

Amendment 8 is the Right Investment for Florida: Evidence Shows Modifying the Class Size Reduction Amendment Will Save Billions for Florida Taxpayers

In 2002, the Florida Constitution was amended to mandate a reduction in the size of classes throughout Florida's K-12 public schools. The size limitations prescribed by the amendment, which has come to be known as the Class Size Reduction Amendment or CSR, were phased in over a 10-year period, with full implementation by academic year 2010/11 (i.e., the school year beginning in 2010). Full implementation of the CSR will require that no core-curriculum classroom anywhere in Florida have more than the maximum number of students: for prekindergarten through grade 3, 18 students; for grades 4 through 8, 22 students; and for grades 9 through 12, 25 students.¹

The size limits have been phased-in since 2002, with the allowable maximum number of students per class decreasing by two students annually and the standards for calculation of compliance increasing periodically – i.e., from calculating compliance with class size limits at the district-wide classroom average, to the school-wide classroom average for each school within a district individually, to the final phase (to be implemented for the school year beginning in 2010) of individual public school classes.

School districts are subject to accountability standards that levy monetary penalties for districts that are not in full compliance with the mandated classroom reduction each year. Failure of a school district to reduce its class size by two students by the time of the Florida Education Finance Program (FEFP) calculation each year results in a reduction of the district's class size reduction operating funds appropriated by the Legislature. This deduction is calculated to be proportionate to the amount of the class size requirement left unfulfilled by the district.

The phased-in implementation of the CSR has cost the taxpayers billions annually since 2002. The annual appropriation for compliance with the phased-in CSR requirements has exceeded

¹ Florida Constitution, Article IX, Section 1. The original 2002 ballot summary language did not mention the specific numbers, explaining the amendment as: "Proposes an amendment to the State Constitution to require that the Legislature provide funding for sufficient classrooms so that there be a maximum number of students in public school classes for various grade levels; requires compliance by the beginning of the 2010 school year; requires the Legislature, and not local school districts, to pay for the costs associated with reduced class size; prescribes a schedule for phased-in funding to achieve the required maximum class size."

\$2.5 billion each year since Fiscal Year (FY) 2006/07, totaling an investment of more than \$13 billion in operating expenses over a period of time during which state General Revenue fell by \$6 billion as Florida was gripped by a fiscal crisis that resulted in significant state budget reductions and heavy reliance on budget reserves, trust fund sweeps, and the use of one-time federal stimulus money to fund critical services such as education, healthcare, transportation, and other vital programs of the state. And while supporters of the original CSR asserted that reducing class sizes lead to improved learning outcomes, there is little empirical evidence in Florida or elsewhere to support the claim. Given the high cost of compliance and the looming additional costs when the classroom-level CSR standards are imposed in August/September 2010 (at the beginning of the 2010 school year), there have been calls to modify the CSR requirements and give more flexibility to local school officials.

The Current State Budget Spends \$3 Billion on Class-size Reduction

Implementing the CSR has already proven to be very expensive. Since CSR was first implemented in FY 2003/04 through the current fiscal year (FY 2010/11), the state has appropriated \$18.7 billion for operating expenditures and fixed capital outlay to comply with the requirements. Also, the state is now paying approximately \$150 million a year for debt service on the bonds issued for those schools. For FY 2010/11, the Legislature appropriated \$2.9 billion for operating expenses related to class-size reduction – a figure that is more than one-fifth of the current \$14 billion budget for K-12 in the state of Florida.

Implementation of class-size is about to get even more expensive. Under current law, class-size is measured at the school average, but is slated to go to the classroom level next year – meaning every core-curriculum class in Florida must meet the class-size limits. There are 4,044 public schools in Florida, but more than 730,000 classrooms. Add the fact that after several years of decline, public school enrollments are rising again; meeting this standard will be quite difficult, and quite costly.

Surprisingly, there has been little work done on estimating future costs of the current class-size amendment but, without change, it will undoubtedly grow bigger and bigger. The state is very close to full compliance at the school level – 98% at grades K-3 and 99% at grades 4-12. However, analysis by Legislative staff in March 2010 states that 235,000 (32%) classrooms in Florida exceed the standard.² With the constitutional enforcement of school-wide classroom averages for each school beginning in 2010/11, the Department of Education has estimated that the amount of funds that would be transferred from school districts' operating accounts as a result of noncompliance would total to more than \$131 million.³

² The Florida Senate, "Bill Analysis and Fiscal Impact Statement," March 3, 2010.

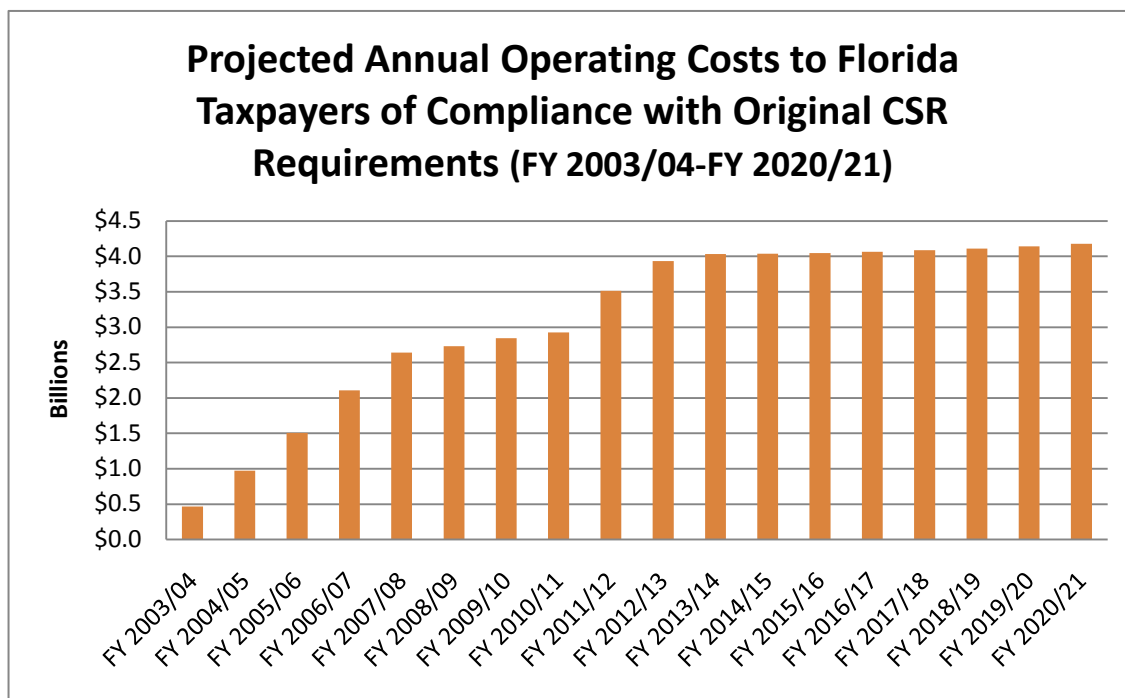
³ Department of Education presentation to the Senate Pre-K-12 Education Committee, February 16, 2010.

Class-Size Reduction Costs Are Projected to Balloon over the Next 10 Years

If \$19 billion sounds like a lot of money, how does **\$40 billion** sound? That is a rough, and likely conservative, estimate of the cost of class-size reduction that Florida taxpayers could be paying over the next 10 fiscal years (FY 2011/12 – FY 2020/21), assuming no changes to the CSR requirements and the recent cost trends of compliance continue.

Looking back at the last time the class-size standard tightened – changing from the district level to the school level in FY 2006/07 – operating spending increased by \$601 million (39.9%) that year and grew another \$532.2 million (25.2%) in FY 2007-08. In addition, the state spent \$1.75 billion on CSR-related building over those two years – compared to \$800 million in the first three years of implementation.

If, for the next two years (FY 2011/12 & FY 2012/13), you assume only half of the growth in operating appropriations during the two years following the move to the classroom level and then assume spending will increase at a rate only equal to the growth in enrollment and inflation, class size appropriations would increase to \$4.2 billion by 2020/21. Total operating spending for class size would total \$40.1 billion over the next 10 years (FY 2011/12 – FY 2020/21).

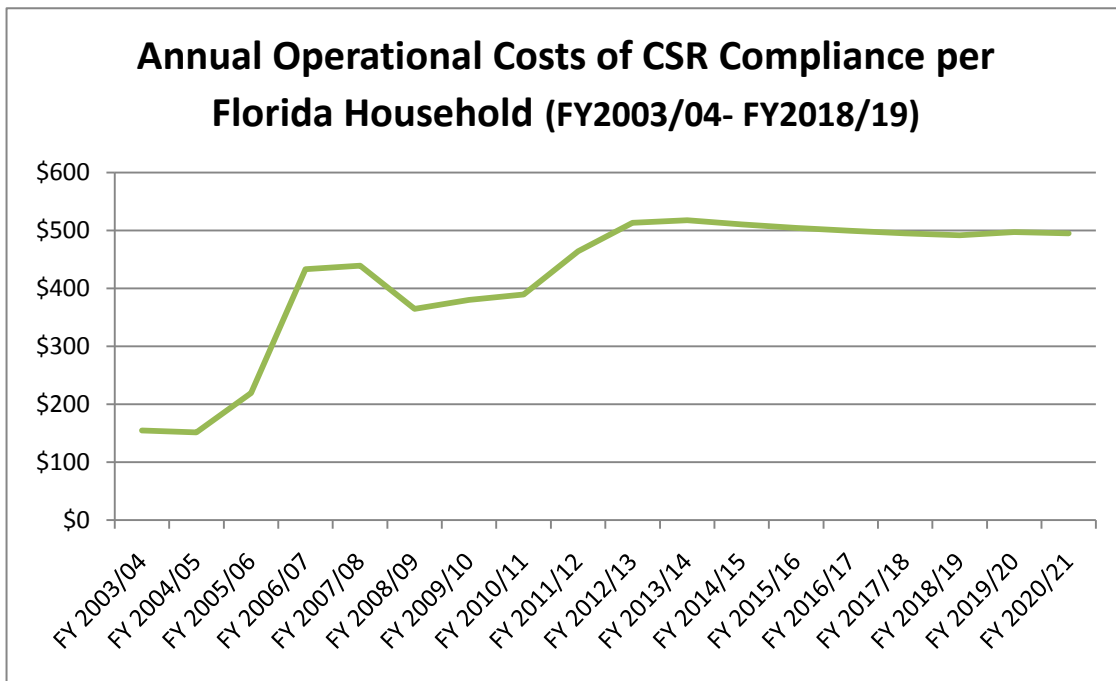


Source: Florida Department of Education presentation to the Senate PK-12 Education Committee (2/16/10); projections by Florida TaxWatch, Inc. Note: does not include fixed capital outlay.

This estimate does not even include fixed capital outlay for the building of new classrooms, which would surely be needed to comply with the original CSR requirements and would likely add billions of dollars to the projected costs. After spending \$2.5 billion on building classrooms in the first five years under the CSR, between Fiscal Year 2008/09 and Fiscal Year

2010/11, there were no expenditures for fixed capital outlay. That can, and likely will, change once the economy begins to rebound and people again migrate to the Sunshine State (along with their school-aged children), necessitating higher expenditures in fixed capital outlay down the road to accommodate the additional students in the K-12 public school system. Also, since the move to measuring compliance at the classroom level would likely be more costly than the move to measuring it at the school level, the growth in compliance costs over the next two years may well be underestimated. For example, a school could have all classrooms at the maximum class size at the beginning of the school year, but then if one additional student enrolls, the district would have to hire a new teacher for an additional class at that grade level. If another new student in a different grade arrives at a the same school, or any student arrives at a different school in the same district, then the district will again need to hire a new teacher due to the addition of a single student in order to be compliant with the CSR requirements.

Assuming this estimate of total operating costs, what will class-size reduction cost the average Florida household in taxes? Between Fiscal Year 2011/12 and Fiscal Year 2020/21, the tax burden on Florida households associated with CSR is projected to increase from \$389.85 to \$495.18, an increase of nearly **26%** over ten years.



Source: Household data from the Florida Legislature’s Office of Economic and Demographic Research; analysis by Florida TaxWatch, Inc. Note: does not include fixed capital outlay.

The CSR’s Return on Investment to Florida Taxpayers

Generally, the results of empirical studies on the effects of class size reduction efforts on student learning – most done by academics associated with major research universities who may be

called almost anything except anti-education – show that there are little or no discernable educational performance benefits from smaller class sizes beyond the early years.

A May 2010 study conducted by Matt Chingos of Harvard University’s Program on Education Policy and Performance found that “*Florida’s class-size amendment has had no effect on student achievement.*”⁴ Chingos conducted an econometric analysis that looks at changes in student math and reading test scores in Florida schools, comparing scores both before and after the class size reduction amendment was implemented. Adjusting for many other factors that can affect student performance, Chingos compares changes in the rate of gain in student test performance in school districts that were forced to reduce class size with changes in the rate of gain in other districts that could spend funds as they saw fit. He found no detectable benefit from mandated class size reduction – either for students in general or for any student subgroup (race, ethnicity, level of disadvantage). In Chingos’s words, “*the study strongly suggests that monies restricted for the purpose of funding class-size reduction mandates are not a productive use of limited educational resources.*” Chingos’s findings in Florida echo the earlier findings of research conducted by Eric Hanushek.⁵

A 2002 study of California’s class size reduction efforts called “What We Have Learned About Class Size Reduction in California” and funded by the California Department of Education and a consortium of non-governmental organizations concluded that it’s “analysis of the relationship of CSR to student achievement was inconclusive;”⁶ a noted University of Florida professor summarized the findings of that California study saying, “the consortium that studied the class size reduction California initiated in 1996 found it to be costly and ineffective.”⁷ Another study of class size reduction efforts in Wisconsin showed similarly unimpressive results.⁸

Another study of the effects of class size on student achievement involving 649 elementary schools published in *The Quarterly Journal of Economics* in November 2000 found that class size does not have a “statistically significant effect on student achievement.”⁹ The author

⁴ Associate Press, Study shows no effect from Fla. Class size cuts,” May 14, 2010.

⁵ Hanushek, Eric, “The Evidence on Class Size,” in Susan E. Mayer and Paul Peterson (ed.), *Earning and Learning: How Schools Matter* (Washington, DC: Brookings Institution, 1999), pp. 131-168; Hanushek, Eric, “Some Findings from an Independent Investigation of the Tennessee STAR Experiment and from Other Investigations of Class Size Effects,” *Educational Evaluation and Policy Analysis* 21(2), Summer 1999, pp. 143-163.

⁶ Bohrnstedt, George W. & Brian M. Stecher (eds), “What We Have Learned About Class Size Reduction in California,” CSR Research Consortium, p.5; available at www.classsize.org/techreport/CSRYear4_final.pdf. The evaluation was conducted over four years at the request of the California Department of Education by the CSR Research Consortium made up of the American Institutes for Research, RAND, Policy Analysis for California Education, WestEd, and EdSource.

⁷ Denslow, David & Carol Weissert, “Tough Choices: Shaping Florida’s Future,” The LeRoy Collins Institute, October 2005, p. 185.

⁸ An earlier class-size reduction study conducted in Wisconsin that focused on elementary schools with high concentrations of low-income students found that class-size reduction had minimal impact and, in some instances, no additional impact on student achievement. While a 2004 study on Wisconsin’s class-size reduction program showed positive gains in reading, language arts, and math in grades K-3, the results for students in higher grade levels were inconclusive at best. The Wisconsin program (SAGE) also mandates a student/teacher ratio of 15:1, much lower than required by Florida’s class-size reduction amendment.

⁹ Hoxby, Caroline M., “The Effects of Class Size on Student Achievement: New Evidence

further states in the abstract of the study “I rule out even modest effects (2 to 4 percent of a standard deviation in scores for a 10 percent reduction in class size).¹⁰

While an experimental study conducted in Tennessee in the 1990s suggested that class size reduction in primary school – kindergarten through third grade – positively affected learning outcomes (particularly for minority and inner-city children), the more recent study of *Florida student achievement and CSR* by Chingos is more relevant to the discussion of modifying Florida’s CSR. Tennessee’s “Project STAR (Student/Teacher Achievement Ratio)” study was begun in 1985 and involved comparing K-3 students in classes of 12-17 students with classes of 22-26 students, class size parameters which far exceed those allowed under CSR and only address a small portion of the Florida public school population affected by the original CSR.

In addition to the differences in Project Star’s study population, and the fact that the study is decades old and was completed in a different state, Chingos’s colleague, Paul E. Peterson, offers some additional explanations why the May 2010 study of Florida class sizes has different results from the earlier study in Tennessee. One is that because the teachers in the Tennessee study knew they were participating in an experiment that if successful could persuade policymakers in Tennessee to mandate reduced class sizes, the Tennessee teachers had an incentive to be more assiduous and enthusiastic than those assigned to larger classes. Another possible explanation, according to Peterson, is that schools with larger classes did not receive comparable fiscal resources in Tennessee, as was the case in Florida. So the gains in Tennessee may have come from extra resources, not anything specific to class size reduction. Finally, the “one-size-fits-all” approach taken in Florida shows what can happen when a state government tries to implement class-size reduction on a statewide scale, whereas the Tennessee experiment was limited to only a small number of schools and to much larger class-size reductions.

Furthermore, there is also evidence showing that Florida students made gains regardless of class-size reduction, indicating further that the CSR likely has produced little to no positive learning outcomes in Florida. A joint study by the Goldwater Institute and the Heritage Foundation found that in the four-year period *before* the implementation of the class-size amendment (1998-2002) Florida students were making gains in math and reading test scores. The results of this study indicate that CSR is likely not closely linked to improved student achievement.

Overall, there is no definitive evidence that the CSR has improved student learning in Florida, and little evidence of significant educational gains from reductions in class sizes in other place as well. It should be clear that no one is saying that smaller classes make no difference ever – on the contrary it is generally accepted that smaller classes produce some benefits for some students, especially in the early grades, and for some specific student populations, like English as a Second Language students and Exceptional Student Education programs. The point is that there

from Population Variation,” *Quarterly Journal of Economics*, 115(4): 1239–1285, 2000.

¹⁰ Hoxby, Caroline M., “The Effects of Class Size on Student Achievement: New Evidence from Population Variation,” *Quarterly Journal of Economics*, 115(4): 1239–1285, 2000. Abstract available at <http://ideas.repec.org/a/tpr/qjecon/v115y2000i4p1239-1285.html>.

is little evidence of wide-spread or general improved student outcome from the original CSR, despite the billions spent on compliance.

Public education and a well trained workforce are, and will continue to be, the cornerstones of a state's global competitiveness; however, Florida continues to be considered in the bottom third nationally in many education rankings – for example, a CNBC's poll of America's Top States for Business 2010 recently ranked Florida 35th in education nationally.¹¹ While student achievement has been rising over the past decade, and the learning gap between minority and non-minority students has been narrowing, the pace of progress in student achievement has been slow. Based on nine years of data from the Florida Comprehensive Assessment Test (FCAT), the Center for Educational Performance and Accountability (CEPA) at Florida TaxWatch finds that *Florida is more than a generation away from having students “grade-level” proficient in reading and math*. Based on the current rate of achievement increase, the following chart shows the number of years needed to reach the grade-level proficiency.

Projected Number of Years Needed for Florida to Achieve Full Grade Level Proficiency in Reading and Math at for Grades 3, 7, 10	
Grade 3 Reading: 17 years	Grade 3 Math: 7 years
Grade 7 Reading: 13 years	Grade 7 Math: 21 years
Grade 10 Reading: Eternity	Grade 10 Math: 25 years

Florida must do a much better job of educating its future workforce to remain competitive in an increasingly global marketplace, and *the rate of improvement in student achievement is unacceptable*. While improvement continues, the rate of progress indicates that changes to the system are needed. While more investment in K-12 public education by the Legislature over the next 10 years may be at least part of the answer, significant empirical evidence shows that relying on class-size reduction to get us where we need to be will not get the job done. Failing to amend the requirements of the original CSR will require significant additional investment over the next decade that will take money away from other potential areas of investment in education, including teacher pay increases.

The empirical evidence of the effect of class size on student learning and the rate of improvement according to analysis of the FCAT scores clearly indicate that class size reduction has not produced a good return on investment for the taxpayers of Florida – in other words, there hasn't been much “bang for the buck” for the billions spent and billions projected to be spent in compliance with the original CSR. Given the lack of benefit produced by the costs, it is likely time for Florida to consider modifying the CSR to better reflect the mounting evidence of ineffectiveness and the fiscal reality now facing Florida.

¹¹ CNBC, “America's Top States For Business 2010,” A CNBC Special Report; available at <http://www.cnbc.com/id/37516706> (last retrieved July 22, 2010).

Amendment 8

Recognizing the devastating fiscal impacts that classroom level implementation of the CSR will have on state and school district coffers, Senator Don Gaetz and Representative Will Weatherford introduced Senate Joint Resolution 2 (SJR2) before the 2010 General Session of the Florida Legislature, which proposed to “revise the maximum class size requirements” currently in the Florida Constitution. The Florida Legislature passed SJR 2 and it became Amendment 8 on the November 2, 2010 ballot.

Although the original CSR (Amendment 9 on the November 5, 2002 ballot) was only approved by 52.39 percent of voters (with 47.61% opposed), Amendment 8 on the 2010 ballot will need to be approved by at least 60% of Florida voters due to Amendment 3 on the 2006 ballot that required 60% approval for all ballot measures going forward. Essentially, the SCRA would not have passed given the threshold now faced by Amendment 8.

If Florida voters approve Amendment 8, local school officials will have a larger degree of flexibility in how they implement class-size reduction goals. Rather than calculate compliance with the class size limitations at the individual classroom level, SJR 2/Amendment 8 would calculate compliance at the “*school level average number of students*” according to the same grade categories as the original CSR (18 students for prekindergarten through grade 3; 22 students for grades 4 through 8; and 25 students for grades 9 through 12); however, Amendment 8 also adds new classroom level maximums for each grade level that may not be exceeded: 21 students for prekindergarten through grade 3; 27 students for grades 4 through 8; and 30 students for grades 9 through 12.¹²

Overall, while class-size reduction goals will generally remain and will continue to require significant investment even if voters approve Amendment 8, the greater flexibility it will afford school districts will ameliorate costs somewhat over time.

The Ballot Summary of Amendment 8 as it will appear on the November 2, 2010 ballot:

“The Florida Constitution currently limits the maximum number of students assigned to each teacher in public school classrooms in the following grade groupings: for prekindergarten through grade 3, 18 students; for grades 4 through 8, 22 students; and for grades 9 through 12, 25 students. Under this amendment, the current limits on the maximum number of students assigned to each teacher in public school classrooms would become limits on the average number of students assigned per class to each teacher, by specified grade grouping, in each public school. This amendment also adopts new limits on the maximum number of students assigned to each teacher in an individual classroom as follows: for prekindergarten through grade 3, 21 students; for grades 4 through 8, 27 students; and for grades 9 through 12, 30 students. This amendment specifies that class size limits do not apply to virtual classes, requires the

¹² The Florida Senate, “Bill Analysis and Fiscal Impact Statement,” March 3, 2010, p.1 (emphasis added).

Legislature to provide sufficient funds to maintain the average number of students required by this amendment, and schedules these revisions to take effect upon approval by the electors of this state and to operate retroactively to the beginning of the 2010-2011 school year.”¹³

According to the Florida Legislature’s Bill Analysis, SJR 2/Amendment 8 also: “Retains the application of the class size amendment to core-curricula classes; Repeals the requirement for a reduction of an average of two students in each classroom per year; and Provides that the constitutional class size requirements do not apply to virtual classes.”¹⁴

Significant Savings Will Result from Amendment 8

Again, there has been surprisingly little work done by the state on estimating the future costs of the current class-size law and the potential savings from Amendment 8. However, since the state is close to compliance at the current school level and but so far behind compliance for the new classroom level standard that will kick in next year, Amendment 8 will undoubtedly save a lot of money.

If you assume that under Amendment 8 the current level of class-size spending will only increase by the growth of enrollment and inflation, instead of the above estimate of operating costs under the current class-size amendment, savings of up to \$7 billion over the next ten years is achievable. Add to that fixed capital outlay spending under the current law equal to the amount spent in the first five years of the current amendment and savings could reach \$10 billion.

If you assume a bottom range of half of those savings in operating costs, savings from Amendment 8 could range from \$350 million – \$1 billion annually.

Continued Costs of Class-Size Reduction Will Have Severe Repercussions on Florida School Children

Most Florida school districts are facing multimillion dollar budget shortfalls in the coming school year. St. Johns County public schools, for example, are facing an \$8 million deficit. Once districts like St. Johns burn through their reserves, some difficult decisions face them to comply with the class-size reduction amendment.

One solution under consideration by St. Johns is hiring associate teachers, who will be under the direction of lead teachers and co-teach in the classroom.¹⁵ Other strategies to meet the class-size

¹³ Florida Department of State, Division of Elections website, Revision of the Class Size Requirements for Public Schools, <http://election.dos.state.fl.us/initiatives/initdetail.asp?account=10&seqnum=75> (last retrieved July 22, 2010).

¹⁴ The Florida Senate, “Bill Analysis and Fiscal Impact Statement,” March 3, 2010, p.1.

¹⁵ Associate teachers must be certified and would make about \$26,000, much lower than the usual starting teacher salary. However, they will not have the same responsibilities and if classes grow enough they would end up in their own classrooms.

reduction requirement that the St. Johns county district is considering include a seventh period supplement, virtual school and flexible scheduling.

Seventh period supplement is a way to preserve the seven-period day for middle and high school students. Schools are funded for the equivalent of 300 minutes per day, but the district's program is based on seven periods for electives and academies. The program provides teachers additional pay for their additional work but not all teachers would take advantage of the supplement.

Virtual school is where students are taking online classes with a teacher and do not attend regular school classes. Education delivered virtually, rather than via a traditional classroom model, can provide savings in several areas, including transportation, utilities, and construction and maintenance of existing school facilities.¹⁶

Before the recession, Florida school districts were on track to meeting class-size reduction goals largely through new school construction. With the collapse of the housing market in Florida and the corresponding drop in tax revenue, new monies for fixed capital outlay (i.e., new school construction) are not on the horizon. To be compliant with the class-size reduction amendment, districts will be forced to implement many of the options being considered by St. Johns school officials, in addition to the rezoning and co-teaching options discussed in a May 2007 report by the Florida Legislature's Office of Program Policy Analysis & Government Accountability.¹⁷

If class-size reduction is not mitigated by Amendment 8, what can Florida taxpayers expect to see in their children's classrooms over the next decade? A few things:

- Closed classes and schools due to maximum enrollment per class;
- Constant student transfers from one class to another or even to another school;
- Elimination of middle and high school elective courses so that teaching positions can be redirected to critical core courses; and,
- Reduction in the number of support services and staff.

Conclusion

Spending on CSR compliance could average \$4 billion annually over the next ten years. To put this in perspective, ***the cost of compliance with the original CSR requirements going forward from 2010/11 is roughly equal to a one penny increase in the state sales tax or a new 1% state personal income tax.*** The savings from modifying the original CSR requirements through Amendment 8 could be used to fund a variety of critical services related to education, including

¹⁶ For more information on the benefits of the Florida Virtual School, see Florida TaxWatch, "Report and Recommendations of the Government Cost Savings Task Force to Save More than \$3 Billion," March 2010, p.108, available at www.floridataxwatch.org/resources/pdf/03042010FullReport.pdf.

¹⁷ OPPAGA, *School Districts Are Reducing Class Size in Several Ways; May Be Able to Reduce Costs*, Report No. [07-29](#), May 2007.

funding a merit pay program, professional training for teachers, and new materials for classrooms.

Future projected spending on compliance with the original CSR requirements is much too high, both in terms of its small return on investment and the state's current budget outlook. Although Amendment 8 is no panacea – and outright repeal of the CSR is neither popular nor prudent given the amount already invested by Florida taxpayers – modifying the CSR requirements will provide the flexibility to reduce implementation costs and the balance to ensure our class sizes are reasonable, while freeing up money that can be used to better impact student achievement.

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