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# Florida Tax Watch

*2000 Annual Report*

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# 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 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 Chairman and President

Dear Fellow Taxpayers:

During our 21<sup>st</sup> year of service, Florida TaxWatch paid high dividends for taxpayers through research that helped improve their lives and livelihoods. We hope you will take a moment to review some of these accomplishments and those we plan to make in the years to come.

■ **Tax Phase-outs** include the Intangibles Property Tax and the Alcoholic Beverage Surcharge Tax—a reduction of the former from 2 mills to 1 mill with the expectation of total repeal of both taxes in the next year or two. **Tax Exemptions** include accounts receivable, trusts and assets managed by financial advisers being exempted from the Intangibles tax; extending the “new and expanding business” sales tax exemption to phosphate companies; and creating a sales tax exemption for steam used in manufacturing, pollution control and abatement equipment and repair of equipment. **Communications Tax Simplification** results from a “unified” communications tax replacing a complex jumble of multiple taxes, rates, jurisdictions, tax bases and exemptions. **Taxpayer Fairness** issues include reducing the statute of limitations on audits from five to three years, requiring that interest be paid to taxpayers on late refunds, tying interest on delinquent taxes to the prime rate, and eliminating the multiple taxation of batteries. A Property Taxpayers Bill of Rights also was enacted.

■ **Research Centers.** The Center for a Competitive Florida focuses on the ability of Florida’s tax structure to meet the changing conditions of economic competition, emergent technologies and government regulatory policies. The Center for Local Government Improvement and Accountability provides strategic support to Florida’s local governments on a variety of tax, spending and accountability issues.

■ **Davis Productivity Awards.** A special thanks goes to Lt. Governor Frank Brogan for chairing this year’s program. We are excited about several new program components: promoting award-winning achievements that can be implemented by others in state government to save another \$250 million; spotlighting achievements that support the six priorities of the Bush/Brogan administration; and recognizing previous award recipients for winning multiple awards over the past 12 years.

■ **Modernizing Government.** Florida TaxWatch provided research for a Florida Council of 100 Task Force report entitled *Modernizing Florida’s Civil Service System*. This report to the Governor and Legislature reviews the human resources management system and proposes to modernize state government employment practices and improve performance. Florida TaxWatch will work to ensure that the report’s recommendations lead to improved performance and accountability throughout state government.

■ **Educational Achievement and Accountability.** This year Florida TaxWatch began a controlled, comparative evaluation of Project Child, an innovative, computer-integrated instructional program. We also examined how cost reductions in non-instructional services can result in increased classroom dollars; identified the costs and potential benefits of Florida’s Online High School; and evaluated a principal training program designed to increase student achievement.

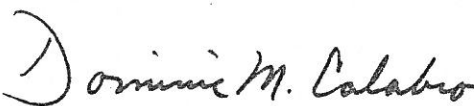
■ **Budget Cuts.** Florida TaxWatch’s long-standing tradition of identifying ineffective, inefficient and inappropriate government spending continued this year with the identification of 281 budget turkeys worth in excess of \$222 million. Governor Jeb Bush vetoed 73% of the items included in the TaxWatch report. To enhance our efforts for next year, Florida TaxWatch is working with the legislative leadership in both houses and the Executive Branch to ensure that budget reductions are sound, constructive and derive long-term taxpayer value.

■ **Constitutional Improvements.** Florida TaxWatch will resume the push next year to raise the bar for changing the Florida Constitution. Over the past thirty years, our Constitution has added 87 amendments out of 118. In 1994, Florida TaxWatch recommended raising the standard for approval of constitutional amendments from a simple majority to a supermajority of three-fifths of those voting on each proposed constitutional amendment. We strongly recommend that one of the first resolutions to be considered by the 2001 General Session of the Florida Legislature be that a supermajority vote of the electors be required to amend Florida’s Constitution. Also, Florida TaxWatch resumes its recommendation for the Legislature to require 3/5ths of the taxing authority of state and local governments to raise taxes.

Clearly, none of Florida TaxWatch’s past nor its future accomplishments would be possible without the unflinching support of our members. With your continued participation, we will build the better Florida that you and your fellow taxpaying citizens deserve.

Respectfully,

  
T. O'Neal Douglas  
Chairman

  
Dominic M. Calabro  
President and Chief Executive Officer



T. O'Neal Douglas  
Chairman



Dominic M. Calabro  
President and Chief  
Executive Officer

## Executive Committee



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Relations

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Hill and Knowlton, Inc.



# Letters of Support

  
**JEB BUSH**  
GOVERNOR OF THE STATE OF FLORIDA




November 7, 2000

Dear Friends:

It is a pleasure to congratulate Florida TaxWatch for more than two decades of outstanding service to the citizens of our state.

Florida TaxWatch is a testament to democracy in action. You bring a value-added difference to the lives, health, and prosperity of all Floridians because of your constructive ideas and vision. Thank you for your unrelenting efforts to safeguard the long and short-term interests of the citizens of Florida. TaxWatch is a catalyst for the significant and much needed tax reductions Florida's families, seniors, and businesses will enjoy for years to come.

I look forward to a strong and prosperous partnership between my administration and Florida TaxWatch. I appreciate your commitment and invaluable guidance. Best wishes for continued success.


Sincerely,  
  
Jeb Bush

JB/hss

BOS GRAHAM  
FLORIDA

**United States Senate**  
WASHINGTON, DC 20540-0903

November 2, 2000




Dear Friends:

It is a special privilege to commend Florida Tax Watch for your success and growth over the past two decades. Your organization has become a respected partner of Florida state government.

Throughout your years of service to the taxpaying citizens of Florida, I have witnessed the specific and instructive ways you have helped to guide our state government. Your common sense approach to tax policy and cost-saving ideas have brought a notable and valuable difference to the livelihood and health of our economy and our state's citizens.

Best wishes to Florida Tax Watch for continuing excellence and success in protecting taxpayers' wallets and checkbooks. Thank you for your impressive history of encouraging government productivity and efficiency.

With kind regards,


Sincerely,  
  
United States Senator

BG/mkc

CONNIE MACK  
FLORIDA

**United States Senate**  
WASHINGTON, DC 20510-0904

November 14, 2000

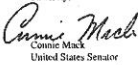


Dear Friends:

It is my pleasure to commend Florida TaxWatch for another year of exceptional service. As a government watchdog on taxing and spending issues, you continue to do an outstanding job in providing sound advice, constructive research and guiding principles to Florida state government.

For more than two decades, Florida TaxWatch has effectively helped to steer our government toward sound fiscal policies, productively and efficiently. Whether it is through issuing recommendations to our Florida Legislature, such as the unprecedented elimination of the Florida Intangible Tax, or encouraging excellence by awarding the best and brightest in state government through its Davis Productivity Awards, Florida TaxWatch remains a strong and effective presence in our state.

Thank you for allowing me to represent you in Washington. As I prepare to enter private life, I look forward to following the efforts of Florida Tax Watch as it continues to fight for less taxes, less spending, less government and more freedom in our state's capital.

Sincerely,  
  
United States Senator

# Florida TaxWatch Research

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*Throughout the past year, particularly during the 2000 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 in previous years while others reflect more recent initiatives.*

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## Senior Research Fellows

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The Senior Research Fellows assist and advise Florida TaxWatch with its research agenda and evaluation of Davis Productivity Awards nominations. Each Fellow is a prominent scholar or professional of national repute, chosen for his public policy analysis and evaluation expertise in the areas of state and local government accountability, finance and taxation. This year, three new Fellows were appointed:

- ◆ Dr. William Earle Klay, Professor and Director, Askew School of Public Administration and Policy, Florida State University
- ◆ Dr. Jerry Kolo, Professor, Department of Urban and Regional Planning, College of Architecture, Urban and Public Affairs, Florida Atlantic University; and
- ◆ Dr. Harold Peckron, Visiting Professor, Barry University of Orlando, School of Law

### *Continuing Fellows include:*

- ◆ Dr. John Lombardi, Fellows Chair and Director, Center for Studies in the Humanities & Social Sciences, University of Florida and Past President, University of Florida
- ◆ Dr. Roger Kaufman, Fellows Vice Chair and Director, Office of Needs Assessment and Planning, Florida State University; associated with the faculty in Industrial Engineering, University of Central Florida; and Research Professor, New Jersey Institute of Technology/Newark College of Engineering
- ◆ Dr. Lance deHaven-Smith, Professor, Askew School of Public Administration and Policy and Associate Director, Florida Institute of Government, Florida State University
- ◆ Mr. Arnold Greenfield, Attorney; former Director of the Florida Division of Bond Finance; Lecturer, Askew School of Public Administration and Policy, Florida State University
- ◆ Dr. Arnold A. Heggstad, Holloway Professor of Finance and Entrepreneurship, Warrington College of Business Administration, University of Florida
- ◆ Dr. Craig E. Reese, Professor of Accounting/Taxation, Department of Business Administration, St. Thomas University
- ◆ Dr. Bernard Slinger, Director, Gus A. Stavros Center, Florida State University; Past President, Florida State University
- ◆ Dr. Henry Thomas, Chairman, Department of Political Science & Public Administration, University of North Florida

# *2000 Research Summary*

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## **Budget Watch and Briefings**

*These condensed reports cover a variety of fiscal and programmatic issues of concern to Floridians.*

### **☞ Governor's 2000-2001 Budget Recommendations Total \$49.8 Billion - Up \$1.1 Billion (2.3% increase over 1999-2000 spending)**

This *Budget Watch* reviewed Governor Jeb Bush's 2000-01 budget recommendations released on January 19, 2000. Totalling \$49.8 billion, the recommendations were an increase of \$1.1 billion (2.3%) over 1999-2000 estimated expenditures for state operations. The Governor's recommendations included a \$587 million tax reduction and no new or increased taxes, but did include a 6.5% tuition increase for students in the State University System. A vast majority of the Governor's proposed tax reduction package came from the Florida TaxWatch Intangibles Tax Task Force recommendation to roll back the tax rate then annually reduce the tax until it is eliminated.

### **☞ State Budget Will Reach the \$50 Billion Mark; House and Senate Have Some Major Differences to Resolve Before Final Budget is Passed**

This Budget Watch reported that Florida's new state budget would hit the \$50 billion mark as both the House and Senate had passed spending plans topping that amount. As the Legislature began its budget conference process, Florida TaxWatch examined significant differences between the two spending plans and offered comparisons of the approaches to spending on education and transportation, as well as the two chambers' plans for tax cuts and the employee pension fund surplus.

### **☞ Numerous Tax Changes Among Issues Still To Be Decided By Legislators**

As the 2000 Florida Legislature headed into the final week of session, this Budget Watch highlighted differences on a number of issues that the two chambers were attempting to iron out, including the state budget and various tax cuts. It reviewed many of the issues in which Florida TaxWatch had been involved, and reported on where they were in the legislative process.

### **☞ Problems Facing Florida's Workers' Compensation Program**

Florida workers injured on-the-job receive assistance to pay for medical costs and benefits to aid in their re-employment through Workers' Compensation. Workers' Compensation is a partnership between employers, insurance carriers and the state's Division of Workers' Compensation. The Division's mission is "to ensure prompt, accurate benefit payments and appropriate and timely services to injured workers to facilitate their gainful re-employment at a reasonable cost to employers."

At the request of the legislative leadership, Florida TaxWatch reviewed the Division's goals and funding sources, and analyzed two specific issues that affected those sources, possibly hindering the attainment of the Division's mission and goals.

This Briefing showed that large deductible premium policies and ceded premiums contributed to a decline in assessment revenues that fund the Special Disability Trust Fund and the Workers' Compensation Administrative Trust Fund. It also noted that the Division of Workers' Compensation should first look internally for cost savings to cover any shortfall in operating revenue before increasing employer and insurer assessments.

# 2000 Research Summary

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## FOCUS Newsletter

*Florida TaxWatch's monthly newsletter informs readers of current issues in Florida and around the nation. Member news and upcoming TaxWatch events also are highlighted on a regular basis. Articles in the 1999-2000 newsletter included:*

- ◆ Summary of Tax Legislation Supported by Florida TaxWatch Passed During the 2000 Florida Legislative Session
- ◆ TaxWatch Identifies 281 Budget Turkeys Worth \$222 Million: Governor Vetoes 73% of TaxWatch Turkeys
- ◆ Engaging Citizens for Government Results
- ◆ Davis Productivity Awards to Celebrate 12 Years of Rewarding Innovation in Florida Government
- ◆ Symposium Highlights Adaptable Davis Awards
- ◆ Florida TaxWatch 20<sup>th</sup> Annual Meeting November 30, 1999 in Tallahassee
- ◆ Florida TaxWatch Educates Argentinian Leaders
- ◆ Florida TaxWatch Signs Memorandum of Agreement With Argentina
- ◆ Florida TaxWatch's Building a Historic Tallahassee Monument
- ◆ Florida TaxWatch Takes its Statewide Expertise to the Local Level
- ◆ Congratulations to Dominic M. Calabro on his 20<sup>th</sup> Anniversary with Florida TaxWatch

## Research Reports

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

### 2000 Turkey Watch

This year, Florida TaxWatch identified 281 turkeys placed in the budget by the 2000 Legislature. These turkeys were valued at \$222 million out of a total budget of \$50.9 billion for 2000-2001 (0.4% of the total budget). Of the total appropriated for budget turkeys, 160 turkeys worth \$99 million were found in General Revenue and 121 turkeys worth \$123 million were in trust funds. These budget turkeys would cost \$36 for each Florida family, and cost every man, woman and child in Florida \$14.

This year's turkeys totaled almost as much as last year's record setting crop of \$234.7 million, although in number, this year's 281 were far fewer than last year's 526. Nonetheless, it confirmed that turkeys were back in full force after a few years of relatively small turkey numbers in the early 1990s.

On May 30th, Governor Bush delivered his veto message on the 2000 - 2001 Budget. On the Governor's list were 206 items (73% of the total items) identified by Florida TaxWatch for a total of \$159 million (72% of the total amount).

### 2000 Florida Taxpayer Independence Day

Florida Taxpayer Independence Day (May 9, 2000) fell two days earlier than in 1999. Although the deadline for paying your taxes to the IRS was April 17, the average Floridian did not earn enough to pay his or her total bill for 2000 until three weeks later. On May 9, Floridians could take satisfaction in knowing they were finally earning money for themselves rather than for the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations.

## 2000 Research Summary

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Paying federal taxes alone takes up 2 hours and 1 minute of the eight-hour workday. Add to this state and local tax obligations, and the average Floridian works 2 hours and 50 minutes daily just to pay the tax man. The good news is that in 2000, for the first time in recent years, Floridians' personal income grew faster than the taxes they pay. The result is, in 2000 it will take a little less time to earn enough to pay your taxes than it did in 1999.

### **How Florida Compares**

Florida TaxWatch's annual report on how our state and local taxes compare with those of the other 49 states found that the State of Florida has continued to avoid significant tax increases while a strong economy has provided for increasing revenue. Most states have also been holding the line on taxes, so Floridians' state tax burden relative to that of the rest of the nation has not changed much. However, 1998 was the first year since 1995 that Florida's state tax collections grew slower than the national average, resulting in our per capita state tax burden ranking falling two spots to 41st, back to where it was in 1995.

Florida's combined state and local tax ranking is 27th, up three spots from the previous year. The \$2,328 in Florida's per capita collections is 90% of the national average.

### **The Florida Retirement System Should Offer Employees and Taxpayers Alike a Meaningful and Affordable Optional Retirement Plan—Not Add Long-term Liabilities to Taxpayers**

This Research Report was a follow-up to a 1999 Florida TaxWatch report requested by Senate President Toni Jennings, entitled "*Florida's Public Employees' Pension Alternatives*" which discussed the importance of offering a Defined Contribution Retirement Plan option to public employees. No action was taken by the 1999 Legislature to allow employees the option of choosing what type of retirement plan best suits their personal circumstance. However, the issue was again considered by the 2000 Legislature and, with the continuing research efforts of Florida TaxWatch, an Optional Defined Contribution Retirement Plan for members of the Florida Retirement System was enacted.

### **Interim Report - Florida TaxWatch's Comparative Evaluation of Project Child**

Academic achievement in schools is currently one of Florida's most important social and policy issues. Education is seen as the most important factor in enabling Floridians to thrive in an information age and is considered vital for the economic and democratic future of our state and nation. However, parents, community leaders and policymakers remain concerned that many of Florida's children are not receiving the type of classroom instruction that will enable them to compete in today's society. To get to the bottom of the issue, Florida TaxWatch has undertaken a controlled, comparative evaluation of Project CHILD, an innovative computer-integrated instructional program.

The TaxWatch evaluation is using both expert opinion and statistical analysis to evaluate the efficiency and effectiveness of the Project CHILD program. The study is designed to determine the effects of class size on academic achievement in reading, writing and mathematics. The evaluation will be applied to at least four diverse and geographically dispersed elementary schools throughout the state. Results of the first-phase of the evaluation were submitted in October 2000.

## 2000 Research Summary

### The Benefits and Costs of Tourism to Florida

Florida TaxWatch undertook a study on behalf of *Visit Florida* to analyze the costs and benefits associated with tourism and the quality of life in Florida. A concerted effort was made to obtain data to conduct a bono fide cost-benefit analysis of tourism. Although current data suitable for cost-benefit analysis purposes for measuring/juxtaposing tourism-related costs with benefits and, in turn, for developing cost-benefit ratio(s), were not available, the study was able, through economic impact analysis, to identify significant benefits to Florida's economy that result directly and indirectly from the tourism industry.

In view of the dearth of tourism cost-related data suitable for cost-benefit analysis, TaxWatch employed sophisticated forecasting and simulation models to capture, in time and longitudinally, the multiplier effects of tourism benefits. The models varied in direct and indirect benefits resulting from tourism. This can be attributed to several factors, including the number of tourists visiting Florida by ground and air transportation, annual spending by tourists generally and tourism-explicit spending on entertainment, shopping, lodging, food and transportation.

The forecasting models also show that significant state tax revenues are generated from travel and tourism activities in Florida as a function of direct and indirect earnings. Projections show too that there will be substantial annual employment in tourist-related jobs between the years 2001 and 2010. These jobs will be very important to the ongoing viability of Florida's economy and to the prosperity and quality of life of Florida residents.

#### *Key Findings of the Tourism Study*

1. Direct travel employment related to tourism totaled 818,700 jobs or 12.3% of the state's total non-agricultural employment in 1998.
2. Total state employment, including indirect jobs created by the multiplier effect, exceeded 1,398,000 or 20.9% of non-agricultural employment in 1999.
3. The average wage for all tourism-related jobs (direct and indirect) in 1999 was \$42,866, significantly above the state average for all non-agricultural jobs of \$32,035.
4. Total wages for all tourism-related jobs in 1999 exceeded \$59.9 billion out of total personal income of \$218.8 billion.
5. Gross State Product (output) resulting from tourism-related activities exceeded \$102.3 billion in 1999.
6. Tourism/recreational taxable sales in 1998 exceeded \$43.1 billion.
7. State tax revenues resulting from tourism activities exceeded \$6.9 billion out of a total of \$21.9 billion in state tax revenue in 1999.

## 2000 Research Summary

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### **☛ A Unified Communications Tax Should Increase Taxpayer Fairness and Understanding, Reduce Compliance Costs and Remove Anti-Competitive Barriers**

Taxation of communications in Florida, particularly telecommunications, was a complex jumble of multiple taxes, multiple rates, multiple jurisdictions, multiple tax bases and multiple exemptions. The result was taxpayer confusion, administrative nightmares and a climate that creates competitive imbalances, stifles developing technology and discourages economic development.

Florida TaxWatch released a report supporting the implementation of a simplified or “unified” communications tax. The 2000 Legislature passed a bill that rolls current taxes on communications – the state sales and use tax, the gross receipts tax, the local option sales surtax, the local public service tax, local franchise fees, and the 911 service fee – into one tax with state and local components. The varying taxation of different types of communication services will be largely unified, and providers will have one point of contact instead of having to deal with multiple jurisdictions.

### **☛ The Intangibles Taxation of Trust Operations and Out-of-State Assets Managed by Florida Investment Advisors is Penny Wise - Pound Foolish**

This research report sought to address two barriers to economic development and fair taxation identified by the first Florida TaxWatch’s Intangibles Tax Task Force in 1998. The report recommended exempting Florida trustees and financial advisors from paying the intangibles tax on assets they manage that are owned by out-of-state residents. This would help ease the anti-competitive nature of current law by putting these Florida financial industries on equal footing with out-of-state companies and eliminate the management of other people’s money as a basis for imposing the intangibles tax. The 2000 Legislature adopted this recommendation, so no longer will intangible assets have a taxable situs in this state solely by virtue of their management or control by a person who is not the owner of the assets.

### **☛ Hosing the Taxpayers of Florida: The Truth About Florida's Gas Taxes**

Taxation of motor fuels in Florida is a complex system. This report shed light on some of the little known features of our state’s motor fuel taxes and dispelled some myths concerning them. Floridians are subject to an automatic, annual increase in motor fuel taxes that occurs without even legislative consideration and debate. Depending on the county where you live, state and local motor fuel taxes can be as high as 30.1 cents per gallon (the statewide average is over 26 cents). Adequate funding of Florida’s transportation system – for both expansion and upkeep – are of utmost importance to the health and welfare of our state. Florida has some significant transportation challenges and Florida TaxWatch has supported increased revenue for transportation. However, an automatic, unaccountable motor fuel tax increase is not in the best interest of taxpayer fairness and understanding.

# 2000 Research Summary

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## Task Forces/Committees

### ☛ **The Florida Intangibles Tax Task Force**

Although our Intangibles Tax Task Force finished its work in 1999 with the release of its second report, Florida TaxWatch continued to work in 2000 to see that the Task Force's recommendations were carried out. The overdue demise of the intangibles tax will continue. In 2000, the Legislature again, for the third straight year, passed legislation to implement the recommendations of the Task Force. The last two sessions saw reductions in the tax including a rate reduction and initial phase-in of an exemption for accounts receivable. This year, the tax rate was reduced from 1.5 to 1.0 mills and the phase-in of an exemption for accounts receivable was completed.

### ☛ **The Ad Valorem Tax Task Force**

Florida TaxWatch created the Ad Valorem Tax Task Force to examine the myriad laws and regulations governing property taxation in Florida to determine if taxpayer rights and responsibilities are adequate, reasonable and sufficiently explained. The major recommendation of the Task Force, contained in *The Final Report of the Florida TaxWatch Ad Valorem Tax Task Force* (April 2000) was creation of a Bill of Rights to codify the rights available to taxpayers in one statutory location and in plain, understandable language. Although there were some areas that could have been improved, the proposed bill of rights made no substantive changes to current law, avoiding potential political opposition and fiscal impacts that would have made passage more difficult. The 2000 Legislature enacted the Ad Valorem Taxpayers Bill of Rights.

### ☛ **Communications Tax Advisory Committee**

Florida TaxWatch was appointed to an advisory committee looking for smooth implementation of the Communication Tax Simplification Act. As discussed above, the 2000 Legislature passed a law, supported by Florida TaxWatch, to simplify the maddening system of communications taxation in Florida. Now comes perhaps an even tougher chore – implementation of this new taxing system. The advisory committee will make recommendations to the executive director of the Department of Revenue on transition strategy, development of necessary business processes, rule adoption and identification of issues for further legislative consideration.

The committee is made up of representatives of state and local government, the communications industry and consumers. Florida TaxWatch was appointed to the advisory committee to protect the interests of consumers.

If done properly, this complex law will ultimately benefit government, the industry and the consumer. It should stand as a model for the rest of the nation.

# 2000 Research Summary

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## Special Projects

### Promoting Competition in the Delivery of Non-Instructional Services

Florida TaxWatch received a grant from the Florida Department of Education under the “Targeted School and Instructional Enhancement Grant” program. The purpose of the grant and the efforts of Florida TaxWatch is to assist school districts (two to four, dependent upon size and complexity) in identifying ways to reduce the cost to deliver three non-instructional services: Student Transportation, Food Services, and Custodial and Maintenance Services. Savings gained from the reductions could be reallocated back to the classroom.

Acting as an unbiased independent third-party, Florida TaxWatch and the Florida School Boards Association (under contract to Florida TaxWatch for this project) are providing services to individual school districts that will allow them to assess their current program delivery methods from the perspectives of cost, level of service and user satisfaction. Through the use of experts in the appropriate field of service from the public and private sectors, Florida TaxWatch and the Florida School Boards Association will develop an action plan for the respective school districts. Upon acceptance of action plans by the school district, Florida TaxWatch and the Florida School Boards Association will act as the coordinator to implement the plan components.

### 1999-2000 Analysis of the Florida On-line High School

Florida TaxWatch, under contract to the Center for the Study of Teaching and Learning at Florida State University, was asked to analyze the post-developmental costs of the Florida On-line High School (FHS) program on a per student, per course basis, and to identify potential value-added benefits that are unique to this exclusively internet-based high school.

Issues reviewed included “value added” educational opportunities of the FHS program as compared to the traditional high school program that, because of size, cost, instructional resources or student interest, have limited course offerings. In addition, a catalog of selected public high school distance learning programs (of comparable size, scope and nature of the curriculum to the FHS) in other states was developed. Comparative data included: enrollment, student type, course offerings, diploma status, method of instruction, cost (traditional and distance learning) tuition and other similar data elements reflective of the FHS.

During the 1999 academic year, the FHS reported an enrollment of 1,675 students in 2,738 courses which can be converted to FTW equivalents on the basis of six student-courses equaling one FTW. This conversion produced 456 FTW equivalents. Total expenditures for the academic year were \$3,958,444.

### The Principal’s Executive Leadership Program for High Quality Schools

Florida TaxWatch is evaluating a principal training program developed by the Florida Association of District School Superintendents (FADSS). The purpose of the training is to improve principal performance and, over time, student performance. FTW analyzed the training process to determine the change in principals’ knowledge of how data elements may affect student achievement, and the change in principals’ ability to use data analysis for decision-making purposes. FTW will monitor student achievement in each school to determine the long-term impact of the training program.

## 2000 Research Summary

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### Leon County Sales Tax Study

In 1989, Leon County voters approved a one-cent local option infrastructure sales surtax for 15 years. Revenue from the tax was to be used to make capital improvements in law enforcement and transportation.

In December 1999, the Leon County and Tallahassee City Commissions voted to contract with Florida TaxWatch to produce three Deliverables addressing these questions: Have sales tax revenues been spent in accordance with legal requirements of the 1989 ballot referendum, and with prudent and effective public management practices? What can be done to improve performance, accountability, and engender citizen confidence if voters extend the sales tax? What will be the likely economic impacts on Leon County-Tallahassee of extending and not extending the tax?

The TaxWatch study was not designed to support or oppose the November 7, 2000 ballot referendum, but rather to provide accurate and meaningful information to Leon County and Tallahassee Commissioners and to voters so they could have a more meaningful, relevant and accurate assessment before making their decision.

Deliverable One reviewed Leon County's and the City of Tallahassee's stewardship of the one-cent sales tax. It examined the presentation of the tax's legal requirements and goals, priorities and benefits to voters during the 1989 public information campaign; project planning, discussion and decisions by the County and City Commissions between 1989 and 2000; program management and evaluation; and the status of projects funded since the tax was imposed in 1989. This review found both positive efforts/accomplishments and notable shortcomings/areas to address prior to any tax extension, and to improve during the remaining four years of the current tax.

Deliverable Two recommended a Performance and Accountability Improvement Plan that the County and City Commissions should evaluate, refine and commit to prior to the November 2000 ballot referendum. It also recommended that relevant parts of the Plan should be adopted by amending the 1989 Ordinance for the remaining four years of the current sales tax. These two actions would demonstrate good faith to the community and help increase voter confidence that the County and City Commissions accept responsibility for past shortcomings, and are taking actions to assure improved accountable performance in the future.

Deliverable Three, an economic impact study prepared by the Center for Economic Forecasting and Analysis at Florida State University in consultation with Florida TaxWatch, found that Leon County-Tallahassee's proposed 15-year sales tax extension would generate an estimated \$841.2 million of additional economic growth (output) including nearly 2,000 extra jobs, while \$479.7 million of output would be produced if the sales tax were not extended. The net economic growth or output, defined as the change in the total dollar value of goods and services generated by the affected industries because of increased economic activity over and above the benefits of sales tax funded projects, would be \$361.5 million during the period 2005-2021.

## *Summary of Research Results*

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The last two legislative sessions were successful ones for Florida TaxWatch and the taxpayers of Florida. These sessions saw a number of tax-related TaxWatch recommendations enacted into law, some based on research done in the past year, some from earlier reports. Among the successes in 1999 and 2000:

- ✓ Continuing the phase-out of the intangibles tax;
- ✓ Completing exempting accounts receivable from the intangibles tax.
- ✓ Creating an intangibles tax exemption for trusts and financial advisors;
- ✓ Enacting an Ad Valorem Taxpayers' Bill of Rights;
- ✓ Simplifying communications taxes;
- ✓ Extending the "new and expanding business" sales tax exemption to phosphate companies;
- ✓ Creating a sales tax exemption for steam used in manufacturing;
- ✓ Creating a sales tax exemption for pollution control and abatement equipment;
- ✓ Phasing-out the alcoholic beverage tax;
- ✓ Taxpayer fairness issues:
  - ◆ the statute of limitations on audits was reduced from 5 to 3 years;
  - ◆ interest is now paid on late refunds; and
  - ◆ interest on delinquent taxes is now tied to the prime rate, not 12%
- ✓ Creating a sales tax exemption for repair of equipment;
- ✓ Change in the battery tax law to eliminate multiple taxation.; and
- ✓ Creating an optional retirement plan for state employees that will take effect June 1, 2002.

## *The Davis Productivity Awards Program Celebrates 12<sup>th</sup> Year*

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

Up to \$100,000 is provided annually by the Davis Family for cash awards, commemorative plaques and certificates of commendation presented at ceremonies around the state. The Davis's generosity is supplemented by corporate, individual and philanthropic foundation contributors. The program is sponsored by Florida TaxWatch and The Florida Council of 100, and is chaired by Lt. Governor Frank Brogan.

Since 1989, the Davis Productivity Awards program has publicly recognized and rewarded nearly 5,000 state employees and work units for making measurable improvements in the way they perform their duties and deliver services to Florida citizens. The winners' smart ideas and hard work have created added value of \$3.4 billion, or more than \$3,000 for each dollar contributed to the program.

This year, the 12<sup>th</sup> anniversary of the program, 625 nominations were submitted for individuals and work units that helped save the state \$279 million and brought in an additional \$137 million of revenue collected under Florida law for total added value of \$416 million.



*Florida TaxWatch Chairman T. O'Neal Douglas and President Dominic M. Calabro accept a resolution honoring the Davis Awards from Governor Jeb Bush and the Florida Cabinet with Davis Awards Grand Benefactors Anne Bossi and TaxWatch Executive Committee Member Mike Jennings of Prudential Insurance.*

An annual awards booklet promotes wide dissemination and application of state employee innovations, smart ideas and performance improvements in order to help maximize their productive value. Also, a "Symposium for Public Sector Excellence" was held in Tallahassee in March 2000 in order to spotlight and prompt implementation of adaptable achievements.

The 2000 awards program recognizes achievements that are particularly beneficial to citizens and the private sector, and that further the priorities of the Bush/Brogan Administration. Additionally, a new "Sustained Performance" award salutes individuals and work units that have won multiple Davis Productivity Awards for continuing excellence over the past 12 years.

## Quotable Quotes

"I view Florida TaxWatch as a vital partner in reshaping government's role, strategies and approach to work. Floridians want a government that functions more like a business, with an emphasis on results. TaxWatch is essential to help us get there."

*Florida Governor Jeb Bush*

"It's easy to see TaxWatch is an excellent, long-term friend, dedicated to its mission to promote efficient and innovative government, to better inform policy makers and to save money for taxpayers."

*Fort Lauderdale Sun-Sentinel*

"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*

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

"Part of the reason TaxWatch deserves our interest and support is that it focuses on what can be done, instead of what has been done wrong."

*Linda Kever, Publisher, Florida Trend*

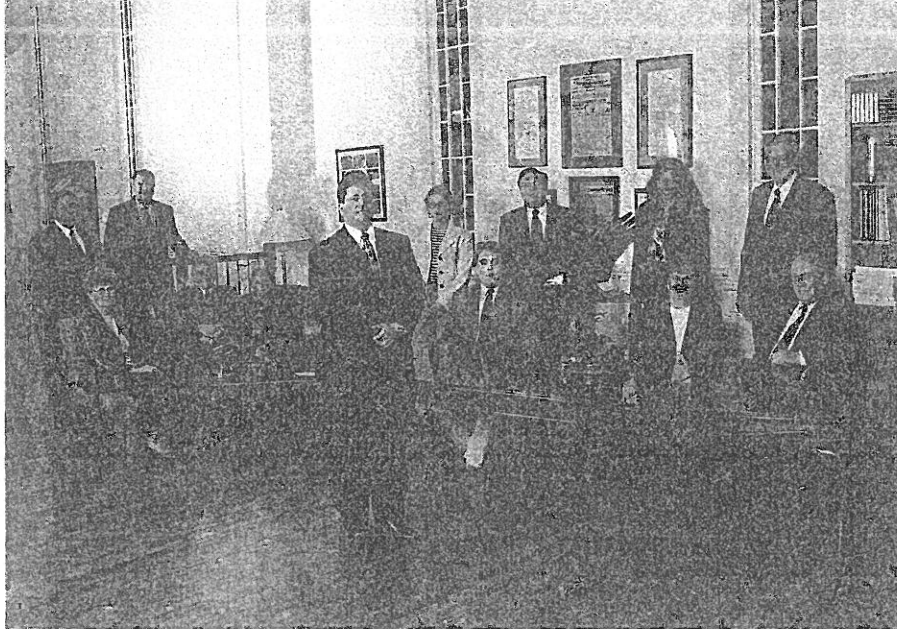
"A commitment to positive change is the key to TaxWatch's success."

*Joe Lacher, Immediate Past Chairman, Florida TaxWatch, President, BellSouth Florida*

"If you were asked to name the one organization in Florida that you believe did more than any other to make state government more accountable, what would you say? Well, if someone posed that question to us, the answer would be obvious: Florida TaxWatch." *Winter Haven News Chief*

## *Florida TaxWatch Staff*

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*From Left to Right: Dr. Geraldo Flowers, Research Consultant; Shirley Gloer, Office Administrator; Dan Sprague, Research Consultant; Dr. Neil S. Crispo, Senior Research Analyst; Dominic M. Calabro, President and Chief Executive Officer; Deborrah Heerema, Assistant to the President; Kurt Wenner, Senior Research Analyst; Dr. Keith G. Baker, Senior Vice President and Chief Operating Officer; Michelle Bailey, Assistant Research Analyst; Barbara K. "Babs" Taff, Senior Vice President, Membership; Dave Davis, Senior Research Analyst; and Mike Walsh, Senior Research Analyst.*

*Not pictured: Janet Herndon, Research Analyst, Sang Ok Choi, Assistant Research Analyst, and Chima Onwunli, MIS Coordinator.*

### *Florida TaxWatch Mission Statement*

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

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# Help Shape Florida's Future . . .

## Join Florida TaxWatch Today!

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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 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 your own presentations and events.

A Subscription to all of Florida TaxWatch's Publications, including:

- ✓ Florida TaxWatch Focus - an informative new letter
- ✓ Research Reports - through review and appraisal of the most important issues facing taxpayers today
- ✓ Budget Watch - a series keeping you apprised of what is going on with state and budgetary matters
- ✓ Briefings - concise research reports on timely concerns for Floridians
- ✓ Ideas in Action - opinion pieces written by Florida TaxWatch members or concerned citizens
- ✓ All of TaxWatch's yearly reports, including *Tax Freedom Day*, *How Florida Compares* and *Turkey Watch*

Don't let others decide how your tax dollars are spent. You have a right to decide 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!*

Please detach at dotted line and mail to:

Florida TaxWatch ♦ P.O. Box 10209 ♦ Tallahassee, FL 32302



Yes, I would like a tax-deductible membership in Florida TaxWatch.\* Please send further information.

Name \_\_\_\_\_ Firm \_\_\_\_\_  
Address \_\_\_\_\_ email \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_

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*“Improving taxpayer value, citizen understanding and government accountability.”*