Winn Dixie Stores, Inc. J.E. Davis and A.D. Davis.”  
 - *Tampa Tribune*, Editorial

Thus began a story that has been re-enacted annually for a decade and a half — thanks to the generosity of the Davis Family of Winn-Dixie and the extraordinary efforts of thousands of state employees who have helped make the Davis Productivity Awards (DPA) what is today – the nation’s pre-eminent recognition and rewards initiative.

Improving taxpayer value, citizen understanding and government accountability has been Florida TaxWatch’s mission since its beginning nearly a quarter century ago. Thus, a 1988 request by J.E. Davis and A.D. Davis to develop a productivity improvement and recognition program was met with great enthusiasm. Florida TaxWatch partnered with The Florida Council of 100, an organization of key business leaders dedicated to improving the economic well-being of Florida’s citizens, and the State of Florida, and the Davis Productivity Awards program was born. It is effectively and enthusiastically chaired by Lt. Governor Toni Jennings.

**Over the past 15 years of the Davis Productivity Awards program:**

- ◆ nearly 9,000 nominations have been submitted;
- ◆ 50 distinguished Florida TaxWatch members have served on Panels of Judges reviewing nominations, making awards decisions and suggesting improvements to the awards evaluation process;
- ◆ 160 awards ceremonies have been held for nearly 20,000 winners and guests;
- ◆ 105 companies/organizations, foundations and individuals have contributed financially to the DPA program, in addition to the Davis Family; and
- ◆ 7,000 individuals, teams and work units have produced \$1,500 of added value for every dollar contributed for a total of \$4.5 billion cost savings, cost avoidances and additional revenue to the State of Florida.



*Lt. Governor Toni Jennings and Florida TaxWatch President & CEO Dominic Calabro congratulated award winners and presented cash awards at the June 2003 DPA Kickoff luncheon in Tallahassee. They are seen here congratulating award winner, Lt. James Wells (second from left) along with Fred Dickinson (far right), Executive Director of the DHSMV.*

For J.E. and A.D. Davis, this program was simply one product of their long-standing business and civic philosophy. Their national, state and community investments and philanthropic contributions helped hundreds of thousands, if not millions, of customers, stockholders, employees and citizens — both in Florida and throughout the nation. Empowering the “troops” and invigorating the human spirit while giving people an equal shot at success, not the certainty of it, was a lifelong dedication for the Davis brothers. Their common-sense vision of taking personal responsibility for redefining productive government has inspired state employees to strive for excellence.

As late as 1993, both J.E. Davis and A.D. Davis were still with us, lending their wisdom, strength and unflagging commitment to serving taxpayers better. When they left us, they took with them our most heartfelt respect and the appreciation of the state’s public servants for making it possible to recognize and reward hard work, enterprise and continuous productivity innovations. All Floridians are beneficiaries of the Davis Family’s legacy and generosity.

**Change In Program Year.** The five-member Board of Directors of the Davis Productivity Awards Foundation chaired by former Florida TaxWatch Chairman T. O’Neal Douglas changed the DPA program year beginning in 2003. Awards are now announced in March before most state employees’ performance evaluations. A Governor and Cabinet Resolution adopted on June 12, 2003 reads, in part:

**“ ... the Governor and Cabinet encourage agency managers and supervisors to consider receipt of a Davis Productivity Award as a significant factor when conducting employee performance evaluations and recommending employee bonuses.”**

The 2003 transition year’s six-month period of competition brought 614 nominations from 30 state agencies and universities. Nominations were reviewed by Florida TaxWatch staff and university-based Florida TaxWatch Senior Fellows, chaired by former University of Florida President John Lombardi. Nominations then went to a 15-member Panel of Judges, chaired by Florida TaxWatch Treasurer and Executive Committee member Mike Jennings, Vice President of Government Relations, Prudential Financial. Two-person teams of judges reviewed selected nominations and then the Panel of Judges met in Tallahassee to discuss these nominations and make final award decisions.

Eight awards presentations were held throughout the state in June 2003. Checks of \$100 to \$2,000 per award plus commemorative plaques and certificates of commendation were presented at these ceremonies. An advertorial saluting the Davis Productivity Awards 15<sup>th</sup> anniversary and spotlighting some of the top 2003 DPA winners ran in the July 2003 edition of *Florida Trend* magazine.

**Raising The Bar.** Between the 2003 and 2004 awards cycles, Davis Productivity Awards performance criteria, nomination forms and instructions underwent top-to-bottom re-engineering to raise the qualifying threshold for consideration of achievements. This new material, posted at [www.floridataxwatch.org](http://www.floridataxwatch.org), is easier for nominators to complete, easier for Florida TaxWatch staff and Senior Research Fellows to evaluate, and easier for the Panel of Judges to review, discuss and make awards decisions.

The deadline to submit 2004 DPA nominations was November 14, 2003. Award luncheons will be held around the state to honor award winners in June 2004.

*Governor Bush and the Cabinet presented a Resolution recognizing the 2003 Davis Productivity Awards Program and declared June 2003 as Davis Productivity Awards Recognition Month.*



Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 2003. 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.

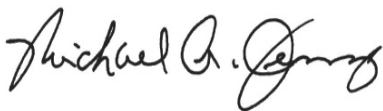
According to the financial statement and Treasurer's Report, total expenses of \$1,602,345 were kept below total revenues of \$1,692,929.

The practice of keeping expenses below revenue has continued in each of the Institute's 24 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.

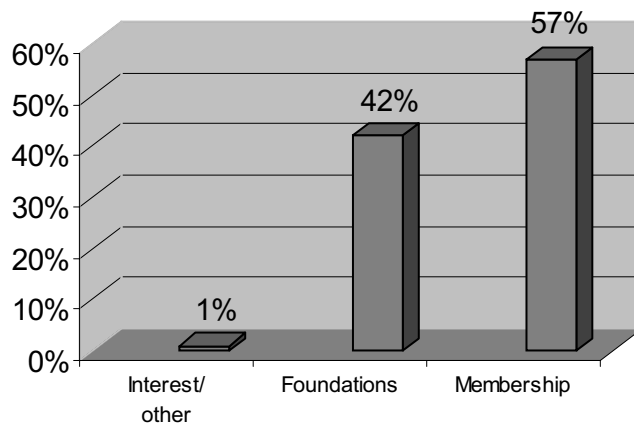
The Treasurer's Report for FY 2003 demonstrates the sound management practices and proper financial controls applied by the Institute which ensure effective and productive operations with direct accountability.

Respectfully,

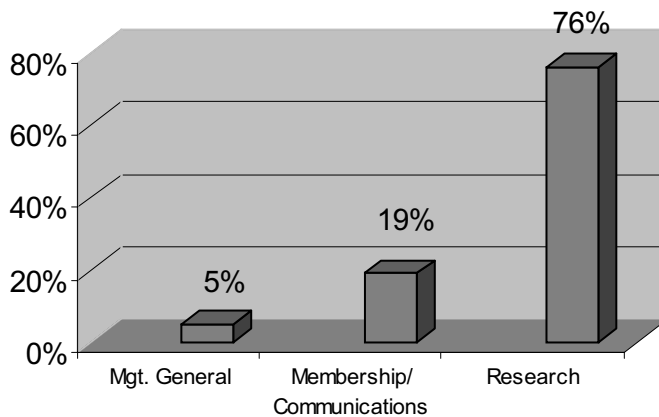


Michael A. Jennings  
Treasurer and Chairman of the Audit Committee

FY 2003 Income



FY 2003 Expenses



**“Florida’s decision-makers will continue to look to your organization for independent insight on matters of economic, fiscal and public policy.”**  
**Senator Bill Nelson**

**“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**

**“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.”**  
**Governor Jeb Bush**

**“Heed TaxWatch”**  
**The Miami Herald**

**“Florida TaxWatch is the state taxpayers’ best friend. For 24 years, TaxWatch has proven its value with in-depth state government research reports.”**  
**Fort Lauderdale Sun-Sentinel**

**“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**

**“Now more than ever, 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 good use.”**  
**Senator Bob Graham**

**“TaxWatch is not just an anti-tax junkyard dog that barks mindlessly at every proposed government expenditure. Its research is aimed at determining what services the state needs to maintain prosperity and determining the most efficient and effective ways of providing these services.”**  
**Tampa Bay Business**

## TaxWatch Team



**STANDING, LEFT TO RIGHT: Nedra Cordero, Davis Productivity Awards Director; Michael Fisher, Ph.D., Sr. Research Analyst; Harvey Bennett, Vice President/ Communications & Marketing; Keith G. Baker, Ph.D., Sr. Vice President and Chief Operating Officer; Dominic M. Calabro, President and Chief Executive Officer; Diana Calabro, Assistant Research Analyst; Tiffany Fisher, Accountant & Office Administrator; Walter Liebrich, Assistant Research Analyst; Dave Davis, Sr. Research Analyst & Senior DPA Advisor; Janet Herndon, Research Analyst; Brea Gelin, Research Analyst; SEATED, LEFT TO RIGHT: Deborrah Harris, Research Analyst & Grants Coordinator; Amber Graham, Administrative Assistant; Barbara K. "Babs" Taff, Sr. Vice President/ Membership; Latoya Washington, Assistant to the President; NOT PICTURED: Kurt Wenner, Senior Research Analyst; Kwon Myungjung, Chima Onwunli, and Yahong "Rosie" Zhang, Assistant Research Analysts**



**TAXWATCH SENIOR OFFICERS**  
**STANDING, LEFT TO RIGHT: Keith G. Baker, Ph.D., Sr. Vice President and Chief Operating Officer; Barbara K. "Babs" Taff, Sr. Vice President/ Membership; Dominic M. Calabro, President & Chief Executive Officer**



**DAVIS PRODUCTIVITY AWARDS TEAM**  
**STANDING, LEFT TO RIGHT: Keith G. Baker, Ph.D., Sr. Vice President and Chief Operating Officer; Dave Davis, Sr. Research Analyst & DPA Senior Advisor; Diana Calabro, Assistant Research Analyst; SEATED, LEFT TO RIGHT: Walter Liebrich, Assistant Research Analyst; Amber Graham, Administrative Assistant; Nedra Cordero, Davis Productivity Awards Director**



**TAXWATCH RESEARCH TEAM**  
**STANDING, LEFT TO RIGHT: Dave Davis, Sr. Research Analyst & DPA Senior Advisor; Walter Liebrich, Assistant Research Analyst; Keith G. Baker, Ph.D., Sr. Vice President & Chief Operating Officer; Michael Fisher, Ph.D., Sr. Research Analyst; SEATED, LEFT TO RIGHT: Deborah Harris, Research Analyst & Grants Coordinator; Janet Herndon, Research Analyst; Brea Gelin, Research Analyst**

**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 designed and compiled by  
Deborrah Harris, Research Analyst and Grants Coordinator  
with assistance and contributions from  
Babs Taff, Sr. Vice President/Membership,  
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Brea Gelin, Research Analyst, and  
Janet Herndon, Research Analyst,  
under the direction of Keith G. Baker, Ph.D., Senior Vice President and COO,  
Steven L. Evans, Chairman, and  
Dominic M. Calabro, President, CEO and Publisher**

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