



September 1, 2010

VIA HAND DELIVERY

The Honorable Jeremiah W. Nixon
Office of the Governor
Room 216, State Capitol Building
Jefferson City MO 65101

Dear Governor Nixon:

Proposition A, the ballot measure that could lead to the elimination of the earnings taxes currently levied in Kansas City and St. Louis, has been certified by the Secretary of State and will appear on the statewide ballot this November. Our organizations strongly oppose Proposition A. We were very disappointed to learn that you have not taken a firm position against Proposition A, and we encourage you to take a strong, public position against this ballot measure.

The one percent earnings tax is currently paid by people who either live or work within the city limits of Kansas City and St. Louis. If Proposition A is approved by the voters in November, the issue of whether to repeal each city's respective earnings tax would go to a local vote in Kansas City and St. Louis next April. If a majority of the local voters in either city vote to keep the earnings tax, a new referendum will be required every five years. If, at any time, the local voters vote to repeal the earnings tax, it will be immediately phased out at the rate of 10 percent each year for 10 years.

The earnings tax is a significant revenue source for both Kansas City and St. Louis. For Fiscal Year 2010, the earnings tax in Kansas City is expected to generate revenues of \$200.6 million, or 37.1% of the anticipated revenues for its General Fund. In St. Louis, the earnings tax is expected to generate revenues of \$141.2 million, or 31.1% of the projected \$453.9 million in General Fund revenues.

Both cities use much of the revenue produced by their respective earnings taxes to fund police and fire protection, trash collection and a host of neighborhood services and regional amenities. The earnings taxes levied in each city are the only way the cities have to spread among their

The earnings taxes levied in each city are the only way the cities have to spread among their respective region's residents the cost of providing basic city services and amenities such as the Kansas City Zoo and Liberty Memorial. In Kansas City, it is estimated that 40 percent of its earnings tax – \$80 million – is paid by employed people who do not reside in Kansas City, Missouri, and 20 percent of the earnings tax is paid by Kansas residents who work in Kansas City, Missouri. Because a significant portion of the earnings taxes are paid by people who live outside of, but who work in, Kansas City and St. Louis and use the cities' services, infrastructure and amenities daily, the residents of Kansas City and St. Louis would have to pay even higher taxes than they pay now in order to make up the difference. While the repeal of each city's earnings tax would in no way reduce the cost of the services or the necessity of providing them, it would result in the entire burden for these basic services and regional amenities being carried by Kansas City and St. Louis residents alone.

The earnings tax has been a stable revenue source, even through the current recession. In Kansas City, the actual revenue from the earnings tax in Fiscal Year 2008 (May 1, 2007 to April 30, 2008) was \$201.3 million; it is estimated to decrease by just \$0.7 million through Fiscal Year 2010. The sales tax is estimated to decline by \$12.3 million during the same time frame, a 7.6% drop in revenue.

Furthermore, while eliminating a significant source of revenue for each city's General Fund, Proposition A does not authorize any replacement revenue source(s). Nor is there any realistic expectation that an increase in property and/or sales taxes could fill the void caused by elimination of the earnings tax. Both cities' real estate bases continue to decline in value; in Kansas City, there are no significant retail centers to generate sales tax, because of the population shifts to suburban communities on both sides of the state line. Even if this were not the case, undoubtedly, any replacement sources of revenue will come on the backs of the Kansas City and St. Louis residents, some of whom are the least able of each region's citizens to absorb the increased tax burden.


Many of our organizations' members pay an earnings tax, as do many of the employees of Civic Council members' companies. For Civic Council members' companies and other companies – both big and small – in Kansas City and St. Louis, the cost of doing business is always an important factor when deciding to start, locate or grow a business. However, a high value is also placed on the quality of life, including the availability of services, the cultural and recreational amenities of a community, and the strength of schools, neighborhoods and other public institutions in our decisions. We believe the earnings tax is a reasonable price to pay for the services and amenities that we and our employees depend on and enjoy daily.


On behalf of our respective organizations, we strongly encourage you to publicly and vigorously oppose Proposition A in November. We would appreciate the opportunity to have a meaningful conversation with you about Proposition A and your position.

September 1, 2010

Thank you in advance for your consideration of our request. We look forward to hearing your response.


Sincerely,



Mark R. Jorgenson, Civic Council Chair
and
Regional President & CEO of US Bank



Pat "Duke" Dujakovich, President
Greater Kansas City AFL-CIO



Louie A. Wright, President
International Association of Fire Fighters Local 42



James Heeter, President & CEO
Greater Kansas City Chamber of Commerce


Chris Guinther, President
Missouri National Education Association


Don Zavodny, Director
AFSCME Council 72


Lara Granich, Director
Missouri Jobs with Justice


Sherwin Carrol, President
SEIU Missouri State Council


Nancy Cross, President
SEIU Local 1 Missouri