

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

Representing:

DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
DEPARTMENT OF REVENUE
DEPARTMENT OF VETERANS AFFAIRS
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
FLORIDA DEPARTMENT OF LAW ENFORCEMENT
FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
BOARD OF TRUSTEES OF THE 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 Wednesday, November 14, 2007,
commencing at approximately 9:08 a.m.

Reported by:

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Registered Professional Reporter
Registered Florida 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

* * *

I N D E X

	PAGE
ELECTIONS CANVASSING COMMISSION MEETING	6
2008 CABINET SCHEDULE	8

DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
1	Approved	11
2	Approved	11
3	Approved	12
4	Approved	12

FINANCIAL SERVICES COMMISSION, FINANCIAL REGULATION
(Presented by DON SAXON)

ITEM	ACTION	PAGE
1	Approved	15
2	Approved	16

FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
(Presented by KEVIN McCARTY)

ITEM	ACTION	PAGE
1	Approved	17
2	Approved	17
3	Approved	18
4	Approved	18
5	Approved	19
6	Approved	21
7	Withdrawn	21
8	Approved	22
9	Approved	22
10	Approved	23
11	Approved	23
12	Approved	32

INDEX CONTINUED

DEPARTMENT OF REVENUE
(Presented by LISA ECHEVERRI)

ITEM	ACTION	PAGE
1	Approved	35
2	Withdrawn	35
3	Approved	36
4	Approved	36

DEPARTMENT OF VETERANS AFFAIRS
(Presented by LEROY COLLINS)

ITEM	ACTION	PAGE
1	Approved	37
2	Approved	37
3	Approved	37
4	Approved	38
5	Approved	38

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
(Presented by ELECTRA BUSTLE)

ITEM	ACTION	PAGE
1	Approved	45
2	Approved	45
3	Approved	47
4	Approved	55
5	(Informational)	56

FLORIDA DEPARTMENT OF LAW ENFORCEMENT
(Presented by JERRY BAILEY)

ITEM	ACTION	PAGE
1	Approved	57
3	Approved	62
2	Approved	62
4	Approved	63
5	Approved	64

INDEX CONTINUED

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION
(Presented by GLADYS PEREZ)

ITEM	ACTION	PAGE
1	Approved	65
2	Approved	65

BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
(Presented by MIKE SOLE)

ITEM	ACTION	PAGE
1	Approved	67
2	Approved	69
3	Approved	70
4	Withdrawn	74
5	Withdrawn	75
6	Withdrawn	75

STATE BOARD OF ADMINISTRATION
(Presented by COLEMAN STIPANOVICH)

ITEM	ACTION	PAGE
1	Approved	76
2	Approved	77
3	Approved	77
4	Approved	77
5	Approved	78
6	(Discussion)	78

CERTIFICATE OF REPORTER		99
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P R O C E E D I N G S

(The agenda items commenced at 9:08 a.m.)

MR. BROWNING: Good morning, Governor.

GOVERNOR CRIST: Good morning.

MR. BROWNING: My name is Kurt Browning. I'm Secretary of State for the State of Florida. It's about 9:08 on Wednesday, November 14th -- excuse me. Yes, the 14th, and I need to call the meeting of the Florida Elections Canvassing Commission to order.

For the record, the Elections Canvassing Commission for the 2007 Special General Election for House District 34 consists of the Honorable Charlie Crist, Governor; the Honorable Bill McCollum, Attorney General; and the Honorable Charles Bronson, Commissioner of Agriculture. All members are present in Tallahassee.

The purpose of this meeting is to certify the official returns of the Special General Election for House District 34 held on November 6, 2007, pursuant to Section 102.111, Florida Statutes. The Department of State, Division of Elections, has received and placed before you all of the official returns for the Special General Election.

Accordingly, at this time I would request that

1 a member of this Commission, as the board
2 responsible for certifying the results of this
3 election, make a motion to certify the official
4 returns on file with the Department of State,
5 Division of Elections.

6 ATTORNEY GENERAL McCOLLUM: I so move.

7 MR. BROWNING: Thank you, General.

8 COMMISSIONER BRONSON: Second.

9 MR. BROWNING: Thank you, Commissioner. All
10 in favor say aye.

11 (Simultaneous affirmative responses.)

12 MR. BROWNING: All opposed?

13 Thank you. The motion carries.

14 Before you, I think, are the certificates. I
15 think we're going to start with the General. There
16 are the certificates right there coming to you. If
17 you will sign those, we'll pick them up on the
18 other end.

19 In the interest of time, is there any other
20 business to come before the Commission?

21 COMMISSIONER BRONSON: None.

22 MR. BROWNING: If not, we will adjourn. Thank
23 you so much for your time.

24 GOVERNOR CRIST: Thank you. Keep up the good
25 work.

1 (Invocation, Pledge of Allegiance, and
2 Resolutions.)

3 GOVERNOR CRIST: As I mentioned earlier, the
4 Climate Change Workshop beginning at 11:00 a.m.,
5 led by our Chief Financial Officer.

6 And we also have a schedule, 2008 Cabinet
7 schedule. Is there a motion to approve the
8 proposed 2008 Cabinet schedule?

9 COMMISSIONER BRONSON: Motion.

10 CFO SINK: Second.

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

13 Our next Cabinet meeting will be December 4,
14 2007.

15 ATTORNEY GENERAL McCOLLUM: Governor.

16 GOVERNOR CRIST: Our Attorney General has
17 something he wants to present about.

18 ATTORNEY GENERAL McCOLLUM: If I could,
19 Governor. After the Cabinet meeting on the 4th, we
20 plan to have a climate -- not climate. We're doing
21 that today. We plan to have a workshop on drugs
22 and the current state of drugs in our state. And
23 I'm very concerned about it. I know that you are.
24 Colonel Bill James, who is our Director of the
25 Office of Drug Control Policy, is going to be here

1 and make most of that presentation along with some
2 representatives of DEA, I understand, and FDLE.

3 I know that you and I and all of us on the
4 Cabinet are generally aware that we still have a
5 major organized criminal enterprise operation, a
6 whole bunch of them in Florida, on drugs. It's not
7 just the little small samples here and there. And
8 a major source of concern to me, and I know to you,
9 is the drug trafficking issue. So this is a chance
10 for us to get an update and find out what's really
11 going on out there. And I'm looking forward to it,
12 and I hope the Cabinet will be in attendance for
13 that.

14 GOVERNOR CRIST: Absolutely. I want to
15 commend you on that, General. It's such an
16 important issue.

17 You probably don't know this, and there's no
18 reason you should, but when I served in the State
19 Senate, I was able to get an amendment onto a
20 larger bill, really at the recommendation of Newt
21 Gingrich, that would say -- and I'm pretty sure
22 it's the law in Florida now. I'll have to
23 double-check and make sure somebody didn't take it
24 off. You know how that works.

25 ATTORNEY GENERAL McCOLLUM: Oh, I do.

1 GOVERNOR CRIST: But it said that anyone who
2 is found guilty of importing massive amounts of
3 illegal drugs will be subject to the death penalty
4 in our state. And I feel very strongly about the
5 fact that we've got to protect our people and
6 protect our children, and so thank you for
7 presenting this for our next Cabinet meeting.

8 ATTORNEY GENERAL McCOLLUM: We're looking
9 forward to it. Thank you very much for allowing us
10 to do that.

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1 GOVERNOR CRIST: Bond Finance, Ben Watkins.

2 Good morning, Ben.

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

5 Item Number 1 is approval of the minutes of
6 the October 16th meeting.

7 GOVERNOR CRIST: Is there a motion?

8 CFO SINK: Move it.

9 GOVERNOR CRIST: Is there a second?

10 COMMISSIONER BRONSON: Second.

11 GOVERNOR CRIST: Moved and seconded. Show the
12 minutes approved without objection.

13 MR. WATKINS: Item Number 2 is a resolution
14 authorizing the competitive sale of up to
15 \$250 million in Public Education Capital Outlay
16 Bonds for school construction.

17 COMMISSIONER BRONSON: Motion on Item 2.

18 ATTORNEY GENERAL McCOLLUM: Second.

19 CFO SINK: Second.

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

22 MR. WATKINS: Item Number 3 is a resolution
23 authorizing the competitive sale of up to
24 \$250 million in Lottery Revenue Bonds for further
25 funding to reduce class size as required by the

1 State's Constitution.

2 CFO SINK: Move it.

3 ATTORNEY GENERAL McCOLLUM: I move it.

4 CFO SINK: Second.

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

7 MR. WATKINS: And lastly, Item Number 4 is the
8 report of award on the competitive sale of \$200
9 million in Public Education Capital Outlay Bonds.
10 The bonds were awarded to the low bidder at a true
11 interest cost of approximately 4.53 percent.

12 GOVERNOR CRIST: Is there a motion on Item 4?

13 COMMISSIONER BRONSON: Motion on Item 4.

14 CFO SINK: Second.

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

17 CFO SINK: Governor?

18 GOVERNOR CRIST: Yes.

19 CFO SINK: I just want to ask Ben, I notice
20 that we did this issue on October the 18th.

21 MR. WATKINS: Yes, ma'am.

22 CFO SINK: What did you see in terms of the
23 impacts of the turmoil in the credit markets in
24 terms of the pricing of this particular bond, which
25 obviously is very highly rated and good quality?

1 MR. WATKINS: There was no impact from the
2 subprime contagion. At this point in time, the
3 market was very strong, and we got very aggressive
4 bids on this.

5 Since that point in time, and from time to
6 time, there's noise in the market around events
7 related to subprime exposure. And there's no
8 direct impact on the State in terms of our
9 borrowing costs, but the latest rumor that has had
10 an impact on the municipal market in general, not
11 specifically related to the State, is how the
12 subprime impact is affecting the bond insurers, who
13 in many cases insure our bonds when it's
14 cost-effective to do so. So that's the latest
15 noise related to subprime that has had an impact on
16 the municipal market in general, but has not
17 adversely affected our ability to borrow at
18 effective interest rates.

19 CFO SINK: Well, I was thinking that -- kind
20 of almost just the opposite, that there seems to be
21 -- it's like the quality, actually. I thought
22 maybe that we would have achieved maybe a more
23 attractive interest rate from our point of view, a
24 lower interest rate, because of the fact that so
25 many investors are moving out of some of the more

1 risky investments. But you didn't --

2 MR. WATKINS: Intuitively that's what you
3 would expect, but we have not seen money flows into
4 the municipal market as a result of the subprime
5 contagion. Like Treasuries, for example, as a safe
6 haven, where a lot of money has been put to work as
7 a risk-free investment to avoid the problems
8 associated with subprime, we have not seen the same
9 dynamic in the municipal market.

10 CFO SINK: Well, would you keep us posted
11 about the impact, potential impact of the bond
12 insurers, because I know we have insurance on a
13 number of our bonds.

14 MR. WATKINS: Yes, ma'am. I'll be happy to do
15 that.

16 CFO SINK: Thank you.

17 GOVERNOR CRIST: Thank you, Ben. Thank you,
18 CFO.

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

3 MR. SAXON: Good morning, Governor and members
4 of the Cabinet. I have two items today.

5 The Office is requesting approval to file for
6 final adoption amendments to Chapter 69V-160,
7 Florida Administrative Code, relating to the
8 licensing and regulation of consumer finance
9 companies. In particular, these rules deal with
10 electronic filings, changes of control, and renewal
11 of applications.

12 ATTORNEY GENERAL McCOLLUM: So move.

13 COMMISSIONER BRONSON: Second.

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

16 MR. SAXON: Item Number 2, the Office is
17 requesting to file for final adoption amendments to
18 Rule Chapters 60V-50, 69V-60, 69V-70, 69V-80, and
19 69V-85, Florida Administrative Code. These rules
20 relate to the licensing and regulation of retail
21 installment sellers. Again, these rules deal with
22 electronic filings, changes of control, and renewal
23 of applications.

24 COMMISSIONER BRONSON: Motion on Item 2.

25 CFO SINK: Second.

1 GOVERNOR CRIST: Moved and seconded. Show it
2 approved without objection. Don, thank you very
3 much.

4 MR. SAXON: Thank you.

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1 GOVERNOR CRIST: Office of Insurance
2 Regulation, Commissioner McCarty.

3 MR. McCARTY: Good morning, Governor and
4 members of the Commission. The first agenda item
5 is the approval of the September 19th and October
6 16th meeting minutes.

7 COMMISSIONER BRONSON: Motion on Item 1.

8 CFO SINK: Second.

9 ATTORNEY GENERAL McCOLLUM: Second.

10 GOVERNOR CRIST: Moved and seconded. Show it
11 approved.

12 MR. McCARTY: Agenda Item Number 2 is approval
13 to adopt amendments to Rule 690-149, which provides
14 for maximum medical trend for those insurance
15 companies who do not have enough data on their own
16 to provide for development of their own medical
17 trend.

18 GOVERNOR CRIST: Is there a motion on 2?

19 CFO SINK: Move it.

20 ATTORNEY GENERAL McCOLLUM: Second.

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

23 MR. McCARTY: Agenda Item Number 2 (sic) is to
24 adopt amendments to the rule concerning preferred
25 mortality tables. These are mortality tables that

1 have been adopted by the National Association of
2 Insurance Commissioners Advisory Group as well as
3 by the National Society of Actuaries. They provide
4 for more refined evaluation of reserves.

5 GOVERNOR CRIST: Is there a motion on Item 3?

6 COMMISSIONER BRONSON: Motion on Item 3.

7 CFO SINK: Second.

8 ATTORNEY GENERAL McCOLLUM: Second.

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

11 MR. McCARTY: Next, Agenda Item Number 4 is
12 amendments to update to reflect the National
13 Association of Insurance Commissioners' changes to
14 the national reserve model and provide various
15 insurance with guidance on how to apply those to
16 product lines.

17 COMMISSIONER BRONSON: Motion on Item 4.

18 CFO SINK: Second.

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

21 MR. McCARTY: Item Number 5 is adoption of
22 amendments to the rule. This proposed amendment
23 adopts the standards established by the National
24 Association of Insurance Commissioners with respect
25 to accelerated death benefits for life insurance

1 policies. These are the standards that have been
2 adopted by the compact. While Florida is not a
3 compacting state, in the interest of uniformity, we
4 would move adoption of the same standards as
5 established by the NAIC.

6 ATTORNEY GENERAL McCOLLUM: I move Item 5.

7 COMMISSIONER BRONSON: Second.

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

10 MR. McCARTY: Agenda Item Number 6 is adoption
11 of a Junior Lien Title. This rule establishes the
12 rules for insurance companies, for title insurance
13 companies to use junior loan insurances and
14 establishes a rate for those for either a second
15 mortgage or a home equity loan.

16 ATTORNEY GENERAL McCOLLUM: Kevin, I've got a
17 question on that.

18 MR. McCARTY: Yes, sir.

19 ATTORNEY GENERAL McCOLLUM: Florida's -- the
20 Lawyers Title Guaranty Company sent letters to all
21 of us -- I know I got one addressed to the Governor
22 and copies to me -- asking about this and
23 suggesting that the amount of the premium you've
24 got in here, 87 cents or 86 cents or whatever, was
25 the lowest possible premium, and they were

1 complaining about that. I would just like you to
2 explain to us how this was arrived at and what
3 their objections might be. I have not talked to
4 anybody. I just got the letter, and I'm curious.

5 MR. McCARTY: Well, first of all, this is a
6 proposal we made a few years ago, and it was
7 withdrawn then because we did have objections. The
8 objections that were made at that time was that the
9 rate that we had suggested was too high.

10 Subsequently, the proponent of the junior loan
11 program is the one that's suggesting this rate. So
12 it's important to note that this is not a -- while
13 you establish and promulgate a rate for both the
14 junior loan as well as the primary title insurance,
15 you can file for a variance. So they can file for
16 a variance if they believe this rate is inadequate
17 for them to produce that product.

18 ATTORNEY GENERAL McCOLLUM: Thank you.

19 GOVERNOR CRIST: Low rate.

20 MR. McCARTY: And incidentally, we did have an
21 actuarial study, and this was in the range of
22 reasonableness of that actuarial study.

23 GOVERNOR CRIST: Very good.

24 CFO SINK: Move it.

25 GOVERNOR CRIST: Is there a second?

1 COMMISSIONER BRONSON: I'll second it.

2 GOVERNOR CRIST: Thank you, Chairman -- I mean
3 Commissioner. Moved and seconded. Show it
4 approved without objection.

5 Item 7 I'm seeing is withdrawn?

6 MR. McCARTY: We're requesting to withdraw
7 Agenda Item Number 7. We received some comments,
8 and in consideration, we would like to withdraw
9 this.

10 GOVERNOR CRIST: Is there a motion to
11 withdraw?

12 CFO SINK: I move it.

13 COMMISSIONER BRONSON: Second.

14 GOVERNOR CRIST: Moved and seconded. Show
15 Item 7 withdrawn without objection.

16 MR. McCARTY: Agenda Item 8 concerns
17 disclosures by viatical companies concerning the
18 expenses. This new rule provides for a statement
19 of disclosure so that the viatical company must
20 disclose to the viator the amount of money being
21 sent to viatical settlement brokers as well as
22 providers.

23 ATTORNEY GENERAL McCOLLUM: So move.

24 COMMISSIONER BRONSON: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

1 approved without objection.

2 MR. McCARTY: Agenda Item 9 establishes
3 standards for the health rate filings. The
4 proposed amendments requires the pooling of cancer
5 claims for preventing of death spirals and
6 increasing costs to policyholders, prohibits
7 insurance companies from purposely charging
8 excessive rates, and lastly, clarifies the
9 standards for rate certification, setting forth
10 steps and what must be included in a rate
11 certification.

12 CFO SINK: Move it.

13 ATTORNEY GENERAL McCOLLUM: Second.

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

16 MR. McCARTY: Agenda Item Number 9 is a
17 request for permission of the Commission for a
18 study to be done by the National Council of
19 Compensation Insurance. The Office in conjunction
20 the Department of Financial Services has developed
21 a request for proposal, and on an annual -- every
22 other year, the Office is required to do an
23 examination of the Council, and we have received
24 several proposals and request that Oliver Wyman be
25 awarded this contract. This contract is valued at

1 65,000.

2 The previous contract was done two years ago,
3 and that cost was \$78,000. It was paid for out of
4 the Workers' Comp Trust Fund and is required by the
5 Florida Statutes.

6 GOVERNOR CRIST: Is there a motion?

7 CFO SINK: Move it.

8 COMMISSIONER BRONSON: Second.

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

11 MR. McCARTY: Agenda Item Number 11, according
12 to House Bill 13C, which was passed during our
13 Special Session, the Financial Services Commission
14 must adopt by rule certification of eligibility to
15 be issued by insurers to health insurance providers
16 for the purpose of certifying that they meet the
17 requirements of Florida law.

18 ATTORNEY GENERAL McCOLLUM: I move it.

19 COMMISSIONER BRONSON: Second.

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

22 MR. McCARTY: And lastly, Governor, Agenda
23 Item Number 12 is the approval of Citizens Property
24 Insurance plan of operations. Under Florida law,
25 Citizens Insurance Corporation must adopt a plan of

1 operation that's approved by the Financial Services
2 Commission. This was initially done in February in
3 2006. Since that time, however, the Senate had --
4 the Legislature enacted Senate Bill 2498, which
5 required amendments to the plan.

6 With your permission, Governor, I would like
7 to introduce the Executive Director of Citizens
8 Property Insurance Corporation, Suzanne Murphy, to
9 describe the changes to the plan of operation.

10 GOVERNOR CRIST: Certainly. Good morning,
11 Suzanne.

12 MR. McCARTY: Ms. Murphy.

13 MS. MURPHY: Commissioner, thank you. Great
14 to see you.

15 Governor and members of the Commission, I'm
16 actually the Executive Vice President of Citizens.
17 I don't want to usurp the title of my superior.

18 We come before you today to request approval
19 of amendments to our plan of operation. These
20 amendments, as the Commissioner noted, are
21 necessary to bring us into compliance with current
22 law. No changes to the plan are being proposed
23 other than to ensure statutory consistency. We
24 have provided a summary of the changes. If you
25 would like, I can describe those changes. What's

1 your pleasure?

2 GOVERNOR CRIST: Why not?

3 MS. MURPHY: I'm sorry?

4 GOVERNOR CRIST: Please do.

5 MS. MURPHY: I'll be happy to. The amendments
6 are to various sections of the plan.

7 Section 2 is amended to include the statutory
8 statement that Citizens is a governmental entity
9 and not a private insurance company.

10 Section 8 is amended to change the eligible
11 premium comparison figure from 25 percent to
12 15 percent. It is also changed to add language
13 that allows an individual to remain with Citizens
14 until the expiration of the assumption period. It
15 adds language detailing the manner in which
16 coverages are deemed to be comparable and removes
17 the reference to a 10-day waiting period, which was
18 previously in our statute, but was stricken.

19 Section 16 is amended to make it clear that
20 the calculation of future regular assessments will
21 be reduced by the estimated policyholder surcharge
22 to be collected from Citizens policyholders.

23 And Section 23 is amended to state that
24 immunity is available as provided by law.

25 These amendments have been approved by the

1 Citizens Board of Governors, and we ask that the
2 Commission approve them as well. I'll be happy to
3 answer any questions.

4 GOVERNOR CRIST: Any questions?

5 CFO SINK: Yes.

6 GOVERNOR CRIST: CFO.

7 CFO SINK: Suzanne, would you just go back and
8 review the change on the assessments, what it was
9 before and what it is now?

10 MS. MURPHY: The law was changed in Senate
11 Bill 1980 to provide that Citizens would reduce the
12 amount of regular assessment by the amount that it
13 estimates it will collect from its own
14 policyholders. You'll remember there are various
15 levels of assessments, starting with the
16 non-homestead policyholders, then Citizens
17 policyholders, and then a regular assessment. And
18 the intent seems to be that before a regular
19 assessment is levied on non-Citizens policyholders,
20 that assessments be collected from non-homestead
21 policyholders and Citizens policyholders. The
22 non-homestead policyholder assessment is immediate.
23 The Citizens policyholder surcharge follows that --

24 CFO SINK: Go back. So the first thing you do
25 is go to the non-homestead, and what's the maximum

1 amount of that assessment?

2 MS. MURPHY: Ten percent.

3 CFO SINK: So you would charge 10 percent to
4 that -- to the non-homesteader?

5 MS. MURPHY: Yes.

6 CFO SINK: For however much money that adds up
7 to.

8 MS. MURPHY: Correct. And if --

9 CFO SINK: And then step 2 is?

10 MS. MURPHY: If the non-homestead policyholder
11 surcharge is insufficient to cure the deficit, the
12 next step is to estimate what a Citizens
13 policyholder surcharge, again, up to 10 percent of
14 premium, would generate. And if that is not enough
15 to cure --

16 CFO SINK: Wait, wait, wait. Now, slow down.

17 MS. MURPHY: All right.

18 CFO SINK: So that's step 2.

19 MS. MURPHY: Yes.

20 CFO SINK: Does that incorporate going back to
21 the initial non-homestead policyholders?

22 MS. MURPHY: It does.

23 CFO SINK: So at this point, if I own a second
24 home somewhere, I'm up to 20 percent. I just want
25 to get this clear in my mind.

1 MS. MURPHY: Yes.

2 CFO SINK: Okay.

3 MS. MURPHY: Assuming that we only have a
4 deficit in one account.

5 CFO SINK: Right. Yes, I know. You don't
6 have to -- we ought to remember.

7 MS. MURPHY: Okay. Yes, that's correct.

8 CFO SINK: We'll be here all day long if you
9 explain all that.

10 GOVERNOR CRIST: I love insurance.

11 CFO SINK: Yeah, don't we all. Okay.

12 MS. MURPHY: And the amendment provides that
13 we estimate the amount of the Citizens policyholder
14 surcharge, to essentially credit that against the
15 regular assessment if one is necessary.

16 CFO SINK: So then step 3 is, after you do
17 step 1 and step 2, if there's still a deficit left,
18 then that's when you go to every policyholder in
19 the state, whether it's commercial --

20 MS. MURPHY: Correct.

21 CFO SINK: -- or residential, and then you
22 apply an assessment. Is that again -- is the limit
23 up to 10 percent?

24 MS. MURPHY: Yes.

25 CFO SINK: And when you make the assessment on

1 every policyholder, then do you also fold back in
2 the Citizens -- the people who were already
3 assessed in step 1 and step 2?

4 MS. MURPHY: Yes.

5 CFO SINK: So the second home owner, somebody
6 who owns a beach condo or something like that,
7 actually is subject three times to be assessed?

8 MS. MURPHY: Yes.

9 CFO SINK: Okay. I just wanted us to get that
10 straight in our mind.

11 COMMISSIONER BRONSON: I've got a question on
12 this.

13 GOVERNOR CRIST: Commissioner.

14 COMMISSIONER BRONSON: I'm trying to follow
15 this one through. There's a lot of people getting
16 a chance to play heavy in this assessment program.
17 But if I own -- if I'm getting homestead on my
18 home, I own a second home and put a family member
19 who needs help into that home and it's in my name,
20 I cannot claim a homestead for that family member
21 because the house is in my name and not theirs.
22 And therefore, I'm paying -- I'm not only having to
23 take care of my family member so that the State and
24 Federal Government doesn't have to care of them,
25 but I'm footing that bill and then paying more

1 money.

2 Are there any provisions whatsoever in this
3 program that would help those who are taking care
4 of family members not to have to pay such a high
5 additional percentage because you own a second home
6 without homestead exemption?

7 MS. MURPHY: I need to clarify that the
8 definition of homestead for purposes of assessment
9 is not the same definition as homestead for
10 purposes of taxation. But the short answer to your
11 question, I believe, is that there's no provision
12 in our definition of what is a non-homestead or a
13 homestead property to actually address that
14 situation.

15 COMMISSIONER BRONSON: Well, Governor, I would
16 like to recommend that we take a look at that,
17 because there's going to be a number of people who
18 are taking care of elderly family members who have
19 a second home and will put them in that second
20 home.

21 You know, whether you take it out of one
22 pocket and put it into another one, or however this
23 is going to work out, I think there needs to be at
24 least some consideration for those people who are
25 taking care of loved ones and paying all that extra

1 cost, not to have to pay a higher premium just
2 because they have a second home.

3 CFO SINK: Governor, that's probably going to
4 be a legislative change.

5 GOVERNOR CRIST: It is, yes.

6 MS. MURPHY: I think, if I may --

7 CFO SINK: What does that mean? What does
8 that --

9 COMMISSIONER BRONSON: Well, I'm bringing that
10 up, because I happen to know a lot of people
11 personally that are taking care of family members
12 themselves because they have the ability to do it.
13 But I don't -- I just don't think it would be fair
14 to hit them even stronger while they're taking on
15 more financial burden.

16 MS. MURPHY: If I may, there's already, I
17 think, legislative interest to review whether or
18 not it is feasible or appropriate to have homestead
19 and non-homestead designations for assessment
20 purposes. In other words, there's some
21 consideration about whether or not that distinction
22 should even exist for assessment purposes.

23 GOVERNOR CRIST: Thank you.

24 CFO SINK: Where are we? Did we --

25 MR. McCARTY: We have reviewed the changes and

1 find them to comport with Florida law and would
2 recommend adoption of the changes to the plan of
3 operation as presented by Ms. Murphy.

4 GOVERNOR CRIST: Is there a motion on Item 12?

5 CFO SINK: I move it.

6 ATTORNEY GENERAL McCOLLUM: Second.

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

9 COMMISSIONER BRONSON: Governor, one other
10 thing.

11 GOVERNOR CRIST: Commissioner, of course.

12 COMMISSIONER BRONSON: Not on this issue, but
13 I want to go back to Item 6, since I did second
14 that motion for the 85 cents on the junior loan
15 issue. If I could, could we have Kevin watch this
16 very closely?

17 I think another issue I'm concerned about is
18 whether we have -- people may drop out of offering
19 those loans, and therefore, people who need a
20 second loan may not be able to get one for some of
21 the same reasons, taking care of family members or
22 whatever the reason may be. I don't want to
23 totally lose our market on this issue if people are
24 leaving and they're left basically without being
25 able to get one or limited as to who's going to

1 compete for that market. So if we could, just keep
2 up with that and come back if there's major
3 changes.

4 MR. McCARTY: We certainly will. I just
5 wanted to add that the rate that was being proposed
6 is the rate of the company who made the
7 application. That was what they proposed to
8 charge, the rate. And we substantiated that with
9 our own independent analysis by Milliman that it's
10 within the range of reasonableness, and a company
11 can file for a variance from your rule if you're
12 concerned about it.

13 But this is not a consumer purchased product.
14 This is by banks, large commercial institutions,
15 financial institutions that are promoting home
16 equity loans, so it's generally in their interest
17 to provide doing that.

18 GOVERNOR CRIST: Thank you.

19 MR. McCARTY: And I would like to congratulate
20 you, Governor, on your recent appointment of your
21 policy director. That was a loss to the Office of
22 Insurance Regulation, but it's nice to know he's
23 going to continue to serve the people of Florida.

24 GOVERNOR CRIST: I didn't mean to steal him,
25 but --

1 MR. McCARTY: It's a credit to our
2 organization that our talent is now being put to
3 work for you, Governor, and we're very pleased with
4 his promotion.

5 GOVERNOR CRIST: I'll tell, the job that
6 you're doing is extraordinary, Commissioner, and we
7 really appreciate it, and keep fighting for the
8 people.

9 MR. McCARTY: Thank you, sir.

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1 GOVERNOR CRIST: Revenue. Good morning, Lisa.

2 MS. ECHEVERRI: Good morning.

3 GOVERNOR CRIST: How have you been?

4 MS. ECHEVERRI: Good. Thank you.

5 Item 1, we request approval of the minutes
6 from the October 16, 2007 meeting.

7 ATTORNEY GENERAL McCOLLUM: So move.

8 GOVERNOR CRIST: Is there a second?

9 CFO SINK: Second.

10 GOVERNOR CRIST: Moved and seconded. Without
11 objection, show the minutes approved.

12 MS. ECHEVERRI: Item 2 is with respect to our
13 industrial machinery and equipment rule. We are
14 actually requesting withdrawal of this item from
15 consideration. We discovered yesterday that it was
16 not properly noticed, so we will bring it back to
17 you with proper notice to the citizens.

18 GOVERNOR CRIST: Great. Motion to withdraw?

19 CFO SINK: Move withdrawal.

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it
22 withdrawn.

23 MS. ECHEVERRI: Item 3 requests approval of
24 our rules related to our insurance premium tax
25 database and our communications services tax

1 database. These databases were put in place in
2 order for taxes to be sitused, both collected and
3 distributed to local jurisdictions. These rules
4 just implement procedures for the updating and use
5 of those databases.

6 ATTORNEY GENERAL McCOLLUM: I move it.

7 COMMISSIONER BRONSON: Second.

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

10 MS. ECHEVERRI: Item 4, we request approval of
11 numerous updates to rules. Some of these rules are
12 actually repeals related to statutory changes that
13 have been made. Most of the rule revisions,
14 though, are just updates to our public use forms
15 for our various taxes.

16 GOVERNOR CRIST: Is there a motion on Item 4?

17 CFO SINK: Move it.

18 ATTORNEY GENERAL McCOLLUM: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it
20 approved without objection. Lisa, thank you very
21 much.

22 MS. ECHEVERRI: Thank you.

1 GOVERNOR CRIST: Veterans, Admiral LeRoy
2 Collins, Jr. Good morning, Admiral.

3 MR. COLLINS: Good morning, sir. Governor and
4 members of the Cabinet, the Florida Department of
5 Veterans Affairs has five items for consideration.
6 Items 1 and 2 are the minutes of the June 12th and
7 October 2nd Cabinet meetings.

8 COMMISSIONER BRONSON: Motion on Items 1 and
9 2.

10 GOVERNOR CRIST: Is there a second?

11 CFO SINK: Second.

12 GOVERNOR CRIST: Moved and seconded. Show
13 them approved without objection.

14 MR. COLLINS: Item 3 is our quarterly report
15 for the first quarter of this fiscal year.

16 GOVERNOR CRIST: Is there a -- go ahead.

17 COMMISSIONER BRONSON: Motion on Item 3.

18 GOVERNOR CRIST: Is there a second?

19 CFO SINK: Second.

20 GOVERNOR CRIST: Moved and seconded. Show the
21 quarterly report accepted.

22 MR. COLLINS: Item 4 is our proposed
23 legislative package for the 2008 session. These
24 items have been briefed at the staff level and with
25 each Cabinet officer. And in the case of you,

1 Governor, I met with Ms. Gleason.

2 GOVERNOR CRIST: Okay. Good choice.

3 MR. COLLINS: I'll be pleased to cover each
4 one and answer your questions.

5 COMMISSIONER BRONSON: Motion on Item 4.

6 GOVERNOR CRIST: Is there a second?

7 ATTORNEY GENERAL McCOLLUM: Second.

8 GOVERNOR CRIST: Moved and seconded. Show
9 Item 4 accepted.

10 MR. COLLINS: Item 5 is our legislative budget
11 request for the 2008-2009 fiscal year.

12 ATTORNEY GENERAL McCOLLUM: Move it.

13 GOVERNOR CRIST: Is there second?

14 COMMISSIONER BRONSON: Second.

15 GOVERNOR CRIST: Moved and seconded, and
16 adopted without objection. However, I abstain.
17 Florida law requires the Governor to independently
18 submit budget proposals. Accordingly, I am
19 abstaining. That's okay.

20 MR. COLLINS: I didn't hear the last part,
21 sir.

22 GOVERNOR CRIST: I have to abstain because I
23 have to submit a separate budget.

24 MR. COLLINS: I see.

25 GOVERNOR CRIST: But I'm sure it's great,

1 because you proposed it.

2 MR. COLLINS: It is. It's great, sir, just
3 great.

4 GOVERNOR CRIST: Admiral, thank you very much.

5 MR. COLLINS: Thank you, sir.

6 CFO SINK: Governor, let me just ask the
7 Admiral. It's just on my mind, because it has been
8 all over the news, the situation about homelessness
9 among veterans, the report that came out earlier
10 this week that it's estimated that 25 percent of
11 homeless people in our country are veterans.

12 Is this something that the Department of
13 Veterans Affairs here in Florida can be giving some
14 thought to? I know that budgets are always limited
15 and you're really focused on the nursing home
16 services, but I just continue to think that the
17 whole issue of supporting our veterans is so much
18 broader than just this more towards the end of life
19 nursing care. And you've heard me talk about
20 mental health issues, but now this homelessness
21 issue is really stunning.

22 You may have been out of the country,
23 Governor, but 25 percent of homeless people are
24 veterans. It's not really a great way to honor our
25 veterans.

1 MR. COLLINS: Yes, ma'am, I share that concern
2 as well.

3 Item 4 is a tangible example of where we are
4 shifting away from exclusively looking at end of
5 life issues for our veterans to those who are just
6 returning from Operation Iraqi Freedom and Enduring
7 Freedom. It is a serious problem. We have looked
8 around the other agencies of the state government,
9 and they're quite well funded to take care of
10 homeless, and just as soon as we find a homeless
11 situation, we direct them toward those agencies.

12 We think that our DSO that we're requesting
13 here will enable us to have some flexibility in
14 that new dimension. And it is very serious. For
15 instance, one-fourth of the homeless veterans in
16 Florida, in Hillsborough County alone, a lot of
17 that has to do with county policies. For instance,
18 in Sarasota County, we had quite a homeless veteran
19 population there, and Sarasota County started
20 taking action, and so I think they just moved
21 north. So there are serious problems we need to
22 take care of there, and I think the DSO will help
23 us do that.

24 CFO SINK: Well, for myself, I would really
25 like to see you -- you're really well respected and

1 have a huge bully pulpit. As I know you are, but I
2 just wanted to tell you I encourage you to continue
3 to advocate on behalf of our veterans and just use
4 your bully pulpit as much as you can. It's a
5 really --

6 MR. COLLINS: We will do so.

7 CFO SINK: -- important issue.

8 GOVERNOR CRIST: It is. And if I could add, I
9 wanted to share something with you. Yesterday I
10 was in Brevard County, and I had the occasion to
11 visit one of our veterans from Iraq, a young man
12 who had been in a tank that was blown up. He had
13 lost his leg. He has severe difficulties from a
14 brain injury. And you're right, CFO. There's not
15 enough that we can do to help these brave men and
16 women that protect our freedom.

17 ATTORNEY GENERAL McCOLLUM: I have a question
18 if I could, Governor, too. Admiral, as you
19 probably are aware, and I know I am, much of the
20 population of homeless is attributed by the experts
21 to be mental disorders, psychological deficits.
22 And I assume that if the veterans population is a
23 high percentage of those who are homeless, then it
24 must mean that a high percentage of those who are
25 veterans who are homeless are suffering some of the

1 syndromes we read about as well coming back from
2 this war or related to it. And I know you have a
3 concern especially about those type of stress
4 disorders. And we have, of course, nursing homes,
5 and we have assisted living facilities, and the VA
6 has its facilities. What is our capacity in
7 Florida to deal with the mental disorder of a
8 veteran?

9 MR. COLLINS: I think I should add at this
10 stage that the veterans service organizations, of
11 which we have over 20 in the state, have become
12 very active. They actually have vans that go out
13 to these groups and find the homeless, and they try
14 to assist them in finding the help.

15 Of course, the VA helps a lot with the
16 traumatic brain injury and the post-traumatic
17 stress disorders. A lot of that is a delayed
18 occurrence. It's not realized by the families
19 involved until after the principal returns home.
20 They've gone through the hospitalization and the
21 rehabilitation and so forth, and yet even after
22 that, these brain problems emerge. They're
23 creatures of explosions that they've been in close
24 proximity of.

25 So I think we're getting a handle around this.

1 The VA is working, has special groups that are
2 working it, and we are directing people over there
3 so that they can being examined and treated.

4 GOVERNOR CRIST: Thank you very much.

5 MR. COLLINS: I think we've got a handle on
6 it.

7 COMMISSIONER BRONSON: Governor, if I also --

8 GOVERNOR CRIST: Commissioner.

9 COMMISSIONER BRONSON: -- could, this is
10 probably a good time to bring this up, especially
11 with Thanksgiving coming on, that food kitchens,
12 different types of programs, whether it's
13 church-based or civic-based programs, also help
14 this group of veterans that are out there homeless
15 by making food available to them, as well as others
16 that need some food during the year, not just at
17 the holidays, but all year long.

18 And so I would like to make a pitch also for
19 everybody to get involved with helping to raise the
20 amount of food in some of these food pantries all
21 over the State of Florida, because they do become
22 very important, especially in the winter months
23 when everybody needs more calories to fight off
24 that cold weather, especially those that are
25 homeless, and we do have a lot of them in the

1 state. So I make that pitch to donate whatever
2 food you have available for those programs.

3 GOVERNOR CRIST: Great point, Commissioner.
4 Thank you. Anything else, Admiral?

5 MR. COLLINS: Thank you for your interest in
6 veterans.

7 GOVERNOR CRIST: Of course. Thank you.

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1 GOVERNOR CRIST: Highway Safety, Electra
2 Bustle.

3 MS. BUSTLE: Good morning.

4 GOVERNOR CRIST: How are you?

5 MS. BUSTLE: Our first and second agenda items
6 relate to appointments for our Medical Advisory
7 Board. The Board is established by law. It's
8 comprised of volunteers who advise the Department
9 on medical criteria and vision standards related to
10 safe driving. Agenda Item Number 1 is a new
11 appointment of Dr. Lakshmin to the Board.

12 COMMISSIONER BRONSON: Motion on Item 1.

13 ATTORNEY GENERAL McCOLLUM: Second.

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

16 MS. BUSTLE: Item Number 2 is the
17 reappointment of Drs. Shumate and Salvati to the
18 Board. They have been members of the Board since
19 1987 and 1991 respectively.

20 ATTORNEY GENERAL McCOLLUM: I so move.

21 COMMISSIONER BRONSON: Second.

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

24 CFO SINK: Governor?

25 GOVERNOR CRIST: Yes.

1 CFO SINK: I do want to encourage the
2 Commissioner to think about recruiting some female
3 doctors to the panel. I think it would add
4 diversity. My staff pointed this out to me. We
5 have about 12 physicians on this panel. It's a
6 really important advisory group, and I just
7 encourage you the next go-around to see if we can't
8 find some female doctors to participate.

9 MS. BUSTLE: That's an excellent point. Thank
10 you.

11 GOVERNOR CRIST: Absolutely. You know, I
12 appointed a female to be the director.

13 CFO SINK: Yes, I do.

14 MS. BUSTLE: It should be on my mind.

15 GOVERNOR CRIST: I'm sure it is.

16 CFO SINK: And she's doing a great job.

17 GOVERNOR CRIST: Well, my sister is a female
18 doctor.

19 CFO SINK: Well.

20 GOVERNOR CRIST: There you go. No, she's in
21 California.

22 Please go ahead. I'm sorry.

23 MS. BUSTLE: Thank you very much.

24 Our third agenda item is our substantive
25 legislative proposal for the '08 legislative

1 session.

2 GOVERNOR CRIST: Is there a motion to accept?

3 ATTORNEY GENERAL McCOLLUM: I so move.

4 COMMISSIONER BRONSON: Second.

5 GOVERNOR CRIST: Moved and seconded. Show it
6 accepted.

7 CFO SINK: Let me just --

8 GOVERNOR CRIST: Yes, please.

9 CFO SINK: Governor, if I just could ask a
10 question. We're going from four years to eight
11 years, is that correct, for renewal of a driver's
12 license? Just review with us -- when someone
13 passes the age of something, eight years just seems
14 to be a pretty long time, maybe 90.

15 MS. BUSTLE: Just to go back a little bit,
16 right now we have four- and six-year licenses, and
17 they're allowed to be renewed for three times
18 before they actually come into the office. So when
19 you look at that, it's actually at the 18-year mark
20 that they're coming into the office. This actually
21 brings them in at the 16-year mark, so we're in the
22 sort of long term bringing them in sooner than
23 later. And it's in line with the Real ID Act
24 provisions that we expect to come out. So that's
25 how we have proposed that.

1 Now, when someone is 80, they have to come in
2 and take a vision test, and then I'm not sure what
3 the time line is after 80, upon renewal at that
4 point. So at 80 they have to come in, and then it
5 will go through its regular renewal provisions.

6 CFO SINK: Which would be another eight --

7 MS. BUSTLE: Correct. It would be --

8 CFO SINK: Sixteen years?

9 MS. BUSTLE: It would be eight years and then
10 -- yes, 16 to come back into the office. Let me
11 make sure that's correct.

12 CFO SINK: Wow.

13 GOVERNOR CRIST: Would you like to change it?
14 I would urge a little caution.

15 CFO SINK: No. I think it bears looking at
16 the statistics of -- I mean, just continuing to do
17 thorough analysis to look at the statistics of
18 people over the age of 80 who are involved in
19 accidents and what the reasons are, who's at fault.
20 I think it's something that --

21 GOVERNOR CRIST: It's very prudent.

22 CFO SINK: -- should definitely be just
23 re-evaluated, because we may decide we do need to
24 have them come back in before they get to be 96.

25 ATTORNEY GENERAL McCOLLUM: If I might make a

1 comment too.

2 GOVERNOR CRIST: General, please.

3 ATTORNEY GENERAL McCOLLUM: CFO Sink has
4 brought up a couple of very good points. I think
5 this is an expense question more than anything
6 else, I'm sure, for the Department, and savings of
7 dollars.

8 But I have a security concern, and always have
9 had, over the renewal of the driver's licenses
10 being as long as they are in terms of actually
11 coming in, because the photograph gets aged. And
12 the problem I see for security purposes is that
13 somebody changes in their looks, and we've got a
14 card that doesn't look at all like them, and that
15 bothers me a lot. So I just want to go on the
16 record as saying if there's a way in the future,
17 Electra, that we can find a budgetary way to do
18 this to keep the pictures more current on the
19 licenses, I would be more comfortable than 16 or 19
20 years. Thank you.

21 GOVERNOR CRIST: Let me argue for the
22 convenience crowd. I appreciate the chance to be
23 able to extend it, but I think you've done very
24 well, Director, with balancing these very important
25 issues that have been expressed by my colleagues

1 here on the Cabinet, and we appreciate it.

2 MS. BUSTLE: Thank you.

3 GOVERNOR CRIST: You're welcome.

4 COMMISSIONER BRONSON: Governor.

5 GOVERNOR CRIST: Commissioner.

6 COMMISSIONER BRONSON: Although I did second
7 this agenda item, I would like to ask a question on
8 the motor carrier compliance, the out-of-service
9 issue, because we handle a lot of motor carriers as
10 well through our stations.

11 Does this -- I see where there's going to be
12 an automatic -- what you're asking for is to cancel
13 the registration as soon as the out-of-service
14 order comes in. However, what if a motor carrier
15 has extensive work done on their motor carrier that
16 would make it compliant with Florida law again? If
17 you automatically cancel registration without
18 knowing whether they're going to make the repairs
19 to make that vehicle serviceable again, then that's
20 going to put a lot of extra work not only in the
21 Department, but for people have to go back and try
22 to get their registration back on that vehicle. Is
23 there any -- could you tell me how that's going to
24 work?

25 MS. BUSTLE: If I could, what I would like to

1 do is go back to our commercial motor vehicle
2 experts back at the agency. Let me see whether or
3 not that has been contemplated in terms of
4 balancing that interest over the interest of making
5 sure that people are in compliance. And if you
6 don't mind, if we can get back to you on that, but
7 I'll make sure that it has been discussed, and the
8 why or why or not in that discussion.

9 COMMISSIONER BRONSON: Because, I mean, I know
10 people that have taken basically vehicles that
11 would normally be registered out of service by an
12 officer, but it's like having your car repaired
13 after an accident. You can go back and --
14 sometimes you can go back and get these things back
15 in operation and put them back on the road. And it
16 just seems like that's an awful lot of work both
17 for the Department and for the individuals to try
18 to go back and recertify that that vehicle -- of
19 course, it would have to have some type of
20 inspection to make sure that it was reusable. But
21 that seems like a lot of work to automatically
22 cancel, just to have somebody get it ready to go
23 back on the road again.

24 MS. BUSTLE: That sounds absolutely
25 reasonable. It's something we should be

1 considering so that we're not creating more work,
2 we're streamlining it. We'll get back to you on
3 that.

4 GOVERNOR CRIST: Where are we, Electra?

5 MS. BUSTLE: I'm not sure we voted on that
6 particular one.

7 GOVERNOR CRIST: I think we did not.

8 COMMISSIONER BRONSON: Yes. It was -- didn't
9 we? Yes.

10 GOVERNOR CRIST: Let's make sure. Is there a
11 motion?

12 ATTORNEY GENERAL McCOLLUM: I move it.

13 GOVERNOR CRIST: Is there a second?

14 COMMISSIONER BRONSON: Second.

15 GOVERNOR CRIST: Show it approved without
16 objection, maybe twice. No harm.

17 MS. BUSTLE: Thank you. Agenda Item Number 4
18 is our quarterly report from July 1 through
19 September 30, 2007. The report highlights some of
20 the agency's accomplishments during this period and
21 then provides our annual performance standards and
22 where we are standing on a quarterly basis.

23 The only thing that I wanted to point out to
24 you is, you will notice in the report a standard
25 that deals with customer wait times. It's actually

1 an annual calculation standard. Our inspector
2 general goes in there once a year and times the
3 transactions.

4 We know that that has to be continuous. It
5 can't be just a once-a-year standard, so we're
6 doing more than is expected in that performance
7 standard. We've created an in-office survey that
8 we call the ASK! survey. We've collected 72,000 of
9 those surveys since June 2007 and demonstrate that
10 93 percent of our driver's license customers are
11 waiting 30 minutes or less, which is good news.
12 The actual standard is 85 percent. And then
13 50 percent of the customers waiting only 15 minutes
14 or less, and we're at 80 percent there. So our
15 numbers are looking good, and we do have mechanisms
16 that are continuously looking at the wait times,
17 which I know is important to all of you.

18 One of the things that we're requesting --
19 we're piloting the queuing system, General, as you
20 mentioned at the last meeting, and that's an
21 electronic system that's going to time someone from
22 the moment they get into the office until the
23 moment their transaction is done. We also have a
24 legislative budget request to expand that
25 electronic queuing system to some of our high --

1 all of our high volume, larger offices so we can
2 have this continuous feedback to make sure that
3 we're serving our customers to the best. But
4 currently, it's a manual process to try and make
5 sure that we are serving the customers in a
6 reasonable time manner.

7 GOVERNOR CRIST: Great.

8 CFO SINK: Governor.

9 GOVERNOR CRIST: Yes, CFO.

10 CFO SINK: I did notice in part of your report
11 that you reported that 93 percent, according to
12 your records, are insured, 93 percent of Florida's
13 drivers. And I know we're in an interim period
14 right now. Are you continuing -- and by the way,
15 Governor, I think we avoided a major train wreck by
16 your signing the extension of the no-fault laws,
17 because one of the things that I was most concerned
18 about was going into the other system and not
19 having any kind of enforcement provisions at the
20 Department.

21 But what's happening here in this interim
22 period? Are the insurance companies continuing to
23 report, they're not, they're going to start back up
24 again? If you would just give us an update on
25 that.

1 MS. BUSTLE: Sure. I think it was three or
2 four days after the signing, we continued -- the
3 insurance companies are continuing to report. Let
4 me answer that question. And we'll be able to have
5 statistics for you soon. It's too early right now.
6 But really, there was very little downtime in terms
7 the reporting, so we feel comfortable that we'll be
8 able to give you a legitimate statistic of the
9 uninsured rate here when we meet for the next
10 quarter. So, yes, we're still in line and still
11 moving forward.

12 CFO SINK: Thank you.

13 MS. BUSTLE: Sure.

14 GOVERNOR CRIST: So is there a motion?

15 CFO SINK: Oh, I move it.

16 ATTORNEY GENERAL McCOLLUM: Second.

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

19 MS. BUSTLE: Okay. The fifth and last item on
20 our agenda is for informational purposes. It's the
21 fourth of our five specialty license plates
22 approved last session. This plate states, "Trees
23 Are Cool," and supports the Florida Chapter of the
24 International Society of Arboriculture and will be
25 used for education and training in tree care and

1 tree safety.

2 Governor, with your permission, I would like
3 to recognize representatives from the Florida
4 Chapter of the International Society of
5 Arboriculture.

6 GOVERNOR CRIST: Sure.

7 MS. BUSLITE: They're here today.

8 GOVERNOR CRIST: Please do, of course.

9 MS. BUSTLE: Please stand when your name is
10 called. Don Winsett, Specialty License Plate
11 Chairman; Norm Easey, ISA Executive Director; David
12 Reilly, board member; and Ron Litts, board member.

13 GOVERNOR CRIST: Gentlemen, good to see you.
14 Thank you.

15 Maybe this is out of order, but do you mind if
16 we get a picture with the cool looking plate? Is
17 that all right?

18 (Pictures taken.)

19 GOVERNOR CRIST: Good information.

20 MS. BUSTLE: That concludes our agenda items.
21 Thank you very much.

22 GOVERNOR CRIST: Thank you. Appreciate it,
23 Electra.

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1 GOVERNOR CRIST: FDLE, Jerry Bailey, Agency
2 One. How are you, Commissioner?

3 MR. BAILEY: I'm doing well, thank you. Good
4 morning.

5 GOVERNOR CRIST: Good morning, sir.

6 MR. BAILEY: Our first item is the minutes of
7 the August 14 Cabinet meeting.

8 COMMISSIONER BRONSON: Motion on item 1.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MR. BAILEY: Item 2 is our performance report
13 for the first quarter and purchases over 100,000.
14 If I may, I would like to share several significant
15 accomplishments with you for that first quarter.

16 During this quarter alone, our DNA database
17 team processed 29,000 DNA samples for the database.
18 Now, that's in the face of an annual standard of
19 36,000, so you can see we're making great progress
20 there. To date, we have 420,000 profiles in that
21 database, and we have aided in 7,000
22 investigations. We lead the nation in both size of
23 the database and the number of investigations that
24 we have played a part in because of that database.
25 We continue to cut into laboratory backlogs.

1 Turnaround time has improved and continues to
2 improve in each and every discipline in our
3 laboratories.

4 Our Miami office arrested 14 individuals on
5 charges of defrauding our state of \$4.2 million
6 with electronic food stamp cards. We've
7 participated in a nationwide fugitive apprehension
8 program, where in Florida we arrested 300
9 individuals, many of which were violent criminals.
10 We participated with the Department of Corrections
11 to revise the basic recruit training program for
12 new probation officers. And our South Florida
13 Money Laundering Task Force seized \$4 million
14 during this period. We took \$4 million worth of
15 drug money off the streets in Dade and Broward
16 County. And agents with our Tampa Bay center
17 arrested an individual for the 1998 shooting and
18 murder of the Haines City police officer,
19 Christopher Horner.

20 May I answer any questions on our first
21 quarter progress?

22 GOVERNOR CRIST: Any questions?

23 ATTORNEY GENERAL McCOLLUM: I just want to
24 comment that I'm really pleased with the overall
25 progress that you're making, especially with regard

1 to the labs, Commissioner.

2 I do want to comment that I still get some
3 criticism. I'm sure you do as well. Most of that
4 concerns sample sizes. I've had some police chiefs
5 and sheriffs say that there's a restriction, I
6 think, in some of your labs on how many samples
7 from a particular crime scene they can have
8 adjusted, and I think that there's also concern
9 expressed that, I believe, there's a restriction on
10 taking DNA samples for misdemeanor cases.

11 And so while we're making progress -- I know
12 you are trying to do it within a budget, and it
13 does present some problems, but -- if you want to
14 comment on either one of those, you're welcome to,
15 but my overall comment is that I'm real pleased,
16 and I know you're making real progress on this lab
17 backlog.

18 MR. BAILEY: I would like to comment on that.
19 We've worked very closely with both the Sheriffs
20 Association and the Florida Chiefs of Police
21 Association just on that issue. It has been
22 intentional. We have limited it as to what's
23 coming in the door both on the number of samples --
24 what we're looking at is the best quality to give
25 the Department and the State Attorneys what they

1 need to prosecute. And with the -- I'm sure you're
2 speaking of our reluctance to no longer accept
3 misdemeanor marijuana cases, and that's simply a
4 case of priorities. When we have violent crimes,
5 murders, sex crimes, and frauds, we feel that
6 misdemeanor marijuana pales to those other cases.
7 While we would like to be able to work them, we
8 just don't have the resources to do the turnaround
9 that I feel like we're doing and continue to accept
10 everything that they want to bring to the front
11 door.

12 GOVERNOR CRIST: Thank you for explaining
13 that. Thank you, Commissioner. Thank you,
14 General.

15 MR. BAILEY: Item 3 is our fiscal year '08-09
16 legislative budget request. We fully realize that
17 we're probably going to have another lean year, and
18 our request does respect that issue. I think if
19 you've had an opportunity to look, you'll see that
20 it's very conservative. Each priority either
21 continues ongoing projects or is required for the
22 growing needs of city and county law enforcement.

23 Now, you'll see -- I'm taking you back to the
24 crime lab. Our number one priority is the
25 expansion of DNA services. What we've done with

1 the current resources, we've redirected funds and
2 resources, and we have now opened and have ongoing
3 a DNA function in our Fort Myers laboratory.

4 That's six. Our seventh and final laboratory at
5 Daytona Beach, we are asking for the funding, or at
6 least the authorization. We have federal funding
7 available to introduce DNA services to the East
8 Coast. So that's our number one priority, and we
9 would request your support on that, because not
10 only will that bring the service to those agencies
11 on the middle East Coast, but it will also take a
12 lot of pressure off of Orlando and Tampa that are
13 working their cases now. That will be our number
14 one priority.

15 And finally, we are working with the PBA on a
16 proposed pay increase for our sworn law enforcement
17 members. The details of that are not firm, but I
18 will be forwarding a proposal to you on that within
19 the next few weeks.

20 ATTORNEY GENERAL McCOLLUM: I move Item 3.

21 GOVERNOR CRIST: Is there a second?

22 COMMISSIONER BRONSON: Second.

23 GOVERNOR CRIST: Moved and seconded. Any
24 objection?

25 Florida law requires the Governor to

1 independently submit budget proposals.

2 Accordingly, I am abstaining from the vote on this
3 item. Therefore, the record should reflect that
4 this item is approved with one abstention.

5 ATTORNEY GENERAL McCOLLUM: Governor, I don't
6 believe we approved Item 2, and I would move it if
7 we didn't. I don't think we did. That was his
8 report. I started asking questions, and I don't
9 think we moved it.

10 GOVERNOR CRIST: Is there a second?

11 CFO SINK: Second.

12 COMMISSIONER BRONSON: Second.

13 GOVERNOR CRIST: Moved and seconded. Show it
14 approved without objection. Thank you, General.

15 MR. BAILEY: Item 4 is a request for your
16 support on our substantive legislation for the
17 upcoming session. We have two items.

18 The first will continue to bring our state
19 into compliance with the Adam Walsh Child
20 Protection and Safety Act of 2006. What this
21 legislation primarily does is expand sexual
22 offender and sexual predator registration
23 requirements, and it also includes a retroactivity
24 clause that brings in those that were convicted
25 prior to the act should they commit another major

1 felony after the date that this will go into
2 effect.

3 The second is the expansion of our Missing
4 Children Information Clearinghouse. And the
5 primary thing that this does is bring in that group
6 of our citizens that would come under the auspices
7 of the Missing Children Clearinghouse that are
8 between 18 and 25. And the second area, it
9 establishes procedures for obtaining biological or
10 DNA samples for those missing people.

11 GOVERNOR CRIST: Is there a motion?

12 CFO SINK: Move it.

13 ATTORNEY GENERAL McCOLLUM: Second.

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

16 MR. BAILEY: Our final item is a notice of our
17 proposed Rule 11B-27.014. And what this does is
18 bring us where we need to be with the federal
19 legislation that allows retired law enforcement
20 officers to carry concealed weapons throughout the
21 50 states. This will put in place a proficiency
22 examination that will be conducted by law
23 enforcement firearms examiners that are certified
24 by the Criminal Justice Standards and Training
25 Commission.

1 GOVERNOR CRIST: Is there a motion?

2 COMMISSIONER BRONSON: Motion on Item 5.

3 ATTORNEY GENERAL McCOLLUM: Second.

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

6 Commissioner, thank you.

7 MR. BAILEY: Thank you.

8 GOVERNOR CRIST: Appreciate it.

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1 GOVERNOR CRIST: Florida Land and Adjudicatory
2 Commission, Gladys Perez. Hi, Gladys.

3 MS. PEREZ: Hi. How are you?

4 GOVERNOR CRIST: Fine. How are you today?

5 MS. PEREZ: Two items today. We have one,
6 recommended approval of the minutes of the July 31,
7 2007 meeting.

8 GOVERNOR CRIST: Is there a motion on the
9 minutes?

10 CFO SINK: Move it.

11 COMMISSIONER BRONSON: Second.

12 GOVERNOR CRIST: Moved and seconded. Show the
13 minutes approved.

14 MS. PEREZ: Item Number 2, recommend approval
15 of the proposed rule amendment to expand the
16 boundary of the Julington Creek Plantation
17 Community Development District. It's in St. Johns
18 County, and it authorizes the Secretary to file for
19 final rule adoption.

20 CFO SINK: Move it.

21 GOVERNOR CRIST: Moved.

22 COMMISSIONER BRONSON: Second.

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: And seconded. Show it
25 approved without objection.

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MS. PEREZ: Thank you.

GOVERNOR CRIST: Thank you.

1 GOVERNOR CRIST: Board of Trustees, Secretary
2 Sole. Long time no see.

3 MR. SOLE: Long time. Good morning, Governor
4 and Cabinet members.

5 Item Number 1 is Sarasota -- consideration of
6 an option agreement to acquire approximately 3.8
7 acres from Sarasota County Manatee Airport
8 Authority. The option agreement would require also
9 the authority to waive the competitive bid
10 requirement -- there's an existing lease on the
11 property -- and also seeks delegation to the
12 Department to address that existing lease and
13 acquire a new lease. The purchase price is \$4.14
14 million, of which 3,650,000 was appropriated by the
15 Legislature. The remainder will come from New
16 College Foundation.

17 ATTORNEY GENERAL McCOLLUM: So move.

18 COMMISSIONER BRONSON: Second.

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

21 I notice that Senator Robert Johnson is with
22 us. Would you like to say a few words about this
23 thing we just did? It's great to see you, Senator.

24 SENATOR JOHNSON: Governor and members of the
25 Cabinet, this a historic day for New College. I

1 thank you for your vote. I especially want to
2 thank your Cabinet aides for hearing us last week
3 and helping iron out some of the issues. We want
4 to thank the Department of Environmental Protection
5 here for their assistance in this matter. I'll
6 tell you, it's been a four-year odyssey since the
7 Air Force first told us this property was for sale,
8 and we feared it would go into commercial hands and
9 we would have neighbors that we couldn't really
10 tolerate on our campus. So thank you very much.
11 We're here on a very historic and happy day. Thank
12 you.

13 GOVERNOR CRIST: Congratulations, Senator.
14 Thank you.

15 SENATOR JOHNSON: I would like to introduce
16 our president here, Mike Michalson.

17 GOVERNOR CRIST: Mike, you're recognized.

18 SENATOR JOHNSON: Chief Financial Officer John
19 Martin.

20 GOVERNOR CRIST: It's a pleasure.

21 SENATOR JOHNSON: An FSU graduate.

22 GOVERNOR CRIST: Go Noles.

23 SENATOR JOHNSON: Steve Pfeiffer, Florida
24 State, and Hugh McMillan. Thank you.

25 GOVERNOR CRIST: Thank you, Senator. Must be

1 getting close to that big game, aren't we? I think
2 so, pretty close.

3 Mike.

4 MR. SOLE: Yes, sir. Item Number 2 is
5 consideration of authorization to acquire
6 approximately an 89 percent undivided interest in a
7 little over 1.64 -- excuse me, 1,645 acres within
8 the Econ-St. Johns Ecosystem Florida Forever
9 Project. This acquisition is from Lee Ranch. The
10 purchase price is \$14,500,000, and the managing
11 entity will be the Division of Forestry.

12 GOVERNOR CRIST: Is there a motion on Item 2?

13 COMMISSIONER BRONSON: Motion on Item 2.

14 ATTORNEY GENERAL McCOLLUM: Second.

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

17 MR. SOLE: Thank you. Item Number 3 is the
18 consideration of an agreement for sale of
19 approximately .77 acres within the Florida Keys
20 Ecosystem Florida Forever Project. The acquisition
21 will be from Alice Ann Hoglan, and the purchase
22 price is \$323,750, which is 125 percent of approved
23 value, and the property will be managed by the
24 Monroe County Land Authority.

25 GOVERNOR CRIST: Is there a motion on Item 3?

1 COMMISSIONER BRONSON: Motion on Item 3.

2 ATTORNEY GENERAL McCOLLUM: Second.

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

5 MR. SOLE: Thank you. Item Number 4 is our
6 Annual Land Management Review Team findings.

7 CFO SINK: Could I interrupt here for just a
8 minute?

9 GOVERNOR CRIST: CFO, of course.

10 CFO SINK: For Item 4. When I was going
11 through with my staff the Cabinet agenda for today
12 -- and it is extensive because we haven't met in a
13 while, and we're also going to be getting a
14 presentation from the SBA about the status of the
15 holdings in the SBA in light of the recent turmoil
16 in the markets.

17 When we came up on this agenda item, which is
18 new to me, because this is an annual review, and as
19 I understand it, on a rolling basis, we review, I
20 guess, 20 percent of our land holdings, of our big
21 land holdings, 237,000 acres, I started raising a
22 lot of questions and a lot of concerns,
23 Commissioner, about our stewardship and whether or
24 not -- the report basically says we're doing well
25 for the resources we have. Well, I think it

1 demands that we look into what are we giving up
2 because we don't have resources.

3 And the big issue I have is the issue about
4 prescribed burning. It's very much in my mind as a
5 result of the California fires. One of the reasons
6 the California fires raged so heavily and
7 threatened 2,200 homes plus other damage was
8 because there had been suppression of burning, and
9 that's why there was so much fuel that caused these
10 fires to rage.

11 You know, we're living in a time -- we're in
12 another drought right now right here in the
13 Tallahassee area, and it's spreading down from
14 Georgia. And I was just -- I went back and
15 determined, and it was confirmed by Mike, that this
16 is not a time -- this is not something that we have
17 to do today. I just wanted to ask the other
18 Cabinet members if you would be willing to delay
19 the discussion of this very important topic to the
20 next meeting when we're not going to have such a
21 full agenda.

22 COMMISSIONER BRONSON: I have no objection.
23 However, Governor, I would like to also recommend
24 that we make this maybe an extended discussion that
25 goes for all lands owned by the State, the total

1 management package, and some agreements that could
2 be looked at. And there are some proposals
3 legislatively that have been out there for quite a
4 while that would help in some of those management
5 agreements with the people who are leasing and so
6 forth on these properties that would actually do a
7 better job of overall management, because that's
8 why we're buying them in the first place, they were
9 managed pretty well by the people who had them, as
10 to maybe how we can work out some management
11 agreements with individuals in the state that would
12 even lower the cost possibly, the state's cost of
13 having to do management.

14 I think it needs to be a full package
15 discussion on the whole issue. I'm willing to -- I
16 certainly am, because we've got a member who wants
17 to delay this to do that, but I think I would like
18 also for you to consider that this be a bigger
19 overall discussion on how we manage and how we take
20 care of state lands that we acquire.

21 GOVERNOR CRIST: Sounds great. We can do
22 that.

23 MR. SOLE: Absolutely.

24 CFO SINK: Governor, I might propose that
25 Commissioner Bronson take the lead for us and --

1 GOVERNOR CRIST: I was going to suggest you.

2 CFO SINK: -- work on building --

3 GOVERNOR CRIST: I was just kidding. Why
4 don't the two of you do it? I think that would be
5 good.

6 COMMISSIONER BRONSON: I mean, I think we all
7 ought to be involved in it.

8 CFO SINK: Well, we will.

9 GOVERNOR CRIST: We're going to go to your
10 extended meeting. That will be involvement, I can
11 assure you. No, I think that's very good, though.
12 I mean, if the two of you are willing, I think if
13 you could sort of organize it with the Secretary,
14 that would be very helpful.

15 CFO SINK: Thank you.

16 GOVERNOR CRIST: It is done. Okay? So we'll
17 talk about it next week.

18 CFO SINK: Do we need to --

19 MR. SOLE: Is there a motion?

20 CFO SINK: I'm going to move --

21 GOVERNOR CRIST: Why don't you move it?

22 CFO SINK: I'm moving that we withdraw this
23 item from the agenda. Did I get it right?

24 GOVERNOR CRIST: Yes, you did. Is there a
25 second?

1 COMMISSIONER BRONSON: Second.

2 GOVERNOR CRIST: And that it be set for the
3 next --

4 CFO SINK: Yes, or --

5 MR. SOLE: Defer.

6 GOVERNOR CRIST: That's fine.

7 CFO SINK: Just withdraw it. I think that we
8 need to think about it.

9 COMMISSIONER BRONSON: Governor, it could be
10 that this may need -- because of the complexity and
11 how much it's going to take to set this up, maybe
12 it needs to be more than just December 4th.

13 CFO SINK: I agree.

14 COMMISSIONER BRONSON: We may need to set it
15 off maybe even further.

16 GOVERNOR CRIST: Maybe December 4th is part
17 one.

18 COMMISSIONER BRONSON: Okay. That will be
19 fine.

20 GOVERNOR CRIST: Okay. That's your motion?

21 CFO SINK: Sure.

22 GOVERNOR CRIST: Second? Is there a second?

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: Moved and seconded. Without
25 objection.

1 MR. SOLE: Thank you.

2 GOVERNOR CRIST: Easy.

3 MR. SOLE: That was easy.

4 Item Number 5, the Department is requesting to
5 withdraw this item at this time.

6 GOVERNOR CRIST: So move.

7 COMMISSIONER BRONSON: Second.

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

10 MR. SOLE: Item Number 6, we request
11 withdrawal of this item as well.

12 GOVERNOR CRIST: Is there a motion to
13 withdraw?

14 COMMISSIONER BRONSON: Motion on Item 6.

15 CFO SINK: Second.

16 GOVERNOR CRIST: Moved and seconded. Show it
17 withdrawn without objection.

18 Secretary, thank for your good work very much.

19 MR. SOLE: Thank you.

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1 GOVERNOR CRIST: State Board of
2 Administration, Coleman Stipanovich. Good morning,
3 Coleman. How are you?

4 MR. STIPANOVICH: I'm doing very well,
5 Governor. Thank you very much.

6 GOVERNOR CRIST: You have the floor.

7 MR. STIPANOVICH: Good mornings, members.

8 Governor and members, Item Agenda Item Number
9 1 is a request for approval of the minutes of the
10 October 16, 2007 meeting.

11 GOVERNOR CRIST: Is there a motion on the
12 minutes?

13 CFO SINK: Move it.

14 GOVERNOR CRIST: Is there a second?

15 ATTORNEY GENERAL McCOLLUM: Second.

16 GOVERNOR CRIST: Moved and seconded. Show the
17 minutes approved without objection.

18 MR. STIPANOVICH: Item Number 2 is a request
19 for approval of a fiscal sufficiency of an amount
20 not exceeding 250 million State of Florida, Full
21 Faith and Credit, State Board of Education Public
22 Education Capital Outlay Bonds.

23 ATTORNEY GENERAL McCOLLUM: So moved.

24 CFO SINK: Second.

25 GOVERNOR CRIST: Moved and seconded. Show

1 Item 2 approved without objection.

2 MR. STIPANOVICH: Item 3 is a request for
3 approval of a fiscal sufficiency of an amount not
4 exceeding 250 million State of Florida, State Board
5 of Education Lottery Revenue Bonds.

6 CFO SINK: Move it.

7 ATTORNEY GENERAL McCOLLUM: Second.

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

10 MR. STIPANOVICH: Item 4 is a request for
11 approval of a fiscal determination of an amount not
12 exceeding 8,645,000 tax-exempt Florida Housing
13 Finance Corporation Multifamily Mortgage Revenue
14 Bonds.

15 ATTORNEY GENERAL McCOLLUM: Move it.

16 CFO SINK: Second.

17 GOVERNOR CRIST: Moved and seconded. Show
18 Item 4 approved without objection.

19 MR. STIPANOVICH: Item 5 is a request for
20 approval of a fiscal determination of an amount not
21 exceeding 4,500,000 state -- excuse me, tax-exempt
22 Florida Housing Finance Corporation Multifamily
23 Mortgage Revenue Bonds.

24 CFO SINK: Move it.

25 ATTORNEY GENERAL McCOLLUM: Second.

1 GOVERNOR CRIST: Moved and seconded. Show
2 Item 5 approved without objection.

3 MR. STIPANOVICH: The last agenda item is a
4 response to concerns and questions about the SBA's
5 direct or indirect risk exposures to the pension
6 and non-pension plan assets.

7 Under Tab 6 in your backup material, I have
8 provided you a report on this agenda item as
9 recently requested by CFO Sink. The report lays
10 out the current risk exposures and our monitoring
11 activities that have taken place over the last
12 several months due to the collapse of the subprime
13 residential market and the spillover effects. If
14 you look at charts 2 and 3 on page 5, you can see a
15 breakdown of assets under management, to give you a
16 perspective.

17 Over the past several months, we've provided
18 you with updates and had conversations with certain
19 members of your staff on this significant event.
20 Since late June, the SBA investment staff has
21 participated in over a couple hundred meetings with
22 our investment managers and consultants, and this
23 does not include unscheduled phone calls. The
24 central topic of discussion in these meetings and
25 phone calls, of course, have been about the risk

1 related to the subprime mortgages and the possible
2 contagion effects. We have also performed several
3 concentrated internal reviews of our risk
4 exposures.

5 In an attempt to put this event into proper
6 perspective, if you'll take a look on page 3 of the
7 report, you'll see that I provided you with
8 numerous examples of major events that have
9 occurred since the 1980s due to the normal ebb and
10 flow of global economic and financial forces. In
11 spite of these major events over the past two and a
12 half decades, the SBA's investments have held up
13 well, as evidenced by our highest funded status of
14 large pension funds in the nation. Even though
15 past performance, we know, is not a guarantee of
16 future performance, the SBA's investments continue
17 to perform well compared to our benchmarks in an
18 extremely volatile environment.

19 I read this morning in the *New York Times*
20 about people being lined up at the drug store,
21 investors getting neck braces, and that's kind of
22 the market we've been in.

23 GOVERNOR CRIST: What was that?

24 MR. STIPANOVICH: Lined up at the drug stores
25 buying neck braces because they're getting whiplash

1 because the market is so volatile. Kind of a comic
2 thing.

3 GOVERNOR CRIST: Got it.

4 MR. STIPANOVICH: To that point, I want to
5 briefly summarize the report that you have before
6 you today, and I would like to do it in two parts,
7 which is consistent with CFO Sink's request.

8 First, the pension plan, which, of course, as
9 you all know, but for the people listening, we
10 manage \$188 billion, and 137 billion of that is the
11 pension plan, so naturally we would have exposures
12 under these circumstances in the pension plan.

13 As a result of your action back in May when
14 you approved the revised defined benefit investment
15 policy, the pension plan is well diversified and
16 defensively positioned with respect to the primary
17 risks emanating from the collapse of the subprime
18 residential mortgage markets. Most notably, the
19 revised investment policy lowered our risk by
20 13 percent, so that was a very good decision that
21 we made in terms of making changes to our asset
22 allocation policy. So that's probably the most
23 defensive thing that we've done under these
24 circumstances, but that's a long-term position.

25 As you can also see on chart 6 on page 9 of

1 the report, you can see that the asset classes,
2 which constitute 63 percent of the pension plan,
3 are underweight the subprime sensitive industry
4 sectors that are most negatively impacted by the
5 spillover effects related to subprime. So we have
6 an underweight to these sectors versus our
7 benchmark, which is a defensive position. These
8 five sectors, which are consumer, discretionary,
9 financials, industries, and materials, are covered
10 by 32 subprime sensitive industries listed in the
11 footnote on page 9 that I provided for you.

12 Similarly, the pension plan's bond investments
13 have a higher quality credit rating than the
14 general market, which you can see on chart 7 on
15 page 10. Our bond portfolios have a market weight
16 to securitized assets, but the SBA can only invest
17 directly in AAA-rated agency mortgage backed by --
18 mortgage-backed securities such as Ginnie Mae,
19 Fannie Mae, and Freddie Mac.

20 Our high-yield asset class is positioned
21 defensively with an underweight to the subprime
22 sensitive sectors. Also note the credit quality
23 ratings of the high-yield portfolio on chart 8 on
24 page 10.

25 Importantly, chart 9 on page 11 illustrates

1 the pension's investment performance has not been
2 materially impacted. For the trailing 12 months
3 ending September 30th, 2007, we are beating our
4 benchmark by 23 basis points. Preliminary data
5 through October indicates that the public market
6 asset classes again are keeping pace with our
7 market benchmarks.

8 The second thing I want to talk about is the
9 short-term fixed income investment program. That
10 program is a \$50 billion program. That's kind of
11 the balance between when you back out the \$137
12 billion pension plan, and that's where we have the
13 additional 35 mandates that we manage the \$50
14 billion under.

15 The SBA's bond and money market investments
16 have maintained high overall credit ratings, but
17 there has been disappointment, and the only
18 disappointment that we've been dealing with is the
19 credit downgrades impacting several short-term
20 portfolios that amount to 4.7 percent of that 50
21 billion. Chart 11 on page 13 of the report shows
22 the SBA short-term composite holdings by credit
23 rating. Chart 14 on page 15 shows our holdings
24 that have been downgraded below the initial
25 purchase guidelines. We purchase only first tier

1 securities, A1/P1, and the downgraded holdings
2 total about \$2.28 billion. They've been reviewed
3 by our investment committee, and the portfolio
4 manager has been given approval to continue to hold
5 these securities.

6 As part of our fiduciary oversight, we have
7 participated in restructuring negotiations with two
8 of the downgraded asset-backed commercial paper
9 issuers to ensure that the collateral is held in
10 trust to pay principal and interest on these loans.
11 We anticipate working out of these positions over
12 the next six to nine months, but in the meantime,
13 we are collecting principal and interest on our own
14 collateral. We've collected 22 million since June,
15 which is predominantly high quality AAA-rated
16 securities.

17 Governor and members, in summary, we are very
18 focused on the risk exposures to the pension plan
19 and the short-term fixed income investment program
20 assets. In the short-term fixed income
21 investments, our current risk exposures are
22 primarily in the asset-backed commercial paper.
23 Within the next two weeks, our exposure is expected
24 to drop to about 20 percent. By the end of the
25 year or next month, it is expected to drop between

1 10 and 15 percent. Most importantly, I want to
2 emphasize that no client has ever lost money in the
3 SBA's short-term fixed income investment program,
4 and we remain confident that our portfolios in this
5 program will meet their objectives.

6 Finally, while the financial markets are
7 likely to continue to be volatile and challenging,
8 I remain confident that our overall investments
9 will continue to perform well in the long term.
10 I'm also confident that we will learn from our
11 experience as investment professionals and use it
12 to help us continue our investment programs.

13 Governor and members, that concludes the
14 presentation, and I'll be happy to answer any
15 questions.

16 CFO SINK: Coleman, what -- as a result of
17 going through the process of this review, what have
18 we learned that you may do differently the next
19 go-around? I mean, you're always learning in any
20 kind of market upheaval.

21 MR. STIPANOVICH: Excellent question, and a
22 question you would expect. And, of course, it is a
23 learning process, as I said in my closing remarks.
24 You know, we have been through a number of these
25 events since 2000. You know, we had that bear

1 market that we had to deal with that was probably
2 the worst bear market since the Great Depression.
3 You know, the large cap stocks dropped 50 percent.
4 Small cap dropped 75 percent. Our pension fund
5 went from about 114 billion to 75 billion, and then
6 in the last five years we've recovered. We had the
7 highest value, going from 75 billion back to 137
8 billion. So, you know, this will come and pass.

9 But, CFO Sink, what we've learned is -- and
10 one thing that we are doing that I want to mention
11 is, we're looking at possibly getting an S&P
12 rating, and so we've been in the process of
13 reviewing their guidelines against our guidelines.

14 So I think procedurally and in practice,
15 there's some things that we could do better in
16 terms of documentation when investment committees
17 meet and what it is that we talk about and the
18 actions that we take and the directions that we
19 give, better documentation and formalizing it more
20 than it is today.

21 I think we need to pay closer attention to our
22 exposures, in terms of exposures across the various
23 mandates and where the concentrations may be. So
24 that's always something that you learn from. I
25 hate to use this word in the same breath as this

1 event, because there's no comparison, but, you
2 know, that was true with Enron, where we learned
3 from that investment in terms of overconcentration.
4 That's why I allude to kind of the comparative
5 benchmarks, and that's where we're underweight
6 certain things.

7 Of course, you know, hindsight, 20-20
8 hindsight is a wonderful thing, and I'll be the
9 first to admit, we certainly are not perfect.
10 There were a lot of people on Wall Street -- you
11 were in New York and visited with a lot of smart
12 people, a lot of great firms, and there just aren't
13 many people that avoided this. That's not to make
14 excuses. We have our share of exposure. But it's
15 exposure and better procedures and processes.

16 CFO SINK: Good. And the other thing has to
17 do around the Local Government Investment Pool. I
18 was made aware that one or more local governments
19 opted to remove their investments from the pool
20 because they were concerned that it was overly
21 concentrated in corporates and -- would you just
22 give me an update on how many municipalities or
23 local governments or participants in this pool have
24 elected to ask for their money to be liquidated?

25 MR. STIPANOVICH: Yes, ma'am. To put things

1 in perspective, in the Local Government Investment
2 Pool which we've been managing, it's a \$27 billion
3 pool. And the State Board of Administration has
4 been managing this pool since 1982, so we have a
5 very long history of managing this pool, 25 years.
6 And I'll get to the answer to your question here in
7 a second, CFO.

8 What we've done with the pool members is --
9 you all, first of all, it's part of your backup
10 material -- we sent them a newsletter. It was an
11 enhanced newsletter under the circumstances to try
12 to provide information and be transparent and make
13 sure they're informed. We have also called 25 or
14 30 of our largest participants in the pool and had
15 individual phone conversations with them. We
16 certainly have been fielding calls that we
17 received. We had a call with a number of school
18 boards yesterday, 13 or 14 school boards that we
19 set up and had a conference call where we answered
20 their questions. So we're working hard to make
21 sure we're communicating with the participants.

22 To answer your question, I asked staff to look
23 at that, go down in accounting and financial
24 operations and fixed income, and let's take a look
25 and see, you know, if we could ascertain that.

1 I'll tell you there are a lot of rumors flying
2 around. You know, when something like this
3 happens, there are folks who will try to seize on
4 the opportunity, sensationalize the event, and a
5 lot of that have been going on. You know, the
6 State Board of Administration by some are viewed as
7 a competitor in the private sector, because we
8 manage this account for one and a half basis
9 points. That's the cost for managing this account.
10 And there are advisors and others out there who see
11 themselves, and they are in competition in terms
12 of, you know, capturing assets and managing these
13 types of funds. So there has been a piling on
14 effect in terms of making calls and -- and
15 rightfully so, because we do have risk exposures.
16 And, of course, there have been a number of
17 articles written, and so on and so forth.

18 But the number of withdrawals, again, in that
19 same vein, have been exaggerated. For example,
20 there was a rumor -- and I'm not going to name
21 names, but that a large county withdrew \$300
22 million. And what we've been told by that county,
23 that is not true. They said that was a normal cash
24 flow out for this time of year. They didn't
25 withdraw that money because of their concerns.

1 That doesn't mean they didn't have concern, but
2 because of their concerns about the issues in the
3 portfolio.

4 So to answer your question, it's hard to know
5 unless we literally call. And this is something
6 I've asked staff to consider doing, is calling
7 these people. And we did call the large account,
8 and we called a couple of other accounts on cash
9 outflows. But I can tell you, we've had no
10 significant cash outflows, and there has been no
11 large account that has, you know, pulled their
12 money out. But that's not to say -- because we
13 have cash flows, particularly this time year, with
14 local governments. You know, a lot happens, and
15 there will be a lot of cash flows in. Typically
16 November is our highest month in terms of cash
17 flows in.

18 So I know I didn't do a great job in answering
19 your question, and I know you're asking the
20 question because it's a common sense question, and
21 there may be things you've also read, but I'm not
22 aware that there has been any material outflow as a
23 result of this from the Local Government Investment
24 Pool.

25 CFO SINK: I think the SBA is really trying to

1 get on top of the situation, as we have at the
2 Treasury. You know, the Treasury manages about \$20
3 billion, and it's been expensive and time
4 consuming. And we have learned a lot of lessons
5 about certain investments that we were in that we
6 would probably choose not to be in. There's not a
7 lot of transparency in some of these mutual funds,
8 fund of funds. You go back and you ask, "Well,
9 what are the underlying assets," so we can tell
10 whether or not they're -- how risky they are, and
11 they can't tell you.

12 So I think we have -- we've had some learning
13 out of this. It does appear, according to what
14 Coleman says, if we do take any losses, even in
15 marked to market, that they would be de minimis, so
16 that's quite encouraging. But the markets are
17 still really squirrly, as I call them, and we see
18 every week -- I guess Bank of America announced
19 another \$3 billion in write-downs yesterday. We'll
20 see more coming. That's the message I got out of
21 New York.

22 We just need to, as I'm sure you all agree
23 with me, have our folks at the SBA be just very
24 diligent and stay very much on top of our
25 investment managers. I think they're all on notice

1 now that we're paying attention.

2 MR. STIPANOVICH: Yes, ma'am. If I can
3 digress here a moment --

4 GOVERNOR CRIST: I think the General wanted to
5 say something.

6 MR. STIPANOVICH: Oh, I'm sorry, General.

7 ATTORNEY GENERAL McCOLLUM: Go ahead.
8 Respond.

9 MR. STIPANOVICH: Yes, sir. I'm sorry.

10 You touched on something in terms of this
11 being a learning experience. I would say another
12 thing that we learned is probably an over-reliance
13 on the credit rating agencies. You know, I think
14 maybe we got a little complacent about relying too
15 much on the rating agencies. That's been big in
16 the news. So we need to do a better job there in
17 terms of, you know, looking underneath the sheets.

18 ATTORNEY GENERAL McCOLLUM: I've got a couple
19 of points I would like to make or raise with you
20 and see if I'm right about them, Coleman.

21 Number one, it looks to me like direct
22 exposure to subprime mortgages is very limited,
23 period. In the pool, you say you almost have none
24 in the Local Government Pool. It doesn't look in
25 the report like you have a lot -- we have a lot in

1 any of the other investments either. Plus it would
2 appear to me, just from my knowledge of the
3 subject, that while we're all concerned about the
4 subprime and the write-downs, a substantial
5 majority of the subprime loans in this country are
6 still making money. They're still good. Just the
7 fact that they're subprime doesn't mean that they
8 necessarily have gone bad or sour. It's just that
9 20 percent or something like that are a problem.
10 And naturally, that affects the earnings of the
11 larger institutions that wind up holding the
12 collateralized paper, especially where the
13 mortgages are all put together.

14 But our exposure in this regard, it looks like
15 to me, and correct me if I'm wrong, is largely
16 concerned with maybe not earning as much,
17 percentage return, the interest has come down on
18 some of the paper, maybe because of the quality of
19 some of the paper there will be a lower earning
20 capacity out in the future on that paper, that sort
21 of thing, rather than losses as such because you're
22 holding subprime collateralized paper that's going
23 to be worthless or something. Am I not right about
24 that?

25 MR. STIPANOVICH: Yes and no. I want to

1 emphasize that, you know, because we have had a
2 little under 5 percent downgrades in our paper, I
3 view that as very serious. I mean, \$2.2 billion,
4 you know, one could argue that it's not very much
5 in a \$50 billion portfolio, but the nature of these
6 portfolios that are very conservative --

7 ATTORNEY GENERAL McCOLLUM: Well, what's the
8 meaning of a downgrade in practical terms? If a
9 paper is downgraded, does that mean that we're
10 going to earn less on it? It doesn't mean it's
11 worthless.

12 MR. STIPANOVICH: No, it's certainly not
13 worthless, but you do have the potential -- and
14 this is why we're trying to work through these
15 issues. You do have the potential of earning less
16 on it. We're optimistic that that's not the case.
17 We have dug down into these holdings and looked at
18 the collateral, and the collateral looks good to
19 us. The collateral, you know, has a very high
20 rating. It's the --

21 ATTORNEY GENERAL McCOLLUM: Well, that's my
22 point.

23 MR. STIPANOVICH: -- commercial paper that has
24 been downgraded.

25 ATTORNEY GENERAL McCOLLUM: That's my point.

1 I'm just trying to make a point to anybody
2 observing this out there who might not be as
3 sophisticated in the world of finance that this is
4 not the end of the world. You would rather see us
5 have higher ratings than we have on some of the
6 paper that has been downgraded or some of the
7 holdings, but it doesn't mean that we're going to
8 necessarily lose money because of that.

9 MR. STIPANOVICH: General, for the most part,
10 you are correct. I'm just very cautious about --
11 and I know that's not what you're doing, but it is
12 helpful that we -- this has been exaggerated. It
13 has been sensationalized, and you're probably going
14 to see more in print that's, you know, going to be
15 sensational possibly. And depending on how the
16 market -- you know, what happens in the economy and
17 what happens in the housing market and what happens
18 with these financial institutions as they become
19 more transparent and do these write-downs, a lot
20 can happen.

21 So, you know, I'm talking to you at a point in
22 time and looking out. I feel very good about our
23 situation, but we do have some exposure. We're
24 going to -- we're confident we're going to work
25 through that exposure, and things are looking fine.

1 We're not looking at -- it's not like we bought a
2 stock at 100 and it's trading at 20. I mean, we're
3 talking about securities that are being, you know,
4 marked to the market on 95 cents on the dollar, 98
5 cents on the dollar, and that kind of thing, which
6 we think is nonsense. We think the securities are
7 worth more than that, and we're not going to sell
8 them for 98.

9 I can tell you, we're on the other side of
10 that trade. I'll tell you that right now. We're
11 looking for opportunities. So over in private
12 equity and the strategic investment asset class, if
13 people want to have a fire sale and sell good
14 collateral, we're looking for opportunities to go
15 over there and take advantage of this emotional
16 situation. But right now, we're just not in a
17 position as fiduciaries where we're willing to
18 panic and give away good collateral.

19 ATTORNEY GENERAL McCOLLUM: That's what I -- I
20 just wanted to make that point. I thank you for
21 the opportunity.

22 GOVERNOR CRIST: Thank you, General.

23 CFO SINK: Governor, let me just report back
24 to the Board that I had also asked the managers at
25 Citizens that hold billions of dollars in assets

1 invested and the Florida pre-paid fund that has
2 about \$6 billion -- these are assets that are
3 invested in longer term bonds. That money goes to
4 pay the tuition for the students whose parents have
5 bought pre-paid contracts. I did get word back
6 from Tom Wallace, who is the executive at pre-paid,
7 that they had done a pretty thorough analysis
8 earlier in the summer -- of course, a lot of things
9 have changed since then, but they're pretty
10 confident that their portfolios are in very good
11 shape.

12 GOVERNOR CRIST: Great.

13 MR. STIPANOVICH: Governor, members, CFO Sink,
14 on that line of discussion, you know, we manage the
15 Citizens investments. It was a recent event. We
16 took those assets in July. So we're responsible
17 for their investments, and CFO Sink, we're working
18 on -- you know, we've had a number of meetings with
19 Citizens. They've been very good to work with.
20 We've had a tremendous amount of disclosure and
21 discussions. And I will be meeting with you or
22 your office and getting more into that portfolio,
23 because we're responsible for that. They gave us
24 the responsibility to do that. We're on top of
25 that. I just want you to know that we're

1 communicating with them, and I can give you more of
2 a detailed update on that individually.

3 The Florida Hurricane Catastrophe Fund is
4 another fund that you mentioned, CFO, and, of
5 course, we are the Florida Hurricane Catastrophe
6 Fund. It's under the State Board of
7 Administration. And we're very much on top of that
8 as well, and I'll be more than happy to give you a
9 more detailed briefing at that level.

10 CFO SINK: Thank you.

11 GOVERNOR CRIST: I have a question, Coleman.

12 MR. STIPANOVICH: Yes, sir.

13 GOVERNOR CRIST: What are the total assets
14 that you manage?

15 MR. STIPANOVICH: Approximately \$187-1/2
16 billion.

17 GOVERNOR CRIST: \$187-1/2 billion.

18 MR. STIPANOVICH: Yes, sir.

19 GOVERNOR CRIST: Well, you know, we're talking
20 about 2.2 billion here, and to my way of thinking,
21 that's a lot of money, but I also understand the
22 perspective of the totality of what we're dealing
23 with. And I think you've heard our message that
24 we're concerned, but we're also hopeful, and we
25 appreciate your diligence and your hard work. It's

1 always easier to be a Monday morning quarterback.
2 We all know that. But I just want to thank you for
3 your diligence and for your staff's work. And
4 sometimes these things do get blown out and
5 sensationalized, and we have confidence in you.

6 MR. STIPANOVICH: Thank you, Governor.

7 GOVERNOR CRIST: And we thank you very much
8 for your great work.

9 MR. STIPANOVICH: Governor, I know you all are
10 in a hurry. Thank you, Governor, very much. I
11 know you all are in a hurry, but if you would like
12 a two-minute description of what the SBA is for the
13 people listening, I would be more than happy to do
14 that.

15 GOVERNOR CRIST: I think we know.

16 MR. STIPANOVICH: Okay. Thank you very much.

17 GOVERNOR CRIST: Thank you. We're done.

18 (Proceedings concluded at 11:03 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 99 are a true and correct record of the aforesaid proceedings.

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

DATED THIS 28th day of November, 2007.

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