

T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
ADMINISTRATION COMMISSION
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
DEPARTMENT OF REVENUE
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, September 20,
2011, commencing at approximately 9:09 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

I N D E XBOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by HERSCHEL VINYARD)

ITEM	ACTION	PAGE
1	Approved	9

ADMINISTRATION COMMISSION
(Presented by PHILLIP MILLER)

ITEM	ACTION	PAGE
1	Approved	12

FLORIDA DEPARTMENT OF LAW ENFORCEMENT
(Presented by PHILLIP MILLER)

ITEM	ACTION	PAGE
1	Approved	13

DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
1	Approved	14
2	Approved in Part	18
	Withdrawn in Part	
3	Approved	20
4	Approved	20
5	Approved	21
6	Approved	21
7	Approved	22
8	Approved	24

FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
(Presented by TOM GRADY)

ITEM	ACTION	PAGE
1	Approved	28
2	Approved	30

INDEX CONTINUEDFINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
(Presented by KEVIN McCARTY)

ITEM	ACTION	PAGE
1	Approved	31
2	Approved	32
3	Approved	33
4	Approved	33
5	Withdrawn	34

DEPARTMENT OF REVENUE
(Presented by LISA VICKERS)

ITEM	ACTION	PAGE
1	Approved	47
2	Approved	51
3	Approved	56
4	Approved	57
5	Approved	58

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
(Presented by JULIE JONES)

ITEM	ACTION	PAGE
1	Approved	59
2	Approved	63
3	Approved	68

CERTIFICATE OF REPORTER		70
-------------------------	--	----

P R O C E E D I N G S

(The agenda items commenced at 9:53 a.m.)

GOVERNOR SCOTT: All right. The next Cabinet meeting is Tuesday, October 4th.

The first agenda is the Board of Trustees presented by Herschel Vinyard.

MR. VINYARD: Good morning again. The first item is the confirmation of the appointment of the Director of State Lands. Florida law requires the DEP secretary to appoint the Director of State Lands. However, it is subject to Board of Trustees confirmation. I have appointed Clay Smallwood as that director and am pleased to bring him before you for confirmation.

As a quick background, Clay began his career as a forester in 1978 with the St. Joe Company. By the year 2000 he was named president of St. Joe Timberland, and he retired in 2010. While with St. Joe, Clay managed over a million acres and planted 18 million trees.

I was very fortunate to be able to lure Clay out of retirement to join the Division of State Lands. He certainly brings with him a tremendous amount of experience. He has worked with various land management organizations, conservation groups,

1 and other state agencies to identify
2 environmentally sensitive lands.

3 The Department recommends approval. We have
4 Clay here for questions. We also have Eric Draper
5 here with Audubon of Florida to speak in favor.

6 Clay?

7 GOVERNOR SCOTT: Thanks for your willingness
8 to serve.

9 MR. SMALLWOOD: Good morning. Thank you for
10 having me here. It's a real pleasure to be here
11 today, and I look forward to this great challenge.

12 You know, I was born in the State of Florida.
13 and I've lived here my whole life. And I had
14 worked for 32 years for the St. Joe Company until I
15 retired, and during that time I gained a little
16 experience, I hope, in land management and
17 acquisitions and conservation activities, and I
18 plan to be able to tap into those experiences and
19 utilize that to best determine the direction for
20 the Division of State Lands.

21 Commissioner Putnam, I know you've asked for a
22 couple of presentations, and we're actively working
23 on that, and I hope very soon to be able to make a
24 presentation to you, the Governor, and the rest of
25 the Cabinet on Florida's acquisition and management

1 projects and begin the discussions on how we go
2 forward and where you want the future of
3 Florida-owned lands in the state to head.

4 I'm very excited and just tickled to be here
5 and look forward to the opportunities and the
6 challenges, you know, to work for the people of the
7 great State of Florida. Thank you.

8 GOVERNOR SCOTT: Thank you very much.

9 MR. DRAPER: Good morning, Governor Scott and
10 members of the Cabinet. I'm Eric Draper. I'm the
11 director of Florida Audubon, and I want to say a
12 few words in support of Clay Smallwood for the
13 position of the director of the Division of State
14 Lands.

15 Clay is a forester, as you heard, whose career
16 as a land manager makes him uniquely qualified to
17 lead the Division of State Lands. I knew him when
18 he was with St. Joe, where he took care of, as you
19 heard, a million acres of working lands, and more
20 importantly for us, natural areas. Clay's team not
21 only fed the mills that kept people working, but he
22 also managed beaches and waterfronts and old growth
23 forests. He managed wildlife, including endangered
24 species.

25 Commissioner, you mentioned the red-cockaded

1 woodpecker. They had some great success with those
2 also on St. Joe lands when Clay was running things.

3 He also helped establish some of the most
4 innovative conservation and mitigation programs in
5 the State of Florida, programs that we were proud
6 to be partners with St. Joe in in committing them.
7 People forget that Joe, as we like to call them,
8 conveyed more than 500 square miles of land,
9 conservation lands right now to the State of
10 Florida, including some of our most famous springs,
11 Wakulla Springs, as an example, and Silver Glen
12 Springs.

13 And as you, the Trustees, face very serious
14 challenges with managing our public lands, with
15 making decisions about what to keep and what to buy
16 in the future, I think it's very important to have
17 someone with the experience of Clay Smallwood on
18 your staff helping to guide you through the
19 process. We know that we can work with him, and I
20 think you made a very wise -- or you will make a
21 very wise decision if you approve him today.

22 Thank you very much.

23 GOVERNOR SCOTT: Thank you.

24 All right. Is there a motion on Item 1?

25 COMMISSIONER PUTNAM: So moved.

1 GOVERNOR SCOTT: Is there a second?

2 ATTORNEY GENERAL BONDI: Second.

3 GOVERNOR SCOTT: Moved and seconded. Show
4 Item 1 approved without objection.

5 Thank you, and I look forward to watching you
6 serve very well. Have a good day.

7 Congratulations.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 GOVERNOR SCOTT: All right. The next agenda
2 is the Administration Commission presented by
3 Phillip Miller.

4 MR. MILLER: Good morning, Governor and
5 members of the Commission. We have one item on the
6 Administration Commission agenda.

7 Item 1 relates to a review of the
8 Administration Commission rules. This item is a
9 request for authorization to certify to the Joint
10 Administrative Procedures Committee that the
11 Commission elects to comply with the Office of
12 Fiscal Accountability and Regulatory Reform review
13 requirements in completing an enhanced biennial
14 review of the Commission's rules.

15 Section 120.74, Florida Statutes, requires
16 each agency to complete a biennial review of agency
17 rules. During the 2011 legislative session,
18 Section 120.745 was adopted, which provides for a
19 one-time enhanced biennial rule review. The
20 enhanced review includes identifying revenue and
21 data collection rules and rules requiring a
22 compliance economic review. The newly adopted law
23 includes a provision allowing an agency to elect to
24 cooperate and comply with the OFARR requirements in
25 the enhanced review of the agency's rules as an

1 alternative to the statutory process.

2 The Commission has more than 270 rules to
3 review. By electing the OFARR process to review
4 the rules, Commission staff will be allowed to use
5 a fully automated system which has extensive
6 reporting capabilities to collect and report on
7 agency data. The Commission staff would also have
8 the benefit of access to OFARR staff as a valuable
9 resource in completion of the review task. The
10 review under the OFARR process also affords more
11 flexibility in the internal review schedule.

12 Both the statutory process and the OFARR
13 review process require completion of the rules
14 review by December of 2013. Any rule modification
15 or repeal recommendation resulting from the review
16 would come back before you for Commission approval.

17 We have Patricia Nelson, deputy director of
18 OFARR in the Governor's office, available for any
19 questions you have on the OFARR review process.

20 GOVERNOR SCOTT: All right. Are there any
21 questions?

22 All right. Is there a motion to approve
23 Item 1?

24 ATTORNEY GENERAL BONDI: Move to approve.

25 GOVERNOR SCOTT: Is there a second?

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CFO ATWATER: Second.

GOVERNOR SCOTT: Moved and seconded. Item 1
is approved without objection.

1 GOVERNOR SCOTT: The next agenda is the
2 Florida Land and Water Adjudicatory Commission
3 presented by Philip Miller.

4 MR. MILLER: Thank you, Governor. We have one
5 item on this agenda. Item 1 mirrors the
6 Administration Commission item we just talked
7 about. This item is a request for authorization to
8 certify to the Administrative Procedures Committee
9 that the Commission elects to comply with the OFARR
10 review requirements in completing an enhanced
11 biennial review of the Commission's rules.

12 GOVERNOR SCOTT: All right. Any questions?
13 Is there a motion on Item 1?

14 ATTORNEY GENERAL BONDI: Move to approve.

15 GOVERNOR SCOTT: Second?

16 COMMISSIONER PUTNAM: Second.

17 GOVERNOR SCOTT: Moved and seconded. Show
18 Item 1 approved without objection.

19 MR. MILLER: Thank you. That concludes our
20 agenda.

21
22
23
24
25

1 GOVERNOR SCOTT: The next agenda is the
2 Division of Bond Finance presented by Ben Watkins.
3 Good morning, Ben.

4 MR. WATKINS: Good morning, Governor and
5 Cabinet members.

6 Item Number 1 is approval of the minutes of
7 the August 2nd meeting.

8 GOVERNOR SCOTT: Is there a motion to approve?

9 ATTORNEY GENERAL BONDI: Move to approve.

10 GOVERNOR SCOTT: Is there a second?

11 COMMISSIONER PUTNAM: Second.

12 GOVERNOR SCOTT: Moved and seconded. Item 1
13 is approved without objection.

14 MR. WATKINS: Item 2 is a two-part item. The
15 first is authority for the issuance and competitive
16 sale of \$15 million in new money capital outlay
17 bonds, and the second part is authority for the
18 issuance and competitive sale of \$65 million in
19 refunding bonds.

20 Capital outlay bonds are state general
21 obligation bonds. They are payable primarily from
22 a portion of motor vehicle license tag revenues,
23 and then they have the State's full faith and
24 credit obligation as a backstop.

25 One of the pieces of information I was

1 requested to provide just to provide context on the
2 amount of state debt that we have and how state
3 debt has grown is provided on this chart, just to
4 have a long-term view of what -- in context, how
5 debt has changed over an extended period of time.
6 So what I'm showing you here is really a preview
7 and a teaser of what we would normally show when we
8 do the comprehensive debt affordability study.

9 So this is a 20-year look at the amount of
10 state debt that's currently -- that's outstanding
11 at the end of each fiscal year. And this includes
12 all state debt. It includes net tax-supported
13 debt. It includes self-supporting debt. Any
14 long-term encumbrance of future state resources is
15 reflected in this number.

16 And what you see is a fairly steady increase
17 over the last two decades, with state debt
18 increasing about \$21 billion over the last 20
19 years, which is slightly over a billion dollars a
20 year. And then over the course of the last year,
21 what we see is a flattening of that growth, and
22 we're actually down by about -- from 28.2 billion
23 at the end of 2010 to 28.1 billion at the end of
24 2011.

25 So these are preliminary numbers. They

1 haven't been tied down to audited financials, but
2 this is pretty dog-gone close for purposes of
3 discussion. So this gives you -- and the
4 flattening is just due to less debt being
5 authorized because of declining revenues. It is a
6 natural and appropriate reaction to having less
7 money. The amount that we have routinely borrowed
8 has been curtailed.

9 So I just provide this to you by way of
10 background and as a preview to what our more
11 extensive information and the deeper dive into debt
12 that we'll do in -- normally do in December when we
13 complete the full-blown debt affordability analysis
14 and do a comprehensive review of what the State's
15 debt position is.

16 ATTORNEY GENERAL BONDI: May I ask a question,
17 Governor?

18 GOVERNOR SCOTT: Absolutely.

19 ATTORNEY GENERAL BONDI: And I know we don't
20 have a lot of information on this now, but this
21 15 million in new capital outlay, it's mandated by
22 the Constitution and approved by the Board of
23 Education. This does not go through the
24 legislative process; is that correct?

25 MR. WATKINS: That's correct.

1 ATTORNEY GENERAL BONDI: As PECO would.

2 MR. WATKINS: That's correct.

3 ATTORNEY GENERAL BONDI: Okay. That's the
4 difference.

5 MR. WATKINS: It's different from PECO in --
6 you're absolutely right, in terms of the process by
7 which these projects are authorized. It's
8 basically at the election of local school districts
9 in terms of what projects get funded with the new
10 money issue, and it's supposed to be their highest
11 priority needs according to the constitutional
12 provisions governing this debt issuance.

13 GOVERNOR SCOTT: All right. Well, with regard
14 to -- I guess we have -- you have two items. You
15 have the 15 million; right?

16 MR. WATKINS: Right.

17 GOVERNOR SCOTT: And then the 65 million,
18 which is refunding.

19 MR. WATKINS: Correct.

20 GOVERNOR SCOTT: The 15 million is new, and
21 it's full faith and credit; right?

22 MR. WATKINS: Correct.

23 GOVERNOR SCOTT: Okay. So what I would like
24 to do is, I would like to get more information on
25 how the money is going to be -- the new debt is

1 going to be used. And I've asked my staff to
2 invite someone from the State Board of Education to
3 report to us the analysis performed on the proposed
4 school projects, because I don't -- has anybody --
5 I haven't seen anything on that.

6 ATTORNEY GENERAL BONDI: I would second that,
7 Governor.

8 GOVERNOR SCOTT: So my proposal would be -- I
9 would like to make a motion to withdraw the portion
10 of the item related to the issuance of the
11 15 million, but approve the portion related to the
12 65 million in refunding bonds.

13 ATTORNEY GENERAL BONDI: I would second that
14 as well.

15 GOVERNOR SCOTT: Is there any discussion?
16 All right. All in favor say aye.

17 CFO ATWATER: Aye.

18 COMMISSIONER PUTNAM: Aye.

19 ATTORNEY GENERAL BONDI: Aye.

20 GOVERNOR SCOTT: Any opposed? All right. The
21 motion passes. Thank you, Ben.

22 MR. WATKINS: Item Number 3, actually, 3, 4, 5
23 and 6, each of these are refunding transactions for
24 various universities for both dormitory and parking
25 facilities. Each of these are secured by the

1 respective user fees associated with each
2 university, so we would call this self-supporting
3 debt. It's supposed to be a self-liquidating
4 enterprise where the user fees, charges, and the
5 revenues generated from the projects or the systems
6 operated at the university will be sufficient to
7 pay the cost of operating and maintaining the
8 facilities, as well as paying the debt service
9 associated with those facilities. So that's where
10 -- that's the kind of debt, the flavor of debt each
11 of these are.

12 But each of them are also refunding
13 transactions, which means that it's not for new
14 projects. It's not new money for new projects, but
15 rather refinancing outstanding high interest rate
16 debt with lower interest rate debt, allowing us to
17 reduce our future debt service requirements on each
18 of these transactions.

19 So I'll go through them one by one. I'm happy
20 to answer any questions about those, but that
21 provides background to generally what we're doing.

22 GOVERNOR SCOTT: So it's lower interest rates
23 and doesn't extend the maturity?

24 MR. WATKINS: That's correct.

25 GOVERNOR SCOTT: And it's not full faith and

1 credit of the State?

2 MR. WATKINS: That's correct. So Item 3
3 authorizes the issuance and competitive sale of up
4 to \$26 million in dormitory revenue refunding bonds
5 for Florida International University.

6 GOVERNOR SCOTT: Is there a motion to approve
7 Item 3?

8 ATTORNEY GENERAL BONDI: Move to approve.

9 CFO ATWATER: Second.

10 GOVERNOR SCOTT: All right. Moved and
11 seconded. Item 3 is approved without objection.

12 MR. WATKINS: Item Number 4 is a resolution
13 authorizing the issuance and competitive sale of
14 \$18 million in dormitory revenue refunding bonds
15 for the University of Florida.

16 GOVERNOR SCOTT: Is there a motion to approve
17 Item 4?

18 CFO ATWATER: So moved.

19 GOVERNOR SCOTT: Is there a second?

20 ATTORNEY GENERAL BONDI: Second.

21 GOVERNOR SCOTT: Moved and seconded. Show
22 Item 4 approved without objection.

23 MR. WATKINS: Item Number 5 is a resolution
24 authorizing the issuance and competitive sale of
25 \$33 million in dormitory refunding bonds for

1 Florida State University.

2 GOVERNOR SCOTT: Is there a motion to approve
3 Item 5?

4 ATTORNEY GENERAL BONDI: Move to approve.

5 GOVERNOR SCOTT: Is there a second?

6 CFO ATWATER: Second.

7 GOVERNOR SCOTT: Moved and seconded. Show
8 Item 5 approved without objection.

9 MR. WATKINS: Item Number 6 is a resolution
10 authorizing the issuance and competitive sale of
11 \$15 million in parking facility revenue refunding
12 bonds for the University of Central Florida.

13 GOVERNOR SCOTT: Is there a motion to approve
14 Item 6?

15 COMMISSIONER PUTNAM: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 ATTORNEY GENERAL BONDI: Second.

18 GOVERNOR SCOTT: Moved and seconded. Show
19 Item 6 approved without objection.

20 MR. WATKINS: Item Number 7 is a report of
21 award on the competitive sale of \$127.9 million in
22 Florida Forever refunding bonds. The bonds were
23 awarded to the low bidder at a true interest cost
24 of 1.859 percent. This transaction allowed us to
25 reduce the average interest rate on the outstanding

1 debt from 4.8 percent to the 1.86 percent that we
2 received on the competitive sale of those bonds.

3 The transaction will generate gross debt
4 service savings of 15.9 million. That's about
5 \$1.6 million a year, \$14.5 million on a present
6 value basis, or 10.3 percent of the principal
7 amount of the bonds being refunded.

8 GOVERNOR SCOTT: That's great. Is there a
9 motion to approve Item 7?

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 COMMISSIONER PUTNAM: Second.

13 GOVERNOR SCOTT: Moved and seconded. Show
14 Item 7 approved without objection.

15 MR. WATKINS: And lastly, Item Number 8 is a
16 report of award on the competitive sale of
17 \$242.2 million in Lottery revenue refunding bonds.
18 The bonds were sold at competitive sale and awarded
19 to the low bidder at a true interest cost of
20 2.6 percent. This allowed us to reduce the average
21 interest rate on outstanding debt of 4.93 percent
22 to the 2.6 percent on the interest rate on the
23 refunding bonds sold.

24 This transaction will generate gross debt
25 service savings of \$26.8 million, or \$2.3 million

1 annually, \$24.5 million when computed on a present
2 value basis, or 9.36 percent of the principal
3 amount of the bonds being refunded.

4 GOVERNOR SCOTT: Is the difference in interest
5 rates tied to maturity? Is that the difference?

6 MR. WATKINS: Absolutely. They're both
7 relatively short. Most of the refundings we've
8 been selling have been sort of 10 years and in, but
9 it also has to do with where the principal
10 maturities are within that 10 years.

11 For example, on the Florida Forever
12 transaction, half of those bonds were in the first
13 two years. And as you probably know from looking
14 at money market statements, the interest rate on
15 short paper is virtually zero. So because it was
16 so front-weighted and the duration, that's why the
17 difference between the 1.86 on the Florida Forever
18 transaction and the 2.6 percent, which was more
19 evenly weighted over the 11-year duration of that
20 refunding.

21 GOVERNOR SCOTT: Is there a motion to approve
22 Item 8?

23 ATTORNEY GENERAL BONDI: Move to approve.

24 CFO ATWATER: Second.

25 GOVERNOR SCOTT: Moved and seconded. Item 8

1 is approved without objection.

2 MR. WATKINS: By way of review, just as a
3 recap of activity that we've undertaken in terms of
4 refinancing transactions, to keep you all apprised
5 of both sort of what we've done as well as what we
6 expect to do going forward, over this calendar year
7 -- it seems like, you know, that's a reasonable
8 period of time to measure -- 13 transactions
9 totaling \$1.75 billion.

10 Of the \$1 3/4 billion that we've refinanced,
11 the refundings were 1,375,000,000. So the vast
12 majority of the transactions we've been executing
13 over the course of the last eight months have been
14 to take advantage of lower interest rates offered
15 in the market and to reduce our debt service cost
16 going forward.

17 The aggregate savings of the transactions on a
18 gross debt service basis, \$161 million. So, you
19 know, you get numb to the numbers when you start
20 talking, rounding and talking billions, but
21 \$161 million is a pretty good chunk of change --

22 GOVERNOR SCOTT: It's 161 million.

23 MR. WATKINS: -- to save going forward.

24 GOVERNOR SCOTT: It's a lot of money.

25 MR. WATKINS: It is. We have -- we've

1 actually announced the sale. We'll be selling a
2 \$170 million Florida Forever refunding today at
3 12:30, so that will bring the total amount to about
4 a billion and a half in refundings over the last
5 eight months, or nine months now, I guess.

6 In terms of authorizations that you all -- you
7 all give us authorization ahead of time so that we
8 have the ability to move quickly in implementing
9 these transactions when market conditions are
10 conducive to do so. We currently have outstanding
11 a \$235 million authorization for PECO refundings
12 that was authorized at the last Cabinet meeting.

13 And the \$170 million Florida Forever refunding
14 that we plan on selling this afternoon will
15 complete an authorization of 340 million that you
16 had given us at the beginning of August. So we've
17 got this transaction that was reported today on
18 Florida Forever. That was the first half of that
19 authorization. The deal we're selling today will
20 complete that authorization.

21 So we'll have the PECO transaction, which may
22 be broken into more than one piece, as well as the
23 four university refundings that you're authorizing
24 this morning, as well as the \$65 million capital
25 outlay refunding that was also authorized this

1 morning. So we'll have outstanding authorizations
2 to do refinancings of some \$563 million, and that
3 will keep us busy, assuming the market cooperates,
4 clearly between now and Thanksgiving, maybe even
5 the end of the year.

6 The university transactions are posted up. I
7 mean, we've been working on those for a month in
8 terms of gathering the information to put in the
9 offering documents used in connection with the sale
10 of bonds. And the way we prioritize that is that
11 the ones that are the largest and deepest in the
12 money go first, so I would expect PECO to go first,
13 followed by each of the university transactions.

14 You know, it's sort of another way to
15 incentivize the universities. Whoever can get us
16 the information and complete the offering document
17 first goes first, so we'll just sort of let a
18 natural selection process determine that priority.

19 So in terms of refunding transactions, that's
20 where we are, and that's what we expect to be
21 doing.

22 GOVERNOR SCOTT: Thank you very much.

23 MR. WATKINS: No problem. Thank you.

24

25

1 GOVERNOR SCOTT: All right. The next agenda
2 is the Financial Services Commission, Office of
3 Financial Regulation, presented by Tom Grady. Good
4 morning, Tom.

5 MR. GRADY: Good morning, Governor and members
6 of the Cabinet. As you just pointed out, Governor,
7 and as you know, my name is Tom Grady, but it
8 appears at these meetings I'm going to have a
9 different name, and that's "Where's Ann?" People
10 say hello this morning, "Where's Ann? Where's
11 Ann?" Well, she didn't make it here this morning.
12 She thought I could handle it by myself. So thank
13 you very much for your very kind remarks on August
14 2nd and for my new nickname.

15 There are three items on my agenda, Governor,
16 only two on yours. And the first item on my agenda
17 is to thank you, thank you for the appointment to
18 the office of Commissioner of the Office of
19 Financial Regulation, and thank you for the
20 opportunity. It has been a tremendous experience
21 already, and I am discovering that the myth out
22 there that somehow public sector employees are
23 inferior to private sector employees is a myth, and
24 we at the OFR intend to shatter that myth, and we
25 intend to show you, and we ask you to hold us

1 accountable.

2 Moving forward to your agenda items, the first
3 agenda item that we have is the approval of the
4 minutes for the meetings of June 16 and August 2nd,
5 and we request your approval.

6 GOVERNOR SCOTT: Sure. Is there a motion to
7 approve Item 1?

8 ATTORNEY GENERAL BONDI: Move to approve.

9 GOVERNOR SCOTT: Is there a second?

10 CFO ATWATER: Second.

11 GOVERNOR SCOTT: Moved and seconded. Item 1
12 is approved without objection.

13 MR. GRADY: Thank you. And the second item
14 has to do with rules and regulations. Pursuant to
15 Chapter 559, our office was tasked with coming
16 forward with a set of rules to govern consumer
17 collection agencies pursuant to that chapter.

18 And I'm pleased to tell you two things:
19 First, we have proposed the rules. They have been
20 through the rulemaking process. You have seen them
21 before. They are in their final form, and they're
22 only six pages long, and that's a good thing.

23 And secondly, within our office, we also have
24 embarked upon a regulatory reform initiative so
25 that our goal is to have a net decrease in the

1 number of rules and the pages of rules and the
2 overall regulatory burden on those we regulate.

3 Now, these particular rules benefit both the
4 industry and the consumer, and they're common
5 sense. They are concise, and they specifically
6 implement your directions and that of the
7 Legislature regarding consumer collection agencies.
8 They create books and records requirements. They
9 give some discretion to our office regarding fines
10 and create a matrix so that good guys and bad guys
11 can know what the penalties are and what's
12 appropriate to the compliance with Chapter 559.

13 And importantly, it includes a complaint form
14 requirement so that consumers will be required to
15 have some skin in the game when they make a
16 complaint and file these under penalty of perjury,
17 which will likely reduce the number and make it
18 easier for us to do our job of prosecuting these
19 claims and regulating these claims.

20 And finally, it does provide for the
21 destruction of records that are maintained by folks
22 involved in the credit agency bureau. Of course,
23 we're all concerned about privacy these days.

24 So these rules specifically implement those
25 requirements that you have directed, and we would

1 ask that you approve those today.

2 GOVERNOR SCOTT: All right. Is there a motion
3 to approve Item 2?

4 CFO ATWATER: So moved.

5 GOVERNOR SCOTT: Is there a second?

6 COMMISSIONER PUTNAM: Second.

7 GOVERNOR SCOTT: Moved and seconded. Show
8 Item 2 is approved without objection.

9 MR. GRADY: I have no further agenda items. I
10 invite you to contact me if there's anything I can
11 do for you, and thank you very much.

12 GOVERNOR SCOTT: Thanks a lot, Tom.

13

14

15

16

17

18

19

20

21

22

23

24

25

1 GOVERNOR SCOTT: All right. The next agenda
2 is the Financial Services Commission, Office of
3 Insurance Regulation, presented by Kevin McCarty.

4 MR. McCARTY: Good morning, Governor and
5 members of the Commission.

6 Agenda Item Number 1 is adoption of the
7 minutes for August 2nd and August 16th.

8 GOVERNOR SCOTT: Is there a motion to approve
9 Item 1?

10 ATTORNEY GENERAL BONDI: Move to approve.

11 GOVERNOR SCOTT: Is there a second?

12 CFO ATWATER: Second.

13 GOVERNOR SCOTT: Moved and seconded. Show
14 Item 1 approved without objection.

15 MR. McCARTY: Agenda Item Number 2 involves
16 three rule modifications that have been presented
17 to you before. We're here today for final
18 adoption.

19 The first one has to do with the adoption of
20 changes to the actuarial memorandum as it relates
21 to reserving. The second agenda item, the second
22 item in that rule set is changes in the mortality
23 tables, and lastly, changes in reserve analysis.

24 The culmination of these rules is really part
25 of our modernization effort to move away from one

1 size fits all. Formerly, everyone had to use the
2 same mortality table and the same actuarial
3 memorandum.

4 As we evolved in business, we have a different
5 complex set of products that are out there, and
6 this more closely aligns the reserves to reflect
7 the risk of an individual company so there's more
8 flexibility built in instead of one size fits all.
9 This is consistent with national standards as well
10 as international standards.

11 GOVERNOR SCOTT: Any questions? Okay. Is
12 there a motion to approve Item 2?

13 ATTORNEY GENERAL BONDI: Move to approve.

14 GOVERNOR SCOTT: Is there a second?

15 CFO ATWATER: Second.

16 GOVERNOR SCOTT: Moved and seconded. Item 2
17 is approved without objection.

18 MR. McCARTY: Agenda Item Number 3 is a
19 request for approval for adoption of changes to the
20 Financial Condition Examiners Book. Florida law
21 requires the Office of Insurance Regulation to
22 conduct financial examinations. This merely adopts
23 the latest version of the National Association of
24 Insurance Commissioners' exam handbook.

25 GOVERNOR SCOTT: Is there a motion to approve

1 Item 3?

2 CFO ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Moved and seconded. Show
6 Item 3 is approved without objection.

7 MR. McCARTY: Agenda Item Number 4 is
8 appointment of Rocky Rodriguez to the Workers' Comp
9 JUA.

10 GOVERNOR SCOTT: Is there a motion to approve
11 Item 4?

12 COMMISSIONER PUTNAM: So moved. That's a good
13 step.

14 GOVERNOR SCOTT: Is there a second?

15 ATTORNEY GENERAL BONDI: Strong second.

16 GOVERNOR SCOTT: Moved and seconded. Item 4
17 is approved without objection.

18 MR. McCARTY: Agenda Item Number 5, Governor,
19 we wish to withdraw that from consideration at this
20 time.

21 GOVERNOR SCOTT: Is there a motion to withdraw
22 Item 5?

23 CFO ATWATER: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 ATTORNEY GENERAL BONDI: Second.

1 GOVERNOR SCOTT: Moved and seconded. Item 5
2 is withdrawn without objection.

3 MR. McCARTY: Thank you very much. Appreciate
4 it.

5 CFO ATWATER: Governor, could I just make a
6 quick comment? I just wanted to express gratitude
7 for the manner in which Commissioner McCarty so
8 quickly addressed concerns that arose from the
9 Citizens rate filing, and particularly that there
10 is a need that both businesses and consumers have
11 fast responses and can remove uncertainty, that you
12 took the inconvenience of going to Tampa so the
13 citizens of Florida could participate and watch how
14 their government works and how the process works,
15 and the quality of what you all ultimately put
16 together to take into account the work of the
17 Legislature to try to remove the fraud and the
18 activity that has been so harmful in the
19 marketplace and get down to giving consumers the
20 right product at the right price and the right
21 value.

22 And I know it's no perfect science, but I just
23 think the speed with which you did it and the
24 inconvenience which you put your own staff and team
25 through, I know you must be very proud of the speed

1 and the quality that your team came up with. So
2 thank you.

3 MR. McCARTY: Thank you, and I do thank my
4 colleagues for the long hours working over the
5 weekend and late last night to complete within the
6 statutory framework. I also want to thank the
7 Office of Consumer Advocate for their input at the
8 hearing and your fraud officers, as usual. Thank
9 you for their service.

10 GOVERNOR SCOTT: Thank you very much.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 GOVERNOR SCOTT: Okay. The next agenda is the
2 Department of Revenue presented by Lisa Vickers.
3 Good morning.

4 MS. VICKERS: Good morning. Item 1 requests
5 approval of the Department's Annual Performance
6 Contract, our Long Range Program Plan, and our
7 Capital Improvement Plan. I usually like to group
8 these three items together because I think they
9 provide a good overview of the Department's
10 performance, the standards that are set for the
11 next year, the strategies that we are putting in
12 place to achieve those performance goals, and how
13 we are handling our leased facilities.

14 In child support enforcement, the Department
15 achieved a 5 percent increase in collections
16 compared to previous years. That is a .2 percent
17 increase among -- compared to a .2 percent increase
18 among the eight largest states and a .7 percent
19 increase across all states. This is important
20 because the Department earns incentive dollars from
21 the federal government based on our performance as
22 compared to other states. And over the last four
23 years, we have increased our incentive earnings by
24 \$5 million.

25 The program has also increased order

1 establishment -- this is an essential step in child
2 support collection -- by over 17 percent this year
3 and by over 49 percent over the past two years.

4 In general tax administration, the Department
5 had a record-setting year with audit collections of
6 323 million, while reducing accounts receivable to
7 1.4 percent. This compares to an industry standard
8 of 2 percent.

9 In property tax oversight, property appraisers
10 achieved a 99.6 percent statewide average level of
11 assessment under the Department's oversight. This
12 results in greater uniformity across property types
13 and is an increase from approximately 96 to
14 97 percent over the past three years.

15 In child support enforcement, we met three out
16 of our four approved standards, which are found on
17 page 5 of the performance contract. The standard
18 that we did not meet in child support was percent
19 of current support collected. And although we
20 increased current support collected by a full
21 percent, this measure was affected by the continued
22 unemployment in the state and the Deepwater Horizon
23 oil spill.

24 IDOs, income deduction orders are the best way
25 or best means of collecting child support on income

1 from jobs. When unemployment went up, we began to
2 put IDOs in place for unemployment compensation
3 payments. And while we still continued to receive
4 collections, they were at a reduced amount.

5 The program has tried to mitigate this by
6 sending notices to employers to ensure that they're
7 complying with new hire requirements as people do
8 become employed.

9 In general tax administration, the Department
10 did not meet its approved standards for the fiscal
11 year. I always tell our employees in the
12 Department that measures are great, but measures
13 tell a story, and you have to understand the story
14 behind those measures to understand what is going
15 on with your performance.

16 In general tax administration, for example, we
17 did miss our standard of 99 percent in percent of
18 tax returns reconciled within 30 days. This is a
19 standard that we routinely meet. We made a
20 decision early in the year to hold processing of
21 unemployment tax returns because the Legislature
22 had pending legislation that was going to affect
23 the rates that taxpayers would be obligated to pay.
24 And rather than processing those returns twice if
25 the law changed, we held them up so that we didn't

1 expend resources in processing until we knew the
2 outcome of the session. So we did not meet that
3 measure. We came in at 97.9 percent.

4 We're also changing that measure slightly and
5 have had approved by the Legislature to go to 25
6 days. We think that we will be able to meet that
7 measure in future years unless again we make
8 management decisions to hold up returns.

9 This is an area that you wouldn't want to
10 expend a lot more resources trying to improve on
11 this measure. I mean, we are at a really high
12 rate. We're processing returns in a very
13 reasonable amount of time. In order to achieve
14 100 percent or, you know, a higher rate than what
15 we're achieving, you would be expending resources
16 to go after speeding up a very small percentage of
17 returns that have to be handled separately because
18 they have issues that we discuss with taxpayers.

19 In the percent of educational
20 information/assistance rendered meeting or
21 exceeding taxpayer expectations, here we are at an
22 88 percent level. The approved standard was
23 96 percent. But we had a change in the way we
24 handled surveying taxpayers. In the past we would
25 call taxpayers and ask them if they were satisfied

1 with our -- if they were satisfied with the
2 information and assistance that we provided to
3 them. So we were calling a random selection of
4 taxpayers, and our response was really high.

5 When we moved out to our new facility and
6 changed our phone system, we went to an automated
7 system where a taxpayer can choose to enter into a
8 survey. They're not contacted by us. And as would
9 be expected, a lot of times the taxpayers that
10 choose to do the surveys are ones that are not
11 happy with the performance as opposed to just a
12 random sampling. So we will be looking to change
13 that measure slightly to be more reflective of that
14 new procedure that we have in place.

15 The percent of tax compliance examinations
16 resulting in an adjustment to a taxpayer's account,
17 there we increased performance from 57 percent last
18 year to 61 percent this year, but again, below the
19 approved standard of 65 percent. That is an area
20 that I'm very focused on because there has been a
21 lot of indication that the Legislature should
22 provide more auditors to the Department.

23 We always tell people you can do more with
24 more, but this is an area where if we can make sure
25 that our auditors are focusing on the taxpayers

1 that are most likely to have noncompliance, you can
2 increase your performance. You can increase your
3 return from that resource without having to
4 increase the number of human resources.

5 It's really a capacity area, where it's
6 underutilized capacity when you send an auditor in
7 to a taxpayer for an audit that is not as likely to
8 produce an examination that's going to show an
9 assessment. We do that through, you're going to
10 hear later in our strategies, focusing on third
11 party data that tells us where the right places are
12 to focus our efforts.

13 And then finally, percent of collection cases
14 resolved in less than 90 days, there the standard
15 -- we're up from last year of 60 percent to 60.3
16 percent. But the approved standard is 66 percent,
17 so we continue to focus on that area as well. As
18 we bring our accounts receivable down, it is more
19 likely that the cases that we have in our inventory
20 are the harder to collect cases, and so you're not
21 going to see that measure probably increase much
22 beyond there.

23 We have had some discussions with the CFO
24 regarding our performance measures, and we hope
25 that over the course of the next six months we can

1 come to you and show you some measures that you
2 might want to incorporate into the Performance
3 Contract next year. It's always nice to be able to
4 focus on these individual business processes and
5 areas, but I don't think that you get a view of
6 more global measures that tell you the overall
7 performance of the agency. So we're working on
8 some measures that I think will give you a better
9 insight into how the agency is performing overall
10 in terms of leveraging our resources to bring you
11 the best performance results.

12 The Long Range Program Plan details the
13 Department's plan to implement a number of
14 strategies to reduce costs and improve performance.
15 Over the past several years, the Department has
16 reduced our leased space footprint by approximately
17 10 percent by consolidation of our Tallahassee
18 offices and service centers and restacking our
19 staff. It has also reduced our overall processing
20 and printing costs by approximately 32 percent.

21 The key strategies that we're focusing on that
22 you can find in the Long Range Program Plan, in
23 child support enforcement, the biggest strategy
24 there is the full implementation of the CAMS
25 system, the Child Support Automated Management

1 System. This will allow us to automate routine
2 tasks and free up staff time for more complex
3 tasks.

4 Our full usage of the FLORIDA system was
5 costing us approximately \$22 million a year. Next
6 year while we're running both system simultaneously
7 for a little bit longer as we're moving information
8 over, it will be about \$19 million. And when CAMS
9 is fully operational, our cost of our technology in
10 that area will come down to \$14 million. So we'll
11 go from \$22 million in technology costs down to
12 \$14 million in technology costs.

13 You heard me mention earlier that increasing
14 the number of new support orders is an important
15 area. And while we've increased our performance
16 there by 49 percent, it's important to understand
17 that in order for us to collect child support, the
18 ultimate purpose of our child support enforcement
19 program, we have to get those support orders
20 through the judicial process and with some
21 supplemented through the administrative process.

22 If we can't increase our capacity in that
23 process, we'll never be able to perform well at the
24 end of that string of business processes, which is
25 the collection of child support. So we have a

1 number of strategies with the implementation of
2 CAMS to try and increase the new support order
3 establishment.

4 Just to kind of give you a mind-numbing figure
5 or mind-boggling figure, we produced 58,000 new
6 orders last year. That was up 49 percent from two
7 years past. We get about 120,000 new cases a year
8 that need new support orders, so we have to
9 dramatically increase that support order
10 establishment number to keep driving up that
11 performance of collections. But we will use,
12 again, CAMS to reassign staff. We're going to
13 increase docket capacity by working with our
14 partners to add temporary hearing officers in the
15 judicial circuits.

16 We're going to rework our business process and
17 our work flow to ensure that we are sending the
18 very best cases through that very limited resource
19 of the judicial process. We want to minimize the
20 number of cases that we send through that process
21 that ultimately get dismissed without an order,
22 because, again, that's lost capacity through that
23 system.

24 The key strategies in the general tax program
25 will focus on improving performance and reducing

1 costs, again, there the use of third party data so
2 that we better improve the effectiveness of
3 identifying the possible businesses that are not
4 meeting tax obligations, increasing our performance
5 by using more automated tools. We're implementing
6 a collection analytic system that will allow our
7 collectors, our collection resources to be used in
8 the most effective way.

9 We also have as part of our strategy the
10 one-stop registration system that we've been
11 talking about. I actually have a meeting in the
12 House today and in the Senate tomorrow to talk
13 about our efforts to take agencies that deal with
14 businesses and create a one-stop registration
15 portal, Governor, that you have championed in order
16 to make sure that businesses are able to get into
17 our state, take care of any registration
18 requirements as quickly as possible, and get jobs
19 in place as quickly as possible. One of the other
20 side effects of that is that we will be able to
21 improve compliance among businesses by making sure
22 that they're meeting all requirements of the
23 different agencies.

24 In the property tax oversight program, our
25 focus is to improve performance and reduce costs

1 there. We're using better technology and
2 information in order to increase performance there.

3 In our Capital Improvement Plan, as I
4 mentioned earlier, we are greatly reducing our
5 leased footprint through restacking and combining
6 facilities, and we've projected reduced lease costs
7 of 4.5 million. And over the past five years,
8 we've been able to absorb 6.7 million in increased
9 lease costs.

10 With that, I respectfully request that you
11 approve this item.

12 GOVERNOR SCOTT: Very impressive. Is there a
13 motion to approve Item 1?

14 COMMISSIONER PUTNAM: Governor, in addition to
15 approving the program plans, it also approves the
16 performance contract with Lisa, correct,
17 essentially rehiring Lisa?

18 GOVERNOR SCOTT: Yes.

19 COMMISSIONER PUTNAM: I will gladly move the
20 issue and thank you for your service and
21 professionalism that you bring to this agency and
22 to this Cabinet. It's almost an impossible task
23 running the Department of Revenue in terms of all
24 the moving parts, but I think you do it very well,
25 and we appreciate it.

1 MS. VICKERS: It is absolutely a pleasure.
2 Not too many people would probably say that, but I
3 enjoy every moment of it.

4 ATTORNEY GENERAL BONDI: We're thrilled to
5 have you.

6 GOVERNOR SCOTT: I think everybody would say
7 the same thing. Lisa, you do a great job. You've
8 got a great attitude about it. You've got a big
9 job, and you do it with no complaints, with a very
10 positive attitude, and you get great results, so
11 we're very appreciative.

12 MS. VICKERS: Thank you.

13 GOVERNOR SCOTT: All right. Is there a
14 second?

15 CFO ATWATER: Second.

16 GOVERNOR SCOTT: Okay. Moved and seconded.
17 Item 1 is approved without objection.

18 MS. VICKERS: Item 2 is the Department's
19 legislative budget request. This request
20 represents an 8.6 percent reduction over our
21 current year total appropriation. You need to kind
22 of understand that number a little bit. We start
23 out our appropriation always with a difference
24 between what ultimately will be appropriated,
25 because the Legislature will put about \$25 million

1 more into our budget when we're through the process
2 as a result of funding for fiscally constrained
3 counties, so that amount incorporates the fact that
4 later they'll put in about 25 million additional
5 for fiscally constrained counties.

6 The real reduction there, though, I think is
7 based on the fact that we are coming in on time and
8 on budget with our CAMS system and our
9 implementation early next spring, which will be in
10 this budget year. And so there's a 29 million
11 reduction in nonrecurring funding for the
12 development of CAMS as we bring that project in on
13 time.

14 The operating budget itself represents about a
15 1.59 percent increase in total recurring funding,
16 and that's really kind of an accounting shift. The
17 Legislature funded about 52 of our positions last
18 year with nonrecurring dollars with the
19 understanding that we would come back and ask for
20 recurring funding this year, so that's that shift
21 between nonrecurring and recurring. If they're not
22 funded, then we will be deleting additional
23 positions for those 52 because they won't be
24 funded. Over the past five years, we have reduced
25 the number of FTEs in the Department by 400

1 positions.

2 One of the large issues in this budget is
3 related to a \$1.6 million decision to fund the
4 \$25 fee that the federal government requires for
5 child support collection cases that have obtained
6 over \$500 collection in a year. A few years back
7 when the federal government implemented this fee on
8 our customers, the Legislature decided to pay that
9 fee through government money. And so when we have
10 cases that are collecting more than \$500 a year,
11 the Legislature gives us general revenue funding to
12 pay that \$25 fee. Well, because of our increased
13 performance, we have more cases that are meeting
14 that \$500 threshold, which is increasing our need
15 for additional general revenue to pay that fee.

16 As part of our cost reduction strategies that
17 we're taking to the Legislature this year, we want
18 to ask them the question of whether they want to
19 continue to pay that fee on behalf of our customers
20 that are using our services. In other states, the
21 actual individual who is receiving the child
22 support collections pays that \$25 fee when they
23 meet those threshold amounts.

24 There are a number of small technology issues
25 in this legislative budget request. Included in

1 there are provisions for -- to continue with the
2 enterprise decisions to implement the data center
3 consolidation of about \$850,000 and statewide email
4 of 166,000.

5 We request approval of the legislative budget
6 request.

7 GOVERNOR SCOTT: All right. Commissioner.

8 COMMISSIONER PUTNAM: I would just point out
9 as part of my continuing public awareness campaign
10 that statewide email consolidation is also costing
11 you more money in addition to all three Cabinet
12 agencies up here; is that correct?

13 MS. VICKERS: We are a very large agency. We
14 have very high efficiencies in the area of
15 technology because of our size. The email
16 consolidation has increased costs slightly for our
17 agency. We're a little different than everybody
18 else in that we have been on Novell, a very
19 different product. We were going to need to
20 transfer to Microsoft eventually anyway, because it
21 creates a lot of problems in terms of interfacing
22 with other agencies and being able to communicate
23 confidentially with other agencies. So I don't
24 think the impact has been as great on us as it
25 might be on other agencies. But, yes, it does

1 increase the cost for us.

2 GOVERNOR SCOTT: All right. Is there a motion
3 on the Department's proposed legislative budget
4 request?

5 CFO ATWATER: So moved.

6 GOVERNOR SCOTT: Is there a second?

7 ATTORNEY GENERAL BONDI: Second.

8 GOVERNOR SCOTT: Moved and seconded. Any
9 objection?

10 In my case, Florida law requires the Governor
11 to independently submit budget proposals.
12 Accordingly, I'm abstaining from the vote on this
13 item. Therefore, the record should reflect this
14 item is approved with one abstention.

15 MS. VICKERS: Thank you.

16 Item 3 is the Department's legislative
17 concepts. They're largely a resubmission of the
18 concepts submitted last year. That's not really a
19 negative reflection on the concepts. Agency
20 administrative concepts sometimes don't pass in the
21 first year that they're proposed. I always liken
22 them to the tuneup on a car. They're not very
23 exciting. They're the oil change. They're the
24 tuneup. They're usually kind of dry, boring
25 administrative issues, and there's no lack of those

1 here.

2 In child support enforcement, a number of
3 concepts are being offered to improve the
4 administration and efficiency of that program. In
5 general tax, the Department is again proposing
6 concepts to improve our enforcement efforts.

7 New to this package, though, is a concept
8 focusing on software that allows businesses to
9 steal tax revenues. They've actually invented
10 software that you can put on cash registers to
11 create what we used to in the old days call two
12 sets of books and records so that you have one set
13 of records to show the state and another set of
14 records that tells you what your actual amount of
15 business is that's flowing through that cash
16 register.

17 We have a concept also to provide a reduce and
18 realign of unemployment tax interest rates to be
19 consistent with other taxes. Right now the tax
20 rate for employment tax is 12 percent. This will
21 move it to prime plus 4, which is the same as all
22 the other taxes, to make it more efficient for us
23 to administer that.

24 We're seeking guidance in calculating the
25 phosphate tax rate from the Legislature, and we

1 have provisions to conform the Clerk of Courts'
2 electronic remittance provisions.

3 In property tax oversight, provisions are
4 advanced to improve administration, clarify
5 statutory provisions, and correct statutory
6 references. Concepts are also included to reduce
7 the burden on taxpayers by providing better
8 administration of exemptions.

9 The package also includes a request that the
10 Legislature consider repealing the four-hour
11 requirement and making changes to provisions
12 discussed at the last Cabinet meeting to ensure
13 that taxpayers are able to reschedule VAB hearings
14 when delays occur in holding a hearing that would
15 create a hardship on the taxpayer.

16 I know that we have a citizen -- the same
17 citizen that showed up last time has arrived this
18 morning, and I'm not sure -- do you have a comment?
19 And she may want to comment on that provision.

20 GOVERNOR SCOTT: Okay. Do you want to do that
21 now, or do you want to do it . . .

22 Good morning, and thank you very much for
23 coming.

24 MS. ANDERSON: Good morning. Thank you very
25 much. My name is Sheila Anderson. I'm a private

1 citizen and taxpayer and a realtor, and I represent
2 other taxpayers who appeal their ad valorem
3 assessments.

4 This four-hour thing going back to the 1960s
5 has no relationship whatsoever to the current
6 composition of the Value Adjustment Boards or how
7 they operate for the majority of taxpayers, so to
8 repeal it is the obvious and urgent thing to do.
9 And I was very disappointed that you even let a
10 legislative staff member tell you that you ought to
11 retain anything in the statute, since this is so
12 overdue. So I thank you for that.

13 I would like to also add that as a private
14 citizen, there's no item on the agenda for public
15 comments on anything before you of interest to
16 citizens. And it would save a lot of travel around
17 the state, Governor, if you just simply provided
18 that opportunity for people on a regular basis.
19 And I understand your staff is against it, but I
20 don't work for your staff, and I think it would be
21 appropriate for anyone who is a citizen of the
22 state to speak to their elected representatives
23 when they have grievances.

24 The other thing that I noticed today is that
25 there are no copies of documents that were before

1 you as the various agencies were reporting to you,
2 and some of that was very interesting. I would
3 like to see how the bond refinancing works on paper
4 as well, because it might affect and give me some
5 ideas on how to manage the resources that I have.
6 And I'm sure other people would like to know more
7 about how public money is being managed. And it
8 sounded very well done, but there was a lot of
9 detail that was not available.

10 So again, public comments and public documents
11 would be very useful. And to get rid of the
12 four-hour rule would be -- would go a long way to
13 treating taxpayers to the process they're entitled
14 to have.

15 Thank you.

16 GOVERNOR SCOTT: Thank you very much. And one
17 thing you might get on is the -- if you stay around
18 this afternoon, there will be a lot of information
19 with regard to how our pension money is invested.

20 MS. ANDERSON: I appreciate that, but I've got
21 a long ride back to Ocala, and it's not possible.
22 But if it had been here, I would have had the time.

23 GOVERNOR SCOTT: Thank you.

24 MS. VICKERS: Thank you. And we would
25 respectfully request that you approve Item 3, our

1 legislative concepts.

2 COMMISSIONER PUTNAM: So moved.

3 GOVERNOR SCOTT: Second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Moved and seconded. Item 3
6 is approved without objection.

7 MS. VICKERS: Item 4 requests approval to
8 publish and proceed with rulemaking in the
9 following areas: To implement legislative changes
10 in the area of documentary stamp tax, estate tax,
11 communications services tax, the Florida Tax Credit
12 Scholarship Program, and in the area of emergency
13 excise tax; to update -- to do an annual update of
14 our forms in the area of communications services
15 tax, fuel tax, corporate income tax, and insurance
16 premium tax, as well as miscellaneous forms for use
17 tax, solid waste, rental car surcharge, and
18 severance tax. It's the typical annual update that
19 we do to those forms.

20 The amendments will also provide
21 simplification and clarification in a number of
22 areas and remove obsolete provisions from the law
23 related to the Department's Fax on Demand system,
24 which has been replaced by the availability of
25 forms on our website, and the sunset of an

1 exemption on machinery and equipment that sunsetted
2 July 1, 2010, and the repeal of the emergency
3 excise tax that's effective on January 1, 2012.

4 We recommend approval of this item.

5 GOVERNOR SCOTT: All right. Is there a motion
6 to approve Item 4?

7 ATTORNEY GENERAL BONDI: Move to approve.

8 GOVERNOR SCOTT: Is there a second?

9 CFO ATWATER: Second.

10 GOVERNOR SCOTT: Moved and seconded. Item 4
11 is approved without objection.

12 MS. VICKERS: Thank you. And finally, Item 5
13 requests approval and authority to adopt Rule
14 12E-1.0051. This rule is related to child support
15 enforcement and undistributable collections. The
16 purpose of this rule is to provide a method that
17 the Department will use to attempt to locate
18 intended recipients that we are not able to locate
19 for child support distribution, if we're unable to
20 locate the intended recipient, how we will apply
21 those funds to the case. First we would apply the
22 funds if the noncustodial parent has another open
23 case through the Department, and then finally, to
24 return the funds back to the person who contributed
25 those funds if it's undistributable.

1 This rule was previously presented to you on
2 June 16th, and since that time, the Department has
3 worked with the CFO's office to add a link from the
4 Florida unclaimed property search page to the
5 Department's undistributable child support
6 collection search page.

7 And we request approval of this item.

8 GOVERNOR SCOTT: All right. Is there a motion
9 to approve?

10 CFO ATWATER: So moved.

11 GOVERNOR SCOTT: Second?

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Moved and seconded. Item 5
14 is approved without objection.

15 MS. VICKERS: Thank you.

16 GOVERNOR SCOTT: Thank you very much.

17
18
19
20
21
22
23
24
25

1 GOVERNOR SCOTT: The next agenda is the
2 Department of Highway Safety and Motor Vehicles
3 presented by Julie Jones. Good morning, Julie.

4 MS. JONES: Good morning, Governor and Cabinet
5 members. I have three agenda items this morning
6 for your consideration.

7 Item 1 is, we respectfully request approval of
8 the minutes from the August 2nd, 2011 Cabinet
9 meeting.

10 GOVERNOR SCOTT: Is there a motion to approve
11 Item 1?

12 ATTORNEY GENERAL BONDI: Move to approve.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Moved and seconded. Item 1
16 is approved without objection.

17 MS. JONES: Thank you. Item 2, we
18 respectfully request approval of the Department's
19 legislative package for 2012. Our legislative
20 proposals are focused around three guiding
21 principles, protecting our roadways, service
22 delivery, and leveraging technology. Many of these
23 changes are technical, and they were actually in
24 our bill last year that did not pass. There's a
25 couple of new items, and I would like to highlight

1 the substantive issues today.

2 The first proposal will make minor
3 modifications to our commercial driving laws to
4 bring Florida law into compliance with the federal
5 motor carrier requirements. This ensures that
6 Florida continues to receive its share of Federal
7 DOT dollars.

8 The second proposal would close a loophole in
9 the current law related to the required documents
10 for foreign visitors to make application to obtain
11 a driver's license or identification card. This
12 change allows the Department to deny a license to a
13 foreign visitor if the applicant is attempting to
14 obtain a license based on a change in status that
15 they are not entitled to.

16 We are seeking a statutory change to allow the
17 Department to issue a driver's license or
18 identification card that meets the standards set
19 out in the Western Hemisphere Travel Initiative.
20 These credentials would allow a person to use a
21 license or ID card issued by the Department for
22 border crossings between Canada, Mexico, and the
23 Caribbean. This eliminates the need for the
24 passport. This is for land and sea only, not air.
25 This is something that our cruise industry has

1 asked for. This service would be offered to the
2 general public at their option. It's not
3 something --

4 ATTORNEY GENERAL BONDI: Governor --

5 GOVERNOR SCOTT: Sure.

6 ATTORNEY GENERAL BONDI: And I know we're only
7 in the initial stages now, but I had a question on
8 that. Have we been working with the federal
9 authorities for security purposes? Would people
10 coming into our country be using that instead of
11 passports?

12 MS. JONES: Yes. In fact, this is implemented
13 in several states. New York has this already, and
14 several of the Canadian border states. This has an
15 RFID chip in it much -- and it operates just like a
16 passport, so it's a different credential that will
17 have to be issued from a central facility. So you
18 won't get this at the tax collector office. You
19 can apply for it.

20 And if it's approved by the Cabinet and the
21 Legislature, we'll go forward to our vendor and
22 determine just to cover our costs for the different
23 card that has a little bit more technology in it,
24 and that would be an added cost to the current
25 driver's license. Again, because it's optional, it

1 would be something that you would prefer to have.
2 And we're very hopeful -- in fact, I'm sure it
3 would be less than the cost of a passport.

4 ATTORNEY GENERAL BONDI: And with the same
5 security as a passport?

6 MS. JONES: Yes.

7 ATTORNEY GENERAL BONDI: Okay. That was my
8 only question. Thanks.

9 MS. JONES: Another proposal would strengthen
10 our enforcement of vehicle insurance requirements
11 by shortening the turnaround times for providing
12 proof of insurance coverage to the Department.
13 Electronic notifications now between insurance
14 companies and the Department should make this
15 possible and improve our data accuracy.

16 This also goes to the PIP issue that you've
17 been encountering. This dramatically reduces the
18 time that we give uninsured drivers to prove that
19 they do have insurance as they swap back and forth
20 with companies.

21 Finally, we have several proposed changes to
22 our statutes that would permit the Department to
23 utilize electronic processes in lieu of paper, and
24 examples would be electronic titles, electronic
25 liens, and renewal notices. This again creates

1 efficiencies and enhances the use of technology at
2 the Department.

3 GOVERNOR SCOTT: Great. Any questions? Is
4 there a motion to approve Item 2?

5 CFO ATWATER: So moved.

6 GOVERNOR SCOTT: Is there a second?

7 ATTORNEY GENERAL BONDI: Second.

8 GOVERNOR SCOTT: Moved and seconded. Show
9 Item 2 approved without objection.

10 MS. JONES: Thank you. Item 3 is our request
11 for approval for the Department's legislative
12 budget request. There are eight items. We are
13 focused this year on our members, their safety, and
14 improving our IT infrastructure.

15 We're projecting that the Florida Highway
16 Patrol will have 1,346 vehicles over 100,000 miles
17 by the end of the fiscal year associated with this
18 budget.

19 First, Governor, I would like to thank you for
20 your assistance last session in trying to address
21 this situation. This is an officer safety
22 situation. We're asking for \$13.8 million in
23 nonrecurring general revenue to initiate a
24 three-year plan to catch up on vehicle acquisition
25 and replacement. This is our only general revenue

1 request. And at your request, Governor, it is a
2 three-year plan. It's two years of nonrecurring
3 general revenue, and then we readjust the amount of
4 recurring A&R out of the trust fund the third year,
5 and we get caught up and we fix this problem
6 permanently.

7 Issue number two, we have actually two member
8 related issues that are associated with pay. As
9 you know, the sworn officers who provide commercial
10 vehicle enforcement were transferred to the
11 Department from the Department of Transportation
12 this past session. We acknowledged when they came
13 to us that there would be -- there's a salary
14 difference between the Highway Patrol and the DOT
15 motor carrier compliance people that came to us.
16 And I pledged to the Legislature that I would fix
17 this problem out of hide, that I would create
18 efficiencies and not ask for an increase in budget,
19 and that's what we've done.

20 These officers are required to have extensive
21 training related to commercial driving rules and
22 laws, yet their starting salaries are lower than a
23 traditional trooper. As a result of a
24 reorganization and the merger of motor carrier into
25 the patrol, we have cash and budget on hand to make

1 this necessary pay adjustment, and we're just
2 asking the authority to reallocate moneys within
3 the patrol's budget.

4 The second issue is a leadership development
5 plan for the patrol that seeks to retain troopers
6 and grow leaders. A leadership development
7 initiative would provide a graduated compensation
8 increase for sworn members of the patrol by
9 creating tiers within trooper, corporal, sergeant,
10 lieutenant, and captain's ranks. Progression
11 through the tiers requires a combination of
12 advanced professional development training, higher
13 education, effective job performance, and a minimum
14 number of years of service at each level.

15 We have four IT related requests. The first
16 item would provide funding to enable the Department
17 to eliminate its mainframe over the course of the
18 next two years. And with this year, one year of
19 \$1.55 million nonrecurring trust fund request, we
20 create a million-dollar annual savings in the
21 future by eliminating the mainframe.

22 The second IT issue is a request to fund the
23 modernization of our DAVID system. DAVID stands
24 for Driver and Vehicle Information Database. This
25 is the system that all law enforcement officers

1 use, the court, other state agencies. This is how
2 they access our data.

3 This system is vitally important, and by
4 modernizing it, our goal is to improve reliability
5 and accountability. And this also helps FDLE in
6 how they interact with our information. This is
7 something that's vitally important to them.

8 We have a one-year request. Year 1 is
9 846,000, and then in year 2 it's 140,000, and it's
10 paid for, again, nonrecurring trust fund for two
11 years, but it's all trust funded.

12 We're requesting funding to modernize and
13 expand our online appointment system. This will
14 create efficiencies for the Department and our tax
15 collector partners. This is again a nonrecurring
16 one-year request of 465,000. This develops iPod
17 and Droid apps. Right now you can use our
18 appointment system to make a driver's license
19 appointment, but this will add all the tax
20 collector offices into the system. This will also
21 add -- you'll be able to make an appointment
22 relative to any motor vehicle transactions.

23 The last IT issue, we would like to acquire
24 address verification software to reduce our mailing
25 costs on returned mail. This year's pilot of the

1 system showed an increased efficiency in our
2 mailing systems of 51 percent. This would be
3 nonrecurring, first year, 382,000, and then a
4 recurring trust fund amount of 151,000.

5 This is a \$200,000 savings yearly to the
6 Department, but an even larger increase in savings
7 to our tax collector partners by implementing the
8 system.

9 Our last budget issue is a nonrecurring trust
10 fund request for critical repairs and mold
11 remediation, again, nonrecurring trust fund. This
12 is for the Kirkman Building here in Tallahassee,
13 the driver's license offices that we are going to
14 retain into the future, and Florida Highway Patrol
15 stations.

16 With that, I would be happy to answer any
17 questions.

18 GOVERNOR SCOTT: Any questions? Commissioner.

19 COMMISSIONER PUTNAM: How many driver's
20 license offices do we still own as opposed to
21 leasing?

22 MS. JONES: It isn't a matter of owning or
23 leasing. In legislation that was passed two years
24 ago, the tax collectors agreed to take over
25 driver's license offices in every county but

1 Volusia, Dade, and Broward. And in those three
2 counties, that will leave us with only 100 offices.
3 So we're making improvements to those offices that
4 we're keeping. We're just keeping the other
5 offices afloat and safe, but we're not making
6 capital improvements in offices that we're going to
7 close in the future.

8 GOVERNOR SCOTT: Any other questions?

9 ATTORNEY GENERAL BONDI: No.

10 GOVERNOR SCOTT: All right. Is there a motion
11 on the Department's proposed legislative budget
12 request?

13 COMMISSIONER PUTNAM: So moved.

14 GOVERNOR SCOTT: Is there a second?

15 ATTORNEY GENERAL BONDI: Second.

16 GOVERNOR SCOTT: Moved and seconded. Any
17 objections?

18 Florida law requires the Governor to
19 independently submit budget proposals.
20 Accordingly, I am abstaining from the vote on this
21 item. Therefore, the record should reflect that
22 this item was approved with one abstention.

23 MS. JONES: Thank you, Governor and Cabinet
24 members. Thank you for your support.

25 GOVERNOR SCOTT: Thanks a lot. All right.

1 This concludes our Cabinet meeting. We are
2 adjourned. The SBA quarterly meeting will begin at
3 1:00 p.m. right here.

4 (Proceedings concluded at 10:58 a.m.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 69 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 7th day of October, 2011.

MARY ALLEN NEEL, RPR, FPR
2894-A Remington Green Lane
Tallahassee, Florida 32308
850.878.2221