



# Fred Costello

## *State Representative, District 25*

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August 28, 2015

Dear Governor Scott,  
Speaker Crisafulli,  
President Gardiner,  
Chairman Fresen &  
Chairman Gaetz:

Thank you for your dedication to Florida's children as evidenced by the historic education funding our Florida Legislature passed in our 2015-16 budget. Please know that I am in full support of increased funding for Florida's education budget again in the 2016-17 budget ... but I am extremely resistant to fund it through an increase in state mandated "Required Local Effort" property taxes.

I am writing you in response to an article that appeared August 26 in "The News Service of Florida" indicating that the State Board of Education has recommended a budget that will include the highest per student funding in history. GREAT! But I take great exception to two points:

- 1) \$50 million is recommended to come from state funds and \$425.9 million is recommended to come from local property taxes, and
- 2) Those who support the proposal that 88.3% of the increased funding comes from the "Required Local Effort" school property taxes indicate that it is an acceptable increase because the increase is coming from the increase in local property values rather than from an increase in the millage rate. This statement shows a total lack of understanding of the "Roll Back Rate." Even worse, it demonstrates hypocrisy beyond measure based upon the belief that local governments must adhere to the transparency of the "Roll Back Rate" but that there is no need for our state to follow the same mandate for transparency in taxation.

We all want the best education for our children and grandchildren! But I respectfully submit that increasing the burden on local property owners is not the answer. Our citizens of this great state rely on us as their elected officials to not only ensure an outstanding education for their children but to also ensure their property taxes will not increase to the point that they are problematic for our residents and become a disincentive to bricks and mortar capital investment for job creators evaluating locations in multiple states. Furthermore, I believe the opportunity to fund education and better prepare our work force should be shared by both our residents and people who visit our great state. Decreasing the school property tax (a fixed cost) mandate and offsetting the loss of revenue with a revenue neutral increase in the sales tax rate (a variable and voluntary cost) would spread the burden to all who choose to purchase items. Reduced property taxes can be

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expected to stimulate increased capital investment by our job creators and result in additional and/or enhanced bricks and mortar amenities for our visitors.

Therefore I am asking for your support of two specific requests:

1) Eliminate state mandated property taxes as a state education funding source and move to funding education from state sales taxes. This Revenue Neutral Tax Reform will result in our state truly funding education from a voluntary tax and leave collection of property taxes to local officials who the taxpayers can easily vote out of office if the taxpayers do not concur with their taxing decisions. As you may know, I filed a bill in 2011, 2012 and 2015 that eliminates the "Required Local Effort" property tax and replaces it with an increase in the sales tax rate. Speaker Crisafulli has authorized an interim economic benefit study the results of which I expect we will have soon. I believe this study will validate the benefit to Florida's economy that will be derived from reducing Florida's overall property tax by approximately 40% and replacing the revenue with an increase in the sales tax rate of approximately \$.0275.

I hope I will have your support!

2) Assure that state government follows the concept behind the "Roll Back Rate" which assures that a tax increase or decrease is based upon the differential in the amount of tax collected (with adjustments for new growth and annexation) in the new year compared to the amount of revenue collected in the prior year. A tax increase cannot accurately be calculated solely upon an increase or decrease of the millage rate or solely upon the increase or decrease in property value. The benefit of the "Roll Back Rate" is that it forces the millage rate down as property values increase unless the responsible government agency is willing to advertise a tax increase, and defend said increase to the voters. I am in the process of determining if we need legislation to require adherence to the concepts of the "Roll Back Rate" our state requires local governments to follow or if we merely need to clean up and clarify our rules to specifically instruct state staff to adhere to the "Roll Back Rate."

I hope I will have your support!

Although I am an eternal optimist, IF you are not (yet) ready to support the above reforms, I respectfully request that you support reversing the formula for education funding for the 2016-17 year so that 88.3% of the funds come from state government rather than from "Required Local Effort" property taxes as was recommended by the State Board of Education.

I look forward to your support for additional state (rather than local) education funding!

GodSpeed!



Fred Costello, State Representative, District 25

CC: - State Board of Education  
Florida State Representatives and Staff  
Florida Senators and Staff  
- House Education Appropriations Staff  
Senate Education Appropriations Staff  
- House Finance & Tax Staff  
Senate Finance & Tax Staff  
- Florida League of Cities