

# Osceola County Half Cent Sales Tax

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The half-cent tax increase is a ballot referendum proposed by the current Osceola County School Board. The referendum passed the School Board on August 15, 2016 with a 4-1 vote, and was voted on by the County Commission with a 4-0 (once absent) vote to appear on the November 8th ballot in Osceola County. The Referendum will read as follows:

*One-Half Cent Sales Surtax for Aging School Facilities Reconstruction, Improvements, and Technology Upgrades*

*Would you support the School Board levying a one-half cent surtax on sales in Osceola County, beginning 1/1/17, for a period of 20 years, to be used exclusively in Osceola County for aging school facility reconstruction and improvement projects, including safety and security, and technology upgrades, and other capital facilities use allowed by law? A needs-based prioritized list of projects has been proposed.*

To begin, this tax will not collect the amount that the county school board has lost over the past years. It also does not address a major issue within much of Osceola County's government which is the overspending issue. This tax would also price on all taxable goods sold within the county, that would make the county much less competitive to their neighbors and could adversely effect those who are in the most. The county school board, and the county as a whole must look to a much more conservative, and efficient

style of spending if it wishes to maintain facilities and continue to provide for the residents of Osceola County.

According to the School Board's Public Information Office, since 2007 the School Board has lost a total of 48 million dollars. This loss comes from a lowering in the millage rate by the State. This lowered the rate from 2.0 mills to 1.5 mills. The decrease in the millage rate as well as a decrease in property values since then has resulted in a \$18 million dollar loss annually. In addition, there has also been a \$20 million dollar annual loss due to funds no longer being received from the Florida Lottery. Lastly the school board has seen a reduction in the Public Education Capital Outlay Fund that has resulted in a loss of \$10 million annually. This all adds up to a grand total of \$48 million dollars lost annually. According to the same Public Information Office this tax increase will only generate an estimated \$25 million annually, that will be used for projects that they consider "critical needs". This \$25 million annually falls \$23 million short of what was collected annually in 2007, there was no word of future "critical needs" that were not addressed.

An alternative to an additional sales tax is finding ways to spend more wisely. If we look closely at past budgets there are many things that can be stricken. This includes many items that were deemed "questionable" by an independent audit of the school boards budget that was presented on Tuesday, February 21, 2012. These questionable items added up to an estimated \$1.2 Million in spending. This same audit also identified "not allowable spending" of \$365,000.00. This amount was later agreed to be an overcharge by the contractor. In addition to these examples of waste, most recently Osceola County has seen a sports arena on the Celebration high school campus that has been approved for \$1 million dollars to replace sod, as well as county approval for a new school that will break the record in cost. The new Boggy Creek High School, according to an Orlando Business Journal arti-

cle published on October 19, 2016 will be costing the county an estimated grand total of \$75 million dollars. This will be the first school within the county to pass the \$50 million mark.

The contracting process is also flawed, to the point that former School Board member, Tom Long stated in an open conversation that "Most contracts were let out to very few [companies] and they profited greatly". What Mr. Long was talking about is the process of contracting called "Contract Manager at Risk Contracting". What this form of contracting does is create a board of select individuals that will meet independently with a select group of contractors. Those contractors will give presentations but the topic of price will not be discussed. After the board has spoken to each contractor, the board will select one contractor that will do the job. Only then is the price of work discussed. This form of contracting closes the door to any real competition or saving.

An example of this system failing could be seen in a 2011 contract for a front discharge cement truck. The requirement set on the contractor for a ready mix cement pouring company where so stringent that only one company placed a bid. Staff then recommend that there be a rebid and that the bid be open to both front and rear discharging trucks. This brought down the price of the contract significantly. Before this rebid the same company that placed the original bid had hold of this contract at a higher rate due to the original unreasonable constraints set by the past school board. A constrained bidding process such as this will lead to a much less free market as well as give a blow to small businesses that could possibly do the job more efficiently and at a better rate.

Inefficient tax and spending as stated, will create added stress on the taxpayer and make Osceola County less competitive when compared to its surrounding counties. An increase in sales tax will disincentive consumerism within the county. It will push those who come from outside the county out to other shopping centers where they will see a

lower price for goods. Residents close to our borders will go across county lines to purchase groceries and other goods in order to avoid the added cost imposed by Osceola county. This logic will lead to a decrease in revenue rather than an increase. In a paper written by the Public Affairs Research Council of Alabama (PARCA) concerning a similar sales tax increase in Jefferson County, Alabama, they state:

*low-income families and the elderly on fixed incomes are disproportionately affected by a sales tax, and some taxpayers will be opposed to the increase. Thus, some consumers and businesses will move purchases to surrounding counties with lower sales tax rates and/or buy lower quantities of commodities subject to the tax.*

This tax would further affect our lower income families. Making their situation that much more difficult.

Osceola County does not have a revenue problem. Though revenue since 2007 has been decreased, the current increase in property values as well as the increase in the number of properties will slowly increase revenue streams. Osceola County's Problem is; as with many other locations, a spending problem. Its out of control and unfair contract bidding process is keeping smaller, possibly cheaper companies out of the bidding as well as creating a system that could possibly be used to unfairly give contracts to specific companies. Osceola County's school board has been shown this issue with unsupervised spending in the past through formal audits. The school board has seen that is is able to save tax payer money as well as figure out ways to decrease the cost of construction. What the county residents see though is an increase in the cost of constructing schools and unnecessary spending on items that have little to do with the learning process. A solution to many issues could possibly be to have the private market help in the need for school. Allowing the private market to build and assist in the management of schools

could lower the overall bill for both the school board as well as the taxpayers. Properly regulated private schools could be the real solution to Osceola's spending problem. School choice, through properly regulated charter and private schools could increase the amount of schools within the county lowering the stress on the public option as well as lowering the need for taxpayer funded expansions.

Another solution, that has more to do with how contracts are awarded, would be to move to using sealed hard bids and not allowing the "Contract Manager at Risk" module. Rather than selecting the contractor then arranging a price for a project the price and contractor would be arranged in a more open free market system that would facilitate competition and open the door to savings for the tax payer.

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