



SHOW-ME newsletter

2018 | ISSUE 1



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

A MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER



Brenda Talent

With the 2018 state legislative session in full swing, Show-Me Institute policy experts are again making sure our voice is heard in Jefferson City—presenting our research directly to lawmakers on topics such as public employee union reform, charter schools, and special taxing districts. Our analysts have submitted testimony to House and Senate committees ten times, three times at the direct invitation of policymakers. Being invited to share our research is an ideal situation for us—a chance for our work to be translated into policy.

We set high standards for ourselves; we want the public, the press, and our elected officials to trust the integrity of what we say.

On the other hand, there are times when I can't help suspecting that some people would prefer not to hear what we have to say precisely because of the quality of the research behind our positions. For example, our work on school choice isn't always well-received by a public school establishment that is threatened by a challenge to the status quo. It's regrettable, but it doesn't stop us from making our case to parents, policymakers, and anyone else who will listen. "Happy warriors" is how we've sometimes described ourselves, and you can't be a fighter without an opponent, or at least a sparring partner.

But even happy warriors have their limits.

Vested interests protecting their turf are one thing. Legislators acting as if a vast body of research simply doesn't exist are another. So there was nothing happy about our reaction when, on February 22, a bill was

introduced in the Missouri House that would establish a 17-member "task force" to study some of the most basic and well-known aspects of charter schools, with its findings to be presented at the end of December in 2019.

Set aside that the task force would include only two members with any connection to charter schools. The bigger problem is that the information to be gathered by the task force (listed, along with links to answers for almost every single question, in a blog post on our website by our Director of Education Policy Susan Pendergrass) is already at the fingertips of anyone with an internet connection. Nearly three decades of research on charters has already been done. Using this task force as a pretext for stalling progress on charter school expansion and keeping thousands of children in failing schools—for two years—is appalling.

In other words, this task force would spend two years collecting information we already have. It's not an attempt to gather information so much as an excuse for doing nothing in the face of educational failure that is threatening the future of our state.

For the Show-Me Institute or any other think tank to be relevant, research—both as a product and as a practice—needs to be respected. For their part, researchers must be thorough and unbiased in their work. But even more important is for research to be undertaken honestly, for the purpose of gathering knowledge to better inform policy decisions. There is no excuse for conducting unnecessary or redundant studies as a substitute for needed action, and you can count on us to speak out when policymakers resort to such tactics.

PUBLIC-SECTOR COLLECTIVE BARGAINING **ONE-SIDED BY DESIGN**

Patrick Ishmael

As director of government accountability at the Show-Me Institute, I do a lot of work that can be boiled down to assessing the relationship between government and non-government actors.

What does that mean? For tax policy, it could mean looking at how government rewards cronies through tax credits and other tax incentives. It could mean looking at the relationship between the government and health insurance companies—a relationship that was extraordinarily important to the structure and passage of the Affordable Care Act. It could mean looking at construction interests and the wages the state mandates must be paid for public projects, even if those wages are in excess of market rates and could prevent important public projects from even getting started. And especially, it means looking at the relationship between government and the unions that are supposed to represent worker interests—whether workers really want their representation or not.

First, we should clarify the distinction between private-sector and public-sector unions. Aside from the shared objective of making money, private-sector union interests are often at odds with the interests of employers. As a result, negotiations between the two typically result in a balance between their distinct interests.

Importantly, however, the two sides do have one overriding common goal: the success of the company. It's within the interests of both union and company to reach an agreement that allows the company to flourish. For the company, the interest in creating and perpetuating success is obvious. But a thriving company is also a boon to union; it helps provide job stability and potential wage increases as the company grows.

Public sector collective bargaining, on the other hand, does not happen against the backdrop of potential employer failure. While government agencies fail at their jobs at least as often as private companies, they typically don't fold like their counterparts in the private

sector. And government unions are often in a unique position to elect supporters to act on their behalf on the government's side of the negotiating table.

The result, unfortunately, can be effectively a single interest (the union) negotiating with itself for money that comes from taxpayers. And here we find another critical difference between the private and public sectors. Unlike the customers who support a private business, taxpayers can be compelled to pay higher taxes or accept fewer services as a result of a labor agreement that tilts too far toward the union's interests.

Even President Franklin Delano Roosevelt was against collective bargaining for public-sector employees. In a letter to the president of the National Federation of Federal Employees, Roosevelt wrote:

The very nature and purposes of Government make it impossible for administrative officials to represent fully or to bind the employer in mutual discussions with Government employee organizations. The employer is the whole people, who speak by means of laws enacted by their representatives in Congress.

The problems highlighted above illustrate why it is so important to achieve transparency and accountability for government unions. As was the case last year, there is a great deal of debate in Jefferson City about how to achieve accountability and transparency through reform. Some examples include mandating regular government union elections, stricter reporting requirements, and stronger protections for rank-and-file union members who voice their concerns about their representation.

And as you might expect, much of the leadership of these unions opposes these reforms; their enactment could be no cakewalk. But these common-sense reforms will be a leap forward for good governance in Missouri that will help ensure the bargains struck between unions and government are in the interest of both workers and taxpayers.

MISSOURI'S CHARTER SCHOOL ENVIRONMENT

LESS THAN MEETS THE EYE

Susan Pendergrass

If you go by the rankings handed out by some national organizations, Missouri looks like a state where charter schools could thrive. In February, the National Alliance for Public Charter Schools released its annual rankings of each state's charter school law according to 21 essential criteria, and Missouri somehow picked up 17 points since last year. Our state is now ranked 26th out of the 42 states with charter school laws—in the middle of the pack, but moving in the right direction. Similarly, when the National Association for Charter School Authorizers (NACSA) ranked charter school sponsors, the four in Missouri that sponsor over half of the charter schools in Missouri got a perfect score—12 out of 12 possible points on NACSA's scale. If only the results on the ground matched the rankings.

But they don't, and it isn't even close. A mere two percent of students in Missouri attend charter schools, even though 14 percent of parents surveyed across the state in 2014 indicated that a charter school would be their first choice if they could choose one. So for every student currently in a charter school, there are at least three more whose parents would like them to attend one. In fact, out of more than 500 public school districts in the state, charter schools are in exactly two—Kansas City and St. Louis.

It is commonly believed among both supporters and opponents of charter schools in Missouri is that these two districts only have charter schools because they lost their state accreditation due to poor performance, and that charter schools are illegal everywhere else in the state. In Missouri, charter schools are viewed as a punishment inflicted on failing districts.

Technically, charter schools could be in every district in the state. According to the law, they can be established in districts that have been classified as unaccredited, districts that have been classified as provisionally accredited for three consecutive school years, or—and this is important—in fully accredited districts, provided that the charter school is sponsored by the local school

board and that, if there are 1,500 or more students in the district, no more than 35 percent of them attend a charter school.

With so many paths to establishing charter schools, the high rankings Missouri gets for its laws governing charters make more sense. So, if the law seems to be good enough and we have some decent sponsors, what's going on? The simple answer is that local school boards in Missouri have been extremely reluctant to sponsor charter schools, even though local boards in other states have authorized charters with encouraging results. In fact, nearly 100 local school districts in Wisconsin have authorized charter schools in their districts and the Denver Public Schools, which currently has 65 charter schools in its portfolio, is considered one of the strongest charter school authorizers in the United States.

Nor are charter schools exclusively found in urban areas in other states. Consider the small town of Walton, Kansas. Ten years ago, when it seemed that its elementary school was going to close due to declining enrollment, the local school board decided to open the Walton Rural Life Center charter school, with project-based learning and a focus on agriculture. The charter opened with just 113 students in kindergarten through 4th grade, but since then enrollment has doubled. The school now has a waiting list and a campaign is underway to build support for construction of a new facility.

The missing piece for meeting the demand from parents across the state for charter schools is *will*. There is an unfortunate resistance to giving up any ground on the status quo, even when doing so could give communities access to innovative and proven strategies that could be tailored to fit their students' unique needs. Maybe there's one school board in Missouri that is willing to lead the way.

SHORT-TERM RENTALS MISSOURI'S LATEST STRUGGLE WITH THE SHARING ECONOMY

Patrick Tuohy



Just a few years ago, St. Louis and Kansas City were wrestling with how to regulate ride-sharing companies such as Uber and Lyft. In the face of cutting-edge 21st-century technology, municipal politicians chose 18th-century protectionism and yielded to taxicab commissions and lobbying. Eventually, state legislators had to weigh in to make sure Missouri's consumers had access to the fruits of this new economy. Something similar may be happening again.

The market this time is for short-term rentals (STRs), and the brands involved are Airbnb and VRBO (Vacation Rentals by Owner). As with ride-sharing, cities are seeking to restrict the practice or ban it altogether. STRs have been prohibited in Kansas City altogether since 2011, though the city apparently does not enforce the ban. Other cities around St. Louis have banned STRs, and where they are allowed, many Missouri cities are seeking to regulate them.

A common reason for wanting to regulate or ban STRs is fear that they will change neighborhoods for the worse or lead to increased crime. But cities already have criminal codes and housing codes to address public safety and noise complaints, and I have been able to find no research that purports to show that STRs are associated with an increase in crime. In fact, research has demonstrated that STRs increase property values in the surrounding area.

As Jamila Jefferson-Jones of the University of Missouri-Kansas City School of Law notes, "housing exchanges

may instead aid in achieving these aims" of "preservation of property values and neighborhood characters."

In the 2017 legislative session, one bill would have preempted a hodge-podge of municipal regulation of STRs. It barred political subdivisions from imposing fees or prohibiting STRs outright while permitting subdivisions to impose "reasonable regulation" to "protect the public's health and safety." It may have been this last part that doomed the effort, as supporters of STRs feared that "reasonable regulation" was too broad a concession. A similar bill is making its way through the House at the time of this writing.

Perhaps the biggest obstacle to an outright ban on STRs is the Constitution itself. Jefferson-Jones argues that an outright ban amounts to an unconstitutional restriction on an individual's property rights.

The STR companies have signaled that they are willing to play nice with the state and cities. Airbnb recently announced a deal with Missouri in which it would start collecting and remitting state and local taxes on behalf of its property owners. In its statement Airbnb estimated this would amount to \$1.1 million in tax revenue.

Allowing individuals to use technology to more easily earn income from their property is something all Missourians should embrace. Ride-sharing and short-term rental technologies are already delivering benefits, and we should welcome the next innovation the sharing economy brings.

MEDICAID COSTS

THIS SPENDING PROBLEM WON'T FIX ITSELF

Emily Stahly



As Medicaid spending increases and consequently makes up an ever-larger portion of Missouri's budget, the state faces a crisis: If Missouri does not get Medicaid spending under control, that spending will continue to crowd out other items in the budget and increase the burden on taxpayers.

For fiscal year 2017, Medicaid spending was almost \$9.8 billion, a \$570 million or 6.2 percent increase over the previous year. In addition, nearly 27,000 new enrollees joined the program during the same time period. Even though Missouri did not expand Medicaid eligibility after the passage of the Affordable Care Act, spending grew faster than the national average of 3.9 percent.

When Medicaid spending continues to grow at this pace, it spells trouble for the rest of the state's budget. In fiscal year 2000, Medicaid was only 18.4 percent of the budget. By fiscal year 2016, Medicaid was 37.2 percent of Missouri's total budget, which was the second-highest percentage in the nation according to the National Association of State Budget Officers (NASBO).

In January, the Governor proposed a \$40 million decrease to Medicaid spending in the executive budget. This decrease would be a cut of less than 1 percent, but at the very least would be a good first step.

Still, Medicaid costs are a long-term problem, and solutions must address the reasons costs are rising.

Fortunately, Show-Me Institute analysts have researched and written about supply-side health care reforms that could bring down costs not only for Medicaid, but for anyone seeking (or paying for) medical care. For example, converting the current Medicaid model into a health savings account (HSA) program for most Medicaid recipients would allow them to use those dollars to meet their individual needs and create cost savings for the state. Medicaid recipients could also benefit from other reforms that target private-sector health care. A prime example is certificate of need (CON) laws. A certificate of need is a legal document the state issues to allow a health care provider to expand, modify, or construct certain health care facilities. The CON law was intended to guarantee access to health care by limiting competition in a particular region, thereby making it less likely that existing providers would go out of business. However, four decades of research suggest that CON laws don't increase access to care, nor do they reduce costs. They're good for incumbent providers who would prefer to avoid having to compete for customers, but not for the rest of us. Missouri should follow the lead of other states that have repealed CON laws.

Licensing reform offers another opportunity to contain costs. Given the shortage of primary care physicians, especially in rural areas, we should make it easier for physicians from other states to practice in Missouri without additional licensing requirements. There's nothing controversial about the idea that increasing the supply of providers of health care (or any other service) should result in lower costs.

We shouldn't expect the trend of rapidly escalating Medicaid costs to abate on its own. Reforms like eliminating Missouri's CON law and revisiting licensing requirements could help Missouri get a handle on Medicaid spending and create more room in the state's budget.

MUNICIPAL CHECKBOOK PROJECT BUILDS MOMENTUM

Philip Oehlerking



which wanted \$35,000 to fulfill our request. Other cities, like Centertown and Lohman, have provided their data free of charge. Even more welcome was the response we got from the city of Winfield, which not only provided their information at no cost, but linked to our database from Winfield's own website so that residents could more easily track their city's spending.

I wrote previously of my hope that Missouri's State Treasurer's office would create and maintain a comprehensive version of our

In the December 2017 newsletter, I wrote about the early stages of the Show-Me Institute's Municipal Checkbook project, which was just getting off the ground. Now, three months later, I'm happy to report real progress.

In February, we launched the online database that is the centerpiece of the project. Data from 64 respondents are now available on our website, www.showmeinstitute.org. For the cities that provided their information in a format compatible with the database, viewers can use interactive charts and tables to search by individual municipality, category of expense, or vendor to find out exactly where taxpayer money has been spent going back to 2011. A link on the web page takes users to records that could not be imported directly into the database.

Responses to our sunshine requests continue to vary widely from city to city. Back in December, I wrote about the City of Buckner's asking price of \$11,000 for their data. If that seemed an exorbitant fee at the time, it looks like a bargain now—at least compared to the price quoted to us by Battlefield, a suburb of Springfield,

database. It appears that someone was paying attention, because last month my colleague Patrick Ishmael and I were asked to provide testimony before the Missouri House Committee on Local Government regarding a bill to create just such a database, using the Municipal Checkbook project as an example of what it might look like. Regardless of the fate of that bill, increased attention to transparency and accountability at the local level can only benefit taxpayers.

It's been gratifying to participate in a project with such potential to keep Missourians informed and local governments accountable. Moving forward, we hope to expand the database to include counties and political subdivisions such as school, fire, and special taxing districts. At any level of government, giving citizens easy access to spending information will encourage responsible government.



5297 Washington Place
Saint Louis, MO 63108
314-454-0647

3645 Troost Avenue
Kansas City, MO 64109
816-561-1777

Visit us at:
showmeinstitute.org

Find us on Facebook:
Show-Me Institute

Follow us on Twitter:
@showme

Watch us on YouTube:
Show-Me Institute

EVENTS

Policy Breakfasts/Lunch

In April, the Show-Me Institute will host several events across the state focusing on the government unions and the need for reform.

Kansas City: *Tuesday, April 3*

Springfield: *Wednesday, April 4*

Columbia: *Tuesday, April 10*

Saint Louis: *Thursday, April 12*

Next Generation Event

On Wednesday, April 18, the Show-Me Institute will welcome Guy Benson and Mary Katharine Ham to the World Chess Hall of Fame for a talk titled “End of Discussion: The Stifling of Honest Debate and Open Discourse in America.”

for more information please go to
www.showmeinstitute.org/events