

# A Reporters' Guide to Rex Sinquefeld and the Show-Me Institute



What Reporters, Citizens, and Policymakers Need to Know

Center for Media and Democracy 2014

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# Table of Contents

<b>Executive Summary</b> .....	<b>Page 1</b>
<b>Introduction</b> .....	<b>Page 2</b>
<b>Sinquefield and Missouri Democracy</b> .....	<b>Page 4</b>
• No Limits on His Money in Missouri Elections .....	Page 4
• Creating 100 PACS and Fighting Clean Elections.....	Page 5
• Backing Akin and Other Extreme Candidates at the Federal Level.....	Page 5
<b>Sinquefield and Missouri’s Economy</b> .....	<b>Page 6</b>
• Cutting His Own Taxes? .....	Page 6
• Sinquefield: Kansas Tax Cuts Were “Unbelievably Brilliant” .....	Page 8
• Why Is Sinquefield’s Income Tax Proposal Still Being Pushed? .....	Page 9
• “Let Voters Decide” .....	Page 10
• Pelopidas’ “How Money Walks” Criticized as Misleading.....	Page 11
• Gutting the Rights of Workers under the Guise of Right-to-Work .....	Page 12
<b>Sinquefield and Education</b> .....	<b>Page 13</b>
• Billionaires and Teacher Tenure? .....	Page 15
• Vouchers Have Long and Checkered Past .....	Page 16
• Tuition Tax Credits or “Neo-Vouchers” Promoted by SMI.....	Page 17
• Milwaukee’s “School Choice” Experiment Is Instructive.....	Page 19
• Vouchers Are Not Really about “Choice,” Although That’s the PR.....	Page 20
• ALEC “Parent Trigger” Act also Pushed in Missouri.....	Page 21
• Meddling in Local Elections .....	Page 22
<b>APPENDIX</b> .....	<b>Page 23</b>
<b>Who is Rex Sinquefield?</b> .....	<b>Page 24</b>
<b>What Are the Groups Pushing or Echoing His Personal Agenda?</b> .....	<b>Page 25</b>
• The Show-Me Institute .....	Page 25
• Pelopidas LLC .....	Page 26
• Children’s Education Alliance of Missouri.....	Page 27
• TeachGreat.org .....	Page 27
• ALEC .....	Page 27
• Other Players in the Education “Reform” Game .....	Page 29
<b>ALEC Politicians in Missouri</b> .....	<b>Page 30</b>
<b>Endnotes</b> .....	<b>Page 32</b>

# Executive Summary

This reporter's guide describes how Rex Sinquefield has sought to reshape Missouri's laws, legislators, and policies in his own ideological mold. Since 2008, he has poured tens of millions of dollars into elections and referenda to try to secure legislators and laws to advance his agenda. He has dumped millions into front groups and lobbying entities to massage politicians, spin the press, and try to soften up public opinion toward his personal wish list for changing Missouri law.

His agenda includes pushing for the repeal of the progressive income tax system, thwarting efforts to secure fair wages for hardworking Missourians, and investing in legislation that weakens Missouri's public schools. Key findings from the report include:

- Sinquefield has disclosed spending at least at least \$31.5 million on state elections since 2006.
- In 2013, Sinquefield spent at least \$2.35 million over a one-week period unsuccessfully urging legislators to override Governor Jay Nixon's veto of Sinquefield-backed tax cut legislation. In 2014, he has already given Missouri Club for Growth \$973,000, which will spend some of that money to replace the 15 Republicans who sided with Nixon.
- In 2012, Sinquefield gave \$1 million to the "Now or Never" Super PAC, which spent just over \$1 million supporting Todd Akin's 2012 U.S. Senate run; 80% was donated and spent in the final days of the elections, well after Akin's offensive and absurd comments about "legitimate rape" and pregnancy.
- He gave \$100,000 to the Speaker of the Missouri House, Tim Jones, for his 2012 campaign—despite Jones running unopposed. Jones is a member of the ALEC Education Task Force and was previously the ALEC State Chair for Missouri.
- Other states that have cut income taxes have offset the lost revenue by taxing capital gains or hiking property taxes but Sinquefield, whose vast wealth has come from investments and who owns two of the most expensive mansions in the state, wants to instead hike the sales tax, which disproportionately affects working people.
- Sinquefield called neighboring Kansas' steep tax cuts "unbelievably brilliant" in 2012 and predicted that Missouri businesses would quickly flock across the border, but in the year following the cuts, Kansas' economy has lagged behind most of the region, and has actually added fewer businesses than Missouri.
- Sinquefield's Pelopidas has bankrolled ALEC, sponsoring ALEC's 2013 Annual Meeting to the tune of six figures and also sponsoring a workshop at the meeting.
- Sinquefield has given hundreds of thousands to ALEC legislators in Missouri, who have used ALEC model bills to advance Sinquefield's school privatization agenda.
- In 2014, Missouri Club for Growth, which is almost entirely bankrolled by Sinquefield, sent mailers in an effort to influence a referendum on school funding in tiny Nixa, prompting outrage from the community.

**“People have to keep their eyes and ears open at all times or they’ll be robbed blind by the Mugwumps in politics and by the big-business interests.” —Harry S. Truman<sup>1</sup>**

## Introduction

Over the past few years, the people and press of Missouri have been blitzed by tens of millions of dollars spent to peddle an array of changes to Missouri traditions and politics—underwritten by right-wing financial tycoon Rex Sinquefield.

As E.B. Solomont wrote in the *St. Louis Business Journal*: “No one truly knows how much financier Rex Sinquefield is worth—except Sinquefield himself, and he’s not telling.”<sup>2</sup>

His agenda includes pushing for the repeal of the progressive income tax system, thwarting efforts to secure fair wages for hardworking Missourians, and investing in legislation that weakens Missouri’s public schools. Sinquefield is notorious for having deployed an elaborate gaming of the system to get around state laws protecting the power of the voices of ordinary people in elections, and then worked to kill caps on donations to politicians or lobbying expenditures. Now that those limits have been lifted, Sinquefield’s power to influence willing politicians is virtually unlimited.

Sinquefield is not the only person funding such efforts, but he has used his vast wealth to throw his voice the loudest. This devoted chess player has created and funded an unprecedented assortment of specialized special interest groups in the state that massage politicians, spin the press, and try to soften up public opinion in favor of his personal wish list for changing Missouri law. Since retiring from his business in California in 2005 to one of his estates in Missouri, he has established

himself as kind of “mugwump,” or political kingpin, that Missouri’s favorite son, President Harry S. Truman, warned about.

Sinquefield is using his massive bankroll to try to have his way with Missouri, remaking the Show-Me State to benefit his bottom line and attempt to popularize a narrow worldview that he shares with other billionaires like Charles and David Koch of neighboring Kansas.

Like the Koch brothers, Sinquefield attended private schools but is hostile to the very idea of public education. For years, he has poured millions into efforts to privatize Missouri’s education system and to pave the way for redirecting taxpayer dollars towards religious and for-profit schools, and millions more to end the due process rights of teachers in the form of tenure.

A talented stock speculator who has the wealth to hire people to serve his every need, Sinquefield is also hostile to the rights of workers to organize into unions and to have the strength to negotiate effectively with employers.

Sinquefield wants to roll back the clock to the robber baron era and do away with a key American tradition that helped build the middle class and great American institutions: that income be taxed in a fair way for the common good. The income tax helped America thwart the creation of a rigid class system that results when the rich can manipulate tax laws to consolidate

their wealth across generations. American entrepreneurship and economic mobility have thrived under taxation where all pay their fair share to strengthen our nation. In fact, when the middle class was at its strongest, the rich paid more in taxes.

This reporter's guide focuses on Sinquefield's game plan to rewrite Missouri's economic and education laws. It is also a field guide to the man and the tools he is using to get his way.

Sinquefield's pet operations include the Show-Me Institute, Pelopidas, the Citizens Education Alliance of Missouri, and teachgreat.org, among others. He has also bankrolled the Missouri Club for Growth, accounting for nearly all of its fundraising since 2011.

Through his alter egos at Pelopidas and Show-Me, Sinquefield has also been a major funder of the American Legislative Exchange Council (ALEC), the controversial special interest group that wines and dines Missouri politicians with trips to fancy resorts where state legislators actually cast vote as equals with corporate lobbyists behind closed doors on legislation to crush wages, limit taxes on the richest corporations and CEOs, and divert taxpayer dollars from public schools to charter, for-profit, and religious schools, among other corporate-funded legislative desires. Some of the top recipients of Sinquefield's largesse in the legislature are ALEC members, and many of the bills used to advance Sinquefield's agenda in the state have been based off of ALEC model legislation.



**“It is a pity that Wall Street, with its ability to control all the wealth of the nation and to hire the best law brains in the country, has not produced some statesmen, some men who could see the dangers of bigness and of the concentration of the control of wealth. Instead of working to meet the situation, they are still using the best law brains to serve greed and self-interest. People can stand only so much and one of these days there will be a settlement.”**

*—Harry S. Truman<sup>3</sup>*

# *Sinquefield and Missouri Democracy*

## **No Limits on His Money in Missouri Elections**

On the eve of the 2012 presidential election, Sinquefield sat down for an interview with Naomi Schaefer Riley of the Wall Street Journal, just days after meeting with Republican “dark money” strategist Karl Rove at the über-lux St. Regis hotel in New York.

Riley noted: “He won’t say how much money he has donated to political causes in general, or specifically to Mr. Rove and his Super PAC, American Crossroads . . .”<sup>4</sup>

CMD’s review of filings with the Missouri Ethics Commission, however, shows that Sinquefield has disclosed spending at least \$28 million on state elections and referendums since August 2008, when campaign finance limits were repealed. Since 2006, he has given a total of at least \$31.5 million. Sinquefield is, in fact, the biggest spender in Missouri politics.

In 2013, Sinquefield disclosed spending more than \$3.8 million on Missouri politics—and that was a year without presidential or congressional elections.<sup>5</sup> He gave \$850K to “teachgreat.org,” which was focused on a state ballot initiative to try to end long-standing rules for teacher tenure. And over just a one week period in 2013, he gave \$1.3 million to “Grow Missouri,” \$750,000 to the Missouri Club for Growth PAC, and \$300,000 to business groups—all of it to bankroll an ad blitz and ground campaign to pressure legislators to override Democratic Governor Jay Nixon’s veto of HB 253, which would have drastically cut taxes and starved schools in the state.<sup>6</sup> (Sinquefield’s effort failed.)

In the first few months of 2014, Sinquefield has already poured \$973,000 into Missouri Club for Growth’s coffers; at least some of that funding will go towards replacing the Republican legislators who sided with Nixon’s veto.<sup>7</sup>

However, these amounts do not include whatever total he spent underwriting the Show-Me Institute, which he founded and which has reinforced some of the claims of his Political Action Committees. The total amount he spent on his lobbying arm, Pelopidas, in pushing his agenda last year will never be fully disclosed, as only limited information is available about direct lobbying expenditures. Similarly, the total amount he spent on the PR firm Slay & Associates, which works closely with him, also will not ever be disclosed. These are just a few of the tentacles of his operation to change Missouri laws and public opinion.



## Creating 100 PACS!

When Missouri was operating under laws to limit the amount of donations one person or group could give to influence elections, Sinquefield worked with his legal and political advisors to create more than 100 separate groups with similar names to technically comply with the law while actually circumventing it by having his multiple groups give more cumulatively than he would be able to give in his own name. That operation allowed Sinquefield to inject more than \$2 million in disclosed donations during the 2008 election year, and it underscored his chess-like gamesmanship and his determination to do as he pleases.

In 2008, the Missouri legislature repealed those campaign finance limits. As a result, in the next main election year, 2010, Sinquefield made disclosed political donations more than ten times greater than what he spent in 2008, with nearly \$24 million spent in-state; more than half of that total went towards pushing a ballot initiative to block local earnings taxes.

Last year, when Missouri Roundtable for Life sought to amend the state constitution to limit campaign contributions, Sinquefield sued on technical grounds.<sup>8</sup> Among other things, his lawyers claimed that the state's fiscal note underestimated the ballot measure's potential impact on tax revenues – an ironic position for a man who has spent tens of millions trying to limit Missouri tax revenues. (A lower court held that the fiscal note was insufficient, but an appellate court reversed the decision in March of 2014.)

## Backing Akin and Other Extreme Candidates at the Federal Level

Sinquefield's disclosed election spending reveals that he is willing to spend much more to remake Missouri's legislature and laws than on federal races, but in 2012 he spent well over \$1 million trying to influence federal elections.

He gave \$1 million to the Now or Never PAC, which spent just over \$1 million trying to elect Todd Akin to the U.S. Senate. (The candidate Sinquefield had initially backed lost in the GOP primary). The vast majority of that spending came within the final days of the race: the Super PAC reported an \$801,275 expenditure on October 31, one day before Sinquefield donated \$800,000.

He also gave \$100,000 to American Crossroads after the October meeting with Rove mentioned by the Wall Street Journal. It is not known whether or how much Sinquefield may have given to Crossroads GPS, Rove's "dark money" operation that keeps its donors secret.

Sinquefield also gave money to some extreme congressional candidates, such as Michele Bachmann (the tea party-connected Minnesotan), and Ted Cruz (who infamously shut down the government in 2013 over his opposition to the Affordable Care Act).

# Sinquefield and Missouri's Economy

## Cutting His Own Taxes?

Sinquefield has tried for years to repeal the state income tax—and after largely failing in the legislature, he has turned to ballot initiatives. His political spending was at its peak, so far, during the 2010 mid-term elections, when he spent a whopping \$12,183,011 that was disclosed. More than \$11 million went towards underwriting the “Let Voters Decide” ballot proposition to block local income taxes, which passed. In 2012, he poured millions more into ballot efforts to repeal the income tax statewide, which didn’t.

Repealing the income tax would leave a major gap in the state’s budget. And, replacing the lost revenue with a flat sales tax would disproportionately impact working Missourians, who spend a higher percentage of their income on taxable goods like food, clothing, and gas.

However, Sinquefield’s proposed income tax repeal would benefit him personally, because the investment firm he co-founded still manages more than \$200 billion in investments, and he stands to receive an unknown sum if the firm is ever sold, even though he no longer is on its board of directors.

His tax proposals have been seriously criticized. As noted by Virginia Young in the St. Louis Dispatch:

*Senators shelved [his 2010 proposal] after a few hours of debate over questions about replacing the roughly \$6 billion in revenue that would be lost. Sinquefield favors levying a higher sales tax on a much broader base of goods and services — everything from child care to new homes. Some type of*

*rebates would be given to cover taxes on necessities, up to the poverty levels. But opponents said that the proposed subsidy was inadequate and that higher sales taxes would hurt the poor. . . . “The math just doesn’t work,” said Sen. Joan Bray, D-University City. “The tax rate would have to be too high.”*

In 2013, the Republican-controlled House and Senate passed the Sinquefield-backed HB 253, a bill to drastically cut taxes, particularly on the wealthy and corporations. Governor Jay Nixon, a Democrat, vetoed the measure, describing it as a “reckless experiment” that would have drastically cut the revenue needed to fund public services and education, and thanks to a drafting error even would have imposed taxes on prescription drugs.

In response, over just a one week period in 2013, Sinquefield poured \$2.35 million into a TV ad blitz and ground campaign designed to pressure legislators to override Nixon’s veto of HB 253. “If its one guy versus 6 million Missourians, I like our odds,” Nixon grew fond of saying as he built support for his veto, and he was right: despite Republican super-majorities in both legislative chambers, the veto stood.

Often left unsaid by Sinquefield and the groups he backs is that Missouri’s taxes are already exceptionally low: Missouri is ranked 47th in the nation in terms of overall tax burden. Both corporate and personal taxes are already lower in Missouri than almost any other state in the nation.

Only seven states have eliminated income taxes but overall they have weaker economies and worse schools than most states that have not gutted their income tax systems. Plus,

most of those states have to tax other things to fund even their reduced levels of public services.

For example, New Hampshire taxes income from dividends—a proposal unpalatable to a multi-millionaire whose vast wealth has come from investments.

And, Texas and New Hampshire have two of the highest property tax rates in the country. But Sinquefield hasn't put an increase in property taxes on the table. It's no wonder: he owns two of the most expensive mansions in the state – a Victorian limestone castle in St. Louis and an almost 1,000-acre estate with 22,000 sq. ft. villa (nearly half a football field) on the Osage River.

Sinquefield would rather hike the sales tax, which disproportionately affects working people.

Indeed, under the Sinquefield plan, the poorest and richest escape most of the burden of a sales tax but millions of working Missourians would bear the brunt of such a tax in their wallets.

Such a radical switch in tax policy, if it were adopted, would likely necessitate cuts in the state's provision of services many people take for granted as part of living in a modern, civil society: public education, public libraries, and other public goods. That's apparently an acceptable outcome for a super-rich retiree who backs private religious schools and has enough money to build private library collections. However, it's not a good outcome for most Missourians.



*One of the first things Sinquefield bought in Missouri was a vast tract land on which he commissioned the building of a 22,000 square foot house overlooking the Osage River, for his family and as a retreat.<sup>10</sup> While his architect calls the half a football field-sized villa the “Sinquefield House,” he downplays it as “the farm.” His family owns that 995-acre estate (also known as the “Sinquefield Reserve,”<sup>11</sup> at 244 Bent Walnut Lane in Westphalia), along with boats, trucks, and cars like a 2008 Bentley Continental Flying Spur that retailed for nearly \$200,000.<sup>12</sup> He and his wife also bought a Victorian mansion called “the Castle” on a private, gated road at 9 Hortense Place in St. Louis’ Central West End.<sup>13</sup> It is worth at least \$1.7 million, and they spent more half a million dollars renovating the limestone landmark<sup>14</sup>—including a \$200,000+ elevator—and arranging their private million-dollar collection of paintings,<sup>15</sup> which recently went on display at SLU.*

*They have also donated heavily in the Catholic Church (and in particular to private religious education), music, and museums,<sup>16</sup> along with spending millions supporting Sinquefield’s hobby, teaching kids chess, and making St. Louis the nation’s chess capital: relocating the World Chess Hall of Fame there plus launching student programs.<sup>17</sup>*

*These substantial investments pale in comparison, however, with what Sinquefield is spending to get Missouri lawmakers and laws to reflect his personal point of view.*

## Sinquefield: Kansas Tax Cuts Were “Unbelievably Brilliant”

For an assessment of Sinquefield’s skills at economic prediction, look no further than Kansas.

In 2012, neighboring Kansas enacted one of the largest tax cuts of any state ever, thanks in part to Sinquefield bankrolling a group called Kansans for No Income Tax that helped get the law passed. The cuts were followed by another round in 2013, bringing the state closer to Governor Sam Brownback’s stated goal of completely eliminating the income tax.

Sinquefield told the *Wall Street Journal* that Kansas’ tax cuts were “unbelievably brilliant.”

Yet two years later, Kansas is broke: as a result of the lost revenue from cutting taxes, which primarily benefitted the highest earners, Kansas can only balance its budget by using up reserves, which are set to run out in 2016. According to a Center for Budget and Policy Priorities analysis, the tax cuts cost the state about 8% of the revenue it uses to fund schools and other public services – the equivalent of a recession.<sup>18</sup>

“Kansas is a cautionary tale, not a model,” CBPP writes. “Kansas’ huge tax cuts have left that state’s schools and other public services stuck in the recession, and declining further — a serious threat to the state’s long-term economic vitality. Meanwhile, promises of immediate economic improvement have utterly failed to materialize.”

Sinquefield told the *Wall Street Journal* in 2012 that as a result of Brownback’s tax cuts in Kansas, businesses “will flock across the border.<sup>19</sup> ‘You go into Kansas City and you stand on State Line Road, right in the heart of the metro area,’ he says, and watch businesses jump from the Missouri side to Kansas. ‘The doctors are going to move. The lawyers are going to move. It will be a little harder for manufacturing to move, but they’ll move too. There will be a cloud of dust at the Missouri-Kansas border.’”

Not quite.

Between December of 2012 and December of 2013, the Kansas economy gained just 10,000 jobs, a 0.7% increase. Over the same period, Missouri added 33,900 jobs, a 1.3% increase.<sup>20</sup>

In fact, in Kansas the number of registered businesses grew more slowly in 2013, after the tax cuts took effect, than in 2012. The state’s share of all U.S. business establishments fell over the first three quarters of 2013 (the latest data available).<sup>21</sup> A report from Brownback’s own Council of Economic Advisors shows that Kansas lags behind the neighboring six-state region in key economic indicators.

“Kansas is in a hole without a ladder,” the Kansas City Star editorial board says.<sup>22</sup> “[P]roponents of drastic tax cuts in Missouri should shake off the right-wing think tank nonsense and take a clearheaded look at the debacle taking place across the state line.”

## Why Is Sinquefield’s Income Tax Proposal Still Being Pushed?

This part of the Sinquefield wish list is still on the table because he has the millions to buy his way in and force it to be part of the conversation, even though Missouri citizens have had no choice in the matter and have never elected him to represent them in any way. As a compulsively competitive chess player, it seems Sinquefield wants to win and get his way.

In trying to write his own massive tax break and changes other areas of Missouri law, Sinquefield is literally bankrolling efforts to try to get what he wants; of course he claims that what he wants will benefit others, too, despite empirical evidence to the contrary and despite the potentially cataclysmic effect his proposal would have on state government. At one point, his team even attempted to keep from the public—until after a statewide vote about income taxes—the facts of what new taxes would be needed to offset lost revenue.

In 2010, Sinquefield spent a whopping \$12,183,011 on disclosed spending on electoral politics in Missouri. The bulk of that—\$11.2 million—went to underwriting “Let Voters Decide,” a campaign committee created to push a successful ballot proposition to block most cities in the state from using income taxes to fund their budgets, and to require a separate vote on the issue every five years in Kansas City and Missouri (until those cities also decide to eliminate the tax).

To help offset the loss in revenue from killing the income tax, his proxies favor a sales tax and rental car tax, and suggested selling off the city’s airport to the private sector, trading a short-term infusion of cash in exchange for giving for-profit corporations access to decades of revenue.<sup>23</sup> The study he commissioned (that was kept from the public until the eve of the election) also recommended increased taxes on “restaurants, hotels, cigarettes, and beer,”<sup>24</sup> while “shift[ing] the major tax burden from companies and affluent individuals,”<sup>25</sup> like Sinquefield.

## “Let Voters Decide”

The “**Let Voters Decide**” committee, which pushed the ballot proposition to block municipal earnings taxes, was created by one of Sinquefield’s lawyers, and chaired by Travis Brown. Brown is a partner at the lobbying firm that Sinquefield helped create in 2007 called **Pelopidas**.<sup>26</sup> It’s a limited liability corporation named for an ancient Theban military leader that describes itself as an “influence management firm.” It helps manage Sinquefield’s financial influence and his desire to influence Missouri politicians and laws.

With the engine of Sinquefield’s cash behind it, in 2010 “Let Voters Decide” blanketed the airwaves with ads supporting the anti-municipal earnings tax proposal, Proposition A, and it won, with nearly 1.3 million votes in favor. As calculated by the Missouri Law Review and others, it cost Sinquefield just \$8.67 per “yes” vote. About ten bucks a vote is pretty cheap compared with Sinquefield’s millions.

However, Proposition A also required that Missouri’s two largest cities, Kansas City and St. Louis, hold a separate referendum every five years on keeping their earnings tax. In 2011, a super-majority of the residents of both St. Louis and Kansas City voted to retain the tax that helps fund city operations to benefit the residents of those cities.<sup>27</sup> However, despite rejecting Sinquefield’s scheme, the cities are now required by law to hold a vote every five years on whether to keep the income tax – until it is rejected, after which it cannot be reinstated.

As Missy McCoy noted in “The Cost of a Tax Agenda,”

*This bizarre result leaves residents in the awkward and expensive situation of funding a vote every five years to retain an earnings tax they want in place . . . Through the use of a ballot initiative, Sinquefield has managed to bypass the legislature, forcing residents of Kansas City and St. Louis City to take action through the courts or legislature to rectify the unjust situation of putting a local issue to a statewide vote.<sup>28</sup>*

Experts have also suggested that if a vote to retain the tax failed, the cities could face a downgraded credit rating and difficulty in issuing bonds to support needed infrastructure improvements.<sup>29</sup> The recurring elections also mean recurring costs for taxpayers and a legally mandated opportunity every few years for Sinquefield to try to get his way on taxes.

## Pelopidas' "How Money Walks" Criticized as Misleading

And, he has not given up. Just this past year, the Sinquefield-backed Pelopidas embarked on a PR blitz in support of a self-published book, "How Money Walks" that claims that from 1995 to 2010, more than \$2 trillion moved from states with high taxes to states with lower taxes. The book features writings from Sinquefield, Art Laffer (who is closely tied to ALEC), and others. Pelopidas paid six figures ALEC to sponsor its conference last year and also paid to get a session featuring Brown.<sup>30</sup>

Brown's claims, however, have been criticized as misleading politicians and the public.

For example, Brown extolls New Hampshire as a no-income tax haven and has claimed that Maine has not gained as much as its neighboring state, while losing residents to Florida, which also has no income tax even though people retire to warmer climates for a variety of reasons. However, a detailed review of claims made by Maine's Governor LePage who urged the press to embrace Brown's thinking and support their bid to eliminate income taxes, found serious errors with the analysis.

Namely, "IRS data shows Maine gaining the super wealthy at a faster rate than New Hampshire, despite differences in tax rates and despite New Hampshire's proximity to Boston" and "we can also see exactly what migration has occurred between New Hampshire and Maine from 1993 to 2010. Over that period, Maine has netted 1,361 people who used to file returns in New Hampshire, for a net increase in adjusted gross income of \$164,022,000." So much for the thesis of Brown's book.

In other words, as the saying goes, there are "lies, damned lies, and statistics."

Regardless of the sales of the book, Pelopidas will continue to focus on Sinquefield's legislative agenda in the state. Brown, a former lobbyist for the controversial chemical giant Monsanto, has described his role as an advocate for "a mission philanthropist that needs foot soldiers to change the world."

Pelopidas' other foot soldiers include Brown's wife, Rachel Keller Brown, who lobbied for the education privatization group "Advocates for School Choice" and Carl Bearden, a former state representative who until recently led the Missouri arm of the David Koch-founded-and-funded Americans for Prosperity.

Pelopidas lobbyists have reported tens of thousands of dollars of gifts to Missouri legislators in recent years. Unfortunately, Missouri lobby disclosure records do not provide details of the particular bills lobbied by lobbyists from Pelopidas or by Sinquefield himself. What is known is that Pelopidas lobbyists reported over \$24,000 of gifts to Missouri legislators in the form of meals, food, and sports tickets between August 2007 and February 2012. The same individuals lobbying for Pelopidas also lobby directly for Sinquefield, and have spent around the same amount on gifts to legislators (\$22,168.35 between September 2007 and May 2013).

Meanwhile, Sinquefield has praised Pelopidas as a crucial piece in his strategy to rewrite Missouri's laws. "The big difference from before Pelopidas got together and now is that we're playing offense and the other side is constantly and chronically playing defense," Sinquefield said in 2010. "And I think we move the ball down the field every year a bit more. And my guess is that pretty soon, we're going to be looking to go into the end zone."<sup>31</sup>

“SALUS POPULI SUPREMA LEX ESTA”

(“Let the welfare of the people be the supreme law”)

—*Missouri State Motto*

## Gutting the Rights of Workers under the Guise of Right-to-Work

In the post-*Citizens United* world, where millionaires and corporate interests can spend as lavishly as they please to advance an agenda by and for the 1%, one of the few counterweights to the spending of corporations and wealthy donors like Sinquefield -- not to mention the only institutions that represents working people -- are unions.

With the support of groups funded by Sinquefield, unions are under attack in Missouri. Anti-union “Right to Work” legislation—a major ALEC initiative that undermines collective bargaining by allowing workers to free-ride and opt-out of paying the costs of representation—has been called a top priority by House Speaker Tim Jones (R-Eureka).<sup>32, 33</sup>

Jones is a longtime ALEC member and for many years has been the ALEC State Chair for Missouri. In ALEC’s promotional materials, Jones is quoted saying that the of ALEC is that “business leaders have a seat at the table.”<sup>34</sup> ALEC’s “Right to Work Act” has been the template for similar measures across the country; for example, when Michigan passed right to work in the lame duck 2012 session, it used a word-for-word version of the ALEC bill.<sup>35</sup>

Notably, during a session at ALEC’s August 2013 meeting on Michigan passing right-to-work, Missouri’s Lt. Gov. Peter Kinder announced that he expects right to work to become

law in Missouri, even if Gov. Jay Nixon were to veto the legislation.<sup>36</sup>

“I believe we will pass right-to-work next year and bypass (Nixon) entirely by putting it on the referendum ballot for voters,” he said. As a legislator, Kinder was an ALEC member and part of the ALEC Education Task Force.

Sinquefield has contributed hundreds of thousands of dollars to Kinder over the course of his career. (In 2012, after reports emerged of Kinder’s long-ago relationship with a former stripper, Sinquefield backed his primary challenger, but the billionaire apparently changed his mind the following year, with Sinquefield donating \$20,000 in 2013, a non-election year).

Right to work helps limit the political influence of unions, but is pretty terrible for working people: wages are lower for both union and non-union workers in Right to Work states, according to the Economic Policy Institute.<sup>37</sup> (That’s not the only anti-worker agenda item Sinquefield-funded groups have backed. They have also opposed increasing the minimum wage for Missourians. )

When the Missouri House held hearings on Right to Work in January 2014, proponents came up with a new spin: Rep. Eric Burlinson, the bill’s sponsor and a member of ALEC, called it “Freedom to Work.”<sup>38</sup>



## *Sinquefield and Education*

**“Without a strong educational system democracy is crippled. Knowledge is not only key to power. It is the citadel of human freedom.”**

— *Harry S. Truman*

“I hope I don’t offend anyone,” Sinquefield said at a 2012 lecture caught on tape, before doing just that in a widely reported comment.

“There was a published column by a man named Ralph Voss who was a former judge in Missouri,” Sinquefield continued, in response to a question about ending teacher tenure. “[Voss] said, ‘A long time ago, decades ago, the Ku Klux Klan got together and said how can we really hurt the African-American children permanently? How can we ruin their lives? And what they designed was the public school system.’”

Sinquefield’s historically inaccurate comments—which were referencing a satirical 2007 column in a small weekly newspaper—not surprisingly prompted a backlash from teachers, public school advocates, and African-American leaders, who called it an “irresponsible misrepresentation” and “a slap in the face of every educator who has worked tirelessly in a public school to improve the lives of Missouri’s children.”<sup>39</sup>

The statement would be easy to write off as buffoonery if it didn’t come from Sinquefield, who has poured millions from his personal fortune into efforts to privatize education in the state through voucher programs and attacks on teacher tenure—despite his apparent ignorance about the public education system. (Notably, contrary to Sinquefield’s comment about public schools and the KKK, vouchers were used by Southern states in the 1960s to help white people resist desegregation and some charter schools in modern times have even taught that the KKK had a “certain respectability.”)<sup>40</sup>

## Billionaires and Teacher Tenure?

Among billionaires and modern-day plutocrats, “education reform” is the cause *de jour*. In addition to Missouri’s Sinefield and Michigan’s DeVos family, Bill and Melinda Gates and the Wal-Mart heirs (who alone hold more wealth than the bottom forty percent combined)<sup>41</sup> have poured tens of millions into lobbying efforts, front groups, and political contributions designed to advance a school privatization cause.

In light of high unemployment, community disinvestment, harsh sentencing laws and cuts to the social safety net, many children, particularly in urban areas, are facing significant difficulties on the outside that are reflected inside the classroom. Multiple studies show that academic achievement correlates strongly with socioeconomic status.<sup>42</sup> Research shows that targeting additional resources towards low-income districts and students can have narrow achievement gaps.<sup>43</sup>

But wealthy donors like Sinefield have decided the problem is teachers and tenure.

“Can you think of any other occupation where you can screw up and screw up children’s lives permanently and they can’t fire you?” Sinefield said in 2012.<sup>44</sup>

Contrary to the claims of the billionaires and millionaires, tenure doesn’t guarantee a teacher a job; it instead guarantees that teachers have the right to due process. It protects teachers from being fired for political or personal reasons, and deters administrators from firing experienced (and higher-paid) teachers to replace them with less experienced (and less expen-

sive) teachers -- which might be good for the budget, but is usually bad for kids.

Republican legislators and Sinefield-backed groups have long pushed “reforms” to tenure, like SB 147 in 2011 and a proposed ballot initiative in 2012.

After years of legislative failures, Sinefield and a group he funds, the Children’s Education Council of Missouri, are now turning to a statewide ballot initiative.

Sinefield has given at least \$925,000 to “Teachgreat.org”—which appears to be a project of the Children’s Education Council of Missouri—and was organized to promote the teacher tenure initiative petition. (Sinefield gave \$850,000 to Teachgreat.org in 2013 and \$75,000 in 2012). It aims to collect 160,000 signatures to get the tenure measure on the 2014 ballot.<sup>45</sup> Sinefield also backed a similar ballot initiative two years ago that failed to collect enough signatures.

The ballot initiative would end tenure by limiting teacher contracts to three years and tying compensation to results from state standardized test scores; it deems that “teachers [be] dismissed, retained, demoted, promoted, and paid primarily using quantifiable student performance data as part of the evaluation system.”

Notably, Missouri already has more stringent tenure standards than every other state besides Ohio. A teacher has to work for five years before becoming eligible for tenure; in forty-two other states, tenure can kick-in after three years or less.<sup>46</sup>

Emails from last year showed Education Commissioner Chris Nicastro working behind-the-scenes with the Children’s Education Council State Policy Director, Kate Casas, to draft language for the Sinquefield-funded Teachgreat.org anti-tenure ballot initiative. This contradicted claims that Nicastro’s office had no position on tenure; additionally, there were some indications that Nicastro was working with Casas to suppress the fiscal impact of the measure, such as expenses associated with implementation and the potential costs of litigation.<sup>47</sup> According to the Kansas City Star:<sup>48</sup>

*One issue was in how to describe the potential cost to schools for increased testing if the initiative passed.*

*“As we talked about yesterday,” Casas wrote in an email cited by The Associated Press, “our primary concern at this point is the fiscal note and (we) are hopeful that with the language you see here, DESE would advise the auditor’s office that there would be little to no cost to the state to implement (the initiative petition).”*

*Nicastro forwarded Casas’ email to the staff after omitting a paragraph that indicated Casas and Nicastro had discussed how the petition should be worded.*

*Nicastro ultimately advised the state auditor’s office that the potential cost to schools was “unknown.”*

Nicastro may also have violated the state’s open meetings law by organizing a closed-door discussion of the ballot initiative with the Board of Education.

The Education Commissioner has also come under criticism for apparently rigging the bidding process for a contract to restructure unaccredited districts. The contract was awarded to a Gates Foundation-backed group called the Cities for Education Entrepreneurship Trust, despite a more experienced company offering to do the same work for a third of the price.

Nicastro apparently colluded with CEE-Trust to ignore the Kansas City School District’s successful efforts to improve its academic performance, so that the state could take over and implement the CEE-Trust overhaul plan. CEE Trust’s contract was bankrolled in part by the Kauffmann Foundation, which operates charters in Missouri.

Other emails show Nicastro instructing the ED of CEE-Trust, Ethan Gray, about messaging around charters.

“He needs to know to take a ‘middle of the road’ and/or neutral position on charters,” she wrote. “Charters are fine as part of the solution; they are here and not going away. They must be high quality. They will try to paint them as the outsiders, funded with private money, determined to privatize all public education, yada yada. . . .”

## Vouchers Have Long and Checkered Past

Although Nicaastro warned against speaking publicly about privatizing public education, Sinquefeld and the groups he funds have been trying to do just that for years.<sup>49</sup>

In January 2014, the Show-Me Institute released a report titled *Available Seats?* showing that, to nobody's surprise, private school operators are more than willing to take taxpayer money -- but would prefer that there be no strings attached. This is only the latest salvo in a longstanding push by the Show-Me Institute and others to privatize the state's schools.

The issue of taxpayer funded tuition for private and religious schools—either directly through vouchers or indirectly through tuition tax credits—has in recent years become part of the education discussion, thanks in part to Sinquefeld's unrelenting investment in the issue, and in light of questions about open enrollment and students from unaccredited districts seeking to transfer into accredited districts. Yet voucher programs have a long history in Missouri and around the country.

Vouchers emerged as a policy prescription in the 1950s, just as the U.S. Supreme Court was ordering school desegregation in the *Brown v Board of Education* series of decisions. In many parts of the South, vouchers were offered as a way to defy *Brown v Board of Education* by giving white kids a taxpayer-funded voucher to attend privately run schools that were not subject to desegregation.

In 1958 in Virginia, for example, Governor Lindsay Almond closed public schools in three districts that had been ordered

to desegregate -- and offered tuition grants for white students to attend private schools. Segregationists argued that vouchers were necessary to protect their “freedom of association” rights, i.e. a person's desire to associate only with members of their own race.

In 1955, the year after *Brown* was decided, libertarian economist Milton Friedman presented a free market argument for vouchers, reasoning that “choice” would promote competition between schools -- and eventually lead to the end of public education.

At the same time, Rev. Virgil Blum, as he was earning his PhD from St. Louis University in 1954, was developing arguments in favor of vouchers on “Freedom of Religion” grounds: in his view, parents should not only have the right to enroll their children in religious schools, but also be entitled to the same taxpayer-funded tuition that public school students received.

Notably, both Friedman and Blum rarely acknowledged the way that vouchers were being used to preserve segregation, despite the South being the epicenter of voucher activity at the time.

One of the first formal pro-voucher organizations was the St. Louis-based, Catholic-backed Citizens for Educational Freedom, formed at Blum's urging in 1959—during the same period that voucher proponents in the South were organizing to preserve desegregation. (Notably, however, the Catholic bishop in the region issued an edict against segregation.)

CEF and Blum believed that “choice” in schools was intertwined with religious freedom. Yet in Missouri, a major roadblock to this theory is that the state constitution has several “religion clauses” that establish a much firmer barrier between church and state than the U.S. Constitution’s Establishment Clause, thereby barring the use of any public funds in support of religious institutions, including schools. (see Art I Sec 6 and 7; Art IX Sec 8).

An early supporter of CEF, Robert D. Brusca, was the lead plaintiff in a case arguing that these clauses of the Missouri constitution violated the federal Constitution’s Establishment and Equal Protection Clauses. In the landmark 1971 case *Brusca v. State of Missouri Board of Education*, the Missouri Eastern District Court rejected this claim, holding that “[a] parent’s right to choose a religious private school for his child may not be equated with the right to insist that the state is compelled to finance his child’s non-public school education.” The case was affirmed by the U.S. Supreme Court in 1972, and cited in future cases to reject similar claims.

Because of the Missouri Constitution’s strict prohibition on public dollars being used for religious education—called “Blaine Amendments”—privatization proponents have had to get creative.

## Tuition Tax Credits or “Neo-Vouchers” Promoted by SMI

One way school privatizers have devised to sidestep the state constitution—and to funnel taxpayer dollars to private and religious schools with even less public accountability than with regular vouchers—are “tuition tax credits,” which University of Colorado-Boulder Professor Kevin Welner has termed “neo-vouchers.”

ALEC has promoted these tuition tax credit “neo-vouchers” with a bill called the “Great Schools Tax Credit Act.” Versions of the legislation have become law in fifteen states. In Missouri, a major proponent of tuition tax credits is Sinquefield’s Show-Me Institute.

The Show-Me Institute has published a series of reports, essays, and op-eds promoting “neo-vouchers” for Missouri.<sup>50, 51, 52</sup> For example, in 2008 the Show-Me Institute released a “policy study” titled “The Fiscal Effects of a Tuition Tax Credit Program in Missouri” claiming to show how tuition tax credits would save the state money. That same year, Rep. Jones (an ALEC member and part of the ALEC Education Task Force, and now House Speaker) introduced a neo-voucher bill titled the “Children’s Education Freedom Act;” despite the Show-Me Institute’s study, the bill’s fiscal note put the cost at \$40 million.<sup>53</sup>



*Speaker of the House Timothy Jones (R-89), the former ALEC State Chair for Missouri, has long been a member of the ALEC Education Task Force. He has received thousands of dollars of corporate-funded “scholarships” to attend ALEC meetings in recent years; in 2010 alone, he received \$4,000 for ALEC meetings in San Diego and Washington.*

Additional tax credit tuition bills have been introduced in recent years: HB 362 in 2011 and HB 1718 in 2012, and HB 458 in 2013, which would have applied only to special needs students. None of the measures passed.

In contrast with traditional vouchers, where the state directly reimburses a private school for tuition costs, these “neo-vouchers” offer tax credits to individuals and corporations who donate to a nonprofit “school tuition organization.” The nonprofit then pays for a student’s tuition.

Because funding for a religious school’s tuition doesn’t come directly from the state, proponents argue that the program wouldn’t violate the state constitution’s ban on taxpayer funds for religious institutions.

Generally, programs designed according to this tax credit model have been less susceptible to legal challenge than traditional vouchers, but their constitutionality is by no means settled: in 2011, a divided U.S. Supreme Court rejected a challenge to neo-vouchers on grounds that Arizona residents did not have a right to sue, but declined to confront the question of whether neo-vouchers violated the Establishment Clause.

Setting aside the constitutionality of tuition tax credits, these “neo-vouchers” raise other concerns.

The funding for tax credits often comes from a state’s education budget, which means there is less funding available for public schools. A tuition tax credit program is effectively a way for individuals and corporations to reroute their tax dollars to a private institution, rather than towards education for all.

Tax credit programs also involve even less public oversight than traditional vouchers. Private schools receiving traditional vouchers have fewer accountability requirements than public schools, but still must meet basic performance standards in order to qualify for tuition reimbursement from the state. In contrast, schools participating in neo-voucher programs have almost no accountability. In most cases, because the schools don’t get money directly from the state, they largely escape state regulation.

Tax credit scholarship programs are growing much more quickly than traditional vouchers. As of 2010, around 70,000 students were receiving vouchers, but 100,000 across the country were using neo-vouchers.

In Missouri, efforts by Sinquefield and the Show-Me Institute to enact “neo-vouchers” have thus far failed; legislation that reflects variations on the ALEC “Great Schools Tax Credit Act” has been introduced several times over the past four sessions, but has failed to gather the necessary votes. Proponents are now turning to the ballot initiative process.

At the end of 2013, a newly formed group called *Missourians for Children’s Education*—backed with \$300,000 from the Catholic Church, and with the support of the Show-Me Institute—began circulating petitions to put a tuition tax credit measure on the 2014 ballot.<sup>54</sup>

Church representatives are clear that the measure is designed as a way to use public policy to increase enrollment in their religious institutions.

“We believe this would very much help to stabilize enrollment—and hopefully to grow enrollment—within the Catholic and private schools,” said George Kerry, the legislative consultant to Archbishop Robert Carlson.<sup>55</sup>

The proposal would allow for a 50 percent tax credit for donations to scholarship granting organizations, and up to \$90 million in credits earned annually. Apparently in response to the failure of past tuition tax credit efforts, the proposal reserves 50 percent of the tax credits for organizations spending on public school districts, 40 percent for private and religious schools, and 10 percent to special education in either private or public schools.

“This one is deliberately appealing to [public school supporters],” James Shuls, a Show-Me Institute education analyst, told the Heartland Institute’s blog. “Look, you’re getting the bulk of these funds.’ This proposal might get opposition, but not as much opposition [as in the past].”<sup>56</sup>

Although crafted in order to “deliberately appeal” to the middle, the measure is almost certainly intended as a way to gain a foothold for privatization and taxpayer-funded religious schools -- with the eventual goal of expanding the program once enacted.

## Milwaukee’s “School Choice” Experiment Is Instructive

Proponents don’t speak about school privatization programs like vouchers as a way of advancing free market ideology or raising tax dollars to fund religious education. “Reform,” at least initially, is presented as a way to offer underprivileged individuals, like low-income students of color or students with disabilities, a “choice.”

But experience shows that the talk about “choice” is really a Trojan horse for privatization. As soon as a targeted program is in place, proponents quickly begin pushing to expand it.

Milwaukee is an instructive example. In 1990, Wisconsin Governor Tommy Thompson, an ALEC alumni, implemented the first citywide school voucher scheme for Milwaukee. ALEC applauded and ratified it as embracing its vision for privatizing public education.

Promoted as a program to give Milwaukee’s low-income students of color access to private education—and a way to escape underperforming urban schools—the 1990 voucher program gained support from some African-American leaders and was sponsored by Rep. Polly Williams, an African-American Milwaukee Democrat. Religious schools were even exempted from the plan.

However, not long after the voucher program was enacted, school privatization supporters quickly pushed for its expansion. Religious schools were soon made eligible for vouchers. Proponents pushed to raise income eligibility, and expand the program statewide, and increase taxpayer funding.

In 2011, after Republicans took control of the House, Senate, and Governor's mansion for the first time in decades, under the leadership of Wisconsin Governor Scott Walker they succeeded in broadening vouchers to families with higher incomes, and in 2013 further expanded the program statewide. (When Governor Walker was facing a recall election in 2012, Sinquefield made a \$50,000 donation).<sup>57</sup>

“As soon as the doors open for the low income children, they're trampled by the high income,” said Polly Williams, the former legislator who sponsored the initial voucher bill for low-income students in Milwaukee, in an interview with the Milwaukee Journal-Sentinel last year. “It's as if the struggle we went through 20-some years ago . . . now the upper crust have taken over.”

“They have hijacked the program.”<sup>58</sup> Regardless of this sentiment, the reality is that the voucher program has failed to produce the promised educational success while it has weakened public schools and its expansion in Wisconsin is siphoning money away from excellent public schools into charter experiments that statistically fail to deliver.

## Vouchers Are Not Really about “Choice,” Although That's the PR

The experience of Wisconsin also undermines the idea that vouchers are primarily about “choice.”

In 2013, after lifting the income cap and expanding the program across the state, 76 percent of new applicants to the voucher program had not attended a public school the previous year—which means that the program wasn't really offering students a “choice,” it was giving students already attending for-profit or religious schools a taxpayer-funded tuition subsidy.<sup>59</sup>

Other data indicates that the voucher program is still plagued by taxpayer rip-offs. Reports have emerged in Milwaukee and elsewhere of for-profit schools registering students, keeping them in class until just after the date where enrollment is counted for funding purposes, and then sending them back to public schools—but keeping the taxpayer-funded tuition.<sup>60</sup> Other schools take the entire amount of the voucher check, despite tuition costing far less than taxpayers are paying.<sup>61</sup>

In January of 2014, a private charter school that had received over \$2.3 million in taxpayer dollars for tuition—and whose students were almost uniformly failing—abruptly closed. “The school's rise and fall illustrate how unstable operations are still a feature of Milwaukee's landmark voucher program as it heads into its 24th year,” the *Milwaukee Journal-Sentinel* wrote.<sup>62</sup>

But perhaps most importantly, there is little evidence that Wisconsin's twenty-year-long voucher experiment has done anything to improve schools or close achievement gaps.



Students receiving vouchers perform no better, and in many cases worse than those attending public schools.

“If vouchers are designed to create better educational outcomes, research has not borne out that result,” says Julie Mead, Education Professor at University of Wisconsin. “If vouchers are such a great idea,” after more than twenty years in effect, “they would have borne fruit by now.”

## **ALEC “Parent Trigger” Act also Pushed in Missouri**

Another ALEC bill pushed in low-income communities and sold as a way of “empowering parents” is the Parent Trigger Act, which allows parents to vote via referendum to seize control of their public schools and fire the teachers and principal, or privatize the schools. First passed in California, a modified Parent Trigger bill was brought to ALEC in 2010 by the Illinois-based Heartland Institute, which is perhaps best known for controversial billboards comparing people who believe in climate change to mass murderers and terrorists.

In Missouri, parent trigger legislation has been introduced in recent years with names like the “Parent Empowerment and Choice Act” (HB 393 in 2011 and HB 1539 in 2012), in both cases sponsored by House Speaker Tim Jones, a member of the ALEC Education Task Force and beneficiary of Sinquefield’s political spending. The Show-Me Institute also pushed the bills, with a group’s representative claiming that the legislation “would expand the ability of parents to take an active role in the public education of their children.”<sup>63</sup> At least twenty-five states have considered parent trigger proposals; seven others already have the laws on the books.<sup>64</sup>

Parent Triggers are presented as a grassroots way to give parents control—and have been romanticized in the film “Won’t Back Down,” which was bankrolled by right-wing financier Phillip Anschutz<sup>65</sup>—but Diane Ravitch, an education historian and former U.S. Assistant Secretary of Education in the first Bush Administration, characterizes Parent Trigger laws as a “clever way to trick parents into seizing control of their schools and handing it over to private corporations.”<sup>66</sup> Evi-

dence from California, where parent triggers were developed, indicates that the program creates disruption and divides within communities.

Additionally, there is little evidence that converting a public school to a private or charter school results in better outcomes. A study conducted at Stanford University's Hoover Institution indicates that 37 percent of students in charter schools perform significantly worse than if they had remained in public schools; just 17 percent of charter students show greater improvement in math and reading than students in similar traditional public schools.<sup>67</sup> But once the "trigger" is pulled and a school is converted to a privately run charter, there is no mechanism to unpull it.

Converting to taxpayer-funded charter schools is profitable for many companies, and beneficial for education privatizers like the Kauffmann Foundation. It can also benefit companies like K-12, Inc., which promotes "virtual" charter schools as well as "virtual" voucher schools.

## Meddling in Local Elections

Sinquefield's obsession with imposing his ideological vision onto Missouri schools has even affected local politics.

Groups backed by Sinquefield spent \$54,000 trying to influence a referendum in tiny Nixa (in Christian County) urging voters to reject a bond measure for the Nixa school district could build storm shelters and expand its facilities.

"When a businessman from St. Louis spends his money to stop the Nixa school district from getting funds to expand its facilities and offerings, that begins to look a lot like meddling where he has no business," wrote the Springfield News-Leader editorial board.<sup>68</sup> "What is Sinquefield's interest in whether Nixa students get the best education possible?"

This meddling was not well received. Voters rejected Sinquefield's meddling: the bond measure passed with nearly 70% of the vote.

"It appears that Rex Sinquefield has made it his mission over the years to damage public education—this effort in Nixa is a continuation of those efforts," said Missouri PTA President Kim Weber.<sup>69</sup>

## Appendix

“All of you, I am sure, have heard many cries about Government interference with business and about ‘creeping socialism.’ I should like to remind the gentlemen who make these complaints that if events had been allowed to continue as they were going prior to March 4, 1933, most of them would have no businesses left for the Government or for anyone else to interfere with...” — *Harry S. Truman*<sup>70</sup>

## Who Is Rex Sinquefield?

Many Americans have heard of the billionaire Koch brothers and their efforts to distort our democracy, but few know of Missouri's version: Rex Sinquefield.

Unlike David and Charles, who inherited wealth that they multiplied, Sinquefield's is a rags-to-riches story—but they have all adopted a worldview bent on rolling back the clock.

Born during World War II, Sinquefield was sent away with his brother after his father died when Rex was seven years old and his mother could not afford to raise them with their sisters.<sup>71</sup> The nuns of the Sisters of Christian Charity at the German St. Vincent Orphan Home<sup>72</sup> housed and taught him until his family was able to arrange for him to live at home and attend Bishop DuBourg High School, a private Roman Catholic school in St. Louis.<sup>73</sup>

He pursued the priesthood at Cardinal Glennon Seminary before transferring to St. Louis University, a Jesuit college, where as a young man he disdained “Keynesian” economics,<sup>74</sup> which favor the government's role in stimulating the economy to address recessions—as with New Deal laws that helped break the Great Depression after the stock market crashed.

He lucked out at the height of the Vietnam War in 1968, securing a two-year stint stateside at Ft. Riley pushing paper around for the Army.<sup>75</sup> He then got an MBA from the University of Chicago. While there, he became enthralled by “free market” economists, like Merton Miller and Gene Fama, who later won Nobel prizes for theories about efficient markets. Fama's historical claims have been called “fantasies;”<sup>76</sup> he claims government stimulus can't work.<sup>77</sup>

After graduation, Sinquefield worked for American National Bank (which ultimately became part of J.P. Morgan Chase & Co.) and analyzed stock market returns. In 1981, he founded Dimensional Fund Advisors with Chicago classmate, David Booth (whose recent \$300 million gift to the university secured the renaming of the “Booth School of Business”).

DFA made a fortune on “passive” stock market investment in index funds rather than betting on shares of individual companies, a limited version of the efficient-market hypothesis. Basically, DFA creates mutual fund portfolios for investors, such as government pension boards that manage the defined benefit plans (DBPs) of workers or individuals with defined contribution retirement plans that lack the same financial security as DBPs.

Sinquefield worked at DFA in Santa Monica (which he calls “Soviet Monica” due to its taxes<sup>78</sup>), with his wife, Jeanne, whom he met practicing Judo in college. She supervised the firm's trading; and they raised three children. In 1997, they bought nearly 1,000 acres in Osage County but did not move back to his birthplace until 2005, after their retirement.<sup>79</sup> Despite spending nearly 40 years living away, Sinquefield claims he knows how to “fix” the state.

What does Sinquefield want?

In 2012, Sinquefield told the *Wall Street Journal* that what he had spent so far is “merely the start of what he'll spend to promote his two main interests: rolling back taxes” and what he describes as “rescuing education from teachers unions.”<sup>80</sup> He has also invested in groups working to thwart fair wages in Missouri, and undermine other long-standing union rights.

# What Are the Groups Pushing or Echoing His Personal Agenda?

**The Show-Me Institute.** The jewel in his privatization crown is the Missouri-based Show-Me Institute, a right-wing “think tank” that pushes education overhaul (and other policies), and receives just shy of \$1 million every year from the Sinefield Charitable Foundation. Rex Sinefield is the Institute’s President, and his daughter is also employed there (and spends time tweeting right-wing talking points and SMI disinformation). Brenda Talent, the wife of former U.S. Senator Jim Talent, currently leads SMI.

For years, SMI has been laying the groundwork for radical changes to Missouri’s education system, producing reports, testimony, and policy papers purporting to show the benefits of ending teacher tenure, and enacting vouchers in the form of “tuition tax credits,” and other efforts to privatize education and undermine teacher’s unions.

The Sinefield Charitable Trust gave \$900,000 to the Show-Me Institute<sup>81</sup> in 2011 and \$950K in 2010.<sup>82</sup> Any contributions from Sinefield’s personal bank account have not been disclosed. SMI describes itself as a nonpartisan “research and educational institute dedicated to improving the quality of life for all citizens of Missouri.” However, wealthy conservatives and Republican campaign staffers who advance a nationally coordinated, far-right agenda lead it.

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While the Show-Me Institute likes to present itself as an independent, locally focused operation, it is a member of the State Policy Network (SPN), which is a centrally funded, nationally organized \$83 million dollar operation. Donors to SPN include some of the biggest ideological interests of the right.<sup>83</sup>

SMI is also funded by some big out-of-state interests. The Koch-tied Donors Capital Fund has given over \$567,941 to SMI between 2005 and 2011.<sup>84</sup> Right-wing funds like the Roe Foundation, the JM Foundation and the Castle Rock Foundation have also given to the group directly. It has also received funding from Apex Oil Company.<sup>85</sup>

SMI is also a member of the controversial American Legislative Exchange Council (ALEC) and helps push the ALEC cookie cutter agenda in the state of Missouri. According to Progress Missouri areas, SMI pushes the ALEC agenda in the following areas and more:<sup>86</sup>

- “protection” to make it difficult for employees to fund unions
- Privatizing public education through vouchers and charter schools
- Teacher tenure “reform”
- Opposing the Affordable Care Act and Medicaid expansion)
- Opposing the minimum wage laws/raising the minimum wage
- Eliminating defined benefit pensions for public employees (calling for a shift from defined-benefit plans to defined-contribution plans)

**Pelopidas LLC**, which as noted above, describes itself as an “influence management firm” and a “top tier lobbying force,” and receives much of its funding from Sinquefield.

Founded in 2007 by Travis Brown, a lobbyist for Monsanto, and his wife Rachel Keller Brown, who lobbied for the education privatization group Advocates for School Choice, its lobbyists include Carl Bearden, a former state representative who until recently led the Missouri chapter of the David Koch-founded-and-funded Americans for Prosperity. Pelopidas lobbyists have reported tens of thousands of dollars of gifts to Missouri legislators in recent years. Over the past year, Pelopidas has also spent at least six figures funding ALEC, in part to promote the book peddled by Travis Brown that features Sinquefield in the campaign to kill state income taxes.<sup>87</sup>

The Sinquefield-funded Pelopidas LLC—which has described itself as an “influence management firm” and a “top tier lobbying force”—paid six figures in 2013 to sponsor ALEC’s Annual Meeting.<sup>88</sup> Pelopidas is another tool in Sinquefield’s education privatization toolshed. Founded in 2007 by Travis Brown, a former lobbyist for Monsanto and K12, and his wife Rachel Keller Brown, who lobbied for the education privatization group Advocates for School Choice, the firm pushes bills and ballot initiatives; lobbies legislators and helps campaigns develop “issue ads;” and aims to swing both public opinion and legislative votes. Its lobbyists include Carl Bearden, a former state representative who until recently led the Missouri chapter of the David Koch-founded-and-funded Americans for Prosperity.

Pelopidas lobbyists reported more than \$24,000 of gifts to Missouri legislators in the form of meals, food, and sports tickets between August 2007 and February 2012. The same individuals lobbying for Pelopidas also lobby directly for Sinquefield, and have spent around the same amount on gifts to legislators (\$22,168.35 between September 2007 and May 2013).

“The big difference from before Pelopidas got together and now is that we’re playing offense and the other side is constantly and chronically playing defense,” Sinquefield said in 2010. “And I think we move the ball down the field every year a bit more. And my guess is that pretty soon, we’re going to be looking to go into the end zone.”<sup>89</sup>

**Children’s Education Alliance of Missouri**<sup>90</sup> is a non-profit organization that promotes “market-based” solutions to education problems, meaning charters schools, internet schools and other mechanisms to advance the privatization of the public school system. They are the Missouri affiliate of the national organization Alliance for School Choice headed by Betsy DeVos.<sup>91</sup>

Dick and Betsy DeVos have used their Amway fortune to create a national network of non-profits and political campaign groups to fund the public school privatization and school voucher movement. The DeVos family also played a key role in Michigan passing right to work and has pushed anti-union initiatives around the country.<sup>92</sup> The Children’s Education Alliance of Missouri testifies before the state legislature, releases reports, arranges petition drives, hosts town hall meetings and organizes social events. The Executive Director is Laura Slay, has little education experience and is a former marketing communications and public relations professional. Their lobbyists Mark Dawes, Cheryl Dozier and Brent Hemphill have pushed the privatization agenda in the Missouri state house for many years for many groups and corporations.<sup>93</sup>

**TeachGreat.org** was founded to pass an amendment to Article IX of the Missouri State Constitution that would end public school teacher tenure, and appears to be a project of the Children’s Education Council of Missouri. The group was organized to promote the teacher tenure initiative petition, and aims to collect 160,000 signatures to get the tenure measure on the 2014 ballot.<sup>94</sup> Sinqeufield has given at least \$925,000 to Teachgreat.org (\$850,000 in 2013 and \$75,000 in 2012), and also backed a similar ballot initiative two years ago that failed to collect enough signatures.

These are just a few of the main groups Sinqeufield has used to push his agenda that undermines Missouri public schools. He also deploys PACs and other operations. In addition, Sinqeufield has subsidized the resort meetings of ALEC.

**ALEC.** SMI does not act alone. It is a member of the American Legislative Exchange Council, or “ALEC,” through which state legislators secretly vote as equals with corporate lobbyists and special interest groups on “model” bills that advance special interests. CMD has called ALEC a “corporate bill mill,” and it is funded in part by the right-wing billionaire Koch Brothers and corporations like Koch Industries, Peabody Coal, big Tobacco and big drug companies.

And, ALEC is subject to at least three major citizen complaints that its secret lobbying and undisclosed lavishing of junkets on lawmakers violates federal tax law; those legal complaints of tax fraud to the IRS remain pending.

Many of the education initiatives promoted by SMI appear to have their roots in ALEC “model” legislation, such as tuition tax credits, parent trigger legislation, and attacks on union rights.

ALEC has grown increasingly controversial in recent years as the public has grown aware of its role in warping the legislative process—corporations not only pay ALEC for access to state legislators, but actually get a vote on ALEC bills—and amidst revelations about ALEC’s role in pushing “Stand Your Ground” bills, voter ID restrictions, climate change denial, and other legislation. When the Center for Media and Democracy published [alecexposed.org](http://alecexposed.org) in 2011, the pro-privatization education bills were among the largest stacks requiring analysis.

Hundreds of state legislators have dumped their ALEC membership in recent years, but according to ALEC's internal documents that were published by *The Guardian* in December 2013, at least 57 members of the Missouri legislature have been members.

ALEC and Sinquefield also have a powerful ally in the legislature. The Speaker of the Missouri House, Tim Jones, is a member of the ALEC Education Task Force and was previously the ALEC State Chair for Missouri. Sinquefield gave Jones an astounding \$100,000 for his 2012 campaign, despite Jones running unopposed.<sup>95</sup> Jones has championed the ALEC education agenda for years, and is even quoted in ALEC's promotional materials; additionally, Jones has received at least \$12,000 in corporate-funded gifts of travel to ALEC conferences.<sup>96</sup>

ALEC members include an array of education privatizers like Rupert Murdoch, who has called the for-profit K-12 education industry "a \$500 billion sector in the U.S. alone that is waiting desperately to be transformed" and whose News Corp sits on the ALEC Education Task Force. In addition to owning an educational testing firm, Murdoch hopes to promote a new high-tech tablet to cash in on the Common Core curriculum.

Other ALEC members include pro-privatization groups like the Alliance for Choice/ American Federation for Children, which is backed by millions from the DeVos family (heirs to the Amway fortune). Sinquefield funds the DeVos groups' Missouri-based "ally," the Children's Education Alliance of Missouri, and gave \$100,000 in 2006 to the associated PAC

"All Children Matter" to elect a slate of pro-voucher candidates.<sup>97</sup>

ALEC ranks states according to how closely they follow its privatization prescriptions -- with little regard for whether the policies improve student performance -- in its annual "ALEC Report Card on American Education." The National Education Policy Center gave ALEC a "Bunkum Award" in 2013 for its sham Report Card on American Education,<sup>98</sup> writing that the ALEC Report Card is based on research that "is quite shoddy and is unsuitable for supporting its recommendations."<sup>99</sup>

"Overall, ALEC's Report Card is grounded less in research than in ideological tenets, the NEPC authors write. "The report's purpose appears to be more about shifting control of education to private interests than in improving education."



## Other Players in the Education “Reform” Game

**Connections Academy** is a for-profit education firm that has been on the forefront of efforts to replace brick and mortar schools with online cyber schools and replace actual teachers with “virtual” ones. It offers some classes through the Missouri Virtual Education Program.<sup>100</sup> The firm contracts with public school districts and charter schools to provide online classes for K-12 students. The firm has been criticized for failing to educate students.

In Ohio for instance, Ohio Connections Academy received \$19.2 million in taxpayer funds for 3,123 students, but those students are failing to meet adequate yearly progress by large margins (-11.3 in reading, -15.7 in math, -17.2 overall.)<sup>101</sup> Connections Academy has long had ties to ALEC and other organizations promoting a for-profit educational model from which it stands to benefit financially. Connections Academy is represented by lobbyists Brent Hemphill and Kristian Starner in Missouri.<sup>102</sup>

**K12 Inc.** is a publicly traded for-profit, online education company headquartered in Herndon, Virginia.<sup>103</sup> It offers some classes through the Missouri Virtual Education Program.<sup>104</sup> K12 Inc. was founded by former Goldman Sachs executive Ron Packard and former United States Secretary of Education and right-wing talk show host William Bennett in 1999. Packard was able to start K12 Inc. with \$10 million from convicted junk-bond king Michael Milken and \$30 million more from other Wall Street investors.

K12 Inc. is a member of ALEC, where it has pushed a school privatization agenda including plans to siphon off public funds to for-profit schools. K12 Inc. operated 58 full-time virtual schools and enrolled close to 77,000 students in the 2010-2011 school year, according to a May 2013 report by the National Education Policy Center (NEPC).

New data indicates that the firm is failing in educating kids but it is succeeding in raking in revenue, making nearly \$800M in 2013, most of which came from taxpayers. K12 has paid its CEO more than \$16M in the past three years.

However, a 2013 report by NEPC notes, “on the common metrics of Adequate Yearly Progress (AYP), state performance rankings, and graduation rates, full-time virtual schools lag significantly behind traditional brick-and-mortar schools.” In particular, only 27.7 percent of K12 Inc. online schools met AYP in 2010-2011, compared to 52 percent of public schools.<sup>105</sup> K12 was sued by shareholders who felt misled by the firm about its educational performance, and is currently being shorted on Wall Street by hedge fund investors with little faith in the firm or its education model.<sup>106</sup> K-12 Inc. is represented by a lobbyist, David McCracken, in Missouri.<sup>107</sup>

## ALEC Politicians in Missouri

**“Republicans in Washington have a habit of becoming curiously deaf to the voice of the people. They have a hard time hearing what the ordinary people of the country are saying. But they have no trouble at all hearing what Wall Street is saying.” — Harry S. Truman<sup>108</sup>**

- Lt. Governor Peter Kinder (R) was an ALEC member as a legislator and chaired the ALEC Education Task Force. In 2010, he addressed an ALEC conference and paid for his travel with taxpayer funds, according to Progress Missouri. In August 2013, Kinder attended ALEC’s annual meeting and announced that he expects right to work to become law in Missouri, even if Gov. Jay Nixon were to veto the legislation.<sup>109</sup>
- Speaker of the House Timothy Jones (R-89) was ALEC State Chairman and is an ALEC Education Task Force member. On Speaker Jones’ ethics reports, he has disclosed receiving \$3,630.72 from ALEC in 2012, \$1,425.19 in 2011, \$3,611.93 in 2010, and \$3,254.45 in 2009. These were apparently corporate-funded gifts reimbursing Jones for travel to ALEC meetings at expensive resorts in different parts of the country. Cumulatively, he has disclosed nearly \$12,000 of these corporate-funded gifts of travel between 2009 and 2012.
- Between 2008 and 2012, Missouri legislators have reported receiving at least \$40,000 in gifts from ALEC corporations to fund their travel to ALEC meetings, according to a Progress Missouri analysis.<sup>110</sup>

**The following legislators are known ALEC members, based on available records** (*Missouri education committee assignments noted where applicable*)

- Rep. Kurt Bahr (R-102), Missouri House Elementary and Secondary Education Committee
- Rep. Eric Burlison (R-133), ALEC Health and Human Services Task Force, Missouri House Elementary and Secondary Education Committee
- Rep. Mike Cierpiot (R-30), Missouri House Elementary and Secondary Education Committee
- Rep. Keith Frederick (R-121), ALEC Health and Human Services Task Force, Vice Chair of House Higher Education Committee
- Rep. Doug Funderburk (R-103), Missouri House Elementary and Secondary Education Committee
- Rep. Mike Kelley (R-127), ALEC Education Task Force (recipient of \$1,200 from ALEC in 2011 to attend meetings (Source: MEC disclosure doc’s); has sponsored legislation similar to ALEC’s “Parents’ Rights” Resolution), Missouri House Appropriations – Education Committee

- Rep. Andrew Koenig (R-99), ALEC Tax and Fiscal Policy Task Force, Missouri House Elementary and Secondary Education Committee
- Rep. Donna Lichtenegger (R-146), ALEC Health and Human Services Task Force, Missouri House Higher Education Committee
- Rep. Lyle Rowland (R-155), Vice Chair of House Education Appropriations Committee
- Rep. Bryan Spencer (R-63), Missouri House Elementary and Secondary Education Committee, Missouri House Appropriations – Education Committee
- Sen. Dan Brown (R-16), Missouri Senate Education Committee
- Sen. Ed Emery (R-31) ALEC State Chairman (attended 2013 annual meeting, received over \$6,400 in ALEC “scholarship” funds from 2006 to 2008), Missouri Senate Education Committee
- Sen. Brian Nieves (R-26), ALEC Civil Justice Task Force, Missouri Senate Education Committee
- Sen. David Pearce (R-21), Chairman of Missouri Senate Education Committee, Vice-Chair of Missouri Joint Committee on Education
- Former Rep. Scott D. Dieckhaus (R-109), ALEC Education Task Force (did not seek reelection in 2012, but agreed to serve as interim executive director of the House Republican Campaign Committee).
- Former House Speaker Carl Bearden (R-16), ALEC Tax and Fiscal Policy Task Force (received \$2,000 from the ALEC scholarship fund in 2006 and 2007); later head of Americans for Prosperity-Missouri and Pelopidas LLC.
- Former Sen. Jane D. Cunningham (R-7), ALEC Education Task Force. Member of ALEC’s National Board from 2005 to 2010 (Secretary in 2007 and Treasurer in 2008). Received \$1,045.20 from ALEC in 2012, \$584 in 2011, \$1,860.17 in 2010, \$3,617.1 in 2009, and \$1,420 in 2008 to attend ALEC meetings, for a cumulative minimum of \$8,526.47 between 2008 and 2012. Progress Missouri reports that ALEC provided her with more than \$33,000 in lodging and travel expenses related to ALEC board meetings and conferences from 2001 to 2010.

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