Representing:
STATE BOARD OF ADMINISTRATION
DIVISION OF BOND FINANCE
FINANCIAL SERVICES COMMISSION, OFFICE OF FINANCIAL REGULATION
FINANCIAL SERVICES COMMISSION, OFFICE OF INSURANCE REGULATION
DEPARTMENT OF REVENUE
DEPARTMENT OF VETERANS' AFFAIRS
DEPARTMENT OF LAW ENFORCEMENT
ADMINISTRATION COMMISSION
BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

The above agencies came to be heard before THE FLORIDA CABINET, Honorable Governor Crist presiding, in the Cabinet Meeting Room, LL-03, The Capitol, Tallahassee, Florida, on Tuesday, December 9, 2008, commencing at 9:05 a.m.

Reported by:
JO LANGSTON
Registered Professional Reporter
Notary Public
ACCURATE STENOTYPE REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
(850) 878-2221
APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *


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### STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

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**CERTIFICATE OF REPORTER**  

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GOVERNOR CRIST: Executive director of the Agency for Enterprise Information Technology, we have a vote on that. We have an appointment before us requiring Cabinet approval. I'd like to ask the Cabinet to approve our appointment of David Taylor as Executive Director of the Agency for Enterprise Information Technology.

COMMISSIONER BRONSON: Governor?

GOVERNOR CRIST: Yes, sir, Commissioner.

COMMISSIONER BRONSON: I would like to make the motion to confirm David Taylor as Executive Director of the Agency for Enterprise Information Technology.

GOVERNOR CRIST: Is there a second?

CFO SINK: Second.

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

CFO SINK: Governor, I would like to say --

GOVERNOR CRIST: CFO.

CFO SINK: -- that this is a very important appointment on our part, and of course we've been through almost a year of trying to decide what to do with this position. And I'm just glad that David
agreed to come in as the interim, and I'm very

confident that he's going to be a terrific leader

for our enterprise technology needs in the state.

It's something that we've needed to do for a

long time. And it's not an easy job because he has
to deal with all of us and different agencies and --

GOVERNOR CRIST: We're not that bad, are we?

CFO SINK: Well, it's a lot of coordination

required, and it's going to take a lot of strategic

vision and leadership, and I've just been able to

work with him a little bit more closely over the

past couple of months because he's helping on a few

task forces that we have in our department. And I'm

just so glad that you've agreed to take on the job

in a permanent fashion, David.

GOVERNOR CRIST: Congratulations, David. Would

you like to say a few words?

MR. TAYLOR: Governor, members of the Cabinet.

I just would like to say thank you very much for

this opportunity to serve the citizens of Florida.

I do appreciate it.

GOVERNOR CRIST: Thank you, sir.

Congratulations again.

CFO, did you have something you wanted to

address?
CFO SINK: Yes, I do. Thank you, Governor.

Can I call up to the podium Jimmy Peters and his family. I've just been sitting here enjoying, the past few meetings, these beautiful black and white photographs on exhibit, and they were all taken by a Florida native, Florida homegrown artist, Jimmy Peters, and they're going to be on display until the end of January.

And Jimmy and his family are with us this morning; his wife, Kathy, Jennifer, their daughter, and her friend Pete Walrath, and Jimmy's sister Shirley Taylor and her husband Elmer.

This collection called "Florida Cowboys" captures a way of life that's a significant part of our culture. And I have the -- where is the photograph? I have one specific photograph here called "Cracker Pack." And this was taken on the Strickland Ranch down in Manatee County.

And I have all sorts of notes about Tango, the cowboy dog. And the cows, as Mr. Bronson would instruct us, are all direct descendents of the -- of Ponce De Leon. And this is Renee Strickland on top of the steed.

And, Governor, we know you have something special happening in your life on Friday.
ACCURATE STENO TYPE REPORTERS, INC.
GOVERNOR CRIST: Yes, ma'am.

CFO SINK: And so the Commissioner and I and the Attorney General have pitched in together and purchased this photograph. We can't give it to you, of course. But we are going to -- we've inscribed it, and we're going to give it to the Mansion Foundation for you and Carole to enjoy in your Tallahassee home. So congratulations, and we're really, really happy for you.

GOVERNOR CRIST: Thank you very much.

(Applause)

(Photographs taken)

GOVERNOR CRIST: I want to thank my colleagues on the Cabinet. I always -- I wince when many times wonderful pastors and ministers and rabbis come before us and give us a prayer and they always pray for the Governor and his Cabinet. It's not my Cabinet. They're the people's Cabinet. These are independently elected friends. And, you know, it's an honor to serve on this Cabinet with each and every one of you. I thank you very much for your kindness.

Our next Cabinet meeting is Tuesday, January 13th, 2009. So this is the last one of the year.
GOVERNOR CRIST: State Board of Administration,
Ash Williams. Good morning, Ash.

MR. WILLIAMS: Good morning, good morning.

Item 1 is approval of the minutes from 20 November.

GOVERNOR CRIST: Is there a motion to approve?

CFO SINK: Move it.

GOVERNOR CRIST: Is there a second?

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. WILLIAMS: Item 2 is a fiscal sufficiency
for the Board of Education Lottery Revenue Bonds.

GOVERNOR CRIST: Is there a motion on Item 2?

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. WILLIAMS: Item 3 requests approval of the
October 2008 Local Government Investment Pool
Management Summary Report. A couple of points I
would like to make there. First of all, there were
no material exceptions. Secondly, the Pool A
balance is currently at $6.6 billion. We had a net
$700 million increase in the month of November.

Likewise, Pool B is declining in size. Its
original size was 2.1 billion at amortized cost.
It's currently down to 800 million, as we've continued to distribute interest receipts from Pool B over to Pool A.

And perhaps most importantly, we're very pleased that on the 23rd of December, Pool A will go to full liquidity. This is ahead of schedule. We were targeted to reach full liquidity by 12/31. We'll be there 12/23. Request approval.

ATTORNEY GENERAL McCOLLUM: Move Item 3.
CFO SINK: Second.
GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. WILLIAMS: Thank you. Item 4 is revisions to the Retirement System Investment Policies for both the Defined Benefit and Defined Contribution Plans. By way of background on this, when the Clifton Gunderson external audit was done to review all of the investment policies of the State Board of Administration, one of the findings was there should be an independent review of the investment policies conducted for the benefit of you, the Trustees.

Ennis, Knupp & Associates, a major consultancy based in Chicago, Illinois, was retained for the purpose of that review. They have completed it.
ACCURATE STENOTYPE REPORTERS, INC.
Their recommendations were embraced by the staff at the Board. They were presented to the Investment Advisory Council in a public meeting last Thursday and unanimously adopted.

We have with us this morning Steve Cummings, who is the president and chief executive of Ennis, Knupp, and Kristen Hanto, a senior investment analyst there. And I thought, because of the nature of the independent review that was recommended by the audit, rather than my summarizing their findings to you, better you should hear that straight from the horse's mouth and have the ability to ask any questions you may have directly of Ennis, Knupp, independent of me as staff to the State Board. So if I may, let me introduce Steve Cummings.

MR. CUMMINGS: Thank you, Ash. Good morning, Governor Crist, Cabinet Members.

GOVERNOR CRIST: Good morning.

MR. CUMMINGS: Thank you for inviting me to be with you. My colleague, Kristen Hanto, is sitting in the second row there, and she was the team member that led our work on behalf of the SBA.

In addition to reviewing the policies, the guidelines at the portfolio levels, we also looked at asset class level guidelines and procedures and,
at the end of the day, reviewed over 100 documents
on behalf of the SBA for consistency with not only
best practices but also internal consistency.

Overall, we found the documents to be concise,
comprehensive and indeed consistent with best
practices among institutional investors.

We rendered a written report, as Ash mentioned,
that was discussed with staff. We subsequently made
that presentation to the Investment Advisory Council
last week, answered their questions. And then today
I would like to just highlight for you a few of the
key recommendations for changes that were made in
that report.

If I could ask you to advance two slides, to
recommendations to the Defined Benefit Plan. There
were a couple of key recommendations we made here.
The first was to expand the upper boundary of the
permitted asset allocation to the private equity
asset class from its current maximum of five percent
of the portfolio to seven percent of the portfolio.

The key reason for this recommendation was to
avoid what is often referred to as the adverse
consequences of the denominator effect. As we all
know, the publicly traded equity markets have
experienced significant downdrafts in valuations
over the last several quarters. The private equity asset class has a much more delayed mark to market process.

So by virtue of the publicly traded assets declining in value, the percent of the portfolio represented by private equity increases, not due to appreciation of that asset class, but by virtue of it failing to depreciate the way the marketable securities have.

The adverse consequence of this type of effect is occasionally to force liquidation of these illiquid assets to maintain compliance with policy limits. So as a result, we are recommending that the upper boundary on this asset class be expanded from five percent of the portfolio to seven percent.

The second significant recommendation for change we made in the Defined Benefit Investment Policy Statement was to modify the benchmark for a relatively new component of the program, the strategic investments. Currently the guidelines allow for zero to ten percent of the portfolio to be invested in these assets.

This part of the portfolio is designed to accommodate esoteric, eclectic opportunities that SBA identifies for added value. And by design, it's
going to have a variety of different types of strategies embodied within it.

Currently, the benchmark for this portion of the program is Consumer Price Index plus five percent. To the extent marketable securities find their way into this part of the investment program, as they have historically, there will be very large deviations between the actual performance of the underlying strategies and this inflation-linked benchmark.

So our recommendation was to move the inflation plus five percent to a long-term benchmark and to adopt a more contemporaneous benchmark that is made up of the benchmarks of the underlying investment strategies. And then to be consistent, we're recommending that that change be applied retroactively to the inception of that investment strategy, June 1st of 2007.

The next slide I'm just going to summarize generally. Most of the recommendations we have on the Defined Contribution Plan fall into one of three categories. We suggested the addition of a few details as to what would be done in monitoring these investments.

We suggested a few clarifications in the
language to maintain internal consistency and then
recommended that a few disciplines in terms of the
frequency of review be added formally into the
document.

The other investment programs whose policies we
reviewed on behalf of the SBA also included several
minor administrative recommendations that, in the
interest of time, I'm not going to go over with you
today, but either me or my colleague Kristen would
be happy to answer any questions you might have on
this report or our conclusions.

GOVERNOR CRIST: Any questions?

ATTORNEY GENERAL McCOLLUM: I just -- I don't
know that I have a question so much as the overall
objective of this investment portfolio is a five
percent return plus inflation.

MR. CUMMINGS: That's correct.

ATTORNEY GENERAL McCOLLUM: And my
understanding, from talking to Mr. Williams in the
past and others, is that, of course, with the market
going up and down, this is a long-term objective, by
that meaning multiple years, maybe this is a 10-, 15-year horizon to achieve this, but it's on balance
where we need to be. Is that consistent with your
understanding and what this plan envisions?
MR. CUMMINGS: It is. Indeed, over the long-term, it is the expectation that the program will produce a long-term return that is five percent above inflation.

ATTORNEY GENERAL McCOLLUM: And the five percent that you just described to us with the strategic portfolio would be consistent with that overall objective for all of the portfolios, right?

MR. CUMMINGS: That's correct.

ATTORNEY GENERAL McCOLLUM: Thank you. Thank you, Governor.

GOVERNOR CRIST: CFO?

CFO SINK: Governor, I just have a question. This may be for Ash more. But the comment in here that the executive director is going to review and monitor the fees related to the plan, of course, as we all know, one big item that could really eat away at long-term returns are fees.

So does this suggest that the executive director has not been reviewing the fees, or what has been going on up to now, or what are your plans for the future, I guess, going forward?

MR. WILLIAMS: No, it does not suggest that, CFO. In fact, there has been a structured, formal review of fees to date. There is an outside firm
that's used specifically for looking at the economic
efficiency of how the Board does business, both on
the defined benefit and defined contribution sides.

And I want to say, if not this week, next week
we've got several hours of briefings coming from
this firm doing analysis on exactly where we are.
And I would summarize by saying -- and, Steve,
correct me if I'm wrong here -- I believe that our
fees in aggregate are extremely low, both on the
defined benefit and the defined contribution side.

Your point is exactly correct, that fees are a
certainty. Market performance is not. So to the
extent one can hold down fees, there is a very real
benefit. That is part of the reason that the
majority of our assets are passively managed,
because that is by far and away the cheapest way to
manage assets.

Roughly 80 percent of our U.S. equity exposure
is passively managed, and we do that internally.
We're not paying anyone else to do it. And roughly
60 percent of the aggregate Florida Retirement
System Trust Fund is passively managed. Again,
holds down costs, greatly reduces the possibility of
lagging a benchmark.

CFO SINK: Okay. And one other question, Ash,
which is back to the move that we're making to
increase the private equity percentage. I know that
the reason that we're doing this is so that we -- I
would imagine we're up against the five percent or
we're over the five percent in that particular asset
class, primarily because all the other asset classes
have declined in value.

But I just want to clarify, this is not an
tool attempt to increase holdings in that class
necessarily, or does this stay at the level we are
now in those investments?

MR. WILLIAMS: You are correct. The motivation
for this is to correct the denominator effect, as
Mr. Cummings outlined. Having said that, you may
have read that there are many, many endowments,
foundations and other institutional investors who
are now forced sellers of private equity assets, in
many cases at discounts of 50 cents on the dollar or
more.

Frankly, to the extent we can opportunistically
buy some of those assets that are quality assets at
fire sale prices, it's a wonderful time to do that.
But I want to be very clear. Our purpose here is
not a tactical bet on a material increase in private
equity exposure.
GOVERNOR CRIST: I shared that concern, too, CFO, when I heard you present it, Steve. I mean, you know, I believe in plain language, and a lot of what you said doesn't mean a whole lot to me. And so what I want to know is what the CFO was asking about. Are you recommending that we buy more stock?

MR. CUMMINGS: No, sir. We're recommending that the discipline that is embodied in the policy statement, which is to ensure that the portfolio remains relatively closely invested to the long-term policy target allocations across these asset classes, doesn't result in some adverse action.

And in particular, this particular recommendation is to avoid having the SBA force a sale of illiquid investments, namely, private equity securities, as a result of actions that have occurred in the publicly traded markets, quite apart from the publicly traded securities market.

So it's not to increase the allocation or the long-term target allocations or the long-term objectives of the investment program, but rather to provide some relief from forcing the SBA to do what Mr. Williams just mentioned many large endowments are finding themselves forced to do, which is to offer up these illiquid investments in the secondary
markets, often at very significant discounts to
value because of the current distress in the
markets.

GOVERNOR CRIST: So you're advising that we go
from five percent to seven percent in private
equities. Can you give further definition to what
you mean by private equity?

MR. CUMMINGS: Yes. These are primarily
limited partnership investments and privately held
corporations. So these are businesses that are
seeking to become capitalized from the private
markets as opposed to going to the publicly traded
securities markets.

The program is very well diversified across
multiple industries in the U.S. And I don't know if
we have any of your private equity team here today
to go into more detail about the asset class.

MR. WILLIAMS: We don't. But I'd like to offer
a point of clarification, Governor, if I could. The
change we're making is not a recommendation that we
move to seven percent. What we're doing is simply
giving ourselves headroom --

GOVERNOR CRIST: Maybe I misread it.

MR. WILLIAMS: We're at five percent currently.

GOVERNOR CRIST: That's what it says.
ACCURATE STENOTYPE REPORTERS, INC.
MR. WILLIAMS: We want to move the target to seven --

GOVERNOR CRIST: Okay.

MR. WILLIAMS: -- which gives us the headroom. It doesn't mean we're going to go out and buy additional private equity assets to move to that level. That's not the plan at all.

GOVERNOR CRIST: Okay.

MR. CUMMINGS: I apologize. The target allocation, the point of centrality that the SBA will be managing to is remaining four percent. What we're recommending is that the range at which they must rebalance out of that asset class be expanded from its current maximum of five percent, which is only one percentage point above the long-term target of four, to seven percent, to provide that additional headroom, if you will, for market conditions.

GOVERNOR CRIST: That's all great. My concern and my recommendation as a trustee would be that we not invest in a lot of stock, whatever the percent is. I think as a fiduciary duty, we have an obligation to provide advice, too. And my advice, for whatever it's worth, is that, realizing the state of the market currently and the fluctuations
that exist, you know, further investing in equities, stock, would seem imprudent to me at this time.

I know, Ash, you talked about maybe some were at 50 percent or some notion along those lines in private equities that Steven has talked about. It may be a different kettle of fish.

But if you're talking about stock, even if you're not, I am, and I would not recommend that we increase our investment in the stock market, for whatever that's worth.

CFO SINK: Governor?

GOVERNOR CRIST: And it may relate to a different investment, but I'm concerned about the pension and I'm concerned about my fellow Floridians who work or have worked for the State and count on a lot of that for their existence in their senior years. And I just want us to be prudent, is all I'm advocating. CFO, I'm sorry.

CFO SINK: I just want to say that this whole notion about -- the term "private equities" is really -- is a little bit misleading because when you hear the word "equity," you think of stocks. But actually the way they've evolved the terms is private equity really is an investment in actual companies. It's not a stock investment. It's like
we actually are an -- you know, like a stockholder
in the public market, but we have pieces of
different companies.

And you could make an argument that we're all
concerned about the declining value of our pension
fund in this horrible market time, and we've done
better than most other pensions have, and we're
really fortunate that we started out from a way
overfunded position.

GOVERNOR CRIST: I just want us to stay
fortunate. I agree.

CFO SINK: Yeah. And you could also make an
argument that there are a lot of -- because the
stock market is so depressed right now, now might be
the time to be making strategic investments in
stocks because they've got to be about as low as
they're going to get and we don't want --

GOVERNOR CRIST: From your lips to God's ears.

CFO SINK: We don't want to miss the
opportunity when the market does come back up. So
that's why we have this approved investment policy
and guidelines, and we have to remember that the SBA
is receiving -- I don't know if you have it on the
top of your head, but how much inflows do you
receive every month to be invested from the
employees? I mean, it's got to be tens of millions
of dollars.

MR. WILLIAMS: Flows are actually negative on a
net basis because we pay a lot of benefits out. So,
yes, we do have inflows, but we're also paying
benefits out.

CFO SINK: And we have to figure out where to
put that money to work. And so I think we have --
my advice would be to just continue to go along
within the framework and the structures of the
investment policy and the asset allocations that we
have.

GOVERNOR CRIST: Thank you, CFO. General?

ATTORNEY GENERAL McCOLLUM: I'd just like for
you, Ash, if you could, if you have it on the top of
your head, maybe you don't, to remind us of what we
do have in the stock allocation generally right now.
We reduced it last year, this trustee board did,
before this downturn.

I think it was a prudent thing to have done
that for a host of reasons. Do you have that? It's
like 70 percent or something like, I think,
historically, really low for us, or 80 percent?

MR. WILLIAMS: I'll tell you, yes, just a
moment. Where we are on the current total fund in
domestic equities is -- this is as of yesterday's close -- roughly 42 percent, 42.2 percent, to be precise. Foreign equities would be an additional 16.2 percent.

ATTORNEY GENERAL McCOLLUM: That gives us an idea where we are with that. And I would comment that I think one of the most respected trade publications that follow such things in a very conservative way is Value Line. And I notice that within the past month, I think in October, having been very conservative on their asset allocation in the common stocks, actually increased their allocation by several percentage points in their recommendation to the subscribers.

And I would say that while, with all due respect to the Governor's prudence over here, which I am, too, I think we were prudent last year to cut back, and we would be prudent to watch when the right time is to slightly increase that allocation rather than decrease it.

But obviously that's a choice that you will make and recommend to us, not something I wish to tamper with today.

MR. WILLIAMS: Yes. I think the key here, Trustees, is that we're not recommending increasing
our equity allocation. And I used the term "target" incorrectly earlier. The word I should have used was "boundary," because as Mr. Cummings pointed out, the target is unchanged. What we're altering is the boundary, which avoids forcing moves during the highly volatile period in the market.

I think one of the things that's gotten everyone's attention is the volatility. And I'd like to share a little bit of data with you that will illustrate just how extreme the volatility is that we've seen lately. I saw some analysis yesterday going back to 1950. Since 1950 there have been roughly 15,000 trading days. Of those, only 70 have seen moves in the S&P 500, either up or down, of four percent or more.

Thirty, fully 30 of those 70 days have occurred within the past three months, over 15,000 trading days. That gives you an idea what sort of an extraordinary, extraordinary environment we've been in in the past few months.

So, in that sort of whipsaw environment, one doesn't want to be rebalancing in a slavish manner, a mechanical manner, if you will, simply because you could be pushed by extreme volatility on one day outside of a boundary, rebalance, incur the
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transaction cost, the effort, et cetera. And then
the following day, if the volatility moves the
opposite way, which it does -- and these four
percent moves over these days are roughly evenly
divided between up and down moves. They're not all
one way or the other.

So what we did -- and this is follow-up to CFO
Sink's question at the last meeting. In early
October there was a suspension of rebalancing done.
And the CFO asked me at the last meeting was this a
temporary move or a long-term move. And I said I
would check up and follow up. I've done that. And
what we have done is we have not effected another
rebalance since that time.

What we've been doing for the past two months
is, in the class that we're overweight, which is
fixed income -- and, again, it is the denominator
effect that has gotten us overweight, not an active
bet, but stocks have gone down. So to the extent
that fixed income assets have gone down less, the
proportion of the aggregate portfolio that is fixed
income has increased.

So rather than rebalance, what we have done
thus far is raise roughly $500 million per month out
of fixed income for last month and again this month
to fund benefit payments, to fund capital costs for other investments and to provide us a cash cushion.

What we're currently working on is a plan that I think will allow us to correct a significant part of our, if not all of our underweight to equities, U.S. and foreign, without incurring transaction costs. We're working on the details of that, and I'll be happy to provide you further information at a later date. But we're working on a way to get that exposure corrected.

The reason, Governor, to your point, one might buy equities in this environment would not be that you're making an additional bet on equities, that you're choosing to actively increase your exposure to equities. The reason you might buy equities in this environment is in the context of a portfolio rebalancing.

The reason you do that is the way institutions are managed is we develop what's called an asset allocation that is a mix of various classes of investments that over the long-term, based on the analysis we have done, with Ennis, Knupp's help and others, absolutely minimizes the probability that we will have the shortfall that we're all so concerned about having. And it maximizes the probability we
will have enough or more than enough money to meet
all future benefit payments over the long-term.

   It is this discipline that over the history of
the State Board, going back many, many decades, has
closed the gap between the original underfunded
status of the State Board of Administration and the
Florida Retirement System Trust Fund to the
overfunded status that it achieved earlier and we
want to maintain.

   GOVERNOR CRIST: I understand. Just whenever
somebody comes before us -- and glad to have you
down from Chicago, if that's where you're based --
and starts talking about increasing private equity
or at least it's written on a piece of paper to go
from five to seven percent of our total investment,
you know, equity to many of us means stock.

   And as a prudent public servant, I think that I
have an obligation to share with you that I don't
agree, and that's why I'm here.

   MR. WILLIAMS: Point well taken. Thank you.

   ATTORNEY GENERAL McCOLLUM: I would move the
Item 4 that is before us.

   CFO SINK: Second.

   GOVERNOR CRIST: Show it approved without
objection.
MR. WILLIAMS: Thank you very much.

GOVERNOR CRIST: Executive director update, is that off now?

MR. WILLIAMS: We essentially covered the items that I was going to cover in that update.

GOVERNOR CRIST: Thank you. Happy Holidays to you.

MR. WILLIAMS: Thank you, sir.
GOVERNOR CRIST: Division of Bond Finance, Ben Watkins. Good morning, Ben.

MR. WATKINS: Good morning, Governor --

GOVERNOR CRIST: How are you, sir?

MR. WATKINS: -- Cabinet members. Very well, thank you. Item 1 is approval of the minutes from the November 20th meeting.

COMMISSIONER BRONSON: Motion on Item 1.

CFO SINK: Second.

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

MR. WATKINS: Item 2 is a resolution authorizing the competitive or negotiated sale of up to $300 million in Lottery Revenue Bonds, and this is for the continued funding of the constitutional amendment requiring class size reduction.

GOVERNOR CRIST: Is there a motion on Item 2?

COMMISSIONER BRONSON: Motion on Item 2 for authorization.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. WATKINS: And lastly, Item Number 3 is a report of award on the competitive sale of 36 and a half million dollars of Facilities Management
Revenue Bonds that provided funding for construction of a First District Court of Appeals building out at Southwood. The bonds were awarded to the low bidder at a true interest cost of approximately 5.44 percent.

ATTORNEY GENERAL McCOLLUM: I move Item 3.

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Thank you, Ben.

CFO SINK: Governor, can I ask a question?

GOVERNOR CRIST: CFO. Excuse me.

CFO SINK: It just continues to stun me that we've got tax-free interest rates of 5.43 percent.

Any sign of any relief? That's incredibly -- what would be the taxable equivalent on that?

MR. WATKINS: Six and a half to seven percent.

CFO SINK: Pretty amazing. So I'm presuming the demand for this was probably -- should have been pretty high.

MR. WATKINS: It was -- when I look at it, when I back up and look at it from a macro perspective, I was very pleased to get this transaction done. We've actually gotten two transactions done since the credit markets were frozen starting the second week in September.
Since we got these two transactions done, market conditions have deteriorated. The credit markets continue to be challenged in general, in the municipal market specifically, because of two things. One, the increased supply in many issuers who had delayed transactions and delayed financings wanting to come to market. And, secondly, a lack of institutional demand for buying bonds.

The only real demand for municipal bonds is from retail and individual investors. And it is, I would say, a great investment. We just talked about the volatility in the stock market. This is an opportunity to get a good rate of return, with safety and security as the primary objective.

And so these bonds were primarily distributed through retail. When you get up into the larger size transactions, which we routinely do, 100, 200, 300 million, then it becomes challenging to have enough buyers to generate enough demand to get these kinds of interest rates.

So, although this is a good sale and I'm very pleased to get it done because of the size of the transaction and we got good retail demand, when we get into the larger amounts, issuers are being challenged and having to offer a higher interest
rate in order to attract sufficient demand to get
those transactions done. So it remains very
uncertain going forward.

CFO SINK: And it's very concerning. Excuse me
for interrupting. But it's very concerning because
the ability to issue these bonds all over the
country relates to job creation in many respects.
For instance, this is related to the construction of
the court building out at Southwood.

So there's all this pent-up demand for all
these municipalities. And I have had an opportunity
to talk to a couple of the senators who serve on the
Banking and Finance Committee in Washington. And I
guess I felt positive that they are very aware of
the situation, and I certainly have encouraged them
to look at the ways, either through guarantees or
liquidity programs, that the federal government can
intervene with all these billions of dollars we're
giving to everybody else, so that we can begin to
reissue bonds at more favorable rates and get
projects underway in our states. So I'm very
hopeful. They're certainly aware of the problem.

MR. WATKINS: Thank you very much.

GOVERNOR CRIST: Thank you, Ben.

MR. HAGER: Good morning, Governor and Cabinet.

Since this is the last Cabinet meeting before the holidays, a special holiday wish to you, your staffs and your family from all of us at OFR.

The Office requests approval to file for final adoption with the Department of State amendments to Rule Chapter 69V-560 relating to the money services businesses. The proposed rule implements Senate Bill 2158, which was passed during the 2008 regular legislative session. Senate Bill 2158 was signed into law June 17th and will take effect July 1st, 2009.

The new law enhances the regulatory framework by providing better tools for the detection, referral and prosecution of crimes, such as money laundering and fraud. The proposed rules implement various provisions of the new law, including imposing additional recordkeeping requirements for money services businesses, increasing bonding requirements, requiring compliance with federal anti-money laundering regulations and specifying reimbursement rates for examinations conducted by state examiners and third party contractors.
Request approval.

ATTORNEY GENERAL McCOLLUM: I move --

CFO SINK: Move it.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. HAGER: The next item, the Office requests approval to publish a Notice of Proposed Rule for Rule 69V-560.1000, relating to the disciplinary guidelines for money services businesses. Senate Bill 2158, which was referred to in the first item, requires the Commission to adopt disciplinary guidelines for each ground for which disciplinary action may be imposed by the Office against the money services business. The proposed rule implements this requirement.

CFO SINK: Move it.

COMMISSIONER BRONSON: Second.

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

MR. HAGER: The Office requests approval to publish a Notice of Proposed Rule for Rule 69V-560.1021, relating to the effect of law enforcement records on applications for money services business licensure.
This is a new rule that sets forth the policies of the Office with respect to processing license applications for persons who have been found guilty or who have pled guilty or nolo contendere to certain crimes.

These policies address applications for licensure as money services businesses, which includes money transmitters, payment instrument sellers, foreign currency exchangers, check cashers, and deferred presentment providers. This, in effect, does the same thing for these businesses as we did for the mortgage broker issues back in November.

ATTORNEY GENERAL McCOLLUM: Move Item 3.

COMMISSIONER BRONSON: Second.

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

MR. HAGER: The fourth item, the Office requests approval to file for final adoption with the Department of State amendments to Rule 69W-600.013, .0131 and .0133, relating to securities regulation. The proposed rule prohibits the misleading use of "senior" or "retiree" designations by associated persons, or stock brokers, and investment advisers.
The proposed rule implements the model rule adopted by the North American Securities Administrators Association, better known as NASA.

COMMISSIONER BRONSON: Motion on Item 4 for approval.

CFO SINK: Second.

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

MR. HAGER: And the last item, the Office requests approval to publish a Notice of Proposed Rule for Rule 69W-500.018. This is a new rule that will exempt from securities registration requirements the retail sale of framed single-share stock certificates that are offered for or sold as decorative gift items.

ATTORNEY GENERAL McCOLLUM: Move Item 5.

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Thank you, Alex. Happy holidays to you.

MR. HAGER: Same to you, sir.

MR. STEVENS: Good morning, Governor, members of the Commission. My name is Monte Stevens. I'm the Cabinet Director for Commissioner McCarty. He regrets that he's not able to be here today. Some good news, though. He was elected over the weekend in Dallas as secretary/treasurer of the National Association of Insurance Commissioners.

As you know, this is a national organization made up of regulators throughout the 50 states and a few territories, and we're excited that he is able to serve in that capacity and represent the people of Florida on national and international regulatory issues relating to insurance.

GOVERNOR CRIST: Please share our congratulations with him.

MR. STEVENS: Yes, sir, I sure will. Item 1 is approval for the minutes of the October 14th meeting of the Financial Services Commission.

COMMISSIONER BRONSON: Motion for approval of Item 1.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show the minutes approved without objection.
MR. STEVENS: Items 2 and 3, Governor and Commission, relate to the use of informal conferences by the Office of Insurance Regulation when dealing with examinations of insurers. At the request of your staff, we would like to make a motion that that item be withdrawn so that we can work on clarifying the rule. We expect to bring it back sometime at the beginning of 2009.

GOVERNOR CRIST: Is that true of Items 2, 3 and 4?

MR. STEVENS: Yes, sir.

GOVERNOR CRIST: Is there a motion to withdraw?

COMMISSIONER BRONSON: Motion to withdraw Items 2, 3 and 4 from the agenda.

GOVERNOR CRIST: Is there a second?

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show those items withdrawn.

MR. STEVENS: Thank you.

GOVERNOR CRIST: Thank you.

CFO SINK: Governor?

GOVERNOR CRIST: Yes, CFO.

CFO SINK: Let me just ask Monte if you would, I think Steve Parton had a death in his family.

MR. STEVENS: Yes, ma'am, he did.
CFO SINK: Express our condolences, please.

MR. STEVENS: I will. Thank you.

CFO SINK: Thank you.

GOVERNOR CRIST: On all our behalf, please.
GOVERNOR CRIST: Department of Revenue. Lisa, good morning.

MS. ECHEVERRI: Good morning.

GOVERNOR CRIST: You've been working hard.

MS. ECHEVERRI: We hope we always are working hard. Item 2 (sic) requests approval of the minutes from the November 20th meeting, recommend approval.

GOVERNOR CRIST: Is there a motion on the minutes?

ATTORNEY GENERAL McCOLLUM: I move Item 1.

COMMISSIONER BRONSON: Second.

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

MS. ECHEVERRI: Item 2 requests approval to publish notices of proposed rule-making for various tax rules. The changes to these rules will incorporate law changes, make annual rate updates, remove obsolete language, update the rules to incorporate recent court decisions and provide for better administration. This is the beginning process of rule-making, and we request approval to start that process.

GOVERNOR CRIST: Is there a motion on Item 2?

COMMISSIONER BRONSON: Motion on Item 2 for approval.
ATTORNEY GENERAL McCOLLUM: Second.

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

MS. ECHEVERRI: Item 3 requests approval to adopt, file and certify general amendments to our tax forms. The purpose of these amendments are to update with annual rate changes. Recommend approval.

COMMISSIONER BRONSON: Motion for approval of Item 3.

CFO SINK: Second.

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

MS. ECHEVERRI: Item 4 requests approval to adopt, file and certify amendments to Rule 12B-5.130. This rule update incorporates a recent court decision in the Pritchett Trucking, Inc., case and provides for more accurate administration of the motor fuel tax for refund purposes.

GOVERNOR CRIST: Is there a motion on Item 4?

ATTORNEY GENERAL McCOLLUM: Move Item 4.

COMMISSIONER BRONSON: Second.

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

MS. ECHEVERRI: Item 5 is a good cause item
that was placed on the agenda by the Governor on
December 5th. This is a little bit of an unusual
item because it is a request to approve an emergency
rule. I'd like to give you a little background on
the rule.

This is actually an issue that came up at the
last Cabinet meeting. CFO Sink asked about the
Department's administration of a recent law change
on bonus depreciation. In 2008 Congress passed the
2008 economic stimulus package, which included bonus
depreciation and expensing provisions for taxpayers
to try and stimulate investment.

The Florida Legislature, in looking at the
bonus depreciation provisions and adopting their
annual corporate income tax piggyback, determined
that the State did not want to couple to those
provisions, it did not want to adopt the provisions
of the stimulus package.

The impact was estimated to be about $146
million on the State, and it was determined that
because of the revenue situation, Florida was not
going to pick up those changes.

So as a result, the Legislature passed House
Bill 5065. The purpose of this bill was to adopt
all other changes to the federal code except those
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federal stimulus provisions. Unfortunately, it was discovered after the legislation was passed that because certain adjustments were not added to the language, the effect, if literally read, of that bill was to not only decouple from those federal provisions but actually to impose additional tax on Florida businesses if they elected the bonus depreciation provisions.

Many businesses came forward to say that this would have a very harmful impact on businesses and the economy in Florida. They were really faced with a choice between not taking the bonus depreciation and, therefore, losing the benefit of those federal provisions and having higher taxes or electing the bonus depreciation provisions and having higher Florida taxes, which was also undesirable.

The Florida Legislature sent a letter, through the Speaker of the House and the President of the Senate, to the Department of Revenue, explaining that it had not been the intent of the Florida Legislature for this result, that they had intended to only have a neutral impact on taxpayers by backing out the federal stimulus provisions.

They asked the Department to provide for penalty waivers if businesses chose to go ahead and
take the bonus depreciation, file according to how they believe the Legislature would address this issue in an upcoming session, and that if in the unlikely event those changes were not made, the Department would not penalize the taxpayers.

This is sort of the normal way things are handled when there might be a glitch or a need for clarification in the law, because typically the taxpayers are just looking for certainty. And if the Legislature comes back, they just want to know that if they were wrong in the interim, that they will not be penalized.

We didn't really understand at the last Cabinet meeting that that fix was not going to be enough or sufficient for taxpayers to feel comfortable in selecting bonus depreciation. So after the last Cabinet meeting, we met with taxpayers again, got a lot of input, and began to realize that the real impact was immediate, in that if taxpayers elected to take bonus depreciation and the increased expensing, they had to report the tax liability on their current financial statements, that that would have an immediate impact to earnings per share, would have an immediate impact to their ability to obtain capital. And so it was an undesirable
result.

We began trying to look at other options, was there anything that the Department of Revenue could do to address the situation. Our interpretation of the law, there had been court cases and situations where the Legislature had decoupled from federal provisions or did not pick up federal provisions, and the case law was pretty explicit that you could not create additions and subtractions or adjustments without explicit legislative authority.

So we began to go back and try to look at the issue, because clearly this was going to impact Florida businesses in a negative way. In fact, I think Tax Watch has recently done a study or an analysis of several companies and has determined that, if interpreted literally, these provisions would cost Florida jobs and have economic impact in terms of companies not being able to obtain capital.

So when we looked at it, we realized that the case law that had previously interpreted the inability to create these adjustments were in very different situations than the one that we were faced with today.

In those cases, the Legislature clearly would have had an opportunity to know what the federal
provisions were and what the impacts of their changes were. And the Court said that without explicit authority, the State couldn't come in and create adjustments.

In this situation, we have a very different set of facts. The Legislature has come to us and said that they didn't realize the result of not adding those adjustments, that they didn't intentionally want to impose additional taxes on taxpayers and that it was never their intent to have this result. So we think the current situation could be distinguished from the prior cases in this same area.

Because of the short time frame, because of the emergency situation, we felt that the best way to proceed with a policy departure of that type would be to come to the Governor and Cabinet with an emergency rule to address the issue, to basically give full force and effect to the Legislature's intent in this provision.

And so we've provided in today's Item 5 an emergency rule, the purpose of which is to simply provide that taxpayers can get the benefit of depreciation that they would have had under the existing law prior to the economic stimulus package.
It's really a timing issue. Depreciation, under the new federal economic stimulus package, basically allows businesses to depreciate more of the asset's value earlier but then less over time. It's not really a -- it doesn't provide any benefit over the course of the entire life of the asset. It just provides that benefit earlier to reduce tax liabilities earlier.

So basically we put it back into the condition where Florida taxpayers would be able to fully depreciate assets that they purchased in 2008.

GOVERNOR CRIST: Thank you very much, Lisa. Commissioner?

COMMISSIONER BRONSON: Governor, in the interest of the business and economy of the state and the private citizen's ability in this economic time, I'd like to move for approval of Item 5 for good cause reasons to this board.

GOVERNOR CRIST: Thank you. Is there a second?

ATTORNEY GENERAL McCOLLUM: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Thank you very much for your hard work. Appreciate it.
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GOVERNOR CRIST: Department of Veterans' Affairs, Admiral Collins. I guess you were happy with the result of the Army-Navy game.

MR. COLLINS: Yes, sir, absolutely.

CFO SINK: What about the upcoming Navy versus Wake Forest game? Maybe we have to have a little side bet here.

GOVERNOR CRIST: You know, I won a bet this weekend with the governor of Alabama, and he is going to be sending us some wonderful barbecue, so if you like barbecue, come on by.

CFO SINK: I'll be there.

GOVERNOR CRIST: Admiral, good morning.

MR. COLLINS: Morning Governor and members of the Cabinet. The Florida Department of Veterans' Affairs has four items for the agenda. We respectfully request withdrawal of a fifth item, our rules revision, and plan to present it at a future meeting of the Cabinet. Attachment 1, the minutes of the October 28th meeting.

GOVERNOR CRIST: Is there a motion on the minutes?

COMMISSIONER BRONSON: Motion on Item 1.

CFO SINK: Second.

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

MR. COLLINS: Thank you, sir. Attachment Number 2 is our quarterly report for the period of July the 1st through September the 30th, 2008. If I may, I'd like to draw your attention to page number seven of that report. The chart under Bureau of Field Services shows a continued increase in numbers, reflecting our returning younger veterans from the global war on terrorism.

You'll see the number of issues resolved increased from 2,231 last year at this time to 3,504 this year. And the number of veterans served is up 30 percent, from 2,910 at this time last year to 4,081 in the first quarter of this year.

Under the Homes Program on page number eight, you'll notice revenues up slightly and expenses up significantly, from $10 million to 12 million. It is further broken down by individual homes in the second charge -- in the second chart, also on page eight. Comparing the same quarter last year also showed expenses exceeding revenues in the early part of the fiscal year. So the revenue-to-expense relationship is not new for this time of the fiscal year.

Of the $4 million overage, about one million,
one and three-quarter million has to do with the lag
time in the billing cycle from federal per diem in
the fourth quarter of the federal fiscal year.

A significant amount, about two million, is
related to expenses incurred at the end of last
fiscal year and paid during this year. And the
third component has to do with increased cost of
food, fuel and supplies. Over the course of the
year, the revenue and expense columns tend to work
themselves out.

However, we plan to ask the Legislative Budget
Commission to give us additional spending authority
this year. We have the money in our trust funds.
We just need the additional authority to spend it,
to reflect cost increases and to address accounting
procedures. I recommend approval.

ATTORNEY GENERAL McCOLLUM: I move the item.

CFO SINK: Second.

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

MR. COLLINS: Thank you, sir. The next item
concerns our legislative policy initiatives. We are
proposing three items that are essentially
amendments to current law. As such, they're all
drafted into one bill with three component sections.
It is entitled an Act Related to Veterans' Affairs.

In your packet, you should find a page called the Legislative Proposal Chart, which will provide an overview of the issues. There's also a draft bill with proposed language provided to staff as support documentation.

Item 1 amends 320.089 of the Florida Statutes, directing all funds generated by the sale of military and veteran stamped vehicle tags to be deposited in the Veterans' Home Trust Funds. It does not create any new tags.

As you know, the nursing homes are the biggest component of our budget. The more homes we build and the older they become, the greater the cost in operating and maintaining them.

Item Number 2 amends 295.16 of the Florida Statutes, addressing the waiver of building and permitting fees for honorably discharged, 100 percent permanently and totally service-disabled veterans. They have to be residents in Florida and be making safety or accessibility improvements to their dwelling.

Item Number 3 is a technical amendment to address the newly passed Post-9/11 GI Bill, allowing Florida Statute to reflect changes in federal law,
specifically Chapter 33 of the Code of Federal Regulations relating to tuition deferments. I'd like to comment about the new GI Bill later in my remarks.

GOVERNOR CRIST: Is there a motion on Item 3?

ATTORNEY GENERAL McCOLLUM: I move Item 3.

COMMISSIONER BRONSON: Second.

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

MR. COLLINS: Our final item is the legislative budget request for fiscal years 2009 and '10. We are acutely aware of the budget difficulties and we've agonized in the submission, but these are needs which I feel it's my duty to identify, and we must do the best we can with them.

The first page of the budget slides shows a continuation budget of 59 million and proposed issues totaling 13 million. In both cases the majority of funding is trust fund dollars generated by the Veterans' Homes, and you can see that in the appropriate columns.

The single largest general revenue item is the cost for startup staffing for the soon-to-be-constructed state veterans' nursing home in St. Johns County. The number of dollars in FTEs
are fluid and will depend upon the construction timeline.

Land clearing has been completed, and the permitting process is progressing. Actual construction should begin in January and should be completed in about 14 months. It is that uncertain completion date that is driving the staffing estimates. On the second and third pages, all the other items are requests for increases in trust fund authority.

The fourth slide requests IT based budget and staffing increase. It is a repeat request that fell to the budget ax last year. We are requesting three additional staff, costing $207,000. I know this is a very tough budget year, and next year may be worse. We have staff in 28 facilities, mostly veteran health care facilities located throughout our state.

The need for a capable IT infrastructure is critical for us to do our job. The number of FDVA staff using IT services has increased from 400 in year 2003 to over 900 in 2008, but our IT staff is still ten and has remained the same since 2004.

With the opening of the new veterans' nursing home, an additional 145 users will be added. That's
in 2010, the same fiscal year as this request.

Industry standards show staffing for our number of end users to be from a low of 22.9 FTEs, which are in the Forrester study, to a high of 47 FTEs in the Gartner study, which these were done in the past two to three years. FDVA is at the bottom, when compared with other health and human service agencies, at just ten.

Our current budget base is $758,000. That has remained unchanged for the past two years. This has adversely affected staff productivity. Furthermore, the lack of funding has delayed or restricted the capability to maintain and update primary database applications. We are requesting a base budget increase of $372,000.

Our next budget request affects our Division of Benefits and Assistance. This division has experienced an increase in work flow commensurate with the return of our Operation Iraqi Freedom and Operation Enduring Freedom veterans. That's Iraq and Afghanistan.

The ratio of federal dollars brought into Florida's economy relative to the Benefits and Assistance staff cost is over 70 to one. The federal VA has increased claims staff for the past
two years. We are requesting one new staff assistant, totaling $46,000, to help expedite the flow of veterans' benefits.

Furthermore, we are requesting a $71,000 increase in the Division's recurring base budget to fund the expansion of the bureau field service activities. This includes the Seamless Transition Program, which ensures that severely injured service members are identified quickly when they are moved from military hospitals to VA facilities in our state, so they and their families can be linked up with existing state and federal programs offering a variety of educational, employment, health care and family assistance.

The other large item is a placeholder request for a proposed new program called the Florida Campus Veterans' Representative Program, or the Vet Rep Program. Let me emphasize, this is a placeholder request subject to our finding a source of ongoing funding totally outside of state government. The Legislature this past year gave us the vehicle with which to do that.

This is based upon the fact that President Bush has recently signed the largest and most comprehensive GI Bill since World War II. This
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26 billion Post-9/11 GI Bill will become effective on August the 1st, 2009. As you know, Florida has 158,000 OIF and OEF veterans, mostly young men and women. Ready or not, we can expect a tidal wave of new college students entering Florida's colleges and universities by this time next year, even more so now, with the downturn in the economy making job prospects dimmer.

The Campus Vet Rep Program is designed to ensure these veterans are receiving not only the educational benefits they are entitled, but the myriad of other, health care, housing, employment and mental health services they have earned by their service to us.

On the plus side, the flow of federal dollars will be a significant boost to our state's economy. After Vietnam, 23 percent of eligible veterans utilized their educational benefits under the Vet Rep Program at that time. After the Vet Rep Program began, 76 percent used their GI Bill benefits.

So you can see the historic return on investment. These veterans will be coming to school with their fully paid college costs. If we don't prepare, we'll leave federal dollars on the table or they will go to other states that have had the
foresight to plan.

The 39 requested FTEs is a soft figure, based upon 28 state and community colleges and 11 state universities. The 2.49 million figure is a placeholder and should not reflect trust fund dollars because funding is dependent upon non-state sources. Thank you for your consideration of these matters.

GOVERNOR CRIST: Thank you, Admiral.

ATTORNEY GENERAL McCOLLUM: Move Item 4.

GOVERNOR CRIST: Is there a second?

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show it approved without objection. Item 5 I think the Admiral requested that we withdraw. Is there a motion to withdraw Item 5?

CFO SINK: Move it.

COMMISSIONER BRONSON: Second.

GOVERNOR CRIST: Moved and seconded. Show Item 5 withdrawn without objection. Admiral, thank you very much. Happy holidays to you and your family.
GOVERNOR CRIST: Department of Law Enforcement, Commissioner Bailey. Good morning, Commissioner.

MR. BAILEY: Good morning, Governor.

GOVERNOR CRIST: How are you, sir?

MR. BAILEY: I have five items for you this morning. The first is the minutes of our August 12th Cabinet meeting.

COMMISSIONER BRONSON: Motion to accept the minutes.

ATTORNEY GENERAL McCOLLUM: Second.

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

MR. BAILEY: The second item is our performance report and purchases over 100,000 for the first quarter. Our performance in that quarter is consistent with previous quarters, but I do want to highlight one issue, and that's the continued progress in our DNA operations. It continues to be a valuable tool.

When I appeared before you in August, we had just learned of the arrest of Patrick Murphy for the kidnap, rape and murder of Coralrose Fullwood. We now know that that would not be solved today if it were not for FDLE's DNA database. Murphy was in prison on charges of grand theft and burglary, but
DNA that he surrendered upon entering the system was matched with DNA found on the six-year-old's body.

That's only one example. A day does not go by that we do not get a hit on that DNA database. Today there's over 500,000 samples in that database, 90 of which have been surrendered upon incarceration. Since the inception, we've had 9,500 hits. We lead the nation in hits and make up 12 percent of the national hits.

We continue to make strides in DNA on the other side, which is the analysis. Since 2006 we've reduced the backlog by one-third. And when we started there, it was taking us 200 days to return a sample to our law enforcement constituents. Today, we're at the end of this quarter that I'm talking about, it's taking us 57 days to return those same samples. I'd be happy to answer any questions on our first quarter.

ATTORNEY GENERAL McCOLLUM: I just, if I could, Governor.

GOVERNOR CRIST: Yes, please, General.

ATTORNEY GENERAL McCOLLUM: I'd just like to comment that you didn't highlight it, but the cold case results from these playing cards is really good, too, even though it might not have the same
significance as DNA. I'm really proud of that partnership you and I have on that.

MR. BAILEY: That is continuing to pay dividends, and we continue to get both national and international requests on how that system is done. We're working on yet another deck that's going to highlight other missing persons as well as the murders. This will be primarily on missing persons, the next deck.

ATTORNEY GENERAL McCOLLUM: And I didn't explain it. Lest anybody watching this doesn't understand, we're putting playing card decks with missing persons and cold cases into the hands of prisoners and jail inmates in the state in hopes that they will generate somebody putting up for reward --

MR. BAILEY: Yes.

ATTORNEY GENERAL McCOLLUM: -- some tip that leads to the capture or the identification of a missing person, one of the two, capture of the criminal.

MR. BAILEY: That's in conjunction with your agency, Corrections and, of course, Florida Crime Stoppers, that helped --

ATTORNEY GENERAL McCOLLUM: Great program.
MR. BAILEY: It's working.

ATTORNEY GENERAL McCOLLUM: I don't have a question. I just wanted to comment on it. And, again, I think you-all are doing a great job. I don't know if anybody else has a comment, but I would move Item 2.

COMMISSIONER BRONSON: Second.

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

I need to go back to Item 4 of the previous section with Veterans. Florida law requires the Governor to independently submit a budget proposal. Accordingly, I will abstain from a vote on that item. And the record should reflect that this item is approved with one abstention. Thank you.

Next item, Commish.

MR. BAILEY: Item 3 is our '09-'10 legislative budget request. We provided this document to you earlier and appreciate your input on this request. You've seen that it's very conservative and includes funding for two recurring issues, totaling $1.3 million, all of which is operating trust funds.

First we're requesting $300,000 to maintain and improve the sexual offender, sexual predator database. And this appropriation will assure our
continued compliance with Adam Walsh and Jessica Lunsford Acts.

The second part of this LBR is $1 million to complete repairs on our Tampa facility. This is for a leaky roof. And it's a phase -- it's the last phase of a four-phase process to bring that building up to standards.

COMMISSIONER BRONSON: Motion for approval of Item 3.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show the item approved. Again, Florida law requires the Governor to independently submit a budget proposal. Accordingly, I am abstaining from a vote on Item 3.

Item 4.

MR. BAILEY: Item 4 is our proposed legislation for the upcoming session. We're anticipating proposing two bills. First, the Firearms Purchase Program, which was established in '91, is due to sunset next October. This program runs criminal history checks on our citizens that are attempting to buy firearms.

We are one of 13 states that acts on behalf of the FBI, and in effect we do our own checks. In '07-'08 we processed 425,000 of these applications.
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As a point of interest, November that just passed was 73 percent higher than November last. This proposed legislation will simply remove the sunset date in the current bill.

GOVERNOR CRIST: Is there a motion?

ATTORNEY GENERAL McCOLLUM: I would move Item 4, and I would comment, as I do, that this firearm purchase program is really important on criminal history. So I move Item 4.

MR. BAILEY: There is one other segment, one other issue that we are proposing for the -- for legislation. And that's the DNA database, which we talked about earlier, established in '89. What we are introducing there is a cleanup bill that is constructed to conform with the federal law and recommendations from the FBI. It adds no new offenses to the database. And with that, those are our two pieces of legislation.

GOVERNOR CRIST: There's been a motion. Is there a second on Item 4?

CFO SINK: I'll second it. And I have a comment, though.

GOVERNOR CRIST: Sure, CFO.

CFO SINK: Commissioner Bailey, my understanding, because when we were having our
briefing, as you're probably aware, you're proposing to increase the fee from five to eight dollars. And I'm always concerned, in this time of tight budget times, that all of our agencies in state government are covering our cost of issuing various licensing, doing background checks. And am I correct that my staff has confirmed that this eight dollars will cover the cost?

MR. BAILEY: No, there's a misunderstanding there. The fee does not increase. Although the statute does allow us to charge up to eight dollars --

CFO SINK: Okay.

MR. BAILEY: -- we're recommending that the fee stay at the current five dollars.

CFO SINK: And does that five dollars -- it seems pretty low to me. We have a whole list of other states here; Nevada, $25, California, $19. We're the lowest of the bunch. Is that covering our cost?

MR. BAILEY: Yes, it is. Two states, Nevada charges the most. You should look at that one. They charge, I think, $25.

CFO SINK: Right.

MR. BAILEY: Colorado, I know the taxpayers --
it's general revenue funded. But other than that, we're the lowest. The five dollars covers it. I don't think four would be enough and six would generate a surplus.

The way the statute is set up is if in fact there is a surplus, that is to be used for protective vests for law enforcement. But right now --

CFO SINK: That's not a bad cause either.

MR. BAILEY: No. But five dollars seems -- I think should not be changed. I think it should stay right where it is.

CFO SINK: Okay. Thank you.

COMMISSIONER BRONSON: Governor?

GOVERNOR CRIST: Go ahead, Commissioner.

COMMISSIONER BRONSON: If I might as well, as we mentioned earlier with our IT potential for the State, there is a continuing problem of trying to identify those people who may be currently potentially viable to have their license suspended and/or revoked on concealed weapons permits because of the way we have to try to match information coming in from the courts, from FDLE, from the myriad of aspects that we have. And then I think some of this is going to take definitely legislative
changes, and especially those items where medical
records could be a part of acquisition by the
general public under freedom of information, which
as we know, doctors and other people can't give out
medical records. So it kind of puts us in a little
bit of a quandary.

And I'm hoping we can work with Commissioner
Bailey and others as to how we get to the root of
that problem as well, because it does -- our people
are trying to do the best job possible over at
Licensing. But as you probably are aware, we handle
licensing of not only concealed weapons permits but
also private investigators and anybody who is in the
security avenue.

So they're doing a lot of work over there.

Last year alone we had 111,000 applications for
concealed weapons permits and roughly ten people
trying to process all those people. It's a tough
job. We're trying to get a few more people on
board.

But hopefully with this technology and with the
help of the Legislature, we can come up with a way
that this all works. There are people who probably
should have their license revoked or suspended
immediately, upon notice. And sometimes we don't --
we're not able to get that.

And I know how critical this item is, is the reason why I want to help Commissioner Bailey by asking for approval of the motion. But I think it's going to take a lot of work between now and the end of session to get this worked out, Governor.

GOVERNOR CRIST:  Yes, sir.

MR. BAILEY: And if I may, you're exactly right because, again, hardly a day goes by that someone is not trying to buy a weapon that has an outstanding warrant, and we're in touch with the sheriffs around the state about that.

Further, hardly a day goes by that someone is not trying to buy a weapon that has a domestic violence injunction already placed upon them by our courts. So it is an important issue, and it's one that we will definitely look forward to working with you and the Legislature on.

COMMISSIONER BRONSON: Well, Governor, if I might make another statement publicly here as a member of the Cabinet whose responsibility is these permits and so forth. And I know there's been a national, supposedly some kind of study that somebody ran, and I never have figured out exactly who paid for it or how the study came out, that
indicates that when crimes across America are committed, that somehow all these guns come directly back to the state of Florida.

Commissioner, I want to get with you on that because there's something smelly about this report, and I want to get to the bottom of it. I would say to you and for public notice here on my behalf, if the crime situation was that bad, you would see the crime figures in Florida much higher, considering that we do have a concealed weapons permit, probably bar none to any other state in the country, but yet we're not seeing the people who have these permits that are involved in those situations.

It's still criminals who could care less what the law says, what the penalties are, whether they get their guns -- they don't want to get them legally. Most of them want to acquire them from anywhere illegally, if they can. And those are the ones we're trying to put in jail as fast as we can to get them off the street.

But I find that whole report a little bit disturbing, that there are some indications here, and I think Georgia and Florida were implicated for some reason in that report, but yet our crime statistics are not as high as some of the areas of
the country who are trying to indicate that Florida
is the big problem.

So I -- on behalf of members of this Cabinet
and to our legislative delegation, we're going to
hopefully get to the bottom of what that's all about
because until we do, it's going to be hard getting
these issues worked out as well.

I just wanted to make that a public statement.
I took offense at some of the statement that was
made because it's a little bit like the food crisis
we went through this summer. If Florida was the
problem, we'd have people sick all over Florida.
And Florida was not the problem. There were people
trying to point the finger, but it was not the
problem. And I think maybe in some cases this is
going to work out the same way.

GOVERNOR CRIST: Very good. Thank you,
Commissioner. Appreciate that. It's been moved and
seconded. Are there any objections? Show the item
approved without objection.

MR. BAILEY: Our final item is a notice of
proposed rules. We're noticing you with five.
There will be -- this is just the start of the
process. They will be published in the
Administrative Weekly in January. If there are
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hearings requested, that will be February. And we
anticipate bringing these five rules back to you at
the March 10 Cabinet meeting.

Since it is the start, unless you have specific
details, I won't -- specific questions, I won't go
into the details on these at this time.

ATTORNEY GENERAL McCOLLUM: Move Item 5.

CFO SINK: Second.

GOVERNOR CRIST: Moved and seconded. Show it
approved without objection. Commissioner, thank
you.

MR. BAILEY: Thank you.

GOVERNOR CRIST: Have a great holiday.
GOVERNOR CRIST: Administration Commission,
Lisa Saliba. Good morning, Lisa.

MS. SALIBA: Good morning, Governor, Cabinet members. We have two items for you today. The first, we request approval of the minutes from the October 28th meeting.

GOVERNOR CRIST: Is there a motion on the minutes?

COMMISSIONER BRONSON: Motion on the minutes.

CFO SINK: Second.

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

MS. SALIBA: Item Number 2, we request approval of proposed amendments to Rule 60L-33.004, and it is related to layoffs and employee transitions. The rule is proposed by the Department of Management Services. We do have Division Director of Human Resource Management Sharon Larson on hand for any questions you may have.

GOVERNOR CRIST: Can you tell us what it does?

MS. SALIBA: It revises the rule and sets up criteria in the event that an agency has to lay off so that years of service and other measurable criteria will be considered in an evaluation process.
GOVERNOR CRIST: We don't do that now?

MS. SALIBA: We do. Sharon, I don't know if you want to answer it. We do to some extent. There are some provisions added to that.

GOVERNOR CRIST: I'm just curious what the change would be.

MS. LARSON: Actually -- Governor and Cabinet, good morning. I'm Sharon Larson. I'm director of the Division of Human Resource Management. This rule change comports with the recent statutory change last session, House Bill 887, which added length of service to one of the factors that's taken into consideration.

So previously, no, Governor, length of service was not one of the factors that the agency was required by law to consider when making these determinations.

GOVERNOR CRIST: Is there a motion on Item 2?

CFO SINK: I move it.

COMMISSIONER BRONSON: Second.

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

MS. LARSON: Thank you.

GOVERNOR CRIST: Happy Holidays.
GOVERNOR CRIST: Board of Trustees, Mike Sole, Secretary. How are you, buddy?

MR. SOLE: Sir, I'm well this morning.

GOVERNOR CRIST: Doing great work as always.

Thank you.

MR. SOLE: Thank you. You're too kind.

GOVERNOR CRIST: I'm honest.

MR. SOLE: Item Number 1, submittal of the minutes for the October 14th, 2008, Cabinet meeting.

CFO SINK: I move it.

COMMISSIONER BRONSON: Second.

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

MR. SOLE: Thank you. Item Number 2 requests consideration for an application from Gulf Power for its Crist Plant located in Escambia County. This application requests an expansion of an existing lease area and a new lease area. This expansion is needed to help address additional coal coming to the Crist Electric Plant, as well as, more importantly, one of the issues that the Gulf plant is doing is upgrading its air emissions infrastructure, putting in scrubbers. And as part of that, there's a need to off-load and bring in limestone to the facility. The consideration is for $94,275.
ATTORNEY GENERAL McCOLLUM: I move Item 2.

COMMISSIONER BRONSON: Second.

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

CFO SINK: Governor, can I just ask some clarifying questions here?

GOVERNOR CRIST: Please.

CFO SINK: It's my understanding that this is another example of an entity that was using excess submerged lands. So did we -- how many years were they -- did they use the extra?

MR. SOLE: We identified, based upon our enforcement case, that they had anticipatedly been using or been mooring outside -- not mooring, but tying up outside a lease area since 2001. As part of that enforcement case, we got into a temporary use agreement with Gulf Power and required them to pay lease fees in arrears plus interest associated with that activity.

CFO SINK: But they were not penalized at all for the infraction?

MR. SOLE: They were not, CFO. And I'm just going to --

CFO SINK: Why not?

MR. SOLE: And I'm going to say I think they
should have been, and I've had a conversation with
my district director about that. And in this case,
I've given guidance that if we identify areas that
are not in compliance with their existing easements,
that not only do we pursue those lease fees, or in
this case lease fees in arrears, we should also
pursue appropriate penalties. They've gotten the
message and I'm sure will do the right thing in the
future.

CFO SINK: Well, I'm glad you have that
philosophy. Thank you.

MR. SOLE: Yes, ma'am.

GOVERNOR CRIST: Thank you, Secretary. Item 3?

MR. SOLE: Sorry. I got lost. I forgot if we
voted.

GOVERNOR CRIST: Teamwork.

MR. SOLE: Yes, sir. Thank you, Governor,
appreciate your help. Item 3 requests consideration
of an application from the City of Naples for two
mooring fields totaling some 4.21 acres located in
Naples Bay.

Because this is a government entity, there is
no -- and they are using the revenues for purposes
of operation and maintenance of the facility, there
is no consideration. Similar to the last item,
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unfortunately, this is also under a temporary use agreement, in which City of Naples installed these eight buoys currently in 2005.

The Department got into an enforcement case with the City of Naples. Some $13,000 in fees and penalties were assessed. This puts them back in square by getting an appropriate sovereignty submerged lands lease for these two mooring areas.

GOVERNOR CRIST: Is there a motion on Item 3?

CFO SINK: Governor.

GOVERNOR CRIST: CFO.

CFO SINK: I'd like to make a motion with an amendment to it, please.

GOVERNOR CRIST: Sure.

CFO SINK: Again, a long history of noncompliance on the part of the City of Naples. And you answered the last question with the right answer, in my opinion. I presumed you would have the same answer in this one.

But we are getting ready to -- because this is a public entity, we're not going to receive any lease fees --

MR. SOLE: Correct.

CFO SINK: -- which is our policy. But we are getting ready to enter into a ten-year lease term
with an entity that has a long history of noncompliance and infractions.

And so, Governor, I would like to move approval with the contingency that the DEP report back to the Cabinet in two years and assure us that the City of Naples is meeting the permit conditions this time.

GOVERNOR CRIST: Okay. Is there a second?

COMMISSIONER BRONSON: Second.

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

MR. SOLE: Thank you. Item Number 4 requests consideration to issue a quitclaim deed of .06 acres of filled, formerly submerged, sovereignty lands located in Broward County, Fort Lauderdale. Consideration is for $2,000. And this quitclaim deed will resolve an overfill encroachment.

ATTORNEY GENERAL McCOLLUM: I move it.

COMMISSIONER BRONSON: Second.

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

MR. SOLE: Thank you. Item Number 5 requests consideration for an option agreement to purchase ten acres of nonconservation lands in Lafayette County to benefit the Florida Department of Corrections. Consideration is 110,000, which is 100
percent of the appraised value. Funds for this project were appropriated during the 2008-2009 legislative session, and this will complete their perimeter expansion.

GOVERNOR CRIST: Is there a motion on Item 5?
COMMISSIONER BRONSON: Motion on Item 5.
ATTORNEY GENERAL McCOLLUM: Second.
GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. SOLE: Thank you. Item Number 6 requests consideration for an option agreement to acquire 37.6 acres within the Florida Fish and Wildlife Commission's Babcock-Webb Wildlife Management Area. This is an addition and inholding, and the acquisition will be from Allcoat, Incorporated. The consideration is for $298,000, which is 99 percent of the appraised value.

GOVERNOR CRIST: Is there a motion on Item 6?
COMMISSIONER BRONSON: Motion on Item 6.
CFO SINK: Second.
GOVERNOR CRIST: Moved and seconded. Show it approved without objection.

MR. SOLE: Thank you. Item Number 7, this item was previously withdrawn in the May 13, 2008,
an option agreement to acquire a perpetual
conservation easement over 1,489 acres within the
Promise Ranch Florida Forever Project from Robert T.
Panuska.

This is located in Lake County. The
consideration is $7 million, which is roughly 55
percent of the appraised conservation easement
value, or 39 percent of the full fee value. This is
a Florida Forever Project A List, and the property
has over one mile of frontage on Lake Yale, which is
an impaired water body.

I think it's worth noting, after this was
withdrawn in May of 2008, a new appraisal was
accomplished in light of the current conditions,
which resulted in a lower identified value. And, in
fact, this item comes to you roughly a little over
$4 million cheaper or less expensive than was
considered roughly six months ago.

We have two speakers, Eric Draper with Florida
Audubon, and Mr. Panuska. Eric.

GOVERNOR CRIST: Morning, Eric.

MR. DRAPER: Morning. Thanks, Mike.

MR. SOLE: You bet.

MR. DRAPER: Eric Draper with Audubon of
Florida. And I'm coming here today, I raised some
concerns about this project through a letter to you, one that's before you, the Trustees, the last time, and had talked to the representative for the owner and considered not raising an issue here.

But when I thought about it and looked at the deal again, I just like wanted to put it in perspective of the entire Florida Forever program and the changes that were made statutorily to the program last year, and just raise a couple of concerns that I think are worth noting.

First of all, I just want to say that this project is one of a lot of projects that are on the Florida Forever list. This is the list. I need to get my reading glasses to look at it. And it's backed up by this document, which is a 500-page document.

The good thing about the Florida Forever list is we're just loaded with beautiful lands in Florida that are important refuges for wildlife and well managed when put into state ownership, but in many cases, we've got -- it has been noted at this meeting so many times, there is way more land on that list that can possibly be purchased with the money that we have available.

There's probably $105 million allocated from
Florida Forever for the Trustees' purchases this year by the Legislature. Of that, you will not spend all of that on direct land acquisition because there are some other capital costs that are worked into it.

So a $7 million purchase reflects a serious commitment of what is a very small amount of money and a small amount of money that may be more complicated next year, depending on what the Legislature does, depending on what you, Governor, do in terms of creating a budget for the State of Florida that is financially responsible and recognizes the limits that we have.

Lake County is a beautiful place. This is a beautiful place. My colleague, Charles Lee, who you all know, went out and visited the property after we raised objections before, took a look at it. He said it's a real pretty place.

There are other Florida Forever projects in Lake County that are also beautiful. We've got a long-standing responsibility to protect the Green Swamp there. There's a lot of unbought land in the Green Swamp. We've got the Lake Wales Ridge, which contains a number of very important endangered species and has always been a very high biological
priority. And there's the Wekiva-Ocala Greenway
system. So all those are Lake County projects.

I went into this list and I looked at the
F-TRAC scores, which is a scoring system that is
used by the -- before projects go to the ARC, and
there's a biological ranking, a conservation
ranking. And the thing that bothers me about this
project is it doesn't really rank that high from an
ecological point of view.

Yes, it's an A List project, but when you
compare it to the real ecological gems that are out
there and on the Florida Forever list, this project
just doesn't quite match up to the other things.

Now, last year the Florida Forever Coalition,
which Audubon is a partner with six other major
conservation organizations, we were concerned that
projects didn't always come to you that were from
the top of the priority list. And so we recommended
changes in the Legislature -- to the Legislature,
which were adopted, in a version of, but calling for
an annual work plan.

The Legislature did say that, and they said the
work plan would prioritize projects and then kind of
allocate funding or set a priority for funding
within those project areas. And the five categories
that were put into law were critically important
lands, natural lands, partnerships, substantially
complete projects, projects that deal with climate
change, and less-than-fee projects.

So this would theoretically go into that
less-than-fee project category work plan, except
that the Legislature did another thing, which is
they suggested that the less-than-fee projects
primarily be driven over to the Department of
Agriculture and Consumer Services, for the Rural and
Family Lands Protection Program.

Now, I just wanted to make sure that you had
all of this information. I don't want to come
here -- I know that the applicant has made a very
strong push and has worked very hard to bring this
project before you. I know that you've become --
well, you've always been -- prudent with the
public's money. I've seen that even more so in
listening to some of the discussions here. I urge
you to be that, that situation -- I mean that you be
prudent in this situation, too.

Just because someone brings a project to you
and you don't take it up and goes back and cuts the
price and comes back to you again with the project,
it still doesn't mean that you necessarily have to
approve the project. There are many things that recommend this particular project, but I ask you to consider it in the context of everything else that's on the Florida Forever list and ask yourself the question, which of Florida's really important and highly ranked biological gems is not going to get purchased if, in fact, you decide to buy this today.

I want to make one other note. In discussions with a few of the staff, I should note that, you know, we as a conservation community will make a mistake, and I want to take ownership for it right now, which is every time something comes to the Acquisition Resource Council to go on the Florida Forever list, we stand up and say, great, the more land the better.

And I'm just making a personal pledge to you that I'm going to back off doing that right now and start taking the same fiscal message to the Acquisition Resource Council as I'm giving to you right now, because I think that we put you in a difficult position sometimes when we just bring projects here without consideration about what the most important priorities are. Thank you very much for listening to me.

GOVERNOR CRIST: Thank you, Eric, appreciate
your time.

MR. SOLE: Mr. Panuska.

GOVERNOR CRIST: Good morning.

MR. PANUSKA: Good morning. Promise Ranch is located in Lake County, bordering Umatilla, with over a mile of shoreline on Lake Yale. It is ecologically diverse. Every Florida ecosystem is represented except saltwater systems and red hills. Twenty listed species have been documented on the ranch, either with breeding permanent residents or visiting migrants. Inventory research is continuing daily with assistance from Tall Timbers, the Florida Native Plant Society and our own staff of graduate researchers.

The long-term goal of the forestry stewardship plan for the ranch is a restoration of the fire dependent ecological communities that existed here before European arrival. And the first stage is just about complete.

To this end, I've invested over $2 million during the last few years into access roads, equipment and fire break infrastructure, timber thinning, 85 acres of longleaf pine restoration, exotic vegetation control, implementation of a prescribed fire regimen, and restoration of over 270
acres of overgrown wetlands. We have preserved over
107 acres of cypress and bay swamps. And we have
two, soon to be three, certified prescribed burners
on the site.

In 2005 Promise Ranch was ranked second on the
A List of new projects for acquisition by the
Florida Acquisition and Restoration Council. The
acquisition of the Promise Ranch Conservation
Easement is also supported by the Lake County Board
of Commissioners, the Lake County Soil and Water
Conservation District, the Lake County Water
Authority, Senator Paula Dockery, Senator Carey
Baker, Representative Alan Hays and many
conservation groups.

Promise Ranch is a valued contributor to the
economy of Lake County. The ranch has brought three
good-paying, full-time jobs to central Lake County
and annually contributes over $300,000 to the
economy. The acquisition of this conservation
easement will allow the funding of this economic
ingine in perpetuity.

Our public access program will benefit both the
public at large and the scientific study of
endangered Florida ecosystems and how they can be
protected and enhanced by committed, long-term
restoration efforts.

I want to focus more on education. Future stewards of the land, like Future Farmers of America and 4H, they need to see what the land used to look like. They need to see what Florida used to be. They need to have a goal to try to achieve. It's difficult to find in Florida today.

Already two friends of mine who have Ph.D.s in the natural sciences and they also have college teaching experience, they volunteered to conduct seminars to youth groups on a regular basis on the ranch. These kids need something they can see and smell and touch. They need something they can feel in their guts and remember.

Do you remember a field trip to a wild place when you were in school? Well, I do. I remember it a lot more than other things. If a picture is worth a thousand words, then the experience at Promise Ranch must be worth at least 100,000. Also, youth needs to know it's possible to restore the environment, and that's what they'll be seeing at Promise Ranch.

I think acquisition of the Promise Ranch Conservation Easement fully embodies the spirit of the Florida Forever Program. Thank you.
GOVERNOR CRIST: Thank you, sir. Appreciate you being here.

MR. PANUSKA: Thank you.

GOVERNOR CRIST: Anything further, Secretary?

MR. SOLE: No, sir.

GOVERNOR CRIST: Any comments, questions, motions?

CFO SINK: Yeah, I have a couple.

GOVERNOR CRIST: CFO.

CFO SINK: First of all, Mr. Panuska, thank you very much for being here, and it's my understanding from the Department that you've just been an outstanding steward of this beautiful land. And the fact that you would consider putting a conservation easement on it which would prohibit development is really important to the people of Florida. I just want to be sure I've got my numbers right. You bought the property in 2004; is that correct?

MR. PANUSKA: Right. That was the final part of it, yes.

CFO SINK: Oh, the final part of it.

MR. PANUSKA: Right, right.

CFO SINK: And then you commented that you have invested about $2 million in various improvements --
MR. PANUSKA: Yes, ma'am.

CFO SINK: -- to the property.

MR. PANUSKA: In fact, I think it's more than that. The beat goes on, shall we say.

CFO SINK: Right, right. Okay. Thank you. I want to go back and ask Secretary Sole and back to the -- I don't have any more questions for you, Mr. Panuska. But just this whole issue that's brought up of the price that we are being asked to pay for the conservation easement, $7 million. And I am a -- you've heard me say many times up here, I'm a very firm believer in conservation easements, and I think that ultimately that's the way we go and agree with Commissioner Bronson that that's the way we keep our properties on the tax rolls and require the owners of the properties as opposed to the State to maintain good stewardship, and it's just a fantastic concept for us going further.

But I am a little concerned about the points that Eric Draper brought up because in the past we've kind of looked at these projects one by one. But yet there is a lot of uncertainty about the funding availability. Although we've extended the Florida Forever Program, we still have to go and fight for the funding every year.
And I am -- I'm conflicted about the idea that we have so many other worthy projects on the list. I would almost love to have the ARC come back and say, all right, here are the 25 projects on the A List, they represent different opportunities, different values. And rather than just plucking them off as they might happen to come along, to have some kind of -- have some kind of a frame for us to make -- have better decision-making in really tight budget times going forward.

And I just won't make any more comments right now and see what the other members of the Board are thinking about this particular project.

MR. SOLE: Governor, if I could just briefly respond.

GOVERNOR CRIST: Of course.

MR. SOLE: One of the things that I think the Acquisition and Restoration Council does try to do is provide that ranking. We have the top 21 now, to try to help prioritize those areas that we need to pursue. We have the A List and the B List.

One of the things that I think makes this still worthy of a favorable vote is that, as part of that ranking, we're looking at how to save the State money. And, CFO, as you point out, here we're
moving forward with an acquisition of just the perpetual conservation easement.

In lieu of a full fee acquisition, which would be upwards of $17 million, in this case we're trying to get that resource protection value for the State of Florida at the least cost possible. And at 55 percent of that appraised value, I still think this is a good value for the people of Florida.

CFO SINK: Okay. Thank you.

GOVERNOR CRIST: Any other comments?

Commissioner?

COMMISSIONER BRONSON: Well, I've looked at those numbers and all, too. And you really -- you know, it's tough for my staff and myself and others to sit down and look at what's on each of these lists and how do you determine whether one area of the state is more worthy than another, when you're really mostly talking about the same type of wildlife species in Florida. There's a little bit of difference between the Panhandle and Central and South Florida. But there's -- the majority of the bird species and so forth are pretty much across the state.

However -- and I've made this statement many times and I'm going to make it again, and I know it
ACCURATE STENOTYPE REPORTERS, INC.
aggravates a lot of the environmental community when
I say this, but so be it. We have a lot of land in
the state of Florida that's off the tax rolls.
There are no jobs there. There's no gross domestic
product being produced. We're taking it off at fee
simple rate.

It's having an impact on Florida's economy.
Whether people want to agree with that or not, it's
definitely having an impact when we're taking gross
domestic product out, taking the jobs away and
calling it a great deal.

However, we have turned around, Governor, and
done something that makes a lot of sense, and that
is take a look at, whether you're going to purchase
easements for the environment, whether you're going
to purchase somebody's potential development right
that they've already vested money in to get those
development rights set up in their county, so that
the development won't take place in those areas,
that's all worth something.

And if we can do something less than fee, still
pay the taxes on the land to support schools and
roads and all those things, still keep jobs there
and produce a gross domestic product of some type,
whether it's vegetables, the timber industry,
potential fuel process, biomass and other energy product, whatever that is, it's a much better deal than taking it off the tax roll with nothing of benefit other than the fact that we're going to see wildlife and natural resources. In some cases we're going to see non-native wildlife and natural resources that we may not want to see.

But I think it's important that we take a strong look -- and quite frankly, with today's economy, I'm about ready to make a decision that buying fee -- straight fee property anymore without some regard to producing that gross domestic product and jobs for people of the state of Florida and even in some cases, Governor -- and I mentioned this to a bunch of the ag community this morning.

The ag community itself, which is where most of this land comes from one way or another, because that's where the private lands are owned anymore, is by agricultural, timber and other people, is that if you take a look at the potential for value added businesses that go with this -- the sugar industry has plenty of capability to also put in ethanol plants, on site, on their facilities, as long as they can get the approval and do all the permitting with DEP and others.
That's the same -- and I mentioned this this morning. If you were saying that consideration on these items ought to be something different than what I'm talking about and because you can do this, it ought to be -- somehow we ought to give more deference to it, would be like saying to the timber industry, because I sent your timber over to this miller and this cabinet maker because they make fine cabinets, then you ought to owe the timber industry more money because they're making fine cabinets out of the timber.

Well, that's not the way business goes. And the fact that we can double up and triple up the business opportunity on these same properties makes it more valuable for the State from an economic standpoint to do these less-than-fee purchases of whichever way we want to go, the environmental aspect side or development side, but as long as we're doing something besides straight fee simple, because over 50 percent of this state -- and I know I get arguments about this -- is owned by government at all levels.

Now, that doesn't mean 50 percent of the state is in environmental sensitive lands that's owned. But if you take every piece of school ground,
whether it's elementary through college, every governmental building in the state of Florida that's right next door to a private business that's paying quite a substantial tax on their building that the State, City, local, federal is not paying on their piece of property, there's a lot of property off the tax rolls of this state.

And those of us who may be in business are picking up and are having to pay higher taxes to make up for the taxes that are being lost to the people of the state of Florida, for all these good and wonderful things that we do for the state.

So I am in full belief that less-than-fee programs are the way to go to keep the jobs there, gross domestic product being produced and value added jobs that may come with it and businesses that may come with those very same locations.

And so I know this has been a little bit of a stump speech that I tend to do from time to time, but I'm in full agreement. And under today's economic conditions, I'm more a believer that we need to look at these types of acquisition programs. And as these areas have a chance to do value added, they're talking educational now, but it could be other issues that would benefit not just the owners
of the property but would benefit the people of the
state in return for those efforts, then I think we
should make that a major consideration, rather than
just running out every year and buying $300 million
worth of fee simple land and taking it off the tax
roll.

You know, I've never made it quite that
distinct to this Cabinet body or the previous
Cabinet body, but I am a firm believer that we've
got to go that way for the economy of the state and
for the future of Florida. And we're accomplishing
the same thing, Governor. We're keeping it from
either being developed or we're putting it into a
distinct category for environmental reasons.

And if the real goal is not to develop the
whole state of Florida, we can accomplish that
without having to buy every piece of land at fee
simple. I'd just like for the Cabinet to take that
into consideration.

MR. SOLE: Governor, can I point out one brief
clarification?

GOVERNOR CRIST: Sure.

MR. SOLE: And I'm grateful for the
Commissioner's points. One of the things that I do
want to remind the Cabinet is that Amendment 4,
which was passed by the people of Florida, actually has a provision in which, if a conservation easement is put on the land, that it gives them a tax exemption.

One of the things that I'm not clear on is something that we do need to look at, is how that affects scenarios where the State has acquired that conservation easement versus voluntary. And that's something we'll probably have to work with our Legislature to make sure it's clear.

COMMISSIONER BRONSON: Governor, for clarification.

GOVERNOR CRIST: Commissioner.

COMMISSIONER BRONSON: And I do know that that amendment did pass, and there was a reason for that. However, as we know with amendments today can be changed tomorrow by vote and so forth and so on, depending on how -- what the issue is and how it's being presented.

Just for example, if I had known that the pigs in the crate amendment was going to come out and be labeled the way it was, I could have run ads that would have shown people why that was not a very good amendment, even though we don't have very many hog farmers in the state of Florida.
But you can come back and address those issues for those specific reasons. And while there may be a land tax deduction, if that's the way Amendment 4 stays, it still does not negate the fact that you can do legitimate business, hiring people, creating jobs, producing a gross domestic product, and that alone can help the economy of the state of Florida. It's not like you've lost everything on fee simple programs as we've done in the past.

And not that we've lost it. We have the land. We just haven't been able to take care of it quite the way it was being taken care of before, and the benefits of value added jobs are not there. I just want to make sure we don't confuse the two things. And what can be passed today can certainly be dumped tomorrow and vice versa.

GOVERNOR CRIST: Thank you, Commissioner. So we are on Item 7.

CFO SINK: I'll make the motion.

GOVERNOR CRIST: Okay. So moved. Is there a second?

COMMISSIONER BRONSON: I second it.

GOVERNOR CRIST: Moved and seconded. Is there any objection? Show it approved without objection.

MR. SOLE: Thank you, Governor. Item Number 8,
the applicant has requested that we withdraw this
item.

GOVERNOR CRIST: Is there a motion to withdraw?
COMMISSIONER BRONSON: Motion to withdraw.
ATTORNEY GENERAL McCOLLUM: Second.
GOVERNOR CRIST: Moved and seconded. The item
is withdrawn.

MR. SOLE: Item Number 9, the applicant has
also requested that we withdraw.

GOVERNOR CRIST: Is there a motion to withdraw?
CFO SINK: Move it.
COMMISSIONER BRONSON: Second.
GOVERNOR CRIST: Moved and seconded. Show it
withdrawn without objection. Thank you very much.

MR. SOLE: Governor, Cabinet, thank you.
GOVERNOR CRIST: Merry Christmas, happy
holidays.

CFO SINK: Happy holidays. See you tonight.

(Whereupon, the meeting was concluded at 11:20
a.m.)
CERTIFICATE OF REPORTER

STATE OF FLORIDA  )
COUNTY OF LEON   )

I, Jo Langston, Registered Professional Reporter,
do hereby certify that the foregoing pages 3 through 101,
both inclusive, comprise a true and correct transcript of
the proceeding; that said proceeding was taken by me
stenographically and transcribed by me as it now appears;
that I am not a relative or employee or attorney or
counsel of the parties, or a relative or employee of such attorney
or counsel, nor am I interested in this proceeding or its
outcome.

IN WITNESS WHEREOF, I have hereunto set my hand
this 29th day of December 2008.

_____________________________
JO LANGSTON
Registered Professional Reporter