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Low Taxes Can Keep Florida's Economy Humming

By *Geoffrey F. Segal*

Many Floridians are suffering from a form of sticker shock as they open that dreaded envelope and discover how much their local taxes are rising. The real estate boom has given local officials a windfall of added revenue, and many seem determined to spend it instead of lowering the tax rate so taxpayers may keep more of their hard-earned money.

Yet if there's any consolation, it's this: It could be worse. Residents of many other states are facing higher *state* taxes on top of higher local taxes. In Florida, at least, that hasn't been the case in recent years.

Mind you, it hasn't been easy to restrain the growth of state government. State officials have been fighting a virtual rip current of spending pressures, including constitutional mandates and other demands for costly new programs.

Meanwhile, established programs rarely go away. As Ronald Reagan once said, "The nearest thing to eternal life we will ever see on this earth is a government program."

That's because officials typically fail to ask fundamental questions about government's proper role and scope.

Contrast that to the private sector, where business leaders often ask themselves a simple question suggested by management guru Peter Drucker: "If we weren't doing this yesterday, would we do it today?"

While government operates differently from business, the test still applies and ought to be used. Unfortunately, it isn't. And when governments continue their existing programs while also establishing new programs, that spells growth.

There are several ways to measure how fast government expands its reach into our lives. Three widely accepted measures are the overall size of the budget, the number of public employees, and taxes. It's revealing to check the rate of growth of those three measures from year to year.

With that said, Florida taxpayers have much to smile at. Sure overall state spending has gone up—it has everywhere. This last year, overall state spending nationwide went up an average of 6.8 percent, and at least 37 states will see spending increases of at least 5 percent this year over last. The increase in Florida is just 1.6 percent.

Even if last year's additional hurricane spending were removed from last year's fiscal base, the growth from last year to this was only 3.6 percent—well below the national average. Meanwhile, personal income in Florida grew by 5.6 percent in Florida. So, as far as the state budget is concerned, tax *payers* are actually getting ahead of the tax spenders.

One reason for this is that Florida's state government actually has fewer employees today than when Gov. Jeb Bush

took office. During his tenure, he and the Legislature have cooperated to eliminate 3,795 positions in all of state government.

This not only has reduced the government's size and its reach into our lives, but it also has reduced the long-term pension liabilities that go with the eliminated positions. While this reduction in employment is significant, it would have been much higher, by about 6,000, if not for necessary increases in the universities and the courts.

Restraining the growth of state government has enabled lawmakers to give Florida taxpayers \$14.3 billion in tax relief in the seven years of Gov. Bush's leadership. That's noteworthy, given that state governments nationwide have hiked taxes by nearly \$7 billion in the last two years alone —a number that would have been even higher had it not been offset by Florida's tax reductions.

Indeed, many other states have been on a spending spree, with dramatic increases in state government employment and taxes. In Virginia, for instance, just a year after the state's largest-ever tax increase (\$1.4 billion), lawmakers are adding more than 1,000 new state employees and increasing spending by 16 percent. In neighboring North Carolina, lawmakers are mulling a tax increase of \$1.7 billion.

Keeping Florida's cost of government low is essential to keeping Florida's economy vibrant. While our state government is doing reasonably well -- especially compared to other states and to many of Florida's own local governments - - we must continue to ask the basic questions about how governments operate and whether there's a better way.

Geoffrey F. Segal is the director of government reform at Reason Foundation and an adjunct scholar at the James Madison Institute in Tallahassee.

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CONTACT: Matt Warner (850) 383-4633 matt@jamesmadison.org