

Michael Levine
Chairman
Lake County Republican Party
September 4, 2012

Board of County Commissioners
Lake County, Florida
315 West Main Street
Tavares, FL 32778

Honorable Lake County Commissioners:

On August 28, 2012, the Lake County Republican Executive Committee (the Party) unanimously passed a motion requiring me, its Chairman, to write this letter to you. This letter petitions you to vote no on any and all initiatives that call for increasing millage rates and assessments. This letter also opposes the rollback of real property values to those of previous years. The Party petitions you respectfully and thoughtfully. We come to you with concerns and solutions.

Increasing taxes on Lake County Taxpayers will decrease disposable income, decrease household income, increase unemployment, increase underemployment, reduce the tax base and reduce funding for Lake County Schools. Increasing taxes on Lake County Taxpayers will reduce the size of the Lake County economy and ultimately reduce tax revenues to County Government.

Disposable Income

Stated most simply, increasing taxes while household income remains the same or declines, lowers disposable income. Lowering disposable income will reduce consumption of goods and services in Lake County. Reducing the size of the economy will reduce tax revenues. The unintended consequence of raising taxes is a reduction of the tax base. Reducing disposable income hurts small business. Small business is already struggling. Lake County Government must not reduce the purchasing power of prospective customers for the goods and services offered by small businesses.

Lake County Tax Payers have already been stripped of their net worth. This argument is irrefutable due to the fact that the reason that Lake County Government wants to raise the millage rate or roll back real estate values is because property values have declined. Raising the tax rate on assets that have significantly declined in value adds insult to the injury that has already devastated Lake County Tax Payers. When society experiences a reduction in net worth it stops spending money. The devaluation of real estate assets in Lake County has reduced disposable income. Please look to government spending to eliminate budgetary shortfalls. Taxpayers have suffered enough already.

Household Income

When we think about property taxes most minds immediately think of homeowners. There is much more to the story than the impact on residential property taxes. Raising the millage rate or rolling back property values affects commercial properties and residential investment properties, too. The effect of raising taxes on commercial properties is at least as devastating as raising taxes on residential properties. Every business owner who owns the building that she / he operates in will see an increase in her / his tax expense and therefore a decrease in net operating income. A reduction in net operating income makes it more difficult for these businesses to survive. It gets worse. Every small business that rents commercial space under a net lease that passes property taxes along to the tenant will experience an increase in their rent. Small businesses are already struggling to stay in business. Raising property taxes will cause some small businesses to fail. Others will take money from salaries and wages to cover the increase in occupancy expenses. When a small business experiences increases in occupancy expenses, or fails, unemployment increases and household income declines. Increasing unemployment and decreasing household income decreases the tax base. Tax revenues fall.

Unemployment / Underemployment

When people lose their jobs or experience reductions in their incomes they look for alternatives. Lake County is a wonderful place to live because of its natural beauty and quality of life. Lake County does not offer the best employment opportunities as compared to our neighboring counties. Many Lake County residents work outside of Lake County. Transportation costs are going up. When faced with the decision, where to live, while household income is declining and unemployment is increasing, the work force will look for the highest and best alternative. Economics will supersede lifestyle factors. In the event that Lake County Government decides to raise property taxes and the assumptions I have forecast come to pass many Lake County residents will choose to move to a county offering better employment opportunities. Many will choose to live closer to work. In the event that Lake County's population decreases, the demand for housing will also decline. Housing values will decline. Residential rents will decline. Commercial vacancy rates will increase. This will also contribute to a decline in the tax base. Lake County will find itself in an economic situation characterized by declining household incomes and a declining tax base. The cost of providing public services will increase because Lake County will attract a less productive demographic that requires higher levels of public service, not less. Please consider offering homebuyers a one year tax abatement when they purchase a home for which they pay less than \$500,000 and when the home qualifies for the homestead tax exemption. Please consider offering homebuyers a two year tax abatement when the purchaser buys a home and pays more than \$500,000 and the home qualifies for the homestead tax exemption. Executives locate their businesses in close proximity to their homes. People who buy homes in excess of \$500,000 are often business owners. Lake County will be better off when homeownership increases, when home values increase, when household income increases and when unemployment decreases. Increasing property taxes will defeat these positive forces.

As a small business owner I am continuously exposed to the job market. Many Americans who have done everything right are unemployed. Many others are underemployed. The fact is that some of our best and brightest are homeless today and living on the streets, with their children. Raising property taxes during this deep and stubborn recession will increase homelessness and inflict long lasting emotional damage on families and children. The reason that we want to raise taxes today is to pay for a government that failed to control its appetite when things were unprecedentedly good. Are you willing to put Lake County citizens into homelessness to pay for a judicial center, an emergency response center or bus services for correctional officers before asking public employees to reduce their incomes according to private sector salary and wage standards? Believe me when I tell you that, if every Lake County job was available for replacement today there would be more highly qualified applicants than there are jobs. The credentials of applicants looking for \$30,000 jobs would be unimaginable if I did not see them with my own eyes. If Lake County was a business its management would be looking closely at the performance of each and every employee and every manager. The supply of available talent is robust. Please take the unprecedented action. Do what we all know we must do. Dramatically reduce the size and cost of government. When a government job is a better job than a high risk private sector job, innovation and free markets are dead.

Today's real estate market is most comparable to the 2002 real estate market. Lake County Government must roll back government spending, including salaries and wages to 2002 levels. This will eliminate the budgetary shortfall that you are being asked to raise taxes to cover.

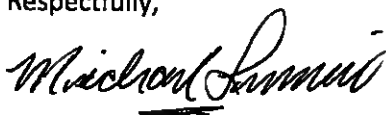
Lake County Schools

In the event that Lake County Government chooses to raise property taxes Lake County student populations will decrease. Lake County Schools are funded according to student population. Raising property taxes will reduce school funding. Lake County Schools are facing financial challenges of their own. Please do not exasperate the problem by raising property taxes.

Solutions

The Lake County Republican Party wants good government. Its members are engaged and willing to invest in Lake County. Transparency is the key to unifying the private and public sectors. Lake County Republicans will provide an expert delegation that will diligently audit the county's books and provide specific recommendations as to cost reductions that will balance the budget without raising taxes. The Sheriff's budget and the School Board's budget must be included. You are looking for \$15,000,000. Lake County Republicans will find it for you.

Respectfully,



Michael Levine

Chairman

Lake County Republican Party