

Meeting Minutes
Finance and Taxation Committee
Taxation and Budget Reform Commission
Jacksonville City Hall – Committee Room A
Jacksonville, Florida
Thursday, September 20, 2007
1:30 p.m. – 3:30 p.m.

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

Members Present:

Barney Barnett
Martha Barnett
Julia Johnson
Bruce Kyle (By phone)
Patricia Levesque
John McKay
Randy Miller
James Scott (acting Chair)
Ken Wilkinson
Brian Yablonski

Members Arriving Late - Excused:

Susan Story, Chair

TBRC Vice-Chair James Scott called the Finance and Tax Committee meeting to order at 1:35 p.m. and announced that Chair Story was delayed by weather and would arrive as soon as possible. Vice-Chair Scott conducted the meeting in Chair Story's absence. Staff called the roll and announced the presence of a quorum.

The committee received a presentation by Mr. George Treyz, founder of the Regional Economic Modeling, Inc. (REMI) corporation on the modeling product. REMI was built in 1980 and has been used around the nation and the world to allow government forecasters to predict impacts of various tax and budget proposals. Mr. Treyz gave a specific example of how the modeling was used in Michigan to determine the impacts of various economic proposals to keep the auto industry growing through government incentives.

Commissioner Randy Miller asked if the input of data is still based on the imputer's impression of the situation. Mr. Treyz indicated that data in would always determine the output, so yes, the model will manipulate the data to reflect any changes that one makes to the tax or spending rate in the data. Commissioner Martha Barnett wanted to know how the data for input is determined and who is responsible for that data. Both Mr. Treyz and Commissioner Miller indicated that the data is determined by the input parameters.

Dr. Barry Poulson from the University of Colorado spoke briefly in support of the Americans for Prosperity Foundation and the Colorado Taxpayers Bill of Rights (TABOR) on behalf of the James Madison Institute. Dr. Poulson stated that the goal of the TABOR is to provide effective spending and tax limits at the state and local government levels. He surmised that Florida's limits have not been very effective over time, and that Colorado has had the most effective results in the nation. TABOR requires that surplus revenues be returned to taxpayers.

Commissioner Martha Barnett asked if all bond actions were subject to voter approval. Dr. Poulson indicated that they were and that they tend to pass at very high rates at the local level, but not at the state level. This would be indicative of citizens having a higher level of confidence in their local governments. He noted that TABOR allows each community to decide the rate of taxation and voters decide what they want to buy.

Dr. Poulson noted that the Florida system is flawed and that the rollback is temporary, the cap is too high and can be overridden by local governments. He said that model tax and spending limit legislation has been introduced in 22 states and multiple local jurisdictions including St. Johns County in Florida. He explained that governments could have a "rainy day fund" for emergencies, but that the fund would be capped and any additional revenues would be returned to the taxpayers. Given this formula in Florida, he speculated that over \$29 billion could have been generated for property tax relief over the last decade.

Commissioner John McKay asked how the TABOR would deal with mandated growth in federal programs with required match levels from state and local governments. Dr. Poulson indicated that the TABOR exempts such programs and "true" user fees for government services. He noted that such exemptions could be built into legislation to adjust for the "third party" mandates by the federal government. Commissioner McKay asked how the match would work for programs such as Medicaid in a state like Florida where the cost continues to grow with the increased aging population. Dr. Poulson replied that flexibility to deal with such growth could be built into the model and that Florida leads the nation in its efforts to provide discretion in Medicaid spending. If there is an increased need for services, the legislature could always ask the voters for additional spending authority. Commissioner McKay then asked how hidden costs, such as increased fuel costs in service industries like construction could be addressed with TABOR in place. Dr. Poulson noted that the model works off of the Consumer Price Index and household incomes so that there would be some natural increase for those hidden costs over time.

Commissioner Martha Barnett asked for clarification on the \$29 billion projected savings over the past decade if TABOR like controls had been in place. Dr. Poulson responded that the first savings would go toward the rainy day fund (assuming a 10% cap on funds collected) then the remaining funds would be rebated to taxpayers.

The committee heard a presentation from Mr. Morgan Gilreath, Jr., Volusia County Property Appraiser, on the impacts of the proposed January 29, 2008 Constitutional Ballot issues, and the concept of establishing "assessment levels" across all taxpayer classes. Mr. Gilreath made a PowerPoint presentation and included various charts and graphs indicating various impacts of the proposed constitutional amendment. He noted that one very important point has been ignored by local governments in setting their budgets for the coming fiscal year. If a government voted to exceed their spending limits for the FY 2007-2008 fiscal year, it will have to make up those differences in cuts for the FY 2008-2009 fiscal year. This point, coupled with the potential impacts of the amendment, could make for very difficult budget choices in the out years ahead.

The committee had a discussion about the impacts and Commissioner McKay noted that in his opinion all Save Our Homes does is slow down the increase in growth. Commissioner Barney Barnett noted that the proposed amendment would help people downsize out of their current homesteads. Mr. Gilreath indicated his support for the proposed amendment as it provides some level of immediate relief.

Vice-Chair James Scott noted that one of the things that the committee has been interested in is some sort of overall rollback in property tax assessment levels and that the group would be interested in seeing the effects of various assessment levels across all taxpayer classes. Commissioner Miller asked Mr. Gilreath if he could look at various assessment levels across his database to see what types of impacts might occur. Mr. Gilreath indicated that he could do those types of models with his assessment level calculator.

Commissioner Ken Wilkinson warned that individual county impacts must be taken with a level of caution and related to overall statewide impacts because such across the board rollbacks could result in completely erasing the tax rolls in smaller counties, which could have the effect of causing other counties to have to bear the costs of providing basic services in those counties.

Commissioner Brian Yablonski indicated that such an exercise could provide the basis for a solution that could affect the economy and give some incentive to the second-home owner and investor markets which are so important to Florida's overall real estate market. Mr. Gilreath noted that if the proposed constitutional amendment passes, he believe that it would really kick start the economy. Vice-Chair Scott noted that the "trickle down" effect of the depressed housing market affects all sorts of durable goods sales, as well. Furniture stores are not selling furniture, and people who cannot sell their homes are not buying new cars since they don't have profits from home sales to pay for the cars. He agreed that something needs to be done to get the economy moving again.

Vice-Chair Scott noted that Chair Story had joined the group and asked if she had any closing remarks. After brief remarks, members were asked to proceed to the City Hall Chambers for the beginning of the public hearing at 4:00 p.m.

There being no further business, the meeting was adjourned at 3:45 p.m.