Regional Fiscal Reform

in the St. Louis Metropolitan Region

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THE METROPOLITAN FORUM

Report of the

St. Louis Metropolitan Forum

Policy Advisory Panel

FOCUS St. Louis

EAST-WEST GATEWAY
Council of Governments
Creating Solutions Across Jurisdictional Boundaries

R·C·G·A
ST. LOUIS REGIONAL CHAMBER & GROWTH ASSOCIATION

x

Table of Contents

List of Tables and Figures

x

xx

The contents of this report are the results of the independent work of a panel of sixteen distinguished national and regional public policy and public finance experts, both academics and practitioners, who served as a Policy Advisory Panel on Regional Fiscal Reform engaged by the Metropolitan Forum.

The recommendations of the Panel presented in the report represent the views and thinking of this group of knowledgeable and experienced academics and professionals working in the field of local and regional finance and governance, and warrant careful reflection and constructive debate among leaders of the governmental, business and civic sectors in the greater St. Louis metropolitan region.

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The St. Louis Metropolitan Forum is a gathering of individuals from business, government and civic sectors that have come together to work for positive regional change. The Forum's members believe that the foundation for change must rest on a thorough, fact-based understanding of the issues and a fair consideration of a wide range of viewpoints.

This report is aimed at building an understanding of one of the most intractable, and sometimes impenetrable, issues facing the St. Louis region—fiscal reform. As noted in the report, the current system of taxation and spending on the local level affects economic productivity, reinforces economic and racial divisions, and sometimes sacrifices regional growth for the sake of local fiscal gain. The report suggests some ideas that may be controversial and contentious. It challenges the traditional ways of doing business in St. Louis. It should be viewed as the start of a regional conversation. To paraphrase Winston Churchill, this report is not the end. It is not even the beginning of the end. But we hope that it is the end of the beginning

The origins of the Metropolitan Forum trace back to November 2000, when a delegation of St. Louisans representing business, government and civic interests visited Toronto on a trip sponsored by the Regional Chamber and Growth Association (RCGA). They found Toronto to be a forward-looking, confident, culturally diverse, growing and economically vibrant region. The delegation also heard about Toronto's 1998 consolidation with its surrounding suburban cities, an action brought about by the provincial government.

The group came back from Toronto energized to build on its learning experience and eager to spark a new spirit of regionalism in St. Louis. RCGA and FOCUS St. Louis sponsored a process to bring the members of the delegation together, along with other stakeholders, as a Regional Governance Policy Group. This group, which met several times and issued a report in October 2001, called for a number of specific actions in subjects ranging from regional governance and transportation to healthcare. The report also suggested the formation of a "federation" between RCGA, FOCUS and the East-West Gateway Council of Governments to implement the report's recommendations and act as a "virtual" organization to coordinate future regional endeavors. Perhaps the most important feature of the proposed collaboration was that it involved business, government and civic sectors in advancing a collaborative vision of regionalism tailored to the needs, history and tradition of St. Louis.

After more than a year of discussion, study and debate, RCGA, FOCUS and East-West Gateway convened a two-day leadership retreat in January 2003. The retreat was attended by chief elected officials, prominent business executives and influential civic leaders selected from the boards of each of the sponsoring organizations. They considered a number of papers developed by the staff of the three organizations and heard from national experts on metropolitan affairs. The retreat resulted in candid, passionate and sometimes emotional discussion about the problems facing the region. Importantly, this disparate group of prominent leaders reached consensus on a number of positions:

- Three principal problems limiting the prosperity of the St. Louis region are:
  - Racial and economic disparity
  - Slow population and employment growth
  - Unproductive local tax policy
- There is a continuing need for a regional collaboration among government, business and civic leaders to engage in discussion of regional concerns and to act as a catalyst for positive change.

Over the next couple of years, the Metropolitan Forum came together, with the adoption of a charter and a set of values and principles (see Appendices C and D). The Forum deliberated extensively and listened to expert advice about how best to address the three principal problems facing the region. The staff of the three sponsoring organizations met every two weeks in an effort to advance the Forum's first "project." In the end, the Forum agreed to address regional fiscal reform and adopted a "case statement" (see Appendix A) that explained why this is a seminal issue that would define the future of the St. Louis region.

Because regional fiscal reform is both an analytically challenging subject and a highly contentious one, the Forum chose to follow a study process developed by the National Academies[1] that is often used by Congress to bring together disparate views in science and technology. The National Academies policy review process typically utilizes a carefully selected panel of academics and practitioners, supported by staff, which reviews information and opinions over a series of meetings and arrives at consensus conclusions that are published in a peer-reviewed report. The hallmarks of the National Academies process are independence and objectivity—qualities that the Forum feels are essential to discussions of difficult regional subjects.

In keeping with this National Academies model, the Forum brought together sixteen experts, ten academics and six practitioners, as a Policy Advisory Panel on Regional Fiscal Reform. The Panel was representative of a range of viewpoints, disciplines and backgrounds (public policy, economics, public administration, elected and appointed leadership, etc.) and was chaired by one member, Gerry Schwartz, who facilitated the discussion. Members represented both local and national institutions. The Panel met two times, with each meeting lasting for two days. Panel members engaged in extensive communication outside of the meetings as well. Panel member Dr. David Miller was the principal author of the report, although other panel members and staff contributed material.

This report includes the recommendations of the Policy Advisory Panel on Regional Fiscal Reform. It represents the best thinking of distinguished groups knowledgeable and experienced academics and professionals working in the field of local and regional finance and governance, both in St. Louis and nationwide. The report will also be peer reviewed by a group of local scholars.

By consensus agreement, this report represents a range of options for fiscal reform, some of which may be mutually exclusive. Not every panel member supports every option. However, panel members agree that this report represents a set of alternatives that should be considered and evaluated by regional leaders. The goal of the Forum was to begin to advance ideas that can enhance our region and address the conditions that keep St. Louis from achieving its full economic and social potential as a great metropolitan region.

The panel recommendations do not necessarily represent the views or opinions of individual members of the Metro Forum or the three convening organizations of the Forum. Rather, these ideas are intended for careful reflection and evaluation, and to stimulate constructive debate in the region regarding its long term fiscal challenges and opportunities.

The Forum would like to thank all of the panel members for their valuable contributions and insights, and especially Gerry Schwartz and David Miller, who helped shape the deliberations and the final report.

1 http://www.nationalacademies.org/studycommitteprocess.pdf

Drafting a Roadmap for Change

The St. Louis region is experiencing small population gains, but many residents are leaving the region for other areas every year. The St. Louis community ranks high among its peer metro areas in the severity of economic and social disparity. Regional employment is increasing, but at a lower rate compared to other metropolitan areas. There is a need to attract and “grow” a skilled workforce, but adequate and equitable funding of public schools are urgent concerns. And, although the St. Louis area has more local governments than most, those governments raise and spend less money for public purposes than their counterparts nationwide.

To the Forum’s members, it has become clear that a single, causal thread running through the three principal regional issues previously identified by the group (racial and economic disparity, slow population and employment growth, and unproductive local tax policy) is the uneven and often inadequate provision of public services across the region. Because governments at all levels increasingly find themselves in fiscal peril, further erosion of the quality of public services threatens to widen the gap between communities, exacerbating the impact of these critical issues and limiting the region’s growth potential.

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The Forum set out to explore the development of an aggressive regional fiscal reform agenda to mitigate the effects of the three issues. At the outset, the objectives of this agenda were to:

- Finance a minimum acceptable level of essential public services in all communities.
- Create a fiscal environment that supports higher levels of regional economic growth.
- Foster an environment of economic and fiscal cooperation, rather than competition, between local governments.
- Build a productive and enduring partnership among public, private and civic sectors.
- Develop a region that is more fiscally self-reliant.
- Implement tax policies that are fair and equitable to citizens, businesses and communities.

Undertaking the development of such a wide-ranging regional fiscal reform agenda called for a process that would employ the best experts from a range of disciplines to assist the Forum in considering the major issues facing the region and suggesting a range of options for improvement.

The National Academies Study Process Model

The Forum sought to emulate the National Academies study process by enlisting 16 multidisciplinary experts, both academics and practitioners, to form a Policy Review Panel on Regional Fiscal Reform. This Panel was charged with developing a roadmap for change. The Panel was representative of a range of national and regional viewpoints, disciplines and backgrounds in public policy, economics, public administration, and elected and appointed leadership.

The Panel was chaired by one of its St. Louis regional members, Gerry Schwartz. Each member served as an individual expert, contributing to deliberations on the basis of his or her own expertise and good judgment. The Panel was encouraged to consider new ways of thinking about fiscal reform as it related to the St. Louis regional, bi-state situation.

The Panel met twice over a six-month period (November 2005 and April 2006) for 1-1/2 day meetings each session to conduct their deliberations. At the outset, the Forum provided the objectives of its agenda for fiscal reform as a formal statement of task to define the work of the Panel.

Two outside consultants provided support and acted as meeting facilitators for the deliberative sessions of the Panel. Forum staff assembled resource materials and was available for consultation; however, the Panel carried out its discussions and deliberations independently to avoid political, special interest and sponsor influences. The product of the Panel is this report, assembled and authored by Panel member Dr. David Miller, assisted by Forum staff and consultants, and reviewed and approved by the Panel.

Funding for the work of the Panel was provided by the Metropolitan Forum's convening agencies and the Greater St. Louis Community Foundation through its discretionary grant program for knowledge development relating to current community issues.

Panel Meetings

Prior to meetings, Panel members were given extensive briefing materials on the St. Louis Region and information pertinent to each meeting's agenda. Forum staff also provided the Panel with a "case statement" that described problems and issues confronting the St. Louis region to frame the basis for pursuing fiscal reform.

Panel meetings were structured to foster interaction between members and establish an environment that maximized creative thinking and the generation, critique, modification and advancement of ideas. The group process included a combination of presentations by panelists and Forum staff, small group deliberation, and plenary discussions.

Developing and Refining Recommendations

At the first Panel meeting, Forum staff provided presentations on the St. Louis situation as background. The Panel then worked in two sub-groups for purposes of generating policy options for future discussion and exploration.

One sub-group examined the region's fiscal structure as a whole and generated a list of possible reforms that could result in system-wide changes. This group focused its deliberations on understanding the relationship between who is taxed and who benefits. Recommendations centered on bringing the two parts of that relationship into balance and structuring incentives to match policy goals more closely.

The second sub-group addressed specific problems and issues confronting the region, such as lack of affordable housing, inadequate transportation system options, and unequal access to education. Panel members in this sub-group focused on identifying new ways to generate revenue and reduce costs for these public services, and generating regional economic development.

At the conclusion of the first day-and-a half meeting, the Panel had generated 35 options (See Appendix B) for future deliberation. These options fell into four main categories: Governance and Decision Making, Tax-Related Reforms, Local Development Incentives, and Regional Cooperation.

Agreeing on Recommendations for Implementation

In their second meeting in April, Panel members explored these 35 options in depth. In a plenary session, assisted by presentations by selected Panel members, options in each category were analyzed as to their impact, effectiveness and ease of implementation. Options were confirmed, modified or eliminated, and areas requiring further research were identified.

The Panel went through a process of determining priorities, resulting in a final set of 11 recommendations to be carried forward. The elements of an implementation strategy were discussed, including important steps in the effective communication of reform concepts to the public and the need to develop a common, regional economic development vision the public can understand and support.

The findings of the Panel and its final recommendations are documented in the following sections.

Report of the Metropolitan Forum Policy Advisory Panel On Regional Fiscal Reform

Framing the Issue

As more Americans live and work in urban areas, the challenges and complexities of governing these areas increase dramatically. In earlier times, most urban Americans lived in a major city and most of the economic activity of the area occurred within that city. Managing a city was (and is) a complex task and it is not the intention of this Panel to minimize that task. However, times have changed and urban areas are now much more metropolitan. A city is important to a region, both economically and socially, but more people live, more jobs exist, and more economic activity now occurs in multiple jurisdictions within a metropolitan area. In a sociological sense, what was once called a "city" now spans an area that covers many "cities." Some refer to this expanded area as a "metropolitan region." For purposes of this report, this notion of the metropolitan region is used, without making assumptions about what governance structures that entails.

Indeed, much of the current discussion about the number of governments in a metropolitan region is misguided and counter-productive. How many governments there should be in a metropolitan region is a political issue, not an economic one. Through history, culture, and state laws and regulations, the St. Louis region, like other regions throughout the United States, has elected to constitute itself with a relatively large number of local governments. The Panel identified numerous instances where competitiveness among communities can be healthy for a region and noted that the very nature of governance in the St. Louis area is based on a healthy spirit of competition. Also, the evidence on jurisdictional fragmentation is inconclusive. Metropolitan regions like Minneapolis/St. Paul and Boston have as many local governments as St. Louis, but boast strong and vibrant local communities.

Deciding the purpose, structure, and nature of local government is a function reserved to each state. Since the 18th century, 50 different state legislatures have designed 50 different ways to govern locally. As a result, metropolitan regions in the United States are the aggregation of those decisions and come in all governmental sizes and shapes. Some have many local governments; some have relatively few. Local governments in some states have more power than local governments in other states. Some metropolitan regions rely heavily on the use of special districts. Some have devolved more power to county governments. The Panel believes that building local government systems in the United States is a long-term, legal process that is based on local custom and culture. It should not be tampered with lightly. For the St. Louis metropolitan region it has led to a system highlighted by numerous local governments and special districts that are often in competition with each other.

That said, the Panel believes that once a region has made the political decision on its governmental structure, it also has a responsibility to address the unintended and potentially unhealthy consequences, primarily economic, that might result from that political decision. No governance structure is perfect. A decision to have relatively few local governments may well have the consequences of minimizing citizen participation and hampering the generation of innovative ideas that might result from a more competitive environment. A decision to have numerous local governments may well foster participation and competition, but may also make it more difficult to achieve other desired outcomes.

The Panel believes that the problem for the St. Louis region is this inability to deal with the unintended consequences of having many local governments. As a result, minimizing these unintended consequences of the region's governance structure should be the community's primary focus.

Unintended Consequences

Analysis of different metropolitan regions in the United States shows six major unintended consequences associated with systems that have a relatively large number of local governments.

1 Economic growth tends to occur unevenly throughout the region. Some areas are more attractive to capital investment and will grow while other areas will stagnate or decline. The more local jurisdictions there are, the more this phenomenon is accentuated.

2 The economic gap between rich communities and poor communities is high. This consequence is closely related to the first finding. The contrast between affluent and non-affluent is much more obvious and is much more likely to drive tension and conflict within the local governmental structure than serve to create common ground and shared understanding.

3 Because the economic stakes are so high, local government tax policy is more apt to be dominated by unhealthy competition or fiscal mercantilism. This fiscal mercantilism occurs when each community uses its tax policy to attract only net revenue producing activities. These activities may improve the fiscal health of a particular jurisdiction, but come at the expense of other jurisdictions or impose significant costs on those jurisdictions without corresponding revenues to offset those costs. In addition, it is possible that such local economic development could have little net effect or, worse, an undesirable effect on the overall economic health of the region.

4 Segregation by race and class is apt to be much higher. Local governments are one of the sorting mechanisms used by citizens to group themselves into communities in which they feel associated and comfortable with their neighbors. The more local governments that are created in a metropolitan region, the more likely this sorting will result in communities that look very different from each other based on race, class and quality of public services.

5 The coordination of land-use planning and economic development is much more difficult and complicated. One of the important functions of a local government in the United States is its ability to define the nature of that community. Deciding the relationship among residential, industrial, commercial, agricultural and open space uses, and how much to have of each of those uses, are fundamental rights of each community. Although subject to some federal and state limitations, comprehensive planning and zoning is virtually a monopoly power of local government. Obviously, the more jurisdictions in an area, the more these individual plans will potentially conflict with each other without any corresponding mechanism to arbitrate those inconsistencies.

6 Communities that are professionally managed may become better and more sophisticated at generating ways to protect their self-interests, even if they are implemented at the expense of the region as a whole. This point raises the important question, "when does desired competition become unhealthy?" The more local governments there are in a metropolitan region, the greater the likelihood that individual communities can adopt strategies that turn competition "unhealthy." Conversely, poorly managed communities are more likely to inhibit the region's ability to deal with a wide array of policy issues.

Statement of Task

The region and its leadership identified a specific set of ideal outcomes to frame the Panel's discussion in this report. After much deliberation, the Panel refined those outcomes to include:

- Finance a minimum acceptable level of essential public services, such as education, public safety and infrastructure, in *all* communities;
- Create a fiscal environment that generates higher levels of regional economic growth;
- Foster an environment of economic and fiscal cooperation as a basis for healthy competition among local governments;
- Build a productive and enduring partnership among public, private and civic sectors;
- Increase self-determination in the region's fiscal resources; and
- Implement tax, subsidy and incentive policies that are effective, fair and equitable to citizens, businesses and communities in the region.

Abandon Old Ways of Thinking

St. Louis is not the first urban area in the United States that has tried to deal with the reality of the emerging importance of the metropolitan region in today's urban issues. Indeed, it is probably safer to say that virtually all urban areas in the United States are simultaneously struggling with how to deal with public issues at this expanded spatial level while preserving and retaining important cultural and political institutions that form the building blocks of the region. These other experiences may be informative, as much in demonstrating what not to do as in identifying successful strategies that might be modified and applied in St. Louis. Such an analysis generates four important lessons of "what not to do."

Lesson 1: Don't think that the task of allocating responsibilities between levels of local government will be simple.

Many efforts at regional decision-making have been focused on 1) identifying one set of services that are local in nature 2) delegating those services to local governments; 3) identifying another set of services that are regional in nature; and 4) delegating those services to a regional government. A federal system is created in this manner, as can be seen in the relationship between the United States government and the individual states. Such a strategy, after 200+ years of limited trial and error, has failed to generate effective examples. As one expert states, "the effort to create a functional division of power is based on the idea that there is a non-controversial way to divide governmental functions between those that serve a parochial conception of self interest and those that will serve the greater good. Such a neutral basis for the allocation of power is not simply illusory. The search for it has frustrated the effort to achieve regional goals."

Lesson 2: Don't just create more regional special districts without thinking through how those new entities will be coordinated and connected to the existing network of local governing.

Between 1967 and 1997, the number of special districts in the United States grew 63%, from 21,264 to 34,683. Meanwhile, other forms of local government (counties, cities, towns) grew by 5%, and the number of school districts in the United States decreased significantly. The emergence of the special districts represents one of the most significant changes in the overall structure of local governments in the last 50 years. Many of these special districts are regional and provide a specialized service in all or a number of local government jurisdictions in a metropolitan area. Often, urban problems do not easily follow jurisdictional boundaries, so a special district allows a problem unique to a particular area within a metropolitan region to be addressed. Secondly, it allows a problem to be solved without having to restructure the governance of the entire region or those areas affected by the problem or issue. The special district is a practical response to a particular problem. Hence, it is a popular and growing strategy.

But the special district creates another set of problems. First, it adds another layer of governance and another governmental institution to an already complex structure. Often, the idea of solving a problem of too many governments by adding another government institution begets a system that will add more governmental institutions as a preferred strategy for regional problem-solving. Secondly, one expert has even characterized such a phenomenon in Southern California as "shadow regionalism." This type of system is characterized by: an emphasis on scientific and technical solutions; single-purpose compartmentalization of regional policy that partitions, not spans, regional policy boundaries; and rigidity and institutional insularity. His studies suggest that representation on regional policy boards has yet to produce regional politicians and constituencies; rather it allows local governments to operate in a regional forum to protect and enhance local interests even at the expense of regional goals and interest. This form of silo regionalism begs the question of "who coordinates the silos?"

Lesson 3: Don't create regional institutions in spite of the region's local governments.

Local governments are creatures of their respective state legislatures. Iowa Supreme Court Justice John F. Dillon established for the courts in 1868 what is now clearly settled law that local governments are "mere tenants at will of their respective state legislatures" and could be eliminated by the legislature with a "stroke of the pen." As such, it is the state that establishes the purpose and nature of local government within its boundaries. This notion of local governments as mere conveniences to be utilized by the state is a foundational principle that would seem to suggest organizing metropolitan areas should be a relatively easy task.

Unfortunately, it's not that simple. In the ruling, the judge concluded his broad grant of authority by saying he could not "ever imagine so great a wrong and so great a folly." Interesting words in that the courts were saying to the legislature, "you can, but then again you shouldn't." This notion of local government as sovereign is also a foundational principle. Dillon was defining an important distinction, the unresolved and necessary tension between the legal nature of local governments and their cultural nature. From a legal and administrative perspective, local governments cannot be sovereign. They are, and need to be, institutionally, subdivisions of the state. Someone or some institution has to be able to make the final decision.

But from a cultural perspective, local governments are one of the important ways in which a citizen's constitutional right to freedom of association is advanced and protected. The "wrong" and "folly" occur when the state exercises its power to take those associational rights casually. The citizen often guards that "right to associate" more strongly than his willingness to participate in the affairs of the association. The importance of preserving this associational right is why threats to eliminating local governments often "touch the nerve endings of the public," as was so eloquently put by several experts.

Local governments are, indeed, the framework under which governance operates in a metropolitan region. As such, they must be active participants in the development and execution of regional solutions to the area's public problems.

Lesson 4: Don't create regional institutions that are mere extensions of local governments.

There is equal danger in simply creating regional institutions and policies that have no power over local governments. To be a simple extension of local government means that those entities can do anything collectively that they can do individually. Because such actions are voluntary, it means the agenda is restricted to only a few sets of activities that can generate unanimity of action. Further, regional institutions can and will act collectively only when it is in the individual interests of the underlying local governments. Regional institutions need to be balanced to accommodate the likelihood that local governments, in regional settings, will act with a parochial conception of self-interest. Currently, as noted in Lesson 2 above, regional institutions are more likely to enable localities to advance their self-interests rather than act in ways that advance the interests of the region.

Local governments are creatures of the state legislature and can be required to balance their privatized notions of self-interest with the needs of the region when taken as a whole. As such, regional institutions, although built around local governments, must also have some authority to be able to make decisions for the region.

This balance can be achieved by turning regional decision-making into a form of inter-local decision-making. Consider the establishment of the European Union (EU) as a governmental reorganization process not totally unlike that which a metropolitan region in the United States might go through. The sovereignty and autonomy of each nation in Europe is greater than that of local governments in the U.S. Language differences, currency incompatibility and centuries of wars and occupations would suggest that the EU never should have been formed, based on the ability of governments in the United States to form such an equivalent organization. But the EU was formed and now stands as an example of how regional decision-making can be turned into a form of local decision-making that balances the tension between local and regional.

The St. Louis region should not aspire to become a mini-EU. Rather, it is enough to recognize that there were processes that were used as the EU was being crafted that worked to create a balance between local and regional. At its foundation was the understanding that the EU would be built with the authority to act regionally while retaining the authority of each constituent country. Such a perspective suggests a new way for the St. Louis region to frame the discussion on the role of regional institutions that neither trivializes the role of local governments nor patronizes the role of regional governance institutions.

Adopt New Ways of Thinking

Based on the lessons learned from other parts of the United States and Western Europe and the guidelines that were adopted in the statement of task, the Panel identified four principles that should be used in developing its recommendations.

Principle 1: Maintain core values of equity, efficiency and effectiveness. Each recommendation should address the region's desire to create a system of governance built around the equitable, efficient and effective delivery of public services.

Principle 2: Mitigate the unintended consequences of a system built on a large number of local governments. The Panel generally accepts the notion that the St. Louis region has made a political decision that its system of governance will be highlighted by a large number of those institutions. Recommendations, therefore, should accommodate this system and propose solutions that will seek to remedy some of the unintended consequences inherent within such a system.

Principle 3: Embrace the values of community by creating a sense of regional community with real institutions, real constituencies and real citizens built on the strong local tradition. Local governments are indeed the framework on which the St. Louis community should be built.

Principle 4: Turn regional decision-making into a form of inter-local decision-making. True regional decision-making, while recognizing the importance of local governments, also means that the interests of the region, taken as a whole, need to be incorporated into the powers of those regional institutions.

Key Findings

The Panel's deliberations and review of data led to 14 findings about the economic, social, and political environment that shape operations in the metropolitan area. Several of the findings present information from *Where We Stand*: *The Strategic Assessment of the St. Louis Region*, 5th Edition 2006. This report was produced by East-West Gateway Council of Governments and describes the standing of the St. Louis region among 34 peer regions using more than 100 social, economic, fiscal and physical variables.

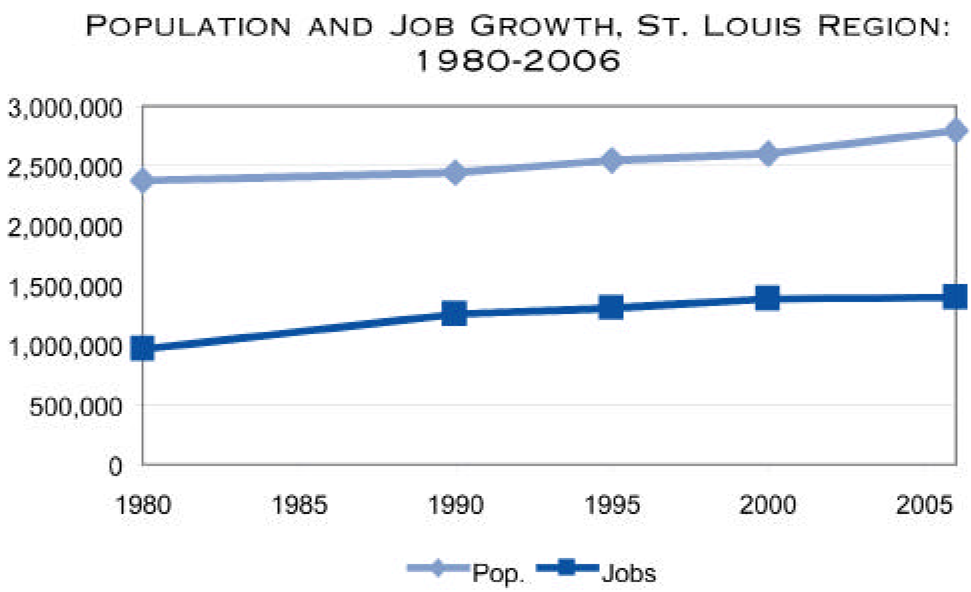
These findings relate to:

- The changing nature of the region's economy and how those changes have created incompatibility between the economy and the tax structure;
- The critical opinions and significant concerns of citizens regarding the current quality of local services;
- The emerging but still ill-defined role of regional governance institutions and their relationship to local governments; and
- A definition of "economic development" that allows too many non-wealth generating, non-sustainable activities to occur in the name of economic development.

Finding 1: The St. Louis region continues to experience slow population and job growth. In comparison to 34 peer metropolitan areas, the region ranks 26th in population growth, 26th in employment growth, 22nd in growth in business establishments, and 33rd in per capita gross metropolitan product.[2]

Like most metropolitan areas, St. Louis has experienced a decline in manufacturing employment since the 2001 recession. While overall employment in the region now exceeds the pre-recession peak, manufacturing employment has never recovered. There is growth in the service sectors to offset manufacturing sector declines, but the former manufacturing workers who lack a college degree or other transferable skills are unlikely to find employment at the level of their previous wages.

Figure 1
Regional Rankings



Source: U.S. Census Bureau, Bureau of Labor Statistics, *Where We Stand: The Strategic Assessment of the St. Louis Region*, Eds. 1-5

2 *Where We Stand: The Strategic Assessment of the St. Louis Region*, 5th Edition 2006

Figure 2
Regional Rankings

GROWTH IN BUSINESS ESTABLISHMENTS
Percent change, 1999-2004

1	**Miami**	**155.2**
2	New York	120.8
3	San Francisco	92.2
4	Dallas	50.7
5	Los Angeles	46.0
6	Seattle	23.3
Average		**19.8**
7	Philadelphia	18.9
8	Cincinnati	18.5
9	Houston	16.2
10	Atlanta	13.5
11	Austin	13.3
12	Chicago	13.2
13	San Diego	13.1
14	Phoenix	12.8
14	San Antonio	12.8
16	Louisville	12.5
17	Denver	11.7
18	Minneapolis	10.1
19	Columbus	9.3
20	Kansas City	8.1
21	Nashville	7.7
22	**St. Louis**	**7.0**
22	Washington DC	7.0
24	Baltimore	6.3
25	Portland	6.0
26	Oklahoma City	5.5
27	Memphis	3.3
28	Pittsburgh	2.9
29	Detroit	1.3
30	Indianapolis	0.9
31	Milwaukee	0.6
32	Charlotte	0.0
33	Cleveland	-4.8
34	Salt Lake City	-11.9
35	**Boston**	**-24.2**

Source: County Business Patterns, U.S. Census Bureau

GROWTH IN GROSS METROPOLITAN PRODUCT
Percent change per capita, 2001-2004

1	**San Diego**	**18.9**
2	Nashville	17.7
3	Memphis	16.8
3	Washington DC	16.8
5	Los Angeles	15.4
6	Cincinnati	14.3
6	Philadelphia	14.3
8	Oklahoma City	14.1
9	Baltimore	13.9
10	Pittsburgh	13.8
11	Miami	13.6
12	Minneapolis	13.5
13	Indianapolis	13.1
14	Charlotte	12.9
15	San Antonio	12.6
16	Milwaukee	12.4
17	Louisville	12.3
Average		**11.9**
18	New York	11.3
19	Phoenix	11.1
20	Boston	11.0
20	Cleveland	11.0
22	San Francisco	10.9
23	Seattle	10.6
24	Houston	10.0
25	Columbus	9.9
25	Kansas City	9.9
27	Salt Lake City	9.6
28	**St. Louis**	**9.5**
29	Detroit	9.2
30	Portland	9.1
31	Austin	8.1
32	Dallas	7.8
33	Chicago	7.3
34	Denver	7.1
35	**Atlanta**	**6.5**

POPULATION CHANGE
By percent, 2000 - 2005

1	**Phoenix**	**18.9**
2	Austin	16.2
3	Atlanta	15.8
4	Charlotte	14.3
5	Dallas	12.7
6	Houston	12.0
7	San Antonio	10.4
8	Portland	8.7
8	Washington DC	8.7
10	Nashville	8.4
11	Denver	8.3
11	Miami	8.3
13	Indianapolis	7.6
14	Salt Lake City	6.8
Average		**6.3**
15	Kansas City	6.1
16	Columbus	5.9
16	Minneapolis	5.9
18	Oklahoma City	5.6
19	Seattle	5.2
20	Memphis	4.6
21	Los Angeles	4.5
22	San Diego	4.3
23	Baltimore	4.0
23	Louisville	4.0
25	Chicago	3.8
26	Cincinnati	3.0
26	**St. Louis**	**3.0**
28	Philadelphia	2.4
29	New York	2.3
30	Detroit	0.8
30	Milwaukee	0.8
32	San Francisco	0.7
33	Boston	0.4
34	Cleveland	-1.0
35	**Pittsburgh**	**-1.9**

Source: U.S. Census Bureau

JOB GROWTH
Percent increase in jobs, 2001-2004

1	**Phoenix**	**6.9**
2	San Diego	5.0
3	Miami	4.9
4	Nashville	3.8
5	San Antonio	3.1
6	Baltimore	2.9
7	Houston	2.7
8	Indianapolis	2.5
9	Charlotte	2.4
10	Washington DC	2.1
11	Austin	1.8
12	Atlanta	1.7
13	Cincinnati	1.5
14	Los Angeles	1.4
14	Minneapolis	1.4
16	Philadelphia	1.3
17	Oklahoma City	1.2
Average		**1.1**
18	Denver	1.1
19	Columbus	1.0
20	Salt Lake City	0.9
21	Kansas City	0.7
21	New York	0.7
23	Dallas	0.5
24	Portland	0.4
25	Memphis	0.3
26	Louisville	0.1
26	**St. Louis**	**-0.1**
28	Seattle	-0.4
29	Pittsburgh	-0.5
30	Chicago	-0.7
31	Milwaukee	-1.3
32	Cleveland	-1.8
33	Detroit	-2.6
34	Boston	-2.8
35	**San Francisco**	**-3.4**

Source: Bureau of Economic Analysis

GROWTH IN GROSS METROPOLITAN PRODUCT
Average annual growth rate, 1995-2005

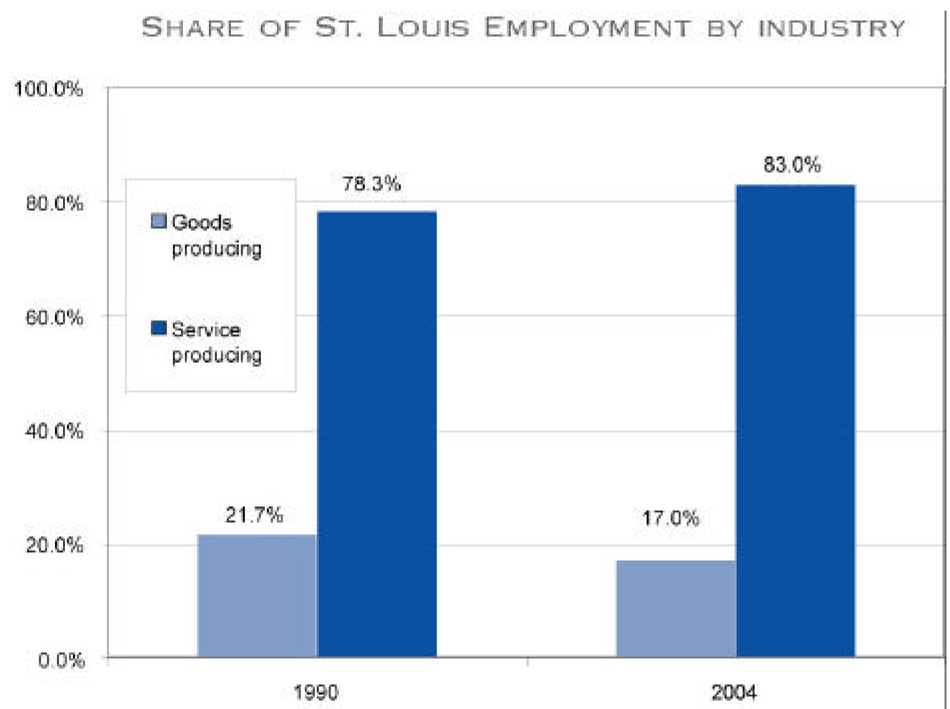
1	**Austin**	**8.2**
2	Phoenix	7.6
3	Houston	7.2
4	Dallas	7.1
4	Washington DC	7.1
6	Charlotte	6.9
6	San Antonio	6.9
6	San Diego	6.9
9	Denver	6.6
10	Atlanta	6.5
11	Miami	6.4
11	Salt Lake City	6.4
13	Nashville	6.1
13	Oklahoma City	6.1
13	Portland	6.1
Average		5.7
16	Minneapolis	5.7
16	Seattle	5.7
18	Indianapolis	5.6
19	Baltimore	5.5
19	Los Angeles	5.5
21	Boston	5.3
21	Memphis	5.3
23	San Francisco	5.1
24	Columbus	5.0
24	New York	5.0
26	Philadelphia	4.9
27	Kansas City	4.8
28	Cincinnati	4.7
29	Chicago	4.5
30	**St. Louis**	**4.3**
31	Pittsburgh	4.2
32	Louisville	4.0
33	Milwaukee	3.9
34	Cleveland	3.6
35	**Detroit**	**3.2**

Source: U.S. Conference of Mayors

Finding 2: The St. Louis economy, like the rest of the nation, has moved from an economy with an employment base in manufacturing to an employment base in the services. Manufacturing is still an important part of the economy but it no longer generates the jobs that it once did.

Manufacturing in the coming years will be increasingly capital intensive, rather than labor, intensive, and require a more skilled workforce than in the past. In the global economy, that capital is increasingly mobile, especially investment in new capital.

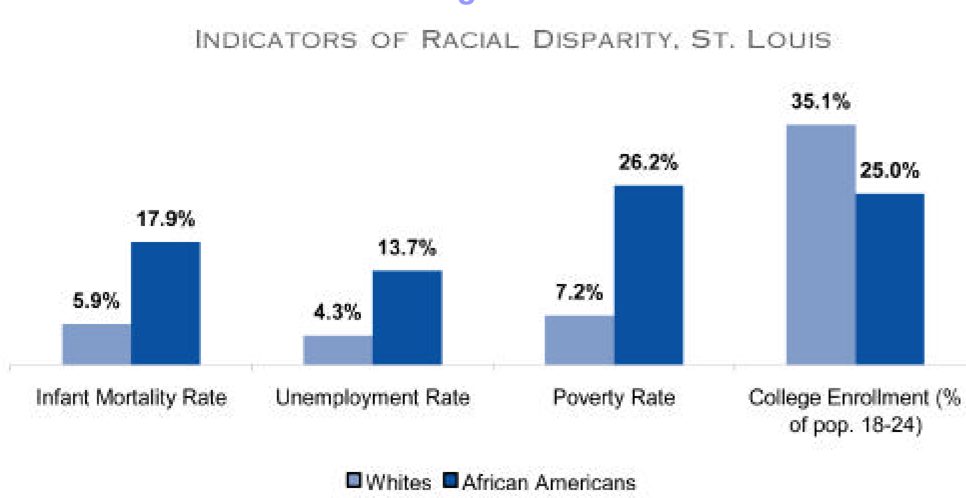
Figure 3



Source: U.S. Bureau of Labor Statistics

Finding 3: The St. Louis region is plagued by high levels of racial disparity. *Where We Stand* reports that, compared to 34 peer metropolitan regions, St. Louis ranks above average in disparity in infant mortality (4th), unemployment (4th), college enrollment (9th) and poverty rates (9th). St. Louis is essentially a bi-racial region: 78.2 percent of the population is white and 17.9 percent is African American.

Figure 4

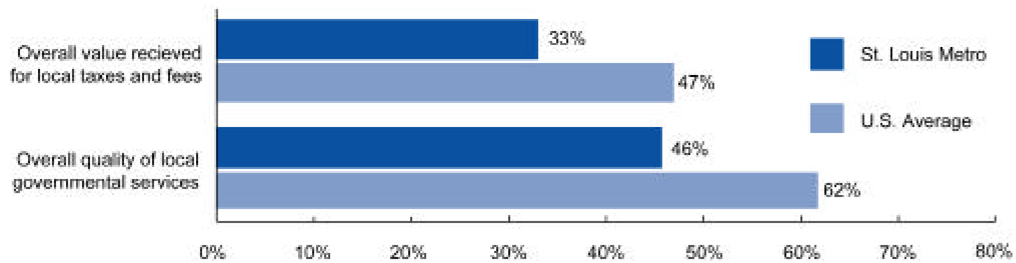


Source: *Where We Stand*, East-West Gateway

Finding 4: Citizen satisfaction rates for the system of local governance in the St. Louis region are significantly less than is generally the case for other metropolitan regions across the United States.[3] Only 33 percent of St. Louis citizens are satisfied with the overall value received from their local governments compared to 47 percent nationally. Only 46 percent are satisfied with the overall quality of local government services, compared to 62 percent nationally.

Figure 5

CITIZEN SATISFACTION WITH LOCAL GOVERNMENT

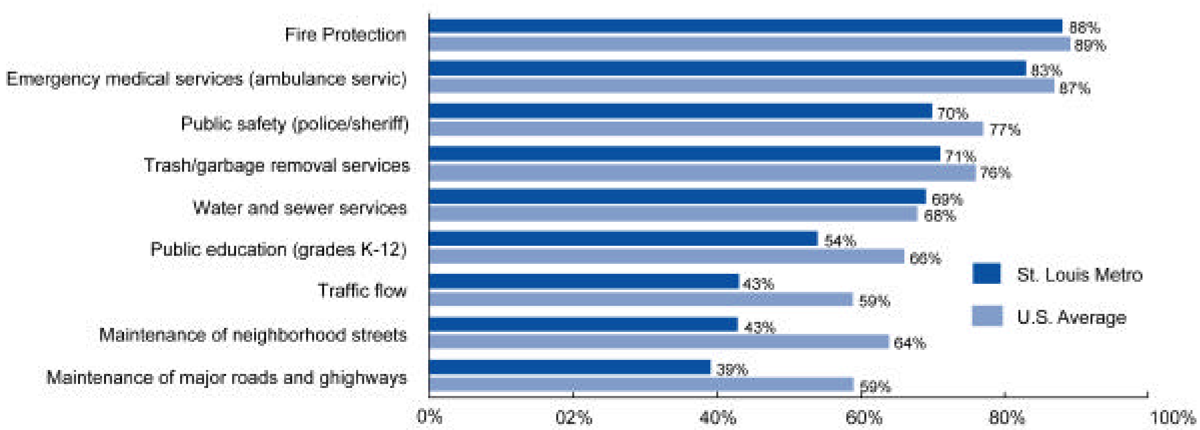


Source: East-West Gateway *How We See It Community Survey*, 2005

Finding 5: Citizen satisfaction rates for key local governmental services in the St. Louis region are generally below national averages. The gap is greatest for Major Highways, Local Streets, Traffic Flow, and Elementary Education.

Figure 6

CITIZEN SATISFACTION WITH LOCAL GOVERNMENT SERVICES



Source: East-West Gateway *How We See It Community Survey*, 2005

3 East-West Gateway Council of Governments, *How We See It Community Survey*, 2005

Finding 6: The cost of local government in the St. Louis region is comparatively low. Local governments rank lowest nationally in local government revenue per capita and local government debt.[4] The region ranks third lowest in local government spending.

Table 1

Composition of Government Units, St. Louis Metro Area (MSA)

Counties	**15, plus St. Louis City**
Municipalities	243
Townships (IL only)	105
Special Districts	368
School Districts	136
Total	**868**

Source: 2002 U.S. Census of Local Governments, U.S. Census Bureau

Figure 7

LOCAL GOVERNMENT REVENUE

Total annual revenue as a percent of total personal income, 2002

1	**Austin**	**11.6**
1	Memphis	11.6
3	Phoenix	9.7
4	Salt Lake City	9.5
5	Charlotte	9.3
6	San Antonio	9.2
7	Cleveland	9.1
8	Indianapolis	8.9
8	Miami	8.9
10	New York	8.7
11	Seattle	8.5
12	Los Angeles	8.2
12	Nashville	8.2
14	Atlanta	8.0
14	Columbus	8.0
14	Denver	8.0
Average		**7.9**
17	Portland	7.9
17	Washington DC	7.9
19	Kansas City	7.8
20	Chicago	7.6
20	Dallas	7.6
20	San Diego	7.6
23	Cincinnati	7.1
24	Houston	7.0
24	Philadelphia	7.0
26	Pittsburgh	6.8
27	Milwaukee	6.7
28	Minneapolis	6.6
29	Detroit	6.3
30	Louisville	6.2
30	Oklahoma City	6.2
32	**St. Louis**	**5.9**
33	Baltimore	5.8
33	San Francisco	5.8
35	**Boston**	**5.6**

Source: 2002 Census of Governments, U.S. Census Bureau 2004 County and City Extra

LOCAL GOVERNMENT SPENDING

Total direct expenditures per capita, 2002

1	**New York**	**5,734**
2	Los Angeles	5,132
3	Washington DC	4,774
4	Seattle	4,734
5	Austin	4,687
6	Denver	4,553
7	San Francisco	4,549
8	Milwaukee	4,520
9	San Diego	4,485
10	Cleveland	4,468
11	Minneapolis	4,439
12	Detroit	4,428
13	Memphis	4,419
14	Phoenix	4,247
15	Charlotte	4,213
16	Chicago	4,196
17	Philadelphia	4,116
18	Miami	4,110
19	Portland	4,104
Average		**4,043**
20	Columbus	3,944
21	Indianapolis	3,855
22	San Antonio	3,813
23	Boston	3,801
24	Pittsburgh	3,765
25	Atlanta	3,756
26	Salt Lake City	3,611
27	Houston	3,603
28	Kansas City	3,494
29	Dallas	3,478
30	Nashville	3,467
31	Cincinnati	3,438
32	Baltimore	3,172
33	**St. Louis**	**3,022**
34	Louisville	2,718
35	**Oklahoma City**	**2,650**

Source: 2002 Census of Governments, U.S. Census Bureau

LOCAL GOVERNMENT DEBT

Ratio of local government debt to local revenue, 2002

1	Pittsburgh	3.0
2	Louisville	2.7
3	Houston	2.4
4	Austin	2.2
4	Minneapolis	2.2
4	San Francisco	2.2
7	Philadelphia	2.1
7	San Antonio	2.1
9	Denver	2.0
10	Salt Lake City	1.9
11	Cincinnati	1.8
11	Dallas	1.8
11	Detroit	1.8
11	Phoenix	1.8
Average		**1.7**
15	Portland	1.7
16	Chicago	1.6
16	Los Angeles	1.6
16	Nashville	1.6
16	Seattle	1.6
20	Atlanta	1.5
20	Columbus	1.5
20	Kansas City	1.5
20	New York	1.5
24	Cleveland	1.4
24	Indianapolis	1.4
24	Miami	1.4
27	Charlotte	1.3
27	Milwaukee	1.3
29	Boston	1.2
29	Oklahoma City	1.2
29	Washington DC	1.2
32	Baltimore	1.1
32	Memphis	1.1
32	**St. Louis**	**1.1**
32	**San Diego**	**1.1**

Source: 2002 Census of Governments, U.S. Census Bureau

HIGHER

AVERAGE

LOWER

Finding 7: Facing increasing expenditures and stagnant tax revenues, many local governments in the region are in fiscal crisis. Continued fiscal distress threatens to further erode the quality of public services, widen the gap between communities, and limit the region's growth potential. Local governments in the St. Louis area are particularly vulnerable to fiscal pressure.

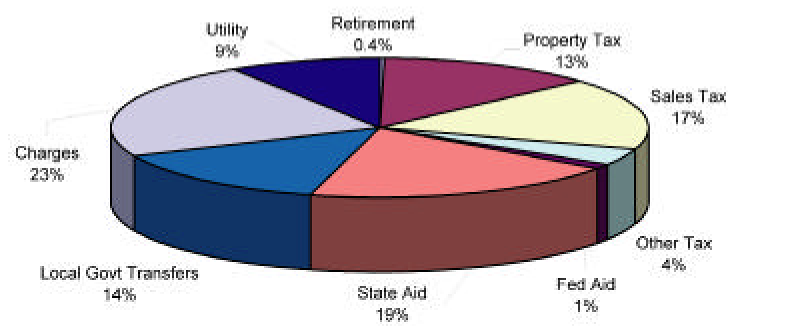
Controlling for inflation, average county and municipal revenues did not keep pace with expenditures during the past decade. In 2002, nearly half of the municipalities in our region had negative operating margins. The median operating margin for all municipalities was 1.8 percent. Thirteen percent of municipalities saw declining revenues after inflation adjustments.

Driving much of the increases in expenditures were outlays for transportation, public safety and housing. There is an increasing gap in expenditures and public services between municipalities that are predominantly white and those whose majority is African American.

Finding 8: The current collection and distribution of tax revenues is broken. It is highlighted by: a disconnect between the alignment of the economy and its fiscal structure (e.g., the sales tax base does not include a tax on services); a gap between those who pay for the service and those who derive benefits from the service; a system that rewards destructive competition; and then over-reliance on sales tax. As the chart below indicates, sales tax revenues continue to comprise a larger portion of overall revenues for St. Louis municipalities than the national average of 7 percent.

Figure 8

MUNICIPAL REVENUES, ST. LOUIS REGION: 2002



Source: 2002 U.S. Census of Local Governments, U.S. Census Bureau

Table 2

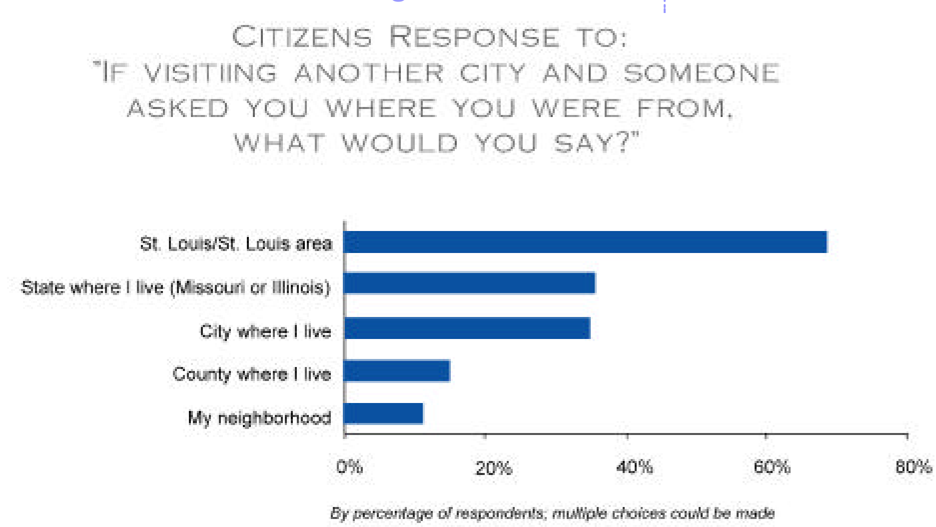
Per Capita Municipal Revenues and Expenditures ($) – Inflation-Adjusted

	1992	2002	Increase
Total Expenditures	491	747	52 %
Total Revenues	505	679	34 %
Property Taxes	40	49	23 %
Sales Taxes	71	55	(23%)

Source: 1992 and 2002 Census of Local Governments, with Inflation Adjustments

Finding 9: A strong sense of regional identity exists in the St. Louis region. When out of town, 69 percent of citizens consider themselves to be “from St. Louis/St. Louis area.” In East-West Gateway’s 2006 *Where We Stand*, the region ranks second in Sense of Community, an indicator that measures home ownership, length of tenure, number of local governments and voter participation.

Figure 9



Source: East-West Gateway *How We See It Community Survey*, 2005

Figure 10

SENSE OF COMMUNITY

Index of four variables

1	Pittsburgh	57.1
2	St. Louis	44.4
3	Kansas City	36.4
4	Louisville	33.3
5	Cleveland	30.8
6	Cincinnati	28.6
6	Minneapolis	28.6
6	Philadelphia	28.6
9	Detroit	26.7
9	Milwaukee	26.7
11	Indianapolis	25.0
12	Columbus	23.5
	Average	22.6
13	Chicago	22.2
13	Memphis	22.2
13	Salt Lake City	22.2
16	Baltimore	20.0
16	Oklahoma City	20.0
16	Portland	20.0
19	Denver	19.0
19	Seattle	19.0
21	Houston	18.2
21	Nashville	18.2
23	San Antonio	17.4
24	Charlotte	16.7
24	Miami	16.7
24	San Diego	16.7
27	Boston	16.0
27	Phoenix	16.0
29	Washington DC	15.4
30	Atlanta	14.8
30	Austin	14.8
30	Dallas	14.8
30	Los Angeles	14.8
34	San Francisco	13.8
35	New York	13.3

HIGHER
AVERAGE
LOWER

Source: CNN, U.S. Census Bureau

Finding 10: There exists an emerging framework for creating regional decision-making institutions. The work of the Metropolitan Forum and the three convening organizations is impressive.

Finding 11: Although the framework exists, there are currently few ways to mediate local and regional interests. In addition, there is a mismatch between existing planning policies and intentions, particularly with regard to regional land use planning and the resulting land uses. This disconnect is not lost on the citizenry, as only 32 percent are satisfied with the current planning for the region.

Finding 12: In both Missouri and Illinois, the system of Tax Increment Financing (TIF) that has emerged in the St. Louis region is fundamentally flawed, and TIF’s may actually work to the economic disadvantage of the region as a whole. Although exceptions exist, this finding generally applies when TIFs are used to support retail development.

Finding 13: Some resources currently being spent in the name of “economic development” do not create a significant number of new jobs or improve the overall health and sustainability of the regional economy. It is clear that many of the incentives and much of the support for “economic development,” particularly as relates to locally oriented development, merely accelerate development in individual jurisdictions that would have occurred somewhere within the region anyway.

Finding 14: The importance of educational reform cannot be overstated. Many of the needed reforms of the educational system extend beyond the Panel’s focus on fiscal reform. The Panel considers education reform crucial to the growth of the region, and believes reforms should address quality, cost, effectiveness and equity which may, indeed, require fiscal reform to realize.

Recommendations of the Policy Advisory Panel

The Panel proposes 11 recommendations that, taken collectively, create:

- A more balanced power relationship between local governments and regional governance;
- Clear roles and responsibilities for the civic and private sectors; and
- Standards of local government service delivery that will improve performance and satisfy citizen expectations.

Recommendations 1-5 build regional governance capacity; recommendations 6-8 enhance local government performance; and recommendations 9-11 realign the local government tax structure.

Build Regional Governance Capacity

Recommendation 1:

Adopt regional guidelines for local economic development.

The local governments of the St. Louis region should collaboratively develop and agree upon a set of economic development guidelines. It is important to note that most of the larger counties and municipalities have already agreed to abide by a common code of conduct with respect to business attraction and recruitment as part of their membership in the Greater St. Louis Economic Development Network. The Panel recommends that municipalities and counties work together to establish guidelines for locally oriented projects like retail and housing. Developing a set of agreed-upon plans for locally oriented development should reduce some of the unhealthy competition between municipalities in the St. Louis region.

The criteria for the guidelines should include:

- The impact on regional job and wealth creation (household income);
- A clarification between primary jobs and secondary jobs;
- A clarification of what aspects of quality of life need to be improved; and
- The establishment of priority of regional infrastructure needs.

Recommendation 2:

Undertake comprehensive reform of Tax-Increment Financing (TIF) and other economic development financing in both Missouri and Illinois.

The Panel recommends development of a set of principles to guide the use of TIF and other economic development financing tools, as well as legislation and regulations to implement the use of the following principles:

- A clear and defensible definition of blight that can be statistically justified;
- There should be an emphasis on projects that create sustainable jobs and net regional economic benefit as threshold indicators;
- The “but for” criteria should be re-balanced to place a harder burden on the developer to prove this criterion;
- Restrictions should be placed on projects in greenfields or floodplains; and
- To the degree that TIF is a form of tax policy, its implementation and administration should be designed to:
    - Minimize fiscal mercantilism;
    - Decrease unhealthy competition between jurisdictions; and
    - Encourage regional cooperation.

Recommendation 3:

Develop a new, or transform an existing, organization for regional governance to spearhead regional development.

The region needs to bring together all local stakeholders to create and implement a coherent regional development strategy. Local planning is important, but it needs to be consistent with county plans, which then need to be consistent in supporting a regional agenda. An entity that is not solely looking out for its own interests is needed to be the arbiter and provide guidance. A new organization is not necessarily needed, but at least a virtual organization or collaboration needs to be created from among existing business, government and civic leadership. A virtual organization like the Metropolitan Forum might play this role of synchronizing regional economic development actions.

Good work has been done to develop the elements of a comprehensive economic development strategy for the region. But little is being done to bring together these elements and the multitude of development agencies to implement a comprehensive strategy. This is particularly true when looking at the counter-productive incentives given to attract retail sales tax generators that do nothing to increase the overall employment and fiscal health of the region.

In addition to creating a regional strategy that generates jobs (i.e., effective workforce development and retention/recruitment strategies), the organization would need to focus on changes in state legislation to support the overall strategy. The Panel recommends the key tasks of this group include:

- Analyzing the future workforce needs for the chosen economic clusters and ensure that those clusters are being effectively developed;
- Developing metrics that enable the region to measure the health of the business climate; and
- Developing a set of economic development principles that minimize unhealthy competition between local governments; realize regional and citizen goals of increasing primary jobs and household incomes; create minimum levels of government services and procedures to bring services not meeting those standards up to those minimums; decrease racial disparities in local service provision; and assist in the redevelopment of blighted areas.

Recommendation 4:
Create a civic entrepreneurial resource center.

The Panel recommends that the region consider creating an independent Civic Entrepreneurial Resource Center (the Center) that would serve as a think tank and consulting service for the region to constructively adapt the best thinking in the business and non-profit worlds to develop civic strategies that maximize positive social impact.

Its purpose would be to: 1) develop strategies to increase the financial, physical, human, cultural and social capital of the region, and 2) provide assistance to local governments, businesses and non-profits to implement the strategies. The civic entrepreneurial model, with a coalition of business, government and community leaders that blend new business models of networking and venture capital to solve public problems, has been used in Austin, Dallas, Nashville, San Jose and North Carolina's Research Triangle.[5]

Initial funding for the Center could come from the philanthropic community. The Center would promote cross-sector learning, adapting business and entrepreneurial concepts and strengths for the improvement of the various "capital" assets of the region and exploring new ventures that promise enhanced social and community development and sustainability. The blending of business and entrepreneurial techniques with the more traditional governmental and charitable approaches to solving social and community issues can result in innovative and effective responses to social needs.

Recommendation 5:
Create consistency between local/regional planning and infrastructure.

The Panel recommends that consistency between levels of government be adopted as a key planning and operating principle for the region. Currently there is no consistency between county comprehensive plans and municipal planning efforts. Local planning will remain an integral part of community development, but should be consistent with county and regional planning.

East-West Gateway, as the region's Metropolitan Planning Organization (MPO) and Council of Governments (COG), could be given the authority to arbitrate consistency between regional comprehensive plans and local comprehensive plans.

5 Center for Community-Based and Nonprofit Organizations at Austin Community College, www.austincc.edu/npo; The Institute for Social Entrepreneurs, www.socialent.org/about_us.htm; Nahsville Civic Design Center; San Jose Entrepreneur Center, www.ecenteronline.org/home.htm; Advancement of Social Entrepreneurship, www.fuquastore.com/center/case/about

Enhance Local Government Performance

Recommendation 6:

Standardize public finance and management information to increase transparency.

The Panel recommends that uniform standards be developed and implemented by local governments for the presentation of accounting and financial management information to assist citizens and community leaders in assessing government performance.

The more this initiative is seen to be driven by the local governments themselves, the greater the chance that improved trust and citizen satisfaction in local government services can be enhanced.

Recommendation 7:

Consolidate special service districts or provide for revenue sharing.

The Panel recommends that the region create a voluntary mechanism that would guide existing special service districts through a process to examine current service levels and explore options for increased efficiency and effectiveness. Among possible solutions to consider are merger, service consolidation and revenue sharing.

Recommendation 8:

Establish state and other incentives for regional cooperation.

The St. Louis region should join with the Kansas City region and other metropolitan regions in Missouri to convince state government to create programs that increase funding to those regions that develop collaborative strategies to leverage local government resources and private dollars and decrease destructive competition. Missouri's regions each need strategic and operational plans that emphasize regional cooperation. The state could provide new incentives and tie existing economic development incentives to promotion of regional cooperation.

Realign the Local Government Tax Structure

Recommendation 9:

Pool regional and/or county level existing and future sales and property taxes.

The Panel recommends the exploration of options to increase the sales tax pooling in the region. Currently, the collection of sales and property taxes at the municipal level means that households in prosperous municipalities pay less per capita for government services and receive better services than households in poorer municipalities. Pooling some or all of locally collected sales and property taxes regionally and redistributing them on a per-household or per-capita basis could mitigate some of the tax burden and service quality inequities.

Recommendation 10:

Broaden sales tax base to include tax on services.

The Panel recommends analysis of methods to broaden the scope of sales taxes in the region. State and local governments in the St. Louis region derive significant, but varying, levels of revenue from sales taxes. The current system is regressive in that purchases of services like financial advice, dry cleaning, and legal services are exempt from the sales tax while basic staples like clothing are subjected to it.

Recommendation 11:

Couple regional earnings tax with a partial roll-back of property or sales taxes.

The Panel recommends the exploration of ways to restructure the composition of taxes in the region. Local governments derive revenue from businesses on the basis of retail sales and property value and they have a strong incentive to locate retail businesses in their communities. They have little fiscal incentive, however, to attract local jobs that pay higher salaries but do not involve sales tax receipts. If local governments raised revenue on the basis of wages, rather than sales receipts, they would have a much greater incentive to attract high-paying jobs than they currently do.

The intent of this recommendation is to change incentives, not raise taxes. It would be necessary to couple any implementation of a local earnings tax with a roll-back of some other taxes—sales, property, or both.

This recommendation is not designed to increase the overall revenues to the local governments in the region, but rather as a revenue-neutral tax shift away from property and sales taxes. Substituting an earnings tax for all or some portion of sales taxes would reduce municipal incentives to compete for retail projects and instead incent municipalities to concentrate on job creation rather than retail receipts as an economic development goal. Further, an earnings tax extended beyond the city of St. Louis would lessen the disincentive that firms have to locate within the city limits. And finally, creating a shared revenue source would reduce fiscal inequality across municipalities.

In one possible scenario of implementing this reform, the earnings tax could be collected at the county level and then allocated to municipalities within each county on a per capita basis. The county could retain some portion in return for lowering its sales tax rate, and retain the per capita share for unincorporated areas in the county. Municipalities would not receive their per capita share unless they reduced some other (i.e., sales or property) tax in order to make the policy as close to revenue neutral as possible.

Table 3
Summary of Recommendations

Build Regional Governance Capacity

Adopt regional guidelines for local economic development.

Undertake comprehensive reform of Tax-Increment Financing (TIF) and other economic development financing in both Missouri and Illinois.

Develop a new, or transform an existing, organization for regional governance to spearhead regional development.

Create a civic entrepreneurial resource center.

Create consistency between local/regional planning and infrastructure.

Enhance Local Government Performance

Standardize public finance and management information to increase transparency.

Consolidate special service districts or provide for revenue sharing.

Establish state and other incentives for regional cooperation.

Realign the Local Government Tax Structure

Pool regional and/or county level existing and future sales and property taxes.

Broaden sales tax base to include tax on services.

Couple regional earnings tax with a partial roll-back of property or sales taxes.

The Policy Advisory Panel has presented a bold and challenging agenda for regional fiscal reform. However, the Panel does not have the deep understanding of the politics, history and tradition of the St. Louis region to suggest specifically how such an agenda should be implemented. Suffice it to say that the recommendations will challenge leaders and other stakeholders from across the region to be fully engaged in discussing, debating and shaping whether, when and how any of the recommendations would move forward.

Toward that end, there are some logical first steps.

- The Metropolitan Forum itself, representing important leadership in the community, should be fully briefed on the Panel's recommendations and have an opportunity for extended discussion and debate to determine which recommendations might be pursued.

- The Boards of the three sponsoring organizations of the Forum should be individually briefed on the Panel's report.

- The Metropolitan Forum should recruit partners to continue to develop better information on the economic and fiscal impact of Panel's recommendations.

- The Forum should convene small groups of leaders for candid and in-depth discussions about the recommendations and to test acceptance for various implementation strategies. These groups should mirror the public/private/civic composition of the Forum.

- There should be a process to engage the community at-large. The process of community engagement should be extensive, formalized, and disciplined. Toward that end, it is important to have an institutional "home" for the engagement process. FOCUS St. Louis is one possibility to serve in that capacity, because its members have well developed skills in community engagement. FOCUS also is more likely to be considered a "neutral" party in the discussion, whereas the members of East-West Gateway and RCGA will have specific interests to advance.

- These are issues that will affect the future of the region and of every citizen, so there needs to be a formal process for building community understanding before moving forward.

The Case for Regional Fiscal Reform

Three principal issues affect the long-term prospects for a successful and prosperous St. Louis region: racial and economic disparity, slow regional population and employment growth and unproductive local tax structures.[6] After months of discussion, data collection and Forum meetings, it has become clear that one thread that runs through these three issues is the uneven and sometimes inadequate provision of public services (education, public safety, infrastructure, etc.) across the region.[7] Governments at all levels are in fiscal peril—a product of stagnant tax revenues, fragmentation of governance and decision-making, and a *de facto* economic strategy that is inconsistent with producing the conditions for real growth. Continued fiscal distress threatens to further erode the quality of public services, widen the gap between communities and limit the region's growth potential.

The fiscal crisis among local governments in St. Louis is a product of the erosion of revenue sources and of the peculiar geopolitical landscape of the region. The political fragmentation of the region—David Rusk refers to similar regions as "little box" regions[8]—leads to a local tax structure that is economically unproductive and that fuels internecine competition among governments and a growing disparity in resources among them.

The fiscal inequities in St. Louis are not a result of premeditated choices in a pure competitive environment. This is not an illustration of the "Tiebout model"[9] in which the optimal allocation of locally produced public goods is provided by small jurisdictions competing for mobile residents. This is an environment where local governments can generate revenues that they do not "earn" from their residents or businesses, but that are effectively and arbitrarily appropriated from their neighbors or from overlying jurisdictions through use of the local tax system. Current local tax policy inevitably leads to dramatic and arbitrary shifts in tax revenues between governments, and the creation of low tax, high service municipalities and high tax, low service counterparts. This may have little or nothing to do with the effectiveness or competence of a local government. Rather, it is largely the result of the diffused decision-making, governance structure and tax policy that characterizes St. Louis.

There are direct connections between the three issues that the Forum has identified and governance structure and tax policy that is fueling inter-jurisdictional competition and the erosion of public services. Research shows that "decentralization of local government does not generate a more effective or competitive regional economy and that, in fact, decentralized regions are likely to be less competitive and face a greater challenge in sustaining economic performance."[10] The *Where We Stand* series of reports published by the East-West Gateway Council of Governments records the poor demographic and economic growth rates of the region over several editions, the first published in 1992.[11] Some observers initially attributed this condition to the poor economic standing of "rust-belt" cities in the Midwest. However, in the last decade, the competitive position of St. Louis has continued to slip behind our Midwest peers like Louisville, Indianapolis and Kansas City, areas where decision-making and governance is less fragmented.

Jerry Paytas, with the Carnegie-Mellon Center for Economic Development in Pittsburgh, concludes that "fragmented governance at the metropolitan level reduces the competitiveness of the metropolitan economy."[12] He observes that most of the focus on fragmentation of governance has been on issues of *efficiency* rather than on *effectiveness*, particularly as it relates to development. Similar to observations made by the Forum during

6 "Critical Concerns – Background for the St. Louis Leadership Retreat." Regional Chamber and Growth Association, FOCUS St. Louis, East-West Gateway Council of Governments. St. Louis. January 30, 2003.

7 "More for Our Money." Regional Chamber and Growth Association, FOCUS St. Louis, East-West Gateway Council of Governments. St. Louis. August, 2003.

8 Rusk, David. "Little Boxes – Limited Horizons: A Study of Fragmented Local Governance in Pennsylvania – Its Scope, Consequences, and Reforms." Brookings Institution, Washington D.C. December, 2003.

9 Tiebout, Charles W. "A Pure Theory of Local Public Expenditures." Journal of Political Economy, 64: (416-24), 1956.

10 Hamilton, David K., Miller, David Y., and Paytas, Jerry. "Exploring the Horizontal and Vertical Dimensions of the Governing of Metropolitan Areas." Urban Affairs Review, Vol. 40, no. 2, Sage Publications. Thousand Oaks, CA. November, 2004. p. 166.

11 *Where We Stand: The Strategic Assessment of the St. Louis Region*. East-West Gateway Coordinating Council. St. Louis, Missouri. 2002.

12 Paytas, Jerry. " Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness." Carnegie Mellon Center for Economic Development. Pittsburgh, Pennsylvania. December , 2001 p.22

its deliberations, Paytas indicates that "Long-term competitiveness requires flexibility, and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums and even institutional support to resist change."[13]

Governance and tax policy are also linked to racial disparity. David Miller, of the University of Pittsburgh, concludes that "...even when accounting for population and region, jurisdictional diffusion is significantly and unquestionably linked to Black segregation in metropolitan America."[14] He further concludes that "Too much diffusion of power in metropolitan areas serves to increase the probability of racial segregation and to deter the ability of the metropolitan region to take advantage of economic expansion occurring within the region."[15] The same logic applies to economic segregation as well. Local governments, through their planning and zoning authority and their ability to redirect the flow of tax dollars (even those from other jurisdictions), can play a major role in contributing to the racial and economic disparities noted by the Forum.

Nowhere is the corrosive effect of fragmentation more evident than in the competition for tax dollars—primarily sales taxes. As tax revenues have stagnated, municipalities and counties have used what they believe to be their only weapon to maintain services to their citizens—tax expenditures such as tax increment financing, transportation development districts, and various forms of abatement. The often-articulated purpose of these expenditures is to attract sales taxes from outside their boundaries. This strategy has resulted in a small number of low tax, high service communities, often at the expense of their neighbors. This is not a *development* strategy. Rather, it is a highly localized fiscal strategy, one that is sometimes essential for the survival of smaller cities.[16]

13 Ibid. p.23

14 Miller, David Y. *The Regional Governing of Metropolitan America*. Westview Press. Boulder, Colorado. 2002. p. 127.

15 Ibid.

16 Barbour, Clay. "Rock Hill Betting Its Future on Development Project." *St. Louis Post-Dispatch*. St. Louis, Missouri. March 26, 2006.

The Regional Chamber and Growth Association, in a recent survey of business executives, concluded that the principal factors that attract business expansion and relocation are a well-educated workforce and quality of life.[17] Yet, the prevailing tax structure, combined with diffused decision-making, causes the investment of hundreds of millions[18] in a strategy to attract sales tax producing businesses. This strategy has the perverse effect of diverting tax revenue from essential public services such as education, public safety and infrastructure. In other words, tax policy has the unintended effect of causing a massive public investment that is often contrary to an economic development strategy that we know will work.

In addition to the conclusions of RCGA's work, research has shown that the "evidence for the positive economic effects of increases in public services is compelling."[19] Most often cited in the literature are the positive economic effects of improved services in the areas of education, public safety and infrastructure. These are the fundamental building blocks of healthy communities, which in turn build a healthy metropolitan region.

Governments are facing fiscal crisis, and this nearly universal condition is causing steady erosion in the quantity and quality of public services. Local governments in the St. Louis area are particularly vulnerable to fiscal pressure.[20] One of the lowest tax regions in the nation,[21] the St. Louis region is divided into 868 units of government, most with their own taxing authority. Almost two-thirds are special purpose units. The competition for tax dollars is intense and the opportunities to rationalize and improve the provision of services are limited by political and cultural considerations. Further, there is wide variation in the fiscal capacity of local

17 Fleischman-Hillard Research and Wilson Research Strategies. "Summary of Greater St. Louis Brand Development Research. St. Louis Regional Chamber and Growth Association. St. Louis, Missouri. 2005

18 From a 2004 survey of local done by the Metro Forum. The likely current total for tax expenditures to retail uses is approaching one billion dollars.

19 Lynch, Robert G. *Rethinking Growth Strategies – How State and Local Taxes and Services Affect Economic Development.* Economic Policy Institute. Washington D.C. 2004 p. 43

20 see, for example, Barbour, Clay. "Rock Hill Betting Its Future on Development Project". St. Louis Post-Dispatch. St. Louis, Missouri. March 26, 2006

21 *Where We Stand – A Strategic Assessment of the St. Louis Region*. East-West Gateway Council of Governments. St. Louis, Missouri. 2002 p. 73

governments and the quality of services they provide. There is evidence of a racial disparity in fiscal capacity as well. An analysis of Census of Local Government data for the last decade done by the Metropolitan Forum indicates an increasing gap in expenditures and public services between municipalities that are predominantly white and those whose majority is African American.

At the state and regional level, the provision of key transportation infrastructure is a useful example of the fiscal challenge. Increasing traffic congestion and the growing isolation of certain population segments threaten the competitive advantage in transportation that St. Louis has long enjoyed. Yet, the long-range transportation plan recently adopted by East-West Gateway[22] calculates that it would take a nearly 50 percent increase in revenue to continue to maintain and minimally expand the existing highway and public transit systems in the region.

The principal sources of local revenue—sales taxes, utility gross receipts taxes, and property taxes—are in jeopardy. Untaxed purchases made over the Internet, changes in the telecommunications industry, and growing public resentment of increases in property taxes add up to a stagnant local tax base. The combination of a stagnant revenue stream and rising costs leads to unsustainable negative operating margins (in 2002 nearly half of the municipalities in the St. Louis region had negative operating margins[23]), rising taxes and diminishing services. This problem is not temporary—it will not go away.[24]

The response of local governments to this growing crisis is threefold: cut services, increase taxes, or increase revenues—most often by raiding the tax base of a neighboring city, county or state. The latter approach is particularly destructive, because scarce tax money is being spent to produce little or no regional economic or fiscal benefit, ultimately worsening the region's overall fiscal condition[20]. Most local governments are almost constantly focused on "playing defense"—resisting any change that contributes to further fiscal uncertainty.

Taken together, this is hardly a recipe for a healthy region. On the one hand, our admittedly fragmented system of governance has done a remarkable job delivering essential public services at a low cost. On the other, there is evidence that the quality of those services is eroding, the disparities between communities are growing, and, in many communities, the current fiscal structure and governance system is no longer capable of providing a decent quality of essential services at a reasonable cost.

We argue that we need to totally rethink our local tax policy. In effect, we need a new fiscal model for the region, one that addresses the diffused decision-making of a fragmented region. The current tax model is hopelessly outdated, suggesting that we are committed to a long-term future of poor competitiveness and low growth. The current model does not produce and deploy tax revenue effectively and it discourages and frustrates effective strategies to promote economic growth. The research also tells us that these conditions promote racial and economic disparity.

The problem is not necessarily how many local governments we have or how big they are. After all, many small communities provide good services at a low cost. It is about how best to make decisions that foster greater regional competitiveness and that reduce racial and economic disparities—in other words, how to spend tax revenues in a way that is effective, adequate and fair. Consider a tax system that can accomplish the following:

- Finance a minimum acceptable level of essential public services, such as education, public safety and infrastructure, in all communities.
- Create a fiscal environment that generates higher levels of regional economic growth.
- Foster an environment of economic and fiscal cooperation as a basis for healthy competition among local governments.
- Build a productive and enduring partnership among public, private and civic sectors.
- Increase self-determination in the region's fiscal resources.
- Implement tax, subsidy and incentive policies that are effective, fair and equitable to citizens, businesses and communities in the region.

22 *Legacy 2030 – The Transportation Plan for the St. Louis Region.* East-West Gateway Council of Governments. St. Louis, Missouri. March 2005.

23 Analysis done by East-West Gateway Council of Governments of data contained the 2002 Census of Governments (see www.stl-metroforum.org/finance/default.asp)

24 Osborne, David and Hutchinson, Peter. *The Price of Government – Getting the Results We Need in an Age of Permanent Fiscal Crisis*. Basic Books. New York. 2004.

25 Lynch. p.17

Remaking the way that we pay for public services and improving the value of what we get for what we pay is a very difficult challenge, filled with political and civic risk. Large and intimidating obstacles are obvious at the outset:

- **Political opposition.** Any changes in how tax money is raised and spent will produce winners and losers. Those who perceive themselves as net losers will vigorously oppose change.
- **Public awareness.** While our tax system may be widely perceived as a serious problem by the area's leadership and government professionals, there is little public awareness of the nature or severity of the problem and how it will affect people on an individual basis.
- **Mischaracterization of the problem.** The public is told with great regularity that taxes are too high and government can do more with less. Whether that is true is a matter of political and professional debate, but the real question is how to distribute the costs and benefits of government in a more economically and socially productive way and how essential public services can be provided more effectively.

Forthrightly addressing the problem of regional tax reform is consistent with the adopted values and principles of the Metropolitan Forum. Research tells us that doing so will address the three issues that the Forum has described as fundamental to a better future. It is a bold and important step that will address all three fundamental problems that Forum members identified as important to the future of the St. Louis region.

The difficulty of regional tax reform is real, but the potential reward, measured in regional economic growth and quality of life, could be great. It is just this kind of problem that the Forum, as a diverse, multisectoral leadership model, was created to address.

Options for Regional Fiscal Reform

Policy tool Options

Outlined below are 35 policy options generated by the Policy Advisory Panel. The Panel deliberated these options and ultimately agreed on the final 11 recommendations. These options fell into four main categories: Governance and Decision Making, Tax-Related Reforms, Local Development Incentives, and Regional Cooperation.

Governance and Decision Making

Standardize public finance & management information to increase transparency.
Require local governments/public agencies to develop budgets via a standardized, public process, understandable to the taxpayer and incorporating performance measures and performance evaluation system. Budgets would be reported to a public reviewing/auditing entity, and easily available for public use.

Require that all legislation be preceded by a fiscal and economic impact statement.
Prior to adopting a new law or rule, realistic and verifiable statement of adverse and beneficial impacts on taxpayers and businesses, and estimated cost to enforce must be prepared.

Create consistency between local/regional planning & infrastructure.
Require cities and counties to adopt comprehensive plans corresponding to standards and requirements in regional plans enabling prioritization of infrastructure dollars to yield maximum regional benefits and minimized regional social costs.

Establish state or regional offices for creating standards for public services.
State or regional offices would set minimum public services standards. Enforcement may require state legislation. Office would examine, recommend, and promote projects of regional significance.

Consolidate special service districts.
Small municipalities often cannot provide sufficient community services in a cost effective manner. Consolidation of services (e.g., fire or police) would increase service levels and decrease cost to taxpayers.

Inter-district student transfer program.
The existing student transfer program aimed at ending racial segregation in education ends court mandated implementation soon in St. Louis City and County. School districts may now opt in or out of voluntary inter-district busing. Other cities have used inter-district student transfer programs to address economic, rather than racial, disparities.

Create rules for constructive competition in service delivery.
Establish parameters and guidelines for competition to ensure that such competition increases efficiency and effectiveness of service delivery rather than less constructive outcomes.

Establish which levels of government should provide which specific services.
Delegate area-wide functions to an area-wide metropolitan district, comprehensive urban/county plan, and/or a federation; and purely local functions to local municipalities. Miami-Dade uses a comprehensive urban/county plan model in which the county provides for unincorporated areas, sets minimum service levels for all local government units and has a board of elected county commissioners serving as the legislative and governing body. Toronto is a federation model with a council of elected officials from each individual ward.

Create minimum service levels.
Either through a regional governance body or regional cooperation, establish agreement among municipalities of minimum levels of service for residents or, alternatively, promote cooperative agreements, joint purchasing, and/or consolidation to meet minimum service levels.

Transform an existing organization into regional governance body analogous to EU.
Centralize regional decision-making into body with authority. Potential to convert East-West Gateway or Metro into such a body to act in a regional governance capacity as in the EU example.

Tax Related Reforms

Broaden sales tax base to include tax on services.
Currently, tangible property and only certain services are subject to state sales tax. Increasingly, services are becoming a more significant portion of our economy, and additional revenue could be realized from taxing additional services.

Region-wide payment in lieu of taxes by users of public services (PILOT).
For tax-exempt property, a regional entity would receive payment equal to all, or some percentage of, taxes that would be paid if the property were not exempt. Payments would be used to fund public services.

Impact fees.
Charge new growth to fund a proportionate share of infrastructure costs engendered by development. Impact fees can be structured as a "fair share" framework for costs engendered by growth and a credit mechanism for taxes paid by incoming development to fund capital improvements.

Infrastructure tax paid by residents for miles traveled.
Residents would be charged a per mile fee in lieu of, or in addition to, a motor fuel tax. The rate could be flat, or varied and could mitigate other issues such as environmental degradation or congestion. Options could include a lower rate for fuel efficient vehicles, avoiding rush hour zones, or other positive actions.

Examine Missouri Hancock tax limitation legislation to determine if changes are warranted.
In good economic times of surplus revenue, "Hancock" requires refunds and prompts tax cuts and credits. These become permanent features of the tax code. In bad economic times, revenues fall, creating an imbalance between spending commitments and falling revenues. Because of the "Carnahan/Farm Bureau Amendment," taxes and fees cannot be raised to meet the shortfall without a vote of the people. Given the economic difficulties visited on families during economic downturns, the likelihood of adjusting the imbalance through revenue increasing measures is unlikely. The result is the state must cut spending to balance the budget. An investigation of the impacts of Hancock would reveal viable change options.

Regional and/or county level pooling of existing & future sales taxes.
This option involves the pooling of current county or local option sales taxes or the creation of a new sales tax to be shared among a group of jurisdictions. The pooling could be done on a sub-county, county, sub-regional or regional level. Sales taxes would be collected at point-of-sale and redistributed to the included jurisdictions. The method of redistribution would need to be determined and could be based on a formulaic measure including variables such as population, density, community wealth, etc...

Regional income tax.
This option would require the creation of a new income tax to be levied at the sub-county, county, sub-regional or regional level. A formulaic method of redistribution would be created based on factors such as population, density, community wealth, etc.

Pool sales tax revenue from new development only.
This option involves the pooling of current county or local option sales taxes or the creation of a new sales tax to be collected in areas of new retail development only. A method of redistribution would need to be determined and could be based on a formulaic measure including variables such as population, density, community wealth, etc. The funds could be redistributed to the entire collection area or focused based on some definition of "needy" communities.

Sales tax from "big box" retailers placed in distinct pool.
This option involves the pooling of current county or local option sales taxes or the creation of a new sales tax to be collected from "big box" retailers. A definition of "big box" would need to be clarified in law. A method of redistribution would need to be determined and could be based on a formulaic measure including variables such as population, density, community wealth, etc. The funds could be redistributed to the entire collection area or focused based on some definition of "needy" communities.

Separate tax on land from tax on investment.
This is called Land Value Taxation and is used in other states, most notably in Pennsylvania.

Change educational funding base from property tax to another taxing (income, sales) mechanism.
Would theoretically make schools less reliant on any one type of tax, and less likely to be under-funded due to local economic development incentives.

Regional taxing powers.
Establish a governing body with regional taxing powers to promote regional economic development.

State government assumes responsibility for property assessments.
Would theoretically prevent local governments from using assessments as a de facto economic development tool. Assessment practices now vary widely among counties, leading to inequities in funding of public services.

Local Development Incentives

Disallow TIF for retail or housing.
TIF can currently be used for a wider variety of development, some of which may only move activity around the region. If TIF could not be used for retail or housing, it would be more likely to be used for new development that would be wealth generating for the region.

In the case of retail & housing development incentives, allow cities to capture only their own tax base.
Currently, in Missouri, municipalities are allowed to enact TIF legislation that affects other overlapping jurisdictions. This can negatively impact the fiscal status of public service delivery districts (fire, school, etc...)

Increased community review & oversight of TIF.
Increased oversight by counties and states would presumably limit TIF development to truly blighted areas.

Chapter 100 Reform
Chapter 100 is a local economic development incentive that allows industrial revenue bonds to be issued for commercial and industrial development that is either tax-exempt, or financed through an abatement of ad valorem taxes on the property.

Chapter 353 Reform.
Chapter 353 is a tax abatement program that can be used by cities to encourage redevelopment in blighted areas through property tax abatement and eminent domain. Improvements to a property are 100percent exempt from real property taxes for 10 years, and that 50percent exempt for the next 15. PILOT may be imposed in some cases.

Transportation Development District (TDD) Reform.
Transportation Development Districts are special taxing districts that allow an additional sales and property tax levies to finance transportation infrastructure improvements related to development. A key difference between TDD and TIF is that TDD allows for an increase in taxes collected rather than just a redirection of taxes.

Tax Increment Financing (TIF) Reform.
TIF allows real estate taxes to be frozen at the level prior to development, and the redirection of an increment growth of sales taxes and taxes on utilities used to pay for selected development costs or retire bonds issued to pay those costs. TIF is statutorily limited to “blighted” areas and to development that would not have taken place “but for” the TIF incentives, but these standards are highly subjective and are not easily enforced..

Regional economic development tool.
Create a regional economic development incentive tool; one for which both the source of funds and scope of use would be defined regionally rather than locally.

Housing enterprise zones.
Create targeted areas where tax benefits are offered to attract new housing construction or rehabilitation to stimulate economic development. Iowa and Atlanta have specific housing enterprise zones, while other states create incentives for affordable housing within existing economic enterprise zones.

Regional Cooperation

Regional purchasing programs for local governments.
Allows municipalities/counties to leverage purchasing power to improve effectiveness and efficiency. Locally, Cooperating School Districts in St. Louis and MARC in Kansas City have programs. US Communities Government Purchasing Alliance assists local governments establish joint purchasing programs.

Corporate support for programs that benefit corporations or their employees.
Identify opportunities for corporate support for public services that directly benefit a corporation or their employees. Employer assisted housing programs, “contracting” for transit services, or subsidizing transit fares are examples.

Create a Public/Civic Entrepreneurial Resource Center.
Establish a center for the sharing of best practices and other resources for public and civic entrepreneurship.

CHARTER
of the
METROPOLITAN FORUM
a collaborative endeavor of leaders in
business, government and civic sectors

WHEREAS, there are many dedicated leaders in business, government and civic sectors in the bi-state St. Louis region who are working to address critical metropolitan issues; and

WHEREAS, the St. Louis region faces important challenges that can be addressed only by outstanding leadership, honest and clear debate, and problem-solving based on sound information; and

WHEREAS, a diverse group of leaders (hereinafter "conveners") from the business, government and civic sectors desire to come together to conduct discussions and stimulate action to confront these metropolitan challenges; and

WHEREAS, the performance of the St. Louis region relative to peer regions across the nation is not at the high level to which the conveners individually and collectively aspire; and

WHEREAS, none of the conveners individually can cause the regional changes and transformations necessary to raise the region's nationwide standing in many significant categories: and

WHEREAS, the conveners have been meeting to discuss regional challenges and the opportunity to collaborate in a working partnership; and

WHEREAS, there was broad agreement that a new kind of collaboration between business, government and civic sectors is both necessary and desirable; and

WHEREAS, the East-West Gateway Coordinating Council (hereinafter "Council"), St. Louis Regional Chamber and Growth Association (hereinafter "RCGA") and FOCUS St. Louis (hereinafter "FOCUS") are regional organizations with members from the public, private and civic sectors in the bi-state St. Louis region; and

WHEREAS, the Council, RCGA and FOCUS have encouraged the conveners to form the new collaboration and support the collaboration's efforts;

NOW, THEREFORE BE IT RESOLVED, that the conveners hereby agree to maintain an ongoing process and forum to address regional concerns and undertake bold initiatives; and

BE IT FURTHER RESOLVED, that the conveners will utilize the staff of the Council, the RCGA, and FOCUS to support the ongoing work of the collaboration, which will be known as the Metropolitan Forum (hereinafter "Forum"); and

BE IT FURTHER RESOLVED, that the Forum will not be a formal organization, but will function according to the following guidelines:

1. The conveners will assemble the Forum at least four times per year.

2. The Forum will consist of a maximum of thirty-six representatives, twelve members representing business, local government and civic interests, plus the staff directors of the Council, the RCGA and FOCUS.

3. The Forum will be the principal decision-making body of the collaboration, responsible for key policy decisions including the determination of issues to be addressed and strategies to be undertaken.

4. The Forum will endeavor to reach consensus on decisions. If a vote is required, a minimum two-thirds majority will be required overall and among the representatives of each sector represented (business, government and civic).

5. The Forum may designate a management committee consisting of up to three representatives from each sector from among Forum participants. The management committee will meet as needed to plan the work of the Forum.

6. The lead role for organizing, preparing for, and presiding over the meetings of the Forum will rotate among the sectors for each succeeding meeting.

7. In order to encourage frank and honest dialogue, discussions of the Forum will be confidential.

8. Larger, more inclusive, working groups will be encouraged and may be formed to advance specific issues or themes as determined by the Forum.

9. The Forum will focus on initiating and implementing bold initiatives that will have measurable impact on the region.

10. The conveners will develop a cost-sharing arrangement among the sectors to maintain the Forum and will work together to secure private and public funds to support expenses.

This Charter will be approved by consensus of the Forum and shall be used as a guideline to conduct the activities of the Forum. This Charter may be amended from time to time, also by consensus.

Metropolitan Forum Values and Principles

The purpose of the statement of values and principles is to guide the conduct of the Metropolitan Forum. The Forum is a geographically and professionally disparate group of people working in business, civic and government institutions sharing a common interest in making the entire St. Louis region healthier and more economically productive. This network of regional leaders is connected by a common set of values and principles that serve as a foundation for all of the Forum's work. One set of principles, affecting conduct, applies to the manner in which the deliberations of the Forum take place and the way that members deal with each other. The second describes qualities by which the actions of the Forum will be developed and measured.

Action

- Be bold. *Strive for extraordinary impact.*
- Be effective. *Address root causes of problems, rather than symptoms.*
- Be willing to challenge traditional assumptions and old ways of doing things. *Be open to new approaches and be patient in retrying old ones.*
- Be regional. *Address problems that cross political boundaries and affect the entire region, recognizing that solutions will acknowledge and respect our differences.*
- Be fact-based. *Take action based on facts and analysis, rather than on emotion, opinion and anecdote.*
- Be fair and equitable. *Strive to overcome community and cultural divisions and disparities.*
- Be accountable. *Accept responsibility for action and measurable results. Be honest in evaluating progress.*

Conduct

- Take risk.
- Be honest.
- Confront each other when necessary.
- Support each other when we deserve it.
- Be civil and respectful. Respect confidentiality.
- Show up when asked.

Biographies of the Members of the Policy Advisory Panel

Glen Hahn Cope

Provost and Vice Chancellor for Academic Affairs
University of Missouri – St. Louis
Fellow, National Academy of Public Administration

Glen Hahn Cope, Ph.D., was appointed Provost and Vice Chancellor for Academic Affairs at the University of Missouri – St. Louis on August 16, 2004. Prior to assuming this position, Dr. Cope served as Dean of the College of Public Affairs and Administration at University of Illinois Springfield. Before Springfield, Dr. Cope had been Associate Dean for five years and a member of the faculty for 15 years at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin.

Cope is active in national professional organizations including the American Society for Public Administration, which she has served as president (2002-03) and member of the national council (1997-2004). She is a Fellow of the National Academy of Public Administration and has been active in the National Association of Schools of Public Affairs and Administration and the Association for Public Policy Analysis and Management.

Dr. Cope earned the bachelor's degree in economics at the University of Michigan, Ann Arbor, the master's degree in public administration at Syracuse University in New York, and the doctorate in public administration at The Ohio State University, Columbus.

Lawrence D. Dahms

Executive Director (Retired), Metropolitan Transportation Commission

Lawrence Dahms is a retired former executive director of the Metropolitan Transportation Commission the metropolitan planning organization for the San Francisco Bay area, having served in that position for 23 years. He currently serves as Chair of non-profit City CarShare's Board of Directors in San Francisco.

Dahms is the 2005 recipient of the Frank Turner Medal for Lifetime Achievement in Transportation awarded in January 2005 by the Transportation Research Board. In 1996, he was the recipient of the W.N. Carey, Jr. Distinguished Service Award, which recognizes individuals who have given outstanding leadership and service to transportation research.

Dahms earned a BS in Civil Engineering from San Diego State University and an MBA from Sacramento State University. He served in the U.S. Army Corps of Engineers, and from 1969 to 1975, he held leadership roles at the Bay Area Rapid Transit system. He also worked for Arthur D. Little, Inc., and was the Deputy Director of the California Department of Transportation.

He was an architect of the Intermodal Surface Transportation Efficiency Act of 1991. Dahms served on the NCR Committee on Improving the Future of U.S. Cities Through Improved Metropolitan area Governance.

Steven E. Ehlmann

County Executive
St. Charles County, Missouri

Steven Ehlmann, is a former teacher, state legislator, and judge. A public servant for more than 15 years, he was elected to two terms in the Missouri House of Representatives (1988-1992) and was a state senator from 1993-2000, including two terms as Republican floor leader. He then became an associate circuit judge and later a circuit judge for the 11th Circuit in St. Charles before being named in 2004 as the director of administration for St. Charles County. In 2006 he was elected County Executive of St. Charles County.

He practiced law from 1985 to 2000, most recently for the firm of Ehlmann & Guinness. His earlier career was as a teacher and basketball coach for area high schools and for St. Louis Community College-Meramec.

Ehlmann, 53, is a 1969 graduate of St. Charles High School and a 1973 graduate of Furman University with a B.A. in history, 1973. He received his M.A. in history from the University of Missouri-Columbia in 1975 and was earned his J.D. from the Washington University School of Law in 1985.

R. Scott Fosler

Visiting Professor and
Roger C. Lipitz Senior Fellow
School of Public Policy
University of Maryland
Chair, Board of Directors, National League

R. Scott Fosler, a leader in innovations in governance, is a visiting professor and the first Roger C. Lipitz Senior Fellow in the Center for Public Policy and Private Enterprise. Before joining MSPA, Fosler served as president of the National Academy of Public Administration (NAPA), a nonpartisan organization chartered by Congress to help improve the American system of governance.

With expertise in fostering public/private partnerships, Fosler has held several positions in the public and private sectors and in academia, including vice president and director of government studies for the Committee for Economic Development (CED), and senior staff positions with the Institute of Public Administration of New York, and the U.S. national Commission on Productivity.

Fosler was also elected to two terms on the County Council of Montgomery County. He currently chairs the board of directors of the National League.

Among his publications, he co-edited *The Challenge to New Governance in the Twenty-First Century: Achieving Effective Central-Local Relations* and Public Private Partnership in American Cities.

Fosler earned his MPA at Princeton University.

James O. Gibson

Senior Fellow
Center for the Study of Social Policy

James Gibson has been a Senior Fellow at the Center for the Study of Social Policy since February 2000. Mr. Gibson has a long history of involvement in issues of urban policy, civil rights and community development. He came to the Center from DC Agenda, having spent time in major leadership positions at both the Urban Institute and the Rockefeller Foundation. Gibson participated in technical assistance activities and is involved in the Center's work in the District of Columbia. Half of his time is spent as an advisor to PolicyLink in California.

Between 1986 and 1992, Mr. Gibson was Director of the Equal Opportunity Program at The Rockefeller Foundation. Before joining Rockefeller, he served as President of the Eugene and Agnes E. Meyer Foundation in Washington, D.C. He was a founding Director and President of the D.C. Agenda. Other positions he has held include Assistant City Administrator for Planning and Development for the District of Columbia, Executive Associate of The Potomac Institute, and Executive Secretary of the Atlanta Chapter of the NAACP. He has been a consultant to many federal, municipal and private sector agencies.

Gibson's Presidential appointments include the President's National Commission on Rural Poverty and the National Capital Planning Commission.

Wayne Goode

Former Missouri Senator

Wayne Goode was a member of the Missouri House of Representatives for 22 years before being elected to the Senate in 1984. He chaired numerous committees, including the Education Committee and Appropriations Committee while a member of the House. In the Missouri Senate he served as Chairman of the Commerce and Environment Committee; Vice-Chairman of the Appropriations Committee; Vice-Chairman of the Ways and Means Committee and a member of the Civil and Criminal Jurisprudence, Education, and Public Health and Welfare Committees.

He sponsored many bills of statewide importance, including the 1994 Campaign Finance Reform Bill (SB 650), the 1990 Omnibus Solid Waste Bill (SB 530), the hazardous waste law, the Omnibus Mental Health Code, Public Education Funding Formula, first revision of the Guardianship Code since 1821, as well as other legislation in the fields of education, social services, environmental protection and public health, and governmental management. In his first term in the House, in 1963, he successfully sponsored the legislation establishing the University of Missouri at St. Louis.

James H. Johnson, Jr.
William Rand Kenan, Jr. Distinguished Professor
Director, Urban Investment Strategies Center
Co-Director Center for Sustainable Enterprise
University of North Carolina

Johnson is the William Rand Kenan, Jr. Distinguished Professor of management and director of the Urban Investment Strategies Center. He is co-director of the Center for Sustainable Enterprise.

His research interests include community and economic development, the effects of demographic changes on the U.S. workplace, interethnic minority conflict in advanced industrial societies, urban poverty and public policy in urban America, and workforce diversity issues. With support from the Russell Sage Foundation, he is researching the economic impact of Sept. 11 on U.S. metropolitan communities.

Dr. Johnson's research focuses on the causes and consequences of growing inequality in American society, particularly as it affects socially and economically disadvantaged youth; entrepreneurial approaches to poverty alleviation, job creation, and community development; interethnic minority conflict in advanced industrial societies; and business demography and workforce diversity issues. *Fast Company* profiled Dr. Johnson and his work in "*In Hopes and Dreams*."

He received his PhD from Michigan State University, his MS from the University of Wisconsin at Madison and his BS from North Carolina Central University.

Thomas G. Johnson
Frank Miller Professor of Agricultural Economics
Director, Community Policy Analysis Center
University of Missouri-Columbia

Dr. Johnson received a BSc and MS in Agricultural Economics in 1973 and 1976 from the University of Saskatchewan. He was awarded his PhD in Agricultural and Resource Economics from Oregon State University in 1979. From 1979 to 1982, Johnson was Assistant Professor at the University of Saskatchewan. He moved to Virginia Tech in 1982 and rose to Full Professor during his tenure before coming to the University of Missouri – Columbia in January 1997.

Johnson teaches and conducts research in rural economic development, economic impact analysis, local government finance, rural education, and transportation economics. He also directs the Community Policy Analysis Center (CPAC), a group conducting research and outreach programs focused on the economic and social decision-making in small communities. He has served on the Editorial Boards of the American and Southern Journals of Agricultural Economics, and as president of the Southern Regional Science Association. He has been a consultant to the United States EDA, USDA, National Governors' Association, Government Finance Officers' Association, Council of State Governments, Governments of Canada and Ireland, the State of New Jersey, Oregon State Legislature, North Carolina Rural Development Center, Virginia Department of Agriculture and Consumer Services, and West Virginia and Virginia DOTs.

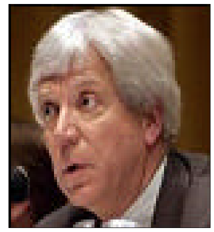
Robert A. Kuntz

City Administrator
City of Ballwin

Since 1988, Mr, Kuntz has served as City Administrator of Ballwin, Missouri; a municipality of 33,000 with 157 full time employees and an annual budget of $18 million. Prior to this position, he served as City Manager and Finance Director in Trotwood, Ohio between 1983 and 1988. He also served that community as Assistant City Manager, Public Works Director, and Personnel Director. He has also been Borough Administrator of Point Pleasant Beach, New Jersey and Assistant City Manager in Englewood, Ohio.

Mr. Kuntz is a member of the International City Management Association; Missouri City Manager's Association (past president); Lafayette Mayors' Association; Missouri Municipal League; St. Louis County Municipal League; West County Chamber of Commerce; and St. Louis Area City Managers' Association.

He received a Master of Public Administration degree from the University of Dayton and a Bachelor of Arts in Political Science from Miami University.

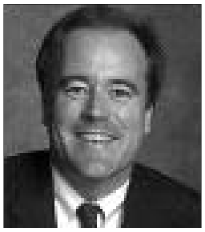


David Young Miller

Associate Dean and Professor,
Public and Urban Affairs
Graduate School of Public
and International Affairs
University of Pittsburgh

David Y. Miller received his Ph.D. in Public Policy and Analysis from the University of Pittsburgh. He is the author of several papers focusing on regional governance, regional financing of urban services, and municipal fiscal distress. His current research pursuit is identifying how different political sub-cultures in American society shape the development of regional solutions to local problems. Dr. Miller has served as the Director of the Office of Management and Budget for the City of Pittsburgh, and Managing Director of the Pennsylvania Economy League. He currently serves on the Board of Directors of the Local Government Academy, The Three Rivers Labor Management Committee, Conflict Resolution Center International, and as the advisor to the Government Finance Officers Association Budget and Finance Committee.

David Y. Miller is interim Dean and associate professor with the Graduate School of Public and International Affairs at the University of Pittsburgh. PhD, 1988, public policy research and analysis, Graduate School of Public and International Affairs, University of Pittsburgh; MPA, 1971, Kent State University; BA, 1969, political science, Syracuse University. Teaching and Research Areas: Comparative regional governance, urban public finance, research methods, law and politics of local government, administrative theory.



Myron Orfield
Associate Professor of Law
University of Minnesota
Fesler-Lampert Chair in Urban and Regional Affairs
Executive Director, Institute on Race & Poverty

Professor Orfield is the Fesler-Lampert Chair in Urban and Regional Affairs 2005-2006, the Executive Director of the Institute on Race and Poverty and a non-resident senior fellow at the Brookings Institution in Washington, D.C., in addition to being an Associate Professor of Law. He is an authority on civil rights, state and local government, state and local finance, land use, questions of regional governance, and the legislative process.

Orfield graduated *summa cum laude* from the University of Minnesota, attended Princeton University, and has a J.D. from the University of Chicago, where he was a member of the law review. Following law school, Orfield clerked for the United States Court of Appeals for the 8th Circuit and then returned to the University of Chicago Law School as a Research Associate and Bradley Fellow at the Center for Studies in Criminal Justice. After working as an associate at Faegre & Benson in Minneapolis, Orfield was appointed an assistant attorney general of Minnesota in the solicitor general's division.

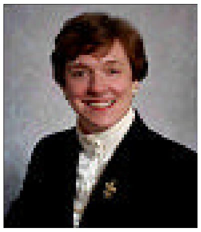
In 1990, Professor Orfield was elected to the Minnesota House of Representatives, served five terms, and was elected to the Minnesota Senate in 2000, where he served one term. He was the architect of important changes in land use, fair housing, and school and local government aid programs. His first book, *Metropolitics: A Regional Agenda for Community and Stability* (Brookings 1997), a study of local government structure and demographic, relates to these efforts. For the past ten years, Orfield has been president of a nationally respected regional research organization undertaking studies involving the legal, demographic and land use profiles of various American metropolitan areas. His second book, *American Metropolitics: The New Suburban Reality* (Brookings 2002) is a compilation of his work involving the nation's twenty-five largest regions.

Michael A. Pagano
Professor, Public Administration
University of Illinois at Chicago
Fellow, Great Cities Institute
Co-Editor, Urban Affairs Review

Michael Pagano holds a B.A. from the Pennsylvania State University and in 1980 earned a Ph.D. from the University of Texas at Austin. Between 1980 and 2001, he was professor of political science at Miami University and is currently professor and director of the Graduate Program in Public Administration at the University of Illinois at Chicago and an Institute Fellow in the Great Cities Institute.

He is co-editor of Urban Affairs Review (housed in GCI), a member of the Committee for the Study of the Long-term Viability of Fuel Taxes for Transportation Finance of the Transportation Research Board, and Principal Investigator for a Pew Charitable Trust project (Government Performance Project) to grade the states on Infrastructure Management, which was released in the February issue of Governing magazine. He co-authored a 2004 Georgetown University Press book with Ann O'M. Bowman entitled, Terra Incognita: Vacant Land and Urban Strategies. With Professor Bowman he also is coauthor of Cityscapes and Capital (Johns Hopkins University Press, 1995). His Duke University Press book on urban infrastructure, Cities and Fiscal Choices, was published in 1985. Since 1991, he has written the annual City Fiscal Conditions report for the National League of Cities and since 2003 he has written a column called "The Third Rail" for State Tax Notes, which examines contemporary local government fiscal issues. He was co-editor of the "Annual Review of American Federalism" issue of Publius: The Journal of Federalism from 1988-95. He has published over 50 articles on urban finance, capital budgeting, federalism, transportation policy, infrastructure, urban development and fiscal policy; delivered over 60 papers; and received funding from the Brookings Institution, CEOs for Cities, National Research Council, U.S. Advisory Commission on Intergovernmental Relations, Lincoln Institute of Land Policy, National League of Cities, State of Ohio, and elsewhere.

His current research projects include a study of the tax structures of the nation's municipalities, an assessment of the municipal commuter tax, the spatialization of revenue structures, and issues of local government finance.



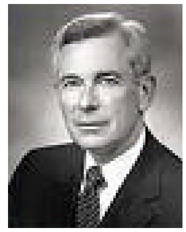
Joan Riehm

Deputy Mayor - retired
Louisville – Jefferson County Metro Government

Joan Riehm, former Louisville Metro Deputy Mayor, has had a successful career in communications and government for more than three decades in Louisville and Kentucky. She has been an active participant in community affairs as a reporter and editor for The Courier-Journal, press secretary and deputy mayor for City Government, communications director in State Government, manager of government relations for Humana Inc., public affairs consultant, and founding director of the Regional Leadership Coalition.

As a civic volunteer, she has also served the community on many nonprofit boards including Norton Healthcare, Operation Brightside, the Louisville Free Public Library and the Air Pollution Control Board. To encourage others to become involved in community service, she co-founded the Leadership Kentucky program and started Leadership Louisville's first alumni group.

Joan has included a charitable bequest in her will to create the Joan Riehm Fund for Greater Louisville in the Foundation. "I believe in the Community Foundation's mission to help my hometown grow and thrive," says Joan. "Creating a fund for Greater Louisville continues support for my favorite causes far into the future, and helps support the important work of the Foundation in our community."



H.G. "Gerry" Schwartz, Jr., Ph.D., P.E., F. ASCE

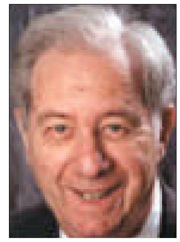
President, Board of Trustees
Academy of Science of St. Louis
Jacobs Engineering (Retired Chairman)

Dr. H. G. "Gerry" Schwartz, Jr. is a nationally recognized civil/environmental engineering leader and consultant. He was a past President of Sverdrup Civil, Inc. and Sverdrup Environmental, Inc., and most recently was Chairman of Jacobs Civil, Inc. Currently he is a Senior Professor at Washington University in St. Louis, Missouri. He also serves as the President of the Board of Trustees of the Academy of Science of St. Louis. His career includes research, planning, and management of a wide variety of engineering and construction projects, programs, and companies. For the past 20 years his responsibilities have encompassed all aspects of business management – operations, marketing, strategic planning, governance, and acquisitions. Dr. Schwartz attended Princeton University, and received his BS and MS degrees from Washington University in 1959 and 1962 respectively. He received his PhD from California Institute of Technology in 1965, and also attended Columbia University's Business Program. He served on numerous committees and advisory councils, including serving as President of the American Society of Civil Engineers. He is the recipient of several honors and awards, most notably election to the National Academy of Engineering in 1997.

David L. Sjoquist

Professor of Economics
Director, Fiscal Research Center
Dan E. Sweat Distinguished Chair in Educational and Community Policy
Georgia State University

David L. Sjoquist is Professor of Economics in the Andrew Young School of Policy Studies, Georgia State University, and holder of the Dan E. Sweat Distinguished Chair in Educational and Community Policy. He serves as Director of Domestic Programs and Director of the Fiscal Research Center in the Andrew Young School. Dr. Sjoquist is a specialist in the field of public finance, particularly state and local public finance, and has an extensive interest in urban economics, especially local economic development and central city poverty, and in educational policy. He has written over 80 professional articles, book chapters and books, and published numerous reports. He holds an M.A. and Ph.D. in economics from the University of Minnesota. Currently, he is on the boards of the Atlanta Urban League, the Atlanta Regional Commission, and the Regional Leadership Foundation.



Murray Weidenbaum

Edward Mallinckrodt Distinguished University Professor
Honorary Chair, Weidenbaum Center on the Economy,
Government and Public Policy
Washington University in St. Louis

Professor Murray Weidenbaum is Honorary Chairman of the Center and Mallinckrodt Distinguished University Professor at Washington University. He is known for his research on economic policy, taxes, government spending, and regulation. Weidenbaum created the Center for the Study of American Business in 1975, served as its director during most of the 1975-2000 period, and retired from the directorship at the end of 2000, when the Center was renamed the Weidenbaum Center.

In 1981 and 1982, Professor Weidenbaum was President Reagan's first chairman of the Council of Economic Advisers. In that capacity, he helped formulate the economic policy of the Reagan administration and was a key spokesman for the administration on economic and financial issues. During the years 1982-1989, he was a member of the President's Economic Policy Advisory Board.

Earlier, Professor Weidenbaum was the first Assistant Secretary of the Treasury for Economic Policy in the Nixon administration. He also served as Fiscal Economist in the U.S. Bureau of the Budget and as the Corporate Economist at the Boeing Company. He is a member of the boards of directors of Harbour Group, Macroeconomic Advisers, and the Center for Strategic and International Studies. Weidenbaum is a member of advisory boards of the Center for Strategic Tax Reform, the American Council for Capital Formation, the American Enterprise Institute, and the Foreign Policy Research Institute.

He received a B.B.A. from City College of New York, an M.A. from Columbia University, and a Ph.D. from Princeton University. He has been a faculty member at Washington University since 1964 and was the Chairman of the Economics Department from 1966 to 1969.

He is the author of eight books, the latest being the seventh edition of *Business and Government in the Global Marketplace*. His previous book, *The Bamboo Network*, was a finalist in the 1996 competition for global business book of the year. His *Small Wars, Big Defense* was judged by the Association of American Publishers to be the outstanding economics book of 1992. He has written several hundred articles in publications ranging from *American Economic Review* to the *Wall Street Journal*. He is a Fellow of the National Association of Business Economists, Honorary Fellow of the Association for Technical Communication, and a past president of the Midwest Economic Association.

XX