



# SHOW-ME

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# newsletter

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## TRANSPORTATION SALES TAX PROPOSAL GOES TO VOTERS IN AUGUST

The Missouri Legislature has placed a proposal on the Aug. 5 ballot calling for a 0.75-cent statewide sales tax to be used for transportation. This tax would have Missourians pay for roads based on how much they shop, not how much they drive. Such a policy is unfair and economically unsound, placing the interests of interstate truckers and construction companies ahead of Missouri families.

According to the Tax Foundation, Missouri's combined state and local sales taxes are the 14<sup>th</sup> highest in the nation. If passed, Missouri's sales tax would become the ninth highest, just behind California. In some places in Missouri, the sales tax would reach as high as 10.425 percent. That is a real burden for Missouri's families.

Using a sales tax to pay for roads is economically unsound, fundamentally unfair, and takes Missouri further down the road of unsustainable, taxpayer-subsidized transportation funding.

Most funding for state roads and bridges comes from fees placed on drivers: gas taxes, vehicle sales taxes, and permit fees. Having those who benefit from the roads pay for them is

not only fair, it creates accountability for money spent and prevents the damaging externalities that arise from an overuse of the state road system.

The proposed sales tax would break this connection, essentially subsidizing drivers while forcing shoppers to pay for improvements, such as a new I-70.

This proposal will cost Missouri families and basically give shipping companies a free ride. While Missourians pay for new roads through sales taxes regardless of their driving habits, interstate truckers passing through the state may pay nothing more, despite causing far more damage to highways than personal vehicles.

Furthermore, because the sales tax can go to any transportation project, not just roads, localities across the state are advancing plans such as streetcars and passenger rail extensions for the use of the tax money. These plans will provide little to no benefit for Missouri's statewide transportation system. Unfortunately, these politically popular projects are exactly what state planners are betting is necessary to sell an economically unsound and regressive sales tax to the voters.

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

## A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As the 2014 session of the Missouri Legislature winded down, lawmakers overrode Missouri Gov. Jay Nixon's veto and passed into law the first reduction in the state's income tax in almost a century. The Missouri Senate voted 23-8 and the House voted 109-46 to override Nixon's veto of Senate Bill 509.

But lawmakers still have a long way to go to advance the growth and competitiveness of our state.

The tax cut bill is a small start toward real tax reform. Implementation begins in 2017 with the first of a series of one-tenth of 1 percent cuts in the tax on personal income. The cut goes from 6 percent to 5.5 percent in 2022, and phases in a 25 percent tax cut on pass-through income for entrepreneurs and small business owners.

The legislature, however, failed to pave the way for deeper, broad-based cuts for all Missourians through the elimination or substantial reduction

of targeted tax credits for economic development. Each year, approximately \$400 million of taxpayer money goes to favored business ventures and commercial developments in this state in the form of tax credits.

The would-be success stories of the past, including Mamtek in Moberly and the Citadel in Kansas City, were failures that cost taxpayers significant money.

Senate Bill 509's passage is a victory for taxpayers because it stands in stark contrast to these types of tax handouts, including the tax breaks that initially were promised to Boeing. Such subsidies go against everything that tax reformers are attempting to do in removing cronyism from the state's economic development efforts.

The tax cut is an important first step to ensuring every Missourian, not just a select few with special connections in Jefferson City, is empowered to make this state better. As an organization that has helped lead tax reform efforts



in Missouri for many years, everyone at the Show-Me Institute is pleased to see the legislature take this step toward reform.

At the Show-Me Institute, we believe in free markets and in people. We believe Missourians should be free to invest in themselves and their families to make this state a better place to live. We believe a bottom-up solution which puts its faith in our people, not a top-down plan that puts its faith in the government, will lead to a more productive and prosperous Missouri.

We thank all of you for your continued support of the Show-Me Institute and our ongoing efforts to build a brighter future for you, your families, and all Missourians.

## New Hire And Summer Interns

The Show-Me Institute is pleased to welcome a new member to our team along with three summer interns.



*Brittany Wagner*, a former teacher, has joined the staff as the education policy research assistant.

This summer's interns are:

- *Abigail J. Fallon*, who is pursuing a bachelor of arts degree in economics with a minor in journalism at Lindenwood University.
- *Christien West*, who is pursuing a double major in mathematics and economics at Saint Louis University.
- *Christopher White*, who is pursuing a journalism degree from the University of Missouri-Columbia.



## EXPOSING THE TRUTH ABOUT TAX SUBSIDIES FOR THE CHOSEN FEW

**B**urns & McDonnell is a genuine Kansas City success story. The national engineering firm, which has its headquarters in Kansas City, had seen tremendous growth in recent years. That should be celebrated. But just because it should be celebrated does not mean it should be subsidized.

Burns & McDonnell is expanding its headquarters and acquired a large adjoining lot for that purpose. That part is terrific. But the company's request for more than \$80 million in tax subsidies is far less terrific.

The company is seeking — and will almost certainly receive — a combination of earnings tax rebates and property tax abatements. The earnings tax rebates are part of a Tax Increment Financing (TIF) package that will last up to 23 years. The

property tax abatement will last for 25 years, with the first half being a 100 percent abatement and the latter half being a 50 percent abatement.

Along with some smaller tax exemptions, the total tax subsidy will come to slightly more than \$80 million. That is \$80 million taken from the school district, the library district, the city, the county, and more. Worse, that is \$80 million that other taxpayers will have to make up through higher taxes or fewer services.

The Show-Me Institute has been vocal in highlighting the many substantive objections to this TIF and abatement. Western Missouri Field Manager Patrick Tuohey testified before several public bodies, including the TIF Commission, regarding this matter. Tuohey also has given numerous

media interviews questioning why Kansas City wanted to give a large company more than \$80 million in taxpayer dollars to expand right next to its existing building.

The canard that subsidies are used to bring new jobs to depressed areas is fully exposed by episodes like this. Here, as in many other TIFs or subsidies, the tax subsidy is simply there for the asking. Any large company with political connections can have a subsidy from taxpayers. Instead of tax cuts for the special few, we need broad-based tax cuts for everyone.

The special note here is that, several years ago, Burns & McDonnell helped lead the effort to maintain the earnings tax in Kansas City. Did company officials really want to maintain the tax for other people, but not themselves?



## TRANSFER 'FIX' UNATTAINABLE UNTIL AGREEMENT IS REACHED ON SCHOOL CHOICE



A courtroom saga that was 20 years in the making reached a pivotal point on June 11, 2013. The “Outstanding Schools Act,” which the Missouri Legislature passed in 1993, allowed students from unaccredited school districts to transfer to nearby accredited districts. For 20 years, the law seemed only a pipe dream for students wishing to escape chronically low-performing school districts. That all changed when the Missouri Supreme Court upheld the law.

After the Supreme Court’s decision was handed down, more than 2,500 students applied to transfer from two unaccredited Saint Louis area school districts – Normandy and Riverview

Gardens. There was a wave of questions as to how the program would work.

Immediately, lawmakers were called upon to come up with a transfer fix. The end result was a bipartisan compromise that pleased few, and on June 24, the governor vetoed it. The fact that lawmakers were unable to come up with a policy solution that was universally supported was not for a lack of effort. The problem was that lawmakers, public school officials, parents, students, and the public at large have not agreed upon the problem. Nor have they agreed upon the solution.

Some sought to limit or end the transfer program. Others wanted to expand

options for students. The real issue is school choice. As a society, we have not answered the question: “What is the role of choice in public education?”

Many do not see the value of school choice or the transfer program. For some, the transfer law – school choice – is itself the problem. The biggest opponents of school choice tend to be public school officials. For example, the Cooperating School Districts of Greater St. Louis issued a position paper in which area superintendents urged “the state to move beyond providing choice options.”

Many parents, on the other hand, want educational options.

No matter how hard you try, it is difficult to come up with a compromise between a group that opposes school choice and one that supports school choice.

A year has passed and there has been no “transfer fix.” The state board of education has voted to dissolve the Normandy School District at the end of June. The transfer law now is being challenged in a new lawsuit, and we are left with as many, if not more, questions as we had a year ago. Until we reach an agreement on the role of school choice in public education, we simply cannot devise a “fix” that will satisfy everyone.



## ALLOWING NORMANDY STUDENTS TO RETURN MAKES SENSE TO THE HEAD AND THE HEART

### A Joint Statement From Adolphus M. Pruitt and James V. Shuls

In the fall of 2014, students from the unaccredited Normandy School District stepped out in faith. They placed their hope and trust in the hands of nearby schools, sometimes more than 20 miles away from home. Over the course of the past year, these students have overcome great obstacles to get to school in their search for better educational opportunities. Now, area school leaders have a decision to make. They can choose to honor the decisions and sacrifices of these students or they can choose to deny them access to the schools they have worked so hard to attend.

It seems clear what the decision should be.

Financially, the transfer program is a winning proposition for accredited school districts. In most cases, the transfer students – even with the lower \$7,200 tuition rate that the State Board of Education set – bring more money to the district than a student moving into the district would generate. Schools are funded primarily through local property taxes and state appropriations. The local property taxes are essentially fixed, they don't

rise when one new student moves into an apartment complex, and the state provides every area school district less than \$7,200 per student. Most, in fact, receive less than \$2,000 per pupil from the state.

Furthermore, the \$7,200 is more than enough to cover the marginal cost of an additional student. That is, it does not cost a district \$7,200 to add one student to an existing classroom. As the schools have demonstrated over the past year, they have the capacity to accept and educate these students. Few have needed to hire additional teachers or faculty. They simply have been able to assimilate the students into the day-to-day operations of the school. For many schools, it simply has been business as usual.

This decision, however, is not just about the bottom line. It is a decision that has a direct impact on students themselves. We recognize that most educators enter the profession because they want to make a difference in the lives of students. This is an opportunity to do just that.

Students transferring from the unaccredited Normandy School District are among the most disadvantaged students in the state. In Normandy, nearly half of the students will not

graduate on time and among those who do, their future prospects are slim. With an average ACT score of 16.8, many of these students cannot even get into state colleges and universities.

Educators – teachers, principals, and superintendents – throughout the area have an opportunity to change these statistics for the transfer students. They have the opportunity to make a difference.

As representatives of the Saint Louis chapter of the National Association for the Advancement of Colored People (NAACP) and the Show-Me Institute, a free-market think tank, it is not often that we find ourselves in complete agreement on an issue. On this, we stand in unity. Local school districts should reward the hard work and sacrifice of these students. Allowing them to return is a decision that makes sense to the head and to the heart.

*Adolphus M. Pruitt is 1st vice president of the Missouri NAACP and president of the Saint Louis NAACP. James V. Shuls, Ph.D., is the director of education policy at the Show-Me Institute.*

## SHOW-ME INSTITUTE EVENTS

Mark your calendars for these upcoming Show-Me Institute events:

### **Friedman Legacy Day 2014 – Are Charters the Next Step for Private Schools?**

8-9:30 a.m.

Thurs., July 31

De La Salle Middle School (4145 Kennerly, St. Louis, MO 63113).

Celebrate what would have been the 102nd birthday of Nobel Prize winner Milton Friedman with guest speaker Mike McShane, fellow at the American Enterprise Institute.

### **Milton's Paradise: My Friendly Fights with Milton Friedman**

6 p.m. Reception

6:30 p.m. Program

Thurs., July 31

Kansas City Public Library's Central branch (14 W. 10<sup>th</sup> Street)

Celebrate what would have been the 102nd birthday of Nobel Prize winner Milton Friedman as **Mark Skousen** relates stories from his long friendship with the economist and libertarian icon.

Co-sponsored by the **Show-Me Institute**.

To register, visit: [www.kclibrary.org/event/miltons-paradise-my-friendly-fights-milton-friedman](http://www.kclibrary.org/event/miltons-paradise-my-friendly-fights-milton-friedman).

### **Show-Me Forum**

Sept. 9

Hy-Vee in Columbia

### **Policy Breakfast**

Sept. 10

Show-Me Institute in Saint Louis



To register and for more details about these and other Show-Me Institute events, visit [www.showmeinstitute.org/events](http://www.showmeinstitute.org/events) or contact Scott Tanner at (314) 454-0647 or [scott.tanner@showmeinstitute.org](mailto:scott.tanner@showmeinstitute.org).

## STREETCARS PROVE TO BE COSTLY AND INEFFICIENT

Before construction has even finished on a streetcar starter line, Kansas City officials are already asking residents to approve a \$472 million expansion. They are seeking a new Transportation Development District (TDD) to partially fund the expansion.

These systems, however, are less efficient at moving people than buses. Their capital costs are also immense, at more than \$50 million per mile. For the same cost as the proposed expansion, the Kansas City Area Transportation Authority (KCATA) could afford to expand its bus system by more than 100 new vehicles.

Most supporters do not argue that streetcars are cost-effective or good people movers. Instead, supporters claim that streetcars bring economic growth. But streetcars will not improve the economy of Kansas City.

The economic development handouts, amounting to corporate welfare, will be the engine that drives any development, and nine times out of 10, that is simply a waste of resources. Supporters of the streetcar use anecdotes of development moving downtown as proof that streetcars bring economic growth. However, under closer scrutiny, researchers for the Show-Me Institute have found that supporters of streetcars are claiming credit for any and all development that occurs after there are plans to build a streetcar.

As time goes on, it will be increasingly difficult to determine exactly what prompted development, but rest assured that everything will be credited to the streetcar.

Maybe city leaders really think they are helping the city, but more likely, it is a grab for federal money (without which a streetcar would never be built) before the fad has ended and the federal government changes policy.



## MISSOURIANS NEED HEALTH CARE REFORM, NOT MEDICAID EXPANSION

When Congress passed the Affordable Care Act in 2010, patients across the country were regaled with a litany of promises:

- “If you like your plan, you can keep your plan.”
- “You can keep your doctor.”
- “Your premiums will be lower.”
- “Emergency room use will decline.”
- “It will bend the cost curve down.”

But time and time again, those promises have been broken, both to patients and to taxpayers. Millions have lost their health care plans. Many have lost their doctors. Premiums continue to rise. Emergency room use has actually spiked. And costs across the American health care system

continue to increase.

The latest battlefield in Missouri is Obamacare’s Medicaid expansion, which, if enacted, would double down on a broken health care status quo that fails patients and taxpayers. Expanding the program would add nearly \$3 billion to the state’s Medicaid spending in the years ahead, providing sub-standard care to poor Missourians. Where will the state get that money? There still has not been a credible plan to pay for the expansion, regardless of what supporters have said as part of their “Medicaid transformation” marketing campaign.

Indeed, this year’s “Medicaid transformation” rebrand is just Obamacare’s Medicaid expansion. The same groups that supported the health care law when it passed now want legislators to implement and force it on their citizens at the state

level. They talk a good game about “reform,” but all they want is the expansion.

How could a “deal” that heaps billions of dollars of debt on our children and grandchildren to expand government with a broken health care program be “great” for anyone but the special interests who want the money?

Missourians were not fooled, and the legislature decided not to expand Medicaid in Missouri in 2014, despite immense pressure from an army of lobbyists in Jefferson City. Unfortunately, that pressure will only grow stronger in 2015.

Missouri’s poor deserve better than a broken health care system, and Missouri’s taxpayers deserve better than a program that continues to flail and fail them. It is time for true health care reform.



### Next Gen Event

*The Show-Me Institute’s Next Gen event on June 12 was a tremendous success. The event featured Grover Norquist, president of Americans for Tax Reform, speaking about “2014 And The Battle In The States.” More than 60 people attended the reception and speech held at the World Chess Hall of Fame in Saint Louis.*



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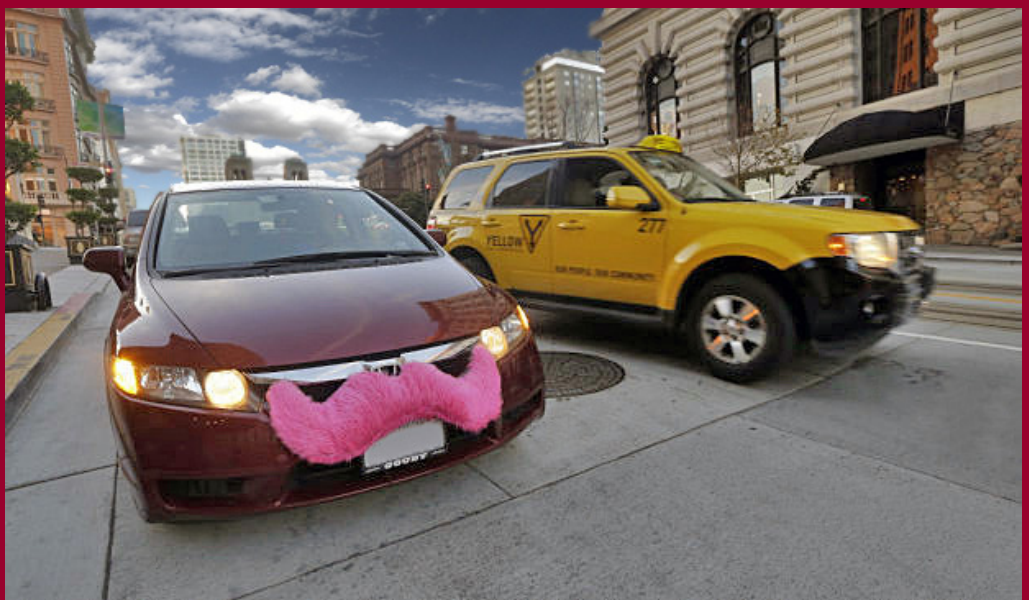
## Lyfting The Regulations

Lyft, a ride share app, has caused quite the stir in Saint Louis and Kansas City.

Because Lyft passengers make donations instead of set payments to drivers, company officials do not believe the St. Louis Metropolitan Taxicab Commission (MTC) or the Kansas City Regulated Industries Division has the authority to regulate Lyft's operations the same way it regulates cab service. MTC and the City of Saint Louis officials say otherwise.

The MTC and the Regulated Industries Divisions have filed an injunction against Lyft to halt its Saint Louis and Kansas City operations.

Taxi regulations in Saint Louis and Kansas City, ostensibly there to protect passenger safety, have instead become a way for existing cab companies to control



market entry and stifle competition. Regulations range from those that block small-time operators (in Kansas City, a company needs 10 cabs to receive taxi licenses) to the ridiculous (dress codes in both Saint Louis and Kansas City), but the effect is the same: high prices and poorer service for residents.

Both cities would be better off greatly reducing or eliminating taxi regulations so that innovators such as Lyft can better serve city residents.

To read more about the Show-Me Institute's research regarding Lyft and taxicab regulations, view Joseph Miller's blog posts at [showmedaily.org](http://showmedaily.org).