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BREAKING DOWN EXPENSES AND REVENUES:
KANSAS CITY AND ST. LOUIS COMPARED TO SIX OTHER CITIES

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KEY TAKEAWAYS

- When compared to six similar cities across the country, St. Louis and Kansas City rank as the 2nd- and 3rd-highest per-capita spending cities overall. St. Louis and Kansas City are the two highest spenders on debt service.
- Kansas City ranks first among the comparison cities in fees per resident, and it collects almost as much in fees per resident than all of the other cities combined.
- St. Louis and Kansas City are now collecting more in taxes and fees per resident than they were in 2013. Both cities are also spending more per resident in the majority of categories measured in this essay.
- Both St. Louis and Kansas City collect over 33 percent of their total tax revenues from the earnings tax.

INTRODUCTION

All cities need money to operate, but the types and amounts of revenue they collect to provide services differ widely from city to city. This paper updates two previously published Show-Me Institute case studies that focused on the costs of services that cities provide and the revenues they collect to fund them.[1] The first part of this paper compares the spending patterns for government services in Kansas City and St. Louis to those of six similarly-sized cities (Tulsa, Oklahoma City, Omaha, Denver, Louisville, and Indianapolis). The second part compares the revenue collections in St. Louis and Kansas City to collections in the aforementioned cities in order to shed light on the relative weight of the revenue burden being placed upon their residents. St. Louis's and Kansas City's total revenues and expenditures are broken down into general categories in order to compare them to the revenues and expenditures of their peers. See Table 1 for some selected information about each city.

The comparison cities were chosen in 2013 based on certain characteristics shared with Kansas City. Since 2013, each city's population has increased except for St. Louis, which has seen an estimated decline of nearly 10,000 residents.[2] Tulsa and Omaha had and continue to have populations that are similar in size to Kansas City. The other cities shared several economic traits with Kansas City. Denver had a poverty rate that was similar to Kansas City's, but Oklahoma City has since become more similar in that regard. Louisville's per-capita income has remained nearly identical to Kansas City's over the past five years. St. Louis is not as similar as Kansas City is to the other six cities, but it appears in this analysis because it is at the center of the other large metropolitan area in Missouri. The comparison cities are the same ones that were used in the 2013 paper,[3] even though those cities may no longer share the same characteristics, to allow for further comparison and discussion.

A few things bear mentioning before beginning the comparisons: Simply comparing revenues or expenditures across cities does not tell a complete story. For example, three comparison cities are structured as consolidated city–county entities (Indianapolis, Louisville, and Denver); while Kansas City revenues and expenditures are kept separate from the counties within which it is located. St. Louis is an independent city, which means that it is not located in any county and carries out many of the same functions that are provided at the county level in other cities.

Several explanations are possible for why one city might collect or spend more than another. For example, a city might spend more than its peers because its residents want a relatively high level of services, and the city is responding to consumer demand. However, there is a trade-off. The more services a city offers, the more resources that are required in order for the government to provide them. Economist Charles Tiebout explained that people will locate in cities that offer them their preferred mix of services at an acceptable tax rate.[4] If Kansas City and St. Louis are collecting or spending more than their peers, they could be responding to the demand of their residents who have chosen to locate there. On the other hand, a city may be delivering the same level of service as its peers, but due to inefficient production, those services could cost more than they would in a similar city. This essay documents the collection and spending patterns in St. Louis and Kansas City relative to other, similar cities, but it does not attempt to explain the causes of any differences.

PART 1: BREAKING DOWN THE SPENDING

For the purposes of this paper, I divide city spending into seven categories:

1. **Administrative Functions:** Includes departments such as the city manager's office, the office of mayor and council, the municipal counselor's office, the city auditor's office, the city clerk's office, finance, personnel, and general services.

2. **Public Safety:** Includes police, fire, animal welfare, and municipal courts.

3. **Public Services:** Includes airports, public works, development services, planning, public transportation and parking, and utilities.

4. **Culture and Recreation:** Includes parks and recreation, zoos, convention centers, and museums.

5. **Debt Service:** Any items related to administering or paying off the city's debt.

Table 1: **City Summary Data (2017)**

City Data Points	Population	Government Structure (City/County)	Bachelor's Degree or Higher	Median Household Income	Living Below Poverty
Kansas City	↑ 488,943	City only	↑ 33.0%	↑ $47,489	18.3%
St. Louis	308,626	City only	↑ 33.0%	↑ $36,809	26.7%
Omaha	↑ 466,893	City only	↑ 34.7%	↑ $50,827	16.3%
Tulsa	↑ 401,800	City only	↑ 30.7%	↑ $43,045	↑ 20.3%
Oklahoma City	↑ 643,648	City only	↑ 29.3%	↑ $50,070	17.8%
Indianapolis	↑ 863,002	Consolidated	↑ 29.0%	↑ $43,101	20.9%
Louisville	↑ 621,349	Consolidated	↑ 28.3%	↑ $46,881	17.7%
Denver	↑ 704,621	Consolidated	↑ 45.7%	↑ $56,258	16.4%

Source: All data except "Government Structure" is from the U.S. Census Bureau. "Government Structure" data comes from the city's government website, and indicates whether the city is structured as a consolidated city–county entity. Arrows indicate the numbers have increased since 2013.

6. **Capital Outlays:** All items that would add a fixed asset to the city's assets or improve existing fixed assets.

7. **Other:** All other items not included in the above six categories.

Using data from each city's Comprehensive Annual Financial Report (CAFR), each city's total government fund expenditures can be broken down by service or function into one of the seven listed categories.[5] For example, a city's fire department and police department both contribute to the safety of the city's residents and thus fall into the "public safety" category. Hence, when analyzing expenditures across cities, categories such as public safety and public services can be found in each CAFR, so their totals can be compared according to the same standard. The latest fiscal year for which data are available for each of the cities is 2017.

The amounts spent in each category are then divided by the city's population (according to the city's 2017 Census population estimate) to get a per-resident expenditure amount for each spending category.[6]

How Do Kansas City And St. Louis Compare?

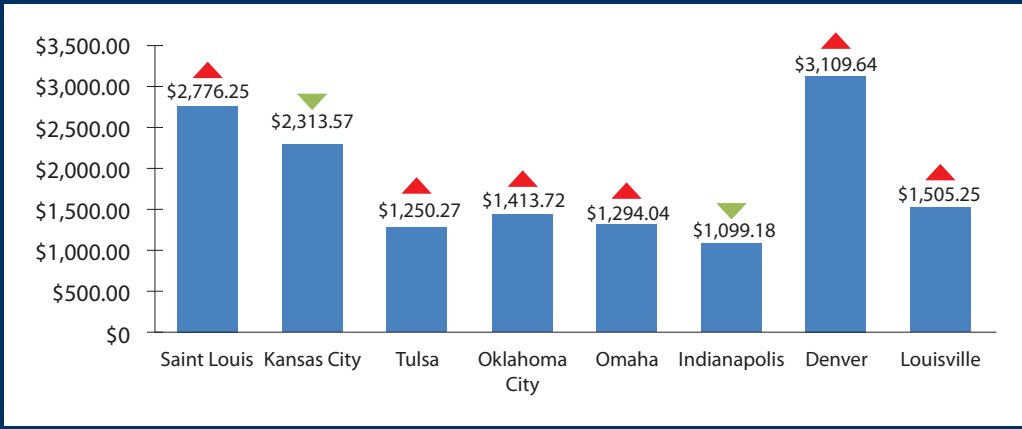
Figure 1 shows that Denver has a higher total per-resident spending amount than the other cities. St. Louis is second. Kansas City comes in right behind St. Louis and its spending is much higher than that of the remaining cities, with over $800 more spent per person than in the next highest city, Louisville. Since 2011, the total per-resident spending by Denver has increased by over $500 while St. Louis' spending has increased by slightly more than $100. On the other hand, Kansas City has seen a decline of approximately $40 in total per-resident spending.

As Figure 2 shows, Denver leads the other comparison cities in per-resident city administration spending by a considerable margin. Kansas City and St. Louis spend the second and third most, respectively. The difference between the biggest spender, Denver, and the lowest, Indianapolis, is more than $650 per person. It is beyond the scope of this paper to attempt to fully explain the large difference in administration spending among the cities, but the degree of services provided by each city and the personnel required to administer them could certainly play a role.

Figure 1

Total Spending (per Resident)

St. Louis and Kansas City rank second and third, respectively, for per-resident total government spending.



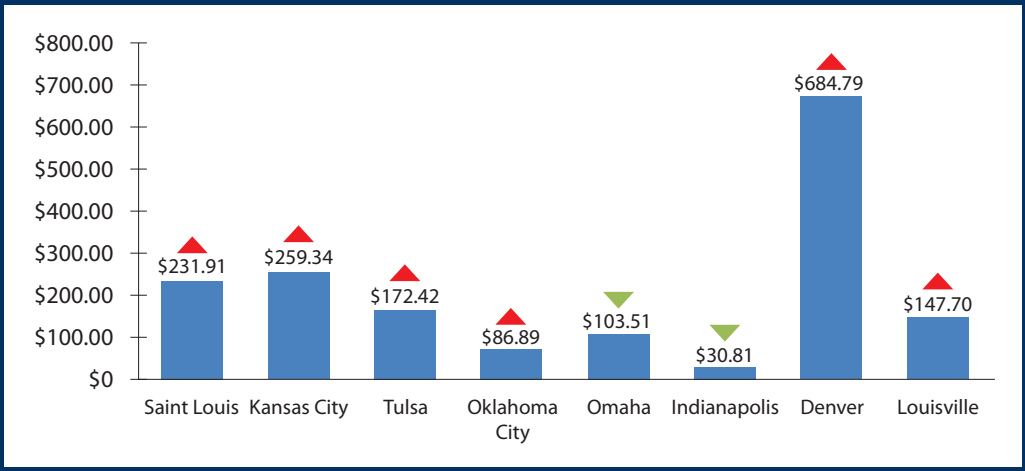
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

Figure 2

City Administration Spending (per Resident)

Kansas City and St. Louis rank second and third, respectively, for per-resident city administration spending.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

As shown in Figure 3, St. Louis is the highest spender among the group for public safety expenses. Whereas with per-resident spending and administrative spending the difference between Kansas City and St. Louis is less than $30 per resident, with public safety spending St. Louis spends almost $420 per resident more than Kansas City.[7] With the exceptions of St. Louis, Denver, and Kansas City, the rest of the cities spend similar amounts per resident on public safety. In fact, there is less than a $100 per-resident difference among them.

A spending phenomenon similar to the one that occurs in public safety is repeated in overall spending for public services (Figure 4). Spending in Denver outpaces spending in the rest of the cities, with St. Louis second and the rest of the cities spending much less.[8] The difference among the other cities is slightly more pronounced than it is for public safety. For example, Kansas City spends more than twice as much per person as Indianapolis for public services. However, Kansas City is closer to Louisville and Omaha in the amount

of money it spends on public services than it is to St. Louis and Denver.

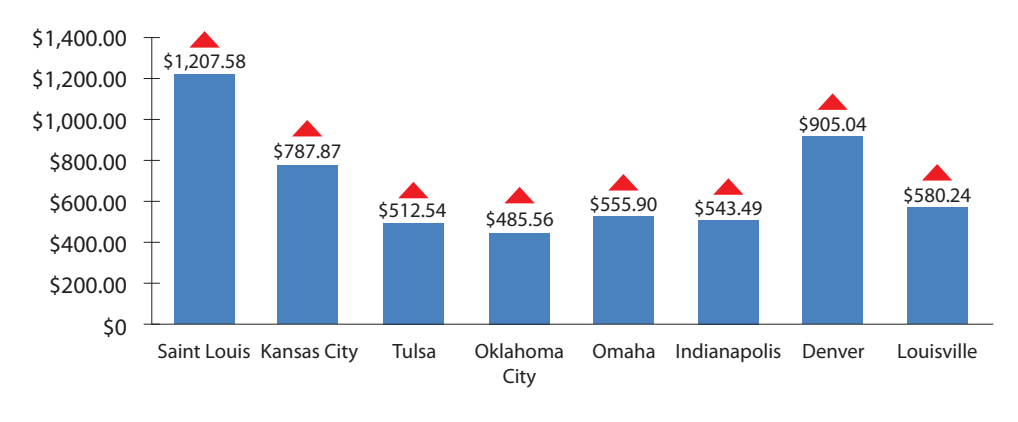
The overall spending pattern is different for culture and recreation (Figure 5) than for public safety and public services.[9] In this instance, Denver spends the most per resident, followed by Kansas City, with Oklahoma City coming in third, just slightly higher than Omaha. St. Louis, which has led or been near the highest cities in per-resident spending in almost every area, is in the bottom half of per-resident spending for culture and recreation.[10]

Oklahoma City leads the rest of the cities in spending for capital outlays. In fact, Oklahoma City leads the next highest spending city, Kansas City, by almost $200 per resident in 2017. Capital outlays can fluctuate wildly from year to year due to new project costs. For example, if a city in one year started a building project for a new stadium, it would incur a large cost once the project starts, but it would not reflect a city's "normal" expenditures on capital outlays. Taking a four-year average (2014–2017) of

Figure 3

Public Safety Spending (per Resident)

St. Louis and Kansas City rank first and third, respectively, for per-resident public safety spending.



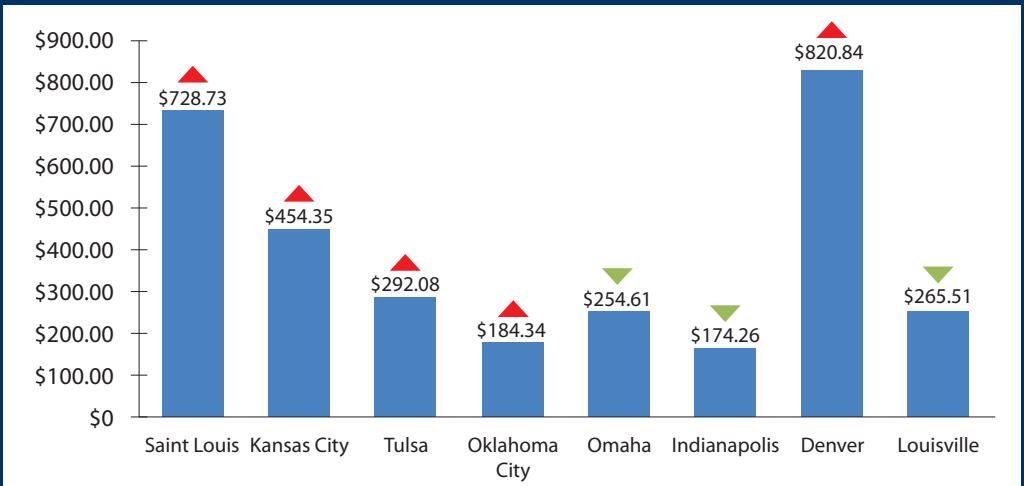
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

Figure 4

Public Services Spending (per Resident)

St. Louis and Kansas City rank second and third, respectively, for per-resident public services spending.



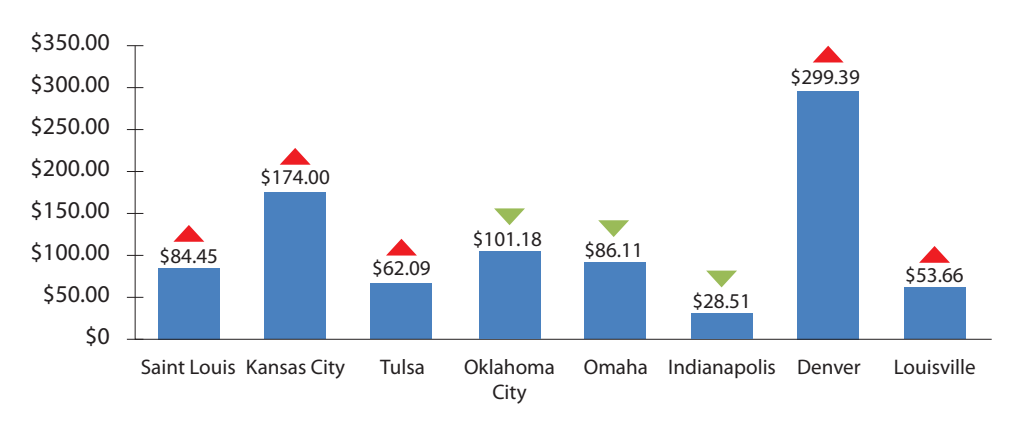
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

Figure 5

Culture and Recreation Spending (per Resident)

Kansas City and St. Louis rank second and fifth, respectively, for per-resident culture and recreation spending.



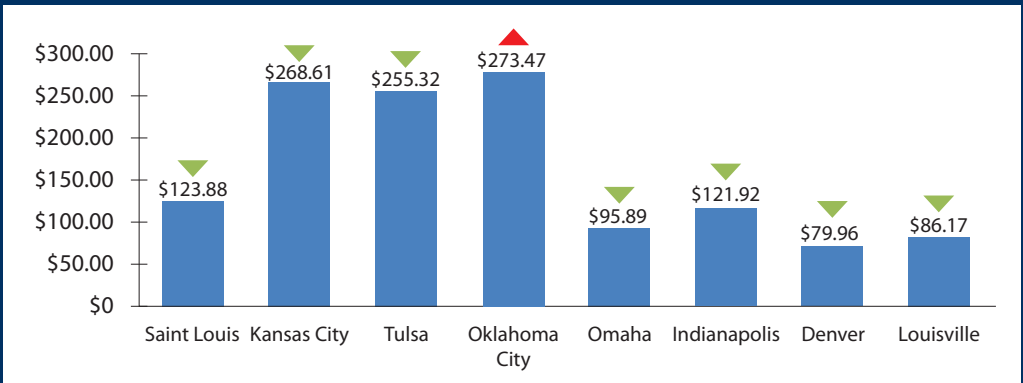
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

Figure 6

Four-Year Average for Capital Outlays (per Resident)

Kansas City and St. Louis rank second and fourth, respectively, for per-resident capital outlays averaged over four-years.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

capital outlay expenditures helps smooth out any one-time expenses these cities might have incurred. These average expenditures are shown in Figure 6.

Oklahoma City still spends more per resident on capital outlays than other cities, but the difference between the averages of the top three spenders is less than $20 per resident. Kansas City spends the second most, while St. Louis is fourth. The total size (in land area) of the cities might affect capital outlays (for example: there might be greater overhead for servicing a larger area). Thus, in Figure 7 the total size of the cities in square miles is plotted to see how they compare to the four-year averages shown in Figure 6.

With just these eight samples, it would be difficult to determine if there is any correlation between the size, in area, of the cities, and the per-resident amount of average capital outlays. Any correlations using just these eight cities would be useless because the standard errors would be so large. More cities would need to be included in this analysis before any correlation could be statistically significant.

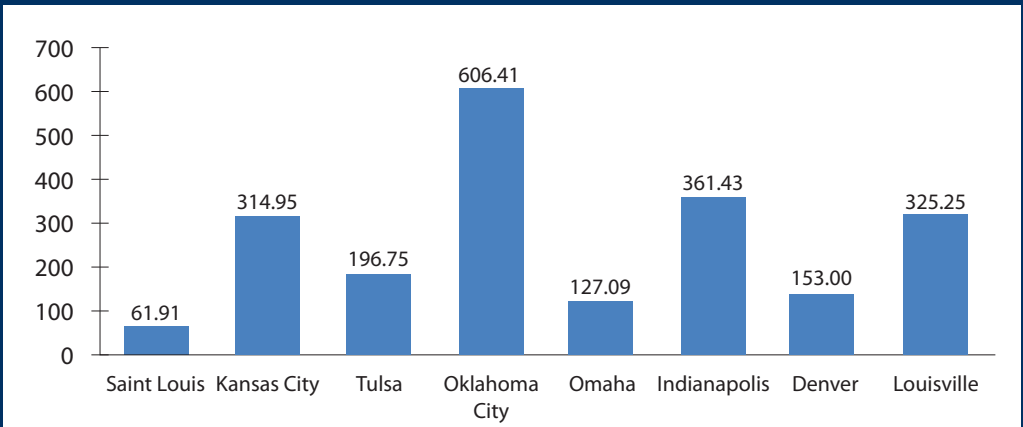
At a glance, however, it appears that cities with larger areas do not necessarily have larger average capital outlay expenditures. Oklahoma City is nearly twice as large as Kansas City, yet it spends an almost

identical amount per resident on capital outlays. Louisville is more than five times the size of St. Louis and yet St. Louis spends more per resident on capital outlays. Kansas City spends nearly twice as much per resident as Denver on capital outlays, yet it is the fourth-largest city in terms of area and Denver is sixth-largest. Without a more detailed analysis, it would be imprudent to say that there is no correlation between the size of a city and the amount it spends on per-resident capital outlays, but at first glance it appears that a clear correlation is lacking.

Figure 7

Total City Area (Square Miles)

Total city area for all eight comparison cities.

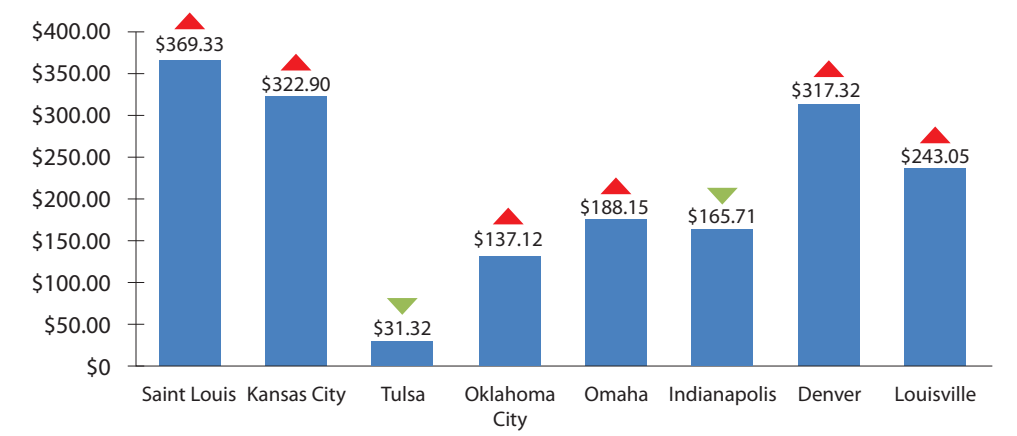


Source: U.S. Census Bureau.

Figure 8

Debt Service Spending (per Resident)

St. Louis and Kansas City rank first and second, respectively, for per-resident debt service spending.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

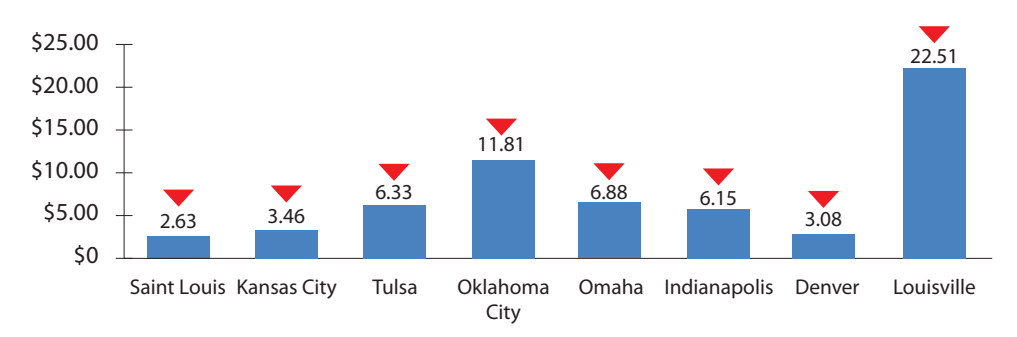
There is also value in comparing the amount of debt each city has per resident as it relates to the per-capita income of its residents.[11] One city might have 50 percent more debt per resident than its peers, but if it has twice the per-capita income, its ability to bear the burden of that debt could be better than its less indebted peer. The results comparing the per-capita income-to-debt ratios for each of the eight cities are displayed in Figure 9.

According to Figure 9, Louisville has the largest income-to-debt ratio. For every $1 it has in debt per capita, its residents have over $22 in income per capita, which is roughly twice that of the next closest city (Oklahoma

Figure 9

Comparison City Income-to-Debt Ratio

St. Louis and Kansas City rank lowest and third-lowest, respectively, among the comparison cities for income-to-debt ratios.



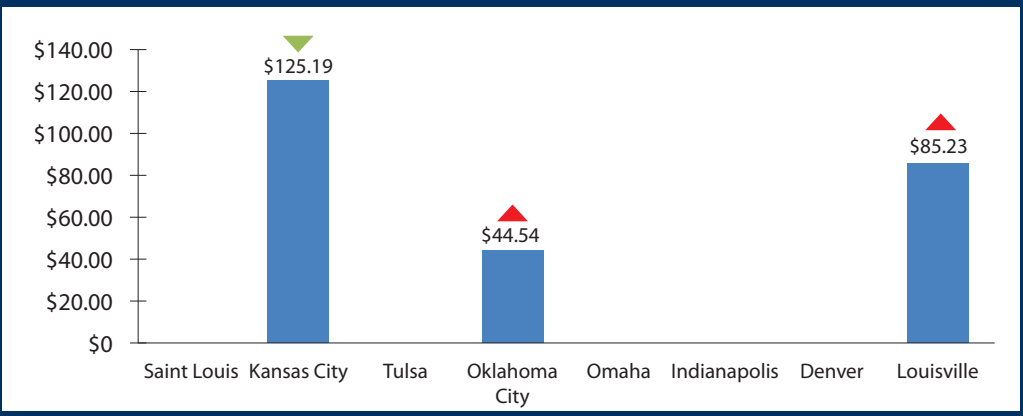
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

Figure 10

Other Spending (per Resident)

Kansas City ranks first for "other" spending per resident. St. Louis didn't have any expenditure that was classified as "other" spending.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2011.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2011.

City). On the other hand, St. Louis has $2.63 in income for every $1 in debt per capita, a little more than one-tenth of Louisville's total. Kansas City does not fare much better than St. Louis and has a ratio nearly one-seventh that of Louisville.

Kansas City also leads the rest of the cities in this study in spending on "other" categories. In fact, Kansas City spends almost as much as the other cities combined in per-resident spending (Figure 10). Kansas City's primary source of "other" spending comes from the Kansas City Area Transportation Authority (KCATA). Some comparison cities may have their public transportation expenditures classified under Public Services, but the KCATA is listed under Intergovernmental Expenditures in the Kansas City CAFR. This is because the KCATA receives funding from the States of Missouri and Kansas along with the seven-county Kansas City metropolitan area, therefore I felt it best to keep the intergovernmental spending separate from the public services classification.

Discussion

This first part of the paper provides an update to a comparative overview of spending for similar cities that was completed in 2013. In terms of per-resident spending, St. Louis is no longer the leader. St. Louis stands out as the second highest spender, spending only less than Denver, due in large part to Denver's nearly 20 percent increase in total spending over the previous five years. Colorado voted to legalize

recreational marijuana in 2012, the impact of which was not included in the earlier paper, and legalization has resulted in estimated revenue gains for Denver of over $40 million per year in sales alone.[12] This increase, accompanied by rapid population growth estimated at over 80,000 over the previous five years, has contributed to the major spending increases seen in Denver.

Kansas City is also a high spender in many areas. In fact, St. Louis and Kansas City outspend other cities in multiple categories. There are large differences between the top spenders (St. Louis, Denver, and Kansas City) and the bottom spender (Indianapolis).

According to the data, similar cities can and do spend varying amounts per person on city services. This does not necessarily mean that the cities that spend the most are being inefficient or wasteful. Nor does it mean the cities that spend the least are somehow not delivering adequate services to their residents. There are various reasons why these cities are spending differing amounts. The data show that the differences among similar cities can be quite substantial.

PART 2: BREAKING DOWN REVENUES

Sources Of Revenue

In Part 2, I compare St. Louis and Kansas City's total revenue collections with the same six cities that were used in Part 1 for comparing expenditures. I then break down the revenue collections to examine how much of the totals come from taxes, fees, intergovernmental transfers, and other revenue. Additionally, I break down the total amount of city tax collections by the type of tax levied. This section, like the first, uses revenue data obtained from each city's CAFR.

For the purposes of this paper, there are four types of revenue:

1. Taxes: Charges levied by a government in order to raise revenue. They need not be related to any specific benefit. Payment is not optional.[13] There will be a further breakdown of this category to examine property tax, sales and use tax, business tax, earnings tax, and miscellaneous tax collections.

2. Fees: A charge for government goods or services above and beyond what are normally available to the public.[14] This paper examines only the total amount of fees collected.

3. Intergovernmental Revenue: Revenue that comes from other governments and can include grants, shared taxes, advances, and contingent loans.[15] This paper examines only the total amount of intergovernmental revenue each city collects.

4. Other Revenue: All other governmental revenue not included in the previous three categories. Items that are included in this section include: investment income, revenue from fines, and the miscellaneous and other revenue line items in the various cities' CAFRs.

There are multiple benefits to breaking revenue into these specific categories. Taxes and fees represent charges imposed by the city so that it can provide services. Taxes are mandatory and do not have to relate directly to services provided to taxpayers. Fees are usually voluntary and relate to a direct payment to a government for a specific service. Intergovernmental revenue provides additional monies that come from outside of the cities for the provision of services. These monies can supplement the financing of existing services or be specifically targeted to the provision of additional services. Other revenues include smaller line items that are not found in every city. Some of the items found in this category, like investment income, do not necessarily represent a burden on taxpayers since the money comes from other sources. With these points in mind, it becomes easier to see why just looking at the top-line number for a city's total revenue collections might not give as full a picture of the burden a city places on its residents in financing the provision of services.

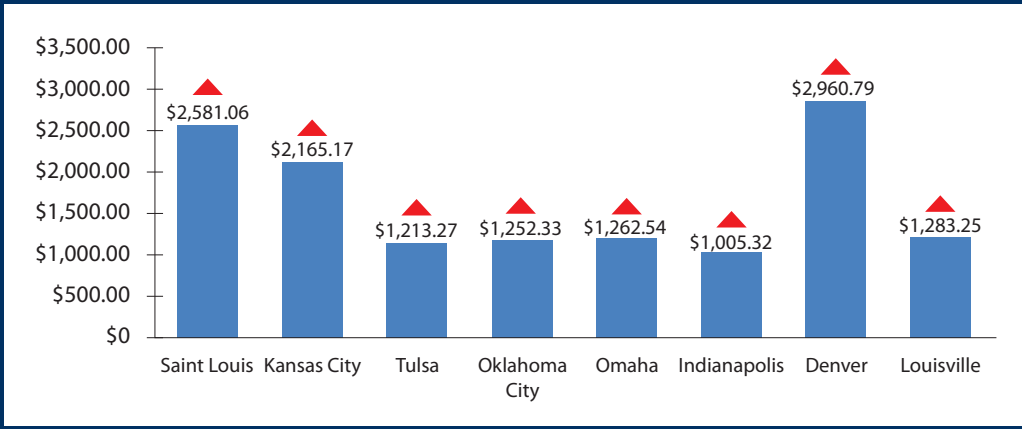
How Do Kansas City And St. Louis Compare?

Figure 11 shows that Denver collects more revenue per resident ($2,960.79) than any of the other comparison cities. St. Louis comes in second ($2,581.06), followed by Kansas City ($2,165.17). Kansas City collects over $880 more than the next city (Louisville). Indianapolis collects the least amount among the cities at $1,005.32.

Figure 11

Total Government Revenues (per Resident)

St. Louis and Kansas City rank second and third, respectively, for total governmental revenues per resident.



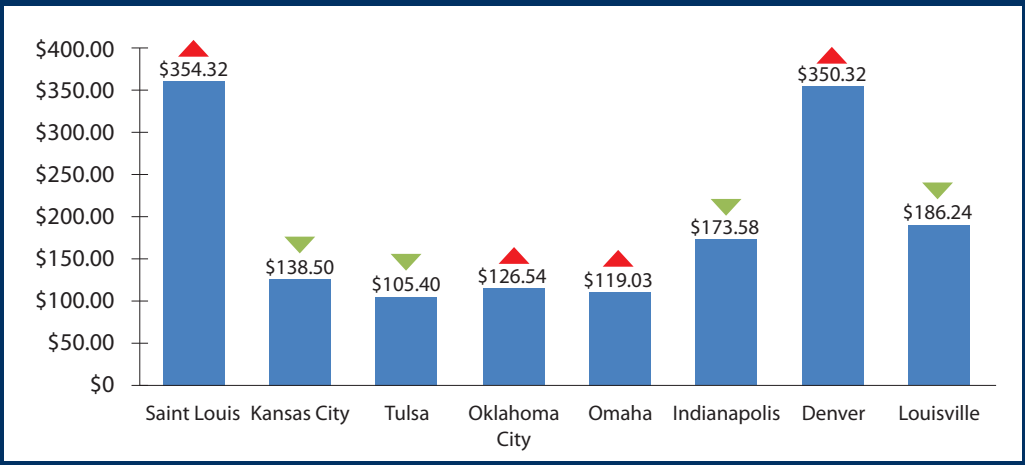
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 12

Total Intergovernmental Revenues (per Resident)

St. Louis and Kansas City rank first and fifth, respectively, for intergovernmental revenue per resident.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 12 shows the amount of intergovernmental revenue collected by each city. St. Louis receives the most intergovernmental revenue per resident ($354.32) followed by Denver ($350.32). Kansas City comes in fifth ($138.50) behind Indianapolis ($173.58).

Figure 13 shows the amount each city collects in other revenue. Denver and Kansas City collect the most other revenue, with $589.33 and $333.16, respectively. St. Louis follows with $243.06. Tulsa receives the least amount with $144.03 collected.

Figure 14 shows the amount per resident that each city collects in revenue with intergovernmental and other revenue taken out of the total. Denver ranks first ($2,021.13), and St. Louis ranks second ($1,983.68). Kansas City collects the next largest amount ($1,693.50). When only examining fees per resident, Kansas City ranks the highest amongst the eight cities.[16]

Figure 15 shows the total fees collected per resident

for each of the eight comparison cities. Kansas City not only ranks first among these comparison cities in fees per resident ($301.84), it almost collects as much in fees per resident than all of the other cities **combined**. Kansas City is the only comparison city to collect fees for electricity use, and the total fees collected constitute nearly one-seventh (13.94 percent) of Kansas City's per-resident revenue collections. Of the other cities, fees do not constitute more than 4 percent of per-resident revenue.

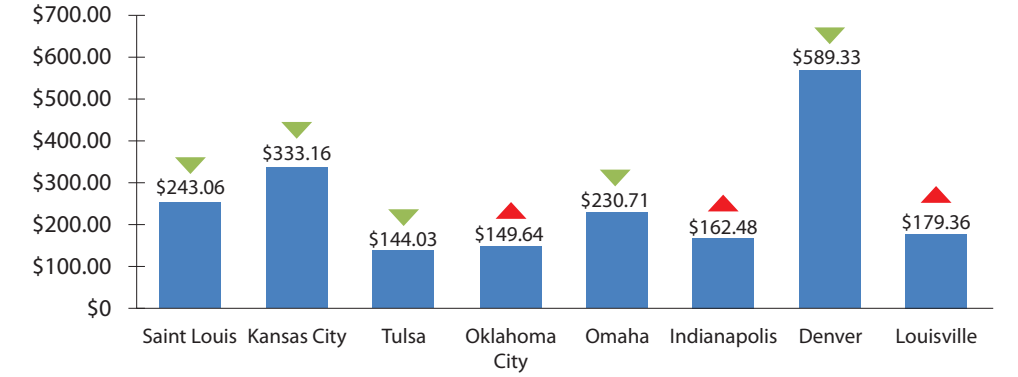
Table 2 lists the top five revenue sources for the fee category in Kansas City.[17] The largest fee that Kansas City collects is for electric service. The revenue collected from that fee is larger than the next three largest fees combined. The amount is so large relative to the population of Kansas City that it is larger than the per-person fee totals of the other comparison cities.

Table 3 shows how Kansas City's electricity per-resident fee compares to the total fees collected in the comparison cities. Figure 16 shows the

Figure 13

Other Governmental Revenues (per Resident)

Kansas City and St. Louis rank second and third, respectively, for other governmental revenues per resident.



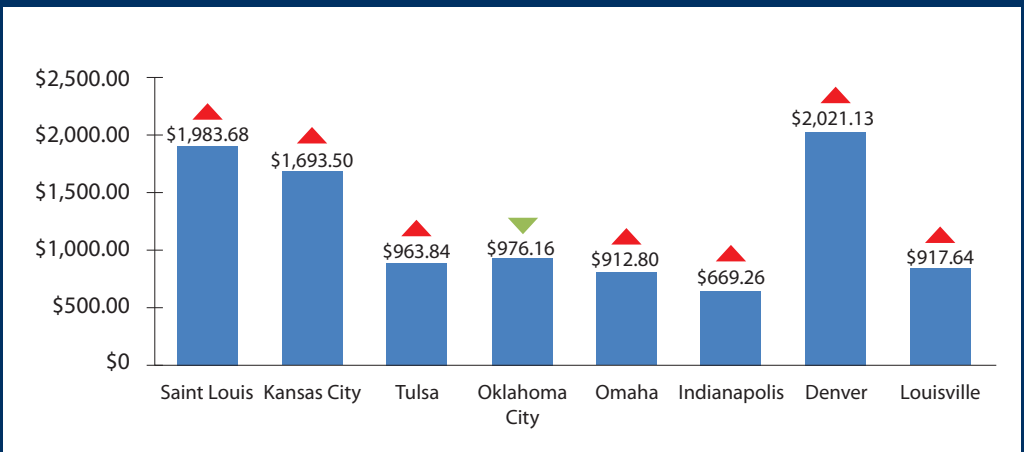
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 14

Taxes and Fees (per Resident)

St. Louis and Kansas City rank second and third, respectively, for taxes and fees per resident.



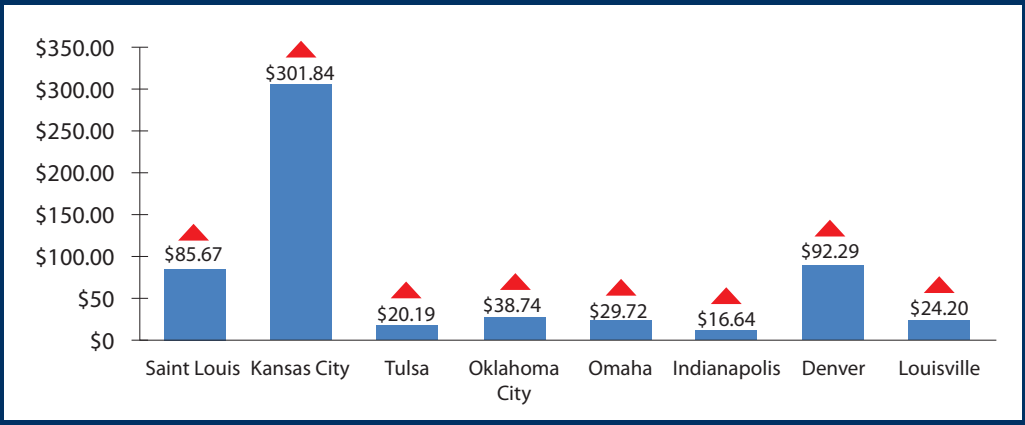
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 15

Fees (per Resident)

Kansas City and St. Louis rank first and third, respectively, for total fees per resident.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Table 2: **Top 5 Revenue Sources for Fees, Licenses, and Permits: Kansas City**

Account Name	Net Balance (after refunds)
Power and Light Companies, total	$65,418,115.52
Business professional and Occupancy Licenses, total	$24,844,631.44
Car rental fee, arena total	$10,607,955.96
Wireless telephone companies, total	$8,888,895.88
Natural gas companies, total	$8,625,507.38
Total	**$118,385,106.18**

Source: Comprehensive Annual Financial Report for Kansas City.

amount each city collected in taxes per resident. Denver collects $1,928.84 per resident in taxes. This is over $30 more than St. Louis ($1,898.00), the next closest city. Kansas City comes in third with $1,391.67 collected per resident. Indianapolis collects the least amount in taxes per resident at $652.62.

There is value in also examining the amount of city revenue collected as a percentage of personal income. The following example illustrates why this is worth examining. City A might collect more in per-resident taxes than City B, but its residents' per-capita income also might be much higher than City B's residents. Thus, tax burden per resident in City A might actually be lower (on a percentage basis) than the burden in City B.

Figure 17 compares each city's taxes collected per resident as a percentage of personal income. St. Louis ranks first in this measure, with taxes collected, making up 7.27 percent of resident personal income. Denver is ahead of Kansas City at 5.00 percent. Kansas City is third with 4.87 percent. Indianapolis is last at 2.56 percent.

Tax Breakdown

The taxes levied by a city can have an impact on its economic health.[18] Although taxes are not the sole determinant of whether a city experiences economic growth or contraction, they do matter. Not all taxes affect economies the same way—some can be more damaging than others. According to economist Jens Arnold, "Property taxes, and particularly recurrent taxes on immovable property, seem to be the most growth-friendly, followed by consumption taxes and then by personal income taxes. Corporate income taxes appear to have the most negative effect on GDP per capita."[19] That is why, in addition to showing how each city compares in taxes per resident, this part of the paper also breaks down what types of taxes are collected per resident.

Taxes are broken into the following five categories:

1. **Business taxes** (includes gross receipts taxes, gaming taxes, franchise taxes, and occupational taxes).

2. **Earnings taxes.**

3. **Sales and use taxes** (includes hotel/motel and restaurant taxes).

4. **Property taxes** (includes motor vehicle taxes and wheel taxes).

5. **Miscellaneous taxes.**[20]

These categories are broad, and the taxes included in each of them can be quite different. For example, a gross receipts tax is not the same as a tax on corporate income.[21] This paper is not aimed at determining which city's tax structure does the most/least amount of economic harm. However, the Arnold paper provides a helpful framework in which to categorize the different types of taxes these cities impose.

Table 3: **Fees per Resident, Comparison Cities**

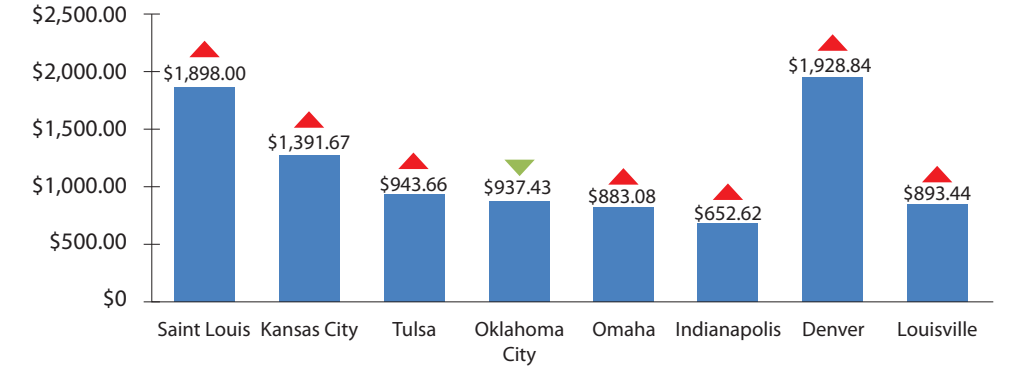
Kansas City—Power and Light only	$133.79
Denver	$92.29
St. Louis	$85.67
Oklahoma City	$38.74
Omaha	$29.72
Louisville	$24.20
Tulsa	$20.19
Indianapolis	$16.64

Source: Kansas City Finance Department.

Figure 16

Taxes (per Resident)

St. Louis and Kansas City rank second and third, respectively, for total taxes collected per resident.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

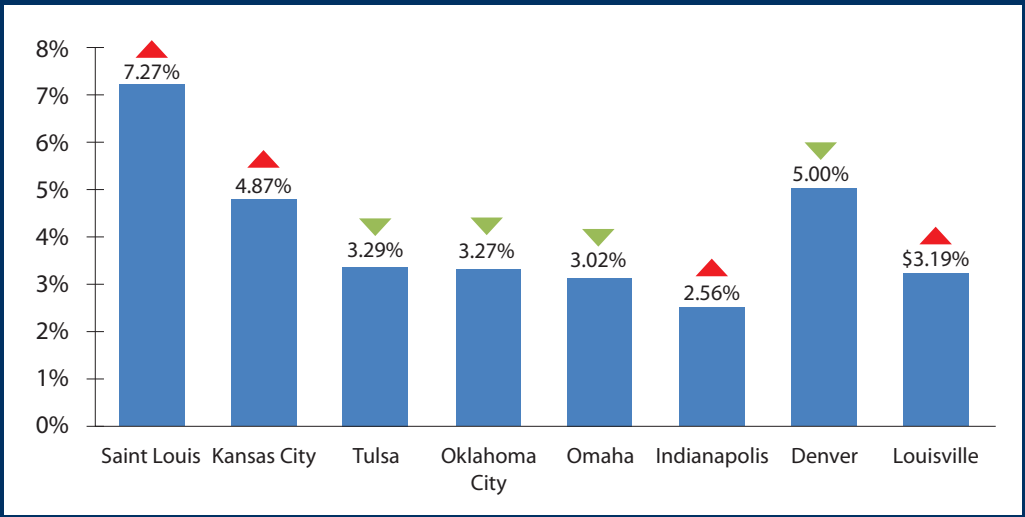
Figure 18 shows the amount of business taxes per resident each city collects. Louisville collects $641.15 in business taxes per resident. This is the most of any city. St. Louis collects the second most at $292.08 per resident, and Omaha collects the third most ($152.38 per resident). Kansas City ranks near the bottom of the comparison cities with $26.12 collected per person.

Figure 19 compares each city's earnings taxes per resident. The majority of the cities in this study do not impose an earnings tax. Of those that do, St. Louis collects the most earnings taxes per resident at over $700 per resident ($722.62). This is over $250 more than Kansas City, which collects more than $450 per resident ($472.12). It is important to note that individuals who work but

Figure 17

Taxes Collected as a Percentage of Personal Income

St. Louis and Kansas City rank first and third, respectively, for per-resident taxes collected as a percentage of median personal income.



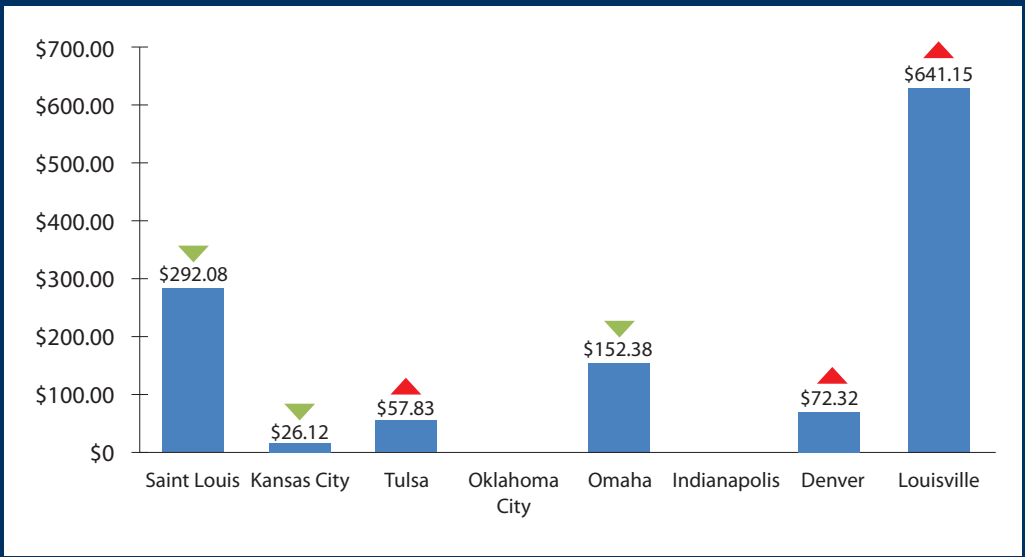
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 18

Business Taxes (per Resident)

St. Louis and Kansas City rank second and sixth, respectively, for business taxes per resident.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

do not live in the cities where earnings taxes are levied also pay the tax. This means the amount listed "per resident" doesn't reflect average tax burden borne solely by city residents, but the total amount of earnings taxes collected by the city divided by its population.

Figure 20 shows the amount of sales and use taxes per resident each city collects. Denver collects the most sales and use taxes per resident at $1184.27. Oklahoma City collects the second most at $726.03. Of the comparison cities, St. Louis and Kansas City rank near the middle ($580.23 and $620.76, respectively).

Figure 21 shows the amount of property taxes per resident each city collects. Denver collects the most property taxes per resident ($639.27). It is followed by Omaha ($379.33) and Indianapolis ($359.59). Kansas City and St. Louis again rank in the middle of these comparison cities ($303.04 and $253.67, respectively).

Each of the six comparison cities also collect taxes that do not fall into any of the listed categories. The remaining "miscellaneous" taxes have much smaller

per-resident collections, but range from $8.44 per resident in Tulsa to $34.11 per resident of Louisville. Kansas City ranks fifth with $19.00, and St. Louis ranks seventh ($16.42).

Discussion

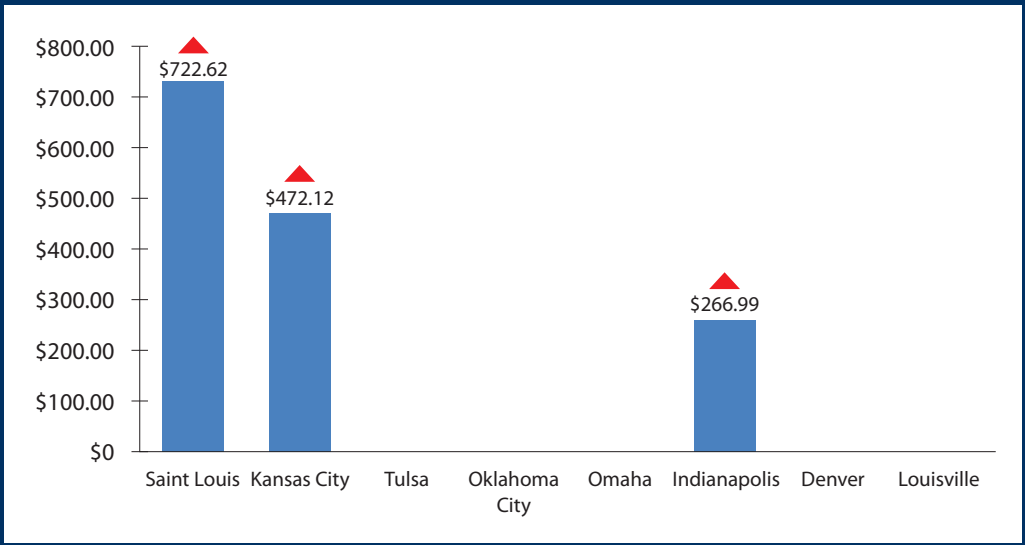
Denver, St. Louis, and Kansas City are the leaders in total government revenue. Even after subtracting intergovernmental revenue, Denver and St. Louis still collect the most per resident, and Kansas City is close behind. There is, however, a large divergence between the types of revenue collected in St. Louis and Denver on one hand and in Kansas City on the other.

Kansas City leads by far in the amount of fees collected per resident as compared to other cities.[22] St. Louis and Denver rely more on taxes and again lead all other cities in taxes collected per resident. But it should be noted that St. Louis is the only comparison city discussed in this paper that has experienced a decrease in population since first publication, and that negative change does increase St. Louis's per-resident revenue and expenditure amounts, if all else is held equal.

Figure 19

Earnings Taxes (per Resident)

St. Louis and Kansas City rank first and second, respectively, for earnings taxes per resident.



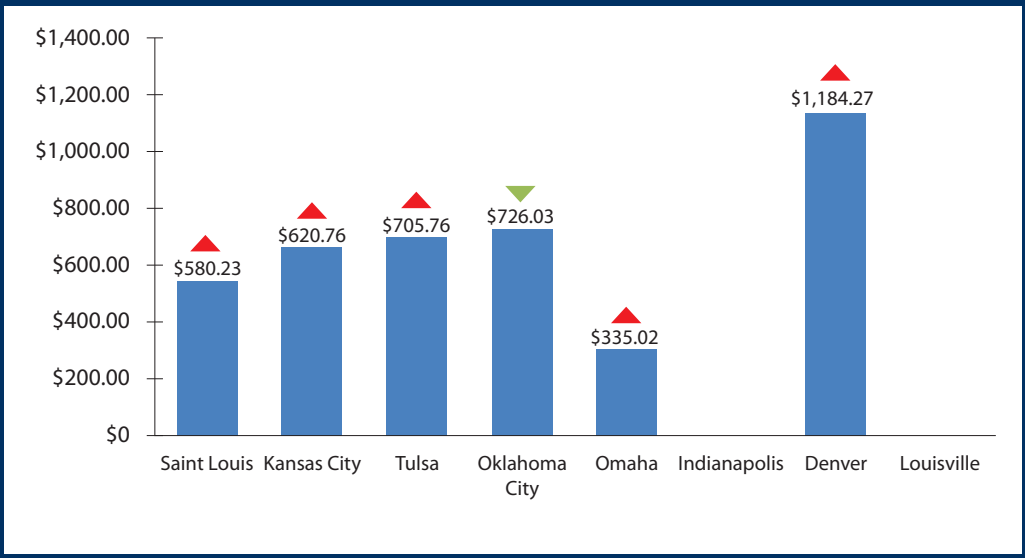
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 20

Sales Taxes (per Resident)

Kansas City and St. Louis rank fourth and fifth, respectively, for sales taxes per resident.



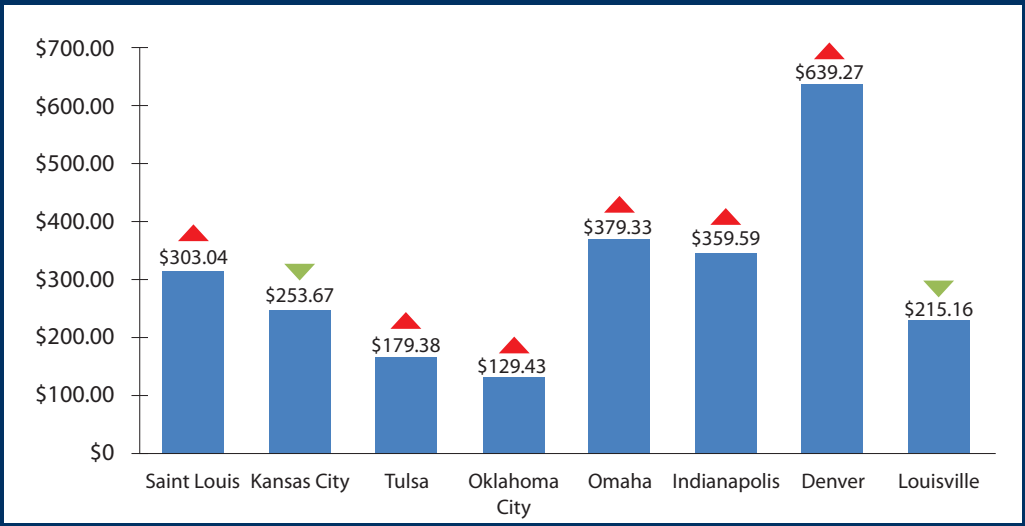
Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Figure 21

Property Taxes (per Resident)

St. Louis and Kansas City rank fourth and fifth, respectively, for property taxes per resident.



Note: Arrows indicate whether spending has increased (red) or decreased (green) since 2013.

Source: Comprehensive Annual Financial Reports for each city in 2017 compared to 2013.

Denver also increased its yearly revenue collections since last publication by over $40 million as a result of the legalization of recreational marijuana. Because of the high amount of fees collected, Kansas City, while ranking third in total taxes collected ($1,391.67), is closer to Tulsa ($943.66) in the amount of taxes collected per resident than it is to St. Louis ($1,898.00) and Denver ($1,928.84).

St. Louis collected the most taxes when considered as a percentage of its residents' personal income (7.27 percent). This paper does not state whether the 7.27 percent of personal income collected as taxes is overly burdensome. The literature does suggest that as taxes increase, the chance of people migrating out of the city increases as well, at least slightly.[23]

The Arnold paper suggests that not all taxes affect economies the same way.[24] Determining the specific effect of each type of tax on a city's economy is beyond the scope of this paper. Arnold's research suggests, though, that taxes on capital and income could cause the most damage to a region's economy. Since business taxes constitute a broad category, just looking at the business taxes collected per resident would not prove that the city that collected the most business tax revenue would have the worst environment for business. It would probably be fairer to state that, all other things remaining the same, a city that does not levy business taxes would have a competitive advantage over a city that does.

Beyond the findings of the Arnold paper, there is a lot of evidence regarding the negative economic effects an earnings tax can have on a city.[25] Only three cities among those studied here impose an earnings tax: Kansas City, St. Louis, and Indianapolis. If possible, it might be better for these cities economically if they found an alternative to the earnings tax. The fact that St. Louis and Kansas City derive so much (more than 33 percent in both cases) of their total tax revenue from earnings taxes might make eliminating it a difficult task, but there are ways to replace these taxes if there is a desire to do so.[26]

No one city collects the most taxes per resident in every category in the tax breakdown. As mentioned before, St. Louis collects the most earnings taxes per resident. Louisville collects the most business taxes per resident. However, Denver leads in the most categories as it collects the most sales and use, property, and miscellaneous taxes per resident, which is to be expected since it is the city that collects the most revenue per resident and it does not impose an earnings tax.

SUMMARY

This paper conducts a comparative overview of revenue collections and expenditures for similar cities. Kansas City and St. Louis are among the cities that collect the

most revenue per resident and also spend the most. They also collect relatively large amounts of revenue as a percentage of their residents' personal income. This does not mean that St. Louis and Kansas City's taxing and fee environments are overly burdensome (although that is certainly possible); it only gives a snapshot of how much money each city collects and spends.

There are many possible explanations for the differences in revenues and expenditures between the similar cities. Tulsa, for example, is one of the lowest-spending cities among those examined, and it also has been one of the most aggressive in regard to the shifting of government-funded activities into public–private partnerships,[27] including the Tulsa Zoo and shifting animal adoption services to the Humane Society of Tulsa.[28] This does not mean that the privatization is the reason Tulsa spends among the least of the comparison cities. It could be that, per Tiebout, the residents of Tulsa are comfortable with the level of services that the city provides. Over the previous five years, several other comparison cities have entered into new public–private partnerships. Examples include a $1.8 billion project to renovate the Denver airport and a $150 million fund to revitalize downtown Louisville.[29] The increased popularity of these projects among similar cities indicates a growing understanding of the potential benefits of such partnerships, but their success is not guaranteed. However, the privatization efforts do point to a concerted effort by the leadership in a growing number of cities to explore ways to deliver services in a more efficient manner. Just because St. Louis and Kansas City are among the leaders in per-resident expenditures and revenue collected per resident, it does not mean that they are necessarily being inefficient in their delivery of services. However, a large tax burden relative to similar cities can serve as a warning signal. While the exact number is hard to quantify, the literature gives reasonable evidence to suggest that the higher the tax burden for one particular city, other similar cities with much lower tax burdens can be more attractive to some of the high-tax city's residents.[30] The population of St. Louis has declined since 2000; does that mean the high relative tax burden has contributed to the loss of population?[31] It is certainly possible.

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NOTES

1. Rathbone, Michael. "Kansas City and Saint Louis Expense Breakdown Compared to Six Other Cities.", Show-Me Institute, 2013. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/kansas-city-and-saint-louis-expense-breakdown-compared-six-other; Rathbone, Michael. "Breaking Down Revenue: How Kansas City and Saint Louis Compare to Six Other Cities." Show-Me Institute, 2015. Available at: https://showmeinstitute.org/publication/budget/breaking-down-revenue-how-kansas-city-and-saint-louis-compare-six-other-cities.

2. Rathbone, Michael, "Kansas City and Saint Louis Expense Breakdown Compared to Six Other Cities." Show-Me Institute, June 2013. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/kansas-city-and-saint-louis-expense-breakdown-compared-six-other.

3. Rathbone, Michael. "Kansas City and Saint Louis Expense Breakdown Compared to Six Other Cities.", Show-Me Institute, 2013, Available at: https://showmeinstitute.org/publication/taxes-income-earnings/kansas-city-and-saint-louis-expense-breakdown-compared-six-other.

4. Tiebout, Charles M., "A Pure Theory of Local Expenditures," *The Journal of Political Economy*, vol. 64, no. 5, Oct. 1956, pp. 416–424; Buchanan, James M., Faith, Roger L., "Secession and the Limits of Taxation: Toward a Theory of Internal Exit." The American Economic Review, Vol. 77, No. 5, (Dec. 1987), pp. 1023–1031. Available at: https://www.jstor.org/stable/pdf/1810228.pdf?seq=1#page_scan_tab_contents.

5. The Comprehensive Annual Reports for each city can be found here:

   Denver: https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/CAFR/Report_CAFR_2017.pdf.

   Indianapolis: http://www.indy.gov/eGov/City/OFM/Finances/Documents/City%20of%20Indpls%202017%20CAFR.pdf.

Kansas City: http://kcmo.gov/finance/financial-information-reports-and-policies/.

Louisville: https://louisvilleky.gov/sites/default/files/management_budget/cafr/fy17_cafr_final_updated_12-22-17.pdf.

Oklahoma City: https://www.okc.gov/home/showdocument?id=10041.

Omaha: https://finance.cityofomaha.org/images/Budget__Accounting_Grant_Docs/City_of_Omaha_2017_Final_CAFR.pdf.

Saint Louis: https://www.stlouis-mo.gov/government/departments/comptroller/documents/upload/CityofStLouisMO_CAFR-FY17.PDF.

Tulsa: https: https://www.cityoftulsa.org/media/6355/2017-cafr.pdf.

6. The census figures for population come directly from the United States Census Bureau's State & County QuickFacts website. Each city's page can be found here:

   Denver: https://www.census.gov/quickfacts/fact/table/denvercitycolorado.

   Indianapolis: https://www.census.gov/quickfacts/fact/table/indianapoliscitybalanceindiana.

   Kansas City: https://www.census.gov/quickfacts/fact/table/kansascitycitymissouri.

   Louisville: https://www.census.gov/quickfacts/fact/table/louisvillejeffersoncountybalancekentucky.

   Oklahoma City: https://www.census.gov/quickfacts/fact/table/oklahomacitycityoklahoma.

   Omaha: http: https://www.census.gov/quickfacts/fact/table/omahacitynebraska.

   St. Louis: https://www.census.gov/quickfacts/fact/table/stlouiscitymissouri.

   Tulsa: https://www.census.gov/quickfacts/fact/table/tulsacityoklahoma.

7. One possible explanation for some of these differences involves the treatment of sheriff's departments. St. Louis City is its own county and thus has its own sheriff's department. Kansas City has its own police department, but the sheriff's department is a part of Jackson County. Thus, St. Louis' large per-resident spending on public safety could be due to the city financing its own sheriff's department.

8. These differences might be explained in part by the proportion of city streets to state roads and county roads. The city does not fund and maintain all streets in St. Louis. The same may be the case in other cities.

9. This is another case where the direct expenditures are not entirely comparable. For instance, a lot of cultural activities and recreation in St. Louis are financed by the Metropolitan Zoological Park and Museum District, which encompasses St. Louis City and St. Louis County, two separate entities. Thus, St. Louis County bears some of the cost.

10. Culture and Recreation spending for Saint Louis does not include debt associated with The Dome at America's Center.

11. "Per-capita Income" is per-resident money income in the past 12 months taken from the United States Census Bureau's State & County QuickFacts website.

12. Angell, Tom, "Denver 'Having Success' Regulating Legal Marijuana, Mayor Says", Forbes, August 9, 2018. Available at: https://www.forbes.com/sites/tomangell/2018/08/09/denver-having-success-regulating-legal-marijuana-mayor-says/#719f81d63395.

13. United States Government Accountability Office, "Federal User Fees: A Design Guide." May 2008. Available at: http://www.gao.gov/assets/210/203357.pdf.

14. Ibid.

15. United States Government Accountability Office, "Intergovernmental Revenue." Available at: http://www.gao.gov/special.pubs/longterm/state/intergovrevenue.html.

16. The author obtained fee totals from the "Licenses and Permits" line item from each city's CAFR. There could be other items considered fees by the cities themselves, but for the purposes of simplicity, only the amounts listed in the "Licenses and Permits" line item are used. Also, any other fees would be captured in the other revenue total and thus are not completely ignored in this paper.

17. These amounts were provided to the author via correspondence with the city of Kansas City Finance Department. For the purposes of this paper, all items within the "Licenses and Permits" line item are counted as fees. Since the item totals in Table 2 help constitute that line item in the Kansas City CAFR, they are considered fees.

18. Wall, Howard J. "Updated Estimates of the Effects of Earnings Taxes on City Growth." Show-Me Institute, 2014. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/updated-estimates-effects-earnings-taxes-city-growth.

19. Arnold, Jens. "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries." Organisation for Economic Co-operation and Development, Economics Department Working Papers No. 643 (Oct. 14, 2008); Ishmael, Patrick, Rathbone, Michael, "Cutting the Ties that Bind: End Missouri's Corporate Income Tax." Show-Me Institute, November 2012. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/cutting-ties-bind-end-missouri%E2%80%99s-corporate-income-tax; Ishmael, Patrick, Tuohey, Patrick, "A New Tax Policy Vision for Missouri." Show-Me Institute, April 2018, Available at: https://showmeinstitute.org/publication/taxes-income-earnings/new-tax-policy-vision-missouri.

20. Miscellaneous taxes include taxes that could not be easily placed in any of the other four categories *and* made up less than 2 percent of city tax income. Items the cities identify as "Other Taxes" on the CAFR are placed here as well as specific items such as "Telephone Taxes" and "Special Assessment Taxes." However, if a tax makes up less than 2 percent of a city's tax income but is the same type of tax as levied by another city, it is not included in miscellaneous taxes. For example, Tulsa's hotel tax makes up less than 2 percent of its tax income, but other cities have hotel taxes too, and they make up more than 2 percent of those cities' taxable income. Thus, Tulsa's hotel taxes are counted as sales & use taxes.

21. Fleenor, Patrick, and Andrew Chamberlain. "Tax Pyramiding: The Economic Consequences of a Gross Receipts Tax." The Tax Foundation, December 4, 2006. Available at: http://taxfoundation.org/article/tax-pyramiding-economic-consequences-gross-receipts-taxes.

22. Fees collected per resident for Kansas City only include those deposited into Governmental Funds. Fees collected for water and sewer are deposited into other funds and therefore are not included in this analysis.

23. Kotlikoff, Laurence J., Bernd Roffelhuschen, and Christian Hagist. "How Regional Differences in Taxes and Public Goods Distort Life Cycle Location Choices." *Hacienda Publica Espanola / Revista de Economia Publica* 189 (February 2009): 47–80. Available at: https://www.kotlikoff.net/sites/default/files/How%20Regional%20Differences%20in%20Taxes%20and%20Public%20Goods%20Distort%20Life%20Cycle%20Location%20Choices.pdf; Vedder, Richard. "Taxes and Migration." The Taxpayers Network. March 2003. Available at: http://www.taxpayersnetwork.org/_rainbow/documents/taxation%20and%20migration.pdf.

24. Arnold, Jens. "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries." Organisation for Economic Co-operation and Development, Economics Department Working Paper No. 643 (Oct. 14, 2008).

25. Haslag, Joseph. "How an Earnings Tax Harms Cities Like Saint Louis and Kansas City." Show-Me Institute, 2006. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/how-earnings-tax-harms-cities-saint-louis-and-kansas-city; Wall, Howard J. "Updated Estimates of the Effects of Earnings Taxes on City Growth." Show-Me Institute, 2014. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/updated-estimates-effects-earnings-taxes-city-growth.

26. For more detail on how to eliminate earnings taxes in Missouri and Kansas City see: Haslag, Joseph. "How to Replace the Earnings Tax in St. Louis." Show-Me Institute, 2007. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/how-replace-earnings-tax-saint-louis; Haslag, Joseph. "How to Replace the Earnings Tax in Kansas City." Show-Me Institute, 2007. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/how-replace-earnings-tax-kansas-city.

27. Kenny, Harris. "Tulsa, Jacksonville Mayors Pursuing Public-Private Partnerships." Reason Foundation. May 15, 2012. Available at: https://reason.org/commentary/tulsa-jax-privatization-2011/.

28. Bartlett Jr., Dewey. "Tulsa, Open for Business." Reason Foundation. January 13, 2012. Available at: https://reason.org/commentary/tulsa-bartlett-government-reform/.

29. Axelrod, Jason, "Denver secures $1.8 billion public-private partnership for airport", American City and County. August 16, 2017. Available at: http://americancityandcounty.com/privatization-outsourcing/denver-secures-18-billion-public-private-partnership-airport; Sonka, Joe, "Six Kentucky banks launch $150 million infrastructure fund to advance public-private partnerships, Insider Louisville. October 10, 2017. Available at: https://insiderlouisville.com/government/six-kentucky-banks-launch-150-million-infrastructure-fund-to-advance-public-private-partnerships/.

30. Kotlikoff, Laurence J., Bernd Roffelhuschen, and Christian Hagist. "How Regional Differences in Taxes and Public Goods Distort Life Cycle Location Choices." *Hacienda Publica Espanola / Revista de Economia Publica* 189 (February2009): 47–80. Available at: https://www.kotlikoff.net/sites/default/files/How%20Regional%20Differences%20in%20Taxes%20and%20Public%20Goods%20Distort%20Life%20Cycle%20Location%20Choices.pdf; Vedder, Richard. "Taxes and Migration." The Taxpayers Network (March 2003). Available at: http://www.taxpayersnetwork.org/_rainbow/documents/taxation%20and%20migration.pdf; Wall, Howard J. "Updated Estimates of the Effects of Earnings Taxes on City Growth." Show-Me Institute, 2014. Available at: https://showmeinstitute.org/publication/taxes-income-earnings/updated-estimates-effects-earnings-taxes-city-growth.

31. Population of St. Louis in the year 2000 and 2017. Available at: https://www.census.gov/quickfacts/fact/table/stlouiscitymissouri.

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