

## Amendment 5 Would Deepen Inequality in Florida

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*Despite the economic growth since the end of the last recession, there is still persistent and growing inequality in Florida. While the state's economy has improved by some measures, Florida's low-income residents and communities of color continue to face barriers accessing financial stability and economic mobility. Instead of taking proactive steps to mitigate inequality, Florida lawmakers continue to cut investments for critical public services while relying on an upside-down tax system — one in which families with the lowest incomes contribute the most as a share of their incomes.*

*Amendment 5, one of the measures on this year's general elections ballot, would cement in place Florida's inequitable tax system and low investment in public services, locking in inequality for generations to come. The measure would require a two-thirds (supermajority) vote of the state Legislature to approve any new state revenue, taxes and fees or eliminate tax incentives, loopholes and other such expenditures.*

*Florida currently has the wrong priorities, giving special tax breaks to big corporations while failing to address growing racial and ethnic inequality. Amendment 5 locks in these failed priorities before the state has a chance to recover from deep cuts following the Great Recession, and a supermajority requirement would likely prompt huge funding cuts in the wake of another fiscal crisis. Amendment 5 would unnecessarily restrict investments in Florida's future.*

### Amendment 5 Would Lock in Florida's Inequitable Tax System

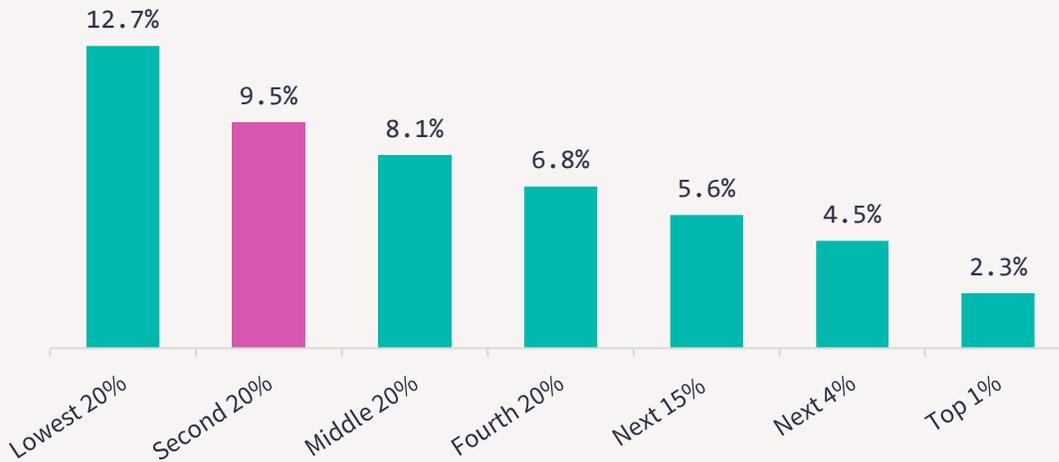
Florida has one of the most inequitable tax systems in the nation, ranking 48th among all states. Families with household incomes below \$18,700 pay the highest percentage of their incomes in taxes, while families with the highest incomes---exceeding \$548,700-- pay the lowest percentage.

As incomes rise, the percentage of income paid in state and local taxes decreases, with low- and middle-income families contributing the most<sup>1</sup> (See Figure 1).

An upside-down tax system perpetuates wealth inequality, as well as disparities across racial and ethnic lines. Amendment 5 would cement this structure in place. African American and Latino Floridians are more likely to be in the lowest income group, and least likely to be in the wealthiest (see Figure 2). For example, 27 percent of African Americans and 21 percent of Latinos are among the poorest 20 percent of Floridians. By contrast, only 9 percent of African Americans and 14 percent of Latinos in Florida, respectively, have incomes placing them in the wealthiest 20 percent. With an upside-down tax system, African American and Latino Floridians would face the highest effective state and local tax rates.

**FIGURE 1. FLORIDA RANKS 48TH IN THE NATION FOR TAX FAIRNESS**

State and local taxes, as a percentage of income, 2015



Source: ITEP, "Who Pays? 6th Edition." Accessed via: <http://whopays.org/>

Florida's reliance on sales and excise taxes and its lack of a broad-based income tax are the primary drivers of these inequities. Absent a personal income tax, which often mitigates inequality, Florida relies heavily on sales and excise taxes. Fifty-one percent of Florida's revenue comes from sales and excise taxes, compared to the national average of 35 percent. Without offsetting measures, such as targeted tax credits or rebates, these taxes impose the greatest cost on low-income families.

As incomes rise, families spend a lower percentage of their income on the day-to-day items and goods that they need. Since lower- and middle-income families spend a greater portion of their incomes on everyday expenses than wealthy families, they contribute a greater percentage in sales and excise taxes. Other states offset this impact by providing targeted tax credits for low-income families. Florida, however, offers no such relief. Under a supermajority requirement, legislators could do little to reform Florida's tax structure.

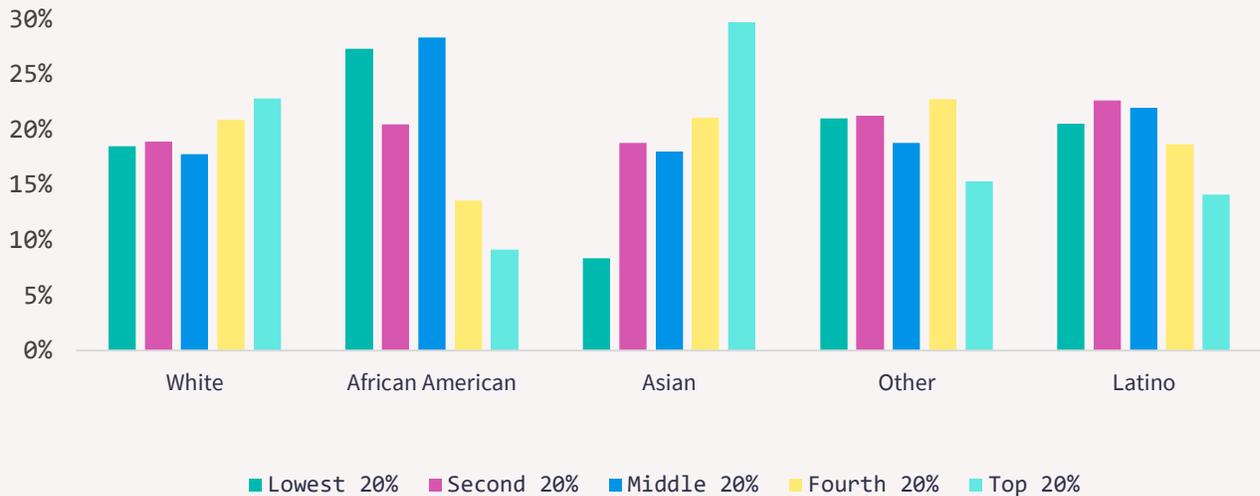
### **Amendment 5 Would Lock in Florida's Abysmal Investment in Public Services**

Florida ranks 50th in the nation in per person investment in public services. On average, states have increased investment in these areas as their economies improved after the Great Recession, yet Florida has experienced a downward trend (see Figure 3). Across the board, as the state continues to underinvest in critical priorities, families who struggle to make ends meet — particularly families in communities of color — are hurt the most.

Amendment 5 would exacerbate these impacts, making it harder for Floridians of color to access economic opportunity.

**FIGURE 2. FLORIDA'S UPSIDE-DOWN TAX SYSTEM LOCKS IN RACIAL AND ETHNIC INEQUALITY**

Income distribution within racial and ethnic groups, 2015.



Source: Data analysis by the Institute on Taxation and Economic Policy.

### K-12 Public Education

Students of color make up a growing majority of Florida’s public-school students, growing to 62 percent in the 2017-18 school year.<sup>2</sup> While the student population has become more diverse, the state’s investment in public education per-pupil remains 22.9 percent beneath pre-recession levels, after adjusting for inflation. State and local combined funds for Florida’s primary and secondary (PreK-12) education dropped \$2,767 per pupil from 2008 to 2016, inflation adjusted.<sup>3</sup> By this measure, only Arizona is worse than Florida in terms of cuts per-pupil since 2008. The proposed supermajority threshold within Amendment 5 would lock into place deep state funding cuts for K-12, forcing local school districts to make cuts in teacher positions, programs and other services that reduce barriers to economic mobility for students of color.

### Post-Secondary Education

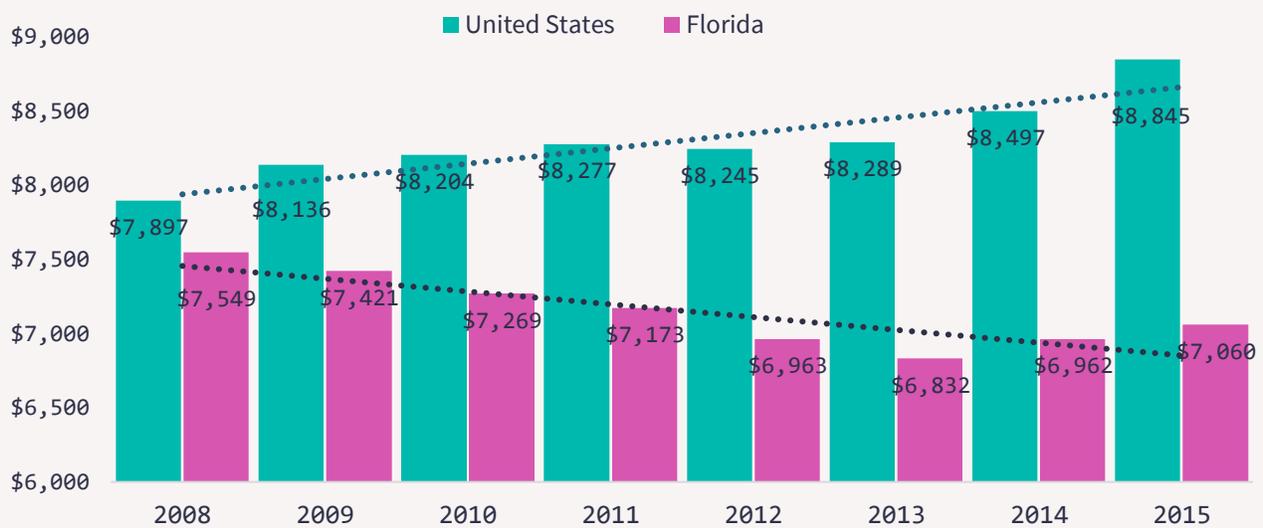
Over the past few decades, enrollment in two- and four-year public colleges by students of color has increased nationally — from 17 percent in 1980 to more than 40 percent in 2018.<sup>4</sup> In Florida, the share is even higher: 54 percent of Florida’s public university students (2017-18) and 58 percent of the state college system’s students (2015-16) are non-white.<sup>5</sup> As more students of color pursue post-secondary education, it has become increasingly unaffordable. Florida’s per-pupil spending on higher education is the lowest in the nation, while over the past decade tuition at colleges and universities has increased by more than \$2,000.<sup>6</sup> Amendment 5 would make this path much more difficult, particularly for students of color, as college continues to become less affordable and as increased costs are borne by students and families.

## Housing

Florida has the highest share of “cost-burdened” renters in the nation — those who pay more than 30 percent of their income on housing costs — with households of color facing the greatest challenges with housing affordability.<sup>7</sup> Nationally, African American and Latino households have higher housing cost burdens (45 percent and 43 percent, respectively).<sup>8</sup> The shortage of affordable housing particularly impacts the families facing housing instability; notably, with the end of federal temporary shelter assistance, many of the displaced families who came to Florida from Puerto Rico in the wake of Hurricane Maria in 2017 may be facing homelessness.<sup>9</sup> Amendment 5 would worsen housing affordability. Over the past 15 years, the state has used more than \$2 billion in funds that were slated for affordable housing development and preservation for other purposes. With Amendment 5’s supermajority requirement in place, legislators would continue to raid these funds.<sup>10</sup>

FIGURE 3. FLORIDA RANKS 50TH ON INVESTMENT IN PUBLIC SERVICES

Per capita state and local government expenditures, 2008-2015



Source: Tax Policy Center. State and Local Government Expenditures, Per Capita.

## Disaster Recovery

As Florida faces more frequent and forceful natural disasters, the state will need increased resources for recovery and resiliency efforts. Structural inequalities in the economy have resulted in low-income communities and people of color being less insulated from natural disasters, and too often they bear the brunt of the worst impacts. Research has shown that the poorest one-third of counties in the U.S. face greater economic hardships as a result of natural disasters, compared to wealthier counties.<sup>11</sup> Furthermore, in the aftermath of natural disasters, as white households see an increase of wealth, households of color experience

a loss of wealth.<sup>12</sup> Florida can mitigate these impacts by proactively investing in resiliency planning and conservation efforts to preserve natural barriers on the state's coast line. However, under Amendment 5 legislators would face increased hurdles in raising revenue both in the short-term for emergency responses and in long-term investments in conservation and community resiliency.

### **Criminal Justice Fines & Fees**

Over the past few decades, Florida's court system has become increasingly dependent on fines and fees that are levied on individuals accused or convicted of crimes.<sup>13</sup> As new court fees are enacted, the state has also eliminated waiver opportunities for those who cannot afford to pay the fees. Defendants' ability to pay is not considered, and as a result, more individuals who are unable to make their payments are arrested and land in jail. Because Florida arrests and incarcerates African Americans and Latinos at a higher rate than their white counterparts, these groups are likely to experience the hardest blow from court fees and fines.<sup>14</sup> A supermajority threshold like that of Amendment 5 would lock in the current fee system and its inequities. If legislators are unable to raise revenue to offset any decrease in court fines and fees, courts will continue to rely on these revenue sources, effectively shutting the door on the possibility of reform.

### **Health Care**

Florida ranks alarmingly low on several measures of health, from the uninsured rate to investments in children and adults with developmental disabilities or mental illness. Across these measures, the health and well-being of African American and Latino Floridians is persistently worse than their white counterparts, and Florida's communities of color are disproportionately hurt by these trends.<sup>15</sup> Funding for health care programs, most notably Medicaid, has repeatedly been put on the chopping block by Florida's Legislature, and would be a target for cuts if Amendment 5 is enacted. As people of color make up 61 percent of those covered by Medicaid in Florida, Amendment 5 would pose a significant threat to their well-being and ability to access care.<sup>16</sup>

### **Conclusion**

Florida's growing inequality is not only a threat to communities of color, but to all of Florida's current and future residents. An economy built on disparity does not have the solid foundation needed to weather the next economic downturn. Florida can address inequality by making changes to its tax system, and making the investments needed to support the current and future needs of communities. Amendment 5 would make these reforms and investments nearly impossible. It would tie legislators' hands and put up unnecessary hurdles rather than providing a pathway toward increased prosperity and opportunity for all Floridians.

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- <sup>1</sup> ITEP. “Who Pays? Sixth Edition.” Accessed via: <https://itep.org/whopays/>
- <sup>2</sup> Florida Department of Education, 2017-18 Student Enrollment by Race. <http://www.fldoe.org/accountability/data-sys/edu-info-accountability-services/pk-12-public-school-data-pubs-reports/students.stml>
- <sup>3</sup> Center on Budget and Policy Priorities analysis of Census Bureau’s Public Elementary-Secondary Education 2016 Data and National Center on Education Statistics enrollment estimates.
- <sup>4</sup> Mitchell, Michael, et al. “Unkept Promises: State Cuts to Higher Education Threaten Access and Equity.” Center on Budget and Policy Priorities, October 4, 2018. Accessed via: <https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and>
- <sup>5</sup> Florida Department of Education, “The Factbook: Report for the Florida College System 2016”. Accessed via: <http://www.fldoe.org/core/fileparse.php/15267/urlt/FactBook2016.pdf> and State University System of Florida, [https://www.flbog.edu/resources/iud/enrollment\\_search.php](https://www.flbog.edu/resources/iud/enrollment_search.php)
- <sup>6</sup> “Florida’s Cuts to Higher Education Threaten Access and Equity.” Center on Budget and Policy Priorities. October 2018. Accessed via: <https://www.cbpp.org/sites/default/files/atoms/files/10-4-18sfp-factsheets-florida.pdf>
- <sup>7</sup> Knight, Sadaf. “Amendment 5 Would Exacerbate Florida’s Affordable Housing Crisis.” Florida Policy Institute, August 2018.
- <sup>8</sup> Joint Center for Housing Studies of Harvard University. “The State of the Nation’s Housing 2018.” Accessed via: [http://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf)
- <sup>9</sup> Ruiz-Grossman, Sarah. “FEMA Stopped Paying For Hotels For Displaced Puerto Ricans. Now Some Are Homeless.” Huffington Post, September 20, 2018. Accessed via: [https://www.huffingtonpost.com/entry/hurricane-maria-displaced-puerto-ricans-fema-hotels\\_us\\_5ba17fcce4b04d32ebfda3cb](https://www.huffingtonpost.com/entry/hurricane-maria-displaced-puerto-ricans-fema-hotels_us_5ba17fcce4b04d32ebfda3cb)
- <sup>10</sup> Florida Housing Finance Corporation. Historical Financial Summary of Florida's State and Local Government Housing Trust Funds.
- <sup>11</sup> Coffee, Joyce. “Climate Disasters Hurt the Poor the Most. Here’s What We Can Do About It.” Governing, February 14, 2018. Accessed via: <http://www.governing.com/commentary/col-disasters-disadvantaged-climate-justice.html>
- <sup>12</sup> Dubb, Steve. “Study Finds White Wealth Rises after Disasters but Declines for People of Color.” Nonprofit Quarterly, August 28, 2018. Accessed via: <https://nonprofitquarterly.org/2018/08/28/study-finds-white-wealth-rises-after-disasters-but-declines-for-people-of-color/>
- <sup>13</sup> Department of Financial Services, Division of Accounting and Auditing, Bureau of Local Government. Total County Government Revenues Reported by Account Code. Fiscal Year 2016.
- <sup>14</sup> The Color of Justice: Racial and Ethnic Disparity in State Prisons, accessed on June 19th, 2018 <http://www.sentencingproject.org/publications/color-of-justice-racial-and-ethnic-disparity-in-state-prisons/>
- <sup>15</sup> Florida Minority Health Profiles, Florida Department of Health, Office of Minority Health and Health Equity. Accessed via: <http://www.floridahealth.gov/programs-and-services/minority-health/index.html>
- <sup>16</sup> “Distribution of the Nonelderly with Medicaid by Race/Ethnicity.” Kaiser Family Foundation, 2016. Accessed via: <https://www.kff.org/medicaid/state-indicator/distribution-by-raceethnicity-4/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>