



*"I urge this council to work with the developers to institute a board of directors that will primarily answer to the taxpayers of Nixa, and not to the owners of the property."  
– David Stokes*

ADVANCING LIBERTY  
WITH RESPONSIBILITY  
BY PROMOTING  
MARKET SOLUTIONS  
FOR MISSOURI  
PUBLIC POLICY

# TESTIMONY

July 6, 2011

## SPECIAL TAXING DISTRICTS IN NIXA, MISSOURI

*By David Stokes*

### *Testimony Before the Nixa City Council About Community Improvement Districts and Transportation Development Districts*

To the Mayor and the Honorable Members of the City Council:

My name is David Stokes. I am a policy analyst at the Show-Me Institute, a free-market public policy organization that analyzes Missouri issues. I was asked to speak today by a local resident concerned about the use of public money for private benefits. The ideas expressed here are my own.

Missouri has seen an explosion of new taxing districts during the past decade. These districts are used as vehicles to focus public tax dollars toward private purposes. They include the use of tax increment financing (TIF), Chapter 100 bonds, transportation development districts (TDD), community improvement districts (CID), and more. I will focus today on the latter two.<sup>1</sup>

My understanding of the project currently being considered is that Nixa is debating a CID for transportation improvements to a retail center. I would suggest that, leaving all other issues aside for the moment, a TDD might be better suited here to ensure that the dollars used go toward transportation improvements, and are not diverted to other items, as would be allowed by a CID. Kansas City's website says:

"Transportation Development Districts

are created to provide capital for public works projects such as roads, bridges and transportation systems. Community Improvement Districts raise taxes for virtually any capital improvement."

### **THERE ARE TWO PRIMARY PROBLEMS WITH THE USE OF TDDS AND CIDS**

**The first is that they often fund primarily private goods with public dollars.** TDDs, especially, are used to fund transportation improvements — often not much more than expanded ingress and egress to retail centers along major roads — that increase the profitability and value of the private businesses in the center. These private benefits are paid for by tax dollars, rather than private investment, and the benefits often accrue almost entirely to the private party. Instead of enacting a TDD or CID with a 1 percent sales tax to construct a road to improve access to the property, the developer could raise rents by 1 percent to fund the project. Tenants would then increase prices by a commensurate percentage to pay the higher rents, and shoppers would see no difference in their final charges. The only real difference in this option is that the heavy hand of government would not need to interfere in matters of private enterprise.

I am not from Nixa, nor have I seen the exact details of the proposal being considered by this council. I cannot fairly judge whether the benefits of the proposed new road being considered will provide more benefit for private interests or public interests — i.e., the local road system serving nearby neighborhoods. I urge this council to consider carefully the public-versus-private aspect of this plan, and to use a strict definition of “public” interest when debating this proposal.

**The other problem with TDDs and CIDs is one of transparency.**

The state auditor’s office has issued reports documenting deficiencies in the operation, management, and accountability of public dollars by these districts throughout Missouri. TDDs fail to comply with state laws in a number of areas, including the transparency of the special taxes, the bidding process for use of the public dollars, and the annual reporting on how the money is spent. If this council chooses to enact a TDD or CID, I urge this council to require, via whatever local ordinances or memorandums of understanding may be involved, that the new taxing district complies with all state laws and any local requirements you may add.

These transparency issues include an independent board of trustees for the district responsible to the taxpayers. Generally, these boards are made up of representatives from the businesses involved

with establishing the district in the first place. Missouri statutes provide:

“If there are fewer than five owners of real property located within a district, the board may be comprised of up to five legally authorized representatives of any of the owners of real property located within the district.”<sup>2</sup>

I urge this council to work with the developers to institute a board of directors that will primarily answer to the taxpayers of Nixa, and not to the owners of the property.

Taxpayers who choose to shop in these stores should be aware of the extra taxes they must pay. The special tax must be broken out separately on the receipt, and signs must be posted within the stores noting the special taxes. This is not just my opinion; this is a state law,<sup>3</sup> albeit one that is not followed by many taxing districts around the state. If shoppers are aware of the increased taxes and still choose to shop within the district that is their choice.

The final transparency issue for either a CID or a TDD involves following proper procedures and reporting requirements. The state auditor’s office has documented the numerous problems with these types of districts (primarily TDDs). These problems include lack of competitive bids, poorly prepared budgets, and failure to file annual reports.<sup>4</sup> If this council chooses to move ahead with either a CID or a TDD, the people of Nixa deserve to know that the new

taxing authority will comply with all good government principles, and that this council will enforce those rules to the full extent it is able to do so.

In summary, this council should take a very careful look at the possible tension between public and private interests in this proposal, and should avoid asking taxpayers to foot the bill for private interests. If the council determines that a TDD or a CID is an appropriate application for this proposal, all legally permissible steps should be taken to make certain the new taxing district is open and responsible to the people. **Many other similar taxing districts in Missouri have failed both of those tests. At a minimum, I hope Nixa can show the rest of Missouri how to operate these districts in an open and transparent manner.**

## NOTES

<sup>1</sup> City of Kansas City, Revenue Division, <http://ww4.kcmo.org/finance.nsf/web/rev-bfaq#transportation>

<sup>2</sup> RSMO 67.1451

<sup>3</sup> RSMo 238.280

<sup>4</sup> Missouri State Auditor’s Office, “Transportation Development Districts,” March 2011, Report No. 2011-13.

---

**Join the fight for liberty in our state.  
Become a Show-Me Institute supporter  
[www.showmeinstitute.org](http://www.showmeinstitute.org).**



4512 West Pine Blvd. | Saint Louis, MO 63108 | 314-454-0647 | [www.showmeinstitute.org](http://www.showmeinstitute.org)

**View State Government Spending:**  
[showmeliving.org](http://showmeliving.org)

**Read Our Blog:**  
[showmedaily.org](http://showmedaily.org)

**Use Our Interactive Database:**  
[showmeideas.org](http://showmeideas.org)

**Find Us on Facebook:**  
[facebook.com/showmeinstitute](http://facebook.com/showmeinstitute)

**Follow Us on Twitter:**  
[twitter.com/showme](http://twitter.com/showme)