
Florida TaxWatch

1997 Annual Report

About Florida Tax Watch

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 *The Newshour with Jim Lehrer* (formerly known as the *MacNeil/Lehrer Newshour*).

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

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

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

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

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

Table of Contents

<i>Letter from the Chairman and President</i>	2	<i>Membership</i>	7
<i>Executive Committee</i>	3	<i>Florida Tax Watch Research</i>	8-17
<i>Board of Trustees</i>	4	<i>News of Note</i>	18
<i>Letters of Support</i>	5	<i>Davis Productivity Awards</i>	19
<i>Treasurer's Report</i>	6	<i>Florida Tax Watch Staff - Join Tax Watch</i>	20

Letter from the Chairman and President

November 1997

Dear Fellow Taxpayers:



David McIntosh
CHAIRMAN

Two years ago, we set forth a number of ambitious initiatives for Florida TaxWatch. In broad terms, they included maintaining the highest standards of quality and timeliness of research projects which address the most important issues of the day, the operation and composition of the distinguished Board of Trustees, enhanced communications, maintenance of our high level of integrity and a few ancillary issues. We are proud to report that, through the efforts of many persons -- volunteer and staff alike -- much of that agenda has been accomplished.

Everyone associated with Florida TaxWatch should be proud of the accomplishments of the research function of our organization. We all know that high quality research, accompanied by recommendations for practical application, is the reason we exist. Over the past two years, we have published many timely, pertinent and useful research pieces. We have certainly raised to another level the quality assurance aspect of our research with the addition of a Senior Fellows program, associating our research process with some of the state's most respected researchers.

Our membership base continues to expand in raw numbers, in geographic coverage and in diversity of membership. We have achieved far greater participation by South Floridians in the good work of TaxWatch, we have created opportunities for the Board and the Executive Committee to become far more deeply involved in driving the work of the organization, and we have broadened and increased the participation of women and minorities.

On the communications front, we have established an internet website while also continuing to disseminate our information through traditional means. We are developing a strategic communications plan that will better coordinate our mission, activities and support and strengthen Florida TaxWatch's presence and effectiveness.

There are some other initiatives which have been accomplished, again through the work of our volunteers and staff. On October 15, 1997 we closed on the purchase of our own building in Tallahassee, thereby reducing operating costs and establishing a landmark for TaxWatch. We have created new levels of visibility and active participation for the Davis Productivity Awards honoring significant achievements of state employees, and we have begun a very ambitious program of unprecedented potential value to the State of Florida known as the Center for a Competitive Florida.

On behalf of the taxpayers of Florida, we extend our heartfelt thanks to all of the volunteers and staff who have caused us to reach this level of achievement. The years to come have even greater challenges and opportunities to improve the prosperity and well being of Florida's citizens and businesses. Florida TaxWatch stands ready to help make such improvements a reality.

Respectfully,

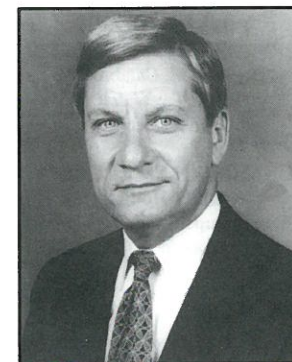
David McIntosh
Chairman

Dominic M. Calabro
President and Chief Executive Officer

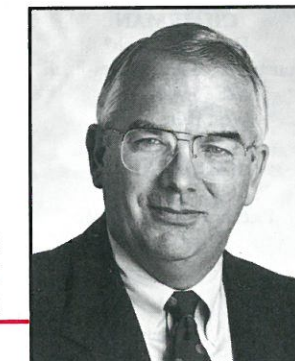


Dominic M. Calabro
PRESIDENT & CHIEF
EXECUTIVE OFFICER

Executive Committee



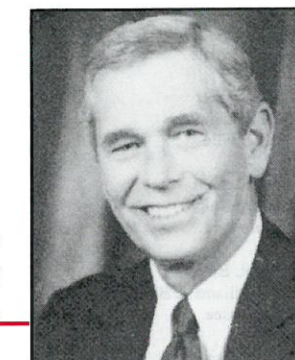
Chairman
David McIntosh
CEO, Gunster, Yoakley, Valdes-Fauli & Stewart



Chairman-Elect
Joseph P. Lacher
President, Florida Region, BellSouth



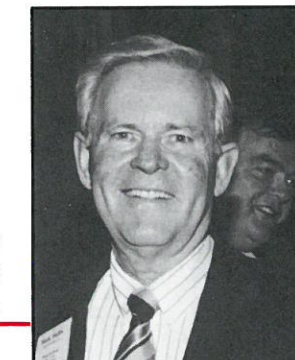
President and Chief Executive Officer
Dominic M. Calabro
Florida TaxWatch



Secretary
Louis E. Fischer
President, Fischer Associates, Inc.



Treasurer
William A. O'Toole
Sr. Vice President, Walt Disney World Services



Chairman Emeritus
Mark C. Hollis
Vice Chairman, Publix Super Markets, Inc.

At Large

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

Philip D. Lewis
Co-Founder and Past Chairman, Florida TaxWatch
President, Philip D. Lewis Real Estate

L. Charles Hilton, Jr.
Past Chairman, Florida TaxWatch
President, Hilton Enterprises

Tom L. Rankin
Past Chairman, Florida TaxWatch

Byron E. Hodnett
Past Chairman, Florida TaxWatch
CEO, First Union National Bank of Florida

Adelaide A. Sink
President, NationsBank Florida

J. Darrell Kelley
President, Sprint

Michael Zagorac, Jr.
Past Chairman, Florida TaxWatch
Vice President/Public Affairs, Hill & Knowlton, Inc.

FY 1997 Officers & Board of Trustees

CHAIRMAN

David McIntosh*
Gunster, Yoakley, Valdes-Fauli
& Stewart, P.A.
West Palm Beach

SECRETARY

Louis E. Fischer*
Fischer Associates, Inc.
Kissimmee

CHAIRMAN-ELECT

Joseph P. Lacher*
BellSouth
Miami

TREASURER

William A. O'Toole*
Walt Disney World
Lake Buena Vista

PRESIDENT & CHIEF EXECUTIVE OFFICER

Dominic M. Calabro*
Florida TaxWatch
Tallahassee

CHAIRMAN EMERITUS

Mark C. Hollis*
Publix Super Markets, Inc.
Lakeland

Kathy Ross Adams
MediaReach Public Relations
West Palm Beach

Jorge L. Arrizurieta
Huizenga Holdings, Inc.
Fort Lauderdale

John D. Baker
Florida Rock Industries
Jacksonville

Martha Barnett
Holland & Knight
Tallahassee

Joseph R. Boyd
Boyd, Lindsey, Williams & Branch
Tallahassee

John Brabson
Lykes Bros. Inc.
Tampa

Hugh M. Brown
BAMSI, Inc.
Titusville

Jim Burr
Florida Association of Realtors
Boca Raton

George L. Campbell
Florida Power Corporation
St. Petersburg

Mikki Canton
Holland & Knight
Miami

Marsha N. Cantrell
Barnett Banks Inc.
Tallahassee

John S. Canzio
Pratt & Whitney
West Palm Beach

Wiley M. Cauthen
Florida Gas Transmission Co.
Maitland

Elias N. Chotas
Dean, Mead, Egerton, Bloodworth
Capouano and Bozarth
Orlando

Michele Cooper
Dairy Farmers, Inc.
Maitland

Bruce A. Davidson
Blue Cross Blue Shield of Florida
Jacksonville

A. Dano Davis
Winn Dixie Stores, Inc.
Jacksonville

T. Wayne Davis
Tine W. Davis
Family Foundation, Inc.
Jacksonville

C. C. "Doc" Dockery
Dockery Management Corp.
Lakeland

T. O'Neal Douglas*
American Heritage Life Ins. Co.
Jacksonville

Carol Dover
Florida Restaurant Association
Tallahassee

Andrew Duda
A. Duda & Sons
Oviedo

Buell G. Duncan, Jr.
Orlando

J. Carson Eddings
William Cook Agency Inc.
Jacksonville

J. Nelson Fairbanks
U. S. Sugar Corporation
Clewiston

Thomas J. Flood
Collier Enterprises
Naples

William C. France
International Speedway Corp.
Daytona Beach

Dennis Goginsky
Price Waterhouse
Tampa

R. Ray Goode
Ryder System, Inc.
Miami

John W. Gray
Sugar Cane Growers Cooperative
Belle Glade

Pat N. Groner
Baptist Health Care
Pensacola

Robert W. Hannan
Eckerd Corporation
Clearwater

Kenneth R. Hart
Ausley & McMullen
Tallahassee

Nick E. Heldreth
Harris Corporation
Melbourne

L. Charles Hilton, Jr.*
Hilton Enterprises, Inc.
Panama City

John Hodges, Jr.
Gulf Power Company
Pensacola

Byron E. Hodnett*
First Union Nat'l Bank/Florida
Jacksonville



Charles Hood
Georgia Pacific Corp.
Atlanta

David Hughes
Hughes Supply, Inc.
Orlando

Courtney G. Hyers
CSX Corporation
Richmond

J. Darrell Kelley*
Sprint
Altamonte Springs

Ray Larson
Cargill Fertilizer Inc.
Riverview

Senator Philip D. Lewis*
Philip D. Lewis Real Estate
Riviera Beach

Robert D. Martin
The Martin Companies
of Daytona Beach
South Daytona Beach

Jim Maxwell
Coopers & Lybrand
Tampa

J. Elliott Messer
Messer Law Firm
Tallahassee

Randy Miller
Pennington Culpepper Moore
Tallahassee

Governor Wayne Mixson
Tallahassee

Mark Neimeiser
AFSCME
Tallahassee

James E. O'Connor
Waste Management, Inc.
Pompano Beach

Whit Palmer
MFM Investments, Inc.
Ocala

Charles F. Pierce, Jr.
Florida Hospital Association
Orlando

Tom L. Rankin*
Tampa

Tom Ranney
IBM Corporation
Jacksonville

Robert L. Rawls
The Graham Companies
Miami Lakes

Robert M. Rhodes
St. Joe Corporation
Jacksonville

William C. Rustin Jr.
Florida Retail Federation
Tallahassee

J. Larry Rutherford
Atlantic Gulf Communities
Miami

Mel Sembler
The Sembler Company
St. Petersburg

Jim Shaeffer
McKenzie Tank Lines Inc.
Tallahassee

Herb Sheheane
AT&T
Tallahassee

Allen Shiver
Flowers Industries, Inc.
Heathrow

Adelaide A. Sink*
NationsBank Florida
Tampa

Mike Sittig
Florida League of Cities, Inc.
Tallahassee

Tom Slade
Dozier & Gay Paint Co.
Tallahassee

John Edward Smith
Steel Hector & Davis
Miami

William G. Smith, Jr.
Capital City Bank Group, Inc.
Tallahassee

Stanley G. Tate
Stanley Tate Builders
N. Miami

Lloyd A. Turman
Florida Institute of CPAs
Tallahassee

Henry Turner
Philip Morris, USA
Atlanta

Henry Vinson
TECO Energy, Inc.
Tampa

William G. Walker, III
Florida Power and Light Company
Tallahassee

Richard J. Walsh
Darden Restaurants
Orlando

Jimmy O. Williams
SunTrust Banks of Florida, Inc.
Orlando

William B. Wilson
Maguire, Voorhis & Wells
Orlando

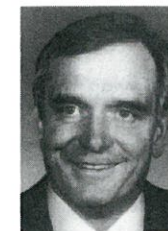
Michael Zagorac, Jr.*
Hill and Knowlton, Inc.
Tampa

*Member Executive Committee

Letters of Support



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



September 30, 1997

Greetings:

Congratulations on your 18th year as a notably effective Florida government watchdog.

Florida TaxWatch continues to be a valuable source of independent, objective research and constructive recommendations on issues that concern state leaders and taxpayers. Just one example is your organization's efforts over many years to prompt improvements in state budget accountability. Thanks to TaxWatch's persistence, state agencies and the legislature are now putting increased focus on results achieved by public services results rather than the process of proving them.

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

With kind regards, I am

Sincerely,

Lawton Chiles
LAWTON CHILES

LCh/s

DOMINIC M. CALABRO
FLORIDA

United States Senate
WASHINGTON, DC 20510-0004

September 30, 1997



Mr. Dominic M. Calabro
President and Chief Executive Officer
Florida TaxWatch
P.O. Box 10709
Tallahassee, Florida 32302

Dear Mr. Calabro:

Thank you for another year of unparalleled service in scrutinizing state government tax and spending issues. Florida TaxWatch's efforts for nearly two decades have produced an enviable record of constructive recommendations resulting in more effective public policy and services.

Florida TaxWatch will no doubt continue to influence government officials and citizens with your insightful views on taxes, budgets, improved performance and accountability. I commend you for this important work and look forward to maintaining a productive working relationship with Florida TaxWatch.

Sincerely,

Connie Mack
Connie Mack
United States Senator

BOB GRAHAM
FLORIDA

United States Senate
WASHINGTON, DC 20510-0003

October 6, 1997



Dear Friends:

It is a pleasure to extend greetings and congratulations on another successful year as the watchdog of Florida government.

TaxWatch's diligence and independent research over the past 18 years has been an essential ingredient in helping lawmakers improve the effective operation of Florida's government. Recommendations by TaxWatch have assisted in identifying and taking action on many of our state's issues.

Your organization's efforts have helped to build citizen understanding and to generate support for constructive improvements. Likewise, government leaders have had the benefit of your research and thoughtful analysis of public issues.

Again, congratulations and best wishes for continued success.

With kind regards,

Sincerely,

Bob Graham
United States Senator

BG/slm

Treasurer's Report

Dear Fellow Taxpayers:

Florida TaxWatch further expanded its statewide representation of taxpayer concerns in Florida during the fiscal year ended September 30, 1997. This widening support demonstrates the recognized quality and enhanced public value of the Institute's mission and research program accomplishments. During this fiscal year, Florida TaxWatch continued to adhere to the sound fiscal standards required of such a respected research institute. According to the Financial Statements and Independent Auditor's Report, total expenses of \$1,209,323 were kept below total revenue of \$1,209,975. The practice of keeping expenses below revenue has continued in each of the Institute's 18 years of operation.

The Treasurer's Report for FY 1997 demonstrates the sound management practices and proper financial controls applied by the Institute which ensure effective and productive operations with direct accountability.

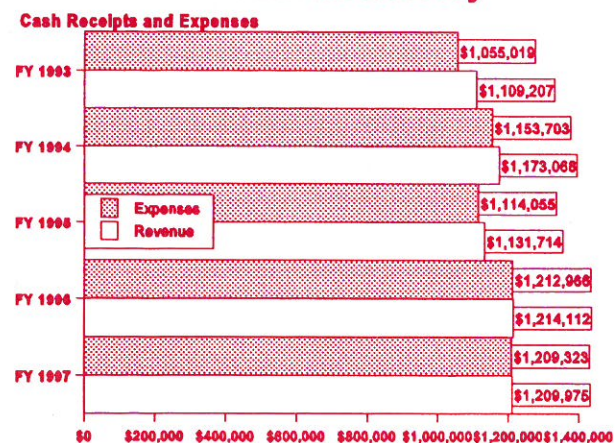
According to the year-end record of expenses, all expenditures went to prepare, conduct, publish, disseminate and properly communicate the research program's findings, conclusions and recommendations about Florida government tax and spend policies and practices. No funds were expended on lobbying activities,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

Respectfully,

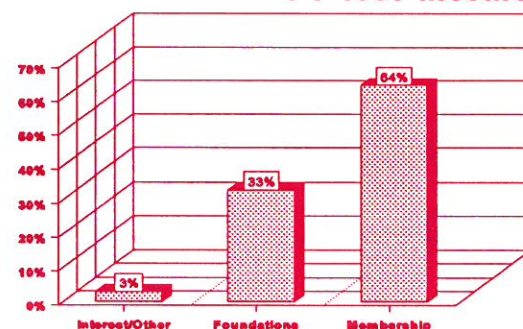
William A. O'Toole

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

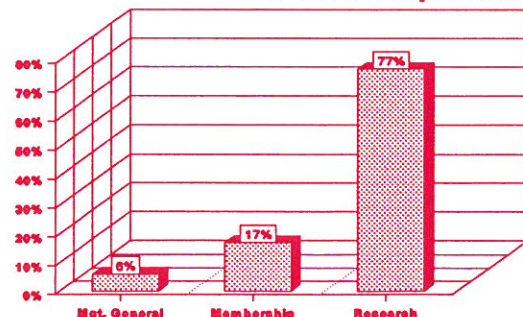
Five Year Financial History



FY 1997 Income



FY 1997 Expenses



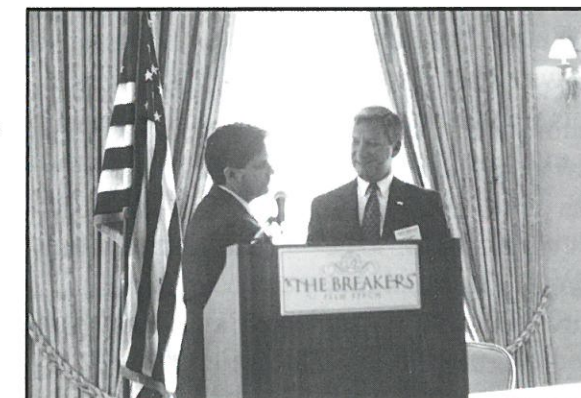
Membership

One of the focal points of the 18th Annual Spring Meeting of the Board of Trustees was the introduction of Florida TaxWatch's Center for a Competitive Florida. The Center's mission will be to assess threats to Florida's position in the competitive global market, to offer sound fiscal policy solutions to Florida government demands and to identify critical impediments to the economic progress of Florida's key business sectors. The meeting was held on Friday, May 16, 1997 at the headquarters of the Florida Institute of Certified Public Accountants.



TaxWatch President Dominic Calabro presents gifts of appreciation for the hard work and dedication of TaxWatch Chairman David McIntosh, CEO of Gunster, Yoakley, Valdes-Fauli & Stewart, Board member Kathy Adams, President and CEO of MediaReach Public Relations, Executive Committee member O'Neal Douglas, Chairman and CEO of American Heritage Life Insurance Company, Executive Committee member Darrell Kelley, President of Sprint, and Board member Carson Eddings, President and CEO of the William Cook Agency.

Florida TaxWatch President Dominic Calabro offers a word of thanks to Chairman David McIntosh at the 17th Annual Meeting in Palm Beach.



Dr. Roger Kaufman, Director of the Office of Needs Assessment and Planning at Florida State University and TaxWatch Senior Fellow briefs the Florida TaxWatch Board of Trustees on activities of the TaxWatch Senior Fellows during the 18th Annual Spring Meeting in Tallahassee.

Florida TaxWatch Research



Throughout the past year, particularly during the 1997 Legislative Session, Florida TaxWatch's research activities brought attention to issues that affect Florida's taxpayers and businesses. In many cases, it was Florida TaxWatch's timely, accurate research that enlightened the public and properly educated decision makers, helping them to make more informed choices on behalf of Florida taxpayers. Some of these hard-won victories were the culmination of a process that began the previous year, finally coming to fruition in late 1996 or mid-1997. Others are examples of TaxWatch's effective work on more recent issues that caused concern for all Floridians.

Florida TaxWatch Senior Research Fellows

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

- ◆ **Dr. John Lombardi**, Chair
President, University of Florida
- ◆ **Dr. Roger Kaufman**, Vice Chair
Director, Office of Needs Assessment and Planning, Florida State University; Associated with the faculty in Industrial Engineering, University of Central Florida; Research Professor, New Jersey Institute of Technology/Newark College of Engineering
- ◆ **Dr. Keith G. Baker**, Legislative Research Director, House Finance and Taxation Committee
- ◆ **Dr. Lance deHaven-Smith**, Director, Askew School of Public Administration and Policy, Florida State University; Associate Director, Florida Institute of Government, Tallahassee
- ◆ **Mr. Arnold Greenfield**, Attorney; former Director of the Florida Division of Bond Finance; lecturer at the Askew Center For Public Administration and Policy, Florida State University
- ◆ **Dr. Craig E. Reese**, Professor of Accounting/Taxation, St. Thomas University
- ◆ **Dr. Bernard Sliger**, Director, Gus A. Stavros Center, Florida State University; Past President, Florida State University

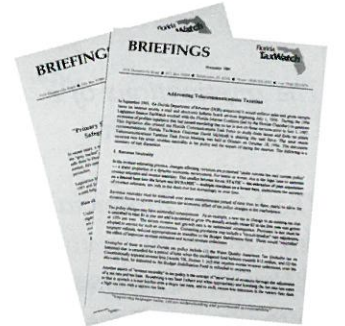
1997 Research Program Summary

Briefings

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

Addressing Telecommunications Taxation

✎ This *Briefing* stated that revenue neutrality should be a goal of tax policy, and that any tax increase should not put Florida at a competitive disadvantage. It also pointed out that as a medium of telecommunications, it seems logical that the internet should be treated no differently than other such telecommunications services. Following release of this *Briefing*, Florida TaxWatch continued to monitor the work of the Telecommunications Taxation Task Force chaired by TaxWatch Chairman David McIntosh.



"Primary Source of Supply" Law Would Add Needed Safeguards To Cigarette Regulation

✎ This *Briefing* pointed out that in recent years a new cigarette distribution system has developed in Florida. Dubbed the "gray market", it imports American-made cigarettes originally meant for foreign markets and sells them in Florida -- raising concerns about tax compliance, competition and consumer protection. The *Briefing* noted that proposed 1997 legislation would address these concerns by creating a tested regulatory system for "gray market" cigarette distribution. Unfortunately, this legislation did not pass.

Governor Chiles Should Appoint a Special Task Force to Review Lottery Contract

✎ This *Briefing* noted that since June 1995, the Florida Lottery had been in a "torturous" process of rebidding its on-line games (Lotto, Cash 3, Play 4 and Fantasy 5). The process was marked by revision of the Request for Proposals, vendor protests submitted and withdrawn, and further protests when a notice of intent to award a contract was issued. In order to help avoid another "Florida Computer System" fiasco, Florida TaxWatch recommended that the Governor request his Inspector General and the Office of the Auditor General to undertake a review of the Lottery's on-line games contract to ascertain which of the competing bids was in the state's best interest.

BudgetFAX

✎ This periodic report to Florida TaxWatch members during the General Legislative Session explains and provides updates on issues addressed by the Florida Legislature. Three editions covering several dozen issues were distributed during the 1997 Session.

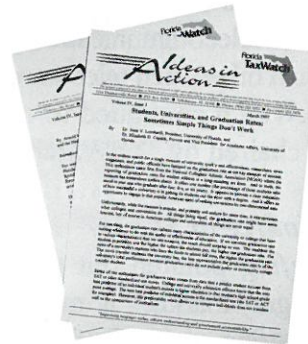


Research Reports

1997 Research Program Summary

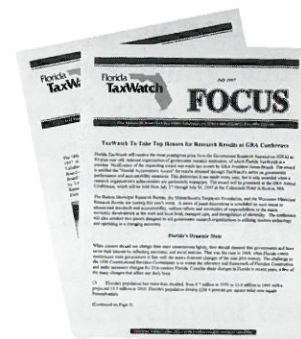
Ideas in Action

- ✓ *Persistent Myths of Florida Taxation* by Arnold Greenfield
- ✓ *Students, Universities and Graduation Rates* by Dr. John V. Lombardi and Dr. Elizabeth D. Capaldi
- ✓ *The Implications of Federal Welfare Reform for Florida State and Local Governments* by Dr. Craig E. Reese and Dr. Keith Baker
- ✓ *The Miami Financial Crisis* by Dr. Frank Sherwood
- ✓ *A Positive Proposal for Parental Choice* by Rep. Stephen R. Wise
- ✓ *Keeping America Competitive* by Leon Hebert
- ✓ *Florida State University Commencement Address* by Steven J. Uhlfelder
- ✓ *Utilities Deregulation -- A Different View* by Joseph P. Cresse
- ✓ *Comptroller's Office Making Major Time and Cost Saving Advances*, by Comptroller Bob Milligan with a supporting comment from Florida TaxWatch.



FOCUS Newsletter

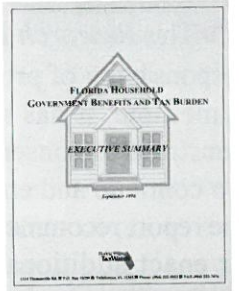
This monthly newsletter keeps readers apprised on current issues in Florida as well as news around the nation. Member news and upcoming TaxWatch events also are outlined on a regular basis.



- ✓ *TaxWatch Participates in Senate Symposium*
- ✓ *TaxWatch Addresses Senate Subcommittee on Finance and Tax*
- ✓ *TaxWatch Testifies and Tracks Top Fiscal Challenges*
- ✓ *TaxWatch Electronic Benefits Transfer Recommendations Implemented*
- ✓ *Survey Cites Obstacles To Economic Development*
- ✓ *Florida's Crime Rate Holding Steady*
- ✓ *TaxWatch Research Report on Performance-based Program Budgeting Stirs Interest*
- ✓ *A Mid-Point Review of Florida's Performance-based Program Budgeting*
- ✓ *TaxWatch Takes Top Honors For Research at Governmental Research Association Conference*

Florida Household Government Benefits and Tax Burden

✚ This three-year landmark study was marked by development of a mathematical model and a rigorous methodological effort to show the relationship between government benefits to -- and tax burdens on -- various configurations of Florida households. The study integrated U.S. Census Housing Public Use Microdata with income and tax data to provide valuable information for assessing the impact of demography on tax sources and public spending. This research was conducted for Florida TaxWatch under contract by Dr. Keith Baker and Dr. Craig Reese, who currently serve as Florida TaxWatch Senior Research Fellows.



Florida Still Getting Shortchanged on Federal Grants

✚ Over the years, Florida TaxWatch has tracked distribution of grants by the federal government and shown that historically, Florida's state and local governments do not receive their fair share of federal grant funds. While this *Research Report* shows that our state is now doing better, it continues to receive less in federal grants than most other states, both in terms of per capita grants and in relation to the state's federal tax burden. Florida ranks 46th among the 50 states in per capita grants received. If Florida received a share of all federal grants equal to its share of all federal taxes paid, our state would have received \$12.4 billion, or \$3.3 billion more than it did in FY 1995.

An Analysis of the Tax Treatment of Credit Unions

✚ This *Research Report* examines federal and state tax law and regulations as they apply to credit unions and other financial institutions. Its unique contribution is an estimate of the value of tax exemptions afforded Florida credit unions. Total estimated value of exemptions is \$89 million annually, based on 1995 data.

The report projects that in ten years, exemptions to credit unions will be worth \$217 million annually. Reasons for the credit union industry's rapid growth are also examined, and the report projects that Florida's credit union industry will grow to total assets of \$33 billion and 4.5 million members in ten years.

Constitutionally Imposing Taxes and Fees is Bad Fiscal Policy and Hurts Responsible Government

✚ This *Research Report* expressed opposition to three proposed amendments on the November 1996 ballot prescribing a tax on raw sugar to be used in cleanup of the Florida Everglades because they sought to constitutionally impose a tax without adequate legislative review of scientific evidence and the opportunity for both sides to present their respective cases. The report cited Florida TaxWatch's previous opposition to the 1992 *Save Our Homes* amendment, a popular sounding provision that was passed following an emotionally charged campaign, and now places an unfair burden on the majority of Floridians and the state's business community. It also cited TaxWatch's opposition to the 1994 *Stop Turning Out Prisoners* amendment because it sought to constitutionally impose an extra one cent sales tax to build more prisons.

This *Research Report* expressed support for 1996 Amendment One requiring a two-thirds vote of the electorate to constitutionally impose new taxes and fees.

1997 Research Program Summary

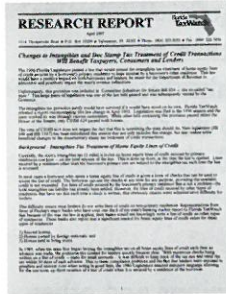
Supermajority Vote on all Taxes and Constitutional Amendments Will Promote Public Consensus, Voter Confidence and Greater Stability in Florida and Can Slow the Trend of Governing by Referendum

At the request of the Joint Legislative Auditing Committee, Florida TaxWatch conducted a 15-month review of the state's land acquisition program and a transaction on Keewaydin Island in Collier County. TaxWatch's concerns resulting from this examination are consistent with more than a decade of criticisms by Florida's Auditor General. The TaxWatch report recommends six improvements to the state lands program, including shifting it to a market-driven approach; organizationally separating the processes of conducting appraisals of land for state purchase from negotiating land purchases; and pursuing alternatives to state purchase such as incentives to land owners to preserve their land.

This *Research Report* points out that for more than two centuries, America's system of government has had the responsibility of protecting the rights and property of vulnerable minorities from the tyranny of the majority. At the same time, it has sought to protect the masses from a too powerful and well organized minority by promoting the construct of consensus building and accommodation described by James Madison in *The Federalist Paper, no. 10*. To continue and enhance these critical protections -- and to help restore eroded public confidence in government -- the report recommends a super majority vote of 2/3 or at least 3/5 of the membership of both legislative houses to raise or enact additional taxes. It also recommends a 2/3 or 3/5 super majority of citizens voting on an amendment to approve it.

Changes to Intangibles and Doc Stamp Tax Treatment of Credit Transactions will Benefit Taxpayers, Consumers and Lenders

This *Research Report* stated that the 1996 Legislature passed a law to extend the intangibles tax treatment of home equity lines of credit secured by borrowers' primary residences to lines secured by borrowers' other types of residences. However, this "win, win, win" provision benefiting citizens and businesses and projected to bring in a conservatively estimated \$1.8 million new revenue per year was included in a "tax train" that was vetoed by the Governor. The report recommended new legislation for the 1997 General Session that subsequently was enacted and includes the home equity provision plus beneficial changes to the documentary stamp tax treatment of credit transactions.



Performance Reviews for New State Tax Exemptions: Establishing Specific Criteria and Accountability Standards to Ensure These Investments Pay Off

This unpublished paper, provided to legislative committees during 1997 deliberations, points out that since its enactment in 1949, Florida's sales tax base has been tinkered with in virtually every legislative session. The value of sales tax exemptions (including services) now exceeds that of the sales tax revenue the state collects. This paper listed five key questions that should be answered before an exemption is granted; recommended that tax exemptions should be limited to one per bill; and endorsed a legislative proposal to require a performance review of any new tax exemption three years after its passage to compare the cost of the exemption to its actual benefits and whether they constitute a sound public investment.

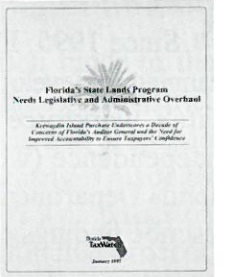
Municipal Police and Firefighters Pension Funds: An Analysis of Current Status

Florida TaxWatch, in conjunction with the Florida League of Cities, conducted a review of municipal pension plans for police officers and firefighters. The review found that these local pensions are both generous in their benefits and adequately funded. Of concern is that the police and firefighters disability retirement rate through 1995 was 14.7% versus a rate of 7.7% for Florida Retirement System Special Risk category employees.

1997 Research Program Summary

Florida's State Lands Program Needs Legislative and Administrative Overhaul

At the request of the Joint Legislative Auditing Committee, Florida TaxWatch conducted a 15-month review of the state's land acquisition program and a transaction on Keewaydin Island in Collier County. TaxWatch's concerns resulting from this examination are consistent with more than a decade of criticisms by Florida's Auditor General. The TaxWatch report recommends six improvements to the state lands program, including shifting it to a market-driven approach; organizationally separating the processes of conducting appraisals of land for state purchase from negotiating land purchases; and pursuing alternatives to state purchase such as incentives to land owners to preserve their land.



Oversight Combined with Performance and Fiscal Controls Should Help Implement the Everglades Construction Project on Time and Within Budget

This *Research Report* examines more than a dozen concerns with the South Florida Water Management District's initial implementation of a 20-year Everglades restoration initiative. Concerns include questionable organizational and personnel decisions by District management; lack of comparison between detailed project needs and revenues against a legislatively approved \$685 million budget; and poor central coordination and lack of oversight that prevented the District from anticipating budgetary and project changes. The report recommends a four pronged approach to regain state officials' and the public's confidence in this critically important project: Appropriate legislative consultation/consent; measurable outcomes and dates; improved cost accounting and fiscal controls; and both positive and negative performance incentives for District staff.

Keep Florida's "Bright Futures" Scholarship Program Bright: Keep the Promise

The Florida Bright Futures Scholarship Program, funded entirely by Florida Lottery money, is the most recent legislative effort to address a long-standing public concern that Lottery funds are not being used to enhance education. The Bright Futures goal is to reward Florida high school graduates for their scholarly achievements. Implicit in the intent is that retention of brighter students will strengthen Florida's postsecondary system and ultimately enrich our state if they live and work in Florida. The report points out that \$75 million in Lottery funds appropriated for Bright Futures in 1997-98 is actually less than meets the eye because only \$28.9 million is new money; the other \$46.1 million previously was allocated to Bright Futures as General Revenue.

Moreover, Florida TaxWatch estimates that maintaining this program at the current level could cost as much as \$193 million annually by 2000-01. With Lottery revenues allocated for all educational purposes essentially flat at \$800 million, the rapidly increasing cost of the Bright Futures scholarship program will require the Legislature to consider difficult choices. Those choices involve funding. In order to keep the promise to retain bright students in Florida, the Legislature will need to redirect current Lottery funds from other programs to this scholarship program; reduce Bright Futures award amounts; or supplement the current Lottery funds with other funds, e. g., General Revenue.

1997 Research Program Summary

Return on Investment Study – Cost Consequences Analysis of Florida's Work Force Development Programs

Since 1995, Florida TaxWatch has worked with the Florida State University Office of Needs Assessment and Planning to develop a unique model for calculating return on investment (cost-consequences analysis) concerning the state's workforce development efforts. Programs analyzed include the Job Training Partnership Act; Project Independence (welfare to work); Post Secondary Vocational Education; and Community College, PRIDE and the Florida Department of Corrections' vocational and educational programs. A series of tables and accompanying text describe findings on each program.

Return on Investment Analysis: Subsidized Child Care for the Working Poor

This report provides findings of a prospective cost-consequences analysis on the relationship between the state's investment in subsidized childcare for the working poor and the associated return on that investment. Consideration was given to tax contributions of the working poor relative to costs of subsidizing their childcare. Without considering the costs that Florida may experience from public assistance outlays due to a failure to invest in subsidized childcare, the cost-consequences are positive as associated with the tax contribution from keeping the working poor employed.

State Incentives For Employment Of Floridians With Disabilities Should Promote Competition

This *Research Report* points out a conflict between the intent of a Florida public policy that seeks to infuse higher levels of competition and privatization into the delivery of state services versus another policy that seeks to establish incentives for employment of people with disabilities. The report finds that the latter policy has benefited just a small portion of the target population and has had unintended consequences such as unnecessary bureaucracy and sizeable overhead costs. Meanwhile, more than 400,000 working age Floridians with disabilities are unemployed. The report recommends that other incentive mechanisms for the employment of people with disabilities be considered in addition to those currently in place.



Human Services Needs and Assets Assessment

This project was undertaken in conjunction with The Office of Needs Assessment and Planning at Florida State University. Florida TaxWatch provided continuing independent technical review and guidance regarding data gathering and analysis methodologies; reviewed assessment instruments and data collection processes; and edited a project report to the 21st Century Council, the City of Tallahassee and Leon County.

Review of Seminole County Solid Waste Landfill Proposal to Privatize Operations

At the request of the Seminole County Manager and a Program Review Committee appointed by the County Commission, Florida TaxWatch reviewed a Request for Proposals for privatization of the management and operation of the county landfill and solid waste transfer station. TaxWatch's review included examination of cost allocations and budgetary assumptions used by the County's Solid Waste Division (SCSWD), which was one of the respondents in the public/private competition. TaxWatch recommendations included retaining the services of a qualified Certified Public Accountant to accurately allocate expenditures for the SCSWD to reflect its actual costs. Based on this information, the county could then select the most responsive and cost effective bidder.

1997 Research Program Summary

Florida Transportation District Equity: Does the Funding Process Treat Each One Fairly?

This *Research Report* examines Florida's system for allocating state and federal transportation funds to the Department of Transportation's (DOT) seven districts, and the impact this system has had on the dollars each district has received and is expected to receive during the next five years. The report examines both historical and proposed distributions to the districts and compares them to several measures of equity. It also looks at how changes made by the Florida Legislature and the Department of Transportation have affected district equity. With DOT's emphasis on resurfacing and other needs-based allocations, along with other improvements to the transportation funding process, the report concludes that district equity is not the heated issue it was in the 1980s. The report also raises the point that the equity question in Florida has shifted from the state to the federal government, as Florida continues to be a "donor" state by not getting its fair share of federal transportation dollars.

Verification of Florida TaxWatch cost saving recommendations: 1980-1997

This report by Florida State University's Office of Needs Assessment and Planning (ONAP) substantiates how cost savings possibilities can be realized when a sustained public and private effort is made to seek, them out and put them to work for the benefit of Florida taxpayers. The report examines cost savings from initiatives recommended by Florida TaxWatch during its initial 18 years of operation as a government watchdog. ONAP compares TaxWatch's projected savings for that period against estimated actual results computed by ONAP with assistance from knowledgeable state agency staff. The ONAP report states that one evident conclusion is that savings reported by TaxWatch in a 1989 report covering a ten-year period were significantly lower than actual savings to the citizens of Florida. ONAP states that the grand total of savings between 1980 and 1997 from recommendations of Florida TaxWatch and the Florida TaxWatch/Florida Council of 100 "Partners in Productivity" initiative is \$ 6.2 billion.

Florida Department of Corrections Quality Self-Assessment

This joint project with the Florida State University Office of Needs Assessment and Planning developed an instrument to provide baseline data on the incorporation of Correctional Quality Managerial Leadership (CQML) principles in the organizational culture of the Florida Department of Corrections. Through this partnership, development, field testing and implementation of a CQML Self-Assessment took place. Initial findings of the self-assessment highlight several quality implementation issues which can benefit from the department's continuous improvement initiatives. Progress on these benefits would add further value to positive consequences the department is currently benefiting from as a result of its efforts to implement CQML.



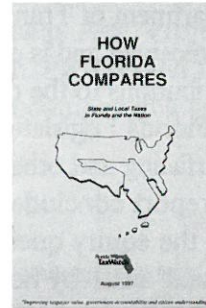
Tax Freedom Day 1997

Although the deadline for paying taxes to the IRS was April 15, the typical Floridian did not earn enough to pay his or her total tax bill for 1996 until sixteen days after that. Not until May 1 could Floridians take satisfaction in knowing they were finally earning money for themselves -- not the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations. While the amount of Floridians' earnings eaten up by taxes is significant, for the second year in a row Tax Freedom Day came a day earlier than the year before. However, there is little solace in the fact that on a per capita basis, the total tax bill for each Floridian has increased from \$2,194 in FY 1977 to \$8,079 in 1997. This 268% rise compares with inflation of 177% during the same period, meaning that the real increase per Floridian is a full 33%.

1997 Research Program Summary

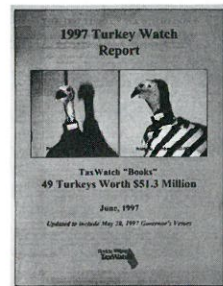
How Florida Compares

This annual report shows that Florida's per capita combined state and local tax ranking among the 50 states jumped from 32nd to 29th in 1994-95. On per capita state taxes Florida ranked 40th; on per capita local taxes Florida was 22nd. The report finds that with no significant tax increases passed by the Florida Legislature in 1996 or 1997, per capita state tax collections will continue their moderate growth of 4% in 1997. Local property taxes grew at a bit faster rate from 1994 to 1997 than they did from 1992 to 1994, but growth was much slower than in the 1980s. Thus, growth in both state and local taxes should not exceed that of Floridians' personal income. Finally, with a "no new taxes" mood prevailing throughout the country, a major move in Florida's tax rankings is unlikely in the near future.



1997 Turkey Watch Report

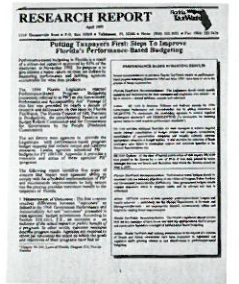
The 1997 Legislature stuck a total of 49 turkeys worth \$51.3 million into the state's \$42.4 billion budget for 1997-98. This year's crop -- which reversed a two-year trend of decreasing number and dollar amounts of turkeys -- cost \$8.67 for each Florida family. The report notes that the turkey label does not denote condemnation of a budget item's worthiness. Rather, it suggests that with the state's vast and pressing needs and limited resources, the question must be asked: Is this the best use of Floridians' state tax dollars? Budget turkeys are added onto the state budget without going through the normal planning and budgeting process. While Florida TaxWatch's Turkey Watch criteria make allowances for a considerable amount of legislative initiative, the definition of what constitutes sufficient budgetary review includes deliberative scrutiny and substantial review at legislative committee hearings. In addition to the 49 budget turkeys, the 1997 Legislature funded 212 "Special Allocation and Parochial Issues" costing \$92.1 million. Special projects, programs, vendors and locations provided the basis for this parochial legislative funding that undercuts the Legislature's own move toward performance-based program budgeting and associated systems of accountability that have been heralded as a way to restore public confidence in government.



1997 Research Program Summary

Putting Taxpayers First: Steps To Improve Florida's Performance-Based Budgeting

This Research Report notes that performance-based budgeting (PB²) in Florida is a result of a citizen-led initiative approved by 83% of the electorate in 1992. A major purpose of PB² is to give citizens a better return on their tax dollars by measuring performance and holding state agencies accountable for what they produce. The report identifies five areas of concern that impact agencies' ability to comply with the statutorily scheduled implementation of PB². It stresses the need for better outcome measures and suggests a limited number of key measures for state policymakers to utilize in making funding and management decisions.



TaxWatch Reports on Performance-Based Budgeting Take Top GRA Honors

Special Recognition

Last summer, Florida TaxWatch received the most prestigious prize from the Governmental Research Association (GRA), an 80-plus-year-old, national organization of government research institutions. The "Special Achievement Award" was presented for TaxWatch's advocacy of performance-based budgeting since 1986, and results obtained through TaxWatch's series of reports on government performance and accountability measures. This distinction is not made every year, but is only awarded when a research organization's achievements are particularly exemplary. The award was presented at the GRA Annual Conference, July 30, 1997 in Boston, MA.

News of Note

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

- Miami Herald

"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

"Florida TaxWatch Has Made A Billion Dollar Difference"

- Tampa Tribune

"Florida taxpayers can thank the Citizens Council for Budget Research, a privately financed watchdog group. The Council recommends reforms on all counts, and the advice is sound."

- St. Petersburg Times

"Heed TaxWatch"

- Miami Herald

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

- Miami Herald

"TaxWatch Has Made Its Mark"

- Winter Haven News Chief

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

- Tallahassee Democrat

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

- Charlotte Sun Herald

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

-Agriculture Commissioner Bob Crawford

Davis Productivity Awards

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

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

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

Employees can receive a total of \$80,000 per year in cash awards, commemorative plaques and certificates of commendation. The program also provides a forum in which they receive well deserved public recognition. Since the program's 1989 inception, more than 2,500 state employees have benefitted from more than \$600,000 worth of rewards and recognition for making state government run more efficiently and effectively.

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

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

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



Governor Lawton Chiles, TaxWatch President Dominic Calabro and Governor Wayne Mixson pause for a photo at the Governor's Mansion during a reception held in honor of the Davis Productivity Awards.



PRIDE of Florida President, Pam Davis, who co-chaired the Davis Productivity Awards Program and Support Committee, is greeted by TaxWatch President Dominic Calabro and Winn-Dixie President James Kufeldt.

Florida Tax Watch Staff



Front row, left to right: Dr. Neil S. Crispo, Sr. Vice President, Research and Operations; Dominic M. Calabro, President and Chief Executive Officer; Barbara "Babs" Taff, Vice President, Membership.

Back row, left to right: Myrtle Bailey, Research Analyst; Naomi Stott, Membership Assistant; Michael Walsh, Senior Research Analyst; David M. Davis, Senior Research Analyst; Daniel E. Sprague, Research Analyst; Phyllis Burkhardt, Office Administrator; Dr. Dick Brand, Development Consultant; Geraldo Flowers, Askew School/Florida TaxWatch Research Associate; Mary Ruth Russell, Research Intern.

Help Shape Florida's Future . . . Join Florida Tax Watch Today!

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

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

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

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

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

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

~ Abraham Lincoln

This report was written and compiled by
David M. Davis, Senior Research Analyst, Daniel E. Sprague, Research Analyst,
and Mary Ruth Russell, Research Intern
under the direction of
Dr. Neil S. Crispo, Senior Vice President, Research and Operations
David McIntosh, Chairman; Dominic M. Calabro, President and Publisher

© Copyright Florida TaxWatch, November 1997



106 North Bronough Street ■ P.O. Box 10209 ■ Tallahassee, FL 32302

Phone: (850) 222-5052 ■ Fax: (850) 222-7476

<http://www.freenet.tlh.fl.us/~twatch>

"Improving taxpayer value, citizen understanding and government accountability."