



TESTIMONY

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HOUSE BILL 2058: TAX VOTES, ELECTIONS, AND SPECIAL TAXING DISTRICTS

By David Stokes

**Testimony before the Missouri House Government Efficiency and
Downsizing Committee**

TO THE HONORABLE MEMBERS OF THIS COMMITTEE

My name is David Stokes. I am the Director of Municipal Policy at 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 my own and summarize my views regarding the habit and frequency of resubmitting local government tax proposals to voters in Missouri.

Missouri's Hancock Amendment requires public votes and approval for almost all tax increases.¹

Unfortunately, we are seeing too many examples in which voters reject a tax increase proposal only to have city officials almost immediately place the same proposal back on the ballot. It is as if voters don't know what they are doing, and city officials are entitled to keep placing the same tax increase on the ballot until they get

the answer they want. Watching city officials act like spurned yet persistent suitors is unseemly in appearance and against the spirit of the Hancock Amendment.

For the upcoming municipal elections in April, there are several egregious examples of repetitive requests for tax increases within St. Louis County. In Velda City, voters are being asked to approve both a marijuana tax and a use tax that they rejected in the April 2023 elections. Furthermore, Velda City voters are also being asked to approve a utility tax increase that they have rejected twice before, in both 2022 and 2023.²

In Northwoods, voters are being asked to approve a use tax despite voting against the tax in both April, 2023 and April 2022.³

Last year, for the April 4 municipal elections, four municipalities within St. Louis County placed a use tax proposition on the ballot despite

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the fact that voters in those cities had rejected the use tax just one year before. Those four municipalities were Chesterfield, Fenton, Town and Country, and the previously mentioned Northwoods.⁴

Maryland Heights was even more extreme for a short timeline. There, voters rejected a use tax in November of 2022 yet there they were again in April of 2023 voting just five months later on the exact same tax increase proposal. While these particular examples are limited to St. Louis County, this problem is statewide in nature.⁵

House Bill 2058 (HB 2058) would place a sensible limit on how frequently local governments can ask voters for the same tax increases. HB 2058 would implement a two-year moratorium after voters reject a new or increased tax at the ballot box before local governments could put it on the ballot again. Missouri's Hancock Amendment is intended to give voters a voice in the taxes they pay. It is not intended to be easily circumvented by municipalities or other governments repeatedly placing tax increases on the ballot until they get the result that local officials want. HB 2058 would institute necessary and beneficial protections for taxpayers and is well within the spirit of the Hancock Amendment.

HB 2058 would also make beneficial changes to the way that community improvement districts (CIDs) and transportation development districts (TDDs) are enacted. It would require a two-thirds vote from the respective government bodies or the public if the CID or TDD involves a new sales tax.

Missouri has seen an explosion of new special taxing districts (SDs) during the past decade. These districts are used primarily to redirect public tax dollars toward private purposes. They include the use of tax-increment financing (TIF), Chapter 100 bonds, TDDs, CIDs, and many other programs. HB 2058 proposes changes to state laws governing CIDs and TDDs that will provide an important check on their rapid and destructive growth in Missouri.

The Missouri state auditor's office and other local oversight agencies have routinely flagged CIDs, TDDs, and other special taxing districts for many troubling practices.⁶ These issues include failure to use competitive bidding, board member conflicts of interest, failure to produce or provide necessary financial reports, failure to notify shoppers of the

added taxes as required by law, and improperly collecting sales taxes from businesses outside of the districts. State auditors of both parties have called for much greater oversight, more transparency, and other limits on SDs.⁷ The Kansas City auditor's office also recently released an audit documenting many of these same problems with CIDs within Kansas City.⁸

SDs often fund primarily private assets with public dollars. Usually, those public dollars come from sales taxes imposed within SDs. For example, many CIDs in Kansas City—43 out of 74 to be precise⁹—consist of nothing more than one parcel of property and impose sales taxes on the public for the private benefit of that one property owner. These private benefits, for uses such as parking lots or landscaping for retail developments, are paid for by tax dollars rather than through private investment, and the benefits accrue almost entirely to the private party. This means that “the majority of . . . CID tax collection and spending is the result of one group or entity—developers and landowners—imposing taxes on another group—ordinary consumers—who are unaware of the tax and have no say in how the funds are collected or distributed.”¹⁰ That is not sound public policy.

Another major problem with SDs is a lack of transparency. The state auditor's office has issued reports documenting deficiencies in the operation, management, and accountability for the expenditure of public dollars by these districts throughout Missouri.¹¹ SDs frequently 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. As the recent Kansas City CID audit documents,¹² in 2021 over half of the CIDs in Kansas City failed to submit a budget on time, and 47 percent failed to provide an annual financial report on time (or at all) in 2019. The provision in this law that would compel publication of financial information would be a positive policy change for Missouri.

The reforms proposed by HB 2058, including slowing down the expansion of SDs in Missouri by requiring a two-thirds vote at the local level for their authorization if new sales taxes are involved, would improve the reasons and justification for SDs in the first place, which would benefit everyone in our state.

NOTES

1. Missouri Constitution, Article X, Section 22(a).
2. All election data comes for the St. Louis County election board website election archive.
3. Ibid.
4. Ibid.
5. Ibid.
6. Missouri State Auditor, “Community Improvement Districts,” Report No. 2018-056, August 2018.
7. Missouri State Auditor, “Lake Lotawana Community Improvement District,” Report No. 2012-133, October 2012.
8. Kansas City Auditor, “Performance Audit of Community Improvement Districts,” April 2021.
9. Ibid.
10. Renz, Graham and Tuohey, Patrick, “Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri.” Show-Me Institute Report, June 2019, page 13.
11. Missouri State Auditor, “Transportation Development Districts,” Report No. 2017-020, April 2017.
12. Kansas City Auditor, page 8.



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