



SHOW-ME newsletter

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eurobanks

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Brenda Talent

Here's a thought experiment for a teenager who's about to apply for a driver's license. If your car starts making an ominous noise, what should you do: Pull over and figure out what's wrong, or ignore the problem, turn up the radio to drown out the noise, and keep driving?

The answer will tell you whether your teenager is mature enough to take the wheel.

Unfortunately, ignoring problems seems always to have appeal in Jefferson City. When Missouri's Department of Elementary and Secondary Education (DESE) reported that in 2017, a mere 42 percent of graduating high-school seniors were college- or career-ready, anyone paying attention should have been alarmed. Yet DESE also awarded full accreditation to 99 percent of school districts in the state. Near-universal accreditation is nothing but noise to comfort those who would rather not think about how poorly our schools are performing.

Policymakers are just as willing to ignore obvious warning signs about the pension systems that cover our state's public-sector workers. Many of these plans are seriously underfunded, so the danger is growing that both taxpayers and pensioners will suffer a huge loss. But by projecting unrealistically high returns on plan investments, administrators are able to paper over the problem. And as long as policymakers are willing to suspend their disbelief, they have an excuse not to act.

It's our job the Show-Me Institute not to let the noise drown out the truth. We use facts and fair argument to make our leaders confront the big issues and also give them solutions.

Over the years we've had some real success over a variety of issues.

- Legislation was passed last year that allows Missouri students to access courses online, so kids all over the state can take advanced classes and learn from the best teachers.

- Corporate income tax rates and individual income tax rates have been reduced, making Missouri more competitive.
- Our checkbook project not only provided an impetus for updating the State of Missouri's accountability portal but also has spurred ongoing efforts to require financial transparency by municipal governments.
- A step toward pension reform was taken in 2018 by allowing participants in the Missouri State Employees' Retirement System to elect a lump sum distribution.
- As you know, we've been fighting for years to eliminate, or at least reduce, the half a billion dollars Missouri spends each year on "crony capitalism" in the form of tax credits and subsidies. The Missouri low-income housing tax credit has not been funded since 2017, and it has not been reinstated in large part because we continue to shine a light on the failure of that program except as a lucrative fund for developers.

At the Institute, we like to think of ourselves as the conscience of our political leaders, at least if you define "conscience" as H.L. Mencken did: "the inner voice that warns us somebody may be looking."

We're going to keep looking. Readers who follow our blog will have seen Susan Pendergrass's recent posts on DESE's accreditation practices and James Shuls's work covering public employee pensions. We don't shy away from unpleasant truths, and we're only too happy to remind policymakers of problems they would rather ignore. It has been our privilege to do this work for another year, and we are, as always, grateful for your support.



FAMILIES ARE FINDING OPPORTUNITIES WHERE THEY CAN

Abigail Burrola

It may be surprising to learn that people are attempting to work around school districts to find a good education for their child. Fifty years ago, children went to whatever school was assigned them based on their zip code, with no other option unless the family could afford a private school. It was always assumed that kids went to their neighborhood school, and some of that sentiment carries over into education today. However, many parents are bucking that practice so they can choose their child's school.

A recent *School Choice in the United States 2019* report from the National Center for Education Statistics (NCES) contained trend data showing that nationally, families are increasingly finding ways to choose their child's school, even if they have to move neighborhoods. Currently, many students—especially in Missouri—have few public schooling options available even though the data suggest that an increasing percentage of families are choosing their child's school.

Since 1999, the percentage of students who attend their assigned public school has been on a slow but steady decline. The percentage of students attending their assigned public school was 74 percent in 1999, 72 percent in 2003, 71 percent in 2007, and 69 percent in 2016.

This leaves nearly one-third of students who attend a school of choice, including public charter schools, private schools, and homeschools. For students attending charter schools, there was a notable uptick from 15 percent enrollment in 2007 to 19 percent in 2016. Private school and homeschool enrollment have remained fairly steady, at 10 percent in 2015 for private schools and 3 percent in 2016 for homeschools.

It's tempting to assume that because most kids still attend their neighborhood public school, those families must be happy with their assigned school. However, some of those students also found a way to choose their school. Of students who do attend their assigned public

school, almost a quarter had parents move their family to attend a specific assigned public school.

Parents are increasingly looking for options because a one-size-fit-all education doesn't work for every student. Although the NCES data are national, given the limited amount of choice in Missouri, Missouri families and students could see huge benefits from increased options.

Families aren't automatically enrolling kids in their assigned public school anymore. Parents are seriously evaluating a school's offerings and comparing that to their child's needs, and that's a trend that will likely continue to grow. When will Missouri lawmakers wake up and start helping parents instead of hindering them?



OVERREGULATED FOOD TRUCKS IN ST. LOUIS

Corianna Baier



Food from a truck just tastes better, right? Unfortunately, food trucks remain saddled with a number of rules and regulations, especially in St. Louis. Burdensome rules passed nearly a decade ago make it harder for food trucks to succeed here, and it's time for policymakers to reconsider and update the regulations that govern their operation.

In the City of St. Louis there are at least two major impediments to food truck success. First, food trucks cannot set up within a 200-foot radius of a restaurant, or in the stadium or conference center areas downtown. These constraints make large parts of the “vending district” (the designated Downtown Vending District is the area between 18th St. and Interstate 70/55, which includes the stadium and convention center), off-limits to food trucks. Second, food trucks must stop serving by 11 p.m., cutting off their access to late-night crowds after a concert or game downtown.

These special protections for brick-and-mortar restaurants run counter to good policy and free-market economics, limiting consumer choice and treating similar businesses unequally. The radius rule does not apply to brick-and-mortar restaurants, as there are numerous restaurants within 200 feet of each other. Even pizza delivery restaurants, unbound by geography, receive this 200-foot buffer zone protection under the food truck law.

In fact, many restaurants today are no longer tied to their physical location with the growing popularity of food delivery apps. Restaurant owners get protections around their brick-and-mortar location even though

their food can be provided throughout the vending zone and beyond, while food trucks enjoy no similar geographic protection.

In reality, restaurants and food trucks are not necessarily direct competitors with one another. They can provide vastly different products and at different peak hours. For example, a coffee shop and a taco truck are not competing for the same clientele. A coffee shop's busiest time is the morning while the taco truck's is more like midday.

Does the coffee shop need the government to protect it from the taco truck? Allowing the taco truck to operate freely may even help both businesses by providing lunch and caffeine on the same corner.

St. Louis doesn't fare well when compared to other cities' food truck regulations, either. St. Louis ranked 12th out of 20 cities in the U.S. Chamber of Commerce Foundation's report on regulatory burdens for opening and operating food trucks in 2017. Much of this low ranking is attributed to what is pointed out here: operational limitations. Unnecessarily restricting businesses damages productive economic activities, and that's not good for St. Louis.

Government officials should support entrepreneurship by allowing food truck businesses to more freely operate and meet consumer demand. Instead, they are picking winners and losers through onerous regulations. The food truck industry is one of many bogged down with regulatory restrictions; it's time to give food trucks the opportunity to serve the ever-increasing demand for delicious, on-the-go food.

TAXPAYERS WIN, MIZZOU LOSES IN SUNSHINE LAW CASE

Patrick Ishmael

Missourians want to see the University of Missouri-Columbia sports teams win as often as possible, but when it comes to a three-year-old Sunshine Law lawsuit, taxpayers should be thankful that Mizzou came up just short of victory.

In 2016, an organization called the Beagle Freedom Project began raising concerns about experiments conducted by university researchers on, you guessed it, beagles. According to the university, the research was intended to find treatments for corneal ulcers in humans, and as part of the experiment, the dogs' eyes were damaged and treated with an experimental compound. There is some dispute about the extent of the damage done to the dogs or the amount of pain that they experienced during the experiment, but what isn't disputed is that the dogs were later euthanized and their eyes harvested.

Through a Sunshine Law records request, the Beagle Freedom Project sought more information about the animals. The university returned an estimated price to produce those records of \$82,000. In response, the organization took Mizzou to court.

If these events sound familiar to Show-Me Institute supporters, that's because the Institute has experienced similar responses from state and local governments across Missouri to its own Sunshine Law requests. We've been delivered quotes of tens of thousands of dollars for requests seeking basic spending records by Missouri cities, and we've had to go to court to compel the state's Office of Administration to provide public records that it already provided to a government union.

Fortunately for the Beagle Freedom Project, the court delivered the organization a victory this November, finding that the university "knowingly" attempted to overcharge the group for its records request and, in so doing, effectively deny them the documents. Time will tell when the Beagle Freedom Project will receive the records it sought—and at what price, if any. But



the court's decision reaffirms that similar requests of government organizations should be treated with the maximum amount of transparency reasonably possible.

Regardless of one's views about the role of experimentation on animals in developing treatments and cures for humans, we can all agree that taxpayer money should be spent transparently and that the records related to that spending should be provided to the public with few if any barriers.

More to the point, the reasons why the Beagle Freedom Project, or the Show-Me Institute, or the ACLU, or you would want public records are irrelevant to whether Missouri governments must provide them, or on what terms. It is not government's role to pick and choose who gets to see what tax money paid for. It is the government's role to provide those documents at a reasonable cost or, as it is allowed to in Missouri, at no cost at all.

Three years is an unreasonable amount of time for the university to have tried to prevent the public from seeing what it spent their money on during the course of these experiments. And for the sake of transparency and good faith compliance with the spirit of the Sunshine Law, I hope Mizzou will provide the documents sought by the Beagle Freedom Project free of charge and without further delay. It'd be the right thing to do—for the university, and for the taxpayers who fund it.

MODOT FUNDING NEEDS REFORM

Jakob Puckett

You may have driven over a structurally deficient bridge last week, and you have no doubt noticed the rough condition of our roads.

The Missouri Department of Transportation (MoDOT) does not have enough money to complete needed infrastructure repairs. While MoDOT appears to be trying to maximize the money it has, how much it has is the problem.

For several years now, MoDOT's budget has been under more pressure than a weakening bridge. MoDOT's budget issues don't stem from just one issue; there are problems on both the revenue and the spending side.

On the revenue side, Missouri is falling behind. Missouri has the seventh-largest highway system in the country, but the second-lowest fuel tax. Missouri's fuel tax has remained at 17 cents per gallon since 1996. Relative to the size of the highway system, the revenue Missouri receives per mile is less than a quarter of the national average. The fuel tax is 23 percent of MoDOT's budget, which means stagnant fuel tax revenue is a big problem for the budget overall. Multiplying this problem is the fact that lower state funding means decreased matching federal funding, and federal funding already makes up 42 percent of MoDOT's budget.

There are also problems on the spending side. Construction and upkeep-related expenses have significantly increased due to lower productivity and higher regulatory barriers, as well as raw materials being significantly more expensive than just a decade ago. Ultimately, this is the crux of MoDOT's budget problem—having less money to spend on more expensive projects has made upkeep more difficult.

MoDOT spending fell in 2011, and has not kept up with inflation (see graph).

The surge in expenditures in 2010 coincides with the passage of the American Reinvestment and Recovery Act (ARRA) in 2009, commonly known as the federal stimulus package, which added \$400 million to MoDOT's budget. This money dissipated just as quickly.

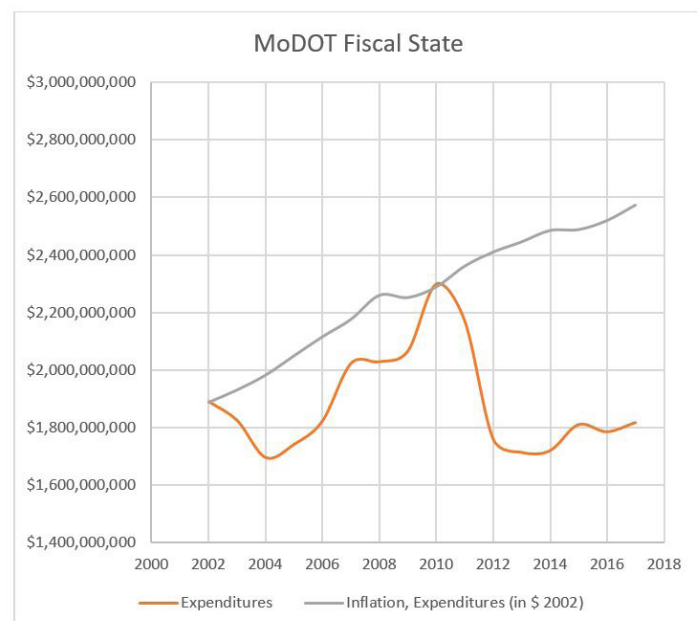
In 2014, ARRA funds totaled less than 1% of MoDOT's revenues dedicated to the highway system.

Relying on large and sudden injections of federal money is not a viable funding solution, and any bonds that are issued face their day of repayment.

To raise the revenue needed to maintain our roads and bridges, a clear solution presents itself—increased use of user fees. The concept is simple and works in everyday life. Those who use a service pay for that service in return.

Many states employ user fees in the form of more effective gasoline taxes and tolling, significantly boosting transportation revenue in a market-based way. Legal hurdles remain, though. Since Missouri turned down the opportunity to toll I-70, additional federal approval is required. There are also constitutional boundaries regarding how funds may be appropriated that could complicate tolling initiatives.

Still, increasing user fees, such as the gas tax, is one way to address Missouri's infrastructure needs and create a more sustainable funding base for the future.



Source: Missouri Budget Fiscal Years 2003–2017. Graph made by author. <https://www.modot.org/previous-reports-joint-committee>.

PROOF OF THE LOW-INCOME HOUSING TAX CREDIT'S FAILURE

Elias Tsapelas

In a little more than a month our elected officials will return to Jefferson City for the upcoming legislative session. One of the most important items on the agenda will be determining the direction of Missouri's affordable housing policy, which remains up in the air. It's now been two years since the previous governor pressed pause on the state's low-income housing tax credit (LIHTC) program, but momentum is once again building to restore the program in full. Show-Me Institute researchers have been writing about how poorly Missouri's program has served the state's low-income population for years, and reports from the Missouri Housing Development Commission (MHDC) shine new light on how bad an investment the state's LIHTC program had become.

Each year, the federal government allocates funds to each state for the LIHTC program, and from 1996 to 2017 Missouri matched each and every federal dollar. Only 14 other states have programs that match federal dollars for a state low-income housing tax credit, and prior to Missouri halting its annual contribution, it was the second most generous state LIHTC program in the country. The state's administering agency, the MHDC, reviews submitted housing development proposals and awards the available tax credits to the projects it chooses. The projects that are awarded tax credits then receive the matched state and federal funds based on the estimated cost of development over the span of ten years. The pause in state tax credit issuance in 2017 has offered an excellent opportunity to examine the impact (or lack thereof) of Missouri's decades-long taxpayer contribution to the program.

The first and most obvious question to ask is whether Missouri's LIHTC program actually increased the amount of affordable housing in the state. New data suggest it did not. According to project approval data from the MHDC, there was little change in the number of federal LIHTC applications in 2018, the first full year without Missouri's LIHTC match. Projects can vary in size so it's often important to look at the number of units being subsidized. Last year more than 2,200 units

were funded solely by the federal LIHTC program in Missouri, which exceeds the average over the previous four years (when Missouri was matching each federal dollar) by more than 400. It appears project developers in Missouri still believe there is money to be made on low-income housing, even if they are receiving half the government subsidies they would have been eligible for in years past.

So if Missouri's LIHTC program didn't work, at least halting the program gets Missouri off the hook financially, right? Unfortunately, it's not that simple. Developments do not receive the first installment of tax credits until construction has begun, which in many cases happens more than two years after being awarded the credits. And since the tax credits are issued over the span of ten years, even without another state LIHTC being issued Missouri will still be on the hook for hundreds of millions of dollars in redemptions for the next decade. In fact, based on redemptions LIHTC remains Missouri's single largest tax credit, and cost taxpayers more than \$165 million last year alone. For the near future, the halting of the state's program has not impacted any current affordable housing projects but continues to cost roughly the same as when tax credits were still being issued.

Despite the overblown claims of negative consequences that could result from eliminating Missouri's LIHTC program, the state's affordable housing landscape appears to be moving in the right direction without it. If policymakers want to move Missouri's housing policy forward and save the state's taxpayers millions of dollars in the process, it appears there is no greater opportunity than leaving LIHTC behind.



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