



JULY 2015

SHOW-ME newsletter

RAISING THE MINIMUM WAGE WILL LOWER AVAILABLE JOBS

By Michael Rathbone

Polls show minimum wage increases are popular. Seattle and San Francisco have recently enacted minimum wage increases. Recently, Kansas City and Saint Louis debated proposals that would have raised their minimum wages to \$15 an hour, nearly double what it is now. Would raising the minimum wage have actually benefited those it aims to help? A considerable body of evidence suggests it wouldn't.

There is debate about the extent to which raising the minimum wage will harm employment. However, a majority of studies find that increasing the minimum wage will result in job losses for the least-skilled in the labor force. One report from the Congressional Budget Office found that raising the federal minimum wage to \$10.10 an hour would result in the loss of 500,000 jobs. If Kansas City or Saint Louis raised its minimum wage to \$15 an hour, there is a good reason to believe

that minimum wage workers' jobs would be in jeopardy.

Some minimum wage proponents might feel that job losses would be an acceptable trade-off for alleviating poverty. However, many workers making the minimum wage are not in poverty. According to one calculation by Professor David Neumark, only one out of every eight minimum wage workers is at or below the poverty line. Nearly half of workers making the minimum wage are in households that earn more than three times the poverty line.

The minimum wage proposals have stalled in both Saint Louis and Kansas City. Despite being well-intentioned, raising the minimum wage would not have done enough to alleviate poverty in order to justify the loss of jobs that would have resulted if enacted. Individuals and businesses—not government—should decide on mutually agreeable wages.

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Brenda Talent
Chief Executive Officer

In a democracy, government should operate with transparency, accountability, and citizen participation. These principles should apply to the government's relationship with its own employees. In Missouri, however, this isn't always the case.

First, a loophole in the state sunshine law allows public employee bargaining sessions to occur behind closed doors, with neither the media nor the public allowed. That is true even though the decisions made during these negotiations can have a huge impact on taxpayers and those who use government services.

- Teachers' unions demand, and often receive, "last in first out" personnel rules that entrench more senior teachers even if they are less motivated or effective;

- Public employee unions often demand, and again often receive, overly generous compensation and benefits, enriching themselves while putting public institutions at risk of financial hardship;
- The unions also frequently obtain operational restraints that produce inefficiencies in service.

The loophole in Missouri's sunshine law that allows these closed-door negotiations should be eliminated. Taxpayers have the right to know what demands government unions are making, especially if these demands could negatively affect the service provided or create taxpayer obligations for the future. In the long run, public employees would also benefit from transparency; they would be able to hold their representatives more accountable.

Second, many government employees have no effective voice when it comes to their union representation, primarily because they are trapped in a one-and-done union election system, similar to the election cycle in many dictatorships: "One man, one vote, *one time*."

Under existing law, once a union becomes the exclusive representative for a group of government employees, it can be very difficult for these employees to choose a new representative or forgo union representation altogether. Accordingly,

employees may be subject to union representation for years without ever getting the chance to vote for the union that represents them.

Recertification is the concept that union members should be able to vote for union representation on a standard election cycle, for example, every two years. The state law would need to be amended to provide for regular recertification elections to ensure that employees can hold unions accountable for the quality of their representation. It's bad enough that public employee unions have considerable influence on public policy yet are not subject to the voters at large; they should at least have to be responsive to the employees they are representing.

These and other reforms would make Missouri's public employee bargaining system more transparent and responsive. For a full discussion of these issues, please read our Public Policy Researcher John Wright's paper, "A Primer on Government Labor Relations in Missouri." It's an invaluable tool for understanding these issues and—like much of SMI's work—has become a standard reference for policymakers in Missouri.

SHOW-ME INSTITUTE
WHERE LIBERTY COMES FIRST
2015

A PRIMER ON
GOVERNMENT LABOR
RELATIONS IN MISSOURI
BY JOHN WRIGHT
POLICY RESEARCHER

NEW PAPER AND VIDEO RELEASED IN THE MIDST OF SCHOOL TRANSFER DEBATE

By Brittany Wagner

Two years ago, the Missouri Supreme Court upheld a then-20-year-old law allowing students to transfer from failing school districts to higher-performing ones. The decision has been controversial, with some calling for an end to the program and others arguing for further expansion of choice.

A recently released Show-Me Institute essay offers an overview of the school transfer law debate, and a new video provides a look at a new option that recent revisions to the law could make available.

In 2013, more than 2,000 students transferred from the unaccredited school districts of Normandy and Riverview Gardens. Because the law requires the “sending” district to pay the “receiving” district the amount that the receiving district spends per student, the two unaccredited districts have been required to pay tuition ranging from \$8,000 to \$21,000 per student.

In his paper, “Interdistrict Choice for Students in Failing Schools: Burden or Boon?” Distinguished Fellow James Shuls examines what happened in response to the transfer program using data, firsthand accounts, and structured interviews with school district superintendents.

Shuls finds that while evidence suggests transfer students were largely absorbed into receiving districts without much disruption, the transfer program did have a profound impact on the finances of the sending districts. Normandy, for example, reported paying \$11 million for transfers.

During this legislative session, legislators did not address the tuition



portion of the transfer program. They did, however, attempt to amend the law to allow students to cross district boundaries and attend charter schools.

The Institute recently published a video detailing a charter school in Saint Louis City, North Side Community School.

North Side is minutes from Normandy and serves a similar population of students. The charter earned a perfect score on the state’s annual progress report in 2014. Normandy, by comparison, only

scored 7.1 percent of possible points.

According to teacher Sonya Taylor, North Side students have little exposure to learning prior to entering kindergarten. “They don’t know the names of their letters. They don’t know the sounds of their letters. They don’t know their shapes,” she said.

But North Side has a strategy. “We have to start over, we have to start from age six months old . . . reading to them as if they were being read to in their younger ages,” said Principal Stella Erundu. From there, the school focuses intensely on communication arts and math.

The proof is in the pudding. North Side has outscored even some of the state’s best-performing schools. Regarding students transferring across district boundaries, Erundu said, “If the public schools aren’t working, get alternative systems . . . or let them come to schools like mine so we can take care of them.”

For more information on charter schools, the school transfer program, or North Side Community School, visit www.showmeinstitute.org.

MESSAGE FROM THE DIRECTOR OF DEVELOPMENT

By David Stokes



Show-Me Institute scholars are on the frontline fighting for liberty across a broad range of issues that matter to Missourians. They generate content in a variety of formats and relay their research through various media outlets and citizen groups.

Thus far in 2015, the Institute has published eight major studies, dozens of op-eds and videos, and hundreds of blogs on various topics. Contributions from individuals, corporations, and foundations allow our analysts and fellows the time and resources necessary to produce quality, hard-hitting research that affects policy in Missouri.

For example, analysts are exposing corporate welfare giveaways, such as the proposal to saddle Missouri and Saint Louis taxpayers with a \$400 million bill for the construction of a new stadium for the Rams. If team owners want new stadiums, they should pay for them themselves. Elected officials need to be better stewards of public tax dollars.

Likewise, as Patrick Tuohey outlines in this newsletter, Kansas City has a long history of giving taxpayer money to large corporate boondoggles, such as the Power & Light District. Even after a series of unfulfilled promises and poor investments, Kansas City still views corporate welfare and government planning of the local economy as a viable business model.

Institute analysts are leading the battle for greater transparency at all levels of government, from state bureaucracy to county agencies to local school districts. As U.S. Supreme Court Justice Louis Brandeis once said, “Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.”

Institute scholars continue to beat the drum for expanding freedom for families with schoolchildren by promoting such free-market reforms as school choice, charter schools, and education savings accounts.

The Show-Me Institute relies on support solely from people like you that share our vision of a freer, more prosperous Missouri. We do not solicit government aid, nor would we accept it. We prize our independence—as any good Missourian should.

To find out more about the many ways in which the Show-Me Institute’s analysts are fighting for *your* liberty, check out our website at www.showmeinstitute.org.



Joseph Miller



Patrick Tuohey

KANSAS CITY'S CONVENTION INTENTION

By Patrick Tuohey



For years, Kansas City has been kicking around the idea of subsidizing a downtown convention hotel. On Friday, May 8, Show-Me Institute analysts learned of a Monday press event in which Mayor Sly James would announce a new effort to build a hotel.

The Institute's Patrick Tuohey and Patrick Ishmael developed a list of questions over the weekend. The most crucial question: If previous downtown subsidies had been so successful, why are we still paying people to build downtown? No one has stepped up to enlighten us yet; they seem to believe that downtown

has undergone a renaissance but still needs to be subsidized.

Yet, by offering a subsidy the city is conceding that building a hotel downtown does not make good business sense. As a result, taxpayers need to contribute to the project until it does make good business sense. Given projections the city made regarding Bartle Hall and the Power & Light District, Kansas Citians are right to be skeptical. The city has done a poor job with economic prognostication.

The argument in favor of building a convention hotel is that it will help us attract conventions. But a 2013 study by the Global Business Travel Association (GBTA) found that Kansas City was already the fourth most expensive U.S. city to travel to, behind only New York, Chicago, and Minneapolis. This was before Kansas City added a 1 percent sales tax for the downtown streetcar. Adding another 1 percent tax in the form of a Community Improvement District (CID), as the convention hotel proponents advocate, will only make us a less attractive destination than the midsize cities with which we compete.

Kansas Citians—including voters, opinion makers, and reporters—clearly are more wary of this deal than they would have been in the past. This is good news, and we believe the Show-Me Institute has played at least a small role in this wariness by asking the tough questions and providing relevant research.

NEW STUDY OUTLINES LEGAL OBSTACLES TO PENSION REFORM

By John Wright

For the past few years, Show-Me Institute scholars have contended that Missouri's public pension plans are critically underfunded. A recently released study breaks down how to navigate the legal hurdles that inhibit reform measures outlined in previous Institute studies.

While we know that Missouri's public pension systems are in trouble and that we can transition to a new system without incurring excessive costs, the path to more sustainable pension systems are fraught with both political and legal obstacles.

pension system, the state can still be contractually obligated to pay pensions under the terms of the older system.

Unlike many other states, which tend to subject all public pension plans to the same legal analysis, Missouri courts have insisted that the existence and contours of a pension contract depend upon the precise language of the pension statute at issue. In "Pension Reform in Missouri," Hawley explains this approach and identifies the statutory provisions in Missouri's five major pension plans that will be key to determining whether a contract exists and what it protects. The study analyzes the statutory provisions of each pension system and concludes by setting forth a variety of pension reform measures that may be possible under Missouri law.

In early 2013, the American Enterprise Institute's (AEI) Andrew Biggs explored the depth and severity of Missouri's underfunded public pensions with "Public Employee Pensions in Missouri: A Looming Crisis." A year later, in "Missouri Transition Costs and Public Pension Reform," Biggs demonstrated that transitioning to a more sustainable pension system would not be prohibitively expensive, as some critics have alleged.

In the Show-Me Institute's latest policy study, "Pension Reform in Missouri," University of Missouri-Columbia Associate Professor of Law Erin Hawley explores the legal constraints on state pension reform. While pension systems are created by statute, courts throughout the country often treat them as contractual obligations a state owes to an employee. This poses a significant problem for reformers. Even if the state legislature changes a

With "Pension Reform in Missouri," people interested in sustainable public pensions have a powerful tool for understanding the legal issues that can derail sensible pension reform. We know the state would benefit from a better way of providing retirement security for our public employees. With an understanding of the legal constraints on reform, we're one step closer to getting there.



TWAIN'S TAX PROBLEM

By Patrick Ishmael

“What is the difference between a taxidermist and a tax collector? The taxidermist takes only your skin.”

With such quips, Missouri native Mark Twain proved time and again that he was not a fan of taxes. “We’ve got so much taxation,” he told a New York audience in 1906, “I don’t know of a single foreign product that enters this country untaxed except the answer to prayer.”

If you read Twain’s work closely, you might just stumble upon a parable or two about his thoughts on how taxes impacted everyday people. In *Tom Sawyer Abroad*, published in 1894, Twain told the story of Tom, Huckleberry Finn, and Jim as they traveled the world. With a hot air balloon full of sand after a North African storm, Tom, ever the entrepreneur, suggested they bottle up the sand and sell it back home in the states—an idea he thought would make them rich, until he considered the taxes.

“Boys, it won’t work; we got to give it up.” After a lengthy explanation about the taxes they’d have to pay, the crew shoveled what could have been a great payday back into the Sahara.

Taxes matter. Of course, they often go to fund necessary public services, but the taxes we pay also impact all kinds of other decisions we make. When we go car shopping, we might buy a less expensive vehicle to accommodate the taxes we know we’ll have to pay on

it. If we live near a state or municipal boundary, we might move into the jurisdiction that doesn’t have an earnings tax, or whose property taxes are lower.

Taxes also matter to long-term growth.

High tax jurisdictions by their very nature steer capital away from investments that could have been made in the private sector. Think of your own savings and investment accounts. The more money you put in and the earlier you deposit it, the more money you will have over time. Yet high taxes can take growth opportunities like those away as soon as money is earned—and that not only affects our own savings and investments, but also the investable capital of the entire economy.

This is why Missouri needs to be a “low tax state.”

But is Missouri a “low tax state” today? The short answer is no, and it’s the subject of an essay the Institute released just this past April titled, “Taxes Matter and They’re Too High for Missouri.” Later this summer, the Institute will release a follow-up case study by Rik Hafer and Michael Rathbone, where they will explore income taxes in Missouri in relation to others states.

Missouri can be a prosperous, low tax state again, but as Twain is reported to have said, “The secret of getting ahead is getting started.” We look forward to sharing this important journey with you.

EVENTS



Friedman Legacy Day Policy Breakfast

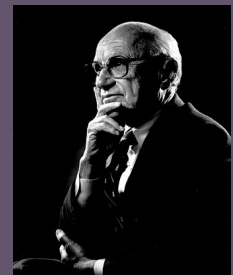
Jabar Shumate is a former Oklahoma state senator and Oklahoma state representative. He has been an advocate for kids trapped in low performing schools and has fought for increased funding for public education.

Friday, July 31

7:30 a.m. Continental Breakfast
8:00-9:15 a.m. Program

University of Missouri-Saint Louis
Millennium Student Center/
Century Room

*1 University Blvd.
Saint Louis, MO 63121*



Celebrate freedom on July 31
by sharing the legacy and ideas of
Milton Friedman.



5297 Washington Place
Saint Louis, MO 63108

Visit Us at:
showmeinstitute.org

Read Our Blog:
showmedaily.org

Use Our Interactive Database:
showmedata.org

View State Government Spending:
showmeliving.org

Find Us on Facebook:
facebook.com/showmeinstitute

Follow Us on Twitter:
twitter.com/showme

2015 Legislative Wrap-up



To highlight the end of the 2015 Legislative Session, the Show-Me Institute hosted a Legislative Wrap-up with Sen. Bob Onder (R-Dist. 2) and Sen. Joseph Keaveny (D-Dist. 4). The senators offered their take on the highlights of the 2015 session, with plenty of input from the audience.

Each senator acknowledged that there were issues that the legislature did not address satisfactorily, including action on items related to education and tax reform. Both senators noted the urgent need for the legislature to address road funding in the next session.

Show-Me Institute researchers and staff have repeatedly discussed the need for revising the incentives associated with municipal court fees and traffic fine revenues. This reform enjoyed wide ideological support in the legislature, and a bill that aimed to limit the reliance of municipalities on traffic fines was sent to the governor's desk for his signature.

Senators Onder and Keaveny provided welcome insight regarding the practical workings of the Missouri General Assembly and the policy areas they believe will be addressed in the future.

Please visit www.showmeinstitute.org/events for information on future policy breakfasts and lectures.