



Legislative Advocacy Information

Testimony from the Cooperating School Districts of Greater St. Louis (CSD) to the Joint Committee on Tax Policy, August 20, 2008

CSD Position Number 1:

Existing law, policy and practice regarding economic development incentives have a profoundly negative effect on local revenues for public education (as well as other public entities funded through local tax dollars).

Analysis:

- CSD recently partnered with other educational organizations in the state to fund a study which attempted to gauge the impact on public education of economic development incentives. The study was conducted by the Kansas City-based consulting firm of Doolin Ward. Copies of the study have been provided to the Joint Committee
- The results of the study showed that in the year 2007 alone, a total of \$3,033,082,000 in assessed valuation was either diverted or abated resulting in a revenue loss to public schools of \$140,774,000. This figure does not include revenue lost to other public entities which rely on local tax dollars.
- The system is conceptually set up where Party 'A' (municipalities) give Party 'B' (developers, or in some instances themselves) Party 'C's' (school districts and other public taxing entities) tax revenue. In most instances, Party C has little or no input into the process.

CSD Position Number 2:

There is valid reason to infer that many economic development incentives benefit one Missouri community at the expense of another Missouri community.

Analysis:

- It appears that the use of some economic development incentives have simply resulted in relocating businesses from one Missouri community to another, resulting in a gain for one community, a loss for another, and a net sum zero gain for the state. Additional losers are public services in both communities.
- Many economic development incentives are granted for projects which do not create new jobs in Missouri. Retail abatements are examples of this.

CSD Position Number 3:

There is valid reason to suspect that economic development incentives have resulted over time in a shift in tax burdens from commercial real estate to individual homeowners.

Analysis:

- Logic dictates that once an economic development incentive is granted, any further tax levies which are passed in that jurisdiction become the responsibility of homeowners and small businesses to fund.
 - It is believed that this would result in a shift in the percentage of tax burden away from large businesses and onto individual homeowners and small businesses.
 - To the best of our knowledge there has never been a comprehensive study conducted to determine if such a shift has occurred. However, we will supply anecdotal information that indicates such a shift may, in fact, have occurred.
 - The attached charts and graphs indicate that between 1985 and 2007 in St. Louis County, residential assessed valuation increased by 10 percent of the total while commercial assessed valuation decreased by 5 percent and total personal property decreased by 5 percent of the total. See the attached documents for details. (The figures were supplied by the St. Louis County Assessor's Office with the analysis done by David Glaser, Chief Financial Officer for the Rockwood School District.
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CSD Suggestions:

CSD acknowledges the need for development incentives in some instances.

1. To help rehabilitate truly distressed areas.
2. To provide development incentives to assist in retention or attraction of jobs that might otherwise go to other states.
3. Maybe other situations.

The reality, though, is that these tax incentives are being used for many other purposes with less overall community benefit. To that end, we suggest the following:

Suggestion Number 1:

Differentiate between uses: Generally it is no more difficult to acquire tax incentives for a retail store or housing development than it is for a new manufacturing plant. Even though such uses generate increased economic activity for that local site and maybe even for a small geographic area, that economic activity may produce losses for nearby areas—such that the overall community benefit is nothing or negligible.

Consider making approval of some types of projects such as retail more difficult to approve than others such as industrial. Furthermore, the amount of tax incentive could be less for these marginal value projects than others.

Suggestion Number 2:

Some projects generate new or improved public infrastructure, such as improved roads. Others divert almost all funds to private purposes. Some projects have high soft costs (attorney, accounting, bond counsel, consultants, architect, etc.) whereas others devote larger percentages of the funds to producing values that can ultimately produce revenue. Those that produce infrastructure of value beyond the immediate area of the site should be treated more positively than those which don't.

Consider establishing a hierarchy of uses. In other words, reduce the percentage of property taxes/sales taxes, etc. for costs that go into soft costs and private use compared to what is available for costs of improved public infrastructure.

Suggestion Number 3:

Generally a single political subdivision or its appointees (e.g. a municipality) can approve a project without the support of any other governmental entity, since they are assigned the majority of the votes. Of course, they are motivated to do what is best for the municipality, but without regard to the county, library, junior college, school, etc. and without regard to the neighboring municipality.

Consider changing the approval structure such that multiple parties must be convinced of the value in order to proceed, and the broader the area involved in the approval, the less parochial the decisions are likely to be.

Suggestion Number 4:

These programs have no cap. The amount of tax dollars involved can grow without limit—and most are growing exponentially.

Consider that for many of the state's tax incentives, the total benefits given are limited by statute or appropriation. This assures that the projects with marginal benefits are excluded. Consider adopting a similar oversight and limitation method for local tax incentives.

Suggestion Number 5:

There is an imbalance of what incentives are provided. For many municipalities the property tax is a minor source of revenue, outpaced by sales taxes and utility taxes and sometimes even fees and fines. Therefore, when a city abates/diverts property tax revenue, the costs are felt by others.

Aside from being more selective and less parochial in the approval process, you might also consider requiring that a greater percentage of the benefits come from sales taxes and less from property taxes.



About Cooperating School Districts of Greater St. Louis, Inc. (CSD)

CSD is a non-profit education consortium serving 60 public school districts in Missouri – more than 1/3 of the students in our State attend CSD member districts. CSD services to member districts include character education, communications, conferences, cooperative purchasing, educational video programs, insurance, legislative advocacy, professional development, and technology.

CSD Contact Information

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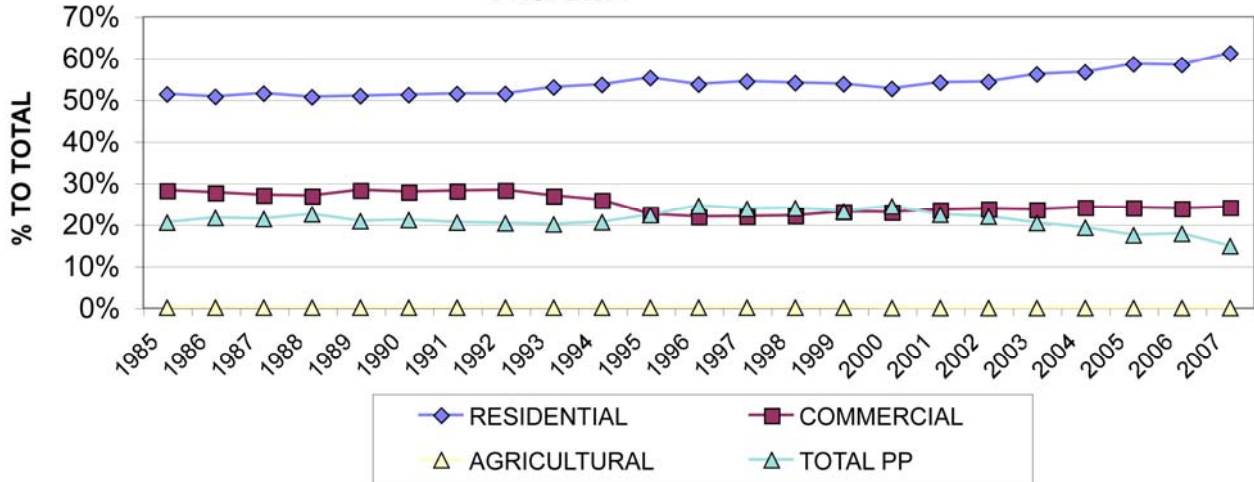
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St. Louis County:
Class of Property A/V Percent to Total for Selected Years

Type	1985	1995	2005	2007
Residential	51	56	58	61
Commercial	29	22	24	24
Personal Property	20	22	17	15
Agricultural	>1	>1	>1	>1

Chart subject to rounding error.

ST. LOUIS COUNTY: CLASS OF PROPERTY



ST. LOUIS COUNTY: A/V BY CLASS OF PROPERTY

