

FLORIDA TAXATION AND BUDGET REFORM COMMISSION

IN RE: Committee Meeting

DATE: June 26, 2007

TIME: Commenced at 11:19 a.m.
Concluded at 1:08 p.m.

LOCATION: Knott Bldg., Room 412
Tallahassee, FL

REPORTED BY: LISA D. FREEZE, RPR
Notary Public

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MEMBERS OF THE COMMITTEE:

Hoyt "Barney" Barnett
Martha W. Barnett
Allan Bense
R. Mark Bostick
Talbot "Sandy" D'Alemberte
Mike Haridopolos
Mike Hogan
Julia Johnson
Bruce Kyle
Carlos Lacasa
Patricia Levesque
Alan Levine
Gwen Margolis
Roberto "Bobby" Martinez
Jacintha Mathis
John M. McKay (by telephone)
Robert "Bob" McKee
Lesley J. "Les" Miller, Jr. (by telephone)
Randy Miller
Jade Thomas Moore (by telephone)
Frank Peterman (by telephone)
Nancy J. Riley
Darryl E. Rouson
Ray Sansom
James "Jim" A. Scott
Susan Story
William Gregory "Greg" Turbeville
Kenneth "Ken" Wilkinson
Brian Yablonski

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

2 CHAIRMAN BENSE: Members, if you can take
3 your seats, please. Is everyone ready? Let's
4 call the meeting to order.

5 And, Kathy, if you will call the roll,
6 please. April? Okay. April.

7 MS. GROOVER: Commissioner Barnett.

8 MR. BARNETT: Here.

9 MS. GROOVER: Commissioner Martha Barnett.

10 MS. BARNETT: Here.

11 MS. GROOVER: Commissioner Bostick.

12 (No response.)

13 MS. GROOVER: Commissioner D'Alemberte.

14 (No response.)

15 MS. GROOVER: Commissioner Haridopolos.

16 (No response.)

17 MS. GROOVER: Commissioner Hogan.

18 (No response.)

19 MS. GROOVER: Commissioner Johnson.

20 MS. JOHNSON: Here.

21 MS. GROOVER: Commissioner Kyle.

22 MR. KYLE: Here.

23 MS. GROOVER: Commissioner Lacasa.

24 MR. LACASA: Here.

25 MS. GROOVER: Commissioner Levesque.

1 MS. LEVESQUE: Here.

2 MS. GROOVER: Commissioner Levine.

3 MR. LEVINE: Here.

4 MS. GROOVER: Commissioner Margolis.

5 (No response.)

6 MS. GROOVER: Commissioner Mathis.

7 MS. MATHIS: Here.

8 MS. GROOVER: Commissioner McKay.

9 MR. MCKAY: Here by phone.

10 MS. GROOVER: Commissioner McKee.

11 MR. MCKEE: Here.

12 MS. GROOVER: Commissioner Les Miller.

13 MR. MILLER: Here by phone.

14 MS. GROOVER: Commissioner Randy Miller.

15 MR. MILLER: Here.

16 MS. GROOVER: Commissioner Moore.

17 MR. MOORE: Here by phone.

18 MS. GROOVER: Commissioner Peterman.

19 MR. PETERMAN: Here by phone.

20 MS. GROOVER: Commissioner Riley.

21 MS. RILEY: Here.

22 MS. GROOVER: Commissioner Rouson.

23 (No response.)

24 MS. GROOVER: Commissioner Sampson.

25 (No response.)

1 MS. GROOVER: Commissioner Story.

2 MS. STORY: Here.

3 MS. GROOVER: Commissioner Turbeville.

4 MR. TURBEVILLE: Here.

5 MS. GROOVER: Commissioner Wilkinson.

6 MR. WILKINSON: Here.

7 MS. GROOVER: Commissioner Yablonski.

8 MR. YABLONSKI: Here.

9 MS. GROOVER: Commissioner Scott.

10 (No response.)

11 MS. GROOVER: Mr. Chair.

12 CHAIRMAN BENSE: Here.

13 MS. GROOVER: Quorum present.

14 CHAIRMAN BENSE: Okay. We have a quorum
15 present.

16 First, a little bit of housekeeping.

17 Number one, the young lady who just called the
18 roll, April Groover, is leaving us. She has
19 received a really great new job opportunity.
20 We hate to lose her as an administrative
21 assistant, but certainly anytime someone can
22 move up, I'm always happy to see that happen.
23 So it's a great career move for April, and

24 we're glad to have been a notch in your belt
25 for -- even though it's for a short period of

1 time.

2 Has everyone had a chance to read the
3 transcript of the May 18th commission meeting?
4 Is there a motion to approve the minutes of the
5 meeting?

6 MR. HOGAN: So move.

7 MS. BARNETT: Second.

8 CHAIRMAN BENSE: There is a move by
9 Representative Hogan, second by -- Representative
10 Hogan -- Commissioner Hogan and Commissioner
11 Barnett, Martha Barnett, seconded it. All in
12 favor say aye.

13 (Ayes unanimous.)

14 Opposed no. Motion carries.

15 In addition to other housekeeping matters,
16 we have a new staff member, Mr. Tom Cibula,
17 and -- Cibula. I knew I would get that -- Tom
18 Cibula. Please forgive me, Tom. Tom is
19 serving as our general counsel and our senior
20 policy analyst. He comes highly recommended by
21 several including my good friend Dan Webster.
22 He's worked as an analyst for the civic
23 commerce and judiciary committees.

24 Tom, we welcome you. Where are you, Tom?

25 MR. CIBULA: Right here.

1 CHAIRMAN BENSE: Welcome aboard.

2 Members, each of the committee chairs, I
3 think, provided you with a brief overview of a
4 conference call that myself and Commissioner
5 Scott as well as the four committee chairs had
6 on July -- June 15th, I think it was, and we
7 want to try -- and I think we sent out notes to
8 all of the members as to what we discussed on
9 that meeting. And hopefully you've had a
10 chance to digest those.

11 But just to sort of look at the bigger
12 picture, what we decided at that meeting was
13 that we would do our best to -- for the next
14 several months move into a committee mode where
15 each committee meets.

16 And I have heard some feedback this
17 morning from members who were concerned about
18 the shortness of the committee meetings and
19 what I had suggested is -- and what we talked
20 about in our last meeting was in the July and
21 August meetings, we would like for members to
22 get as much feedback from experts in different
23 areas as possible, much like we all heard this

24 morning.

25 The next two months really get -- learn

1 about our budget, learn about our system
2 taxation from local, state, et cetera, and I'm
3 going to suggest that I don't think we need to
4 meet so much as a commission for the next
5 couple months especially. I think we need to
6 break out into committee meetings and have the
7 bulk of our time spent in committee meetings.
8 We might have a 15- or 20- or 30-minute
9 commission meeting perhaps after each July and
10 August meeting.

11 And I would also suggest that if committee
12 chairs, unless there's objection, that
13 committee chairs, if you want to have an
14 all-day meeting, if Commissioner Story wants
15 for her F and T committee to begin meeting at 9
16 o'clock or 8 o'clock and run until 2, we're
17 going to lose some members, but I think what we
18 have found, especially in the last two meetings
19 is that, for example, our last meeting there
20 were a lot of questions that members wanted to
21 ask but we simply had a time constraint.

22 And I say all that under -- reminding
23 everyone that it's tough to get this group

24 together, and flying in and out of Tallahassee
25 is not the easiest thing to do. But I'm going

1 to recommend that committee chairs, if you want
2 to spend five hours meeting, maybe we go from
3 8 o'clock a.m. until 2 o'clock at the July
4 meeting, just with strictly committees, or
5 until 1:30 and then from 1:30 to 2 we have a
6 wrap-up commission meeting.

7 I'm looking around to see what heads
8 nodding, approval or disapproval. I do think,
9 though, that we need to gather as much
10 information from experts as we can for the next
11 two months.

12 With that having been said, in September
13 and October we talked in our teleconference
14 meetings about hitting the road either as a
15 commission or in committees, and we decided to
16 meet as a commission, perhaps with committee
17 meetings before the overall commission
18 meetings. And we're talking about meeting, I
19 think, eight times in two months all over the
20 state, because I've asked each committee chair
21 to make a recommendation as to where you think
22 we should meet, and I'd like to have that in
23 the next couple weeks if we could have that.

24 And then in November we begin -- and
25 December we begin gathering the information

1 that we've received from the experts, that
2 we've received from the public, and in November
3 and December we begin formulating as a
4 committee, each committee, what you want to try
5 to send up to the commission.

6 And the commission in January and February
7 and March begin deliberating the issues that
8 the committees have been able to sift through,
9 and hopefully by March we're ready for a plan
10 to begin voting on issues, either for
11 recommendations to the Legislature or items to
12 be placed on the ballot.

13 Now, does that pretty much summarize what
14 we discussed? Some of the committee
15 chairmen -- Commissioner Lacasa, is that pretty
16 much how it went?

17 MR. LACASA: Yes, sir. That summarizes it
18 well.

19 CHAIRMAN BENSE: Commissioner Story?

20 MS. STORY: (Nods head.)

21 CHAIRMAN BENSE: And then Commissioner
22 Levine?

23 MR. LEVINE: (Nods head.)

24 CHAIRMAN BENSE: Okay. I'm not pushing it
25 out there. Are there any questions about moving

1 along along those lines? Does anyone have any
2 recommendations on how we could do that better?
3 Because we'll be good listeners.

4 MR. LACASA: Mr. Chairman?

5 CHAIRMAN BENSE: Commissioner Lacasa, you're
6 recognized.

7 MR. LACASA: I'm going to set up a conference
8 call with my committee members to discuss a
9 committee schedule and frequency of meetings and
10 duration of those meetings, and I'll get back to
11 you with the response when I have it.

12 CHAIRMAN BENSE: And you know we have --
13 we're into June now, and we're getting ready to do
14 the heavy lifting as we move forward. Any more
15 input? Is everyone -- is everyone okay with that,
16 with that road map for the next several months?
17 Hearing no objection, that's the way we're going
18 to pursue it.

19 With respect to -- some of the committee
20 members have suggested that perhaps we -- how
21 do we keep committees from overlapping? And,
22 for example, I think Chairman Lacasa mentioned
23 this morning about taking a look -- his

24 committee looking at vouchers. You know, we
25 sure don't want two or three committees looking

1 at the same thing. Vouchers is one. It could
2 be sales tax exemptions, it could be whatever.

3 I think that is my role and Susan
4 Skelton's role as the hands-on everyday
5 executive director to make sure that we're
6 keeping tabs on what your scope of work is in
7 each committee, and if we see them beginning to
8 overlap, we can perhaps figure out which
9 committee has the larger task and perhaps can
10 shift some of the burden to other committees.

11 So having said that, are there any
12 questions on sort of being the traffic cop on
13 those issues?

14 (No response.)

15 Okay. Again, just a reminder. Committee
16 chairs, if you want to meet, let's -- we're
17 going to meet every third Friday of each month.
18 Committee chairs, if you want to meet once a
19 week, I don't have an objection. You may have
20 some problems with your committee members. But
21 what I don't want to ever hear is that we
22 didn't get enough feedback from experts or we
23 didn't get enough feedback from the public.

24 So we're going to give you the flexibility
25 to go as far as you want and as much as you

1 want, remembering that a lot of members do
2 have -- it's just tough to get everyone
3 together. But we do have telephones, and we
4 can do teleconferences and things like that.

5 Having said that, are there any questions
6 about where we're headed and the -- where
7 we're -- anyone out there on the telephones,
8 Senator McKay and others, any questions?

9 (No response.)

10 Okay. Hearing none -- go ahead.

11 MR. MCKAY: I was just going to say, that
12 sounds like a very good idea, Allan.

13 CHAIRMAN BENSE: Thank you, thank you. Okay.
14 First of all today from a public policy
15 perspective, let's talk -- let me also make a few
16 comments regarding property tax. We can do that
17 now or we can talk about the property tax issue --
18 we'll talk about that before we adjourn.

19 And, again, in light of the -- the special
20 session that we had a couple of weeks ago, we
21 have here today House economist Don Langston
22 and House F and T staff director Jose
23 Diez-Arguelles and Senate F and T committee

24 senior analyst Ellen Fournier and special
25 counsel to the Senate president Richard

1 Herring. They're all here today to tell us
2 exactly what happened.

3 Jose, did I get your last name right?

4 MR. DIEZ-ARGUELLES: Yes, sir.

5 CHAIRMAN BENSE: I butchered it for four
6 years and -- just kidding.

7 I thought we would have these folks tell
8 us exactly what happened during the special
9 session, both from a statutory perspective as
10 well as from a proposed constitutional
11 amendment perspective.

12 And, members, I would remind you that
13 these are staffers. They don't craft public
14 policy. So when you're asking questions, let's
15 try to stay away from the political questions
16 because they don't -- we need to be careful to
17 not put them in harm's way, so to speak.

18 So having said that, Don Langston, you're
19 recognized.

20 MR. LANGSTON: Thank you, Mr. Chairman,
21 Commissioners. What I'm going to do today is run
22 through very quickly some of the highlights of the
23 Legislature in the past and recent special

24 session. You've got in front of you a large
25 PowerPoint presentation. I'm going to skip a lot

1 of those slides, but we left a lot of those slides
2 in there for your information and reference.

3 There's some examples in there and some
4 additional details that I might not mention in
5 the interest of time. So why don't we go ahead
6 and get started.

7 If you look at the legislation in total,
8 it was designed to achieve several things.
9 Immediate tax relief for both businesses and
10 homeowners this year. Going forward, a measure
11 of protection for all property owners against
12 excessive tax increases. Especially within the
13 homestead area the -- there was also the
14 intention to address some of the fairness and
15 affordability issues.

16 And then in terms of fiscal impacts, the
17 tax savings of the entire plan could exceed
18 \$30 billion over the next five years.

19 There's two big components of what was
20 done during special session. There's the
21 statutory tax relief, that's -- that involves a
22 tax cut this year and then going forward a
23 property tax growth cap applies to local

24 governments. Then there's the constitutional
25 relief and reform, the main piece being the new

1 homestead exemption, but there's also some
2 targeted preferences in there as well that I'll
3 mention.

4 Looking at the statutory tax relief first,
5 the '07/'08 tax cut is going to apply to
6 counties, cities, and special districts. And,
7 as I will mention throughout, a common
8 component of the tax cap and tax cuts are
9 override provisions that are available to local
10 governments should they decide that they need
11 them.

12 The '07/'08 tax cut calculation is pretty
13 simple. Each jurisdiction will look at its
14 '06/'07 revenues. That's what they're levying
15 now with their property tax levies. That's the
16 starting point. And from there they will be
17 assigned a certain deduction percentage. So
18 '06/'07 revenues and reduce further from that.
19 And I'll give you a little bit more information
20 on that in a minute.

21 I skipped this slide. It's just an
22 example of how the calculation work. Another
23 example, basically, just showing how different

24 types of taxpayers will be affected equally.

25 The reduction factors that I mentioned were

1 based just generally on how rapidly a
2 jurisdiction's tax levies increased on a per
3 capita basis over the past five years.

4 The more rapidly your per capita levies
5 increased, the bigger the reduction factor that
6 would be applied to your '06/'07 revenues.
7 Those reduction factors range from 0 percent to
8 9 percent, and there was some special
9 consideration given to fiscally limited
10 jurisdictions.

11 One thing I do want to mention. The tax
12 reduction does allow jurisdictions to capture
13 revenue growth associated with new construction
14 and annexations, so there is some revenue
15 growth allowed in that calculation.

16 I'm going to skip this chart, just give
17 you information on the different tiers of
18 reduction factors. There's some information on
19 definitions related to the fiscally limited
20 governments.

21 The tiered reduction factors were applied
22 to counties and cities. Independent special
23 districts were all treated uniformly. They

24 were each given a 3 percent reduction factor.

25 This was a simplification issue. Since we

1 don't know the population of the districts, we
2 couldn't really calculate the per capita change
3 in their levies over the past five years.

4 There's a couple of exceptions to the
5 '07/'08 tax cuts. If the jurisdiction has not
6 levied property tax -- or has levied property
7 taxes for less than five years, they are not
8 subject to the reduction.

9 The reductions also do not apply to
10 certain voted levies. In particular, levies
11 voted to support that service and also the
12 constitution allows a time-limited levy again
13 approved by the voters that could exceed the
14 ten mil cap. So those two levies are not
15 included in any of this I'm describing.

16 I did mention there's an override
17 potential here in '06/'07 -- or, I'm sorry, in
18 '07/'08 there's sort of three tiers to the
19 override. A jurisdiction can increase its
20 revenues or override the limitation up to the
21 '06/'07 revenues, that's revenues they have
22 now, if they get a two-thirds vote of the
23 governing board.

24 They can go above the '06/'07 revenues up
25 to the revenues that they would generate if

1 they use current millage rates applied against
2 next year's tax base. They can go up to that
3 amount with a unanimous vote of the governing
4 board and then above that level would require
5 voter approval.

6 There's a penalty imbedded in the
7 legislation. If a county or city exceeds the
8 required revenue limits without the
9 extraordinary votes then they would not receive
10 their half-cent sales tax distributions.

11 Beyond '07/'08 the legislation puts into
12 place a property tax growth limit for each
13 jurisdiction. The property taxes would be --
14 or growth in property taxes for a jurisdiction
15 would be limited to growth in population.
16 Loosely defined, I mean, we're -- the measure
17 for population growth in the context of the
18 legislation is new construction and
19 annexations, the value of new construction put
20 on the tax rolls.

21 In addition to that, the revenues can grow
22 as fast as Florida per capita personal income
23 going forward. The cap does not apply to

24 school taxes, and again, there are override
25 provisions available. A governing board of a

1 jurisdiction can override by up to 10 percent
2 the cap, by a two-thirds vote of the governing
3 board.

4 To go above 10 percent, a 10 percent
5 override requires a unanimous vote of the
6 governing board or a referendum. Again,
7 forfeiture of a half-cent sales tax would be a
8 result of exceeding the cap without
9 extraordinary votes.

10 The basic idea with the tax growth cap is
11 to allow property tax revenues to grow with the
12 state economy, but -- but generally no faster
13 than that. If this had been in place over the
14 past five or six years, you would not have seen
15 the kind of increases in taxes that manifested
16 themselves.

17 Now, fiscal '08/'09 is kind of an
18 exception here, depending on what happens with
19 the constitutional amendment. If the
20 constitutional amendment passes, then the
21 cap -- the growth cap that I just described is
22 going to have some adjustments made to it in
23 '08/'09.

24 The amendment passing will result in
25 substantial reductions in tax base, mainly

1 because of the homestead exemption. So the
2 legislation was designed to, at least as a
3 starting point, require jurisdictions to levy
4 more or less the same millage rate they were
5 the year before. So what that translates into
6 is more or less the same millage rate, lower
7 tax base. That translates into a lower tax
8 revenues. So that's the starting point in
9 '08/'09 if the constitutional amendment passes.

10 Again, there are override provisions
11 possible. Under these circumstances, a
12 jurisdiction could choose to recover as much as
13 two-thirds of the revenue loss associated with
14 the constitutional amendment by a two-thirds
15 vote of the governing board. To go above that
16 would require a unanimous vote of the governing
17 board or a referendum.

18 Now, that brings us to the constitutional
19 tax relief and reform. There's several
20 components to this. The centerpiece really is
21 the new homestead exemption increase but
22 there's a few other pieces. The low income
23 seniors would receive a mandatory exemption

24 increase.

25 CHAIRMAN BENSE: Don, if you could, speak

1 more in the microphone. Some of our commissioners
2 are having a difficult time hearing you.

3 MR. LANGSTON: It seems to be sort of going
4 in and out.

5 In addition to the homestead exemption
6 increase, there's an increase in the minimum
7 exemption for low-income seniors, both
8 affordable housing and working waterfronts.
9 The Legislature would be given authority to
10 provide for affordable housing and working
11 waterfronts to be valued at less than fair
12 market value, and there's new exemption for
13 tangible personal property, which even though
14 this is a little bit of a simplification,
15 generally speaking tangible personal property
16 can be thought of as business equipment.

17 I'm going to go right to the homestead
18 exemption. The calculation for the new
19 homestead exemption is as follows. On the
20 first \$200,000 of just value, or to simplify,
21 fair market value, a homestead would be exempt
22 for 75 percent of that, so that's \$150,000 on
23 the first 200,000 in value. Then in the

24 incremented value going from 200,000 to
25 \$500,000, 15 percent of that increment would be

1 exempt from value, so -- and there's also a
2 minimum exemption of \$50,000. So what that
3 translates into is a maximum possible exemption
4 of \$195,000 compared to the 25,000 right now.

5 The upper threshold, the 500,000-dollar
6 upper threshold is indexed to growth in the
7 Florida personal income per capita, so that
8 will adjust slowly over time. Also, the
9 Legislature would be granted the authority to
10 increase that threshold, that upper threshold
11 by a two-thirds vote of the membership of the
12 Legislature.

13 I'm going to skip this slide. It's just
14 an example of how the calculations work.

15 One very important component of this
16 proposal is the grandfathering provisions. If
17 a homestead -- if somebody is entitled to a
18 homestead exemption on January 1st, 2008, they
19 will automatically retain their current
20 benefits, Save Our Homes cap going forward and
21 the 25,000 exemption. They will retain this
22 treatment unless and until they make an
23 irrevocable election to receive the new

24 homestead exemption.

homestead exemption.

25

So they can make that election the first

1 year, the second year, or at five years. It is
2 completely up to them when they decide to do
3 that. However, if you relocate your homestead,
4 if you move, then you are automatically going
5 to be put into the new homestead exemption
6 category.

7 Some of the other constitutional pieces.
8 Low income seniors within the context of the
9 new homestead exemption will receive a minimum
10 exemption of \$100,000 instead of 50,000. The
11 criteria for determining who a low income
12 senior is -- mirrors current law provisions
13 that apply to a local option exemption that's
14 currently available for low income seniors.

15 Affordable housing. The constitutional
16 amendment would grant the Legislature the
17 authority to provide for the assessment of
18 affordable housing property at less than fair
19 market value. The language is fairly tightly
20 drawn, and there is some implementing language
21 in House Bill 1B to carry some of that out.

22 Similarly, working waterfronts, the
23 Legislature has granted the authority to

24 provide for assessment of working waterfront
25 property at less than fair market value.

1 Again, it's fairly tightly drawn.

2 Implementation of this is left for a later
3 regular legislative session.

4 And finally there's a new exemption for
5 tangible program property. The constitution
6 would authorize the Legislature by general law
7 to grant a minimum exemption of 25,000 and in
8 the -- in House Bill 1B that is what the
9 Legislature did. It authorized exemption of
10 the first \$25,000 per tangible personal
11 property return.

12 Now, I mentioned the plan has some fairly
13 substantial potential revenue impacts. The
14 maximum tax savings could amount to more than
15 \$30 billion over five years. I say could, I
16 say maximum because there is some uncertainty
17 associated with these numbers. In addition to
18 the usual uncertainty of forecasting out five
19 years, there's also the uncertainty associated
20 with, you know, potential local government
21 overrides and homesteaders are going to have a
22 choice as to which systems to go into and
23 that -- it's not clear, you know, how those

24 choices are going to go.

25 So all of those things will affect the

1 ultimate tax savings that result.

2 All property types -- when you look at the
3 whole plan, all property types will benefit,
4 homesteads more than others, not surprisingly
5 given the structure of the plan.

6 And there are going to be impacts to
7 school property taxes. Property taxes, not
8 expenditures. I'm just raising this here
9 because this has gotten a lot of play in the
10 press. You know, it's a big issue.

11 The plan itself does not explicitly
12 address how the school property tax issue will
13 be dealt with. There was ample testimony on
14 the floor of the House and the Senate from
15 leadership in both chambers that schools would
16 continue to be funded at appropriate levels
17 pursuant to other constitutional requirements
18 on the state.

19 If you look at all the components together
20 the overall impact from a fiscal standpoint is
21 to reduce property taxes to what might be
22 considered normal levels and to prevent future
23 excessive tax increases.

24 And this chart is a chart that both
25 Representative Cannon and Senator Webster used

1 extensively in the explanation and debate of
2 the entire plan. What the chart shows is a
3 couple of things. The red line, up until 2007,
4 are the actual levies of city, county, and
5 independent special districts, actual property
6 tax levies. The blue line represents what
7 those levies would have been had the property
8 tax growth limitation been in effect since
9 1982.

10 And what you can see is that up until
11 about 2004 actual levies and quote/unquote
12 normal levies tended to match each other fairly
13 well, they were consistent with each other.
14 Then in about 2004 they diverged. Actual
15 levies went up much faster than the
16 quote/unquote normal levies would have and that
17 brings us to where we are now in 2007.

18 The green line shows the maximum impacts
19 of the plan. So it just -- I think fairly
20 clearly shows the plan bringing collection
21 levels or levies back down to that -- to the
22 normal -- what arguably could be considered
23 normal levels and then allowing growth

24 thereafter.

25 So I think that's the end of my

1 presentation. I and the rest of this expert
2 panel can now field your questions.

3 CHAIRMAN BENSE: Okay. Members, are there
4 questions? Did all four of you want to make a
5 presentation or you're just available to answer
6 questions?

7 How about questions?

8 MS. RILEY: I have one.

9 CHAIRMAN BENSE: Commissioner Riley, you're
10 recognized.

11 MS. RILEY: Thank you. Since the -- and I'm
12 going to talk about just the procedure for ad
13 valorem taxes for this year. And since it's based
14 on valuation of the homes, and the 2006/2007
15 valuation was based on the year before, most
16 likely, which would be 2005, historically the
17 highest valuation that we have had in the State of
18 Florida, aren't you actually capping this at the
19 highest valuation ever in the State of Florida?

20 And unless you have had growth in your
21 county from new construction, you're actually
22 saying that you're going to start your
23 reduction at the highest level and the maximum

24 it could go down this first year would be
25 9 percent, or actually the valuation, if we

1 were looking for next year's budget, the
2 valuation of our properties have gone down a
3 lot more than 9 percent and we all were kind of
4 looking for a much lower tax this year based
5 on -- or next year based on this year's
6 valuation.

7 Am I totally out of line on that one?

8 CHAIRMAN BENSE: Mr. Langston, you're
9 recognized.

10 MR. LANGSTON: Well, I think what you're
11 describing is kind of a process that -- that the
12 Legislature had to go through. I mean, they
13 had -- there was a very strong desire to have
14 immediate tax relief the first year, '07/'08.
15 They looked at many -- many different options, and
16 really you're describing I think just the degree
17 to which you cut the taxes in the first year,
18 right? I mean --

19 MS. RILEY: No. I was just -- I asked you,
20 aren't you guaranteeing that they wouldn't be cut,
21 that they would start out at the highest
22 valuation?

23 MR. LANGSTON: Well, they'll be cut from

24 '06/'07 levels of collection. And really the
25 focus in '06/'07/'08 is on the focus of

1 collections, not so much on the level of
2 valuations or assessments.

3 CHAIRMAN BENSE: Mr. Langston, I think her
4 question was: We're going to stick with the
5 '06/'07 rates, we're not going to roll back to
6 prior years, and then that -- which is what your
7 legislation says. You know, we take the '06/'07
8 ad valorem tax year. This statutory bill reduces
9 that by up to 9 percent.

10 I think what she's saying is, it could be
11 very well be here come in August when term
12 notices come out that proposed taxes for
13 '07/'08 may be more than the 90 percent maximum
14 rollback.

15 Is that your question, Commissioner Riley?

16 MS. RILEY: Well, just if you have -- if we
17 had let the normal process work. If we had let
18 the normal process work and based it on valuations
19 of your homes and your property, that it could
20 have been less than what they're saying this cap
21 is with a 9 percent, maximum 9 percent. I mean,
22 you're saying 30, maybe 30 billion over five
23 years, that's maybe six billion. I hear maybe and

24 I don't think it'll reach that, the first one.

25 CHAIRMAN BENSE: Well --

1 MR. LANGSTON: That's almost a political
2 question. I think what you'll find is tax rolls
3 in most of the state are still increasing this
4 year, so if you let things run their normal
5 course, unless governing boards decided to reduce
6 the millage rates, if they just kept their millage
7 rates the same, you would be -- if you look at
8 that chart up there, you would be going -- see
9 where that 18.2 is? That's the current year
10 levies. You would be going up that red line.
11 If -- that red line is sort of a current law,
12 current administration indicator.

13 The plan is making them actually reduce
14 current year levies, so -- and I think what
15 will happen is millage rates -- even if you
16 hold your levies at '06/'07 levels, your
17 millage rates will probably drop, because in
18 general -- okay, this may be different in, you
19 know, certain specific jurisdictions -- in
20 general, tax bases are still increasing,
21 taxable values are.

22 CHAIRMAN BENSE: Further questions about the
23 bill or the proposed constitute -- I have a

24 question, and it deals a little bit with
25 Mr. Holcombe's presentation to us earlier today,

1 and I hope I don't go to jail, because our '06/'07
2 state budget increased from roughly 63 billion to
3 73 billion.

4 And, I think, in '94 we passed an
5 amendment that said that your budget, state and
6 locals can't grow more than the growth and
7 personal income, and I believe I saw
8 Mr. Holcombe's slide that personal income
9 growth during that same period of time was
10 around seven or 8 percent.

11 And my question to you is: How do we do
12 that? I don't want to get myself or my other
13 members in trouble. I think I know the answer.
14 I think you can bank some of that previously
15 gains, but if you could let us and members know
16 how that occurred. And I ask that question in
17 context. Does the same banking occur with
18 respect to local governments and caps?

19 MR. LANGSTON: You're absolutely right.
20 There was -- ever since the state revenue cap went
21 into place it has not -- we have been banking ever
22 since then. And I don't remember the exact
23 numbers, but there was a lot of unused capacity

24 left. So even in those years after the hurricanes
25 when we had these massive revenue increases, we

1 still stayed under the cap because of the banking
2 effect.

3 The way the cap in the new legislation is
4 designed is it is similarly designed so it's
5 not a use it or lose it kind of thing. If a
6 government reduces below -- even further below
7 the caps then they can sort of bank that over
8 time.

9 CHAIRMAN BENSE: Commissioner Levine, you're
10 recognized.

11 MR. LEVINE: Thank you. During the
12 discussions -- thank you, by the way, Don, for
13 explaining all of this. I'm admittedly somewhat
14 less concerned the Legislature did what they did
15 with the statutory changes. I'm more focused on
16 the structural issues behind it than I am actually
17 what the Legislature did. Obviously, they had the
18 right to do what they did.

19 And I think structurally the question I
20 have relates to whether or not there was any
21 conversation during any of this discussion
22 about an issue that's out there. It's called
23 GASB 45; it's the governmental county standards

24 relating to booking of unfunded liabilities. I
25 run a public hospital system, and from my

1 system alone -- in the private sector, in the
2 private sector unfunded liabilities, FASB
3 governs private sector enterprise.

4 All private enterprise has to book on
5 their balance sheet the cost of retirement
6 programs, things like that. In the government
7 sector, that hasn't been the case. Governments
8 book it as you go. There is this huge number
9 out there that is looming related to the
10 unfunded liability of retirement benefits,
11 insurance, health insurance. For my system
12 alone, it was \$500 million.

13 For the state it has to be in the billions
14 when you look at all the municipalities and
15 counties has there been in any discussion
16 during the legislative process about that issue
17 and how counties, municipalities are going to
18 book these expenses. I mean, there's a huge
19 unfunded liability out there for all of our
20 government entities.

21 CHAIRMAN BENSE: Mr. Langston, you're
22 recognized.

23 MR. LANGSTON: I don't remember that ever

24 being discussed.

25 CHAIRMAN BENSE: Commissioner Rouson, you're

1 recognized.

2 MR. ROUSON: Thank you, Mr. Chairman. I'd
3 like to understand a little bit more about the
4 thought process that went into the working
5 waterfronts, and particular Pinellas County is
6 home to a large number of marinas and boat owners
7 and an issue was raised as to the escalating value
8 of high and dries and wet slips that are being
9 sold in fee simple, like condominiums and in a
10 sense homesteads. And the taxable value of these
11 escalating wet slips and high and dries.

12 CHAIRMAN BENSE: Mr. Langston, you're
13 recognized. Or --

14 MR. LANGSTON: Jose. We'll let Jose answer
15 this one.

16 MR. DIEZ-ARGUELLES: I think the thought
17 process --

18 UNIDENTIFIED SPEAKER: We can't hear you.

19 MR. DIEZ-ARGUELLES: The thought process is
20 that -- basic idea is that access to the water has
21 disappeared for some commercial businesses and for
22 access for the public because of the high value of
23 the land that is located on the water. And the

24 idea here is just to give the Legislature the
25 authority for businesses that must use the water

1 to allow for a differing valuation method that
2 will probably result in lower values that would be
3 valued around a fair market value.

4 And, again, like Don mentioned and sort of
5 like the affordable housing, it's drawn pretty
6 narrowly. Try to identify only those
7 businesses that require access to the water.
8 In other words, we've heard a lot about hotels
9 and motels located on the water. The language
10 as crafted does not apply to those folks. It
11 applies to marinas, commercial fishermen,
12 people that provide public access to the water.

13 CHAIRMAN BENSE: Commissioner Turbeville,
14 you're recognized.

15 MR. TURBEVILLE: Just had a question about --
16 thank you for your presentation, Don -- about
17 property valuation and how property appraisers
18 value their rolls and property in particular.

19 I know there were several pieces of
20 legislation both in the House and the Senate
21 that dealt with that issue, and just was
22 curious what came of that, if no bill passed
23 what was kind of the last issues out there that

24 were being discussed.

25 CHAIRMAN BENSE: Mr. Langston.

1 MR. LANGSTON: You're referring to maybe
2 deviations from highest and best use kinds of
3 things? I think in the end it was -- it was just
4 too much to bite off at that point. This was hard
5 enough to get together, so, you know, I'm not sure
6 what the future plans are for that. I know
7 there's continuing interest though.

8 CHAIRMAN BENSE: I think it's over your pay
9 grade.

10 MR. LANGSTON: Yeah.

11 CHAIRMAN BENSE: Commissioner Lacasa, you're
12 recognized.

13 MR. LACASA: What was discussed by the
14 Legislature during the time leading up to the
15 special session and during with respect to
16 business taxes, taxes on business and commercial
17 properties?

18 MR. LANGSTON: That was, you know, as this
19 thing was forming there was a lot of concern
20 about, you know, beyond just homestead property
21 issues. And a lot of folks including
22 Representative Cannon were very interested in
23 providing some additional -- in addition to the

24 rollback, the '07/'08 tax cut which will affect
25 everybody because it's going to reduce millage

1 rates. But, in addition, to that there was a lot
2 of interest in providing some -- some sort of
3 exemptions for nonhomesteaded property, both
4 residential and nonresidential.

5 I think in the end it just, and I think
6 Representative Cannon sort of described this on
7 the floor when he was -- first explained the
8 plan was that, you know, it doesn't have
9 everything that everybody wants.

10 You know, he himself wanted some more for
11 nonhomestead but, you know, when it came time
12 to -- there was a certain level of in terms of
13 the total fiscal impact, for example, that was
14 just not realistic to go beyond -- you know,
15 you had to have the thing pass both houses
16 basically.

17 CHAIRMAN BENSE: You're recognized.

18 MR. LACASA: I'm not asking about, you know,
19 what were the political realities that they were
20 dealing in during that time. I was asking what
21 proposals were they given for dealing with
22 commercial property valuations for nonhomestead --

23 MR. LANGSTON: Oh, yeah. Oh, all kinds of

24 things. One had to do with deviating from highest

25 and best use of fair market value in certain

1 circumstances, and they did that for a couple of
2 things. But the idea was out there for a more --
3 to be more generally applied.

4 There was an idea put forth to provide a
5 cap similar to what Save Our Homes properties
6 have, you know, on all properties. That's been
7 around a while. Provide exemptions just --
8 similar to this new homestead exemption provide
9 similar exemption on nonhomestead properties.
10 And there were multiple variations of that.

11 So, yeah, there were a lot of ideas kind
12 of thrown out and discussed in the process.

13 CHAIRMAN BENSE: Commissioner Wilkinson for a
14 question.

15 MR. WILKINSON: I guess my question is more
16 one of perception, create a perception that the
17 average is going to be \$174, new tax bill coming
18 up less. I don't know if there was much thought
19 given to the fact that now school taxes are off
20 the table on that, which is about 40 percent in
21 our county, the tax -- Save Our Homes differential
22 has really shortened over 700 million in Lee
23 County.

24 So if you go back and realize the
25 recapture provision that the Department of

1 Revenue in their implementing language with
2 Save Our Homes, that in many of the growth
3 county areas this year your market value on
4 homes, because they are going down and we
5 recognize that, although commercial values are
6 going up, they're probably, or may not see that
7 reduction. But on single-family residential
8 homes covered under Save Our Homes, the market
9 value is going down, but we have to recapture
10 2.5 percent and put that in the taxable value
11 but regardless if the market goes down.

12 And I think if that was -- I don't know if
13 that was considered because the market hadn't
14 developed as well. What's going to happen
15 when -- I think if you revisited that, you'd
16 still come up with 174 percent.

17 UNIDENTIFIED SPEAKER ON THE PHONE: Hello?
18 Hello?

19 CHAIRMAN BENSE: We're still there. He
20 didn't have his mike on. We're miked back up
21 again. Sorry, guys.

22 Was there a question, Ken, or was that an
23 observation?

24 MR. WILKINSON: If we revisited that today
25 with these other parameters being in the market

1 would -- do you think that would still come out to
2 170 --

3 MR. LANGSTON: Yeah, I think so. And we were
4 aware of the dynamics of that as we were looking
5 at the numbers.

6 MR. WILKINSON: Okay. Thank you.

7 CHAIRMAN BENSE: For you folks on the
8 telephone out there, anyone have any questions?

9 MR. PETERMAN: Not really, Mr. Chairman.
10 This is Representative Peterman. Just from the
11 majority of the discussion, what I'm hearing I
12 don't have any questions. I'm just taking it all
13 in.

14 CHAIRMAN BENSE: I didn't hear the question.

15 MR. LANGSTON: He's just taking it all in.

16 UNIDENTIFIED SPEAKER: He said he didn't have
17 any.

18 CHAIRMAN BENSE: Okay, good. Commissioner
19 Yablonski, you're recognized.

20 MR. YABLONSKI: Don, I've read somewhere
21 during this process that of all the property tax
22 revenue collected in the state during this period
23 of time, about 68 percent of the property tax

24 revenue comes from nonhomestead residential and
25 commercial. Does -- would the implementation of

1 this plan affect that plan at all in the long run?

2 CHAIRMAN BENSE: You're recognized to answer
3 that question.

4 MR. LANGSTON: In the long run. Well, I'm
5 going to sort of think out loud here. In the
6 short run, assuming the constitution limit passes,
7 more homestead values are going to be taken off
8 the rolls.

9 People that are better off under the
10 current system will stay in the current system
11 until they move or otherwise leave their
12 homestead. And those that are better off will
13 take a higher exemption. So the proportion of
14 the tax base that is homestead property I think
15 initially will be smaller.

16 Now, the idea with these revenue caps and
17 that kind of stuff is that tax levels will also
18 drop also, but I think the share -- the share
19 of the total taxes at least initially will be
20 smaller.

21 What -- I think the idea over time was
22 that Save Our Homes slowly but surely will
23 unwind over time. And you would -- the system

24 would return to a more -- more equitable, as
25 far as between homesteaders, more equitable

1 system over time.

2 But, you know, to the extent that
3 homestead property does not have that hard cap
4 like you have in Save Our Homes, then the
5 percent of taxable value in homesteads can
6 start going back up. That doesn't mean the
7 taxes necessarily go up. It just means their
8 share of the tax base goes up.

9 The idea behind the revenue cap was to
10 kind of keep overall revenues from growing and
11 thereby give everybody protection from the --

12 CHAIRMAN BENSE: So precisely what you're
13 saying is you can't quantify that number. You
14 don't know if it's going to go -- will it go from
15 68 percent to 75 percent or to 68 and a half
16 percent? Has anyone crunched those numbers at
17 all? Isn't that sort of where you're heading,
18 Commissioner?

19 MR. LANGSTON: I don't think we tried to do
20 that.

21 CHAIRMAN BENSE: But your gut reaction is
22 that the dollars collected from homesteaders will
23 probably decline, which would shift it more toward

24 the nonhomestead folks?

25 MR. LANGSTON: Yeah. Initially, and then it

1 will change the dynamics over time and --

2 CHAIRMAN BENSE: As the SOH for example?

3 Commissioner Hogan, you're recognized.

4 MR. HOGAN: Thank you, Mr. Chairman. I'm
5 always interested in where the numbers came from.
6 And 75 percent of the first 200,000 and 15 percent
7 of the -- between two and five, is that some
8 economic study that provided that, or is that, as
9 my good colleague here says, PFTA, plucked from
10 the air?

11 MR. LANGSTON: No. It reflects the end
12 result of a process of looking at, oh, I don't
13 know, about 50 different permutations of the
14 homestead exemption.

15 I think what Senator Webster and
16 Representative Cannon were -- or the direction
17 they gave us was to -- they were looking for
18 the most efficient way of benefitting the most
19 possible, the greatest number of homesteads.
20 So they were trying to keep the cost of the
21 plan down in terms of revenue loss.

22 And it just so happens that given the
23 structure of -- given the distribution of

24 values in the homestead class around the state,
25 that those numbers sort of got you about the

1 biggest bang for your buck because -- I think a
2 little over 90 percent of the homestead in the
3 state have, at least on the '06 rolls, had an
4 adjusted value of less than five hundred
5 thousand.

6 So that's why under this plan in the first
7 year over 70 percent of the homesteads in the
8 first year have -- are better off under the new
9 exemption than under the current system.

10 CHAIRMAN BENSE: Okay. How about let's wrap
11 it up in about a minute because I want to hear
12 from Dominic. You had a follow-up, Commissioner
13 Hogan?

14 MR. HOGAN: I believe you said that 15,000
15 was the minimum exemption. A few years in Duval
16 County when the exemption was 25,000, I want to
17 say in 1999, about 40 percent of our housing stock
18 paid no taxes.

19 Do you know what that number would be
20 statewide with the 15,000 exemption? Seems to
21 me that the way house values have risen that it
22 may not be as high.

23 MR. LANGSTON: Yeah, I don't think we looked

24 at how many homesteads would pay no tax. I'm
25 really not sure what that number is.

1 CHAIRMAN BENSE: Commissioner Lacasa, you're
2 recognized.

3 MR. LACASA: To follow up on that line of
4 questions, my reading of it is that the homestead
5 exemption on a \$200,000 home -- and I want to be
6 corrected if I'm wrong -- the homestead exemption
7 on a \$200,000 home is 75 percent if this amendment
8 passes.

9 To reiterate the question of Commissioner
10 Hogan, if that passes, what percentage of homes
11 not at -- with a \$50,000 cap but a \$150,000 cap
12 will not pay taxes?

13 CHAIRMAN BENSE: Do you have that number?

14 MR. LANGSTON: Well --

15 CHAIRMAN BENSE: \$150,000 exemptions.

16 MR. LANGSTON: If you got a \$150,000
17 exemption that means your home is valued at
18 200,000, so you're paying tax on 50,000.

19 CHAIRMAN BENSE: Right.

20 MR. LANGSTON: So I don't think homes get
21 removed from paying tax except by that minimum, by
22 the 50,000, because as your value goes up your --

23 CHAIRMAN BENSE: Your House buddy wants to

24 bail you out. Jose, you're recognized.

25 MR. DIEZ-ARGUELLES: I conferred with Allan.

1 No -- everybody who is above 50, values above 50
2 will pay something. If you're a hundred thousand
3 you pay on 25. If you're 200, you pay on 50,
4 except for the low income seniors who will get a
5 minimum of a hundred thousand, so the low income
6 seniors' houses valued at less than a hundred
7 thousand will pay a fee.

8 CHAIRMAN BENSE: One more follow-up.
9 Commissioner Lacasa.

10 MR. LACASA: Thank you, Mr. Chairman. Have
11 you taken the projections out beyond 2012 and
12 determined if at some point beyond 2012 the
13 long -- the lines will cross such that millage
14 rates as they will be and exemptions as they will
15 be say 20 years from now or even 15 years from
16 now, those lines will cross and the benefits will
17 be gone from this constitutional amendment? Is
18 that possible?

19 MR. LANGSTON: We have not done that. The
20 lines shouldn't cross because that blue line is
21 really -- the shape of that blue line is more a
22 function of the revenue cap than anything else.
23 The revenue cap is keeping that blue line at that

24 level and at that slope, so -- and plus, you know,
25 going out beyond five, going out five years in and

1 of itself is a little bit of a stretch. So, no,
2 we didn't go out any further than that.

3 But that was one of the main reasons for
4 the revenue cap was to keep it on a more steady
5 course.

6 CHAIRMAN BENSE: Okay. Mr. Langston, thank
7 you so much, and Jose and Ellen, all of you-all
8 for coming here. We really do appreciate it.
9 Members, if you have more questions of these
10 three. What do they call you, the fridge five or
11 something?

12 MR. LANGSTON: Icebox five.

13 CHAIRMAN BENSE: Icebox five. Because you
14 kept your room so cold when you were crunching
15 numbers. If anyone has questions of the icebox
16 five, I suspect they would be more than happy to
17 answer any questions you have.

18 Thank you very much for being here.

19 Next we have Dominic Calabro from the
20 TaxWatch. I think we've stood him up about
21 twice now to speak. So, Dominic, it's about
22 12:15. If you can make a good 20, 25-minute
23 presentation, maybe ten minutes for questions,

24 and then from 12:45 to one we'll wrap up with
25 some comments and observations.

1 You're recognized, Dominic.

2 MR. CALABRO: Thank you, Mr. Chairman. Thank
3 you, Commissioners.

4 If there's time permitting, I would like
5 to maybe follow up on a question, Mr. Chairman,
6 that was asked about the state revenue limit
7 later. And a very good question from
8 Commissioner Levine on the looming pension and
9 health care liability. State of Florida
10 TaxWatch will be working to begin to assess
11 that need with this commission.

12 I would like to spend some time after my
13 presentation, but first Dr. Stephen Morrell to
14 my right, a very distinguished senior economist
15 at Barry University, a Florida TaxWatch senior
16 research fellow, who will discuss in greater
17 detail -- greater detail the impact that
18 business taxes have at the state and local
19 level and how they've changed. I think it was
20 an important question asked by a number of the
21 commissioners here this morning.

22 Florida TaxWatch is a 501(c)(3) public
23 interest, scientific, fiscal, and economic

24 research institute. Its founders, the officers
25 and the board of Florida TaxWatch represent the

1 leading business, professional, and civic men
2 and women of our great state. A number have
3 served on this commission. For 28 years
4 Florida TaxWatch has remained an independent
5 watchdog, bird dog, and guide dog to help build
6 a better Florida and ensure we have a
7 healthier, more prosperous economy and
8 citizenry.

9 Its threefold purpose is to add taxpayer
10 value and get more bang for the buck, improve
11 government accountability, and to enhance
12 citizen understanding with respect to
13 participation in government, solve the problems
14 we see at the local -- while at state and local
15 levels sometimes we the people, the voters, the
16 citizens, make unrealistic demands on our
17 government to do things for us that we should
18 do for ourselves. So part of our role is to
19 better inform them when that is occurring.

20 And I think one of the things we're going
21 to do, assisting our local governments and help
22 our local commissioners, our city and county
23 commissioners have a better way of filtering

24 what are legitimate demands for their
25 constitutional duties, their statutory duties,

1 and their planning responsibilities, and what
2 are just nice things to do that maybe they
3 can't afford to do without doing their core
4 functions more cost effectively.

5 So let me get on with the presentation.
6 Relative to other states, Florida's tax burden
7 is lower than average, but it is getting closer
8 to that average. That's the state tax burden.
9 Floridians' state tax burden is well below
10 average, but our local tax burden fueled by
11 property taxes is higher. Floridians' combined
12 state and local tax burden now ranks 26th per
13 person and 36th as a percent of personal
14 income.

15 On my left is -- not politically but on my
16 left is Kurt Wenner, senior research analyst
17 for Florida TaxWatch, that is the remarkable
18 contributor to our public policy in our state
19 and Florida TaxWatch.

20 Something that we noticed was very
21 interesting, a new measure we've applied from
22 the commerce department of information
23 basically from the commerce, U.S. Department of

24 Commerce, is that when you look at all
25 own-source revenue, that's not only property

1 taxes but charging services, impact fees,
2 tuition, things of that nature, Floridians'
3 relative tax burden, relative burden of how it
4 places costs on itself grows much larger.

5 Florida's local government rank for these
6 revenues as percent of income is third -- third
7 among the 50 states. I think many of you saw
8 reports that Kurt Wenner, the author of Florida
9 TaxWatch showing the rising costs of charge for
10 service and impact fees, how property tax
11 doubled in some ten years, '94 to 2004, impact
12 fees, charges of services tripled. That's kind
13 of part of that.

14 Florida, as you know, is one of seven
15 states without a state personal income tax. We
16 have also no inheritance tax, no estate tax any
17 longer, and no state ad valorem tax.

18 Slide three. Florida state government
19 relies heavily, very heavily, on the general
20 sales tax. The state per capita collection is
21 fifth largest, and they're one and a half times
22 the size of the national average.

23 Our transaction taxes, which is a

24 combination of both general sales tax as well
25 as selective. Selective sales taxes are taxes

1 on alcohol, tobacco, gasoline. It's usually a
2 unit-based tax, so many pennies per product.

3 When you compare both of those to show the
4 kind of three things that you can tax in a
5 civil society, you can tax transactions, you
6 can tax income or you can tax property or
7 wealth. Florida puts most of its eggs in a
8 basket of taxing transactions.

9 And so while it seemed a consideration
10 that to put all of those eggs in a basket,
11 Florida does that very substantial -- it works
12 very well, frankly. Can it make improvements,
13 yes, but it works quite well.

14 Combined, Florida's transaction taxes at
15 the state level make up nearly three-fourths of
16 our state tax collections, compared to the
17 national average of 47, less than 50. A very
18 significant part of that, of course, is because
19 we do not levy any state, personal income tax
20 while most other states do.

21 Florida taxes the purchase of alcoholic
22 beverages and utilities much heavier than
23 average. And when local taxes are included,

24 local taxes are included because of a law
25 change in 1990, Florida's top gasoline tax rate

1 is the nation's fourth highest.

2 Florida also relies much more heavily than
3 most states on its local governments to fund
4 state-related needs. More than half of all
5 government own-source revenue in Florida is
6 collected at the local level.

7 As you can see in this pie chart, it kind
8 of clearly depicts the emphasis that Florida
9 has on transaction taxes whereas the nation as
10 a whole puts much more on income taxes.
11 Florida makes up for that lack of personal
12 income tax by taxing sales and other
13 transactions heavily. 56 percent of all of our
14 tax collections come just from the general
15 sales and use tax.

16 And many of you may know that we actually
17 apply a 6 percent sales tax, but the state gets
18 to keep about five and a half percent of that.
19 I mean, five and a half of the 6-cent sales
20 tax, nearly 50 percent of that, I think it was
21 the fifth penny, is obligated to local
22 governments, counties and cities. When you add
23 in selective sales taxes again, it's up to

24 nearly three-fourths.

nearly three-fourths.

25

Corporate income and license tax provide

1 about the same percentage in Florida as they do
2 nationally. The other taxes slice is bigger in
3 Florida, largely due to the documentary stamp
4 tax, which has become a very, very significant
5 taxing source in Florida, also attributed to
6 the rising value of property in our state, and
7 the level of transactions.

8 We have a problem. The problem is dealing
9 with growth. It's a good problem to have,
10 compared to some other states that have other
11 problems.

12 Slide five shows the general rate of sales
13 tax among the 50 states. As you can see,
14 Florida is at six. The highest is California
15 at seven and a quarter, but it's pretty high
16 also because of the high composition of
17 tourists to our state, as many as -- depending
18 on how you do the count, as many as 80 million
19 tourists throughout the year. Florida has a
20 much higher collection for that six cents than
21 many of those states together.

22 Is this slide six?

23 This chart looks at both combined state

24 and local taxes. In Florida, property taxes
25 and sales tax provide the same amount of total

1 taxes, 34 percent each. So these two sources
2 provide more than two-thirds of all state and
3 local tax revenue. On a national level,
4 personal income taxes alone provide 22 percent.

5 On the seventh slide, you see a summary of
6 Florida's tax ranking relative to other states.
7 Tax sources looked at both traditional taxes
8 and what is called general revenue. One
9 example that's at the state level is the
10 lottery, how we choose to tax ourselves, if you
11 will, in a voluntary method.

12 For local governments, own-source revenue
13 would include revenue sources such as charges
14 for services, special assessments, impact fees,
15 although some counties have impact fees,
16 particularly housing, as much as \$30,000.

17 While not technically considered taxes,
18 for some of these, most taxpayers probably
19 don't make much of a distinction and have
20 really a great deal of choice about those
21 costs. This measure does not include
22 intergovernmental revenue or enterprise funds
23 such as revenue that would be generated by a

24 public utility such as electricity or a power
25 plant or a telephone and so forth.

1 As you can see, state taxes and revenues
2 are below average. Local is higher, and
3 combined state and local is close to the
4 middle. Taxes through local governments are
5 moving more and more to non tax revenues, but
6 we were surprised to find that Florida now
7 ranks sixth in per capita and local revenue
8 collections.

9 Slide eight shows the summary of tax,
10 total tax burdens. At the state level, sales
11 tax and documentary stamp tax collections are
12 well above other states while license,
13 corporate income, and property taxes are a
14 little lower. State property taxes only
15 include the intangibles tax, which the
16 recurring portion, as you know, has now been
17 repealed, but there's still a intangibles tax
18 on the -- what's called nonrecurring and
19 closings.

20 Florida collects far more documentary
21 stamp taxes than any other state. The housing
22 bubble has turned this into a real moneymaker
23 for the state as Florida collected more than

24 \$4 billion in just 2006 alone. However, like
25 any other bubble, up and down, as we see.

1 Collections are expected to drop by \$1 billion
2 this year or down a quarter, if you will.

3 Property taxes which account for most of
4 local taxes now rank 15th in the nation. When
5 the data are in for fiscal year '06 and fiscal
6 year '07, during which time Florida levies are
7 expected to increase 36 percent, this ranking
8 will surely rise.

9 This has led to the current attention for
10 property taxes, and beginning next year, we
11 believe this burden is likely to be reduced
12 significantly, even without the constitutional
13 adoption, or the constitutional amendment.

14 MR. WENNER: Excuse me, Dominic. I apologize
15 for the way these slides are showing up on here
16 but you-all should you have hard copies that are
17 better. The format didn't translate here, but you
18 should have hard copies to follow around.

19 MR. CALABRO: Slide nine shows rankings for
20 state and local revenues, the percent of personal
21 income. As you can see Florida's burden combines
22 state and local own-source revenue, a very broad
23 measure, the full cost of government is very close

24 to the national average.

25 Slide ten. Okay. Florida relies more

1 heavily than most states on our local
2 governments to fund the costs of Florida
3 government. The line of this chart represents
4 each state's portion of total revenue provided
5 by local governments. Florida local
6 governments have the fourth largest percentage
7 of its dependence on locals in the country at
8 52 percent.

9 And the next slide, the chart shows state
10 taxes as a percent of personal income since
11 1980. Except for a few big dips, Florida's
12 burden at the state level has stayed fairly
13 close to about 6 percent of the personal income
14 of Floridians. Both nationally and in the
15 Southeast the burden has dropped a bit,
16 bringing the lines closer together.

17 While not reflected on this chart, the
18 local taxes have risen from 2.8 percent of
19 personal income to 4.6 percent over the same
20 period before the effect of the last two years
21 we just described. That is a very, very
22 significant increase.

23 Slide 12. Finally this slide shows the

24 growth in taxes over the last ten years. State
25 taxes have risen from 18.6 billion to nearly

1 34 billion, a growth of 83 percent. This
2 compares to growth nationally of 62.4 percent.
3 Local taxes have risen from 13.3 billion to
4 26 billion, a growth of 90, nearly 95 percent,
5 compared to a 71-and-a-half-percent rise
6 nationally.

7 This concludes our presentation. I then
8 want to hand it over to Dr. Stephen Morrell to
9 talk a little bit more about business taxation
10 because it's a very appropriate time, seems to
11 link in very well, Mr. Chairman.

12 CHAIRMAN BENSE: Thank you. That's Dominic
13 Calabro, Florida TaxWatch.

14 And, sir, I did not get your name.

15 DR. MORRELL: My name is Stephen Morrell. As
16 Dominic said, I am a senior research fellow at
17 TaxWatch and also a professor of economics and
18 finance in the Andreas School of Business of Barry
19 University down in Miami Shores.

20 And thank you for your time. I'm going to
21 be quite brief with you. There were a couple
22 of questions earlier alluding to business
23 taxation from your commissioners, and Dominic

24 asked me to comment very briefly on a study we
25 recently did at Florida TaxWatch on this issue.

1 I believe all of you have copies of the slides
2 in front of you. I'm going to skip through
3 most of them.

4 And there are just a couple of points we
5 want to make. Namely, as we have on the title
6 here, is business taxation in Florida becoming
7 a growing threat to our state's economic
8 competitiveness.

9 How do you forward this? Thank you.

10 Let me first tell you where the data
11 you're going to see have come from. The
12 council on state taxation costs is the acronym
13 and Ernst and Young annually do a study on
14 business taxation in each of the 50 states.
15 This year's study was authored by Robert Cline,
16 Tom Neubig, and Andrew Phillips, and it was
17 entitled Total State and Local Business Taxes,
18 50 State Estimates for Fiscal Year 2006.

19 It provided detailed state by state
20 estimates of state and local taxes paid by
21 businesses. It analyzed ten types of taxes
22 state and local governments imposed on
23 businesses. For our purposes today I think

24 what's important is that the study, the data in
25 it provide insights about tax burdens and tax

1 competitiveness for each of the 50 states.

2 The next slide presents summary data for
3 the entire nation as a whole, and it will
4 provide some perspective back to what Dominic
5 was mentioning about how does Florida compare.
6 You'll see from fiscal year 2002 through fiscal
7 year 2006 total taxes rose from about
8 911 billion to about one trillion, \$235
9 billion, a gain of almost 36 percent or about
10 \$324 billion. Of that, non business taxes rose
11 from about 515 to about \$680 billion, or they
12 increased 32 percent over this period.

13 In contrast, business taxes rose from
14 about \$396 billion to approximately
15 \$554 billion, or business taxes grew by almost
16 40 percent during this period. As a result,
17 business taxes now account for approximately
18 45 percent of total taxes.

19 And as I will mention in a little more
20 detail in just a minute, one very useful and
21 insightful measure of the burden of business
22 taxation is the size of business taxes relative
23 to gross state product, the most comprehensive

24 measure we have of economic activity in the

25 state, and that's risen from about four and a

1 half percent to slightly in excess of 5 percent
2 for the nation as a whole.

3 The next slide is a similar one, but it
4 looks now strictly at our great state of
5 Florida. As you can see from fiscal 2002
6 through fiscal 2006, total taxes went from
7 about \$44.4 billion to approximately
8 67 billion. Total taxes grew by slightly more
9 than 50 percent during this period. The non
10 business portion of that went from
11 \$23.8 billion to roughly \$35 billion, a gain of
12 about 11.2 billion, or a percentage increase of
13 47 percent.

14 At the same time total business taxes went
15 from about \$20.6 billion to \$32 billion. They
16 increased 55 percent. As a result, the
17 business share of total taxes in Florida went
18 from 46 percent and currently stands at about
19 48 percent.

20 The MRG stands for marginal revenue growth
21 of 50 percent. And what it simply means is of
22 every dollar of increase in total taxes from
23 fiscal 2002 through fiscal 2006, 50 cents of

24 that dollar came from additional taxes on
25 business.

1 The business tax burden in Florida
2 relative to the size of the private sector
3 economy in Florida has increased from slightly
4 above 5 percent to now about 5.4 percent. And
5 I'll come back to that in just a minute.

6 The next slide just shows you the types of
7 taxes imposed on businesses at the state and
8 local levels in Florida. Just a couple of
9 quick points to note. On the state's side,
10 sales and use taxes on business inputs and
11 excise and gross receipts taxes account for
12 roughly 50 percent of all business taxes. You
13 can see the distribution is somewhat evenly
14 divided.

15 On the other hand, on the right-hand side
16 of this slide you can see that business taxes
17 at the local level, the vast overwhelming
18 whopping majority, almost 78 percent, are
19 property taxes on business property. I think
20 that's germane given the questions we heard
21 earlier.

22 Here is a comparison of Florida to the
23 U.S. in terms of distribution. I'll leave you

24 to look at that at your time. I just want to
25 summarize by looking at business tax burdens in

1 Florida relative to the nation as a whole and
2 relative to a collection of Sunbelt states.
3 There are many other states we could use as
4 frame of references here.

5 What you can see in this slide is as of
6 2006 in Florida business taxes represented
7 about 42 percent of state taxes, but only
8 slightly less than 40 percent for the U.S. and
9 only about 40 percent for all the Sunbelt
10 states.

11 Now, you see an asterisk there. As you
12 know, those Sunbelt states frequently include
13 Louisiana and Texas, which have quite sizable
14 taxes on their extractive oil and natural gas
15 industries. If you back Louisiana and Texas
16 out of that, the Sunbelt state share of state
17 taxes by businesses fall to 36 percent.

18 So we're at 42 in Florida, the rest of the
19 country is at 40. If you include Louisiana and
20 Texas, the Sunbelt is at 40. If you take them
21 out, the Sunbelt is only at 36. That's a
22 disadvantage, I think, for Florida.

23 On the local side, we see a similar story.

24 Business taxes in Florida represent about 56
25 and a half percent of local taxes. Nationwide

1 the comparable figure is approximately
2 52 percent. In the Sunbelt it is 59 percent.
3 But, again, if you back out Louisiana and
4 Texas, it's at 56 percent.

5 The combined shares of state and local
6 imposed on businesses in Florida, about
7 48 percent versus 45 percent nationally, versus
8 about 47 percent for the Sunbelt states.

9 And then lastly this measure, the private
10 sector GDP. And I think this is a reasonably
11 good measure of the tax burden businesses face
12 in Florida and indeed every state in the
13 country. The tax burden in Florida on
14 businesses now is about 5.4 percent of private
15 sector GSP, or gross state product.

16 By private sector, governmental
17 contributions to gross state product have been
18 excluded from the data. It's about
19 5.10 percent for the nation as a whole. For
20 the Sunbelt state, it's only 4.82 percent.
21 And, again, if you exclude Louisiana and Texas
22 it's only about 4.52 percent.

23 So, in conclusion, very quickly, I think

24 we can say, yes, state and local taxes on

25 businesses can and do support a wide range of

1 activities, but, also, they can impair the
2 nation and Florida's economy, especially
3 remembering all states including our great
4 state operate in an environment of intense
5 global competition and highly mobile resources.

6 I think we can conclude that tax burdens
7 on businesses nationally as well as in Florida
8 have risen sharply in recent years. The
9 concern is that the tax burdens on businesses
10 in Florida may be rising or already have risen
11 to levels where they can start to impinge the
12 state's economic competitiveness.

13 Thank you for your time.

14 CHAIRMAN BENSE: Thank you. Any questions?
15 I think we have been deluged today with tax
16 information.

17 Mr. Calabro. Any questions of
18 Mr. Calabro? Commissioner Barnett, you are
19 recognized.

20 MS. BARNETT: Thank you, Dominic. I had a
21 slide I wanted to refer to, but I can't find it
22 quickly. When you show the increase in local
23 taxes on business, I guess the individuals as well

24 from local government, is there any correlation
25 that you have -- you've looked at between the

1 devolution of responsibilities from the federal to
2 the state to the local government and the increase
3 in the tax burden, both at the personal and
4 business level?

5 CHAIRMAN BENSE: Mr. Calabro, you're
6 recognized.

7 MR. CALABRO: Thank you, Mr. Chairman. We
8 actually want to do a better job to document this
9 tax law which has worked in the past with the
10 Association of Counties and the Florida League of
11 Cities and others to try to limit unfunded
12 mandates I think is the underlying question.

13 There are increased costs, particularly
14 the pension. I'm seeing one. I'm seeing them
15 locally here in Leon County. Salaries are
16 rising over a period of three or four years by
17 some 38 percent, but pension benefits have
18 risen 90 percent. Part of that is special risk
19 and added pension benefits that are statutorily
20 forced onto other units of government.

21 That's part of it, but it's not -- I don't
22 think it tells the whole story. But it's
23 certainly an important contributing factor that

24 addresses the question that Commissioner Levine
25 who is sitting over there mentioned up there,

1 mentioned a moment ago.

2 We're going to try to document so we know
3 more conclusively what costs our own
4 Legislature may be adding to its local
5 taxpayers, may be shifting from one level to
6 the other level.

7 MS. BARNETT: Follow-up, Mr. Chairman?

8 CHAIRMAN BENSE: You're recognized.

9 MS. BARNETT: I did find the chart. I don't
10 think it's numbered, but it's the one that shows
11 Florida as the fourth highest percentage of total
12 revenue provided by local government. You show a
13 50-state graph per.

14 MR. CALABRO: Right. Uh-huh.

15 MS. BARNETT: You show the U.S. average at
16 45 percent and Florida at 52 percent. And I'm
17 just -- is that meant to show that there are three
18 states that have a higher percentage than Florida?
19 And, if so, tell me who those states, what are
20 those three states?

21 MR. CALABRO: They're not listed on this, but
22 I have that. I can give it to you. It might be
23 in my folder. I can give it to you after the

24 meeting.

25 But, yeah, that's exactly what it shows.

1 There are three states that have a higher -- we
2 just put this in to show that Florida relies
3 more heavily on local government to fund the
4 total cost of government within the state than
5 almost all the states.

6 UNIDENTIFIED SPEAKER ON THE PHONE:

7 Mr. Chairman, could you tell him to speak up --

8 CHAIRMAN BENSE: Speak into the microphone,
9 please.

10 MR. CALABRO: Yeah. We wanted this chart to
11 show that Florida relies more heavily on local
12 governments to fund the total cost of government
13 within the state. There's only three states with
14 a higher proportion.

15 MS. BARNETT: It would be interesting to me
16 to know which states those are and also to have --
17 to look at whether they're competitive, that
18 they're states Florida would view as competitive,
19 whether they're Sunbelt states, what their tax
20 structure is, particularly with regard to the
21 availability of a personal income tax or other
22 distinctions in their tax base to see if that's an
23 important distinction there.

24 MR. CALABRO: We didn't have room to put the
25 states on here, but I have that. And I can give

1 it to you after the meeting.

2 CHAIRMAN BENSE: Further questions?

3 MR. MCKAY: Mr. Chairman?

4 CHAIRMAN BENSE: You're recognized. This is?

5 MR. MCKAY: John McKay. Could you please
6 summarize the -- Dominic's answer to Commissioner
7 Barnett's first question?

8 CHAIRMAN BENSE: Could you repeat that
9 answer, Dominic.

10 MR. MCKAY: It was about the -- whether there
11 was a correlation between increased local tax
12 burden and the devolution of responsibility.

13 CHAIRMAN BENSE: Mr. Calabro, why don't you
14 answer that question?

15 MR. CALABRO: It's a combination of things,
16 and this chart shows Florida as the fourth highest
17 percentage of total revenue.

18 MR. MCKAY: (Inaudible.)

19 CHAIRMAN BENSE: Speak into the mike.

20 MR. MCKAY: He needs to speak directly into
21 the microphone.

22 MR. CALABRO: Didn't want it to shrill, so.
23 Part of it is the function of how Florida

24 is structured in the use of government it has
25 to provide Florida services, but the others we

1 have added a number of added costs to local
2 governments through the years in spite of a
3 constitutional amendment passed in 1980 to try
4 to limit that. It requires a two-thirds
5 override by the Legislature in many cases --

6 MR. MCKAY: Mr. Chairman, if you'd just
7 summarize that. I can't hear it.

8 MR. CALABRO: Yes, it's actually been a
9 contributing factor.

10 CHAIRMAN BENSE: How's that?

11 MR. MCKAY: I still couldn't hear him.

12 CHAIRMAN BENSE: Dominic, why don't you speak
13 into the other mike over there. Try that. Put it
14 right up to your face. Don't be scared. And do
15 it in one minute or less because we're getting low
16 on time.

17 MR. CALABRO: Commissioner?

18 CHAIRMAN BENSE: There you go.

19 MR. CALABRO: John, can you hear me?

20 MR. MCKAY: Much better.

21 MR. CALABRO: Okay. The answer is it has
22 been a contributing factor, or a contributing
23 factor has been the unfunded mandates that the

24 Legislature has passed on to our counties and
25 cities has contributed to that.

1 MR. MCKAY: Thank you.

2 CHAIRMAN BENSE: Okay. Further questions?
3 Further questions? Commissioner Levesque?

4 MS. LEVESQUE: Thank you. Dominic, I'm
5 assuming on slide two, your fourth bullet, where
6 it says Florida relies more heavily than most
7 states on local government to fund the state's
8 needs is the bullet that relates to the chart that
9 Commissioner Barnett was talking about where
10 52 percent of all of government in Florida is paid
11 for by local government, but I'm curious as to the
12 bullet that says we rely more heavily on local
13 government to fund the state's needs, what was
14 defined as a state need that is being passed on to
15 local government or that we're requiring local
16 government, and is the chart that we were just
17 looking at, is that more -- could that be a
18 function of state government shrinking while local
19 governments are increasing?

20 MR. CALABRO: Absolutely. All that is is a
21 percentage of total --

22 CHAIRMAN BENSE: Speak into the mike.

23 MR. CALABRO: -- total governmental revenue

24 that's produced by the local government. So in
25 Florida that's 52 percent of all state and local

1 revenue is produced by local governments.

2 MS. LEVESQUE: So is the bullet on slide two
3 an explanation of this slide --

4 MR. CALABRO: Yes.

5 MS. LEVESQUE: -- so that it's not
6 necessarily that the state is relying on locals to
7 fund state needs, it's just that local government
8 revenues have increased possibly faster than state
9 government?

10 MR. CALABRO: What it's saying is more money
11 comes from local government levies than state
12 government levies.

13 And Commissioner Barnett's question of
14 what states were higher, Florida is at fourth,
15 52, Texas is third at 52.2, Colorado is second
16 at 54, and New York is number one at 56.

17 CHAIRMAN BENSE: Wow. Further questions?
18 Further questions?

19 MR. MOORE: Mr. Chairman?

20 CHAIRMAN BENSE: Who is this?

21 MR. MOORE: This is Jade Moore from the
22 mountains.

23 CHAIRMAN BENSE: Hey, Commissioner, you're

24 recognized.

25 MR. MOORE: I was just wondering if Dominic

1 would clarify whether or not a lot of that growth
2 in the local tax -- are they attributing that
3 portion of the school tax, the STSC, that is
4 mandated by the state as a local tax source to
5 require local effort. Is that one of the facts
6 that might be contributing to that?

7 MR. CALABRO: It absolutely is. All the
8 required local effort taxes are considered local
9 taxes. All property taxes are considered local
10 taxes. And --

11 MR. MOORE: Even if they're required by the
12 state?

13 MR. CALABRO: Right. The required local
14 effort is the heart of school funding that the
15 Legislature sets, the millage rate that school
16 districts have to levy to participate in the
17 school funding formula, and that's increased
18 significantly over the years, including this last
19 legislative session.

20 CHAIRMAN BENSE: Further questions? Guys, we
21 got to -- I hope you don't mind us running past
22 one. We're going to go until forever.

23 Commissioner Story, you're recognized.

24 MS. STORY: Dominic, I heard you say, and it
25 relates to what Commissioner Levine's question

1 was, that you don't know of studies that have been
2 done in terms of the unfunded liabilities on the
3 local and state government pensions, et cetera.

4 The reason that is concerning to me is in
5 the early '90s when the FASB rules were changed
6 where you did have to account for those
7 liabilities there were tens of billions of
8 dollars added to the balance sheets of
9 companies and it had huge impacts on income.

10 As we're looking at 20 years and you're
11 looking at the average age of employees, are
12 there any studies -- I mean, I think in terms
13 of this commission, Mr. Chairman, for us to get
14 a good handle on what the costs are going to be
15 at the local and state government and then to
16 address issues of unfunded mandates, if we
17 don't know how much we're adding by these
18 mandates for benefits and pensions to
19 government employee, I am extremely concerned
20 having seen what happened in the private
21 industry with all of sudden you went from a pay
22 as you go to actually having to account for
23 those costs.

1 unfunded liabilities are for local and state
2 government in Florida?

3 CHAIRMAN BENSE: Mr. Calabro, you're
4 recognized.

5 MR. CALABRO: Thank you, Mr. Chairman. Thank
6 you, Commissioner.

7 We're not, and we don't add it to the
8 pension and to healthcare costs or additional
9 severance contracts. Some of them pay one,
10 two, in some cases multiple years. We're just
11 beginning to learn that. We're seeing in some
12 of our local governments, we're seeing in some
13 university presidents and the like that are
14 very substantial, that are running into the
15 very many millions of dollars.

16 So from pension, health care, and
17 severance contracts that extend for many years
18 forward, I do not believe that they're being
19 accounted for properly in financial statements.

20 CHAIRMAN BENSE: That's a good point.
21 Commissioner Lacasa?

22 MR. LACASA: Commissioner Story.

23 CHAIRMAN BENSE: Commissioner Levine, you're

24 recognized.

25 MR. LEVINE: Mr. Chairman, may I follow up on

1 Mr. Calabro's answer?

2 CHAIRMAN BENSE: Sure, Commissioner Levine.

3 MR. LEVINE: These new guidelines, these new
4 government accounting guidelines that come out.
5 Starting July 1 government entities have to start
6 accounting for the unfunded liability of their
7 long-term pensions, health benefits, retirement
8 benefits.

9 Just to put it in perspective, my system,
10 I have 7,000 employees in my system. My cost,
11 it's the -- it's a 30-year cost that we book it
12 over a certain number of years, \$500 million,
13 just for my one system.

14 So if you multiply that out by 412 cities,
15 67 counties, the state, we're in the billions
16 of unfunded liability that's out there that's
17 not showing up on any municipalities or state
18 or local governments' balance sheets.

19 And those are -- those are a huge, huge
20 threat that -- as we're talking about the next
21 20 years and boomers starting to retire we
22 ought to -- it was on my mind during our
23 committee meeting. And it's a looming issue

24 that as Commissioner Story said they dealt with
25 in the private sector years ago.

1 Now, in the private sector the advantage
2 was when you booked it, you got a tax benefit
3 for the -- for booking the expense. Government
4 sector doesn't get that benefit. So a lot of
5 entities have not complied with this and really
6 are going very slow to comply with it, so we
7 don't know what the actual number is.

8 CHAIRMAN BENSE: Okay. Further questions?

9 Thank you, great job. Great job as
10 always.

11 Let's move into reports of committees.
12 Since most of us attended a couple of them, I
13 think we can probably make it quick.

14 Commissioner Story, you're recognized on
15 finance and taxation.

16 MS. STORY: Thank you, Mr. Chairman. Just
17 very quickly, we reviewed the remarks from the
18 Chair's conference call. We had two excellent
19 presentations from Ginger Delegal, the general
20 counsel for the Florida Association of Counties.

21 We then had a great presentation by
22 Dr. Randy Holcombe of the James Madison
23 Institute, determined that we need more

24 information than we got in the limited time,
25 then we discussed topics for future meetings.

1 And, Mr. Chairman, you've already
2 commented on the fact we need more time for
3 this research and education through the summer.

4 And that was pretty much our business,
5 Mr. Chairman.

6 CHAIRMAN BENSE: Okay. Commissioner Kyle on
7 behalf of the government services committee.

8 MR. KYLE: Thank you, Mr. Chairman. We had a
9 presentation from the Commissioner of Education.
10 We got into the local funding and state funding
11 and bits and pieces of the funding formula for
12 schools.

13 It was decided that we needed more
14 information, and we're going to try to get
15 someone on behalf of the --

16 UNIDENTIFIED SPEAKER ON THE PHONE: Could you
17 speak into the mike, please?

18 MR. KYLE: I'm sorry. We're going to try to
19 get someone from the school board to -- the school
20 board association to attend, from the
21 superintendent of schools to attend the next
22 meeting and get more in depth into the local
23 effort and funding for our school system.

24 CHAIRMAN BENSE: Commissioner Lacasa on
25 behalf of the planning and budgetary processes

1 committee.

2 MR. LACASA: Thank you, Mr. Chairman. Our
3 committee met today jointly with finance and tax
4 committee, heard the same presentations. We will
5 be having a conference call at some point in the
6 near future in order to discuss the ideas that the
7 committee members want to explore and what
8 presentation they want to explore, and I will
9 report back to the chair at that time.

10 CHAIRMAN BENSE: Thank you. If anyone has
11 questions during -- after these, I'm not trying to
12 move too quickly but -- and Commissioner Levine,
13 governmental procedures and structure committee.

14 MR. LEVINE: Thank you, Mr. Chairman. We had
15 a presentation by the Florida League of Cities,
16 and we're planning to have the Association of
17 Counties come in as well. Learned a lot from
18 them. Large part of the discussion was about the
19 issue of unfunded mandate from the legislative and
20 federal government and how they're having to pay
21 for that at the local level.

22 We also had some discussion about guiding
23 principles for the committee, you know,

24 relating to what our purpose is. And, you
25 know, I think really what we're hoping to do at

1 the next meeting is start honing in on those
2 sections of the constitution that the committee
3 members really want to spend their time on so
4 we can get people specific to those provisions
5 to come and address it.

6 In fact, at the next meeting, I think
7 we're discussing having a historian, a
8 constitutional historian, come and actually
9 address those specific issues to explain how
10 they got there, what they were intended to do
11 when they were put in the constitution, and
12 then answer some other questions about whether
13 they're still applicable for the next 20 years,
14 so we're working.

15 CHAIRMAN BENSE: Good. Any input? Any
16 questions? Any comments?

17 Next let's move on to rules. You have in
18 front of you the latest draft of our rules.
19 They have been updated based upon we had a
20 couple of ad hoc committees that made some
21 decisions out there. I think you've had a good
22 chance to review them. I know that
23 Commissioner Barnett has a technical change

24 that she wants to put forward.

25 Are there any comments, first of all, on

1 the rules as presented to you today? Any
2 comments?

3 How about -- how about a motion to accept
4 the rules and then with a second and then we
5 can have Commissioner Barnett move to amend the
6 rules?

7 MR. ROUSON: Mr. Chair, I would like to move
8 that we accept the rules.

9 CHAIRMAN BENSE: Mr. Rouson moves.
10 Commissioner Turbeville seconds that we adopt the
11 rules as presented.

12 Commissioner Barnett, you're recognized
13 for proposed amendment to those rules.

14 MS. BARNETT: Mr. Chairman, I believe this is
15 a purely technical amendment. It's certainly
16 intended to be a technical amendment to section
17 2.003(4), to add the language, either in person or
18 by telephone, to that section so that it's
19 consistent with the language in paragraph three
20 which deals with the definition essentially of
21 when a commissioner will be present for purposes
22 of a quorum and purposes of voting.

23 There is probably only lawyers who would

24 pay attention to this, but that's just the
25 nature of the beast. Because the language

1 didn't appear in paragraph four there could
2 come a point in time where someone questions
3 whether there was intended to be two different
4 standards. And so this was simply meant to
5 make the two paragraphs consistent.

6 CHAIRMAN BENSE: Can you quantify that
7 proposed amendment or can you give us the summary
8 so we can --

9 MS. BARNETT: The proposed amendment is to
10 subparagraph four to add the language, either in
11 person or by telephone, to that section so that
12 members, for purposes of a quorum or purposes of
13 voting members can be present either in person or
14 by telephone.

15 CHAIRMAN BENSE: Okay. Commissioner Barnett
16 has modified the proposed motion by Commissioner
17 Rouson. All in favor of that proposed
18 modification say aye.

19 (Ayes unanimous.)

20 Opposed, no.

21 (No response.)

22 We now have a motion by Commissioner
23 Rouson that has been amended. Are there

24 questions on the proposed motion? Is there
25 debate on the proposed motion? All in favor of

1 the proposed motion say aye.

2 (Ayes unanimous.)

3 Opposed, no.

4 (No response.)

5 Motion carries. We have a set of rules.

6 Finally -- we're moving along pretty
7 well -- with respect to the property tax issue,
8 I think we should talk a little bit about that
9 before we leave today.

10 We heard a great report from the folks
11 within the House and Senate who chose to -- who
12 were appointed to kind of crunch the numbers.
13 I think it was a good, some good feedback.

14 As Commissioner Barnett noted in our first
15 meeting very astutely, you know, property tax
16 is one part of what we're supposed to be
17 looking at. It just happens to be right now
18 the hot button issue that's clearly out there.
19 And I want to make sure that we don't ignore
20 it, but by the same token I want to make sure
21 that we don't jeopardize the January 29th
22 proposed election.

23 And I have made -- I tried to keep my

24 comments to a minimum, but I in no way or
25 fashion want myself -- and I would suggest as a

1 commission that actions we take jeopardize that
2 amendment. I think we should stay out of it.
3 I think it's up to the people to approve.

4 I am concerned, though, that I don't think
5 we should ignore it, and I think we talked
6 about this on our committee chair conversation.
7 We can't just put our head in the sand, and if
8 something adverse were to happen on
9 January 29th, we're sort of caught flatfooted.

10 And my suggestion with respect to property
11 taxes, that should come through Commissioner
12 Story's committee. Any changes, maybe we want
13 to add more to what's out there. Maybe we want
14 to make recommendations to the Legislature in
15 the upcoming session.

16 But I think we need to run that through
17 Commissioner Story's committee and perhaps some
18 of the other areas, if in fact that committee
19 is overwhelmed and there are specific areas,
20 for example, portability or whatever, that
21 other committees might wish to look into, I
22 think we should let that occur.

23 How do we keep different committees from

24 looking at different parts of that? I think,
25 again, we use myself and Commissioner Story

1 sort of as traffic cops to make sure we don't
2 have three committees looking at portability.
3 I think it should come through one committee,
4 if in fact you even want to look at it.

5 So, again, I want to make sure. I want to
6 make very clear that any statements that come
7 from me -- I have no idea if that amendment
8 will pass on January 29th. And I don't think
9 it's -- I don't think I should be speculating.
10 I think we as members should be careful about
11 speculating on that because I don't think we
12 should -- we should let the voters and the
13 folks that are promoting it or not promoting it
14 or promoting its demise. And they should be
15 out there talking, and let the people decide.

16 So having said that, is there anyone that
17 feels differently about that, or do you have
18 comments you want to make along the property
19 tax? Do you have other ideas for how we
20 address the property tax issue?

21 Commissioner Riley, you're recognized.

22 MS. RILEY: Yeah. My concern is we -- I
23 think we need to prepare for both ways for

24 January 29th, so how do we do that?

25 CHAIRMAN BENSE: Well, that's -- what we do

1 will come through Commissioner Story's committee
2 and that's her prerogative and members on the
3 committee that want to bring it up, that's your
4 responsibility. Get with our executive director,
5 and she can filter through to Commissioner Story
6 your concerns or your ideas or your thoughts.

7 Commissioner Wilkinson, you're recognized.

8 MR. WILKINSON: It's just a little difficult
9 for the position I'm in as a county property
10 appraiser and, obviously, father of Save Our Homes
11 to duck the issues.

12 CHAIRMAN BENSE: We know that.

13 MR. WILKINSON: Appreciate that.

14 CHAIRMAN BENSE: We understand that.

15 Any more observations? Commissioner
16 Lacasa, you're recognized.

17 MR. LACASA: Only this one that I spoke about
18 in our conference call two Fridays ago. I
19 thoroughly believe that the impact of anything we
20 do with property tax, whether we do it or whether
21 the constitutional amendment is adopted in January
22 will impact the revenues of the state and the
23 distribution of those revenues to local

24 governments.

25 So I think that to that extent property

1 tax -- the property tax controversy will figure
2 prominently in all of our work.

3 CHAIRMAN BENSE: Clearly we cannot ignore it,
4 clearly.

5 Any more observations on the property tax
6 issue or thoughts?

7 Okay. We will also have some folks here
8 from the Office of Legislative Services, OLS.
9 Do we want to talk about travel reimbursement
10 or -- two seconds. Who wants to do that?
11 You're recognized. This is on your travel
12 reimbursement. It might take two minutes. How
13 to get your money back. Does that help a
14 little bit better? Jim, you're recognized.

15 MR. HEVERELE: Thank you, Mr. Chairman. We
16 have a handout here that we're going to distribute
17 here shortly.

18 My name is Jim Heverle. I'm with the
19 Office of Legislative Services, finance and
20 accounting office, and we're the office that
21 you're going to send your travel reimbursements
22 to.

23 Just a few things to remember. I believe

24 that most of you are familiar with state,
25 Florida travel, so I'm not going to go into any

1 nuts and bolts of how to complete travel
2 vouchers. The information in the packets will
3 explain how much in meals and per diem,
4 lodging. My understanding as far as lodging
5 goes, you will be reimbursed a maximum of \$150
6 plus your room tax for your hotel stay within
7 the State of Florida.

8 The other things to remember is when you
9 complete your travel reimbursement have them
10 signed. That's very important. And also have
11 your original receipts attached.

12 And with that is there any questions that
13 anyone has in regards to the travel
14 reimbursements?

15 MR. MILLER: Mr. Chairman?

16 CHAIRMAN BENSE: Yes. Is it Senator McKay?

17 MR. MILLER: This is Les Miller.

18 CHAIRMAN BENSE: Yes, sir?

19 MR. MILLER: Could, is it possible that they
20 could put that on an E-mail to us, those of us
21 that are not there, or either mail it to us for
22 those that are not there?

23 MR. HEVERELE: Yeah, we will do that.

24 CHAIRMAN BENSE: You'll have that.

25 MS. SKELTON: Mr. Chairman?

1 CHAIRMAN BENSE: You're recognized, Director
2 Skelton.

3 MS. SKELTON: Just for clarification, when
4 Mr. Heverele says to have it signed, that means
5 for you to sign your form so that --

6 MR. HEVERELE: That is correct.

7 MR. MILLER: Mr. Chairman, couldn't hear.
8 What was that she said?

9 CHAIRMAN BENSE: Say it again louder. Could
10 you repeat it?

11 MR. HEVERELE: Yes, that is correct. The --
12 just make sure that the travel reimbursement form
13 has your signature on it.

14 CHAIRMAN BENSE: Okay. Any questions? Any
15 further questions?

16 Thank you very much. To close, I also
17 want to add to members, we've had some great
18 speakers before our commission as well as our
19 committee, and we've had some conservative ones
20 this morning. I want to hear from all sides on
21 issues.

22 So let's, you know, if there are folks
23 that perhaps -- I'm known as a conservative.

24 I'm certainly willing to hear all sides, so I
25 encourage you to get with Susan Skelton or

1 myself if you have speakers because at the end
2 of the day I want to make sure we've heard from
3 every point of view on these issues that affect
4 taxation and budget reform. I don't want to --
5 anyone to ever think that we did not include
6 folks whose ideas may not be consistent with
7 mine or others in this commission. So if you
8 have ideas on speakers or presenters please let
9 us know.

10 MR. MCKAY: Mr. Chairman?

11 CHAIRMAN BENSE: Yes, sir?

12 MR. MCKAY: This is John McKay. Have we --
13 have you along with Director Skelton any progress
14 with regard to outside economic evaluation of the
15 tax system and the expenditures?

16 CHAIRMAN BENSE: We -- I would probably in
17 this particular case refer that question to
18 Commissioner Story because that is probably a
19 finance and taxation issue and I would direct her
20 in the next month or so to come up with some ideas
21 along those lines. Is that sufficient?

22 MR. MCKAY: We have discussed earlier, and I
23 think Commissioner Randy Miller had agreed that

24 engaging the University of Florida in those
25 efforts would be very helpful and somebody,

1 perhaps you suggested University of Central
2 Florida as well.

3 CHAIRMAN BENSE: I'm going to assign that to
4 Commissioner Story as well as Director Skelton to
5 make sure that by the time this group meets next
6 month that we have made significant progress along
7 those lines.

8 MR. MCKAY: Thank you.

9 CHAIRMAN BENSE: Absolutely. More questions?

10 Okay, folks. Sorry we ran a little bit
11 late, but that's not too bad. Thank you so for
12 much for your travel. I appreciate your input.
13 And this meeting is adjourned.

14 (The proceedings concluded at 1:08 PM)

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CERTIFICATE OF REPORTER

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6 STATE OF FLORIDA)

7 COUNTY OF LEON)

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9 I, LISA D. FREEZE, Notary Public, certify

10 that I was authorized to and did stenographically

11 report the proceedings herein, and that the transcript

12 is a true and complete record of my stenographic notes.

13 I further certify that I am not a relative,

14 employee, attorney or counsel of any of the parties,

15 nor am I a relative or employee of any of the parties'

16 attorney or counsel connected with the action, nor am I

17 financially interested in the action.

18 WITNESS my hand and official seal this 26th

19 day of June, 2007.

20

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23

LISA D. FREEZE, RPR, NOTARY PUBLIC

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