

**Jacksonville City Council
2015 Orientation**

CITY COUNCIL RESEARCH DIVISION

Materials Prepared and Edited by:

Jeff Clements, Chief of Research

MAY 2015

TABLE OF CONTENTS

SECTION 1. RESEARCH DIVISION FUNCTIONS AND DUTIES	1
Bill Summaries	1
Research	1
Board and Commission Staffing	1
Research Library	1
Other Duties	2
SECTION 2. EXHIBITS	3
EXHIBIT 1. Bill Summary – Appropriation	3
EXHIBIT 2. Bill Summary – Polling Location Change	4
EXHIBIT 3. Research – Boater Safety	5
EXHIBIT 4. Research – “Percent for the Arts” Funding	7
EXHIBIT 5. Research – Living Wage Legislation	9
EXHIBIT 6. Draft Congratulatory Resolution	27
EXHIBIT 7. Research – Property Tax Reform Issues in Florida	29

JACKSONVILLE CITY COUNCIL RESEARCH DIVISION

SECTION 1. RESEARCH DIVISION FUNCTIONS and DUTIES

Bill Summaries

The division produces a brief summary of most of the bills introduced for Council consideration (excluding zoning and land use-related ordinances, purely congratulatory resolutions, and certain quasi-judicial actions). The purpose of the bill summary is to give council members and the general public a quick overview of the main features and intended purposes of the legislation, distilled into one page. The summary includes the bill number, the sponsor(s), the committee(s) to which the bill is referred, the type of action the bill proposes (i.e. amendment to the Ordinance Code, appropriation of funds, approval of a contract, etc.), a brief summary of the main points of the bill, any background or related information that might help explain the bill's purpose, a general statement of the policy area being effected, and the fiscal impact of the bill, if known. Bill summaries are produced on the Friday of Council meeting weeks and are made available electronically via the Agendas page on the City Council web site. The direct web address to access the bill summaries is <http://cityclts.coj.net/coj/CurrentYear/Council/21-BILL-SUMMARY-REPORTS.htm>.

Research

The division provides research services to the full council, the council committees, and to individual council members, in that order of priority. Division staff attends all council committee meetings to maintain familiarity with the pending legislation and to provide research assistance as may be requested by a committee or its members. Research may take the form of searching for historical data on City topics, surveying other jurisdictions regarding their operational practices and procedures, searching on-line ordinance code resources for ordinances in other jurisdictions, performing literature searches, and otherwise supporting the data and policy needs of the council and its members. Research requests should be directed to the Division Chief for assignment to the appropriate staff member based on areas of expertise and distribution of workload.

Board and Commission Staffing

The division is occasionally called upon to provide the necessary staff support to appointed citizen boards and commissions created by the Council. Examples include the TRUE (Taxation, Revenue and Utilization of Expenses) Commission, the Jacksonville Waterways Commission, the St. Johns River Ferry Commission and the Duval County Election Advisory Panel. Responsibilities include scheduling and posting notices for meetings, preparing agendas and supporting materials, recording meetings, producing minutes, and otherwise facilitating the work of the board or commission.

Research Library

The division maintains a library of books, historical data, reports, newspaper clippings, publications, and other files that document the work of the council and preserve a record of the issues researched and legislated upon since consolidation in 1968. The library also collects and retains CDs of the PowerPoint presentations made by various parties to Council and committee meetings for future reference.

Other Duties

- Resolution Drafting - While most legislation considered by the Council is drafted by attorneys from the General Counsel's Office, the Research Division may, for reasons of cost savings, draft purely congratulatory or otherwise ceremonial resolutions for council members. The Research Division staff member drafting resolutions depends upon information provided by the requesting council member or available through public data sources (such as *Florida Times-Union* articles) to provide the subject matter for the text. Draft resolutions are returned to the requesting sponsor for review, revisions and final approval to submit the resolution for introduction. Resolutions approved for introduction are forwarded to the Office of General Counsel for final approval as to legal form and for submission to the Legislative Services Division for numbering and placement on the next available council agenda for first reading.
- Media Releases - Since the elimination of the Council's public information officer position, the division drafts and disseminates news media releases on an as-needed basis.
- Newspaper Clippings - The division receives and clips city government-related articles from a number of newspapers, including the *Florida Times-Union*, *Jacksonville Business Journal*, *Jacksonville Free Press*, *Financial News and Daily Record*, *Folio Weekly*, *Beaches Leader*, and others. Copies of the clippings are indexed for storage and retrieval via the City's OnBase document management system at: <http://onbase.coj.net/OnBase/Login.aspx>
- Correspondence - The division can assist council members with official correspondence to the extent that assistance may be needed in understanding the subject matter of a letter from a constituent, researching an issue raised by a correspondent, or reviewing a draft letter produced by a council member or executive council assistant for accuracy. The division does not draft council members' personal correspondence.

SECTION 2. EXHIBITS

EXHIBIT 1. Bill Summary – Appropriation

CITY COUNCIL RESEARCH DIVISION LEGISLATIVE SUMMARY

JEFFREY R. CLEMENTS
Chief of Research
(904) 630-1377



117 West Duval Street
City Hall, Suite 425
Jacksonville, FL 32202
FAX (904) 630-3403

Bill Type and Number: Ordinance 2007-210

Sponsor: Council President at the request of the Mayor

Date of Introduction: February 27, 2007

Committee(s) of Reference: F; TEUS

Date of Analysis: March 1, 2007

Type of Action: Appropriation

Bill Summary: The bill appropriates \$68,630 from the United States Environmental Protection Agency to extend Cooperative Agreement funding through December 31, 2007. Provision is made for the carryover of appropriated funds.

NOTE: Section 3 of the bill may need correction concerning the fiscal year carryover. It does not agree with the title.

Background Information: The Cooperative Agreement project supports compliance with National Ambient Air Quality Standards by continuing the ongoing collection of data on the ambient air concentrations of fine particulate matter in Duval County. Funds are appropriated from United States Environmental Agency Particulate Matter 104 Grant additional funding. The total grant since December 31, 2005, will now be \$164,763.

Policy Impact Area: Environmental Protection

Fiscal Impact: \$68,630 is appropriated by this ordinance

Analyst: Campbell

EXHIBIT 2. Bill Summary – Polling Location Change

CITY COUNCIL RESEARCH DIVISION LEGISLATIVE SUMMARY

JEFFREY R. CLEMENTS
Chief of Research
(904) 630-1377



117 West Duval Street
City Hall, Suite 425
Jacksonville, FL 32202
FAX (904) 630-3403

Bill Type and Number: Ordinance 2007-326

Sponsor: Council President at the request of the Supervisor of Elections

Date of Introduction: March 27, 2007

Committee(s) of Reference: R

Date of Analysis: March 30, 2007

Type of Action: Change of polling locations

Bill Summary: The bill approves a change in polling locations for 6 precincts as follows:

<u>Precinct</u>	<u>From</u>	<u>To</u>
02R	FCCJ South – Wilson Center 11901 Beach Blvd.	New Covenant Ministries 2361 Cortez Road
03C	FCCJ South – Wilson Center 11901 Beach Blvd.	Beachwood Civic Center 11758 Marina Drive
03N	Timberwood Trace Apts. 12250 Atlantic Blvd.	JEA Ridenour Water Treatment Plant 1500 Kernan Blvd. N.
04V	Hilton Garden Inn 9745 Gate Parkway N.	To be determined
13V	Carver Community Center 738 4 th Avenue South Jacksonville Beach	Pablo Hamlet 1600 Shetter Avenue Jacksonville Beach
14L	Fire Station #14 4242 Herschel Street	St. Johns Presbyterian Church 4275 Herschel Street

NOTE: Location for relocated precinct 04V yet to be determined – will need amendment in committee.

Background Information: The Council, in its capacity as a county commission, is required to approve changes in polling locations within the county. These changes will be effective for the City general election in May.

Policy Impact Area: Election operations

Fiscal Impact: Minimal

Analyst: Clements

EXHIBIT 3. Research – Boater Safety

Page 1 of 2



OFFICE OF CITY COUNCIL RESEARCH DIVISION

JEFFREY R. CLEMENTS
CHIEF OF RESEARCH
(904) 630-1405 FAX (904) 630-3403
JEFFC@COJ.NET

SUITE 425, CITY HALL
117 W. DUVAL STREET
JACKSONVILLE, FLORIDA 32202

MEMORANDUM:

DATE: August 5, 2002

TO: The Jacksonville Waterways Commission
The Honorable Lake Ray, Chairman

THROUGH: Jeff Clements, Chief of Research *JR*

FROM: John J. Jackson, Research Assistant *JJJ*

RE: Boater Safety

Pursuant to the Chairman's directive, I have compiled the data on marine units in various counties and have included the number of vessels (recreational and total) registered in 2001.

<u>COUNTY</u>	<u>Marine Unit</u>	<u>Recreational Vessels/Total</u>
Broward	13 primary boats, 6 inflatables 1 sergeant, 9 deputies	45,603 47,984
Clay	3 patrol boats, 1 dive boat, 1 special boat (from Navy) 1 full-time officer, 2 part-time, 5 or 6 auxiliary officers	11,481 11,710
Collier	1 patrol boat per officer,	21,485 22,495

EXHIBIT 3. Research – Boater Safety

Page 2 of 2

	Air boat, jet skis, John boat 7 officers		
Duval	2 boats 3 officers	32,897	33,763
Hillsborough	12 vessels (4 of which are jet skis) 13 officers	44,449	45,853
Lee	9 boats 4 full-time officers	41,918	43,652
Miami-Dade	8 boats 14 officers	54,991	57,848
Orange	18 vessels (ski jets, patrol boats. 3 air boats; John boat, Zodiac Inflatables, power boat, pontoon boat Five full-time officers	33,886	34,647
Palm Beach	four 31 ft boats, 1 rigid hull; 3 flat boats; 2 wave runners 1 sergeant & 13 officers.	40,700	42,292
Seminole	3 boats, 2 air boats 1 sergeant & 2 range & water deputies	18,561	18,984

EXHIBIT 4. Research – “Percent for the Arts” Funding
Page 1 of 2



**JACKSONVILLE CITY COUNCIL
RESEARCH DIVISION**

JEFFREY R. CLEMENTS
CHIEF OF RESEARCH
(904) 630-1405 FAX (904) 630-3403
JEFFC@COJ.NET

SUITE 425, CITY HALL
117 W. DUVAL STREET
JACKSONVILLE FL 32202

MEMORANDUM

TO: Council Member Elaine Brown
FR: Jeff Clements, Chief of Research
RE: Percent for the Arts programs
DATE: January 29, 2007

Per your request I have researched the “percent for the arts” ordinances and programs in a number of jurisdictions, looking particularly for any that may include requirements for public art contributions by private developers. I have located the following information:

Public art required of private developments

- Vancouver, B.C.: the city requires that any private sector developments requiring rezoning for construction of greater than 161,463 sq. ft. (15,000 sq. meters) are required to choose one of three options to fulfill the city’s public art requirement of expenditure of \$0.95 p.s.f.: a) the developer may commission a juried public art process via the city’s Public Art Committee; b) the developer may pay 100% of the assessment to the city’s Public Art Reserve fund; or c) the developer may use 60% of the assessment for on-site art and pay the remaining 40% to the Public Art Reserve.
- Coral Springs, FL: the city requires that all development, redevelopment or conversion greater than 12,500 sq. ft. in non-residential districts, mixed use districts, or multi-family districts greater than 1 acre shall participate in the Public Art Program. Owners may either purchase on-site artwork or make a contribution to the city’s Public Art Fund at one of the following rates:
 - New construction: \$0.41 p.s.f. to the Public Art Fund or \$0.51 p.s.f. for on-site art;
 - Remodeling or conversion: \$0.20 p.s.f. to the Public Art Fund or \$0.25 p.s.f. for on-site artwork.
- Brea, CA: requires that developments costing over \$1.5 million must provide 1% of their total value in outdoor sculpture for public display. Artwork is selected, funded, owned and maintained by the private developer.
- Tampa, FL: developers pulling city building permits for commercial structures are encouraged to commit 1% of construction or reconstruction costs (up to \$200,000) to the provision of on-site artwork or to donate an equal amount to the city’s public art program; each building permit issued

EXHIBIT 4. Research – “Percent for the Arts” Funding

Page 2 of 2

by the city shall note the developer/owner’s participation or lack thereof in the public art program; any building permit issued for construction or reconstruction of a commercial structure shall be reported to the city’s public art committee.

Percent for the Arts in public construction

- Austin, TX: appropriates 2% of the cost of public construction projects valued over \$100,000 for public art, including buildings, parking facilities, parks and parkland, street improvements (other than repair or reconstruction), streetscapes, bridges or water or wastewater treatment facilities (capped at \$300,000 for public art).
- Seattle, WA: allocates 1% of the cost of construction projects paid for in whole or in part by the city for public art, including construction or remodeling of any building, structure, park, utility, street, sidewalk, or parking facility. A court case limited the requirement that the city’s utility make a public arts contribution using ratepayer’s funds.
- Broward County, FL: allocates 2% of the total new construction budget for Broward County government facilities for commissioned artwork.
- St. Petersburg, FL: allocates 1% of the first \$2.5 million and 0.5% of the next \$5 million of the cost of public works projects costing over \$300,000 to public art acquisition; eligible projects include construction, rehabilitation, renovation, remodeling or improvement any facility, which shall include but not be limited to any building, structure, park or parking facility, or any portion thereof, within the limits of the City. It shall not include street, alley, sidewalk or sewer projects conceived and executed as projects independent of any other projects which may qualify as a public works project. It does not include any stormwater management projects or any portion of a water or storm sewer project that is built below ground level.
- Volusia County, FL: allocates 0.5% of the total new construction budget for county buildings for commissioned artwork.
- Albuquerque, NM: allocates 1% of capital projects budgets funded via general obligation bond to public art; allocates 1% of revenue bonds for construction to public art if such art allocation is included in the bond authorization ordinance.
- Delray Beach, FL: allocates 1.5% of the cost of capital improvements (excluding underground utilities) for incorporation of public art into the project; the same 1.5% allocation is made from projects under \$200,000 into a pool for the creation of art projects independent of specific projects.
- Orlando, FL: allocates 1% of the first \$50 million of the cost of capital projects for public art, including building construction and remodeling, decorative or commemorative structures, parks, parking facilities or beautification projects.
- Portland, OR: allocates 2% of the cost of construction, rehabilitation, remodeling, improvement or purchase for public use of any building, structure, park, public utility, street, sidewalk or parking facility to public art; improvement projects that are developed privately and leased back to the city are subject to the public art assessment.
- Houston, TX: allocates 1.75% of the cost of capital improvements for civic art.
- Chicago, IL: allocates 1.33% of the cost of construction or renovation of public buildings and of outdoor site improvements on sites designated as eligible for public art by the Public Art Committee for public art installation.

I hope this provides you with sufficient information about the range of “percent for the arts” programs that exist. If you have any questions or need additional information, please feel free to call on me.

JRC

EXHIBIT 5. Research – Living Wage Legislation
Page 1 of 18

THE VALUE AND IMPACT OF LIVING WAGE LEGISLATION

A Review of Research Literature on
Living Wage Legislation

Keith E. Weiss, Ph.D.
Research Assistant
Jeff Clements
Chief of Research
Jacksonville City Council
Research Division
August 2002

EXHIBIT 5. Research – Living Wage Legislation

Page 2 of 18

THE VALUE AND IMPACT OF LIVING WAGE LEGISLATION Executive Summary

Nationally, living wage legislation is supported by the Association for Community Action Now and the Economic Policies Institute and is opposed by the Employment Policies Institute.

Little research has been done on the impacts to low income workers, the costs to the municipalities, and the cost and reactions of municipal contractors. Most studies found and reviewed are pre-operative and suggested opposing impacts. A few studies were post-legislation impact studies. The following potential impacts are compiled from this later group of studies.

Possible Impacts to the City of Jacksonville

Impacts on the City of Jacksonville -

- Increases in contract costs.
- Increases in salaries of city employees.
- A wage push and compression in salaries.
- Changes in bargaining powers of employee unions.
- Possible improved quality of received services.
- Reduced poverty level.

Impacts to low wage workers -

- Increased wages for affected workers.
- Loss of some jobs by lower skilled workers affected by ordinance.
- Possible reduction in need to access city-supported health/social services.

Impacts to city contractors -

- Increased labor costs.
- A wage push and compression in salaries.
- Potential improvement in turnover, absenteeism, and productivity rates.
- Some affected workers will be in families whose income greatly exceeds the poverty level.

Impacts to the area economy -

- Increased spending due to a multiplier effect particularly in areas of city where affected workers live.

THE VALUE AND IMPACT OF LIVING WAGE LEGISLATION
A Review of Research Literature on
Living Wage Legislation

Keith E. Weiss, Ph.D.
City Council Research
August 2002

Introduction and Overview

Over the past few years, policy makers in a number of cities in the United States have debated the need to increase the wages of employees, either working for the city and/or those employed by companies contracting with the city, to a level that is commonly referred to as a "living wage." In general, a living wage is usually defined as the wage a full-time worker would need to earn to support a family above the federal poverty line. A growing number of cities, over 83 as of June 2002 including Boston, Baltimore, Chicago, Los Angeles, New Orleans, Milwaukee, Miami, Gainesville, and San Antonio, have adopted living wage ordinances and a number of active campaigns are on-going in other communities. Currently, living wage legislation for Jacksonville has been proposed by the Jacksonville Coalition for a Living Wage.

This paper presents and critiques the positions of groups supporting living wage proposals and those arguing against the idea. The paper also reviews the important research studies funded by cities considering action and those with living wage legislation. At the end of the paper, some rough estimations are offered as to the possible impact and consequences of such legislation to the City of Jacksonville and our community.

Economic Theory on Wages

Economic theory on production costs, according to Neumark and Adams and others, suggests that firms tend to minimize cost so as to either improve profit or reduce price. As this is applied to changes in minimum wage, an increase in the cost of an input - labor - leads to two sets of effects. First, employers may substitute away from the now-more-expensive input to another less costly input. More often, employers may substitute a mechanized process for labor, thereby eliminating a number of positions, or may employ fewer low-skilled workers, replacing them with a

EXHIBIT 5. Research – Living Wage Legislation

Page 4 of 18

Living Wage 2

lesser number of more productive high-skilled workers. This loss of employment as a consequence of a minimum wage increase is referred to as elasticity of demand for labor¹.

However, this first effect does not always return costs to their original lower level. Thus, the second effect, called a scale effect, is to raise the price for the firm's goods or services. In a private market, this often leads to reduced demand, resulting in the reduced use of all inputs. In general, research on the effect of wage increases on employers has shown some combination of (1) reduced sales (output), (2) changes in the mix of inputs, (3) higher prices, and (4) reduced employment of low-skilled labor.

However, a few recent studies by economists have found that the impact of minimum wage legislation, as suggested by economic theory, may not be as great as it once was in earlier years. One reason suggested is that the consequences of a wage increase are now far more uniform across all workers. Thus, some economists suggest that local living wage effects may, likewise, not follow economic theory. As the positions of the proponent and opponent groups discussed in the next section will demonstrate, support of or opposition to living wage proposals depends in large part on whether one accepts or rejects the conventional economic theory on production cost.

Positions of National Policy Groups

Nationally, one major citizen activist group, the Association for Community Action Now (ACORN), and two economic policy institutes, the Economic Policies Institute and the Employment Policies Institute, have taken positions on the living wage issue.

The Employment Policies Institute, headquartered in Washington, D.C. and supported in large measure by restaurant and hotel associations, is opposed to federal and local legislation calling for minimum floors on labor wages. The Institute, however, is not against wage earners receiving a higher hourly wage. Rather, it argues that a

¹Elasticity is % change in employment ÷ % change in minimum wage. Thus, a 10% increase in wages reduces employment by 1%. Numerous studies on minimum wage have found a -0.10 to -0.20 overall rate. However, the real elasticity for low-wage earners may be higher.

EXHIBIT 5. Research – Living Wage Legislation

Page 5 of 18

Living Wage 3

Targeted Living Wage Subsidy is a more effective and less costly approach than is a general living wage approach.

The Institute's position on living wage legislation is that it raises employer costs, thereby limiting job growth and employment opportunities for low-skilled workers. Thus, the legislation accomplishes the opposite of its intended objective - raising the economic well being of low income workers - and saddles the public with more costly service contracts. Further, employees married to a spouse earning a higher salary are felt to unduly benefit from the wage hike. The Institute's position is to use a Target Wage Subsidy² to accomplish the objective. The subsidy could be employee-based or employer-based.

The positions taken by the Economic Policy Institute, a Washington-based think tank on economic policy matters related to low-income workers, and ACORN are 180 degrees opposite those of the Employment Policies Institute. The Economic Policy Institute suggests that the economic wellbeing of low-income workers is raised at a very minimal and acceptable cost to the local government by a living wage. The reason is that much of the increased labor cost is absorbed by the employer, who often realizes increased efficiencies from better paid employees. The increased efficiencies result from reduced employee turnover and increased work production and quality. The Institute also argues that few jobs are lost. Importantly, the worker, although losing some federal subsidies, has a higher net income and this income can more easily pave the way to homeownership and creditworthiness.

Research Studies on Living Wage City Ordinances

Pre-ordinance impact studies

Few research studies have looked at the actual impact of living wage legislation passed by specific cities and counties. Most studies reviewed were preliminary impact studies, hypothesizing what might happen. The four most

² A Targeted Living Wage Tax Credit would be a direct credit against city/state income taxes or a cash payment by the municipality to those who qualify for federal EITC. Payment or credit could also funnel through the employer. Both types of subsidies would increase the employment and net incomes of the low-skilled worker without any adverse job loss or reducing of federal tax credits and supports. It targets only those in financial need, although some suggest it also may reduce incentives for employers and workers to increase productivity.

EXHIBIT 5. Research – Living Wage Legislation

Page 6 of 18

Living Wage 4

thorough of these hypothetical studies are discussed next. Also discussed is the impact study on Jacksonville commissioned by the Jacksonville Coalition for a Living Wage. All relied on historical studies on the impact of minimum wage legislation and economic theory to support their conclusions.

Next, the only four major studies done on the impact of an existing living wage law to the city and community are reviewed. We believe that they may, in general, provide a more realistic analysis addressing the impact of such legislation.

Studies critical of a living wage. Studies that support the positions of the Employment Policies Institute are the Chicago impact study by Dr. George Tolley et al. and recent studies by Dr. David Macpherson on California and Florida. Dr. Tolley is professor of economics at the University of Chicago and Dr. Macpherson is an economics professor at Florida State University and a research analyst for the Pepper Institute on Aging at the school.

Also providing some credence to the positions of the Employment Policies Institute was a survey by The Survey Center at the University of New Hampshire, *The Living Wage: A Survey of Labor Economists* (2000). Conclusions were that more than three-fourths of the responding economists believed that a living wage policy would result in employment losses and in hiring better skilled applicants than before the wage increase.

Chicago - The Chicago City Council was considering an ordinance requiring all firms doing business with the city to pay their workers an hourly wage of \$7.60. The Council contracted Tolley to conduct a cost study on the ordinance. His research of a living wage ordinance calling for a 79% minimum wage hike for employees of firms contracting with the city of Chicago concluded:

- The annual cost to Chicago would be \$20 million for 8,470 workers, necessitating a permanent tax increase to pay for the increased labor costs.
- Labor costs to the contractors would rise by an estimated \$37.5 million.
- The city could expect at least 1,300 lost jobs.
- Although the average salary increase would be \$7,000, disposable family income would rise by only \$1,900, the difference between the two being the dollars going to the

EXHIBIT 5. Research – Living Wage Legislation

Page 7 of 18

Living Wage 5

state and federal government in the form of taxes and lost food stamp/Medicaid benefits.

Dr. Tolley noted that, faced with \$37.5 million of increased labor costs, contractors might respond in one of four ways - raise prices to the city, reduce cost by reducing the number of employees, not bid on future city contracts, or relocate out of the city. He and his associates concluded that non-profits, which provide services to the community, would have to absorb the increased costs by better efficiency or reducing the number of employees. However, firms selling goods and services to the city would pass the cost on, as all potential competitors would be affected by the ordinance. Thus, Tolley notes the elasticity of demand of labor was closely tied to a firm's ability to pass increased costs on to their customers. [Chicago adopted a proposed ordinance affecting contractors in July, 1998.]

Florida - Dr. Macpherson's study on the probable effects of a statewide increase in the minimum wage to that of a livable wage was contracted for by Employment Policies Institute and released in June of 2002. The study used 1998 through 2001 Current Population Survey Outgoing Rotation Group files to develop a statistical portrait of the state's working population and the aggregate numbers by various sub-categories. He then applied a labor demand elasticity of -0.22 for minimum wage workers and used minimum living wages of \$8.81 and \$10.09. His results estimate that approximately 131,000 workers would lose their jobs if the rate were set at \$8.81 and approximately 222,000 would lose their jobs at \$10.09 an hour. Further, Florida's employers would see their labor costs increase by \$4.9 to \$8.8 billion annually. The greatest potential impact by category of worker would be borne most by people in a 44-47 age bracket (30% of all ages), making a \$25,000 to \$29,999 salary (24% of all would be in this bracket), female (59%), and white (79%). Most jobs lost would be in the retail and service industries.

California - Dr. Macpherson's study on the probable effects of a California statewide increase in the minimum wage to that of a livable wage suggest 280,000 workers losing their jobs and a \$12.5 billion annual cost to businesses. Most workers projected to lose their jobs would be the sole family wage earner. Further, many of the wage gains would go to low-wage workers in higher income

EXHIBIT 5. Research – Living Wage Legislation

Page 8 of 18

Living Wage 6

brackets (because of a spouse having a wage in a higher wage bracket), rather than to those most in need.

Studies supportive of a living wage. Three detailed pre-ordinance studies - New Orleans, Miami-Dade County, and San Francisco - were found and are summarized here. Dr. Robert Pollin, a professor of economics and Director of the Political Economic Research Institute, and his associates at the University of Massachusetts-Amherst did the New Orleans study. Dr. Bruce Nissen, an economics professor at the Florida International University Center for Labor Research and Studies, did the Miami study, using a model based on Pollin's work. Dr. Michael Reich, professor of economics and research chair of the Institute of Industrial Relations, University of California-Berkeley, coordinated the San Francisco study.

New Orleans - The proposed New Orleans ordinance called for a citywide minimum wage of \$1.00 over the federal minimum wage. In a follow-up study to an earlier New Orleans study (not reviewed here as it was less complete and formulated the same conclusions), Dr. Pollin and associates surveyed businesses within the city and received completed questionnaires from 444 area businesses, employing 23.4% of the total city workforce. Of the 293,330 workers in the city, they estimated that 47,050 would be covered by the proposed ordinance. The mandated cost for all 12,262 city firms was estimated at \$53.5 million plus the additional costs of any ripple effects. Ripple effect, also called wage push, is caused by the employer's need to re-adjust other salaries so as to maintain a measure of pay hierarchy between the lowest and highest paid workers (an outcome noted in most minimum wages studies is a compression in the wage spread, but still a weak ripple effect). The researchers calculated that this effect would add an additional \$17.9 million increase in payroll costs. Although large, Pollin noted that the total \$71.4 million in new labor costs would be only 0.09% of the firms' operating budgets.

To compensate for the increased input labor cost of the living wage ordinance, Dr. Pollin suggested that firms would absorb the cost by either (1) raising prices, (2) increasing productivity, and/or (3) redistributing costs within the firm. He and his associates did not believe relocation to be an attractive option for any but a few businesses. Analysis of the survey data suggested that

EXHIBIT 5. Research – Living Wage Legislation

Page 9 of 18

Living Wage 7

price increases were a viable option for most firms and most buyers would accept it. The most affected would be those few firms with high labor needs or which provide goods and services to other areas outside of the city. Also, some slight increase in worker productivity was expected. Finally, their analysis suggested that the firms could further compensate through wage compression coupled with some substitution of low skilled workers with better skilled ones. [Voters rejected a first ordinance in 1997 but approved a second one in February 2002; it is being challenged in the courts.]

Miami-Dade - The proposed Miami-Dade County ordinance called for a pay rate of 110% of the federal poverty rate for a family of four. A cost analysis by David Nissen and associates used survey data from county contractors, 1990 Census business sales/costs data, and Department of Labor industry information in order to determine the numbers at specific salary levels of workers by type and size of county contract. Their analysis determined that 43% of the contractors' employees were earning a wage that placed them below the poverty level minimum wage. Thus, the new ordinance would cost the contractors an additional \$4.2 million in direct annual labor costs. An additional ripple effect was anticipated, but not calculated. The county's compliance monitoring cost was expected to be \$230,000 annually.

The researchers anticipated that contractors would be able to adjust their increased costs as per economic theory, but would still be forced to pass 36% of the labor cost on to the city. Adding the pass-through costs to the city's costs for monitoring and to adjust the salaries of its own workforce resulted in a total cost of \$3.2 million to the city in the first year, with less than a million in cost in each of the two following years. This amounted to about one-tenth of 1% of the operating budget.

San Francisco - Michael Reich and associates estimated the principal costs plus benefits of a wage ordinance calling for a wage of \$11.00 and health insurance that would benefit about 5,200 employees of city contractors. Using data from a variety of sources, they estimated:

- A cost of \$31 million in new direct labor costs not including ripple effect (wage push), 4% of the total prior year's contracts. Indirect wage gains were

EXHIBIT 5. Research – Living Wage Legislation

Page 10 of 18

Living Wage 8

expected to be \$3.7 million. Some wage compression was expected.

- Most increased costs to nonprofits and no more than one-third of the costs to for-profits were expected to be passed-through to the city.
- The city would see savings of \$5.7 million in the city's public health budget because of a reduced use of the city's hospital and other medical services by employees formerly without health insurance.
- The city's economy would grow by \$20.8 million per year, yielding increased sales tax revenue. This growth would be concentrated more in the areas within which most of the lower-paid workers live. The injection of new money, in the form of wages, would have a multiplier effect. Numerous multiplier studies have shown that the area multiplier differs with income distribution. Lower wage earners spend a greater portion of their new money within the area than do higher income wage earners. The researchers used a income multiplier of 1.7, concluding that approximately 40 cents of each additional dollar received by a resident would be re-spent locally³.
- Increased productivity and enhanced quality of city services was anticipated, but no economic value was assigned to the benefits.

Jacksonville – Bruce Nissen, the chief researcher of the Miami-Dade study, and Brian Underhill were contracted to use the same methodology and modeling used in Nissen's Miami-Dade study to determine the impact of a living wage of \$9.19 plus health benefits or \$10.19 without health insurance for city employees and employees of contractors doing more than \$30,000 annual business with the city. The hourly rate was based on the income needed for a family of three to generate an income such that 33% of the income

³ A multiplier is a numeric value, greater than 1.0, representing the ratio of the total impact—i.e., the sum of the direct and indirect effects—of a change in output or final demand of a basic industry to the initial, direct impact. Multipliers can be developed for any factor measurable in terms of a unit of output—economic factors, fiscal factors, resource factors, or environmental factors. Area multipliers are influenced by a number of factors, such as economic makeup, population size, and income distribution. Multipliers can be expressed in terms of direct and indirect effects (Type I multipliers) or in terms of direct, indirect, and induced effects (Type II multipliers). The latter multipliers incorporate the induced effects of changes in household incomes and spending due to changes in direct and indirect impacts. Reich used $1.7 - 1.3 = 0.4$. In general, larger more diverse areas have larger multipliers.

EXHIBIT 5. Research – Living Wage Legislation

Page 11 of 18

Living Wage 9

could pay the HUD Fair Market Rent value of an apartment [The 2000 Census reports a mean family size of 3.09 at P>.9 for Jacksonville]. Their conclusions were:

- Approximately 310 fulltime employees of contractors would be affected. Temporary help contracts were not included.
- The direct labor cost for the 310 workers at \$10.19 per hour, including compliance bookkeeping costs, would be \$2.34 million annually.
- Annual city monitoring costs would be \$103,500.
- 763 city employees would be impacted at a cost of \$1.83 million (at \$9.19).
- City contracts run for three years. Thus, the contractor's impact, even if all were passed on to the City, would be less the first two years after the ordinance went onto effect.

[In a very preliminary response (Nov. 2001) to the proposal, Calvin C. Ray, Director of Administration & Finance, estimated the city employee costs to the City at \$4.13 million (590 positions at \$1.44 million and 1.99 million budgeted hours at \$2.69 million). The cost to contractors was not determined.]

Yet, data on Jacksonville from another study paints a different picture. Macpherson, in his 2002 study on the impact of a minimum statewide wage in Florida, calculated that an \$8.81 minimum wage would result in a loss of 7,976 jobs, 6.1% within the work force that the living wage plan was meant to help, in the Greater Jacksonville area. The cost to employers was estimated at \$278 million a year. At a \$10.09 wage, job losses would rise to 13,726, 6.2% within the affected work force, costing employers an estimated \$519 million. Most jobs lost would be in the retail and service industries.

Post-ordinance impact studies

Four studies were reviewed that sought to determine the impact of existing living wage legislation on the municipal budget, impact to workers, and actions of contractors. The study of Detroit is limited in scope. Likewise, so is a study of the San Francisco Airport. The study of Baltimore looks at all the issues. Neumark's multi-city study is the most important because of its sophisticated research design, which analyzes data from 36

EXHIBIT 5. Research – Living Wage Legislation

Page 12 of 18

Living Wage 10

municipalities with living wage laws against a control group of cities without such ordinances.

Detroit. The 2000 study of the impact of Detroit's legislation was coordinated by Dr. David Reynolds of the Center for Urban Studies at Wayne State University. His survey study only focused on the impact the law had on non-profits. [Employers receiving over \$50,000 had to pay the federal poverty line plus health insurance or 125% of the poverty limit.] The findings were:

- 50% of the non-profits supported the wage ordinance.
- Only a small proportion of the workers were affected.
- The financial impact on 75% of non-profits was minimal.
- 25% had problems that affected internal wage scales and budgets.
- Only two part-time workers among 64 non-profits lost their jobs. Most of the budgetary problems of the organizations hit the hardest were due more to the language used in the city contracts, which specified funding by specific categories.

San Francisco Airport Authority (SFAA). As part of the national effort to improve airport security and safety, the San Francisco International Airport Authority implemented a program in January 2000 to increase training, performance and compensation to a livable wage. The program impacted nearly 10,000 of the 34,000 ground-based employees. Dr. Reich, who also coordinated the City of San Francisco study, coordinated a 2001 study on the impact of the program. The study addressed worker turnover, employee performance, and business impacts. The results were:

- Turnover fell dramatically, from a pre-program rate of 110% annual turnover to an overall rate of 25%.
- Overall job performance improved significantly as rated by contract employers. Further, recruitment became easier and the quality of applicants improved.
- The ripple effect was apparent with wages improving in other positions. Employers reported higher morale and reduced absenteeism.
- The cost of the wage and health benefits was estimated at \$57 million. Surveyed employers noted they were able to pass the costs on to airport travelers through increased prices (\$1.37 each).

Baltimore. Baltimore was the first city, in 1994, to pass a living wage ordinance. The Baltimore Bureau of the

EXHIBIT 5. Research – Living Wage Legislation

Page 13 of 18

Living Wage 11

Budget and Management Research had projected a 9-13% increase in city contract expenses as a direct result of the anticipated passage. A 1999 study, by Dr. Niedt et al at John Hopkins University, analyzed data from two year's worth of implementation data and concluded:

- Contract prices increased just 1.2% in the two years. Corrected for inflation, they decreased. The researchers hypothesized that the less-than-expected rise was due, in part, to an increase in the intensity of the work, that is the same amount of work done in less time. However, cost changes before and after implementation varied greatly by contract types. Labor intensive contracts, such as janitorial services, showed the largest increases at an average of 16.6% over the two years.
- There was no significant decrease in employment.
- A ripple effect to maintain the old wage differential seems to be beginning.
- Non-compliance was a problem, in particular with bus contractors.

Neumark study. The Neumark studies (2002, 1999) are interesting for two reasons. First, David Neumark, professor of economics at Michigan State with a doctorate from Harvard, is widely regarded as an economic conservative who does not support federal minimum wage legislation. Second and more importantly, his research on living wages is the most sophisticated. His study is a quasi-experimental design using regression⁴ analysis to compare outcome differences between a group of living wage cities and a control group of comparable non-living wage cities.

Neumark's 2002 study does not dwell on the cost to the local government, but rather on the ordinances' effects on wages, poverty levels, and unionized city workers, the underlying reason for the living wage legislation. His 146-page monograph includes a review of existing research on living wages in which he critiques the methodologies used by others. He explains why he believes the negative conclusions reached by Tolley on Chicago and the positive impacts reached by Pollin and other using his methodology,

⁴Multiple regression analysis is a statistical method for studying the relation between a dependent variable and two or more independent variables. Its value is that it removes the effect of other factors, thus providing a prediction (probability) equation. The value is that the results from the sample can be generalized to the population with a known degree of probability.

EXHIBIT 5. Research – Living Wage Legislation

Page 14 of 18

Living Wage 12

at New Orleans, Baltimore, Miami, and Jacksonville, are incorrect. He believes their validity is questionable because of the economic assumptions made by both and that their calculations are hypothetical, done in the absence of any empirical evidence.

Neumark's regression analysis showed that there were significant differences between the 36 living wages cities group and the control group. Significant differences (a numerical value difference between the experimental and control groups that cannot be accounted for by mere chance) found were:

- On average, wages of low-wage workers receiving a living wage improved more than those of the control group. The data indicate that a living wage 50% higher than the minimum wage would raise average wages of workers in the bottom 10% of the wage distribution by 3.5%. The analysis showed that larger effects were produced by broader coverage of the ordinance, as generally provided in the larger cities.
- Employment of low-wage workers was reduced by 7%, showing limited elasticity of the bottom 10% rung of wage earners. The substitution was in favor of higher-skilled workers. This impact counteracted some of the positive effect gained above.
- A small, but significant decrease in the percent (1.8%) of families living in poverty was found.
- Unionized municipal workers received sizable wage gains when narrow living wages laws were enacted. Therefore, living wage laws may reduce the incentives for cities to contract out work, thereby increasing the bargaining power of municipal unions and leading to higher wages.

Possible Impacts to the City of Jacksonville and Community: What does prior research tell us?

Unfortunately, the research studies reviewed in this paper, in general, provide us with little in the way of definitive conclusions about the effects of a living wage in Jacksonville.⁵ There are at least two reasons for this conclusion. First, many studies, such as the Jacksonville study by Nissen-Underhill, are pre-operative - hypothetical

⁵ Two studies that provide data on Jacksonville come to very different conclusions. The Macpherson statewide study calculates thousands of lost jobs in the Greater Jacksonville area at a substantial cost to employers while the Nissen-Underhill suggests very few lost jobs with a minimal percentage increase to the City's operating budget.

EXHIBIT 5. Research – Living Wage Legislation

Page 15 of 18

Living Wage 13

in design - offering 'what-may-be' conclusions. Or secondly, they are studies describing the actual impact of existing living wage ordinances using a research design that offers only limited generalization to other communities; in reality, they are case studies.

Yet, the conclusions reached by this second category of studies - post-operative - do offer some light as to what may happen in other communities contemplating similar legislation. The information could especially be valuable in drafting specific living wage legislation once the idea of a living wage had been, in general, accepted by policy makers. But caution is needed in using the findings as a basis for determining the impact to Jacksonville of a living wage proposal. Each community is unique in composition of its needs, economy, income groups, employment categories, operation and structure of municipal government, and so on. In short, what may have happened in Baltimore, Los Angeles or other city, may not materialize elsewhere even if the legislation were identical.

The only study reviewed that does allow for generalizations to other communities is the complex megacity regression analysis by David Neumark. Using his results, supplemented by some results of other post-operative studies, the following potential impacts to the City of Jacksonville and the community were estimated:

Impacts on the City of Jacksonville -

- Increases in contract costs. Baltimore saw a limited total increase. Detroit and SFAA found that contractors passed on some to most of the costs.
- Increases in salaries of city employees.
- A wage push and compression in salaries of other city and contracted employees.
- Changes in bargaining powers of employee unions. Neumark found this as a partial explanation of the frequently narrow coverage of living wage laws.
- Possible improved quality of received services. SFAA found substantial improvement due to increased morale, less attrition and absenteeism, but the applicability to other cities is difficult to determine. Also, increased rates may not be sustained over time.

EXHIBIT 5. Research – Living Wage Legislation

Page 16 of 18

Living Wage 14

- Reduced poverty level. Neumark found a significant mean decrease in the poverty rate of 1.8% with a 150% increase in the living wage.

Impacts to low wage workers -

- Increased wages for affected workers. A 3.5% mean increase for workers in lower 10% of wage distribution (Neumark). This percent increased as the city's living wage coverage became broader in scope.
- Loss of some jobs by lower skilled workers affected by ordinance. Baltimore and Detroit found no loss. Neumark found a 7% loss, suggesting limited elasticity of this group. This percent increased as the city's living wage coverage became broader in scope.
- Possible reduction in need to access city-supported health/social services (Reich - San Francisco).

Impacts to city contractors -

- Increased labor costs. Some contractors could absorb some cost, but it would be hardest on labor-intensive contracts and for non-profits to do so.
- A wage push and compression in salaries.
- Potential improvement in turnover, absenteeism, and productivity rates.
- Some affected workers will be in families whose income greatly exceeds the poverty level (All studies).

Impacts to the area economy -

- Increased spending due to a multiplier effect particularly in areas of city where affected workers live (Reich - San Francisco).

Interestingly, of all the studies reviewed, only Reich in his study on San Francisco discusses the economic benefit to the city of a living wage. Policy makers in municipalities must make decisions in allocating scarce resources for the benefit of the community. A great part of that decision often revolves around the probable future return benefits to the community of an earlier decision to spend resources. Economic impact multipliers are one tool in cost-benefit analysis often employed by policy makers.

EXHIBIT 5. Research – Living Wage Legislation

Page 17 of 18

Living Wage 15

Conclusion

In conclusion, living wages and research on them are in some degree in their infancy. Neumark's research found initial overall income gain by lower income workers and a modest reduction in poverty – the intended results of living wage legislation. Yet, we are unsure of the long-term effects of the legislation. Also, his models did not address the overall cost-benefit to municipal governments and their governed communities. Very little research has investigated the full impact of the costs and benefits of a living wage to the community and those directly impacted. Further, no research has been done comparing such legislation with alternative methods of reducing poverty. It may be that other approaches also begin to accomplish the same goal – providing a living wage to low income employees.

REFERENCES

- Bernstein, J. (2000). *Higher wages lead to more efficient service provision*. Economic Policy Institute, Washington D. C.
- Editors (2001). *The case for a targeted living wage subsidy*. The Employment Policies Institute, Washington D.C.
- Macpherson, D. (2002). *The employment impact of a comprehensive living wage law: Evidence from Florida*. Employment Policies Institute, Washington, D.C.
- Macpherson, D. (2002). *The employment impact of a comprehensive living wage law: Evidence from California*. Employment Policies Institute, Washington, D.C.
- Miami-Dade County. *Living wage ordinance – Sec. 2-8.9*. Municode Online Code Service.
- Hreenhouse, S. (19 May 2002). 'Living wage' roulette: Bigger check, or will it be a pink slip? The New York Times.
- Neumark, D. (2002). *How living wage laws affect low-wage workers and low-income families*. Public Policy Institute of California.
- Neumark, D. & Adams, S. (1999). *Will the Detroit living wage ordinance reduce urban poverty? Lessons from other cities*. Unpublished manuscript.
- Niedt, C., Ruiter, G, Wise, D., & Schoenberger, E. (1999). *The effects of the living wage in Baltimore – Working paper 119*. Economic Policies Institute.

EXHIBIT 5. Research – Living Wage Legislation

Page 18 of 18

Living Wage 16

- Nissen, B. (1998). *The impact of a living wage ordinance on Miami-Dade County*. FIU Center for Labor Research and Studies. Florida International University.
- Pollin, R. (2002) *Living wages, poverty, and basic needs: Evidence from Santa Monica, California*. Political Economic Research Institute. University of Massachusetts-Amherst.
- Pollin, R., Brenner, M. & Luce, S. (2001). *Intended vs. unintended consequences: Evaluating the New Orleans living wage proposal*. Proceedings of the Industrial Relations Research Association, January 6, 2001.
- Pollin, R., & Luce, S. (1998). *The living wage: Building a fair economy*. New York: The New Press.
- Ray, C. C. (November 28, 2001). *Potential impacts of 'Living Wage' legislation*. Inter-office memo to Sam Mousa.
- Reich, M., Hall, P., & Jacobs, K. (2001). *Living wages and airport security*. Institute for Labor and Employment, University of California.
- Reich, M., Hall, P., & Hsu, F. (1999). *Living wages and the San Francisco*. Economy Institute for Labor and Employment, University of California.
- Reynolds, D., & Vortkamp, J. (2000). *Impact of Detroit's living wage law on non-profit organization*. Center for Urban Studies & Labor, Wayne State University.
- Staff. (2002). *Do living wage laws help low-wage workers and low-income families?* Research Brief 55, Public Policy Institute of California.
- Staff. (2001). *Living wage impact: Research summaries and citations*. ACORN Living Wage Resource Center, Washington D.C.
- Staff. (2000). *The living wage: Survey of labor economists*. The Survey Center, University of New Hampshire.
- Staff. (2000). *The 2000 HHS poverty guidelines*. U.S. Department of Health and Human Services, Washington D. C.
- Tolley, G., Bernstein, P., & Lessage, M. (1999). *Economic analysis of a living wage ordinance*. Employment Policies Institute, Washington, D.C.
- Underhill, B., & Nissen, B (2001). *Living wage: Impact on the City of Jacksonville*. Jacksonville Coalition for a Living Wage.
- U.S. Census Bureau. (2000). *Census 2000 supplementary survey profile: Duval County*. U.S. Census Bureau, Washington D. C.

EXHIBIT 6. Draft Congratulatory Resolution
Page 1 of 2

1 Introduced by Council Members Corrigan, Alvarez, Brown, Clark,
2 Copeland, Daniels, Davis, Fullwood, Fussell, Graham, Hyde, Jenkins,
3 Johnson, Jones, Lockett-Felder, Ray, Self, Shad and Yates:

4
5
6 **RESOLUTION 2006-1338**

7 A RESOLUTION COMMENDING AND THANKING VYSTAR
8 CREDIT UNION FOR ESTABLISHING ITS "PAY AND
9 SAVE LOAN" PROGRAM; PROVIDING AN EFFECTIVE
10 DATE.

11
12 **WHEREAS**, earlier this year the City Council, recognizing the
13 detrimental effect that short-term, high-interest "payday loans"
14 may have on the financial condition of borrowers, enacted an
15 ordinance to strongly regulate such lending practices, particularly
16 when targeted at our city's military community; and

17 **WHEREAS**, VyStar Credit Union, in response to the needs of the
18 marketplace and the requests of its members, has developed a new
19 "Pay and Save Loan" program to provide a new short-term, affordable
20 lending option for its members who may be in need of resources to
21 meet emergency needs; and

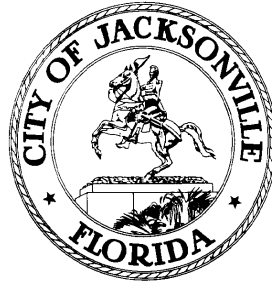
22 **WHEREAS**, the program aims to achieve two purposes - short-term
23 access to funds and the promotion of financial planning and saving
24 - by combining an affordable loan program with a mandatory savings
25 component and free access to financial counseling services; and

26 **WHEREAS**, the Pay and Save Loan program is a valuable addition
27 to the range of financial services available to the Jacksonville
28 community, and should be of great assistance to its users in
29 meeting their short-term financial needs while avoiding the deeper
30 financial troubles that can sometimes result from sub-prime
31 borrowing; and

EXHIBIT 6. Draft Congratulatory Resolution
Page 2 of 2

1 **WHEREAS,** VyStar Credit Union should be commended for
2 developing this new product to meet a particular need of its
3 customers; now therefore
4 **BE IT RESOLVED** by the Council of the City of Jacksonville:
5 **Section 1.** That the City hereby commends and thanks
6 VyStar Credit Union for establishing its "Pay and Save Loan"
7 program as an affordable and accessible alternative to high-cost
8 payday loans, and especially commends the savings and financial
9 counseling aspects of the program which should prove invaluable to
10 the members who avail themselves of the service.
11 **Section 2. Effective Date.** This Resolution shall become
12 effective upon signature by the Mayor or upon becoming effective
13 without the Mayor's signature.
14
15 Form Approved:
16
17 /s/ Margaret M. Sidman
18 Office of General Counsel
19 Legislation Prepared By: Jeff Clements, City Council Research
20 G:\shared\LEGIS.CC\2006\res\VyStar Pay and Save Loan res.doc

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 1 of 13



PROPERTY TAX REFORM ISSUES IN FLORIDA

**Jacksonville City Council
Research Division**

May 2007

**Jeff Clements
Chief of Research**

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 2 of 13

Property Tax Reform in Florida

Introduction

The issue of property tax reform has been gaining strength in recent years in Florida because of a confluence of several circumstances, including some unintended consequences from the implementation in 1995 of the 1992 Save Our Homes constitutional amendment. That amendment limited the amount by which ad valorem property taxes could be raised on homestead residences each year to the lesser of 3% or the increase in the inflation rate. This provision, while collectively saving the owners of homesteaded properties over \$400 billion in property taxes (according to Florida Tax Watch, utilizing state data), has also had the effect of shifting most of those taxes to the owners of non-homestead residential, commercial and industrial properties.

Because the amendment provides that a homesteaded property returns to being taxed at its full assessed value when the property changes ownership, the amendment has also had the effect of making some homeowners feel “locked in” to living in their current residence because of the tax implications of moving to another residence and paying a full tax load on that new home while giving up the accumulated Save Our Homes savings on their previous home. Depending on the length of time an owner has been in a homesteaded residence and the accumulated value of the discount, that owner might be facing the prospect of a substantially higher tax bill even if they moved to a smaller residence. Some would argue that the root cause of all these issues is the rapid inflation of property values in Florida over the past decade, which led to the increasing tax assessments and rapidly rising property tax bills that generated the push for the Save Our Homes amendment in the first place. Florida Tax Watch reported that taxable values in Florida increased by 25% from 2005 to 2006 alone.

Property Tax Reform Committee

In June 2006, Governor Jeb Bush, by executive order, created a Property Tax Reform Committee to study the issues associated with property tax reform and to help inform the public debate on the issue, utilizing input from a wide variety of Florida citizens, businesses and institutions. No one from the Northeast Florida area served on the committee. The committee was to make reports in December 2006, March 2007 and a final report in December 2007 to the Governor, Legislature, and the upcoming Taxation and Budget Reform Commission that will be created in 2007 to study budget and taxation issues and, if necessary, to propose amendments to the State Constitution in time for the voters to consider at the 2008 general election. The Property Tax Reform Committee issued its first report in December 2006, after which newly-elected Governor Charlie Crist, wanting to pursue one of his campaign platform priorities in an expeditious manner, disbanded the committee in favor of appointing members to the Taxation and Budget Reform Commission and charging them to continue on with the original committee’s work.

The Property Tax Reform Committee in its first and only report identified 6 fundamental issues, made 3 basic recommendations, and identified 13 specific topics which it intended to study and evaluate in detail before it was disbanded.

Fundamental issues:

- Affordability – property taxes are no longer affordable for many taxpayers.
- The “lock-in” effect – long-time permanent resident homeowners are finding it difficult or cost prohibitive to move to another home within Florida.
- Equity – Florida’s property tax system creates and sustains significant inequities among taxpayers.

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 3 of 13

- Agricultural classification – the agricultural use classification is, in some cases, being misused to avoid higher taxes on soon-to-be developed land.
- Value adjustment boards – several areas of improvement have been identified by the Florida Auditor General.
- Homestead exemption – loss of homestead exemption under select circumstances may not be desirable public policy.

Recommendations

- Any recommendations to improve property taxation in Florida should be founded on a comprehensive approach, with an emphasis on simplifying the system for all taxpayers.
- The Property Tax Reform Committee should continue to meet and formulate recommendations as contemplated in Executive Order Number 06-141.
- The Property Tax Reform Committee concurs with the suggestions offered by the Auditor General in his performance audit of the Value Adjustment Board process (Report #2006-007), except for the possible creation of an appeals process at the regional or state level.

Topics for further study and evaluation

- Assess business property based on current use only, instead of “highest and best use” value.
- Cap tax revenue growth for individual local governments.
- Cap tax growth for individual properties.
- Full or partial replacement of the property tax with other forms of taxation.
- Assess properties using a moving average value of several years’ assessments instead of using just the current year’s value.
- Simplify the “Truth In Millage” (TRIM) notice to be more easily understood by taxpayers.
- Increase the homestead exemption.
- Save Our Homes portability.
- Phase-out of the Save Our Homes tax preference.
- Partial-year assessment of improvements to real property.
- Agricultural use classification improvements.
- Protecting homestead-related tax benefits when property is taken through the use of governmental powers of eminent domain.
- Protecting homestead-related tax benefits during frequent relocations required by military service.

Florida Tax Watch report: *Controlling Escalating Property Taxation and Local Government Spending and Revenue*

Also in December 2006, Florida Tax Watch, a private, non-profit, non-partisan research institute acting as a “watchdog” over state and local government taxation, expenditures, public policy and programs in Florida, issued a report outlining its view that “Florida’s property tax system is in crisis, with skyrocketing levies accompanied by explosive local government spending that is exceeding the taxpayers’ ability to pay.” (Florida Tax Watch news release, December 15, 2006)

The report identified a number of issues and trends and made several recommendations for action to resolve the problems the organization attributes to those issues and trends.

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 4 of 13

Issues and trends

- Failure of TRIM process to restrain tax revenue growth – rapidly escalating property values allow local governments and school districts to realize significant increases in tax revenue without increasing, or even slightly reducing, millage rates.
- Other local revenues are also growing rapidly – virtually all local revenue sources, including special assessments and impact fees, are increasing substantially.
- Profligate revenue/spending practices are commonplace – spending is growing because local officials cannot resist spending from swollen revenue bases.
- Responsible controls on local government spending are critical.
- Save Our Homes has been a tax shift – millage rates are higher than they would be without SOH, and a large part of the burden has been shifted to rental residential, commercial and industrial property owners.
- Save Our Homes removes many voices from local tax and spend decisions – the system placates disgruntled homeowners who are one of the most effective methods of restraining local government spending practices.
- Taxes are shifted among homeowners as well – large tax burdens are shifted from long-time homeowners to first-time buyers and people moving within the state as properties are reassessed for tax purposes at the time of sale.
- Inequities created by Save Our Homes place its constitutionality in question – vast disparities in taxes levied on identical houses raises issues of equal protection violations.
- Lack of homestead portability is a problem – people feel “trapped in their homes” because of potentially huge tax increases faced in leaving a long-term homestead and buying another property.
- Save Our Homes impacts affordable housing – the increasing tax burden on non-homestead residences increases taxes on renters and makes rental property less affordable.
- Change is needed or distortions and inequities will continue to increase.
- The relative value of the homestead exemption is decreasing over time – because the homestead exemption value has not increased since 1982, despite skyrocketing property values, the exemption represents a much smaller percentage of an average home’s value than previously.
- Property tax savings from Save Our Homes now dwarfs the homestead exemption – because of the failure to increase the homestead exemption to keep up with inflation, SOH protects much more of the value of some long-held homesteads against taxation than does the homestead exemption.
- Increasing the homestead exemption, by itself, does not make sense – absent other changes to the tax structure, increasing the homestead exemption while keeping the Save Our Homes exemption just increases the tax shift to other kinds of properties and exacerbates the existing inequities.

Recommendations

- Repeal the Save Our Homes amendment.
- Allow homeowners currently under SOH protection to keep the current dollar amount of reduced assessment during future reassessments.
- Institute a cap on local governments, either in the form of a limit on revenue growth tied to an inflation factor based on population growth and/or inflation and/or personal income growth, or via a redefined mechanism for calculating the TRIM rolled-back millage rate.

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 5 of 13

Suggestions on other property tax-related issues

- Assess business property based on current use – do away with requirement to assess commercial property based on “highest and best use”.
- Assess property using a 5-year moving average to eliminate big changes in assessed value and therefore tax liability in a single year.
- Replace property taxes with another revenue source.

Various Property Tax Reform Proposals

Three competing proposals have emerged during the 2007 Florida legislative session to address property tax reform – one in the House of Representatives, another in the Senate, and a third by Governor Charlie Crist. The important provisions of the three proposals are outlined in the attached Exhibit 1.

The Jacksonville Context

As always, Jacksonville is unique among city and county governments in Florida as the only fully consolidated city/county government in the state. As a result, comparisons of Jacksonville to other cities and counties can be somewhat challenging, as the consolidated city provides a full array of city services to the population and land area of a county. Nevertheless, figures show that Jacksonville’s overall property tax millage rate is lower than the combined city and county millage rates (county, city, schools, water management district, Florida Inland Navigational District, transit districts, hospital districts, etc.) in the largest cities across Florida:

<u>City/County</u>	<u>Combined millage</u>
Jacksonville	18.1825
Hillsborough County/Tampa	23.4370
Miami-Dade County/Miami	24.6443
Orange County/Orlando	19.9190
Pinellas County/St. Petersburg	26.1552

(Source: *Duval County Property Appraiser’s Annual Report – 2006*)

In addition, the Consolidated City of Jacksonville has traditionally not imposed other types of user fees and charges levied by other Florida jurisdictions. Jacksonville does not charge a monthly garbage collection fee (\$33 per month in Miami-Dade/Miami, \$25 per month in Hillsborough/Tampa), does not levy a dedicated millage for a Children’s Services district, fire and rescue services, recreational services, stormwater management, or library services, and does not impose impact fees on new development.

Part of the reason for Jacksonville’s relatively conservative millage rate history lies in a 3 percent ad valorem revenue growth cap approved by the voters in a May 1991 referendum. Commonly known as the “3% Tax Cap”, the charter amendment approved by the referendum prohibited the City Council from enacting a millage rate that would result in the collection of more than 3 percent additional ad valorem tax revenue when compared with the previous year. As assessed valuation grew each year, the cap required a proportionate reduction in millage to reduce the net revenue increase to no more than 103 percent of the previous year’s revenue. The City challenged the constitutionality of the revenue cap on the grounds that the voters could not, by means of a charter amendment, bind the actions of future city councils in exercising one of their

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 6 of 13

fundamental responsibilities under state statute – that of enacting an annual budget to meet the service needs of the city. After several years a court ruled in favor of the City's position and declared the charter amendment invalid. However, respecting the clearly articulated feelings of the citizens expressed in their approval of the referendum, subsequent mayors and city councils voluntarily abided by the spirit of the charter amendment and rolled back the ad valorem millage each year to keep tax revenues within the 3 percent growth cap.

Over the years those millage reductions added up to nearly \$200 hundred million in foregone revenue over the course of 13 years. By way of example, the city's basic operating millage rate was 11.1367 in fiscal year 92/93 which, when applied to a taxable base of approximately \$18 billion, produced just over \$190 million for the city's operating budget. If the millage rate had remained unchanged at 11.1367 through the years to FY2006-07, the new assessed valuation of \$46.8 billion would have produced ad valorem revenue of \$497.8 million. Instead, the cumulatively rolled-back millage rate of 9.64 for county operations in FY06-07 produced \$430.9 million or \$66.9 million in foregone revenue for that year alone.

The mayor and city council abided by the spirit of the referendum cap and continued keeping ad valorem revenue growth to 3 percent a year until just a few years ago. The mayor and council reached a decision that the growth of the city and its service needs outweighed the advisory nature of the voters' expressed opinion more than a decade before and allowed the city's constantly growing property tax valuations to produce greater revenues for the budget. The mayor and council have continued to reduce the county operating tax millage each year, albeit by much smaller amounts than before.

It should be noted that one of the primary factors behind the push for property tax reform, as expressed by the Florida House and Senate, the Governor, Florida Tax Watch, and others, is the perception that local government revenues are "out of control" and growing at an unjustifiable pace. The general feeling seems to be that, considering Florida's skyrocketing property values, cities and counties should be rolling back their millage more vigorously to drastically reduce the growth in their budgets. Again for comparative purposes, it may be interesting to compare Jacksonville's growth rate in taxable property value, millage rate, and taxes levied with the other large cities and counties in Florida (see Exhibit 2).

The table indicates that of the 5 counties listed, Jacksonville had the smallest growth in total taxable value, the smallest percentage increase in county taxes levied (in several instances, by significant amounts), and the smallest percentage increase in total taxes levied by all taxing authorities, while at the same time having the second largest percentage decrease in millage rate during the period. On these measures, Jacksonville appears to be raising revenue fairly conservatively when compared with comparable large cities in urban counties across the state.

Estimated Effect of Tax Reform Proposals on Jacksonville's FY2007-08 Budget

The Mayor and his administration have calculated the potential impact of the major House, Senate and gubernatorial proposals on the City's upcoming FY07-08 budget for purposes of informing the legislature about the proposals' effects on the City's finances and also for purposes of crafting the budget proposal that is due for presentation to the City Council in early July. While the various proposals will likely be modified during the legislature's special session in June in order to achieve a consensus package that will pass both houses, these are the administration's estimates of the impacts of the various proposals as they stood at the time of the legislature's adjournment in early May:

EXHIBIT 7. Research – Property Tax Reform Issues in Florida

Page 7 of 13

House of Representatives proposals

Statutory proposal – property tax growth cap: first year impact - \$16.7 million

Constitutional proposal – sales tax swap for property tax: first year impact - \$50 million

Senate proposals

Statutory proposal – property tax growth cap: first year impact - \$12.6 million

Constitutional proposal – double the homestead exemption for first-time homebuyers; portability of Save Our Homes differential; \$25,000 tangible personal property tax exemption; affordable housing to be based on rent collected rather than fair market value – impact unknown except for doubling the homestead exemption (\$47 million)

Governor's proposal

Statutory proposal – property tax growth cap: first year impact - \$28.5 million

Constitutional proposal – double the homestead exemption; portability of Save Our Homes differential; 25% exemption for first-time homebuyers; \$25,000 tangible personal property tax exemption for businesses - impact unknown except for doubling the homestead exemption (\$47 million).

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 8 of 13

EXHIBIT 1 – FEATURES OF PROPERTY TAX REFORM PROPOSALS

Tax rate/revenue caps

Issue	House proposals	Senate proposals	Governor's proposal
General Rule - Limitation on annual property tax growth	HB 7001 & HJR 7089 – Increases limited to taxes on net new construction (proxy for population growth) plus an adjustment for CPI inflation	SB 1020 - After FY2009, increases limited to taxes on net new construction (proxy for population growth) plus an adjustment for growth in statewide per capita personal income	Increases limited to taxes on net new construction (proxy for population growth) plus an adjustment for CPI inflation
FY2007-08 cap	HB 7001 - Limit local levies to levels that would have resulted had the general rule been applied beginning in FY2001-02 (base year FY2000-01)	SB 1020 - Limit local property taxes to the greater of FY2005-06 levies grown forward according to the general rule, or FY2006-07 actual levies	Limit local levies to levels that would have resulted had the general rule been applied beginning in FY2003-04 (base year FY2002-03)
FY2008-09 cap	HB 7001 - Limit growth from FY2007-08 as determined by the general rule	SB 1020 - Limit local property taxes to the greater of FY2007-08 levies grown only for net new construction, or 85% of levies that would result from applying FY2006-07 tax rates to the FY2008-09 tax base	Limit growth from FY2007-08 as determined by the general rule
FY2009-10 cap and thereafter	HB 7001 - Limit growth from FY2008-09 as determined by the general rule. HJR 7089 - Establish maximum revenues consistent with levels that would have resulted had the general rule been applied beginning in FY2004-05 (base year FY2003-04)	SB 1020 - Limit growth from FY2008-09 as determined by the general rule	Limit growth from FY2008-09 as determined by the general rule
Cap override mechanism in FY2007-08 and FY2008-09	HB 7001 - Requires a vote of a majority plus 1 or 2/3 of the local governing body, whichever is greater	SB 1020 - No overrides allowed in FY2007-08 or FY2008-09	
Cap override mechanism in FY2009-10 and thereafter	HJR 7089 - Requires unanimous vote of the local governing body	SB 1020 - Requires 2/3 vote of the local governing body or approval by the voters in a referendum	

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 9 of 13

Issue	House proposals	Senate proposals	Governor's proposal
Exempt entities	<p>HB 7001 – Initial rate/revenue rollback does not apply to school districts, fiscally constrained counties and cities in those counties, cities in rural areas of critical economic concern, independent hospital districts, children's services councils, and to taxes levied by a county to provide children's services or indigent care pursuant to certain operating agreements. Only school districts are exempt from the revenue limitation after the initial phase-in period.</p>	<p>SB 1020 – Provisions apply only to counties and cities. School districts and independent special districts are exempt from the limitations.</p>	
Exempt entities	<p>Also exempt are governments that have levied property taxes for less than 5 years.</p> <p>HJR 7089 – Initial rollback does not apply to schools, independent special districts, fiscally constrained counties and cities in those counties, and cities in Rural Areas of Critical Economic Concern. Also does not apply to taxes levied by a county to provide children's services or indigent care pursuant to certain operating agreements. No exemptions from the limits going forward</p> <p>Also exempt are governments that have levied property taxes for less than 5 years.</p>	<p>Also exempt are governments and MSJTs that have levied property taxes for less than 5 years.</p>	

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 10 of 13

Issue	House proposals	Senate proposals	Governor's proposal
Exclusions	HB 7001 - Voted debt service millage outside of the 10 mill cap - Voted millages that are outside of the 10 mill cap	CS/HB 7001 - Voted debt service millage outside of the 10 mill cap - Voted millages that are outside of the 10 mill cap - Tax increment financing payments made by a local government	
Penalties	HB 7001 – Levy of taxes in excess of that allowed without a supermajority vote results in loss of half-cent sales tax and non-guaranteed portion of county and municipal revenue sharing	CS/HB 7001 - Levy of taxes in excess of that allowed without a supermajority vote results in loss of half-cent sales tax distribution the following year.	
Supermajority vote needed to levy, increase or expand revenue source	HB 7089 – No penalties needed HB 1483 – Requires the greater of a 3/5 or majority plus 1 vote for a local government to levy, increase or expand the tax base of a tax, impact fee, or special assessment. If the authority to levy the tax requires a referendum, 3/5 of the voters must approve it. Property taxes and revenue measures levied in response to an emergency are excluded.		

Save Our Homes exemption portability

Issue	House Proposals	Senate Proposals	Governor's Proposal
Save Our Homes portability		SJR 3034 – Statewide portability allowed. Amount of SOH differential that can be transferred is \$500,000. After transfer, assessed value of the new homestead will grow by 10% annually until the transferred SOH differential is eliminated.	Statewide portability of SOH differential is allowed.

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 11 of 13

Homestead exemptions/replacement revenues			
Issue	House Proposals	Senate Proposals	Governor's Proposal
Increased homestead exemption			Increase the existing homestead exemption from \$25,000 to \$50,000 per eligible homestead
First-time homebuyers		<p>SB 3034 – First-time homebuyers are granted a \$25,000 exemption in addition to the \$25,000 homestead exemption currently available. The value of the additional exemption will diminish on a dollar-for-dollar basis as the home increases. Eventually the additional exemption will decline to 0 if the SOH differential reaches or exceeds \$25,000.</p>	<p>First-time homebuyers get an exemption on 25% of the purchase price, to phase out as SOH differential increases</p>
Homestead taxes – Required Local Effort (RLE) for school operations	<p>HJR 7089 – Homestead properties are exempt from paying RLE school taxes beginning in FY2009-10</p>		
Replacement sales tax for RLE school tax	<p>HJR 7089 – the state enacts a 1% statewide sales tax (excluding communications services) to replace local property tax for school RLE.</p>		
Homestead taxes – non-RLE school taxes	<p>HJR 7089 – local electors may exempt homestead properties from non-RLE school taxes by referendum</p>		
Homestead taxes – non-school	<p>HJR 7089 – local electors may exempt homestead properties from all non-school taxes by referendum held by November 2010.</p>		
Replacement sales tax – non-school levies	<p>HJR 7089 – Up to a 1% local option sales tax increase within a county (excluding communications services) authorized; voter approval of replacement sales tax required to be simultaneous with voter approval of exemption of homesteads from all non-school property taxes. A county may only levy up to the amount needed to replace foregone property taxes on homesteads. Distribution of replacement monies among city, county and special district governments based on a formula developed by the county.</p>		

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 12 of 13

Valuation of Property			
Issue	House proposals	Senate proposals	Governor's proposal
"Highest and best use"	HB 261 – includes "any zoning changes and permits necessary to achieve the highest and best use," in the list of items that must be considered by the appraiser in determining highest and best use.	SB 560 – In determining the highest and best use to which the property can be expected to be put in the immediate future, the appraiser is directed to consider the use "which is reasonably probable, physically possible, and legally permissible as well as financially feasible and maximally productive." Also, the appraiser must take into consideration any "current zoning limitation and variance."	
Condition of the property	HB 261 – When determining the condition of the property, the appraiser must consider physical deterioration, functional obsolescence and external obsolescence		
Affordable housing		SB 560 – property subject to an agreement that restricts its use to affordable housing for 20 years shall be appraised using its actual rental income rather than fair market value. The provision applies to 1) HUD funded properties serving eligible persons; 2) properties for multifamily housing, farm workers, or the elderly that are funded and rent-restricted by the Florida Home Finance Corporation, the SHHP program, the HOME Investment Partnership program, or the Federal Home Loan Bank's Affordable Housing Program; 3) multifamily residential rental property of 10 or more units that is certified as being deed-restricted by the local housing agency as having 100% of the units used for affordable housing.	

EXHIBIT 7. Research – Property Tax Reform Issues in Florida
Page 13 of 13

EXHIBIT 2 – COMPARATIVE CHANGE IN TAXABLE VALUE, MILLAGE RATES AND TAXES LEVIED

Jurisdiction	Weighted Avg. Millage	Total Taxable Value	Total County Taxes Levied	Total Taxes Levied (County, schools, indep. dists)
Jacksonville				
2001	19.78	\$32,407,386,779	\$327,549,963	\$640,958,459
2006	18.16	\$52,682,843,070	\$489,739,212	\$956,500,625
% change 2001 - 2006	-8%	+63%	+50%	+49%
Hillsborough/Tampa				
2001	24.46	\$42,891,979,863	\$481,367,077	\$1,049,343,123
2006	22.46	\$78,789,442,760	\$812,845,193	\$1,769,454,207
% change 2001 - 2006	-8%	+84%	+69%	+69%
Miami-Dade/Miami				
2001	23.86	\$104,744,430,367	\$991,814,617	\$2,499,514,338
2006	21.72	\$214,139,194,287	\$1,845,895,732	\$4,651,070,489
% change 2001 - 2006	-9%	+104%	+86%	+86%
Orange County/Orlando				
2001	19.13	\$56,008,722,266	\$460,855,191	\$1,071,222,023
2006	18.06	\$92,376,274,251	\$722,654,674	\$1,668,743,741
% change 2001 - 2006	-6%	+65%	+57%	+56%
Pinellas/St. Petersburg				
2001	22.38	\$42,410,832,981	\$335,455,749	\$949,314,088
2006	21.23	\$75,532,446,555	\$533,706,200	\$1,603,896,076
% change 2001 - 2006	-5%	+78%	+59%	+69%

Source: Florida Senate web site – 2001-2006 Ad Valorem Tax Data By County