



SHOW-ME newsletter

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Gabriel Ott

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Sometimes I am accused of hating government. To be sure, I am often frustrated with government, but I don't hate it. I love freedom, and when government does what it is supposed to do—tends to public goods in honest and prudent ways—it's an important foundation for individual liberty.

I also recognize that good government is hard. Resources are limited, and there will always be competition for the marginal public dollar. That makes it all the more galling when Missouri consistently makes good government even more difficult by simply giving public money away.

And let's face it—subsidizing sports stadiums in the name of economic development is a giveaway. Thirty years ago, people could be forgiven for believing that such “economic development” might actually produce, well, economic development. But decades of research have confirmed what common sense should have told us. If a sports stadium is a profitable venture, investors will build it on their own. If it's not a profitable venture, building it with tax money just transfers dollars from the poor and middle classes to the wealthy with no public benefit commensurate with the cost.

Yet Missouri is still investing, big time, in stadiums. The new MLS stadium deal in St. Louis is the most prominent example this year. True, it includes less in public money than some previous iterations of the same proposal. But this is damning with faint praise. The deal still includes plenty of public incentives, including the free use of land, a property tax abatement, and a reduction of the city's amusement tax. In total, the goodies are estimated at around \$40 million.

The Blues were also big winners in the corporate welfare sweepstakes. 2019 is the final year of a three-year renovation plan for the Enterprise Center, with a price tag of \$150 million. The plan included building a bigger scoreboard and a new beer garden that will likely harm local bars that count on Blues fans for business. On top of this, in May the Missouri legislature passed a bill approving what could be another \$70 million over two decades for renovations to the Enterprise Center. The bill also extended a deal that gives the Chiefs and Royals \$3 million annually for their stadiums.

It's amazing that St. Louis never learned from what happened only a few years ago with the Rams. The team left in 2016, but the city is still dealing with the fallout from the “economic development” deal that was supposed to keep football in St. Louis. There's still close to \$50 million left for the city to pay off on the Edward Jones Dome lease. It will be years until the city pays off the lease entirely.

It would be a mistake to think this problem is just confined to St. Louis. The River City Rascals, a minor league baseball team based in O'Fallon, recently announced that they would be closing up shop at the end of the season. Unfortunately, they still owe O'Fallon more than \$36,000 from the “economic development” package the team received, and the city is now left with a potentially empty stadium for next season. Across the state, there are murmurs about a downtown stadium in Kansas City for the Royals, and if that proposal materializes, it will almost certainly include hefty taxpayer funding.

This isn't an argument against having—or even subsidizing—local sports teams. It's an argument about honesty and priorities in government. Many owners of sports teams have been acculturated to making local governments compete for their presence. If politicians want to play that game—if they think the psychological benefit to a community of having a sports team is worth paying for—then they should be upfront about what the public is getting, and honest about what the public is giving up in funds that cannot be spent on education or transportation because they have been paid to investors who cannot in any way be described as needy.

We might even agree with that logic if subsidizing a stadium were the only way to keep a longstanding, high-profile team closely associated with our community identity. But let's stop doing this for teams many people will never know about and most people will never see. And when we do subsidize these venues, let's call the subsidy what it is: not “economic development,” not a net job creator, and not an investment we made expecting profit—but a ransom we pay for pleasure, or tradition, or a civic brand that we desire.

—Brenda Talent

MEDICAID CONTINUES TO WASTE TAX DOLLARS

Elias Tsapelas

Medicaid is Missouri's most expensive government-run program, and its costs continue to rise. After setting records for spending each of the past five years, Missouri's Medicaid program has grown by more than 23 percent, which drastically outpaces the state's economic growth. Ballooning costs are bad enough. But now it appears that some of Missouri's Medicaid spending over the past few years never should have happened in the first place.

Last year, Missouri's Department of Social Services began using a new automated eligibility and enrollment system. The goal of the system is laudable: automate a time-consuming process to ensure taxpayer dollars are spent only on those who are qualified to receive services. In the months following the system's implementation, Medicaid enrollment began to fall. The program now has nearly 120,000 fewer enrollees than it did at the beginning of 2018.

Such a precipitous drop concerned policymakers, who then called for an investigation into the cause of the decline. In a preliminary summary of the investigation's findings, the state's Medicaid director said the following:

From 2014 to 2018, a previous administration did not robustly verify eligibility requirements of individuals on an annual basis and therefore automatically renewed a significant number of enrollees, many of whom did not qualify for assistance . . .

In other words, the drop in Medicaid enrollment was a result, at least in part, of the state providing health coverage to individuals who did not meet eligibility requirements for the program. This is a shocking admission from Missouri's government, considering it is a federal requirement that states annually verify each Medicaid participant's eligibility.

The extent of the wasteful spending remains unclear, but the fact it occurred shouldn't be surprising. An audit of Louisiana's Medicaid program recently found that 82 percent of its enrollees were ineligible for services at

some point during the year they were enrolled. Show-Me Institute researchers have written repeatedly about Missouri's Medicaid growth and the state's potential for wasteful spending, and this new admission confirms those suspicions.

It is no coincidence that the years of admitted complacency correspond perfectly with Missouri's record-breaking Medicaid expenditures. What's more alarming is that the period in question spanned three governors; this failure can't be pinned on any one administration. The efficient functioning of the state's Medicaid program should not be considered a partisan issue. Needless to say, policymakers cannot begin to contain the program's growing costs if they can't ensure the provided health coverage is limited to those who are actually eligible.

The cost of Medicaid is too substantial for policymakers to continue sitting on the sidelines. Missouri's Medicaid program has many structural problems, and reform is badly needed. But the first step has to be ensuring that only those eligible for the Medicaid program are receiving services. This massive failure should be investigated thoroughly, and program integrity measures should be implemented to ensure such waste does not occur again.



TRANSPARENCY FOR ONE, TRANSPARENCY FOR ALL

Patrick Ishmael



As a matter of principle and law, state and local government have a responsibility to make public documents available to anyone seeking them—and to treat such requests equally. But unfortunately, transparency is not always something we can depend on from government, let alone evenhanded transparency. And this is why the Show-Me Institute was forced to sue the state of Missouri this summer.

The background of the case is fairly simple. In 2015, Missouri and the American Federation of State, County and Municipal Employees (AFSCME) entered into a contract that, among other things, provided the union exclusive access to the contact information of state employees. When the Show-Me Institute made a request for the same information earlier this summer, the state's Office of Administration (OA) declined to provide it, claiming such records were "closed." If a record is closed, the public cannot access it—and that means everyone.

Thus, the foundation for our lawsuit.

When OA contracted to provide, and provided, the contact information for its employees to AFSCME, it created a public document that all members of the public should be able to access. Missouri's sunshine law is clear on this point. Apart from the law, however, the principle in play is simple: transparency for one should mean transparency for all.

Followers of Show-Me's work know that the OA's decision to withhold these documents wasn't our first run-in with dubious Sunshine law interpretations by Missouri governments. In previous requests of other levels of government, we've been quoted fees in the tens of thousands of dollars, possibly as a deterrent to ever getting them; been given a different price for the same records requested by a newspaper; and told that records don't exist, when we know they assuredly do. Our encounter with the OA is not our first rodeo, and it likely won't be our last.

Pursuing Sunshine Law documents can be daunting at times, even without litigation. It's a commitment of time, money, and expertise that most Missourians can't devote to such a cause, and governments—both state and local—know this. But that doesn't diminish what your rights, and our rights, are, and sometimes it takes legal action to remind the government of what the law is, and what it is not.

Here, the law is clear that the state can't contract exclusive access to documents; the records have been made available to the public, and once the records are public, the state can't pick and choose who can get them. In the future, perhaps records such as these should be "closed" and available to no one. But today, because of the state's actions, they are public and should be available to all who request them. With this lawsuit, we intend to make that happen.

BORDER WAR

Patrick Tuohey



Kansas and Missouri Governors Laura Kelly and Mike Parson have agreed to limit their state agencies' efforts to use economic development incentives to poach jobs from the other state—at least in the six counties that surround Kansas City. This is welcomed. Research has shown (for quite a while) that such incentives only move jobs back and forth across state lines without growing the number of jobs in the region, and that they drain public resources while doing so. Such incentives do very little if anything to actually increase economic activity *beyond what would have happened anyway*.

Governor Kelly's executive order only allows state incentives to be offered where there will be "net new" job creation. It remains to be seen how net new jobs will be calculated. Consider for a moment that tax increment financing (TIF) is meant to be used mostly in blighted areas. It isn't. The but-for analysis (if the development would not exist but-for incentives) is meant to protect taxpayers from funding projects that don't need public support. It doesn't. We know from experience that if the terms are not narrowly defined, developers will game the system. A few development attorneys in Kansas City make a very nice living doing exactly that.

While state-level incentives are not inconsequential, a great deal of economic development subsidies are offered at the local level—from cities and counties attempting to increase their own tax base at the expense of a neighbor. And it doesn't just happen across state borders. Cities and towns use subsidies in their own economic wars within both states.

Unfortunately, such subsidies are supported by a vast army of developers, attorneys, non-profit organizations and politicians who either profit directly from the subsidy regime or are eager to demonstrate through new construction the efficacy of their tenure. It's not just the cities in the Kansas City region that engage in such practices. It includes third-party groups such as the Economic Development Corporation of Kansas City (EDC), the Kansas City Area Development Council (KCADC), the Port Authority of Kansas City (PortKC), and the area's visitors bureau, VisitKC. Even organizations such as the Kansas City International Airport have used their resources and special tax circumstances to lure business from other parts of the metropolitan area. Even if localities did sign on to this truce, they could offer other incentives not covered by the truce, such as easily created special taxing districts, tax credits, or other financing schemes.

Demonstrating the value of the Kansas City region to employers from around the county and around the world is a worthwhile endeavor. We have a lot to offer in terms of low cost of living and livable cities. These agencies ought to be working together to grow the region, not cannibalizing each other.

We call on all these third-party organizations to forswear any incentives aimed at drawing business from within the region, and from funding—directly or indirectly—any other organization that does. Governors Parson and Kelly have provided a great example of leadership, but it will not be successful until all regional organizations from within and without the six border counties specifically named follow suit.

IS THIS REALLY THE BEST WE CAN DO?

Susan Pendergrass

An examination of Missouri's education system over the years makes clear that Missouri is behind other states and that Missouri's leaders are, as a practical matter, ok with that. They have every reason to know that the system as currently structured will never produce better results; yet they do not, for political and ideological reasons, adopt reforms that would produce better-educated kids. Instead, the focus of their efforts is making the status quo look better, or at least less bad, than it is.

In mid-August, the Missouri Department of Elementary and Secondary Education (DESE) released the results for the last school year of the state tests in reading and math. As has been the case for 15 years, less than half of the students were "Proficient" in those subjects. According to DESE, to be Proficient a student must "demonstrate an adequate command of the skills and processes identified in the Missouri Learning Standards." In other words, the rating reflects whether or not a student is performing at the level expected for their grade.

So the tests showed that most Missouri students are behind in reading and math—the same thing that testing has shown for 15 years.

The Missouri State Board of Education apparently doesn't like having to admit that, so it is now suggesting that instead of reporting on proficiency, it should report the percentage of students who score at the "Basic" level or above. That would certainly be a bigger number, and since a "Basic" level of learning doesn't sound so bad, it would make the system, and therefore the Board, look less like a failure.

But it wouldn't change reality, because the DESE definition of Basic is demonstrating, on an inconsistent basis "a partial or uneven command of the skills and processes identified in the Missouri Learning Standards." In other words, a student with Basic skills is not performing at grade level and can't even exhibit the skills they do have consistently. "Basic" doesn't mean "adequate." It means falling behind.

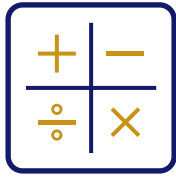
But there's more to this story. DESE has changed both the standards of what students should know and the tests used to assess them in the last five years. These moves are beginning to set Missouri apart—and not in a good way—from other states.

The federal government administers reading and math assessments every other year to representative samples of students in each state. This is the National Assessment of Educational Progress (NAEP), otherwise known as the Nation's Report Card, and it can be used to compare one state to another. In addition, each state's own test can be compared to NAEP to see if it is more or less rigorous.

Any guesses on how Missouri's state tests stack up? The figure below shows that to be considered Proficient on the NAEP reading test, a 4th grader must get 238 points out of 500. To be considered Proficient on the Missouri Assessment Program (MAP) reading test, that same 4th-grader would only need to get 214 points on the NAEP test. In other words, Missouri's "Proficient" is equivalent to NAEP "Basic." Only three states had lower standards for measuring proficiency. Meanwhile, other states have challenged themselves such that "Proficient" on their state tests is equivalent or nearly equivalent to "Proficient" on NAEP.

What's frustrating about this, other than the obvious, is that Missouri could be doing at least as well as other states. Researchers at the Show-Me Institute have proposed a number of reforms that would provide greater educational opportunities to a lot of kids. These reforms are possible to enact because they have been enacted, and they have worked, in states across the political spectrum.

I suspect that if parents better understood the game playing in Missouri public education, they would demand access to other options for their kids. But this much is clear: Educational outcomes will never get better in Missouri if our educational leaders put all their energy into simply moving the goalposts.

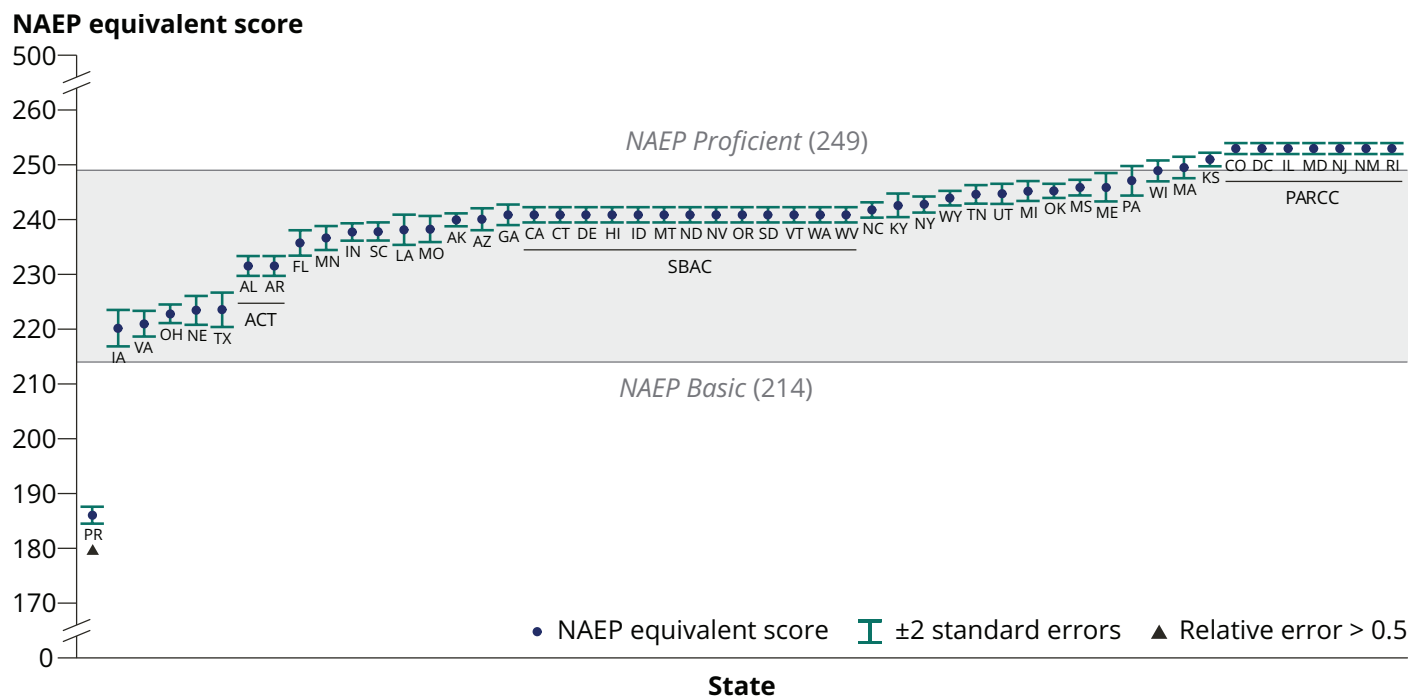


2017 Grade 4 Mathematics

The following figures present results for grade 4 mathematics. Overall, state standards for proficiency have mapped at a higher NAEP achievement level over time. In addition, variations among state achievement standards are narrowing.

For the first figure with 2017 data only, 51 states are included in the analysis; for the second and third figures with data from 2007, 2015, and 2017, the same set of 43 states with all 3 years of data available is used in both analyses.

NAEP equivalent scores of state grade 4 mathematics standards for proficient performance, by state: 2017



- In grade 4 mathematics, 50 of the 51 states included in the study had standards at or above the *NAEP Basic* level. Eleven states—Pennsylvania, Wisconsin, Massachusetts, Kansas, Colorado, the District of Columbia, Illinois, Maryland, New Jersey, New Mexico, and Rhode Island—had standards at the *NAEP Proficient* level.
- The PARCC standard mapped at the *NAEP Proficient* level. ACT and SBAC standards mapped at the *NAEP Basic* level.

NOTE: New Hampshire was not included in the study because the state did not use the same assessment for all students in grade 4 mathematics. ACT refers to ACT Aspire, PARCC refers to Partnership for Assessment of Readiness for College and Careers, and SBAC refers to Smarter Balanced Assessment Consortium. The classification of NAEP equivalent scores into NAEP achievement levels accounts for the margin of error associated with each estimate. A state is determined to be in a given NAEP achievement level range if its NAEP equivalent score is statistically significantly lower than the cut score of the next highest achievement level.

SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), 2017 Mathematics Assessment.



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