

Meeting Minutes  
Finance and Taxation Committee  
Taxation and Budget Reform Commission  
Senate Office Building, Room 301  
Tallahassee, Florida  
July 20, 2007  
10:45 a.m. – 12:45 p.m.

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

**Members Present:**

Susan Story, Chair  
Barney Barnett  
Martha Barnett  
Julia Johnson  
Bruce Kyle (by phone)  
Patricia Levesque  
Randy Miller  
James Scott  
Kenneth “Ken” Wilkinson  
Brian Yablonski

**Other Commission Members Present:**

Allan Bense, TBRC Chair  
Gwen Margolis (by phone)  
Darryl Rouson

**Members Excused:**

John McKay

Chair Susan Story called the Finance and Taxation Committee meeting to order at 10:45 a.m.

Staff called the roll and the presence of a quorum was announced.

Chair Story reviewed the charge of the committee and made brief remarks about the format for the day’s meeting. She indicated that the group should review the topics of interest laid out following the July 18 committee conference call meeting including:

- a review of the state and local taxation and budgeting process;
- a statutory and constitutional analysis of obligations, limitations and other relevant information relative to the tax and spending structure in Florida;

- 20 year projections of revenues and expenditures, forecasted gaps and critical areas of shortages / surpluses; and
- review of 1990 TBRC discussion topics and recommendations

Chair Story then told members to think about these issues, and any additional ideas that should be covered, for further discussion at the end of the meeting.

Dr. Jim Zingale, Executive Director of the Department of Revenue, made a presentation on Florida's tax structure and process. Dr. Zingale pointed out that outside factors, such as the Federal Deficit Reduction Act, have profound impacts on the state's revenue and expenditure structure. He provided an overview of the sales tax revenues, which make 71% of all state revenue generated from our own sources. The largest category of sales tax is paid on non-durable items, followed by business investment, tourism, autos /accessories, other durable goods, and construction. Non-durables and tourism are considered to be very resilient tax bases, while durable goods, automobiles, and building investment are very cyclical in nature. Dr. Zingale addressed the expected growth in Florida over the next 25 years, estimating that the state's population would grow by 11 million with an increase of the number of persons over the age of 65 to 27% of overall population. He noted that interaction with national market conditions will play a role in the growing economy of Florida and that housing sales are tied to national market conditions. Dr. Zingale spoke briefly about the state's consensus estimating process and noted that all parties involved in the revenue estimating process must agree on assumptions used to do modeling. As the group has deviations in those modeling forecasts, the estimating conference must re-convene to consense those deviations.

Chair Story asked Dr. Zingale to work with the committee, and the Office of Economic and Demographic Research to help develop a clear outline on assumptions for forecasting, to include the ad valorem tax information available over the span of the chart information provided to the committee, and to assist in projecting revenue estimates for five, ten, fifteen and twenty years.

Commissioner Darryl Rouson indicated an interest in getting further information about the impacts of "sin" taxes (beverage, cigarettes, pari-mutuel gambling) and what effects any changes in those tax rates might have over time.

Ms. Cynthia Kelly, Staff Director of the Senate Fiscal Policy Committee, made a presentation on the state's budgeting process. Ms. Kelly further discussed the revenue estimating process, spoke about the Budget Stabilization Fund and the Working Capital Fund, and how the legislative budget gets created each year. She indicated that the next Revenue Estimating Conference will be held August 1, both to look at revenue projections for next year, and to discuss the current revenue shortfall.

Commissioner Randy Miller asked about the amount of non-recurring funds available after the end of the past budget year. Ms. Kelly indicated that approximately \$1.8 billion was reverted and explained that the recommendation from staff would be to take budget cuts rather than to fund recurring programs with non-recurring dollars.

Commissioner Martha Barnett asked about how much money was allocated on spending through direct appropriations in substantive legislation. Ms. Kelly indicated that she would get that information for the commissioner. She indicated that the amount was much lower than in previous years. Commissioner Barnett then asked for an analysis of when the process is used for an emergency and when it is used simply to by-pass the appropriations process.

In response to a question by Commissioner Martha Barnett, Ms. Kelly summarized the implementing bill and conforming bill processes.

Commissioner Brian Yablonski asked if the Revenue Estimating Conference used dynamic or static modeling and if there had been any study on the benefits of the two types of modeling. Ms. Kelly indicated that she would need to check with the Conference members to respond to that question.

#### SCOPE OF WORK:

Chair Story asked Executive Director Susan Skelton to report on findings made about the possibility of contracting for studies related to the work of the committee. Ms. Skelton reported that legislative policy exempts work for consulting services from the competitive bid process, but comparison of potential vendor sources is preferred. She outlined a list of various vendors and university resources that might be suitable for work with the committee.

Chair Story then asked members for their thoughts on using an outside resource for studying specific questions defined in the circulated “scope of work” outline, and any additional issues that should be included in the discussion.

Commissioner Randy Miller noted that when discussing “viable alternative revenue sources” the research should affirmatively list those sources which are constitutionally or statutorily prohibited in Florida (i.e., personal income tax).

The group discussed the importance of having the flexibility to focus on specific issues, as needed, such as portability, the required local effort, or sales tax exemptions. It was agreed that any reviews should be done in the context of economic growth and should reflect positive and negative impacts at both the state and national level. Also, work should be done in the context of economic productivity and reflect the impact of technology on the growth pattern. Infrastructure and revenue needs must be factored into the discussion of the state’s tax and expenditure structure.

Commissioner Gwen Margolis asked that specific focus be placed on the impacts of the required local effort (RLE) for school districts on other governments. The opportunity costs of RLE may have caused reductions in other uses of available local property tax revenues and driven other revenue sources higher. The group agreed that this issue may require a separate analysis and be treated as an individual review.

Commissioner Rouson asked if staff had considered women owned, or minority owned businesses in the list of possible vendors. Staff indicated that no contact had been made with any of the listed vendors, so no current information was available on ownership, but that such questions would be part of any discussion with potential vendors.

The committee instructed staff to begin discussions with vendors regarding possible contracts for review of specifically defined scopes of work.

## ISSUES OF INTEREST

Chair Story asked for additional areas of study for the upcoming committee meetings.

The following is a list of those issues presented:

- Required Local Effort (RLE) – by Commissioners Margolis and M. Barnett
- Conservation Financing – Commissioner Yablonski
- Portability – Commissioner Wilkinson
- Commercial Properties (highest and best use) – Commissioner Margolis
- Just Value – Commissioner Margolis
- Across the board Roll Back of Assessments – Commissioner Scott
- Apply Save Our Homes caps across the board – Commissioner Wilkinson
- Sales Tax Base (services tax and sales tax exemptions) – Commissioner Martha Barnett
- Impacts of Save Our Homes on non-homestead properties owned by Florida investors
- Assumptions built into demographic trends related to multi-cultural spending trends – Commissioner Johnson
- Review of collections process and remote sales tax issues – Commissioners Johnson and R. Miller
- Government growth relative to citizens' ability to pay including discussion of revenue and spending caps at local and state level – Commissioners Levesque and R. Miller

TBRC Chair Allan Bense addressed the committee and reminded the members that any questions relative to property taxes should be framed neutrally and that outcomes should be gauged on both a positive and negative vote on the January 29 constitutional amendment ballot. In addition to the ballot issue, members must be cognizant of pending and possible future judicial challenges to current and possible revenue collection methods. Chair Bense also indicated that other committees may have additional subjects that they would like to review, including school choice, constitutional and statutory borrowing and debt caps, and a review of all special taxing districts.

The group agreed that issues related to the property tax, required local effort and a review of the sales tax base should be the first to be studied.

Chair Story asked the group for volunteers to work on specific topics, and indicated that Chair Bense might add additional experts from throughout the full membership of the TBRC. Volunteering for the following topics were:

- Conservation Funding – Yablonski
- Required Local Effort – Margolis, Levesque, M. Barnett
- Sales Tax Base Review – R. Miller, B. Barnett, M. Barnett, McKay (by Chair Bense), Johnson, Rouson
- Demographic Trend issues – Johnson
- Property Tax issues – B. Barnett, Scott, Wilkinson, R. Miller, Rouson

**Chair Story noted that the efforts on these topics should focus on education as to the issues and the range of options in the debate on these issues, to be shared with the Tax and Finance Committee, NOT to come to the committee with recommendations on these at this point. That effort will take place after public hearings.**

Chair Story announced that she would begin to develop a meeting schedule that would include a weekly conference call and twice a month meetings for the committee. Staff will circulate a proposed schedule in the next few days.

There being no further business, the meeting was adjourned at 12:55 p.m.