



DECEMBER 2017

SHOW-ME newsletter

FREEING MISSOURIANS FROM RED TAPE

By Patrick Ishmael

The Show-Me Institute recently hosted several events featuring Justin Smith, deputy counsel to Governor Eric Greitens and a key player in the Governor's NoMoRedTape.org project.

For those unfamiliar, NoMoRedTape.org allows taxpayers to voice their concerns about departments and regulations that may be unduly onerous for citizens statewide. Visitors just fill out a short form with their issues, and the information goes to a task force for review. It's as simple as that.

The project is exciting for a few reasons. First, raising the profile of overregulation and government barriers to growth is worthwhile on its own because it refocuses public attention on the often-unnoticed effect of government bureaucracy in our personal and professional lives. Barriers to freedom come not only from legislation, but from bureaucracy as well.

Second, that Smith and others are crowd-sourcing the information-gathering part of project is innovative and encouraging for believers in markets and good governance.

One of the benefits of free-market policies is that markets are people, and people have unique knowledge that a bureaucracy could never capture on its own. In other words, the experiences of six million Missourians with government bureaucracies can deliver a lot more information for reform efforts than a handful of government employees attempting to gather the same knowledge from their own positions inside government.

Third, and perhaps most important, are the real-world benefits that could result. The NoMoRedTape.org team plans to use this information to improve the regulatory climate in the state. The campaign should present an exciting opportunity for anyone negatively impacted by the long arm of government. If all goes as planned, Smith and others will have an enormous amount of information at their disposal as they look for ways to cull the bureaucracy and ensure state government is as efficient, effective, and responsible as we all want it to be.

Kudos to Smith and the NoMoRedTape.org team for their work on the project to date. I'm looking forward to seeing their findings—and their reforms.

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Last year at this time, while most of the public's attention was still focused on the surprising result of the presidential election, we at the Show-Me Institute had already recognized a rare opportunity for our state.

With a new, free-market-oriented administration about to take office in Jefferson City, we saw potential for reform on several policy fronts. On the very day after the election we began work on our *2017 Missouri Blueprint*, an ambitious document that covered 15 policy areas and proposed reforms ranging from authorization of more charter schools to elimination of the state income tax.

We weren't quite naïve enough to think that the policy landscape would be transformed overnight, but our hopes for the 2017 legislative session were high. The *Blueprint* isn't a mere wish-list. The proposals are the result of years of research and advocacy by our analysts, and the prospect of receptive audiences in both the State Capitol and the Governor's Mansion had us excited for good reason. When a big part of your job entails leading horses to water, it's nice to think you might finally have found one that wants to drink.

A few months later, the horse didn't look so thirsty after all. After the welcome passage of a right-to-work bill in January, the subsequent lack of action in Jefferson City became a source of increasing frustration. In March, Patrick Ishmael, our Director of Government Accountability, contributed a piece to *Forbes.com* titled "Is the Missouri Senate on the Verge of an Historic Legislative Failure?" At the time, the question seemed appropriate, and I quoted from Patrick's article in the March edition of this newsletter.

Thankfully, the legislature rallied with a few more notable accomplishments

before the session ended. Project labor agreements were eliminated, regulations for ridesharing companies were standardized statewide, and a bill prohibiting local minimum wages exceeding that of the state was passed.

Next year we will focus on regulatory and tax reform, public union reform, expanding school choice, and the needs of our aging transportation infrastructure.

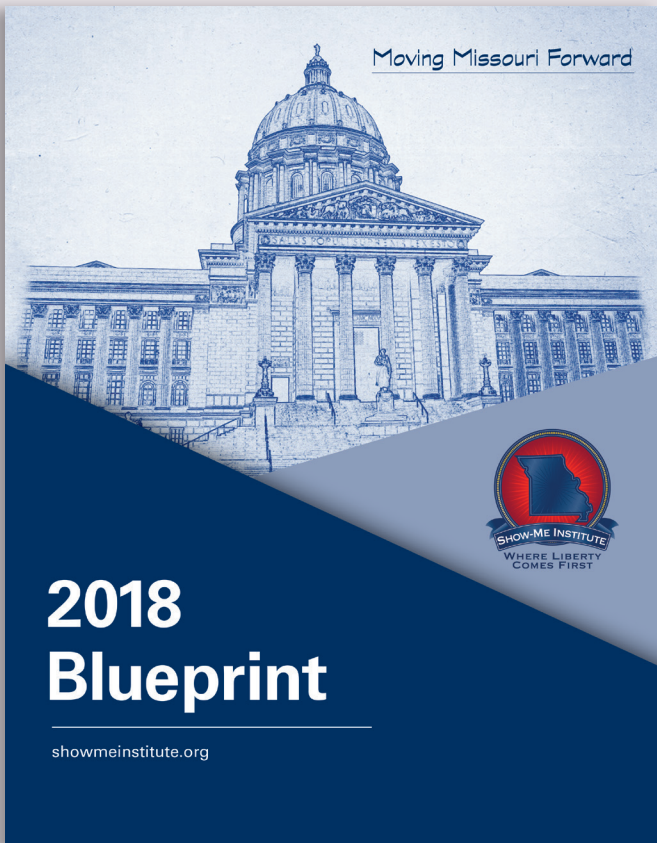
Our hopes remain high.

We will also be fighting to preserve what has been accomplished. Opponents of the right-to-work legislation have successfully put a repeal measure on the ballot in the coming year. A petition drive is currently underway to raise the minimum wage. Policy victories aren't permanent, and we'll be fighting just as hard in defending the critical progress that's been made as we will in pushing for the reforms that have eluded us thus far.

As we approach 2018, I sincerely hope you share our happiness with the headway our state made in 2017, and also our conviction that even more is possible in 2018. As always, we at the Show-Me Institute remain grateful for your continued support, and we wish you a joyous holiday season and a prosperous new year.



Brenda Talent
Chief Executive Officer



WHY TOP-DOWN SCHOOL ACCOUNTABILITY FALLS SHORT

By Emily Stahly

School choice skeptics often claim that only traditional public schools are held accountable, whereas charter and private schools are not. But if being held accountable means facing tangible consequences for poor performance, the opposite is true.

In Missouri, the centralized “accountability” system for traditional public schools offers, at best, a limited perspective on school performance. The real experts on how well any district is doing are the families in that district. And those same families are perfectly capable of holding schools accountable—when they are allowed to do so.

A top-down accountability system will naturally rely heavily on factors that are easy to measure and compare—things like test scores, attendance, and graduation rates. All of these are important, but they don’t capture other aspects of a school or district that students and parents value; for example, the availability of language and fine-arts programs, a safe and nurturing school environment, or strong lines of communication between teachers and parents.

But even if we consider only the factors that the Missouri Department of Elementary and Secondary Education (DESE) currently measures, we begin to see how difficult it is to measure school performance from year to year. For example, two of the tests (high

school English II and Algebra I) that were to be used in generating the annual performance report for 2017 contained errors that led to the scores being thrown out. Thus, DESE won’t be able to compare those scores with the results from 2016.

And in 2018, DESE will begin rolling out an updated version of the entire accountability program with almost completely new standards. Replacing one set of standards with another might be a good move in the long run, and the new standards might well be a big improvement over the old. But for the next few years, DESE will be comparing apples to oranges when trying to determine which schools are improving and which ones aren’t.

Rather than relying on an accountability and testing program that is subject to constant updates and occasional errors in its implementation, shouldn’t Missouri let families vote with their feet? That would be the most simple and direct method of all for evaluating schools.

Aside from the charter schools in Kansas City and Saint Louis, the closest thing we have to this kind of accountability in Missouri is the transfer law. This law, which went into effect in 1993, gives students in unaccredited districts

the right to transfer to an accredited district at no cost to them. In an essay scheduled for release in January, I explain how the transfer law actually puts the most pressure on districts to improve, not DESE’s accountability system. When students have the right to leave for a better school, unaccredited districts must make progress toward full accreditation if they want to retain their students—and their funding.

While the transfer program is not perfectly parallel to accountability through school choice, there are similarities. When schools do poorly, students leave and seek out a better school. If this applied to all students in Missouri, not just those in unaccredited districts, it would be the strongest form of accountability.

Ultimately, schools should answer to parents for their performance, not to the State Board of Education. Empowering parents through school choice is real accountability, and, in my opinion, the only way to ensure that schools will meet the needs of the children in their care.



TECHNET COMPANIES: WANT MORE EDUCATION FUNDING? THEN PAY YOUR FAIR SHARE

By Patrick Tuohey

In a recent opinion column for *The Hill* newspaper, Linda Moore (the president and CEO of TechNet, a “national, bipartisan network of technology CEOs and senior executives”) described Amazon’s seeking of a location for their second headquarters as a wake-up call to policymakers about the need for increased computer science and STEM education funding. Moore described the problem as urgent:

Ensuring that every child acquires at least basic STEM education should be a national imperative. These are in-demand skills that are in short supply and leaving too many unprepared to secure the more than 500,000 well-paying computing jobs currently unfilled in the U.S.

While her goals are laudable, she overlooks a significant problem

with the growth of companies such as Amazon: It often comes at the expense of local education funding.

Moore is correct that metropolitan areas are falling over themselves to lure Amazon. In doing so, many will offer all sorts of taxpayer-subsidized goodies such as tax credits, property tax abatements, and tax-increment financing. Philadelphia offered to exempt Amazon from property tax for 10 years; New Jersey is offering 7 billion dollars of tax incentives. Tucson, Arizona, tried to send Amazon CEO Jeff Bezos a 21-foot cactus. Stonecrest, Georgia, recently offered to name part of the town Amazon if chosen.

Not to be outdone, Kansas City Mayor Sly James took to the internet in an attempt to get attention by spamming Amazon’s website with hundreds of fake product reviews,

each extolling the town. But that is about all we know of Kansas City’s and Saint Louis’ proposals—city leadership won’t share them with the public, citing a nondisclosure agreement. If the past is any indication, however, both proposals will likewise be loaded with similar taxpayer giveaways.

Therein lies the problem. Big companies seek and receive a great deal of public assistance in the form of taxpayer subsidies. These subsidies were designed to spur development in economically disadvantaged areas by lowering the developer’s tax burden—thus reducing the risk of investment. As commendable as this sounds, the subsidies are often given to wealthy companies to build in more affluent, economically vibrant parts of town. We shouldn’t be surprised—what constitutes an “economically disadvantaged area” to developers and local officials might surprise you. And who would choose to start a project in a downtrodden area when the same subsidy is available in a nicer part of town?

In Kansas City alone, successful companies such as H&R Block, Burns & McDonnell, and JE Dunn have all sought and received taxpayer subsidies to build their own world headquarters in economically healthy areas.

Most of these subsidies come in the form of reduced or refunded property taxes. This means that subsidies being offered to the companies listed



above—and those being sought by Amazon—actually divert money away from schools, libraries, and other basic services funded by property taxes.

In the aggregate, these subsidies fail to produce any measurable economic benefit. The Show-Me Institute's November Policy Study, "Does Tax-Increment Financing pass the 'But-for' Test in Missouri," makes it clear, as other similar studies have, that the subsidies do not appear to work as intended. Areas that do not offer TIF grow at the same rate as those that do offer it. TIF does not spur neighborhood development, nor does it create jobs. But the subsidies are wildly popular with the companies that seek and receive them.

Ms. Moore's colleagues at TechNet are no exception. An online subsidy tracker developed by Good Jobs First shows that the companies constituting the executive council of TechNet have received at least \$1.2 billion in state and federal subsidies—almost five times as much as the \$250 million Moore seeks in additional federal education funding. Taken together with leaders of firms such as Burns & McDonnell in Kansas City, whose previous CEO said they were proud to pay the earnings tax and then sought to have their employees' earnings taxes refunded to them so they could build a new corporate headquarters, it suggests that business leaders want taxpayers to pay twice: once for their own private corporate gain and a second time to replenish public coffers

for the money they took. It that hypocrisy I smell?

Like all these companies, Amazon is looking for the best package of subsidies and tax breaks, and it would be naïve to expect them to do otherwise. But the sheer size of the subsidies being offered to Amazon only multiplies their harmful effects. Most of those hired to work at the new headquarters would likely be drawn from elsewhere, placing additional demands on school districts in the form of hundreds of new children—while granting the districts no additional resources. This is in addition to the stresses placed on infrastructure and other services such as policing.

In Missouri, only about 9 percent of local school dollars come from the federal government. So a terrible irony is that even with the increase in federal funding Moore calls for, it might be a hollow victory should Kansas City or Saint Louis "win" Amazon's second headquarters; the cities may still be worse off than they would have been without Amazon because of the loss of local tax revenue to incentives.

Seventy-three civic organizations responded to these realities by writing an open letter to Amazon CEO Jeff Bezos demanding that Amazon pay its taxes—including on "building materials, machinery and equipment." The letter also includes the following:



If you want a highly-educated local talent pool you must pay all of your property taxes to fund our schools, public safety, infrastructure and other public goods and services.

If tech leaders like those at TechNet or their corporate CEO peers in Missouri want to see increases to education funding of any kind, they should stop asking state and local governments to subsidize their companies. Instead, they should start contributing their fair share to public coffers.

Perhaps it's unrealistic to expect companies to refuse money that's being offered to them. But that raises an important question: Why are local leaders offering these subsidies in the first place, when abundant research suggests that the cities get little or nothing in return?

CHECKBOOK PROJECT SHINES LIGHT ON MUNICIPAL SPENDING

By Philip Oehlerking

In one of the most famous Federalist Papers, No. 51, James Madison wrote “If angels were to govern men, neither external nor internal controls on government would be necessary.” Madison knew mechanisms should exist to hold government accountable. And so do we.

Toward that end, Patrick Ishmael and I have undertaken what we call the Checkbook Project. We issued sunshine requests to 155 cities, asking for records on expenditures and the names of those receiving payments. The goal is to get a better idea of how cities are spending their money, and how committed they are to transparency.

Missouri’s sunshine law requires municipalities and other public bodies to provide records of public interest, with some exceptions. It also says that if there is a charge billed to the requester, the municipality fulfilling the request should use employees that will result in the lowest charge for research and copying time.

Even in the early stages of our project, we have found a few municipalities worth mentioning. The City of Ballwin, for instance, has a transparency portal on its website that shows expenditures broken down by month for the last four years. Another notable city is Salem, which provided its electronic records at no cost. The city clerk informed me that Salem actually has an ordinance stating

that all research and production of records that can be done in under thirty minutes is free, and it took her fifteen minutes to compile the data requested.

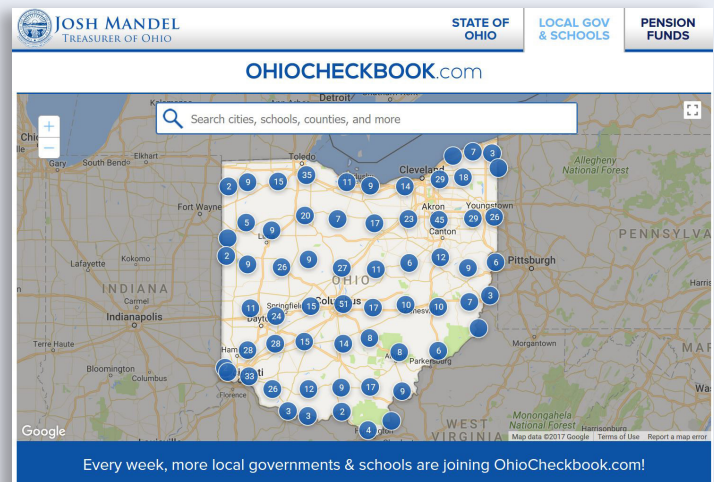
Unfortunately, for every free record provided, there seems to be an expensive and perplexing counterexample. In the City of Buckner’s response to our request, the city administrator wrote that fulfilling the request would cost us \$11,000. When I asked for an explanation, he informed me that when they moved into a new city hall in 2014, city employees “indiscriminately” threw papers in boxes. He would need to hire temps to go to an offsite storage facility, rummage through these containers, scan the documents, and email them to me. These charges are costly, but within the legal bounds of the sunshine law.

Why such a wide variation in the amounts that different cities charge for the information we requested? The law does not specify the manner or format in which these records must be maintained or a clear dollar threshold at which city responses could be deemed unreasonable. Ballwin and Salem keep electronic records, so sending them to us was easy. Buckner

uses paper copies, which drives up the cost of maintenance and production.

One way to keep municipal spending transparent would be for Missouri to create a comprehensive and easily searchable online database of state and municipal spending. Both the state and municipalities could be required to report their monthly expenditures to the state treasurer, and the information could be displayed on the treasurer’s website. If you think this is too ambitious, I would direct you to <http://local.ohiocheckbook.com> to see an example of our vision.

As taxpayers, we have the right to expect our government to be transparent in its spending. They call this the Information Age for a reason, and an easy way for concerned citizens to track how their money is being spent doesn’t seem too much to ask.



A SPECIAL TAXING DISTRICT SCORES—AND NEARBY RESIDENTS WILL PAY

By Andrew Aubuchon

In the November 7 election, the Chesterfield Valley Transportation Development District (CVTDD) got a new lease on life, and a private hockey association got \$7 million dollars courtesy of taxpayers to help cover construction of a new ice rink. A brief dive into the history of the district illustrates some of the problems with special taxing districts, and helps explain why Show-Me Institute writers have spilled so much ink in calling for reform of the laws that govern them.

Here's some background on the CVTDD:

- It imposes a 3/8 cent sales tax on purchases made within the Chesterfield Valley, part of a large suburb near Saint Louis.
- It was established in 2005 to fund several transportation-related improvement projects in the area.
- Originally scheduled for retirement in 2031, it was on track to end early, in 2025. The extension approved by voters last month means its official ending date is now in 2046.
- The 15-year extension will allow the district to bring in over \$35 million in additional tax revenue, of which the owners of the ice rink will receive \$7 million.

And some background on that ice rink:

- Despite the \$7 million in taxpayer support, it will be 100 percent

privately owned and operated, other than an easement on its parking lot. Neither the City of Chesterfield nor the CVTDD will have any ownership stake despite the public funding.

I should note that when the extension was put to a vote, it passed convincingly. Over 67 percent of voters supported the extension, and the exact same percentage approved including the ice facility as a project to be funded by the sales tax. So it looks like the people have spoken.

Or rather, 190 of them have. That's how many people voted on the issue—129 in favor and 61 opposed. Chesterfield's population is over 47,000, so the turnout seems rather disappointing, even for a low-profile election. But don't blame voter apathy. Only 166 households actually lie within the boundaries of the CVTDD, and only eligible voters in those households had any say in the matter.

The district's boundaries encompass about one-third of Chesterfield, in the northwest part of the city. It includes one of the biggest retail shopping areas in western Saint Louis County, but few residences. The subdivisions that make Chesterfield Missouri's fourteenth-largest city lie just outside the CVTDD. Over 45,000 Chesterfield residents live close enough to shop in the district, where they'll pay the sales tax—but not close enough to vote on it.

There is absolutely nothing illegal about this arrangement. But should we be satisfied with laws that permit the establishment of taxing districts tailor-made to generate revenue without allowing affected citizens to vote on the matter? The Missouri State Auditor recently released a report on special taxing districts in which she wrote that they often engage in “questionable practices with little oversight or authority.” Maybe we need to build some oversight and accountability into the laws that govern them. Here are some ideas that other Show-Me Institute writers have suggested:

- Minimum voting thresholds, so that small numbers of voters aren't making decisions that affect the pocketbooks of thousands of their neighbors.
- Public goods tests for district projects to ensure that taxpayer dollars are not being spent recklessly or for the benefit of private interests.
- Limiting districts to collecting property taxes rather than sales taxes, so that the cost of the district is borne primarily by the people who voted on it.

None of these reforms would prevent districts from accomplishing their stated goals. They would simply align the costs of their various projects (and the decision of whether or not to undertake those projects) more closely with the people who benefit.



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UPCOMING EVENTS

- On Friday, December 15, the Show-Me Institute will host a Policy Breakfast in Joplin featuring Justin Smith, deputy counsel to Governor Eric Greitens. Smith will discuss Executive Order 17-03, designed to identify and eliminate red tape and needless regulations. This presentation outlines Missouri's effort to address burdensome rules on business.
- The Show-Me Institute will host a telephone town hall meeting on the evening of Thursday, January 18 at 6:30 p.m. Speaking will be Show-Me Institute CEO Brenda Talent, Director of Government Accountability Patrick Ishmael, and Director of Municipal Policy Patrick Tuohey. We will discuss the 2018 update to our *Blueprint* publication, in which we present a host of policy ideas for moving Missouri forward. Following the speakers there will be a Q&A session with a panel of Show-Me Institute policy experts who will field questions from callers.

Policy Breakfast

**NX MO
Red Tape**

LOCATION:
Granny Shaffer's
2728 N Rangeline Road
Joplin, MO 64801

DATE:
Friday,
December 15, 2017
7:30-8:30 a.m.

Guest Speaker:
Justin Smith
Deputy Counsel to the Governor

**2018
TELEPHONE
TOWN HALL**

**THURSDAY,
JANUARY 18, 2018
6:30 P.M.**

For more information, please visit www.showmeinstitute.org/events

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