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'A fantasy': Professors say city-county merger would cause deficits, not surpluses

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Three St. Louis professors said Monday that any savings caused by Better Together's proposed merger of the city and county would not approach tax reductions implemented by the plan, creating budget deficits — not surpluses, as proponents have claimed.

DILIP VISHWANAT | SLBJ

St. Louis City Mayor Lyda Krewson and St. Louis County Executive Steve Stenger would lead a transition of governments into a new "metro city" if Better Together's initiative petition passes. Stenger was dropped as an unelected "metro mayor" until 2024. An election for metro mayor would now be held in 2022.

A policy paper — from Mark Tranel, director of the University of Missouri - St. Louis' Public Policy Research Center and Bellefontaine Neighbors city collector; Terry Jones, professor emeritus at UMSL; and Jim Brasfield, professor emeritus at Webster University — called Better Together's projection of $4.9 billion in savings over a decade "a fantasy."

Their analysis, in contrast, predicted "annual budget deficits in the tens of millions," including a $25.6 million deficit in year one.

"That is reality," it said.

Better Together's plan would see the city of St. Louis and St. Louis County merged into a new "metro city" after a November 2020 statewide vote on a constitutional amendment. A government transition period, in which police, courts, economic development and other functions are merged, would end in 2023.

In particular, the paper claimed Better Together's budget figure for 2023 is actually for the 2017-2018 period, so it assumes expenses won't rise for roughly five years, a difference of between $200 million and $250 million a year. Therefore, if expenditures must fall 1% a year in the merged government, "to achieve this realistic projected 2023 baseline starting point would require draconian cuts in the first year of operation of the Metro City," the paper said. "If the citizens of the City of St. Louis and St. Louis County want the lower levels of government spending projected by Better Together, they will need to accept massive reductions in major services such as public safety and public works."

Better Together has claimed that expenses could be reduced through attrition, service consolidation and new technology.

"Most urban government costs are to provide labor intensive services," the professors' paper said. "Reduction in personnel leads directly to service decline. Unless judges, police officers, or street workers are replaced by robots, it is hard to understand how technology will lead to the level of cost savings projected."

The paper also questioned why Better Together's expenditure projection did not account for new debt payments. "We cannot find any major city in the country with no debt to finance long-term capital projects," it said. "It is financial folly to assume that the current buildings and other infrastructure will last forever."

Further, the paper said Better Together's claims about the metro city's revenue might also be too rosy. That's because Better Together foresaw annual revenue increases from property taxes of 2% a year, while the paper assumed a 1% increment in reassessment years and 0.5% in alternative years. For sales taxes, Better Together assumed annual growth of 1%; the professors claimed annual increases of 0.5% would be more "prudent."

The paper predicted $150 million less in revenue over a decade than Better Together's projection.

"Their very large cumulative numbers seem unrealistic," Brasfield said. "There are not actually going to be surpluses," he said, because taxes would be cut or expenditures would increase.

At the same time Monday, Better Together doubled down on its savings claims, adding that in 2023 the metro city would distribute $526 million in revenue to municipal districts, the successors to the county's municipalities, while their expenses are held to $360 million. For the 23 municipal districts that would receive less revenue than their expenditures, "the Metro City would distribute revenues generated within the boundaries of that Municipal District from any revenue source (including sales tax revenue) as necessary to provide municipal services," Better Together said.

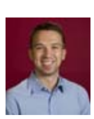
Responding to the professors' report, Better Together also said Monday that "there is no doubt that without Better Together's recommendations, expenses will continue to grow in the St. Louis region." It also defended its sales tax and property tax projections, saying historic data show they're conservative.

Brasfield, a former mayor of Crestwood, said the professors, who can be considered opponents of the current merger plan, were not paid for their work.

Brasfield said he had not brought his technical concerns to Better Together.

"We felt that they haven't been open to that kind of discussion, but if (Better Together Executive Director) Nancy Rice or (Associate Director of Community-Based Studies) Kyle Juvers sent an email or called tomorrow and said, 'Gee, we'd like to go over the numbers and come to an agreement,' we'd be happy to do that," Brasfield said.

Jacob Kirn
Economic Development Editor



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