

FLORIDA TAXATION AND BUDGET REFORM COMMISSION

IN RE: Committee Meeting

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Tallahassee, FL

REPORTED BY: LISA D. FREEZE, RPR
Notary Public

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MEMBERS OF THE COMMITTEE:

Hoyt "Barney" Barnett
Martha W. Barnett
Allan Bense
R. Mark Bostick
Talbot "Sandy" D'Alemberte
Mike Haridopolos
Mike Hogan
Julia Johnson
Bruce Kyle
Carlos Lacasa
Patricia Levesque
Alan Levine
Gwen Margolis
Roberto "Bobby" Martinez
Jacintha Mathis
John M. McKay
Robert "Bob" McKee
Lesley J. "Les" Miller, Jr.
Randy Miller
Jade Thomas Moore
Frank Peterman
Nancy J. Riley (by telephone)
Darryl E. Rouson
Ray Sansom
James "Jim" A. Scott
Susan Story
William Gregory "Greg" Turbeville
Kenneth "Ken" Wilkinson
Brian Yablonski

1 P R O C E E D I N G S

2 CHAIRMAN BENSE: Good morning. The meeting
3 will come to order. And, Susan, do you want to
4 call the roll? April, if you will call the roll,
5 please.

6 MS. GROOVER: Commissioner Barnett.

7 MR. BARNETT: Here.

8 MS. GROOVER: Commissioner Martha Barnett.

9 MS. BARNETT: Here.

10 MS. GROOVER: Commissioner Bostick.

11 MR. BOSTICK: Here.

12 MS. GROOVER: Commissioner D'Alemberte.

13 MR. D'ALEMBERTE: Here.

14 MS. GROOVER: Commissioner Haridopolos.

15 (No response.)

16 MS. GROOVER: Commissioner Hogan.

17 MR. HOGAN: Here.

18 MS. GROOVER: Commissioner Johnson.

19 MS. JOHNSON: Here.

20 MS. GROOVER: Commissioner Kyle.

21 (No response.)

22 MS. GROOVER: Commissioner Lacasa.

23 (No response.)

24 MS. GROOVER: Commissioner Levesque.

25 MS. LEVESQUE: Here.

1 MS. GROOVER: Commissioner Levine.
2 (No response.)
3 MS. GROOVER: Commissioner Margolis.
4 (No response.)
5 MS. GROOVER: Commissioner Martinez.
6 MR. MARTINEZ: Here.
7 MS. GROOVER: Commissioner Mathis.
8 MS. MATHIS: Here.
9 MS. GROOVER: Commissioner McKay.
10 MR. MCKAY: Here.
11 MS. GROOVER: Commissioner McKee.
12 MR. MCKEE: Here.
13 MS. GROOVER: Commissioner Les Miller.
14 (No response.)
15 MS. GROOVER: Commissioner Randy Miller.
16 MR. MILLER: Here.
17 MS. GROOVER: Commissioner Moore.
18 MR. MOORE: Here.
19 MS. GROOVER: Commissioner Peterman.
20 (No response.)
21 MS. GROOVER: Commissioner Riley.
22 MS. RILEY: Here.
23 MS. GROOVER: Commissioner Rouson.

24 (No response.)

25 MS. GROOVER: Commissioner Sansom.

1 (No response.)

2 MS. GROOVER: Commissioner Story.

3 MS. STORY: Here.

4 MS. GROOVER: Commissioner Turbeville.

5 MR. TURBEVILLE: Here.

6 MS. GROOVER: Commissioner Wilkinson.

7 MR. WILKINSON: Here.

8 MS. GROOVER: Commissioner Yablonski.

9 (No response.)

10 MS. GROOVER: Commissioner Scott.

11 MR. SCOTT: Here.

12 MS. GROOVER: Mr. Chairman.

13 CHAIRMAN BENSE: Here.

14 MS. GROOVER: Quorum present.

15 CHAIRMAN BENSE: Okay. We have present a
16 quorum. Couple of notes, folks. Number one, this
17 meeting is being recorded by the Florida Public
18 Television, so govern yourself accordingly. To
19 speak there's a mute button. Press the mute
20 button, and you'll see the light go to active.
21 And that means you are active. So any time you
22 want to speak be sure to press that button,
23 especially for recording purposes.

24 And for those calling in, be sure on your
25 phone to push the mute button until you wish to

1 speak. That way we don't get feedback from the
2 telephone.

3 And also the coffee is to the room to your
4 right for those of you that need some coffee.

5 So having said that I thought I would
6 introduce new staff members that we have.
7 Kathy Torian. Stand up, Kathy. Is our --
8 sorry about that. Is our deputy executive
9 director, slash, public relations person.
10 She's a -- we had a spot for a public relations
11 person and a deputy director so we've kind of
12 combined that into one.

13 So Kathy comes to us from the governor's
14 office. She has experience with the Department
15 of Education before that and is a really,
16 really plus addition to the commission, so be
17 sure to say hello to Kathy before you leave.

18 April Groover is our administrative
19 assistant, and April will be greeting you when
20 you call in and doing a lot of the work
21 necessary to keep you up to speed on what the
22 commission big picture is doing and she has a
23 track record, came to us from the Senate, I

24 believe. She comes to us from the Senate. The

25 House is getting shut out. We got to do

1 something about this. So anyway, welcome,
2 April, and welcome, Kathy.

3 Next, I think you-all have a copy of the
4 record from the April 13th meeting. You've
5 been sent a transcript. Is there a motion to
6 approve the minutes and the transcripts of the
7 previous meeting?

8 MR. MARTINEZ: So move.

9 MS. BARNETT: Second.

10 CHAIRMAN BENSE: Okay. We have -- I can't
11 see who did it. Martinez moves, Martha Barnett
12 seconds. All in favor say aye.

13 (Ayes unanimous.)

14 Opposed no. Motion carries.

15 The next item on our agenda is reports of
16 committees. Before we get there, and also to
17 give our committee chairs a little bit of time
18 to maybe even formulate your thoughts better
19 because you're just off your committee
20 meetings, and you probably have a lot of items
21 running through your mind.

22 I thought we would skip to some of the
23 presentations first. Let's see what some of

24 these folks have to say. Unless there's an
25 objection we'll skip to item six in the

1 expanded agenda.

2 And let's open with a presentation on
3 demographic makeup of the State of Florida 2007
4 by Amy Baker. Amy is executive director of the
5 Office of Economic and Demographic Research, an
6 arm of the Florida Legislature. Welcome, Amy.

7 MS. BAKER: Good morning.

8 CHAIRMAN BENSE: Good to see you again.

9 MS. BAKER: Good to see you. Okay. Good
10 morning. First, what we're going to talk about
11 today is demographics, and demographics is
12 actually the set of characteristics that define a
13 population.

14 So we're going to be talking about that,
15 but most of those characteristics are really
16 interactive as you move over time, so what --
17 the way we tend to look at it is really as
18 snapshots at a point in time. So if anything
19 changes those snapshots will look different
20 when we get there, but this is the best
21 information we have so far.

22 The first thing we're going to talk very
23 briefly about is the economy, and the first

24 thing to realize is that Florida remains one of
25 the nation's fastest growing states. In fact,

1 if Florida was a country and ranked against the
2 other 180 countries in the world, we would be
3 17th. So we're a significant force in and of
4 ourselves.

5 The latest forecast series that we have
6 shows that the economy is continuing to expand
7 but nowhere near the level that we were at in
8 the 2004/05 banner year. It's much more modest
9 at this point in time. And that's true for
10 Florida and for the nation as a whole. It's
11 continuing to grow, just not at the same peaks
12 that we were reaching.

13 And the most important thing about this is
14 to recognize for Florida our population growth
15 continues to be the state's primary engine of
16 economic growth. That's why we are doing so
17 well as we continue to attract more and more
18 people into the state, and that in turn fuels
19 both the employment and income growth.

20 The population in Florida has hovered
21 around 2 percent to 2.6 percent since the mid
22 1990s, and over the forecast horizon, which the
23 various points this morning we're going to talk

24 about 2030 and 2050 as being what we're looking
25 ahead to, we're going to be averaging about

1 1.1 percent. And that's between 2025 and 2030.
2 That is still significant. It's sounds like a
3 very small percentage, but I'll show you in a
4 minute that that is still astounding growth.

5 In fact, Florida's on track to break the
6 20 million mark in population around 2010, and
7 probably more importantly in terms of setting
8 us in -- against the rest of the country is the
9 fact that we're expected to surpass New York
10 shortly after 2010. So that would make us the
11 third largest state in the country, so that's a
12 pretty significant milestone.

13 The April 1st population, you can see that
14 over our history since 1970s where we started
15 here is just continually increasing. You can
16 see at the end as we move closer to 2030 it's
17 going to slow down a little bit but still
18 growing. Our population today, as of the most
19 recent forecast we have, is just over
20 18 million people in the State of Florida. And
21 by the time we reach 2030, we're going to be
22 around 26.5 million people.

23 And this is a chart I was referring to and

24 how significant even 1 percent or 2 percent is
25 to us. Over the last couple of years we have

1 been averaging just over 400,000 people,
2 initial people a year. To put that into
3 context, that's adding a city bigger than the
4 size of Miami every single year to the State of
5 Florida. So you can imagine the complications
6 and complexities that that brings.

7 By the time we get to 2030 it's going to
8 be adding about 285,000 people a year. That's
9 still big. That's a city the size of Orlando a
10 year. So even though we're slowing it is not
11 going to be something that's going to be easy
12 to absorb.

13 The growth that we have in Florida is
14 actually made up of two components, and one is
15 much more important than the other. The first
16 one is net migration, and what that means is
17 people moving into the state against the number
18 of people moving out of the state. And we've
19 been relying on that migration for most of our
20 growth for a long time now.

21 The bullet up there is wrong. It says
22 that it's about 13 percent of the growth
23 between 05/06. It's actually 87 percent of

24 Florida's growth between 05/06. The 13 percent
25 refers to natural increase. That's how many

1 births you have in excess of how many deaths
2 you have.

3 So for us, we rely on that migration. The
4 natural increase is a very small component of
5 what's going on here. And, in fact, by the mid
6 '20s, Florida's growth is forecast to be
7 exclusively from that migration. Because we
8 have an aging population our number of deaths
9 are going to pick up and so the births are just
10 going to be offset by that. So that's
11 extremely important to us.

12 This is just a snapshot of what net
13 migration looks like right now by county. The
14 red areas are those that -- where the net
15 migration that they've had counts for all of
16 their growth, all of their population growth.
17 And we have 22 counties right now that actually
18 have 100 percent net migration growth. And
19 then the blue is a little less strong all the
20 way down to the yellow and gold.

21 So this kind of shows you that even though
22 we're one state, our growth across that state
23 is uneven, and so we've got pockets of really

24 strong growth, pockets of places where we're
25 getting people from other states and others

1 that just pretty much are stable and hanging in
2 place.

3 The population by gender, there's not a
4 lot to say here. We're pretty much 50/50. We
5 pretty much match the nation as a whole. We
6 have slightly more females than males, and it
7 will probably stay that way through 2030.

8 The median age of Floridians right now is
9 39.7 years old. And we have a lot of diversity
10 in that one too. We only have three counties
11 that are below the age of 30, and that's
12 Alachua, Leon, both of those because of their
13 state university and community college
14 populations helping swell it and Hendry County.

15 But we have four counties with a median
16 age of 50 and older: Charlotte County, which
17 is the oldest county in the state, Citrus,
18 Sarasota, and Highlands. The nation as a whole
19 is about 36 right now, so we continue being
20 older than the nation as a whole.

21 Population by age group. This is the
22 first way to look at it, which is just looking
23 at different age brackets and how our

24 population breaks or spreads among those age
25 brackets. The 017 that you have in the first

1 bar can actually be split into two bars, and
2 they would break pretty much evenly into it.

3 So you can see really the strongest area
4 we have is the 40 to 49. I put that red line
5 up there to show you the 60 to 69. In 20 years
6 our population that's 40 to 49 is going to
7 switch to be 60 to 69, and that's where the
8 bulk of our population will be and that's where
9 our growth is coming from.

10 And you can see that on the next chart.
11 You can see 60 to 69, 70 to 79 are swelling.
12 And that's not just our population aging, but
13 that's also migrants coming in of that age. So
14 that's pretty significant.

15 Our population 60 years and older will
16 account for most of our population growth and
17 it'll be about 55.3 percent in other gains.
18 And our younger population will continue to
19 trail a little bit and not be as big a share.

20 This is a chart that you typically see in
21 demographics. The most important thing about
22 it is the two lines on the left-hand side show
23 you the census in 2000 versus where we are in

24 2006. And coming up the side is the ages
25 starting with the youngest, going up to the

1 oldest ages that we have.

2 And you can see we didn't change that much
3 between 2000, 2006. The breakouts between age
4 groups were relatively similar. They're not
5 that different. But look what's going to
6 happen between 2006 and 2030. It's almost like
7 the waist is being squeezed in from our younger
8 and old -- middle-aged populations and being
9 pushed out into the older population. So
10 that's, again, another way of looking at how
11 dominant a force it's going to be.

12 The reason why that's important, and we're
13 going to talk about it a little bit more in a
14 moment, is because our prime working age
15 population is going to get smaller relative to
16 the retirement population that they're
17 supporting.

18 They're going to be -- right now it's
19 about 41.5 percent of our total population.
20 When we get to 2030 it's only going to be
21 34.1 percent of the population. And those are
22 your prime taxpayers, so that's why we care
23 about the distribution across age groups.

24 On the other hand, our population 65 and
25 older is about a quarter of our population

1 today. It's going to go up -- excuse me, it's
2 about 17.6 percent today. It's going to go up
3 to be a quarter of our population in 2030, so
4 another, again, another emphasis on -- that
5 Florida's population is going to be pretty
6 dramatically aging.

7 The school age population, public school
8 enrollment, I put this up here kind of to bring
9 out a point, which this is a mystery to us.
10 The blue line that you see moving is our
11 demographic forecast. And that is what we know
12 is happening with births and what we know is
13 happening with the aging of the younger
14 population in Florida. And clearly our school
15 population was going to be declining as we move
16 forward.

17 Still positive growth but declining, but
18 what has happened in actual public school
19 enrollment, even though it follows a general
20 direction, is not explained by the demographics
21 of what's going on in Florida. You can see
22 that we had our first negative growth in a long
23 time in our school age population in the last

24 year. It is much stronger effect than what --
25 what can be explained by demographics alone.

1 The lines would be much closer if you could do
2 that.

3 So we know that there's another economic
4 event going on that's causing that that's not
5 demographics that's interplaying with our
6 demographics. We believe that public school
7 enrollment is a leading indicator of what's
8 going to happen with demographics as we move
9 forward.

10 So from this what we're looking at is a
11 possibility of dropping some of those
12 projections that I was just giving you when we
13 go into the fall estimating conferences. Our
14 population growth, still positive, may not be
15 as quite strongly positive as what we've been
16 seeing. So this is probably our biggest
17 Florida-based mystery in demographics right now
18 is what's causing this to change.

19 We know there are a few families with
20 school age children moving into Florida and
21 putting their kids in public schools. We know
22 that there's more families leaving Florida that
23 have kids in public school. We also know from

24 home schooling and private school data that
25 that doesn't explain it. So that tells us it's

1 some kind of economic event occurring.

2 Florida's Hispanic population, the nation
3 as a whole and Florida in particular is going
4 to be much more multicultural as we move
5 forward. And you can see this from this graph
6 here. We're going to be moving to around 16,
7 18 percent of our population being Hispanic,
8 all the way up to a quarter of our population
9 being Hispanic as we move to 2030.

10 Now, that's -- compared to the nation as a
11 whole, we don't have as many folks coming in
12 from different nationalities as a nation as a
13 whole. Ours is pretty much coming from
14 Hispanic population from other countries and
15 also from Puerto Rico. So this will be a
16 significant change in the way Florida looks as
17 we move forward.

18 Language and foreign born, obviously this
19 is going to be affected by time as well. What
20 you -- what we have to realize as we prepare
21 for the future is that because we're going to
22 have more foreign born people in Florida and
23 more people of strong Hispanic backgrounds,

24 it's not going to be as many people that speak
25 English as a primary language. We're going to

1 see more people that speak English not as well
2 or not at all.

3 We have today 372,000 people in Florida
4 that do not speak English at all but function
5 very well. Areas like Miami are already -- are
6 set up so that they can function in two
7 different languages, so that's pretty
8 significant.

9 As we move forward, we'll grow to about
10 6.4 million Floridians of age five or older who
11 will speak another language in addition mostly
12 to English at home, and about 1.6 of those
13 folks will speak English not well or not at
14 all, so that's something we have to bear in
15 mind as we move forward. And today almost
16 20 percent of our population is foreign born,
17 so that's pretty strong statistics.

18 In terms of how we look between urban and
19 rural areas, 34 -- whoops. Okay. 34 of
20 Florida's 67 counties have a population of less
21 than 100,000. They're very small, mostly rural
22 areas. But, on the other hand, the top seven
23 counties make up of 52 percent of our total

24 population. So we have -- no surprise to any
25 of you guys -- a very diverse state with very

1 different characteristics, and so that's
2 something to keep in mind.

3 Population growth, there's two ways of
4 looking at. The first one looks in terms of
5 raw numbers, how many bodies are we bringing
6 into an area. And, again, the red areas are
7 the strong areas of the state where we have the
8 most growth, and the leaders here, no surprise,
9 Miami-Dade, Orange, Hillsborough, Palm Beach,
10 Lee is kind of new to that list. It's been
11 growing very, very quickly as you know from
12 being down there.

13 The other way of looking at it is in terms
14 of percentage growth, because there's some
15 communities that aren't very big yet; but they
16 are adding to their size very dramatically.
17 And on that list you get Flagler County, Sumter
18 County, which is The Villages, if you wonder
19 why Sumter County is growing so fast, Osceola
20 County, Walton County, St. Lucie. And, again,
21 the red areas are the ones with the strongest
22 growth in the state.

23 The -- another demographic factor that we

24 talk about a lot is personal income. And when
25 we look at this chart, what you notice is

1 around 2004 we had a significant shift in how
2 our personal income is growing. Probably most
3 of you can guess why. The hurricanes, as
4 devastating as they were to Florida, also
5 brought in a surge of insurance payments, and
6 for personal income purposes we count insurance
7 payments.

8 So that kind of swelled both on a per
9 capita and overall our personal income growth
10 over the last couple years. We do not expect
11 that to continue going forward. We would
12 expect us to go a little bit back to where we
13 were before and return to a more normal level.

14 Our per capita income, even though we're
15 one of the highest states in total personal
16 income, our per capita income is a little bit
17 on the low side. We don't hit the average.
18 But we're close to it, and obviously in the
19 last couple years we definitely made strides.

20 Employment breakdown is another thing we
21 look at to describe the demographics of the
22 state is how -- where are we being employed
23 over time. The strongest area of the state is

24 trade, transportation, utilities. That's
25 mostly retail trade, and that's where we

1 continue to add more and more jobs.

2 Natural resources and mining is a
3 declining industry for Florida, and right now
4 so is manufacturing a declining industry for
5 Florida. But the rest of the areas outside of
6 trade and leisure and hospitality tend to kind
7 of grow about the same levels.

8 The -- in terms of annual average wage,
9 our highest wages are around 52,000, \$50,000,
10 and they tend to fall in the financial areas
11 and in the -- in the information areas, some of
12 the more highly educated areas, which is no
13 surprise. Our average employment is slightly
14 below the U.S. but close.

15 And the last kind of segment we're going
16 to talk about here is the effect of the baby
17 boom cohort as we move forward, and that's
18 going to be driving everything. The baby boom
19 cohort, there's some dispute over when it
20 started and when it ended, but the most
21 commonly accepted years are 1946 to 1964. And
22 so anyone born in that period is considered a
23 part of the cohort.

24 They started entering the workforce
25 between 1967 and 1985 is when the bulk of them

1 hit. And most importantly for us as we move
2 forward is entering into retirement, 2011
3 through 2029. The -- there will be some that
4 will be hitting as early as 2008, depending on
5 their unique circumstances.

6 So you can see this is something that's
7 ahead of us that we're going to have to make a
8 number of the changes to accommodate. The baby
9 boom cohort is so phenomenal because it
10 basically spans a hundred years. It started
11 around 1950, and their sphere of influence in
12 being able to drive what's happening in the
13 economy will run all the way through 2050. So
14 for our forecast horizon, this is the story.

15 Now, what does that mean in global trends?
16 Well, in -- for the whole earth, for the whole
17 globe, by 2025, which is not that far down the
18 road, the world is going to be much older than
19 we have. And in fact the United States in
20 terms of split between demographics is going to
21 look like Florida looks today. But we're going
22 to be more so. We're moving ahead to be being
23 over a quarter of our population being seniors.

24 So we're going to intensify in the split of our
25 age groups.

1 The U.S. is going to move to looking like
2 we look today. It's going to be far less
3 Caucasian, more multiracial, more cultures,
4 more people from other countries. And we're
5 going to be far more concentrated in urban
6 areas. The rural areas will tend to be smaller
7 and smaller.

8 But the aging population, which is our
9 story, is actually caused by three things.
10 Obviously mostly by the baby boom cohort and
11 their size. There's about 76 million baby
12 boomers in the country.

13 But it's also being affected by falling
14 fertility rates in the country today. We're
15 not as bad as other countries. Italy and a
16 few -- Japan and a few other countries have
17 much lower birth rates than we do, but ours is
18 still detectably falling.

19 And almost more important is the rising
20 longevity, your life expectancy, how long
21 people are expected to live. That is
22 increasing every single year, and that's going
23 to be a factor, that people are going to be

24 spending more and more time in retirement than
25 they initially anticipated, whether when they

1 started out saving or whatever they were doing
2 for planning, it's going to be longer for most
3 of them than they thought.

4 There is a chance but nothing that we
5 bring into planning that the technological
6 breakthroughs in health care may even cause us
7 to jump more than what we're anticipating right
8 now. We've been adding a year at a time as we
9 move forward. You know, with certain kinds of
10 technological breakthroughs in health care you
11 may jump five years, ten years or some other
12 longer period of time.

13 The national trends, what does that mean
14 to the nation? Most importantly for talking
15 about the economy and how to deal with a sound
16 future, is that the ratio of taxpaying workers
17 to retirees will fall, and this is taxpaying
18 folks so this is people who actually have jobs.
19 If you looked at it in terms of just the age
20 group, whether or not they're employed, today
21 is 5.1. Of those that are employed and
22 actually in the workforce it's 4.1.

23 We're going to move to 50 years from now

24 being projected 3.1. So that means three
25 people in the workforce supporting every one

1 person in retirement. That's a significant
2 shift in how we've viewed the economy.

3 This labor force contraction is also
4 projected to depress economic output and boost
5 inflation. GNP growth for the country is
6 expected to slow to around 1.5 percent. This
7 can change, and we'll talk about why in the
8 next two bullets.

9 The first thing we know is going to
10 happen, that it's going to be more and more
11 important to attract migration from countries
12 which have a greater youth population than
13 ours, because that will be a relief valve for
14 us. We -- that's not something we've really
15 thought about as a country, but there are other
16 countries that have, will have youth bulges.
17 They're mostly the developing countries. They
18 are not affected by the baby boom cohort like
19 we are. And because they're not, they're going
20 to have a lot more young people.

21 And so the wave of the future will
22 probably switch to being trying to attract some
23 of them to move to the United States and help

24 fill some of that worker shortage.

25 The other one that's something we can

1 start now and is important, extremely
2 important, is trying to design incentive
3 programs and tax structures that allow workers
4 to stay in the workforce longer. They're going
5 to be healthier. I mean, we are healthier than
6 our parents' generation. They were healthier
7 than the generation before them. People can
8 stay in the workforce longer.

9 And so we don't want to do things to our
10 tax structure or through pension programs,
11 benefit programs that discourage people from
12 staying in the workforce. We want them to stay
13 in.

14 And then finally, what does all this --
15 everything we've talked about mean to Florida?
16 Well, Florida is unique, as we almost always
17 are. We are an aging state, but we're also a
18 growing state. And those two things are not --
19 are going to clash against each other a little
20 bit. They're going to give us double the
21 challenge as we move ahead.

22 The aging state we talked about a lot
23 that's going to be more intense in Florida than

24 elsewhere in our country, with over a quarter
25 of our population being 65 years or older. But

1 in addition to that, we're still a growing
2 state. And so all the challenges we've had
3 over the last number of years are going to
4 continue to stay in place. There's going to be
5 a greater need of services and some of those
6 services are going to be competing.

7 We're going to be needing to try to
8 provide services to our aging population, but
9 at the same time we still have school age
10 children and college age children that we need
11 to work through the system. So that's going to
12 be a challenge to reconcile between those two
13 kinds of competing demands.

14 Allocation of increasingly scarce natural
15 resources, especially water, that's going to
16 continue to be on the forefront of the issues
17 we face as we move forward.

18 And then finally the provision of needed
19 infrastructure. As our population has aged so
20 has our infrastructure, and so a lot of that is
21 reaching the age where it needs to be replaced.
22 But because we're still growing, we're going to
23 need to be adding to it too.

24 So the challenge for you guys as you as
25 deliberate is thinking about those two things

1 that are going to be facing us at the same
2 time. So aging and growing.

3 And that's -- that's my presentation.

4 CHAIRMAN BENSE: Thank you, Amy. Wow. Any
5 questions? I've got a few, but fire away. Any
6 questions? Commissioner McKay.

7 MR. MCKAY: Well, Mr. Chairman, first let me
8 ask if we could have a printout of this
9 distributed to all the members. This is
10 considerable food for thought.

11 I have a couple of questions. First of
12 all, Ms. Baker, you continue -- you forecast an
13 increasing population for the State of Florida
14 but a declining increase, so I was curious --
15 we've got a lot of problems right now in
16 Florida with insurance rates and property
17 taxes. And I wondered how those two issues
18 factor into the population growth.

19 MS. BAKER: In terms of our forecast, right
20 at this moment it's not in there. The reason our
21 forecast is declining as we move forward is 2
22 percent growth for a state the size of Florida is
23 phenomenal growth. New York, for example, is just

24 barely over zero. They're positive but just
25 barely over. So it's more a view that it's not

1 sustainable, especially as you have a larger and
2 larger base that you're trying to grow from, that
3 you just can't add that many people every year.

4 But in terms of your point, in terms of
5 whether property taxes and insurance are making
6 a difference, our belief is the chart that we
7 showed on the school age population and the
8 fact that the demographics isn't explaining the
9 decline that's actually occurring in number of
10 kids enrolled, that that may be affected by
11 property taxes, insurance, hurricanes, and even
12 more importantly the fact that during, you
13 know, it was great for our economy to have a
14 housing boom but what -- the effect of it is to
15 drive the median house price up in Florida by
16 double-digit increases.

17 We used to be a cheap housing state to
18 move to. We were cheaper than the national
19 averages and cheaper than states our size
20 significantly. But now we're not. Florida --
21 our median household price is above the
22 national average, so we think that's a factor
23 too.

24 Now those -- those can all be temporary.
25 They can be things that can work themselves out

1 and not a long-term shift, but that's what
2 we're going to be wrestling with over the next
3 years. Insurance solutions come out. As
4 property tax solutions come out, as the housing
5 market stabilizes and we lose double-digit
6 increases in price, which I think the latest
7 data is, I think we were down 4 percent for
8 existing home sales last month. So all of
9 those things can stabilize and not affect our
10 long-term picture.

11 MR. MCKAY: So you don't believe it's
12 necessary to factor the insurance costs and the
13 property tax growth increase into population
14 growth?

15 MS. BAKER: So far we haven't felt it was
16 necessary. When we meet in the fall -- what
17 happens in Florida every April is we do a
18 statewide population count, and we base that on a
19 number of different things. And so right now
20 we're just starting -- I say "we" but it's
21 University of Florida and EDR are starting to
22 review the information that was collected
23 April 1st.

24 If we detect the same kind of pattern in
25 that data that we detected in the school age

1 enrollment, then we will have to factor it in.
2 For whatever reason if there's a shift there,
3 it has to be factored in.

4 MR. MCKAY: I have another question if I may.

5 CHAIRMAN BENSE: Go ahead.

6 MR. MCKAY: Is it possible, given the
7 population demographic changes in Florida -- this
8 obviously is not my father's Florida -- is it
9 possible, given those demographic changes for
10 someone to forecast the -- well, it's easy to
11 forecast the expected demand on services. There
12 will be more nursing home, Medicaid -- greater
13 nursing home, Medicaid demands than there will be
14 K12 schools as you pointed out.

15 Is it possible to forecast the most
16 reliable taxing sources for the state given the
17 demographic changes?

18 MS. BAKER: We could do some work in that
19 area. I mean, and I think you have a presentation
20 this morning. I mean, what you're looking for is
21 a stable source or a stable set of sources to move
22 forward. Sometimes the fastest growing sources
23 are not the most stable sources, so that's kind of

24 a competing demand, but we can do some work in
25 that area.

1 MR. MCKAY: I would appreciate, Mr. Chairman,
2 if we could forecast that one thing Ms. Baker said
3 was that as we try and keep the elderly in the
4 workforce, we don't want to obviously have an
5 income tax because that would discourage them from
6 getting back into the workforce; but the
7 demographic changes are really going to affect the
8 reliability of taxing sources whatever they might
9 be. I need somebody a lot smarter than me to
10 figure that out.

11 CHAIRMAN BENSE: Same here, agreed.
12 Commissioner D'Alemberte.

13 MR. D'ALEMBERTE: I would like to go back to
14 page 12, if I can, school age population. I am
15 really surprised at the fluctuation in these
16 enrollment and population tallies. Can you
17 explain why we have this very sharp dip in the mid
18 '60s, apparently again in the mid '70s, and now
19 the current very drastic drop in terms of public
20 school enrollment? Because those, as Senator
21 McKay was pointing out, this just drives an awful
22 lot of the state budget.

23 MS. BAKER: Yeah. Today it's a very

24 significant part. A lot of the fluctuations we've
25 seen in the past -- and it may turn out that the

1 one we're in right now will fit the same bill; we
2 just don't know yet -- have been driven by
3 situational events, either political things that
4 were going on at the time or they were driven by
5 introduction to new programs. Like when we do
6 detail data when the corporate scholarship program
7 came in, we could tell a movement between public
8 school enrollment and what was happening in
9 private school enrollment.

10 So some of it is situational, and it's
11 just temporary shifts. And we think most of
12 the blips that we've seen in the past have been
13 that. I mean, because otherwise they tend to
14 follow direction really well.

15 The one we've got now is unusual in that
16 we're dropping so much below the demographics,
17 because in the past the demographics almost was
18 sort of a floor. There could be other events
19 going on that could influence it, but the
20 demographics were still the floor of -- or peg,
21 if you will, as to what was happening. You
22 weren't going to deviate that much from it.

23 But at this one we are, the demogra --

24 we -- shifting downward from the demographic,
25 and that's not what we anticipated seeing at

1 this point in time.

2 There's not any program in place. There's
3 not, you know, any kind of event occurring that
4 would explain that by itself. And so that's
5 why we -- as we move forward we're thinking
6 economics. And we're thinking about is this
7 something that's going to correct itself.

8 Early indications are that enrollment this
9 year that we had projected right before session
10 is probably a little lower even than what we
11 cut it to, so it's not turning around yet.

12 MR. D'ALEMBERTE: And how about looking into
13 the future with the public school enrollment rate
14 quite a great deal down? Is there -- is it
15 anticipation that we'll stay down in negative
16 growth?

17 MS. BAKER: The folks in my office that --
18 they're experts on education forecasting do not
19 believe that's the case. They believe very
20 strongly that ultimately demographics is going to
21 take hold of the situation and pull it back in
22 line again. And if it's an economic-based
23 phenomena, that's probably true. Economic events

24 are cyclical. They move up and they move down.

25 Things in the free market correct themselves and

1 they go away, they're transitory.

2 So our long-term belief is that we're
3 going to come back and follow that demographic
4 line more closely.

5 MR. D'ALEMBERTE: And the separation between
6 the public school enrollment line and the school
7 age population line strikes me as extraordinary.

8 MS. BAKER: Yeah, us too, us too.

9 MR. D'ALEMBERTE: I mean, that's -- I can't
10 find another place where that happens in this
11 history.

12 MS. BAKER: No, it's not happened like this.

13 MR. D'ALEMBERTE: So what's causing that?

14 MS. BAKER: It's speculation at this point
15 because we don't have hard data to prove it, but
16 we know for example that the moving companies keep
17 track of how many people they move into a state
18 and how many people they move out of a state. And
19 we know they've not been moving as many people
20 into Florida as they were.

21 And we know from the school data because
22 we have to report where the child was the prior
23 year, and we can look over time to see what's

24 happening. We know not as many people moved
25 into Florida with school-age children as have

1 in the past, and we thought we would be at --
2 and we know more have moved out. So those --
3 so both of those drag down what is happening
4 here.

5 So we -- and we know it is not home
6 schooling, and we know it's not private
7 schools. They're not seeing a surge that would
8 explain the difference here.

9 So we're kind of taking things off the
10 table as we move along, and that leaves us more
11 and more with the economics of it, that it is
12 related to the housing booms and the cost of
13 housing. And to the extent that they're fed
14 by -- or were fed by insurance and property
15 taxes, that that's -- would be exacerbating it
16 a little bit. Can we prove that at this point
17 in time? We cannot, but as we move forward we
18 should be able to.

19 MR. D'ALEMBERTE: As we continue to figure
20 that out, Mr. Chair, I hope we can have a
21 follow-up presentation.

22 CHAIRMAN BENSE: Commissioner Johnson.

23 MS. JOHNSON: Yes. Ms. Baker, excellent

24 presentation. I appreciate the opportunity for
25 you to present today.

1 Couple questions. You talked about
2 Florida's Hispanic population and the growth
3 that we're expecting there. I'd like for you
4 to discuss a little bit as to the significance
5 of that in terms of revenues and needs. Let me
6 break that down a little bit more. As I look
7 at that I'm assuming we stated it for a reason.
8 Are we looking at it from a tax base
9 perspective? Are they -- do you see this class
10 as home buyers, not home buyers, skilled
11 workers, not skilled workers, educated? How do
12 they impact the revenues and how do they impact
13 the needs?

14 And then -- I won't make this too many
15 questions in one. But as you're thinking
16 through that answer, what is happening with
17 other minority populations? And how do they
18 play into that same scenario?

19 MS. BAKER: The Hispanic population is --
20 within itself, is really diverse. And it depends
21 largely on what country they're coming from,
22 whether they're bringing resources into the state
23 and a higher level of education or a lower

24 education and few resources.

25 And so we, you know, used to be that a lot

1 of our Hispanic growth was just coming from
2 Cuba. Now it's from many countries, and so
3 you're getting a wide -- a wide array of
4 resources and skills and folks coming into the
5 country. And so that's -- it's not easy to say
6 it's all good or all bad because it's not.
7 It's going to definitely be a mixture.

8 And in terms of Hispanic speaking folks,
9 Puerto Ricans are basically moving into the
10 Orlando area, central Florida. And so it's not
11 just Miami and south Florida. It's all over
12 the state now that you're seeing more and more
13 migration from other countries, in our case
14 Hispanic, you know, countries that are
15 predominantly Hispanic.

16 What it does do for us is help us. That's
17 pretty clear because the fertility rate for
18 Hispanic countries is larger than the United
19 States right now. And so these are folks that
20 are going to be younger coming in with children
21 or the ability to have children. And that's
22 going to balance out some of the aging state
23 problem, and it's going to help us have a

24 larger workforce as we move forward.

25 MS. JOHNSON: I was relating that to when you

1 looked -- one of your charts talked about the
2 labor force contraction, so that went to my
3 question as to this population, which is growing
4 and going this way (indicating). My assumption
5 was that they're probably generally younger, and
6 they're probably going to help with the workforce,
7 that they may not be skilled. So on the education
8 side we may need to spend more for services there.
9 And how are we going about doing those things, so
10 I'm --

11 MS. BAKER: You're exactly right. You know,
12 that is exactly the dynamic that we would be
13 facing. It's -- overall it's good for the state,
14 and it will be beneficial as we move forward. But
15 as you have more folks that don't speak English at
16 home or it's -- it's a second language. And they
17 don't speak it well at home then that's more of a
18 challenge for us, especially on the education
19 side, making sure that we have enough resources
20 there that they can, you know, learn skills, learn
21 English, feel comfortable, and move forward from
22 there.

23 MS. JOHNSON: And one last piece on the other

24 minority populations. You stated 25 percent will
25 be Hispanic. If you were to look at a grouping

1 including African-Americans what will the
2 percentage of minorities be?

3 MS. BAKER: African-Americans aren't going to
4 change that much. They're pretty much staying in
5 place, and I think the Hispanics -- it's a little
6 off kilter because Hispanic isn't a race. But we
7 try to put it in those terms just to look at
8 demographic.

9 But I believe the percentage of Hispanics
10 in Florida surpassed the percentage of
11 African-Americans in Florida two years ago.
12 And it's pretty much staying steady. That
13 percentage isn't changing. Over time it's
14 going to start to drop a little bit as the
15 other percentage grows up. But in terms of
16 numbers, it's about the same.

17 Asians -- Florida has very small compared
18 to other places -- a very small Asian
19 population. And those are probably the ones we
20 would think about the most.

21 MS. JOHNSON: Thank you.

22 CHAIRMAN BENSE: Commissioner Scott.

23 MR. SCOTT: It's a similar question as to

24 whether we have that or who has it, and I guess I
25 would say we are going to need data on the

1 economic status, the spending, consumption, what
2 we -- of the new -- of the population, for
3 example, that is getting older, are they going to
4 spend more or less per -- and is it going to be,
5 you know, what are they going to be spending on?
6 I guess that type of economic data.

7 Because one of our charges, for example,
8 of the tax committee was to look at 20 years'
9 worth since this group doesn't meet for 20
10 years. So I think that's going to be, you
11 know, if we're changing what does that mean in
12 economics similar to the version of what Julia
13 said.

14 CHAIRMAN BENISE: Commissioner Martinez.

15 MR. MARTINEZ: Thank you, Mr. Chairman.
16 Ms. Baker, thank you for your excellent
17 presentation. I found it to be very interesting.

18 In one of your slides you indicate that
19 the global trend is towards an increased
20 movement towards the major urban areas. But on
21 page 17 of your slide, it looks like the growth
22 has been primarily away from the urban areas.

23 Do you have with you, and if not can you

24 provide us one, a chart of what -- or slide

25 numbers of what Florida will look like within

1 the next 20 years in terms of the population
2 allocation throughout the state? Have you done
3 those predictions?

4 MS. BAKER: We have some of those, and we can
5 get those to you. We can give them to you to
6 share.

7 CHAIRMAN BENSE: If you would, please.
8 Commissioner Levine.

9 MR. LEVINE: Thank you, Mr. Chairman.

10 I want to make to -- Ms. Baker, it's good
11 to see you again. I want to make sure I
12 understand the counts on the slide on page 12
13 where you talk about the enrollment of the
14 school population. The blue line count is
15 taken around April and then the school numbers
16 are taken October and February, correct?

17 MS. BAKER: Right.

18 MR. LEVINE: So what could very well be
19 happening here is the count was taken back in
20 April and then you're seeing that that migration
21 of young families out, which is exactly what I'm
22 experiencing out there in south Florida where, you
23 know, I have nurses, techs, even physicians who

24 are leaving since that last number, the blue line
25 number was counted, which could explain the gap.

1 And, you know, I guess to the point
2 something that would helpful for me to see
3 is -- and I hate to say this. The reason I
4 haven't lost more nurses is because they can't
5 sell their house. So in some respects I'm
6 somewhat thankful that they can't because
7 otherwise we would really have a problem.

8 But my concern is, and it would be helpful
9 to have by age cohort the net migration data,
10 because what I worry about, like, for example,
11 nursing home costs this year are \$2.8 billion
12 and in ten years projected to be six and a half
13 billion. And all of the costs that go along
14 with caring for our vulnerable elders, I think
15 we can project.

16 The concern I have is the workforce -- the
17 middle income earners might be decreasing and
18 the burden is going to be greater on them. And
19 what I need to know is: I would like to be
20 able to target the populations where there are
21 the net migrations in and out, which I think
22 would give us a good baseline of data.

23 MS. BAKER: We can give you some historical

24 information, and we can give you what we have
25 through 2006, the last time we did the

1 April count. The problem is for the April count
2 we just did in 2007, that data is actually not
3 compiled and completed until the early fall. But
4 we can give you everything we have so far.

5 CHAIRMAN BENSE: Members, I'm going to ask
6 Susan Skelton to -- our director -- to get with
7 Amy Baker. I'm sure there's a wealth of
8 information out there, and perhaps Ms. Skelton
9 could go through, evaluate what she thinks might
10 be relevant for us over the next 12 months and
11 distribute it to all of us. I'm sure you have all
12 kinds of data that could be helpful to us.

13 Commissioner Barnett.

14 MR. BARNETT: Thank you, Mr. Chairman.
15 Three-part question. On page 19 shows government
16 percentage of 13.6. I'd like to know if that's
17 typical of across the country and other states.

18 Also, average annual wage, does that
19 include benefits. And since we're on a 20-year
20 horizon with our work, what this same chart
21 would look like 20 years ago.

22 MS. BAKER: Twenty years in the past?

23 MR. BARNETT: Uh-huh.

24 MS. BAKER: Okay.

25 MR. BARNETT: And then maybe a look forward

1 to what it's going to look like 20 years from now.

2 Thank you.

3 MS. BAKER: The government growth here is
4 mostly local government in Florida, and I can look
5 and see what -- how that compares to other --
6 well, I know the United States as a whole. But
7 let me look at some individual states and see how
8 that ranks up.

9 CHAIRMAN BENSE: What is the U.S. as a whole?

10 MS. BAKER: We're actually a little bit low
11 for the U.S. as a whole, but I think there's -- my
12 guess is there's going to be a lot of diversity
13 among states.

14 CHAIRMAN BENSE: Commissioner Turbeville.

15 MR. TURBEVILLE: Thanks for your
16 presentation.

17 I just had a question relating to the
18 portability issue discussed and property tax
19 debate. The people who move within the State
20 of Florida, what's the percentage of people who
21 stay within their county and the percentage of
22 people who move to another county and just as
23 it relates to the portability issue?

24 MS. BAKER: Well, we've done some work on
25 that last summer, and I can get you what we have

1 on that. But I hesitate to give you numbers today
2 because I'm not totally sure I remember them.

3 CHAIRMAN BENSE: More questions?
4 Commissioner Hogan.

5 MR. HOGAN: Thank you, Mr. Chairman. Maybe
6 this works.

7 Like everyone else, thank you very much
8 for the presentation. I love numbers,
9 especially when they have charts that I can
10 see.

11 Question on the migration of folks into
12 Florida. Do you take into your numbers that
13 you presented illegal immigrants as well as
14 legal immigrants, or is there any way to count
15 those?

16 MS. BAKER: The most work that's done on
17 that -- we do not take a count of that when we're
18 doing our population projections. But the most
19 work that's done on that is on the census.

20 So every ten years -- so 20 and then the
21 next one would be 2010 is where we really make
22 an effort to try to get a good count. There is
23 some information from 2000, and I know we're

24 already working with the census bureau to try
25 to increase -- make it more accurate in that

1 regard for the next census, so we can get you
2 some stuff on that.

3 MR. HOGAN: You do have some numbers in an
4 estimate?

5 MS. BAKER: Uh-huh.

6 MR. HOGAN: Okay. Thank you.

7 CHAIRMAN BENSE: Commissioner Levesque.

8 MS. LEVESQUE: Going back to page 19 of the
9 chart, when you provide more information to Susan
10 can you provide a breakdown on the government's
11 percentage, average employment -- average annual
12 wage between state and local?

13 MS. BAKER: Okay.

14 CHAIRMAN BENSE: Any further questions? I
15 have to take what Commissioner McKay said very --
16 and Commission Scott with respect to property tax
17 and insurance, especially in the last year or so.

18 I've always heard the political speeches
19 that say, you know, it's not that bad. A
20 thousand new people a day are coming to
21 Florida; life is great here. I'm not so sure
22 that's correct today. And I think -- I think
23 we need as much data on that as a commission.

24 What also alarms me is the moving
25 companies. You know, we've always had, you

1 know, a positive number along those lines. Now
2 we're having a negative number. I think that
3 coincides with Commissioner D'Alemberte's
4 concerns about school enrollment. Are these
5 folks -- in fact, are families unable to afford
6 to live in Florida? Are they moving out of the
7 state and taking their children with them?

8 I think that property tax and insurance is
9 a significant part of that, as is I'm sure the
10 fact that we've had a lot of hurricanes. I
11 think that's scared people off. But I would
12 sure like to see a lot more research on that,
13 and we'll be back in touch with you along those
14 lines.

15 We may have to hire someone ourselves as a
16 commission to get us more data on that, but I
17 think it's important that we look at that as we
18 move forward in this process.

19 Okay. Thank you, Amy, you did a great
20 job, as always.

21 Folks, we have two hours to go. I do want
22 to spend about an hour on -- at least an hour,
23 maybe 45 minutes on our own work, the future of

24 committees, where we're heading from there.

25 Debate on some of these other issues. So let's

1 try to keep everyone to about 20 minutes, the
2 next two groups.

3 And Dominic Calabro from TaxWatch, you're
4 recognized. Did I lose Dominic? You snooze
5 you lose, Dominic. I see Mike Hansen is there.
6 Mike, how about Mike and Alan Johansen and so
7 on?

8 Mike Hansen is the budget director for the
9 Florida House of Representatives and Alan
10 Johansen is staff director for the Florida
11 Senate committee on finance and tax.

12 MR. HANSEN: Good morning.

13 CHAIRMAN BENSE: Good morning, Mike.

14 MR. HANSEN: I'm going to talk about the
15 recently enacted budget, give you a little bit of
16 an overview of what passed. And then I'm going to
17 talk a little bit about some of the challenges
18 that we're facing in budgeting, some of the recent
19 changes to the constitution and revenue
20 projections, expenditure projections, and try to
21 give you a sort of sense of where we're heading
22 and what the issues are for the budget.

23 So if we could roll up the first slide.

24 The budget that just passed, and this is prior
25 to vetoes, is just under \$72 billion, as you

1 can see.

2 It's hard to read those numbers. But
3 about 41 percent of that, or \$29 billion, is
4 general revenue. 29 percent or 21 billion is
5 state trust funds. And just under 20 billion
6 or 27 percent is federal trust funds. So
7 that's important to keep in mind as you're
8 considering what's in the budget.

9 If you look in terms of where that money
10 is being spent, it's almost a dead split or a
11 dead even split between education. It's about
12 34 percent of the budget, and health and human
13 services is about 34 percent of the budget.
14 The education portion though is about half of
15 the general revenue fund. Because of the
16 federal match in health and human services it's
17 a lot smaller portion.

18 So the major expenditure of discretionary
19 money goes into education funding and
20 primarily -- the biggest user of that is K12
21 funding.

22 And then the third biggest user of general
23 revenue is public safety, primarily the

24 Department of Corrections. The third biggest

25 user of overall state fund is the

1 transportation system. There's a lot of
2 dedicated funding that goes into
3 transportation, not much general revenue.

4 Everyone always asks the question, well,
5 how much did it grow from last year? And
6 that's not an easy question to answer
7 sometimes. But I'll do what I normally do, and
8 most people just go look in the back of the
9 budget. And they see the total number, and
10 they compare it from one year to the next.

11 So the first slide we did that, you can
12 see that for 06/07 the budget was 71.3 billion.
13 It grew to 71.9 billion, or about, just
14 slightly less than a one percent rate of
15 growth, 627 million in additional spending.

16 However, as you know the Legislature
17 spends a lot of money outside of the General
18 Appropriations Act, so if you go and you add up
19 all of these substantive appropriations there
20 were a lot in 06/07 primarily related to
21 hurricanes and so-called back to the bill,
22 thing that aren't included in the totals in the
23 bill.

24 The real comparison is that in 06/07 the
25 budget was \$74 billion, it's 72.3 current year,

1 so we actually, the budget actually shrunk by
2 2.3 percent or about \$1.7 billion, which I
3 think is a good thing. I think that, given
4 what we're looking at, it was a good trend that
5 the Legislature decided not to spend as much
6 money as they have in the past.

7 We talked about general revenue. The
8 major source of general revenue or 75 percent
9 of general revenue comes from sales tax, about
10 \$20 billion a year. The second biggest source,
11 corporate income tax, that's about 10 percent,
12 2.7 billion. And then doc stamps is third, at
13 about 800 million. And it's important to keep
14 that in mind because we're going to talk about
15 what's happening to those numbers in a minute.

16 Two things that I wanted to mention in
17 budgeting that I'm sure you're all familiar
18 with, but two recent changes were made to the
19 constitution that affect how we budget in
20 Florida. The first change requires us to do a
21 three-year plan, and this was essentially
22 President Lee's proposal.

23 He worked with Governor Bush, and they

24 came up with an idea to do this. So now we
25 have to do the three-year planning, and that

1 has really made a big difference in the way we
2 budget in Florida.

3 And the second issue is a requirement that
4 no more than 3 percent of the general revenue
5 spent be nonrecurring, or 3 percent of
6 nonrecurring money be spent on recurring
7 purposes. And that has made a big difference.

8 This -- I like this slide because it shows
9 you prior to 05/06, the Legislature, you could
10 pretty much count on them spending the entire
11 amount of general revenue available. You can
12 see they spent 99 or 100 percent of the money
13 available. Actually that year they spent
14 100 percent.

15 They actually overspent the budget, and
16 they actually asked Governor Bush to veto back
17 to a level that would get -- so they were in
18 balance. And if you know Governor Bush he was
19 more than willing to help them accomplish that
20 goal.

21 (Laughter.)

22 If you go back -- but I'll give Speaker
23 Bense credit. His two years he actually

24 decreased spending and presently as well, so
25 they went down to 95 and then 94 percent of

1 available general revenue, because last year
2 they were at 94 percent of available general
3 revenue.

4 And I think that's a direct result of this
5 three-year planning. And it has really made it
6 easier to balance, to try to smooth out, and
7 I'll show you some graphs in a minute that will
8 tell you why you need to smooth out the
9 budgeting process. But it really has made a
10 difference in the budgeting process.

11 This shows you the amount of nonrecurring
12 money spent for recurring purposes. And you
13 can see for 02/03 and 03/04 it was over a
14 billion dollars nonrecurring money spent for
15 recurring purposes. And I know that -- I
16 remember President Lee when he made his little
17 speech said, this is the last year I'm going to
18 vote for a budget that's held together with
19 Band Aids and started saying we need to do
20 something about that.

21 And we worked with the president and with
22 the governor and looked back over a period of
23 time and found that we normally had about \$700

24 million in nonrecurring money available when we
25 did the budget, and that translated into about

1 3 percent of total GR. And so the agreement
2 was reached that that would be the number they
3 would put in the constitution, and they did and
4 that did pass.

5 And you can see for the last two years
6 though we've actually had a surplus of
7 recurring general revenue. Over 200 million
8 last year and in the current budget just passed
9 about 33 million.

10 This slide shows you why we had some
11 difficulties in budgeting. Because budgeting
12 is really a process of forecasting.
13 Forecasting, what you do is you forecast how
14 much money you think you're going to collect;
15 and you forecast what you think things are
16 going to cost. And hopefully you're right
17 enough that you don't run into problems.

18 The way I like to do is I like to
19 underestimate revenues and overestimate
20 expenditures because at the end of the day if
21 you have a little money left over you're fine.
22 If you're short of money, you have a problem in
23 Florida because we have a constitutional

24 requirement that we balance the budget, and

25 then you have to -- what you have to do is go

1 in and do some cutting. And no one wants to
2 have to do that, although that has been done in
3 the past.

4 You can see that it seems to run in almost
5 four-year cycles where for four years you
6 overestimate or underestimate and then there's
7 a correction. And you can see in the last
8 couple of years how big, how much they
9 underestimated the budget.

10 We collected a lot more money than we
11 thought we were going to get. And one of those
12 years it was over \$3 billion more than we
13 thought we were going to get.

14 And that's the reason that, you know, we
15 had suggested that you sort of spend that money
16 gradually over a period of time because we felt
17 like there's going to be a reduction. If you
18 can see in 2000, 2001 we actually collected
19 660 million less than we thought we were going
20 to.

21 So what's happening now is the last
22 forecast -- we do forecasts twice a year. We
23 do them in time for the governor's budget and

24 then we do them in time for the legislature's
25 budget. And the last forecast prior to these

1 two forecasts showed a total projected
2 collections for 07/08 of \$28.6 billion.

3 Then we had a forecast in November and in
4 that forecast they took \$466 million out of
5 that estimate. And that's the forecast the
6 governor used for preparing his budget.

7 Then they had another forecast in March
8 that the Legislature used. They took another
9 \$652 million out of the budget, and you can see
10 where they took the money. The big places they
11 took it was sales tax. In the November
12 estimate they took about 180 million out of
13 sales tax, but they took 466 million out of doc
14 stamps and, which is a big chunk of doc stamps,
15 and we all knew the housing market was going
16 down.

17 Then in March they took -- they took over
18 half a billion out of sales tax. And they took
19 another hundred million out of doc stamps.
20 They added -- interesting in those two years,
21 they added those two forecasts; and so they
22 added about \$230 million to corporate income
23 tax.

24 Since that last -- and the March
25 conference is what we used to prepare the

1 budget I just described. Since that last
2 conference though we've collected two months'
3 worth of data of actual receipts, so we know,
4 you know, we made the projection. Now we've
5 collected the revenues, and the question is:
6 Did they take off enough money? Because those
7 last two estimates reduced collections by about
8 1.1 -- estimated collections by about
9 \$1.1 billion. Was that enough?

10 Well, looks like it was not enough because
11 for the months of March and April we're down
12 \$182 million below what we thought we were
13 going to collect. 70 million of that is sales
14 tax. We're lower sales tax than we thought.
15 100 -- almost 140 million is corporate income
16 tax, and you could see they actually increased.
17 They thought they were going to get more, and
18 it looks like we're going to get less corporate
19 income tax.

20 We don't know what that -- what's going on
21 with corporate, whether that's going to be a
22 trend or not. But if this number is correct,
23 if we're down \$182 million in two months,

24 that's 90 million a month. Multiply that times
25 12 months, and you can see that it could be a

1 difficult year down the road.

2 Which is -- which is a good reason for
3 having not spent all the money that you thought
4 you were going to collect. Instead of spending
5 100 percent, spending 94 percent, I think,
6 turns out to be good policy.

7 This chart tries to show you how
8 unpredictable it is to figure how much growth
9 in general revenue you're going to have each
10 year, you can see. This is looking back. They
11 didn't know at the time they were going to have
12 this much growth. As you saw, they missed the
13 forecast in recent years. Well, you can see it
14 was from a high of 14 percent in 04/05. For
15 next year, for 06/07, we're actually projecting
16 a 1 percent reduction.

17 Then into the future it moves back up to
18 what we think is somewhat normal. We don't
19 know that that's going to happen. Normal
20 growth in general revenue is about five to
21 6 percent a year. And it would be nice if we
22 had that much every year; but when we get these
23 kinds of peaks and troughs, it makes it very

24 difficult to figure out what you ought to
25 really spend.

1 The next slide shows you -- everyone
2 always asks me the question when we start
3 preparing the budget: Well, how much new
4 general revenue do we have to spend next year?
5 And this chart shows you how difficult it is to
6 try to figure -- how difficult it is to answer
7 that question, because see some years you have
8 \$3 billion, almost \$3 billion in the general
9 revenue.

10 For next year, 92 million. And that
11 92 million is based on that March forecast that
12 we just discussed, which is already
13 \$180 million -- we're already down \$180 million
14 off that forecast. So that number may actually
15 be negative when this is all said and done.

16 Again, our forecast shows that we go back
17 to a collection of about 1.6 billion in new
18 recurring general revenue from year to year.
19 Again, we don't know if that's going to happen.

20 This is the slide everybody wants to know,
21 how much money do we have in the working
22 capital fund, or in reserves. And we have good
23 news there. We have about \$6.3 billion in

24 reserves. 1.7 billion is what we used to call
25 a working capital fund. That's money that was

1 not spent, that 94 percent. That 6 percent of
2 GR, that's equivalent to about \$1.7 billion
3 that was not spent in this last session.

4 You also have the budget stabilization
5 fund. That's about 1.4 billion. That Lawton
6 Chiles Endowment, that's about 2.3 billion.
7 And reserves and trust fund is a little over a
8 billion dollars. So we do have reserves, and I
9 think that's good news. You can see how those
10 reserves have built up over the last eight
11 years or so.

12 But when you talk about demands on the
13 budget and how you put the budget together,
14 most of the decisions that the Legislature
15 makes are -- most of the budgeting decisions
16 are already made by the time the Legislature
17 sits down. As we said, you have about,
18 normally about a billion six in new general
19 revenue to spend every year, something like
20 that.

21 I want to just talk about some of the
22 things that you have to fund with that billion
23 six. And the first thing you have to fund is

24 Medicaid costs. And Medicaid is an entitlement
25 program, and essentially you don't have -- you

1 have very little discretion. You have to pick
2 up the cost of the Medicaid program.

3 And these -- what I have in this chart
4 is -- it just shows from year to year those
5 numbers are the new general revenue that's
6 required to fund this program. There's a lot
7 of -- Medicaid program is very complicated with
8 state and federal funds, but basically bottom
9 line I always ask is how much new GR do we need
10 to put in this program to keep going and not
11 have to make a cut to it next year.

12 And those numbers that you see there are
13 the numbers that you have to deal with. So in
14 07/08, \$686 million. 08/09, \$640 million. So
15 you can see that you got to plow -- and a lot
16 of these changes are into the future because
17 we've got some adverse federal -- our match
18 rate changed to the negative for us. So it's
19 going to cost us somewhere between 5 and
20 \$700 million a year in new general revenue just
21 to fund the existing Medicaid program.

22 So if you have 1.6 billion in new revenue
23 just subtract 600 million from that, and now

24 you got a billion dollars in new revenue.

25 The next thing you have to fund is

1 Corrections, and again we've had an uptake or a
2 surge in the need to build new prisons. It's
3 very hard to predict how many new prisons you
4 need to build because it takes three years from
5 the time you start a prison until you have it
6 operational.

7 And so you have to estimate how many new
8 prisoners are going to come in and how many new
9 beds you will need. And clearly it's been the
10 policy of the state that we're going to have
11 adequate correctional facilities so that the
12 prisoners do not have to be released. So it
13 looks like -- somewhere around -- I always
14 count about 200 million in new general revenue
15 for the Department of Corrections.

16 The next big issue is class size,
17 essentially K12 funding. This chart shows you
18 operational costs and fixed capital costs
19 projected until class size is fully
20 implemented.

21 The next slide, if you look at those
22 numbers on the left there where you see the
23 increase in operating costs, you see the, in

24 07/08, 599.9 million in new general revenue for
25 class size operating. In 08/09, 651 million.

1 In 09/10, 699 million. So add in another 700
2 million for class size.

3 So you got 600 on Medicaid, 700 on class
4 size, 200 on Corrections, and those are just
5 three very small areas of the budget. You've
6 used almost the entirety of that \$1.6 billion
7 in new general revenue you have available, and
8 you haven't touched any of the other things
9 that you have to do in the budget, like
10 universities or community college funding or
11 environmental funding or the other health and
12 human services programs.

13 So that's why budgeting is -- I guess it
14 gets to be less and less fun every year.
15 There's less and less discretion the
16 Legislature has, and it becomes more of an
17 exercise of figuring out, well, what are we
18 going to cut as opposed to what new things can
19 we fund.

20 Amy talked about class size, student
21 enrollment. And this is another frustration.
22 It's really hard to know what the future is
23 going to bring. These little orange bars show

24 you how many new students we had over the
25 previous year.

1 If you go to the next slide, I've actually
2 put this on a slide to show you the net
3 increase or decrease in number of students.
4 And you can see it averages about 50,000 new
5 students a year. In 99/2000 it looks like it
6 dropped 10,000; but that's not -- that's a
7 change in counting, not a real change, because
8 they changed the way they counted summer school
9 that year. So there was actually, I think, a
10 40,000 increase in the number of students.

11 But 06/07, the current year, we think is
12 the first time that student enrollment will
13 actually drop in the state of Florida from one
14 year to the next by almost 4,000. Is -- and
15 you talked about this: Is that trend going to
16 continue or are we going to go back to what's
17 normal of about 50,000 per year student
18 increase? Well, we don't know. And it makes
19 it very difficult to try to budget when you
20 don't know what the future holds.

21 Another issue that's a big unknown in
22 Florida is funding for disasters. And during
23 2004 and 2005 I was Governor Bush's budget

24 director, and I got some first-hand experience
25 in trying to figure out how to finance

1 hurricane costs in Florida. So far we have
2 spent -- to date we have spent \$466 million of
3 state funds to pay for those two years. That
4 money will not come back to us. That's money
5 that we spent that's gone.

6 Until it's all said and done, we think
7 that for the two years those storms are going
8 to cost us approximately \$800 million that the
9 State of Florida will have to pay out. So
10 that's another reason why it's good to have
11 reserves.

12 Another issue that you need to consider in
13 budgeting is the potential other exposure that
14 the state may have, and I think you're all
15 aware of the changes that were just made during
16 the special session to windstorm insurance in
17 Florida and increased exposure to the CAT fund.

18 Right now we project a total -- the worst
19 case scenario lost in the CAT fund would be
20 about \$26 billion. If that were to occur,
21 that's how much you would have to bond with the
22 cash you have available. A worst case
23 scenario, maximum exposure to the CAT fund

24 would require bonding to pay off \$26 billion in
25 debt.

1 Now, the current plan is to do that
2 through increasing assessments on insurance
3 policies in Florida. And in order to pay that
4 off over 30 years, that would require about a
5 \$50 per thousand dollars of insurance premium
6 increase for everyone. So if you had a \$4,000
7 insurance premium, you would pay a little under
8 \$200 a year for 30 years to pay that off.

9 But as you know, that's not always been
10 the case, and last year the decision was made
11 with a similar situation for Citizens for the
12 state to pay that off. And a big chunk of the
13 Citizens loss was paid by the state.

14 If the state decided to pick up that cost
15 in the CAT fund, that \$26 billion, and tried to
16 bond it over ten years, because it probably is
17 not a wise thing to do to make that into a
18 30-year debt. If you try to pay it off over
19 ten years, the debt service on that would be
20 about three and a half billion dollars a year,
21 which gets you pretty close to -- in order to
22 pay for that I can't imagine you could cut that
23 much out of your recurring expenses in the

24 budget.

25 The only way you could pay for it would be

1 a tax increase, and that's a little bit less
2 than a penny would pay for that.

3 Now, I had slides on Citizens as well.
4 It's a little more complicated I think to go
5 through that. You have a similar scenario with
6 Citizens, not in the amount of money, it would
7 be less money for Citizens, but you would
8 also -- if you decided to pay off the loss to
9 Citizens, you also would face a pretty
10 significant state exposure.

11 When I started I said that we showed you
12 the budget prior to veto, so I wanted to show
13 you the history of vetoes. This is dollars,
14 and the colors are the different governors.
15 You can see how it ranges over time.

16 The next slide, anywhere from almost
17 nothing up to the high was 446 million.

18 The next slide shows this as a percent of
19 total budget, and you can see that it generally
20 ranges about a half to 6/10 of a percent of the
21 budget was vetoed. So that's one thing we have
22 to consider as we plan for the future, how much
23 money we're going to have to have.

24 That's my presentation, sir.

25 CHAIRMAN BENSE: Mike, you had to gloat about

1 the veto thing, didn't you?

2 (Laughter.)

3 MR. HANSEN: No gloating.

4 CHAIRMAN BENSE: Questions? Commissioner
5 Barnett.

6 MS. BARNETT: The projections you did, you
7 heard the discussion that Ms. Baker had about the
8 school enrollment and the projection that you
9 showed the decline and then you almost immediately
10 started a pretty dramatic increase in enrollment.

11 It seems unusual to me if you've got a
12 two-year decline that you would have such a
13 dramatic jump up in enrollment over the next
14 ten years back up to 61,000 students, and I
15 just wondered the basis for that.

16 MR. HANSEN: Well, this is the good part
17 because I can tell you I'm not a forecaster. I'm
18 a victim of the forecast. We rely -- we have
19 estimating conferences. We rely on those
20 estimating conferences. I have no choice but to
21 do essentially what they tell me. And I can be
22 critical of their decisions, but I can't do a
23 better job than they can. I think they do a very

24 good job given what we know.

25 One thing that you know in forecasts,

1 those forecasters and forecasts, you know it's
2 going to be wrong. The only question is how
3 much is it going to be wrong. And what you
4 point out is exactly the dilemma we face.

5 And that's what makes budgeting so
6 difficult, because if you're a very sort of
7 conservative budgeter, and I try to be a very
8 conservative budgeter, people get angry with
9 you because you didn't spend all the money you
10 had.

11 But if you're not conservative enough and
12 you overspend, they're going to get very angry
13 because you're going to have to cut -- not
14 going to have enough money, therefore they're
15 going to have to cut.

16 So how do you -- figuring out what is the
17 correct line there is really the, the art in
18 this process. And that's -- I was trying to
19 show you the frustrations that I'm facing, both
20 prison costs, Medicaid costs, school costs,
21 they're all extremely difficult to predict.
22 We're off trend on all of them in terms of the
23 traditional forecast, and I really don't think

24 we know what the future holds.

25 So that's why it makes it so difficult to

1 figure out what to do; and it makes it
2 difficult to figure out how should we, you
3 know, how much money should we spend each year.
4 How much should we hold in reserve, what should
5 our plans be for the future in terms of budget
6 in Florida. That's why you have a very
7 difficult task ahead of you here in considering
8 all this and figuring out what changes you want
9 to make to the process.

10 CHAIRMAN BENSE: Commissioner Martinez. I'm
11 sorry. Commissioner Barnett for a follow-up.

12 MS. BARNETT: With regard to the Medicaid
13 costs, I've heard for years the statements you
14 made. And I know it's true, that it's an
15 entitlement program; and we have to fund it. I
16 have to confess I don't understand how the
17 Medicaid funding works.

18 And if that's going to be something that's
19 important to us as we move forward through this
20 process either, Mike, you or someone, I would
21 like to have a further explanation. I see
22 Commissioner Levine volunteering, but I'd
23 like -- I think I'd like to have a better

24 understanding of why those costs are the way
25 they are and the limitations it places on the

1 state and/or our work product.

2 CHAIRMAN BENSE: I'll respond to that one.

3 Members, if any of you have or want
4 additional data or information on, re Medicaid,
5 be it school enrollment or whatever, let those
6 be known to myself or Ms. Skelton. And we will
7 put the appropriate people in touch with you so
8 that either in one face-to-face meeting or
9 whatever, but we want to make sure you have as
10 much knowledge of this process as possible. We
11 will get the people to you that can, in fact,
12 explain those issues to you.

13 Medicaid is most complicated, you're
14 absolutely correct.

15 Commissioner Martinez.

16 MR. MARTINEZ: Thank you, Mr. Chairman.
17 Mr. Hansen, thank you for the presentation. It's
18 excellent. It's easy to see why you're held in
19 such high regard.

20 I want to talk to you about something that
21 you claim to be the victim of. You may not be
22 the right person, but maybe you can talk a
23 little bit about it and that's forecasting.

24 Can you tell us what kind of models are used in
25 order to do these forecasts and whether or not

1 those models can be improved upon and whether
2 or not the models that are used are set by law?

3 MR. HANSEN: If I could, Alan Johansen
4 follows me, and he is the forecaster. And I would
5 like for him to respond to those questions. We
6 have spent a lot of time trying to figure out how
7 to make it better. We do all the time, but he has
8 much more --

9 CHAIRMAN BENNE: That's the way to handle
10 that question.

11 MR. HANSEN: Yeah, he does have much better
12 expertise in this than I do, because I am not a
13 forecaster, I am not an economist.

14 CHAIRMAN BENNE: Commissioner McKay.

15 MR. MCKAY: Mr. Hansen, thank you very much
16 for your presentation. I was going to ask a
17 forecasting question too, but I'll save that for
18 Alan.

19 Given that you're a professed budgeter and
20 given that you're going to, given the increases
21 that you pointed out, particularly Medicaid,
22 which I have long sensed that sort of is the
23 bear that's going to eat our lunch, what does

24 the state do X years down the road when the
25 primary areas you forecast -- primary areas

1 that are growing, Medicaid, education, public
2 safety, are consuming all of the budgetary, all
3 the financial increases, the budget increases?
4 What do you do about everything else?

5 MR. HANSEN: Here's the basic problem that
6 you have in Florida's budget. Recurring expenses
7 grow more rapidly than recurring revenues. And I
8 don't know that there's any way to ever fix that
9 because it doesn't matter what you tax, it's not
10 going to grow as fast as things like Medicaid.

11 Medicaid is going to grow faster than any
12 tax you can imagine, and probably education
13 costs are going to grow faster than any tax you
14 can imagine.

15 MR. MCKAY: So is it overly simplistic to
16 say, either you increase taxes or you decrease
17 current expenditures in other areas other than
18 education and public safety and Medicaid?

19 MR. HANSEN: And I'll give you my view on
20 this. I think decreasing -- or increasing taxes
21 does not solve the problem. Because whenever the
22 Legislature increases taxes they increase spending
23 as well. And so the problem is not -- you're

24 going to get yourself right back into the same
25 situation. You're going to increase spending.

1 You're going to increase spending on Medicaid,
2 which is only going to grow at about 7 or
3 8 percent a year while the new revenue source you
4 identified is going to grow at 5 or 6 percent a
5 year, so you're always going to have that
6 difficulty.

7 I know a lot of people have said this, and
8 I'll say it again. We don't have a revenue
9 problem. We have a spending problem. We need
10 to figure out ways to fund programs that we can
11 afford to fund at the levels we can afford to
12 fund them. I think we need to move more of our
13 revenue out of trust funds into the general
14 revenue fund, and I think every year the
15 Legislature and governor need to decide what is
16 the most appropriate way to spend the dollars
17 that they have available. I think those are
18 the kinds of decisions that would be most
19 useful in this process.

20 MR. MCKAY: So it isn't necessarily that you
21 have to come back and cut, you know, program X
22 that is not one of the big items you already
23 mentioned, it's getting the money out of the trust

24 fund so it can be more efficiently budgeted.

25 MR. HANSEN: I believe that the best way to

1 do that is for the Legislature each year to look
2 at the entire demands that are placed on the
3 state, entire revenues that are available, and
4 make priority decisions about what are the most
5 appropriate ways to spend those dollars. I think
6 that's the best way to do it.

7 MR. MCKAY: Thank you.

8 CHAIRMAN BENSE: Real quick, Commissioner
9 D'Alemberte.

10 MR. D'ALEMBERTE: Mike, I wanted to look at
11 the prison budget for a second. This is one that
12 the Legislature does impact a great deal by its
13 policy. But that policy, although it's a
14 statewide policy, is administered in a different
15 way by different circuits; is that correct? That
16 you have much a greater percentage of the prison
17 population coming from some circuits as opposed to
18 other circuits?

19 MR. HANSEN: Yeah, I'm not an expert in this
20 area; but what you're saying, I believe, is
21 absolutely correct. There is a difference by
22 circuit, yes.

23 MR. D'ALEMBERTE: Has the Legislature looked

24 at any way to try to get some accountability back
25 to the circuits for the number of prisoners that

1 they're assigning?

2 MR. HANSEN: I'm going to have to get back to
3 you on that one, sir. I'm not able to answer that
4 question.

5 CHAIRMAN BENSE: It's above his pay grade.

6 MR. HANSEN: It's above my pay grade, yes,
7 sir.

8 MR. D'ALEMBERTE: It's a tough one because my
9 conviction is that the state attorneys are driving
10 our prison population. They're the people who
11 push for certain charges which carry out many
12 times sentencing with it.

13 But if you look at the different circuits,
14 I think you'll see very wide ranges between the
15 numbers of percentage of the population sent
16 from one circuit versus another. And so far as
17 I know nobody has ever really tried to look at
18 the accountability for that public expenditure.
19 State attorneys are driving it, and nobody's
20 paying attention.

21 CHAIRMAN BENSE: That could very well be
22 within the purview of this commission.

23 MR. D'ALEMBERTE: Yeah. Take a look at it.

24

CHAIRMAN BENSE: Further questions?

25

I've got two or three quick ones. Number

1 one, what is the Citizens exposure? Have you
2 quantified that? I mean, we know the CAT fund
3 exposure is roughly 26 billion. Just out of
4 curiosity, have -- I'll take a ballpark number.

5 MR. HANSEN: Yeah, I have a series of slides
6 on that, sir, and it is complicated because of the
7 two components to Citizens.

8 CHAIRMAN BENSE: Just the worst case scenario
9 from what you can tell.

10 MR. HANSEN: How much state exposure would
11 there be? You can see the total exposure,
12 467 billion. Depends on the number of years, you
13 know, whether you want to go a hundred-year event.
14 Roll the next one if you would.

15 CHAIRMAN BENSE: So it's almost -- you can't
16 quantify it, within reason?

17 MR. HANSEN: How much could we end up paying?
18 Well, it depends. It depends on how much of
19 that -- you see that the assessment that you have
20 to be, you got essentially three billion from
21 regular assessments that you have to do there and
22 assessments above that.

23 It depends on how much of that you want to

24 spread to insured people in the state and how
25 much you want to pick up, you know, from the

1 Legislature appropriating money. But I'll get
2 back to you --

3 CHAIRMAN BENSE: Same question.

4 MR. HANSEN: -- but it's complicated.

5 CHAIRMAN BENSE: On page five, I assume that
6 all sales tax, the revenues that you showed were
7 all derived from the 6 percent sales tax?

8 MR. HANSEN: From the sales tax and GR, yes.

9 CHAIRMAN BENSE: It's all from the 6 percent.
10 There's no other sales tax that we're missing?

11 MR. HANSEN: Am I missing any?

12 CHAIRMAN BENSE: I'm assuming that's -- I
13 just want to make sure.

14 MR. HANSEN: Yes, sir.

15 CHAIRMAN BENSE: Page four, and it took me
16 about five years to figure this one out. The term
17 substantive appropriations. For the
18 commissioners' benefit, could you go into more
19 detail what that entails?

20 MR. HANSEN: Substantive -- all we're
21 referring to there are bills other than
22 appropriations, general appropriations acts. In
23 other words, you can in a substantive bill, a bill

24 that changes law, make an appropriation.

25 There's nothing that prevents the

1 Legislature from doing that, and they
2 frequently do that. And so all that we're
3 describing there are bills that are not
4 included in the general appropriations act that
5 appropriate money.

6 CHAIRMAN BENSE: Any more questions? Thank
7 you, Mike.

8 MR. HANSEN: Thank you, sir.

9 CHAIRMAN BENSE: Good job. Great job.
10 And now the other half of tandem. Alan
11 Johansen is going to talk about forecasting and
12 hopefully, Commissioner Martinez, he'll be able
13 to answer your question. I didn't mean to cut
14 you off a while ago. Go ahead.

15 MR. JOHANSEN: Thank you, Mr. Chairman,
16 members. I know several of you quite well, some
17 of you probably longer than either of us care to
18 admit.

19 Yeah, thank you, Mike, for the setup
20 there.

21 (Laughter.)

22 Maybe I should have waited -- I'll wait
23 till Mike leaves before I tell you about the

24 last time we cut the revenues right before
25 session, and it turned out to be a mistake. I

1 think Mike was just taking over in 2003, and we
2 were coming out of the 2001 recession, which
3 hit us in the middle of the budget year.

4 In fact, we were due to revise the
5 estimate early in September 2001. Wednesday
6 was September 11th. We were scheduled to
7 revisit the revenue estimate on Friday the
8 13th, September 13th. Needless to say, a lot
9 of things changed on that Wednesday; and we
10 ended up going ahead and doing the estimate on
11 Friday as if September 11th hadn't happened,
12 which probably sounds a little odd, came back a
13 month later and cut another chunk.

14 Both times together, I think, we cut about
15 a billion five out of the funds available in
16 that year, which led to a special session that
17 was extremely painful and led to a lot of cuts.

18 We didn't come out of the recession that
19 was already underway in March of 2001, but for
20 Florida dramatically exacerbated by the events
21 of 9/11 and the impact it had on tourism.

22 So at the end of 02/03 year, right before
23 the Legislature was coming into session, right

24 when they were doing the budget planning, we
25 took another chunk out of the revenue estimate.

1 Unbeknownst to us the economy had started to
2 turn around, things had started getting back to
3 normal in Florida, and we actually beat the
4 original estimate, much less the estimate that
5 we had just cut.

6 Mike, I guess he's conveniently gone -- he
7 really has never let me forget that. The House
8 had planned and budgeted all their money and
9 then we came along and take it away right
10 before they're ready to go to press with their
11 budget, and that's a really tough thing for a
12 budget person. You know, you've got the budget
13 out there and then all of sudden you got 4 or
14 500 million, and then when you find out you
15 don't need to.

16 But in the words of the TaxWatch group, I
17 think their comment one time was the revenue
18 estimating conference has never been right.
19 And darn, there was one year where our estimate
20 was rounding to .0 percent, and we don't ever
21 go below 100,000, so 0.0, and then we closed
22 the books out. We wrapped it up, and it was
23 like 0.1; and I'm like, Dominic is still right.

24 And we've never been right.

25 I think if you -- if you go back to the

1 slide that Mike had on the errors in the
2 revenue estimate, and I -- maybe the subsequent
3 page has the percentage errors. The period
4 that began after the recovery, starting in
5 03/04, 04/05, 05/06, was driven by
6 extraordinary events.

7 Obviously, when we did the estimates, we
8 didn't plan on the hurricanes. And, for better
9 or worse, there is a significant windfall from
10 the rebuilding that takes place following the
11 hurricane. In some ways, it's an infusion in
12 the money from all around the country, whether
13 it's federal or insurance reserves that have
14 been built up. So it's just an outside
15 infusion of money to rebuild those properties
16 that were damaged and destroyed, to give people
17 temporary living assistance.

18 It manifests itself across the economy,
19 and it does lead to a surge in revenue. The
20 appropriations people are pretty comfortable
21 that when you couple that -- marry that up
22 against the extraordinary costs we have, it's
23 not a net windfall; but on the revenue side

24 it's a big number. And it contributes
25 dramatically to these errors.

1 When you have an '04 and an '05 back to
2 back, you sort of compound that effect because
3 these things don't run out in just one year.
4 It takes two or three years for the effects to
5 go away.

6 At the same time, we had just started in
7 that period with an unprecedented run up in
8 Florida real estate, and the boom in Florida
9 real estate led to a lot more transactions
10 which fueled doc stamp, things like that that
11 we get from the activity.

12 But new construction, I think Amy talked
13 about a bit of a spike that we had in
14 population growth, new households, a lot of new
15 construction, a lot of sales tax.
16 Disproportionate to what you get from the
17 average Floridian at the margin, the new
18 Floridian, the new household generates probably
19 five to six times as much sales tax that first
20 year as what you get from the average.

21 So we had no way of foreseeing that, and,
22 yeah, those are, those really have messed up
23 our average. We were -- long-term average was

24 real close to zero, the pluses and minuses
25 netted out, maybe in the order of 2 percent

1 average error when you ignore the signs. And
2 the last several years have made our averages
3 look a whole lot worse.

4 But you never want to get into the posture
5 of justifying your errors. We do this not
6 because we know but because we're asked to, and
7 we do the best job we can.

8 And the question about the tools, the
9 models, something on the order of 70 to
10 80 percent of our errors are undoubtedly driven
11 by errors in the national revenue estimate that
12 we get from national forecasting services. The
13 recessions always come about because of random
14 shocks, unforeseen events, one or two of them
15 often tip you into a recession and virtually is
16 never foreseen.

17 Little bit more information on the last
18 couple -- the 2001 recession, and we may be
19 approaching recession now, pretty directly
20 attributable to the fed action ratcheting up
21 the interest rates, slowing the economy and
22 ultimately maybe overdoing it a bit. So that
23 contributes.

24 But if you look back and you remember your
25 economic history, the '73, '75 period, those

1 bar graphs don't do justice to the pain that
2 occurred back then. I think it was a
3 double-digit percentage error in '75, '76, even
4 though it looks like a very small amount up
5 there.

6 So '80, '81, '90, '91, 2001. The typical
7 error that we have is from recession nobody saw
8 and naturally you end up with a shortfall. So
9 the most extraordinary period we've had is
10 really the last three years, and I think it's
11 going to turn out to be unique in the sense of
12 double whammy from the hurricanes and the real
13 estate boom that we are unlikely to see.

14 It's probably a once-in-a-lifetime, maybe
15 once in 40, 50 years that we have the length
16 and breadth of the run of it that you saw in
17 Florida and the corresponding stimulus that
18 gave to new construction and the increased
19 demand for owner occupied housing even probably
20 contributed to some of the population increase
21 that we had.

22 As that unwinds, as population growth
23 appears to be slowing, you have a

24 disproportionate impact on the revenues in the
25 opposite direction. That's what we're seeing

1 right now. The shape and pattern of the
2 forecast we have is taking express account of
3 the runout of the hurricane rebuilding. We've
4 taken accounts to the extent possible of the
5 slowdown in housing and the impact on new
6 construction.

7 With the new estimate that Mike referred
8 to where we're 182 million short after just the
9 first two months, the only source in that
10 estimate in the top five, doc stamp that we
11 nailed. It's almost like we did a deal with
12 the devil. We haven't even come close on doc
13 stamps for the last three years.

14 The first month of the new estimate we
15 would be 20 percent over, and we kept doing
16 this, looked like a series of Mount Everests.
17 We had a run up and then we'd have it retrench.
18 It didn't retrench. It just kept going up and
19 up and up, and we finally caught it this time.
20 We got the turning point right. We got the
21 magnitude of decline, so the doc stamp, which
22 has contributed a tremendous amount to that
23 error, it looks like we have an estimate that's

24 holding.

25 So fingers crossed that we got the housing

1 and the construction and real estate transfers
2 nailed pretty well, because this is literally
3 our best doc stamp estimate in the last five or
4 six years.

5 The tools -- we have long had one of the
6 most sophisticated processes in the country.
7 My feeling is that you could throw an awful lot
8 more resources at this type of problem for
9 marginal incremental improvement, if any,
10 because the errors are almost always driven by
11 unknowable, unforeseeable events, and that's
12 just the very nature of the beast.

13 There are a couple more things I wanted to
14 get Mike on; but since he's not here, it's not
15 quite fun.

16 Legislative changes in 2007, there's my
17 slide on the Legislative changes. As far as
18 the topic goes, well, we did take the holiday.
19 Or we had two holidays that we reenacted, the
20 hurricane tax holiday, about 25 million
21 starting June 1st, back to school tax holiday,
22 47 million starting August 4th through the
23 13th. That's the eighth time out of the last

24 ten years we'll having a clothing tax holiday,
25 back to school tax holiday.

1 Not much else that we did. Some tinkering
2 at the margin with some of the administrative
3 provisions.

4 And my advice to the legislators was to
5 let this group handle the property tax issue.
6 Obviously, they didn't take that suggestion
7 from me, so my -- I'm pretty much a one-trick
8 pony for the last three or four months and --
9 for the next three months I'm so immersed in
10 property taxes this is a refreshing change, I
11 guess. Very little action.

12 The budget is tight, as Mike pointed out,
13 and in those type situations we tend not to do
14 much in the tax area. When we got a lot of
15 money, we're flush with money. We tend to be a
16 little more generous. But things were tight
17 enough this year that we just didn't do a whole
18 lot.

19 Just a couple comments on your tasks. I
20 looked at a lot of reform efforts and a lot of
21 states participated in those efforts in
22 Florida. Maybe only two circumstances where
23 broad based reform succeeds. One, if there's a

24 desperate need for money. So when you do tax
25 reform, you're going to break some eggs.

1 You're going to reshuffle the burden, winners
2 and losers, and that's a tough thing to do. So
3 if it's not driven by a need for revenue, it's
4 almost invariably doomed to failure.

5 So broad based reform without the need for
6 new money -- I'm not aware of any state that
7 has succeeded in it. Now, maybe there's a flip
8 side when you have some tax relief, when you
9 have the opportunity to give broad based
10 relief, then you can do some fundamental
11 reform. And that may be the whole card in this
12 property tax issue, is you might accomplish --
13 I'm sure relief is a top priority, at least on
14 the side I work for. But reform can get into
15 the mix if you're willing to take and provide
16 some additional tax relief.

17 So it's a -- that gives me hope that that
18 effort is going to succeed. So, hey, I
19 inevitably go back to small scale reform: The
20 things that you can do that may not be big and
21 sexy but at the margin, they make a difference
22 in -- over cumulative. If you do enough of
23 them, they make a big difference. And again

24 that's probably more likely that you're going
25 to do small-scale incremental changes when you

1 have a necessary need for the revenues.

2 But just some of the things to consider.
3 Remote sales is always looming out there in
4 terms of the sales tax. That's a pretty tough
5 one to tackle, but that's -- we're down to the
6 sales tax at state level with just a few other
7 minor sources. And doc stamps and corporate
8 income tax, the other two big state sources
9 that matter, they've some severe erosion taking
10 place in the base.

11 For the last ten years we have not been
12 allowed to really even suggest tightening up
13 the tax code as the world evolves. I mean,
14 this is a Darwinian process. You've got half
15 the world out there actively trying to find a
16 way to tilt the tax code and interpret it in
17 their favor.

18 If the state doesn't react it's just
19 one-sided. The tax base tends to erode over
20 time. You've got some big examples of that in
21 the corporate income tax area. There are some
22 opportunities for very large profitable
23 entities. This is not anything bad, but if you

24 allow them to avoid paying their fair share
25 because of tax planning opportunities, they're

1 going to do it.

2 So it's not a real popular issue in our
3 one area -- foray into that area was so
4 aggressive that it was a failure in itself.

5 The other area is doc stamp. There's
6 probably a loophole in the doc stamp out there
7 that could at some point materially erode that
8 source. I'm pretty comfortable we'll address
9 that if it expands to where a lot of people can
10 do these transfers tax-free, because you have
11 so many programs and so many bonds relying on
12 the revenue source.

13 I did bring one thing, since I didn't have
14 anything to talk about; and I don't know if
15 April could hand these out. Just a handy
16 source. Some of you who've been around the
17 process have used it a lot. We put this out
18 with the governor's office, with DOR, EDR. Amy
19 was here. House, Senate.

20 And it's -- it's for your purposes if you
21 want to find something quick and dirty in the
22 tax area it's got an overview of the whole
23 finances of the state. But when you turn to

24 individual tax sources -- let's see, I happened
25 to pull up page 127, severance tax, standard

1 format. You can see the current estimate. You
2 can have a summary of what the tax base is,
3 where the money goes, some estimates, and a
4 history.

5 I was looking in this one. Tax rates
6 changed in 1977 on the severance tax. I came
7 to the Senate, Florida Senate in January of
8 '78, worked for an interesting fellow named
9 Jack Gordon for a while, went over to the House
10 in '79, but one of the first contacts I had was
11 somebody at this table who may have represented
12 some of those interest groups. Martha.

13 Boy, she just tore into me one time over
14 some amendment that we hadn't told her about
15 until right before the meeting. And we got
16 over that, and a little bit later I asked
17 Martha, I said, are we ever going to be on the
18 same side of one of these issues. And she's
19 like, nobody is going to pay me to be on your
20 side, whoever's side I'm on.

21 Now, 25 years later Martha came forward,
22 and we actually worked on an issue that was
23 like a win-win. And I said, Martha, you were

24 wrong. We were on the same side there briefly.

25 Every one of these tax sources has the

1 same thing. If you want to get into ad valorem
2 taxes just a few pages further, 139, there is
3 more information about the property taxes in
4 one condensed place, including the history,
5 which goes back to whenever, 19 -- the big
6 changes all took place in 1980.

7 Now, another one of your members, one of
8 my first contacts with Mr. Miller was about
9 that time we were going after the property tax
10 and some of you might remember that Governor
11 Graham called a special session in the fall of
12 '79 as a relatively new governor, his first big
13 out of the box, he's going to have a major tax
14 reform effort that centered around property
15 tax, fractional assessment, all this in the
16 wake of an auditor general's report that was
17 highly critical of the local tax rolls and the
18 state's oversight.

19 What I was surprised to read was that
20 Governor Graham also included a revenue limit
21 in his proposal, state revenue cap in that '79
22 special session. It got real ugly real fast,
23 and the whole thing crashed and burned. But in

24 1980 we came back, and we put in place the
25 25,000, the trim process.

1 In fact, but for Save Our Homes, except
2 for that change that was by initiative, the
3 essential structure that was put in place in
4 1980 has remained intact and has functioned
5 well. I think the big fly in the ointment
6 there is what Save Our Homes has done in terms
7 of disparities and inequities.

8 CHAIRMAN BENSE: Alan, if you could wrap it
9 up in the next minute or so. I'm not trying to
10 push you, but planes are leaving for some of these
11 folks.

12 MR. JOHANSEN: I've hit everything I wanted
13 to get across. Call anytime. We'll be glad to
14 help. We'll help Susan with anything you want,
15 but this is a handy off-the-shelf resource. And
16 my legislative update is -- I'm not supposed to
17 talk about property tax, so.

18 CHAIRMAN BENSE: Any questions? Commissioner
19 Barnett?

20 MS. BARNETT: Alan, could you provide at some
21 later date, because it sounds like we're about to
22 run out time, more information on the loophole in
23 the doc stamp issue?

24 MR. JOHANSEN: Primarily referring to the one
25 case involving transferring property, Miami

1 Crescent Center, transferring property into a
2 wholly owned LLC with no encumbrances and then
3 selling the entity. It's a pretty glaring
4 opportunity for some taxpayers. So far does not
5 appear to be widespread, but we're certainly
6 watching it. And no evidence that we can detect
7 that that's a cause of major erosion in the source
8 at this point.

9 CHAIRMAN BENSE: Commissioner Johnson.

10 MS. JOHNSON: Quick question, Alan. You
11 talked about erosion, and you gave us where you
12 thought we could go to get some perhaps low
13 hanging fruit. Remote taxation means catalog
14 online, and to the extent you said everything is
15 in this Bible, is there something that references
16 so we can understand the magnitude of the issue or
17 the opportunity?

18 MR. JOHANSEN: Probably your entree into that
19 issue is something that I imagine the TaxWatch
20 folks might either talk about or have taken a
21 strong position. And I know there's some business
22 groups that representative -- from your members
23 have been real active in the streamlined sales tax

24 project, get Florida to conform its sale tax laws,
25 not major structural change, minor changes that

1 would put us in sync with the definitions and the
2 structure that makes it administratively feasible.
3 Takes the business community a fair amount of
4 money -- decline, especially multistate.

5 MS. JOHNSON: But to the issue of the
6 magnitude of the problem, is there some data or
7 something that would help understand the magnitude
8 of the problem?

9 MR. JOHANSEN: Not a simple answer, but the
10 magnitude of the problem is large. What the state
11 can fix or change on its own is small because
12 compliance with this national standard just leads
13 to some additional voluntary collections.

14 At some point Congress is going to look at
15 what the states have done and say yes or no to
16 these remote sellers who are increasingly are
17 pure Internet players competing with bricks and
18 mortar folks that are in the state.

19 So, large number, you know, upwards of a
20 billion dollars potentially, but what is
21 available based on our own decisions is
22 relatively small. It may cost us a little bit
23 of money to get into compliance.

24

MS. JOHNSON: Thank you.

25

CHAIRMAN BENSE: Commissioner Miller.

1 MR. MILLER: He answered.

2 CHAIRMAN BENSE: Commissioner Martinez.

3 MR. MARTINEZ: Thank you, Mr. Chairman.

4 Mr. Johansen, could you, in the interest
5 of time, could you just submit to us something
6 that describes the type of modeling that was
7 done and any suggestions for improvement and
8 also whether or not there are legal
9 requirements on the public modeling.

10 I have heard, and I know we don't have
11 time to talk about it, but by law you are
12 required to use static modeling as opposed to
13 dynamic modeling. That may be a
14 misunderstanding that I have. So to the extent
15 that you can submit some information to us, I
16 would appreciate it.

17 CHAIRMAN BENSE: Okay. Further questions?

18 MR. SCOTT: Mr. Chairman?

19 CHAIRMAN BENSE: Commissioner Scott.

20 MR. SCOTT: Just a commentary. I wouldn't
21 get too carried away about being right on the doc
22 stamps because information out there and people I
23 know that have title companies and whatever, they

24 don't have much on the books after this month, for
25 example, because of the, in part or significant

1 part, of the property tax issue.

2 I mean, and some of that we possibly --
3 they say, well, it could be people are kind of
4 waiting to see what the Legislature does, but
5 this definitely -- the activity level is
6 affecting everything by the lack of sales of --
7 and resales and whatever of homes in this
8 state. Furniture companies and everything.
9 So, to be continued.

10 MR. JOHANSEN: If I brought the graphs you
11 would be astounded at the fall-off we have in our
12 estimate. I mean, tremendous, but thank you.

13 CHAIRMAN BENSE: Commissioner Wilkinson.

14 MR. WILKINSON: Alan, since you and I go back
15 as far as you and Martha, do you think in these 26
16 years we'll ever agree on ad valorem?

17 MR. JOHANSEN: No comment.

18 (Laughter.)

19 CHAIRMAN BENSE: Commissioner Turbeville.

20 MR. TURBEVILLE: Could you briefly address
21 the revenue limitation that's currently in the
22 constitution and how it -- we have never hit the
23 trigger since its implementation?

24 MR. JOHANSEN: It -- Mr. Chairman?

25 CHAIRMAN BENSE: Go ahead.

1 MR. JOHANSEN: Sure. In '92 we put a revenue
2 limit in the state constitution similar to what
3 was in some of the proposals for local governments
4 on the property tax. It's essentially based on
5 total economic activity, which inherently brings
6 in inflation in population.

7 There are some things that are left out of
8 the calculation so we're not penalized by
9 run-ups in Medicaid that are outside our
10 control. We're not penalized by the CAT fund.
11 We don't include revenues that have to go to
12 bond indebtedness which is put in there to
13 protect the bond holders.

14 Otherwise it's an overarching limit on
15 state revenues that started in 1992, '93, I
16 believe, was the base year. It appeared that
17 we were going to grow our way just into --
18 could have had a 2-cent sales tax increase and
19 not hit the trigger.

20 Up until somewhere when those big spikes
21 in the revenues and the big errors started,
22 what happened between 2002 and 2005/6 was a
23 \$5 billion excess capacity under the cap

24 dwindled to 500 million in 05/06.

25 If the feds had not taken away our estate

1 tax, that was a billion-dollar hit by 05/06 on
2 our revenues, we would have blown past the cap
3 in 05/06 and had to put the money in a budget
4 stabilization fund. You can only put up to ten
5 percent in a budget stabilization fund. If we
6 hadn't also eliminated the intangibles tax at
7 the same time, we would have been conceivably
8 \$2 billion over the revenue limit in 05/06.
9 That's how strong that run-up was after the
10 recovery from 01/02.

11 So people have said that it's meaningless
12 and that it doesn't do anything and that it's
13 not binding. But the -- sort of the secret is
14 we came that close to exceeding the revenue
15 limit in 05/06, and just a few lucky breaks
16 kind of kept us from doing so.

17 So I'm inclined to think that it's maybe
18 not as much of a -- it could be tightened up if
19 that's what people wanted to do, but it's not
20 a -- no longer can be viewed as a joke.

21 CHAIRMAN BENSE: Commissioner Levine.

22 MR. LEVINE: Thank you. Just one quick
23 question.

24 Back last year there was some discussions
25 about forecasting Medicaid growth, and there

1 was some graphs that showed if all policy
2 remained the same Medicaid would consume about
3 60 percent or 50 percent of the state budget by
4 2016 or whatever it was.

5 Do you have forecast models for each of
6 the major elements of the state budget,
7 assuming revenue policy stays the same, what
8 each aspect of the state budget would look like
9 as a percent of the total state budget?

10 MR. JOHANSEN: I'm sorry, Mr. Levine. The
11 only time I've ever been involved with Medicaid
12 was to come and scrutinize the process that they
13 use for somebody else. Mike's the only guy that's
14 ever been doing the Medicaid forecast. I do not
15 know the answer to that because I just do not
16 work -- I work on the revenue side strictly. I'm
17 sorry.

18 MR. LEVINE: Okay.

19 MR. JOHANSEN: But I could probably get Amy
20 Baker back on that. She is the one who's sort of
21 a universal forecaster.

22 CHAIRMAN BENSE: Okay. Any further
23 questions? Thank you, Alan. Great job, great

24 job.

25 We're going to begin losing members

1 shortly I'm afraid to airplanes so let's move
2 on to reports of committees. Then we'll close
3 with Florida TaxWatch.

4 First of all, thank you for coming to the
5 committee meetings this morning, folks. It was
6 very informative, I thought. I attended most
7 of them. Since the last committee meeting --
8 or commissioner meeting a few things have
9 occurred.

10 Number one, the Legislature did pass a
11 budget. And as I outlined to you in an earlier
12 memorandum we were budgeted for roughly
13 \$1.6 million, and we will live within our
14 means. We actually have in this year's budget
15 we can spend up to a half a million dollars in
16 the 06/07 budget, and we will fall very short
17 of that. And there may be some items that we
18 can go ahead and pay for now, but we will live
19 within that 1.6 million. Any questions on
20 that?

21 (No response.)

22 Good, because there's not a whole lot we
23 can do about it.

24 Also we're having -- every day April is
25 sending you clips that are relevant to, we

1 think, to the taxation and budget process in
2 Florida. So I hope you don't mind us filling
3 up your computers with E-mails regarding that.
4 If there's additional information you would
5 like, please let us know.

6 Third housekeeping is the June meeting.
7 As you know we've allocated the third Friday of
8 each month until May of '08 toward this
9 meeting. Wouldn't you know it, in June the
10 special session will be running from June 12th
11 through June 22nd, I believe, in that ballpark
12 there, which ends on Friday.

13 And I think it would be prudent quite
14 frankly of us to meet after that for a lot of
15 reasons. We'll be busy here in the Capitol.
16 This room could very well be occupied. And I
17 would like to open the floor for discussion
18 of -- my thoughts are we go ahead and meet, is
19 it Monday, June 24th? Okay. Perhaps Monday
20 the 25th. If you move it on out to Friday the
21 28th, people are gone for 4th of July. And so
22 on.

23 And let's debate out here if moving the

24 meeting -- also, we will know by Monday,
25 June 25th what happened in the special session.

1 So is there a discussion on that issue?

2 Otherwise, I'm going to ask for a motion to
3 move it to Monday, June 25th.

4 MR. MARTINEZ: So moved.

5 MR. MILLER: Second.

6 CHAIRMAN BENSE: Is there a second? Any
7 debate? Any discussion? I don't like to mess up
8 your schedules.

9 MR. MCKAY: Just in case. I know as
10 sometimes happens, sometimes doesn't, the
11 Legislature could extend or they could extend for
12 the weekend and have a deal on Monday, so it might
13 be a good idea to move it back.

14 CHAIRMAN BENSE: To Tuesday?

15 MR. MCKAY: To Tuesday or even Wednesday.
16 You're right about the 4th of July holiday.

17 CHAIRMAN BENSE: Yeah. We get much past
18 Wednesday we're going to lose members, so --

19 MR. MCKAY: Why don't we say -- if I may make
20 a suggestion, Tuesday.

21 CHAIRMAN BENSE: Give me some nods and up and
22 down and don't care, you know, sort of -- I agree.
23 It could run -- it's a contentious issue. How

24 about if we amend -- Commissioner McKay moves that
25 the motion be amended to change the date to

1 Wednesday, June 27th. Does anyone have a
2 calender? Commissioner Martinez?

3 MR. MARTINEZ: Point of clarification. Will
4 we still be able to call in on the --

5 CHAIRMAN BENSE: Yes. Since we're changing
6 the rules a little bit, I think we should be
7 allowed to call in on that meeting.

8 MR. MCKAY: Actually, I was going to suggest
9 Tuesday.

10 CHAIRMAN BENSE: Tuesday, okay. Tuesday is
11 great. Tuesday -- what is that?

12 MR. MCKAY: The 26th.

13 CHAIRMAN BENSE: Tuesday, June 26th. There's
14 a motion on the floor that we move the June
15 meeting to Tuesday, June 26th. There's a motion
16 and a second. All in favor say aye.

17 (Ayes unanimous.)

18 Opposed, no.

19 (No response.)

20 Then we will move the meeting to that
21 date. Be sure to mark your calenders
22 accordingly, folks.

23 Next, why don't we move on to committee

24 meetings. I thought the meetings went great.

25 I think if we learned one thing, that I'm not

1 sure that there's anything out there that we
2 can't take up. I don't think there's anything
3 that we can't take up.

4 So -- but before we do get to that I have
5 interviewed for general counsel, and I have met
6 some bright folks. We're going to spend -- to
7 get a very, very bright lawyer we're going to
8 spend probably in the 130 to 150,000 range.

9 And I'm -- after listening to -- and I
10 have interviewed lawyers that are fourth year
11 out of law school that are in the lower salary
12 range of, you know, 38 to 42,000 a year all the
13 way up to some high-priced folks. And my
14 instincts tell me that I'm not sure we need a
15 high-priced lawyer around all the time.

16 My thoughts are -- and I'll throw it out
17 to you folks -- perhaps we hire a -- an
18 attorney that doesn't have the greatest amount
19 of expertise but that can help us with
20 housekeeping issues over the next year that's
21 in the 38 to 42, 45 range, and as we get into
22 very detailed and complex issues that we hire
23 contract lawyers either by the month or

24 whatever scale we can come up with to help us
25 with their expertise in those particular areas.

1 And I'll throw that out for discussion
2 because it's -- and the problem with this
3 commission is there will be slow times and
4 there will be very, very, very busy times as
5 well, as we all know.

6 So -- discussion? Commissioner Scott.

7 MR. SCOTT: I think that's -- I think that's
8 the best way to go. It seems to me that when
9 we're going to really need legal expertise will be
10 when we get into deciding what's involved in
11 addressing whatever we decide to address, whether
12 it's anything to do with local or state government
13 or whatever, and that's probably going to be a
14 little bit later on, I mean, you know, this fall
15 or whatever. And so, and on that basis by project
16 or month or whatever depending on the need. I
17 think that's the best way to go.

18 CHAIRMAN BENSE: Commissioner Martinez.

19 MR. MARTINEZ: Mr. Chairman, I agree with
20 you. I would also like for you to consider that
21 even for the short-term needs perhaps we could
22 avail ourselves of some lawyers at the, for
23 example, the governor's office and the counselor's

24 office, Mr. McCollum and his assistant.

25 CHAIRMAN BENSE: And the governor's office

1 has been most helpful in some of the housekeeping
2 chores we've had to handle. They have been very
3 helpful. And we all know that they've been part
4 of this process. The next -- after this special
5 session, there's a lull.

6 I mean, things are not as hectic in the
7 July, August, September, et cetera months until
8 we get into the committee meetings in December
9 and January. So, I think, there will be
10 some -- perhaps the Senate president and the
11 speaker, the governor will continue to be kind
12 to us and lend us their legal expertise.

13 I'm not sure this issue needs a motion
14 because you give me some broad authority to do
15 this. I just want to make sure that no one had
16 any real problems with us going along those
17 lines.

18 Having said that, I think that's the --
19 and Commissioner Scott, I think you have a
20 motion to --

21 MR. SCOTT: Right. I just wanted to ask --
22 make a motion to clarify that our legislative
23 members that have been appointed, the four of

24 them, that they would be invited to be members and
25 participate of all the committees, any and all the

1 committees. They're of course non-voting, but
2 that we just clarify that. I think it might take
3 a motion.

4 CHAIRMAN BENSE: I think it does because
5 technically our rules say each committee can have
6 between three and 11 members, and if we put all
7 four of them on all four committees naturally we'd
8 have more than 11. But I do think they should be
9 given the privilege of being on all the
10 committees.

11 Naturally they don't have to attend. They
12 are non-voting. So Commissioner Scott has a
13 motion that all four elected officials be
14 placed on all four committees as nonvoting
15 members.

16 MR. MILLER: I'll second that.

17 MR. SCOTT: That they would not be counted
18 for quorum purposes or absence or whatever.

19 CHAIRMAN BENSE: Okay. There's a motion by
20 Commissioner Scott, seconded by Commissioner
21 Miller. Any discussion, debate?

22 (No response.)

23 All in favor say aye.

24 (Ayes unanimous.)

25 Opposed no. Motion carries.

1 Okay. Any other housekeeping we need?

2 Commissioner Levesque?

3 MS. LEVESQUE: I want to thank you for the
4 committee assignment. I think you did a great job
5 on putting committees together. I notice that
6 you're not on any of the substantive committees.

7 I didn't know if you did that out of
8 deference so we could serve more or if you were
9 interested in participating. I think you add a
10 lot of value. And if we're allowing the
11 legislative members to participate on all four,
12 I would just want to throw it out there that I
13 think you should participate as a voting member
14 of all four and open that for discussion.

15 CHAIRMAN BENSE: That's fine with me, but
16 I'll leave it up to the wishes of the commission.
17 Commissioner?

18 MR. MARTINEZ: Formal motion along those
19 lines.

20 CHAIRMAN BENSE: Okay. Commissioner Martinez
21 makes a motion. Is there a second?

22 MS. LEVESQUE: Second.

23 CHAIRMAN BENSE: Commissioner Levesque makes

24 a second. Is there debate, discussion?

25 (No response.)

1 All in favor of the motion say aye.

2 (Ayes unanimous.)

3 Opposed no. Motion carries.

4 And I do hope that you're happy with your
5 committee assignments. I noticed that former
6 presidents Scott and McKay, we've done that
7 once before and I think I got shot and --
8 almost got shot and killed when I made my
9 committee assignments a couple years ago. The
10 shots were a lot better this time. So thank
11 you.

12 If you have questions, or frankly,
13 members, if you want to be in a different
14 committee, I did the best I could to put folks
15 where you wanted to be. If you have a concern
16 please let Susan know, and we will -- I think I
17 outlined that to you in my memorandum, but if
18 you want to make a change, please let me know.

19 Let's have reports of committees. F and
20 T, Commissioner Susan Story, chairman.

21 MS. STORY: Thank you, Mr. chairman. Just
22 quickly, our committee went through what we are
23 obligated to do, our charge and the scope of our

24 responsibilities. Everyone understood those.

25 We then went through a drafting process

1 that we would use through next May in terms of
2 how we want to run ourselves, what the critical
3 components are under education and research,
4 what type of presentations we need, guiding
5 principles that we will agree to public input,
6 et cetera, before we get to the stage of
7 drafting initial recommendations to come to the
8 full tax and budget reform commission.

9 We had some great discussion. We also
10 agreed that our next meeting we are going to
11 get presentations in depth on a detailed
12 overview of the current tax structure in the
13 state as well as statutory and constitutional
14 limitations on tax and spending. We are going
15 to run that meeting in conjunction with the
16 governmental services group because they also
17 need to have the same presentation.

18 So that's all I have to offer, unless
19 someone from the committee would like to add
20 anything?

21 CHAIRMAN BENSE: Anyone wish to add?

22 (No response.)

23 Great. Planning and budgetary processes

24 committee. Who is going to present that one?

25 I think --

1 MR. MCKEE: Mr. Chairman, I am on behalf of
2 Commissioner Lacasa. We followed a similar
3 process to the previously reported committee. We
4 agreed that a great deal of our focus needs to be
5 on the planning portion of that and establishing
6 methodologies and modeling.

7 Since some of the subjects that we are
8 talking about obviously are overlapping with
9 the other committees, and we believe that
10 there's merit to that, but when specific tasks
11 are preferred rather than become duplicative in
12 our efforts, we believe that the respective
13 chairs should be debating with one another and
14 counseling with one another.

15 We too have a need for some overviews of
16 specific functions within the state and local
17 government that we believe we can avail
18 ourselves of at these group meetings as well.
19 There are specific topics that we believe we
20 need to discuss that are exponentially
21 increasing burdens on the state, like the
22 prison system, the cost of education.

23 Although we don't perceive that to be a

24 burden, it's a necessity. An additional one
25 such as the consumption of water within the

1 state and creating some type of alliances
2 there.

3 We also need to bring in speakers that can
4 provide us specific expertise in the areas that
5 I've just mentioned. We also have charged
6 staff with coming back to us and explaining to
7 us what the language of the constitution is
8 that specifically addresses budgets and what
9 our constraints are.

10 That said, probably the most important
11 thing that came out of that besides structure
12 and what we bring forth to this commission is
13 the -- the need for further education on
14 specific state issues. And we think that there
15 will be a need for the committees collectively
16 to gain that information.

17 That said, any of the committee members
18 may have some additional remarks.

19 CHAIRMAN BENISE: Members?

20 (No response.)

21 Good. And I'm going to have sort of a
22 wrap up when we're all done as to how I think
23 we coordinate these committees.

24 Chairman Martinez, governmental services
25 committee.

1 MR. MARTINEZ: Mr. Chairman, thank you very
2 much for naming me to head the committee. That's
3 a great privilege. And more importantly from
4 staffing includes such qualified people makes my
5 job much easier.

6 Our meeting went similar to the others.
7 We examined the tasks that you have assigned to
8 us, and we have determined to proceed pretty
9 much along the lines of the finance and tax.
10 The first stage will be to have presenters,
11 advisors, to educate us, to provide the proper
12 research so that we can understand the big
13 picture.

14 Later on we envision opening it up to
15 public hearings throughout the state where we
16 can hear from interested stakeholders. And we
17 envision that towards the end of the year, no
18 later than the beginning of the year, we will
19 put together a recommendation to the commission
20 of our findings and suggestions.

21 For the first meeting what we have decided
22 to focus on will be a presentation on the
23 revenue needs and also a presentation on the

24 constitutional limitations that are enforced
25 upon these particular issues.

1 One of the things we talked about is
2 having our meetings at a location other than
3 our state capitol to make it easier for members
4 throughout the state. So we discussed that,
5 and I'm sure you will hear more about it from
6 Susan.

7 And lastly we discussed about having some
8 meetings that coordinate with the finance and
9 tax and having them perhaps held for a full day
10 where we can split the day so our members can
11 sit and listen to the presentations of the
12 others and share some of the same speakers.

13 CHAIRMAN BENSE: Okay. Committee members
14 want to add to that, embellish upon it, take away
15 from it? Thank you, Chairman.

16 And the governmental procedures and
17 structure committee. Chairman Levine.

18 MR. LEVINE: Thank you, Mr. Chairman. Thank
19 you for the honor of serving. And we have a great
20 committee, some incredible expertise on the
21 committee. We talked about first the structure of
22 the committee and the -- some -- we discussed some
23 core principles and the development of core

24 principles for the committee to kind of guide,
25 because it's a very broad committee, has a lot of

1 issues.

2 But we had a lot of discussion,
3 particularly around the issue of government
4 efficiency and productivity, as you can
5 imagine, at the local and state level. There
6 was even a discussion of certain -- some
7 counties that's have upwards of 80 or 90 taxing
8 districts and municipalities and does, you
9 know, why that is and does that need to be.
10 So, I think, there was some really broad and
11 good discussion and a lot of good debate in our
12 committee.

13 One thing that will be helpful will be to
14 try to figure out the time frame from when the
15 commission wants to put its report out and back
16 up from there when the committee reports should
17 be due to the -- to the commission, so that
18 there's ample time for debate of the
19 committee's recommendation. And, obviously,
20 that's something the commission, you know,
21 under your leadership should discuss.

22 We probably will meet before the next
23 commission meeting to talk more about our core

24 principles. But one question I have is, can
25 those committee meetings take place via

1 teleconference as well, if they're noticed
2 properly and there's open --

3 CHAIRMAN BENSE: Sure.

4 MR. LEVINE: Okay. So there probably will
5 be, because we do want to fine-tune and hone in on
6 our core principles and our structure as we move
7 forward. So, thank you, again, Mr. Chairman.

8 CHAIRMAN BENSE: Absolutely. Okay. Just a
9 few notes from the meetings this morning. First,
10 again, I don't think there's an issue that -- our
11 biggest challenge is going to be narrowing the
12 scope of our work and what we want to accomplish.
13 I think that will be -- when you can basically
14 take a look at all government services, that in
15 itself is mind boggling in terms of what we can
16 do.

17 But I do encourage everyone to open your
18 minds up and think big and what can we do to
19 make this state a better place is the bottom
20 line. There will be committees that have
21 overlapping ideas and goals, and I think that
22 Commissioner Scott and I will make sure that
23 we're kind of coordinating amongst the

24 committee chairmen, that this committee is
25 handling that and they really want to tackle

1 it, you got your plate full.

2 We will distribute the load evenly. I
3 would like to have a meeting probably before
4 the next meeting with all the committee chairs.
5 We may even do that meeting -- I just noticed
6 this morning that three of the four committee
7 chairs are in Broward and Dade County, so
8 perhaps it might be a good idea to meet down
9 there with Commissioner Scott and myself and
10 Susan just to see as committee chairs where you
11 folks want to head because, and as I get
12 feedback from each of you, that will help me
13 kind of narrow down where we want to go.

14 And Commissioner Levine hit the nail right
15 on the head. I think before the next meeting
16 is sort of like a campaign. I always ran
17 campaigns from election day backward, you know,
18 because we know that date's certain and finite.
19 And in terms of when we want to have items to
20 our styling and drafting committee, and, you
21 know, how long we want for experts and analysts
22 to run econometric models, whatever it may be
23 on some of the proposals we come up with, we

24 need to make sure there's plenty of time to vet
25 those and have them looked at. So I will be

1 getting with the committee chairmen on that.

2 With respect to experts and analysts, I
3 concluded after today's committee meetings that
4 probably each committee needs to have an
5 analyst assigned to it, someone that we would
6 hire who can more or less be that committee's
7 coordinator.

8 I was sort of hoping we could get by with
9 existing staff, but I'm convinced that we will
10 need analysts for each committee. And we'll
11 try to find those folks in the next 30 days so
12 we can really get moving, unless someone has an
13 objection to that. I clearly saw the need for
14 it, especially with you committee chairs that
15 have some pretty great, pretty good ideas.

16 And also with respect to members, you
17 know, any member can attend a committee
18 meeting. Even if you're not on that committee,
19 you can attend the committee meeting. And I
20 say that.

21 If we're going to have experts appear
22 before an individual committee, I would hate to
23 see other committee members not be, not think

24 they could attend that meeting because they're
25 not on the committee. You can attend that

1 meeting. You can't vote, but you can attend
2 the meeting.

3 And, quite frankly, I thought about it,
4 unless there's an objection if, you know, if
5 Chairman Story's committee has a really good F
6 and T expert of some sort that you want to
7 listen to, and that meeting is in whatever
8 city, I think this commission should pay for
9 your travel to that meeting as well, because I
10 think you should be as informed as members as
11 possible.

12 And I think you're all adult enough to not
13 take advantage of the trip just to go have a
14 trip. I think you want to gather information,
15 so I think it's incumbent upon this commission
16 to make sure all of you are up to speed. So if
17 you do want to attend another committee meeting
18 for whatever reason, you're certainly able to
19 do that.

20 And having said that, is there any
21 discussion along these lines?

22 (No response.)

23 Okay. We'll be able to narrow the focus

24 as we go forward, but I think we're moving
25 along now.

1 Two more issues. Ad hoc committee
2 reports, and I think that Commissioner Moore is
3 going to give us the report on the ad hoc
4 committee and lobbyist registration rules.
5 You're recognized.

6 MR. MOORE: Thank you, Mr. Chairman. We met
7 twice to go over the lobbying rules and with the
8 excellent help of Ms. Skelton and the staff we
9 took a look at all the different registration,
10 current registration rules and regulations and
11 determined that the ones -- the joint legislative
12 rules were the most appropriate for us to use with
13 the necessary changes to incorporate our language
14 and take out the word legislature with the
15 exception of the duplication of the reporting
16 requirements.

17 We recommended yesterday in the meeting
18 with Commissioner Mathis, Rouson, and myself
19 that we not ask the lobbyists to have to duly
20 report, those that are already registered and
21 report as they currently do to the joint
22 legislative commission.

23 Other than that, we've adopted rules and

24 made only minor adjustments to them so that
25 there will be an ease of application within the

1 lobbying community. But we did choose to use
2 the legislative rules which are stricter than
3 the executive rules, and we're recommending
4 those.

5 CHAIRMAN BENSE: And I think you've modified
6 those a little bit as well, haven't you,
7 Commissioner?

8 MR. MOORE: Yes.

9 CHAIRMAN BENSE: In all fairness to members,
10 I think you should have the opportunity to review
11 those rules as well as the changes that were made,
12 and I'm not going to spring something on you
13 today, not that there's anything bad.

14 MR. MOORE: No.

15 CHAIRMAN BENSE: But Ms. Skelton will get to
16 you the proposed recommendations of the ad hoc
17 committee, and we will vote on that at the next
18 meeting, if that's acceptable to everyone here.
19 Is there objection to that?

20 (No response.)

21 Ms. Skelton, do you have -- you were
22 probably going to suggest that, weren't you?

23 Okay. And, again, I would continue with

24 respect to meals and things like that to take
25 the most conservative approach you can take and

1 just go Dutch treat everywhere.

2 The ad hoc committee on telephonic
3 participation and voting. Commissioner McKee,
4 you're recognized.

5 MR. MCKEE: Thank you, Mr. Chairman.
6 Commissioner Les Miller, Commissioner McKay and I
7 met as a committee to discuss the ongoing process
8 of member participation and voting. And we
9 concluded and recommend language to the commission
10 that we -- three points in particular, one being
11 that we obviously have a physical presence in
12 order to constitute a quorum.

13 Secondly, that all the attorney general's
14 opinions that are out there that are not
15 specific to us but create a spirit of the
16 intentions of the public are that the physical
17 presence of a commission is required and that
18 in the absence of an extraordinary
19 circumstance, that being defined by the chair,
20 it is expected that each commissioner will be
21 physically present in order to participate in
22 the vote.

23 And Commissioner McKay in the absence of

24 Commissioner Miller perhaps would like to
25 comment on that as well.

1 CHAIRMAN BENSE: Commissioner McKay, you're
2 recognized. No? Okay. Why don't you capsule for
3 me then what you were recommending.

4 MR. MCKEE: That we will have the physical
5 presence of 13 members in order to constitute a
6 quorum, that commissioners will be physically
7 present in order to participate and vote, and
8 should there be an extraordinary circumstance that
9 precludes them from being able to attend, and not
10 as a matter of convenience, that that require the
11 approval of the chair and that approval will be
12 granted, the request for it in writing, the
13 response in writing, and the particular
14 circumstances outlined. So what the rule
15 contemplates is that commissioners will be present
16 in order to participate in voting.

17 CHAIRMAN BENSE: Commissioners, is that a
18 motion?

19 MR. MCKEE: Yes, sir.

20 CHAIRMAN BENSE: Okay. Do we have a second
21 to this motion?

22 MR. MCKAY: Second.

23 CHAIRMAN BENSE: Commissioner McKay seconds

24 the motion.

25 Let's move to the debate side of this. I

1 see Commissioner Martinez has his finger on
2 that button. That means he must.

3 MR. MARTINEZ: Susan had her hands up first,
4 Mr. Chairman.

5 CHAIRMAN BENSE: Oh, I'm sorry. Commissioner
6 Story, go ahead, you're recognized.

7 MS. STORY: Mr. Chairman, I'm assuming during
8 our earlier discussion about committee meetings
9 and doing these telephonically, this only applies
10 to the full meeting of the tax and budget reform
11 commission, not the committee meetings, for
12 clarification?

13 CHAIRMAN BENSE: Mr. McKee, is that correct?
14 You had the motion.

15 MR. MCKEE: Yes, sir, we would -- that rule
16 would contemplate that.

17 CHAIRMAN BENSE: Since we're in discussion --
18 so what you're implying, Commissioner Story, is
19 that committee meetings do not require the
20 presence, the physical presence of members. They
21 can in fact participate and vote by phone.

22 MS. STORY: I'm asking for debate on that. I
23 think there's a question, because we earlier said

24 you can have a committee meeting by telephone.

25 Now we're saying that -- we're putting

1 forth a motion that you cannot participate or
2 vote. I do think there's a difference on
3 committees.

4 My personal opinion -- I don't have a
5 problem with saying you don't vote on any
6 recommendations that go to the full commission
7 without physical presence. Participation I am
8 struggling with because I think some of the
9 committee work may get so detailed it may be
10 impossible to only do committee work in person.

11 CHAIRMAN BENSE: Commissioner McKay, you're
12 recognized.

13 MR. MCKAY: Perhaps there's a
14 misunderstanding on my part. I thought,
15 Commissioner McKee, that it was voting that one
16 had to present for. We weren't trying to exclude
17 anybody from participation via telephonic
18 communication.

19 MR. MCKEE: The concern that I had was that
20 we provide no broader range of participation to
21 the commission than we do to the public. And if
22 we open up for telephonic participation by the
23 commission to any degree, then I believe that we

24 should extend that same courtesy to the public, or
25 that same opportunity.

1 I think that logistically that's
2 impossible. With committees I believe since
3 we're not voting on issues that could affect
4 either the statutes or the constitution that we
5 should have a different standard, a higher
6 standard.

7 So my motion would be specific to the
8 commission meetings, and I would like to hear
9 further debate if the chair is so inclined as
10 to whether physical participation in the
11 committee meetings is necessary.

12 CHAIRMAN BENSE: Okay. Let's do what my good
13 friend Dudley Giddam (phonetic) used to say.
14 Let's bifurcate these issues. Let's go ahead and
15 vote on the commission first and then we'll talk
16 about committees second. Commissioner McKay?

17 MR. MCKAY: I think I'm -- I think I
18 misunderstood the motion. Would you restate the
19 motion, please?

20 CHAIRMAN BENSE: Commissioner.

21 MR. MCKEE: The motion on the floor is
22 multifaceted, first being that we have physical
23 presence of 13 members in order to constitute a

24 quorum for commission meetings.

25 Secondly, that commission members will be

1 physically present in order to participate and
2 vote.

3 And thirdly, that if there are extenuating
4 circumstances that preclude a member from
5 attending that with prior approval of the
6 chair, they may participate.

7 CHAIRMAN BENSE: Okay. Commissioner McKay.

8 MR. MCKAY: Mr. Chairman, and with all due
9 respect to Commissioner McKee, I didn't pick up on
10 the requirement for participation that they had to
11 attend so, which I think people ought -- to vote
12 ought be here but not necessarily participate, so
13 I would like to withdraw my second, or if
14 Commissioner McKee would be receptive to an
15 amendment to his motion.

16 CHAIRMAN BENSE: Clarify for me, please,
17 Commissioner McKay, the participation, what is it
18 that you have problems with, or concerns about.

19 MR. MCKAY: I think if somebody wants to --
20 if for some reason I need to remain in Bradenton
21 but I want to participate -- I want to hear what's
22 going on, I think I ought to be able to do that. I
23 think it's important to be here to vote. I think

24 the debate is in fact --

25 CHAIRMAN BENSE: Commissioner McKee.

1 MR. MCKAY: -- important. I think the
2 telephonic debate is not the most productive
3 debate.

4 CHAIRMAN BENSE: Commissioner McKee, you're
5 saying you should be physically present to both
6 vote and participate?

7 MR. MCKEE: Yes, sir. And the reason I
8 believe that should be the case is that if I read
9 the rules of procedure properly, once you're a
10 participant in the meeting as a commission member
11 you can't abstain from voting, and so I see a
12 little bit of conflict there.

13 CHAIRMAN BENSE: Any debate? Anyone want to
14 jump in? The water is warm. Is there a second to
15 Commissioner McKee's motion?

16 MS. BARNETT: Second.

17 CHAIRMAN BENSE: Commission Barnett seconds
18 his motion, and we'll go back into the debate
19 phase. Commissioner, you're recognized.
20 Commissioner Scott.

21 MR. SCOTT: I think they ought to be able to
22 listen in on the proceeding, I mean, so they can
23 get all the information, could be presentations at

24 the full meeting. I don't really have a strong
25 opinion about the participation, but at least I

1 think they ought to be able to, be able to be on
2 the phone and listen to the proceedings.

3 CHAIRMAN BENSE: Okay. Is that in the form
4 of an amendment to the motion?

5 MR. SCOTT: If that's appropriate, yes.

6 CHAIRMAN BENSE: I think you want to amend
7 the motion? Let's vote on whether or not we want
8 to amend that motion, that basically -- what we're
9 going to vote on, folks, is whether or not you can
10 listen in on and participate in a commission
11 meeting and you can't vote.

12 All in favor of that amendment say.

13 (Ayes unanimous.)

14 All opposed no. The motion -- the
15 amendment passes. So your motion has been
16 amended, Commissioner McKee, to allow, first of
17 all it takes 13 members to participate in terms
18 of being able to vote, you physically have to
19 be there in terms of being able to participate.
20 You can participate, but you can't vote by
21 telephone; and it takes an extraordinary reason
22 to in fact miss the meeting. That is the
23 motion as amended on the floor.

24 Now, you may wish to withdraw your motion
25 because of the amendment. That's your call.

1 We can call for a different motion or whatever.

2 MR. MCKEE: I wouldn't withdraw the motion --
3 I'm not sure procedurally here, but I just have a
4 question.

5 Once you, when you say participate, do you
6 mean give and take? Because my question then
7 still would be if you're participating in a
8 meeting and you're precluded from abstaining,
9 how do you not vote?

10 If you're engaged in the dialogue you have
11 an obligation to vote as I understand the
12 rules.

13 CHAIRMAN BENSE: Could be. How about,
14 Commissioner McKay, how about you can listen but
15 you can't participate?

16 MR. MCKAY: Well, it's his motion.

17 CHAIRMAN BENSE: You're right.

18 MR. MCKAY: I defer to you, Senator Scott.

19 MR. SCOTT: Well, that's what I thought I
20 was -- I mean, that's what I said, that he should
21 be able to listen in. I wasn't thinking about to
22 get into a big debate, but, you know, it's
23 whatever.

24 CHAIRMAN BENSE: Okay. It sounds as if
25 Commissioner McKee, you don't have problems with

1 them listening in, you have problems with them
2 participating in the meeting, and that was your --

3 MR. MCKEE: Yes, sir.

4 MR. SCOTT: Right. And I would make this
5 comment. I think whatever we say here we could
6 change the rules so that if you're on the
7 telephone you could partici -- you could speak but
8 you can't vote or something. I think that's up to
9 us how we want to do that.

10 But anyway I'll change -- if it's
11 appropriate to say that you can listen in but
12 you can't really engage in -- I guess you could
13 say, you know, I can't hear you or something,
14 but, I mean, as far as a substantive
15 participation.

16 CHAIRMAN BENSE: Okay. Commissioner Barnett.

17 MS. BARNETT: I would take the position -- I
18 believe that people should have the opportunity to
19 participate by phone. The issue is whether you
20 vote. And if you adopt the motion as it's
21 currently postured, I would take the position that
22 that amends the rules with regard to this
23 particular situation so it would supersede.

24 And you may want to clarify the other part
25 of the rule, but this would in effect amend the

1 rules to the extent that you are participating
2 but you not only can abstain, you just don't
3 vote unless you're physically present, so that
4 that will occur by virtue of adopting this
5 motion if it's adopted.

6 CHAIRMAN BENSE: How about, members, anybody
7 else want to -- is everyone else just sort of okay
8 with whatever?

9 (Laughter.)

10 MR. MCKEE: Mr. Chairman, I'd be glad to
11 start over if you'd like.

12 CHAIRMAN BENSE: Why don't you --

13 MR. MCKEE: I would like to withdraw my
14 original motion.

15 CHAIRMAN BENSE: Okay. Without objection
16 show the motion withdrawn. And we will start
17 with -- from square one.

18 Let's take one at a time. I'll entertain
19 a motion that it requires 13 members to
20 participate as a majority in the commission
21 meeting.

22 MR. MCKAY: So moved.

23 CHAIRMAN BENSE: Is there a second?

24

MR. MILLER: Second.

25

CHAIRMAN BENSE: Discussion? Objection?

1 Without objection show the motion approved.

2 I will now entertain a motion that in
3 order to vote on anything that comes before
4 this commission you must be present. Is there
5 a motion?

6 MR. MCKAY: So moved.

7 MR. SCOTT: Second.

8 CHAIRMAN BENSE: Okay. Is there debate? Is
9 there objection? Without -- seeing none, show
10 that motion approved. We're making progress now.
11 We're going to get there.

12 Now comes the ticklish issue regarding
13 telephonic participation. Does anyone want to
14 make a motion regarding telephonic
15 participation? We can vote up or down.

16 MR. MCKEE: I will.

17 CHAIRMAN BENSE: Tell me what it is.

18 MR. MCKEE: Thank you, Mr. Chairman. I would
19 move that we require the physical presence of a
20 commission member in order to vote on commission
21 business.

22 CHAIRMAN BENSE: We've been there. Keep
23 going.

24 MR. MCKEE: If there are extenuating
25 circumstances that preclude that person from

1 attending for purposes of participating and
2 voting, that that consideration be given by the
3 chair at your discretion, and that members be able
4 to participate and not vote by telephone.

5 CHAIRMAN BENSE: Okay. Is there a second?

6 MR. MOORE: Second.

7 CHAIRMAN BENSE: Commissioner Moore seconds
8 that.

9 What he's saying is if a member has
10 received because of extraordinary circumstances
11 approval to not make the meeting but
12 participate in the meeting by telephone, not
13 vote, that that person be allowed to in fact
14 participate in the meeting.

15 That's the motion. Is there a second?

16 MR. MCKAY: Second.

17 CHAIRMAN BENSE: Commissioner McKay seconds
18 that. Debate? Commissioner Story.

19 MS. STORY: The only concern I've got is that
20 would require that you put in writing to have it
21 excused. Let's say the commissioner is at an
22 airport, does everything, flight is canceled, they
23 really want to participate. According to that

24 motion I can't even call in and participate when
25 it's circumstances beyond my control, and I have

1 no time to get an excused absence.

2 CHAIRMAN BENSE: Let me suggest that that,
3 perhaps we have a fourth motion that says, if you
4 don't get approval you can still call in and
5 listen but you can't participate. That would
6 cover that, correct?

7 MS. STORY: You're still penalized.

8 MR. MCKAY: Why don't you leave the
9 discretion to the chair?

10 MS. STORY: Discretion of the chair.

11 CHAIRMAN BENSE: Discretion of the chair
12 sounds good. The motion -- the motion carries.

13 Commissioner Barnett, you're recognized.

14 MS. BARNETT: I think we're making this too
15 complicated. There is a strong presumption that
16 the commissioners ought to be physically present
17 at commission meetings. It's -- and what I would
18 suggest is that we -- that when a commissioner
19 cannot attend because of extenuating circumstances
20 that it's up to the chair to allow that, to make
21 the decision; and if you participate by phone, I
22 believe as a member of the commission you ought to
23 have the right to vote.

24 Because we're only going to -- we're going
25 to limit this hopefully to extraordinary

1 circumstances and not, I mean, it could be
2 illness, it could be a plane, it could be a
3 last-minute requirement that you just have to
4 make, be a lot of things.

5 And I think that I'm comfortable leaving
6 that decision up to the chair, but that if you
7 make the decision that it's fine for the person
8 to participate, it ought to come with the full
9 rights of the member of the commission. And
10 that's a pretty simple --

11 CHAIRMAN BENSE: Why don't you restate that?
12 We have a motion on the floor already. I think we
13 have a motion.

14 Don't we have Commissioner McKee's motion?

15 Restate what you said, and let's see how
16 that blends in with what we have on the floor
17 now.

18 MS. BARNETT: What I would suggest is that
19 when a commission member is unable to participate
20 physically at a meeting of the commission that at
21 the discretion of the chair, based on whether it's
22 extenuating or extraordinary, those may be
23 different things, based on the circumstances it

24 would be up to the chair to allow that member to
25 participate electronically or by telephonically.

1 And if they participate, they have the full rights
2 of -- as a member of the commission.

3 CHAIRMAN BENSE: Including voting?

4 MS. BARNETT: Including voting. But that
5 there's a strong preference built into the rules
6 for physical presence at commission meetings and
7 committee meeting. But the reality is that that
8 may not always be possible. And I think we're all
9 comfortable with you making that decision without
10 defining what the circumstances ought to be.

11 CHAIRMAN BENSE: Well, I think we've already
12 passed a motion that deals with you have to
13 physically be there to vote. I think that part of
14 it is going to be problematic, but -- and I think
15 you're very close already, although you're putting
16 more pressure on me as chairman to make these
17 calls, but I think both of your suggestions are
18 very, very close.

19 Commissioner Scott?

20 MR. SCOTT: Well, I could see that
21 Commissioner Story would be in the airport, her
22 committee has got something up and, you know, she
23 gets detained, and she ought to be able to

24 participate. But I'm sure that the chair would
25 grant that. You see what I'm saying?

1 I think if people get stuck like that,
2 they should be able to participate; and we're
3 pretty sure that there won't be any voting. I
4 think that's what we've already adopted, which
5 is the appropriate thing because then you do
6 put a lot of pressure on the chair for -- to
7 determine whether somebody can vote or not, so
8 ...

9 CHAIRMAN BENSE: Members, I'll entertain a
10 motion -- do we have a motion and a second on the
11 floor now?

12 MR. MCKAY: We have a motion on the floor
13 that had a second with a slight -- not a formal
14 amendment that left some discretion as to whether
15 they can participate in the event of extraordinary
16 events such as missing your flight. That's on the
17 floor.

18 CHAIRMAN BENSE: There's a second?

19 MR. MCKAY: That was the second.

20 CHAIRMAN BENSE: That was second?

21 MR. MCKAY: Yes, sir.

22 CHAIRMAN BENSE: Who made the motion, McKee?

23 MR. MCKEE: Yes, sir.

24 CHAIRMAN BENSE: Restate your motion as well
25 as the subsequent modification of it.

1 MR. MCKEE: That members be physically
2 present in order to vote.

3 CHAIRMAN BENSE: We passed that.

4 MR. MCKEE: That members be able to vote
5 under extraordinary circumstances with the
6 concurrence of the --

7 CHAIRMAN BENSE: No, not vote, participate.
8 You mean participate.

9 MR. MCKEE: Participate, excuse me.

10 CHAIRMAN BENSE: Not vote.

11 MR. MCKEE: Under extenuating circumstances
12 with the concurrence of the chair.

13 CHAIRMAN BENSE: Okay.

14 MR. MCKEE: And that participation
15 telephonically is permissible with the approval of
16 the chair.

17 CHAIRMAN BENSE: Okay. Let's roll. Is there
18 a -- we have a motion and a second. Any more
19 debate? I think that's acceptable. All in favor
20 say aye.

21 (Ayes.)

22 Opposed no.

23 MS. BARNETT: No.

24 CHAIRMAN BENSE: That's good. We'll move on.

25 And for the record, Commissioner Barnett votes no.

1 Okay. What else do we have here?

2 MS. STORY: The second part of the
3 bifurcation committee, the rules from the
4 committee meeting, Mr. Chair.

5 CHAIRMAN BENSE: Okay. Let's debate that.
6 Let's talk about it first. Shall we have the same
7 rules in place for committee meetings now as we
8 had for commission meetings? Is that -- let's
9 talk about that. Commissioner McKay?

10 MR. MCKAY: Well, I think Commissioner McKee
11 was pointing out something good. If we -- we
12 don't have to vote when we have a telephonic
13 committee.

14 CHAIRMAN BENSE: Commissioner Story?

15 MS. STORY: Unless, of course, it's not --
16 there's some things that we agree to that you kind
17 of say, it could be construed as a vote but it's
18 so minor it wouldn't rise to that level, so --
19 like telephonic, you want to say, rules of
20 decorum. Does everybody agree with this?

21 I would hate for somebody to come back and
22 say, no, you can't vote. So I just think we
23 need to be careful in the committee meetings,

24 when it comes down to drafting recommendations

25 to come to the full commission I agree that

1 should be in person. Preceding that I think
2 the type of decisions aren't relevant or rise
3 to that level.

4 CHAIRMAN BENSE: I see a lot of nodding along
5 those lines. Commissioner Miller?

6 MR. MILLER: Let's not forget the objective
7 of these committees and that is to educate the
8 members on the subject. So if they can
9 participate by phone it should be fine. I just --
10 I separate the committee work from the full
11 commission work; and I think we ought to have full
12 participation, including voting on motions coming
13 out of the committee, telephonically.

14 MR. WILKINSON: Second.

15 CHAIRMAN BENSE: Okay. So we have a motion
16 that members can participate in committee meetings
17 by telephone and have voting rights.

18 MS. BARNETT: Second.

19 CHAIRMAN BENSE: There's a second by
20 Commissioner Barnett.

21 Debate. We need to -- except for final
22 action, except for final action whereby the
23 committee is in fact sending to the commission

24 their recommendations.

25 MR. MOORE: Mr. Chairman, I don't know that

1 it makes a difference. That committee activity is
2 going to be ratified or rejected by this full
3 commission, so I don't think that that -- that you
4 should have any limitation on that.

5 CHAIRMAN BENSE: Okay. So basically all
6 committee meetings can be held by -- or you can
7 participate telephonically and vote. That's the
8 motion and second. Debate.

9 MR. SCOTT: Do they have -- inquiry of the
10 maker of the motion. Do you got a -- you're going
11 to need a quorum present at these meetings? I
12 would assume it's not going to end up like
13 Congress where nobody is there.

14 MR. MILLER: I don't see a problem with
15 having a committee meeting that could be conducted
16 telephonically. If you're going to get the
17 education and information disbursed, I think you
18 shouldn't have to have a quorum. That would be
19 left up to the chairman. That's where your
20 chairman, Mr. Chairman of the commission would
21 come into play.

22 They would decide whether or not we had to
23 have folks together to do this. I'm open on

24 it. I just know we've got a lot of work to do,
25 and we've got --

1 CHAIRMAN BENSE: Let's leave the quorum out
2 of it for right now. Let's vote on the motion
3 that has been seconded that talks about
4 participation and voting. All in favor say aye.

5 (Ayes unanimous.)

6 Opposed, no. Motion carries.

7 Do we want to debate the quorum aspect of
8 it for a committee meeting? Anybody have any
9 strong feelings either way? Should we have the
10 presence of a quorum for a committee meeting, a
11 physical presence or a telephonic presence?
12 Physical and telephonic combined? Commissioner
13 Story?

14 MS. STORY: Not physical.

15 CHAIRMAN BENSE: Okay. My -- I think though
16 that for a committee meeting we should have at
17 least six members or whatever the quorum is by
18 physical presence and telephonic presence. I
19 think that would be, that will put more pressure
20 on folks to attend and participate.

21 MS. STORY: Unless it is -- some meetings
22 could actually be called as a telephonic meeting.
23 That would be the only exception.

24 CHAIRMAN BENSE: That's why it's a
25 combination of the two, combination of the two.

1 MR. MILLER: Mr. Chairman, I think, following
2 up, as long as we give notice to the press to do a
3 call-in number, whether or not we're in --

4 CHAIRMAN BENSE: That goes without saying.
5 We would abide by all the proper rules. Okay.
6 Commissioner moves that committee meetings can be
7 attended by your physical presence or your
8 telephonic presence, and even if you're there
9 telephonically you can vote. Actually we approved
10 that.

11 We want to talk about a quorum now. With
12 respect to a quorum, a quorum can be held by or
13 obtained by either a physical and/or a
14 telephonic presence. Is there a second to that
15 motion -- to Mr. Miller's motion?

16 MR. WILKINSON: Second.

17 CHAIRMAN BENSE: Commissioner Wilkinson
18 seconds it. Is there debate? Is there objection?
19 Seeing none the motion passes, and we got through
20 some business finally. Sorry, folks. But I do
21 want everyone to participate.

22 Let's move on to -- let me ask, how are
23 your airplanes looking, folks? How about --

24 who needs to go? Commissioner McKay?

25 MR. MCKAY: And I would like to hear

1 Mr. Calabro's --

2 CHAIRMAN BENSE: You got to go?

3 MR. MCKAY: Yes, sir.

4 MR. MILLER: Mr. Chairman?

5 CHAIRMAN BENSE: Commissioner Miller.

6 MR. MILLER: Maybe we could ask the
7 indulgence of TaxWatch and ask them to come back.
8 I think a lot of --

9 CHAIRMAN BENSE: I hate that they sat here
10 for so long, but we do want to spend a lot of time
11 with you. I'm so sorry, Dominic. Just don't --

12 All right. You'll be first up I promise
13 you at the next commission meeting, and you'll
14 have a lot more to talk about then too because
15 the special session will hopefully be done.

16 Is there any more business to be brought
17 before this commission? Ms. Skelton, an update
18 on rules drafting.

19 MS. SKELTON: Mr. Chair, basically what I
20 would like to say is that based on the actions
21 taken today in the committee, we will be wanting
22 to circulate draft language for consideration for
23 the next meeting where we fill in the blanks.

24 But you already adopted the skeletal
25 structure. We would be coming back to insert

1 the language that dealt with lobby
2 registration, telephonic voting, conflict of
3 interest language and those types of things.
4 Just to insert those in for the commission's
5 final approval.

6 CHAIRMAN BENSE: Do we need a motion on that?
7 I don't think we need a motion.

8 MS. SKELTON: No, sir.

9 CHAIRMAN BENSE: Okay. Give everything the
10 green light. Kathy Torian, I think you might have
11 some things to tell us about as well.

12 MS. TORIAN: I do, sir. Very briefly just
13 wanted to let you and all the members of the
14 audience know that we now have our website live.
15 It is FloridaTBRC.org, and just to show you a
16 couple of very brief features, I'm going to send
17 out an E-mail with more information to all the
18 members of the commission to let you know all the
19 features of the website, all the details on it,
20 I'll E-mail you the link.

21 There is also a G-mail account that I'll
22 show you within this feature. We are now able
23 to receive comments from the general public.

24 They will come to a comments at FloridaTBRC.org

25 E-mail address and be monitored by the staff in

1 our office. But each of you commissioners now
2 also have a G-mail account and the general
3 public going through the website would be able
4 to send an E-mail directly to you as well.

5 So I just wanted to show you that one
6 submit comments page very quickly just so you
7 would see what that looks like as well. Gives
8 them -- they are asked to identify themselves
9 so that you could respond to them if you would
10 like to, and they have an opportunity to give
11 up to a 350-character message.

12 So we will be receiving those in the
13 office and distribute them to you, to various
14 committees as that may become relevant. If the
15 questions or good input from the general public
16 would be of interest to the committees, we will
17 pass that information along to you.

18 I would also show you on the contact us
19 page that little E-mail box to the next -- to
20 the right of each of your names is the link to
21 that G-mail account. So I'll click on one very
22 briefly and show you that they -- the general
23 public could now send a message directly to

24 Chair Bense. So that's a feature of this
25 website.

1 I will send you much more information and
2 the link to all of these things as well as
3 information on how to set up your initial
4 password and access to retrieve your E-mails
5 that come in through this account.

6 Just want to make you all aware that this
7 is now live, and we're up and running.

8 CHAIRMAN BENSE: I would like to -- for all
9 of us to be thinking, especially you, Kathy, about
10 how we get this word out that we want feedback and
11 what we do.

12 When someone says, what's this taxation
13 and blah, blah, blah, blah, I mean, how do we
14 simplify that, because I would like for us --
15 I'm sure we can get some free coverage by -- or
16 airtime and newspaper space to, you know, send
17 your comments to the following.

18 MS. TORIAN: Absolutely. I will put out a
19 press release right away letting the media know,
20 and they may choose to run stories on it or may
21 just follow up with us directly to ask further
22 questions.

23 But I do think that all the media that

24 have been covering the work of the commission

25 so far will want to share with their readers

1 that there is now access for them to give us
2 direct comments. So I have a feeling that it
3 will be run with by the media.

4 We could also certainly hold ad board
5 visits and things with media throughout the
6 state as you-all are traveling to do town hall
7 meetings. In the future we could set aside
8 time to educate the media about things that
9 you're doing and share the website with them as
10 well.

11 I'm sure -- certain that there will be
12 other vehicles to let the general public know
13 about this, and I'll take advantage of every
14 one that we hear about.

15 MR. MILLER: Mr. Chair, is this linked to
16 MyFlorida.com?

17 MS. TORIAN: Yes. There is a linked page and
18 it goes to MyFlorida.com directly to the Senate
19 page, directly to the House page.

20 MR. MILLER: We're on my -- this page is on
21 MyFlorida.com?

22 MS. TORIAN: They are going to put us up
23 there, yes, sir.

24 MS. RILEY: Chairman?

25 CHAIRMAN BENSE: Yes, ma'am?

1 MS. RILEY: This is Nancy Riley, and I want
2 you to know that I am watching you and this
3 meeting online. I'm here in Washington, D.C. and
4 was unable to attend, and it is terrific to be
5 able to be part there of this meeting in the
6 commission here in Washington, D.C. And it's a
7 great picture.

8 CHAIRMAN BENSE: Even of Senator Scott?

9 MS. RILEY: Really. Even Senator Scott.

10 CHAIRMAN BENSE: Thank you, Commissioner
11 Riley, and I forgot to welcome you. Welcome to
12 the meeting.

13 Any more business? Any more --
14 Representative or Commissioner Miller moves
15 that we adjourn.

16 (The proceedings concluded at 12:54 PM)

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CERTIFICATE OF REPORTER

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6 STATE OF FLORIDA)

7 COUNTY OF LEON)

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I, LISA D. FREEZE, Notary Public, certify
that I was authorized to and did stenographically
report the proceedings herein, and that the transcript
is a true and complete record of my stenographic notes.

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I further certify that I am not a relative,
employee, attorney or counsel of any of the parties,
nor am I a relative or employee of any of the parties'
attorney or counsel connected with the action, nor am I
financially interested in the action.

WITNESS my hand and official seal this 18th
day of May, 2007.

LISA D. FREEZE, RPR, NOTARY PUBLIC

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