Show-Me Institute
Where Liberty Comes First

SHOW-ME newsletter

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Public policy debates are frequently loud, overheated, and confusing in today's polarized age. Many people tell me that they don't know who to believe, and they don't trust anything they read. Given this environment, what can you do if you just want the facts?

That's where the Show-Me Institute comes in. We still believe in the old-fashioned idea that getting the facts straight is the foundation of any policy discussion. And the current debate about Medicaid expansion in Missouri is a perfect example.

Expansion of Medicaid under the Affordable Care Act will likely be on the November ballot here in Missouri, and there has already been plenty of discussion on the topic. Advocates often claim that Medicaid expansion is essentially "free" because the federal government will pick up a significant chunk of the cost for new enrollees. But if you dig deeper, you'll find there's more to the story. And our analysts have been doing exactly that.

Research from Show-Me Institute Senior Analyst Elias Tsapelas has been instrumental in introducing important facts to the debate that aren't often considered or discussed elsewhere.

For example, Washington University developed a model that projected substantial savings if Missouri expands its Medicaid program. However, as Elias pointed out, the savings only materialize if Missouri ignores federal law. The Washington University model assumes the state will engage in "PTD shifting." PTD stands for Permanently and Totally Disabled, and the model reclassifies current PTD Medicaid recipients as newly eligible for the program in order to receive a larger match from the federal government. As you might expect, the federal government frowns on this kind of game playing. (For more on PTD shifting, you can read Elias's piece in this newsletter).

So the facts tell us what common sense also tells us; Missouri can't substantially expand a major program without spending substantially more money.

Getting an accurate assessment of the cost of Medicaid expansion is crucial because the program constitutes a significant and growing chunk of Missouri's budget. Medicaid is Missouri's single largest government-run program, and it is growing faster than the state budget. Missouri already dedicates nearly 40 percent of its budget to Medicaid; that number would surely grow with expansion. Medicaid consuming more and more of the state budget means that less funding is available for other critical state priorities like education and public safety.

Elias's work also highlights another important aspect of the Medicaid debate that is often overlooked: What sort of healthcare does Medicaid actually provide for recipients? Evidence of Medicaid's effectiveness is hardly ironclad, and in several of the studies done on the topic access to Medicaid couldn't be tied to changes in health outcomes at all. This suggests that it might be wiser to explore reforms to the Medicaid program before considering expansion.

Block granting Medicaid is the most promising avenue for reform, and it's an idea that our Director of Government Accountability Patrick Ishmael has been highlighting for years. Currently, Medicaid funding is open ended; the federal government will match state spending regardless of how much Missouri spends. This structure does not encourage any sort of cost containment by states—instead, it incentivizes states to spend as much as possible in order to reap more federal dollars. A block grant would simply give states a lump sum of dollars to use toward their Medicaid programs, encouraging states to find innovative ways to maximize the federal dollars they receive.

John Adams once said that facts are stubborn things, and that's just as true today as when he first uttered it. Various interest groups and factions will try to dominate debates with trivia and distractions. But it's the Show-Me Institute's job to make sure that the discussion is tethered to those stubborn facts, and it's a job we'll continue to do.

—Brenda Talent

FOR LABOR CONTRACTS, WHAT WE DON'T KNOW CAN HURT US

Patrick Ishmael

This past January, a St. Louis County court handed down a ruling that likely thrilled union bosses in Missouri. The court granted summary judgment on litigation that guts the Missouri Legislature's hard-won labor reforms of 2018. The underlying bill in question, House Bill (HB) 1413, provided additional protections to workers and taxpayers and would have ensured that government labor contracts were negotiated in the open, that union finances were adequately reported, and that workers were unambiguously empowered to have greater control over their jobs and pocketbooks. Renewed efforts are underway in Jefferson City to reinstate many of these reforms, but the court's decision is a disappointing and regrettable roadblock for good governance and transparency.

While this ruling is a disappointment, it is also true that the reforms of HB 1413 were probably going to have to be reopened by the legislature anyway. As I discussed in my recent essay "Missouri at the Crossroads: Government Union Laws and the Path to Successful Enforcement," which was published prior to the court's decision, state regulators were already facing an uphill climb to be able to actually implement the new law, especially at the local level. That's because the state doesn't actually have a list of the contracts that local subdivisions have entered into, and neither did anyone else.

That is, until the Show-Me Institute stepped in.

With the help of former research assistant Philip Oehlerking and with Missouri's Sunshine Law at our disposal, we scoured the state for collective bargaining agreements (and their equivalents) to figure out what contracts were already in place. What we discovered was fascinating.

First, local governments in Missouri have entered into at least 250 labor contracts of various sorts in recent years. Most of these contracts are not readily accessible to neither the state nor taxpayers.

Second, the terms in at least a few of the contracts were in fact contrary to state law, including provisions that required dues payments to unions as a condition of employment. Not only was this inappropriate under the recently ruled *Janus* case, decided by the U.S. Supreme Court, but such arrangements had long been illegal in Missouri.

How did this happen? Well, it may be attributable to the absence of voluntary transparency or the lack of robust reporting requirements for these political subdivisions. How can violations of Missouri law or the public's interest be identified when the public must seek out these contracts with sunshine requests? What if instead these contracts were published online? Not only might fresh eyes on these agreements help to find and correct mistakes, but the *prospect* of additional scrutiny might compel greater diligence and better legal compliance at the time these deals are struck.

Although the gutting of HB 1413 by the St. Louis County court is a disappointment, the reform was likely going to have to be reopened anyway. As legislators consider ways of reinstating reforms in the coming years, they should also consider requiring these contracts to be reported to the state and publicly accessible, especially as they're being entered into. Such a reform would go a long way to making enforcement more practicable—and would better protect workers and taxpayers alike.

TAX-CREDIT SCHOLARSHIPS FOR MISSOURI

Abigail Burrola

There's a wide variety of ways to offer school choice to students. Unfortunately, Missouri only provides choice to some students, and even those students have a narrow and limited range of options. Legislation moving through the Missouri Legislature would provide a new way to expand choice for students, via a tax-credit scholarship program.

Bills have been filed in both the Missouri House and Senate—Senate Bill 581 and House Bill 2068—that would establish the Show Me a Brighter Future Scholarship Fund. The program would create a dollar-for-dollar tax credit for individuals and corporations that donate to the scholarship fund. Qualifying students could then apply for the scholarships and use them toward private school tuition. Both bills currently allow for $25 million in tax credits. If the scholarships were fully funded at $25 million, that could mean roughly 7,100 students could receive $3,500 scholarships.

A tax-credit scholarship program could provide a lot of benefits to Missouri. Students whose family income is no more than twice the qualifying income for free and reduced-price lunch would qualify for the scholarship. This ensures the program helps low-income students, but even with that threshold more than half of Missouri students would be eligible. Previous research from Show-Me Institute authors has shown that a tax-credit scholarship program in Missouri would save money for the state. Furthermore, there are seats open for more than 28,000 students in Missouri private schools.

Eighteen other states currently have tax-credit scholarship programs, with almost 300,000 students participating annually as of August 2019. And even more are eager to participate. Over 8,000 students in Pennsylvania were turned away from a scholarship-granting organization because there were not enough scholarships available in 2017. When Illinois recently opened up applications for the 2020–21 school year for its scholarship program, nearly 25,000 students applied, which is more than four times as many students as are eligible to receive a scholarship.

Families are lining up to sign up for tax-credit scholarship programs for the opportunities these programs provide. And for states with these programs, the benefits are starting to pay off.

Florida is a great example. A 2019 study of Florida's program found that low-income students participating in the tax-credit scholarship program are more likely to enroll and graduate from college than those who didn't participate in the program. Other private school choice programs have also been found to increase student achievement and parental satisfaction with schools. There have been seventeen studies analyzing the fiscal effects of tax-credit scholarships, and all of them found that tax-credit scholarships saved taxpayers money.

Missouri students deserve a quality education. The Show Me a Brighter Future Scholarship Fund could give thousands of Missouri students the means to access a better education. Private schools are a great option for many students, and a tax-credit scholarship program could help ensure that more families have that option.

LICENSING REFORM COULD HELP MISSOURI ATTRACT SKILLED WORKERS

Corianna Baier

If you found yourself in Illinois and in need of a haircut, would you worry about finding a capable barber? Everyone's hair is unique, of course, but is there any reason to think a barber trained and credentialed to work in Illinois wouldn't be up to the task of cutting Missouri-grown hair? The question is ridiculous, and you're free to get your hair trimmed in any state you'd like. But it would be a different story if it was the barber who was crossing the state line. Current occupational licensing laws in Missouri treat training and experience in other states as irrelevant, so an experienced barber from Illinois would still have to jump through regulatory hoops before practicing here. Happily, Missouri might soon reduce the administrative burden for re-licensing new residents across a wide variety of occupations.

Put simply, an occupational license is the government acknowledging that you are qualified for a given profession and allowing you to work in that field for pay. Occupational licenses for most professions are only valid in the state in which the license is obtained, and licensing requirements vary from state to state in terms of the education, experience, and exams required. Approximately 21 percent of Missouri workers require a license or certificate from the government in order to do their jobs, in professions ranging from sports agents to barbers to nurses.

Licensing can be especially burdensome for those relocating to a new state. A worker who has taken the time and expense to be licensed in one state may have to take (and pay for) additional exams or classes to meet the requirements of their new state, even if they've been working as a licensed professional for years. This is an unnecessary obstacle between new residents and their way of earning a living that serves little purpose other than to deter people from moving to Missouri.

Fortunately, there might be some good news coming this legislative session. The Missouri legislature is currently considering two pieces of occupational licensing legislation, and while both would be wins for Missouri, one would make the Show-Me state a reform leader at the national level.

The first bill is House Bill (HB) 1511, which would allow for licensing reciprocity for military spouses, meaning that an out-of-state license could serve as qualification for a Missouri license. This has been a popular reform in other states in recent years as military families are a very mobile group—49 states offer some sort of licensing reciprocity for military spouses, although the scope of the laws varies greatly.

The real game-changer is the second bill, HB 2046, which would allow for licensing reciprocity for anyone. With this legislation, anyone who holds a valid occupational license in good standing from another state could move to Missouri and qualify for the same license here with little or no administrative burden.

Very few states have broad licensing reciprocity, though several are currently considering this type of legislation. If the legislature acts quickly, Missouri could gain a competitive advantage over other states in attracting consumers and professionals alike. Now is the perfect time to show that Missouri welcomes new workers and the skills they bring.

Reducing government barriers to work is good for both workers and consumers, promoting employment and economic growth. Though these bills do not completely solve the problems associated with occupational licensing, these incremental reforms could present exciting opportunities for current and future Missourians.

THE MEDICAID EXPANSION SAVINGS DECEPTION

Elias Tsapelas

Supporters of expanding Medicaid in Missouri argue that growing the state's program will save money. But how could increasing enrollment in Missouri's largest government-run program by more than a quarter result in savings? The answer, according to the models cited by expansion supporters, is to ignore federal law.

A big part of the "savings" the models project comes from assuming a reduction of more than 20 percent in the number of disabled enrollees. People with disabilities often deal with a variety of complex medical issues, which makes them the costliest group to cover under today's Medicaid program. Thus, lowering this group's enrollment would lower costs. But the models don't actually project lower total enrollment for disabled Missourians. Instead, the model employs what is called "PTD shifting" (PTD means permanently and totally disabled), which is an attempt to get the federal government to pay more for a significant portion of Missouri's currently disabled enrollees.

In practice, PTD shifting refers to reclassifying currently disabled Missourians into the newly eligible Medicaid expansion population. Under Medicaid expansion, Missouri would receive nine federal dollars for each state tax dollar it spends to cover "newly eligible" recipients. This is a huge increase over the state's current federal match, which is roughly two federal dollars for each dollar Missouri spends. The problem—and it's a big one—is that purposely classifying individuals who met pre-expansion Medicaid eligibility requirements as newly eligible in order to receive additional federal funds is not allowed under federal law.

States across the country have tried similar schemes, and are now facing federal action. Here's what the Office of Inspector General (OIG) said after auditing New York's Medicaid program:

> **Beneficiaries Were Disabled - Individuals may not be enrolled in the new adult category if they are otherwise eligible for Medicaid through a mandatory category.** For 3 of the 130 sampled beneficiaries, the State agency incorrectly enrolled the individuals in the new adult group despite their case files demonstrating that they were certified as disabled and receiving Social Security disability benefits—a mandatory coverage group for which the standard FMAP rate applied.

The OIG report's conclusion shows that it is the state's responsibility to determine whether a recipient is categorically eligible for Medicaid based on disability (someone who would be currently eligible, and thus only receiving the 2 to 1 federal match) *before* enrolling that person in Medicaid based on income (which would be someone newly eligible under expansion, thus receiving the 9 to 1 match).

Missouri's Medicaid enrollment for people with disabilities has been quite stable (around 150,000) for well over a decade, so models that rely on a precipitous drop in such enrollment *and* apparently disregard federal law should be met with skepticism. Once you remove the dubious PTD shifting assumption, the model's projected savings disappear entirely. Researchers at the Show-Me Institute will continue to shine a light on the harsh truths about the costs of covering thousands of additional Missourians under Medicaid.

BEATING A DEAD TROLLEY

Jakob Puckett

The brief, troubled ride of St. Louis's Delmar Loop Trolley may be over.

In its first 11 months of operation, ridership lagged 96 percent below projections—which, unsurprisingly, was not sufficient to make the trolley financially sustainable. Recent months have seen pleas for more money denied, making the end appear inevitable.

In November, trolley officials asked for $200,000 from St. Louis County in order to continue operating through the end of 2019. The county refused, so the Loop Trolley Transportation Development District (LTTDD) dipped into its own coffers for $90,000.

In December, the trolley stopped operations after a 13-month run, citing a lack of money. The Loop Tolley Company treasurer commented that the trolley's "capability to continue on with funding through sales tax and fares . . . does not look any better and is not going to look any better."

Finally, in January, a plan to keep the trolley running for four more years under Metro's guidance received no supporting votes during a recent Bi-State Development Agency (Metro) committee meeting. Metro had spent a month deliberating over the fate of the trolley, with the recent vote being the latest development.

One part of the proposed plan would have allowed riders to use Metro passes to pay for trolley rides. The plan also would have used LTTDD revenue to develop a park-and-ride pass program to encourage—or potentially force—Loop business employees to park at a distance and take the trolley to work. That's right—the plan was to increase ridership by having workers along the route park farther from their places of employment and then take the trolley to the spots where they *used* to park. The desperation speaks for itself. Fortunately, since this new plan was rejected, it will not go to the Metro board of directors.

There is also a possibility that the now-defunct trolley will continue causing problems for the region. The Federal Transit Administration (FTA)—the source of the $34 million federal dollars that went toward construction of the trolley—has indicated it may sue the trolley's tax district for $25 million. If the FTA does file suit, several entities that benefited from the federal money, such as St. Louis City and County, the LTTDD, and University City, could be on the hook for repayment. In addition, the threatened lawsuit combined with the trolley closing has Metro concerned about future transportation grants being jeopardized.

St. Louis County, apparently weary of throwing good money after bad, has reiterated that no additional county funds will be spent on the trolley. The question of what to do next will be passed to the LTTDD, whose board members have commented that they don't know what will come next. Meanwhile, the mayor of the City of St. Louis would like Bi-State to reconsider, and trolley backers have put forward a plan to revive the trolley, purportedly without requiring a bailout.

No one who has followed the Show-Me Institute's coverage of the trolley project will be surprised that we have arrived at this point. Still, the scope of the failure here is staggering. Ten years. Fifty-one million dollars. Nine project delays. Closed businesses. Dismal ridership. It's difficult to see anything to salvage from the Loop Trolley project other than a lesson learned the hard way, which makes it all the more important that we take that lesson to heart. The way to generate economic development with taxpayer dollars is to leave those dollars in the hands of the taxpayers instead of squandering them on grandiose projects founded on wishful thinking and the endless generosity of the public.

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