Ideas in Action

Florida TaxWatch Inc.

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Dominic M. Calabro, President and Chief Executive Officer

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In April 1990, Florida TaxWatch released the results of an independent study examining the economic impacts arising from concurrency requirements contained in Florida's 1985 Growth Management Act. Released in a report entitled, ***The Cost of Not Acting****, these findings indicated that failure to alter concurrency requirements would lead to a perpetually lower growth path for employment and income and a pronounced decline in construction activity. The study estimated loss of sales tax revenues for a period between 1990 and 1998 at $1.9 billion. The dollar volume of mortgages for new and existing homes was projected as dropping more than $80 billion. Cumulative loss of personal income was predicted at nearly $57 billion with an additional loss of 167,000 private sector jobs.*

Largely due to the impact of this report, the 1990 Legislature passed a first-in-the-nation transportation funding package with productivity measurement requirements tied to Department of Transportation (DOT) spending. This landmark effort was instrumental in making Florida government more productive and accountable. However, the recent back-to-back recessions, the most severe national and statewide economic decline in a generation, exacerbated the factors described in ***The Cost of Not Acting****.*

*To make matters worse, the recession has virtually wiped out revenues projected to be collected as a result of 1990's transportation funding package. Moreover, problems associated with growth management concurrency requirements are still with us--a fact which is evidenced by the concern of our leading civic and business leaders, such as Lykes Brothers Chairman of the Board, Chief Executive Officer and President, Tom L. Rankin. The following letter to the Governor expresses genuine concerns regarding policies and practices that harm the health and economic well being of the state's workers, businesses and needy Floridians.**

May 15, 1992

Dear Governor Chiles:

I was interested to read the comments of Commerce Secretary Greg Farmer and others regarding the 1992 "Development Report Card." Statements of, "anti-Southern bias," and "narrow economic base," and "they are still going to be in Alabama," do not address the issue: Florida continues to have an anti-business/no growth bias with an inconsistent and erratic tax policy that does not give the private sector the required predictability that it needs to plan long-term investments which generate jobs in this State.

"Companies will select a location . . .because of quality of life" will not achieve the goal of economic diversity and could only refer to corporate headquarter relocations. It may be prestigious to get a headquarters, but few jobs are created as executives relocate with little net new hiring or additions to the tax base. No higher paying blue collar jobs are created which diversify the economy from our current "narrow economic base."

The State has lost approximately 180,000 jobs in the last one and one half years, Hillsborough County lost 15,000 jobs and had a net out-migration in 1991. IBM (Hillsborough's largest employer) has recently announced reductions in force and relocations out of State, etc. Although in 1989-90 Florida's per student spending ranked 5th out of the ten most populous states, 17th in the nation (up from 21st in 1984-85) and second in the Southeast, our public school system had one of the highest dropout rates and the lowest graduation rate among the ten most populous states. We are not educating the quality student that taxpayers expect or a competitive economy needs. We have a service delivery problem. Touting sand and sun just go so far if the state's political leadership does not have an economic development/job creation commitment with an educational system to support it.

Alabama, comments notwithstanding, has Huntsville and North Carolina its Research Triangle which creates significant economic activity and higher paying research and manufacturing jobs. The state and University of Florida have unsuccessfully attempted to develop such a complex. Florida compares poorly with its generation of service jobs which are primarily unskilled, minimum wage and, in many cases, part time not covered by health insurance. Over the prior 10 years, State and local governments have annually raised fees and taxes, taking an ever increasing percentage of State Personal Income while underground economy has grown and taxpayer compliance has declined.

Our state "policy" seems to be a series of short-term fixes. The state centralizes planning by passing the 1985 Growth Management Act[1] to control sprawl and to fund the infrastructure deficit thereby slowing growth, restricting supply and increasing the cost of housing. Now we discover that there is a housing affordability problem which will have to be cured by increasing public sector spending by syphoning funds from the private sector and/or other programs. This further impacts our ability to compete in today's global markets.

The same occurs with numerous other programs that start off as good ideas in abstract but which are then taken to extremes by advocates. Putting all of these well-intentioned programs together, we have the economic development gridlock and stagnation that the private sector and the State face today which have been exacerbated by the recession. Compounding this with Florida's geographic dislocation from the North American population centers and markets and the new, pro-business policies of countries like Mexico, we have State mandated no-growth for private sector job creation and the State

[1] *The Cost of Not Acting, (. . .'a recession that never ends . . .') Florida TaxWatch, April 1990.*

economy. This vortex will further strain the State budget and require cutbacks in services and/or tax increases which will cause further uncompetitiveness and economic deterioration.

Lt. Gov. MacKay's statement last Fall supporting the development of indigenous industries seemed to be the beginning of a State economic development policy. But since then, the the political agenda has been focused on short-term fixes. Business as usual will no longer succeed. As our population continues to grow, other states compete for business through proactive economic development programs, international agreements open up markets to greater competition and industrial restructuring continue consolidations, all of which will impact Florida's economic vitality negatively for the reasons I have described above. We must have an advised and predictable public sector to have a competitive, dynamic private sector which will generate economic activity, create jobs and collect taxes for government through its economic activity. To pit the public sector against private sector taxpayers will not be successful.

Several years ago the Secretary of Oregon's DCA told me: "The only thing worse than too much growth is no growth." That is where they were and where we are today. The tendency at this point is to shoot the messenger. This analysis is meant to communicate a real concern because of my involvement in the private sector and exposure to the public sector. The State cannot simply spend its way out of the current situation without substantive changes to laws, regulations and attitudes consistently articulated.

Sincerely,

Tom L. Rankin
Chairman of the Board
President
Lykes Bros. Inc.

Rankin

About the Author

Tom L. Rankin was affiliated with Lykes Brothers, Inc. prior to joining Lykes Pasco, Inc. in 1968 where he has been President and Chief Executive Officer since October 1974. Mr. Rankin is Chairman of the Board, Chief Executive Officer and President of Lykes Bros, Inc. He is also Past President and Past Chairman of Florida TaxWatch and is a member of the Florida TaxWatch Board of Trustees and Executive Committee. Mr. Rankin also serves as Chairman of the Constitutional Florida Taxation and Budget Reform Commission.

ABOUT FLORIDA TAXWATCH

Florida TaxWatch is the only statewide organization entirely devoted to state taxing and spending issues in Florida. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard earned tax dollars. The nationally distributed City and State magazine in 1989 published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected taxpayer assistance institutes in the nation.

During one three-month period in 1991 and 1992, Florida TaxWatch was featured in the **Wall Street Journal**, the **New York Times**, and the **Washington Post**. In early 1992, Florida TaxWatch has been featured on the prestigious **MacNeil/Lehrer Newshour** and several times in the **Wall Street Journal**.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in supporting a credible research effort that promotes positive change. Florida TaxWatch members, through their loyal support, help Florida TaxWatch to bring about an effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, professional firms, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch is well-known and respected for its empirically sound research products which recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: three out of four of TaxWatch's cost saving recommendations have been implemented, saving taxpayers $1.5 billion. That translates to nearly $300 for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in their use of public funds.

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The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute, approving research and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the President is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations do not necessarily reflect the view of its distinguished Board of Trustees.

** **Ideas in Action** is a public forum to present discussions on vital issues affecting the economy, public policy and concerns that touch the lives of many Floridians. Views expressed in this letter do not necessarily represent those held by the members, staff, or the Board of Trustees of Florida TaxWatch.*

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