

**Volusia Council of Governments (VCOG) &  
Volusia County Association for Responsible Development (VCARD)**

**A Post Amendment #1 Panel Discussion**

February 28, 2008

Morgan Gilreath, Volusia County Property Appraiser

**Question #1 A: Now that Amendment #1 has passed, what do you expect the impacts to be?**

The Amendment has forced Florida's citizens and their governments to look at both the cost of government, the delivery of services, and will lead, I think, to new and innovative ideas regarding cost, types of services needed and means of delivery.

Financial impacts from the Amendment are quantifiable and have been on my website ([www.volusia.org/property](http://www.volusia.org/property)) for over a month. The *cost of the amendment* seems to have become a *bucket* into which the costs for many other non-ad-valorem related things are being poured. This does nothing but hurt government's credibility with citizens who have become savvy to financial representations that simply don't make sense.

Taxpayers may not have a tight grip on how millages are calculated nor that, in years past as values went up millages should have come down. But they are not confused about the amount of taxes on their bill from year to year. There is a "*clear and present danger*," I think, for our taxing authorities to yield to the temptation of building the cost of Amendment #1 into a "roll-up" of the millage rate. This could negate the effects of the amendment and, in my opinion, will backfire politically on those who do it. Sixty-five percent of yours and my voters have, with their ballots, stated loudly and clearly, "We want tax relief, we want tax reform, we want lower taxes." If you didn't hear that, I think this next year will be a interesting one.

**Question #1 B: How do you think people will view this amendment two years from now?**

From the taxpayers/citizens viewpoint, a lot of people will be in new homes that would not have been in them otherwise. It will be credited with helping re-start our real estate economy, where increased activity has already begun to happen. I'm hoping two years from now we will have achieved additional steps in the reform process, like making the system equal for new resident Floridians as opposed to long-time residents and providing needed assistance for targeted property types like *working waterfronts* and *old Florida downtown properties*. The truth is that where we are two years from now, particularly at the local level, is in the hands "of the people." People have become more involved in the spending decisions at the local level. That is good. If the people take their eyes (and their votes) "off the ball," nothing will change in the long run. If they remain engaged and work with local governments to find better mixes of types of service, cost control and service delivery, then we will never see another crisis like this one.

From the governmental viewpoint, I see innovative, exciting things happening. One Finance Director called me recently about a tennis facility they've been running with three full-time people, plus the costs of equipment, building and grounds maintenance, etc. The question was... *If we "out-source" this public service with a lease to a private entity, would we lose our exemption on the land and buildings? Without the exemption "the deal" falls through!* There's been some litigation on related issues, so I double-checked with our attorney... Answer: *If a city "leases" property to a private entity, they lose the exemption. However, if they have a "management agreement" with the company to continue providing the same public service and the function is still open to the public, the exemption can remain.* The city estimated this could save them around \$150,000 a year in cost (taxes) while keeping that particular level of service to their public unchanged. That's innovative management and I applaud it! You're probably all doing that same analysis.

**Question #2: Do you favor any changes to the appraisal or valuation process? If so, what changes would you recommend.**

There is certainly one area under discussion at the state level... the current constitutional valuation methodology of estimating property value based on "Market Value" (what a property would sell for in the "open market") versus valuing it based on its particular use, referred to as a "Value in Use" methodology. Currently the Florida Constitution requires Market (Just) Value Appraisals.

Differences in valuation methodology (how property is appraised) for different types of property will give the *receiving* segment of taxpayers a "tax break" over others who don't get it. This can serve a public good. For example, the change from a *Value in Exchange* (Market Value) methodology to a *Value in Use* methodology can help a distressed industry like Working Waterfront properties. There are now properties along the St. John's River, Intercoastal and other waterways where condominiums have replaced once publicly used boat-ramps. Where tax breaks on specific types of properties or industries are in the general interest of all of our citizens, this is one way to *target* them for tax relief.

Critical challenges, however, exist in implementing change in complicated situations. In the above example (changing to a Value in Use methodology) a completely different value can be computed from the "*actual income to the actual owner*" than from the "*typical or economic income to a typical owner*" for two identical properties, based on which owner can afford to charge the lesser rent. This type of "Value in Use" will create new equity problems between like properties. Constitutional changes of this nature need to be analyzed and worded very carefully.

**Question #3: Do you think the one-cent sales tax is a viable option for future tax reform for K-12 schools? Why?**

I've yet to hear anyone mentioning the fourteen Florida Counties which border Georgia and Alabama and how an increase in sales tax will impact their economies by sending locals "over the border" to shop and prevent Georgians from shopping in Florida. Those fourteen counties contain 7.5% of Florida's population. The Property Appraiser from Jefferson County, David Ward, tells me his county is already \$1cent higher in sales tax and \$13 cents a gallon higher in gas taxes than their neighboring Georgia County. How bad do we want to make it for these fellow Floridians?

Having said that, I think an alternate funding source for school taxes is the most visible way massive property tax relief can be implemented. But this effort will fail without a built-in mechanism insuring that the *influx of new revenues doesn't just become "more money to spend."* Keep in mind that tax issues and solutions are all about *spending* (which translates into costs, types of services, and cost of delivery). The most effective means to avoid a repeat crisis are reasonable limits on spending which provide opportunity for growth.

**Question #4: What are your thoughts on eliminating the exemptions on the sales tax as a proposed tax reform?**

My first thought is that, if we can eliminate those exemptions, lets do it. But then why not lower Florida's sales tax and benefit more people with the savings? Allow the businesses in those 14 border counties (and all other Florida counties) to be able to attract their own citizen's dollars back to the county where they live.

My understanding is that some of the largest contributors to the sales tax are food, medicine, gasoline, communications, etc... There are certainly many exemptions that appear to be just for *special interest groups* and do not appear to still be in the overall general public interest. However, they got where they are because some group lobbied for the exemption and received it. Everyone seems to think this is a valid field for plowing, but the plow has to be hitched-up to the mule in order to cultivate the field. John McKay, on the TBRC, seems to be the only one with specific plans.

My own feeling is that if you can figure a way around the "border-counties" problem, then the sales tax has great potential as a property tax substitute.

**Question #5: Give one or two proposals you think would help bring true tax reform to Florida and why?**

It isn't that simple. We have two major problem areas, each needing a series of solutions. Meaningful, long lasting "tax reform" will not occur with one or two quick fixes.

**Problem #1:** Short-term reform-fixes are needed so that our taxpayers can function (i.e. keep their businesses, keep their homes, be able to relocate, or buy their first home).

Inequities still exists for new homeowners and for businesses... Our property tax “system” is still in *judicial jeopardy*... We need short-term fixes in order to be able to function until longer term solutions or replacement taxation options can be developed, tested, passed and implemented.

**Problem #2:** Long-term issues involve possibly changing the type, method, equity and containment of taxation increases. Effective solutions cannot be developed and implemented in a one or two year time frame. We must have local government, police and fire protection and I think everyone wants good roads, public libraries and parks. You can't eliminate a prime-funding source without having a substitute one that will guarantee the same flow of services. These long-term problems impact critical issues in the lives of our citizens. Solutions to these long term “system-problems” will require, as Jimmy Buffet puts it, “changes in attitudes, changes in latitudes” which will take years. Positive steps were taken by the 2007 Legislature and the passing of Amendment #1, both address immediate short-term problems. This means the 2008 Legislature needs to continue addressing tax reform measures as well as perhaps framing a standard model within which all areas of government can move forward on these issues.

In addressing long-term solutions, I think local governments in Florida need to take those two old dimes we've been *flipping* for so long and change them into “*new paradigms*.” We now need to join forces (citizens and government) to clearly define the long-term *systematic* issues (new funding sources, relationship of property taxes to citizen and business income levels, re-defining of the role of local government, etc.). We need a realistic while compassionate review of the range of services local governments should be providing... the manner and cost of service delivery analyzed in an almost cutthroat business-like way. The objective is a hard and realistic reflection... given what we all know today, not what we thought we knew last year... concluding with a re-defining of both essential and ancillary services. All areas of government need to undertake a *lean-and-mean* business approach to managing these newly defined affordable and deliverable services. For example, zero-based budgeting should be required every year; detailed, easy to understand “Joe Six-pack” explanations of new proposals, funding sources and costs to implement should be Internet available for every citizen to preview prior to decision-making or voting sessions. Before we can lead our public anywhere, we have to rebuild our credibility with them.

### **Concluding Remarks:**

Floridians are more aware now than ever of the cost and impact of local government on their lives and businesses. They are focused on both the cost of government and the delivery of services, perhaps with greater interest and clarity than ever before. This is an excellent time in our history for local governments and citizens to join forces in serious discussions regarding the role of government in today's world. Many local governments and citizens are already engaged in this process. I believe a direct correlation exists between the success of a representative government and the degree to which it encourages symbiotic relationships with its citizens.

At the same time we become more innovative in defining our existing governmental budgeting, service definitions and delivery areas, we need to fully understand that shifting costs from one governmental agency to another or from one level of government to another (county to state) is merely a *shift in funding sources*, not a reduction in taxes. Changes need to represent true benefits in fairness and in who is paying for what. Otherwise what could be viewed as reform may end up a mirage. Our citizens need to become and remain active participants in fundamental discussions defining a comprehensive model of the role state and local governments should play in our corporate and private lives.

Consolidated Estimates of Revenue Reductions From January, 2008 Property Tax Reform Amendment								
Auth Code	Taxing Authority Description	2007 Taxable Value	2007 Ad Valorem Revenues	2007 Millage Rate (Incl I&S rates)	2008 Tax Reduction Required By 26K Homestead Exemption (1)	2008 Tax Reduction Required by 26K TPP Exemption (2)	Total 2008 Budget Reduction From Jan Amendment (1)+(2)	% Tax Reduction
0011	School LRE	41,247,558,469	\$197,617,053	4.79100	\$0	\$1,345,524	\$1,345,524	0.7%
0012	School Discretionary	41,247,558,469	\$27,883,350	0.67600	\$0	\$189,851	\$189,851	0.7%
0017	School Capital Improvement	41,247,558,469	\$82,495,117	2.00000	\$0	\$561,688	\$561,688	0.7%
<b>Total School Impact</b>			<b>\$307,995,520</b>		<b>\$0</b>	<b>\$2,097,063</b>	<b>\$2,097,063</b>	<b>0.7%</b>
0050	Volusia County General Fund	40,749,421,560	\$158,745,077	3.89564	\$10,877,225	\$1,094,067	\$11,971,293	7.5%
0055	Volusia County Library	40,749,421,560	\$17,806,682	0.43688	\$1,220,115	\$122,723	\$1,342,839	7.5%
0057	Volusia Forever	40,749,421,560	\$3,957,178	0.09711	\$271,146	\$27,273	\$298,419	7.5%
0058	Volusia Echo	40,749,421,560	\$7,459,589	0.18306	\$511,132	\$51,411	\$562,543	7.5%
0059	Volusia Forever I&S 2005	40,749,421,560	\$3,689,860	0.09055	\$252,830	\$25,430	\$278,260	7.5%
0310	Volusia County MSD	9,386,850,056	\$11,435,530	1.21825	\$827,473	\$62,969	\$890,442	7.8%
0360	Volusia County Silver Sands	1,025,314,859	\$12,017	0.01172	\$225	\$21	\$246	2.0%
0510	Volusia County Fire District	9,740,838,844	\$27,114,696	2.78361	\$1,964,396	\$154,886	\$2,119,283	7.8%
0520	Volusia County Mosquito Control	28,133,895,587	\$5,023,588	0.17856	\$290,837	\$35,040	\$325,878	6.5%
0530	Volusia County Ponce Inlet/Port Auth	28,134,031,337	\$1,899,047	0.06750	\$109,944	\$13,246	\$123,190	6.5%
<b>Total County Impact</b>			<b>\$237,143,262</b>		<b>\$16,325,322</b>	<b>\$1,587,068</b>	<b>\$17,912,390</b>	<b>7.6%</b>
0065	Florida Inland Navigation	41,247,558,469	\$1,423,041	0.03450	\$96,329	\$9,689	\$106,018	7.5%
0060	St Johns River Mgmt	41,247,558,469	\$17,150,735	0.41580	\$1,160,977	\$116,775	\$1,277,752	7.5%
<b>Total Independent Dist. Impact</b>			<b>\$18,573,776</b>		<b>\$1,257,307</b>	<b>\$126,464</b>	<b>\$1,383,771</b>	<b>7.5%</b>
0100	Halifax Hospital	20,276,774,891	\$50,691,937	2.50000	\$2,885,926	\$394,507	\$3,280,433	6.5%
0120	Southeast Hospital District	8,162,371,321	\$17,702,388	2.16878	\$1,028,918	\$83,358	\$1,112,276	6.3%
0070	West Volusia Hospital	12,808,412,257	\$18,162,935	1.26190	\$1,468,045	\$106,764	\$1,574,809	9.7%
<b>Total Hospital Impact</b>			<b>\$84,557,260</b>		<b>\$5,382,889</b>	<b>\$584,629</b>	<b>\$5,967,518</b>	<b>7.1%</b>
0210	Daytona Beach	5,739,215,301	\$31,396,649	5.46952	\$1,075,875	\$308,421	\$1,384,296	4.4%
0570	Daytona Beach Downtown Dev	176,421,290	\$176,421	1.00000	\$1,436	\$4,252	\$5,688	3.2%
0240	Daytona Beach Shores	1,916,601,450	\$7,709,146	4.02230	\$167,398	\$25,550	\$192,948	2.5%
0190	Debary	2,131,592,109	\$5,484,139	2.57279	\$347,805	\$19,333	\$367,137	6.7%
0150	Deland	2,009,982,453	\$9,558,641	4.75549	\$451,167	\$108,428	\$559,595	5.9%
0130	Deltona	3,803,589,343	\$12,489,846	3.28370	\$1,748,206	\$41,241	\$1,789,447	14.3%
0290	Edgewater	1,195,974,542	\$6,251,479	5.22710	\$727,433	\$42,772	\$770,205	12.3%
0250	Flagler Beach	13,579,878	\$35,878	2.64200	\$2,218	\$20	\$2,238	6.2%
0200	Holly Hill	707,029,990	\$2,603,122	3.68177	\$147,791	\$44,655	\$192,446	7.4%
0160	Lake Helen	147,041,487	\$617,574	4.20000	\$50,756	\$6,540	\$57,296	9.3%
0270	New Smyrna Beach	3,750,485,808	\$13,044,602	3.47811	\$563,062	\$62,686	\$625,748	4.8%
0300	Oak Hill	139,627,262	\$663,160	4.74950	\$49,227	\$4,365	\$53,592	8.1%
0170	Orange City	730,910,586	\$3,203,121	4.38237	\$130,269	\$59,192	\$189,461	5.9%
0180	Ormond Beach	3,774,191,461	\$12,996,501	3.44350	\$954,735	\$107,811	\$1,062,547	8.2%
0140	Pierson	69,734,763	\$197,758	2.83586	\$11,403	\$4,192	\$15,595	7.9%
0260	Ponce Inlet	1,172,367,800	\$4,389,345	3.74400	\$117,928	\$6,482	\$124,409	2.8%
0230	Port Orange	3,431,842,146	\$15,160,309	4.41780	\$1,496,508	\$111,753	\$1,608,261	10.6%
0220	South Daytona	754,798,276	\$3,207,364	4.24930	\$282,255	\$39,952	\$322,207	10.0%
<b>Total City Impact</b>			<b>\$129,185,055</b>		<b>\$8,325,472</b>	<b>\$997,643</b>	<b>\$9,323,115</b>	<b>7.2%</b>
<b>Total Impact - All Volusia Taxing Authorities</b>			<b>\$777,454,873</b>		<b>\$31,290,990</b>	<b>\$5,392,867</b>	<b>\$36,683,857</b>	<b>4.7%</b>