
Florida TaxWatch

1998 Annual Report

About Florida TaxWatch

Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (purchased by *Governing* magazine) in 1989 published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff or distinguished Board of Trustees.

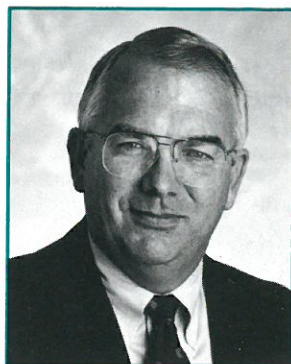
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Letter from the Chairman and President

Dear Fellow Taxpayers:

TaxWatch's notable stream of accomplishments last year provide a good precedent for the prospect of future successes. They presage a well-founded optimism regarding our ability to respond to the demands of the new millennium. Initiatives for next year's research agenda signal a strong demand for TaxWatch's efforts to improve the lives and livelihoods of Floridians.



Joseph P. Lacher
Chairman

In addition to registering a banner year of accomplishments through our regular research agenda, TaxWatch, in cooperation with Florida State University, successfully completed an ambitious fiscal and management review of Hillsborough County government. News of the estimated \$35 million of potential annual savings to Hillsborough County taxpayers has spread. Already TaxWatch has been approached to conduct similar cost-saving projects on behalf of other local jurisdictions around the State.

At the request of the legislative leadership, a TaxWatch task force examined the effect of Florida's intangibles tax on economic development and the competitive position of our State. Legislation resulting from its recommendations currently exempts one-third of accounts receivable from the intangibles tax with expressed legislative intent to eliminate the remaining two-thirds over the next two years. The 1998 law also exempts banks and insurance companies from paying the tax; reduces excessive penalties for late payment, omissions or under-reporting; and increases minimum payment of the tax from \$5 to \$60. This Florida TaxWatch initiative led to one of the largest, if not the largest, net tax reduction in Florida's history with \$120 million in tax reductions in this year alone. This year TaxWatch will launch Intangibles Tax Task Force II to explore further reductions and possibly eliminate the tax altogether. Still other TaxWatch task forces such as Taxpayer Bill of Rights, career service and public employee retirement options are being formed in 1998.

TaxWatch will enhance its ability to attract the best minds and talents in the State through an expanded Senior Research Fellows Program. The funding and marketing of our research capabilities will be leveraged by the launching of several research centers jointly sponsored with Florida's public and private universities: Centers for (1) a Competitive Florida; (2) Revenue Forecasting, Economic Development and Data Analysis; (3) Education, Public Health and Elderly Affairs; and (4) Survey Research and the Public Interest.

This year's 10th Annual Davis Productivity Awards attained a new zenith of participation with the attendance of some 2,000 people at our Tallahassee ceremony and 30% more nominations. TaxWatch plans to extend the impact of the Davis Awards (\$2.7 billion savings to taxpayers since 1989) by instituting an Innovation Transfer Program requested by Governor-Elect Jeb Bush whereby promising Davis Award innovations will be identified and perpetuated throughout State government. TaxWatch also plans to establish an awards program similar to the Davis Awards on behalf of the Community College System (CCS).

Building on TaxWatch's unwavering commitment to "customer orientation," we are expanding our ability to communicate with current and prospective members using our newly upgraded Internet web site and expanded e-mail capabilities. Clearly, none of Florida TaxWatch's past or future accomplishments would be possible without the wise counsel and dedicated support of our members. So, whether you prefer to communicate by conventional or unconventional means, please keep providing us with your many thoughtful insights as we work together toward building a better future for Florida and all of its citizens.

Respectfully,

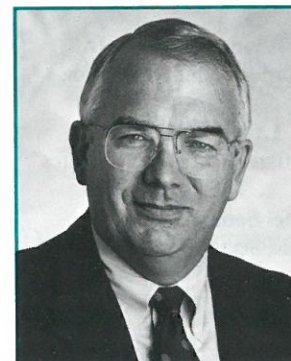
Joseph P. Lacher
Chairman

Dominic M. Calabro
President and Chief Executive Officer



Dominic M. Calabro
President and
Chief Executive Officer

Executive Committee



Chairman
Joseph P. Lacher
President, Florida Region, BellSouth



Chairman-Elect
T. O'Neal Douglas
Chairman and CEO
American Heritage Life Insurance Company



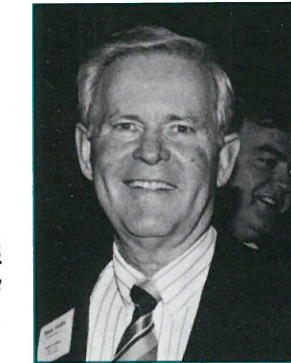
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Dominic M. Calabro
Florida TaxWatch



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The Graham Companies

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SunTrust Banks of Florida, Inc.

Charles Hood
Georgia Pacific Corp.

Robert M. Rhodes
St. Joe Corporation

Michael Zagorac, Jr.
Hill and Knowlton, Inc.

Treasurer's Report

Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 1998. This widening support demonstrates the recognized quality and enhanced public value of the Institute's mission and research program accomplishments. During this fiscal year, Florida TaxWatch continued to adhere to the sound fiscal standards required of such a respected research institute. According to the Financial Statements and Independent Auditor's Report, total expenses of \$1,302,372 were kept below total revenue of \$1,312,408. The practice of keeping expenses below revenue has continued in each of the Institute's 19 years of operation.

The Treasurer's Report for FY 1998 demonstrates the sound management practices and proper financial controls applied by the Institute which ensure effective and productive operations with direct accountability.

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

Respectfully,

William A. O'Toole

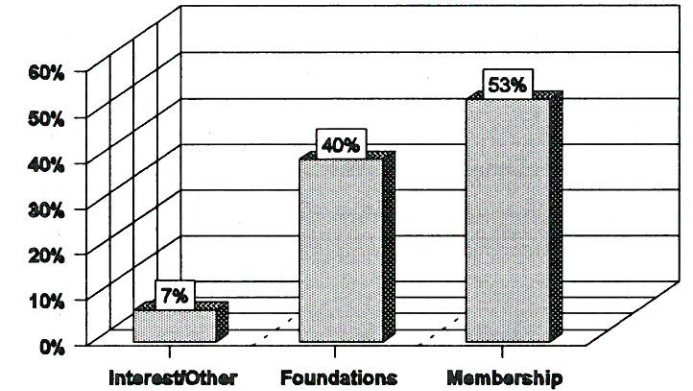
William A. O'Toole
Treasurer and Chairman of the Audit Committee

Five Year Financial History

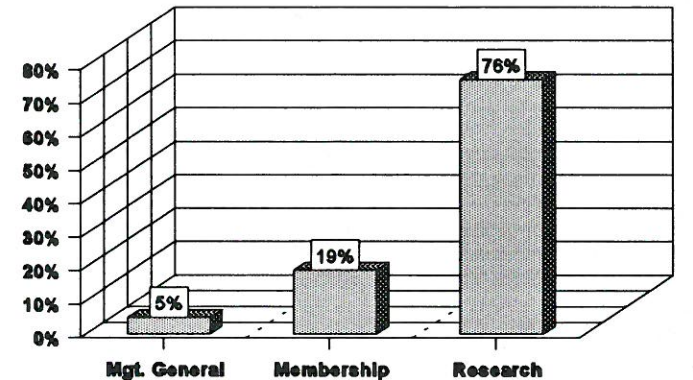
Cash Receipts and Expenses (audited results)

Fiscal Year	Expenses	Revenue
FY 1994	\$1,153,703	\$1,173,068
FY 1995	\$1,114,055	\$1,131,714
FY 1996	\$1,212,966	\$1,214,112
FY 1997	\$1,223,875	\$1,224,975
FY 1998	\$1,302,372	\$1,312,408


FY 1998 Income




FY 1998 Expenses



Letters of Support



STATE OF FLORIDA
Office of the Governor
THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001



November 16, 1998


Greetings:

Thank you for another year of excellent service to all Floridians. Your relentless efforts have helped bridge the gap between state government and the people it serves.

Florida TaxWatch is a highly respected organization that facilitates good government, offers timely advice, and presents insightful research that gets results. It has improved government accountability while discouraging government waste and inefficiency. TaxWatch is an organization well-prepared to help our state prosper as it enters the next millennium.

Thank you for your commitment to a better Florida. Best wishes for many more years of distinguished service.


With kind regards, I am

Sincerely,

LAWTON CHILES

LC/hss

CONNIE MACK
FLORIDA

United States Senate
WASHINGTON, DC 20510-0904



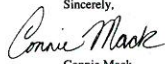
November 3, 1998

Mr. Dominic M. Calabro
President and Chief Executive Officer
Florida Tax Watch
P.O. Box 10209
Tallahassee, Florida 32302

Dear Mr. Calabro:

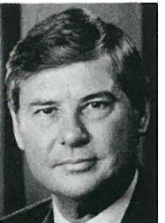
It is again my pleasure to commend Florida TaxWatch for another year of outstanding service as a government watchdog on taxing and spending issues. Your careful research and timely analysis have been beneficial in helping lawmakers improve the quality of government, and your independent assessments have proven crucial in finding solutions to many of our state's toughest problems.

Congratulations on your move to the historic St. James C.M.E. Church. I am sure this new location will provide inspiration in your continuing goal to protect and promote economic and political freedoms for all Floridians.

Sincerely,

Connie Mack
United States Senator

BOB GRAHAM
FLORIDA

United States Senate
WASHINGTON, DC 20510-0903



November 18, 1998

Mr. Dominic M. Calabro
President and Chief Executive Officer
Florida Taxwatch
Post Office Box 10209
Tallahassee, Florida 32302


Dear Dominic:

It is a pleasure to extend congratulations on your 19th successful year as the watchdog of Florida government.

During the past 19 years, Florida citizens have had the benefit of your scrutiny of state tax and spending policies. You are to be commended for your dedication to making state government more efficient, effective, responsive and accountable.

It has been a privilege to be the recipient of Florida TaxWatch's advice and guidance. Best wishes for continued excellence and success in protecting our taxpayers' wallets and quality of life.

With kind regards,

Sincerely,

United States Senator

BG/slm

News of Note



"Your work has increased the potential for prosperity and economic growth for both the state and its citizens."

*- Governor
Lawton Chiles*

"TaxWatch is a bipartisan group that understands government can do some things well, when shown the way. Moreover, the group has not become a political vehicle for any individual or group of politicians."

- Leesburg Daily Commercial

"Heed TaxWatch"

- Miami Herald

"Florida TaxWatch's constructive leadership and sound public initiative were the genesis for our positive legislative action (on the 1998 Intangibles Tax Legislation)."

*- Senate President
Toni Jennings*

"TaxWatch's publications are refreshingly pragmatic in their approach to halting waste in government. That's a welcome departure from ideological broadsides issued by some of the other self-appointed guardians of the public treasury."

- Miami Herald

"Florida TaxWatch has done a credible job of airing some of the serious issues that led to questions about the efficient management of the Everglades Construction Project."

*- Agriculture Commissioner
Bob Crawford*

"A budget process that loses its integrity and becomes a vehicle for pet projects of the temporarily powerful does not serve the state well. TaxWatch does all Floridians a service by guarding the coop and suggesting the gobblers find another way home."

*- Tallahassee
Democrat*

"TaxWatch Has Made Its Mark"

- Winter Haven News Chief

"TaxWatch is widely regarded as one of the most influential watchdog groups in the country"

- Charlotte Sun Herald

"Florida TaxWatch's reports don't carp the way some anti tax zealots do. TaxWatch thus comes across not as a group that's trying to destroy the government but rather as one that's trying to make it work better."

- Miami Herald

Florida TaxWatch Research



Throughout the past year, particularly during the 1998 Legislative Session, Florida TaxWatch's research activities brought attention to issues that affect Florida's taxpayers and businesses. In many cases, it was Florida TaxWatch's timely, accurate research that enlightened the public and properly educated decision makers, helping them to make more informed choices on behalf of Florida taxpayers. Some of these hard-won victories were the culmination of a process that began the previous year, finally coming to fruition in late 1997 or mid-1998. Others are examples of TaxWatch's effective work on more recent issues that caused concern for all Floridians.

Eight prominent statewide scholars and professionals currently serve as Florida TaxWatch Senior Research Fellows. Each was chosen for his public policy analysis and evaluation expertise in order to help facilitate the expansion of Florida TaxWatch's role in analyzing and evaluating issues of state and local government accountability and taxation in Florida. Senior Fellows participate in Florida TaxWatch's activities through the development and/or conduct of research studies relevant to state and local government services, regulation, and taxation.

- ◆ Dr. John Lombardi, Chair
President, University of Florida
- ◆ Dr. Roger Kaufman, Vice Chair
Director, Center for Needs Assessment and Planning, Florida State University; Research Professor, New Jersey Institute of Technology/Newark College of Engineering
- ◆ Dr. Lance deHaven-Smith, Director, Askew School of Public Administration and Policy, Florida State University; Associate Director, Florida Institute of Government, Tallahassee
- ◆ Mr. Arnold Greenfield, Attorney; former Director of the Florida Division of Bond Finance; lecturer at the Askew Center For Public Administration and Policy, Florida State University
- ◆ Dr. Arnold A. Heggstad, Associate Vice President, Research & Technology, University of Florida
- ◆ Dr. Craig E. Reese, Professor of Accounting and Taxation, St. Thomas University
- ◆ Dr. Bernard Sliger, Director, Gus A. Stavros Center, Florida State University; Past President, Florida State University
- ◆ Dr. Henry Thomas, Chairman, Political Science Department, University of North Florida

Senior Research Fellows

Briefings

These condensed reports cover a variety of issues which concern Floridians. Here are some examples of the issues examined in these informative publications:

◆ *Reducing Funding and Restricting Options for Lottery Advertising May be Penny-Wise and Pound-Foolish*
Florida TaxWatch recommended that the Florida Legislature should not reduce or restrict the Lottery's advertising budget based on anything other than market forces. The few million dollars saved in the 1999 Budget may cost several times that amount in education funding that serves Florida's taxpayers and 2.2 million school children. In addition, this *Briefing* recommended that absent any data that supports changes, the Legislature should allow advertising professionals in the Department and its contracted advertising agency to choose the proper mix of advertising media -- then hold them accountable for results. The market -- not politics -- should decide how advertising dollars are best spent.

◆ *Proposed Change in Battery Tax Law is Proper*

This *Briefing* was an update of a report previously released during the 1996 Legislative Session. Legislation that the 1996 report examined did not pass and was being reconsidered by the 1998 Legislature. This *Briefing* stated that there appeared to be no legitimate justification for levying a battery fee more than once on the same battery, and it found that the Revenue Impact Conference estimate was overstated. TaxWatch's research determined that this was an issue of taxpayer fairness. Both the battery tax rate and the base have increased since 1989, but the problem the tax was established to address (water contamination from batteries) has decreased. The proposed legislation was intended to help avoid unjustified multiple taxation and reduce businesses' administrative costs without adversely affecting Florida's vital water quality. In short, this *Briefing* demonstrated that the battery tax law proposal was both fiscally and environmentally sound.

◆ *Sales Tax Exemptions for Steam and Pollution Control Devices Will Help Continue the Legislature's Efforts to Increase the Competitiveness of Florida's Manufacturers*

Florida TaxWatch reviewed legislation being considered by the 1998 Legislature to improve on a 1996 law change. Two bills would have added charges for steam used in manufacturing to the electricity exemption. This change would treat companies that use different energy sources to power their manufacturing processes equitably. It would also remove a barrier that has been identified as one factor that hurts Florida's competitive position in attracting business to the state.

◆ *Including Phosphate in the New and Expanding Business Incentive is Fair and Economically Sound*

This *Briefing* reviewed legislation enacted two decades ago to promote job creation in Florida by exempting new and expanding businesses from the sales tax on purchases of machinery and equipment, but did not include phosphate mining. Legislation was being considered by the 1998 Legislature to include the phosphate industry in this economic development effort. TaxWatch's analysis showed that including phosphate was the right move and a sound tax incentive.

◆ *Florida Businesses Promote Self-Sufficiency Through Gainful Employment*

As a follow-up to a 1997 Florida TaxWatch report, this *Briefing* highlighted the efforts of five Florida companies that have made outstanding efforts to employ Floridians with disabilities and young people who have been in the juvenile justice system. Being employed is a first step in enabling these Floridians to realize self-sufficiency and good citizenship.

BudgetWatch

This annual series focuses on state budget issues and appropriations.

☛ *Governor's 1998-99 Budget Recommendations Total \$45.2 Billion - Up \$2.8 Billion*

This *BudgetWatch* reviewed the Governor's proposed 1998-99 budget and showed there was a 6.6% overall increase versus 1997-98 spending, with General Revenue up 5.7%. While no tax increases were recommended, post-secondary tuition and fees were recommended to increase \$58.5 million.

☛ *Legislative Outlook 1998-99: Forecasting The Unforecastable*

This *BudgetWatch* previewed the Legislature's budget activities including General Revenue funding, double counting and available revenue, and consensus workload projections. Other funding issues included the Federal Children's Health Insurance Program and the Tobacco Settlement, K-12 and higher education, and the work of the Florida Intangibles Tax Task Force which is summarized below.

FOCUS Newsletter

Florida TaxWatch's monthly newsletter keeps readers apprised on current issues in Florida as well as news around the nation. Member news and upcoming TaxWatch events also are highlighted on a regular basis.

Articles in the 1997-98 newsletter included:

- ☛ From High School to College
- ☛ Florida TaxWatch, Florida Council of 100 Kick Off 1997 Davis Productivity Awards
- ☛ Florida Intangibles Tax Task Force Readyng Its Recommendations
- ☛ Budget for Colleges Expands Six Percent: Largest Increase in Eight Years
- ☛ Florida TaxWatch Dedicates New Location; 150 Year Old Landmark in Florida's Capital City
- ☛ Taxpayer Independence Day Earliest in Six Years
- ☛ Battles Continue Over Term Limits
- ☛ Help on the Way for Year 2000 Computer Problem!
- ☛ Cities and the Vision Thing

Ideas in Action

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

- ★ *Florida's Education Financing Problems; A Constitutional Solution* by Arnold Greenfield
- ★ *Drive Safe..., Drive Free* by Representative Bob Starks
- ★ *Counting Results* by Virginia Wetherell
- ★ *Principal Leadership in Education* by Dr. Elaine Sullivan
- ★ *High Speed Rail: Two Opinions* by David Gedney and Dr. Stanley Marshall
- ★ *The Private Sector Can Offer Remedial Options to Community Colleges* by Robert Hackworth
- ★ *Constitutional Revision 10 - Providing Opportunities for Equal Tax Treatment Among Taxpayers and Providing Citizen Access to Local Elected Officials* by Bonnie Basham

Research Reports

Research reports are the core work products of Florida Watch staff on tax and spend issues, government accountability and other issues of interest and concern to Floridians.

☛ *Incentives are Essential to PB²'s Continued Success in Florida Government*

Florida TaxWatch recommended that the Legislature authorize and fund the Department of Law Enforcement (FDLE) to pilot test its Sustained High Performance Salary Model in Fiscal Year 1998-99. Depending on documented success, the model could then be utilized for other state agencies which have progressed to the level where provision of incentives is viable. FDLE's track record attests to its suitability as a pilot agency for an incentive model. TaxWatch continues to independently monitor FDLE and work with any agency which proactively seeks to make implementation of Performance-based Budgeting a success.

☛ *Profile of the Florida Government Workforce*

This *research report* on state employment was the first in a series of Florida TaxWatch reports assessing the structure and functions of state government. The report found that as of December 31, 1996, Florida had 122 full time state employees per 10,000 population versus a national average of 150 employees. Compensation for career service employees averaged \$24,922 (salary) plus \$13,230 in benefits. Senior management employees averaged \$78,981 in salaries and \$44,330 in benefits, ranking Florida second among 30 states surveyed by the Central and Southeastern Joint Salary Conference. Employee turnover (separations from state government excluding movement within or between agencies) in classes with 50 or more employees averaged 11.9% in 1996 versus a seven year average of 13.2%.

☛ *Retirement Provision for Elected Officials Should be Modified*

Florida TaxWatch recommended revising state law to eliminate unintended windfalls to former legislators and others. Under this revision, elected officials who initially earn Elected State and County Officers' Class (ESCOC) service on or after July 1, 1998, when such service is followed by other creditable service, would be subject to dual calculation of retirement benefits. The portion of their retirement benefit represented by ESCOC service earned on or after July 1, 1998 would be calculated using the service and average final compensation attributable to that service. Benefit amounts from these separate calculations would be added together and paid as one benefit. If there were less than five years of service for either portion of the benefit, the average final compensation for that portion of the benefit would be the average of the total years of compensation for that service. In addition to promoting equity, this recommendation would provide considerable cost savings to state taxpayers.

☛ *Florida's Investment in High Technology Can Produce Significant Benefits*

This *research report* pointed out that government can do nothing more important for its citizens than provide the opportunity to be self-sufficient and gainfully employed in a productive, growing economy. A high-skill, high-wage job produces both economic and social benefits to the individual worker, the local community, the state and the nation. The report noted, however, that in 1996 Florida ranked only sixth in employment among the top 10 "high tech" states, and seventh in the number of new high tech jobs created. The report then showed that a \$1 billion silicon chip manufacturing plant locating to Florida would produce nearly 3,000 new jobs with earnings of \$250 million, and 10-year sales tax revenues of nearly \$200 million. The report also noted that through the efforts of Enterprise Florida, selected industry sectors such as silicon technology have been targeted for attraction to this state.



U.S. Congressman John Kasich, TaxWatch Chairman Joe Lacher, Past Chairman David McIntosh, TaxWatch President Dominic Calabro, Speaker of the House Dan Webster and TaxWatch Board Member Darrell Kelley look on as Senate President Toni Jennings addresses the 1997 TaxWatch Annual Meeting.

● *University Tuition: Striking the Right Balance Between Excellence and Access*

In this *research report*, Florida TaxWatch found that a policy of indexing tuition to 25 percent of the prior year's cost and restricting increases to ten percent annually is both arbitrary and obstructive. Tuition levels should be replaced with a goal that is reflective of the value received by students. TaxWatch also found that the Bright Futures Scholarship Program, as it is currently designed, will continue to attract meritorious students while creating resistance to increasing tuition rates. Additional local fees should be examined in light of transferring some, if not all, of the activities, service and athletic fees to matriculation/tuition accounts. This would provide additional instructional funds without an increase in fees to students and their parents. Finally, the report stated that since the major objection to higher tuition is the issue of a student's financial ability to pay, avenues of student support -- other than financial assistance and scholarships -- should be explored.

● *Child Support Enforcement: Direct the Work To Those Who Provide The Greatest Return*

This *research report* reviewed policies and actions of the Department of Revenue and the 1998 Legislature regarding privatization of child support collections. It showed that the Department of Revenue's rationale for eliminating privatization of location and collection efforts because of a growing backlog of child support enforcement cases appeared questionable in light of private collection results. The action appeared even more unsound in the face of direct orders from the Legislature to increase privatization. Without the support of private contractors, it is anticipated that the backlog will grow even more and that children and families who need the funds will go lacking.

● *Legislative Report Card: Florida Taxpayer Accomplishments During the 1998 Legislative Session*

This *research report* reviewed 1998 legislative action on issues examined by Florida TaxWatch, including changes to the Intangibles Tax law; privatization of child support enforcement; investment in high technology; sales tax exemption for steam used in manufacturing; sales tax exemption for pollution control and abatement equipment; and lottery advertising. The report summarized taxpayer and fiscal issues that passed and failed to pass, and it listed issues in need of review in future legislative deliberation.

● *Transportation District Equity: An Analysis of Federal and State Allocations*

This *research report* examined how Florida fares in relation to other states when federal transportation funding is doled out; the impact of a new federal transportation act; Florida's system for allocating transportation funding and the impact it has on the dollars each district has received and is expected to receive during the next five years; and how changes made by the Florida Legislature and the Department of Transportation have affected district equity. The report noted, for example, that Florida has been a donor state (receiving less in transportation aid than it pays in federal gas taxes) ever since the Federal Highway Trust Fund was created in 1956. As recently as 1992-96, Florida had a return of 79 cents per dollar -- sixth lowest among the 50 states. On a more positive note, a Transportation Equity Act for the 21st Century enacted by Congress in May 1998 gets Florida taxpayers a better return on their federal transportation investments. However, it also sets aside \$9 billion for 1,850 "special projects" known in Washington as "demonstration projects" and in Florida as "turkeys". These projects will take money away from donor states and make achieving equity more difficult.

● *Federal Grants Still Shortchanging Florida*

In a follow-up to a 1996 report, Florida TaxWatch reviewed the federal grants system and grants to the State of Florida. It found that in FY 1997, Florida ranked 49th in per capita federal aid and federal tax burden. If our state had received a share of all federal grants equal to its share of all federal taxes, it would have garnered \$3.9 billion more than it did. While not every state should expect a one-to-one return from federal grant programs, there is no denying that Florida is not treated equitably. The report noted that many federal programs use decennial census information in their funding formulas which hurt growth states like Florida. "Hold harmless" provisions which ensure that a state's amount of funding does not decrease make it extremely difficult for states like Florida to catch up. And political barriers by "winner states" make it difficult to bring about change. The report noted that federal grant programs may not be compatible with the growing government trend of devolution of responsibilities from the federal government to state and local governments.

● *Employment Training: The Critical Need*

This *research report* pointed out that job training is a significant part of postsecondary education. Few individuals attend postsecondary classes who do not seek a career/job utilizing training received from a two or four year college or vocational training institution. To rationally address postsecondary education and training needs in Florida in the coming decade, issues such as population growth, employment projections, and costs and benefits must be examined.

The report found that Florida should increase its utilization of private postsecondary colleges and private training institutions to help meet the projected need for student access to academic degree programs and certificate based training in order to address state employment needs. It also called for creation of a comprehensive statewide data system to include private college and job training institutions so that data comparisons are consistent in the examination of postsecondary education needs. This data system should provide the same types of follow-up and outcome data that are in the Florida Education and Training Placement Information Program data system maintained by the Department of Education.

● *Florida Taxpayers Independence Day*

For the second year in a row, Florida Taxpayers Independence Day (Wednesday, April 29, 1998), came earlier than the year before. On that day, Floridians could take satisfaction in knowing they finally earned money for themselves - not the tax collector. Although the deadline for paying taxes to the IRS was April 15, the typical Floridian did not earn enough to pay his or her total tax bill for 1998 until two weeks after that. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations. Although the amount of Floridians' earnings eaten up by taxes

is still significant, taxpayers can take heart that -- for the second year in a row -- the tax bite got smaller. For the average Florida household, paying taxes in 1998 took 118 of 365 days, or just less than one-third of the year. This is two days less than 1997 and four days less than in 1996.



Senator Bill Bankhead discusses the Legislative workload at the 1998 Spring Board Meeting.

● *1998 Turkey Watch Report*

In a state budget which included \$45.3 billion in appropriations, Florida TaxWatch's annual review found 463 appropriations for member and special projects that likely were added to the budget without sufficient review, debate or accountability. These items totaled \$348.3 million. Of this amount, \$266.4 million (380 items) likely were turkeys. Due to time constraints and a profusion of member issues, in-depth examination of individual budget turkeys was not feasible. Nonetheless, Florida TaxWatch was confident that the group of appropriations included in this report are likely Budget Turkeys and should be vetoed by the Governor. TaxWatch further recommended that the Legislature be called back into Special Session to reappropriate the funds in a more deliberate, equitable and non-parochial manner with a focus on statewide needs.

● *How Does Florida Compare?*

Florida TaxWatch's annual report on how Florida's state and local taxes compare with those of the other 49 states shows that, while Florida has had no major tax increases, its per capita state tax collection ranking has risen one spot in each of the last two years (1996 and 1997). State government in Florida and many other states have largely avoided significant tax increases in the past few years. However, the economy has performed well enough to provide significant growth in tax collections. Florida's state tax ranking stood at 39th in 1997, up two spots from 1995 but down three from 1994.

Relative to other states, Florida's state and local tax burden is lower than average. As cities and counties pick up more responsibility for providing services, Florida's tax burden is shifting from state to local governments. Local taxes now account for 42% of total state and local taxes in Florida. Floridians' state tax rankings remain relatively low, but local -- and combined state and local -- rankings are moving closer to the national average. Florida's combined state and local tax ranking is 30th. The \$2,252 in Florida's per capita collections is 93% of the national average, the largest percentage ever.

Special Projects

◆ Final Report of the Intangibles Tax Task Force ◆

The Florida Intangibles Tax Task Force was created by Florida TaxWatch, at the request of the legislative leadership, to examine the impact Florida's Intangible Personal Property Tax has on the economic development and competitive position of this state. It examined how the tax affects capital formation and job growth in order to suggest changes to help remove any impediment to economic development the tax might create.

The Task Force was Chaired by David McIntosh, immediate past Chairman of Florida TaxWatch. In addition to Senator Bill Bankhead, Representative Bob Starks and the Governor's Office, the Task Force was comprised of representatives from Florida TaxWatch, Associated Industries of Florida, the Florida Chamber of Commerce, the Florida Institute of Certified Public Accountants, the Tax Section of the Florida Bar, the Florida Retail Federation, the National Federation of Independent Businesses - Florida, the Florida United Business Association, the Florida Association of Counties and representatives from the utility, banking, securities and retail industries.

Summary of Task Force Recommendations

1. Exempt accounts receivable from the intangibles tax. This could be done with a three year phase-in to minimize the first year fiscal impact. One-third of accounts receivable would be exempt the first year, two-thirds the next year and all accounts receivable would be exempt in the third year and thereafter.
2. Exempt banks and insurance companies from the intangibles tax. The credit provided to these industries against the franchise (corporate income) tax and the insurance premium tax, respectively, makes the net revenue impact of this proposal minimal. In order to not reduce the revenue going to local governments, the statutory percentage of the intangibles tax provided to locals would have to be changed from 33.5% to 35.7%.
3. Increase the minimum payment from the current \$5 to \$60. If a taxpayer owes less than \$60, that taxpayer does not have to pay the tax or file a return. Corporations with a less than a \$60 liability would not have to pay but would still have to file a return.
4. Exempt any trust administered by a Florida commercial fiduciary, including bank trust departments and independent trust companies. Florida domiciled beneficiaries holding a taxable interest in the trust would still be required to return and pay the intangibles tax on their portion of the trust. No tax would be imposed on those trusts in which no Florida beneficiary has a taxable interest.
5. To promote investment advisement and similar businesses in Florida, the exercise of discretion over intangible assets owned by an unrelated non-resident of Florida should not subject those assets to the tax.
6. Provide a statutory definition to reinforce a currently proposed Department of Revenue rule that processing of intangible property -- such as a credit card servicing company -- does not constitute management or control of that property and is, therefore, not taxable.
7. Reduce the excessive penalties on late intangibles tax payments to conform them with the penalties for corporate income taxes. This would limit the combination of late payment and late return penalties to 10% of the tax due per month up to a maximum of 50%. The penalty for omitting or undervaluing assets would be reduced from 30% to 10%.



Representative John Thrasher makes his point at the 1998 Spring Board Meeting.

8. Reduce the statute of limitation period applicable in a self-disclosure of tax liability to five years, as proposed by the Department of Revenue. Currently, a taxpayer could be required to pay tax and interest for whatever time the taxpayer was subject to the tax. This should improve voluntary compliance.

◆ Contracting for Services: Competition Options Available to Florida's Public Schools for Non-Instructional Services ◆

This report by Florida TaxWatch and the Florida School Boards Association addressed contracting for non-instructional services by Florida's school districts. The report provided an overview of different strategies for delivering governmental services by the private sector; discussed national trends in educational services contracting; presented the results of interviews with school district officials and private providers of custodial, student transportation and food services; and examined the critical issue of full-cost accounting of programs and services.

The report found that only a small number of school districts contract major services; that for many districts the reason to seek a private provider was not exclusively cost related but rather was related to the low level of service in the district-provided program; and that in districts where cost was a major concern, cost/benefit comparisons of private provider costs to district costs generally focused on direct costs rather than total cost (including overhead).

In Phase II of the study, Florida TaxWatch and the Florida School Boards Association proposed to develop a full-cost of service procedure for use by school districts; work with the Department of Education to enhance the awareness of available contracted services and providers; develop a model Request-for-Proposals for food services, student transportation and custodial and maintenance services; and develop pilot projects in selected school districts to implement contracted services.

◆ Hillsborough County Project ◆

In August 1997, the Hillsborough County Commission voted to contract with Florida TaxWatch to review fiscal and programmatic issues and recommend ways to enhance the performance of County government. Working in cooperation with a 15-member Blue Ribbon Committee appointed by the Commission and County Administrator, TaxWatch produced six Deliverables which included:

- A 20-point improvement plan for the coming decade;
- Over 70 cost saving and management improvement recommendations worth \$35 million the first year and \$28 million annually thereafter, plus tools such as target budgeting, service level analysis and others to redirect an additional \$45 million annually to higher priority services;
- Criteria to evaluate the County's 300 plus external and internal services -- particularly to encourage competition;
- Performance measures tied to the budget process to give the BOCC a decision making tool;
- Assessment of the County's five year old performance auditing program, focusing on recommendations that have not yet been implemented; and
- A data-based comparison of Hillsborough with other counties in Florida and other states.

Florida TaxWatch collaborated on this project with Dr. Lance deHaven-Smith, Director of the Askew School of Public Administration and Policy at Florida State University, Associate Director of the Florida Institute of Government in Tallahassee, and TaxWatch Senior Research Fellow. Other TaxWatch Senior Research Fellows participating in the project were Dr. Keith Baker, Dr. Arnold Heggstad, Dr. Roger Kaufman, Dr. Craig Reese and Dr. Henry Thomas.

Florida TaxWatch is now discussing a follow-up initiative with business and community leaders in the Tampa Bay area to help ensure successful implementation of its recommendations and those of the Blue Ribbon Committee on County Finances over the next 12 to 24 months. Additionally, the knowledge and experience gained in this project can be used in future projects with Florida counties and cities.

◆ *Partners in Productivity Makes The \$3 Billion Difference* ◆

Partners in Productivity (PIP), sponsored by The Florida Council of 100, Florida TaxWatch and the State of Florida, achieved impressive results over the past decade by helping to add more than \$3 billion worth of value to the delivery of state services.

Established in 1987, PIP combined the resources of two prestigious non-partisan organizations with proven track records in the area of government improvement. Numerous Florida Council of 100 and Florida TaxWatch members served on two PIP task forces and as judges for the annual Davis Productivity Awards competition. This public/private partnership was initiated and operated under a Governor's Executive Order, a Cabinet Resolution and continuing support of the legislative leadership, which have helped assure the ongoing commitment and cooperation of our government leaders and state agencies through both Republican and Democrat administrations.

PIP was more than the usual, short-lived advisory program. Putting a new twist on a long tradition of government productivity efforts in Florida and other states, this initiative combined TaxWatch's statewide government watchdog expertise with the state's most influential group of business executives -- The Florida Council of 100 -- to promote lasting, noticeable improvements in the ongoing enhancement of government productivity. A key goal of PIP has been to help institutionalize productivity enhancement as an ongoing top priority in state government by turning the thinking and consequences of government management upside down to reduce bureaucratic disincentives and help managers better motivate and reward employees. PIP was unique in several ways:

◆ The major impetus for performance and productivity improvement initially came from outside the governmental system;

◆ Foundation grants (principally from the John D. and Catherine T. MacArthur Foundation), contributions from the private sector and the support of The Florida Council of 100 and Florida TaxWatch funded this program -- no government funds were appropriated;

◆ PIP combined identification of major cost savings and management improvements; measurement and public

reporting of results; and tangible rewards for unsung heroes of state government whose innovation and smart work add value in the delivery of services to our citizens; and

◆ PIP's sponsors, The Florida Council of 100 and Florida TaxWatch, continue to play an active role to assure that today's government improvement efforts get results tomorrow. The ongoing presence of Partners In Productivity assures opinion makers and citizens that improving government productivity is a high priority in Florida.

A November 1997 report by Florida State University's Office of Needs Assessment and Planning independently verified savings achieved by Partners in Productivity. FSU's estimate of \$1.55 billion from implementation of all PIP recommendations is consistent with a 1995 PIP report documenting a previous five-year savings of \$715 million (1990 - 94). Added to more than \$2.3 billion worth of cost savings, cost avoidances and increased revenue produced by winners of Davis Productivity Awards since 1989, the ten-year value of this initiative exceeds \$3 billion.

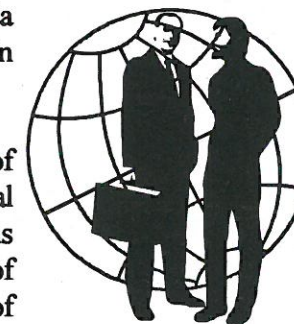
New Opportunities

Florida TaxWatch is prepared to serve Florida into the 21st Century. It is developing an action plan for the next twenty years to provide quality leadership, a no-nonsense economic approach and equitable strategies to promote Florida and make it a more competitive state for businesses and citizens alike. Through high quality research and practical recommendations, Florida TaxWatch will continue to be a leader in the state. Florida TaxWatch will also look at new opportunities for leadership and service in the next century. They include:

◆ Increased involvement of the TaxWatch Senior Fellows so as to enhance their evaluation and contribution to varied research projects envisioned as part of the center and institute systems that are being viewed as part of Florida TaxWatch's future.

◆ In the coming decade, The Florida Council of 100 and Florida TaxWatch can and should continue to contribute to Florida government's productivity and accountability efforts by: monitoring and evaluating implementation of the 1994 Government Performance and Accountability Act -- particularly regarding the quality of outcome performance measures, their use in justifying annual appropriations and incentives/sanctions for positive results or a lack thereof; and examining/overseeing the state's Revenue Estimating Consensus process -- particularly as it relates to the 1994 constitutional revenue limitation and the fiscal impact of proposed tax law changes.

◆ The following elements and activities are the basis for collaboration between Florida TaxWatch and The Institute of Government and other higher educational resources in Florida:



✓ Initiate a Joint Center for a Competitive Florida to study (1) the appropriateness of Florida's tax structure to changing conditions and requirements of interstate and global competition; (2) the implementation of governmentally funded projects and programs to assist and assess local governments' operations and options in the provision of services and the discharge of responsibilities to the public; and (3) the impact of emergent technologies and regulatory policies in the 21st Century.

✓ Develop a jointly-staffed Center for Survey Research and the Public Interest to assess citizen concerns and identify opportunities to improve public services and cut government costs.

✓ Put into operation a jointly-staffed Center for Revenue Forecasting, Socio-Economic Development and Data Analysis to analyze trends and develop simulations of the impact of public finance, tax and budgetary policies on the Florida economy. The Joint Center would utilize the REMI Economic-Demographic Forecasting and Simulation Model and other tools of statistical analysis to study the economic impacts of policy interventions.

✓ Provide instructional and consultative resources to local governmental agencies, community colleges, school districts and private and not-for-profit providers of contracted public services.

✓ Institute an Innovation Transfer Program based on the input of the Davis Awards (DPA) and comparable innovation recognition programs as reviewed by Florida TaxWatch, DPA agency coordinators, the Institute of Government and other SUS personnel designated by the Chancellor. This program would be chaired by the Chancellor and administered by Florida TaxWatch executive officer or Senior Research Fellow.

✓ Establish an awards program for the Community College System to acknowledge the executive leadership of the college boards and their administrations, and to bring attention and recognition to the good practices, innovations and the overall efficiency and effectiveness of the faculties and staff of the respective colleges.

Davis Productivity Awards Celebrates 10th Year

In a time when taxpayers' most frequent criticism is government's wasteful, excessive spending, any talk of the dollars government has saved or spent more wisely often draws a cynical response. But Florida government employees can and do save taxpayer dollars -- especially if they are working within the framework of a well-structured, smart program. The Davis Productivity Awards program annually recognizes and rewards state government employees and work units whose efforts measurably improve productivity and add taxpayer value.

The program is named after the late J.E. Davis and his brother, the late A.D. Davis, both co-founders of Winn-Dixie Stores, Inc. and founding members of Florida TaxWatch. It is administered by Florida TaxWatch in partnership with The Florida Council of 100 and the State of Florida.

Taxpayer benefits come through savings accrued from innovations, streamlined procedures and plain hard work of enterprising state workers. Davis Productivity Award winners added \$473 million in value in 1996-97 alone, which when added to the previous eight years totals \$2.3 billion in cost savings, cost avoidances and increased revenue. That's nearly two and a half billion dollars that can be put to good use for taxpayers.

Employees can receive a total of \$80,000 per year in cash awards, commemorative plaques and certificates of commendation. The program also provides a forum in

which they receive well deserved public recognition. Since the program's 1989 inception, more than 2,500 state employees have benefitted from more than \$600,000 worth of rewards for making state government run more efficiently and effectively.

A resolution commending the Davis Productivity Awards and naming mid-September 1997 "Official Davis Productivity Awards Month" was adopted by Florida's Governor and Cabinet. The Cabinet resolution includes positive statements in two key areas:

- ◆ It encouraged each state agency to provide appropriate in-kind services and support for the program, including payment of registration fees for winners and other selected state employees to attend awards presentations in Tallahassee and around the state; and
- ◆ Winning a Davis Productivity Award will be considered an important achievement by supervisors when they prepare employees' evaluations to determine potential raises, bonuses and promotions.

Just like in the private sector, government's contributions that improve taxpayers' health and well-being will continue only if they are recognized and publicly rewarded. That's why this year's theme: "Rewarding the Spirit of Excellence," makes good sense.

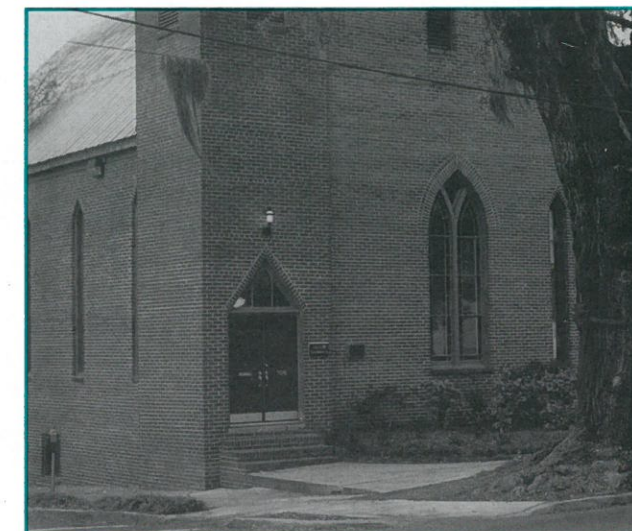
News of Note for the Davis Productivity Awards

Francis G. "Frank" Boyle, a 1997 Davis Productivity award winner, died in August 1998. Mr. Boyle, 56, was a Certified Public Purchasing Officer. He held several positions in state government including purchasing specialist with the Department of Management Services, purchasing director of the Department of Labor and Employment Security and Senior Systems Analyst with the Department of Agriculture and Consumer Services. The Davis Productivity Award program sincerely recognizes and salutes Mr. Boyle's achievements and his life.

In an editorial endorsement of Comptroller Bob Milligan for re-election as State Comptroller, the Fort Lauderdale *Sun Sentinel* stated: "In 1997, the Comptroller's Office won a coveted Davis Productivity Award from Florida TaxWatch as the exemplary state agency of the year." This award was for innovations since 1995 such as a statewide purchasing card for purchases of less than \$1,000 and the nation's first totally electronic purchasing system from point of sale through charge approval and payment to banks -- thereby eliminating unnecessary requisitions, purchase orders and excessive manual reviews and approvals.

Open House and Dedication

On March 18, 1998, Florida TaxWatch hosted an Open House and Dedication of its newly purchased Building at 106 North Bronough Street in downtown Tallahassee. A standing room only crowd stopped by to attend the dedication of the new headquarters of Florida TaxWatch in the renovated St. James CME church. Established in 1822, St. James CME is considered one of the oldest established churches in Tallahassee. The original church building was constructed in 1845.



TaxWatch Chairman-elect T. O'Neal Douglas, Florida Comptroller Bob Milligan and Tallahassee Mayor Scott Maddox help TaxWatch President Dominic Calabro dedicate the new TaxWatch offices.



The Ribbon Cutting for the new building was attended by members of the Tallahassee Chamber of Commerce, TaxWatch Senior Fellow Dr. Roger Kaufman, TaxWatch Chairman-elect T. O'Neal Douglas, Florida Comptroller Bob Milligan, TaxWatch Founding Member Dick Hunt, TaxWatch President Dominic Calabro, Tallahassee Mayor Scott Maddox and TaxWatch Senior Fellow Dr. Bernie Sliger.



Florida TaxWatch Staff



Front row, left to right: Geraldo Flowers, Research Associate; Mike Walsh, Senior Research Analyst; Mary Ruth Russell, Assistant Research Analyst; Dr. Keith G. Baker, Senior Vice President and Chief Operating Officer; Myrtle Bailey, Research Analyst; Dominic M. Calabro, President and Chief Executive Officer; Barbara "Babs" Taff, Vice President, Membership; Deborrah Heerema, Administrative Assistant; Changsoo Park, Research Associate.

Middle row, left to right: Dan Sprague, Research Analyst; Dr. Neil S. Crispo, Vice President of Research Development; Dave Davis, Senior Research Analyst.

Top row, left to right: Kurt Wenner, Senior Research Analyst; Matt Grosso, Research Analyst; Tony Louvaris, Marketing Development Director.

Help Shape Florida's Future . . . Join Florida TaxWatch Today!

As a member of Florida TaxWatch, you will receive a variety of benefits for your voluntary, tax deductible contribution. In addition to the knowledge that you are a part of an organization which is pursuing prudent, responsible government management and spending policies, you will regularly receive timely, enlightening material to help you make informed decisions as you conduct business for your firm or your family.

Look at the many benefits which a Florida TaxWatch membership brings you:

- ✓ A vigilant organization which can and does affect change which you and your fellow citizens want and need.
- ✓ Empirically sound, concise research reports resulting from our ongoing monitoring of public tax and spend policies and practices.
- ✓ Florida TaxWatch *Focus*, our informative monthly newsletter containing fiscal facts and figures that keep you apprised of Florida TaxWatch accomplishments as well as facts and features of interest concerning Florida government and the officials who manage it.
- ✓ Resource materials prepared at your request for you own presentations and events.

Don't let others decide how your tax dollars are spent. You have a right to take part in our state's future. You can plan an active role in deciding how our citizens' tax dollars are invested. So get involved! It's your state -- and your Florida TaxWatch membership can make a difference!

**That's Why a Florida TaxWatch
Membership Makes Good Sense!**

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

~ Abraham Lincoln



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