



SHOW-ME newsletter

DECEMBER 2015

FIGHTING TIF ABUSE IN MISSOURI

By Patrick Tuohy

Tax Increment Financing (TIF) remains a contentious issue in Kansas City, and a recent effort by public school parents to require a vote on a TIF handout to a project at 17th Street in the Crossroads was a response to the latest outrage. Time and again, Kansas City leaders have sided with wealthy and connected developers and ignored the legitimately blighted parts of town. Researchers at the Show-Me Institute have been exposing these practices for years, and even contributed a chapter on TIF Abuse to the Urban League's, "2015 State of Black Kansas City."

While the 17th Street TIF is not the worst of the city's financial follies—the proposed convention hotel gives away much more—it is representative of the city's use of TIF. The city has approved a 100% property tax abatement for the 17th Street project, diverting funds that would otherwise go to taxing jurisdictions such as the school district, library, and county. Meanwhile, the city will only forgo 50% of the taxes that it collects, such as the earnings tax and sales taxes.

The costs stack up. Based on Jackson County data, the Kansas City public school district will have approximately

\$23 million diverted from it *each year*. And those diversions are typically recommended by an 11-member TIF Commission on which the school district has only one vote.

What changes could correct these practices? The county could work both to implement a countywide TIF commission with jurisdiction over all TIFs in Jackson County (including within Kansas City) and also to rescind the state law that gives cities the right to override TIF commission denials. Every other county in the state could also be given final say on TIF. As James Madison argued in Federalist #10:

Extend the sphere, and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens....

There are other reforms that Missourians could insist upon regarding TIF, such as stronger standards for determining blight and the need for public investment. Almost anything would be better than the crony capitalism and corporate welfare we have now.

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Missouri approaches 2016 with the regrettable distinction of having experienced less economic progress (in terms of GDP growth over the last 19 years) than any of the eight states it borders. To a think tank dedicated to increasing economic opportunity by promoting a free-market approach to public policy, the challenges our state faces amount to an embarrassment of riches—there is hardly a policy area in which there isn't work to be done in order to get our state back on track.

Dividing this work into five main categories—*economic policy, education, health care, government transparency and reform, and infrastructure*—we have outlined policy proposals that would improve the lives of Missourians. The result is *20 for 2020*, an

agenda of 20 pro-growth goals that we believe are achievable by 2020.

Each goal presents a unique challenge. In some cases we are reminding people that the simplest solution to a problem isn't always the best one. For example, those who think the only problem with Medicaid is that the program isn't big enough (!) can point to thousands of Missourians who would finally have health insurance if we would just let our government provide it to them. . . . And wouldn't it be nice if things were really that simple? But reality is more complicated, which is why we work so hard to show that *insurance* isn't the same thing as actual *coverage*. It's why we document the bureaucratic obstacle course that frustrates many doctors to the point that they refuse to accept Medicaid patients, leaving those patients with fewer and fewer physicians to care for them. And it's why stopping the expansion of Medicaid in Missouri is one of the top-priority items in *20 for 2020*.

Other goals call for more straightforward financing of legitimate priorities and for fairness to state employees. With the funding of Missouri's highways facing an uncertain future, we propose financing highway maintenance through tolling, so that the drivers who actually use the highways bear more of the burden of paying for them. And for public employees represented by entrenched unions with



Brenda Talent
Chief Executive Officer

political agendas that many of their members oppose, we call for regular recertification elections to give employees the responsive representation they deserve.

But none of our goals is more consistent with the mission of the Show-Me Institute than those that would directly empower individuals and families. Education savings accounts for Missouri's students would let them put money toward anything from private school tuition, to a 529 college savings account, to support services for students with special needs. A transition away from the current Medicaid model toward personal health savings accounts would allow each person or family to direct their health care dollars as they see fit. Reforms like these will put decision-making power in the hands of citizens, where it belongs.

We're excited to share *20 for 2020* with policymakers, the public, and especially the supporters who make it possible for us to work towards our goals. We'd love to hear what you think of our agenda, and we'll be updating you on our progress in 2016 and beyond.

In the meantime, we hope you enjoy a joyous holiday season and a healthy and prosperous new year!

AGENDA
20 FOR 2020



CHOICE AND HOPE FOR STUDENTS WITH SPECIAL NEEDS

By Michael Q. McShane

It is important around the holidays, in the midst of all of the joys of family, food, and gift-giving, to take a moment to think about those less fortunate than ourselves. Whether it is a homeless veteran sleeping rough on the streets or an innocent child trapped in a war-torn nation, we are surrounded by reminders that not everyone is as lucky as we are.

As an education researcher, I spend a great deal of my time concerned with those struggling in difficult circumstances that are beyond their control. Students trapped in terrible schools. Teachers whose pensions might not be solvent when it is time to retire. Rural students whose schools cannot offer the array of classes that will prepare them for college or a great job.

But more and more I'm thinking about, and working for, students with special needs.

Physical and learning disabilities seem to strike at random. Rich and poor, black and white, urban and rural—every family gathered around the dinner table this December will have some connection to a student with special needs. From profound disabilities that prevent students from speaking or walking to mild disabilities that just call for some extra attention from a prepared teacher, students across our state need help.

So what can we do?

Four states—Florida, Tennessee, Mississippi, and Arizona—offer education savings accounts for students with qualifying special needs. These states place funding, ideally commensurate with the child's educational needs, into flexible-use spending accounts (like health savings accounts) that parents can use to purchase services for their children. Those services might include tuition at a private school, personalized therapy, or supplemental materials—parents have the flexibility to create the learning programs that best suit their children.

Children with special needs are the types of kids school choice was designed for, because each child's need is unique. A single, broad category might encompass many children, but a program or service that helps one student with a particular learning need might not help another. We have to be honest about our limitations; no central system of school assignment or management can possibly capture what is best for each of these students. Parents know when their children are being well served and when they aren't. They have faith in their children that bureaucrats often lack. They are the best people to be in charge.

Missouri already has great organizations supporting students with special needs—Kansas City's Foundation for Inclusive Religious Education is one example—but they are limited in their reach based on the fundraising they are able to do. A statewide program that took some portion of the hundreds of millions of dollars we currently spend on special education and put it into family-directed accounts could amplify efforts already in place and increase the number of children receiving the education that best meets their needs.

With four states already serving as examples, Missouri has an opportunity to give the parents of disabled children not just support, but also an unprecedented level of control as they take on the difficult but rewarding challenge of educating their kids. What a gift that would be.



JUST HOW EXPENSIVE IS FREE COLLEGE?

By Brittany Wagner



An 18-year-old high school graduate who started college at a four-year private university in 1971 spent, on average, \$1,800 for his first two semesters. If he traveled through time to 2015, those same two semesters would cost him more than 17 times that amount.

How did this happen? Several factors have contributed to rising tuition prices, not the least of which has been the inflationary effect of federal student aid. A report by the Federal Reserve Bank of New York showed that for every dollar the federal government distributes in direct subsidized loans, a college raises its tuition by 65 cents. For every dollar in Pell grants, tuition increases by 55 cents.

Today, student debt totals \$1.3 trillion, and more than 20 percent

of borrowers are unable to make payments. In Missouri, about 20 percent of students who attend community college will default on their student loans within three years.

Some politicians want to address this problem by making college “free.” But of course, it won’t be free. Someone will have to pay for it. What’s worse, shifting tuition cost away from the student and onto someone else does nothing about the fundamental inefficiencies that make college so expensive in the first place.

Rather than fixate on the payment side of the ledger, states like Missouri should look for ways to lower the cost of college altogether. Massive open online courses (MOOCs) are one solution.

MOOCs are courses offered over the internet to a large group of people

without charge. College algebra, for example, is offered at no cost to the participant on a website called Udacity. Over 43,000 students are currently enrolled in the course.

College algebra is a general education requirement at the University of Missouri, normally taught in large auditoriums to classes numbering in the hundreds. Allowing students to use MOOCs for such classes would reduce the number of courses for which students must borrow money.

But at a more fundamental level, before students take out loans they should know the true costs and benefits of the degree they intend to seek so they can exert pressure on the price. Right now, students don’t have the information they need to compare the job-market value of one degree versus another within a university, or of the same degree at different universities. Providing this information to the public would create more pressure for universities to compete on quality and price.

Free college makes a good talking point for politicians trying to attract young voters. But if we really want to reduce the cost of a college education, we should start by (1) exploring cheaper online alternatives to certain general-education courses, and (2) empowering students to do the same kind of comparison shopping that they would do for any other major purchase.

WHO DETERMINES PUBLIC POLICY: GOVERNMENT UNIONS OR VOTERS?

By John Wright

Franklin Delano Roosevelt, no enemy of organized labor, believed that the very nature of government makes it impossible for public officials to enter binding agreements with government unions. This view has lost favor in recent years, but that doesn't mean there isn't any wisdom in it.

To FDR, “we the people” set public policy through the democratic process. A binding collective bargaining agreement removes authority from the people. And serious problems result when the people no longer control their government.

In Saint Louis, one example of these problems is found in University City, where an ongoing dispute between the firefighters' union and a majority of the city council has boiled over in recent months. University City has seen an alleged “sickout” where too few firefighters reported for duty. Later, the city was excluded from the local mutual aid agreement with the union fire departments in neighboring cities, putting citizens at greater risk in the event of a catastrophic emergency.

All of this raises the question: How much control should a collective bargaining agreement (CBA) have over government affairs?

A CBA is a binding document negotiated between a union and an employer that specifies conditions of employment and other workplace policies. In the case of the CBA negotiated between University City and the union representing the

city's firefighters, the CBA sets the policy governing the delivery of fire department services.

A few things to note about government CBAs:

- A CBA is a binding document negotiated between a union and an employer (in this case some part of the government) that specifies conditions of employment and other workplace policies.
- CBA negotiations are usually held in closed session—the state's open meeting laws usually do not apply.
- On one side of the bargaining table are elected officials or their appointees. On the other side are union representatives working for government employees. The public has no control over who sits across from their representatives. But government employees can, and do, vote and campaign for public officials as well as for union officials.
- The union representatives who negotiate with government officials over a CBA are paid to represent the interests of government employees, not citizens.
- Once a CBA is in place, it is legally binding on a city's government, even if citizens elect new government representatives or pass a new law intended to undo provisions of a CBA.

A legally binding agreement arising from a secret and lopsided

negotiation process should naturally be viewed with suspicion. Even if we don't want to go as far as FDR and prevent public employee unions from entering into collective bargaining agreements with the government, we should recognize the inherent differences between government unions and traditional private sector unions. We might call laws that acknowledge this difference and put a check on government unions “Roosevelt laws” in his honor.

EVENTS

Policy Breakfasts

In January, the Show-Me Institute will host Policy Breakfasts across the state focusing on the upcoming legislative session:

Springfield: *Monday, January 11*

Guest Speaker: **Senator Ron Richard**

Saint Louis: *Wednesday, January 13*

Guest Speaker: **Senator John Lamping**

Kansas City: *Tuesday, January 19*

Guest Speaker: **Ryan Johnson, president of the Missouri Alliance for Freedom**

For more information, please contact Sara Addison at (314) 454-0467 or sara.addsion@showmeinstitute.org, or visit www.showmeinstitute.org/events.

MIZZOU'S EMBARRASSMENT SHOULD BE A WAKE-UP CALL FOR POLICYMAKERS

By Patrick Ishmael

When we think of the University of Missouri—Columbia, a lot of pictures come to mind. Mizzou graduates might reflect back on the football and basketball games and the great friends they made in the dorms. For my own part, I remember the trips my high school track team took there for our state championship races.

Certainly, Missourians have viewed the University with great warmth over the years; Mizzou is, after all, the state's flagship public university. But now, for millions of Americans and countless Missourians, the word "Mizzou" evokes a disturbing picture—an intolerant, deeply dysfunctional campus where free speech apparently is seen more as a threat than as a cherished American value.

Rather than a football team, people see Professor Melissa Click (shown in the photo) threatening students for entering the Orwellian "safe space" she was enforcing for Mizzou protesters. Rather than its excellent journalism school, Americans see a university openly antagonistic to free inquiry and open dialogue. Many Missourians no longer see a center of learning, but instead a taxpayer-subsidized national embarrassment—

an enclave of liberal intolerance in the heart of the state, and an institution to which they wouldn't send their kids.

Even before November's protest, it would not have been controversial to refer to Mizzou as a liberal campus. More to the point, I don't think many were bothered by the fact that it was ideologically left of center; Mizzou is, after all, a classic public university in a classic college town, with all that comes with it.



What Missourians may not have realized, however, was how thoroughly the university had detached itself from reality, and from the values of the people whose tax dollars support it. The rapid disintegration of Mizzou's administrative leadership—both the university chancellor and system president stepped down in the protest's wake—was the logical result

of an ideologically brittle campus, the product of years of salutary neglect on the part of Missouri taxpayers and politicians. Mizzou had long been liberal; now, it's become illiberally so.

But thanks to the protests recently held on campus, that blind spot in state policy has been fully illuminated.

Mizzou has a lot of work to do to rebuild its reputation with Missourians and others. That begins by instituting strong First

Amendment protections on campus speech, including severe penalties for faculty, staff, and students who would attempt to suppress free expression.

But state policymakers should consider seriously whether taxpayers' money is being used appropriately at Mizzou. The state has many fine public universities

that may well be better stewards of taxpayer education dollars than the current flagship campus. Most taxpayers expect to have their money spent supporting the hard work required to educate students rather than simply indoctrinating them. If Mizzou is not up to this task, perhaps other universities in the state are.

LOOP TROLLEY BAILOUT UNDERSCORES LACK OF GOVERNMENT ACCOUNTABILITY

By Joseph Miller

On December 8, the Saint Louis County Council voted 4-3 to bail out the Loop Trolley, a 2.2 mile vintage streetcar line. Back when the trolley was in the planning phase, Show-Me Institute researchers pointed out that the project was redundant as a transportation option, as its route is already served by seven MetroBus routes and the MetroLink.

Despite these objections, regional officials allowed the project to move forward. Trolley planners assured residents that the money needed (\$43 million) would come from taxing a small district around the line, along with federal grants. As for cost overruns: according to the minutes from a 2012 University City meeting, trolley project manager Doug Champion said:

“...[I]t would be normal to have between a 10 and 20 percent set up for contingency for the project. At the moment they have a 17.2 percent contingency. Mr. Champion said in the event that something would happen the TDD [transportation development district] could issue revenue bonds against it.”

For area residents, the deal was difficult to oppose. The Loop could get a trolley paid for completely by federal dollars and people who shopped in the Loop.

However, in late 2014, months before the construction was set to start, the Loop Trolley faced a crisis. Initial construction bids came back \$11 million over the trolley’s \$43 million budget. The project was put out to bid again, and planners announced that bids had come back within the budget range, so everything was fine. Local media took them at their word. They shouldn’t have.

In reality, the second round of bids came back \$8 million over budget. At this point, Loop Trolley planners could have tried covering overruns by finding more revenue from the trolley’s TDD, as they had said they would. Alternatively, they could have made the budget issues known and attempted to convince the public that the trolley was worth saving.

They did neither of those things, instead saying nothing and going after regional tax dollars. Their first source was Great Rivers Greenway (a sales tax-funded body designed to build recreational trails), from which they received \$1 million. Then they applied for an additional \$5.4 million federal grant (requiring a \$1.7 million match from some local source).

None of this was made public until November 2015, after the construction of the trolley was underway. The overruns only became

public because the County Council had to approve the \$3 million needed to match the federal grant (along with more than a million more to balance the trolley’s books). That money will come from the County’s mass transit fund, which was supposed to be about getting people to work.

Summing it up, trolley planners sold their project to residents with an unworkable budget and unrealistic promises. When that became apparent, the planners quietly committed local residents to pay for overruns and started construction. Presented with this fait accompli, the County Council approved the \$3 million bailout—in essence, rewarding the tactics of trolley planners.

What can we learn from this story? If you’re planning a major taxpayer-funded project, the lessons are clear: understate your costs, make promises you can’t keep, and race to construction before the bill comes due. For Saint Louis residents, perhaps it means you need to be skeptical of the cost estimates of major projects. When boosters claim their projects won’t cost the taxpayers a dime, ask yourself what happens to *them* if they renege on that promise. Residents need to learn those lessons well, because the next project might cost billions of dollars instead of millions.



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A MESSAGE FROM THE DIRECTOR OF DEVELOPMENT

As you plan your year-end charitable donations, we hope you will consider renewing your support for the Show-Me Institute. We recognize that many worthwhile causes deserve support, but we believe our efforts on behalf of free-market policy in Missouri are more important than ever. The Show-Me Institute is working to make the future economy stronger for everyone, and we can only accomplish that goal with your help.

We depend on your support for a variety of reasons. The Show-Me Institute will never perform contract research, nor do we solicit or accept government funding. We therefore stand as a rare state-based source of independent and unbiased research. In addition, all of our work is immediately made available online upon publication, for all to read and share. That is, of course, the entire point: publishing great research that our staff and others can use to advance free-market change. We are looking beyond the agenda of the next election cycle to try to educate Missourians of all ages about the benefits of free markets and individual liberty.

Because we are a charity, your donation is tax deductible as allowed by law, and we maintain a strict donor privacy policy. Your contribution will have a direct impact on the public policy debate in Missouri, as 100 percent of your donation will fund research and educational programming. Your philanthropy will also help inspire liberty-oriented college students through the Show-Me Institute internship program, which provides students and recent graduates the opportunity to explore the ways in which they can advance liberty and learn about economic policy.

The Show-Me Institute has now been in operation for ten years, and I have been with the Institute for nine of them. I believe we have been successful at moving policy in Missouri toward greater liberty. To help us continue our mission, visit <http://showmeinstitute.org/donate> or use the envelope included with this newsletter.

I hope all of you have a wonderful holiday season, and I thank you for your support of the Show-Me Institute.