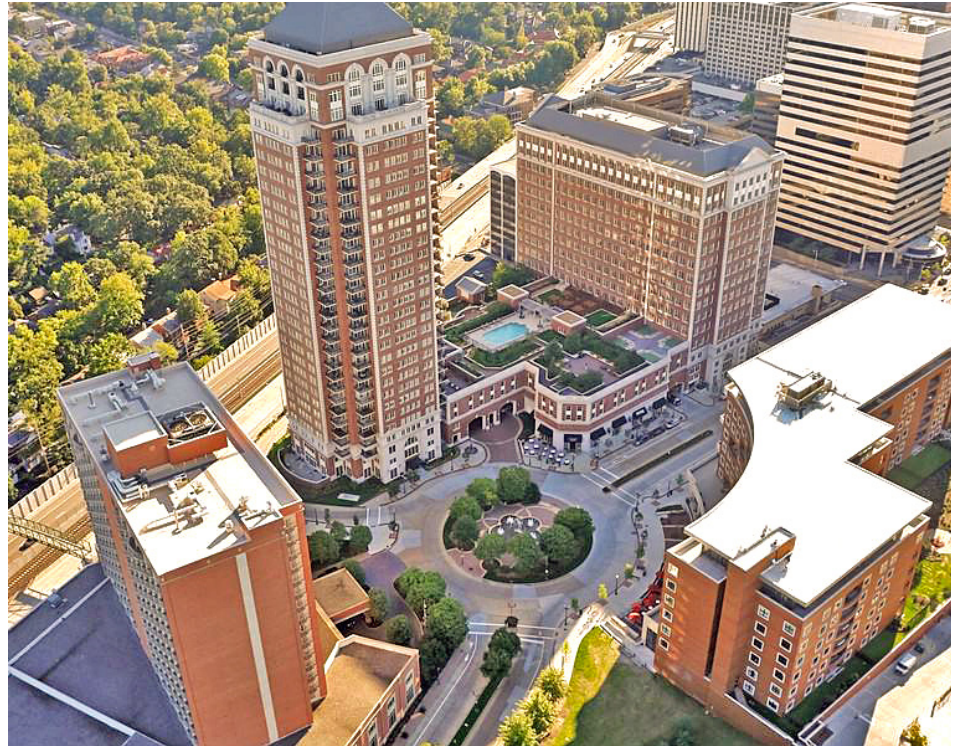




2014

References

Please visit www.showmeinstitute.org/saintlouiscountypolicy2014 for sources, citations, and additional information regarding the policy ideas discussed in this pamphlet.



SAINT LOUIS COUNTY PUBLIC POLICY RECOMMENDATIONS

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Budget and Taxes



Over the years, analysts and scholars with the Show-Me Institute have identified budget and tax policies that could move Saint Louis County in a more free-market oriented direction. For easy reference, this pamphlet summarizes the policy recommendations related to budget and tax issues. A separate pamphlet summarizes the policy recommendations related to Saint Louis County regulatory and transparency issues.

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



Greensfelder Park in Wildwood

Trimming Budgets

The Saint Louis County budget increased from expenditures of \$383 million in 1997 to expenditures of \$664 million in 2012. That is an increase of 73 percent. This increase was for a county with a population that remained basically flat during this time period. If the budget had increased simply by the rate of inflation during that period, the county budget would have been only \$548 million by 2012. Some reductions in expenditures could serve the long-term health of county finances.

1) Adjust Park Operations In Response to Incorporation Changes

Saint Louis County operates many parks within incorporated areas. Turning over control of a few of those parks to the cities that surround them, especially in cases where the large majority of the park’s users are residents of that same municipality, could help reduce county expenses. In those instances, it appears appropriate for the city’s taxpayers to maintain such a park instead of taxpayers countywide. Parks that fit this profile include Greensfelder Park in Wildwood, Tilles Park in Ladue, and George Winter Park in Fenton.

2) Move Some Services Out of Clayton

Not every county department needs to be located within the very valuable property of downtown

Clayton. When Saint Louis County owns buildings in Clayton, it takes valuable property off of the tax rolls. When it rents extra space or parking for employees in Clayton, it pays higher rental rates. Either way, the county can reduce costs by moving departments that do not need to be in Clayton into lower cost areas.

3) Privatize More County Services

Saint Louis County has been a leader in demonstrating how to effectively privatize certain government programs. The privatization of the county Health Department pharmacy has been a tremendous success. Privatization of golf courses in Saint Louis County is another success story. But more can be done. Some other potential areas of privatization include working with non-profit organizations such as the YMCA and the Humane Society to operate community centers or animal control facilities. Another area for potentially large costs savings is government fleet management. For example, Benton County, Mo., saved more than \$38,000 the first year when it outsourced the management of a small fleet of health department vehicles to Enterprise Fleet Management.

4) Make a Long-Term Plan for Elmwood Park Fire Protection

Elmwood Park, a small, unincorporated community just north of Olivette, is the only neighborhood in Saint Louis County not served by a fire protection agency.



To deal with this, the county currently spends \$70,000 per year to subsidize fire services for Elmwood Park. It would be obviously unacceptable to leave any neighborhood without quality fire protection, but it is time to address the long-term issue. Saint Louis County officials should work with the residents of Elmwood Park, the city of Olivette, and Community Fire District (which serves Overland) to devise a long-term solution to this issue. That solution could involve expanding the fire district south or incorporating the community into Olivette. The region needs to address the lack of fire protection for the neighborhood instead of simply continuing the subsidy without end.

5) Promote Local Governments Sharing Services

Saint Louis County and the 90 cities in the county operate more efficiently than the fractured nature of local government in this region leads people to believe. Almost every city within the county contracts with Saint Louis County to perform some or all of its inspection and code work. Police and fire protection are two other major areas of shared services. Fenton, Wildwood, and Jennings are three diverse cities that all use county police to patrol their cities. Glendale provides fire protection for Warson Woods, and the Frontenac Police Department serves the small city of Westwood. There are many other examples like this of shared services that save taxpayer dollars and combat governmental redundancies. Opportunities for further service sharing should be embraced, such as combined emergency 9-1-1 call centers and coordinated municipal snow plowing.

6) Address Municipal Pension Plans

Pension plans are another issue that is more of a problem for municipalities within Saint Louis County than the county itself. Many cities operate independent pension plans. Many of these cities need to consider following the lead of Maplewood, Creve Coeur, Jennings, and Rock Hill and either merge their plans into larger pension plans, such as the statewide Local Government Employees Retirement System (LAGERS), or transition them into defined contribution plans. A larger organization such as LAGERS can

more effectively operate the pensions than dozens of small, independent plans. Alternatively, taxpayers could benefit from the controlled costs of defined contribution plans.

Reduce Saint Louis County Taxes

The average Saint Louis County combined residential property tax rate (including all levels of government) in 1994 was \$7.37 per \$100 of assessed valuation. By 2012, it was \$9.53 per \$100. These increases occurred during periods of both rapidly increasing property assessments from 2000 to 2008 (up 53 percent) and subsequent decline from 2009 to 2012 (down 10 percent). During the same period, the sales tax rate also increased. Over the past decade alone, Saint Louis County has increased countywide sales taxes for parks, children's services, 9-1-1 emergency calls, and mass transit. There are smart policies that the county can pursue to limit tax increases while maintaining its competitiveness against neighboring counties.



1) Lower the Commercial Surcharge Property Tax

Saint Louis County has the highest commercial surcharge property tax in Missouri with a rate of \$1.70 per \$100 of assessed valuation. Neighboring counties have much lower rates. In Saint Charles, the surcharge is \$0.53. For Jefferson, it is just \$0.24, and it is \$0.48 in Franklin. Only the City of Saint Louis' rate of \$1.64 is comparable to the county. Saint Louis County should support changes at the state level to adjust the rules of the surcharge. Furthermore, it should consider placing a surcharge reduction on the county ballot in order to increase its competitiveness with other counties.

2) Alter the Business Personal Property Tax

One of the more economically harmful taxes in Missouri is the property tax on business capital investment. Widely accepted research has found that the taxation of capital investment hurts economic growth. Saint Louis County should seek authority from the state to set a lower property tax rate on manufacturing business property, which constitutes capital investment, than on other types of taxable property. Currently, only the City of Saint Louis is allowed to set a lower tax rate on manufacturing property. Saint Louis County could benefit from that same authority.

3) Maintain the Countywide Sales Tax Pool

Saint Louis County benefits from the countywide pool for the 1 percent general sales tax. Ending the sales tax pool, as some have proposed, would probably increase the use of Tax Increment Financing (TIF) and other tax subsidies throughout the county, as research has found that those subsidies are at best ineffective and often demonstrably harmful.

4) Emphasize Regional Hotel Taxes

Saint Louis County currently imposes a regional hotel tax of 7.25 percent that supports the Edward Jones Dome and the Convention and Visitors Commission. A regional hotel tax is sensible policy for Saint Louis County. On the other hand, the county should pursue opportunities to eliminate the existing additional hotel taxes in five cities and allow only the regional hotel tax to ensure that tourist taxes are used for regional priorities.

5) Limit the Growth of TDDs and CIDs in Saint Louis County

The use of Transportation Development Districts (TDDs) and Community Improvement Districts (CIDs) has been rapidly expanding. Prior to 1999, there were no TDDs within the county. By 2013, there were 46 TDDs. The growth in CIDs has been similarly rapid. Many TDDs and CIDs are established in conjunction with a TIF district, and serve as nothing more than a vehicle to drive more sales tax dollars to the TIF. The county should support the enactment of TDDs and CIDs only when there is a clear public benefit, such as expanded transportation or improved infrastructure assets. Furthermore, the county could attempt to work with the state legislature to reduce the ability of courts and judges to impose these taxing districts and limit that authority to where it belongs: elected officials and public votes.

Conclusion

Saint Louis County can follow the path of the growing suburban counties, the more troubled path of the City of Saint Louis and Kansas City, or it can create a route that attempts to combine the best attributes of both. Saint Louis County can have both the lower taxes and less regulation of its adjoining counties, and it can have the strong neighborhoods, convenience, and cultural attributes of the cities. Saint Louis County can continue to be the most prosperous county in Missouri. Implementing a free-market series of policy reforms will help it advance that goal.



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