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Part I

'08 Agenda: Revive Economy

This is a crucial year.

In November, we'll know which agenda Americans want — the Democratic Party's (higher taxes) or the Republican Party's (tax cuts).

But well before that decision is made, we'll also see that the agendas confronting our state lawmakers and city, county and public school elected officials will be as weighty and as important in determining the course of our economic futures as is the national election.

The current state of affairs — nationally, statewide and locally — is painfully obvious. Florida's economy is suffering. Southwest Florida's economy is gasping. And Sarasota and Manatee's economies are wheezing.

The Office of Economic and Demographic Research reports: Florida is no longer one of the nation's fastest growing states. Growth in State Gross Domestic Product (GDP) ranks us 12th nationwide; in 2005 Florida was second. General revenue collections from July through December fell 6.8% compared to a year ago. Gov. Charlie Crist has proposed a budget that cuts \$1 billion from the existing budget and taps the state's saving account for \$1.1 billion.

In Sarasota-Manatee counties, taxable sales collections were down an average of 9.3% over the past five months. Jobless rates from December 2006 to 2007, have risen from 2.6% to 4.9% in Sarasota and from 2.7% to 4.4% in Manatee. Sarasota County officials are estimating having to cut \$40 million from their \$1 billion budget for the next fiscal year. All local taxing bodies are bracing for big cuts.

And from everything we read and hear, the mainstream media are determined to talk the United States into a recession. They certainly have done their part to do so here.

We have a lot of work to do.

In that vein, in this installment of our 2008 series, we lay out an economic agenda for state and local policymakers. This agenda is unlike that of the Bush Administration and Congress, whose "stimulus package" is simply more of Washington — print, borrow and spend money they don't have and too little, too late. Our agenda focuses on stimuli that create a politico-economic framework that is meaningful reform and would foster sustained, long-term growth.

+ FLORIDA FRAMEWORK: Real reform a must

Last month's vote on Amendment 1, as we now know, was not tax reform. It was piddling tax relief for 53% of Florida's property owners.

Many lawmakers understand this. House Speaker Marco Rubio of Miami; Sen. Mike Bennett and Rep. Ron Reagan, both of Manatee County;

AGENDA AT A GLANCE

STATE AGENDA

- **Institute caps** on the growth in state and local government spending.
- **Adopt Save Our Homes** or 1.35% tax cap on all properties.
- **Extend portability** to all properties.
- **Base assessments** on current use, not highest use.
- **Eliminate** special-interest sales tax exemptions and lower sales tax rate to 3%; concurrently, eliminate local school property tax.
- **Eliminate 10%** state corporate income tax.
- **Repeal 2007** property-insurance reforms; move toward insurance de-

regulation.

- **Cut** state spending.

LOCAL AGENDA

- **Change political** leadership's attitude toward business growth; embrace and recruit business.
- **Streamline** or eliminate regulatory barriers to business growth and development.
- **Cut spending**; don't raise millage rates in spite of economic pressures to cut services.
- **Reject** the referendum on the Urban Service Boundary.

and Sen. Mike Fisano and Rep. Tom Anderson, both of Pasco County, already are preparing legislation that would provide reform, not relief.

Rubio, Bennett and Reagan are pursuing **adoption of the 1.35 movement**, which gained momentum before the Jan. 29 referendum. It proposes to cap property annual tax rates on all properties at no more than 1.35% of taxable value (13.5 mills). Meanwhile, Fisano and Anderson are pursuing legislation that would require assessments for commercial properties be based on current use, not presumptive highest and best use.

In addition, former Senate President John McKay is pursuing reform as a member of the state's Budget and Tax Reform Commission. As he did as Senate president, McKay wants to **eliminate many of the special-interest sales tax exemptions** to broaden and lower the state sales tax rate to 3%, while at the same time **eliminate local school property-tax assessments**. McKay is hoping his fellow commissioners will vote to put these reforms on the November state ballot.

Each of these steps would move Florida toward a fairer tax system and stronger economy. They are real reform.

Of course, the devil is in the details. While the 1.35% proposal has its appeal, it has complications. If the assessment could be no more than 13.5 mills, there could be scenarios in which county, municipal and other taxing authorities would clash over whose tax rates take precedence. If, say, Sarasota city wants to increase its millage rate, but by doing so it would push tax rates above 13.5 mills, whose rate would take precedence?

An alternative to 1.35% is the Colorado Taxpayer Bill of Rights. It successfully capped the growth in annual government spending at no more than the rates of inflation and population growth.

To be sure, the crux of any tax reform in Florida should revolve

around this one principle: **limit the annual growth in all government spending**. When Colorado did this, it routinely sent rebate checks to taxpayers and also saw faster growth in personal incomes than any other state.

Additional steps that should be on lawmakers' economic agenda:

- **Extend Amendment 1's** portability feature to all properties.

- **Eliminate the 10%** corporate income tax rate. This is a deterrent to attracting businesses and jobs and harms Florida's competitiveness. Businesses don't pay taxes, they pass them on to consumers. By eliminating the corporate income tax, instead of losing tax revenues, the state and local governments would see their tax revenues rise. Arthur Laffer and Stephen Moore have shown irrefutably that in states with falling tax burdens, their economies and personal incomes grow far faster than those states with stagnant or rising tax burdens.

- **De-regulate**. This is especially needed in Florida's crippled property-insurance market. It is clear that everything the Legislature and Gov. Crist did last year to help Florida's property insurance market is not working; those laws should be reversed. De-regulate.

+ AT THE LOCAL LEVEL: Philosophical overhaul

Sarasota County and city political officeholders are smothering the local economy. They have been doing so for the past decade.

Thanks to policies that discourage population and economic growth, Sarasota County's economy has been the slowest-growing economy among the four major counties along the west coast of Florida south of Tampa Bay. The business climate here is unfriendly, hostile.

Perhaps this says it all: The Greater Sarasota Chamber of Commerce this week kicked off a \$2 million initiative to persuade local residents to embrace

the benefits of economic growth and improve Sarasota County's business climate. Tough times require unusual measures.

Indeed, there is much that should be done. On the local agenda this year, should be:

- **A change in attitude** and actions among city and county commissioners, the Sarasota city manager and Sarasota County administrator. They must remember that their funding comes not from a failing economy but one that is thriving and growing. They should be advocates of business growth. On their lists of top priorities, the first should be: to help create private-sector jobs, to become business recruiters and advocates.

- **Streamline or eliminate** regulations that impede business growth. Our regulatory environment has become an insidious cancer.

- **Cut spending**, don't raise millage rates. Rather than lament the effects of Amendment 1, face the realities head-on. Be decisive and courageous in lowering the tax burden on everyone — even if it hurts special constituencies. To do otherwise is worse.

- **Reject the charter amendment** requiring a public referendum to move the Urban Service Boundary line. This measure, if approved, will worsen the county's business climate. Its approval will inhibit future growth. It also will send another message to businesses here and outside that Sarasota is a unwelcome environment for companies that want to grow.

To invoke that famous phrase of former President Bill Clinton: "It's the economy, stupid."

Rather than become preoccupied with initiatives that seem focused solely these days on changing government activities to win "green" awards and save us from global warming, our public agendas should be focused how to revive our economy, how to attract and create jobs, how to lower everyone's tax burden.

In the introduction to the book "Rich States, Poor States," an analysis of the effects of government policies on state economies, Jonathan Williams writes:

"The historical evidence is clear: States that keep spending and taxes low exhibit the best economic results, while states that follow the tax-and-spend path lag far behind ... This is not about Republican versus Democrat, or left versus right. It is simply a choice between economic vitality and economic malaise. To become competitive in the global business environment of the 21st century, states must have free-market, pro-growth tax systems in place, rather than increasing the ever-burdensome role of government on citizens."

The agenda for 2008 is clear: Revive the economy.

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