APRIL 2016

SHOW-ME newsletter

CAPTIVE MARKET: MANDATORY MEMBERSHIP MAKES SOME UNIONS LESS ACCOUNTABLE

By John Wright

Most of the time when you decide you don't want or need a service you're paying for, you can choose to stop paying and no longer receive that service. School bus driver Geri Thwing doesn't have this option. As long as she holds her job, Geri is forced to pay for union representation from the International Brotherhood of Teamsters.

Now, Geri is not anti-union. Her father and husband were both union members, and she was initially fine with joining the union. But now she wants out. In her view, the union does nothing for her that she couldn't do on her own.

Geri's situation is worsened by the fact that she has a moral objection to many of the activities of her union. For example, her union spends heavily on political causes with which Geri disagrees. According to the *Washington Times*, the Teamsters spent $5.9 million on lobbying and campaign contributions in 2014 alone. "It breaks my heart," Geri told me.

When Geri realized the extent to which her union was active in politics, she called her local's business agent to ask about the political spending. The call didn't change anything. Geri was ridiculed for her beliefs and left with the impression that her union's executives didn't care what she thought.

Thousands of Missourians are in Geri's situation—forced to pay for a union's services while skeptical that the union is actually doing anything for them. Giving workers the freedom to opt out of a union is one way to hold a union accountable. Giving workers a regular secret ballot vote on whether to keep their union is another way to make union executives listen to the concerns of the people they represent. Shouldn't workers have these options?

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Brenda Talent
Chief Executive Officer

The National Geospatial Intelligence Agency (NGA) currently inhabits a complex in south Saint Louis City that the agency states "would require extensive work to be compatible with current and evolving technology and address ongoing maintenance issues." Not surprisingly, they won't be inhabiting it for long. They plan to move, and on April 1, NGA Director Robert Cardillo announced that the agency's choice for a new site is a 99-acre tract in north Saint Louis City. The NGA's decision is not yet definitive; we now enter a public comment period, leading up to a final decision to be made on or before June 1. At present, however, the north city location appears to have won out over three other candidates—two in Saint Louis County, and one near Scott Air Force Base in Saint Clair County, Illinois. The latter site was considered by many to be the strongest candidate, but Saint Louis City leaders went all-out to keep the NGA—and that's what has us worried. As recent experience with a certain now-departed NFL franchise teaches us, Saint Louis can get carried away when trying to hold onto what it has.

North Saint Louis resident protests eminent domain procedings in their neighborhood.

In this case, it is worthwhile to look at what is *not* at riding on the NGA's decision. On its website, the agency states that it is "committed to remaining in the St. Louis metropolitan region," and all four of the potential relocation sites are in the area. This is not a question of local jobs disappearing. Commuting patterns will change, but the jobs will remain in the region regardless of the NGA's decision. However, a move to Saint Clair County would mean that approximately 3,100 NGA employees may no longer be paying the Saint Louis City earnings tax, which could cost the city about $2.4 million annually.

The important question is what Saint Louis City is willing to do in order to keep the NGA from moving—at most—25 miles away to the Saint Clair County site. For starters, the city has spent over $7 million to buy a portion of the land that it is now offering to the NGA free of charge; the total cost to acquire all of the proposed site's 551 parcels and relocate residents will be approximately $50 million according to the *St. Louis Post-Dispatch*, and nearly $10 million more will be required to remove or reroute old utility lines. In addition, Saint Louis will throw in another $45 million, to be spent over the next 30 years, to pay for infrastructure improvements and other preparation costs. Finally, according to a March 7 statement from Mayor Francis Slay, the city has pledged to work with Metro Transit "to adjust its current and planned rail and bus networks to connect NGA to the transit system as strongly as possible." If this means expansion of MetroLink to the NGA site, such construction would add hundreds of millions of dollars to the total cost of keeping the NGA within the city limits. Saint Louis has also called in the cavalry from Jefferson City. Missouri is offering $95 million in tax increment financing, supplemented by another $35 million in Brownfield Tax Credits.

Even leaving the state-level contribution out of the equation, we have a total price tag of over $100 million, not counting any expansion of the city transit system. And what will this money buy? The city will get to keep approximately $2.4 million in annual earnings tax revenue. One could argue that building a new NGA complex would bring construction

Rendering of proposed North Saint Louis NGA location.

jobs, but those would be temporary. We know that as a federal agency, the NGA will not pay property tax on its new home, which means the city will be that much more dependent on earnings tax revenue as the hollowing-out of the property-tax base continues.

When costs and benefits stack up in such an unflattering way, we shouldn't be surprised when city leaders trot out vague promises of revitalization and redevelopment that are bound to occur when taxpayer money is used to lure a new tenant to the city or keep an old one there. Similar promises still echo from the Edward Jones dome, Union Station, and other projects across the city where the hope of reversing decades of economic stagnation was dangled in front of Saint Louis residents like a carrot tied to a stick, always out of reach no matter how many steps we seemed to be taking toward it.

Any Saint Louis resident who watched as incentives were piled onto the bid to keep the NGA might well question the judgment of city leaders, but one group has much more than tax dollars at stake. These are the nearly 50 homeowners whose houses (along with a handful of small businesses) stand in the footprint of the proposed NGA complex. The city has already begun eminent domain proceedings to clear the way for taking possession of the property even though it still is not definitively settled that the NGA will choose the north city location as its new home.

For these residents, uncertainty has been the norm for months. They don't know if the houses where they live will even be standing a year from now, nor do they know where they'll live if they are forced out of their homes. We should note that of the four sites being considered for the complex, the Saint Louis City site is the only one that would require the removal of residents.

Faced with the possible departure of a large employer like the NGA, leaders at both the city and state levels have an obligation to explore reasonable options for keeping them. But after offering over $200 million in incentives (both from the state and the city) and preparing to displace dozens of homeowners to clear space for a new NGA complex, it seems as if "reasonable" is a tiny dot in our rear-view mirror.

A DIFFICULT ROAD AHEAD FOR MIZZOU

By Patrick Ishmael

University of Missouri-Columbia Campus

After months of unrest and a steady stream of embarrassing national headlines, the University of Missouri has finally begun to sag under the weight of its problems, thanks in part to a lack of leadership from University administrators. The Columbia campus has already hemorrhaged donor money and students—enrollment is expected to drop by as much as 1500 students this fall. But perhaps most damaging has been the loss of confidence of taxpayers and alumni from around the state. Classes and budgets will fluctuate, but distrust endures . . . and that's what makes the school's predicament so dire.

It will take a long time for Mizzou to restore its good name, but every great journey begins with first steps. Here are a few to consider.

First, the University must be transparent about what taxpayers are funding when they send money to the school. That includes making public the school's course syllabi, which the University was jealously shielding from public review even before the campus protests. That decision was an early symptom of Mizzou's broken campus culture. Despite what some campus activists might suggest, taxpayers don't owe Mizzou money; Mizzou owes taxpayers a university that delivers value in exchange for the money it receives. Making syllabi publicly available and advancing other transparency measures would help to demonstrate this value.

Similarly, the state should conduct regular audits of Mizzou to ensure that, among other things, teachers are actually teaching and money is being appropriately spent. The prevalence of teaching waivers and the growing list of questionable university spending priorities requires a deeper investigation by the state. Such a practice not only would protect taxpayers, but would also protect the university by making it easier for taxpayers to trust what's going on in Columbia.

The state must also reassess whether Mizzou should retain the privileged position among Missouri schools that enables it to restrict the development of other state universities. Currently Mizzou has a great deal of direct and indirect control over the operations of other state schools, particularly with regard to whether or not specific graduate PhD programs can be offered by those schools. Putting all of the state's educational eggs in one basket deprives the university system of the benefits that would come from competition among different institutions.

The University of Missouri-Columbia has serious but solvable problems. Those problems won't get fixed, however, if state leaders fail to recognize them. From transparency to audits to institutional restructuring, a lot must be done if Mizzou is going to move forward confidently in the 21st century to meet the needs of students and taxpayers alike. I hope policymakers have the courage to take steps in the right direction, however difficult they might seem to be. In the long run, reform will be worth it.

MONEY SAINT LOUIS DOESN'T HAVE IS BURNING A HOLE IN ITS POCKET

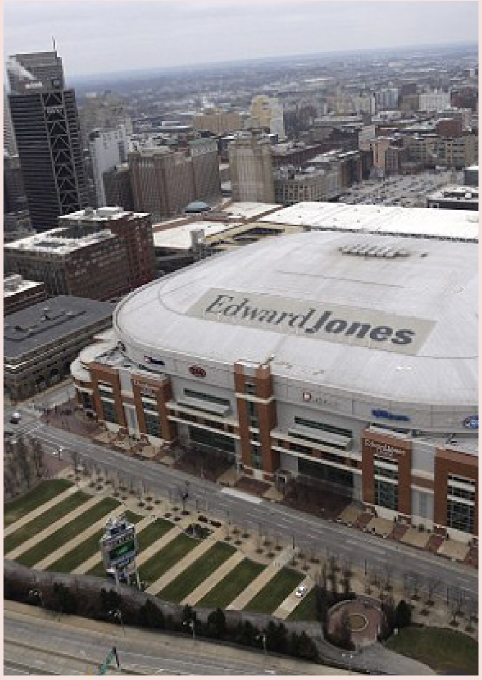
By Joseph Miller

The Rams' decision to move to Los Angeles meant the end of plans to spend $400 million on a new stadium in downtown Saint Louis. . . . probably. But like cutting off the head of the Hydra, the decapitation of one spending proposal seems to spawn two more. Thus, it comes as little surprise that even with the autopsy of the Rams' move still in newspapers, new hundred-million-dollar-plus plans for stadiums and convention centers are gathering steam.

According to the Saint Louis Convention and Visitors Commission (CVC), the Scottrade Center, the America Center, and the Dome formerly known as Edward Jones are in need of expensive renovations. The suggestion is that the Scottrade Center requires $100 million in upgrades, the America Center needs $120 million to remain competitive, and as for Dome, the head of CVC didn't even have an estimate. If the *St. Louis Post-Dispatch* is to be believed, the Dome will need $64 million just to maintain its current condition. More incredibly, the CVC has suggested tearing the entire dome down to make room for even more expensive convention center projects. Altogether, a conservative cost estimate of renovations to just these three facilities would come to more than $280 million, and that number could get much, much higher.

As if these costs weren't enough, Saint Louis officials are proposing yet another football stadium for downtown, but this time European-style. Major League Soccer announced that it was beginning to search for a place to put a new soccer stadium in downtown Saint Louis, meaning that the city is likely on the short list for an expansion team in 2020. A new soccer stadium could cost anywhere from $40 million to more than $300 million.

So who will pay for these new and improved entertainment venues? With the convention center and dome, the money will almost certainly come from the public, and probably from the city of Saint Louis. The Scottrade Center was mainly a privately funded enterprise, but there is no guarantee that renovations would be handled in the same manner. As for soccer stadiums, of the ten built in the last decade, all receive public subsidies, most using public funds for more than 50% of costs.



Shouldering the burden of these upgrades could be backbreaking for the city. The outstanding debt on the convention center, dome, and Scottrade Center comes to about $420 million already, requiring more than $20 million in annual debt service. The city also spends an additional $5.7 million on conventions and tourism, most of which goes to convention center operations. These costs far outstrip the total revenue of the city's hotel and restaurant taxes ($13.5 million in 2014), which were set up to support the convention center. Were the city to take on the debt necessary to fund the stadium renovations *and* a soccer venue, its yearly convention/stadium spending would increase to well over $50 million per year. For comparison, in 2014 the city spent $49 million on health and welfare and $70 million on streets.

Spending hundreds of millions of public dollars and tying up the city in debt for decades to compete in the increasingly cutthroat convention center arms race is questionable policy. And a new soccer stadium will have little positive impact on the economy beyond salving bruised egos following the departure of the Rams. With the region confronting so many pressing infrastructure and public safety problems, isn't it time for the region to stop planning big-ticket entertainment projects, take a deep breath, and reevaluate its priorities?

SPRINGFIELD WEIGHS OPTIONS FOR SURPLUS REVENUE

By Christian Munzner

City Hall, Springfield

The city of Springfield recently found itself with a $4.4 million surplus from its 2015 budget, the result of higher-than-expected revenue from a sales tax imposed by the city. Since the surplus was detected, the city council has been considering projects on which to spend the taxpayer money. The total cost for the newly proposed projects, however, has gone well beyond $4.4 million. The proposals to the council have included everything from issuing tasers to fire marshals to various projects for the improvement of city buildings. The renovation to city property includes $200,000 for City Hall, and in a separate proposal $150,000 is to be paid to a consultant to compare the compensation paid city workers to market rates. But one proposed project in particular is gaining appeal among the council members: $500,000 to kickstart a fund to hire 11 new police officers.

The proposed hiring of new officers may well be justified, as the city has experienced an upward trend in crime, especially in the northern portion of town. But the timing is unfortunate, and should remind policymakers that hiring new employees of any kind is not a short-term proposition. Just recently the police union sued Springfield to cover the cost of a virtually insolvent pension fund. At issue is who must pay an outstanding amount to support payments to retired police officers. This problem is likely to worsen with time as more officers retire, so the current proposal to add more uniforms to the force should—at the very least—prompt city officials to think seriously about how the retirement plans for any new officers would be structured. Even if boosting manpower on the police force is the only way to address the increase in crime, it would be irresponsible to hire more officers without first ensuring that the city can afford to pay them not just now, but also ten years from now, and (especially) when they retire.

A city that finds itself with an unexpected windfall of over $4 million dollars right at the time when part of town is seeing an uptick in crime can't be blamed for putting 2 and 2 together. But policymakers need to remember that this surplus should not be counted on in future years, let alone built into spending projections decades into the future. It would be a sad irony if Springfield's current surplus led city leaders to ignore problems with the police pension fund that a tighter budget would have led them to address.

OPACITY, TIF, AND SCHOOL FUNDING

By Michael Q. McShane

In early February, the *Cass County Democrat Missourian* published a jaw-dropping story on a serious miscalculation in tax revenue. As it turns out, Cass County had failed to account for several tax-increment financing (TIF) arrangements within the boundaries of the Belton School District when determining the land subject to property tax, and had thus set the millage rates incorrectly. This little mistake cost the Belton Schools almost $500,000 in lost property tax revenue last year, not to mention lost state aid (which is calculated based on how much the district is able to raise on its own).

Worse yet, the leaders of the school district think that this miscalculation might date all the way back to the early 1990s. If that is true, the students of Belton have been getting short-changed for longer than any of the current crop of seniors at Belton High have been alive. The state auditor is now performing a forensic audit. Who knows what else the audit will find?

While those of us who are tired of TIF abuse might revel in some measure of *Schadenfreude*, it is important to remember that it was ultimately children who suffered here. That $500,000 could have paid for several teachers' salaries. It could have been spent building a world-class science lab. It could have been used to hire aides for students with special needs. The children of Belton did not have access to these resources because the adults messed up. That is a problem.

Cass County is not run by a bunch of incompetent hayseeds. The problem is that these TIF deals are so complicated, and last for so long, that mistakes like these can be made. In fact, I would imagine that if we were to go through every TIF deal across the state, we might find other irregularities that are costing children and libraries and other services that are funded by property-tax dollars. Because each deal is unique in what taxes are redirected and for how long (among other details), oversight is difficult. Once a mistake is made, it can be replicated for years and years.

The solution, in this case, is a simple one: Transparency. Every jurisdiction that issues TIFs should create a portal that puts the details of these deals in an easy-to-understand format for all citizens to see. It should clearly explain what taxes are being redirected, for how long, and how those redirections affect the various stakeholders in the community. Then, any citizen would be able to check the county's or city's math and make sure everything is correct. As long as these deals are done outside of public scrutiny, there will always be a risk of a Belton-like mistake to occur.

Belton School District Central Office

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TAXING AND SPENDING IN KANSAS CITY

By Patrick Tuohey

In the April 5 election, Kansas Citians voted to continue the 1% earnings tax. City officials from the Mayor on down had been out in force during the run-up to the vote, telling residents that if the tax were not retained, public safety spending would take a hit.

In late January, Kansas City's public television station, KCPT, aired a documentary called "Our Divided City," based in part on the Show-Me Institute essay, "Urban Neglect: Kansas City's Abuse of Tax Increment Financing." The documentary details the true plight of the east side of Kansas City, from crime to blight. The Institute's paper was featured because it demonstrated that policies meant to address blight, such as tax increment financing (TIF), are much more likely to be used to benefit well-developed and economically vibrant parts of the city.

As a result of the documentary and the increasing public displeasure over TIF use and other spending policies in Kansas City, city leaders seemed eager to demonstrate that they do in fact care about the East Side. The Mayor quickly announced new plans to sell some Land Bank homes for $1 each and another plan to help spread around TIF investment. The details of these programs are still largely unknown, so it is far too soon to know if they will have a positive impact.

Whether Kansas City should impose an earnings tax is a complicated question involving more than just how TIF deals are distributed around the city. But despite the outcome of the April 5 vote, the increased interest in how the city collects and uses public funds can lead to more accountable government as long as that interest is sustained after the election dust has settled.