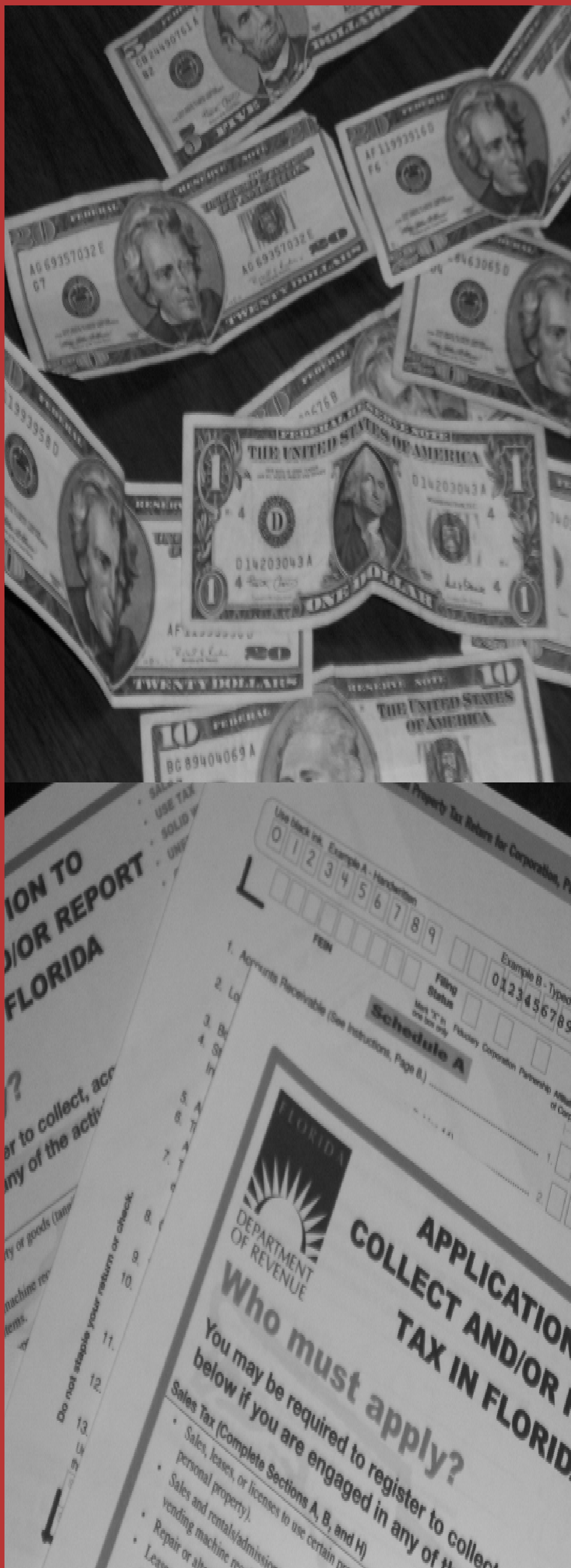


Florida TaxWatch

Joint Report of the

Florida TaxWatch Cost Savings Task Force & The Center for a Competitive Florida Task Force on Tax System Modernization

March 2003

Joint Report of the Florida TaxWatch Cost Savings Task Force and The Center for a Competitive Florida Task Force on Tax System Modernization*

Executive Summary

Introduction

Florida faces a number of challenges–both immediate and long-term—in the budget and taxation arena. The Governor and the Legislature will struggle to balance the current and future budgets in the face of rising spending and slowed revenue. They and future Executives and Legislatures will necessarily confront the issue of stabilization of our tax system, with its vanishing revenue from estate taxes, federal tax cuts and reduced intangible taxes and its mounting spending pressure from recent voter initiatives.

We have keenly observed some suggestions for "tax reform" which are designed to close the gap between anticipated revenue and desired spending. Many suggestions may be successful in the short term while doing immeasurable and irreparable harm to Florida's economy. We offer a solution that modernizes our sales tax system and, when implemented along with our collateral suggestions, provides a timely and practicable resolution to our current fiscal imbalance.

The President of the Florida Senate and Speaker of the House encouraged Florida TaxWatch to do a comprehensive review of cost-saving and revenue-enhancing opportunities and to evaluate the ability of Florida's tax system to deal with the challenges and uncertainties of the new economy. We believe that 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.

The current fiscal 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 if left unattended. Some of the efficiencies and productivity changes recommended in this Joint Report are not easy to implement, but we ignore the challenges at our peril. They should by definition be an integral part of what government does during hard times. Cost saving and revenue enhancement ideas—beyond those recommended herein—may come from the Florida Legislature.

This Joint Report presents the work product of more than nine months of effort by a unique coalition of dedicated Floridians—a broad and deep representation of Florida's business community, employing the state's most capable business minds and resources to reach the conclusions we present. We respectfully submit our recommendations, knowing that elected officials serve constituents other than the business community, but reminding the readers of this Report that our Florida businesses are populated by our own families, our colleagues and our friends—new and old residents of our state—who use our education system, our social services, our transportation systems, our recreation resources and all the other resources of this state in which we have invested so heavily with our personal and commercial commitments and with our genuine love.

*Members of each Task Force, their affiliations and Task Force technical advisors are listed in Appendices A and B.

Recommendations

We recommend that the State's elected public officials cooperatively adopt the following strategic approach to addressing the immediate and long-term budget reconciliation issues:

1. The State should first look to increasing the efficiency of government operations.

   - The Florida TaxWatch Cost-Savings Task Force has developed a list of cost-savings, productivity enhancements and revenue maximization recommendations worth **$2.8 billion**. For example, we know that there are federal dollars that are rightfully due to Florida which have escaped our detection and collection. Those must be captured immediately. We estimate that our budget could be positively impacted by $900 million by this item alone.

   - The Governor and Legislature should ensure that these ideas are fully explored and enacted and report to the people of Florida on the progress made toward implementation.

2. The State should next look to the effectiveness of government operations and ensure that it is collecting all the funds possible under existing tax and revenue laws.

   - E-commerce and other remote sales methods are costing Florida billions of dollars in uncollected sales and use taxes. Current estimates show Florida losing over **$1 billion** from e-commerce only, and that number is expected to exceed $3 billion by 2006. Both task forces concluded that addressing this issue is vital to not only maximizing current revenue but the modernization of Florida's tax structure as well.

   - The Legislature should enact law this session to take the next step in achieving the goals of the Streamlined Sales and Use Tax Agreement, and start capturing this revenue that could total $28 billion over ten years.

   - The Legislature and Florida Department of Revenue should implement additional recommendations in this report to assure improved tax compliance and maximize tax collections due under current law.

3. The Governor and the Legislature should review the Florida's sales and use tax system, recognizing the facts below and rigidly adhering to the basic principles set forth.

   - Despite some assertions to the contrary, our sales tax-driven system has proven to be a reliable revenue producer in times of economic downturn. Our tax system has outperformed those in many states, whether or not they have a personal income tax.

   - Our current sales and use tax system creates some significant disincentives for businesses that otherwise would be willing to make capital investments in our state. Further, such disincentives put Florida companies at a competitive disadvantage with those in other states, putting their continued location in Florida at risk.

   - Florida businesses, as a percentage of all Florida taxpayers, pay the fifth highest portion of total state and local taxes in the nation, and any examination of expanding Florida's sales tax base must acknowledge this already high incidence of business taxation in the state. Every dollar of new tax that falls directly on businesses has a far greater negative impact on the state's economy than a dollar of new taxes levied on individuals, whether residents or visitors.

- The vast majority of sales tax exemptions—in terms of dollars—are fully justified. The Task Force recommends that three major categories of "exemptions" be retained permanently:

    - **Structural components.** These are not really exemptions, but are non-taxing provisions truly critical to the character of any sales tax system as a one-level tax on the final consumer.

    - **Exemptions for life's necessities.** These provisions exempt basic human necessities from our sales and use tax. These exemptions reduce the regressivity of our sales and use tax as well.

    - **Economic development exemptions.** These exemptions and incentives in our system were a major focus of the Task Force's work. We concluded that the exemption of goods and services should also be protected and preserved for goods and services which produce a **demonstrable positive impact on our state's gross domestic product,** *i.e.,* exemptions which have a **positive return on investment**. It is important to state that we employed the most sophisticated econometric modeling available (see Appendix E for an description of the model used and graphics of modeling results obtained) with great care and unfailing integrity to examine the impact of specific exemptions—such as services—on our gross domestic product.

- We recommend that all goods and services which do not fall squarely within one of the three categories above should be examined periodically by the Legislature for suitability to taxation. For example, while we conclude that general taxation of services performed within Florida is counter-productive for our economy, we note that the taxation of personal services and entertainment/sports services would have a lesser negative impact on the economy than other services. Their exemption from tax cost our state **$455 million** each year. In addition, there are specific sales exemptions on goods totaling more than **$750 million** that do not fit into the Task Force's three categories of structural, necessities and economic development exemptions which the Legislature might wish to examine.

- **While we do not recommend that additional items be taxed, we understand that the Legislature will examine that strategy.** If such examination occurs, we strongly recommend that lawmakers follow the framework set forth by the Task Force—only considering exemptions that do not alter the basic nature of the tax, that do not tax life's true necessities and that do not adversely impact the state economy. Recipients of an exemption should be able to vouchsafe and be held accountable by the Florida Legislature for the ongoing positive contribution their exemption makes to Florida's economy and competitive position vis-à-vis other states.

4. The Governor and Legislature are encouraged to continue examination and exploration of other revenue sources, which we did not study because we do not believe that they have demonstrable economic impact on capital formation or high-wage jobs in Florida. Those include such items as cigarette taxes, video lotteries and other revenue enhancing measures being discussed.

5. Finally, we offer our continued services to the Governor and the Legislature during this Legislative Session. We will remain available to research issues, to further implement our econometric modeling and, if requested, to testify or to assist in any other manner which will provide the information which our elected public officials rightfully need in order to make informed decisions on matters of such great importance to today's and tomorrow's Floridians.

Joint Report of the Florida TaxWatch Cost Savings Task Force and The Center for a Competitive Florida Task Force on Tax System Modernization

Florida faces a number of challenges–both immediate and long-term--in the budget and taxation arena. The current Legislature will struggle to balance the next budget in the face of rising spending and slowed revenue resulting from a weakened economy. Actions by past Legislatures, such as spending non-recurring revenue for recurring expenses, have further put the budget in the hole.

Florida legislators will have to deal with the modernization of our tax system in an uncertain environment beset by mounting spending pressures from recent voter initiatives such as high-speed rail and class size reduction.

Hopefully, they will do this with a keen eye on improving Florida's economic vitality through capital formation and high-wage job growth. This is the goal of the Florida TaxWatch Task Forces on Cost Savings and Tax System Modernization (See Appendices A and B for the task forces' membership). Florida must ensure that it does not solve short-term problems with "solutions" that hurt in the long-term by affecting the vitality of Florida's economy and the attractiveness of the state's business climate.

The Florida TaxWatch Cost Savings Tax Force Look to Budget Savings and Revenue Maximization to Address Immediate Needs

The focus of Florida's solution to the current budget problems should be on spending. Raising taxes in times of economic downturn is generally not a good idea. This is when people can least afford it, and the increased cost and added instability for Florida's business community would likely exacerbate the problem.

Before raising or enacting new taxes, the State should first look to increasing the efficiency and effectiveness of government operations and ensure that it is collecting all the funds possible under existing tax and revenue laws. Besides, general revenues are expected to grow by 4.1% in fiscal year 2003-04, more than in many other states. To that end, the priority of the 2003 Legislature (and beyond) when balancing the budget should be cost savings, budget efficiencies and maximizing revenues currently available to the state.

Florida TaxWatch's Task Force on Cost Savings was created with this goal in mind and offers the following recommendations:

1. Cost Savings/Productivity Enhancements/Revenue Maximization. The Task Force developed a list of 31 cost savings ideas worth $2.45 billion, which are described in this report. Some of the recommendations may be of immediate help in balancing this year's budget, whereas others may require additional review and analysis before being enacted and may take longer for their savings to accrue.

Some of the savings are in trust funds, and without legislative action, can't be used to offset general revenue shortfalls. Still, all recommendations can help reduce the cost of government and lessen the impact of tight budgets. In addition to the items on this list, the State should explore implementing all cost savings recommended by the Office of Program Policy Analysis and Government Accountability (OPPAGA), the Auditor General and agencies' Inspectors General. Some OPPAGA recommendations are included in this report. (A listing of the recommendations appears on the next page, and more detail can be found in Appendix C).

2. Adapt Davis Productivity Award "Adapt" Achievements Statewide. Also included in the Task Force's recommendations are 82 examples of over 500 real live state government achievements from the 1999, 2000 and 2001 DPA competition that can and should be implemented throughout state government to add an estimated $323 million to the value of state services over the next three years. Governor Jeb Bush has urged Florida TaxWatch to aggressively pursue these cost saving and revenue enhancing achievements. Doing this on a quarterly basis can prompt budget redirects and reductions and hold down budget increases in 2003-04 and beyond. (More detail can be found in Appendix D).

3. Limit, or No Budget "Turkeys." Florida TaxWatch has identified in excess of $220 million in "turkeys" in each of the last four budgets, including $297 million in the current budget year. Turkey are generally projects of local interest that find their way into the budget without the normal controls, due process and accountability of the budget process. The Task Force recommends that the 2003 Legislature take a strict "no-turkey" stance. Call them what you will, "special projects," "ill-begotten member projects," "community budget issues," or just "turkeys," they have no place in a budget where budget cuts are being considered.

4. Cut overhead and Administration Before Direct Services of Core Health, Child Protection, and Social Services are Considered. When instituting additional budget cuts, in the new Special Session, the Legislature should take care to look to administration first and, to the extent possible, avoid cuts in essential direct services. Program cuts should be targeted at non-essential programs, not core government services or programs that can better serve our citizens and save money over the long-term.

Guiding Principles for Evaluating Spending

The Task Force recommends several guiding principles (listed below) that have served the state well in its continuing effort to manage its programs effectively. They have guided Florida TaxWatch's research and policy analysis of state programs as a government watchdog since 1979. They have served as guiding principles for Partners in Productivity, a public and private cooperative effort established in 1987 by The Florida Council of 100, Florida TaxWatch and the State of Florida to identify, implement, measure and reward major cost savings and performance enhancements in Florida state government. They similarly have ably served the Frederick Commission that was appointed by the late Governor Chiles in 1991 and charged with making Government more accountable to taxpayers. The guiding principles are:

Meets Taxpayer Priorities	*Customer Driven*
Accountable	*Performance-Based*
Competitive	*Efficient*
Effective	*Essential to State Core Functions*
Market Driven	*Subject to Legislative Oversight*

Florida TaxWatch Cost Savings Task Force
Recommended Budget Cuts / Cost Savings / Productivity Improvements

		General Revenue	Trust Funds	Total Potential Savings
1	Reduce State Agency Expense Budgets	41,900,000	100,500,000	142,400,000
2	Competitively Bid Pharmacy Contract	5,200,000	7,000,000	12,200,000
3	Reduce Provider Billing Errors (AHCA-Medicaid)	25,200,000	64,800,000	90,000,000
4	Child Support Administrative Expenses Recovery (DOR)	4,400,000		4,400,000
5	Improving Developmental Disabilities Program Placements and Purchasing	41,400,000	50,700,000	92,100,000
6	Medicaid Reimbursement Rates	1,800,000	2,100,000	3,900,000
7	Children's Medical Services Restructuring	3,500,000	14,900,000	18,400,000
8	Health Care Practitioner Complaint Resolution	300,000	1,300,000	1,600,000
9	Improve Contracting Processes in Juvenile Justice Residential Program	2,400,000	600,000	3,000,000
10	Expansion of Project CHILD	95,300,000		95,300,000
11	SUS: Redirect emphasis to core mission of teaching	49,600,000	30,400,000	80,000,000
12	Corporate Tax Credit Scholarship Program	253,400,000		253,400,000
13	Require Competitive Bidding of School District Non-instructional Services	152,500,000		152,500,000
14	Improving School District Efficiency of Operations	192,000,000		192,000,000
15	Promoting Efficiency of Operations in State University System	29,000,000		29,000,000
16	Promoting Efficiency of Operations in Community Colleges	9,000,000		9,000,000
17	Lottery Prize Redemption, Field Support, and District Offices		3,065,000	3,065,000
18	Eliminate the Recycling and Education Grant Program		2,500,000	2,500,000
19	Forest Resource Protection Program Efficiencies	1,043,000	888,000	1,931,000
20	Reduce the Cost of Right-of-Way Acquisition		27,000,000	27,000,000
21	Overweight Motor Carrier Fines and Permits		56,000,000	56,000,000
22	Electronic Overweight/Oversize Truck Permitting		2,000,000	2,000,000
23	Highway Construction and Engineering Program Contracting		1,800,000	1,800,000
24	Florida Intrastate Carrier Driving Time Regulations		3,000,000	3,000,000
25	Irresponsible Driver Surcharge	150,000,000		150,000,000
26	Centralized Vehicle Maintenance System		1,590,000	1,590,000
27	Making Compliance and Enforcement Activities Self-Sufficient	2,500,000		2,500,000
28	State Employees' Group Health Insurance	25,200,000	34,800,000	60,000,000
29	Improving Residency Determination for Postsecondary Institutions	48,000,000		48,000,000
30	Collection of Disease Management Savings	7,570,000		7,570,000
31	Maximize Federal Revenue and Funding Support		904,306,000	904,306,000
	Total	**$1,141,213,000**	**$1,309,249,000**	**$2,450,462,000**

For detail on individual recommendations, see Appendix A.

1999 - 2002
Adaptable Davis Productivity Awards Potential Additional Value

	Achievement	*Agency*	*Potential Additional Value*
1.	Position Reduction Sterling Principles/Strategy	AHCA	3,000,000
2.	Diabetes Discovery community-based initiative	AHCA	6,000,000
3.	Retroactive buy-in of Medicare coverage	AHCA	300,000
4.	Improved detection of fraud in home meal delivery	AHCA	1,000,000
5.	Medicaid transportation cost reduction	AHCA	800,000
6.	Coordinated primary care for at-risk Medicaid recipients	AHCA	200,000
7.	Improved Medicaid billing practices	AHCA	2,200,000
8.	Computerized Medicaid database	AHCA	150,000
9.	Standardized expert witness contracts	AHCA	300,000
10.	Assistive Care Services policy and billing trainings	AHCA	5,000,000
11.	Reduced illegal re-selling of prescription drugs	AHCA	10,000,000
12.	Reduced time of dependent children in emergency care	DCF	30,000,000
13.	Reduced number of children in residential group foster care	DCF	15,000,000
14.	Locating missing parents of foster children	DCF	7,500,000
15.	Combined quarterly reports for foster care and protective services	DCF	1,000,000
16.	More effective handling of termination of parental rights cases	DCF	10,000,000
17.	Improved processes for finalizing adoptions	DCF	200,000
18.	Improved workers compensation programs	DCF	12,400,000
19.	Diverting elderly clients from institutions to Community Centers	DCF	42,000,000
20.	Improved process for restoring competency of impaired defendants	DCF	6,500,000
21.	Fraudulent Food Stamp error management information system	DCF	20,000,000
22.	Decreased institutional food services costs	DCF	6,000,000
23.	Developmental disability clients' risk management program	DCF	5,000,000
24.	Internet on-line document review/approval	DCF	1,500,000
25.	Bidding maintenance of computer network devices statewide	DCF	2,000,000
26.	Improved contract monitoring procedures	DCF	1,900,000
27.	Inactive Benefit Accounts Initiative	DCF	4,400,000
28.	Paperless electronic grants routing system	DCA	375,000
29.	Automated substance abuse screening system	DOC	2,200,000
30.	"Rocket Docket" criminal defendant scoring sheet	DOC	300,000
31.	Overtime reporting process	DOC	5,800,000
32.	Steel security windows for prison cells	DOC	150,000
33.	Reduced waste of medications	DOC	500,000
34.	Satellite learning centers at employer and community agency sites	DOE	2,400,000
35.	Immersion program for 5th and 8th grade students	DOE	12,900,000
36.	Centralization of cash receipts -- teacher certification revenue	DOE	2,000,000
37.	Technical support request application linking databases	DEP	1,000,000
38.	Water quality enforcement	DEP	100,000
39.	Automated payment system	DEP	300,000
40.	Electronic storage and retrieval of vouchers	DEP	3,000,000
41.	Reduced emergency room visits by CMS clients	DOH	300,000
42.	Merging of CMS client information	DOH	875,256
43.	Improvements to the AIDS Drug Assistance Program	DOH	2,000,000
44.	Primary Access to Health (PATH) & We Care Programs	DOH	3,000,000
45.	Volunteer Physician Programs	DOH	10,000,000
46.	Free medications	DOH	1,600,000
47.	Improved third party insurance reimbursement	DOH	1,214,130

48. Automation of monthly spending plans	DOH	1,032,396
49. Web-based registration for competitive solicitations	DOH	365,000
50. Elimination of eligibility screenings - WIC & FLORIDA	DOH	900,000
51. Information Security Training initiative	DOH	4,000,000
52. Automated reconciliation system	DOH	2,000,000
53. Pre-Grievance Employee Mediation Program	DOH	500,000
54. Internet-based Prescription Drug Assistance Program	DOH	5,000,000
55. Complex care coordination system	DOH	500,000
56. Automated travel reimbursement system	DFS	300,000
57. Home detention savings	DJJ	900,000
58. Referral and tracking system for mental health services	DJJ	1,000,000
59. Warning Tour for delinquent youth	DJJ	1,000,000
60. Post-disaster fraud training program	FDLE	25,000,000
61. Avoidance of illegal Food Stamp payments	FDLE	1,500,000
62. Automation of DNA analyses	FDLE	1,800,000
63. On-line testing for law enforcement certification	FDLE	420,000
64. Video teleconferencing system	FDLE	500,000
65. Improved Property Accountability System	DOL	2,000,000
66. Tracking delinquent child support	DOR	2,000,000
67. Simultaneous plea agreement	DOR	800,000
68. Locating unregistered commercial rental property for back taxes	DOR	3,300,000
69. Automated Q&A program -- employee behavior issues	DOR	600,000
70. Pre-trial conference hearing -- traffic court	SCS	7,000,000
71. Job placement program for unemployed first-time felony offenders	SCS	1,600,000
72. Filing Family Law actions without an attorney	SCS	850,000
73. Developing corridors for road and bridge projects	DOT	10,000,000
74. Improved utilization of CADD	DOT	200,000
75. Web-based consultant invoice transmittal system	DOT	1,000,000
76. Web-based system to input/track work order requests	Univ	350,000
77. On-line application and admission process	Univ	180,000
78. Information studies information system	Univ	180,000
79. Paperless procurement system	Univ	1,000,000
80. On-line program budget management system	Univ	500,000
81. Electronic personnel management system	Univ	450,000
82. Employee payroll deduction parking permit program	Univ	450,000

General Revenue*	**132,635,000**
Trust Fund*	**190,865,000**

*Assuming the same proportion of GR/TF as the 2002-2003 budget.

DPA Total	**$323,500,000**
GRAND TOTAL	**$2,781,962,000**

For detail on individual recommendations, see Appendix B.

Tax Compliance Recommendations

The Task Force also recommends that the Legislature and Florida Department of Revenue implement the following recommendations to improve tax compliance and maximize tax collections due under current law:

1. Sales Tax Simplification Project. This issue is the single most important compliance issue that can be addressed by the 2003 Legislature. (See section entitled *Recovering Remote Sales Tax Revenue A Vital Step Toward Tax Modernization* on page 12).

2. The Department of Revenue should notify existing Florida businesses that, if they are a registered sales tax dealer, they must collect sales tax on any sale they make over the Internet to a Florida resident. This reminder notice will clarify this issue for the many smaller businesses that are doing business over the Internet, who may not understand current requirement under Florida Law.

3. The Florida Legislature should grant authority to the Florida Department of Revenue to collect tax payments through the use of credit cards and e-cash. Making it easier for taxpayer compliance will increase taxes paid into the State Treasury.

4. The Florida Legislature should address the current interest rate statute. Section 213.235, F.S., establishes a mechanism for the Department to establish a rate of interest to be charged against tax deficiencies that results in an average of the prime rate over a period of time. By charging a blended prime rate amount, it is beneficial for taxpayers to simply not pay their taxes in a timely manner and in effect borrow the money from the State of Florida at a cheaper rate than they could borrow the same money from their respective bank. This statute should be adjusted to charge the prime rate, plus one or two percent to make this a less attractive alternative than currently exists. In addition, the prime rate still should be paid to taxpayers on overpayments of taxes made to the State.

5. The Florida Legislature should consider integrating/consolidating the function of corporate registration. Currently the Division of Corporations, within the Department of State is charged with the registration and issuance of corporate charters to businesses wishing to incorporate in the State of Florida. Many of these same corporations never register with the Florida Department of Revenue and consequently are not identified as a Florida corporation that may be subject to tax in Florida. Providing a common registration process between the Department of State and the Department of Revenue will facilitate a greater compliance with the Florida tax code.

6. The Department of Revenue should be encouraged to continue with its plans to improve the audit selection process by employing an automated means for prioritizing taxpayers for audit that will draw from a variety of internal as well as external data sources. This more comprehensive and automated approach will enhance the Department's ability for a fact-based selection process resulting in a more effective deployment of enforcement related resources. In addition, this automation should include an audit management tracking system, which will enable auditors and audit supervisors to more actively and effectively manage their time and work assignments. This enhanced work assignment/time management tool will allow the Department to increase the number of audits completed each year, thereby increasing overall revenue collections.

7. In an effort to expand its current audit coverage rate, the Department of Revenue should examine methods to expand the use of the Certified Audit program authorized by Section 213.285, F.S. The use of this program should be expanded to allow for taxpayers to elect having a private CPA firm

conduct a sales tax audit after the Department has selected them for audit. Currently the program is only available to taxpayers before they know they have been selected for audit. By changing the emphasis and utilizing private CPA firms to perform sales tax audits at the option of the taxpayer once the taxpayer has been selected for audit will shift some of the audit burden from the DOR auditors to the private sector, while allowing the DOR auditors to pursue other taxpayers. This procedure will increase the audit coverage rate, result in more revenue collections and assure a higher compliance rate with state tax laws.

Recommendations For Reducing the Cost of Amendment 9

Whether Florida voters who supported the passage of Amendment 9 to reduce class size voted out of frustration with K-12 education or were fully aware of the substantive and fiscal ramifications of their votes is debatable. Whatever their motives, Florida TaxWatch views the passage and implementation requirements of the Amendment as a rare opportunity to bring about long-overdue and much needed changes in Florida's K-12 education system. It is recommended that the following cost-saving alternatives be fully explored by the Governor and the Florida Legislature:

- Alternative teacher certification that would provide appropriately crendentialized retired and semi-retired Floridians to teach in the public schools or participate in mentoring programs in larger numbers than is currently the case
- A proper balance of voucher programs, distance learning, and home schooling, but with proper qualifying controls and testing of student performance to ensure accountability
- Increased use of charter schools
- Better use of existing physical plants and facilities and utilization of year-round schools
- Increased construction of portables and use of modular designs that lower construction costs and recurring operating expenses
- Shunting, or fast-tracking, high school students to community college
- Accelerated promotion of lower grades
- Busing, where appropriate to ensure the most efficient utilization of existing facilities
- Increasing salaries to attract first-year teachers and accelerated teacher recruitment
- Utilization of satellite schools, where appropriate
- Better alignment and increased utilization of experienced teachers with problem-teaching situations to boost the retention and effectiveness of new and less experienced teachers
- Schools should convert computer labs back into classrooms to help meet the mandate for class size reduction—especially in large urban areas where land is limited for building new schools—and provide students with round-the-clock access to laptop computers

Florida TaxWatch Center for a Competitive Florida
Task Force on Tax System Modernization

Florida TaxWatch's Center for a Competitive Florida created the Task Force on Tax System Modernization to examine how well equipped Florida's tax system is to meet the fiscal challenges of the economy of the post-9/11 era. Given the uncertainties and fiscal challenges posed, Florida must have a tax system that can predictably protect the state's economic health and viability and promote the creation of high-paying jobs and capital formation in an increasingly competitive, open system of economic production and consumption.

Increasingly there have been questions and deliberations about the alleged weaknesses of Florida's current system. During the 2002 Legislative Session two ill-advised and hastily drawn tax reform efforts failed. The Task Force on Tax System modernization adds a critical and mostly ignored element to the debate: How changes to Florida's tax system would affect the development of high paying jobs, capital formation, and Florida's ability to attract new businesses and retain/grow existing businesses while retaining support from the general taxpayers.

While tax modernization is a worthwhile goal, the emphasis should be on improving Florida's tax system, not just raising revenue for short-term fixes. The debate on the state's tax structure should not be dominated by Florida's current budget problems. Care must be taken that tax changes do not do irreparable harm to the state's economy and, instead, promote a healthy business climate.

The Task Force, comprised of business and civic leaders and statewide professional business associations, met four times between June 2002 and February 2003. It heard testimony from experts such as a national business relocation consultant, Florida's economic development arm Enterprise Florida, the Council on State Taxation, econometricians and state and national business people.

The Task Force employed sophisticated economic modeling that captures the dynamics of how varying tax system components affect the states economy.

The Task Force's deliberations were guided by the principles that a quality revenue system should: 1) be reliable and stable; 2) create a level playing field for Florida businesses; 3) promote economic development; 3) be equitable; 4) promote exportability; 5) be conducive to efficient and effective tax administration; and 6) have an a high level of taxpayer acceptance and compliance.

Member Survey

Prior to the first meeting, the Task Force members completed a survey to assess their aggregate perceptions of both the quality and importance of business climate factors in the context of tax system modernization. Members ranked various taxes as to their importance for review by the Task Force.

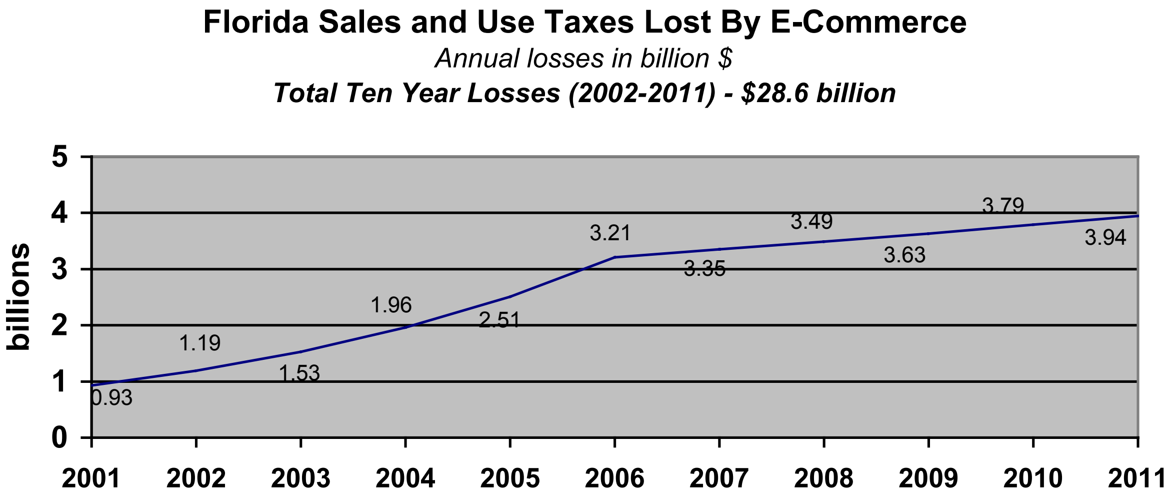
By far the highest rated business climate factor was quality of life. Transportation, regulatory environment and cost of doing business rated average or just above, while workforce, business recruitment, tort system and education were rated below average.

As to importance, the top two rated factors, workforce and education, were inter-related. Unfortunately, both factors were perceived to be of low quality. Taxes fell in the middle as to its importance.

These survey results were largely corroborated by a business relocation consultant who addressed the Task Force at its first meeting.

As for taxes, the consensus was that the sales tax was the most important tax for the Task Force to review. Conversely, two new taxes—a personal income tax and single business tax—were given the lowest priority. Although the concept of a personal income tax had some merit in the framework of the Task Force's economic view, the remote possibility of one being enacted in Florida precluded it from serious discussion.

Recovering Remote Sales and Use Tax Revenue
A Vital Step Toward Tax System Modernization



Source: Florida TaxWatch and University of Tennessee, March 2003.
Note: UT study provided estimates for 2001, 2006 and 2011. Data points between those years assume average growth rates.

Florida's tax system is particularly vulnerable to the growth of remote sales (including Internet, mail order, and telephone) because it relies on sales and use taxes for 73 percent of its general revenue. Even if the seller is located outside the state, a Florida resident making a remote purchase is still liable for paying the sales and use tax on that item. Currently remote sellers are not required to collect these taxes even though the transaction is taxed on a use tax basis, which is nearly impossible for the State to collect. A recent University of Tennessee study estimates that e-commerce cost Florida state and local governments $932.2 million in uncollected sales and use tax revenues in 2001. It projects that cost to escalate to $3.214 billion by 2006 and to $3.944 billion by 2011. This means total ten-year losses (2002-2011) of $28.6 billion. Estimates by the U.S. General Accounting Office (GAO) show Florida losing up to $1.3 billion from all remote sales in 2003.

It is simply wrong for the state of Florida to make it difficult, if not impossible for citizens to pay and meet their tax obligations under current law. To ignore the problem and do nothing is to make thousands of law-abiding citizens tax cheats, and this is simply unacceptable. Also, not collecting these sales and use tax revenues, means less money for many of Florida's highest priorities— new schools, more classrooms and teachers, higher teacher salaries, more textbooks. Florida took an important first step toward solving this problem by joining the Streamlined Sales Tax Project, a multi-state effort to examine the problems posed by e-commerce and other remote sales methods (such as mail order) and work toward solutions.

On November 12, 2002 lawmakers and tax officials from Florida and 29 other "Implementing States" ratified the Streamlined Sales and Use Tax Agreement, a proposal to simplify their tax laws and enter into a voluntary pact to collect sales and use taxes online. This voluntary multi-state program will take effect when at least 10 states, representing 20 percent of the U.S. population, (1) have amended their sales and use laws to be in substantial compliance with the agreement, (2) have petitioned for membership, certifying substantial compliance, and (3) have been admitted by three-fourths vote of the other petitioning states.

Implementing language to simplify Florida's sales and use tax system consistent with the agreement has already been drafted by the Florida Legislature and is being considered in the 2002-2003 Legislative Session. **This issue is the single most important compliance issue that can be addressed by the 2003 Legislature.** By adopting implementing legislation, the State of Florida would simplify its sales tax code and at the same time put Florida in a leadership role among the other States for the continued development of model legislation. Once this is accomplished, the U.S. Congress will be requested to pass Federal Legislation which would clear the way for the collection of sales taxes on purchases made over the internet, through catalogues and from television home shopping networks. **When fully implemented it is estimated that the collection of these taxes could mean from $1 to $3.5 billion in additional revenues being collected through improved compliance.**

As Florida TaxWatch recently reported in the Center for a Competitive Florida's eighth *Special Report* in a series on *Modernizing Florida's Tax System,* not requiring Internet sellers to collect sales tax erodes Florida's tax base and creates an unfair advantage over bricks-and-mortar retailers. Faced with the uncertainties of the post-9/11 era, Florida cannot afford to continue losing sales and use taxes from remote sales. Florida's sales and use tax system needs to be modernized to resolve this problem in a manner that is fair, workable and not burdensome to Florida's taxpayers. The current sales and use tax system will work if the necessary steps are taken now to modernize it.

Both Task Forces conclude that the Legislature must pass the simplification legislation and take whatever actions necessary to promote rapid implementation of the Streamlined Sales and Use Tax Agreement.

Florida's Consumption Driven Tax System Has Performed Well

Our current tax system is very reliant on transaction taxes. This includes general sales taxes and excise taxes on items such a gasoline, tobacco, alcoholic beverages and utilities. These taxes comprise 77% of all Florida's state tax collections. The national average is only 46%, the difference being made up largely with state personal income taxes.

In addition, the Florida Constitution has several provisions limiting flexibility in taxation: (1) prohibitions on personal income, inheritance, and state property taxes; (2) a soon to be effective prohibition on estate taxes; (3) an increased standard for raising the corporate income tax rate; (4) a limit on the intangibles tax rate (and likely phase-out of the recurring portion of this tax); and (5) a limit on the growth of homesteaded property tax assessments (Save Our Homes). All are set in stone in the Constitution.

Some of the limitations were created to help bring people to Florida. They worked well, but they may not be as important or necessary today. Many of these provisions have helped to shift the tax burden towards business, and Florida now has the 5th highest percentage in the nation of a state's total tax incidence falling on business.

From a revenue stability perspective, Florida's tax structure is basically sound. Despite some assertions to the contrary, our sales tax driven system has proven to be a fairly reliable revenue producer, even in poor economic times. Even a study by *Governing* magazine, which was critical of Florida's "adequacy of revenue", states that Florida's tax structure "helped it avoid the roller-coaster fluctuations of states that rely on the volatile income tax" and performed better than most states.

Certainly, an under-performing economy hurts, especially when it impacts the tourism industry, but generally, Florida's tax structure has weathered many storms.

Florida's Tax System Places Heavy Burden on State's Businesses

Florida has been, and will continue to be, an attractive state in which to sell goods and services. However, our tax system creates some disincentives for businesses that otherwise would be willing to make capital investments in our state. Further, such disincentives put Florida companies at a competitive disadvantage with those in other states.

Businesses in Florida have a relatively high tax incidence, contributing a higher percentage of total state and local tax collection than most other states. A study by the Institute on Taxation and Public Policy (ITPP) found that Florida businesses pay 46.6% of all state and local taxes. This is the fifth highest amount in the nation and the largest amount in the Southeast and among the nation's major states. **The lack of a personal income tax is the major reason for Florida's high business tax ranking and also is an important reason for Florida's high economic performance. Florida TaxWatch is not recommending that this be changed.**

A recent study by the Council on State Taxation (COST) estimates that nationwide, businesses contribute 41.3% of all state and local taxes. This suggests that the 46.6% estimated by ITTP may be conservative.

The COST study concludes that the corporate income tax is only one part of the tax burden imposed on business and that the perception that businesses are largely exempt from sales taxes is wrong. The sales tax on business inputs ($74 billion) is the second largest source—after the property tax—of state and local taxes from business.

COST recommends that states carefully evaluate the competitiveness of their business tax structures from an economic development perspective and that any business tax proposals considered should be evaluated in the context of long-run economic impact.

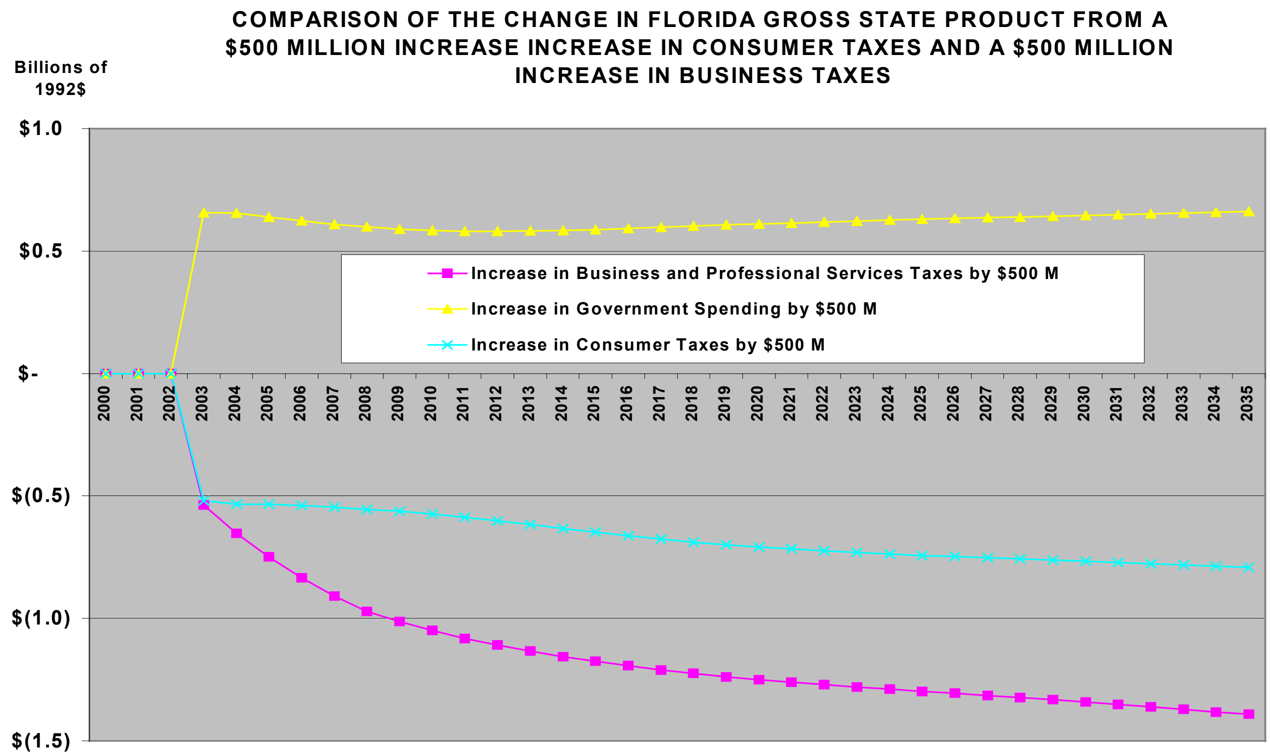
The Task Force concurs with these findings. Florida's sales tax structure, while containing some important economic development exemptions, continues to tax a number of business inputs, some of which are not taxed in other competing states.

Any examination of expanding Florida's sales tax base should be sensitive to the already high incidence of business taxation in the state.

It must be remembered that taxes increase production costs and these costs are largely passed on to individuals in increased prices, lower wages or reduced earnings. When you couple this with negative economic impact of increased business, excessive taxes on business are costly to everyone in the state.

Generally, any tax increase is going to have a negative impact on the economy of the state (measured in this Joint Report by **Gross State Product*** (GSP)), often after an initial increase in economic activity from increased government spending.

However, the economic modeling done by the Task Force indicates that tax increases which directly impact business have a greater negative impact on the economy. The following chart shows the impact on GSP from two different $500 million tax increases—one on business and one on individuals. The model shows a significantly greater loss in GSP for the business tax increase.



Source: Florida TaxWatch, March 2003.

Tax System Modernization Must Start With the Sales and Use Tax

The options for tax reform in Florida are limited. Florida is highly reliant on the general sales and use tax, and, other things being equal, that will only grow in the near future. With constitutional prohibitions against a state personal income tax and state property tax, absent the unlikely occurrence of the people of Florida deciding they want those taxes, the state will continue to receive the lion's share of its revenues from the sales and use tax. Drastic changes like a single business gross receipts tax have been explored and are fraught with problems. In addition, the state's estate tax is scheduled to go away (coupled with the federal tax phase-out), and the intangible personal property tax—which has been cut significantly in recent years—is slated for phase-out.

*GSP is a measure of a state's economy as determined by the total value of goods and services produced.

The sales and use tax is Florida's fiscal workhorse, and that is where the money is. The Task Force examined increasing the tax rate by 0.5% and 1.0%. While a rate increase may have smaller negative impact than a large-scale repeal of exemptions, it has nothing to do with tax modernization. Also, with combined state and local sales tax rates as high as 7.5%, Florida sales tax rate does not have much room to grow. A higher rate will begin to diminish public acceptance of the tax and can increase the incentive for tax avoidance and evasion actions.

The Task Force concludes that expanding the tax base has the most promise for tax modernization, but such expansion must be done slowly and with careful consideration of the economic consequences for the state. The challenge is to broaden the tax base without adding taxes on additional important business inputs or increasing the already high incidence of taxes on business while receiving great taxpayer acceptance.

Reviewing Sales Tax Exemptions and Exclusions

Therefore, it is not surprising that the subject of exemptions from the sales and use tax is the focus of tax reform discussions, such as was the case during the 2002 Legislative Session. There are approximately $24 billion (as defined in the Florida Legislature's 2003 *Florida Tax Handbook*) of exemptions and exclusions from Florida's sales and use tax, although it must be remembered that much of these should not carry the label "exemption." This label is often misused to describe billions upon billions of dollars in transactions that are either not within the purview of Florida's sales tax at all or which the State is barred by the U.S. Constitution or other controlling law from taxing. *(For more information see the Florida TaxWatch Special Report Florida Sales Tax Exemptions Overstated, February 2002.)*

In addition, there are many exemptions that are justified by serving a legitimate public purpose. The Task Force has determined that in any review of exemptions for possible repeal, there are certain exemptions that should be retained. There are three categories of exemptions that should be "off the table."

The first category—**Structural**—contains items that are not really exemptions, but provisions that protect the character of the sales tax as a one-level tax on the final consumer. The second category is **Life's Necessities**—major exemptions for basic life necessities that reduce the regressivity and enhance public acceptance of the sales and use tax. The third category is **Economic Development**—an overriding focus of the Task Force's work. This includes current exemptions that are important to the state's business climate and economic well-being.

Structural Exemptions

Exemptions that are characterized by the Task Force as "structural" maintain the basic structure and integrity of the sales tax. The Florida sales tax is a one-level tax on retail sales to final consumers. In order to assure the character of the tax as a retail sales tax (as opposed to a gross receipts tax, for example), items purchased for resale are not subject to tax. While the value of most purchases for resale is in the $24 billion total as such, it does include variants of such transactions. For example, materials used for packaging other items being sold are not taxable. Their cost is included in the price of the item being packaged and sold and is subject to tax at that time. This is depicted as a $27 million "exemption," when in fact the statutory provision in question simply preserves the tax as one on the final retail transaction.

There are several large structural exemptions that, without the very nature of the sales tax, would be altered—items purchased for resale, intangible personal property, items imported or produced for export and labor services. It should be noted that these are not included in the $24 billion total, but an exemption does exist in Florida law (Except for labor services. Services are not exempt but are rather beyond the reach of the tax.)

In addition to avoiding pyramiding and duplicative taxation, the structural exemptions listed below help limit the tax to those engaged in business and avoid taxation that is prohibited by federal or other controlling law.

Note: The Florida Legislature released the new 2003 edition of the Florida Tax Handbook—with new estimates of exemptions--after the Task Force completed its work. The estimates for non-service exemptions have been updated. However, the Handbook's new classification of services changes the components of many service categories. Since the Task Force based its econometric analysis and recommendations on the old categories, the estimates for taxing services are those found in the 2002 Florida Tax Handbook.

	Statute	Exemption	FY 03-04 Value $ millions
		Structural	
		(repeal of the first five items would substantially alter the character of the sales tax. These values are not included in the totals.)	
1	212.02(14)(a)	Items purchased for subsequent resale.	*29,852.40*
2	212.02(19)	Intangible personal property.	*16,002.30*
3	212.06(5)(a)	Tangible personal property imported or produced for export.	*3,963.20*
4	212.07(7)	Purchases of ag. products for further processing for resale.	*928.5*
5		Labor Services	*11,420.50*
6	212.02(2)	Occasional or isolated sales by businesses and individuals.	53.1
7	212.02(14)(c)	Materials used for packaging.	30
8	212.02(14)(c)	Components or ingredients of processed or manufactured goods.	included in #2
9	212.0506(10)	Certain materials and supplies used in fulfillment of service warranty	29.4
10	212.06(5)(a)	Any sale exempted by federal law or the U.S. Constitution.	n/a
11	212.06(7)	Credit for tax paid to other states.	57.4
12	212.06(8)	Imported items if used in another state for 6 months or more.	150.6
13	212.08(6)	Direct purchases by government	302
14	212.09	The value of trade-ins or discounts.	705
15	212.031(7)	Certain utility charges if separately billed	17.8
16	212.02(1)	Federal tax on admissions.	0.4
17	212.02(16)	Federal excise taxes imposed on retailers	0.8
18	212.08(4)(a)2.	Purchases of fuel by public and private utilities.	246
19	212.02(2)	Leasing of real property between certain corporations	4.6
20		Institutional Services	420.1
21		Financial Services	3,344.8
		Total	5,362.0

Life's Necessities Exemptions

The Task Force also recommends that exemptions for life's necessities be retained. A tax system that is heavily reliant on consumption taxes and largely excludes income and wealth taxes will be more regressive.

A higher portion of lower-income households' income will be devoted to taxes than that of higher-income families.

Maintaining exemptions for groceries, rent, residential utilities and medical services, drugs and products will help lessen the level of the sales and use tax's regressivity. These exemptions total $7.2 billion.

	Statute	***Necessities*** Exemption	FY 03-04 Value $ millions
1	212.03(7)(a)	Rent charges paid by permanent residents.	920.6
2	212.02(2)	Rent on low income housing	56.5
3	212.08(1)(a)	Groceries purchased for human consumption.	1,867
4	212.08(2)(a)	Prescription drugs.	650.9
5	212.08(2)(a)	Non-prescription drugs.	176.2
6	212.08(2)(a)	Eyeglasses and other corrective lenses.	27.3
7	212.08(2)(a)	Medical supplies and products such as syringes and prosthetics.	88
8	212.08(2)(f)(h)	Non-retail pharmacies	472.9
9	212.08(4)(a)1.	Metered Water, excluding well.	212.3
10	212.08(7)(j)	Charges for hospital meals and rooms.	466.4
11	212.08(7)(j)	Purchases of power & heating fuels by residential households.	1,004.6
12		Health Services	1,791.2
		Total	7,733.9

Economic Development Exemptions

Economists believe it is critical to employ a tax system that both *encourages* maximum economic growth and *generates revenue* from economic growth. In other words, Florida's tax structure should encourage productivity—not tax it—while generating revenue from consumption.

The Task Force recommends that a number of exemptions that are important for fostering a robust economy in Florida be maintained. These exemptions listed below (on goods) have been cited by the state economic development arm—Enterprise Florida—as being critical to successful economic development in Florida.

In addition, there are several categories of services that the Task Force recommends remain non-taxed. The Task Force performed economic modeling on all of the categories of non-taxed services to forecast the impact of taxing them on the Florida economy. Not surprisingly, all service categories showed significant losses in jobs, GSP and income if taxed (see Appendix E for an description of the model used and graphics of the modeling results obtained). In addition to the service sectors we included in the first two categories (labor, institutional, financial and health), the Task Force recommends that business, professional, media, construction and transportation services remain untaxed for economic reasons.

The two service categories with the smallest negative economic impact, personal and entertainment and sports services, could be areas for the Legislature to explore if it decides to expand the sales tax base. Within those two categories, however, the Task Force recommends that two specific exclusions be retained. Employment services, temporary help and personnel supply services fall directly on business. And the continued exemption of motion picture and television production services is consistent with the Task Force, and Enterprise Florida's, recommendation that other exemptions to promote that industry in Florida be retained.

These exemptions help Florida businesses compete with those in other states and nations. Some are specific to individual industries or businesses while others help to reduce the tax on business inputs for manufacturers. They total $7.8 billion.

	Economic Development		
	Statute	Exemption	FY 03-04 Value $ millions
1	212.031(1)(a)9.	Leases/rentals of certain property used for movie productions	4.7
2	212.031(1)(a)13.	Commercial Leases/Space Flight	0.6
3	212.05(1)(a)2.	Sales of boats or airplanes removed from the state.	75.7
4	212.0598	Partial exemption for air carriers' maintenance bases.	0
5	212.051(1)	Pollution control equipment used in manufacturing	14.4
6	212.052	Items fabricated for use in research and development activities.	30.2
7	212.06(1)(b)	Partial exemption for production cost of cogenerated energy.	25.8
8	212.06(1)(b)	Fabrication labor used in the production of qualified motion pictures.	8.1
9	212.06(5)(a)	Aircraft being exported outside the U.S.	10.4
10	212.08(5)(b)1.	Purchases of machinery and equipment by new businesses.	24.8
11	212.08(5)(b)2.a.	M&E purchased by expanding businesses or for spaceports > $50,000	30.9
12	212.08(5)(b)2.b.	M&E purchased by expanding printing facilities	4.6
13	212.08(5)(c)1&2	Boiler Fuels	0.4
14	212.08(5)(f)	Certain motion picture or recording equipment; refund.	2.5
15	212.08(5)(f)	Add'l Movie Exemptions	13.5
16	212.08(5)(f)	Motion Picture Video Equipment	4.3
17	212.08(5)(i)	Certain aircraft modification services.	27.4
18	212.08(5)(j)	M&E used in silicon technology and related research	2.4
19	212.08(5)(j)	Defense & Space M&E	2
20	212.08(7)(b)	Purchases of boiler fuels for use in industrial manufacturing.	37.7
21	212.08(7)(ee)	Aircraft repair and maintenance labor charges or aircraft > 15,000 lbs	2.6
22	212.08(7)(ee)	Aircraft repair and maint. labor charges for helicopters > 10,000 lbs	0.2
23	212.08(7)(ff)	Electricity used in Manufacturing	52.1
24	212.08(7)(tt)	Parts and labor used in certain aircraft maintenance or repair	2.6
25	212.08(7)(uu)	Aircraft leases and sales by common carriers, if in excess of 15,000 lbs	2.7
26	212.08(11)	Flyable aircraft sold by a Fla. mfgr. to out-of-state resident (partial).	6.9
27	212.08(11)	Aircraft temporarily located in Fla for repairs	6.5
28	212.08(12)	Master tapes, records, films or video tapes (partial).	26.9
29	212.08(16)(a)1.	The sale or use of satellites or other space vehicles.	144.3
30	212.08(16)(a)2.	The sale or use of tangible personal property placed on satellites.	0
31	212.08(17)	Overhead items purchased by certain gov't contractors	8.7
32	212.031(1)(a)5	Streets used by a utility for utility purposes	39.8
33	212.06(1)(b)	Electricity consumed dissipated in the transmission of electricity	22.7
34	212.08(7)(zz)	Shipping and parts and labor for repair of certain machinery	12.1
35	212.031(1)(a)	Charges for renting property assessed as agricultural	14.9
36	212.08(3)	2.5% partial exemption for sale of farm equipment	40.8

37	212.08(5)(a)	Purchases of agricultural items (pesticides, seeds, fertilizers, etc)	54
38	212.08(5)(a)	Fuels used to heat poultry structures	0.1
39	212.08(5)(a)	Poultry structure generators	0.2
40	212.08(5)(e)	Butane and other gases used for ag purposes	0.9
41	212.08(5)(e)	Natural gas used for ag purposes	0.6
42	212.08(7)(d)	Feed for poultry and livestock	19.5
32		Professional Services	2,127.9
33		Business Services	2,427.9
34		Media Services	701.3
35		Construction Services	1,280.1
36		Transportation Services	661.7
37		Employment services, temp help and personnel supply services	793.4
38		Motion Picture, Television Production and Support Services	39.5
		Total	8,811.3

Additional Economic Development Exemptions for Business Inputs Are Needed

In addition to the above exemptions that should be retained, the Task Force recommends that some additional economic development exemptions be provided for items that are currently taxed. The Task Force supports modifications to tax law that reduce or eliminate taxes on inputs to production; specifically, exemptions that encourage manufacturing, research and development (R&D) activity that, in turn, create wealth and high-wage jobs for our communities. These exemptions also allow Florida to keep pace with other competitor states that offer similar exemptions.

The following tax on inputs to production are currently taxable and should be exempt:

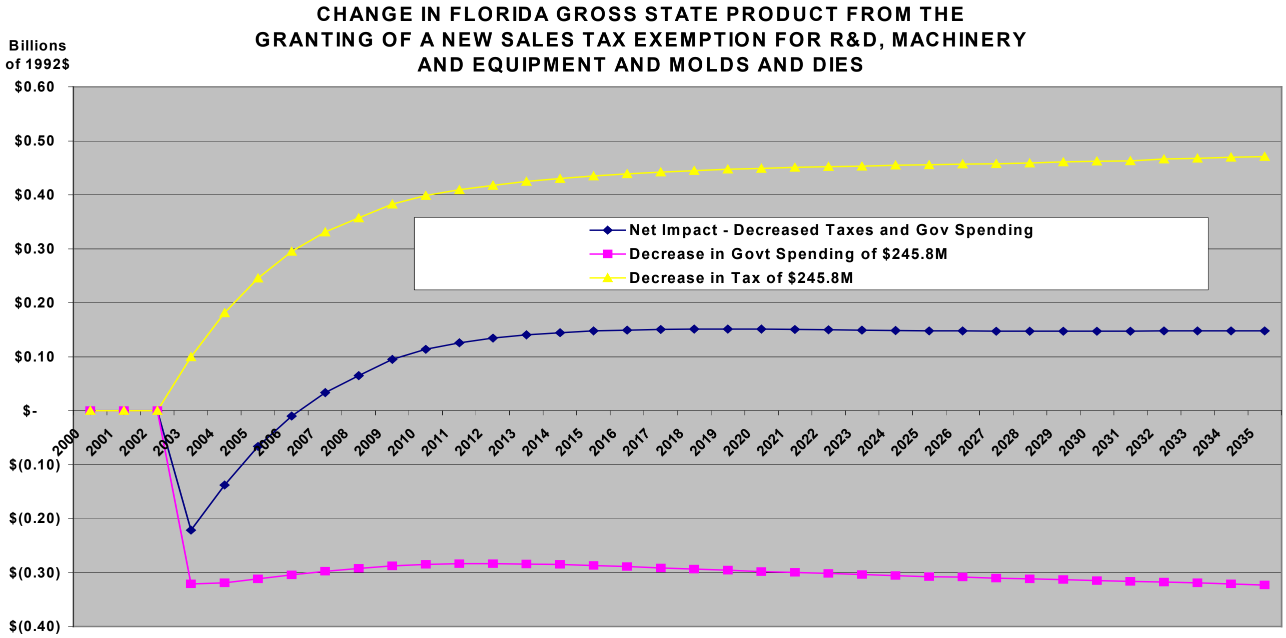
1. Research and development (R&D) equipment, including R&D materials and labor. ($12.6 million)

3. Manufacturing machinery and equipment (MME)-- Currently, only MME purchased by new businesses and purchases of equipment by expanding businesses beyond $50,000 in tax payments are exempt, except for the printing and semiconductor industries. Replacement equipment is taxed. ($20 million – MME $200 million – replacement equipment)

3. Molds and dies. ($6 million)

4. Machinery and equipment used in production and R&D of Defense and Space Technology Products-- currently 25% of the tax is exempted. ($7.2 million)

The chart on the next page shows the impact on GSP of providing a sales and use tax exemption for all for of the above inputs. Charts on individual exemptions can be found in Appendix E.



Source: Florida TaxWatch, March 2003.

There is Potential to Conservatively and Gradually Expand the Sales and Use Tax Base If the Legislature Sees Fit to Do So

After the retention of the above mentioned Task Force recommended exemptions, there are still some areas for the Legislature to explore should it want to expand the sales and use tax base. The Task Force concludes that significant taxation of services is not a good idea for Florida's economy (see table on next page and more additional data in Appendix E). However, there are options in personal and entertainment and sports services that could be considered, totaling $455 million. In addition, there are over 100 specific sales exemptions for goods totaling more than $750 million that do not fit into the Task Force's three categories of structural, life's necessities and economic development exemptions which the Legislature might wish to examine.

While we do not recommend that additional items be taxed, we understand that the Legislature will examine that strategy. If such examination occurs, we strongly recommend that lawmakers follow the framework set forth by the Task Force—only considering exemptions that do not alter the basic nature of the tax, that do not tax life's true necessities and that do not adversely impact the state economy.

Some of the remaining exemptions may have equity or tax administration implications that need to be considered. Further, while taxing these items should have a smaller negative economic impact, there may be social considerations that were outside the purview of the Task Force.

Recipients of an exemption should be able to vouchsafe and be held accountable by the Florida Legislature for the ongoing positive contribution their exemption makes to Florida's economy and competitive position vis-à-vis other states.

Economic Impact of Applying 6% Sales and Use Tax to Currently Non-Taxed Services

Annual Impact Per $1 Billion of New Taxes

	2003	2005	2007	2012	2017	2022	2032
Personal Services ($1.028 billion)							
Employment (Thous)	1.83	-6.26	-12.07	-19.71	-23.18	-24.73	-26.03
GSP (Bill Fixed 92$)	0.21	-0.07	-0.32	-0.68	-0.88	-1.01	-1.21
Real Disp Pers Inc (Bill Fixed 92$)	-0.60	-0.76	-0.90	-1.20	-1.44	-1.60	-1.86
State Revenues (Bill $)	-0.08	-0.11	-0.13	-0.18	-0.20	-0.22	-0.25
Business Services ($2.428 billion)							
Employment (Thous)	4.78	-6.73	-15.44	-23.51	-24.66	-24.53	-23.43
GSP (Bill Fixed 92$)	0.23	-0.26	-0.67	-1.14	-1.28	-1.35	-1.46
Real Disp Pers Inc (Bill Fixed 92$)	-0.48	-0.73	-0.96	-1.32	-1.51	-1.61	-1.76
State Revenues (Bill $)	-0.06	-0.10	-0.14	-0.19	-0.21	-0.22	-0.23
Financial Services ($3.344 billion)							
Employment (Thous)	-17.49	-25.94	-31.64	-37.47	-39.23	-39.23	-37.89
GSP (Bill Fixed 92$)	-0.64	-1.11	-1.48	-1.97	-2.22	-2.36	-2.55
Real Disp Pers Inc (Bill Fixed 92$)	-1.55	-1.84	-2.09	-2.53	-2.81	-2.98	-3.23
State Revenues (Bill $)	-0.24	-0.28	-0.32	-0.37	-0.40	-0.41	-0.42
Professional Services ($2.128 billion)							
Employment (Thous)	6.13	-3.28	-10.10	-17.65	-20.01	-20.68	-20.97
GSP (Bill Fixed 92$)	0.25	-0.18	-0.53	-0.96	-1.13	-1.21	-1.34
Real Disp Pers Inc (Bill Fixed 92$)	-0.43	-0.65	-0.85	-1.18	-1.39	-1.52	-1.72
State Revenues (Bill $)	-0.06	-0.09	-0.12	-0.17	-0.19	-0.20	-0.22
Media Services ($0.701 billion)							
Employment (Thous)	0.62	-9.06	-15.92	-24.14	-27.16	-27.90	-28.00
GSP (Bill Fixed 92$)	0.01	-0.46	-0.83	-1.34	-1.58	-1.70	-1.88
Real Disp Pers Inc (Bill Fixed 92$)	-0.80	-1.04	-1.25	-1.64	-1.91	-2.07	-2.32
State Revenues (Bill $)	-0.02	-0.06	-0.09	-0.14	-0.16	-0.17	-0.18
Entertain.& Sports Services ($0.258 billion)							
Employment (Thous)	8.20	0.71	-5.05	-11.93	-14.74	-15.90	-16.80
GSP (Bill Fixed 92$)	0.10	-0.23	-0.49	-0.88	-1.14	-1.33	-1.67
Real Disp Pers Inc (Bill Fixed 92$)	-0.33	-0.48	-0.61	-0.87	-1.06	-1.19	-1.38
State Revenues (Bill $)	-0.04	-0.07	-0.09	-0.13	-0.15	-0.16	-0.18
Construction Services ($1.280 billion)							
Employment (Thous)	-11.80	-18.94	-23.45	-28.88	-30.59	-29.72	-24.65
GSP (Bill Fixed 92$)	-1.99	-2.38	-2.64	-3.05	-3.33	-3.50	-3.70
Real Disp Pers Inc (Bill Fixed 92$)	-1.21	-1.47	-1.69	-2.16	-2.48	-2.64	-2.73
State Revenues (Bill $)	-0.24	-0.28	-0.30	-0.36	-0.39	-0.40	-0.38
Institutional Services ($0.420 billion)							
Employment (Thous)	-13.41	-21.15	-27.17	-35.79	-40.19	-42.14	-43.57
GSP (Bill Fixed 92$)	-0.08	-0.58	-0.93	-1.41	-1.64	-1.79	-2.07
Real Disp Pers Inc (Bill Fixed 92$)	-1.31	-1.54	-1.76	-2.24	-2.62	-2.88	-3.31
State Revenues (Bill $)	-0.20	-0.23	-0.26	-0.33	-0.37	-0.40	-0.44
Transportation Services ($0.661 billion)							
Employment (Thous)	-5.35	-15.61	-22.80	-30.12	-31.57	-31.13	-29.56
GSP (Bill Fixed 92$)	0.12	-0.32	-0.62	-1.01	-1.16	-1.25	-1.39
Real Disp Pers Inc (Bill Fixed 92$)	-1.01	-1.29	-1.53	-1.92	-2.14	-2.25	-2.40
State Revenues (Bill $)	-0.16	-0.22	-0.26	-0.31	-0.33	-0.33	-0.32
Healthcare Services ($1.791 billion)							
Employment (Thous)	-5.09	-11.19	-16.51	-25.42	-31.04	-34.56	-39.42
GSP (Bill Fixed 92$)	-0.48	-0.76	-0.99	-1.39	-1.69	-1.91	-2.31
Real Disp Pers Inc (Bill Fixed 92$)	-1.11	-1.32	-1.52	-2.00	-2.39	-2.71	-3.33
State Revenues (Bill $)	-0.15	-0.18	-0.21	-0.28	-0.33	-0.36	-0.43

Note: State Revenue impact does not include dollars from new tax.
Source: Florida TaxWatch, March 2003.

Conclusion and Summary of Recommendations

To meet Florida's short and long-term goals of a balanced budget, meeting mandated spending requirements and modernizing the tax system to maximize revenue while maintaining the economic health of Florida and its citizens, the Florida TaxWatch Task Forces on Cost Savings and Tax System Modernization recommend that:

1. The Governor and Legislature implement this report's **$2.8 billion** worth or cost savings, productivity enhancements and revenue maximization recommendations in Fiscal Years 2003-04, 2004-05 and 2005-06.

2. The Legislature should enact law this session to take the next step in achieving the goals of the Streamlined Sales and Use Tax Agreement, and start capturing revenue lost through remote sales. When fully implemented it is estimated that the collection of these taxes could mean from **$1 billion to $3.5 billion** in additional annual revenues.

3. The Legislature and Department of Revenue should implement this report's recommendations on tax compliance and administration.

4. After taking the previous steps, the Legislature should explore expanding the sales tax base with a focus on minimizing the already high incidence of sales tax on business and avoiding taxing items that would result in significant losses to the economy. Exemptions categorized in this report as structural, necessities and economic development should be retained. The remaining **$1.3 billion** worth of exemptions should be further explored.

The econometric modeling in this Report was done, in consultation with the Task Force for Tax System Modernization and Florida TaxWatch staff, by Tim Lynch, Ph.D., Director, and Carter Doyle, ABD, Research Assistant, Center for Economic Forecasting and Analysis, Florida State University. Senior Research Analyst Michael Fisher, Research Analysts Janet Herndon and Brea Gelin assisted with the researching and compiling of cost-savings, production enhancements and revenue maximization ideas.

This Joint Report was written by Kurt Wenner, Senior Research Analyst, with and under the direction of Keith G. Baker, Ph.D., Senior Vice President and Chief Operating Officer. Steven L. Evans, Chairman; Dominic M. Calabro, President, Publisher and Editor.

Appendix A
Center for a Competitive Florida Task Force on Tax System Modernization at Florida TaxWatch

Task Force Members

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Vice Chairman
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Econometric/input-output modeling of Florida's tax system was done, in consultation with the Task Force and Florida TaxWatch staff, by Tim Lynch, Ph.D., Director, and Carter Doyle, ABD, Research Assistant, Center on Economic Forecasting and Analysis, Florida State University.

Additional technical assistance was provided by a number of experts on matters of tax policy, economic development, and business climate: Gene DePrez, Americas Director, Global Location Strategies, PriceWaterhouseCoopers; Joseph R. Cosbsy, Legislative Director, Council on State Taxation (Cost); Tim Sheehy, Director, E-Commerce Policy, IBM; Pamela Jo Davis, Ph.D., Chair, the Florida Chamber Foundation; Pamella J. Dana, Ph.D., Director, Office of Tourism, Trade and Economic Development; David Whitaker of Schwartz Electro-Optics; Crystal Sircy, Senior Director of Competitive Programs and Policy, Enterprise Florida; and Robert Montellione, Vice President, State and Local Taxes, Prudential and Vice Chair, COST.

Appendix B
Florida TaxWatch Cost-Savings Task Force

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Senator Tom Lee
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Florida House Liaison

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Education Appropriations

APPENDIX C

Florida TaxWatch Cost Savings Task Force

Recommended Budget Cuts / Cost Savings / Productivity Improvements

1. Reduce State Agency Expense Budgets. This budget cut is aimed at targeting administrative costs first. The reduction was calculated by taking 10% total expense budget category. This cost saver aims to motivate agencies to increase their use of technology – teleconferencing, e-learning, e-mail, etc. – in lieu of travel, remote classroom training and postage. With agency and staff reductions via Service First, as well as the numerous efficient capabilities offered by the Internet, Florida TaxWatch believes such expense cost reductions can be made with minimal disruption to services.

This would result in recurring savings of approximately $41.9 million in General Revenue and $100.5 million in trust funds.

The Legislature can make these reductions in the budget process.

Potential Savings: $142.4 million

2. Competitively Bid Medicaid Pharmacy Contracts. In an effort to curb the skyrocketing costs of Medicaid prescriptions and take advantage of Florida's purchasing power, the Legislature should mandate agencies to competitively bid Medicaid pharmacy network contracts. OPPAGA, in Report 01-10, notes that through such bidding processes the state could conservatively save $12,200,000.

Recurring savings would be $5.2 million from General Revenue and $7 million from trust funds.

Legislation should be enacted to accomplish this.

Potential Savings: $12.2 million

3. Reduce Provider Billing Errors (AHCA-Medicaid). OPPAGA reports indicate that the $12 billion Medicaid program could lose from 5% to 10% ($600 million to $1.2 billion) to inappropriate billings during 2002-2003. The agency must detect, deter, and recover monies lost to fraud, abuse, and inadvertent error. The legislature has provided the agency with added staff to investigate errors, and strengthened statutory language regarding sanctions. An agency reduction of billing errors by even 1% could result in savings of $60,000,000 to $120,000,000.

Using the midpoint of the range, $25,200,000 of the recurring savings would come from General Revenue and $64,800,00 would be from Trust Funds.

The Governor should ensure that the agency reduce the billing errors with the tools given to them by the Legislature.

Potential Savings: $90,000,000

4. Child Support Administrative Expenses Recovery (DOR). According to OPPAGA this program can increase the amount of administrative expenses recovered from non-custodial parents by updating the administrative cost schedule to reflect changes in operations, increasing the amount of costs that are assessed by the courts, and increasing the collection of costs that have been assessed. Recovery of these expenses could reduce reliance on GR funding.

All of the savings are recurring and from the General Revenue Fund.

The Governor should direct the agency to make the needed changes.

Potential Saving: $4,400,000

***5.* Improving Developmental Disabilities Program Placements and Purchasing Practices.** OPPAGA identified an annual potential savings of $92.1 million ($41.4 million in general revenue). This can be done by serving clients in the least restrictive setting which may include private Intermediate Care Facilities or community care. OPPAGA also found that providing sheltered workshops for clients to perform routine tasks cost almost twice as much as it would for them to be served in community employment. Department surveys also indicate that many clients would rather be employed in the community. The $14.4 cost savings would be possible if half of the clients in the sheltered workshops were to be moved into community employment. Finally, OPPAGA found that the program was deficient in its needs assessment and rate setting processes. Clients were receiving services that they did not need and districts were negotiating their own provider rates which were highly variable. OPPAGA noted that $39 million of the savings might not be realized right away because community resources may need to be expanded in order to accommodate more clients.

$41,400,000 of the recurring savings are from General Revenue and $50,700,000 are from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $92.1 million

6. Medicaid Reimbursement Rates. The state should restrict reimbursement for services to require plan rates for waiver services, especially those for the developmental services permitted under the current Florida Medicaid plan. While this could reduce the field of providers, because some might choose not to take clients at the reduced rate, however those eligible for personal care through waivers rather than under the state plan will continue to receive services paid at the higher rate. OPPAGA analyses of departmental data, Report 02-09, indicate a savings of $3,900,000 million annually.

$1,800,000 of the recurring savings will be from General Revenue and $2,100,000 will be from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $3,900,000

7. Children's Medical Services Restructuring. The program could reduce administrative inefficiencies through additional privatization that would eliminate manual claims processing, privatizing care coordination, and consolidating regional offices. OPPAGA reported, Report 02-04, could save upwards of $18,400,000 the first year.

Recurring savings will be $3,500,000 from General Revenue and $14,900,000 from Trust Funds.

The Governor should direct the agency to make the needed changes

Potential Savings: $18,400,000

8. Health Care Practitioner Complaint Resolution. The Agency for Health Care Administration and Department of Health should develop proposals to increase the use of mediation and citations as means to resolve complaints against practitioners. OPPAGA, in Report 01-24 estimates that such more effective use of these resources will annually save $1,600,000.

The recurring savings would be approximately $300,000 from General Revenue and $1,300,000 from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $1,600,000

9. Improve Contracting Processes in Juvenile Justice Residential Program. OPPAGA has recommended that DJJ contain contract costs (residential facilities are 87% outsourced to contract providers) by: collecting and comparing the costs of contracted services and state services; recovering the rental value of state-owned facilities used by contract providers; and by requiring providers to follow a preventive maintenance schedule and promptly reporting needed facility repairs. They also recommend that the department strengthen monitoring by reducing payments to non-compliant providers and by developing a more rigorous invoice approval process. Finally, they recommend assuring that costly residential beds are used only for the highest at-risk youth and that non-residential programs are used when appropriate. 2002-03 appropriation for this program was $305 million ($248 million GR; $57 million TF). A modest 1% projected savings could yield $3 million.

The recurring savings would be approximately $2,400,000 from General Revenue and $600,000 from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $3,000,000

10. Expansion of Project CHILD. While full implementation of Amendment 9 will take many years, Project CHILD can provide an immediate response to parents who want their children to receive more attention in the classroom. The enhanced Project CHILD model provides two adults in one classroom—a teacher and a teacher's aide—ensuring that students are engaged in learning even if the classroom has as many as 30 students. Florida TaxWatch estimates that each Project CHILD classroom can save approximately $10,000 annually. If 1000 classrooms became Project CHILD classrooms savings could reach $10,000,000 annually. This expansion of CHILD to 1000 classrooms could avoid $85,311,000 in one-time construction costs.

All of the one-time savings of $85,311,000 and recurring savings of $10,000,000 would be from General Revenue.

The Legislature needs to find a way to make programs such as Project CHILD viable within the guidelines for implementation of Amendment 9.

Potential Savings: $95,300,000

11. State University System: Redirect emphasis to core mission of teaching. FS 240 requires that each full time equivalent university faculty member paid wholly from state funds shall teach a minimum of 12 classroom contact hours. However faculty are permitted to substitute research and public service hours for these classroom contact hours. AGO, OPPAGA indicate that data available measuring the results/value of some research activities and much public service activity--is inadequate. Florida TaxWatch recommends that all substitutions of research and public service activities for teaching undergo a rigorous assessment. The benefits of these activities should be demonstrated for accountability purposes. This information would be valuable for use in funding decisions when funds are scarce. Rigorous evaluation, prioritization, and reduction in funding in weak areas could result in direction of more money to core mission of teaching. According to OPPAGA, the SUS spent $ $355.4 million in state funds for faculty research and $40.6 million for the faculty public service program (00-01). Potential savings are calculated at 20% of these state funds.

The recurring savings would be approximately $49,600,000 from General Revenue and $30,400,000 from Trust Funds.

The Legislature should pass legislation to reinforce the intent of the mandate that university faculty teach a minimum of 12 contact hours each semester. Legislation should also require that any state-funded research and public service activities be subjected to a rigorous accountability process. Much valuable research and public service should continue to be funded by the state but such funding should be contingent upon ac accountability process that justifies and prioritizes these expenditures.

Potential Savings: $80,000,000

12. Corporate Tax Credit Scholarship Program. The program provides scholarships to enable limited and low income students to attend private school. Current program maximums limit contributions to $50 million statewide and individual awards to $3,500. It is recommended that the statewide cap be increased to $100 million. This will reduce the annual revenue needed to fund public education by $25.5 million to $34.3 million (FY 2003/04-2010/11), and decrease the numbers of student stations needed to be constructed by 28,5000, saving an additional $227.9 million. Over the eight-year implementation period of Amendment 9, public education would accrue $466.7 million in net savings.

This will result in $227.9 million in one-time savings and between $25.5-$34.3 million in recurring General Revenue savings for FY 2003/04-2010/11.

Legislation must be enacted to accomplish this.

Potential Savings: $253,400,000

13. Require Competitive Bidding of School District Non-instructional Services— Maintenance, Food Services, and Transportation.

Analyzing current non-instructional services or contracting with private enterprises for the provision of non-instructional services may significantly reduce long-term costs for school districts. Healthy competition between the public and private sector can assure cost efficiency in selected district services and increase accountability for public funds.

*Transportation. Some districts have taken steps to examine and reduce controllable costs. According to OPPAGA***,** *Martin County School district contracted for transportation and vehicle maintenance. The cost proposal was 13.5% lower than the district's projected costs generating an estimated annual savings of $630,000. Potential Savings based on statewide appropriation of $423,087,042 (2002-03) and district subsidy of $315 million (2000-2001). If districts increased efficiency by only 5% of this expenditure savings would be* ***$36,904,350.***

Food Service. Although schools receive relatively little state and local funding, food service programs can indirectly affect a school districts budget. More aggressive cost accounting can maximize federal reimbursements for costs. Cost savings can reduce a districts reliance on GR subsidies. Food service is funded primarily by federal nutritional programs and locally collected meal fees. 2002-03 appropriations: $16,886,046 GR; $488,009,644 TF; $504,895,690 Total. For 2000-2001 food service expenditures statewide [from all governmental fund sources] was $730,466,054. This indicates that districts supplement the state and federal funds for food service rather heavily. A conservative estimate using 5% of expenditures noted above yields potential savings of **$36,523,300.**

Maintenance and Operation of Plant. Polk County estimates savings of approximately $1.2 million by privatizing some of its facilities operations and maintenance services. Duval County estimates it saved over $8 million by privatizing these services. Statewide expenditures from all governmental funds for maintenance of plant were $468,707,284 (2000-2001). Statewide expenditures from all governmental funds for operation of plant were $1,117,950,823 (2000-2001). Total plant related expenditures: $1,586,658,107. An estimated 5% savings in these expenditure areas would result in savings of **$79,332,905**.

All savings are recurring and from General Revenue.

*Legislation should be passed to determine whether savings should be shared with local districts***.**

Potential savings all three areas: $152,500,000

14. Improving School District Efficiency of Operations. OPPAGA—through the school district reviews required by the *Sharpening the Pencil* legislation—has identified $500,000,000 that could be saved by increasing efficiencies in school district operations. Districts have already implemented $46.5 million worth of these cost saving recommendations. The balance of potential savings may take up to five years to implement, therefore Florida TaxWatch spreads potential annual savings over this time period. Districts should begin to implement recommendations immediately and continue to full implementation.

All savings are recurring and from General Revenue.

The Department of Education should follow-up with districts to ensure maximum implementation of recommendations. The Legislature may need to provide sanctions and incentives.

Potential Saving: $92,000,000 annually for five years**.**

NOTE: There are an additional 51 school districts that have not yet been reviewed by OPPAGA that will undergo reviews within the next 4 years as stipulated in the *Sharpening the Pencil* legislation. It is realistic to assume that another $500,000,000 in potential savings can be identified. However, savings will not be immediate because the reviews have not yet been conducted and time must be allotted from review to implementation for savings to be realized. Savings could possibly begin to accrue within a year and once identified, can continue to be implemented over a five-year implementation period. The savings will not begin to accrue for another year.

All savings are recurring and from General Revenue.

The Department of Education should follow-up with districts to ensure maximum implementation of recommendations. The Legislature may need to provide sanctions and incentives.

Potential Saving: $100,000,000 annually for five years.

15. Promoting Efficiency of Operations in State University System. A review of SUS operations could identify savings similar to those identified by OPPAGA in public school districts. Based on SUS 2002-03 state appropriation of $2.9 billion, even a 1% increase in efficiency could yield worthwhile savings.

All savings are recurring and from General Revenue.

Legislation similar to the Sharpening the Pencil Act should require OPPAGA review of university operations for identification and implementation of maximum operational efficiencies.

Potential Savings: $29,000,000

16. Promoting Efficiency of Operations in Community College System. A review of community college operations could identify savings similar to those identified by OPPAGA in public school districts. Based on community college 2002-03 state appropriation of $900 million, even a 1% increase in efficiency could yield worthwhile savings.

All savings are recurring and from General Revenue.

Legislation similar to the Sharpening the Pencil Act should require OPPAGA review of community college operations for identification and implementation of maximum operational efficiencies

Potential Saving: $9,000,000

17. Lottery Prize Redemption, Field Support, and District Offices. *According to OPPAGA the Florida Lottery can* reduce administrative expenses associated with payout prizes by discontinuing prize redemption at its district offices. Instead, the Florida Lottery should direct all winners of prizes worth less than $600 to retailer locations to redeem their winning tickets. For prizes in excess of $600, the Lottery should either centralize this activity or assess whether third parties could process these claims at less cost. They also found that administrative expenses could be reduced if it outsourced its field support operations and made more efficient use of the space it currently leases. These cost savings measures could yield $1,600,000, $1,100,000, and $365,000 respectively.

All savings are recurring and from Trust Funds.

The Governor should direct the agency to implement the recommendations.

Potential Saving: $3,065,000

18. Eliminate the Recycling and Education Grant Program (DEP). This program, created to help start up county recycling programs, has been successful in establishing recycling programs in Florida's counties. OPPAGA determined that its elimination would not have significant negative impact on recycling rates. State funding of recycling grants is no longer necessary since the program has exceeded its goal of recycling 30% of municipal solid waste. The Legislature should continue to phase out recycling and education grants. As noted in OPPAGA reports, these grants are no longer needed to help establish county recycling programs. This is a trust fund savings. A potential downside is that recycling programs in small counties could cease.

This is a recurring savings to the Solid Waste Management Trust Fund. A statutory change would be needed for the funds to revert to general revenue.

Funding reductions could occur without a statutory change. Elimination of the program would require the Legislature to amend s. 403.7095, F.S.

Potential Savings: $2,500,000

19. **Forest Resource Protection Program Efficiencies**. OPPAGA recommends (in Report 01-36) that the Department of Agriculture and Consumer Services – Forest Resource and Protection Program institute several changes that can save $1,931,000 annually. OPPAGA recommends that forestry services benefiting private landowners be discontinued for a savings of $1,006,000. OPPAGA also recommends that state forest managers be given greater discretion over the selection, management, and fees of their recreation activities. Further, OPPAGA recommends that a program similar to the federal government demonstration fees program would bring about an annual revenue increase of $750,000. The Legislature needs to ensure that a percentage of the recreational fees collected be returned to the applicable state forest to provide an incentive and offset any additional costs. Lastly, OPPAGA recommends that the Forest Protection Program be given greater flexibility in determining structural fire training that they include in their course. They currently must include what is deemed "basic" by the Florida State Fire College, which was recently increased from 60 to 160 hours, many of which are not relevant to the program.

The recurring savings would be approximately $1,043,000 from General Revenue and $888,000 from Trust Funds.

Legislation must be enacted to accomplish this.

Potential Savings: $1,931,000

20. Change Eminent Domain Laws to Reduce the Cost of Right-of-Way Acquisition (DOT). When Florida acquires right-of-way, the state's law has the effect of encouraging landowners to go to court rather than seek settlement with the state. Litigation is especially costly in Florida, because, the state pays landowners' costs for attorneys, appraisers, and expert witnesses. Florida is paying more than any other state in fees, including some that other states don't pay at all. In addition to $63.5 million paid in fees in 1997-98, $18.8 million was paid in business damages; the next closest state for this cost was Georgia, which paid $1.2 million. Most states (41) do not pay any business damages. The eminent domain laws should be changed to lower right-of-way costs and encourage settlement, while still protecting landowners and businesses that give up their property. One option, recommended by the Office of Program Policy Analysis and Government Accountability (OPPAGA), would pay landowner's cost, up to a specified amount, for one appraisal and cap the amount the state will pay for landowners' costs for attorneys and other technical experts and only pay these costs if the property's final sale price is a specified percentage over the department's initial offer**.** A potential downside is that the ability of less affluent landowners to challenge to state's offer could be diminished. Compensation for some landowners could be reduced and there would be an increased chance of a landowner not being equitably compensated

These savings would be recurring savings to the State Transportation Trust Fund.

The Legislature would need to make statutory changes to Ch. 73, F.S..

Potential Savings: $27,000,000

21. Overweight Motor Carrier Fines and Permits (DOT). Florida allows some of the heaviest trucks in the nation. Trucks cause most of the controllable damage to roads and therefore account for much of the $200 million Florida spends annually on highway maintenance. Florida's current truck weight and enforcement system does not adequately protect other taxpayers from the costs of this damage. The state's overweight penalty structure fails to deter repeat and more serious violations, which do more severe damage to highways because the amount of road damage caused by heavy vehicles increases exponentially as weight increases. For example, if the weight on a single truck axle is increased from 22,000 to 30,000 pounds, its pavement-damaging impact more than triples. The current fine, which has not increased in almost 50 years, does not deter some trucks from purposely overloading. Increasing fines similar to what was recommended by the Office of Program Policy Analysis and Government Accountability (OPPAGA), in 1998 could raise an additional $56 million. A potential downside would be that the shipping costs for businesses using overweight trucks in Florida would be increased.

This would result in increased recurring revenue to the State Transportation Trust Fund. There would also likely be an undetermined amount of cost savings from decreased road resurfacing and reconstruction costs.

The Legislature would need to make statutory changes to Ch. 316, F.S.

Potential Savings: Up to $56,000,000

22. Electronic Overweight/Oversize Truck Permitting. The state should explore an electronic system for issuing, tracking and managing the permit process. Such a system would be directly available to carriers and allow for self-issuance and payment over the Internet, 24 hours a day, seven days a week. The system should be able to save the Dept. of Transportation money by automating permit application, analysis and issuance.

Savings would be recurring and from Trust Funds.

Legislation would need to be enacted in order to accomplish this.

Potential Savings: $2,000,000

23. Highway Construction and Engineering Program Contracting Practices. OPPAGA recommends that the Department of Transportation revise its standard contract specifications to allow its staff to make price adjustments to minor work items with unreasonably high unit prices whose quantities increase significantly above original bid estimates, which could save up to $1.35 million. The department should also revise its standard contract specifications to allow it to retain payment for certain front-end-loaded items of work that contractors priced substantially above average bid prices in their original bids; this would help the department avoid making advance payments for front-loaded work, which could save up to $444,880.

Savings would be recurring and from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $1,800,000

24. Florida Intrastate Carrier Driving Time Regulations. Florida is one of only two states that has not adopted all of the federal driving time regulations for intrastate carriers. Because of this, Florida is receiving only 50% of their share of federal funding for carrier safety. Adopting the federal regulations could reduce the crash rate and would have the added benefit of making the state eligible for full federal funding.

Savings would be recurring and from Trust Funds.

Legislation would need to be enacted in order to accomplish this.

Potential Savings: $3,000,000

25. Irresponsible Driver Surcharge. New Jersey has instituted a program where drivers who have committed serious violations or are near having their license suspended must pay a surcharge to renew their license. The number of violations in New Jersey have been decreasing over the last four years, indicating that this system may be changing driving habits. This could increase revenue and improve safety on Florida's roads. The New Jersey program realizes $100 million in annual revenue so a similar program in Florida (with twice the drivers) should conservatively be able to raise $150 million annually.

The recurring Increase in revenue could be directed to the General Revenue Fund

Legislation would need to be enacted in order to accomplish this

Potential Added Revenue: $150,000,000

26. Centralized Vehicle Maintenance System. Currently the state pays an estimated $8 million annually to provide garages for passenger vehicle maintenance. A centralized maintenance system can provide volume discounts and help prevent paying for unnecessary repair work. OPPAGA estimates $800,000 to $2.4 million annual savings can be gained from implementing a centralized system. Specifically, OPPAGA recommends that the state contract with a private fleet management company to provide a garage network and managed maintenance program. The bid process should be open to any state agency. DMS has implemented a narrower version of OPPAGA's recommendation by privatizing and out-sourcing its maintenance garage. This has led to a reduction in 14 FTEs and a total savings of $809,570 or 10%. However, OPPAGA found that a 30% reduction is feasible which would be a total savings of $2.4 million.

Savings would be recurring from Trust Funds.

The Governor should direct the agency to make the needed changes.

Potential Savings: $1,590,000.

27. Making Motor Vehicle Dealer and Manufacturer Compliance and Enforcement Activities Self-Sufficient. OPPAGA found that some of the Dept. of Highway Safety and Motor Vehicles' compliance and enforcement activities such as licensing motor vehicle dealers and manufacturers, conducting rebuilt motor vehicle inspections, and VIN identification, are not self-sufficient and must be subsidized by vehicle registration and title fees. Making them self-sufficient could free up general revenue for use in other areas.

Savings would be recurring from General Revenue.

Legislation would need to be enacted in order to accomplish this

Potential Savings: $2,500,000 annually

28. State Employees' Group Health Insurance (DMS). As a matter of fairness, all state employees and state officers should contribute to the cost of their health insurance. Currently, approximately 44,000 state employees received insurance coverage without premium expense (dually employed spouses, exempt workers, managerial employees, and state officers). A Senate Interim Project Report estimated that this requirement could save $41 million to $54 million. This estimate did not take into account the rising costs of health insurance. Legislative staff indicates savings may be as high as $60 million to $70 million.

Savings would be recurring and are estimated at between $25,200,000 to $29,400,000 from General Revenue and between $34,800,000 to $40,600,000 from Trust Funds.

The Legislature should address these inequities.

Range of Potential Savings**: **$ 60,000,000 to $70,000,000

29. Improving Residency Determination for Postsecondary Institutions. General Revenue funds subsidize the tuition and fees of Florida residents, while out-of-state students are required to pay 100% of their tuition and fees at Florida's postsecondary institutions. Florida's current residency requirements allow students moving to Florida to attend school and then request reclassification after living in the state for one year. Florida does not require the student to produce convincing evidence such as employment or income to be reclassified as residents. OPPAGA found that Florida institutions should follow the criteria of other states, such as defining the 12-months eligibility period based on time spent in the state before enrollment or registration and not prior to qualification. If institutions only reclassify students as residents if they can present facts that support an intention to reside permanently in the state, then institutions could receive $48 million in additional revenue from non-residents.

All of the savings would be recurring and from General Revenue.

The Legislature would need to amend Florida statutes to clarify residency criteria.

Potential Savings: $48 million

30. Collection of Disease Management Savings. In Report 01-27, OPPAGA found that the Agency for Health Care Administration has not followed through on the collection of $7.57 million due from a vendor for AHCA's diabetes disease management program.

The one-time savings could be directed into the General Revenue fund.

The Governor should direct the agency to pursue the collection of these funds.

Potential Savings: $7,570,000

31. Maximize Federal Revenue Recoveries and Funding Support. Florida TaxWatch recommends that the state collect federal revenues (see list below) that that the state has earned, but not applied for. These monies do not require additional spending or commitment by the State. The Department of Financial Services solicited a competitive invitation to bid to vendors that specialize and have a strong track record of success in collecting such revenues. Because state agencies will not necessarily on their own use the services of the vendor to collect these revenues, TaxWatch recommends that they be required to do so as appropriate, by the Governor or the Legislature.

Of the $904,306,000 in federal revenue, $56,000,000 is a one-time retro-active collection and $848,306,000 is recurring .Although Federal revenue is trust fund, these dollars can free up General Revenue dollars to be spent in other areas.

The Governor should direct all agencies to aggressively pursue the collection of all federal funds due to the state, especially these identified initiatives.

ESTIMATED NET NEW STATE REVENUES

Agency	Description of initiative	One Time	Recurring
DCF			
1	Increase Title IV-E Maintenance Recoveries	$30,000,000	$41,000,000
2	Increase Title IV-E Administrative Recoveries	$5,000,000	$28,800,000
3	Identify Additional TANF MOE Spending	0	0
4	Optimize TANF Funding Claiming	0	$10,000,000
5	Optimize TCM Recoveries Across DCF	0	$8,000,000
6	Recover Child Welfare Costs Under Medicaid	0	$25,000,000
7	Increase Recoveries Under the Child Care Development Block Grant	0	$20,000,000
8	Optimize Mental Health Medicaid Administrative for CMHCs and Other Behavioral Health / Substance Abuse Agencies	0	$10,000,000
9	Increase Federal Revenue for Mental Health Hospitals by Revising Medicare/Medicaid Cost Reports and Rate Setting	$2,600,000	$5,200,000
10	Increase Federal Revenue Through Certification of Medicaid Beds in State Mental Health Facilities	0	$6,700,000
11	Capture SSI/SSA Assignments at Mental Health Facilities and at Developmental Services Institutions	0	$3,000,000
12	Increase Federal Revenue for Developmental Services Institutions by Revising Medicaid Cost Reports	$6,400,000	$3,200,000

13	Increase Federal Revenue by Refinancing Room and Board Charge in Residential Facilities in HCBS-DD Waiver	$6,000,000	$6,000,000
14	Increase Federal Revenue by Implementing Cost-Based Rate in Community Mental Health Program	0	$5,700,000
15	Increase Federal Funding Support Through Comprehensive SSI Advocacy	0	$3,000,000
16	Increase Federal Revenue For Behavioral Health, Substance Abuse, and Developmental Services Administrative Offices	0	$2,700,000
17	Increase Federal Cost Recoveries Through Cost Allocation	0	$7,000,000
18	Increase Accuracy in Eligibility Determination and Payment Processes Across Medicaid and TANF Programs	0	TBD
AHCA			
19	Implement Strategic Medicaid Reform of Health Care Services	0	TBD
20	Increase Federal Medicaid Revenue Through Optimizing UPL/IGT Program Involving Public Hospitals	0	$7,500,000
21	Increase Federal Medicaid Revenue Through Optimizing UPL/IGT Program Involving Public Nursing Homes	0	TBD
22	Increase Federal Medicaid Revenue Through Optimizing UPL/IGT Program Involving Public Clinics	0	TBD
23	Making a Health Care Provider Quality Assurance Assessment on Institutional Care Facilities For The Mentally Retarded	0	$30,000,000
24	Increase Federal Medicaid Revenue Through Optimizing UPL/IGT Program Involving Physician and Dental Practice Plans at State-Affiliated Academic Medical Centers	0	$25,000,000
25	Increase Federal Medicaid Revenue Through UPL/IGT Program Involving Home and Community Based Waiver Programs	0	TBD
26	Increase Federal Medicaid Revenue Through UPL/IGT Program Involving Public Owned Medicaid Managed Care Plans	0	TBD
27	Making a Health Care Provider Quality Assurance Assessment on Nursing Homes	0	$288,000,000
28	Making a Health Care Provider Quality Assurance Assessment on Medicaid Managed Care Organizations	0	TBD
29	Making a Health Care Provider Quality Assurance Assessment on Private Hospitals	0	$120,000,000
30	Increase Fed Medicaid Revenue Through Reallocating Disproportionate share to hospitals	0	TBD
31	Increase Federal Medicaid Revenue through Restructuring State Owned Institutions for the mentally retarded	0	TBD
32	Optimize Federal Funding for Family Planning Services	$6,000,000	$10,000,000
33	Increase Federal Revenue By Maximizing use of the Federal "1931" Grant Funds	0	$6,000,000
34	Increase Cost Avoidance Savings For AHCA Through a Medical Support Enforcement Program	0	$17,060,000
35	Implement Cost-Based Rates for School FFS Billing	0	126,000,000
HEALTH			
36	Recover Federal Revenue for Public Health Program Provider Administrative Costs	0	$3,000,000
37	Increased Recoveries for Public Health Services Under Medicaid	0	$3,000,000
ELDER CARE			
38	Increase Federal Revenue for the Long-Term Care Ombudsman Program		$1,200,000

CORRECTIONS			
39	Increase Federal Revenue by Implementing Targeted Case Management for Department of Corrections Adult Probation	0	$3,700,000
JUVENILE JUSTICE			
40	Implement Targeted Case Management within Juvenile Justice	0	$2,620,000
41	Optimize Title IV-E Maintenance Recoveries	0	$2,944,000
42	Optimize Title IV-E And Medicaid Administrative Claiming	0	$7,422,000
43	Establish Medicaid Coverage for Private Institutional and Community-Based Services and Public Community-Based Services		$3,060,000
DEPARTMENT OF FINANCIAL SERVICES			
44	Minimize Interest Penalties Associated with the Cash Management Improvement Act	0	TBD
45	Increase Revenue Through Recovery of Delinquent Debts and Overpayments Using Federal Treasury Offset Program	0	$6,500,000
TOTAL		$56,000,000	$848,306,000

APPENDIX D

Maximizing The Value Of Davis Productivity Awards Achievements

Following are examples of more than 500 achievements from the 1999 through 2002 Davis Productivity Awards competition that can and should be implemented throughout state government to add value to state service delivery over the next three years. The 82 ideas listed here--worth $323 million--include cost saving and revenue enhancing achievements that can prompt budget redirects and reductions and hold down budget increases in 2003-2004 and beyond

Agency for Health Care Administration

1. A Medicaid field offices staffing study that utilized Sterling Quality Principles to cut 44 positions valued at $1.7 million can be used as a benchmark by other agencies with field offices.
(2001, AHCA-84 & 103)

2. A Diabetes Discovery community-based initiative that could save $6 million annually in Miami-Dade County may be applicable to other areas of the state. (2001, AHCA)

3. Retroactive buy-in of Medicare coverage for selected Medicaid clients that saved $105,207 in Miami-Dade County can be used to cut costs throughout the state. (2001, AHCA-99)

4. Improved detection of fraud in home meal delivery saved $1 million in Miami-Dade County could save $3 million statewide. (1999, #97, page 52)

5. A Medicaid transportation cost reduction and quality improvement initiative in Hillsborough County that will save an estimated $84,000 annually could be applied in ten of the most populous counties to save an estimated $800,000. (2001, AHCA-81)

6. An initiative in Miami-Dade County that provides coordinated primary care for at-risk Medicaid recipients, saves billing dollars and makes it easier to identify provider and recipient fraud and abuse, can be implemented in other parts of the state. (2000, page 54, #18)

7. Improved Medicaid billing practices in Tampa that saved $618,000 in ambulance service costs could save $2.2 million statewide. (1999, page 52, #95,)

8. A computerized database that added $61,038 of value to the Area Six Medicaid Office could be worth a minimum of $150,000 statewide. (2000, page 52, #14)

9. Standardized expert witness contracts that saved $153,870 can be adapted by other agencies requiring the use of expert witnesses. (2001, AHCA-21)

10. Assistive Care Services policy and billing trainings that saved the Area 6 (Tampa Bay) Medicaid Program $5.4 million can be implemented other Areas for estimated additional savings of $5 million. (2002, AHCA-277)

11. A pilot project in Area 11 (Miami-Dade) that is expected to save $10 million in 2002-03 by reducing illegal re-selling of prescription drugs could save an additional $10 million in other Areas of the state. (2002, AHCA-282)

Department of Children and Families

12. Techniques reducing the time that dependent children stay in emergency care yielded net savings of approximately $30 million and can be applied to the Department's other eleven districts.
(2001, C&F)

13. Reduction of the number of children in residential group foster care to less restrictive therapeutic environments saved $4.5 million in the Orlando district and is being evaluated for implementation in other districts. (2001, C&F-5)

14. Actively searching for missing parents and relatives of foster children in the St. Petersburg district means children spend less time in foster care for potential savings of $1 million locally and an estimated $7.5 million statewide. (1999, page 29, #27)

15. Combining quarterly reports for foster care and protective services saved $173,000 in Fort Myers and could save $2.5 million statewide. (1999, page 30, #31)

16. More effective handling of termination of parental rights cases saved $1.4 million in the Daytona Beach district and is applicable to other districts. (2001, C&F-81)

17. Improved processes for finalizing adoptions in the Fort Myers district produced a $53,717 productivity improvement which could be worth several times that amount statewide.
(2000, page 27, #28)

18. A workers compensation program that has reduced employee injury costs at Florida State Hospital every year for more than a decade could save $12.4 million statewide. (1999, page 29, #25)

19. Diverting elderly clients from institutions to Community Centers annually saves more than $5 million in Pensacola and could save $42 million statewide. (1999, page 26, #19)

20. An improved process for restoring the competency of impaired defendants saved $1.3 million in Pensacola and could save at least $6.5 million statewide. (1999, page 27, #21)

21. An error management information system that saved $12 million in the issuance of fraudulent Food Stamp and cash benefits in Hillsborough and Manatee Counties can be used statewide.
(2001, C&F)

22. A public/private partnership decreased food services costs at Florida State Hospital by $200,000 and could save $6,000,000 statewide. (2000A, page 75, #17)

23. A risk management program in Miami-Dade County that utilized client data to identify, predict and reduce the number of serious incidents affecting clients with developmental disabilities to save $695,758 is applicable to mental health, substance abuse and adult services program clients in other districts statewide. (2001, C&F-79)

24. An Internet on-line document review application that saved $495,000 can be adapted by any agency that circulates draft copies of documents for review. (2001, C&F-11)

25. A method to bid the maintenance of computer network devices statewide without regard to specific configurations and manufacture that saved $1.1 million in 2001 can be utilized by any agency requiring statewide maintenance. (2001, C&F-5)

26. Improved contract monitoring procedures instituted department wide for an annual cost avoidance of at least $1.9 million could save an equal or greater amount if implemented by other state agencies. (2000, page 20, #18)

27. An Inactive Benefit Accounts Initiative in Miami focusing on continued eligibility for public assistance and assisted elderly and/or disabled clients on how to access their food stamp benefits using their Electronic Benefits Transfer card reduced state outlays by Approximately $400,000 and could save approximately $1.4 million statewide. (2002, DCF-114)

Department of Community Affairs

28. A process automation and paperless electronic routing system that reduced the cost of paper, labor overhead and time involved in annually processing approximately grants and other projects by $125,000 may be applicable to other agencies that process grants. (2001, DCA)

Department of Corrections

29. An automated substance abuse screening, priority ranking and placement system that saved/avoided $4.3 million may be adaptable by the Departments of Juvenile Justice and Children and Families in addition to other program bureaus within the Department of Corrections. (2001, DOC-12)

30. A "Rocket Docket" criminal defendant scoring sheet used at the time of felony arrests that saved probation officers in the Panama City area $60,000 could save an estimated $300,000 statewide. (2000, First Installment, page 39, #4)

31. A reporting process that saved $2.8 million in overtime costs for the Ft. Lauderdale Region could save at least twice that amount statewide. (1999, Page 43, #71)

32. Design and fabrication of steel security windows for prison cells that saved Jackson Correctional Institution $168,000 the first year could save a recurring $150,000 department wide. (2000, page 37, #1)

33. Reduced waste of medications that saved $34,000 at Lake Correctional Institution could save $500,000 statewide. (1999, page 42, #68)

Department of Education

34. Satellite learning centers at employer and community agency sites that produced additional revenue and cost avoidance of $1.2 million in 21 locations can be adapted by all school district and community colleges. (2001, DOE-6)

35. An "immersion program," which is an alternative to retaining students in the fifth and eight grades, saved $1.3 million for 50 schools in eight districts and could save $12.9 million if at least 500 of Florida's 750 public middle and high schools adopt the strategy. (2000, page 41, #2)

36. Centralization of cash receipts can increase teacher certification revenue by $233,000 and add $2 million in revenue statewide. (1999, page 48, #87)

Department of Environmental Protection

37. A technical support request application that links existing and new databases to improve employee efficiency and communications (which is believed to be unique within state government) can be adapted by other agencies to save an estimated $1 million or more. (2001, DEP-12)

38. An innovative approach using education rather than enforcement helped to restore the water quality of a subdivision in Central Florida after 57 homeowners violated environmental regulations by removing vegetation and adding sand to their shoreline. As a result, the problem was solved in nearly 1/6 the time that one-on-one enforcement actions would have taken, at a savings of nearly $30,000. This approach can be used in other areas of the state that are faced with similar challenges. (2000 DPA Magazine, page 32)

39. An automated payment system produced a 75% reduction in inputting data into a manual system; a 95% reduction in time spent inputting into an accounting system; and used 50% less paper. This system saved $27,950 and could be worth $300,000 statewide. (2000, page 45, #2)

40. Electronic storage and retrieval of vouchers annually saves $175,000 and can save $3 million statewide. (1999, page 49, #89)

Department of Health

41. Reduced emergency room visits by Childrens Medical Services clients in Miami-Dade County that saved $150,000 may be adapted by other county health departments. (2001, DOH-27)

42. A computer program developed by Childrens Medical Services staff in Tampa that merges all patient information onto various forms can save an estimated $875,256 statewide. (2001, DOH-8)

43. Improvements to the AIDS Drug Assistance Program in Miami-Dade County that produced added value of more than $4 million can be adapted by any metropolitan area with a large number of providers and multiple funding sources for coordinated services. (2001, DOH-9)

44. A Primary Access to Health (PATH) Clinic in Brevard County provides medical specialty referrals and intervention for the medically indigent population and patients with chronic health problems. Local physicians volunteer their services to provide a full range of care from diagnosis to surgery. A second program, We Care, supports PATH by specializing in diagnostic services, surgical and specialist intervention. It is estimated that We Care will contribute over $3 million in added value. According to the Brevard County Health Department director, the key to the success of this initiative is a strong partnership developed over time between the department, the County Commission, local hospitals and the local medical society. (2000A, page 95-6, #6 & 7)

45. Volunteer Physician Programs saved more than $2 million in Escambia and Indian River Counties and could save $10 million statewide. (2000A, page 95-6, #5)

46. Securing free medications from 17 companies for indigent citizens in Charlotte County saved $160,000, and could save $1.6 million statewide. (2000A, page 97, #9)

47. The dental staff of the Leon County Health Department, through improved third party insurance reimbursement verification, increased the clients it serves by 61% while reducing net budget costs by 74% and increasing revenue 14 fold for added value of $121,413. This initiative can be implemented by any agency that does Medicaid and/or third party billing. (2000, page 59, #3)

48. Automation of a monthly spending plan for each of the Department's bureaus and divisions that cut six positions for savings of $258,099 may be adaptable by all agencies that use the Florida Information Resource (FLAIR) system to obtain budget and expenditure data. (2001, DOH)

49. Web-based registration for prospective vendors to download competitive solicitations plus electronic identification of prospective bidders could be worth $365,000 if adapted by all state agency purchasing offices that issue competitive solicitations. (2001, DOH-67)

50. A system linking the Department of Health's Women, Infants and Children (WIC) program and the Department of Children and Families' FLORIDA mainframe computer databases eliminates eligibility screenings for annual savings of approximately $900,000. (2001, DOH)

51. An Information Security Training initiative reduced both instructor led training and time required to meet mandatory training requirements by 50%, saving $1.2 million. This achievement is applicable to state agencies that deal with human services health care delivery or confidential information security policies and procedures. Examples: Agency for Health Care Administration, Department of Children and Families, Department of Community Affairs,

Department of Corrections, Department of Education, Department of Elder Affairs, Department of Juvenile Justice, Department of Legal Affairs, Department of Veterans Affairs, State Court System and Public Defenders' offices. Estimated savings amount to $4 million based on these agencies achieving an average of 25% of the savings reported by the Department of Health.
(1999, page 58, #12)

52. An automated reconciliation system that provides immediate on-line identification of accounting items that need correcting saved $200,000 and could save $2 million statewide.
(1999, page 59, #115)

53. An informal, nonadversarial Mediation Program developed by the Department of Health helps to resolve workplace conflict prior to disciplinary actions, grievances, and lawsuits. The program reflects the intent of Governor Executive Order No. 02-87 to reduce the $2 million annual cost of grievances filed by state employees. (2002, DOH – 42)

54. An internet-based Prescription Drug Assistance Program developed at the Department of Health's central office in Tallahassee can help county health departments to expand their drug coverage to needy individuals, many of whom would have limited or negligible access to required medication(s), and help them manage clients on these medications. Potential added value of $5 million annually.
(2002, DOH – 80)

55. A complex care coordination system in Miami-Dade that is easy for nurses to use to retrieve client information. Saved $175,595 and could save approximately $500,000 in other counties.
(2002, DOH-166)

Department of Financial Services

56. An automated system developed by former Department of Insurance (now Financial Services) staff that reimburses employees for their travel expenses, resulting in reassigning one position to another division, can be used by any state agency accounting office that uses the Florida Accounting Information Resource (FLAIR) and Cooperative Employment Personnel System (COPES). (2001, DOI)

Department of Juvenile Justice

57. A faith initiative in Broward County that provided non-secure shelter to youth under home detention status saved more than $300,000 in recurring general revenue and is adaptable by other regions of the state. (2001, DJJ)

58. A referral and tracking system for mental health services reduced missed appointments worth $15,000 in Daytona Beach and could save an estimated $250,000 statewide. (1999, page 55, #130)

59. A Warning Tour that provides delinquent youth a feel for what it is like to be in secure detention saved an estimated $230,000 in Leon County and could save more than $1 million statewide.
(1999, page 65, #127)

Department of Law Enforcement

60. A post-disaster fraud training program in Orlando that improves intergovernmental effectiveness in fighting post disaster fraud (which reached an estimated $750 million after Hurricane Andrew) could save $25 million after a future disaster. (1999, page 73, #149)

61. Use of data generated by an electronic benefits transfer system avoided $67,758 worth of illegal Food Stamp payments in the Jacksonville region and could be worth as much as $1.5 million statewide. (2001, FDLE)

62. An automation process and procedural changes increases the number of completed analyses of DNA samples to maintain the convicted offender database and reduce possible crimes by repeat offenders while saving $1.8 million in instrumentation and personnel costs. (2001, FDLE)

63. An on-line testing process for law enforcement certification that saved at least $139,062 the first year can be adapted by any agency that is required to administer tests. (2001)

64. A video teleconferencing system that reduces annual travel and training costs by $180,000 could save an estimated $500,000 for other agencies with multiple offices throughout the state.
(2000, page 67, #4)

Department of Lottery

65. An improved Property Accountability System that relocated items with an acquisition value of $374,000 could be worth nearly $2 million statewide. (1999, page 75, #153)

Department of Revenue

66. A database for tracking whether delinquent child support is owed before workman's compensation claims are paid to non-custodial parents captured nearly $500,000 worth of delinquent child support and court costs in the Clearwater area, and is adaptable by other offices statewide.
(2001, DOR-61)

67. A simultaneous plea agreement (developed with the Statewide Prosecutor's Offices in Clearwater and Tampa) which reduces the time spent on investigations by eliminating the need for a voluminous case report, discovery and pre-trial conferences could be worth an estimated $800,000 annually statewide. (2000A, page 40, #3)

68. A new process that cut in half the time and cost required to locate and review unregistered commercial rental property for back taxes owed in Brevard County yielded a $500,000 revenue increase and could be worth **$3.3 million** statewide. (1999, page 81, #169)

69. An automated question-and-answer program for supervisors to use when they have questions about handling issues involving employee behavior promotes consistent and fair disciplinary actions throughout the Department, thereby reducing potential liability costs. It also saves an estimated $200,000 worth of staff time by eliminating communication between supervisors and human resources staff. (2000A, page 134, #28)

State Courts System

70. A pre-trial conference hearing initiative developed by the state courts system in Miami-Dade County has reduced traffic court trials by 75%. Police overtime pay to attend trials is being reduced by at least $7 million annually and officers' hours on the street are increasing by 150,000 annually (equivalent to 75 new officers), plus a projected $10.6 million may accrue from increased collection of fines and costs. Statewide implementation could be worth an estimated $7 million. (2000, page 73, #2)

71. A job placement program for unemployed first-time felony offenders also developed in the Eleventh Judicial Circuit yielded $823,635 first year net savings from decreased re-arrests, jail time and prosecution. Tax users become taxpayers, facilitating restitution to victims, payment of delinquent child support and collection of fines and fees. Statewide implementation could be worth a minimum of $1.6 million. (2000, page 72, #1)

72. Filing Family Law Actions without an attorney saved Tallahassee and Leon County residents $170,000 and could save a conservative $850,000 statewide. (1999, page 83, #175)

Department of Transportation

73. A new approach to developing corridors for road and bridge projects developed in Ft. Lauderdale can reduce the cost of environmental impact statements by an estimated $500,00 for major projects. (2001, DOT-20)

74. Improved utilization of computer-aided drafting design equipment and software that reduced the number of drafting positions in Fort Lauderdale from five to two for annual savings of $96,000 can be adapted by other offices statewide. (2001, DOT-19)

75. A web-based consultant invoice transmittal system that reduces manual processing and auditing for anticipated annual savings of more than $200,000 can be adapted by other state agencies that use the same standard methods of compensation when negotiating and executing consultant agreements.
(2001, UF)

State Universities

76. A web-based system developed by the College of Health and Human Performance, University of Florida (UF), that allows individuals to input and track their own work order requests, thereby eliminating a $35,000 position, can be adapted by other administrative units throughout the state university system and by state agencies. (2001, UF)

77. An on-line application and admission process at the University of Central Florida that reduced processing costs by $60,000 may be adaptable to other state universities and community colleges.
(2001, UCF-7)

78. An information studies information system developed at Florida State University (FSU) that has enhanced cost-saving distance learning and reduces task redundancy for initial savings of $60,000 may be adaptable throughout the state university and community college systems. (2001, FSU-29)

79. A paperless procurement system at FSU that eliminates the need to circulate and file thousands of purchase orders to hundreds of areas within the university to save $338,484 can be adapted by other state universities, community colleges and state agencies. (2001, UF)

80. An on-line program budget management system that eliminated two positions for annual recurring savings of $110,000 at FSU's National High Magnetic Field Laboratory can be adapted by other departments within the university. (2001, FSU-30)

81. An electronic personnel management system developed by National High Magnetic Field Laboratory staff eliminated one temporary services (OPS) employee and reduced processing time for new hires by 40% and achieved other time savings worth a total of $90,240. This innovation is applicable to other state universities, community colleges and state agencies, and it could be applied to other processes such as purchasing and proposal submission/review/approval. (2001, FSU-7)

82. An employee payroll deduction parking permit program at FSU that cut two data entry and filing positions, and achieved other time savings and printing cost reductions to save $165,000,
could be adapted by other state universities, community colleges and state agencies that issue parking permits. (2001, FSU-11)

Source
(1999) - *Statewide Implementation of Davis Productivity Awards Achievements Can Save $270 Million,* March 2000.
(2000)- *Adaptation and Implementation of 2000 Davis Productivity Awards Achievements*, First Installment, November 2000.
(2000A) - *Adaptation and Implementation of Davis Productivity Awards Achievements Can Save $400 Million,* May 2001.
(2001) - Adaptation and Implementation of 2001 *Davis Productivity Awards Achievements Can Save $140 Million, November* 2001.

APPENDIX E

The REMI Model

The REMI model, as Bolton states in his review of econometric models, "…is a world apart in complexity, reliance on interindustry linkages, and modeling philosophy" from other econometric models. The REMI model is more than an econometric model, though. It may better be described as a diverse model that links an input-output model to an econometric model. If the econometric responses are suppressed, the model collapses to an input-output model. The econometric specifications are derived from economic theories that are generally neoclassical in nature. The notion of regional equilibrium is central to the model's long-term portrait of regional economic growth.

Conceptually, the model consists of five basic blocks: (1) output, (2) labor and capital demands, (3) population and labor supply, (4) wages, prices, and profits, and (5) market shares.

The output block contains the input-output component of the model. Final demands drive the output block. Production uses factor inputs, labor, capital and fuel, and intermediate inputs. Coefficients of the production functions are based on national input-output tables produced by the Bureau of Labor Statistics. Intermediate inputs are used in fixed proportions. Factor input use is governed by Cobb-Douglas functions in Block 2. The relative factor intensities respond to changes in relative factor costs (i.e., wage rate changes, cost-of-capital changes, and changes in fuel prices).

Labor supply in Block 3 responds positively to wage rates because of migration. Also, the ratio of residence-adjusted employment to the potential labor force influences migration. Place-of-work income also is adjusted for place of residence to obtain disposable income. The interaction of labor demand calculated in Block 2 and of labor supply calculated in Block 3 determines wage rates in Block 4. Migration induces government spending through additional taxes paid and consumer spending through increased wage and non-wage income. The increase in real disposable income derived from migration also stimulates residential investment. Nonresidential investment is stimulated by increased capital demand by businesses.

Wage rates affect the competitiveness of local firms relative to firms in other regions in Block 5. Regional competitiveness affects the shares of local and exports markets (market shares) that local firms capture. The proportion of the local market captured is known as the regional purchase coefficient (RPC), and the proportion of the export market is known as the interregional and international coefficient. Also, the RPC, which is a measure of self-sufficiency, increases as a region grows because of agglomeration effects.

Endogenous consumption, investment, and government expenditures plus exports are the final demands that drive the output block. The endogenous RPC gives the proportions of local expenditures satisfied by imports or local production. Solution values for the endogenous variables in the REMI model must satisfy the equations in all five blocks simultaneously.

By suppressing certain endogenous responses in the REMI model, multipliers comparable to those computed from an input-output model can be obtained. If the responses of labor intensities, labor supply, wage rates, industry RPCs, and endogenous final demands are suppressed, Type I input-output multipliers are obtained. By allowing consumption to be endogenously determined, Type II multipliers are obtained. Complete endogeneity in the REMI model produces what is referred to as Type III multipliers. This Type III multiplier differs from standard Type III input-output multipliers because of the endogeneity of export and propensity to import responses in the REMI model.

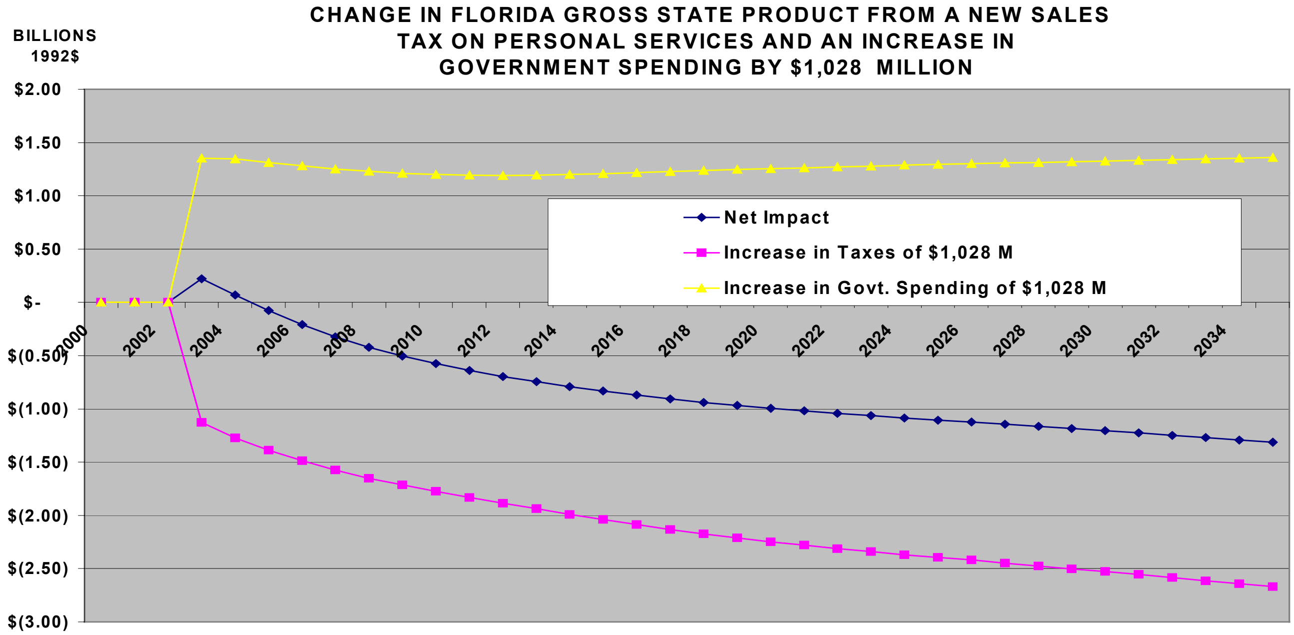
The detailed structure of the REMI model requires an extensive amount of data. The input-output component is non-survey based, using national technical coefficients. Of particular importance are data on employment, income, and output. Also, because complete regional accounts consistent with the National Income and Product Accounts are not routinely available, they must be constructed.

REMI uses three sources of employment and wage and salary data: the Bureau of Economic Analysis (BEA) employment, wage, and personal income series, ES-202 establishment employment and wage and salary data, and County Business Patterns (CBP) data published by the Bureau of the Census. The BEA data are annual averages and are reported at the two-digit level for states and at the one-digit level for counties. The ES-202 data, the foundation for the BEA data, are collected monthly in conjunction with the unemployment insurance program at the two-digit level for counties and states, and they are the foundation for the BEA data. CBP data are collected in conjunction with the Social Security program in March of each year.

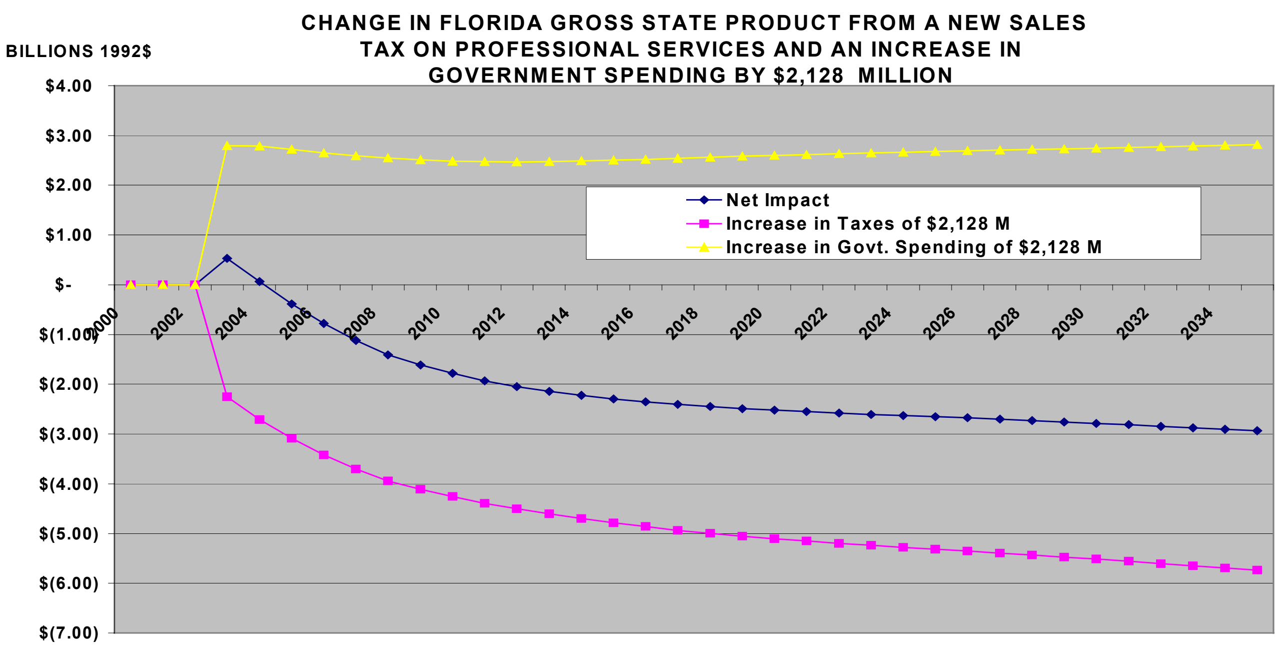
Confidentiality requirements produce many suppressions in the data. Where suppressions occur, the number of establishments and the ranges of the number of employees for each establishment are supplied by CBP. REMI fills in the suppressions based on the hierarchical structure of the BEA data within regions and within industries. First, all two-digit S.I.C. industries are made consistent within the corresponding one-digit industries for each state simultaneous with all two-digit industries summed to the major region two-digit totals. Second, for counties REMI uses the ES-202 data, if available, and CBP data if ES-202 data is not available. Whichever data set is selected, it is made consistent with BEA one-digit county totals and state two-digit totals.

Output measures are based on regional employment data, the BEA Gross State Product series, and national output-to-employment ratios. REMI begins by applying the national output-to-employee ratio to employment by industry. This application is adjusted by regional differences in labor intensity and total factor productivity. Regional differences in labor intensity are given by the industry production function and the unit factor costs. Total factor productivity calculations depend on industry value added in production reported in real U.S. dollars by BEA and on adjustments by REMI to the BEA numbers to reflect differences in regional production costs. The ratio of real regional value added per unit of input relative to U.S. value added per unit of input is the REMI relative total factor productivity.

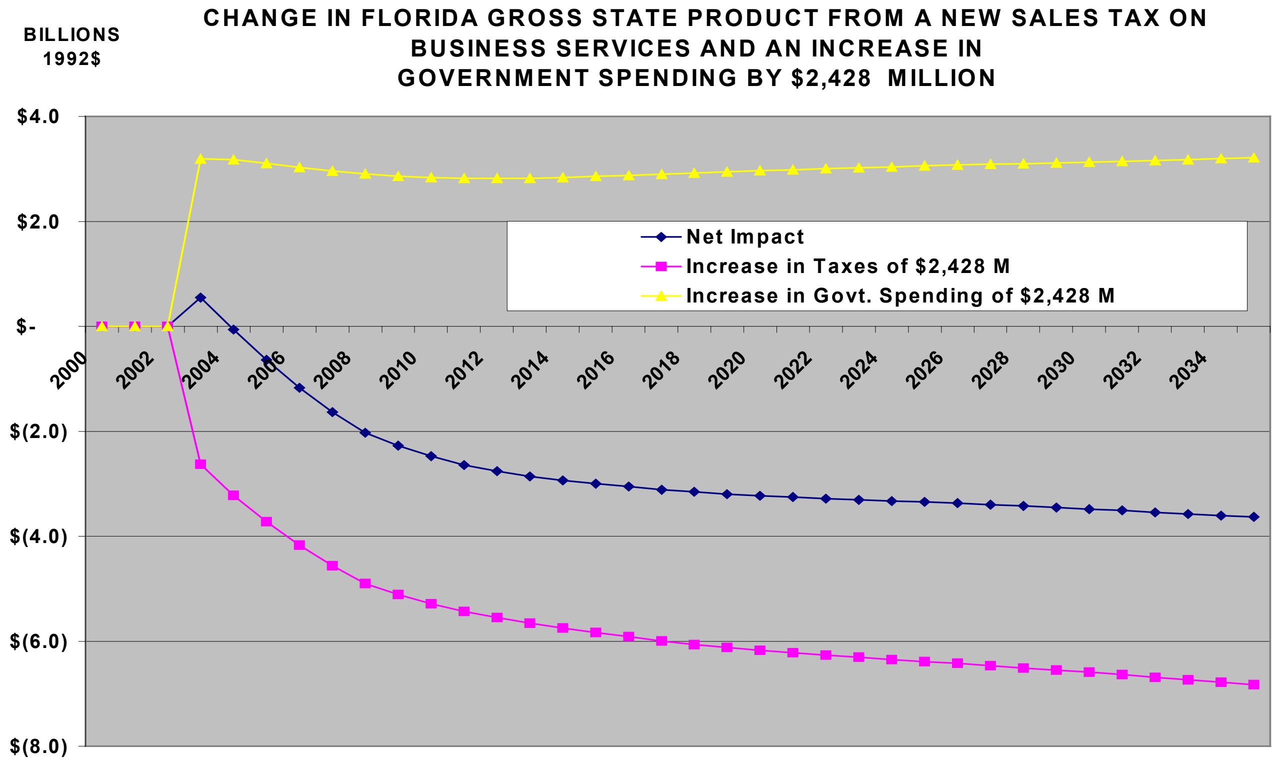
Results of Econometric Modeling of Various Changes to the State of Florida's Tax Laws



Source: Florida TaxWatch, March 2003



Source: Florida TaxWatch, March 2003



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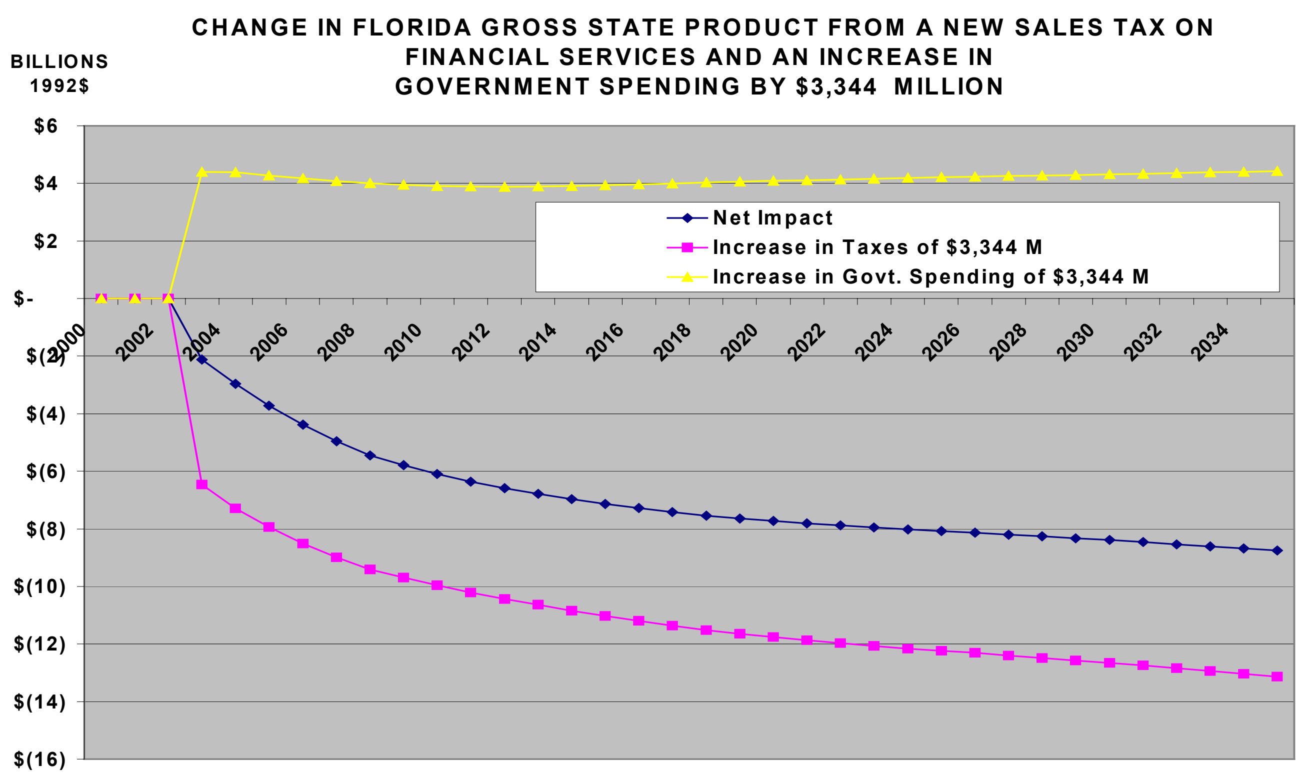

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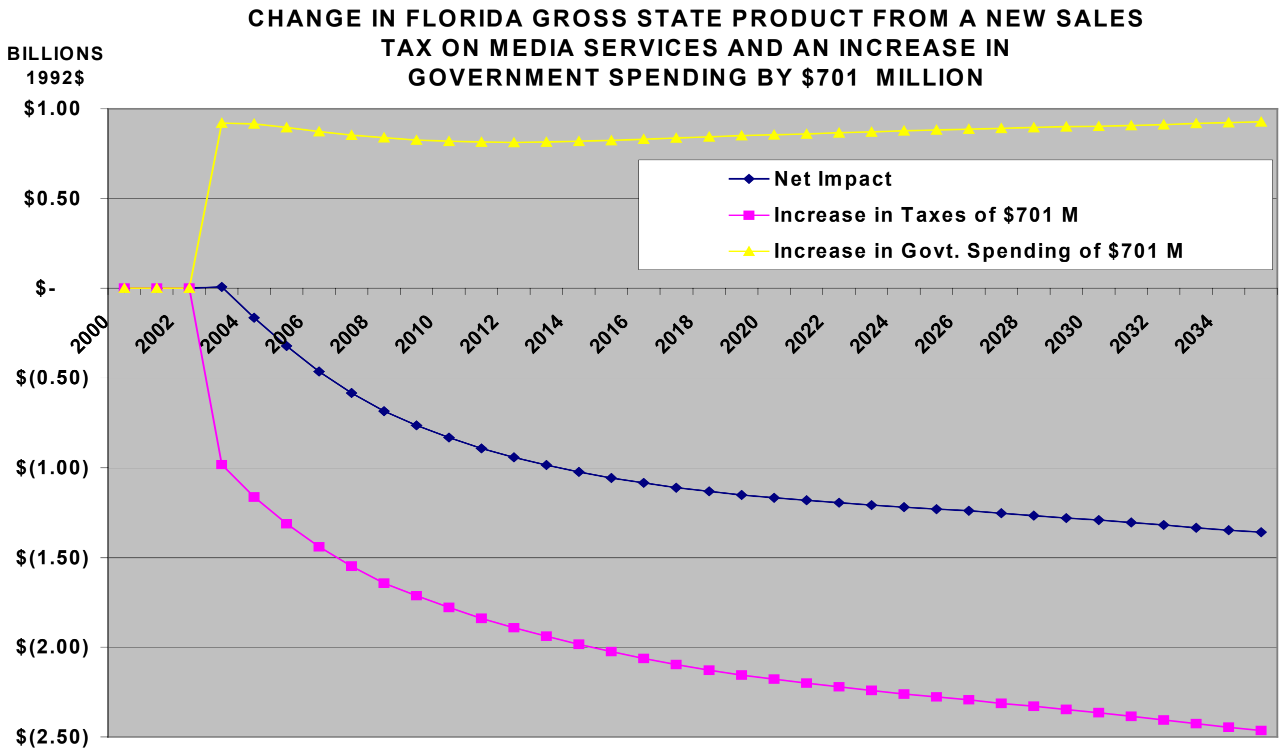

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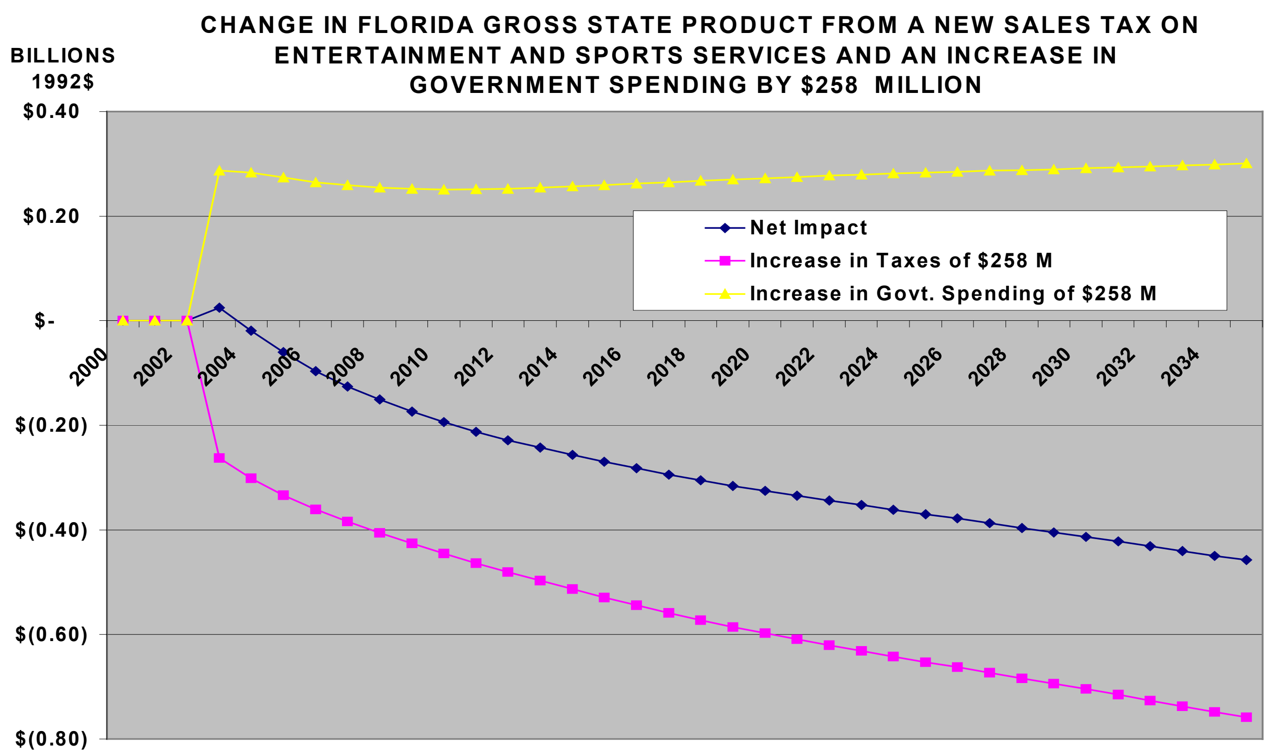

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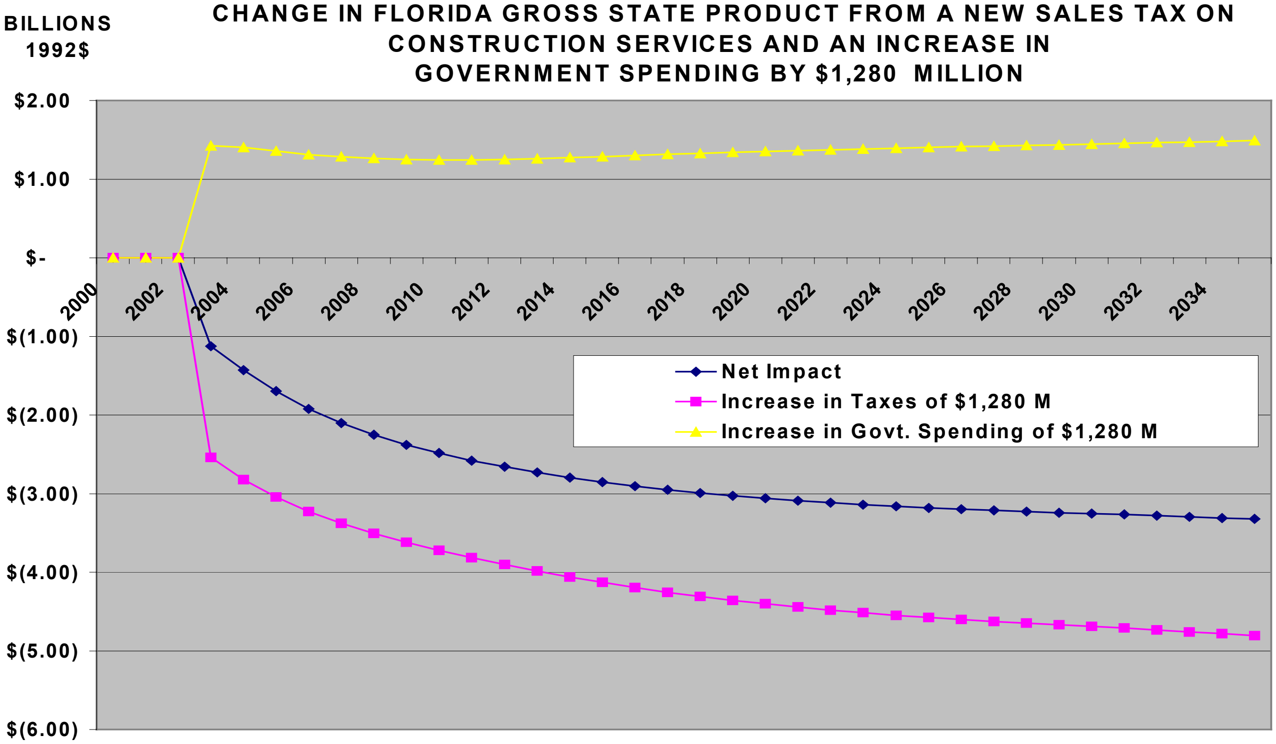
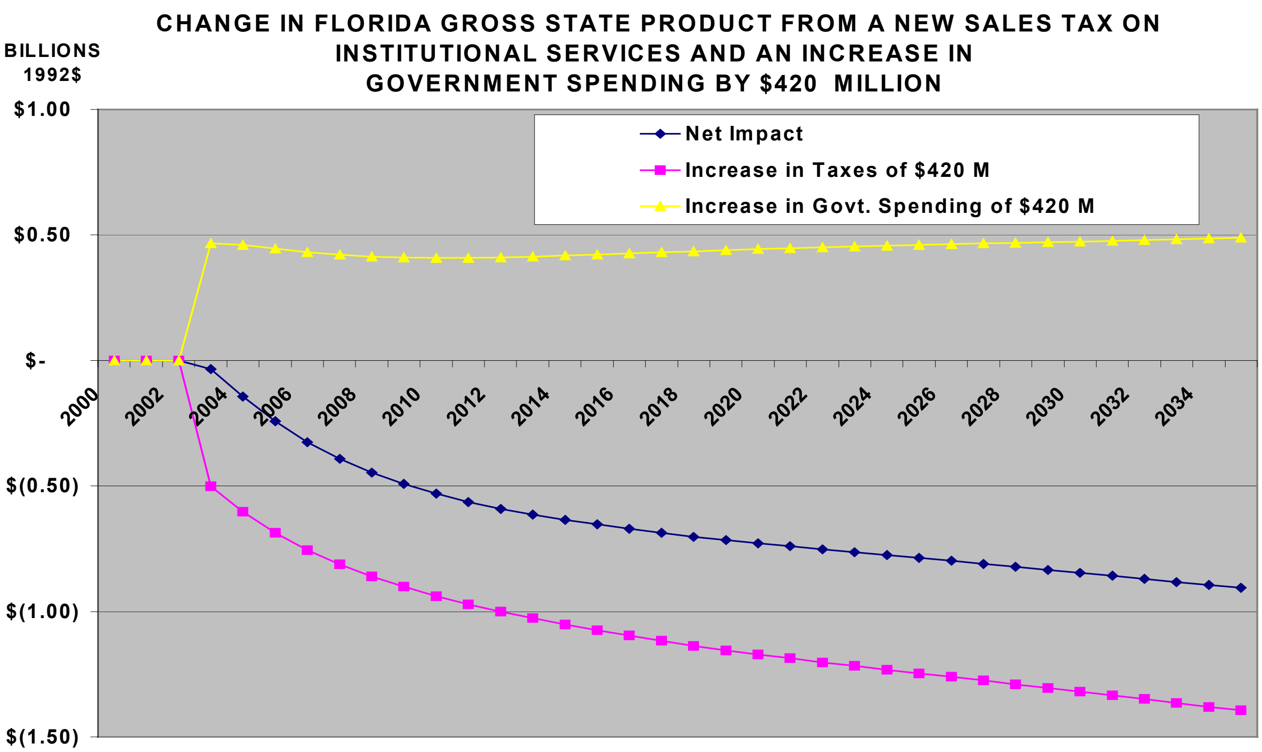
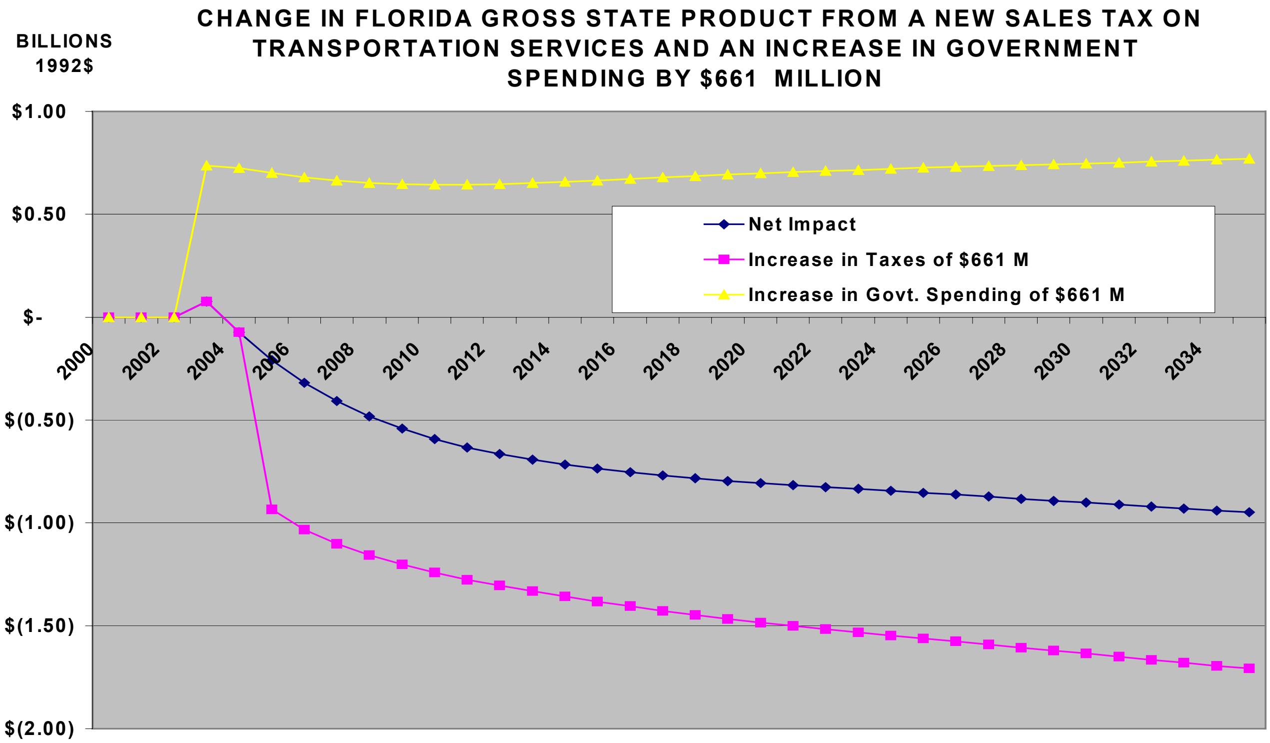


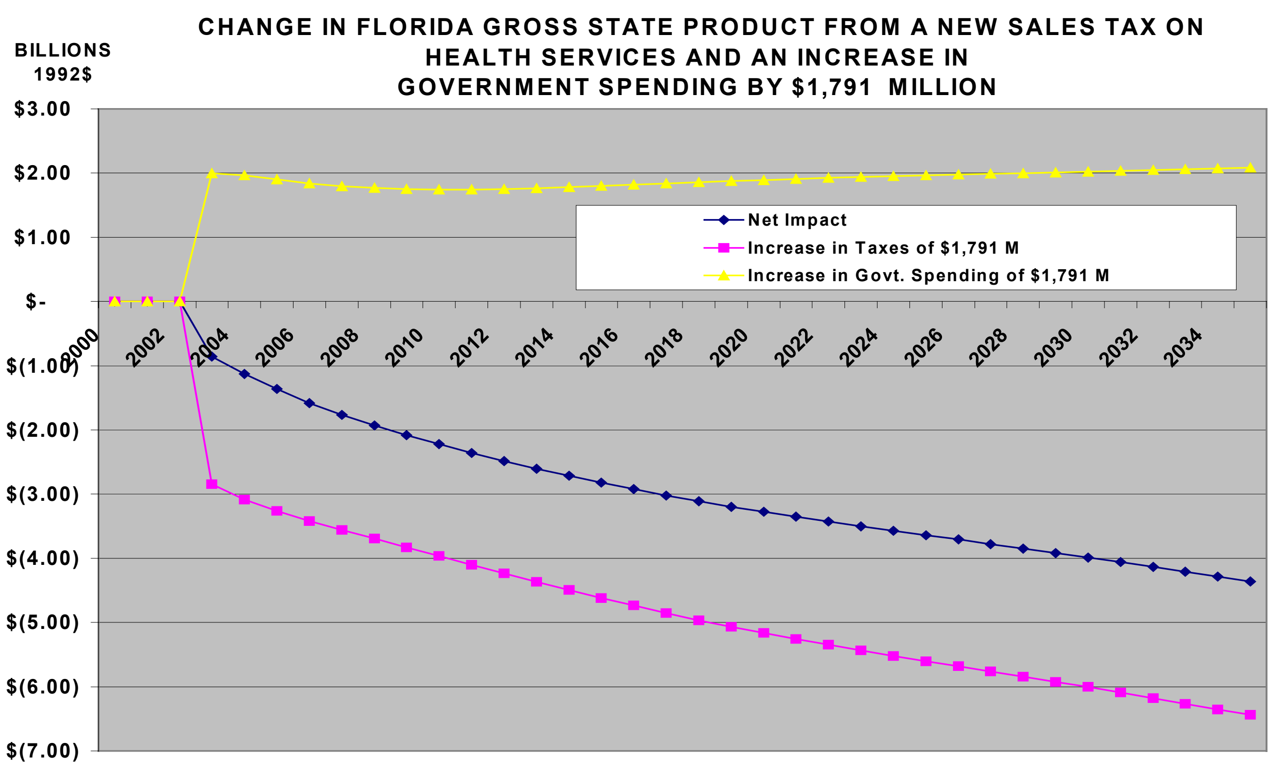
Source: Florida TaxWatch, March 2003



Source: Florida TaxWatch, March 2003

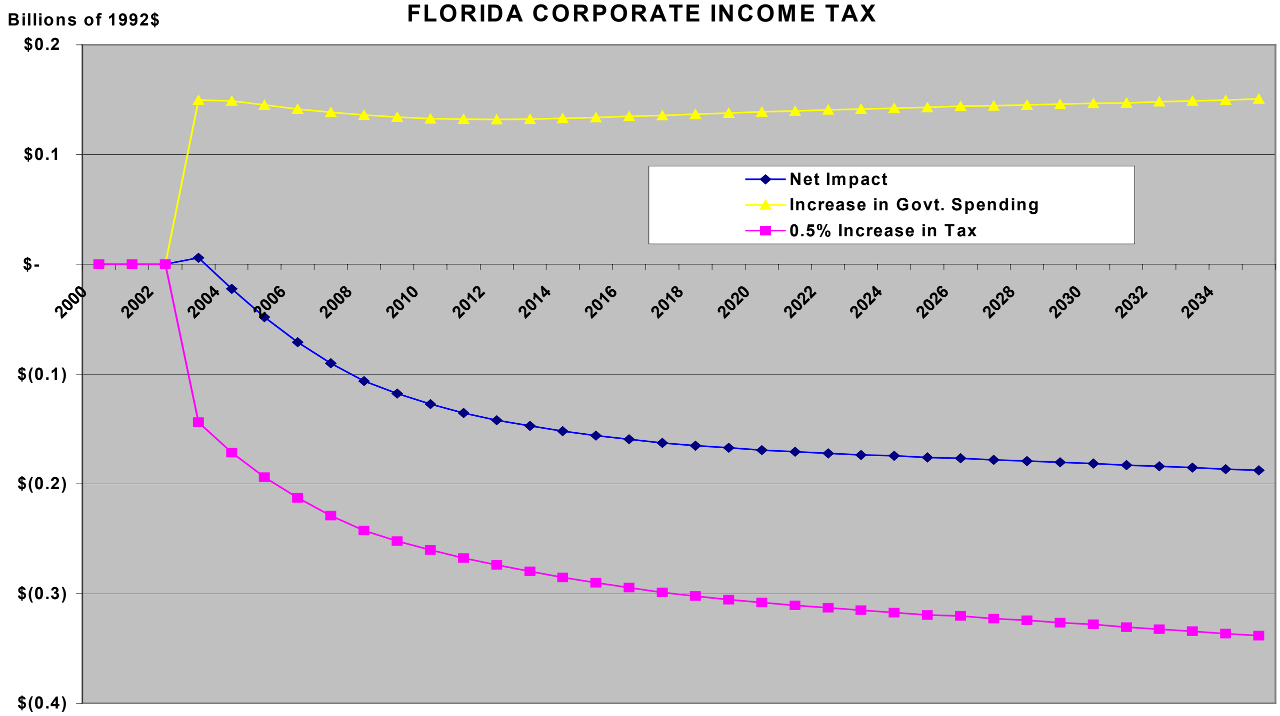


Source: *Florida TaxWatch, March 2003*



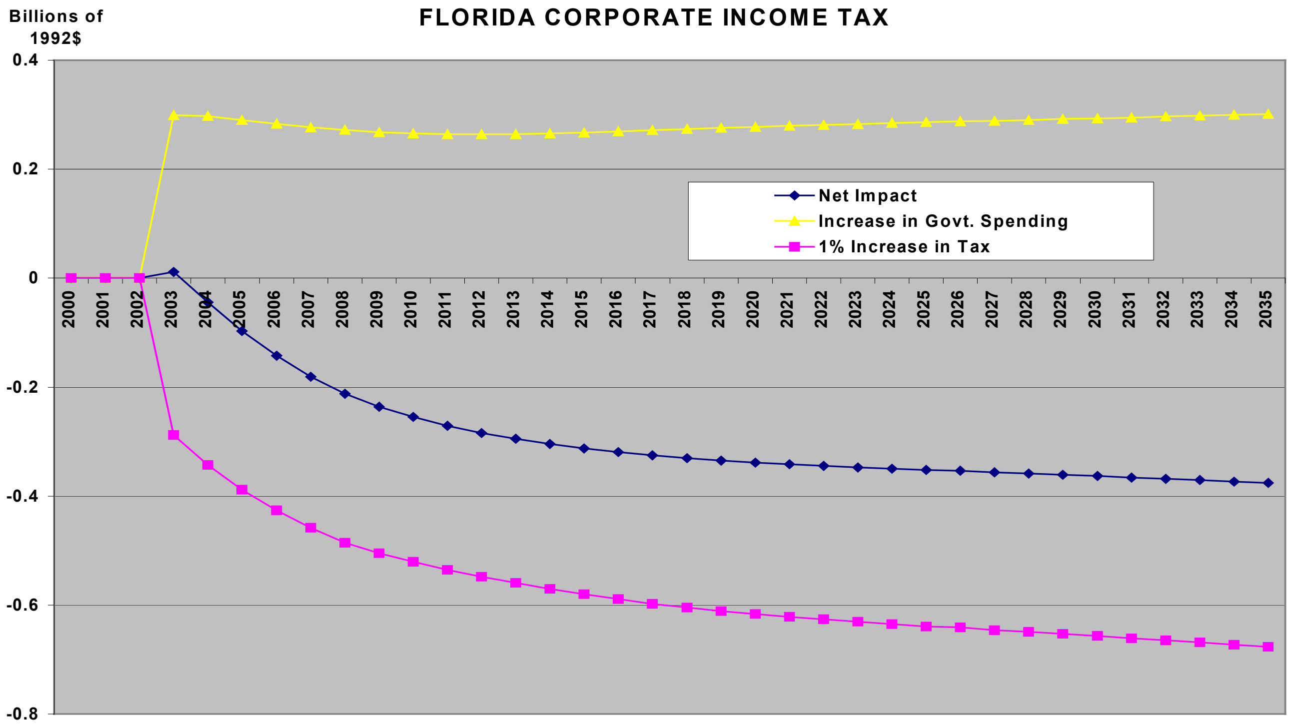
Source: *Florida TaxWatch, March 2003*

IMPACT ON FLORIDA GROSS STATE PRODUCT OF A .5% INCREASE IN THE FLORIDA CORPORATE INCOME TAX

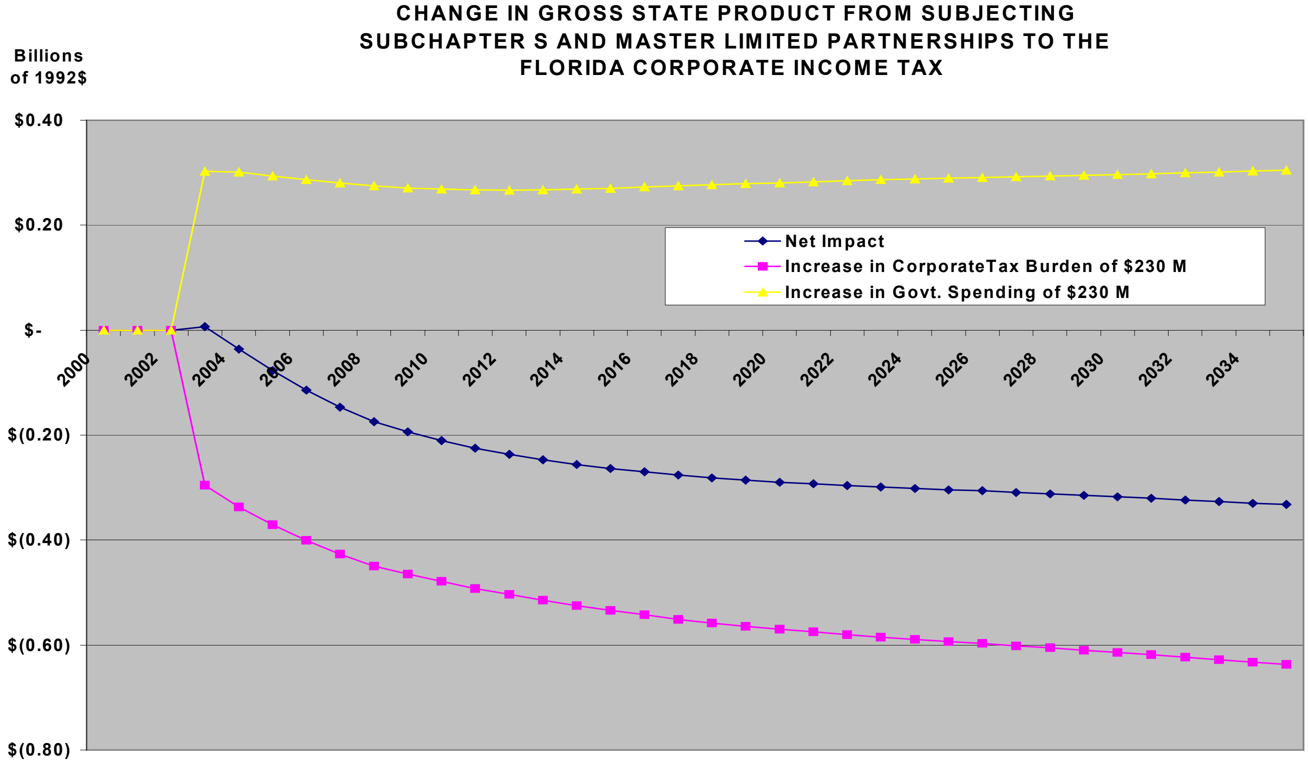


Source: Florida TaxWatch, March 2003

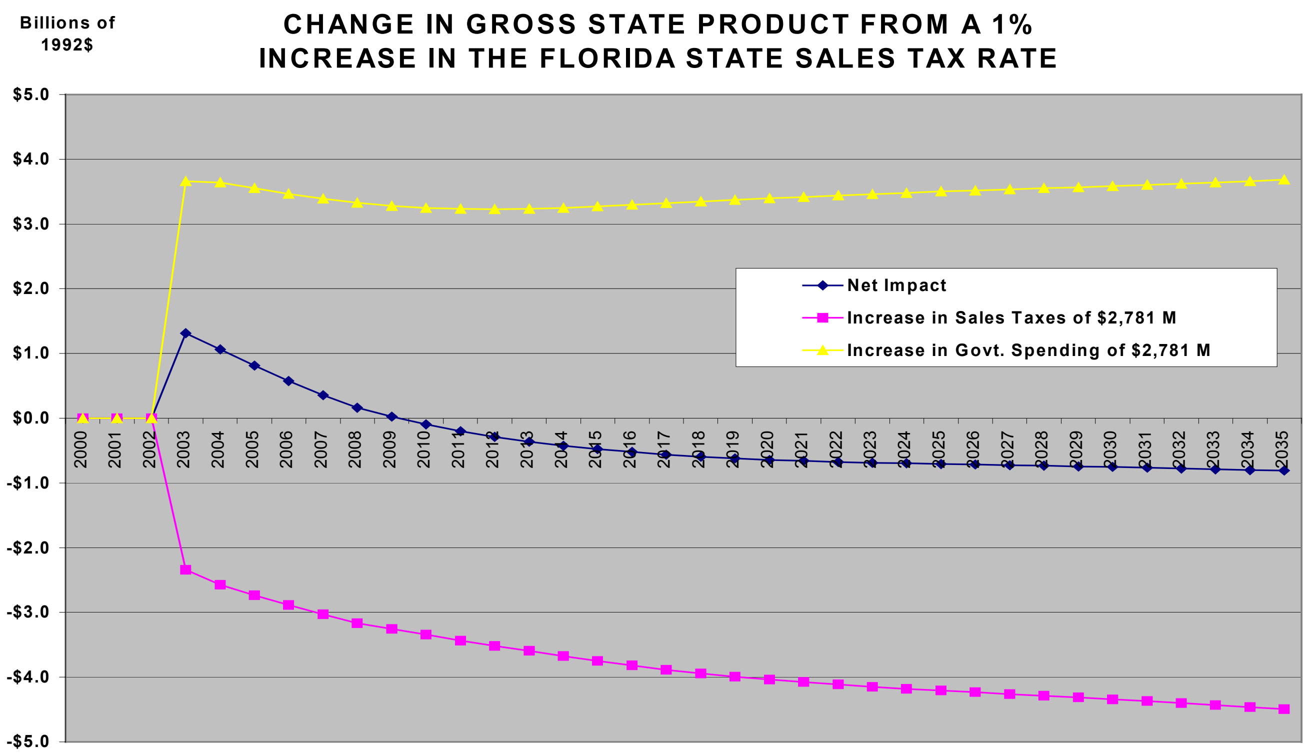
IMPACT ON FLORIDA GROSS STATE PRODUCT OF A 1% INCREASE IN THE FLORIDA CORPORATE INCOME TAX



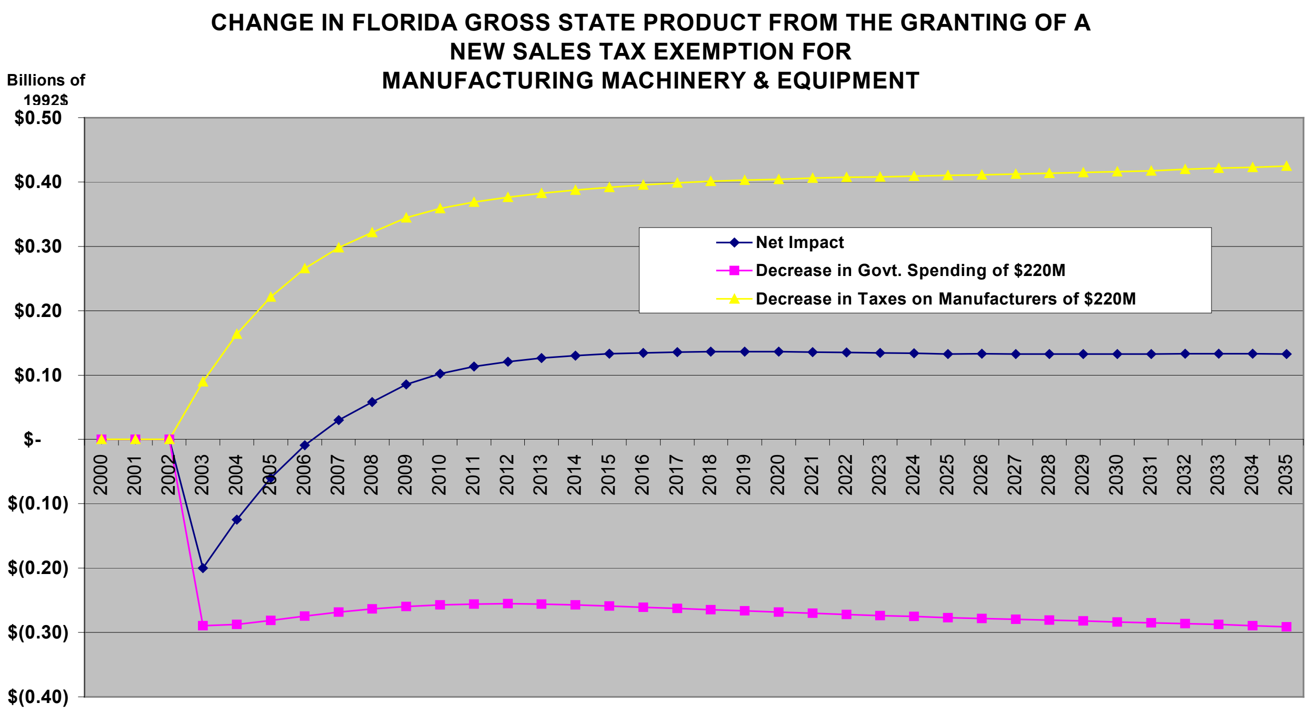
Source: Florida TaxWatch, March 2003



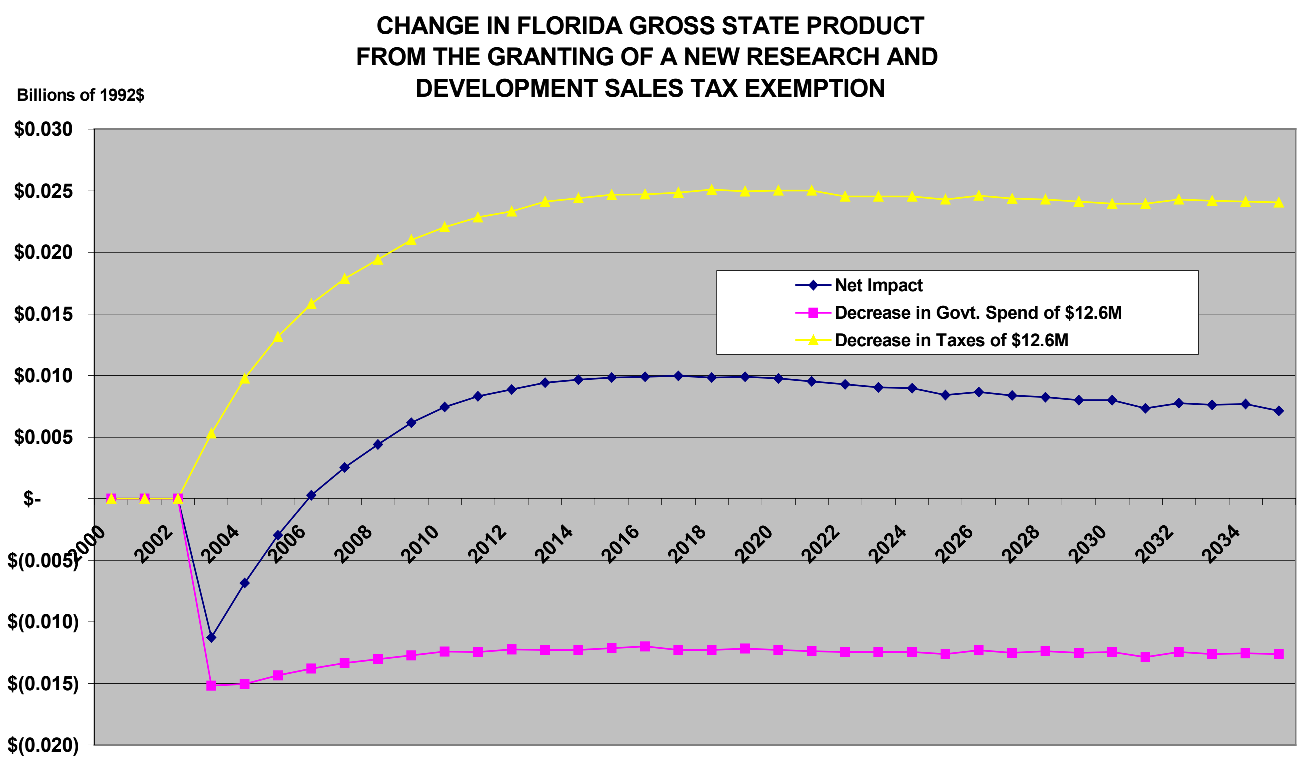
Source: Florida TaxWatch, March 2003



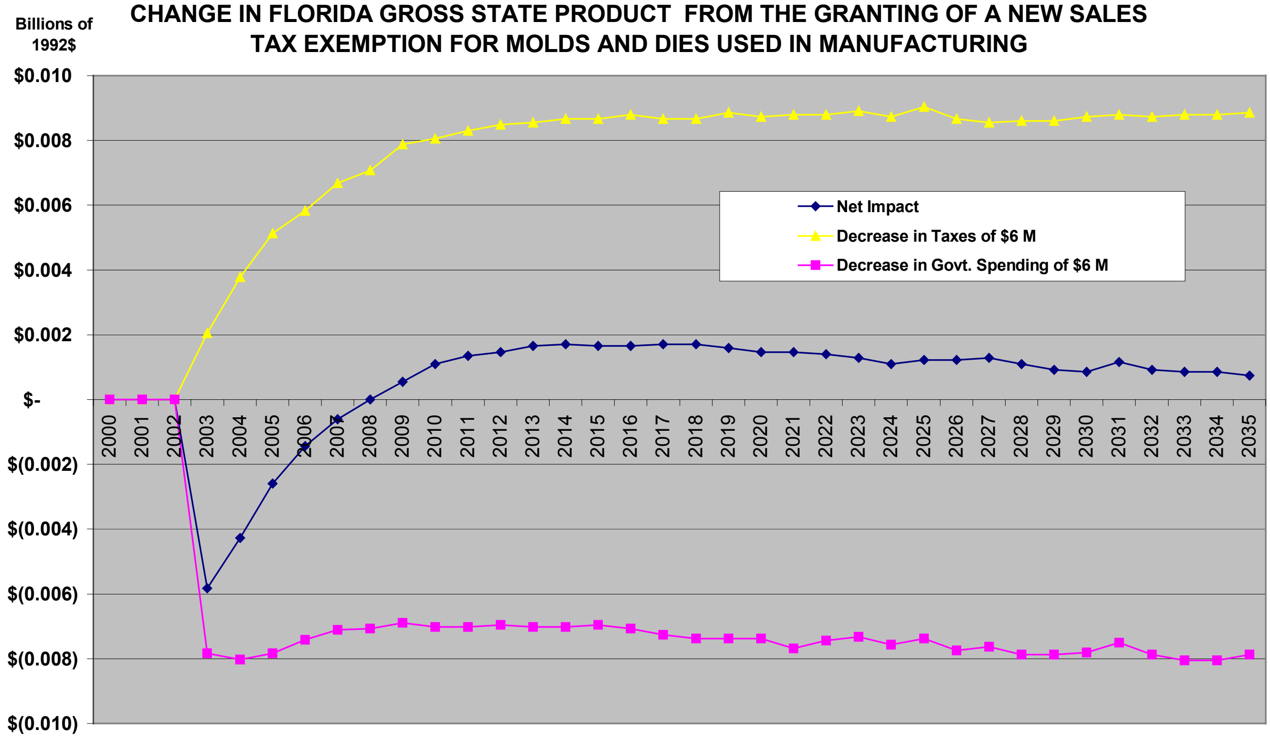
Note: Assumes 20% of sales tax paid by tourists and 35% paid by business.
Source: Florida TaxWatch, March 2003



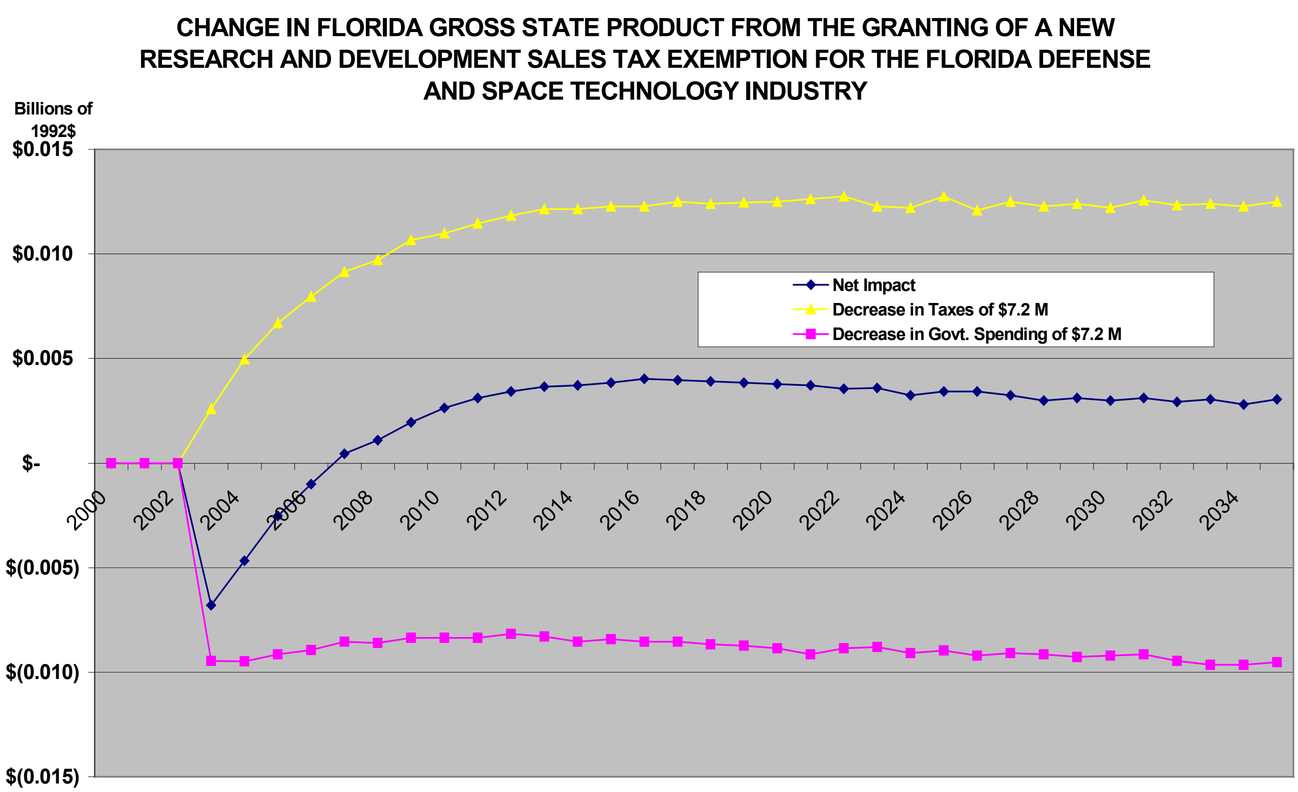
Source: Florida TaxWatch, March 2003



Source: Florida TaxWatch, March 2003



Source: Florida TaxWatch, March 2003



Source: Florida TaxWatch, March 2003

Economic Impact of Applying 6% Sales and Use Tax to Currently Non-Taxed Services
Annual Impact on Jobs, Gross State Product, Income and State Revenues

	2003	2005	2007	2012	2017	2022	2032
Personal Services ($1.028 billion)							
Employment (Thous)	1.88	-6.43	-12.41	-20.26	-23.83	-25.42	-26.76
GSP (Bill Fixed 92$)	0.22	-0.08	-0.32	-0.70	-0.91	-1.04	-1.25
Real Disp Pers Inc (Bill Fixed 92$)	-0.62	-0.78	-0.93	-1.24	-1.48	-1.65	-1.92
State Revenues (Bill $)	-0.09	-0.11	-0.14	-0.18	-0.21	-0.23	-0.25
Business Services ($2.428 billion)							
Employment (Thous)	11.61	-16.35	-37.49	-57.09	-59.88	-59.57	-56.88
GSP (Bill Fixed 92$)	0.55	-0.64	-1.63	-2.76	-3.11	-3.28	-3.54
Real Disp Pers Inc (Bill Fixed 92$)	-1.17	-1.77	-2.33	-3.21	-3.66	-3.92	-4.26
State Revenues (Bill $)	-0.15	-0.25	-0.34	-0.47	-0.51	-0.53	-0.55
Financial Services ($3.344 billion)							
Employment (Thous)	-58.48	-86.74	-105.80	-125.30	-131.20	-131.20	-126.70
GSP (Bill Fixed 92$)	-2.12	-3.72	-4.96	-6.59	-7.42	-7.89	-8.53
Real Disp Pers Inc (Bill Fixed 92$)	-5.19	-6.17	-6.99	-8.46	-9.41	-9.96	-10.81
State Revenues (Bill $)	-0.79	-0.94	-1.06	-1.24	-1.33	-1.38	-1.41
Professional Services ($2.128 billion)							
Employment (Thous)	13.05	-6.98	-21.49	-37.55	-42.59	-44.00	-44.63
GSP (Bill Fixed 92$)	0.53	-0.38	-1.12	-2.05	-2.41	-2.58	-2.85
Real Disp Pers Inc (Bill Fixed 92$)	-0.92	-1.38	-1.80	-2.51	-2.95	-3.24	-3.67
State Revenues (Bill $)	-0.12	-0.20	-0.26	-0.36	-0.41	-0.43	-0.46
Media Services ($0.701 billion)							
Employment (Thous)	0.43	-6.35	-11.16	-16.92	-19.04	-19.56	-19.63
GSP (Bill Fixed 92$)	0.01	-0.32	-0.58	-0.94	-1.11	-1.20	-1.32
Real Disp Pers Inc (Bill Fixed 92$)	-0.56	-0.73	-0.88	-1.15	-1.34	-1.45	-1.63
State Revenues (Bill $)	-0.01	-0.04	-0.06	-0.10	-0.12	-0.12	-0.12
Entertain.& Sports Services ($0.258 billion)							
Employment (Thous)	2.115	0.1826	-1.304	-3.079	-3.803	-4.102	-4.334
GSP (Bill Fixed 92$)	0.02499	-0.05981	-0.1254	-0.2283	-0.2941	-0.3436	-0.4315
Real Disp Pers Inc (Bill Fixed 92$)	-0.08633	-0.1227	-0.1577	-0.2244	-0.2733	-0.3067	-0.3558
State Revenues (Bill $)	-0.0108	-0.01685	-0.02275	-0.03259	-0.03877	-0.0425	-0.04687
Construction Services ($1.280 billion)							
Employment (Thous)	-15.1	-24.24	-30.02	-36.97	-39.15	-38.04	-31.55
GSP (Bill Fixed 92$)	-2.542	-3.045	-3.378	-3.902	-4.258	-4.482	-4.736
Real Disp Pers Inc (Bill Fixed 92$)	-1.555	-1.883	-2.162	-2.76	-3.173	-3.385	-3.497
State Revenues (Bill $)	-0.3042	-0.3529	-0.3881	-0.459	-0.5029	-0.518	-0.4927
Institutional Services ($0.420 billion)							
Employment (Thous)	-5.632	-8.883	-11.41	-15.03	-16.88	-17.7	-18.3
GSP (Bill Fixed 92$)	-0.03369	-0.2423	-0.3913	-0.5909	-0.6872	-0.7523	-0.8704
Real Disp Pers Inc (Bill Fixed 92$)	-0.5499	-0.6478	-0.7398	-0.9424	-1.102	-1.211	-1.39
State Revenues (Bill $)	-0.0829	-0.09755	-0.1108	-0.1367	-0.1555	-0.1681	-0.1828
Transportation Services ($0.661 billion)							
Employment (Thous)	-3.537	-10.32	-15.07	-19.91	-20.87	-20.58	-19.54
GSP (Bill Fixed 92$)	0.07602	-0.2083	-0.4085	-0.6661	-0.7693	-0.8261	-0.921
Real Disp Pers Inc (Bill Fixed 92$)	-0.6659	-0.8505	-1.01	-1.27	-1.415	-1.488	-1.588
State Revenues (Bill $)	-0.1077	-0.1433	-0.1703	-0.2043	-0.2156	-0.2174	-0.2132
Healthcare Services ($1.791 billion)							
Employment (Thous)	-9.109	-20.05	-29.57	-45.53	-55.59	-61.89	-70.61
GSP (Bill Fixed 92$)	-0.8579	-1.364	-1.765	-2.486	-3.02	-3.429	-4.135
Real Disp Pers Inc (Bill Fixed 92$)	-1.981	-2.357	-2.728	-3.575	-4.286	-4.86	-5.959
State Revenues (Bill $)	-0.2754	-0.33	-0.3839	-0.4958	-0.5839	-0.6534	-0.7623

Note: State Revenue impact does not include dollars from new tax.
Source: Florida TaxWatch, March 2003.

Economic Impact of Applying 6% Sales and Use Tax to Currently Non-Taxed Services

Annual Impact Per $1 Billion of New Taxes

	2003	**2005**	**2007**	**2012**	**2017**	**2022**	**2032**
Personal Services ($1.028 billion)							
Employment (Thous)	1.83	-6.26	-12.07	-19.71	-23.18	-24.73	-26.03
GSP (Bill Fixed 92$)	0.21	-0.07	-0.32	-0.68	-0.88	-1.01	-1.21
Real Disp Pers Inc (Bill Fixed 92$)	-0.60	-0.76	-0.90	-1.20	-1.44	-1.60	-1.86
State Revenues (Bill $)	-0.08	-0.11	-0.13	-0.18	-0.20	-0.22	-0.25
Business Services ($2.428 billion)							
Employment (Thous)	4.78	-6.73	-15.44	-23.51	-24.66	-24.53	-23.43
GSP (Bill Fixed 92$)	0.23	-0.26	-0.67	-1.14	-1.28	-1.35	-1.46
Real Disp Pers Inc (Bill Fixed 92$)	-0.48	-0.73	-0.96	-1.32	-1.51	-1.61	-1.76
State Revenues (Bill $)	-0.06	-0.10	-0.14	-0.19	-0.21	-0.22	-0.23
Financial Services ($3.344 billion)							
Employment (Thous)	-17.49	-25.94	-31.64	-37.47	-39.23	-39.23	-37.89
GSP (Bill Fixed 92$)	-0.64	-1.11	-1.48	-1.97	-2.22	-2.36	-2.55
Real Disp Pers Inc (Bill Fixed 92$)	-1.55	-1.84	-2.09	-2.53	-2.81	-2.98	-3.23
State Revenues (Bill $)	-0.24	-0.28	-0.32	-0.37	-0.40	-0.41	-0.42
Professional Services ($2.128 billion)							
Employment (Thous)	6.13	-3.28	-10.10	-17.65	-20.01	-20.68	-20.97
GSP (Bill Fixed 92$)	0.25	-0.18	-0.53	-0.96	-1.13	-1.21	-1.34
Real Disp Pers Inc (Bill Fixed 92$)	-0.43	-0.65	-0.85	-1.18	-1.39	-1.52	-1.72
State Revenues (Bill $)	-0.06	-0.09	-0.12	-0.17	-0.19	-0.20	-0.22
Media Services ($0.701 billion)							
Employment (Thous)	0.62	-9.06	-15.92	-24.14	-27.16	-27.90	-28.00
GSP (Bill Fixed 92$)	0.01	-0.46	-0.83	-1.34	-1.58	-1.70	-1.88
Real Disp Pers Inc (Bill Fixed 92$)	-0.80	-1.04	-1.25	-1.64	-1.91	-2.07	-2.32
State Revenues (Bill $)	-0.02	-0.06	-0.09	-0.14	-0.16	-0.17	-0.18
Entertain.& Sports Services ($0.258 billion)							
Employment (Thous)	8.20	0.71	-5.05	-11.93	-14.74	-15.90	-16.80
GSP (Bill Fixed 92$)	0.10	-0.23	-0.49	-0.88	-1.14	-1.33	-1.67
Real Disp Pers Inc (Bill Fixed 92$)	-0.33	-0.48	-0.61	-0.87	-1.06	-1.19	-1.38
State Revenues (Bill $)	-0.04	-0.07	-0.09	-0.13	-0.15	-0.16	-0.18
Construction Services ($1.280 billion)							
Employment (Thous)	-11.80	-18.94	-23.45	-28.88	-30.59	-29.72	-24.65
GSP (Bill Fixed 92$)	-1.99	-2.38	-2.64	-3.05	-3.33	-3.50	-3.70
Real Disp Pers Inc (Bill Fixed 92$)	-1.21	-1.47	-1.69	-2.16	-2.48	-2.64	-2.73
State Revenues (Bill $)	-0.24	-0.28	-0.30	-0.36	-0.39	-0.40	-0.38
Institutional Services ($0.420 billion)							
Employment (Thous)	-13.41	-21.15	-27.17	-35.79	-40.19	-42.14	-43.57
GSP (Bill Fixed 92$)	-0.08	-0.58	-0.93	-1.41	-1.64	-1.79	-2.07
Real Disp Pers Inc (Bill Fixed 92$)	-1.31	-1.54	-1.76	-2.24	-2.62	-2.88	-3.31
State Revenues (Bill $)	-0.20	-0.23	-0.26	-0.33	-0.37	-0.40	-0.44
Transportation Services ($0.661 billion)							
Employment (Thous)	-5.35	-15.61	-22.80	-30.12	-31.57	-31.13	-29.56
GSP (Bill Fixed 92$)	0.12	-0.32	-0.62	-1.01	-1.16	-1.25	-1.39
Real Disp Pers Inc (Bill Fixed 92$)	-1.01	-1.29	-1.53	-1.92	-2.14	-2.25	-2.40
State Revenues (Bill $)	-0.16	-0.22	-0.26	-0.31	-0.33	-0.33	-0.32
Healthcare Services ($1.791 billion)							
Employment (Thous)	-5.09	-11.19	-16.51	-25.42	-31.04	-34.56	-39.42
GSP (Bill Fixed 92$)	-0.48	-0.76	-0.99	-1.39	-1.69	-1.91	-2.31
Real Disp Pers Inc (Bill Fixed 92$)	-1.11	-1.32	-1.52	-2.00	-2.39	-2.71	-3.33
State Revenues (Bill $)	-0.15	-0.18	-0.21	-0.28	-0.33	-0.36	-0.43

Note: State Revenue impact does not include dollars from new tax.
Source: Florida TaxWatch, March 2003.

Economic Impact of Selected Tax Changes

Annual Impact on Jobs, Gross State Product, Income and State Revenues

	2003	2005	2007	2012	2017	2022	2032
0.5% Corporate Income Tax Increase ($115 million)							
Employment (Thous)	0.11	-1.01	-1.76	-2.50	-2.66	-2.62	-2.44
GSP (Bill Fixed 92$)	0.01	-0.05	-0.09	-0.14	-0.16	-0.17	-0.18
Real Disp Pers Inc (Bill Fixed 92$)	-0.08	-0.10	-0.12	-0.16	-0.18	-0.19	-0.21
State Revenues (Bill $)	-0.01	-0.02	-0.02	-0.02	-0.03	-0.03	-0.03
1.0% Corporate Income Tax Increase ($230 million)							
Employment (Thous)	0.12	-2.14	-3.65	-5.14	-5.46	-5.39	-5.01
GSP (Bill Fixed 92$)	0.01	-0.10	-0.19	-0.29	-0.33	-0.35	-0.38
Real Disp Pers Inc (Bill Fixed 92$)	-0.16	-0.21	-0.26	-0.33	-0.37	-0.40	-0.42
State Revenues (Bill $)	-0.02	-0.03	-0.04	-0.05	-0.05	-0.06	-0.06
CIT on Sub S Corps and Partnerships $230 million)							
Employment (Thous)	-0.17	-1.91	-3.17	-4.56	-4.98	-5.04	-4.91
GSP (Bill Fixed 92$)	0.01	-0.08	-0.15	-0.24	-0.28	-0.30	-0.32
Real Disp Pers Inc (Bill Fixed 92$)	-0.18	-0.23	-0.27	-0.34	-0.38	-0.41	-0.44
State Revenues (Bill $)	0.00	-0.01	-0.04	-0.08	-0.09	-0.09	-0.10
1% Sales Tax Rate Increase ($2,781 million)							
Employment (Thous)	31.05	19.11	9.25	-3.40	-8.42	-9.89	-9.85
GSP (Bill Fixed 92$)	1.31	0.82	0.36	-0.29	-0.56	-0.67	-0.78
Real Disp Pers Inc (Bill Fixed 92$)	-0.98	-1.21	-1.44	-1.84	-2.10	-2.23	-2.32
State Revenues (Bill $)	-0.01	-0.04	-0.08	-0.14	-0.18	-0.19	-0.19
Sales Tax Exemption for Selected Business Inputs ($245.8)							
Employment (Thous)	-5.33	-1.84	0.12	1.55	1.42	1.04	0.35
GSP (Bill Fixed 92$)	-0.22	-0.07	0.03	0.13	0.15	0.15	0.15
Real Disp Pers Inc (Bill Fixed 92$)	-0.11	-0.06	-0.03	0.01	0.01	0.01	-0.01
State Revenues (Bill $)	-0.02	-0.01	0.00	0.01	0.01	0.01	0.00

Annual Impact Per $1 Billion of New Taxes

	2003	2005	2007	2012	2017	2022	2032
0.5% Corporate Income Tax Increase ($115 million)							
Employment (Thous)	0.99	-8.77	-15.30	-21.76	-23.11	-22.82	-21.22
GSP (Bill Fixed 92$)	0.05	-0.42	-0.79	-1.24	-1.41	-1.50	-1.60
Real Disp Pers Inc (Bill Fixed 92$)	-0.66	-0.89	-1.09	-1.41	-1.59	-1.69	-1.81
State Revenues (Bill $)	-0.09	-0.13	-0.16	-0.21	-0.23	-0.23	-0.24
1.0% Corporate Income Tax Increase ($230 million)							
Employment (Thous)	0.54	-9.29	-15.87	-22.33	-23.72	-23.42	-21.78
GSP (Bill Fixed 92$)	0.03	-0.44	-0.81	-1.26	-1.45	-1.53	-1.64
Real Disp Pers Inc (Bill Fixed 92$)	-0.68	-0.91	-1.11	-1.44	-1.62	-1.72	-1.84
State Revenues (Bill $)	-0.10	-0.14	-0.17	-0.21	-0.23	-0.24	-0.24
CIT on Sub S Corps and Partnerships $230 million)							
Employment (Thous)	-0.74	-8.29	-13.78	-19.83	-21.64	-21.89	-21.33
GSP (Bill Fixed 92$)	0.03	-0.34	-0.64	-1.03	-1.20	-1.29	-1.41
Real Disp Pers Inc (Bill Fixed 92$)	-0.78	-0.98	-1.16	-1.46	-1.65	-1.76	-1.92
State Revenues (Bill $)	0.00	-0.04	-0.16	-0.35	-0.38	-0.39	-0.42
1% Sales Tax Rate Increase ($2,781 million)							
Employment (Thous)	11.17	6.87	3.33	-1.22	-3.03	-3.56	-3.54
GSP (Bill Fixed 92$)	0.47	0.29	0.13	-0.10	-0.20	-0.24	-0.28
Real Disp Pers Inc (Bill Fixed 92$)	-0.35	-0.44	-0.52	-0.66	-0.76	-0.80	-0.83
State Revenues (Bill $)	0.00	-0.02	-0.03	-0.05	-0.06	-0.07	-0.07
Sales Tax Exemption for Selected Business Inputs ($245.8)							
Employment (Thous)	-21.69	-7.47	0.51	6.31	5.78	4.22	1.44
GSP (Bill Fixed 92$)	-0.90	-0.27	0.14	0.55	0.61	0.61	0.60
Real Disp Pers Inc (Bill Fixed 92$)	-0.46	-0.25	-0.12	0.02	0.05	0.03	-0.06
State Revenues (Bill $)	-0.08	-0.03	0.00	0.03	0.03	0.02	0.01

Note: State Revenue impact does not include dollars from new tax. Source: Florida TaxWatch, March 2003.