



Florida TaxWatch, Inc. 1988 Annual Report

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Chairman and President's Letter

Dear Fellow Member:

Promoting government efficiency is more than just rapping knuckles after a mistake has been made. It involves balanced, proactive and constructive analysis, working with government to effect changes — and prudently change the system — to help government better serve all of us on an ongoing and increasing basis. Florida TaxWatch has spent the last nine years pointing out where government can do better and highlighting where it is doing better. Over this period, approximately \$1 billion of TaxWatch's cost saving recommendations have been enacted to make Florida government work better. And this is just the beginning.

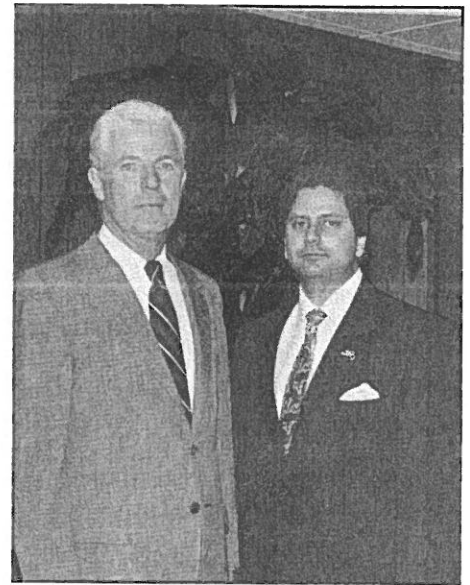
To make genuine, long lasting management and productivity enhancements, the architecture and incentive structure of government must be redesigned to focus on performance and gain an ever increasing return on our tax dollar investment, which is sure to grow. This is what our new program, Partners in Productivity, sets out to do. Florida TaxWatch has teamed with the Florida Council of 100 in a very unique effort to identify, measure, publicly recognize and reward major cost savings and performance gains in state government. It represents a first-in-the-nation initiative to use productivity measures — a proxy of the private sector's profit and loss statement — so that our citizens, our elected officials and public managers can spot where government is adding or lessening value in our lives and where improvements and smart investments will make our state healthier and more competitive.

Working with the Governor, Cabinet and an appointed task force of top corporate executives, we will develop and institutionalize this government performance measurement system to ensure that productivity enhancement in Florida government is an ongoing top priority that sets an outstanding performance precedent for future Florida government administrations.

TaxWatch will continue — as we did in 1987 — to focus its established and respected research program on suggesting intelligent and responsive ways to pay for our state's unrelenting growth, while educating Floridians about the cost and benefit trade-offs of meeting or neglecting this challenge.

In the last year we shed light on the confusing sales tax on services issue, offering recommendations for a more equitable and acceptable tax. Other accomplishments include a major review of the management practices of the Florida Legislature, calling on our elected officials to "practice what they preach" and become more accountable. We prevented the unnecessary spending of some \$50 million dollars on an ill-planned transportation project. Looking at the state budget, TaxWatch indentified \$100 million in dubious appropriations and recommended reforms to cut down on these "turkeys" that were enacted into law. Last year TaxWatch also moved into the field of scientific surveying to determine what taxpayers expect in terms of government productivity and service delivery. TaxWatch also continued to inform you about the level of your taxation and its impact on your quality of life.

Since this is a particularly crucial year to rebuild the people's confidence in government, TaxWatch will continue to strengthen its efforts to ensure that you and fellow



Tom L. Rankin, Dominic M. Calabro

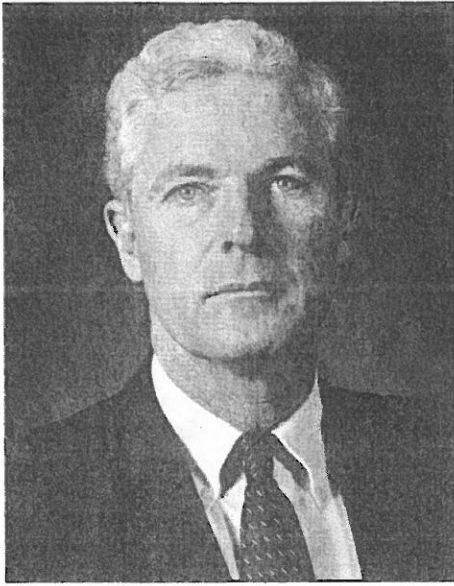
citizens can have the legitimate reassurance that your growing tax dollar investments will make a value-added difference in your lives. We appreciate your membership commitment and look forward to making this coming year's challenges and opportunities work for you.

Respectfully,

Tom L. Rankin
Chairman

Dominic M. Calabro
President

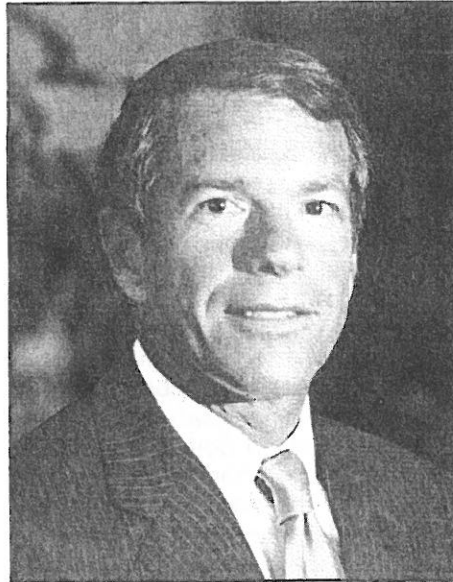
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President
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Florida TaxWatch, Inc.



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Michael Zagorac, Jr.
Jack Eckerd Corp.



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George R. Langford
Municipal Code Corp.



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Jack Wells
MacArthur Dairy

Michael Zagorac, Jr.*
Jack Eckerd Corp.

Charles J. Zwick
Southeast Bank, N.A.

* Executive Committee Members

Letter Of Appreciation



THE WHITE HOUSE

WASHINGTON

March 23, 1988

Greetings to everyone attending Florida TaxWatch's Annual Meeting.

For nearly a decade, you've helped taxpayers to become better informed about unnecessary government spending -- and to make themselves, and government, better able to do something about it. Your nonpartisan research and education programs and your initiatives on productivity and efficiency have earned you the gratitude of your fellow citizens in the Sunshine State and around our country as State and local governments assume responsibility for more public services.

You have my best wishes for a productive meeting and for the years to come. God bless you.

Ronald Reagan



BOB MARTINEZ
GOVERNOR

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001



Greetings:

I would like to commend the Board, members and professional staff of Florida TaxWatch for your special contributions in monitoring and fostering improvements in Florida's tax and spend policies and practices.

As you begin your tenth year, Florida TaxWatch has grown into a respected organization that facilitates good government, offers timely advice and presents insightful research that gets results. These contributions are vital to our state and our taxpayers.

A special thanks should go to your organization for spearheading and coordinating the innovative "Partners in Productivity" effort. This cooperative effort between the state's elected officials, administrators and the private sector will work to inject needed business acumen and efficiencies into Florida government to help ensure that public funds are spent prudently.

Your accomplishments and contributions have been invaluable to all Floridians. Best wishes for continued success.

Sincerely,

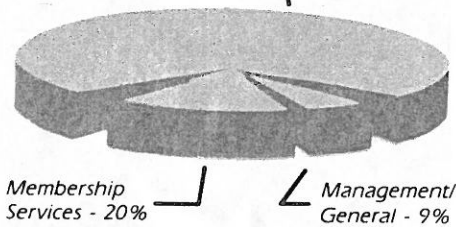

Governor

BM/rdp

Treasurer's Report

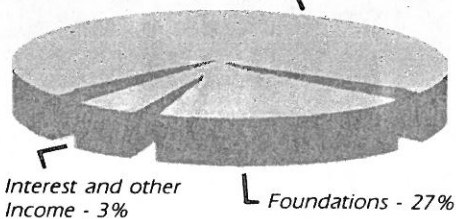
FY 1987-88 EXPENSES

Research Program and Communication - 71%

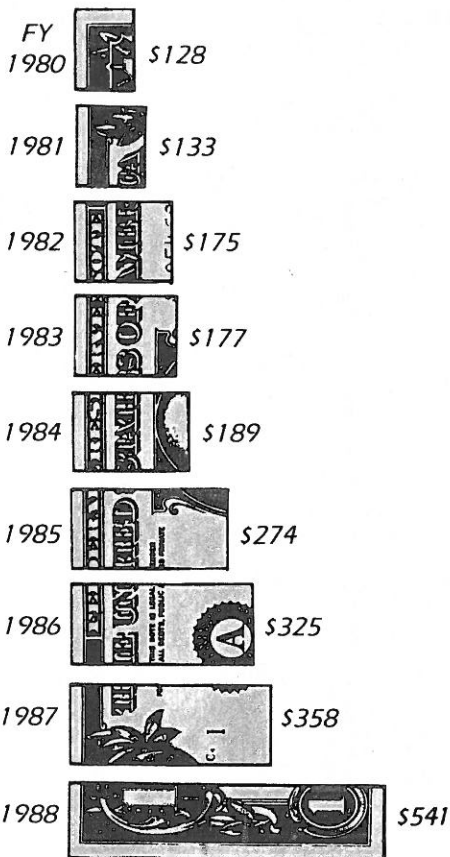


FY 1987-88 INCOME

Individual & Corporate Membership - 70%



MEMBERSHIP/FOUNDATION GROWTH (In Thousands)



Florida TaxWatch, Inc, further broadened its financial resources and membership base by 51.1% and, thus, its statewide representation of taxpayer concerns in Florida during the fiscal year ended January 31, 1988. This widening support demonstrates the maturing quality and enhanced public value of the Corporation's mission and research program accomplishments.

Total expenses of \$392,752 were held by 5.8% under the \$416,900 expense budget. Also, total expenses were kept below the \$541,229 in total income by 27.4%.

Florida TaxWatch continued to practice what it stands for by maintaining its frugal spending habits and an economical operation. The Corporation's Financial Statements and Auditor's Report for FY 1987-88 show expenses were kept below income and were held under the amount budgeted - a practice which has continued for the ninth straight year since the Corporation's inception. Moreover, the Auditor's Report for FY 1987-88 demonstrates that the Corporation applied sound management practices and proper financial controls that ensure effective and productive operations with direct accountability.

According to the audited 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 expenses or activities went to lobbying, as specifically restricted by the Corporation's Articles of Incorporation and Bylaws.

Respectfully,

L. Charles Hilton, Jr.
Treasurer



Research that cuts through the political smoke to get at the heart of matters that affect Florida taxpayers. Offering a balanced, non-partisan and comprehensive perspective on important tax and spend issues and providing recommendations to help more effectively and equitably pay for Florida's future. Helping to make government more productive and responsive, Florida TaxWatch means respected research that gets results, saving Floridians approximately \$1 billion since 1979.

Improving The Florida Legislature's Internal Management

In May 1987, Florida Tax-Watch released a report culminating its year-long study undertaken to boost public confidence in the management and accountability of the Florida Legislature. The report's message is that the Legislature should "practice what it preaches" if it is going to require Floridians to pay more money to fund Florida's future.

Our Legislature was ranked among the best lawmaking bodies in the nation nearly two decades ago. TaxWatch thought it was time to assess the Legislature's current management status and see if there was room for improvement — which there is.

We examined such areas as internal budgeting, auditing and compensation and found some fundamental problems with the Legislature's internal management practices. The report's recommendations are based on an in-depth analysis of the legislative process and operating methods, interviews with lawmakers and staff, and results of a scientific TaxWatch survey of nonfreshman Florida legislators in April 1987. They include:

- eliminate the lump-sum budgeting method practiced by the Legislature and apply the same line item budgeting approach that it requires of other state agencies;
- require the Legislature to conduct an independent annual performance audit of its activities;
- repeal the automatic pay raise provision for legislators' salaries; and
- document legislators' district office expenses.

These and other reform measures noted in the report will boost credibility and public confidence in the fairness, openness and accountability of the people's imperfect, though more perfectible, institution of the people. The time is now for the Legislature to exercise leadership through some internal fine tuning. It must make sure that its own house is in order while calling on the people to give an ever greater share of their personal income to fund Florida's future.



Florida TaxWatch issued two research reports and several newsletter articles on Florida's controversial sales tax on services, the biggest issue of the year for Florida taxpayers. TaxWatch staff began researching this issue early in 1984.

Our April 1987 report, *Sales Tax On Services: A Three Point Plan To Make It Work For Taxpayers*, outlined specific and constructive implementation recommendations based on the results of two state-wide scientific public opinion surveys. With the services tax imminent, TaxWatch called for prudent legislative action.

First, the report advised against a blanket approach of taxing "all services except the following..." and instead recommended *specifically* listing only the services to be taxed. This would have given the Department of Revenue better guidelines, leading to more equitable application of the levy and possibly squelching some negative publicity. Secondly, because the tax would have brought in more at first than the state could judiciously spend, the report recommended that all revenues over \$500 million be placed in reserve or dedicated to capital projects to address our state's growing infrastructure/ service level deficits. Finally, the report recommended delaying implementation of the tax for at least three months. This would have provided more time for the Department of Revenue to develop workable rules to help avoid taxpayer confusion about who was subject to the tax and increase compliance.

On September 17, 1987 a second TaxWatch research report was released. *A Call For Statesmanship* challenged the Governor and Legislature to bite the political bullet and fix perceived inequities in the tax to make it more fair and acceptable.

TaxWatch again used the results of its scientific public opinion poll that showed overwhelming public rejection of the new levy despite the public's perception that the state has unfunded needs and is willing to pay more for measurable benefits. The report concluded that a combination of special interest groups' anti-tax campaigning and a lack of a consistent leadership worked to scuttle the tax.

The report offered several courses of remedial action to make the tax more equitable and acceptable. First, eliminate inequitable pyramiding. Secondly, repeal the tax on advertising. It was found that in-state advertisers might have been placed at a competitive disadvantage (in practice) against out-of-state competition. Thirdly, a restriction on the definition of business nexus was needed when applying the tax on services sold outside Florida. Fourthly, the problem of having qualified charities pay the sales tax on labor services used to construct tax exempt facilities needed correcting.

The Florida TaxWatch report called on the Legislature to reform not only the tax, but the budget process as well. It recommended new spending controls to ensure that new tax money would be spent prudently. The creation of a capital facilities budget, curbs on pork-barrel project expenditures and increased use of government efficiency measures should be required government policies.

Turkeys

Florida TaxWatch identified an inordinate increase in the number of and funding for special interest projects or "turkeys" during the 1987 general legislative session. TaxWatch's annual Turkey Watch Research Report, entitled *Governor Should Wield The Budget Ax On Bumper Crop of \$100 Million Turkeys*, highlighted a sizable amount of dubious appropriations.

Among the gobblers caught by Florida TaxWatch:

- \$500,000 for the Cincinnati Reds baseball team training center in Plant City;
- \$100,000 to restore a privately owned Tiffany glass collection;
- \$150,000 to upgrade the Lipton International Tennis Center in Dade City; and
- \$25,000 to fund the National Orchid Show in Orlando.

These appropriations are especially questionable in the face of the Legislature passing the largest tax increase in the state's history the same year.

The report makes specific recommendations to fix the budget process and curb the proliferation of turkeys:

- Require that all appropriations be separate line items;
- Provide adequate information for the Governor to make informed decisions and appropriately exercise his constitutional veto authority;
- Create a separate capital budget that includes all capital facilities to adequately plan for big ticket expenditures; and
- Place all new revenues over \$500 million from the sales tax on services in a "rainy day" reserve fund.

A December 1987 Florida TaxWatch report resulted in the Florida Department of Transportation scaling back its plan for an overly expensive project, cutting it by at least \$50 million. The report shows that DOT's plan for a four site park and ride program along I-95 in South Florida was expensively overdesigned and

recommended that DOT rethink the plan. The report prompted Transportation Secretary Kaye Henderson to halt the commuter parking program until DOT's Inspector General could complete a review.

The TaxWatch report questioned the plan's demand estimates, the resultant size and cost — as well as the need for expensive parking garages and direct access ramps. Site selection was also criticized due to high cost and potential low usage. Without some major refinements, Floridians would have paid \$113 million for a lot of unneeded capacity.

DOT's Inspector General subsequently concurred with TaxWatch that the project needed to be scaled down. The price tag of the plan has dropped from \$113 million to \$50-60 million. It is still large enough to meet initial demand and allows for future expansion if needed.



Prison Medical Care

A May 1987 Florida Tax-Watch report showed that an absence of effective cost control and proper management of prison medical services resulted in a conservative \$30 million in waste since 1981. Although the medical care budget was rising over three times faster than the prison population and medical care inflation, another \$14.6 million (24%) increase

was proposed for FY 1988. Tax-Watch recommended that the Legislature appropriate a continuing (zero dollar increase) budget. The current budget contains an \$11.7 million (19%) increase.

When the TaxWatch report was released, Corrections Secretary Richard Dugger pledged to take steps to substantially improve the management of prison medical

services. Since that time, key personnel changes have been made and the program has been critically reviewed by the Department and the Correctional Medical Authority.

Substantial changes to redirect it are in the works. TaxWatch will continue to monitor these efforts to see that the necessary results are achieved in a timely manner.



The 1987 edition of Florida TaxWatch's Tax Freedom/Tax Index series publicizes these fiscal features:

Tax Freedom Day. The average Florida family worked until May 1, 1987 just to earn enough money to pay its federal, state and local taxes, laboring nearly one-third of the year before beginning to earn money for itself. Based on an 8 hour workday, paying taxes in Florida requires 2 hours 39 minutes, compared to 1 hour 27 minutes for housing, 1 hour for food and beverage needs and 39 minutes for medical care.

The Florida Tax Index. Total taxes paid by Floridians have nearly tripled in the last ten years. Per capita levies have risen 116% since 1977, reaching \$4,737 in 1987.

Effective Buying Power. After paying taxes and adjusting for inflation, the average Florida household's effective buying power fell 2.2% from 1986 to 1987, but it is up 21.6% since 1977. The average Florida family took in 2.1% more in 1987, but its taxes climbed 6.8%.

The Bottom Line. On the average, if your household income did not rise 3.6% in 1986 or 94.5% since 1977, the combined effects of taxation and inflation have likely reduced your effective buying power and standard of living.

How Does Florida Compare?

Florida TaxWatch ranks Floridians' state tax burden with the rest of the nation's in our annual publication *How Does Florida Compare?*. The 1987 edition reports that Florida is losing its low tax status as Floridians' per capita state tax ranking rose from 44th in 1985 to 36th in 1986. The average Floridian paid \$781 in state taxes in 1986, up from \$694 the prior year. This includes \$431 in general sales tax, \$174 in selective sales taxes (motor fuels, alcohol, tobacco, etc.) and \$53 in license taxes.

This report also reveals: Florida's total state tax growth of 64% between 1982 and 1986 was the second largest increase in the nation; Floridians paid \$119 more per person in general sales taxes than the average American; and Florida collects three times more beverage taxes (\$435 million) than any other state except Texas (\$349 million) and New York (\$160 million).

As Florida continues to pay for growth and fund implementation of the State Comprehensive Plan, its tax burden will surely rise. The ill-fated sales tax on services — and the extra penny that replaced it — should push Florida's ranking towards the upper 20's or low 30's beginning in 1988.

Is this all so bad? Not if our top leaders spend the money intelligently and productively to pay for growth and build a better Florida.

Insurance Field Offices

Florida TaxWatch is especially busy during the legislative session, researching issues that arise affecting Florida taxpayers. During the 1987 Session, the Insurance Commissioner asked to more than double the Department of Insurance's field office network to 13, at a cost of approximately \$1 million.

Florida TaxWatch (then the Citizens Council for Budget Research) had examined the field office issue in 1983. That review produced a report that was instrumental in closing all but five

of 26 offices. The independent Florida Auditor General and the House Appropriations Committee also called for the reforms TaxWatch presented in its report. While Florida still had the nation's largest insurance field office network, this report helped save over \$1.8 million annually.

TaxWatch reviewed the request for new offices and found that they are an unnecessary overhead expense. Nonetheless, the Legislature approved the budget request.

The \$1 million could be diverted toward more cost-effective means of providing public information and regulating the insurance industry. To best serve the public, the Department of Insurance should utilize a more centralized insurance system — including more extensive use of the toll-free number system for consumer complaints.

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CAPITOL FOCUS is Florida TaxWatch's multitopic source of information for Florida taxpayers. It keeps members informed on tax and spend issues, government innovations and shortcomings, and TaxWatch activities.

In 1987, the monthly newsletter kept readers abreast of the sales tax on services debate. TaxWatch offered recommendations on how to handle the biggest tax hike in Florida history, including expanding the "rainy day fund" to give the state financial security and save bond money, requiring approval of voters on local option tax increases and calling for legislative leadership and restraint in funding turkeys. The special Legislative Session Recap edition contained a taxpayer scorecard showing how TaxWatch recommendations in such areas as local option taxes, eminent domain, health care for indigent mothers and

children and tax amnesty were all enacted by the 1987 Legislature. We also highlighted problems in areas such as automatic legislative pay raises and the unfair system of district expenses, insurance field offices, prison health care and turkeys that escaped the budget ax.

TaxWatch also reported on a state rule that resulted in the Department of Health and Rehabilitative Services spending \$10 million more for rental of office space over a ten year period than the purchase cost of comparable space. We also spotlighted disparities between top management salary increases and raises for rank and file state employees and called for a more market and performance driven statewide compensation policy.

TaxWatch also commended state agencies that found innovative ways to get the job done better. The innovations section of *Capitol Focus* cited the Department of Highway Safety and Motor Vehicles for using incentives to stimulate higher productivity of its data processing operators. The Department of Commerce was singled out for closing six unnecessary field offices. Also featured was a public/private partnership effort to help the developmentally disabled become contributing members of the labor force.

Partners In Productivity

Partners in Productivity is a unique public/private cooperative initiative to identify, implement and reward major cost savings and performance enhancements in Florida state government.

The Program In Brief

Sponsored by Florida TaxWatch and the Florida Council of 100, the first phase of this three part initiative will identify "big ticket" cost saving ideas and performance improvements in the state's four largest agencies. The second phase will involve development of a system to annually measure productivity in state agencies. The third

phase will publicly recognize and financially reward state employees for productivity improvements initially based on up to a \$50,000 annual commitment for the first five years from founding members, Mr. J.E. and Mr. A.D. Davis of Winn-Dixie Stores, Inc.

Task Force. Governor Martinez has appointed a task force of 35 of the state's corporate chief executives. Its goal is to develop major cost saving efficiencies and management improvements for implementation in state government. The initial areas of concern are transportation, education, health/social services and corrections — which together spend about ¾ of the \$18 billion state budget for 1987-1988.

Performance Measurement System. To gain and maintain citizen confidence, government needs to show that added taxpayer investments pay off in increased productivity and public services in observable ways.

Working with the task force, Florida TaxWatch and our government leaders will develop and institutionalize a first-in-the-nation government performance measurement system to ensure that productivity enhancement in Florida government is an ongoing top priority.

Rewards and Recognition. State government managers and employees should be rewarded with money, recognition and appropriately added responsibility when their performance measurably increases productivity.

As an extension of the performance measurement system, monetary rewards will be given to state employees in the trenches for meaningful cost savings, good management and innovation in the Florida work force.

Report Card

The challenge and opportunity of helping government management turn around and getting it to focus on output, performance and productivity is addressed in detail in *Building a Better Florida: A Management Blueprint To Save Taxpayers Over \$1 Billion* (December 1986). Part of the "Partners" effort is

an evaluation of the state's success in implementing the Blueprint ideas — which will lead to an initial government performance "report card" in 1989. The final "report card" will be issued in 1990.

Something Old, Something New...

"Partners In Productivity" is a new twist on a long tradition of Florida government productivity initiatives dating back to the early 1970's. This effort is unique because it combines the expertise and year round vigilance of an "independent government bureaucrat" (Florida TaxWatch) with top-level support from the Governor, Legislature, state agencies and the business community (Florida Council of 100).

Coordinating these groups and utilizing the performance management and reward system will result in a program which will be not only a role model for other states, but will set an outstanding performance precedent for future Florida government administrations.

Most importantly, for the first time Florida government managers and officials will be given a score card, and thus, a real incentive and consequence for their increased or decreased performance and productivity.

You Can Get Involved Too

These "Partners In Productivity" have united to undertake the important job of directing our citizens' tax dollars for a better return on their investment. We welcome your input and participation in this unique task force effort.

Fall Board Meeting

Gov. Bob Martinez, Education Commissioner Betty Castor and HRS Secretary Greg Coler were among the Board members and special guests of Florida TaxWatch who gathered in Tallahassee on October 14, 1987, to kick off TaxWatch's "Partners In Productivity" program (see page 18). This initiative should help the Governor, Cabinet and Legislature in increasing government productivity by over \$½ billion (3%) each year.

The kick-off celebration was held in conjunction with the fall TaxWatch board meeting. Commissioner Castor, Secretary Coler and Dept. of Corrections Deputy Secretary Dave Bachman were all on hand to give their views on government productivity and the expected benefits of "Partners" to their organizations.

Governor Martinez thanked Florida TaxWatch for the work it has already done to boost government performance and productivity. "We have taken what you (Tax-



Dick Thornburgh

Watch) identified to be waste in government and provided that to each of our agencies," he said. "We told them we wanted it implemented, and if they cannot implement it to document why."

Former Governor of Pennsylvania Dick Thornburgh, whose eight-year administration documented saving

\$6.1 billion, provided sage advice on how to run a state government in the face of the inevitable crises its leaders face.

"Government simply can't and frankly shouldn't try to do it all itself," said Thornburgh. "The genius of this nation has always been in the ability to fashion partnerships between committed leaders in government and their counterparts in the private sector."

"TaxWatch's Partners in Productivity is one of the classic cases where the whole is truly greater than the sum of its parts," added Thornburgh. "And the alternative, inaction or noncooperation, is unthinkable."

Thornburgh closed with a quote from English philosopher Edmund Burke: "All that is necessary for the triumph of evil is that good men do nothing." He then added, "Members and friends of Florida TaxWatch, I salute you for your contributions to the cause of good government."

Florida TaxWatch's Eighth Annual Membership meeting convened on March 24, 1987, in Tallahassee. Gathering to discuss important taxing and spending issues facing the state were: TaxWatch members from around the state, Governor Bob Martinez, top state legislative leadership, state cabinet officers, agency heads and guests.

In his keynote address, Governor Martinez praised Florida TaxWatch's efforts to increase government efficiency and promote public sector productivity. The Governor announced that his administration had implemented or was working to introduce more than \$300 million in cost savings published in TaxWatch's most recent compilation of government belt-tightening suggestions — *Building a Better Florida: A Management Blueprint To Save Taxpayers Over \$1 Billion* (December 1986).

Following the Governor's speech, House Speaker Jon Mills, Representative Frank Messersmith and Senators



Governor Bob Martinez

Tim Deratany and George Kirkpatrick offered their perspectives on the most important issues facing the state. Luncheon speaker Charles J. Zwick, Chairman and Chief Executive Officer of Southeast Bank, N.A. and Chairman of the State Comprehensive Plan Committee, followed with his views on funding Florida's future.

Tom L. Rankin was elected to a second term as Chairman of Florida TaxWatch during the annual business meeting. Mr. Rankin has served on the TaxWatch Board of Directors since 1981, and was President from 1984-1986. Also re-elected were Michael Zagorac, Jr., Vice Chairman, George Langford, Secretary and Charles Hilton, Jr., Treasurer. Florida TaxWatch also welcomed two new members to its Board of Trustees. Charles Zwick and Governor Wayne Mixson were elected to the Board at the morning annual business meeting.

As a token of appreciation, TaxWatch honored four of its members for outstanding service and dedication to the organization: Guy McKenzie, Sr., Bill Sagona, Bill Kundrat and Ed Meyer all received TaxWatch appreciation awards.

TaxWatch is proud of its members and accomplishments during the past year and pledges its commitment to meet the challenges of the coming years.

Staff

Dominic M. Calabro
President

Sonja L. Suber
Executive Assistant

Barbara K. Taff
Membership Development
Director

David M. Davis
Chief Research Analyst,
Executive Director,
Partners in Productivity

Kurt R. Wenner
Senior Research Analyst

J. Kieffer Harris
Research Analyst

Michael J. Kyvik
Research Assistant

SuZanne Peck
Economics/Research Intern

Ken Marshall
Economics/Research Intern

*Clockwise: David M. Davis,
Michael J. Kyvik, Kurt R. Wenner,
J. Kieffer Harris, Barbara K. Taff,
Dominic M. Calabro and
Sonja L. Suber*

