

Meeting Minutes  
Finance and Taxation Committee  
Taxation and Budget Reform Commission  
301 Senate Office Building  
Tallahassee, Florida  
Friday, December 14, 2007  
12:00 p.m. – 3:30 p.m.

**Committee Members:** *Susan Story, Chair; Barney Barnett, Martha Barnett, Julia Johnson, Bruce Kyle, Patricia Levesque, John McKay, Randy Miller, James Scott, Kenneth Wilkinson, Brian Yablonski*

**Members Present:**

Barney Barnett (by phone)  
Martha Barnett  
Julia Johnson (by phone)  
John McKay  
Randy Miller, Acting Chair  
Kenneth Wilkinson  
Brian Yablonski

**Other TBRC Members Present:**

Allan Bense, Chair  
Mike Hogan  
Jacinta Mathis  
Bob McKee

**Members Absent:**

Susan Story  
Bruce Kyle  
Patricia Levesque  
James Scott

Acting Chair Randy Miller called the meeting to order at 12:05 p.m. Roll was called and staff announced the presence of a quorum. Commissioners Barney Barnett and Julia Johnson were unable to travel to Tallahassee due to weather conditions and attended the meeting by phone.

Commissioner Mike Hogan made a presentation to the committee on his recent trip to Colorado to learn more about that state's "Taxpayer Bill of Rights" (TABOR). He noted that he spent three days meeting with proponents and opponents of the plan to learn if the idea had merit for Florida, and if so, what changes would need to be made to account for differences between Colorado and Florida. He indicated that he met with representatives of the counties' association, the cities' association, teachers, school board members and others, including Dr. Barry Paulison and legislator Doug Bruce, who advocated for the

legislation. In addition, he was able to attend the state's counties association meeting and talk with county commissioners and administrators from around Colorado.

Commissioner Hogan noted that Colorado's governmental structure is much different than Florida. He spoke with representatives of counties with populations as small as 600 to 6000. Colorado has an income tax, a weak form of state government and a strong system of local governments. While some solutions that work for Colorado, like sending a rebate check to taxpayers, would not be feasible in Florida because we don't have that type of database and the cost to create one and then send checks would be too high, Florida could look at "rebate tax holidays" or other ways to reach the same concept.

Commissioner Hogan told the committee that he is working on a proposal that will resemble the TABOR, but will be tailored for Florida and the details will differ from the Colorado legislation. Commissioner Brian Yablonski asked if there was any problem with both Commissioner Hogan and the committee considering proposals. Staff indicated that would not be a problem and that perhaps ideas from both Commissioner Hogan and the committee could be considered together, or if the committee chose not to put forth a proposal, Commissioner Hogan could still submit his proposal separately. Commissioner Hogan agreed.

Commissioner Martha Barnett indicated that she would want to have specific detailed language to consider before deciding whether to support a committee proposal. She asked if it was Commissioner Hogan's intent to have a cap apply to all state, local and special districts. He indicated yes, with certain exceptions such as user fees for specific services, enterprise fees, and others that would be specified as the proposal is finalized.

Commissioner Hogan then asked Dr. Randy Holcombe, on behalf of the James Madison Institute, to answer further questions from members. Dr. Holcombe indicated that he had done some "back of the envelope" calculations, and would provide that information, but could provide more detailed information once the proposal is actually drafted. He stated that in all instances, a cap would keep growth in spending below the sum of population growth and income. He noted that if the cap had been in place on state government starting in 2002, the current capped amount of the state budget would be \$64.9 billion instead of the last year's budget of \$71 billion (adjusting for cuts, about \$70 billion now.) For local county governments, if the caps had been in place starting in 2000, the amount would have dropped from approximately \$18.4 billion to \$18 billion in 2005, the most current year for which data is available. If the cap had been in place from 1990 – 2005, the drop would have been down to \$14.9 billion. For municipal governments, the 2000 – 2005 scenario would have shown a drop from the reported \$12.8 billion to \$12.23 billion and from 1990 – 2005 the adjustment would have been from \$12.8 billion to \$9.1 billion.

Commissioner Martha Barnett asked Dr. Holcombe how Colorado deals with costs that are out of the immediate control of government agencies, such as Medicaid costs dictated by the federal government, or the rising costs of fuel and fuel related commodities. He responded that he was not sure how Colorado dealt with specific situations such as those described, but he noted that there are many counties that have exceeded the caps through

the referendum process. Commissioner M. Barnett noted that before the committee goes ahead with consideration of any proposals, it will need to know how such issues would be handled, both at the state and local levels. Commissioner Hogan indicated that in Florida, there should be an “opt-out” provision available to local governments for specified periods of time to allow for situational needs.

Commissioner Martha Barnett then asked why there was a need for a TABOR solution if there are so many instances of governments overriding the cap. Commissioner Hogan noted that while voters voted to exceed the caps in some cases by up to 70% when asked, that did not mean that the cap was exceeded in 70% of the cases when requested. He noted that all of the citizens with whom he spoke in Colorado loved the TABOR; all of them shared ways in which it could be improved. The main point that he took away was that people love the fact that they have control over how their tax dollars are used by government.

Commissioner Martha Barnett then asked about the difference between TABOR and Hometown Democracy. Dr. Holcombe replied that while Hometown Democracy requires voter approval for every land use change in a community, TABOR simply lets voters decide the appropriate uses of their taxpayer dollars. He noted that prior to the 1968 Constitution, the state required each local school district to set millage rates by referendum every two years, so there is a precedent in Florida for voters to decide how to spend tax dollars.

Commissioner John McKay told the committee that he has an honest, intellectual concern about the concept, as this nation’s forefathers established the United States as a republic, not as a pure democracy. Given the abysmal level of voter turnout, he said he had a strong concern that the state will end up as a government by the extreme minority. Commissioner Hogan responded that during his eight year tenure in the legislature, he held over 100 town meetings to discuss government with his constituents. He said what he came away with from those meetings is that people just don’t trust government to spend their money. Commissioner McKay opined that if you took that logic to its extreme, we could end up with a government whereby all issues were taken to a direct vote by the people, and that this seems to be stepping away from our representative form of government.

Dr. Holcombe indicated that he agreed with Commissioner McKay’s concern, but in some instances, people just want to have that direct voice. Commissioner McKay then noted that when it came down to the hard choice of being popular or being right, we shouldn’t force a system where popular always wins.

Commissioner Yablonski responded to Commissioner McKay’s concern about the founding of the nation and noted that another key part of the foundation is that government should be limited.

Commissioner McKay then asked how the starting point for a cap would be determined. He wanted to know how one would make the assumption that the starting point would be

the correct place to begin. Commissioner Hogan agreed that the starting point would be a very important consideration. Dr. Holcombe noted while there is historical content that could be used to determine outcomes based on different starting points, it might just be that the correct starting point is wherever you are at the time of inception.

Chair Allan Bense then spoke about the importance of spending caps. He noted that government, at all levels, is an entity that, as much money as you give it, it will spend. He indicated that he thought there is a need for some sort of “governor” mechanism to control the spending. Homesteaders are happy with government because their ad valorem increases are controlled, while those that aren’t happy are those that don’t have those caps. He noted that this country has changed since it was founded and people expect much more from government than our founders ever imagined. He indicated that he did understand Commissioner McKay’s concern, and that at some point there may be reason to consider some alternative such as a super-majority or unanimous vote to approve exceeding the cap.

Commissioner Martha Barnett asked Commissioner Hogan to clarify what constituted a referendum and he stated that a majority vote would constitute approval. She then asked if there had been any consideration given to the cost of placing referenda on local and state ballots, advertising costs, and scheduling of such elections. Commissioner Hogan replied that it was his intent to tie such questions to regular elections, but is still looking in to whether such budget adjustments could be done as much as two years in advance. Commissioner M. Barnett asked if the cost of voter education on issues would be a consideration. Commissioner Hogan replied that if groups wanted to voluntarily support or oppose an issue, they could fund those expenses separately.

She then asked Commissioner Hogan how the state would deal with emergency spending needs. He indicated that there were several specific components of TABOR to address these concerns, but that he was not prepared to discuss them yet.

Commissioner McKay then asked if it would be possible to just allow for overriding the cap by super majority or unanimous vote. Dr. Holcombe indicated that the problem with that idea is that the same people who want to spend the money would be the ones voting to override the cap.

Commissioner Yablonski closed the discussion by noting that the state’s revenue cap has not been effective and that continued high levels of government spending in flush times make the cuts needed to survive difficult times even greater and more difficult. He then made a motion to instruct staff to work with Commissioner Hogan and Commissioner Yablonski to bring back draft language on spending caps for consideration as a possible committee proposal. The motion was seconded by Commissioner Ken Wilkinson and passed with one dissenting vote.

Commissioner Yablonski made a presentation on private land conservancy and public land conservancy. He discussed two private land conservancy concepts and noted that the federal government has done well in assisting private landowners with programs such

as the “Conservation Reserve Program” to allow conversion of farm lands to conservation purposes. The state government has not done as good of a job. He indicated that special use exemptions, such as historic preservation, are already addressed in Article VII, Section 3, and he proposes an amendment to that section that would add an ad valorem exemption for conservation land use. He has submitted CP0015 to the commission that will accomplish this concept. The proposal would give the legislature the leeway to incentivize land conservation. Similar legislation has been adopted in Georgia and Virginia and has proven to be successful.

Commissioner Yablonski then explained the concept of allowing the legislature to apply assessment limitations similar to Greenbelt assessments (Article VII, Section 4) currently found in Florida law to conservation lands. He noted that landowners currently holding the Greenbelt exemption for agriculture that want to convert land to conservation use are penalized for taking the land out of agriculture and placing it in conservation. Other states have “conservation use” assessments that allow for such use. He has submitted CP0016 to address this concern.

The commissioner notes that CP0015 and CP0016 would be mutually exclusive for the user, but would allow for options for the private landowner to manage conservation lands.

Commissioner Martha Barnett indicated that she was generally supportive of the concepts but thought that the language in the proposals needs to be clarified to identify the intent that the legislature would be responsible for defining and determining conservation purposes. She noted that if both proposals were placed in the constitution, there could be both technical and substantive inconsistencies if the language is not corrected. Commissioner Yablonski agreed and indicated he would work with staff to clarify the language.

Commissioner Wilkinson noted that appraisers might have concerns based on some of the abuses of Greenbelt assessments wherein landowners might place a minimal number of livestock on a piece of property that is being held for later development just to get the assessment. He spoke of some sort of recapture provision that might make the concept more palatable to the appraiser community. Commissioner Miller noted that he didn’t think that such a recapture provision needed to be in a constitutional amendment for this purpose.

The committee determined that it would take up the Yablonski proposals as member proposals and then could vote to co-sponsor them at the point that they are taken up for votes in the committee.

Commissioner Yablonski then went on to discuss the concept of public land conservancy. He noted that there has been great success with Preservation 2000 and its descendant, Florida Forever, in purchasing endangered lands. The legislature has allocated approximately \$300 million per year since 1990. The program is up for re-authorization and environmental groups would like to see a dedicated funding source placed in the

constitution for guaranteed continuation of the program. To this point, the funding source has been through documentary stamp taxes. Land purchasing is becoming more difficult, as prices and growth pressures remain high. As of this week, it appears that there are still about \$7 billion in projects still on the proposed purchase list. Since 1990, the value of \$300 million has decreased and dollars are now being used to pay down outstanding debt instead of purchasing new properties. In 1990, 60% of doc stamp revenues were spent for P2000, today only 17% of that funding source is spent to fund Florida Forever.

Commissioner Yablonski provided a staff drafted proposal, FT-H, for discussion purposes. The constitutional proposal would require that 35% of doc stamps be spent to fund the follow on program to Florida Forever. The concept of the proposal is that tying the funding source to a development tax is a good way to provide nexus between the importance of conserving while development continues. Land acquisition is a one-time expense, but there will be minimal ongoing costs for maintenance of purchased lands over time.

Commissioner McKay noted that the P2000 and Florida Forever programs have been very successful since 1990 and that they have been good for the state, but that the committee should be careful in considering a required funding source. In a time when funds are short, and given the appetite for something like spending caps, placing a dedicated funding source on one of the state's taxing mechanisms might be very dangerous.

Commissioner Martha Barnett indicated that she supports doing something to continue to fund environmental programs but would want to have further discussion on details of such a proposal.

Commissioner Yablonski made a motion to have staff continue to draft language based on members' interest and concerns on the subject. Commissioner M. Barnett seconded the motion and it passed with one dissenting vote. Staff then asked members to contact them with any possible additions, corrections, changes, etc. to the draft document.

Mr. Kabe Woods from Fort Walton Beach briefly addressed the committee on the subject of spending caps. He noted that while earlier discussion made note that in a republican form of government, voters could vote out their elected officials at the next election, the experience in Okaloosa County has been that the elected officials continue to ignore the voters. He gave the example of a civic center which was twice defeated in non-binding referenda by voters. The county commission built the civic center anyway. The commissioners were defeated at the next election, but the voters are still stuck with a civic center they didn't want or need. He asked the committee to support a very simple version of TABOR...no new taxes without a vote.

There being no further business before the committee, the meeting was adjourned at 1:45 p.m.