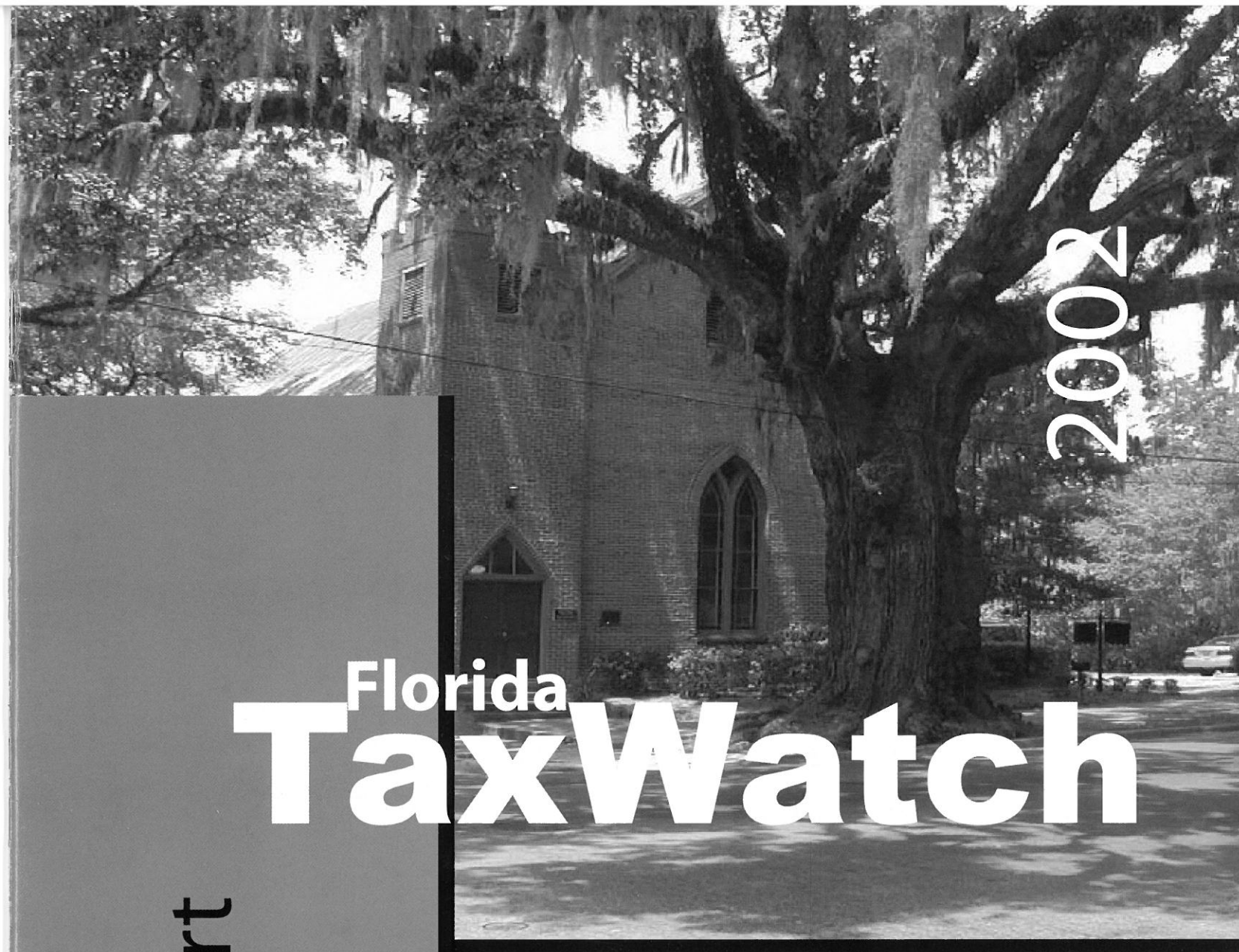


Annual Report

Florida  
**TaxWatch**

2002



**Florida TaxWatch is your eyes and ears for government 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.

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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 use of public funds.

Dear Fellow Taxpayers:

Florida TaxWatch is looking back on a year of tremendous challenges and tremendous successes — a year in which we sharpened our focus and enhanced our integrity. Florida TaxWatch, its Executive Committee and its Board of Trustees took the lead in efforts to ensure our state and its citizens have a fiscally sound government that fosters a diverse, healthy and growing economy. In addition, TaxWatch worked to guarantee for citizens an education system focused on preparing students for competition on the worldwide stage.

TaxWatch's key achievements over the past year include:

- Producing the Center for a Competitive Florida Special Series on meaningful and constructive tax reform and modernization
- Preserving the integrity of the Florida Constitution and taxpayers' constitutional checks and balances that serve as the bulwark of our freedoms
- Building a solid foundation as a vigilant watchdog of public education to ensure continuous accountability and meaningful improvements in student performance
- Effectively monitoring the changing fiscal conditions of the state
- Critically evaluating and communicating the economic and policy implications of constitutional amendments with fiscal consequences affecting the livelihoods and quality of life of all Floridians

TaxWatch looks to the future with optimism and appreciation to the many leaders who have guided this outstanding Florida institution over the years. Meanwhile, there are clearly continuing challenges we must face together with the public and private sector leadership of our great state. We must help create a fiscal model that reflects our current and future economy and puts us in a competitive position to sustain the growth and quality of life Floridians expect. We must continue to produce objective and influential research that promotes sound, effective policy decisions that improve the education of our students and enhance the accountability and public value of government spending and tax reform measures that will serve Floridians for years to come.

On behalf of all the taxpayers of Florida, we thank you for your involvement in our public interest organization. The challenges of the upcoming year are going to call for the continued leadership, focus and teamwork of all of us working actively to ensure that the State of Florida fulfills the vision, vitality and quality of life for all of its citizens. Let us go forward, remembering that our government belongs first, last and always to you, the taxpaying citizens of Florida.

Respectfully,

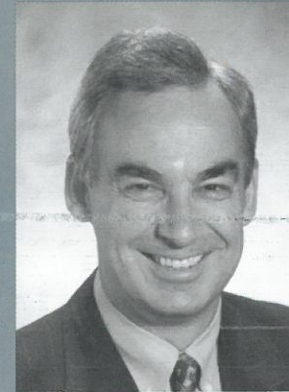


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Jemigan

BOB GRAHAM  
FLORIDA

United States Senate  
WASHINGTON, DC 20510-0903

October 16, 2002

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

Dear Friends:

It gives me great pleasure to congratulate Florida TaxWatch for 23 years of valuable contributions on behalf of Florida's taxpaying citizens. Your organization is a testament to democracy in action.

Florida TaxWatch's dedication and vigilance to serve as the protector of Floridians' tax dollars is to be applauded. Your constructive ideas have resulted in billions of dollars of government cost savings, innovations and management improvements. You are to be commended and thanked for your role in watching the actions and spending of agencies.

Please accept my best wishes for many more years of distinguished service to the citizens of this great state.

With kind regards,

Sincerely,



United States Senator

BGf/hjn

BILL NELSON  
FLORIDA

United States Senate  
WASHINGTON, DC 20510-0906

October 25, 2002

Dear Friends:

Congratulations Florida Tax Watch. Florida's taxpayers are fortunate to have you as their advocate, especially in this time of fiscal uncertainty. You provide an independent approach regarding findings and recommendations, thereby proving to all Floridians your untiring service.

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,




STATE OF FLORIDA  
**Office of the Governor**  
THE CAPITOL  
TALLAHASSEE, FLORIDA 32399-0001  
www.flgov.com  
850-488-7148  
850-487-0801 fax

Greetings:

For 23 years, Florida TaxWatch has striven for government accountability and fiscal responsibility. For the past four years, we have led our state with that same vision.

We have cut taxes in Florida by over \$6 billion in four years, removed 700,000 Floridians from the tax rolls of the Intangibles Tax, and reduced the state tax burden to its lowest level since 1991. At the same time, we have increased state budget reserves from \$1.3 billion to \$3 billion by eliminating wasteful spending.

For these reasons, Florida was only one of two states to earn an "A" on the CATO Institute's most recent Fiscal Responsibility Report Card. This achievement is especially remarkable given the national economic slowdown forcing steep budget cuts or tax increases in many other states.

Many of our achievements have been accomplished with the support of Florida TaxWatch. Best wishes for many more years of distinguished service to all the taxpaying citizens and visitors 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 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; 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 Executive 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. 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 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.

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**Adelaide Sink**, Comm. Vice Chair

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**Tom Slade**, Tidewater Consulting

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

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

## BUDGET WATCH

### Use of Non-Recurring Revenue to Fund Recurring Expenses:

#### An Impending Moment of Truth Facing Florida's Budget, May 2002

This *Budget Watch* provides a breakdown of recurring and nonrecurring funds being used to balance the 2002-2003 fiscal year budget. Florida TaxWatch warns that the use of so much nonrecurring money to pay for recurring programs in the state budget is cause for concern and puts Florida in an even tougher fiscal position next year.

#### Guiding Florida Through our Fiscal Storm: TaxWatch Offers \$1 Billion Budget Cuts, October 2001/November 2001

Beginning in October 2001, as the Florida economy continued in a downward path exacerbated by the terrorist attacks of September 11, 2001, TaxWatch offered up three reports of cost saving recommendations for the Governor and Legislature to consider while formulating their annual state budget. TaxWatch urged the state's leaders to make spending cuts their first priority in dealing with the budget shortfall, initially sharing \$700 million, then an additional \$400 million, finally culminating in this *Budget Watch* totalling \$1 billion in cost savers and budget cuts.

#### Florida Must Continue to be Open for Business, October 2001

The terrible events of September 11, 2001 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. At the time of this report, it was certain that Florida would have less money than anticipated. What was not certain was how much less and what would happen next. This report urged the state to take needed steps to deal with the shortfall by keeping Florida's 16 million residents and its 60 million of visitors back in the business and hospitality of Florida.

## BRIEFINGS

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

Since 1985, Florida lawmakers have received a pay raise almost every year and have not had to stand up and vote on their salaries. This *Briefing* explains how this was accomplished and how Florida legislative salaries and expenses compare to other states.

#### Voters Approve 8 of 9 Proposed Local Taxes—With More to Come, October 2002

Local taxes contribute significantly to funding governmental operations. Florida voters have decided that these tax initiatives reflect the needs confronting their local communities. Local governments clearly feel the pinch of state mandates and budget shortfalls, particularly coupled with their growing populations and operating costs. In this *Briefing*, TaxWatch reviews the newest local tax initiatives around the state.

#### The First Constitutional Amendment Estimating Conference Puts an Official Price Tag on Class Size Initiative, July 2002

Florida's first Constitutional Amendment Initiative Impact Conference was held June 27, 2002, resulting in a hefty price tag for Florida voters to consider in the November 2002 election. In this *Briefing*, TaxWatch details how much the proposed constitutional amendments slated for the November ballot will cost per Florida household.

#### Sales Tax Holiday Provides Real Benefits to Consumers and Florida's Economy, May 2002

When the first sales tax holiday was created, many, including Florida TaxWatch, believed that it would serve more as a symbolic gesture than a real economic stimulus. That first sales tax holiday proved to be very popular to both Florida taxpayers and retailers alike. Over the next three years, the Legislature enacted three more sales tax holidays. At the request of the legislation's sponsors, Florida TaxWatch reviewed the proposal and concludes that the sales tax holiday is of benefit to both Floridians and the economy and should be continued.

## BRIEFINGS, CONTINUED

**Florida Should "Piggyback" its Corporate Tax Code with the New Federal Economic Stimulus Provisions, April 2002**

In this *Briefing*, Florida TaxWatch looks at the potential impact of changing the state corporate income tax code to keep it consistent with the federal code (piggybacking). Florida TaxWatch concluded that this piggybacking, while costly, is necessary. This *Briefing* provided essential guidance as the Legislature passed a piggybacking law.

**2002 Legislative Wrap-up, March 2002**

The Florida Legislature had four tasks to complete heading into the 2002 Regular Session. The Legislature finished this 60-day Session accomplishing only one of these four. This *Briefing* details what the Legislature did and did not accomplish.

**House and Senate Take Different Approaches to Sales Tax Exemption Review, March 2002**

As the 2002 General and Special sessions drew to a close, both chambers of the Legislature had proposals for legislative review of sales and use tax exemptions that, while similar in concept, had major differences. In this *Briefing*, Florida TaxWatch examined the differences. The following day, TaxWatch released another *Briefing*, **New Sales Tax Exemption Review Proposal Has Serious Flaws**, which examined the legislation passed by both houses, a proposed constitutional amendment, CS/CS/HJR 833. The resulting legislation, which contained elements of both the House and the Senate's earlier proposals, would have created a 12-member joint legislative committee to review all exemptions (and exclusions of sale of services) from the sales and use tax granting seven legislators the constitutional authority to make law and raise sales and use taxes without approval by the Legislature or subject to the Governor's veto. Florida TaxWatch warns of the dangers of this plan in this *Briefing* update.

**Florida is Not Alone in 9/11 Revenue Shortfalls, March 2002**

The revenue shortfall Florida has been experiencing is being used by some to decry the "instability" of Florida's state revenue structure and point to the need for tax reform. However, the economic downturn of the last year and the impact of 9/11 have hurt state revenue coffers all across the nation. This *Briefing* compares and profiles several states' revenue shortfalls post-9/11. Florida's economy and revenue system performed better than most.

**Legislation Should Result in Improved Driver License Services for Floridians, March 2002**

Florida TaxWatch reviewed legislation considered by the 2002 Florida Legislature and concluded that this legislation would have a positive impact on the driver license services Floridians receive by increasing the participation of tax collectors in the provision of those services. This *Briefing* examines the legislation and makes recommendations for improvement.

**Legislature Balances Budget With a Mix of Cuts, Trust Funds and Taxes, December 2001**

When the Legislature completed the second Special Session called to balance the state budget in the face of severe revenue shortfalls, it succeeded in completing what it could not complete the first time--pass an appropriations bill that the Governor could sign. In this *Briefing*, Florida TaxWatch examines the results of this Special Session.

**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.

## FOCUS/NEWSLETTER

**Articles in the 2001-2002 Newsletter Included:**

- Florida Taxpayers Win!
- Be Careful What You Vote For--You Just Might Get It
- States Struggle With Tight Budgets
- Davis Productivity Awards Hit All-Time High
- Getting a Second Opinion: The Economy Keeps Hiccups Along
- Florida: A High-Tech Contender
- In Memoriam: Governor Farris Bryant, Florida TaxWatch Founding Board Member
- Smaller Schools, Higher Results?
- TaxWatch Hosts Russians Researching American Civics in Action
- Terrorism=Job Losses
- States' Economic Report Cards Are Out!
- A Streamlined Sales & Use Tax: Is Florida Keeping Up or Lagging Behind?
- Florida Tourism Looking Up
- Florida TaxWatch Eyes the Budget
- Florida Ranks Fifth in the Nation for Support of Small Businesses
- Davis Productivity Awards Recipients Saved Nearly \$500 Million for Taxpayers

## SPECIAL PROJECTS

**Comparative Evaluation of Project CHILD: Phase III** 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 the issue, Florida TaxWatch, for the past three years, has been doing a controlled, comparative evaluation of Project CHILD, an innovative computer-integrated instructional program designed to increase academic achievement. The TaxWatch evaluation uses statistical analysis, expert opinion and anecdotal data to evaluate the effectiveness and efficiency of the Project CHILD program. Phase I (year one) of the study focused on three diverse and geographically dispersed elementary schools, and Phase II (year two) included two additional schools. TaxWatch analyzed the effect of class size on academic achievement in reading, writing and mathematics. Initial assessments indicated that, even with considerably larger class size enrollments than traditional schools, Project CHILD students scored statistically higher than counterpart traditional students. If expanded to other schools, the program has the potential to improve student performance and generate cost savings.

Phase III (current year) 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 affects student performance; a comparative case-study of the highest and lowest performing schools in Phase II; and longitudinal analysis of the individual growth in achievement by Project CHILD students who participated in the entire three-year study.

SPECIAL PROJECTS, CONTINUED

Research

Research

**Status Report on Hillsborough County Government Recommendations Documents \$22 Million Added Value**

In 1997, the Hillsborough County Board of County Commissioners (BOCC) contracted with Florida TaxWatch for six deliverables (from private contributions) 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. TaxWatch also assisted a BOCC-appointed 15-member Blue Ribbon Committee on County Finances that submitted a separate report with three dozen major recommendations. Throughout 1999-2001, the BOCC, assisted by County Administration, conducted a detailed review of each recommendation.

A May 2002 progress report compiled by TaxWatch showed that three and one-half years after issuing the above reports, the County government had implemented in part or whole 57% of the recommendations plus other cost saving, cost avoidance, innovative revenue and service improvements worth \$22.3 million for citizens of Hillsborough County. \$17.9 million (80%) of this amount are annual recurring savings.

The report commended the County for its improvements in financial policies and budgeting. Changes adopted by the BOCC are credited with helping improve the County's debt rating - which directly impacts interest expenses for long-term bonds - and reportedly have helped the County weather post-September 11, 2001 conditions and the subsequent recession. In addition, the County Administration is putting new emphasis on implementing recommended changes in its performance auditing program.

While these results show progress, the report urges the implementation of at least \$20 million worth of other cost-saving recommendations included in the 20-point decade-long plan previously noted. These include a real effort to selectively consolidate approximately \$70 million worth of common County services such as data processing, personnel, finance, etc.; and a performance-based productivity awards initiative that could generate, document and publicly communicate up to \$20 million annual added value based on the 14-year-old Davis Productivity Awards program for state employees.

Citizens look to their government to deliver quality services and demonstrate a conscientious ongoing effort to increase effectiveness and efficiency and stretch the use of their hard-earned tax dollars. Hillsborough County is headed in the right direction, and it can and should capitalize on many more untapped opportunities to help institutionalize a corporate culture of continuous improvement and savings.

RESEARCH REPORTS

**Amendment 9 on Class Size Reduction is Structurally Unsound; Putting at Great Risk Revenues, Costs, Quality Teachers and Florida's Future, October 2002**

Amendment 9, Florida's ballot initiative to reduce class size scheduled for the November 2002 ballot, constitutionally mandates legislative funding, beginning in fiscal year 2003-2004, to reduce the number of students in each classroom. For Florida voters to approve Amendment 9 would be a blunder of major fiscal proportions. 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.

**The 2002 Turkey Watch Report, June 2002** The struggle to find funding for vital state services didn't keep Florida lawmakers from stuffing turkeys into the tight budget for fiscal year 2002-2003. This list of "budget turkeys" released by Florida TaxWatch highlights nearly \$300 million in projects that should have gone on the Governor's line item chopping block.

**Florida Taxpayer Independence Day, May 2002** The 2002 edition of Florida TaxWatch's annual publication announced that May 3rd marked Florida Taxpayer Independence Day for 2002— the day average taxpayers logged enough hours to pay federal, state and local taxes. Florida Taxpayer Independence Day 2002 arrived four days earlier than it did last year, and eight days earlier than 2000. Generally Floridians work more than one-third of the year, or 122 out of 365 days, to pay all their taxes.

**How Florida Compares, December 2001** This is Florida TaxWatch's annual report of how Florida's state and local taxes compare with those of the other 49 states. State and local governments across the nation have largely been avoiding tax hikes, and Florida has been no exception. What tax growth there has been has been largely due to a strong economy. This edition of *How Florida Compares* finds that tax burdens have not increased significantly. In fact, when viewed in terms of percentage of personal income, tax burdens have been getting smaller, both nationally and in Florida.

**How Florida Counties Compare, November 2001** Local taxing and spending is a major part of Florida government operations. Local taxes now comprise approximately 40% of Floridians' total state and local tax burden. Florida's 66 county governments, 400 municipal governments and more than 400 special districts spend over \$35 billion a year. This publication compares the revenue and expenditure profiles of Florida's 67 counties to give taxpayers an overview of how their local governments stack up with the rest of the state's. The report has 88 pages of tables and graphs and has three main sections: I) Property Taxes; II) Other Taxes and Revenues; and III) Per Capita Revenue and Expenditure Comparisons.

**Adaptation and Implementation of 2001 Davis Productivity Awards Achievements Can Save \$140 Million, November 2001**

This *Research Report* summarizes 180 adaptable achievements from the 2001 awards competition. These achievements can generate as much as \$138 million added value if fully implemented over the next three years. They join 330 adaptable achievements from the 1999 and 2000 awards competition that are worth another \$400 million if fully implemented. Individuals, work units and entire state agencies that adapt and implement these achievements will be honored at the 2002 awards ceremonies with cash awards, commemorative plaques and certificates of commendation.

# 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 Center was formalized at a Florida TaxWatch Board Meeting on May 16, 1997 in Orlando, Florida. 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.

The Center's key objectives are aimed at addressing, through independent research and technical assistance, emerging economic developments and trends that will impact Florida's ability to compete in global, state and substate-regional markets. They include the core areas of tax policy, government regulation and other tax-related cooperative initiatives that will help develop a fully qualified, skill-competent, highly educated/trained and well-paid workforce to enable Florida employers to compete effectively in the new global economy.

The Center for a Competitive Florida has launched a new Task Force, aptly named the Center for a Competitive Florida Task Force, to guide the Center in its mission. Previous Task Forces under the Center have all been highly successful. The Florida Intangibles Tax Task Force, the Florida Taxpayers Bill of Rights Task Force and the Florida Ad Valorem Tax Task Force have all resulted in substantial laws enacted by the Legislature to implement their recommendations.

Since August, 2001, the Center has published seven *Special Reports* (listed on next page) in an ongoing series on modernizing Florida's tax system. In continuing this examination, the Center's newly created CCF Task Force, Chaired by Executive Committee Member Dave McIntosh, has and will meet several times to develop recommendations for the Governor and the 2003 Legislature on how to modernize Florida's tax system through the creation of a more conducive business environment for capital formation and job creation, one that will stabilize Florida's tax base and produce the vibrant, broad and diverse economy that is so critical to the long-term health and prosperity of Florida's citizens and businesses.

## A Dangerous Idea: Amendment 5 Would Put the Power to Raise Taxes in the Hands of Too Few, September 2002

Slated to be on the November 2002 ballot, Amendment 5 would have radically changed the way Florida sets tax policy. This proposal — its title, and ballot summary language — would have been confusing to Florida voters and was unanimously determined by Florida's highest courts as deceptive on several counts. In this *Special Report*, TaxWatch shows why Amendment 5 was a dangerous idea and was ultimately struck from the ballot.

## Carefully Overhauling Florida's Tax System Over the Long Haul, March 2002

With the passage of CS/CS/HJR 833 by the 2002 Florida Legislature, a major departure from Senate President John McKay's original vision of a tax overhaul was granted permission to inch its way toward the proverbial finish line, subject to voter approval of a constitutional amendment in November 2002. The new plan has several major hurdles in its way before its proponents can claim victory. Even should they persevere, the debate over how to best modernize Florida's tax system will be unending because Florida's economy and business climate must be in sync with the ever-shifting demands and uncertainties of the new global economy. In this *Special Report*, TaxWatch reviews what is next to occur in the process of Florida tax reform.

## Tax Reform Proposal's Claims Questionable; Revenue Neutrality: Just an Illusion?, February 2002

Revenue neutrality should mean that the new tax structure would raise the same amount of revenue as the old one during the same time period and under the same economic conditions. The Senate's tax reform proposal sets a different standard, limiting the revenue in the first year of the tax to the previous year adjusted for growth regardless of what the current tax would have been expected to raise. In this *Special Report* TaxWatch shows the limits of the newest tax reform proposals.

## Florida Sales Tax Exemptions Overstated, February 2002

Author and Florida TaxWatch Board Member Cass D. Vickers (noted tax attorney) provides a careful review of the nearly \$23 billion in exemptions cited in the 2001 *Florida Tax Handbook*. Vickers concludes the exemptions label is being misused to describe billions of dollars in transactions that the State is barred from taxing by the U.S. Constitution or by other controlling law or is simply not a transaction to which the sales tax structure was intended to apply.

## A Tax on Services Does Not Belong in the Constitution, February 2002

In this fact-based, historic perspective on constitutional amendments, author Robert S. Goldman (noted tax attorney) says the Constitution is not the proper vehicle for advancing statutory tax reform.

## Florida TaxWatch Position Paper: Modernizing Florida's Tax System, February 2002

Florida TaxWatch commends Senate President John McKay for his vision and courage in proposing sales tax reform. His initiative gives new life and a heightened visibility to the debate over how to modernize Florida's tax system. However, while an informed tax debate would be good for Florida and its citizens, there is little hope that this will happen in the climate of acrimony and sound-bite mentality that already has emerged over the McKay initiative. TaxWatch reviews the legislation and provides sound recommendations before undertaking this ambitious initiative.

## Florida Joins the Streamlined Sales Tax Project: An Important First Step in Modernizing Florida's Tax System, August 2001

This report, prepared by Florida TaxWatch Founding Corporate Secretary and Board Member Richard H. Hunt, Jr. (noted tax attorney) 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, especially retail-based states like Florida.





## The Davis Productivity Awards Program Celebrates 14th 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 and encourages to innovate further.

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, plus corporate and philanthropic foundation contributions. 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 \$4 billion plus, or more than \$3,000 for each dollar contributed to the program.

This year, 32 state agencies submitted 996 Davis Productivity Awards nominations, a 19% increase over 2001 and 89% more nominations than were submitted five years ago. The nominations are reviewed by Florida TaxWatch staff and university-based TaxWatch Senior Fellows. Nominations and summaries then go to an 18-member distinguished Panel of Judges Chaired by Florida TaxWatch Treasurer and Executive Committee member Mike Jennings, Vice President of Government Relations, Prudential Financial. The judges are divided into two-person teams that each review selected nominations then meet in Tallahassee to discuss them and make the award decisions.

Eight awards presentations will be held in cities throughout the state in December 2002. Checks of \$300 to \$2,500 per award plus commemorative plaques, certificates of commendation and letters of honorable mention will be presented.



*DPA Chairman Lt. Governor Frank Brogan addresses the DPA Judges.*



*DPA Sponsors and Judges accept a Resolution from the Governor and Cabinet honoring the Davis Productivity Awards.*

### Change In Program Year

Last winter, the five-member Davis Productivity Awards Foundation Board of Directors chaired by O'Neal Douglas, immediate past Chairman of Florida TaxWatch, unanimously approved a change in the DPA program year beginning in 2003. Major benefits of this change, which will result in announcing award winners each April rather than October, are:

- Awards will influence employee performance evaluations for Service First performance bonuses, further enhancing the DPA program's stature as an outside, independent assessor and promoter of improved government performance.
- DPA cost savings and selected big ticket adaptable achievements will be publicized during the legislative session, in some years as an alternative to budget cuts in essential services.
- Florida TaxWatch and The Florida Council of 100 will work with the Governor's Office of Policy and Budget and state agencies to include selected achievements that can save additional money in their budget requests which are prepared over the summer.
- Six additional months to publicize each year's achievements to inform citizens and encourage more exemplary state employee performance.
- Increased participation of Florida TaxWatch Senior Fellows in reviewing top-rated nominations.

Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 2002. 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 \$1,376,280 were kept below total revenues of \$1,419,471. The practice of keeping expenses below revenue has continued in each of the Institute's 23 years of operation.

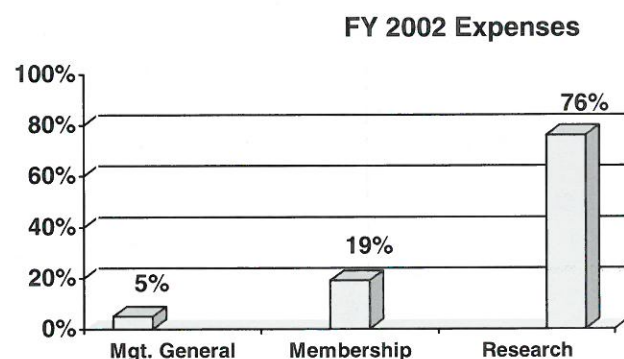
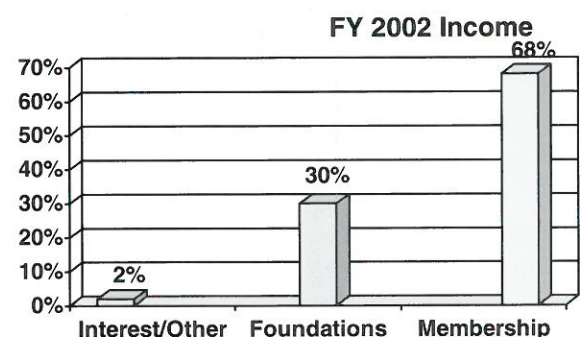
According to the year-end record of expenses, all expenditures went to prepare, conduct, publish, disseminate and properly communicate the research program's findings, conclusions and recommendations about Florida government tax and spend policies and practices. No funds were expended on lobbying activities,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

The Treasurer's Report for FY 2002 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



## What Others Have Said...

**"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*

**"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*

**"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*

**"Floridians should be heartened that a group of TaxWatch's stature is continually monitoring state government. Without such an ally, taxpayers would surely be getting much less bang for their buck."**  
*Tampa Tribune*

**"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 Kever, Publisher, Florida Trend*

**"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*

**"In this state, the taxpayers have a really good friend in Tallahassee. The friend isn't one person: it's a privately funded nonprofit, nonpartisan organization, Florida TaxWatch."**  
*Fort Lauderdale Sun-Sentinel*

**"Heed TaxWatch"**  
*The Miami Herald*

# 2002 Annual Report



*President and Chief Executive Officer  
Dominic M. Calabro*



*Sr. V. P. and Chief Operating Officer  
Keith G. Baker, Ph.D.*

## TaxWatch Team



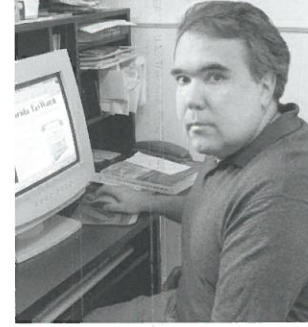
*Sr. V.P., Membership  
Barbara "Babs" Taff*



*Sr. V.P., Development  
Deborah Hunt*



*Sr. Research Analyst  
Dave Davis*



*Sr. Research Analyst  
Kurt Wenner*



*Research Analyst  
Janet Herndon*



*Research Analyst  
Louise Hays*



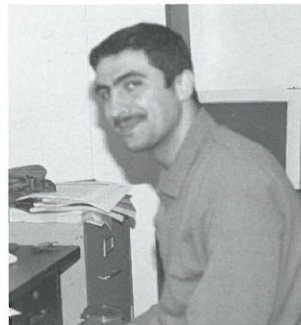
*Sr. Research Analyst  
Michael Fisher, Ph.D.*



*Office Administrator  
Shirley Gloer*



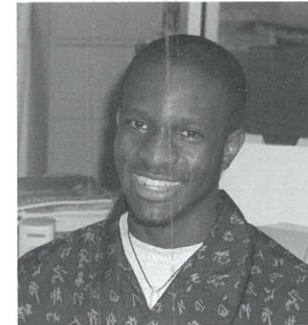
*Asst. to the President  
Deborah Harris*



*Asst. Research Analyst  
Abdulhamit Yagmurcu*



*Asst. Research Analyst  
Brea Gelin*



*Asst. Research Analyst  
Chima Onwunli*

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 Deborah Harris, Assistant to the President and CEO with contributions from David M. Davis, Sr. Research Analyst, Kurt Wenner, Sr. 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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