

Officials concerned about tax-cap

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Article published on Wednesday, Oct. 21, 2009



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LARGO – City officials say that legislation called a “taxpayers’ bill of rights” would cause financial nightmares for local governments, usurp their home-rule powers and lead to costly referendums.

The proposed revenue cap amendment died in a legislative committee last year, but city Finance Director Kimball Adams warned commissioners in a work session Oct. 13 that similar legislation is likely to come back this year.

“Of all the things facing the city in the next year – the economy and what have you – I think (the bill of rights) is probably the most serious thing the city will face in the next 12 months,” Adams said.

If approved by the Legislature in next year’s session, the proposed state constitutional amendment is expected to be on the ballot in the general election in November 2010.

Adams said the efforts of State Sen. Dennis Jones, R-Treasure Island, and others prevented the bill from going before the Senate for a vote.

“We were able to keep it from going out of committee,” Jones said Oct. 16.

Considered the primary sponsor of the legislation is Sen. Mike Haridopolous, R-Melbourne, who is incoming Senate president for 2010.

He has the power to move the bill along, Jones said.

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Nevertheless, Jones said his position on the issue has not changed; he is opposed to the amendment.

"I don't think we need to do everything by referendum," Jones said.

The amendment would cap annual tax and fee growth and also restricts the City Commission's ability to impose any new taxes or fees, Adams said.

Among the concerns outlined by Adams in his presentation are:

- The public may demand more services despite the restrictions placed on revenues, resulting in poor long-term financial decisions.
- Governments often face new regulations that increase operating costs above normal price levels.
- All taxes and fees could be capped, including wastewater fees and grants. This means that mandated services may have to be compromised or grants may have to be refused to remain below the revenue cap.
- Voted millage rates for debt service may be capped.
- The only option to exceed the cap would be to conduct a referendum, which limits a government's flexibility to deal with unforeseen cost increases or revenue decreases. Referendums also create additional costs in dollars and time.

Commissioner Harriet Crozier was outraged by the proposal.

"I read this and I got livid," she said. "I think this is absolutely terrible that anybody would even suggest anything like this."

In specific city officials pointed out that the city is under a Department of Environmental Protection consent order to make major sewer improvements that will cost \$50 million to \$70 million.

If the city has to implement a rate increase above the cap, the city would have to put the issue on the ballot and hope that voters approve it.

If the measure fails, the city “could go back to the state and tell them ‘sorry, we cannot build the infrastructure you have mandated us to build because our citizens have said they do not want a sewer increase.’ ”

That could result in some legal costs and fines, city officials said, and still being ordered to comply with the consent order.

The amendment, he said, forces governments to “do things it wouldn’t normally do.”

One year the city might need to buy a \$1 million ladder truck and the revenue cap might force the city to consider borrowing money to stay under the cap, resulting in the city paying interest to finance the purchase.

The Florida League of Cities, which represents municipal governments, would never support a revenue cap policy, said Adams, who is a member of the league’s Finance and Taxation Committee.

He said the committee has been trying to come up with information to provide to legislators that show the flaws of the proposal and convince them that it is a bad idea.

Kimbell said testing policy in the state constitution, which is designed to be a permanent document providing the basic framework for state government, is inappropriate.

If the amendment passes along with an amendment that gives residents veto power at the polls over changes to growth plans, “we might as well have an election every month,” Mayor Pat Gerard said.

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