

## Can Local Governments Survive A Roll-Back In Property Taxes?

Morgan B. Gilreath, Jr., April 22, 2007

(Published by DeLand Beacon, May 1, 2007)

Can local governments survive a roll-back in property tax spending? Why is this an issue of such passion with our taxpayers, our local governments and with the Florida Legislature? There can be no doubt about the facts concerning tremendous increases in local government spending over the past three to five years. In addition, we have citizens bound to their homes, in-state mobility virtually halted and businesses unable to continue because of high taxes and insurance. As part of the solution, both houses of the legislature have proposals *rolling-back* local government spending to levels designed to restore some balance with their taxpayer's ability to pay. Local taxing authorities, for the most part, have decried these "usurpations" on their *home rule* with statements like:

- "We know what is best for our citizens."
- "We'll have to institute massive layoffs."
- "If we have to roll-back our spending we'll have to cut critical services like Police, Fire and ambulance services."
- "We didn't spend too much money, we just continued to provide the services our citizens demanded."

I'm not sure budgetary scare tactics will pave the way out of the factual nature of the recent tax increases, much less provide a credible path to the future. Few managers or employees could survive a business failure or an expenditure-catastrophe by saying to their employers/board of directors, "You tell me which programs you want cut and I'll cut the budget." A favorite bureaucratic excuse is, "...well, the reason you didn't know about 'that' was because you never asked about it." Information drives our world and some want to control the information so they have the power. In government, these people are dangerous. In business and particularly in government, managers (and most certainly the public) may never know the right questions to ask. When this mentality rules, managers and the public are ruled by those applying it. It is our duty to communicate everything that is needed up and down the chain of command so that good well-informed decision making occurs both by our citizens and by us.

Meaningful discussion and detailed disclosures of expenditure categories over the past three to five years would help citizens understand what happened. Our citizens know that government costs money and they want to have quality services. Volusia's local governments have provided quality services and continue to do that. Perhaps the key is to determine the appropriate "rate of delivery."

There is no question that the costs of doing business in the private and local government sectors have increased over the past three to five years. I don't think anyone doubts that costs will continue to rise every year from now on. Almost nothing costs the same as last year. Therefore, the same services provided *last* year will cost more *this* year, regardless of one's public or private business. How do you measure spending so that you know when enough is enough? Are the Consumer Price Index (CPI) or the Per Capita Income

(PCI) indices indicative of this? There is no published local government consumer price index, so we are left with the private industry indices, which is where government purchases its services anyway. Recent spending overshoot all of these by multiples. How can the public understand what happened? Perhaps some useful questions would be...

- Exactly how much was spending increased over the past 3-5 years, in percentages and dollars over the year before? How does that compare to the CPI or PCI for each year? What was the extra spent on?
- What additional services are being provided to the public now that weren't being offered 3 years ago?
- How much of the increased spending was spent on *critical services*? How many new Police or Fire personnel were added over the past 3 years?
- How much of the increase in taxes went into "*Reserve Accounts*?" That is certainly not a "recurring expense" that would have to be later cut.
- What "*Capital Projects*" were funded? How many created future annual commitments that would expand later budgets?

None of this is to say that money wasn't spent wisely over the past few years. No government, however, will ever be able to fund all the projects it can find. I know of one city that paved more streets over the past three years than probably in the past twenty-five. While that provides a great ride for their citizens, especially in those areas where no roads or poor roads existed, it doesn't mean the same roads need paving next year. The point is that spending rates of the past few years do not have to continue. Recent spending did not represent a "normal" rate of increase, as some seem to infer. I think it's kind of like maintaining solvency in a family or business checking account. Spending simply cannot exceed the ability to refill the bank account with income.

What did our hotel industry do when hurricanes rendered either their hotels unusable or when the image of a hurricane-prone beach kept visitors away? What does one do when, heaven-forbid, a loved-one is suddenly taken away by a tragic disease or car wreck? What have the recent Volusia tornado-victims done about housing after losing their homes and life-long personal treasures? What does anyone do when faced with the unexpected? In all of the above instances, they made the most out of what was *handed to them*, still providing the best service they could to their families and their customers. Local governments can choose to do the same.