



TESTIMONY

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TRANSPORTATION DEVELOPMENT DISTRICTS AND THE POTENTIAL IMPACT OF HOUSE BILL 1234

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TO THE HONORABLE MEMBERS OF THIS COMMITTEE

Our names are Patrick Tuohey and Graham Renz, and we are the Director of Municipal Policy and a Policy Analyst, respectively, for the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented here are our own. The purpose of this testimony is to briefly touch on problems raised by transportation development districts (TDDs) and note how HB 1234 could help solve them.

TDDs are a species of special taxing district that can levy sales, property, and other taxes and fees to fund various infrastructure improvements. Unfortunately, rather than fund genuine public goods for the benefit of all taxpayers, TDDs are often used to subsidize private enterprises directly or indirectly. For instance, special interests in the City of

Chesterfield are using a TDD to fund approximately one-third of the costs of a \$23 million privately owned and operated ice complex.¹ While not all TDDs across the state are formed for such narrow purposes, many of them are.

TDDs are lucrative for two main reasons. First, they can be formed by an incredibly small voter populace. If a proposed TDD encompasses residential voters, it needs only to contain 50 voters to proceed. If no residents live within the boundaries of a proposed district, land owners vote on the establishment and taxing authority of a TDD. In the overwhelming majority of cases, this is exactly the case; according to the Missouri State Auditor, only 6 percent of TDDs have any voters living within them, meaning that *the land owners who will benefit from TDD taxes are the only voters on TDD matters.*² Why this is problematic should be clear.

Secondly, since TDDs can levy sales taxes, most TDDs—those without

residential voters—can completely externalize the costs of district projects. In other words, those who decide on whether to collect and how to spend TDD taxes (land owners and, often, developers) can impose those taxes on shoppers (i.e., taxpayers) who have no say in TDD business. More colloquially, this means TDDs let the private sector profit from public means. TDDs allow for one group to force taxes on another group—which sounds a lot like *taxation without representation*.³

While one might hope examples of TDD abuse are minimal and isolated, they are not. Research by Show-Me Institute analysts and the State Auditor have highlighted these problems (see citations in endnotes). But to get a grasp on how widespread the problem is, note that in 1997 there was a single TDD, and as of July 2017 there were at least 230 such districts.⁴ Since 2011, TDDs across the state collected an average of more than \$50 million in sales taxes.⁵ The problem is not minimal or isolated.

A STEP IN THE RIGHT DIRECTION

HB 1234 represents a meaningful step in reforming Missouri's TDD law. As of now, almost all TDD elections are administered via mail-in ballots. In cases where residential voters are allowed to participate in TDD elections, they generally must first apply for ballots and, when the ballots have been marked, they typically must be notarized. This voting process is cumbersome, time consuming, and discourages participation. HB 1234 would require TDD elections to be held on general elections and would obviate requiring residential voters to apply for ballots. As of now, TDD elections often go unnoticed. Moreover, TDD board meetings, spending, and other business suffer from a serious lack of transparency. Bringing TDD elections into the general election cycle (and spotlight), will help policymakers and

taxpayers better understand the special taxing districts affecting them and their communities. HB 1234 would bring some uncontroversial light to one of Missouri's most expensive and obscure corners of government.

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ENDNOTES

1 See a series of testimony presented to the Chesterfield Valley TDD Board for more on this project: <https://showmeinstitute.org/publication/subsidies/testimony-funding-ice-complex-chesterfield> and <https://showmeinstitute.org/publication/subsidies/extension-chesterfield-valley-tdd-sales-tax-purpose-subsidizing-ice-complex-0>.

2 See State Audit Report No. 2017-020, p. 5, available here: https://app.auditor.mo.gov/Repository/Press/2017020228917.pdf?_ga=2.218524698.262055477.1515527228-1835449961.1515527228.

3 Supporters of TDDs may argue that shoppers can choose whether or not to shop within a TDD, and so no taxes are forced on anyone. In theory this is accurate; however, many businesses within TDDs fail to follow statutory requirements to post notice of additional TDD taxes. See Audit Report No. 2017-020, pp. 19–22.

4 Missouri Highways and Transportation Committee, personal communication, July 2017.

5 Missouri Department of Revenue, Financial and Statistical Report, numerous years, available here: <http://dor.mo.gov/cafr/>.



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