

Revenue Cap Debate

Joe Ollinger

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Revenue Cap Benefits

- Forces the discussion and definition of ENOUGH
- Prioritizes and economizes spending
- Provides a predictable revenue stream

• Is this enough?



Or is this enough?



Growth from Fiscal Year 2004 to Fiscal Year 2010

Education Entity	Budget	Inflation	Enrollment
Wico. Public School System	60%	17%	2%
Salisbury University	51%	17%	20%
Wor-Wic Comm. College	49%	17%	31%

Wicomico County Real Property Revenue Growth from Fiscal Year 2004 to Fiscal Year 2010

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Growth	5.70%	6.23%	7.12%	2.86%	3.46%	1.14%
Inflation	2.68%	3.39%	3.24%	2.85%	3.85%	-0.34%

Our Neighboring Counties and Us

Fiscal Year 2011

	Wicomico	Worcester	Somerset
Population	98,733	51,454	26,470
Prop. Tax Rate	0.759	0.700	0.884
Income Tax Rate	3.10%	1.25%	3.15%
Property Tax Rev.	\$61,100,000	\$120,600,000	\$16,500,000
Income Tax Rev.	\$34,500,000	\$10,800,000	\$6,100,000
Room Tax	\$750,000	\$11,200,000	\$50,000
Total	\$96,350,000	\$142,600,000	\$22,650,000
Per Capita	\$976	\$2,771	\$856

Combined Tax Capacity Index Fiscal 2007

County	Population	Combined Wealth Base	Combined Tax Revenues	Hypothetical Yield	Per Capita Hypothetical Yield	Tax Capacity Index	Rank
Allegany	72,415	\$3,808,468,355	\$89,650,873	\$56,784,114	\$784	43	23
Anne Arundel	509,037	74,241,335,707	865,993,044	1,106,546,116	2,174	121	6
Baltimore City	640,961	33,003,141,126	839,263,488	491,902,487	767	43	24
Baltimore	785,200	82,300,642,158	1,278,062,692	1,226,667,800	1,562	87	14
Calvert	87,536	11,768,346,765	157,177,410	175,403,891	2,004	111	7
Caroline	32,209	2,525,465,808	34,054,409	37,641,354	1,169	65	20
Carroll	168,180	19,149,855,939	285,747,893	285,423,188	1,697	94	12
Cecil	98,520	9,620,745,499	137,180,276	143,394,491	1,455	81	16
Charles	139,164	15,979,933,646	228,288,593	238,176,393	1,711	95	11
Dorchester	31,358	2,857,301,097	39,763,413	42,587,265	1,358	75	17
Frederick	221,492	27,606,806,021	423,843,177	411,471,638	1,858	103	10
Garrett	29,603	3,770,635,334	46,705,714	56,200,253	1,898	105	9
Harford	239,193	25,078,692,318	403,749,879	373,790,818	1,563	87	13
Howard	269,631	45,144,523,711	677,201,818	672,866,361	2,496	138	4
Kent	19,798	2,591,851,904	34,855,426	38,630,820	1,951	108	8
Montgomery	936,070	181,333,387,255	2,538,583,194	2,702,722,864	2,887	160	3
Prince George's	831,602	75,257,588,652	1,267,599,001	1,121,693,079	1,349	75	18
Queen Anne's	45,820	7,316,257,506	83,757,165	109,046,749	2,380	132	5
St. Mary's	98,510	10,144,648,560	129,234,300	151,203,118	1,535	85	15
Somerset	25,775	1,406,590,038	21,419,363	20,964,827	813	45	22
Talbot	36,035	8,012,092,819	65,961,432	119,417,978	3,314	184	2
Washington	142,984	12,490,797,262	192,120,659	186,171,801	1,302	72	19
Wicomico	92,096	7,067,740,483	124,665,328	105,342,673	1,144	63	21
Worcester	49,069	15,499,407,052	160,165,802	231,014,280	4,708	261	1
Total	5,602,258	\$677,976,253,011	\$10,105,044,349	\$10,105,044,349	\$1,804	100	

Combined Tax Effort Index Fiscal 2007

County	Population	Combined Wealth Base	Combined Tax Revenues	Hypothetical Yield	Tax Effort Index	Rank
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Baltimore City	640,981	33,003,141,126	839,263,488	491,902,487	171	1
Baltimore	785,200	82,300,642,158	1,278,062,692	1,226,667,800	104	6
Calvert	87,536	11,768,346,765	157,177,410	175,403,881	90	18
Caroline	32,209	2,525,465,808	34,054,409	37,841,354	90	16
Carroll	168,180	19,149,855,939	285,747,893	285,423,188	100	11
Cecil	98,520	9,620,745,499	137,180,276	143,394,491	96	13
Charles	139,164	15,979,933,646	228,288,593	238,176,393	96	12
Dorchester	31,358	2,857,301,097	39,763,413	42,587,265	93	15
Frederick	221,492	27,606,806,021	423,843,177	411,471,638	103	8
Garrett	29,603	3,770,635,334	46,705,714	56,200,253	83	20
Harford	239,193	25,078,692,318	403,749,879	373,790,818	108	5
Howard	269,631	45,144,523,711	677,201,818	672,866,361	101	10
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• Is this enough?  Or is this enough? 

• The “Spending Other People’s ” Syndrome

Milton Friedman on “The Four Ways to Spend Money”






<http://www.youtube.com/watch?v=5RDMdc5r5z8>

Milton Friedman's Four Ways To Spend Money

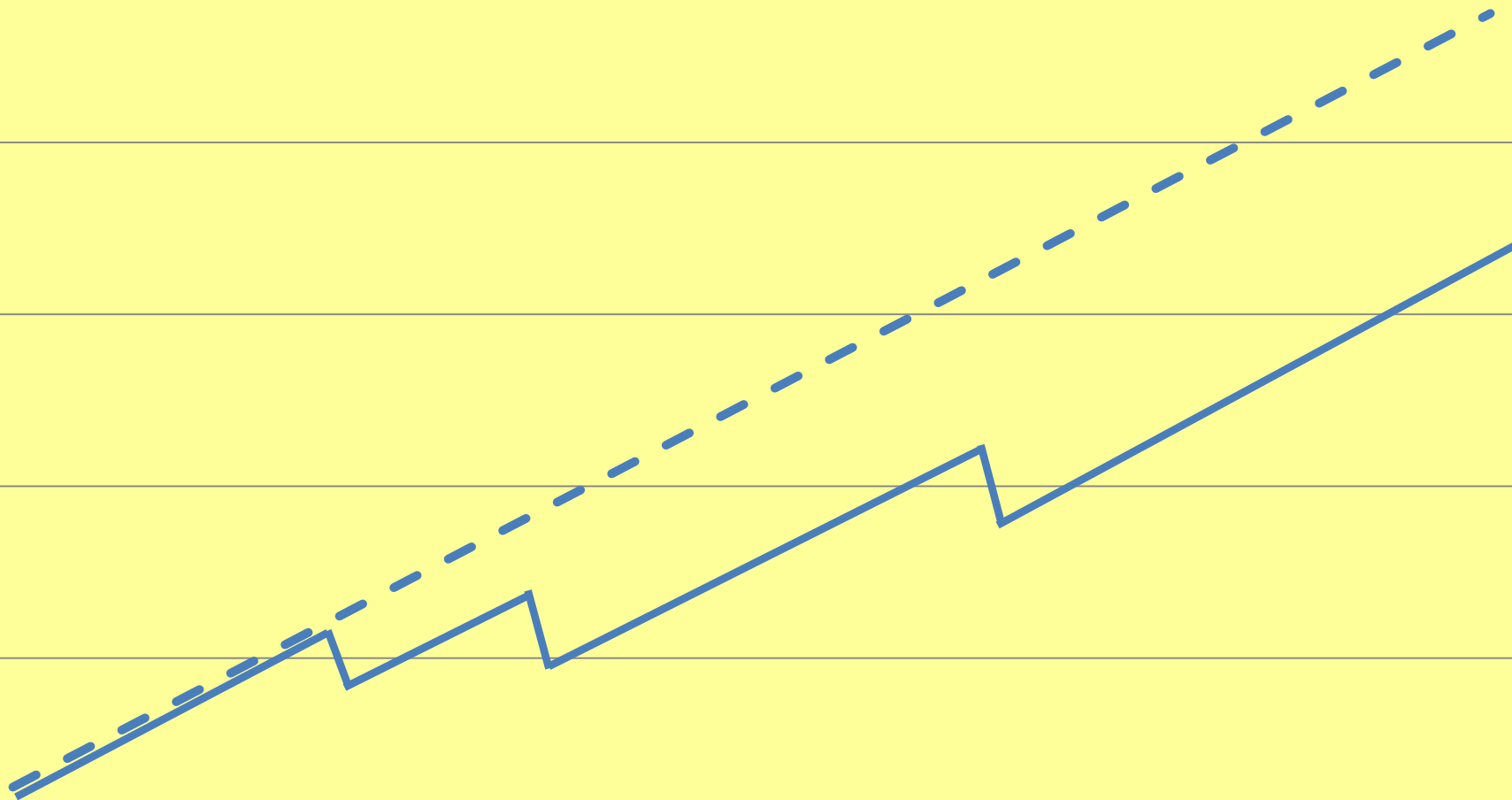
		On Whom Money is Spent	
		<i>Yourself</i>	<i>Someone Else</i>
Whose Money is Spent	<i>Yours</i>	Economize and seek highest value	Economize, but don't seek highest value
	<i>Someone Else's</i>	Don't economize, but seek highest value	Don't economize and don't seek highest value

Milton Friedman's Four Ways To Spend Money

		On Whom Money is Spent	
		<i>Yourself</i>	<i>Someone Else</i>
Whose Money is Spent	<i>Yours</i>	Shopping for weekly groceries	Buying wedding gift for nephew
	<i>Someone Else's</i>	Employee expense account	The \$80,000,000 James M. Bennett High School







- Is this enough?  Or is this enough? 
- The “Spending Other People’s  Syndrome”
- **Reactive** or **Proactive** Strategy

The Ratchet-Down Problem






What is a tax increase?

- Base Scenario
 - Home Value = \$100,000
 - Tax Rate Per \$100 = \$0.814
 - Total Tax Bill = \$814.00

	House Values	House Value Percent Change	New House Value	Tax Rates	Tax Rate Change (per \$100)	New Tax Rate (per \$100)	Total Tax Bill	Percent Change of Taxes Owed
Scenario 1		9.07%	\$ 109,070		\$(0.055)	\$ 0.759	\$ 827.84	1.7%
Scenario 2		-4.20%	\$ 95,800		\$ 0.050	\$ 0.864	\$ 827.71	1.7%
Scenario 3		-4.20%	\$ 95,800		\$ 0.010	\$ 0.824	\$ 789.39	-3.0%

Revenue Cap Benefits

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- Provides a predictable revenue stream

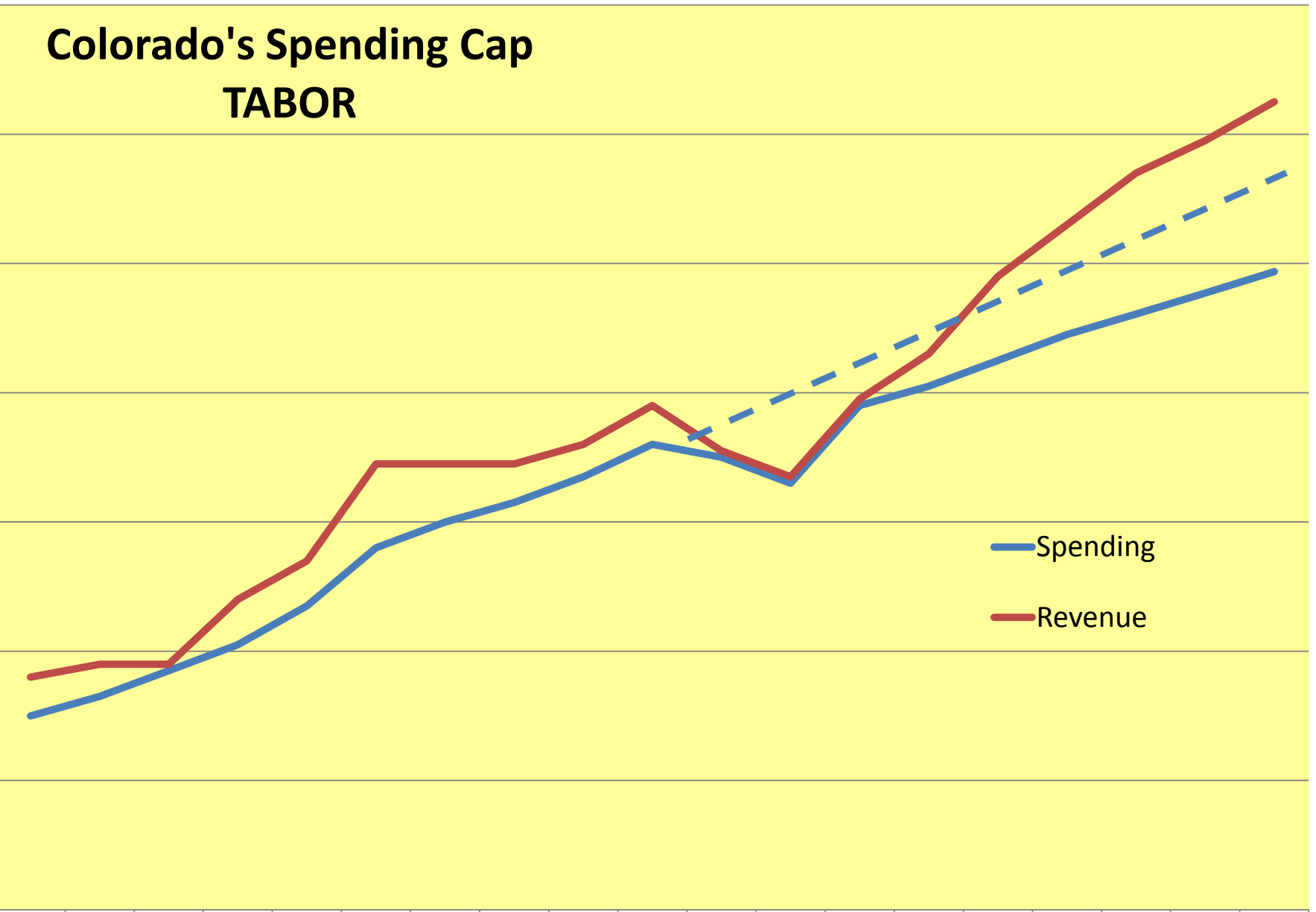
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- The “Spending Other People’s  Syndrome”
- **Reactive** or **Proactive** Strategy
- Anyone **smarter** or **dumber** than us?







Colorado's Spending Cap TABOR

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

— Spending
— Revenue



- Is this enough?  Or is this enough? 
- The “Spending Other People’s  Syndrome”
- **Reactive** or **Proactive** Strategy
- Anyone **smarter** or **dumber** than us 
- Is this the “**Purfekt Soulooshun**”?

Cap Changes to Consider

- Remove the 2% Limit Option
- Include Growth
- Provide an Unfunded Mandate Optional Add-On
- Allow Ratcheting Up
- Adjust CPI-U Index with Employer Costs