



# SHOW-ME newsletter

JULY 2012

## LIBERTY AT RISK: U.S. SUPREME COURT UPHOLDS HEALTH CARE LAW

The U.S. Supreme Court has affirmed the constitutionality of the Affordable Care Act's (ACA) individual mandate and upheld most of the rest of the law. What does this mean for Missourians?

In the short term, it means the federal government will be able to continue implementing the ACA, also known as "ObamaCare." Unless there is legislative action to repeal the law, Americans will increasingly become subject to one of the most coercive and leviathan federal programs enacted in recent memory. Tens of millions of Americans will likely lose their current insurance plans, with the law's provisions especially hurting young people, who are poorer than most and already suffering in a difficult economy.

Are there any silver linings here for the liberty-minded? Perhaps. By finding that there was no constitutional basis for the mandate under the Commerce Clause, the Supreme Court appears to have set a new, more modest course for future Commerce Clause cases, which may actually scale back the federal government's power to regulate our lives. Moreover, the provisions that would have forced states to expand their Medicaid programs were deemed impermissible under Congress' spending power, meaning states will not have to choose between expanding their Medicaid

eligibility and losing federal funding for their entire Medicaid programs. Lastly, because the Court has also found that the mandate is a tax, removal of the law could be as easy as passing a budget bill without the mandate in it. Unfortunately, we are a long way from that right now.

But despite what some in the media may have told you, this is not over. The key to turning ACA back has moved in a decidedly legislative direction. According to the justices, Congress enacted a gigantic tax when they implemented ObamaCare. The question now is whether Americans want to pay it.

The Show-Me Institute will continue to oppose the massive federal takeover of health care while promoting genuine reforms that would actually make health care more affordable and more responsive to patients' needs.



*Policy Analyst Patrick Ishmael discusses the implications of the health care decision on KSDK NewsChannel 5 in Saint Louis.*

ADVANCING LIBERTY WITH RESPONSIBILITY  
BY PROMOTING MARKET SOLUTIONS  
FOR MISSOURI PUBLIC POLICY

## A MESSAGE FROM BRENDA TALENT

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Brenda Talent  
*Executive Director*

**A**s a state think tank, the Show-Me Institute fights for limited government and free markets every day because our children and grandchildren are counting on us.

They already face a lifetime of struggle because of the debts our state and federal governments have incurred. We must act now, and swiftly, to reverse some of the damage.

The 2012 session of the Missouri Legislature ended May 18 with little in the way of market-oriented reforms. The full legislature failed to seize the opportunity to reduce excessive and out-of-control state tax credit programs. Despite the efforts of some lawmakers, the legislature as a whole failed to join other states in moving toward significant tax reforms.

Lawmakers did pass legislation that expands charter schools statewide. However, they did not make sweeping education reforms that would increase opportunities for all students.

Those are just some of the reasons that our elected officials need a new agenda for state government.

The Show-Me Institute has accomplished a lot since its inception. But we must work harder to expand school choice for everyone, privatize wasteful or inefficient government services, reduce regulatory and licensure requirements, and promote greater competition and choice in health care.

Because of your support, our policy analysts are empowered to dig into the details of proposed legislation on the state and local level and bring the important facts to light for citizens, the media, and lawmakers. Their research has saved taxpayer money, provided opportunities for entrepreneurs, and helped ensure that our children and grandchildren can lead successful, productive lives.

Policy Analyst Audrey Spalding examined a land bank/urban planning agency in Kansas City approved by the legislature this session. Will this agency repeat the common mistake of such planning agencies like the Saint Louis land bank, which Spalding has thoroughly analyzed, in stunting the growth that would naturally occur in the free market?

Policy Analyst Patrick Ishmael is delving deeper into state tax credits, and has called for the elimination of all development tax credits. That would result in an annual savings to the state of close to half a billion dollars, which could be used to eliminate Missouri's 6.25 percent corporate income tax. Eliminating the corporate income tax would help all businesses across the state and lead to more employment opportunities for Missourians.

Policy Analyst David Stokes testified about the dismal history of Tax Increment Financing (TIF), which enables municipalities to

provide public subsidies to private developments through long-term tax abatement.

"Government should focus on keeping tax rates low for everyone, instead of artificially low for the chosen few and marginally higher for everyone else," Stokes said in his testimony.

Over the past 12 years, Missouri has lagged behind most other states in economic growth. That is partly because we have not lowered our income tax and some of our lawmakers have persisted in trying to pick winners and losers with taxpayer money. To our west, Kansas has already enacted significant income tax reforms, and Oklahoma is seriously debating major tax reductions.

We can move Missouri forward with the elimination or reduction of income taxes. We can help Missouri's children by removing all barriers to education excellence. The answer to the impasse facing our schools is not to throw more money at the problem. The answer is to give parents real choice in educating their children, and allow education dollars to follow students instead of being sent to school districts.

**With your help, the Show-Me Institute plays an important role in releasing the greatest of all engines of progress – the energy and creativity that come from a free market and a free people.**



**T**he Great Depression was a failure in free markets. It took the government, through the New Deal, to bring the country out of it.

Or at least that is what most people are taught nowadays. However, that is not the lesson that Show-Me Institute Policy Researcher Michael Rathbone wants to impart to the students he teaches. Rathbone's class – titled "Why Was The Depression So Great?" – was recently taught to eighth graders at Westminster Christian Academy in Saint Louis County from a purely economic perspective.

Rathbone uses a study guide that former Show-Me Institute Research Assistant John Payne developed and Rathbone modified. Rathbone takes the students through the government's reaction to a steep recession after World

## TEACHING WHAT WAS SO GREAT ABOUT THE DEPRESSION

War I and then discusses the country's economic performance during the 1920s. He then discusses the crash of 1929 and U.S. President Herbert Hoover's response to the crisis.

Rathbone details Franklin D. Roosevelt's campaign against Hoover in 1932 and how, once elected, FDR reneged on his campaign promises and instead expanded Hoover's programs. Rathbone also talks about the negative effects of the National Industrial Recovery Act (NIRA) and the Agricultural Adjustment Act on minorities, sharecroppers, and the general public. He shares economic statistics and consequences of the New Deal. Michael caps his lecture with a brief discussion about World War II and how the country recovered after some of the New Deal policies were lifted.

Tim Muehleisen, an eighth-grade U.S. history teacher at Westminster, said he appreciated the lesson from the Show-Me Institute.

"Michael did a great job," Muehleisen said. "It was good for the kids to think at a higher level than they normally do. He fit right into the unit we were working on and presented some great ideas. We were working on broad causes of the Great Depression and Hoover and Roosevelt's responses to the causes. Michael was able to bring in higher level research than I am able to provide and give the kids a neat perspective."

Muehleisen said his students responded favorably.

"They got to think more critically about causes of the Depression," Muehleisen said. "I think the biggest thing the students like is to see a professional other than a teacher. They don't have the opportunity to see professionals very often. It is interesting for them to see and work with someone outside of a school environment, especially a policy analyst who does something so far outside their worldview."

Muehleisen said he welcomes future lessons from the Show-Me Institute.

"I have a great relationship with (Show-Me Institute Executive Director) Brenda Talent and she and I have connected before on working on curriculum together," Muehleisen said. "We will happily work together again in the future. There are probably no really great crossover lessons other than the Depression for my class, but we are happy with this addition to our curriculum."

**The Show-Me Institute hopes to introduce the curriculum to other classrooms in the future.**



**Michael Rathbone**  
Policy Research  
Assistant



## DONOR DOLLARS SUPPORT EFFORTS SUCH AS BATTLE AGAINST TIF IN MISSOURI



David Stokes interviews Ellisville resident Liz Schmidt about the .5 percent tax increase in 2011 to avoid TIF.



David Stokes interviews and Josh Smith videotapes Ellisville small business owner Gary Voss of West County Lanes regarding TIF for a Walmart in the municipality.

With the support of donors, the Institute can continue to demonstrate and lead the discussion about the failures of such tax subsidies while advocating for privatization and limited government at all levels.

Liz Schmidt, a resident of Ellisville, a small suburb in West Saint Louis County, is fighting city hall. And she has been able to utilize Show-Me Institute research and resources as part of her ongoing battle against the use of Tax Increment Financing (TIF) to fund a proposed Walmart in the municipality.

Throughout last fall and this spring, Schmidt and an organized group of concerned citizens worked to fend off a proposal that would result in a government handout and displace numerous residents. Ellisville officials sought TIF to finance a \$49 million redevelopment of 16 acres on the southwest corner of Manchester and Kiefer Creek Roads. Sansone Group, the proposed developer, plans to build a Walmart.

After Ellisville resident Bones Baker started the movement, Schmidt jumped in to help. She also turned to the Show-Me Institute for assistance.

“I had been under the assumption that the sales tax we voted for in April 2011 would end the TIF discussion,” Schmidt said. “But it didn’t. I had read news items about the Show-Me Institute, and read the policy studies done regarding TIFs, so I knew the Institute was a good place to find information to present to city officials and concerned residents.”

Show-Me Institute Policy Analyst David Stokes testified against the use of TIF for the project in March before the Saint Louis County TIF Commission. The Commission voted 7-4 against

using tax incentives to finance the development. However, Missouri law allows cities to override a county TIF commission’s recommendation with a supermajority vote of the city’s governing body, and in May, the Ellisville City Council voted 5-2 to approve the tax subsidy.

“I was happy when David showed up and spoke out against the TIF because he is an expert on the topic,” Schmidt said. “David’s policy study on TIF, news publications where he was quoted, and his commentaries were very helpful. Ellisville officials should have taken his research more seriously but instead they ignored the Show-Me Institute, the residents, and the East-West Gateway Council of Governments. They didn’t listen to anyone.”

Residents had packed several meetings about the proposal and spoke vehemently against the use of TIF for the project. Still, the majority of Ellisville officials went against the public outcry.

“I do not recall ever seeing such a brazen example of an elected body ignoring the will of the people,” Stokes wrote after the vote to impose the TIF. “Combined with the terrible economic policy they are now instituting, the choice of the Ellisville City Council to enact this TIF is one of the worst decisions I have ever seen a government make.”

As Stokes wrote on numerous occasions:

“The Missouri Legislature needs to revisit the TIF approval process... the local city government and the county commission should each have to approve the project, independent of one another. Independent approval requirements would encourage collaboration between cities and the county, in contrast to the current adversarial process that threatens the sales tax pool and encourages point-of-sale cities to abuse eminent domain.”

The Show-Me Institute continues to point out the flaws of local development tax subsidies. There are TIF proposals



Residents of Columbia, Mo., rallied on June 18 in front of Columbia City Hall to protest city officials implementing an EEZ. Policy Analyst David Stokes spoke against the tax subsidy.

in Shrewsbury, Saint Ann, Richmond Heights, and talk of expanding the use of TIF in Columbia. Stokes also recently testified against the Enhanced Enterprise Zone (EEZ) in Columbia, as well as the Transportation Development District (TDD)/Community Improvement District (CID) in Chesterfield.



# Events

An investment in the Show-Me Institute does much more than just support quality research about Missouri public policy, it opens doors to unparalleled networking opportunities with scholars of national renown.

## JULY 30 Special Lecture

**Speaker:** Virginia Walden-Ford  
**Topic:** The Case for School Choice: A Parent's Perspective  
**When:** 6 p.m. Reception; 6:30 p.m. Program  
**Where:** Kansas City Public Library – Plaza Branch

Celebrate what would have been the 100th birthday of Nobel-Prize winning economist Milton Friedman. Walden-Ford is the author of *Voices, Choices, and Second Chances: How to Win the Battle to Bring Opportunity Scholarships to Your State*. She is the executive director of D.C. Parents for School Choice, Inc.

## JULY 31 Policy Breakfast

**Speaker:** James Shuls  
**Topic:** School Choice And Individual Freedom: Advancing The Ideas Of Milton Friedman  
**When:** 7:30 a.m.  
**Where:** Show-Me Institute in Saint Louis

In honor of Milton Friedman Legacy Day, the Show-Me Institute hosts a policy briefing about the Institute's efforts to remove barriers to education excellence in Missouri. Shuls is the Show-Me Institute's

new education policy analyst and PhD candidate in education policy from the University of Arkansas.

## SEPTEMBER 10 Show-Me Forum

**Speaker:** Michael Podgursky  
**Topic:** Minimum Wage  
**When:** 7:30 a.m.  
**Where:** Hy-Vee in Columbia

Podgursky is a professor of economics at the University of Missouri–Columbia, where he served as department chair from 1995 to 2005, and is a fellow of the George W. Bush Institute at Southern Methodist University.

## SEPTEMBER 12 Speakers Series on Economic Policy

**Speaker:** Arthur Brooks  
**Topic:** The Road To Freedom  
**When:** 5:30 p.m. Reception; 6 p.m. Lecture  
**Where:** John Cook School of Business at Saint Louis University

Brooks is president of the American Enterprise Institute (AEI). Brooks previously was the Louis A. Bantle Professor of Business and Government Policy at Syracuse University. Brooks is the author of a new book, *The Road to Freedom: How to Win the Fight for Free Enterprise*.

## SEPTEMBER 19 Policy Breakfast

**Speakers:** John Hancock and Michael Kelley  
**Topic:** Election '12: Opposing Views  
**When:** 7:30 a.m.  
**Where:** Show-Me Institute in Saint Louis

Hancock is president of JHA Associates and Public Pulse Research, a political and business consulting firm. Kelley founded The Kelley Group, Inc., a public communications company that assists clients in dealing with government, business, and labor. The pair co-hosts the *Hancock & Kelley* program, a bi-partisan political insider talk radio show on KMOX-AM 1120 in Saint Louis.

**Watch your email and visit [www.showmeinstitute.org/events](http://www.showmeinstitute.org/events) for more details, including how to register, on each of these events.**



The full testimony can be viewed at [www.SMIinfo.org/ColumbiaEEZ](http://www.SMIinfo.org/ColumbiaEEZ)

# MISSOURI LEGISLATURE 2012: THE HITS AND NEAR MISSES

The Missouri General Assembly wrapped up its 2012 legislative session on May 18. Though Missouri legislators did not accomplish much on tax credit reform and passed misguided land bank legislation for Kansas City, there is some good news from the Missouri Capitol.

## **EDUCATION:** *A Victory For Choice*

The legislature passed, and the governor signed, a bill that will expand the use of charter schools throughout the state of Missouri. This is great news for Missouri students.

Previously, charter schools were limited to Kansas City and the City of Saint Louis. Charter schools can be opened anywhere in Missouri if the school district is unaccredited, has been provisionally accredited for three consecutive years, or is fully accredited but the local school board sponsors the charter.

This law could certainly help students in the failing Riverview Gardens School District, which has been unaccredited since 2007. Though the district is unaccredited, its students do not have the option of attending a free

charter school in their district because it is outside the boundary of Saint Louis City.

In fact, there is cause for optimism that the charter school expansion bill could result in quick, positive change. The *St. Louis Post-Dispatch* reports that a 1977 graduate of the district has been waiting to open a charter school in Riverview Gardens to help students gain better access to a quality education.

Some opponents of the charter school expansion bill pointed out that charter schools can fail. That is true. In fact, that is the whole point of the charter school model: When a charter school fails, it should be shut down, instead of being allowed to continue providing students with a poor education.

It is very important to shut down failing charter schools, like the Imagine Schools that were closed this year. The hope is that by closing down poor schools and directing more students and resources toward successful charter schools, successful schools can be identified and replicated.

If only our traditional public schools were held as accountable.

## **TAX INCENTIVES:** *Reform Comes Close*

Much-needed reform of Tax Increment Financing (TIF) laws in Missouri came just short of passing in the 2012 session. Senate Bill 721 would have made it more difficult for cities in the Saint Louis region to pass a TIF proposal if the county TIF commission had rejected it. Currently, cities can easily override the county TIF commission.

The Saint Louis region is a perfect storm for TIF abuse. The fact that Missouri law allows sales taxes to be included in TIF (some states do not), combined with the large number of small cities within Saint Louis County, leads to many local governments abusing TIF. The current situation incentivizes cities to impose TIFs because, in the short term, they receive gains from new sales taxes while other taxing districts, such as schools, face the burden of redirecting property taxes to the developers.

TIF reform is needed because we must eliminate incentives for local governments to plan local economies. The neighborhood of Hadley Township in Richmond Heights was a strong community until local government destroyed it by attempting to implement a failed redevelopment project. There are many other similar stories throughout Missouri. Government must get out of the real estate industry and allow growth to occur naturally with minimal government interference. TIF reform is part of that process.

The Missouri Senate unanimously passed SB 721, and it passed through two House committees, but unfortunately failed on the final day in the full House. Hopefully, these reforms will be enacted next year. In the meantime, the abuse of TIF in local governments throughout Missouri, especially in the Saint Louis region, will continue.



### **TAX CREDITS:** *Still Seeking Leadership*

With current elected officials disinterested in fixing Missouri's tax credit binge, much of the "good news" here is what the legislature did not do. First, a piece of legislation that resurrected part of 2011's failed "Aerotropolis" tax credit boondoggle did not make it out of the Senate. Another piece of legislation that would have expanded and created several tax credit programs without fixing the state's out-of-control development scheme also failed.

One compromise proposal that passed in the Senate late in the session would have cut the cap on the Historic Preservation Tax Credit by almost half, from \$140 million per year to \$75 million. While not a perfect piece of legislation, it was probably the single-best chance to see genuine tax credit reform this session. Not surprisingly, it died without a vote in the House.

Tax credits remain one of the state's most pressing areas for reform. There appear to be few courageous leaders willing to take the reins and lead the charge to reform the system, either modestly through sunsets and caps or audaciously through a wholesale elimination. Reform will come, but whether it will be forced on the legislature or whether legislators act proactively on their own accord remains to be seen.

### **HEALTH CARE:** *Common Sense Prevails*

From a state law perspective, it was a very good year for the state and the Show-Me Institute in the health care policy field, and just a shade from being great. *But see* discussion regarding federal health care mandate on page 1.

First, the legislature will present to the voters a referendum that would prevent the governor from implementing an ObamaCare insurance exchange through executive order. An issue that came to light late last year, lawmakers were concerned that the governor could undertake key state elements of the health care overhaul law without legislative or voter approval. In response, the legislature, with assistance from Show-Me Institute Policy Analyst Patrick Ishmael's research, voted to let Missourians decide whether to close any remaining loopholes that could allow the governor to unilaterally impose the exchange. Given that Missourians voted in 2010 to explicitly reject ObamaCare, it seems likely that voters will deny the governor this power.

Second, a proposed extension of a costly and unnecessary optometrist requirement on kindergarten students was turned back. The law would have mandated extensive and expensive eye exams that went far beyond what schools have done to screen students for vision problems for decades. At a cost of about \$100 per exam – which insurance typically does not cover – providers of the test stood to reap a windfall. Ishmael testified against the law's renewal before the committee that eventually spiked the bill. It was the right move.

Finally, legislation almost passed that would have allowed out-of-state charitable organizations to bring doctors, optometrists, and other health care professionals to provide free care to Missouri's poor and medically underserved. A reform that Ishmael advocated earlier this year, Missouri's Volunteer Health Services Act would have been a proactive step toward reducing barriers to care in the state.



## **SHOW-ME INSTITUTE WELCOMES FOUR INTERNS THIS SUMMER**

The Show-Me Institute is pleased to welcome four new interns for the summer. This year's interns have impressive credentials and assist our policy analysts and development and communications departments.

**BRETT GALL** is a 2011 graduate of the George Washington University. Brett has worked for numerous non-profits in Washington D.C., most recently spending a year in the Academic Programs department of the Institute for Humane Studies. In the fall, he will begin graduate studies in public policy at the London School of Economics.

**MARY KATE HOPKINS** graduated magna cum laude from Miami University of Ohio with a dual degree in history and political science in May. She will begin law school in the fall as a graduate research fellow at the College of William and Mary, where she plans to focus on constitutional and administrative law.

**SUFYAN KATARIWALA** just completed his junior year at the University of Toronto, where he is pursuing a bachelor of arts degree in political science and American studies. He also interned with the St. Louis County Council. Sufyan attended the Capitol Leadership Academy where he was trained on campaign management, legislation, and fundraising.

**DANIEL RITTER** earned a bachelor of science degree in political science and a minor in justice systems from Truman State University in 2012. Daniel was an intern with Missouri's Assistant Majority Floor Leader, Rep. Jeanie Riddle. He also worked in the Office of the Secretary of Defense as a Military Community and Family Policy Organization Analyst.

# IGNORING 40 YEARS OF FAILURE, LEGISLATURE PASSES LAND BANK BILL

The Missouri Legislature passed House Bill 1659 late in the 2012 session, allowing for the creation of a land bank in Kansas City.

If created, this land bank will have the power to bid against private buyers for vacant property, incur debt without limitation, make expensive development bets, and have the ability to turn down offers from would-be buyers for arbitrary reasons.

The state of Missouri has already experienced a colossal failure in land banking. The Saint Louis land bank has

been in existence for 40 years and has failed to address the city's vacancy problem. This land bank began with about 2,000 parcels and now has amassed more than 10,000 parcels of vacant property.

In the Show-Me Institute's review of the Saint Louis land bank, also known as the Land Reutilization Authority (LRA), it was discovered that the LRA rejected almost half of all formal offers it considered, and allows local officials to have substantial and inappropriate power over who can buy land bank property.

The Missouri Legislature passed land banking legislation for Saint Louis in 1971, and it has been an abysmal failure. The Saint Louis land bank holds more property than ever, and pays more than \$1 million every year just to mow the grass on its



The failed Citadel development, one of Kansas City's more expensive adventures in subsidizing development.

properties. HB 1659 creates an unnecessary expansion of government power. There is no strong evidence to illustrate that a government-run land bank can do a better job of getting vacant, city-owned property back into private, productive use. In fact, if Saint Louis is any example, the contrary will occur. Why repeat past mistakes?

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