



OCTOBER 2017



# SHOW-ME newsletter

## HEALTH INSURANCE PREMIUM HIKES: THE THIRD CERTAINTY

*By Patrick Ishmael*

Benjamin Franklin is famously quotable. One of his more oft-repeated phrases is actually part of a longer rumination about what we can and cannot depend on in life. “Our new Constitution is now established, and has an appearance that promises permanency,” Franklin wrote to a friend, “but in this world nothing can be said to be certain, except death and taxes.” Unfortunately, if Ben were alive today he might have included a third certainty: health insurance premium hikes.

Insurance premiums in the individual market are set to continue to rise yet again in 2018. Missouri can now expect average premium increases of a third or more starting next year. One proposed rate hike would increase premiums for one plan by nearly 75 percent! Meanwhile, insurer participation in the Obamacare insurance markets continues to decline as healthier people who were supposed to underwrite the rest decline to purchase increasingly overpriced plans.

Many have warned that a health care market created in response to the political needs of politicians and bureaucrats would ultimately hurt patients, and certainly it has. Rural

Missourians continue to face some of the highest premiums, even as their insurance choices decline. Younger Missourians continue to be treated as cash cows to subsidize their older peers. It’s no wonder that thousands of citizens here, and millions nationwide, are risking being penalized for not buying insurance rather than overpay for coverage.

But while Missourians can depend on death, taxes and (for now) premium hikes, they can also depend on something else—the Show-Me Institute. We won’t stop pushing back against a status quo that restricts the supply of care and treats insurance not as a backstop, but as an overpriced maintenance plan. And we will also continue demanding policy reform that places the interests of patients first.

Until health care policy empowers people over the political class, we will never have a true market for care, meaning that we will never really get a handle on health care prices and, ultimately, health care access.

As Franklin might agree, health care costs too many “Benjamins” these days. That increasingly expensive certainty must change.

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

## A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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A successful think tank depends on more than just the quality of its research. Just as important is an audience willing to consider our arguments and test them against both their own preconceptions and opposing views.

Jonathan Swift wrote that “falsehood flies, and the truth comes limping after.” He had a point. It takes time to produce a sound, research-backed argument on a contentious issue, and anyone who would rather just take a catchy slogan and run with it has a head start in the debate. So when our policy analysts explain the harmful effects of a minimum wage increase (just to take one example), they don’t try to beat the “Fight for \$15” advocates out of the gate, but instead play to win the long game. To do so, we need an audience open to new ideas and able to evaluate evidence.

Unfortunately, we can no longer take for granted that even those educated in our best universities feel an obligation to consider views that conflict with their own.

With increasing frequency, speakers who arrive on college campuses are subjected to the heckler’s veto, as the possibility of a violent audience reaction leads to the cancellation of the event before the speaker can even step up to the podium. And with that, the right to free speech is subordinated to the claims of those who want to hear only what they already believe. One description of the chilling principle at work shows

how it demeans both the speaker and the audience: “Subjective listener response” dictates a speaker’s rights. “The more fragile the listener, the greater the grounds for censorship.”

That description is taken from a June 22 *National Review* article by David French, who will be in Saint Louis on October 11 to deliver a lecture (co-sponsored by the National Review Institute and the Show-Me Institute) on the state of free speech on American college campuses. Our universities are failing in one of their primary duties: to provide an environment where students can hone the critical thinking skills they’ll need to participate in civil society. With each class of graduates that emerges without those skills, the work of anyone trying to improve public policy becomes more difficult.

When he arrives in Missouri, French will find himself in the belly of the beast. Our flagship university in Columbia is still suffering the effects of demonstrations in 2015 in which reporters were intimidated as part

of what an *Atlantic Monthly* article described as “the weaponization of safe space.” Enrollment has declined in each of the two years since, to the point that vacant student dormitories are now being repurposed as hotel rooms for fans traveling to Columbia for football games. That is (or should be) embarrassing to the university, but what is at stake is much more than economics or embarrassment. The issue is whether the university still believes that truth matters, and that freedom of thought, and speech, is the road to truth.

You know where we at the Show-Me Institute stand on these questions. We hope you will stand with us and give Mr. French a warm reception, an attentive audience, and, yes, a vigorous exchange of ideas.



Brenda Talent  
Chief Executive Officer



## TAKING THE NATION'S PULSE ON OUR SCHOOLS AND SCHOOL REFORM

By Michael McShane

Timed perfectly for parents' back-to-school anxieties, two major national education magazines released the results of opinion polls on American education this August.

Both *Education Next* and *Phi Delta Kappan (PDK)* polled representative samples of Americans and asked them a battery of questions about schools and education policy in their community, in their state, and across the nation.

*Education Next* asked a fascinating series of questions on education funding. Without additional context, 54 percent of respondents thought that we should increase education funding, 40 percent thought it should stay about the same, and 6 percent thought we should spend less than we currently do. The poll authors, though, built technology into the poll that told a sample of those being surveyed how much their local school district actually spent. When respondents got that information, support for increased spending dropped to only 39 percent. Forty-nine percent said to keep it the same, and 12 percent said it should be decreased.

*PDK* captured a familiar dynamic in its poll: people like their local public school, but don't think public schools as a whole are doing well. The difference is stark. While 49 percent of those surveyed gave their local school an A or B, only 24 percent

rated the nation's public schools as earning an A or B.

When it comes to the issue I care about most, private school choice, polling results can be difficult to parse. Question wording matters.

To their credit, *Education Next* offered several different wordings of questions about school vouchers and tax credit scholarships. When asked:

*A proposal has been made that would give all families with children in public schools a wide choice, by allowing them to enroll their children in private schools instead, with government helping to pay the tuition. Would you support or oppose this proposal?*

Forty-five percent of all respondents and 52 percent of respondents who were parents supported that statement.

However, another question was phrased as follows:

*A proposal has been made that would use government funds to pay the tuition of all students who choose to attend private schools. Would you support or oppose this proposal?*

Only 28 percent of the general public and 34 percent of parents supported that statement.

The *PDK* question about private choice also had a negative tone. It asked:

*Do you favor or oppose allowing students and parents to choose a private school to attend at public school expense*

Only 39 percent of respondents supported that statement. They also asked parents where they would send their children to school if private school choice programs were available. Thirty-nine percent of parents said that they would send their children to a private or religious school if public support covered all of the school's tuition, and 21 percent said they would do the same even if public support only covered half of tuition.

Historically, private school enrollment has hovered around 10 percent of students across the country, so seeing that anywhere from twice as many to four times as many families would like to take advantage of private school seems like a ringing endorsement to me.

Poll results should always be taken with a grain of salt, particularly when even small amounts of information or changes to wording can so drastically alter answers. However, it is good to take the nation's pulse and know what people think about an issue as important as their children's education.



## JUST HOW BAD IS IT? NO ONE REALLY KNOWS!

By Graham Renz

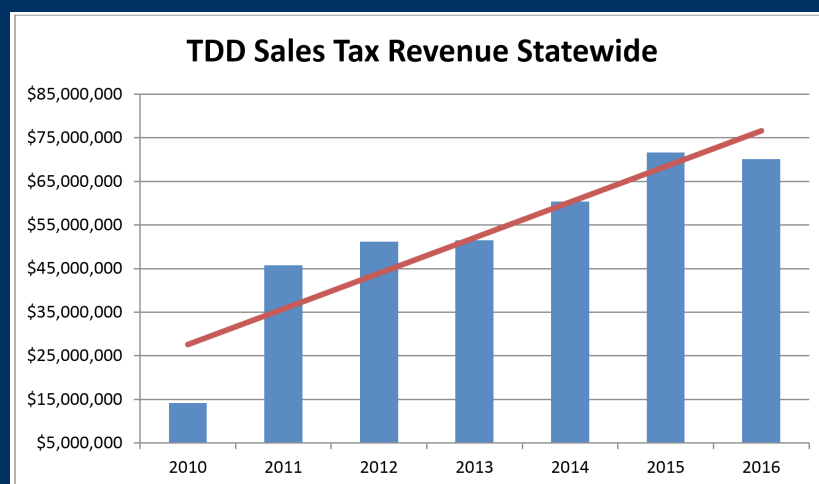
Over the past few months, I have been researching and writing a policy paper on two kinds of special taxing districts: transportation development districts (TDDs) and community improvement districts (CIDs). These districts, authorized by the legislature in 1990 and 1998, respectively, can impose sales, property, and other taxes to fund a wide array of (purportedly) public improvements. My interest in TDDs and CIDs focused on their ability to impose taxes without residential voter approval, and their recent use as a corporate welfare tool.

TDDs and CIDs were intended to help fund improvements that state, county, or city governments either can't or won't fund. For instance, if a particular neighborhood wanted to invest in beautification, new sidewalks, or extra security, they could create a CID to collect funds for those improvements. TDDs operate similarly, but the improvements must be related to transportation. Unfortunately, state laws are such that the boundaries of a proposed TDD or CID determine who votes on whether it's ultimately established. If a proposed district is drawn that doesn't include any residences, then property owners within the district are the only ones who vote on the proposal. Further, if the district is established, those same property owners have control over how the revenue raised by the district is spent. Unsurprisingly, property owners often use district revenues to fund their own projects. For instance, in

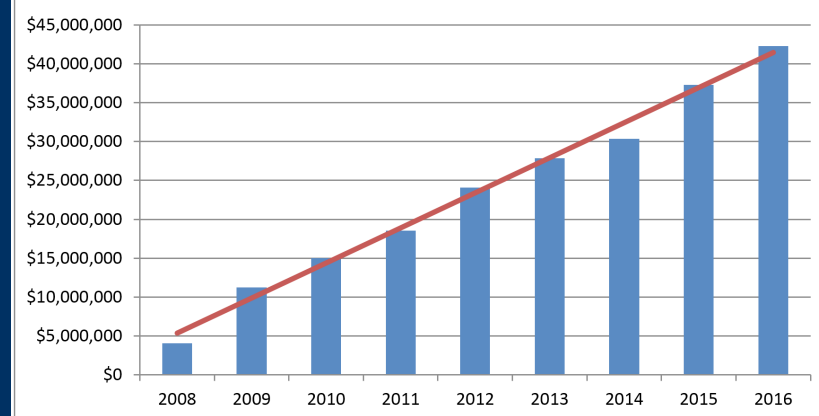
midtown Saint Louis, developers of a project known as the City Foundry have formed both a TDD and CID to pay for site improvements and

infrastructure associated exclusively with their development. Even more troubling is the fact that these districts push costs onto non-residents. If

### TDD Sales Tax Revenue Statewide



### CID Sales Tax Revenue Statewide



Source: Missouri Department of Revenue, *Financial and Statistical Report*, numerous years.

the CID or TDD creates a sales tax, people who don't even live in the district can end up funding private developments.

When I embarked on this project, I wanted to answer a few simple questions: How many TDDs and CIDs are there in Missouri? How much have TDDs and CIDs cost taxpayers? And how much will they collect over their lifespans? I thought combing through some reports and submitting a few public records requests would help me answer these questions, but I was terribly mistaken.

State law requires that all TDDs submit annual financial reports with the state auditor's office (SAO). The same requirement applies to most CIDs—those formed as what's technically known as a "political subdivision" of the state (CIDs are also, less commonly, formed as nonprofit corporations). But the SAO only posts files from the past five years; if you want to look up a TDD's entire history, you could be out of luck. I also noticed that a significant number of TDDs and CIDs had several years' reports missing. I learned this could be for one of two reasons: the district might no longer exist, or it may have simply failed to report. Unfortunately, the SAO does not distinguish between these two cases. Upon further research, I noticed one TDD in particular, the Bridgewood TDD in Oak Grove, has been collecting taxes for the past five years but has failed to submit proper paperwork every year! So my

questions took me beyond the SAO—its data was incomplete and wholly dependent on TDDs and CIDs volunteering their data. Plus, it didn't cover all CIDs.

I eventually received accurate, reliable data on Missouri's TDD population from the Missouri Highways and Transportation Committee, which oversees the Missouri Department of Transportation and approves TDD-initiated projects. However, its data didn't cover district revenues. Similarly, I received data on Missouri's CID population from the state Department of Economic Development (DED), but its data only went back to 2009, and didn't cover district revenues either.

The Missouri Department of Revenue (DOR) produces the best data on TDD and CID tax collections in their annual financial and statistical report. However, DOR only tracks sales tax revenues; county assessors track property and other taxes collected by TDDs and CIDs. Moreover, DOR has only tracked this sales tax data since the late 2000s, meaning a huge portion of TDD and CID history is inaccessible. And requesting data on all TDD and CID property tax collections since the 1990s from all 114 Missouri counties would be a painstaking and hugely expensive task.

Based on my work over the past few months, I was able to produce the figures you see here on TDD and CID spending. These figures present the most comprehensive

picture I could assemble of special taxing district revenue in Missouri. In addition to the steadily increasing amount of revenue these districts have generated over the years, the number of districts has also been on a steady, upward trajectory. In 2009, there were 160 TDDs and 259 CIDs. Flash forward to 2017, and we have 228 TDDs and 414 CIDs. However, as explained above, this information depicts only a portion of special taxing district activity. Property tax data are not captured, and nor is tax information from earlier than 2008 (for CIDs) or 2010 (for TDDs).

So after getting the best answers I could to my initial questions, I'm left with new questions: Why, after 20 years of these districts' existence, is data on their growth and spending not centrally collected and published annually? Why is enforcement of the reporting requirements for CIDs and TDDs inconsistent (at best)? Why are Missouri's TDD and CID laws so broken? In an ideal world, we could get rid of the misguided TDD and CID laws altogether, as they typically do more harm than good. But if they are going to remain on the books, shouldn't legislators make sure existing law is followed to effectively collect and report the data, and if necessary, pass reforms to ensure full transparency and accountability for these programs?

## ILLINOIS SETS THE EXAMPLE FOR MISSOURI ON SCHOOL CHOICE

By Emily Stahly

When someone from the Show-Me Institute mentions Illinois, more often than not, it is as a cautionary tale of the effects of misguided public policy. However, in a surprising turn of events, Illinois successfully passed a tax-credit scholarship program in early September, getting a leg up on Missouri in providing school choice to families.

Illinois' Invest in Kids program will serve children from low-income families much like similar programs in other states. Individuals and corporations can receive a tax credit of 75 cents for every dollar they donate to a scholarship-granting program, with a maximum credit of \$1 million. The state will provide up to \$75 million in total tax credits. This means that up to \$100 million in scholarship dollars could be available to low-income families each year.

Even though \$100 million is just a tiny fraction of the over \$30 billion Illinois spends every year on education, these scholarships will be significant for the families who qualify for them. But despite being a step in the right direction, some of the program's regulations could make it less effective.

First, the program is set to expire in five years; the uncertain future of the program may affect the willingness of some to participate. Second, the 75 cents per dollar credit does not encourage as many donations as a full credit would. Finally, the program mandates state testing for any private school accepting scholarship students, which may discourage private schools from accepting scholarship kids. If Missouri wants a program in which families, donors, and private schools

rhetoric. As Show-Me Institute writers have documented extensively (see, for example, Marty Lueken and Michael McShane's 2016 essay, "Estimating the Fiscal Impact of a Tax-Credit Scholarship Program"), these scholarships do not put a financial burden on the public school system—which is why tax-credit scholarships are sound policy even in a state with a strained education budget, like Illinois.

In fact, researchers have observed a positive fiscal impact in states that currently have tax-credit scholarship programs. While the states have less tax revenue because of the credits, they also have fewer children to educate. It's even better for school districts, as they stand to keep all money raised through local taxes when students (and their state funding) leave the district for a private school.



can confidently and fully participate, it would be wise to avoid similar provisions.

Another takeaway comes from the debate over financing the program. Opponents of the program claim it will drain money from public schools—the same claim that meets so many school choice initiatives—but fortunately, lawmakers in Illinois followed the research instead of the

Illinois' progress should remind Missourians that educational opportunities for families are severely limited in our state. While only one piece of what should be the solution to a larger puzzle, tax-credit scholarships would be an important step toward helping Missouri families pick schools that truly meet their children's needs.



## CRIMINAL JUSTICE REFORM OPPORTUNITIES IN MISSOURI

By Patrick Tuohey

According to the National Institute of Corrections, “The crime rate in Missouri (2015) [was] about 18% higher than the national average rate.” Missouri was also eighth in the nation in its incarceration rate, imprisoning 530 people per 100,000 population in 2015.

High crime rates in the 1970s led many state legislatures to adopt harsh sentencing guidelines, including mandatory minimum sentences for various crimes. The states embarked on “throw the key away” crime-control measures that increased the prison population at great public expense. But research has shown that there are diminishing returns to harsh sentences—they don’t always result in a reduction in crime. Early research from around the country suggests that some criminal justice reforms, such as those that address mandatory minimum sentencing, can reduce crime rates and save states money.

Some items that researchers at the Show-Me Institute have explored include Raise the Age legislation, which would require 17-year-olds be prosecuted under the juvenile court system unless they have been certified as adults due to the nature or severity of their crimes. This would be a welcome change—only six other states presumptively treat 17-year-olds as adults. Furthermore, recent federal law requires

that prisons adopt important—and expensive—protections for children, among them providing education resources and separating them from the adult population. Moving more (nonviolent) minors into the juvenile system would save taxpayers these expenses.

Another proposal under review would relax the state’s rigid sentencing laws in favor of more flexible guidelines. Known as the *Justice Safety Valve Act*, the bill would offer a reprieve from one-size-fits-all sentencing. The potential benefits of this reform—including cost savings for taxpayers, real rehabilitation for offenders, and reduction of recidivism—make it worthy of consideration.

Of course, the costs to Missourians are far greater than merely the costs of prosecution, imprisonment, and parole. There is a significant cost resulting from breaking up families and removing potentially productive

taxpayers from the rolls. As State Public Defender System Director Michael Barrett said, “If we want to bring down violent crime, we need to do a better job separating the people we are mad at from the people we are afraid of.”

The good news is that Governor Greitens created the Justice Reinvestment Task Force to examine opportunities to decrease the financial impact of our state’s growing prison population. I am eager to read the task force’s recommendations, due December 31, 2017. In the meantime, the Show-Me Institute sponsored a panel discussion at Columbia College on September 26 titled, “Behind Bars in Missouri—Who Is Paying the Price?” I hope that the discussion and report will identify important policy reforms to the criminal justice system that will protect and serve Missourians more effectively and efficiently.





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## UPCOMING EVENTS

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On October 10, the Show-Me Institute welcomes former State Representative and current member of the University of Missouri Board of Curators David Steelman to Columbia for a forum on the outlook for Mizzou two years after the demonstrations that shook the school in 2015.

On October 11, National Review Institute Senior Fellow David French will be in Saint Louis to deliver a lecture titled “War of Words: Free Speech versus Tyranny on Campus.”



**David Steelman**

*“Mizzou: Two Years Later”*

*Tuesday, October 10*

7:30 a.m. – 8:30 a.m.

**Country Club of Missouri**  
1300 Woodrail Avenue  
Columbia, MO 65203



**David French**

*“War of Words: Free Speech versus Tyranny on Campus”*

*Wednesday, October 11*

5:30 p.m. - Presentation  
6:30 p.m. - Reception

**Washington University  
School of Law**  
1 Brookings Drive  
Saint Louis, MO 63130

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