Evaluating the Past -- Assessing the Future

FLORIDA TAXWATCH STUDY OF LEON COUNTY'S ONE-CENT LOCAL OPTION INFRASTRUCTURE SALES SURTAX

Report Card on Stewardship of Tax Revenues Since 1989
Recommendations to Improve Performance and Accountability if Voters Extend the Tax Beyond 2004
Economic Impacts of Extending and Not Extending the Tax

EXECUTIVE SUMMARY

July 2000
July 31, 2000

The Honorable Jane Sauls, Chair
Leon County Commission

The Honorable Scott Maddox, Mayor
City of Tallahassee

Dear Commissioner Sauls and Mayor Maddox:

Florida TaxWatch is pleased to submit the following study of Leon County’s one-cent local option infrastructure sales surtax.

As provided in the contract with the Leon County Commission and Tallahassee City Commission, the study consists of three Deliverables: a performance-based “report card” on stewardship of tax revenues since 1989; recommendations to improve performance and accountability if voters extend the tax beyond November 30, 2004; and economic impact analysis for Leon County-Tallahassee of extending and not extending the tax.

This study is not designed to support or oppose the November 2000 ballot referendum. Rather, it is designed to provide accurate and meaningful information to Commissioners and Leon County-Tallahassee voters so the voters will have a more meaningful, relevant and accurate assessment before making this monumental decision that will affect the content and character of our community for the next 20 years.

Deliverable One is Florida TaxWatch’s six-month review of Leon County’s and the City of Tallahassee’s stewardship of the one-cent local option infrastructure sales surtax. It examines the presentation of the tax’s legal requirements and goals, priorities and benefits to voters during the 1989 public information campaign; project planning, discussion and decisions by the County and City Commissions between 1989 and 2000; program management and evaluation; and the status of projects funded since the tax was imposed on December 1, 1989. This review finds both positive efforts/accomplishments and notable shortcomings/areas which should be improved during the remaining four years of the current tax, and which should be addressed for a prospective tax extension to be decided by the voters in November 2000.

Deliverable Two recommends a Performance and Accountability Improvement Plan that the County and City Commissions should evaluate, refine and commit to prior to presenting the November 2000 ballot referendum. While it would have been preferable to include some of these provisions -- such as annual oversight by a citizens advisory committee -- in the referendum, it is essential that they be adopted by Ordinance. Additionally, relevant parts of the Plan should be adopted by amending the 1989 Ordinance for the remaining four years of the current sales tax. These two actions will demonstrate good
faith to the community and help increase voter confidence that the County and City Commissions accept responsibility for past shortcomings, and are taking actions to assure improved accountable performance in the future.

Two further steps to promote good stewardship and prudent financial and operational planning for expenditure of proposed sales tax extension revenues are (1) to develop contingency plans with alternative scenarios and options for dealing with currently unforeseen but possible Blueprint 2000, County and City project time delays occasioned by factors such as right of way and permitting problems and neighborhood preferences and (2) to estimate operational and maintenance costs over the first fifteen of the capital improvements proposed to be funded by the sales tax extension.

Deliverable Three, an economic impact study prepared by the Center for Economic Forecasting and Analysis at Florida State University in consultation with Florida TaxWatch, finds that Leon County-Tallahassee’s proposed 15-year sales tax extension would generate an estimated $841.2 million of additional economic growth (output) including nearly 2,000 extra jobs especially in construction, wholesale and retail trade, real estate, utilities, professional, business, health and social services will be generated and more than $100 million of net increase in personal income, while $479.7 million of output would be produced if the sales tax is not extended. Thus, the net economic growth or output, defined as the change in total sales (total dollar value of goods and services) generated by the affected industries because of increased economic activity over and above the benefits of sales tax funded projects is $361.5 million during the period 2005-2021.

Failure to extend the sales tax would generate increased “other property type income” (payments for rents, royalties and dividends) and “indirect business taxes” (excise taxes, property taxes, fees, licenses and sales taxes paid by businesses). However, the net economic gains of the proposed sales tax extension would more than offset these losses to the tune of nearly $361.5 million. The net economic benefit is that citizens would have the use of the capital improvements and a higher level of prosperity. Put another way, in addition to the value of the proposed capital improvements to be paid for from tax revenues, the estimated total economic benefit of extending the sales tax is somewhat greater than projected revenue to be collected from imposing it.

Florida TaxWatch has reviewed the planning process for utilization of tax revenues if the voters approve a tax extension beyond November 30, 2004, and finds that the work of the citizen-based Economic and Environmental Consensus Committee, together with assistance provided by County and City staff in refining and costing Blueprint 2000, County and City projects, is a substantial improvement over the 1989 sales tax planning and project costing process. The Committee’s creative and balanced approach to dealing with Leon County’s infrastructure challenges bodes well for future community development and revitalization.

The Leon County Commission and Tallahassee City Commission are commended for seeking Florida TaxWatch’s independent and objective assessment of past and present stewardship of the local option sales tax, and recommendations for future improvement, in order to enhance your deliberations and public discussion. Florida TaxWatch looks forward to an opportunity to make a presentation on our findings to the Commissions at your earliest convenience, and to participate in community forums this fall as voters consider this monumental policy issue.

Sincerely,

Dominic M. Calabro
President and Chief Executive Officer
July 31, 2000

Mr. Dominic M. Calabro
President and Chief Executive Officer
Florida TaxWatch
106 North Bronough Street
Tallahassee, FL 32301

Dear Mr. Calabro:

On Behalf of the Leon County Board of County Commissioners, I wish to sincerely thank Florida TaxWatch for conducting this very important study. I look forward to reviewing TaxWatch’s analysis and considering very thoroughly all findings and recommendations in the coming days.

The one cent sales tax approved by the voters of Leon County on September 19, 1989, for a period of fifteen years, will expire on November 30, 2004. This sales tax has and will continue to be used in accordance with the mandate of the voters which was to dedicate all of its proceeds to our community’s most pressing transportation and law enforcement needs, including the construction of the court-ordered Leon County Jail. I am very proud of our stewardship of this sales tax and what we have been able to accomplish to this end.

Citizens of Leon County should fully know that in a county with over forty percent of the property off the tax rolls, a big part of our ability to respond to our most critical infrastructure needs has been possible because of the extra penny. We have substantially increased safety and relieved congestion on our roads. The strides that will have been made by 2004 in improving our transportation system would have not been realized for many years into the future without the sales tax. In addition, the penny paid by all who live, work, and visit our community has provided “tax equity” with all who benefit from our community contributing to its success. Only through the sales tax would we have been able to pay for something as costly as the new Leon County Jail without having to increase property taxes and have only the homeowners of our community pay.

For the last several years, the Board of County Commissioners and the City Commission have considered very carefully the prospect of proposing to the
voters that the sales tax be extended to continue to meet our most important infrastructure needs. Concurrent to these discussions, a citizens group representing business, environmental and neighborhood interests, called the Economic and Environmental Consensus Committee (EECC), convened and developed a guide for economic development and natural resource management called *Blueprint 2000 and Beyond*. “Blueprint 2000” came from citizens who worked hard to set out a vision for our community that not only promotes an efficient and effective infrastructure, but on that protects and enhances a beautiful and healthy environment.

The Board of County Commissioners and the City Commission have endorsed Blueprint 2000 dedicating fully 80% of sales tax extension funding, if approved, to its successful implementation. The County and the City will propose that the remaining 20% be used to continue to improve local and state roads, reduce traffic congestion, protect lakes and drinking water quality, reduce stormwater problems and flooding, protect and expand natural areas, parks and recreational facilities, and seek matching funds from state and federal programs for these purposes.

Prior to proceeding with a sales tax extension initiative, however, both the Board of County Commissioners and the City Commission decided to fund this Florida TaxWatch analysis to include recommendations to improve performance and accountability, an examination the public stewardship of the existing sales tax and an economic analysis of extending the sales tax extension beyond its 2004 expiration. I think both the Board of County Commissioners and the City Commission are to be commended for this undertaking.

I hope that this objective assessment will provide citizens with a better understanding of what their 1989 approval of the sales tax has accomplished and what its extension could mean to the future of our community. I look forward to reviewing more closely your findings and implementing recommendations for performance improvements and measures to increase accountability should the one cent sales tax extension be approved by the local electorate.

Sincerely;

Parwez Alam
County Administrator

cc: Board of County Commissioners
FLORIDA TAXWATCH STUDY OF
LEON COUNTY'S ONE-CENT LOCAL OPTION
INFRASTRUCTURE SALES SURTAX

Introduction

On September 19, 1989, more than three-fifths of Leon County voters participating in a referendum approved a one-cent local option infrastructure sales surtax for 15 years. The ballot referendum, a Leon County Ordinance and City of Tallahassee Resolution stipulated that tax revenues would be used to construct critical and significant community capital improvements in law enforcement and transportation.

In December 1999, the Leon County Commission and Tallahassee City Commission voted to contract with Florida TaxWatch to conduct a study to address three questions:

- Have sales tax revenues been spent in accordance with the legal requirements of the 1989 ballot referendum and with prudent and effective public management practices?
- What can be done to improve performance and accountability, and to engender citizen confidence, if voters extend the sales tax?
- What will be the likely economic impacts on Leon County-Tallahassee of extending and not extending the tax?

To answer these questions, Florida TaxWatch examined legal requirements; campaign commitments to voters; and accomplishments and shortcomings regarding one-cent local option infrastructure sales surtax policymaking, planning, execution and evaluation. TaxWatch also conducted face to face and telephone interviews with Leon County and City of Tallahassee staff, community activists and concerned citizens. Finally, TaxWatch subcontracted with the Center for Economic Forecasting and Analysis at Florida State University to assess economic impacts on Leon County-Tallahassee of extending and not extending the sales tax.

DELIVERABLE ONE

Report Card on Stewardship of Leon County’s
One-Cent Local Option Sales Surtax

Florida TaxWatch’s six-month review of Leon County’s and the City of Tallahassee’s stewardship of the sales tax finds both positive efforts/accomplishments and notable shortcomings/areas which should be improved during the remaining four years of the current tax, and which should be addressed for a prospective tax extension to be decided by the voters in November 2000. These findings are summarized in part below and detailed in the full report at http://www.floridataxwatch.org.
SALES TAX PROGRAM EFFORTS/ACCOMPLISHMENTS

Note: Florida TaxWatch’s full report includes responses by Leon County and the City of Tallahassee to most of the following findings. Please see http://www.floridataxwatch.org.

Law Enforcement Improvements

1. Law enforcement improvements, including a new $60 million County jail and a $7.8 million expansion of Tallahassee Police Department headquarters, were completed on time and within budget. Jail bonds will be retired by 2004.

Roadway Improvements

City Roadways
On July 1, 2000, of the City of Tallahassee’s 68 projects, 48% (33) had been completed, 39% (26) were in progress and 13% (9) had not been undertaken. All except one of 18 intersection improvements had been completed. By November 2004, the City anticipates completing all eight (out of 17 listed) state road projects that are eligible for advance funding, and 50 of 51 local projects.

County Roadways
On July 1, 2000, of Leon County’s 20 projects, 20% (4) had been completed, 70% (14) were in progress and 10% (2) had been deleted. Of the 14 projects in progress, two are scheduled for completion in 2000; three in 2002; four more by 2004; and five in 2004-05.

Note: City projects include state roads, major and minor City roads and intersection improvements. County projects include state roads and major County roads. During the initial four years of the sales tax, the County focused its attention on the $50 million plus jail construction. These factors help explain why the City’s roadway completion rate is higher than the County’s.

“The sales tax road schedule will be subject to some volatility over time due to state road project programming, project cost changes, concurrency, potential reprogramming of projects based on state paybacks, and unforeseen production problems.”

Tallahassee City Commission Agenda Item
January 9, 1991
**Project Additions, Modifications and Deletions**

- The City of Tallahassee’s and Leon County’s project additions, modifications and deletions have been well documented and based on changing conditions, public comment and availability of funding.

The County has spent no sales tax dollars on planning and design of sales tax projects that were subsequently deleted. Just .05% ($63,423 out of $125 million) of City sales tax revenues have been spent for study and evaluation of four roadway projects on the 1989 priority list that subsequently were deleted.

**Complementary Projects**

- Several Leon County projects have complemented City of Tallahassee projects, and vice versa. Examples include the City’s Orange Avenue Extension and the County’s Orange Avenue widening; the City’s Macomb/Wahnish Way project and the County’s Old Bainbridge Road projects; and the City’s advance funding of segments of Capital Circle, which complemented the County’s widening of Miccosukee Road.

**Citizen and Community Participation**

- Leon County’s Public Participation program enables citizens to participate as equals with transportation professionals and consultants on transportation corridor studies. A "memorandum of understanding" is produced at the end of each study which lists the transportation solutions and agreements to which the project team has agreed. Members of the project team stay involved during the engineering design phase of the project, up to the ribbon cutting.

- The City of Tallahassee’s citizen involvement program features community meetings for impacted citizens from project initiation through completion of project design. Citizen input is incorporated into the overall planning process at the onset of each project, and continues until project completion. Community meetings are conducted throughout the process, allowing citizen input to “shape” the project and to keep all parties informed.

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"Mayor Maddox pointed out that the project list that was part of the (City’s) 1989 resolution included a number of road projects that had never been implemented, and that priorities had changed."

Minutes of Tallahassee City Commission Public Hearing December 6, 1995

"County Commissioner Thaell expressed that the public had not been well informed by County government as to where sales tax funds were being spent and on the progress being made on sales tax projects which were voted on in 1989."

Minutes of Joint County and City Commission Meeting May 18, 1998
SALES TAX PROGRAM SHORTCOMINGS/AREAS TO IMPROVE

Roadway Project Preparation and Execution

**Strategic Planning**

Neither Leon County nor the City of Tallahassee developed strategic plans for utilizing sales tax revenues collected since December 1, 1989.

**Sales Tax Project Lists**

While in 1989 the County and City Commissions found that state roads were Leon County’s biggest transportation deficit, project lists lacked adequate financial planning -- especially regarding state roadway projects. Only 50% (9 of 18) of these projects are scheduled to be completed when the sales tax expires on November 30, 2004.

**Sales Tax Project Cost Estimates**

Roadway project cost estimates were significantly understated by underestimating right-of-way, stormwater mitigation, environmental concerns, and satisfaction of neighborhood concerns. Additionally, the scope of some projects has changed significantly, as have environmental ordinances and the public input process. The City Public Works Department estimated that the cost of 11 roadway projects and 17 intersection projects increased by approximately 125% over 1989 estimates.

"Another significant problem with (sales tax) program implementation has been the original (1989) project cost estimates that were prepared hastily in preparation for the referendum. These estimates were prepared without any detailed study and have proven in some instances to be significantly different from more refined estimates, as can be seen by the original and current budgets..."

City Commission Agenda Item
September 22, 1999

Four projects originally budgeted at $19 million now have projected costs of $65 million. These projects are widening Orange Avenue from South Monroe to Blair Stone Rd; work on Old Bainbridge Road from Brevard to Tharpe Street; widening Moccasukee Road from Magnolia Drive to Capital Circle NE; and work on Buck Lake Road from Mahan Drive to Pedrick Drive.

Excerpted by Florida TaxWatch from
Status Report to the County and City Commissions
April 14, 1999
Florida TaxWatch’s review of the 1989 public information campaign to persuade voters to tax themselves for law enforcement and transportation improvements finds the following (or finds that the following were not adequately explained to voters):

**Ineligible Program Advertised**

Development of substance-abuse rehabilitation and education programs by the County, which was listed in a 1989 campaign flyer advertising expansion of the County jail, was not an eligible expenditure of sales tax funds.

**Time To Build Roads**

The public education campaign did not explain that:

- Major road projects take up to ten years or longer to complete, thus virtually guaranteeing that some improvements on the County’s and City’s 1989 priority lists would not be available to motorists for a decade or more.

- Most of the major projects on the City of Tallahassee’s priority lists involved state roads dependent upon advance funding by the City. In 1995, six years after passage of the tax, most of these projects had not been initiated because the City waited for assurances of reimbursement from the Florida Department of Transportation.

- City of Tallahassee Resolution 89-R-0024 permits amendment of the 1989 projects list advertised to voters. This Resolution was not referenced in 1989 campaign literature. Thus, citizens likely were unaware that some projects they might vote to tax themselves to implement would not be undertaken, while others might be delayed.

"A good campaign had been conducted to educate the public on the specific road projects which were proposed for funding by the additional sales tax."

Tallahassee City Commission Meeting Minutes
September 13, 1989

“We have not been the model of efficiency on the last sales tax or road building.”

Mayor Scott Maddox
Joint Meeting of the City and County Commissions
to Consider Sales Tax Extension, July 10, 2000
Evaluation

No evaluation has been made of the success of five priorities for sales tax spending listed in the 1989 campaign literature. In the absence of evaluation, these priorities -- while laudable and important to voters and to the quality of life in Leon County -- amount to little more than campaign rhetoric.

Florida TaxWatch Report Card on Stewardship of Leon County’s One-Cent Local Option Sales Tax

Florida TaxWatch's six-month study of Leon County's and the City of Tallahassee's stewardship of the one-cent local option infrastructure sales surtax between 1989 and 2000 assigns the following grades to the various facets of the sales tax program:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>1989 Sales Tax Project Planning/Costing of Projects</td>
</tr>
<tr>
<td>D</td>
<td>1989 Sales Tax Public Information Campaign</td>
</tr>
<tr>
<td>B</td>
<td>Public Information Initiatives Since 1996</td>
</tr>
<tr>
<td>A</td>
<td>Timely Completion of Law Enforcement Projects</td>
</tr>
<tr>
<td>C-</td>
<td>Timely Completion of 1989 Roadway Improvements per Voters’ Expectations</td>
</tr>
<tr>
<td>B</td>
<td>Successful Completion of 1989 Roadway Improvements</td>
</tr>
<tr>
<td>B+</td>
<td>Timely Completion of 1989 City Intersection Improvements</td>
</tr>
<tr>
<td>B</td>
<td>Justification of Additions/Modifications/Deletions to1989 Roadway Project Lists</td>
</tr>
<tr>
<td>C-</td>
<td>Evaluation of Sales Tax Program Priorities and Results</td>
</tr>
</tbody>
</table>

Grading Scale

- A: Excellent
- B+: Very Good
- B: Good
- C: Acceptable
- C-: Marginally Acceptable
- D: Poor
- F: Failure

Performance

Both Leon County and the City of Tallahassee lack documentation of quantitative and qualitative improvements/benefits resulting from sales tax-funded roadway projects.
Audit

Just one separate internal audit of the City of Tallahassee’s $100 million plus sales tax receipts has been conducted during the past eleven years. No separate internal audits of Leon County’s $100 million plus revenues have been conducted. No performance audits have been conducted on either the City’s or the County’s sales tax programs.

DELIVERABLE TWO

Performance and Accountability Plan For Improved Stewardship of Leon County’s One-Cent Infrastructure Sales Surtax

In Deliverable Two, Florida TaxWatch recommends a Performance and Accountability Improvement Plan, summarized in part below, to the Leon County and Tallahassee City Commissions. While it would have been preferable to include some of these provisions -- such as annual oversight by a citizens advisory committee -- in the referendum, it is essential that they be adopted by Ordinance or Resolution. Additionally, relevant parts of the Plan should be amended into the County’s 1989 Ordinance and the City’s 1989 Resolution for the remaining four years of the current sales tax.

Two further steps to promote good stewardship and prudent financial and operational planning for expenditure of proposed sales tax extension revenues are to develop contingency plans for dealing with currently unforeseen project time delays, and to estimate operational and maintenance costs over the first fifteen years of the capital improvements proposed to be funded by the sales tax extension.

Governance

The Leon County Commission and Tallahassee City Commission should, by Ordinance and/or Resolution:

- Provide for an annual independent performance and financial audit of sales tax monies and projects to be reviewed by a Citizens Advisory Committee.

- Include a provision that if, at any time during the life of the sales tax extension, an independent audit shows that project completion dates or project budgets after contract letting fall below 80% compliance, a public hearing will be held to explain the reasons for lack of timely project performance and/or project overspending; the County and City will publish the reasons for lack of timely project performance and/or project overspending in a newspaper of countywide circulation, together with corrective measures to be taken; and the performance of senior management staff will be evaluated accordingly.

- Restrict the use of sales tax extension revenues to Blueprint 2000 projects listed in the Ordinance or Resolution unless at least eight of the 12 members of the Metropolitan Planning Organization (County and City Commissions) or a majority plus one of a sales tax authority finds that extraordinary circumstances warrant funding other critical needs ahead of said projects.

- Specify procedures to be followed for altering sales tax projects.

- Require development of a joint County/City strategic plan for utilizing one-cent sales tax revenues.

- Require monthly management reports for internal use and quarterly project status reports for Commissioners and the public.
Require an annual independent assessment of costs and benefits to the community in commonly understood terms in order to improve citizen understanding, engage the community and promote better stewardship of tax resources.

**Issue Status Report on Current Sales Tax Projects; Update Ordinance/Resolution**

- List, in an easily understandable format, the current status of each project on the County’s and City’s 1989 priority lists, and the status of projects added since 1989.

- Update Leon County Ordinance 89-14 and City of Tallahassee Resolution 89-R-0024 to list projects that will be completed between December 1, 2000 and November 30, 2004 when the current sales tax expires, plus those to be completed after November 30, 2004.

**Public Information Campaign on Sales Tax Extension**

The public education/information campaign to inform voters about a sales tax extension should clearly communicate the following:

- Major road projects take six to ten years to complete.

- The size and complexity of some Blueprint 2000 projects will require a decade or longer to complete.

- It would take more than 50 years at the current annual level of state funding of $8-10 million to pay for all state road projects that are proposed in Blueprint 2000. In other words, projects that can be completed in 15 years using sales tax extension revenues would require 50 years to complete using only state funding.

- Project additions, modifications and deletions may occur as priorities and conditions change, and as community preferences and environmental concerns are incorporated into project designs.

**Program Planning and Administration**

- Blueprint 2000 projects, as well as County and City projects to be funded by one-cent sales tax extension revenues, should include estimated costs of design, right of way, stormwater mitigation, and resources earmarked for including citizens’ and neighborhoods’ preferences.

- A comprehensive sequencing/scheduling plan should be developed based on projected revenues and years required to complete each project.

- Request contractors to bid both cost and construction time on a project when there will be a quantifiable cost savings to the public for earlier use of the project.

- Provide increased incentives for timely consultant completion by design consultants and contractors, and increased penalties for delay.

- Provide incentives for more construction contractors to bid on projects. For example, package projects in bids to provide possibility of multi-million contract awards to increase out of area contractors and increase competition.

- Consider providing bonuses for designated City and County staff whose exemplary performance helps to complete one-
cent sales tax projects ahead of time and under the final budget after contract letting.

- Provide reports to the Citizens Advisory Committee and the City and County Commissions with respect to each project, after the design thereof, detailing said design’s compliance with the intent and language of the Blueprint 2000 report.

Cost Savings

The County and City should commit to a 5-year goal of reducing administrative costs relating to one-cent sales tax funded projects through functional consolidation of staff, equipment, purchasing and other processes.

Program Review

- The Citizens Advisory Committee should annually review the County’s and City’s documentation of quantitative and qualitative improvements and benefits resulting from one-cent local option sales tax-funded law enforcement and road projects (i.e. reduced travel time, increased safety, reduced congestion, reduced emissions and other benefits).

- Sales tax project status reports should include reasons for budget increases and project delays.

DELIVERABLE THREE

Economic Impact of Extending and Not Extending The Sales Tax

An economic impact study was prepared by the Center for Economic Forecasting and Analysis at Florida State University in consultation with Florida TaxWatch. This study finds that LeonCounty-Tallahassee’s proposed 15-year sales tax extension would generate an estimated $841.2 million of additional economic growth (output) – including nearly 2,000 extra jobs in construction, wholesale and retail trade, real estate, utilities, professional, business, health and social services - and more than $100 million of net increase in personal income. An additional $479.7 million would be produced if the sales tax is not extended. Thus, the net economic growth or output, defined as the change in total sales (total dollar value of goods and services) generated by the affected industries because of increased economic activity, is $361.5 million over and above the benefit of the sales tax funded projects during the period 2005-2021.
Table One
Economic Impacts on Leon County-Tallahassee Economy of Extending and Not Extending the One-Cent Sales Tax

<table>
<thead>
<tr>
<th>TYPE OF IMPACTS</th>
<th>WITH SALES TAX EXTENSION</th>
<th>NO SALES TAX EXTENSION</th>
<th>NET GAIN (LOSS) FROM SALES TAX EXTENSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTPUT</td>
<td>$841,188,496</td>
<td>$479,694,420</td>
<td>$361,494,076</td>
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<tr>
<td>EMPLOYMENT</td>
<td>9,219</td>
<td>7,266</td>
<td>1,953</td>
</tr>
<tr>
<td>PERSONAL INCOME**</td>
<td>$286,718,968</td>
<td>$180,305,207</td>
<td>$106,413,761</td>
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<tr>
<td>EMPLOYEE COMPENSATION</td>
<td>$244,551,355</td>
<td>$162,652,778</td>
<td>$81,898,577</td>
</tr>
<tr>
<td>PROPRIETARY INCOME</td>
<td>$42,167,620</td>
<td>$17,652,430</td>
<td>$24,515,190</td>
</tr>
<tr>
<td>OTHER PROPERTY TYPE INCOME</td>
<td>$59,444,447</td>
<td>$97,312,210</td>
<td>$(37,867,763)</td>
</tr>
<tr>
<td>INDIRECT BUSINESS TAXES</td>
<td>$19,464,548</td>
<td>$33,660,380</td>
<td>$(14,195,832)</td>
</tr>
</tbody>
</table>

**Personal income is the sum of employee compensation and proprietary income.

Table One above shows that the additional output from sales tax extension project implementation exceeds output generated under a no-sales tax extension scenario. If the proposed County, City, and Blueprint 2000 projects are not implemented due to the non-extension of sales tax, the net impact of $361.5 million can also be viewed as a potential opportunity cost or a foregone output to the Tallahassee-Leon County economy. In other words, increasing the purchasing capacity of consumers due to non-extension of the sales tax will not generate as much additional output as the proposed extension of sales tax.

Figure One below presents a comparison of impacts on output of the two scenarios.
Employment

Implementing the proposed 15-year sales tax extension projects would generate an estimated 9,219 jobs versus 7,266 new jobs if the tax is not extended. Thus, employment, expressed as the average number of full-time and part-time jobs created during a given period, is estimated to produce a net gain of 1,953 jobs resulting from sales tax project implementation. It is noteworthy that the surge in employment occurs when construction of projects is being undertaken, and dies out once the projects are done. Figure 2 shows the effects on employment under the two scenarios.

![Figure 2: Comparative Analysis of Estimated Impacts on Output With Sales Tax Extension vs. No Sales Tax Extension](image)

Personal Income

Personal Income

Extension of the sales tax would create additional estimated personal income of $286.7 million versus $180.3 million under the no-sales tax extension scenario, a difference of $106.4 million. Net personal income is the sum of employee compensation ($81.9 million) and proprietors’ income ($24.5 million). Without the sales tax projects, the Tallahassee-Leon County economy would potentially incur an estimated opportunity cost or foregone personal income amounting to $106.4 million. Figure 3 below compares the impacts on personal income of the two scenarios.

![Figure 3: Comparative Analysis of Estimated Impacts on Personal Income With Sales Extension Tax vs. No Sales Tax Extension](image)
Other Property Type Income

A sales tax extension would generate $59.4 million of other property type income, or $37.9 million less than the $97.3 million created if sales tax extension fails. This is because expenditures on government projects do not generate as much other property type income as expenditures on consumer goods and services. Increased expenditures by consumers due to the availability of more spending money affects income from rents and royalties. Put another way, a sales tax extension would generate additional other property type income, but not as much as the no-sales tax extension scenario.

Indirect Business Taxes

Approximately $19.5 million of indirect business taxes -- which consist of excise taxes, property taxes, fees, licenses, but not income or profits -- would be generated by a sales tax extension, which is $14.2 million less than an estimated $33.7 million if the sales tax is not extended. This is because expenditures on government projects result in less indirect business taxes compared to households spending their money on consumer items.

FINDINGS AND CONCLUSION

Implementation of proposed County, City and Blueprint 2000 projects through extension of the local option one-cent sales tax would provide significant net economic benefits to the Tallahassee-Leon County economy in terms of increased output, employment and personal income.

Failure to extend the sales tax would generate more other property type income and indirect business taxes. However, the net economic gains of the proposed sales tax extension would more than offset these losses to the tune of nearly $361.5 million. The net economic benefit is that citizens would have the use of the capital improvements and a higher level of prosperity. Put another way, in addition to the value of the proposed capital improvements to be paid for from tax revenues, the estimated total economic benefit of extending the sales tax over and above the benefit of the sales tax funded projects is somewhat greater than projected revenue to be collected from imposing the tax.
Acknowledgments

Florida TaxWatch expresses appreciation to the officials, organizations and citizens who provided information and contributed ideas, insights, constructive criticism and recommendations during the preparation of this report. Particular appreciation goes to Dinah Hart, project coordinator for the City of Tallahassee, and Vincent Long, project coordinator for Leon County. Also to John Davis, City Engineer and Assistant Director, City Public Works Department; and Mike Wilett, Leon County Director of Public Works, Tony Parks, Director of Engineering and Sally Dowlen, Transportation Coordinator for Public Works.

This study was conducted by

Dave Davis, Senior Research Analyst, Florida TaxWatch, and
Tim Lynch, Ph. D., and Clyde Diao, Ph.D., Center for Economic Forecasting and Analysis, Florida State University, with the assistance of
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