

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

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Representing:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF  
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF  
INSURANCE REGULATION

DEPARTMENT OF REVENUE

DEPARTMENT OF VETERANS' AFFAIRS

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before  
THE FLORIDA CABINET, Honorable Governor Crist  
presiding, in the Cabinet Meeting Room, LL-03, The  
Capitol, Tallahassee, Florida, on Tuesday, May 15,  
2007, commencing at 9:40 a.m.

Reported by:  
JO LANGSTON  
Registered Professional Reporter  
Notary Public

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APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST  
Governor

CHARLES H. BRONSON  
Commissioner of Agriculture

BILL McCOLLUM  
Attorney General

ALEX SINK  
Chief Financial Officer

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I N D E X

DIVISION OF BOND FINANCE  
(Presented by BEN WATKINS)

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FINANCIAL REGULATION  
(Presented by DON SAXON)

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INSURANCE REGULATION  
(Presented by STEVE PARTON and DAVID FOY)

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(Presented by JIM ZINGALE)

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CERTIFICATE OF REPORTER 57

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

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(Agenda items commenced at 10:10 a.m.)

GOVERNOR CRIST: And next we'll hear from Bond Finance, Ben Watkins. Good morning.

MR. WATKINS: Good morning, Governor, Cabinet members.

GOVERNOR CRIST: How are you, sir?

MR. WATKINS: Fine, thank you. Item 1 is approval of the minutes of the April 17th meeting.

ATTORNEY GENERAL McCOLLUM: So moved.

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show it adopted without objection.

MR. WATKINS: Item 2 are resolutions authorizing the issuance and competitive sale of up to \$13,230,000 of Parking Facility Revenue Bonds for a thousand-space parking facility at Florida State University.

COMMISSIONER BRONSON: Motion on Item 2.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WATKINS: And Item 3 is a report of award on the competitive sale of 43,175,000 in Alligator

1 Alley Revenue Refunding Bonds. The bonds were  
2 awarded to the low bidder at a true interest cost of  
3 approximately 4.33 percent, generating gross debt  
4 service savings for the State of approximately \$4.4  
5 million.

6 ATTORNEY GENERAL McCOLLUM: I move Item 3,  
7 Governor.

8 COMMISSIONER BRONSON: Second.

9 GOVERNOR CRIST: Moved and seconded. Without  
10 objection Item 3 is approved. Ben, thank you.

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1           GOVERNOR CRIST: Financial Services Commission,  
2 Don Saxon. Good morning, Don.

3           MR. SAXON: Good morning, Governor, members of  
4 the Cabinet. I have two items today. Item 1 is the  
5 approval of the minutes of the Financial Services  
6 Commission meeting of February 13th.

7           CFO SINK: Move it.

8           COMMISSIONER BRONSON: Second.

9           GOVERNOR CRIST: Moved and seconded. Show it  
10 adopted without objection.

11          MR. SAXON: Item 2, the Office is requesting  
12 approval to file for final adoption amendments to  
13 Rule Chapter 69V-560 Florida Administrative Code,  
14 relating to money transmitters. These are  
15 conforming rules to reflect changes to be made to  
16 the Money Transmitters Act.

17          COMMISSIONER BRONSON: Motion on Item 2.

18          ATTORNEY GENERAL McCOLLUM: Second.

19          GOVERNOR CRIST: Moved and seconded. Without  
20 objection Item 2 is approved. Thank you, Don.

21          MR. SAXON: Thank you.

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1           GOVERNOR CRIST: Office of Insurance  
2 Regulation. Steve Parton. Good morning, Steve.

3           MR. PARTON: Good morning, Governor. Good  
4 morning, Commissioners. Commissioner McCarty is on  
5 annual leave with his family, and I will try to  
6 stand in for him as an adequate replacement. I will  
7 be presenting the first four items on the agenda,  
8 and Mr. Foy, David Foy, our chief of staff, will be  
9 presenting Item 5.

10           Item 1 is a request for final adoption or  
11 approval for final adoption of proposed amendments  
12 to Rule 690-167.014, which is to provide alternative  
13 means for people to elect certain rights that were  
14 passed by House Bill 1A.

15           As you may recall, House Bill 1A allows home  
16 owners now in writing to request to exclude  
17 hurricane coverage or certain contents coverage and  
18 also to ask for higher deductibles than ten percent.  
19 That particular legislation required the Commission  
20 to provide an alternative means for those people who  
21 may not be able to do that in writing. And this  
22 rule fulfills that responsibility.

23           GOVERNOR CRIST: Is there a motion on 1?

24           CFO SINK: Move it.

25           ATTORNEY GENERAL MCCOLLUM: Second.



1           GOVERNOR CRIST: Moved and seconded. Without  
2 objection Item 1 is approved.

3           MR. PARTON: Item 2 is for approval for  
4 publication. As you know, we come to you and ask  
5 for publication. We then publish the rule. Then  
6 there's a hearing, and then we come back to you  
7 again with the final rule. And that's true, by the  
8 way, of the next four items on your agenda.

9           Item 2 is a request for approval for  
10 publication of a proposed amendment to 690-125.003.  
11 This is a rule that prohibits unfair discrimination  
12 in insurance with regards to travel.

13           This particular rule clarifies certain  
14 legislation that was passed in the '06 legislative  
15 session, provides clarification for how an insurance  
16 company is to go about demonstrating that there is  
17 an actuarial justification, if you will, for their  
18 discrimination in this matter and thus it would not  
19 be unfair.

20           And it also provides, importantly, an exception  
21 to the rule in certain situations that may come up,  
22 certain emergency situations.

23           GOVERNOR CRIST: Is there a motion on 2?

24           COMMISSIONER BRONSON: Motion on 2.

25           ATTORNEY GENERAL McCOLLUM: Second.

1 CFO SINK: Let me ask Steve a question.

2 GOVERNOR CRIST: CFO.

3 CFO SINK: Are you anticipating a protest to  
4 this rule? You'll go into hearing next.

5 MR. PARTON: Yes, we'll be going to hearing  
6 next, CFO Sink. Do I expect protest? No. I expect  
7 to hear various constructive comments that may be  
8 incorporated in this rule and then be brought back  
9 for your approval.

10 But I think basically everybody in the industry  
11 understands what actuarial justification is. We're  
12 just trying to put some more clarification as to  
13 that. We also thought it was important to provide,  
14 if you will, a mechanism by which they could  
15 demonstrate a needed exception because of some sort  
16 of emergency that may be occurring in certain parts  
17 of the world, whether it be health, whether it be  
18 war, that sort of thing, so that they could come  
19 immediately to us and request that exemption and  
20 justify it.

21 CFO SINK: Thank you.

22 GOVERNOR CRIST: Without objection, show it  
23 approved. Item 3.

24 MR. PARTON: Item 3 is approval, again, for  
25 publication of a proposed amendment to Rule

1           690-164.030 and 690-164.020 of the Florida  
2           Administrative Committee (sic). This is a rule that  
3           is based upon the National Association of Insurance  
4           Commissioners' new model regulation pertaining to  
5           financial reserves of insurance companies.

6           This deals with reserves for a particular type  
7           of life policy called a universal life policy. It  
8           provides the basis upon which an actuary working for  
9           an insurance company would calculate the needed  
10          reserves. The reserve is nothing more than a  
11          set-aside, if you will, of funds for claims that  
12          have not yet been made but may be anticipated to be  
13          made with regards to this particular product.

14          It is an actuarial rule, written by an actuary  
15          for actuaries.

16          CFO SINK: Move it.

17          ATTORNEY GENERAL McCOLLUM: Second.

18          GOVERNOR CRIST: Moved and seconded. Without  
19          objection Item 3 is approved.

20          MR. PARTON: Item 4 is, again, approval for  
21          publication of a proposed amendment to Rule  
22          690-162.203. It is for the adoption of the 2001  
23          Commissioners Standard Ordinary Preferred Mortality  
24          Tables.

25          These mortality tables are updated periodically

1 to reflect additional information and additional  
2 refinement. You are authorized by rule to adopt  
3 those particular mortality tables, and that's what  
4 this rule is asking you to do.

5 GOVERNOR CRIST: Is there a motion?

6 CFO SINK: Move it.

7 COMMISSIONER BRONSON: Second.

8 GOVERNOR CRIST: Moved and seconded. Without  
9 objection Item 4 is approved.

10 GOVERNOR CRIST: Good morning, David.

11 MR. FOY: Good morning, Governor, members of  
12 the Cabinet. I think Steve had some difficult ones.  
13 I got lucky today. I have an easier item. This  
14 item is for publication. It's the Florida's Home  
15 Structure Rating System.

16 And if you would briefly just give me two  
17 minutes, I want to provide you with some background  
18 information on the system, even though this is just  
19 for publication. I know all of you have heard about  
20 the numerous complaints from policyholders, and  
21 CFO Sink working on the My Safe Florida Home  
22 Program, of not getting enough of a discount or not  
23 really understanding the mitigation features on  
24 their homes and how they work in conjunction with  
25 reducing their insurance premium cost.

1           Well, the Office's goal has been to illustrate  
2 to home owners how they can do two things. Number  
3 one, reduce their premium cost from an insurance  
4 standpoint, but second and very important, when  
5 we've had all these storms and fires as well, as  
6 Commissioner Bronson spoke about earlier, your home  
7 is your most important asset. And you can keep your  
8 home and keep your family protected if it's well  
9 built and stay in your home and not have to be on  
10 the roads during times of hurricane.

11           So enter discussions between Commissioner  
12 McCarty and Governor Bush going back to 2005 where  
13 the idea is, if you want to purchase a new or  
14 existing structure, you have a wealth of information  
15 at your fingertips.

16           Right now, if you go to your Realtor and you're  
17 buying a new or an existing home and you ask your  
18 Realtor, they can provide you a wealth of  
19 information. They can talk to you about the  
20 schools, how close the supermarket is, where the  
21 nearest Starbucks may be. But they have difficulty  
22 in telling you how much the wind load is on your  
23 windows or how well your roof or garage door is  
24 going to withstand that 120-mile-per-hour hurricane  
25 that hits us.

1           And no offense against Realtors. My mom is a  
2           Realtor, and they do a fantastic job. But they just  
3           don't have the information to give to the home owner  
4           that needs to buy that for their family.

5           So after numerous task forces and hurricane  
6           work groups, the Legislature in 2006, in Senate Bill  
7           1980, required the Office, in consultation with  
8           numerous experts from the fields of insurance,  
9           mitigation, home builders, et cetera, come up with a  
10          home structure rating system.

11          And that was supposed to be developed as an  
12          objective rating system that was transparent, that  
13          would allow home owners the ability to understand  
14          the wind load from a severe tropical storm or  
15          hurricane.

16          Over an eight-month period and 19 meetings and  
17          teleconferences, this group met and came up with the  
18          HSRS system, which is similar to the hurricane  
19          resistance rating system that was rolled out  
20          initially in the My Safe Florida Home Program.

21          There's only two differences that were added.  
22          The My Safe Florida Home Program used some research  
23          that was done by ARA, and they do a lot of work in  
24          the field of mitigation. Two things added to the My  
25          Safe Florida Home Program are the wind zone

1 location, where you live in the state, and the  
2 terrain, whether it's a hilly location or there are  
3 trees and facilities for that nature.

4 And the basic system produces a score between 1  
5 and 100. There was a lot of conversation going back  
6 between the teams on transparency from the home  
7 owners, would they understand A through F better or  
8 1 through 100 better.

9 But I think for being able to rate homes and  
10 construction, as things over time are added and code  
11 plusses added to our building code, they thought a 1  
12 and 100 scale was a better indication of where your  
13 home would withstand wind load and give some room  
14 for changes over time.

15 And at the next commission meeting, we'll bring  
16 back the full report and the recommendations. The  
17 full report was put out on March 30th, and that will  
18 be for final approval in June.

19 GOVERNOR CRIST: Thank you. Is there a motion?

20 ATTORNEY GENERAL McCOLLUM: I move adoption of  
21 Item 5.

22 COMMISSIONER BRONSON: Second.

23 GOVERNOR CRIST: Moved and seconded. Without  
24 objection Item 5 is approved.

25 CFO SINK: David, can I ask a question, please?

1 How do we anticipate this rating system being used?

2 MR. FOY: Thank you, CFO Sink. Well, it will  
3 be used as -- in the pilot program for the My Safe  
4 Florida Home, 13,000 homes were tested, system  
5 tested that way.

6 Now, the one -- one drawback in the legislation  
7 was it required the Office to come up with the  
8 report and the scale. What we see is the  
9 Legislature is likely going to have to go back and,  
10 depending now on this adoption that the Cabinet will  
11 take, is determine if your home is rated a 65, what  
12 does that mean for your insurance discount.

13 That was not addressed in the law, and it was  
14 something, I believe, after the Cabinet does approve  
15 of the process and the system that's in place with  
16 My Safe Florida Home, that will have to go back to  
17 the Legislature, based on that new scale, and  
18 determine where insurance discounts fall along those  
19 lines.

20 CFO SINK: Is it your -- from the insurance  
21 regulator's standpoint, are you thinking that  
22 eventually all homes in Florida will be -- will have  
23 a rating that will determine or impact their  
24 insurance premiums?

25 MR. FOY: I think the people of Florida would



1       like to see that. Some of the folks that we've  
2       spoken to, home builders and Realtors in the task  
3       force meetings that have occurred around the state  
4       and previous task forces when these items were  
5       discussed, most of the consumers have said, "That  
6       would be a great idea. I would love to have and  
7       know how well my home is built."

8               And I think the important part is us as  
9       regulators and, you know, governmental workers being  
10      able to explain to individuals how that rating  
11      really expresses in how safe their home is.  
12      Sometimes a 65 -- you know, if you go back to  
13      school, a 65 doesn't sound so great, but based on  
14      this rating system, a 65 is an above average, very  
15      good, strong home.

16             CFO SINK: Will this -- Governor, I'm sure you  
17      get the same comment. Every time I go to South  
18      Florida people tell me about living in homes in Dade  
19      County built in the 1920s out of coral rocks that  
20      have withstood dozens of hurricanes, but yet just  
21      because it's before-Andrew construction, they get  
22      dinged on their insurance rates.

23             So do you think that this kind of rate system  
24      will assist home owners who might live in pre-Andrew  
25      housing but yet they're built like concrete bunkers

1 be able to achieve better insurance rates?

2 MR. FOY: That's a fantastic question. I think  
3 the answer simply is yes. And, number two, the  
4 Cabinet last year passed, as you're familiar with,  
5 the mitigation form and new mitigation rule that  
6 took mitigation credits that were previously in  
7 place from a 50 percent indication to a 100 percent  
8 indication. And all those filings started coming in  
9 in March of 2007.

10 And what that requires is if your home, even if  
11 it was pre-2001 building code but you have a strong  
12 roof and you have windows put on, there are still  
13 significant savings and discounts under that new  
14 scenario as of March 31st, 2007.

15 CFO SINK: Thank you.

16 GOVERNOR CRIST: Thank you. That would be a  
17 great result, to have that rating system allow for  
18 lower rates for our people.

19 MR. FOY: We'll continue to work on it.

20 GOVERNOR CRIST: Commissioner.

21 COMMISSIONER BRONSON: One more question. Is  
22 this also going to take into account where people  
23 and businesses are putting up hardening additions to  
24 their structures to withstand some of these so that  
25 the next -- after that goes in, that will take place

1 the next year when the insurance quote comes in, so  
2 that all new additions will be counted in the next  
3 official insurance estimate?

4 MR. FOY: Commissioner, the Home Structure  
5 Rating System program was designed just as a  
6 residential program. But that's a perfect  
7 transition, as all of our small businesses -- and we  
8 had to create the Property and Casualty Joint  
9 Underwriting Association to help out some of our  
10 small business owners.

11 So that's, I think, a perfect next step for  
12 this rating system, to not just be for personal  
13 homes but for small businesses and commercial  
14 structures.

15 However, under Florida law commercial  
16 structures also get mitigation discounts based upon  
17 their roof, the structure, the side of the building  
18 and the windows.

19 COMMISSIONER BRONSON: Well, I can tell you  
20 that having been involved with the Florida State  
21 Fair, which is a government entity, and some of the  
22 buildings that have gone up there, we actually went  
23 bare this year because the cost was so high that we  
24 couldn't stand trying to make that thing go on our  
25 own, to put that kind of cost in.

1           However, there is a decision by the board to  
2 look at armoring as part of our structural  
3 improvements to try to save us. And I can imagine,  
4 if we're doing that, how many other people are doing  
5 the same thing who are in business, that are  
6 teetering on whether they can even afford their own  
7 insurance to survive there.

8           And one thing I want to especially do, Governor  
9 and Cabinet members, is to make sure we're not  
10 running businesses out of the state but trying to  
11 find a way not only to keep what we have but have  
12 people, with a system that works, to come into the  
13 state and keep business going here. We certainly  
14 don't want to be losing business.

15           So I appreciate the effort that everybody is  
16 making on this. I think it will help both homes and  
17 especially small businesses.

18           MR. FOY: Thank you, sir.

19           CFO SINK: Governor, we put together, in my  
20 department, a task force to address some of the  
21 issues in the commercial property insurance market  
22 that we're going to be working on this summer and --  
23 because we have very, very serious issues in the  
24 commercial property market in our state. So we will  
25 keep you informed.

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COMMISSIONER BRONSON: Thank you.

GOVERNOR CRIST: Thank you very much.

1           GOVERNOR CRIST: Department of Revenue. Jim  
2 Zingale. How are you, Doctor?

3           DR. ZINGALE: Good morning. Item Number 1,  
4 respectfully request approval of the minutes of  
5 April 17th.

6           COMMISSIONER BRONSON: Motion on Item 1.

7           DR. ZINGALE: Item Number 2, request  
8 approval --

9           GOVERNOR CRIST: Wait a minute, Jim.

10          ATTORNEY GENERAL McCOLLUM: Second.

11          GOVERNOR CRIST: Moved and seconded. Show it  
12 approved without objection. Item 2.

13          DR. ZINGALE: Sorry. Item Number 2, request  
14 approval for the Department to enter into a contract  
15 with the International Association of Assessing  
16 Officers. That's the professional association that  
17 governs that industry. The contract will provide  
18 education and training for the practitioner, both at  
19 that state level and at the local level. The  
20 contract is really something we negotiate statewide.  
21 There's a full-blown curriculum that's provided.

22          We're just a pass-through. We're the ones that  
23 negotiate the contract. And then employees at the  
24 local level, at the state level, attend these  
25 courses. And we respectfully request approval.

1 GOVERNOR CRIST: And how much is it?

2 DR. ZINGALE: It's hard to tell on the front  
3 end. We have an appropriation of \$850,000. That's  
4 kind of like a maximum. It depends upon the  
5 interest and demand that's generated at the local  
6 level and at the state level.

7 They sign up for the courses. The course fees  
8 are ranging somewhere between \$200 and \$250, one-day  
9 courses, two-day courses, workshops, instructional  
10 material. We only pay based on who shows up. The  
11 money is coming from the people attending the  
12 courses.

13 GOVERNOR CRIST: And what is the best thing  
14 this will do for the taxpayer?

15 DR. ZINGALE: For the taxpayer this will  
16 provide uniformity from individual appraising  
17 offices in terms of practices, how property  
18 appraisers are putting value based on land, based on  
19 structure. It is providing continuity between the  
20 counties. From the taxpayer, it's to get a fair  
21 shake on their assessment.

22 GOVERNOR CRIST: They may need a lot of  
23 schooling after the special session.

24 DR. ZINGALE: They may need a lot of schooling.

25 COMMISSIONER BRONSON: Motion on Item 2.

1 GOVERNOR CRIST: There's a motion.

2 ATTORNEY GENERAL McCOLLUM: Second.

3 GOVERNOR CRIST: Moved and seconded. Show  
4 it --

5 CFO SINK: Governor, I have a question.

6 GOVERNOR CRIST: CFO, please.

7 CFO SINK: I notice that this is a sole source  
8 vendor. I would presume it's -- well, why don't you  
9 tell me, since sole source vendors are an issue  
10 under conversation these days.

11 DR. ZINGALE: This organization has been  
12 providing this nationwide with us for 20 years. We  
13 reached out and asked for, as you normally would  
14 when you renew a contract like this, for others to  
15 come in and bid. We received none. And that's why  
16 it's a sole source. This is the only one that  
17 provided us with any materials and information and  
18 bid specs to respond to our request.

19 CFO SINK: And, Governor, I notice that you  
20 gave the Division of Accounting an opportunity to  
21 review the contract before your signing it. And  
22 they found a few little things that will help us on  
23 the back end avoid problems on the front end.

24 So I just want to thank you very much for  
25 giving the accounting office an opportunity to look



1 at the contract, which is something we're  
2 encouraging other state agencies to do as well.

3 DR. ZINGALE: We appreciated the feedback.  
4 Thank you.

5 GOVERNOR CRIST: We're in concert on that up  
6 here. Thank you. Show it approved without  
7 objection.

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1           GOVERNOR CRIST: Veterans' Affairs. Admiral,  
2 good to see you, sir. Hi, Mrs. Collins, how are  
3 you?

4           ADMIRAL COLLINS: Good morning, sir.

5           GOVERNOR CRIST: Welcome to the Cabinet  
6 meeting.

7           ADMIRAL COLLINS: Thank you. Glad to be here.  
8 I have -- Item 1 is the minutes of the Cabinet  
9 meeting November 14th, where Rocky McPherson, my  
10 predecessor, spoke to you.

11           COMMISSIONER BRONSON: Motion on Item 1.

12           ATTORNEY GENERAL McCOLLUM: Second.

13           GOVERNOR CRIST: Moved and seconded. Without  
14 objection the minutes are approved. Item 2.

15           ADMIRAL COLLINS: And Item 2 are our quarterly  
16 reports for the first three quarters and recommend  
17 acceptance of those.

18           ATTORNEY GENERAL McCOLLUM: Moved.

19           COMMISSIONER BRONSON: Second.

20           GOVERNOR CRIST: Moved and seconded. Show it  
21 approved without objection. Item 3.

22           ADMIRAL COLLINS: Thank you, sir. It's been  
23 almost four months that I've been in this job, and  
24 I'd like to share with you a few observations I've  
25 made. We have 24 offices of various sizes around

1 the state. I've been to most of those, been to all  
2 the nursing homes.

3 I see that our department is in a transition.  
4 It's a transition from taking care of the older  
5 veterans, which -- and those needs consist of  
6 prescription drugs, health care, assisted living and  
7 cemeteries.

8 The new veterans need employment, education,  
9 vocational rehabilitation and very long distance  
10 case management, for those who have been seriously  
11 wounded. People there we're going to be taking care  
12 of for the next 60 years. So I see a very different  
13 Veterans' Affairs Department than I think we would  
14 have seen even four or five years ago.

15 I would like to share with you some of the work  
16 we've done with -- that's interagency. With the  
17 Agency for Work Innovation we have labor issues.  
18 With the Department of Elder Affairs we have issues  
19 involving crime on elders. With the Department of  
20 Revenue we have issues regarding Amendment 7,  
21 regarding homestead exemption.

22 With the Association of Health Care -- the  
23 Agency for Health Care Association, we have Medicare  
24 and surveys that are done periodically to ensure the  
25 quality control of our nursing homes. With

1 Department of Children and Families we have issues  
2 of Medicaid eligibility.

3 With Department of Education we have issues of  
4 tuition waivers for our veterans. With the  
5 Department of Military Affairs we have recently  
6 inaugurated a plan to streamline records, health  
7 records. And, frankly, we're ahead of what the  
8 federal government is doing, and I hope that's going  
9 to provide some imagination and example for the  
10 federal government.

11 With the Division of Emergency Management we  
12 participate in all the drills regarding hurricane  
13 issues. But just this past week we had such a  
14 drill, and in the middle of that we found ourselves  
15 involved in very active wildfire management.

16 We had our nursing home in Lake City prepared  
17 fully for evacuation, 134 residents there. We knew  
18 exactly where each one was going. They were  
19 basically being shared with a nursing home in  
20 Daytona Beach and with Land O' Lakes. And it was a  
21 little nervous trying to make sure that they would  
22 have unobstructed travel from one to the other. So  
23 we get very, very involved in that because we  
24 actually are entrusted with people's lives.

25 I'd like to say that we have a nursing home

1 issue that we have been working on. We've been  
2 trying to put together a nursing home for St. Johns  
3 County. And all these -- we have a lot of  
4 legislators who come to us and want to know if we  
5 can put a nursing home in their county. But we have  
6 a very orderly process that evaluates the  
7 appropriateness of each location.

8 And so I had the situation of telling a  
9 legislator, I said, "You're about third or fourth on  
10 the list. We'll get to you." And they accept that,  
11 and I appreciate that. But by having a very orderly  
12 process that evaluates the appropriateness of each  
13 location, it's easy to explain.

14 The St. Johns County opportunity, the federal  
15 government has decided that we should go from two  
16 per room to one per room. We think that's  
17 ill-advised. And I have spoken to the secretary,  
18 Jim Nicholson, about that. And he tends to agree  
19 with me. And so he's asking his folks there, why do  
20 we have to go to one per room?

21 Well, that seems to be a standard that's being  
22 put together by a combination of Medicare and  
23 Medicaid. And I'm not so sure it applies to  
24 veterans because veterans enjoy being with each  
25 other. And so we have two per room, and we think

1 that adds to the security. By having two per room,  
2 if one falls out of bed, well, then the other one  
3 can summon help.

4 And so we're trying to encourage continuation  
5 of a plan we already have, which is ready to go.  
6 But because of the one per room, the footprint  
7 expands from 69,000 square feet to 95,000 square  
8 feet, and it's a lot more expensive. We're talking  
9 about \$30 million per nursing home.

10 We think that's not the route to take, but then  
11 they provide 65 percent of the funding. Florida has  
12 done its 35 percent thus far. And so it's a matter  
13 of convincing the federal government. They do not  
14 have the budget to start that nursing home now, but  
15 we are right near the top of the list behind a very  
16 large one that's being done in Los Angeles right  
17 now.

18 From my point of view, the thing that I want to  
19 do during my term with you -- and it's a real  
20 defined term. But during my period of service with  
21 you, I am anxious to expand the outreach. We now  
22 reach almost 700 veterans at a very high cost. But  
23 then we're taking care of them for the rest of their  
24 lives.

25 I think that we need to expand our outreach

1 with a little more imagination. And, specifically,  
2 I'm in favor of a daycare approach. I think the  
3 cost for veterans would be much less. I think we  
4 can incorporate that now without expanding any  
5 staff. And the way we do that, we go to people who  
6 are in that business now in Florida and the experts  
7 in it.

8 There's an organization we're talking to now  
9 that's been doing this for 40 years. And it  
10 includes the full gamut of not only daycare but also  
11 home care and meals-on-wheels, et cetera. And we  
12 think that's the more imaginative way to go.

13 We are having a strategic planning session here  
14 in the next few weeks, and we will see if our staff  
15 sees how we can accommodate that reasonably well.

16 The Legislature was very generous to us this  
17 session. Because of the expanded outreach of what  
18 we're already doing, we were able to get 24  
19 additional FTEs. And we thank -- we attribute that  
20 to the fact that the Governor's staff worked with us  
21 very closely, and they were helpful to us, and they  
22 included it in their budget, so that enabled us to  
23 get it. So I thank the Governor and your staff for  
24 enabling that to happen.

25 Finally, I'd like to say that in the very first

1 agency head meeting we had with the Governor he  
2 said, "I want you to measure what you manage."  
3 Wonderful challenge. As a result, we send -- I send  
4 my chief of staff that I report to a biweekly report  
5 of measures of what we're managing. And we tweak it  
6 here and there along the way, and it's proven to be  
7 a very valuable assist for us.

8 We ask questions back and forth. I meet with  
9 him preceding each one of the agency head meetings.  
10 So it's very helpful, and it works well for us.

11 So I just wanted to say that, Governor, it's an  
12 honor to serve, and to the Cabinet, it's an honor to  
13 serve all of you. That same report that I give to  
14 Eric each -- every other week goes to each one of  
15 your Cabinet aides. So everybody is well informed  
16 along the way. And it's an honor to serve, sir.  
17 Thank you.

18 GOVERNOR CRIST: Thank you very much, Admiral.  
19 Commissioner.

20 COMMISSIONER BRONSON: Thank you, Governor.  
21 Admiral, I was just thinking about, you know, with  
22 the deployment of National Guard, both overseas and  
23 here at home with these fires and all, is there a  
24 potential that we need to take a look at future  
25 endeavors where more and more people are going to



1           require service as more and more National Guard is  
2           being called up for either one of those issues,  
3           either our own issues at home or use abroad in Iraq  
4           and Afghanistan and any future conflicts where we  
5           have our guard that's going to be called up.

6           Are we pretty well equipped for that? Is that  
7           part of your base percentage that you've got figured  
8           in for future use over the next ten or twenty years,  
9           or is that something we need to be taking a look at?

10          ADMIRAL COLLINS: I think it's extremely  
11          important for the State to make the case that our  
12          National Guard are being heavily taxed. And I think  
13          to the extent that the National Guard is not  
14          available to you -- and, of course, this is really  
15          not my department, but I do have strong feelings  
16          about it. To the extent that the National Guard is  
17          being overtaxed to do what you need the National  
18          Guard for --

19          GOVERNOR CRIST: It is my department, so I'll  
20          be happy to address it, if I might, Admiral. I'll  
21          take you off the hook.

22          COMMISSIONER BRONSON: Not that I'm trying to  
23          put either one of you on the hook. I just -- they  
24          are veterans once they've been called up and they  
25          serve. And I'm trying to figure out, are we in a

1 position, in case something happens, that we've  
2 included them with our veterans from our other  
3 groups out there.

4 GOVERNOR CRIST: I appreciate the question. If  
5 I might, the admiral does a tremendous job with  
6 Veterans' Affairs. And under my tutelage as  
7 commander in chief of the National Guard, I defer to  
8 General Burnett. And he assures me that we're in  
9 great shape. CFO Sink.

10 CFO SINK: Thanks, Governor. Just kind of  
11 along the same lines, I was reading over the weekend  
12 a number of news articles about the mental health  
13 situation of our returning veterans. And I just  
14 want to encourage you to keep mental health issues  
15 at the top of your mind and your thoughts as we go  
16 forward advocating on behalf of our veterans.

17 And, secondly, I've been reading your quarterly  
18 reports with interest, and I see the name of Ernie  
19 Kuykendall. I hope I pronounced it correctly.

20 ADMIRAL COLLINS: Kuykendall.

21 CFO SINK: Excuse me?

22 ADMIRAL COLLINS: I think it's Mr. Kuykendall.

23 CFO SINK: Kuykendall, okay. Who the last one,  
24 he got \$378,000 in benefits for a widow who didn't  
25 know how to navigate the system, and there are

1 several other of your employees here who are  
2 advocating and getting money into the hands of  
3 deserving people to better the quality of their  
4 lives.

5 And I just hope that you will pass the word  
6 along to these individuals that I, and I'm sure my  
7 Cabinet members will join me, really very much  
8 appreciate their advocacy work on behalf of veterans  
9 in our state. Thank you.

10 ADMIRAL COLLINS: We're working.

11 GOVERNOR CRIST: Admiral, thank you very much.  
12 We appreciate your service, and you are doing an  
13 extraordinary job. I can't believe you've been able  
14 to visit all those places in a short period of time.  
15 Thank you so much for doing so.

16 And, Commissioner, I want to apologize to you.  
17 I didn't mean to be short. But one of my colleagues  
18 in Kansas has been rather in-depth in getting  
19 involved in the issue that you raised with our  
20 wonderful admiral.

21 And I just wanted to -- I've been studying up  
22 on it a lot lately, out of need. And I don't know  
23 whether or not the admiral has or not, but it's an  
24 emotional issue. And I apologize to you if I was  
25 too short with you. Thank you, Admiral.

1           COMMISSIONER BRONSON: Governor, I just want to  
2 clarify here that I'm pretty sure, under General  
3 Burnett's leadership, that we are very capable and  
4 fully engaged with our National Guard, and our  
5 readiness level probably is above the average state.

6           But what I was really referring to is, once  
7 they leave active and go to veteran status, are we  
8 in a position to add them to all those on active  
9 duty and the regular service that may retire here,  
10 and we seem to be the retiring mecca, to make sure  
11 that we've added those to the list so that we  
12 don't -- whoever is serving here 10 or 15 years from  
13 now isn't caught maybe unaware or unprepared to  
14 handle all those extra people in the veterans --  
15 that was where I was coming from, not -- I think  
16 we're fully -- as you saw the other day, there's no  
17 doubt we're fully capable of handling anything  
18 thrown our way.

19           ADMIRAL COLLINS: We have lots of work to do,  
20 sir, and the question is quite appropriate. We've  
21 got to prepare to be -- we will be the largest -- we  
22 will be the home to the most number of veterans of  
23 any state in the nation within ten years. It's a  
24 major responsibility.

25           GOVERNOR CRIST: You carry it out well. Thank

1           you. Thank you, Commissioner.  
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1 GOVERNOR CRIST: Board of trustees. Deborah.

2 MS. POPPELL: Good morning, Governor, members  
3 of the Cabinet. Item 1 is an application to modify  
4 an existing five-year sovereignty submerged lands  
5 lease in Monroe County, to combine two existing  
6 leases into one lease, change the use from a  
7 commercial docking facility to a private residential  
8 multifamily docking facility, increase the preempted  
9 area from 200,400 square feet to 236,334 square  
10 feet, authorize relocation and installation of two  
11 wave attenuators.

12 I have Anita Bain here from our South Florida  
13 Water Management District, who will be glad to  
14 answer any questions you might have on that item.

15 ATTORNEY GENERAL McCOLLUM: I move Item 1,  
16 Governor.

17 CFO SINK: Second.

18 GOVERNOR CRIST: Moved and seconded. Any  
19 questions? Show it approved without objection.

20 MS. POPPELL: Thank you, Governor. Item 2 is  
21 consideration of an after-the-fact application for  
22 modification of a 20-year sovereignty submerged  
23 lands lease in Manatee County, to change upland  
24 ownership and increase the preempted area from  
25 94,096 square feet to 121,406 square feet, for a

1 commercial marina. We're also, Governor,  
2 recommending a one-year lease on this.

3 I also have Mike Farley here from DEP Southwest  
4 District, who will be glad to answer any questions  
5 that you might have.

6 GOVERNOR CRIST: Is there a motion to approve  
7 Item 2?

8 CFO SINK: I move it.

9 COMMISSIONER BRONSON: Motion on 2.

10 CFO SINK: Second.

11 GOVERNOR CRIST: Moved and seconded. Without  
12 objection show Item 2 approved.

13 MS. POPPELL: Thank you, Governor. Item 3,  
14 Alta Marina. This is an application for a five-year  
15 sovereignty submerged lands lease in Lee County  
16 containing 150,985 square feet for a private  
17 residential multifamily docking facility and  
18 commercial marina, the severance of 4,800 cubic  
19 yards of sovereignty material.

20 Jon Iglehart is here from the DEP South  
21 District, if you have any questions with regard to  
22 that item.

23 GOVERNOR CRIST: Any questions on Item 3?

24 CFO SINK: I move it.

25 ATTORNEY GENERAL McCOLLUM: I second it.

1           GOVERNOR CRIST: Moved and seconded. Show it  
2 approved without objection. Thank you very much.

3           MS. POPPELL: Thank you, Governor.  
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1 GOVERNOR CRIST: SBA. Coleman.

2 MR. STIPANOVICH: Good morning again.

3 GOVERNOR CRIST: Morning, Coleman. Long time  
4 no see.

5 MR. STIPANOVICH: Agenda Item Number 1 is  
6 request for approval of the minutes for the May 1st,  
7 '07 meeting.

8 ATTORNEY GENERAL McCOLLUM: So moved.

9 GOVERNOR CRIST: Is there a second?

10 CFO SINK: Second.

11 GOVERNOR CRIST: Moved and seconded. Without  
12 objection the minutes are approved.

13 MR. STIPANOVICH: Item 2 is request for  
14 approval of fiscal sufficiency of amount not  
15 exceeding 13,230,000 State of Florida, Board of  
16 Governors Florida State University Parking Facility  
17 Revenue Bonds.

18 CFO SINK: Move it.

19 ATTORNEY GENERAL McCOLLUM: Second.

20 GOVERNOR CRIST: Moved and seconded. Item 2,  
21 show it approved without objection.

22 MR. STIPANOVICH: Item 3 is request for  
23 approval of fiscal determination in connection with  
24 the issuance of an amount not exceeding 48,500,000  
25 Tax-Exempt and 21,500,000 Taxable Florida Housing

1 Finance Corporation Multifamily Mortgage Revenue  
2 Bonds.

3 ATTORNEY GENERAL McCOLLUM: I move it.

4 CFO SINK: Second.

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

7 MR. STIPANOVICH: Item 4 is an item that was  
8 deferred from the previous Cabinet meeting, and  
9 there's a request for approval to revise the Florida  
10 Retirement System's Defined Benefit Investment  
11 Policy Statement.

12 CFO SINK: I move it.

13 ATTORNEY GENERAL McCOLLUM: I second it.

14 GOVERNOR CRIST: Item 4, moved and seconded.  
15 Show it approved without objection. Item 5.

16 ATTORNEY GENERAL McCOLLUM: I'd like to comment  
17 on that, if I could, Governor.

18 GOVERNOR CRIST: Excuse me.

19 ATTORNEY GENERAL McCOLLUM: We had a very  
20 productive workshop this morning. And I appreciate  
21 very much, Coleman, you and your team presenting  
22 that and John Jaeb for coming up to be with us  
23 particularly today from your Investment Advisory  
24 Council as chairman.

25 I think it showed us why we needed to do this

1 policy change, to change the investment ratio in  
2 terms of equity and the balance. And I appreciate  
3 very much your presentation, and it was educational.  
4 And, again, I want to thank you for that.

5 MR. STIPANOVICH: Thank you, General. Thank  
6 you, Governor.

7 GOVERNOR CRIST: Item 5.

8 MR. STIPANOVICH: Final item, Item 5, is  
9 request for approval of the State Board of  
10 Administration budget for '07-'08, the Public  
11 Employee Optional Retirement Program and Florida  
12 Hurricane Catastrophe Fund budgets.

13 CFO SINK: I move it.

14 ATTORNEY GENERAL McCOLLUM: Second.

15 GOVERNOR CRIST: Moved and seconded. Show it  
16 approved without objection.

17 CFO SINK: Governor, I do want to compliment --

18 GOVERNOR CRIST: CFO.

19 CFO SINK: -- Coleman and his team on keeping  
20 their expenses down --

21 MR. STIPANOVICH: Thank you, CFO.

22 CFO SINK: -- and managing the enormous amount  
23 of money.

24 MR. STIPANOVICH: That's a nice compliment  
25 coming from you as CFO.

1           GOVERNOR CRIST:  You do great work, Coleman.  
2           Thank you.

3           CFO SINK:  What about the other two?

4           MR. STIPANOVICH:  Excuse me, Governor.  You're  
5           correct.  I do have two more budgets that are under  
6           your purview.  You have approval authority for two  
7           other budgets, Division of Bond Finance, under Ben  
8           Watkins, who prepares his own budget, and then  
9           Florida College Prepaid Program.  So  
10          administratively housed under the State Board of  
11          Administration, you have budget approval authority  
12          for those budgets.

13          GOVERNOR CRIST:  Hi, Ben.

14          MR. WATKINS:  Good morning again.  We have a  
15          total budget request of five and a half million  
16          dollars, which is a \$610,000 increase over the prior  
17          year, which is attributable to the number of  
18          transactions that we're expected to execute next  
19          year.

20                 Our last -- our current year budget is based on  
21          24 transactions that we expect to sell.  Next year's  
22          budget is based on 30 transactions we expect to  
23          sell.  So the increase in our budget is attributable  
24          to the transactions cost related to that greater  
25          number of deals that we're expecting next year

1 relative to the current year.

2 ATTORNEY GENERAL McCOLLUM: Move the approval  
3 of the budget.

4 CFO SINK: Governor, I have just a quick  
5 question.

6 GOVERNOR CRIST: Certainly.

7 CFO SINK: I see that most of this is coming  
8 out of other contractual services, under other  
9 personnel services. Can you just be a little more  
10 specific?

11 MR. WATKINS: All of our transactions costs are  
12 in that particular category, and legal fees and  
13 rating fees account for about 538,000 of the 610,000  
14 increase, so that's about 88 percent, just those two  
15 items, which are transactional related and paid on a  
16 deal-by-deal basis.

17 CFO SINK: Where were we?

18 GOVERNOR CRIST: Moved and --

19 CFO SINK: I'm seconding. Moved, seconded.

20 GOVERNOR CRIST: -- seconded, and show it  
21 approved without objection.

22 MR. WALLACE: Good morning, Governor, members.  
23 My name is Tom Wallace. I'm the executive director  
24 for the Prepaid College Board. It's a pleasure to  
25 be with you today.

1           The Board is requesting a budget increase of  
2           3.6 percent over last year's budget. I presented  
3           the budget at the board meeting in March, and they  
4           approved it unanimously.

5           The good news about our budget is good news for  
6           you all, is an increase in our budget means more  
7           Florida families are saving for their future college  
8           education for their children.

9           It's all workload related. The enrollment  
10          period that just ended January 31st, more than --  
11          right at 80,000 contracts were purchased by Florida  
12          families. And that results in that \$700,000  
13          increase. Four hundred thousand dollars of that  
14          amount goes to our records administrator, who has to  
15          add the new accounts to the system and maintain  
16          those for the next 18 years, if it was a newborn,  
17          until the child enters college.

18          The additional 300,000 is primarily to our  
19          investment managers because they'll be receiving  
20          additional contributions from Florida families, and  
21          those dollars get invested so we can keep up with  
22          the rate of tuition. And it's the fees that they  
23          charge to manage those assets that are under  
24          management. And that's our budget.

25                 ATTORNEY GENERAL McCOLLUM: I move the approval

1 of the budget.

2 CFO SINK: Governor, just a couple of  
3 questions. I'll second it. In their \$20 million --  
4 \$21 million budget, 19 of the 21 million is showing  
5 as, again, other contractual services. So because  
6 that's such a big amount, I did yesterday get a  
7 breakdown of that \$18 million.

8 And four and a half million of the -- four and  
9 a half million is spent on paying fixed income and  
10 equity managers. There is an issue at the Prepaid  
11 College Board whereby they have an opportunity to  
12 have the SBA manage their money for them as opposed  
13 to paying fees to outside sources.

14 GOVERNOR CRIST: I like that.

15 CFO SINK: Well, I liked it, too, and it's \$6  
16 billion.

17 GOVERNOR CRIST: What?

18 CFO SINK: Six billion dollars that the Prepaid  
19 Fund has under management.

20 GOVERNOR CRIST: Okay.

21 ATTORNEY GENERAL McCOLLUM: That's not the fee.

22 GOVERNOR CRIST: You read my mind, General.

23 CFO SINK: Four and a half million is the fee.  
24 Six billion dollars is what they have under  
25 management. And part of what's driving their budget

1 increase is that --

2 GOVERNOR CRIST: The fee.

3 CFO SINK: The fee. They just put a percentage  
4 on the amount. And I know they've been doing some  
5 work on this. And, Tom, would you please just bring  
6 us up to date on what is happening there, because I  
7 thought it was a done deal.

8 MR. WALLACE: Well, after the last -- for about  
9 the past ten years we've been asking the State Board  
10 of Administration to consider --

11 GOVERNOR CRIST: I can't hear you. Can you  
12 speak a little closer?

13 MR. WALLACE: I'm sorry. Yes, sir. Over  
14 probably the last ten years, since I've been the  
15 executive director, we've actually been asking the  
16 State Board of Administration to assist us in the  
17 investment of our assets.

18 And in the past there hasn't been resistance.  
19 It just hasn't been an item of serious consideration  
20 on both parts because it mandated different things.

21 Coleman, on his behalf, came to us in February  
22 and offered those services to us. And our chairman  
23 and I, we met with Coleman and went through the  
24 details of it and presented it to our board at the  
25 March board meeting, as an option in the future to



1 consider if in fact it resulted in lower fees and  
2 better returns. I mean, there's two parts of that  
3 equation.

4 At the time we presented it, we didn't have the  
5 detail -- a detailed analysis to determine if in  
6 fact for every portfolio we manage there would be a  
7 cost savings to the budget, as CFO Sink has  
8 suggested.

9 And, in fact, in our fixed income segment, we  
10 actually use what we call a customized benchmark,  
11 and we do an enhanced immunization strategy. And  
12 most of our money is in fixed income. About 89  
13 percent of our dollars are invested in fixed income  
14 managers, and we pay about four basis points, four  
15 and a half basis points, the fee on that.

16 That strategy is not currently utilized by the  
17 SBA. So one of our board members, when we presented  
18 this proposal to the Board in March, was very  
19 concerned about if we abandoned or if something  
20 should impact the immunization strategy -- which  
21 what it does, it tries to match your assets with  
22 your liabilities.

23 So once we immunize our assets, no matter what  
24 happens in the market, we know from an investment  
25 side there will be sufficient funds in the trust

1 fund to pay those bills when that child goes to  
2 college. Our only risk at that point is tuition  
3 inflation, which we all know the issues related to  
4 unanticipated tuition increases that may impact our  
5 trust fund.

6 So through the immunization strategy, we have  
7 protected the assets. And that's why today we  
8 actually enjoy an actuarial reserve in our trust  
9 fund of \$586 million, which represents 9.6 percent  
10 of our liabilities.

11 So one of our board members was just concerned  
12 that to move the money immediately, when they don't  
13 use that strategy, they wanted to make sure -- they  
14 wanted us to do our due diligence, basically.

15 So they deferred the decision, asked staff to  
16 get with the SBA, present it back within nine  
17 months. So if it takes legislation, we can submit a  
18 legislative package, or if we could just do it under  
19 current statutes, we can go ahead and move forward  
20 with that process.

21 CFO SINK: Governor, just -- so they will be  
22 coming back and reevaluating this. Is that what  
23 you're saying?

24 MR. WALLACE: Yes, ma'am.

25 CFO SINK: And we'll do this separately, but

1           you said we're paying four and a half basis points  
2           to manage 80 percent of the portfolio?

3           MR. WALLACE: Eighty-nine percent.

4           CFO SINK: Well, something doesn't compute here  
5           to me. And we'll get this worked out. But four and  
6           a half million in --

7           GOVERNOR CRIST: I think we're experiencing  
8           some construction somewhere in the building. We'll  
9           follow up with you later. Thank you very much.  
10          Yes, the budget is approved.

11          ATTORNEY GENERAL McCOLLUM: The budget is  
12          approved then, right, Governor?

13          GOVERNOR CRIST: It is. That's correct. But I  
14          would echo the sentiments of the CFO and I'm sure  
15          the General. That immunization talk was very  
16          interesting, but if we can save \$4 million -- is  
17          that what the fee is annually?

18          MR. WALLACE: No.

19          GOVERNOR CRIST: What is it? What is the fee  
20          annually?

21          MR. WALLACE: The total fees we are paying is  
22          four and a half million, as CFO Sink --

23          GOVERNOR CRIST: For advice that could be  
24          shifted over?

25          MR. WALLACE: No.

1 GOVERNOR CRIST: No?

2 MR. WALLACE: For the actual fee for actively  
3 investing those dollars, that is the management fee.  
4 For example, we have --

5 GOVERNOR CRIST: Who do you pay that to, Tom?

6 MR. WALLACE: We have five vendors that we  
7 contract with. We had two fixed income managers,  
8 who we paid -- one we paid 4.2 basis points.

9 GOVERNOR CRIST: May I ask you something --

10 MR. WALLACE: Yes, sir.

11 GOVERNOR CRIST: -- please? If Coleman  
12 undertakes that duty, how much would it cost to do  
13 that?

14 MR. WALLACE: That's the due diligence we need  
15 to do. Currently --

16 GOVERNOR CRIST: Coleman, can you tell me how  
17 much you would charge him to do it? I'll do a  
18 little due diligence of my own.

19 MR. STIPANOVICH: I can't tell you off the top  
20 of my head. But what we did, we were looking at the  
21 active management part of the assets. The  
22 immunization part of the assets is really not where  
23 we were focused because of various reasons.

24 But we did do some analysis in terms of the  
25 active equity management part of it, which I think

1 is about ten percent. So that's where we were  
2 focused, was doing that. There was not -- I think  
3 in terms of the immunization program, Tom is right.  
4 It is something --

5 GOVERNOR CRIST: Why don't we stick where you  
6 are considering, though, and how much does that cost  
7 the taxpayers currently, if you know?

8 MR. WALLACE: The equity segment costs us \$2.1  
9 million in management fees. And I would guess that  
10 under Coleman's leadership -- we have an example.  
11 We just moved our large cap value portfolio to the  
12 SBA on a temporary basis. We were paying 25 basis  
13 points to manage that account, or we were paying a  
14 vendor 25 basis points.

15 Coleman, under his negotiation with his  
16 vendors, is going to charge us 15 basis points. So  
17 there's a 40 percent savings on one portfolio that  
18 we can potentially see in the other three that we  
19 have in the equity segment, which is about 11  
20 percent of our total assets under management.

21 GOVERNOR CRIST: And why is it we wouldn't want  
22 to go ahead and do that and why do we have to wait  
23 nine months to figure out that that might be a good  
24 idea?

25 MR. WALLACE: I don't believe that -- our Board

1 didn't have a concern on the equity side. The  
2 question will be, when it was presented, we were  
3 presenting the entire trust fund, the entire  
4 portfolio to them, and there was some confusion in  
5 the presentation.

6 And we need to get back to -- I have to get  
7 back to our board. They've directed us to get with  
8 Coleman, do that due diligence on those other equity  
9 ones, bring it back to them for consideration.

10 And then if it's determined we need a  
11 legislative fix, we'll submit legislation. If we  
12 can do it within the existing statute, which I --  
13 we're hoping we can, it can be accomplished a lot  
14 sooner.

15 GOVERNOR CRIST: I bet you probably can. I  
16 think smart management probably would not require a  
17 legislative change. Would it? Maybe it would.  
18 Well, we've got a special session coming up.

19 MR. WALLACE: Under our statute, our board  
20 requires us to use Chapter 287, competitive bid, for  
21 all our investment services. And this would be a  
22 sole source to the State Board of Administration.  
23 And we're hoping we can use a portion of the statute  
24 that says you can contract with other state agencies  
25 and get around that.

1           MR. STIPANOVICH: Governor, it would require,  
2 ideally, a legislative change, and we drafted that  
3 legislation.

4           GOVERNOR CRIST: When?

5           MR. STIPANOVICH: During the session. And  
6 that's what went before their board, was the  
7 approval, requesting approval of --

8           GOVERNOR CRIST: So it was good to go and they  
9 decided not to.

10          MR. STIPANOVICH: Sir?

11          GOVERNOR CRIST: It was ready to go and they  
12 decided not to go forward? You had it during the  
13 session? It could have been done?

14          MR. WALLACE: It could have been submitted as  
15 an amendment, that's correct. And they've asked,  
16 because of the fixed -- it was submitted as a total  
17 package, including the fixed income.

18                 And the vice-chairman was very concerned about,  
19 since our program is one of the only ones in the  
20 country that has a positive actuarial reserve, if we  
21 were to make an immediate change before we did the  
22 due diligence, as fiduciaries, they were just --  
23 they didn't say no. They just wanted to get the  
24 information, before they made that change, what the  
25 impact on the trust fund would be in the future.

1           GOVERNOR CRIST:  Could you get me the names of  
2 the Board?

3           MR. WALLACE:  Yes, sir.

4           GOVERNOR CRIST:  Thanks.  Thank you very much.  
5 I think we're done.

6           (Whereupon, the proceeding was concluded at  
7 11:05 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA )

COUNTY OF LEON )

I, Jo Langston, Registered Professional Reporter, do hereby certify that the foregoing pages 5 through 56, both inclusive, comprise a true and correct transcript of the proceeding; that said proceeding was taken by me stenographically and transcribed by me as it now appears; that I am not a relative or employee or attorney or counsel of the parties, or a relative or employee of such attorney or counsel, nor am I interested in this proceeding or its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of June, 2007.

\_\_\_\_\_

JO LANGSTON

Registered Professional Reporter