

MISSOURI HOUSE OF REPRESENTATIVES



Report of the Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation

December 30, 2013

Prepared by:
HOUSE RESEARCH

December 30, 2013

The Honorable Tim Jones
Speaker of the House of Representatives
State Capitol, Room 308
Jefferson City, MO 65101

The Honorable Tom Dempsey
President Pro Tem of the Senate
State Capitol, Room 326
Jefferson City, MO 65101

Dear Mr. Speaker and Mr. President:

The Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation has met, taken testimony, and selected an appropriate entity to conduct an independent study on the best practices for municipal service delivery within the context of St. Louis County's current taxation system in an effort to save taxpayer dollars. The study will also examine any correlation between the sales tax pooling system and the use of TIFs as well as the effects of the St. Louis Boundary Commission. Although many persons testified on the issue of a City of St. Louis and St. Louis County merger, this was not a topic within the Committee's charge.

The Committee is pleased to report that a group affiliated with the Public Policy Research Center at the University of Missouri – St. Louis has agreed to undertake the study, and, upon its completion, will submit the report to the General Assembly.

Yours Truly,



Rep. Sue Allen
CHAIR



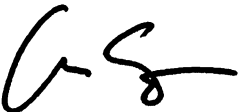
Sen. Joseph Keaveny



Sen. Gina Walsh



Rep. Mike Leara



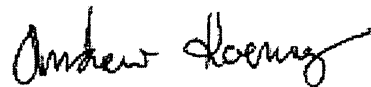
Rep. Clem Smith



Sen. Eric Schmitt
VICE-CHAIR



Sen. Brian Nieves



Rep. Andrew Koenig



Rep. Bill Otto

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I.

Executive Summary

The Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation was charged with commissioning an independent study on the best practices for municipal service delivery within the context of St. Louis County's current taxation system. The Committee held six public meetings in order to understand the issues of concern for the area's residents, municipal officers, and county officers. These hearings helped the Committee frame the parameters of the study and determine if any entities were willing to perform the independent study at no direct cost to the state.

After receiving and reviewing the public testimony and the proposals of two entities willing to perform the study, the Committee agreed that a group affiliated with the Public Policy Research Center at the University of Missouri – St. Louis would conduct the study. The study will include the following topics: the sales tax pooling system in St. Louis County, the impact of the county providing more municipal services or reducing the number of municipalities through consolidation, any correlation between the sales tax pooling system and the use of TIFs, and the effects of the St. Louis Boundary Commission.

II.

Introduction

The House Interim Committee on Local Governance was created in 2012 for the broad purpose of studying and reviewing how county and city governments and other political subdivisions work, how to increase their efficiency while decreasing their costs, and how they can better serve the public. The Committee was directed to report its findings and recommendations to the Speaker of the House by December 31, 2012. The Committee concluded that an extensive study of the duplicative services in St. Louis County and the sales tax pooling system was needed. In addition, the Committee was to develop recommendations on consolidating service delivery systems and administering a more acceptable method of collecting sales tax in St. Louis County.

As a result of this recommendation, Senate Substitute for House Concurrent Resolution No. 25 established the Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation in 2013. This Joint Committee was charged with commissioning an independent study on the best practices for municipal service delivery within the context of St. Louis County's current taxation system (SS HCR 25 is included in Appendix A).

The Joint Committee was comprised of the following members:

Rep. Sue Allen, Chair
Rep. Andrew Koenig
Rep. Mike Leara
Rep. Bill Otto
Rep. Clem Smith

Sen. Eric Schmitt, Vice-Chair
Sen. Joseph Keaveny
Sen. John Lamping
Sen. Brian Nieves
Sen. Gina Walsh

The Joint Committee held meetings via conference call with access for the public at the State Capitol on August 13, September 26, and November 25. Public hearings were held in Clayton, Missouri on August 28, September 23, and October 28. At the initial meeting Rep. Sue Allen was elected Chair and Senator Eric Schmitt was elected Vice-Chair.

Testimony submitted in writing is retained in the official Joint Committee book and may be obtained from the Office of the Chief Clerk of the Missouri House of Representatives. A list of witnesses and other persons presenting information to the Joint Committee is included in Appendix B.

III.

Summary of the Proceedings

At the initial meeting on August 13, Rep. Allen gave the Joint Committee a brief review of the House Interim Committee on Local Governance's actions during the previous interim. The Committee members then discussed possible parameters for the independent study and the September 1, 2013 deadline established in SS HCR 25 for the Committee to receive the study. Because senators were not appointed until July 25, the Committee members agreed that the study was too important to be rushed, especially given that they wanted a creditable report. The Joint Committee decided to advise the Speaker of the House and the President Pro Tem of the Senate that, if there were no objections, the Committee would move forward with a public hearing on possible parameters for the study and the selection of an entity to perform the study without regard for the deadline. A copy of the letter to the Speaker of the House and the President Pro Tem of the Senate from Rep. Allen and Sen. Schmitt is included in Appendix C.

More than 40 witnesses testified at the August 28 hearing in Clayton, Missouri (see Appendix B). Although many of these witnesses testified against what they believed to be the purpose of the Joint Committee, studying a merger between the City of St. Louis and St. Louis County, the Committee clarified that this was not its purpose.

The Committee heard a variety of suggestions on topics to include in the study. The majority of testimony from municipal officials indicated a belief that some form of revenue sharing is necessary under the current municipal/county structure. With that as the base proposition, the ideas and suggestions for the study obtained from the public and/or testimony were as follows:

- Simplification of the sales tax pooling formula.
- End the sharing of the 1/4 cent general revenue sales tax.
- Expand the sales tax pooling system by requiring that all general 1% sales tax revenues go into the pool to be distributed according to a population-based formula.
- Cap the amount of shared revenue that a municipality can receive and the amount that a municipality must contribute.
- Cap the total amount of local sales taxes.

- The county should impose the 1/4 cent sales tax only in the unincorporated areas. How can the state help facilitate this action?
- Establish criteria to require fiscally responsible and appropriate uses of the shared revenues, including minimum levels of service and reporting requirements (see, for example, Rep Diehl's HB 1019 from 2011). What level of transparency currently exists to determine this? Is legislation needed to remedy any deficiencies in transparency? Should audits of the county and municipalities receiving pool revenues be required?
- Determine if empirical evidence suggests that the pooling system reduces incentives for cities to take action to generate additional sources of revenue outside of the pooling system through permissible tax assessments.
- Examine the effect on current distribution levels if all municipalities and the county were to impose the same types, amounts, and levels of sales taxes.
- Determine whether or not the classification as either an "A" or "B" city relates to cities' use and abuse of tax incentives, especially TIFs and eminent domain.

The September 23 meeting primarily consisted of a presentation by Dr. Robert Lang from the Brookings Institution on the relationship between regionalism and economic development based on his studies of regional economic development measures taken by communities around the country.

The focus of the September 26 meeting was on which entity or entities had expressed an interest in conducting a study and the parameters of the study. The Joint Committee tentatively decided upon four topics: the sales tax pooling system in St. Louis County, the impact of the county providing more municipal services or reducing the number of municipalities through consolidation, any correlation between the sales tax pooling system and the use of TIFs, and the effects of the St. Louis Boundary Commission. The Joint Committee decided that it needed to hold a final hearing during which any entity interested in conducting the study could present its proposal.

At the October 28 meeting two entities expressed interest in conducting the study and provided a broad outline of their proposals: the Public Policy Research Center at the University of Missouri – St. Louis and Missouri Wonk. SS HCR 25 required that the

study be conducted at no direct cost to the state. The group affiliated with the Public Policy Research Center at the University of Missouri – St. Louis indicated that it could conduct the study despite this requirement and Missouri Wonk indicated that it was actively seeking outside funding in order to comply. The Joint Committee decided that both entities could conduct concurrent studies if the funding requirement was met and agreed to give Missouri Wonk additional time to secure funding.

During the November 25 meeting the Joint Committee learned that Missouri Wonk had not been able to arrange outside funding. Therefore the study will be conducted only by the group affiliated with the Public Policy Research Center at the University of Missouri – St. Louis. The Committee also discussed the form of the report that would be submitted to the Speaker and President Pro Tem, and the researchers agreed to complete the study as soon as possible. Later that day, Mark Tranel, on behalf of the affiliated group, provided the following tentative schedule for conducting the study given that the approaching end of the academic semester and the holidays will necessarily delay its start.

Early January 2014	Work on the study will begin in earnest.
Late February	The affiliated group will provide an update on its progress.
Late April	The sections on sales tax pooling, TIFs, and the boundary commission will be complete. These will be three disparate pieces rather than one integrated study.
End of the 2014 Legislative Session	The comparative study on municipal service delivery will be complete (with the later completion date due to the complexity of the issues).

Mr. Tranel indicated that the affiliated group would not be able to evaluate the financial impact of its recommendations on each municipality in St. Louis County during this timeframe. The quantity of research that would be involved in such an endeavor would make it more appropriate for a separate research study in the future.

IV.

Appendices

Appendix A

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SENATE SUBSTITUTE

FOR

HOUSE CONCURRENT RESOLUTION NO. 25

WHEREAS, the Interim Committee on Local Governance of the Missouri House of Representatives (the Committee) submitted a report to the Speaker of the House dated December 31, 2012; and

WHEREAS, this report contained a synopsis of the issues presented to the Committee, as well as its recommendations; and

WHEREAS, the Committee reported on the governance and taxation issues in the St. Louis Metropolitan Statistical Area (MSA); and

WHEREAS, the report details the changes in the laws that make the St. Louis area unique:

NOW THEREFORE BE IT RESOLVED that the members of the Missouri House Ninety-Seventh General Assembly, First Regular Session, the Senate concurring therein, hereby establish the Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation (Joint Committee); and

BE IT FURTHER RESOLVED that the Joint Committee shall be composed of three majority party members to be appointed by the Speaker of the House of Representatives, two minority party members to be appointed by the Minority Leader of the House of Representatives, three majority party members to be appointed by the President Pro Tem of the Senate, and two

minority party members to be appointed by the Minority Leader of the Senate; and

BE IT FURTHER RESOLVED that the Joint Committee shall interview and select an appropriate entity to conduct the independent study called for in the report and make recommendations to secure the appropriate commitments to fund the independent study at no direct cost to the state; and

BE IT FURTHER RESOLVED that the Joint Committee shall receive the independent study and, upon receipt, review the study as well as conduct a comprehensive analysis of the taxation and governance issues facing the St. Louis MSA, and make recommendations on proposed legislation for the 2014 legislative session; and

BE IT FURTHER RESOLVED that if this Joint Committee is not in receipt of an independent study by September 1, 2013, it shall proceed on its own and perform its own investigation and analysis of the circumstances so that this Joint Committee shall be able to make its recommendation for proposed legislative changes no later than December 31, 2013; and

BE IT FURTHER RESOLVED that the Joint Committee is authorized to hold public hearings as it deems advisable and may solicit, and shall accept, any input or information necessary to fulfill its obligations, including but not limited to any agency of the state or any political subdivision of the state which the committee may find helpful; and

BE IT FURTHER RESOLVED that the staffs of House Research, Senate Research, and the Joint Committee on Legislative Research shall provide such legal, research, clerical, technical, and bill drafting services as the Joint Committee may require in the performance of its duties; and

BE IT FURTHER RESOLVED that the Joint Committee, its members, and any staff assigned to the Joint Committee shall receive reimbursement for their actual and necessary expenses incurred in attending meetings of the Joint Committee or any subcommittee thereof; and

BE IT FURTHER RESOLVED that the Joint Committee will report its recommendations

and findings to the Missouri General Assembly by December 21, 2013; and

BE IT FURTHER RESOLVED that the Joint Committee is authorized to function during the interim between the First Regular Session of the 97th General Assembly through the end of the Second Regular Session of the 97th General Assembly; and

BE IT FURTHER RESOLVED that the Clerk of the Missouri House of Representatives be instructed to prepare properly inscribed copies of this resolution for the Speaker of the House of Representatives and the President Pro Tem of the Senate.

Appendix B

The following witnesses appeared before the Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation:

August 28, 2013

Christine Parrott

Thomas Curran Director, Intergovernmental Affairs, St. Louis County

Bob Nation Mayor, City of Chesterfield

Mike Herring City Administrator, City of Chesterfield

Gerry Welch Mayor, City of Webster Groves, St. Louis County Municipal League

Richard Lahr Mayor, Des Peres

Timothy Woerther Mayor, City of Wildwood

Thomas Schneider Mayor, City of Florissant

Lisa Panet

Vince Smugala

Robin Harris President, Monarch Fire Protection District Board

Lee Presser

Keith Krieg Mayor, City of Frontenac

Ruth Ahlemeier

Teresa Douglas

Lynn Link

David Stokes Show-Me Institute

Monica Huddleston Mayor, City of Greendale

Kyna Iman Mid-America Retailers Joint Labor Management Committee

Richard Bose

Walt Young (former Mayor of Ballwin)

Mike Polizzi Mayor, City of Fenton

Joseph Mauller Ward 4 Alderman, City of Fenton

Charles Schmitz St. Louis is a World-Class City

Josephine Havlak Josephine Havlak Photography

Sarah Davoli

Linda McQuary Manager, Forensic Ops., Children's Advocacy Center of Greater St. Louis

Matt Conley City Administrator, City of St. Ann

Felicity Buckley Mayor, City of Shrewsbury

Gene Hutchins

Joe Corica

Dr. Tim Grayem Greater Gateway Alliance

Cathy Armbruster

Ed Schoettle Missouri coordinator, Tea Teams USA
Garrett Mees
John Winston
Daniel O'Sullivan
Anthony Pousosa
Jennifer Bird
John Davidson
John Judd
Darcie Ball
Allen Leaderbrand
Jim Murphy

September 23, 2012

Dr. Robert Lang Brookings Institution
Thomas Curran Director, Intergovernmental Affairs, St. Louis County
Garry Earls St. Louis County
Ray Slama Trustee, Village of Twin Oaks
Christine Parrot Concerned Citizens of Oakville
Teresa Douglas

October 28, 2013

PRESENTERS

I. Group affiliated with the Public Policy Research Center, University of Missouri – St. Louis

Mark Tranel Director, Public Policy Research Center, University of MO- St. Louis
James Brasfield Professor, Webster University
Sarah Coffin Professor, St. Louis University

II. Missouri WONK

Brian Schmidt

OTHER

Tim Fischesser St. Louis County Municipal League

Appendix C

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SUE ALLEN

**State Representative
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COMMITTEES
Appropriations -
Health, Mental Health, and Social
Services, Chairman
Issue Development Standing
Committee on Missouri Health Care,
Vice-Chairman
Joint Committee on Legislative
Research
Budget
Professional Registration and
Licensing
Fiscal Review
Special Standing Committee on
Emerging Issues in Health Care

August 13, 2013

The Honorable Tim Jones
Speaker of the House
State Capitol, Room 308
Jefferson City, MO 65101

The Honorable Tom Dempsey
President Pro Tem of the Senate
State Capitol, Room 326
Jefferson City, MO 65101

The Honorable Tim Jones and Tom Dempsey:

SS HCR 25 established the Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation and charged the joint committee with commissioning an independent study on the best practices for municipal service delivery within the context of Saint Louis' current taxation system. According to the resolution, if the joint committee did not receive the study by September 1, the committee was to conduct its own analysis of the taxation and governance issues facing St. Louis.

Due to circumstances beyond members' control, the joint committee did not hold its first hearing until August 13. Recognizing the great importance of the study, the committee does not believe this deadline will give members adequate time to frame the parameters of the study and select an entity to conduct the research. Additionally, the committee does not believe any organization will be able to execute a thorough study and quality report on such a tight deadline.

If there are no objections, the joint committee intends to move forward with a public hearing and the commissioning of the study without regard for the September 1 deadline. The committee will then work with the selected group to establish a new deadline.

If you have any questions or concerns, feel free to contact our offices.

Yours Truly,


CHAIR


VICE-CHAIR

Joint Interim Committee on St. Louis Metropolitan Statistical Area Governance and Taxation

Appendix D

Dear Representative Allen:

Last week when I stopped by your office we briefly discussed the possibility of the City re-entering the County, we also talked about your Joint Interim Committee on Local Governance. You asked me to follow up with a note with some of the things I outlined.

I had mentioned a concept whereby the committee might undertake a study of improving local government services, and thereby the region, by examining ways that local governments could become more efficient and effective. Typically this would be through cooperation. We have many examples of cooperative efforts that produce positive results. (Our insurance pool involving a few dozen cities saves a couple of million dollars a year in liability and health insurance costs since they formed their insurance pool 25 years ago. And it has stabilized the health insurance peaks and valleys that frustrate many of us as we try to buy health insurance.)

We have other examples of cooperative efforts, shared services, contracting with each other, etc. but I feel sure that many more could be created if such a study was undertaken. **The speaker from the Brookings Institute mentioned some cooperative efforts in other cities too and went on to point out that regions with high levels of cooperation tend to do better than others. That hit home with me.** Whenever our region can gain ground on our competitors and improve services at the same time, that is a win-win.

Therefore, I believe a thorough study with great new ideas could become a blue print for the next 10-20 years or so. As part of this, certain standards might be set for performance. For local governments who are struggling with poor performance, cooperating with their neighboring cities or another governmental unit might be the solution to their problems. So these two concepts of cooperation and standards of performance could potentially help local governments achieve more for less, and our citizens would benefit as new best practices are implemented. A good consultant could turn up ideas that were never thought of, or were never analyzed to any great degree.

Thanks for all your hard work on the Interim Committee issues. It is not an easy undertaking. If I can be of more assistance, please let me know.

Tim Fischesser

Executive Director
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