DATE:                      Wednesday, July 25, 2012

TIME:                      Commenced at 9:00 a.m.
                          Concluded at 4:23 p.m.

LOCATION:              2450 Shumard Oak Blvd.
                          Tallahassee, FL

REPORTED BY:          Tracy L. Brown
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MEMBERS:

Marshall Stranburg, Chair
Brian Smith
Gary Resnick
Sharon R. Fox
Alan Rosenzweig
Gary S. Lindsey
Kathleen Kittrick
Charlie Dudley
Davin Suggs

Also Present:
Andrea Moreland

CERTIFICATE OF REPORTER 94
MR. STRANBURG: Good morning, everyone. I'd like to convene the second meeting of the Communications Services Tax working group. My name is Marshall Stranburg and I'm the interim executive director for the Department of Revenue. And I will be chairing the meeting today. At this time, I'd like Andrea Moreland to call roll, please.

MS. MORELAND: Marshall Stranburg?
MR. STRANBURG: Here.
MS. MORELAND: Charlie Dudley?
MR. DUDLEY: Here.
MS. MORELAND: Sharon Fox?
MS. FOX: Here.
MS. MORELAND: Kathleen Kittrick?
MS. KITTRICK: Here.
MS. MORELAND: Gary Lindsey?
MR. LINDSEY: Here.
MS. MORELAND: Mayor Resnick?
MR. RESNICK: Here.
MS. MORELAND: Alan Rosenzweig?
MR. ROSENZWEIG: Here.
MS. MORELAND: Brian Smith?
MR. SMITH: Here.
MS. MORELAND: Davin Suggs?
MR. SUGGS: Here.

MS. MORELAND: All members are present.

MR. STRANBURG: Thanks, Andrea.

Before we get started, there are a couple or administrative or housekeeping details I'd like to go over with you-all. This is a nonrule public meeting. It is held under Section 120.525, Florida Statutes. A notice of the meeting was published in the Florida Administrative Weekly on July 6th, 2012, Volume 38, Number 7. The meeting agenda and meeting materials are posted on the Department's website. We have a court reporter who is creating a transcript of the meeting today. The transcript will be posted on the working group's web page.

If you wish to speak today, and you are present in the room, please provide a completed speaker card to Lynne Moeller. Lynne, identify yourself over in the corner of the room. The speaker cards are in the back left table on the counter. Before speaking, please state your name and the organization you represent.

As I previously mentioned, we have created a web page on the Department of Revenue's website for the working group. Agendas, meeting materials, transcripts, and other information relative to the
working group will be posted to the website. We do have some hard copies of today's meeting materials available on that same side counter. If you would like to receive updates about the working group by e-mail, please provide us with your e-mail address. A sign-up sheet is located on the side counter. Please be aware that your e-mail address will be considered public records and subject to disclosure, if requested.

If you are participating in today's session using WebEx, please do not mute or unmute your phone using the instructions given by WebEx's automated system. To ensure today's session goes as smoothly as possible, our staff is managing the WebEx mute and unmute feature. For those using WebEx, you should see a telephone icon next to your name on the computer screen. If you wish to make a public comment, please click on the hand icon located below the participant panel list. Our staff will let the facilitator know you have your hand raised so that you can be called on to comment.

Those that are not using WebEx can make a public comment by sending an e-mail to CSTworkinggroup@dor.state.fl.us. Again, that's one
word, CSTworkinggroup@dor.state.fl.us. In the subject line, please use CST working group. Please keep your comments brief, your e-mail will be printed and read into the record.

For those of you here in the room, we please ask that you turn off your cell phones or place them on vibrate. Our meeting is scheduled for all day. We hope to wrap up around 4 o'clock this afternoon. We will be taking breaks throughout the day and a lunch break sometime around 11:30.

For those of you that may not remember or are new here to the meeting, the restrooms are located in the hallway that runs directly behind this room. The men's room is located on the west end of the hallway and the lady's room is at the east end almost directly behind us. There are vending machines at the west end hallway, right after the double doors. Please remember that we have areas that are closed off to the public and are designated as such. This is a secure facility, so we please ask that you remain in the main areas here outside the meeting room and down those hallways.

Does anybody have any questions before we get started?
Okay. Seeing none, let's go to agenda item number two. Under tab two of your materials, agenda item two covers the draft meeting minutes from the last meeting. Does anyone have any changes that they recommend be made to those draft minutes? Having received no comments, we'll --

MR. DUDLEY: Yeah, I was here on the 11th. I don't see my name up top.

MR. STRANBURG: We'll correct that. With that one correction, any other changes? If not, we'll consider the draft meeting minutes approved.

Our agenda item number three is follow-up on some questions and request for information that the members made at the last meeting. That information is contained in the backup materials under tab three in the meeting materials. In addition, Mayor Resnick had gathered some materials that he wanted to share with the rest of the working group. That information is also contained in the materials under agenda item number three.

Does anyone have a specific question about the materials -- follow-up materials from the previous meeting?

Since we don't have any questions, we'll go on
to the next agenda item.

The next agenda item is a discussion I'd like for us to have before we start today, concerning the formulation of recommendations. I wanted to get your thoughts, ideas and have a little discussion about the process that you would like to use for us to develop a recommendation and options that are to be contained in the report that the working group is to prepare. For example, there's one option, we can wait until all the presentations have been made to the working group and then we can begin to formulate recommendations. Another option is to formulate some recommendations and have some discussion after each of the presentations on a particular topic that have been completed.

So, like to see -- does anybody have any preference which way we can go about doing that? Anybody have any other suggestions or any other options that they'd like for the group to consider? Sharon?

**MS. FOX:** It seems to me that first, we need to clearly identify all of the issues that the different working group members have with the CST. Because it's going to be very difficult to work on recommendations to improve if we don't have -- we
don't know what we're working on and working towards. So, I think that that's the number one priority.

Additionally, I think that we're going to need to get the body of knowledge together before we can finalize any recommendations. Because as we discuss things, I can see that we're going to need to go back and maybe look up additional information or get responses to questions that come up that aren't conveniently at hand. So it seems to me also that it might be best to at least get the issues covered before we start making recommendations, because things can't necessarily be taken one -- in piecemeal fashion.

MR. STRANBURG: Gary?

MR. LINDSEY: Yes, I agree. I think those are good points. And we may want to look at the remaining meetings that we have. Let's see, we have a meeting in August, October -- two more meetings. If we set a target and say as part of our August meeting on the agenda, to discuss the issues, that may lead into some discussions about recommendations just in and of itself. But if we set a target to do that and then maybe formally look at recommendations at our October meeting,
that might just give us a good target deadline that we work towards.

**MR. STRANBURG:** And one other thing, too, Gary, I believe Lisa discussed this a little bit at the last meeting, even though we've set an August 14th meeting and an October 31st meeting, you know, there was a possibility that the group felt we needed to schedule some more meetings. We can do that. They didn't necessarily have to be in-person meetings. They could be telephone conference meetings if it would be easier for people to participate that way rather than coming to Tallahassee or other locations. So, you know, again, if the option is -- maybe we might want to, after the August meeting, set up a conference call or set up another meeting at some point in time to discuss formulating recommendations and options; that's something else that can be considered by the group, too.

**MR. LINDSEY:** That's a good idea. That would give us time, also, if we determined on that conference call, if we get an idea that we need an additional meeting in person, that would give us time to set that up, too. That makes sense.

**MR. ROSENZWEIG:** I also think, maybe -- it's a
pretty diverse work group and, obviously, we want to get as much consensus as we can. But as we move towards recommendations -- I worked in a community before -- where we may want to consider what voting thresholds we need to be to actually move forward specific recommendations as part of the report. And I'm thinking something more than a simple majority might be appropriate with the makeup of the committee. So I'm thinking that we may want to consider that, you know, you need six members or something to move forward on a formal recommendation as we get through the end of this process. Given the makeup of the committee, I think it's real important that we send a strong message to the legislature and the governor that we all -- all representatives agree moving forward. So I'm thinking, you know, six members might be a nice minimum threshold to move forward.

MR. STRANBURG: And there's another option, too, that we can consider even if there is a -- whether it's majority, a supermajority, however you do the recommendations forward, there's also an option that those who may not be in agreement with a particular option as being put forward, we could include sort of a -- I don't know if you want to
call a semiopinion or a contrary opinion or another viewpoint. I mean, that's always an option that could be considered, too, by the group to advance as many ideas as possible and indicating here are the ideas or the options that the group recommends, but here's some other things that we discussed that might be things that the legislature could consider as options as well.

So again, I think we can indicate a structure, how we want to put the report together, a number of different ways to reflect how the group thinks it's an appropriate way to get those ideas to the legislature.

Davin?

**MR. SUGGS:** Let me first ask a question: Do you have the authority or is it possible if we can split the big committee into subcommittees?

**MS. MORELAND:** We can look into that. If we do subcommittees, we still -- my understanding is those meetings need to be subject to the sunshine laws. So when the subcommittees meet, we need to notice them just like we do with this meeting.

**MR. SUGGS:** At the August 14th meeting, if part of -- whatever the -- part of that day is split or sectioned off into subcommittee work,
because this is to Sharon's point, clearly there are two large groups of individuals here on the side of the issue. But things, I think, will go more efficiently if we know exactly what -- there's a certain group, the industry started during session, industry seeking change, asking for change. But I think it will give us all a better picture if we know exactly, as an industry, what collective changes would they want, they're very clear and concise. That's a good starting point for everybody to take all the information and do someone else's and provide further input to see where we can go from here. Because I think our existence was part of a compromise this past legislative session. They got some minimal changes, but not everything that they asked for. And then this committee, this work group, was a part of that legislation as sort a comprise or a bridge until we get -- they're still seeking further change.

And so I think, as Sharon said, all of those issues need to be collectively, concisely put on the table. And then we can use that as a starting point and address -- because I don't -- I mean, with my guys, and I can speak for county -- two
representatives from the cities, but in terms of standard quo and the law right now, I don't know if the counties would have brought forth any recommendations or sought changes in the legislature on their own. So this has been initiated by the industry. And so I think we need to start -- we need to be in a point where we can start and know collectively what they want, as Sharon said. And we can try to address that in a manner that serves everybody's interests.

MR. STRANBURG: I would only -- can give you my concern, Davin, about maybe having us broke up into smaller groups -- and this is a fairly small group to begin with. I think the fear I would have is if you break up into smaller groups, because of the size of this group everyone is not then going to be able to know what the group -- small working groups are discussing. I think part of what was intended to be here was to keep that dialogue going between all of the relevant parties that are involved with this task and not have one party going off and doing something without the other relevant participants in the -- whether it's the administration tax, whether it's things that are receiving the revenues, those that are going to
have to comply with it, getting people going their own separate ways without understanding that there are concerns and the reasons and things that need to be looked at by all the individuals.

So it's something the group can consider, but as a part of what this group is intended to do was to bring everybody to the table and talk together and not have people break apart and conduct their own discussions and then come back and then we get into a situation, as you kind of made reference in your discussion, Davin, of what happened during the legislative session where one side goes forward with a proposal, but then the other side does not have any opportunity to participate in formulating that proposal. I think we want to try to keep that spirit together that we're trying to work together to come forward with some things that everybody can get together and recommend it be done with this task. And I just worry that if we're breaking up into groups, industry groups and local government groups, that we're defeating that purpose.

Again, the group can decide what they want to do, but I want to be careful that we don't end up having another situation like that legislative process where one group is going one way and
another group is going another way.

MR. ROSENZWEIG: To that end -- and to pick up again on the voting threshold concepts, the early endorsement -- one group going one way and one group going the other way, are we at the point now where we should be, as a group, before we get to those recommendations -- start seeing where some of the issues might be going, decide now that, you know, to move forward -- as you said, we have additional information for a formal recommendation of the committee, should we maybe set some rules now that going forward, we're going to have at least six members -- if we need a formal motion, I'll be happy to, but should we say at least six members of the committee would be needed to move forward a recommendation to -- exactly what you said, to show that we are collectively in agreement. That would at least -- we would need consensus of some form if we had six members on any issue. So are we at the point where we're making motions, Mr. Chairman, to kind of move that forward?

So when we get to that point later -- I want to be as comfortable deciding rules once we see what all the recommendations are. I think that
would -- people's opinions might start going a little differently at that point. But we know now, before we see what they are, we all agree that we're looking for consensus. Six members would at least articulate consensus to agree. So if you're entertaining motions, I'd put in the form of a motion that any formal recommendation require at least six member of the committee.

MR. STRANBURG: I wasn't necessarily looking for us to entertain motions. I just wanted to start the dialogue that --

MR. ROSENZWEIG: Your call, sir.

MR. STRANBURG: Yeah, I'd like people to think about that. I would like for us to start having some discussion about that. I'd like to propose to -- whether it's the next meeting or maybe later today, maybe after we had some time to think about it and have some, again, group discussion about where we think we would like to go, then we can put something together, so --

Mayor?

MR. RESNICK: Since you seem to be guiding the process, what's the recommendation of DOR for the process?

MR. STRANBURG: I think our feeling has been,
since the beginning of this, that we believe the more information we provide to the legislature, the better they're able to decide what they believe is the appropriate thing to do with respect to communications services tax. So to the extent the group is able to consensus on some recommendations, but there are other members of the group believe there are some contrary forms to do that, the legislature ought to take into account in examining a particular issue, we believe that would be an appropriate thing to do to give them.

And again, I don't necessarily want to call it a minority point of view, but maybe you could characterize it as a minority point of view. If the majority of the group felt this way, but there were others of the group that felt differently about an issue, here are the reasons that support why the group proposed this, but why others in the group thought another approach ought to be considered.

Sharon?

**MS. FOX:** To that point, my concern is that things could break down very easily because it would not then be the working group's recommendation, it would be each individual
fashion's recommendations, which really doesn't serve a useful purpose in my mind, to providing guidance to the legislature. If we discuss all of these things in open forum and keep minutes, we will see -- based on all the information that's provided to the working group members and the summaries that result, we'll see what everybody's positions are. But as a working group, we are charged to provide recommendations as a working group to the legislature. And knowing that, well, we don't really have to agree or work this out, because we can always put in our own opinion is not, to me, as efficient and effective of -- and doesn't really fulfill the charge that I think we've been given.

MR. RESNICK: I'm also concerned about just raw data being sent to the legislature as the report of this committee or as part of the legislative function of this committee as opposed to perform. Because I don't think that is the role of this committee. If the legislature wanted DOR to just give them information, they could have just said that. But they didn't ask for that. Because I'm concerned, for example, with this study that was presented to us at the last meeting about other
state's taxes. We pointed out in response to that study, that it wasn't accurate. That it wasn't an apples-to-apples comparison with Florida's taxes. And so I really -- I don't think DOR should provide any information to the legislature as part of its report that this committee doesn't vote on and approve.

MR. STRANBURG: And remember, DOR does not have a vote on this. So, we're not going to be advocating one way or the other.

Gary?

MR. LINDSEY: Yeah, another way to look at this as -- and I agree that we should deliberate on this as a group as a whole in total and come up with recommendations. And, you know, to your point about we may not want a minority report or a dissenting report, but we may end up with recommendations that can be agreed upon by the group as a whole -- maybe not -- as far as how we vote, but we would come up with agreed upon recommendations. We then might have some issues that we could not agree upon -- we could still provide some information on that. In other words, the group could -- we cannot agree on this recommendation, you know, on this issue, however,
here are the facts about it to provide information to the legislature. But I think a good outcome would be a number of things that we can agree on as a whole.

And to that point, one of the things we might want to consider doing -- if it's appropriate to mention now, I had looked for some good tax policy principles. And one of the things we might want to do as a group is look at those and see if we agree that those would be good principles to operate from as we conduct these discussions. So I'll just put that out for --

MR. STRANBURG: No, we were going to transition into that as part of this discussion, so you're reading our minds as far as where we would like to go. Does anybody else want to say anything more about how we want to handle this and then we can get into looking at what Gary mentioned some of the principles?

Davin?

MR. SUGGS: Question, I know you're not taking motions now, but this is to everybody, as a board, I know we're charged to present a report to the speaker and the president, can we think about it being a goal that we, also, as part of that report,
if we can get that -- produce a model legislation
and knock out a lot of work? So here's our ideas,
recommendations, but here is -- this group has
produced suggested model legislation to be
considered? Because it's a big difference between
bullet points and line number pages for legislation
or legislators to consider. Because that's where
the devil is in the details. So as we get in that
square, it's important that the agreement or the
compromise gets to that level.

And then to receive model legislation from
this working group by a show of consensus would go
a long way in turning whatever our recommended
solutions are into a reality. I think we need to
put more than bullet points and paragraphs. We can
get the model legislation from this group as a
compromise, that would be -- I just want the group
to consider that and maybe bring it back up later
in the form of a motion. A motion, later we --

**MR. STRANBURG:** I certainly do believe that is
something that I would want the working group to
do. So -- if that be the direction the group wants
to go, I think that would be entirely appropriate
for us to have model legislation or proposed
legislation as part of the recommendation.
MR. SUGGS: Do you need a motion or --

MR. RESNICK: (Inaudible comment.)

MR. STRANBURG: Yeah, we don't necessarily -- we haven't been operating under strict rules. I think we've been looking for consensus and agreement. Is there general agreement among the group, first of all, as I'm hearing a few folks say, I think everyone would like to have recommendations be formulated at that point in time where we had all the issues identified, had presentations made, and had knowledge and information given to the group, and at that point, after that's been completed, that's when the group would like to sit down and start formulating recommendations. Is that agreeable to everyone?

All right. Then the second thing is then in trying to decide what recommendations would be included in a report. We've had some discussion of wanting to either have a supermajority of some type of -- majority in order for a recommendation to go forward as the recommendation of the working group, because -- is that how the group would like to proceed? Would you like to have something else be done?

MR. DUDLEY: I guess to me, some of that's a
little presumptuous. I mean, the legislature is, I think, looking for us to provide just some information to them and some ideas. My attitude is you're going to end up potentially -- I know I still have a lot of interest in items five through six today, I don't understand enough about prepaid, I don't understand enough about local government bonding. And I think some of us may have recommendations or ideas that we're willing to put out there for the group to discuss at a future meeting, and maybe some of those recommendations equal consensus and maybe they don't.

And maybe there's some advantages and disadvantages that we can develop for different recommendations and then give the legislature some sort of document that they can understand that there's different ways to make this tax more efficient or make it better. But there's pluses and minuses to doing some of those ideas. That's kind of my thoughts, Marshall. To me, it's a little early on to be talking about recommendations. I don't have enough input yet for some of the issues that we need to be educated on. I thought that was one of the main purposes.

Because I know a lot of legislators were
frustrated about the boogie man that everyone couldn't seem to identify that they thought was out there. And so they wanted us to at least spend some time talking about technology and changes and what's going on and helping, you know, educate ourselves and then eventually them on some of the pluses and minuses of change. So that's kind of where my perspective is.

I'm not ready to get into the recommendations or whether it's a majority vote or supermajority vote. Because I just don't have enough information yet. That's just my position, so --

MR. ROSENZWEIG: And I agree completely, we should wait for recommendations. But exactly -- we said the exact reason we should decide now what those thresholds need to be, because you don't want to have a cloak of the specific item in front of you just like figuring out process. Because that's what I liked when I saw the agenda today, we're identifying process now before we're down to the nitty-gritty and things are going to start getting a little more heated. Right now is the time to -- you don't have all the heat in the room. And we can figure out, we all agree what the process will be.
So I agree completely, let's wait on the specifics of the recommendation but let's lay out what this agenda item called for, our process, formulate our process now so we don't have to have two discussions later. One, how we're going to move forward as a committee. And, two, what are the specifics as we move forward. So I would rather us kind of start formulating those concepts now of if it going to be a super majority vote. I mean, I can't imagine we're sending anything forward on a four-four vote out of this committee. I mean, I would be very disheartened if we send anything to the legislature on a four-four vote. So I thought six-four vote would show what you've been saying repeatedly, Mr. Chairman, that consensus is what's important for the legislature to see.

So I think it's important we deal with that issue now and not when we get down to the specifics. We're going to have enough issues hashing out the details. So, just my observation.

MR. DUDLEY: I appreciate that. I've just seen a task force that rejected something eight to two and the legislature put it into law. So --

MR. ROSENZWEIG: They'll still have the
prerogative to --

MR. RESNICK: There's no telling for the policy, but --

MR. ROSENZWEIG: Exactly.

MR. RESNICK: The point is, though, I think if this small group can't have good debate and try to get consensus on these issues, you know, what hope is there for a legislature try to come up with good policy. So I think it's really incumbent upon us to do that hard work and to explain to each other our pluses and minuses of our positions and try to get consensus on things.

You know, just because I'm here representing cities, I may not always agree with the city's position on a particular point. And I'm sure certain industry members as well may say, yes, this is good policy even though it's not necessarily in the best interest of a particular company or something. So if we can't explain that to each other, then I don't think we -- then it's really kind of a waste of time if what we're going to do is just do everything, have a lot of presentations and give that to the legislature and say, here's what the committee did, here's the presentations we had. We didn't have consensus on anything, good
luck creating policy on tax issues. There's no point in us even coming together to have meetings if that's what we're going to wind up doing.

MR. STRANBURG: And, please, I go back to the law that created this group. And two of the specific things that this group was supposed to do are stating identifying options. One is identifying options for streamlining the administrative system. Another one is to identify options that remove competitive advantages to the industry. So, you could read that to say the legislature isn't necessarily looking for a recommendation, they're looking for options and one way of presenting options are to present both sides. You can say here's one option, here is another option.

So I think there is an argument to be made that the legislature did not necessarily want this group to provide majority recommendations, though I think it would send a very strong signal if this group was coming forward and saying the group as a whole recommends that the legislature consider this option or this is the option that as a group we put forward to them. But I don't think, again, it is outside the language that authorizes and
established this group to say we can provide as many different options, many different positions as we feel is appropriate without having to say this is a recommendation of the group or this is how the group feels you ought to proceed.

So I think this is something that we've gotten a little bit of feedback on that we need -- we don't want to be starting that formulation right now. What I'd like to suggest is maybe we have everyone think about this a little bit more, go back, take a look, think about how you feel as though we ought to operate, should it be as Al has pointed out, we ought to go forward with some strong recommendations or do we want to just -- I think as Charlie really was indicating, maybe we ought to present all sorts of options to the legislature, give them a range of things that they understand. And maybe we do, and don't take votes on that.

But let's, at the next meeting on the 14th, let's have that be our first thing. Let's come to some decision on how you want to proceed there with the understanding that we're going to formulate options some time after we have all the information in front of us and then get a good feel for where
we want to go. Because, again, I know I'm hitting some of you cold with this discussion. You might not have had much of a chance to think about where we ought to go, but I do agree, to me, I think it's a good idea before we get into that process of formulating it, we ought to know how we are going to proceed formulating those options and whether we want to just have all options put on the table or whether we want to vote on options or how we're going to proceed.

So if that's okay with everyone, I think --

**MR. RESNICK:** I'm not comfortable with that, to be honest. I just want to be on the record. I think we at least should establish by the end of today we'll have parameters for how this group moves forward with making -- with finalizing a report that's presented to the legislature. I don't think it can be -- you know, I agree with Al and with respect to that, that once we start getting into specifics, it's going to become too difficult, I think, to start talking about process.

So I think by -- at least the end of today's meeting, we should define more specifically the process by which this group will move forward with even presenting options to the legislature. I
don't know if a DOR can present an option that this
group totally rejects unanimously, but DOR says
it's an option. So I have no idea what's going to
be formulated, that's the final report presented to
the legislature. So I would like that process to
be finalized before the end of today.

   MR. STRANBURG: I can't put forth -- our
position as DOR can put forth an option that this
group has not discussed and this the group has said
they want to present as an option.

   MR. RESNICK: Unless we have that voted on
somehow by this committee, then there's nothing
preventing that. So I would like something voted
on by this committee with respect to the procedure.

   MR. STRANBURG: Well, let's move -- Gary?

   MR. LINDSEY: There may be a process where we
call it recommendations or things we want to
include in the report, but there may be a process,
like you said, where we need to have some
consensus. Maybe we do need to do that. But I
also wanted to -- and I don't want to sound too
idealistic about this, but I don't think there are
necessarily two sides here. I mean, we are looking
at ways to recommend administering a tax that's
ultimately paid by taxpayers. And the function
that the industry serves is largely that of being
kind of the tax collector. And we're going to have
input on policy and things that can be
administrable, et cetera. And so I just wanted to
make sure that -- you know, I think that we all
have a lot of opportunity to learn about the
different ways that the tax is operating with --
administered in the needs of the jurisdictions, so
you know, I don't think we're really working
necessarily towards a compromise. I think we are
trying to get information and look at ways to
improve the process for everybody. And especially
for the people that ultimately pay the tax.

MR. RESNICK: I would agree with that
actually. That we're trying to come up with the
best policy, it's not just the -- it's not
necessarily something -- self interest. So is
there a consensus to formalize a process by which
this committee will move forward with some type of
report to the legislature or is it still we're
going to talk about that later today or --

MR. ROSENZWEIG: I agree before we leave here
today, there needs to be some ground rules how
we're going to proceed. We don't want to wait. So
it doesn't need to happen at this moment, but
before we leave here today, I think -- I'd
recommend some formal motions are made about some
specific rules on how we're going to operate will
be very helpful for all of us to --

MR. STRANBURG: Do people want to wrap it up
now or do you want to come back to it later today
to give you a chance to think a little bit about
that?

Brian?

MR. SMITH: I think we should come back to it
at the end of the day. That way it will cause
people to focus. Otherwise we're going to sit here
and ruminate about it all day.

MS. KITTRICK: I agree.

MR. SMITH: You put a deadline at the end of
the day and, you know, focus a little bit more on
what they really want to do. I say we move forward
through the materials and spend some time at the
end of the day.

MR. STRANBURG: Materials. We finish up today
until we come to an agreement on -- okay.

Going along with what Gary mentioned a little
bit earlier, we do have some guiding principles
that we'd like to put in front of the group to
consider. At the last meeting, there were some
that we would like to adopt, as I said. We put
together a list that are in your material and we've
got them up on the screen as well that are some
things to consider, draft principles, on what a tax
structure should be and those that we put together
should be reliable; it provides a sufficient stable
and predictable source of revenue to fulfill the
needs of government. It's simple, easy to
understand, comply with and administer. It's
neutral, should not influence economic decision
making. Transparent. The imposition and impact of
taxes, who ultimately pays the tax, that should be
clear. It's fair. Provides a local playing field
allowing healthy free market competition. And is
modern, perplex and able to adapt to realities of a
rapidly evolving economy.

We put these together from a number of
different sources we looked at. Principles of a
number of different groups put out there, with some
other states used as guiding principles when they
were looking at tax reform work. What some folks
who write in the tax fields put forth as things
that should be guiding principles for looking at
evaluating the tax.

There's another resource that we wanted to
also bring to your attention that Gary brought to us. And this wasn't one of the resources we looked at in putting these principles together, and that is a tax policy concepts data that been put together by the ICPA, the Institute of Certified Public Accountants.

They've got ten principles of looking at good tax policy. The first is equity and fairness that similarly situated taxpayers should be taxed similarly. Certainly, the rule should clearly specify when the tax is to be paid, how to be paid, how the amount of tax to be paid is determined. A convenience of payment, it should be due any time or in a manner that is most likely to be convenient for the taxpayer. The economy of collection, the cost of collection to be minimum for both government and taxpayers. Simplicity, it should be simple so that the taxpayers understand the rules and comply with them correctly and in a cost-efficient manner.

Neutrality, the effect of the tax law on the taxpayer's decisions on how to carry out a particular transaction or whether to engage in a transaction should be kept at a minimum. Economic growth and efficiency, should not impede or reduce
the productive capacity of the economy.

Transparency, visibility. Taxpayers should know that the tax exists and how and when it is to be imposed upon them and others. A minimum tax gap which should be structured to minimize noncompliance; and appropriate government revenues, it should enable the government to determine how much tax revenue likely will be collected and when.

So given these, is there a set of principles that you feel comfortable with? Do you like one or the other? If you have some things you would like to propose as guiding principles, any recommendations you would like to make on how this group is going to be guided and how they're looking at how to determine what would be best for the communication services tax.

Sharon?

MS. FOX: Well, during the conversation of the formulation of the CST, the local governments, because they were giving up several different revenue sources, insisted on being held harmless with regard to any changes that were made. Local governments have very few revenue streams. And like individuals, when their paychecks are threatened and their financial security is
threatened, you get a little bit nervous when
people want to change our revenue streams,
particularly since we have in essence bonded or
mortgaged or used those funds for loans or whatever
method. So when we were talking about issues a
little bit earlier, I think that that is, from a
local government perspective, maybe one of the
highest priority issues is protecting our revenue
stream. Because we don't have any other option.
It's not like we can just go out and find money
from some other resource. And because so much of
our revenues are mortgaged, so to speak, using this
revenue stream, I think that that hold-harmless
issue is still as relevant now as it was back in
the formation of the CST.

Also, because some of the revenue streams that
were incorporated into the CST were not taxes.
They only became a tax with the simplification act
itself. I think that we need to be cognizant, as
we're talking about this, that when we're comparing
them to other tax rates and those types of things,
that those other revenues that we had incorporated
into here when we're comparing them to other states
or other cities or whatnot, be taken into
consideration.
MR. STRANBURG: Anybody else have any other comments? Any other suggestions? Any other concerns or recommendations for — any guiding principles?

Gary, go ahead.

MR. LINDSEY: Probably have a little longer to look at these than others since I found this, but I think I like both sets. As far as guidelines to look at when we're discussing and deliberating on ways to look at this tax and streamline it, whatever we end up recommending, I think the issue about revenue neutrality, that could be a — I mean, that's certainly a consideration and something to be pointed out in any recommendation as something that the legislature would want to consider. And I know in — from past history when there has been a tax reform and we can point to Virginia, for example, there have been ways to provide for a safe harbor. So I don't know that that's exactly a tax principle, but that's certainly something that this group can consider recommending, you know, to the extent that some change might be recommended that the legislature would need to consider some kind of safe harbor provision, you know, whenever there's any kind
of -- should there be any transition to another tax
structure. But I think these principles in and of
themselves don't necessarily suggest that, but
that's something that we can consider, I think.

MR. ROSENZWEIG: Mr. Chairman, I'm trying to
be clear on this, what we're looking at here versus
what you just read and I went back and reviewed
myself. There's two things we were charged with
looking at, it was streamlining the administrative,
and then you started with the last statement that
said identified options or review competitive
advantages within the industry as relates to tax
structure. And then here's where Sharon was going
on, without unduly -- local governments.

So the first four in here are review, review,
review. The only things that we were really asked
to look at was the administrative system and
options that remove competitive advantage in the
industry. And I think, as Davin was saying, I'd
love to hear from the industry what their specific
issues are. I don't -- these principles, I think,
you're speaking about, I guess I didn't realize
we're rewriting the -- I don't think it was our
intent here to rewrite the CST tax law or rewrite
tax law, it was to -- options to streamlining. So
we want to make sure when we streamline, we make sure we take the principle that's good.

I'd really love to hear from industry what their concerns are about the competitive advantages acknowledging what the last half of the sentence says. It's not a safe harbor to any of those things. The legislature made it very clear to us that they wanted us to make sure that we didn't unduly burden the reduction in revenues to local governments. So it's not something we need to think about. They've written that in the law for us.

So, if the intent is that we want guidelines as we're making recommendations regarding these two very specific tax, absolutely. I don't -- this sounded much broader than I thought it, for sure, was in terms of the entire legislation.

MR. STRANBURG: And it was not the intent to do that.

MR. ROSENZWEIG: Okay.

MR. STRANBURG: It was in response to the suggestion that we put out that we have some guiding principles and formulating whatever the options are, whatever the -- things that the group wanted to put forward. These would be some guiding
principles in evaluating what the tax structure
should look like and how the group should evaluate
those recommendations going forward.

And again, it's not necessary that we adopt
these. It's just that we have these things
available as a resource for the group to utilize.
Whether it's one from the AICPA, whether it's the
ones that we put together, you know, we could use
them in conjunction with each other. But again,
just to overlay, again, some guiding principles to
look at in trying to evaluate the options coming
forward in addition to the things that we would
specifically designate. But keeping in mind, these
are some additional points to look at as those
guiding points for us to keep in the back of our
mind.

MR. ROSENZWEIG: Thank you.

MR. RESNICK: I can't see the last item on
that. The way to --

MR. STRANBURG: Here's the sheet.

MR. RESNICK: Thanks. And all we're looking
for is just if anybody has any other consideration
that we think the group ought to keep in their
minds as we're working through as ways in which we
can evaluate, in addition to what we legislatively
have been told to do, ways to evaluate some of the
options.

**MS. FOX:** We have yet to hear what the issues
are from the other side of the table with regard to
what brought this legislation up to begin with.

**MR. STRANBURG:** And I think those are some of
the things we'll be getting into as we start
looking at some of the issues today, later today,
and at the next meeting. So maybe that's a good
segue to get into some of the presentations that
we've got scheduled for today that will start
bringing some of those points out and start
focusing some of the discussions.

So why don't we move on then to the next item
in our agenda. We'll keep both of these sets of
guidelines in mind as we go forward. And we'll ask
Amber Hughes to come on up and give us a
presentation on bonding of communication services
tax by government. Amber is a legislative advocate
with the Florida League of Cities. And thanks,
Amber, for being here today.

**MS. HUGHES:** Thank you very much. I hope
it's -- there's no clock in the room. You guys
should really put a clock up, so make sure I stay
within my allotted time frame.
I am Amber Hughes. I work with the Florida League of Cities. For those of you who don't know, the Florida League of Cities represents the 410 municipalities in the State of Florida. At the last meeting, we were asked to kind of help out with one of your charges, so that's what I'm here to do today. Just for those of you who don't know me professionally, I do handle the finance and tax issues. I am the Davin Suggs of the cities. So I'm nicer, I think, but we'll see about that.

You can go to the next slide.

So first of all, I just wanted to go through why I'm here today. Obviously, at the last meeting, there was conversation from Ms. Moreland about the difficulty that we have had in trying to get a comprehensive list of all cities and all counties, that being 410 cities and 67 counties, and to what extent they have utilized the communications services tax.

Your specific charge or task, per the legislature, was review the extent to which this revenue has been relied upon to secure bonded indebtedness. That being said, I want to talk a little bit just very basically about the CST. From cities' and counties' perspective, this is a
revenue source that may be used for any public purpose. And that includes for any current pledge of indebtedness or any future pledge of indebtedness. So we don't have very many revenue sources that offer any public purpose. And I think that that's very important to point out at the very beginning of this presentation.

Next slide.

So I was going to start a little bit more granular, but since Mr. Dudley pointed out that he doesn't know anything, I'm going to back up even a step than what's on the screen and -- no offense to you, you're a lawyer dealing with cable, so -- but just generally what a bond is, is it is a debt instrument in which a investor gives money to an issuer for specific length of time. And usually either at a fixed rate or at a rate that's stated by some sort of formula.

Bonds can be classified in a whole host of ways. They can classify maturity, they can classify the source of the revenues, they can classify the type of rate, whether it's a fixed or a variable. So there's a whole host. There's a lot of different words that are used, whether it's a lease/purchase agreement, promissory note,
revenue bonds, all of these are treated under Florida law as the same when it comes to what the bond lawyers look at. And I think that's important when you look at the different types of financial instruments that local governments use as they move forward. So if it's a promissory note or a lease/purchase agreement to buy a backhoe, it's all treated the same.

To get into the more specific types of debt, the general obligations bonds, this is what everyone refers to as the geo bonds. This is a bond that's secured by the full faith and credit of the issuer based on their taxing power. So whether it's the State of Florida and their ability to levy sales tax or the City of Tampa and their ability to levy the communications services tax and every other tax that they do. That is what a geo bond is. But they do not specifically pledge one of the taxes, they just say, hey, we have this authority, and we promise that we will repay this debt based on that authority. This is obviously the strongest type of bond. This is the most highly rated, for the most part, because it does take in the entire power and the entire faith and credit of that government.
The next one on there is a revenue bond. And a revenue bond is payable from a very specific source of revenue that is pledged. And sometimes there's a primary source of revenue and then a secondary pledge and so on and so forth. These are the ones that you think of most like if you have a communications services revenue bond, that would be a revenue bond, obviously. They can have different names. The names can be a little confusing. But any time you go into the offer and statement and they pledge a specific source of revenue saying -- that are names, so local business tax, communications services tax, half-cent sales tax, those are revenue bonds.

The other one that doesn't get talked about a lot, that I want to respond a little more time on today, is what is called covenant to budget and appropriate. We'll call it CBA for short. What CBA is, is an issuer's promise to budget and thereby have appropriated funds to make the lease payments of the bond payments. This is something that I don't know if it's become more of a trend to local governments to utilize or if it's just a slightly easier fashion to do because most cities, unless you're a very large city, do not have the
resource from just one or two revenue sources to leverage up and to issue back debt. So what they do is they say, we have all non-ad valorem revenues and we promise that if you give us the money and invest in our bonds, that we will budget and appropriate the payments for these bonds over the term of the debt from these sources. So they put all these sources in one buckets and say we promise to do that. So while -- and this is something -- the reason I bring this up is because I deal a lot with legislature and they go to specifically pledge revenues. Well, specifically pledged revenues are great, but most cities don't have the local business tax that exists to actually go out and do local business tax revenue bonds. They therefore might put the local business tax, which is also an additional source of GR into their covenant, into their pot of money that they use for the CBA bond. I think that's about it on that.

Any questions on the CBA? Does everyone understand the concept behind it?

The one other piece, most bond documents have what's called an additional bond test to make sure that you have the appropriate coverage. With the covenant to budget and appropriate, you have what's
called the anti-dilution test. So if you've gone out and done CBA bonds, you have promised those issuers that if you're going to go out and do another set of CBA bonds, that you will have to meet the anti-dilution test so that your bond payments are not going to exceed a certain percentage that you sat with within those bond documents. So that's also, I think, a very valid point as we move forward talking about that.

Next slide, please.

Okay. So we're going to talk about the different types of revenue sources that are available to local governments to bond. And this is not a wholly comprehensive list, this is just the flavor of the ones that they most likely go to. Obviously, communications services tax. And you guys can read them.

The one thing I do want to point out here is that majority of these revenue sources are restricted on what we can use them for. For example, tourist development tax, we can't use that to go build a fire station. The gas tax, we can't use that go build a water sewage treatment plant. So I think the important thing here is to realize of all of these revenue sources that are the most
frequently used to pledge for debt, the ones that
are actually not restricted, are the communications
services tax, the local business tax. The revenue
sharing, to some extent, although there are some
parameters on tax reduction and city or countywide
benefit. And then the public service tax, which is
kind of in my mind, the counterpart to the CST on
the other side of the utilities.

So when we talk about general revenue, we talk
about the unrestricted revenues. This is why I
think as Sharon's pointed out, we get a little bit
in a tizzy, we have very few sources of this
revenue that we can just pledge for public purpose
and for the good of the local government. And so I
just think that that gets lost a lot in the
argument.

Next slide.

MR. DUDLEY: Amber, ad valorem taxes should be
on here, too?

MS. HUGHES: Well, ad valorem tax take a
referendum. So we -- and it's only on for capital
outlay. So per the constitution, ad valorem taxes
can only be pledged by a vote of the citizenry and
it can only be used for capital outlay. So it is
additionally restricted. And I would tell you that
if you look at -- from what I've seen in the past year and a half of my term at the League, not as many people pledge ad valorem as you would think because it has additional requirements.

Yes, Davin.

**MR. SUGGS:** And I just wanted to add to that. I think that was Charlie who asked that question.

**MR. DUDLEY:** Uh-huh.

**MR. SUGGS:** Ad valorem, cities and counties, we only get 2 million as devoted. And then, recently, in part of what Amber's talking about with the latest trend because of the drop in values because of the past legislation. And quickest example that comes to mind is Sarasota County. Because what's been going on with property tax and additional legislation, their ad valorem has been downgraded in the past 12 months.

**MS. HUGHES:** They got downgraded like four different notches, wasn't it, in one fell swoop. And so --

**MR. SUGGS:** So a lot of our guys right now, because of the unstableness in the legislature and with property values during recession, ad valorem, any voted ad valorem is really not an issue. And they got downgraded because as the proceeds did not
meet the threshold of not only paying their debt,
but having a -- as Amber said, you have to pay the
debt, but you have to have the appropriate reserve
to generate enough revenue to meet the threshold.
I think their bonds was like 130 percent revenue --
they were below 100 percent. They couldn't -- I
mean, they couldn't pay bonds. So it is an option,
but it's a very difficult option for local
governments at this time.

**MS. HUGHES:** And just one thing to add to
Mr. Suggs' comments, I would say based on the
history of Sarasota and kind of the recent -- most
cities are down 20 percent when it comes to ad
valorem over the past five years. Counties are
down slightly more, I do believe. It's not as
strong a revenue source. So when you go to the
rating agencies for ratings, it's -- and given the
political pressure that has gone on over the last
few years with amendment one and amendment four and
amendment -- every other amendment on the ballot
this year it seems like, it's not necessarily seen
as a strong -- as strong a revenue source. So is
that good?

**MR. DUDLEY:** Uh-huh. Thank you.

**MR. RESNICK:** Amber?
MS. HUGHES: Yes.

MR. RESNICK: -- have specifically just sales taxes, but I know it's not a city source of revenue, but can you -- you want to cover it? Don't counties just get, generally, sales tax?

MS. HUGHES: Well, there's a whole host that kind of goes between the level local option sales surtax which are multiple. They're discretionary taxes. And then, obviously, the revenue sharing. And briefly, there's the half cent county tax, which is given to them in the constitution. They did share this with cities if they so want, but they don't to have. And Bob McKee can correct me on any of these if I mess up here. Two-thirds of that has to be used for countywide tax relief. Therefore, the local options, most of those are restricted. There's the charter county and regional transportation systems surtax, which is, obviously, restricted to transportation expenditures.

There's the local government infrastructure surtax which similarly is restricted to infrastructure and transportation. There's the small county surtax which is restricted to fixed capital outlay, and counties that are, I think, a
population of 50,000 or less. There's the indigent
care and trauma center, these are all -- there's
the county public hospital, voter approved indigent
care, emergency fire and rescue services. And then
there's a school one that I don't have on my list
because I don't -- and there's a couple of others.
But they're also specifically restricted based on
those.

So really the half cent. And then that's
pretty -- the biggest one. And then, obviously,
the revenue sharing. But the revenue sharing is
restricted based on countywide or citywide usage.
And that's a percentage of the total sales tax
collected. I think it's about 8 percent collected
from the state. But it's restricted to either
countywide or citywide purposes or to tax relief.
So they're there as well. That's the revenue
sharing that is the largest -- probably one of the
largest sources of pledged revenues from what I
have seen.

Yes, ma'am.

MS. FOX: I'd like to point out that some of
these taxes can be referred to with other names.

MS. HUGHES: Uh-huh.

MS. FOX: As for Tampa, the public service tax
has typically been referred to utilities tax because it was tax on the electric and gas and telecommunications companies in addition to water and sewer. And I know that, at least in our particular situation, bonds that had used -- utility taxes for the pledge prior to the CST, automatically incorporated the CST after it became an active tax, even though -- because it was one of those things that had been bonded prior. So the bonding companies just supplanted the word "utility tax" with utility tax and CST because CST had been a utility tax on -- well, public service tax on telecommunication services prior to the development of CST. Does that make sense?

**MS. HUGHES:** Uh-huh. And I think that's a great point, not just with the communication services tax, but with all revenue sources, as the legislature changes the name, cities don't necessarily go back and change the bond documents. That's why we still have local business -- occupational licensing tax. Or what was one of the ones I found? They still keep the old names in there. And I think, though, with the public service tax that there are quite a few cities that still call it the utility tax. I know Clearwater
does, for example. So it just kind of depends on -- it makes it more difficult for the accountants to track it down, I'm sure, but that is definitely an issue.

Any other questions on the different types of revenue?

All right. Next slide, please.

So this is the sources that we turn to when we were trying to get a comprehensive list. And I think that Ms. Moreland talked about this. And I don't know if Davin talked about this, as well, at the last meeting. There is no single comprehensive list of all municipal set that's out there. And this has been a struggle for me in the past year and a half. And I know it sounds ludicrous. So, as we have gone over -- the past six months, I've been trying to put together as comprehensive a list as I can get my hands on. These are the different resources that we used.

So the municipal security rule-making board has what we call MO, which is the database of all municipal bonds. EMMA is great if you actually have what's called a CUSIP number, and you can find anything you want about a specific bond issuance. But if you want to do more general type of
searches, such as all communication services tax, number one, you have to understand that not every bond is going to be called the communication services tax revenue bond.

And second of all, it's just not a comprehensive way to search. For example, with City of Tampa there are about 20 different ways in which the City of Tampa is inputted into the system, believe it or not. It can be just Tampa or City of Tampa or City of Tampa Aquarium. And so it doesn't -- it's not a search-friendly type of website. That being said, part of the -- if you go to -- you have this very legal-sized spreadsheet which is on the bond issuance that I did -- managed to come across in the last six months. So part of those did come from EMMA. So if I knew of a specific city that had issued debt, I can go in, pull the actual offering statement and see what they had specifically pledged. So primarily the ones -- the revenue bonds are the ones that came out of EMMA. Because when you open the offering statement, it says we pledge the communication services tax.

So the second resource that we used is the Florida Division of Bond Finance. They are
required -- any local government bond issuance that occurs is required to fill out a form, you can now either do it electrically or actually send in the hard copy and they keep a database of the local bond monitoring section. That being said, once again, this was not a comprehensive list. It relies on the local government to fill out the form and for everyone to fill out the form appropriately and for everyone to call the revenue sources the same thing and so on and so forth. And so it was very interesting in working with them, when I had specific bond documents that I knew were issuances that were pledged to CST and then they had it in their system as something else. And so even with the state system, which local governments are required to do, it doesn't seem to be as uniform when they put in the information so, therefore, it makes it very difficult to pull out data. But that being said, some of these issuance -- some of the specific issuance did come from that.

So lastly, and this is what came up at the last meeting. We did two different surveys. Mr. Suggs did a survey of his 67 counties. And then myself, with the help of the Florida Government Finance Officers Association, did a
survey as well. The Florida Government Finance Officers Association is not just cities. It's the budget guys and the financial directors or cities, counties, special districts, state -- so it does have a whole host of pretty much anyone that's in government and even some private public accountants. So maybe some contract accountants are in this survey. So that's going to be important when we get to the results.

Next slide, please.

So first we're going to do the fact survey results, the Florida Association of Counties. So, Davin has a little easier time when he reaches out to his folks because he only has 67. I have 410. So sometimes that make me a little jealous, honestly. But he surveyed them with a very simple question: Does your county currently pledge or utilize communication service tax revenues to secure any form of debt? And of the 67 counties, he got 50 responses, so about 75 percent response rate. And you can see the breakdown.

So eight said yes, seven said maybe. The nonspecific pledge gets to that covenant to budget and appropriate that we talked about earlier. Why it's not specifically pledged, it is definitely in
that pot of revenues that are utilized to repay that debt. 35 said no and 17 said were not responsive. So of the respondents that he got, about 30 percent of them do pledge it either specifically or nonspecifically. And you can see the breakdown of the county on the other side.

And, Davin, do you know why the smaller ones didn't respond? Because they do seem -- Sarasota didn't respond, for example?

MR. SUGGS: Sometimes it could just be -- I mean --

MS. HUGHES: On vacation.

MR. SUGGS: -- timing. And some people just -- I mean, we have literally I know with a lot of these people with other issues going on, so, i.e., Medicaid.

MS. HUGHES: And that's something I was going to bring -- you know, it's very interesting as we were doing this, especially in the summer, especially over the July 4th holiday, especially over budget season, I know that my guys are all in the middle of their budget, public meetings and everything else. So all the finance guys who are the ones who have this information aren't necessarily the most responsive at this time. So
this is the county responses. So this is just counties.

Next slide, please.

MR. RESNICK: Amber?

MS. HUGHES: Oh, sorry.

MR. RESNICK: Going back to just the general pledge to budget and appropriate -- indebtedness, and I think it's fair that every government, special district, whatever, in Florida has some debt. From -- it's a technical term. And from the bank's standpoint, if you do a pledge to budget and appropriate, would that include the taxes that you might receive under the communications services tax?

MS. HUGHES: Yeah. And usually it is kind of -- it is spelled out in the bond document. So it will say all non-ad valorem revenues, and then it will list -- and when they do the math, kind of to show their coverage, usually it will specifically list the bonds, but not always. Because if all they're saying is we have these potential revenue sources -- and you have to realize, especially for the smaller cities, they don't get a large enough chunk of change from one specific revenue source, that's why they pull them
together. It's one of the reasons they pull them together.

MR. RESNICK: Well, I'm wondering if we should -- do you think we should have a presentation from the financial institution or an association representing financial institutions since they're the ones issuing these -- this debt for the most part?

MS. HUGHES: I mean, I think -- obviously, that's the will of the working group. I don't think it's a bad idea. I know that I personally talk very frequently to the rating agencies, especially John -- so I know that they watch this. I do think that maybe having a bond lawyer or having an underwriter come in and kind of say how they determine what are the strengths of a bond, especially if it's a specifically pledged revenue versus covenant to budget and appropriate and how they watch what happens with additional restrictions on specific revenue source, could be very good.

I mean, I think that when you look at the financial overall of the local government, you can't look at it in, you know, silos by revenue sources, because in the end, they are -- the
entirety of them makes up the financial health of the local government. And especially when you look at the fact that ad valorem is down 20 percent, public service tax is actually down quite a bit for underestimates this year for quite a few cities. CST, I know, has been slightly down over the last few years.

So when you look at the fact when you have downturn in the economy, downturn in the revenues, and then on top of that have additional restrictions, that's what they look at. They look at the whole. They don't look and say -- I mean, they do look at each individual revenue source, because they're analysts, but they don't say, oh, well, this is just -- ad valorem's here, so let's just look at that one. And, oh, CST's here, let's just look at that one. The overall financial health of the local government is definitely the combination of all the revenue sources.

**MR. SUGGS:** Especially like with my seven maybes which we know are in the covenant category, can you go back -- you can stay here on the screen, but I'm talking about the importance CST is from a general discretionary revenue source versus -- with no statutory restrictions on use, how that's
important for people using that in the covenant.

**MS. HUGHES:** And, you know, that goes back to kind of what we talked about, about that general purpose revenue sources. There are very few of those. So if you have -- depending on, you know -- well, if you want to build a convention center or something or some sort of capital outlay project, there are going to be a limited number of resources unless it's transportation which seems to have most options for funding, in my opinion, there are going to be very few revenue sources.

So in your non-ad valorem covenant to budget, you would only be able to put CST, local business tax, revenue sharing, and public service tax. Unless it was some sort of project that would -- that those restricted revenues would be allowed to be used for that purpose. If that makes sense.

Okay. Any other questions on the fact results? And thank you very much, Davin, for doing this. I truly appreciate it.

Next slide, please.

So this is the FGFOA results. And I'm going to point out here that financial officers don't write as succinct questions as Davin does. So this question is done in two parts. The first part is:
Do you issue any debt for the most -- or do you issue any debt outstanding for the most part? And the second part of the question is: If so, is the CST a portion of those revenues that are budgeted? So, we only had 99 respondents. And I am going to point out here, since FGFOA is not just cities and counties, we could very well have some no responses in here that are special districts or schools or, you know, private accountant that works at XYZ accounting firm in Tallahassee.

So that being said, the results are a little -- could be skewed. I don't know if they are. I thought about this last night. That being said, we got about quarter of the respondents. I'm just going off if it was city numbers, you know, 99 respondents from 410 cities. Of the response of whether or not they have outstanding debt, 46 said yes, six said maybe, 47 said no. And then of the -- the more important part is the question 1A which is, 39 yeses of specifically pledged. So it's the six maybe and the 39 yeses which gets you to about 45 percent of respondents have pledged the CST. So that actually is a higher number than the county average. And you have to realize that some counties could be in here. I know Collier and a
couple others were in here as well. So that being said, I don't know how useful that information is, but it's the best information we could get at the time. And we had continued — let me back up, we continued to have a couple more responses this morning even, so those will get factored into these and resubmitted to the working group in the next few days.

Any questions?

Okay. Next slide, please.

We actually asked a couple of other questions just because we figured if people were taking the time to answer a survey, it would be nice to get some additional information. Because we like to — we are trying to — from the League of Cities' perspective, trying to be new source of information for city data. We're having to start from scratch here. When you look at what the state does with the economic demographic research, or even DOR, you guys do go down to the city level in some revenue sources, but for the most part, usually people look at things from a county-level perspective.

So we said, what percentage of your general fund are revenues from the CST? We had 95 respondents on this, and as you can see, the
majority of them, 43, are in the 4 to 6.99 percent of their general fund. I just thought that was actually pretty interesting. I did think it was interesting that there were quite few over the 10 percent number as well. I will couch this saying that I would say that if that's the case, they most likely don't put their CST into the general fund. I would have to look at each individual city or county budget, but, obviously, you don't necessarily have to put your CST into your general fund, you can put it into a utility fund or --

MR. DUDLEY: That was my question.

MS. HUGHES: The rainbow and sunshine fund. I mean, you can -- depending on where it goes. I would have to look at those 14 respondents. And I'd be happy to dig into a couple of them. But I had the same kind of -- when I saw the -- because it was just raw data, I was like -- because some of them were like 30 percent. But if it's in a utility fund, that would make sense that it would be a smaller number -- I mean, a larger percentage because a smaller denominator.

Yes?

MR. SUGGS: I know some finance people,
especially when you say that they have specifically pledged CST, they may book that revenue to debt service to show that that revenue was pledged. Because some bond companies want to see that revenue that's pledged locked away, and it's going into that debt service. I know some people do that practice. So that way there's -- the underwriters, everybody can see that this revenue's taken off -- this first permanent goal is to satisfy that bond and then may see it transcribed in excess or surplus to --

**MS. HUGHES:** And I would be happy to dig further into those few. I thought it was interesting. I think that the four to six or the six to 9.99 is probably more realistic. I will say that with all percentage of revenues of the specific fund, you have to look at the fact that as your amount of total revenues has decreased, as your denominator has decreased, the percentage is, of course, going to increase just based on basic math. But I just thought it was kind of interesting.

**MR. DUDLEY:** Amber, my question is, when you say general fund, is that all revenues coming into the local government?
MS. HUGHES: No, it's their general fund. It's similar to the general revenue fund for the state. I guess that's the best comparison.
Obviously, they have trust funds and things like that. When you look at local government accounting, and Davin can probably speak more eloquently to this than I can. But the general fund usually is public services and a couple other things. But it depends on -- and general services and things like that, but it depends on -- each city is going to be different. Each county, you guys might be a little more uniform. But you want to comment on that?

MR. SUGGS: Just in general, you have a general fund. Especially in counties. Cities are not too much different. We have a general fund and we have special revenue funds. For local governments, our special revenue funds are similar to what the state will call it, trust fund. And the state is -- like we use special revenue funds. And then we have debt service funds. And then your larger -- medium to larger counties and cities will have specific capital funds for all their -- separate out their capital projects and capital funds. Just so you have an idea, in general fund,
most of the time ad valorem -- other jurisdiction's
general fund -- adds up after the ad valorem.

    MR. RESNICK: I don't like to characterize
these things as little, but -- in small cities, for
example, relatively small cities -- 12,000 people,
our general fund is about a third of our overall
budget. Our water and sewer fund is about equal to
the general fund. Because those are the fees that
we get from water and sewer services have to go
into that fund. And then the expenses -- fund as
well. So that's not part of that fund. But CST
is, in our city, is the third largest revenue
source. I think for small cities it's about -- the
lowest we're going now, so it's hard to tell.

    MS. HUGHES: Everything's been going down.

    MR. RESNICK: Ad valorem went up in our city.

    MS. HUGHES: Shh, don't tell anyone that.

You're the only one.

Any other -- so this is -- and the other two
questions that we asked -- I'll be honest -- that
we found were not going to be useful in any sort of
matter. I learned a lot about doing surveys during
this. Give them multiple choice, don't let them
fill in the blank. You'll get essays. It's
unbelievable.
But with that being said, I do think -- and we talked about this, and I think that the Mayor raises a good point, I mean, the third largest revenue source for general purpose. It's a pretty big deal when it comes to us.

So, next slide.

And it's a pretty big deal when it comes to our ability to bond and to finance capital projects and construction projects, things of that nature.

So just wanted to give you a flavor of what of the ones that we found, what the uses were. So capital improvements, equipment acquisition. I think the most interesting one on the equipment acquisition was literally a $32,000 bond for a backhoe from a very small town. Water and sewer, convention center, the Miami-Dade Convention Center was actually built using a predecessor of the CST. Land acquisition.

Community redevelopment agency, this is an interesting one. For those of you that don't know what a community redevelopment agency is, it is an entity that uses TIPS financing, so they take a time and point, and any additional ad valorem over that, goes into the CRA for usage or redevelopment of a plotted area. Quite a few cities, and by
quite a few, I mean, more than two, use the CST as a secondary pledge on their revenues. I think the City of Tampa does. Pensacola. So there's quite a few. CRA, I thought that was just an interesting, just kind of stood out to me. But as you look and see that they have done redevelopment and try to improve the economy of a specific area. And it does have defined boundaries. The CST is the secondary pledge on some of those bonds. And transportation improvement. They kind of go all over.

And if you look at the giant spreadsheet, for the most part out of the names, you can get, I mean, what they are. Some of them. Some of them you can't. But I just think it does give you a flavor of what those bonds, land acquisition, capital improvement, equipment acquisition. Obviously, if you're going to issue -- I want to put this in because this goes back to the bonds 101, if you're going to issue debt to purchase equipment or to build something, it needs to have a longer life span than what your debt is. So you're not going to buy a computer with a 30-year bond. So I just wanted to put that out there.

Yes, Davin.
MR. SUGGS: Yeah -- uses and proceeds, this is for the work group's benefit. I know you see transportation improvements, but you know, we get a lot of gas tax money. You see gas tax on our list of revenues. But if you look, I think, especially in your larger cities and a lot of your counties, we get restricted gas tax revenues, there's a number of cents. Constitutionally, you get the one to five, one to six, you get tax on diesel, nine cents. It's a lot. But there's a growing trend where dedicated or restricted gas tax revenues, which your jurisdiction use for transportation, operation and capital needs are not sufficient to meet all of the transportation, operation and capital needs. So you'll see even counties, especially your larger ones with larger projects, a larger inventory of transportation items, road, bridges, all of that, where they have to backfill with general discretionary revenue to meet their transportation needs.

So that's -- when you see transportation improvements, I don't want you to say, hey, why, I thought you had gas tax for that. It's a trend where a lot of jurisdictions have to backfill with general revenue to meet -- transportation is not
just -- not talking about just meeting needs of just citizens, but certain things are dictated and we have to report in terms of our comprehensive plan -- and it gets into all of that. So there is a need for general discretionary revenue, even to meet general transportation needs.

**MS. HUGHES:** And I didn't go into any more depth, just to run through the different gas taxes, just so you guys know. And I thought this was really interesting. Within transportation expenditures, it's a very broad category, but every single one of these revenue sources is restricted even further than that.

And really quickly what they are, are the constitutional field tax which is the two cents which goes to the city for acquisition, maintenance, and construction. And I'm very much generalizing the usage here. The county field tax which is the one cent, and it's transportation-related expenses. The motor fuel and diesel fuel, which is the nine cents. And then the local options. And then you have the nine cent which is, obviously, just one cent.

And all -- the next three of these, the county can share with the cities and that is
transportation expenditures. The one through six is additional transportation expenditures.

So one through five is transportation expenditures needed for infrastructure to meet the comprehensive plan. And I should have taken better notes, but they are especially restricted. You just can't go build a bridge or build a road or fix a pothole, you have to make sure whichever revenue source you're using is directly correlated to what it's allowable to be used for.

Does that help? I learned a lot about gas tax over the past week. So any other question on the bond usage, the --

Okay. Next slide, please.

This is something that I found out about a year ago and I just thought it was incredibly interesting. And I -- we actually asked a question, what other entities have in similar situations. And the responses we got weren't useful. That doesn't mean that there aren't additional issues like this out there.

The City of Jacksonville actually has an interlocal agreement with the Jacksonville Port Authority and they gave them a sliver of the CST. And that CST is what Jacksonville Port Authority
used to secure debt, about an 80 or $90 million issuance to build -- the new terminal they're building which is an economic development plan, that was paid for with CST pledged bonds.

So I think this is really important as -- without having the ability to completely know what every single city is doing with their revenues, it's a little concerning to me. I don't like to not have as much information as humanly possible. But if one city has seen this as an option, that means there could be other cities or counties that have seen this as an option as well.

And then you get into kind of the ancillary entries outside of basic county and city, such as the Jacksonville Port Authority; we don't necessarily know what they've done with the revenues. And so I think that that's just one thing to keep in your head that through an interlocal agreement, cities and counties do give moneys to other entries and that money can be the CST and that CST could have been pledged for something, so that was an interesting point.

And with that, that's all I have. Are there any questions? Was this helpful? Is there any additional information that I could drum up?
MR. STRANBURG: Thank you very much. We appreciate it. And if we do have any other questions or any other issues, we will be in contact. Thank you.

Why don't we go ahead and take a ten-minute break.

MR. RESNICK: Before we do that, do we need a motion for the -- something to adopt the presentation? What are we doing with the presentation?

MS. MORELAND: The materials we have will become part of the record of the CST working group, so --

(Brief recess.)

MR. STRANBURG: Our next presentation is Bob McKee, who is the chief economist and head of our tax research unit here at the Department of Revenue. He is going to be talking about the residential exemption to the state portion of the communication services tax.

MR. McKEE: Good morning. I am Bob McKee with the Department of Revenue. As Director Stranburg just mentioned, I'm going to be talking about the residential exemption for the communications services tax and specifically looking at what would
be the potential impact if it were repealed or
eliminated from availability within the
communications services tax.

Next slide, please.

The residential exemption applies only to a
portion of the communication services tax. It only
applies to the 6.65 percent state component of the
communications services tax that is treated like
and gets distributed through the state sales tax
statutes, so Section 212.20 in Florida Statutes.
And it also applies to a very small point of the
2.52 percent gross receipt levies; it applies to
.15 percent. If you remember from the first
meeting, that's actually a rate that was moved over
from the state sales tax portion in 2009
legislation. All other exemptions apply to all
components of the communications services tax.
This is the only part that applies to only one
component of the communications services tax.

Next slide, please.

This is the statutory provision. We'll talk
about it more a little bit later in the
presentation. But it lays out the exemption and
specifies that it only applies to certain parts of
it, that's 202.12, which is that state component of
the CST and the 203.01 which is the gross receipts I just talked about a minute ago. And then there's a provision that says what it does not apply to. And it says Exemption does not apply to any residents that constitute all or part of a transient public lodging establishment as defined in Chapter 509, any mobile communication service, any video service, or any direct-to-home satellite service.

Next slide, please.

Now, as we go forward, the -- what was requested was to estimate the impact of the residential exemption, what essentially is it exempting out of the base today, and then what would be the potential revenue implications or rate implications if that policy were changed. And so this morning's presentation and the one we do this afternoon on prepay is going to give you a little glimpse into what we have to do as part of the analysis that supports the revenue estimating conference when we impact conference process, so where we do analyses that we take to Revenue Estimating Conference and present them for consideration and developing impacts.

And I think it's important in that to
understand the roles as we go into this presentation, that my office does analyses. We don't develop official state impacts; the Revenue Estimating Conference does official statement impacts. So when you look at the analysis we've done today, this is really to be looked at for information for consideration. But until the Estimating Conference consensus upon an impact, there is no official state estimate.

Now, as you look at -- one of the things we look at is the recent history on the impact of the residential exemption. I'll talk about -- let me talk about a moment here and then I'll talk about it a little later in the presentation. One of the things that the Revenue Estimating Conference, when they have their communication services tax and gross receipts tax conference, which they're going to have next Tuesday, will be the next conference for communications services tax and gross receipts. One of the things they forecast is the relationship between the state sales tax of the state component base and the gross receipts base. And they measure those and compare them. They measure the state sales tax base as a percentage of the gross receipts tax base and forecast it going forward.
So, as we talked about a moment ago, since the residential exemption is the only exemption that applies just to one portion, just the state component of communications services tax, that ratio represents or can be used in deriving what that residential exemption is. And because there's a forecast for it going forward, using the official forecast, we can derive out of those relative bases a forecast for the residential exemption going forward.

Now, again as measured in terms of the ratio to state sales tax -- state component of the communications services tax base to the gross receipts tax base, you see that in the history, the impact of the residential exemption is shrinking. That it was -- the state sales tax base or the state component of the communications services tax base was 74 percent of the gross receipts base in 2002, 2003. That's shrunk to 83 percent in 2005, 2006 -- excuse me, grew to 83 percent. So the amount that the residential exemption represented shrank relative to the entire base. And '11-12, the measurement was 86 and a half percent. So the impact of that residential exemption continues to shrink over time.
Next slide, please.

Now again, sort of in the background before we get to the numbers, the residential exemption is -- has been historically talked about as being the landline exemption. It's important to note that it is not specific to that in statute. It doesn't specifically say it only applies to the landline services. While the exemption can apply to landline services, it's not restricted to that. And it's not the only service to which the exemption might apply. Remember that the way the exemption reads in statutes, it provides that the exemption applies to communication services -- essentially all communication services sold to residential households that are not a transient public lodging facility as defined in 509, a mobile telecommunications service, a video service, or a direct-to-home satellite service.

So while the current forecast of the -- of this percentage, which again, is symbolic of the residential exemption has it shrinking going forward, there's some reason -- we'll have some of this conversation at the conference next week, that as new services evolve that don't fall into one of these four groups, that there's potential for the
residential exemption impact to actually either
diminish its rate of decline or increase. The
current forecast doesn't have that. And for
purpose of the estimates, we use the current
forecast for the number that we present for you.
But just as we get into discussions later today,
our future meetings about changes in technology and
the way communications services are delivered to
look at it to see if it actually meets one of these
criteria, if it doesn't meet one of these
exceptions to receiving the residential exemption,
there's a possibility the residential exemption
could apply.

Next --

MR. DUDLEY: I just didn't know if you'd come
across any services that expanded? Or is this part
of the next week's -- stay tuned still next
Tuesday?

MR. McKEE: I guess, let me try to answer the
question this way. I just did my communications
services tax use tax form because I purchased
certain communications services that I -- to my
understanding, the provider did not collect and
remit communication services on that. And I have
some questions about those, whether the residential
exemption would apply or would not apply. An example that I'll give you was major league baseball service. I'm a big baseball fan, and I bought the internet-based service. Sorry, not the cable one. But I bought the Internet base so I could get it on all my --

MR. SMITH: What about satellite?

MR. McKEE: I have a lot of trees.

MR. SMITH: Good answer.

MR. McKEE: But I like the ability to get it on my mobile devices. But I have some questions. If I don't watch any of the games live, if I only watch them on replay, am I getting a video service or am I getting something else? So should the residential exemption apply there or should it not? And so that's just a question that I have personally. You know, not a question the Department has. But as I filled out that use tax form like any taxpayer, I would like to pay what the law requires but no more. So, I'm just not sure what the situation is there. But that would just be an example where personally I have a question about what would take place, particularly given my consumption, if I consume it only in stored games versus live activity is that something
else.

MR. DUDLEY: Thanks.

MR. RESNICK: Bob, so does it apply to VoIP?

MR. McKEE: The landline? The residential exemption? My understanding is that if it's -- if it otherwise meets the definition of residential service, that it would apply.

Next slide, please.

Now as you mentioned VoIP, I think as you look at this slide, which was also provided to you in the first presentation I did for you at the last meeting, when you look at the landline decline which is in the red line, and this is data that we got from the Public Service Commission, I think it's important to overlay that with the VoIP line. And so you can see that there's some combination there, that overall where VoIP may be replacing what's considered traditional landline service, that there's still an overall decline between the two together, sort of the wired end of the house versus wireless whether it be VoIP or whether it be traditional landline service. But, again, the same graph from last time, you can see that where historically it's been thought of as being a landline exemption, where I think the expectation
is in the history it's been predominantly associated with landline service we can see that landline actual service of number of landlines dropping throughout the history, throughout the odds that reflects the dropping -- or excuse me, that increasing percentage, the dropping share of the residential exemption.

Next slide, please.

This is the forecast of the CST base, the state component of the state communications services tax base or the percent of the gross receipts CST base. So you can see as I talked about, it's continuing to grow, meaning the impact of the residential exemption shrinking as we go forward throughout the forecast. Now gross receipts and CST conference, because of the public education capital outlay component, use bonding of that, we do forecast further -- the Revenue Estimating Conference does forecast further the gross receipts and CST after '20-21 under the current forecast, then some other revenue source are forecasted.

Next slide, please.

Now, this shows the history of the relationship and also the growth in the ratio. You
see that the growth in the ratio has been
diminishing over times. There were some things
in -- forecast that diminish over time. There were
some things that took place in '08, '09, I think,
that collections, when converted into base, because
of audit activity and other things create those
anomalies in what would otherwise be a smoother
history line. But, you see the general upward
trend in the percentage and then the sort of steady
but slightly diminishing growth in the outward
period.

Next slide, please.

This slide just compares the basis and then
the difference. So you can see the difference
shrinking as it goes forward in time.

Next slide.

All right. This is a simulation. And so I've
done a couple simulations for you. One, the first
column here says, okay, if taking that generated
number for the base that comes from that forecast
to the percentage that state sales tax base is of
the gross receipts tax base, if all of that were
made taxable at the current rate, what would the
revenue implications be and this is throughout the
historic period. And so you see throughout the
history, essentially the shrinking from what would have been in 2003-2004 about a $235 million impact to the base, in '11-12, shrinking to about $132 million. Excuse me, revenues. This is a revenue number. And so this would be, again, just a state sales tax because that's the only -- the state sales tax component of CST because that's the only component to which the residential exemption applies.

Now, the second column shows that in the history, if the exemption had not been in place what could the rate have been that would have generated the same amount of revenue as was actually generated off the base with the residential exemption in place. And you see, you know, the rate impact diminishing as it goes forward. In '03-04 because of the higher estimate, the revenue neutral rate would have been 5.3 percent, whereas in '11-12, it's 5.8, rounding up to 5.9 percent compared to the 6.65 percent state sales tax rate.

Next slide, please.

And actually somewhere up here, I think it should be compared to 6.8, state sales tax.

Looking at the forecast period, if there were
that same analysis done looking over the forecast period -- this actually does that same analysis looking over the forecast period. So the first column is if the rate stayed at 6.65 percent and the base were expanded, what the additional revenues would be. And you see the '12-13, $124 million, shrinking in '20-21 to $73 million. And then revenue neutral rate being 5.9 percent in '12-13 and growing to 6.27 in '20-21.

MR. DUDLEY: Bob, does -- I'm sorry, Marshall.

Do these numbers assume the projection continues in terms of the lower number of landlines, I assume?

MR. McKEE: It's whatever's driving the growing percentage that the state sales tax base is of the gross receipts tax base.

MR. DUDLEY: So what's unknown is the issue you raised earlier which is are there other services that may qualify for the exemption? And if there are, then these numbers aren't accurate because you'd have to factor in those --

MR. McKEE: There's --

MR. DUDLEY: Those values?

MR. McKEE: Yeah. It's based on the official forecast right now. So that is the official
forecast. That's a basis for what we do. One of the challenges in forecasting the future is that there's always unknowns in the future. So, you know, if technology changes in some other way, if for some reason there becomes something developed that gets people back to landlines for some reason, you know, then you'd see some different behavior. So, I mean, it's all based upon current projections for the trends.

MR. DUDLEY: So you're not forecasting that the VoIP growth will offset the landline loss?

MR. McKEE: At this point, that does not seem to be in the conference estimates. So the combination -- I think when you look at the percentages and you look at the -- at that earlier chart that shows the decline in the landline and the growth from the VoIP, again, if there were continuous -- I think you would still see a drop overall in the combined lines of the VoIP and landlines, and that's I think symbolic of the -- or one of the driving factors between that growing percentage of -- that the state sales tax basis or the gross receipts tax base.

MR. DUDLEY: I think you'd probably find it's the loss of second-line revenues.
MR. McKEE: I'm sure there's also second-line loss. There's other things driving -- certainly driving that provision.

Next slide, please.

And then this slide is just sort of to illustrate some of the challenges that can exist with revenue -- excuse me, achieving revenue neutrality when you look at rate reduction. And it all comes in the timing of the choice given that declining impact of the residential exemption that's in the current forecast. So again, using the current forecast numbers, the first column shows you, well, if there was a policy choice made today to reduce the rate to eliminate the exemption, residential exemption, and to reduce the rate to 6 percent, in '13-14, that 6 percent would generate a small amount of money, $7.1 million and the current estimate. However, for each period going forward, it would generate less than the current forecast amount at that chosen rate of 6 percent.

If instead, there was a chosen rate of 6.3 percent, which is arguably the '20-21 revenue neutral rate, it would result in the generation of those additional amounts in each year on the
current forecasted basis for the years 2013 through 2019-20.

And at this point, I'll take any questions.

**MR. STRANBURG:** Any questions about this?

Thank you, Bob. Appreciate that. We were tentatively planning on taking a lunch break at 11:30. It's about 20 after 11:00 now. And our next presentations all are on topic to have the prepaid services, so if everyone is agreeable to, I think we might want to try to keep them together rather than breaking them up. So if you don't mind, maybe we'll take a little bit earlier lunch break and be back and convene again at 1 o'clock.

And a quick reminder, please, from the folks from the local governments remember this. Others of you remember, the government and the Sunshine requirements, you really should not be talking about the working group work in small groups when you're at lunch or when you're at breaks, so just a friendly reminder.

**MR. ROSENZWEIG:** Before we break, because I know we have a long agenda this afternoon, I'd request or suggest that we deal with the process issue right after lunch before we go to these presentations because I have a feeling this is
going to be pretty long and intense and probably
want to be wrapping up when this finishes. So I
suggest maybe the first order of business when we
come back after lunch is to address that process
discussion and get it out of the way so that when
this is done, we can just all be ready to leave and
not have another large discussion with this.

    MR. STRANBURG: That's a good idea.

    MR. ROSENZWEIG: I appreciate that.

    MR. STRANBURG: We can do that. And we may
want to -- set ourselves a little bit of a time
frame within -- so that we don't drag it on.

    MR. ROSENZWEIG: I would even suggest, I mean,
1 o'clock, that's a long time for us, an hour and
45 minutes. If it's not a problem to come back
earlier, I wouldn't mind to come back here at 12:30
if that's okay. I mean, I don't particularly --

    MR. STRANBURG: We've got some things noticed,
so 1 o'clock is probably what we need to stick to.
We have some of the people who were on WebEx or
were listening who missed whatever we discussed.

    MR. DUDLEY: If we're going to do that after
the prepaid, that's fine. Before. Okay. Do we
have a slide or do you have the slide from last
time that has the actual legislative charge to this
group? Because I know Marshall read it, but I don't have it with me. May be good to pull that up while we're having that discussion.

**MS. MORELAND:** Sure.

**MR. RESNICK:** Just before we break, I meant to do this earlier and I -- when we went over the minutes from the last meeting, with respect to French Brown's presentation on the -- survey, I think it does need to be pointed out in the minutes that members of the work group pointed out that the survey was not accurate because it didn't -- the other states surveyed did not look at -- did not mention that they had other fees that Florida incorporated in the communications services tax. So if you're looking at what the total rate is in Florida, it's actually less than most other states. And that was pointed out at the last meeting. So if we can just change the minutes to reflect that.

**MR. STRANBURG:** Okay. We can do that.

**MR. RESNICK:** Thank you.

**MR. STRANBURG:** Okay.

(Lunch recess.)

(End of Volume I.)

* * *
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