



SHOW-ME newsletter

POLICY PROGRESS IN KANSAS CITY

By Patrick Tuohey

Over the past two years, the Show-Me Institute has had a considerable impact on policymaking in the Kansas City region. Policy analysts provided testimony that helped convince Lee's Summit leaders to abandon an effort to create an Enhanced Enterprise Zone, they informed the debate on whether Kansas City should build a new \$1.2 billion airport terminal, and they provided voters a great deal of information about the need and cost for a streetcar expansion. Our Kansas City Policy Breakfasts on the border war with Kansas and on education were covered by local television stations.

As a result of that work and our stronger presence in Kansas City, we've been invited to comment in the media on efforts to attract the 2016 Republican Convention, and the Show-Me Now! video about Tax Increment Financing of a Burns & McDonnell world headquarters was picked up and broadcast on KCPT's *Week in Review*. Nontraditional

audiences in Kansas City have been utilizing the Show-Me Institute's research as a resource.

In the last quarter of 2014 and in 2015, we plan to continue that outreach. We've met with leaders of Kansas City's Urban Summit, Federalist Society, and the Greater Chamber of Commerce about cohosting events on education and transportation. We hope to pursue further opportunities with KCPT to explore important issues regarding taxes and education, and we've been invited to participate in discussions on those same issues with Village Square, a national organization dedicated to increasing civil discourse.

As we seek to find a new office location in Kansas City, we are confident that 2015 will see us build upon our impact on local policymaking as we play a greater role in developing sound market-based solutions to meet the needs of Missouri.

NOVEMBER 2014

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Missouri has made solid headway along the tax-cut highway in 2014. Thanks to the generous support of our donors and the hard work of our analysts and researchers, we are gaining momentum with multiple tax reform initiatives.

In May 2014, the Missouri Legislature enacted the first income tax cut in 93 years by overriding Gov. Jay Nixon's veto of the bill. From the cries of anguish emanating from the governor's office and the editorial pages of the *Kansas City Star* and the *St. Louis Post-Dispatch*, you would think the sky was falling—with the imminent destruction of every kind of public service from education to mental health and fire protection. The tax cuts, which are too small, don't kick in until 2017. Nevertheless, Missouri is heading in the right direction.

In August, Missouri voters rejected Amendment 7, which would have

instituted a .75-cent sales tax to fund transportation. The Missouri Legislature will reconvene in January 2015, and new sources of funding for the Missouri Department of Transportation (MoDOT) will be a major topic.

Show-Me Institute Policy Researcher Joseph Miller argued successfully against the amendment on radio, on television, and in print. He has continued the discussion by arguing for alternative ways to fund MoDOT—primarily by raising fuel taxes and establishing toll roads. Most notably, at a breakfast policy forum at the Show-Me Institute in September, Miller was part of a panel discussion with MoDOT St. Louis District Engineer Greg Horn and Len Toenjes, president of the Associated General Contractors of St. Louis, exploring how to move forward on improving and maintaining our infrastructure.



Brenda Talent
Chief Executive Officer

Also in September 2014, the Show-Me Institute published "Updated Estimates on the Effects of Earnings Taxes on City Growth," by Howard Wall, professor of economics at Lindenwood University and an Institute research fellow. The essay discusses the effects of the earnings tax on the lackluster population growth in Saint Louis and Kansas City, the two Missouri cities that have this business-killing tax.

In 2010, Missouri voters passed the Missouri Earnings Tax Act, which requires voters in Saint Louis and Kansas City to hold a referendum on the tax every five years. Voters elected to maintain the 1 percent tax in 2011. Since then, however, Saint Louis City has been studying alternative revenue sources that would compensate for the revenue loss if the earnings tax is rejected in 2016.

In response to Wall's essay, as reported by David Nicklaus of the *St. Louis Post-Dispatch*, Jeff Rainford, St. Louis Mayor Francis Slay's chief of staff, stated, "I do think they are on to something. We do get it and do agree with it."

You better believe we're on to something.



CHARTER SCHOOL DROPOUTS: ACCOUNTABILITY REFORM

By Brittany Wagner

Long work hours, an unplanned pregnancy, and a chaotic home life are just a few reasons why some at-risk students initially give up on education. Many of these students simply get lost in traditional high schools and require a different type of education. Unfortunately, Missouri's centralized accountability system, the fifth cycle of the Missouri School Improvement Program (MSIP 5), makes it difficult for alternative schools to operate.

At-risk students are simply students who are behind academically and are "at-risk" of dropping out. Failing to keep at-risk students in school has significant consequences for Missouri's

economy. The Show-Me State will spend approximately \$40 billion on high school dropouts, says charter school expert Steve McClure, who addressed the Missouri Charter Schools Conference on October 11. McClure attributed his number to costs incurred by 39,000 kids identified as Missouri's recoverable youth, kids at or beyond school age with no educational opportunities that fit their needs.

"To be successful with kids that come to you at 19 reading at a fifth-grade reading level, there are things you have to do differently," said California dropout recovery schools' Director of External Affairs Ernie Silva.

Silva's words reflect his experience with recoverable youth. According to Silva, these students require a school model that is structured differently from the system that currently exists. One component

that exclusively serve high school dropouts or at-risk students. Since schools are all judged by the same criteria, schools that attempt to serve students most at-risk of dropping out are forced to close because of academic underperformance.

According to the *Kansas City Star*, DeLaSalle Charter School is the only remaining alternative charter high school in Missouri. In reality, there are a number of alternative high

schools across the state, but students who attend these schools, in separate buildings, are often counted in the overall school district's scores instead of judged separately, which essentially allows districts to mask the performance of at-risk students.



of that model is a change in accountability measures. A student may go from a fifth-grade reading level to a ninth-grade reading level in one year, but a test that measures the student at an 11th-grade reading level would not capture this growth.

Students in public charter schools currently are held accountable for learning the same information as students in public schools. This includes charter schools

This is, yet again, another one-size-doesn't-fit-all lesson for education. For alternative high schools like DeLaSalle, an accountability model that puts more of an emphasis on academic growth would allow the school to continue to serve the community, as well as improve the social and economic outlook for both dropouts and the state as a whole.

A MESSAGE FROM THE DIRECTOR OF DEVELOPMENT



David Stokes
Director of Development

Freedom Celebration: A Huge Success

The Show-Me Institute's second annual Freedom Celebration on October 9 was an enormous success. Almost 100 people attended the general reception with U.S. Senator Rand Paul of Kentucky. Senator Paul, who is also a doctor, focused his comments on the importance of bringing market solutions back to health care and the value of supporting think tanks such as the Show-Me Institute. (We certainly agree with both points!)

This year's event was held at the Saint Louis Club in Clayton. The crowd eagerly confirmed the club's reputation for fine food, and the beautiful reception area was a great spot for Senator Paul's

timely remarks in favor of limited government and against regulatory overreach. After his speech, Senator Paul generously took a number of questions from the crowd and posed for pictures with our guests.

Supporters of our mission—like those who attended the Freedom Celebration, and hundreds of others from all around Missouri—donate to the Show-Me Institute because they want to make Missouri a better place for every individual. Our supporters know that increased prosperity for all Missourians does not come from a government plan or new program, but from individual freedom, a

quality education, and the rewards of entrepreneurship and investment.

People like you donate to the Show-Me Institute to make Missouri a better place—not a better place for those with connections and with means, but a better place for everyone. Missouri should be a place where small businesses compete on a level playing field with big businesses, and startup entrepreneurs are not stopped before they start by unnecessary regulations. That was Senator Paul's message, and it is ours too. With your continued help, we can succeed even more in accomplishing our goals.



SUPER BOWL NOT SO SUPER FOR KANSAS CITY'S ECONOMY?

By Michael Rathbone



In August, the *Kansas City Star* published an article reporting on the creation of a state-sponsored task force whose goal is to bring the Super Bowl to Kansas City. The Super Bowl is a fun event, but if Kansas City or Missouri considers using subsidies in order to bring the Super Bowl to Kansas City, policymakers should ask: Does the Super Bowl have any positive net economic impact on a host city?

The answer is it can, but it probably won't. In a 2009 study, Michael C. Davis and Christian M. End found that hosting a Super Bowl has no economic impact on a city's real per capita income, and in some cases it can have a negative effect. One study by Dennis Coates found that Houston did see an increase in sales tax revenue because of the Super Bowl in 2004.

But another study examining next year's game in Jacksonville found there was no economic impact.

This takes us back to the Kansas City Super Bowl task force. Why is there one? A private group of interested residents and businesses should be able to make the case for Kansas City hosting a Super Bowl, unless the task force wants to offer subsidies. That is a problem because sports subsidies do not generate sufficient economic returns in order to justify their existence. Coates, in a study with Brad Humphreys, found that most economists oppose sports subsidies because "the large and growing peer-reviewed economics literature on the economic impacts of stadiums, arenas, sports franchises, and sport mega-events has consistently found no

substantial evidence of increased jobs, incomes, or tax revenues."

There could be intangible benefits to hosting a Super Bowl, but those benefits, by their very nature, are hard to quantify. It should fall on subsidy proponents to make the case that the value of these benefits exceeds the costs of any proposed subsidy.

There already is a good case to make for having Kansas City host the Super Bowl. It has a rich football history, and former Chiefs owner Lamar Hunt actually coined the phrase "Super Bowl." If the NFL does not recognize Kansas City's importance, then that is the league's loss. If policymakers offer subsidies, that will be the taxpayers' loss.

CLAYTON'S BLIGHT

By Joseph Miller

Last month, the Clayton City Council granted a 50 percent property tax abatement for 20 years to a \$72 million luxury apartment development in the heart of downtown Clayton, an area which the city council absurdly declared “blighted.” The city argues that the abatement is justified, as the proposed construction will fit within the city’s goal to bring more foot traffic to downtown Clayton, as per their master plan.

Using tax incentives to lure development generally diverts construction from other areas or, worse, provides tax breaks to projects that would have occurred anyway. Far from luring additional development, when tax abatements become a city’s *modus operandi* the expected value of the abatement is mostly capitalized into the cost of land. Saint Louis’ Central West End has experienced this when developers engaged in a bidding war for a well-positioned parcel on Lindell Boulevard, only to have the winner request an abatement from the city. While property owners and developers benefit, abatements put the pressure of funding local services on businesses or areas of the city that are not so favored by the city council’s plan.

Furthermore, services that depend on property taxes, like schools, can see long-term damage to their funding through property tax abatements. That is why the

Clayton School District generally opposes tax abatements for property developments.

The proposed luxury apartments and its tax abatement have drawn the ire of local residents, who have tried to put the abatement to a vote. City leadership has

responded defensively, stating that the construction project fits their master plan for the city—a plan which many residents know little about, had miniscule input on its creation, and might disagree with its goals and methods. The heart of the plan is to create dense, transit-oriented development downtown to lure the young and affluent, which supposedly will revitalize the downtown area.

While subsidizing development in the heart of Clayton near amenities like the MetroLink may attract affluent (if not necessarily young) residents, there is no justifiable argument for doing so in terms of economics or fairness. But the city council seems unconcerned with its mandate to pick winners and losers. In fact, they have moved to block any referendum on the abatement through a procedural technicality (the

abatement was discussed and approved on the same day).

Clayton leadership, pursuing their urban vision, has decided it is necessary to engage in central planning through the tax code. Residents will have to decide whether council favoritism, or a level playing field, will characterize the future of Clayton’s economy.



Clayton, MO Downtown Master Plan by nextSTL.com

A NEW HOME FOR THE SHOW-ME INSTITUTE

After five great years at 4512 West Pine Blvd., the Show-Me Institute is excited to announce that we are moving!

Our new offices will be at 5297 Washington Place, less than a mile and a half from our current West Pine location, and still in the Central West End. As of Dec. 1, the Institute will be up and running on Washington Place.

The new location suits the Institute's growing needs, with more offices, better spaces for filming videos, and room to grow—all while saving on the bottom line.

Washington Place will allow us to better utilize our resources to fight for individual liberty, better education, and free-market solutions for Missouri policy issues.



STAFF ANNOUNCEMENTS

The Show-Me Institute is pleased to welcome two new members to the team.



John Wright joined the Show-Me Institute in September as a policy researcher. A native of University City and a graduate of Saint Louis University High School and the University of Missouri, he earned his JD from the

University of California, Hastings College of the Law. He worked as an attorney for the California Legislative Counsel for two years before returning to Missouri.



Jessica Stearns is an intern at the Show-Me Institute for fall 2014. She is a senior at Saint Louis University working toward a degree in political science and economics. She recently returned from a year of studying abroad at the London School of Economics

and Political Science. As an intern at the Institute she has been learning about Missouri public policy, focusing on Uber and other innovative ridesharing services.



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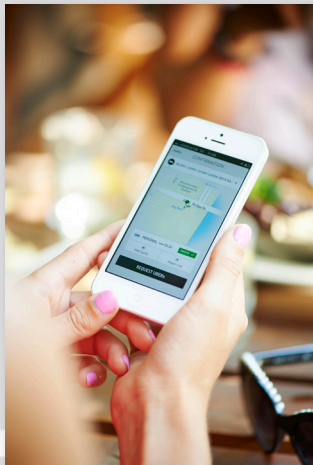
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UBER ENTERS SAINT LOUIS MARKET

By Jessica Stearns



For the past several months, Show-Me Institute researchers and analysts have been writing about the excessive regulations preventing ridesharing companies like Uber and Lyft from operating in Saint Louis and Kansas City. Finally, Missouri cities are making space in their regulations to allow for this new generation of transportation and taxi services.

Recently, the St. Louis Metropolitan Taxicab Commission (MTC) allowed Uber to operate its premium sedan service—UberBlack—as a third-party dispatcher. Plus, the city of Columbia has green-lighted Uber's operations in the college town by letting the service temporarily operate while city officials modify city codes to fit Uber's business model.

While these steps forward are paving the way for an expansion of ridesharing services, much work is still needed for consumers to fully experience the benefits of a competitive taxi market. The less expensive ridesharing options available under Uber and Lyft are still banned from operating in Missouri's two major metropolitan areas—Saint Louis and Kansas City. UberX, Uber's more affordable ridesharing option,

pairs customers to registered drivers in an area through a mobile app that also serves as the payment platform. Unless regulatory bodies make room for ridesharing, the oligopolistic regulations that the MTC and Kansas City's Regulated Industries Division insist on maintaining thwart any chance of meaningful competition in the taxicab market.

We hope that the Saint Louis and Kansas City regulatory boards follow the example of other cities nationwide and carve out space in their regulations to allow Uber and Lyft to operate at their fullest capacity. As a result, customers will be better served and the taxi market will function more efficiently.

To read more about the Show-Me Institute's work on taxi regulations and the impact of companies like Uber and Lyft, please visit our blog at showme-daily.org.