

2017 BLUEPRINT: MOVING MISSOURI FORWARD



Contents

<i>Certificate of Need.....</i>	<i>2</i>	<i>Income Tax Reform.....</i>	<i>16</i>
<i>Charter School Expansion.....</i>	<i>4</i>	<i>Open Collective Bargaining.....</i>	<i>18</i>
<i>Course Access.....</i>	<i>6</i>	<i>Prevailing Wage.....</i>	<i>20</i>
<i>Earned Income Tax Credit.....</i>	<i>8</i>	<i>Public Pension Reform.....</i>	<i>22</i>
<i>Economic Development Subsidies...10</i>		<i>Public Union Recertification.....</i>	<i>24</i>
<i>Education Savings Accounts.....</i>	<i>12</i>	<i>Right to Work.....</i>	<i>26</i>
<i>Higher Education.....</i>	<i>14</i>	<i>Tax Credit Reform.....</i>	<i>28</i>
		<i>Transportation Infrastructure.....</i>	<i>30</i>



CERTIFICATE OF NEED

Patrick Ishmael

THE PROBLEM: Missouri's Certificate of Need (CON) law restricts health care competition by requiring many health care providers to get state approval before entering new markets or expanding services offered in existing facilities. This restriction hampers innovative start-ups and market newcomers that would provide Missourians care and puts upward pressure on healthcare prices.

THE SOLUTION: *Open the doors to real competition.*

Eliminating CON requirements would end the monopoly and oligopoly power of incumbent providers. Missourians would see the benefits of true marketplace competition in the health care arena.

WHO ELSE DOES IT?

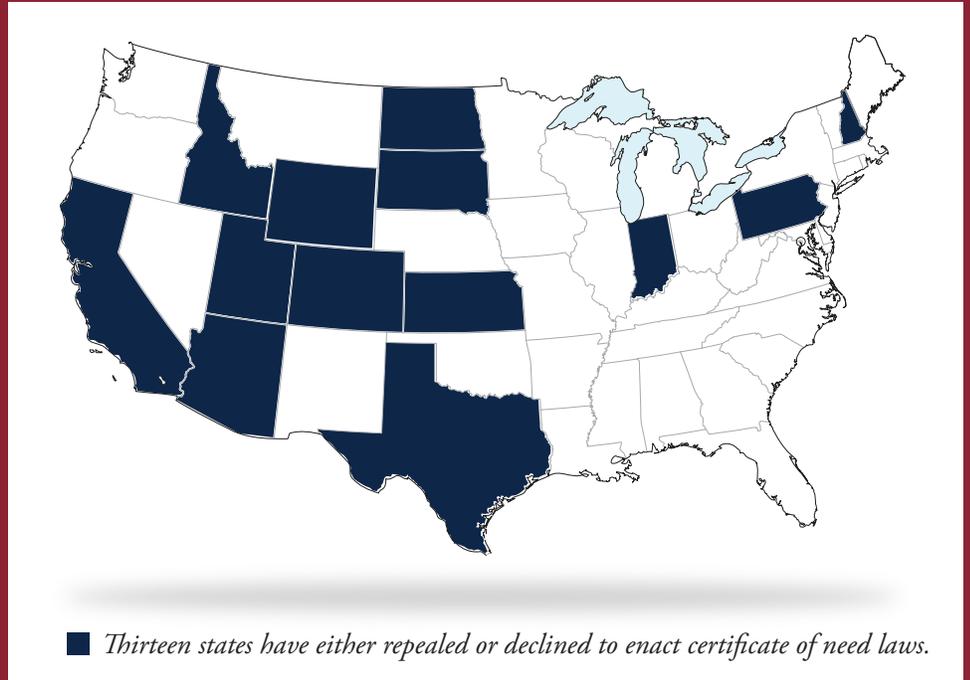
California, Colorado, Idaho, Indiana, Kansas, New Hampshire, New Mexico, North Dakota, Pennsylvania, South Dakota, Texas, Utah, and Wyoming.

THE OPPORTUNITY: Missouri would join a growing list of states that have unshackled institutional health care competition.

KEY POINTS

- A needless and harmful barrier—one that separates patients who need care from doctors who want to provide it—would be eliminated.
- More competition would place downward pressure on health care prices.
- Missouri would be able to compete with nearby states, including Kansas, where smaller hospitals are opening up shop because they aren't restricted by CON laws.

STATES WITHOUT CERTIFICATE OF NEED LAWS



- CON reform is an opportunity to open the door to new operations in communities threatened by the loss of existing hospitals.
- Ending CON would empower patients to make choices that serve their families, rather than support the government-backed competitive advantages of hospitals.

SHOW-ME INSTITUTE RESOURCES

Essay: “Demand Supply: Why Licensing Reform Matters to Improving American Health Care”

Blog post: “Missouri’s Certificate of Need Law Needs to Go”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





CHARTER SCHOOL EXPANSION

Michael Q. McShane and Emily Runge

THE PROBLEM: Demand for charter schools in Missouri is at an all-time high. Unfortunately, charter schools are functionally limited to the Kansas City and Saint Louis School Districts. Tens of thousands of students are denied the opportunity for a better education.

THE SOLUTION: *Expand charter schools statewide.*

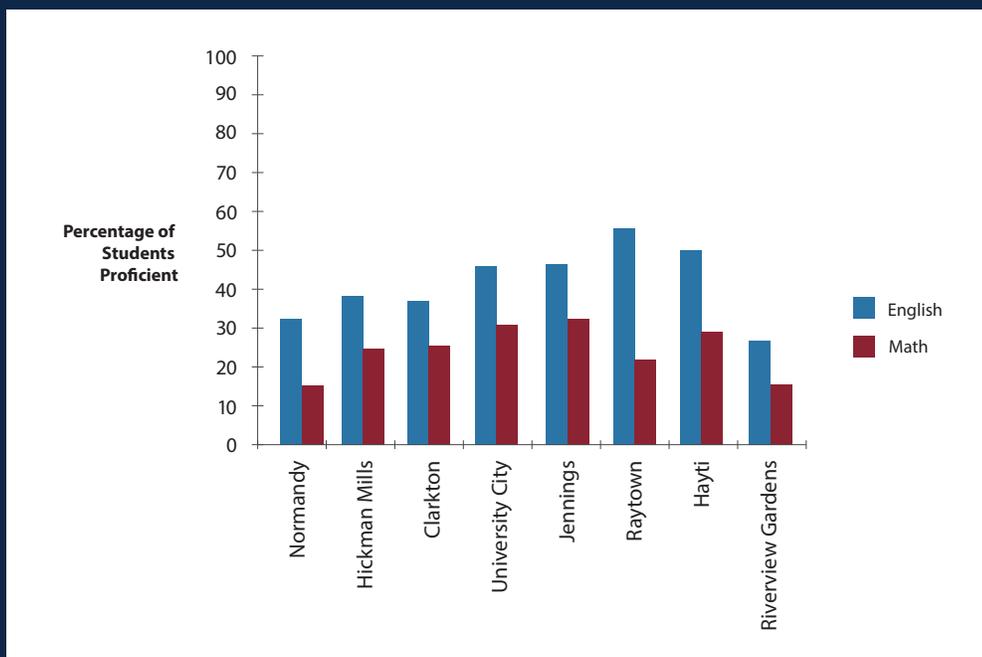
Missouri can allow charter school expansion by removing districts' accreditation status as a qualifier, eliminating the cap of 35% of students per accredited district, leveling per-student funding, and allowing charter schools to expand wherever they are needed. Missouri Department of Elementary and Secondary Education's Annual Performance Review scores should not determine if districts are allowed to have charter schools.

WHO ELSE DOES IT? Over 6,700 charter schools operate in 42 states and the District of Columbia and serve more than 2.9 million students. States like Indiana place no caps on the number of charter schools, allow them to operate anywhere in the state, have multiple authorizers, and provide equitable funding. Missouri is an outlier in the way that it limits charters geographically; almost all other states allow them to operate anywhere.

THE OPPORTUNITY: Charter schools are growing. Over 23,000 students enrolled in Missouri charter schools for the 2016–2017 school year—an 11% increase from the previous year. University Academy, one of the top-performing charter schools in the state, has a waiting list of 700 students. Obviously, the demand is there. Simply by getting government out of the way, we can offer students a way out of underperforming schools, and into the schools they want to attend.

DISTRICT-WIDE 2016 MAP SCORES

In many Missouri school districts, the proportion of students achieving proficiency in English and Math is well below 50 percent.



KEY POINTS

- Thousands of Missouri students are trapped in poor schools because of arbitrary limitations on school choice.
- Allowing charter school expansion will meet demand from students and families, not bureaucrats.
- Families need an alternative to underperforming traditional public schools.
- School choice has a proven track record elsewhere in the country.

SHOW-ME INSTITUTE RESOURCES

Blog post: “Come Together, Right Now, On Charter Schools”

Blog post: “No, Charter Schools Don’t Push Out Kids Who Are Too Hard to Educate”

Blog post: “The Charter School Discipline Problem That Isn’t”

Blog post: “#drophesuit, Explained”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





COURSE ACCESS

Michael Q. McShane

THE PROBLEM: All across Missouri, students do not have access to higher-level coursework such as AP courses, calculus, or physics.

THE SOLUTION: *Course access.*

Course access programs allow students to direct a portion of their annual per-pupil funds to take—and receive college credit for—courses outside of their traditional public school offerings. Students take these courses at an approved location such as a school library or a local community college.

WHO ELSE DOES IT? 11 states across the country have some form of course access program, including: Arizona, Florida, Georgia, Michigan, Minnesota, Oklahoma, South Carolina, Texas, Utah, Virginia, and Wisconsin.

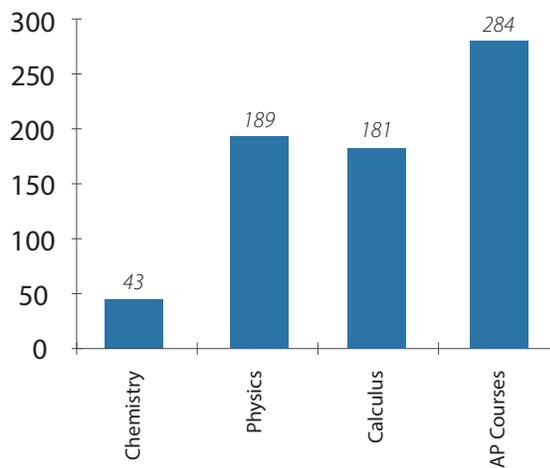
THE OPPORTUNITY: The Show-Me State has much of the infrastructure needed to create a course access program through an underused program known as the Missouri Virtual Instruction Program (MoVIP), which was signed into law in 2006. MoVIP provides access to online courses through approved providers. Course offerings are vetted by the Missouri Department of Elementary and Secondary Education (DESE) and can be credited toward graduation.

KEY POINTS

- All of Missouri's students deserve access to the high-level coursework necessary to prepare them for college and the workforce.
- During the 2015–2016 school year, of the 448 school districts that offer high school in the state, 9% had no students enrolled in chemistry, 42% had none enrolled in physics, 40% had none enrolled in calculus, and 63% had none enrolled in AP courses.

DISTRICTS IN MISSOURI WITH ZERO STUDENTS ENROLLED IN SELECTED COURSES, 2015–2016

Thousands of students in Missouri attend schools that don't offer the advanced coursework that would prepare them to succeed in college.



- Many high school students in Missouri have no access to higher-level courses.
- Course access allows students a cost-effective way to take courses not otherwise available in their district.
- Course access increases parent/individual control over education spending.
- Eleven states across the country offer some form of course access program.
- Missouri already has the infrastructure needed to create a course access program.

SHOW-ME INSTITUTE RESOURCES

Our full primer: “Course Access in Missouri: Diversity, Personalization, and Opportunity”

Video: “Rural Schools Need Course Access”

Video: “Course Access Brings the Classroom to the Student”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





EARNED INCOME TAX CREDIT

Patrick Ishmael and Michael Austin

THE PROBLEM: State spending is on the rise in Missouri, led by a growth in public welfare dollars. Public welfare spending now accounts for more than 44% of total spending and is the largest driver of general spending growth in Missouri. The growth in public welfare shares of total spending has eclipsed the growth of all other general expenditure functions.

THE SOLUTION: *Transition toward the Earned Income Tax Credit (EITC).*

Implementing an EITC (a refundable tax credit for low- to moderate-income workers) will slow the growth of public welfare spending while providing material benefits to working families.

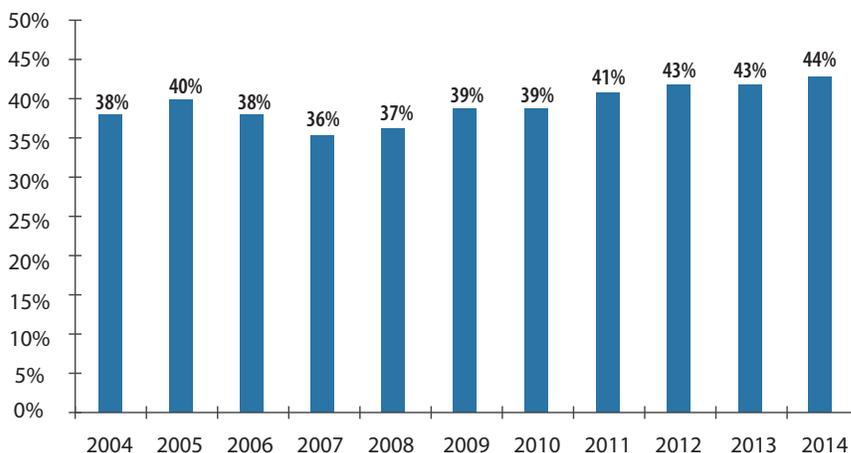
WHO ELSE DOES IT? Twenty-five states and the District of Columbia offer EITCs at either the state or local level, although the amounts and refundability of the credits vary.

THE OPPORTUNITY:

Transitioning current public welfare dollars to an EITC will help foster a culture of self-reliance among the state's poor while also restricting growth in public welfare spending. Not only does the EITC help working families make ends meet, but it also encourages recipients and families to find jobs and increase hours worked. Missourians can move up the economic ladder with the aid of the EITC—which can help move people off state assistance entirely, thus mitigating the cost of the credit. An EITC is an effective way to increase work participation while helping families become self-reliant and escape poverty.

PUBLIC WELFARE AS A PERCENTAGE OF TOTAL EXPENDITURES MISSOURI

Public welfare spending as a share of total expenditures is higher than it has been at any point in the last decade.



Public Welfare includes state expenditures on Public Welfare, Health, and Hospitals as defined by the U.S. Census Bureau.

Source: U.S. Census Bureau.

KEY POINTS

- Aid to our most vulnerable citizens will be better targeted, while still providing the help they need.
- Individuals will be able to invest in themselves.
- EITC recipients can build the self-esteem that comes from work.
- Public money will go toward helping families rise from poverty and escape dependence on government.

SHOW-ME INSTITUTE RESOURCES

Blog post: “Moving Missourians from Welfare to Work”

Blog post: “Making Strides toward Welfare Reform”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





ECONOMIC DEVELOPMENT SUBSIDIES

Patrick Tuohy

THE PROBLEM: Excessive use of economic development subsidies has hollowed out municipal tax bases and diverted tax revenue to specific developers. In the past 15 years, Saint Louis City alone has allocated \$709 million away from municipal services through tax increment financing (TIF) and tax abatement. Studies from across the country indicate that these subsidies fail to generate promised jobs and growth.

THE SOLUTION: *Economic development reform.*

Statewide reforms such as moving TIF decision-making to the county level, allowing other impacted stakeholders such as schools to have more say in the process, strengthening standards for blight and project approval, and capping subsidies by dollar amounts or a percentage of aggregate market value would help rein in these giveaways.

WHO ELSE DOES IT? TIF and economic development reform efforts are underway in many states. California, which pioneered TIF in 1962, ended it altogether in 2012 due to its failure to deliver promised benefits.

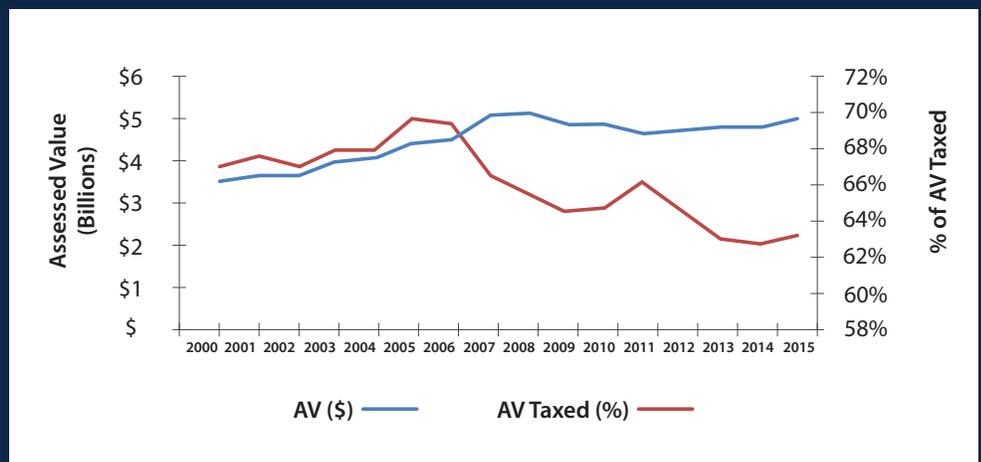
THE OPPORTUNITY: Limiting municipalities' ability to reward cronies will mean more revenue directed toward important basic services; less fighting between municipalities within Missouri; and more pressure on cities to compete for all businesses, not just a select few.

KEY POINTS

- TIF projects active in Missouri have collected almost \$2.5 billion since their inception and do not deliver their promised benefits.

KANSAS CITY, MISSOURI ASSESSED VALUE AND PERCENTAGE OF ASSESSED VALUE TAXED

While the value of property in Kansas City has increased, the percentage of that value that is taxed has actually gone down.



Source: Jackson County Assessment Department.

- Many subsidies are not used in the economically depressed areas for which they were designed. In Saint Louis, less than 25% of TIF projects are found in the poorer half of the city.
- TIF as practiced in Missouri has become little more than crony capitalism that rewards specific businesses while harming the overall business climate.
- Cities are pitted against one another in economic development wars, stifling regional growth.
- Current TIF policy has resulted in hollowed-out tax bases in Missouri and fewer resources for basic city services.

SHOW-ME INSTITUTE RESOURCES

Policy study: “Tax Increment Financing in Missouri”

Essay: “Urban Neglect: Kansas City’s Misuse of Tax Increment Financing”

Blog post: “The TIF Tax”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





EDUCATION SAVINGS ACCOUNTS

Michael Q. McShane

THE PROBLEM: Missouri students are underperforming. On the 2015 NAEP exam, only 31 percent of Missouri 8th-graders were found proficient in Math and only 36 percent were found proficient in English. For the Class of 2016, only 22 percent of Missouri ACT test-takers scored “college-ready” in all four tested subjects. Many students are trapped in failing schools via residential assignment and have no opportunity to pursue a better education.

THE SOLUTION: *Tax-credit funded education savings accounts (ESAs).*

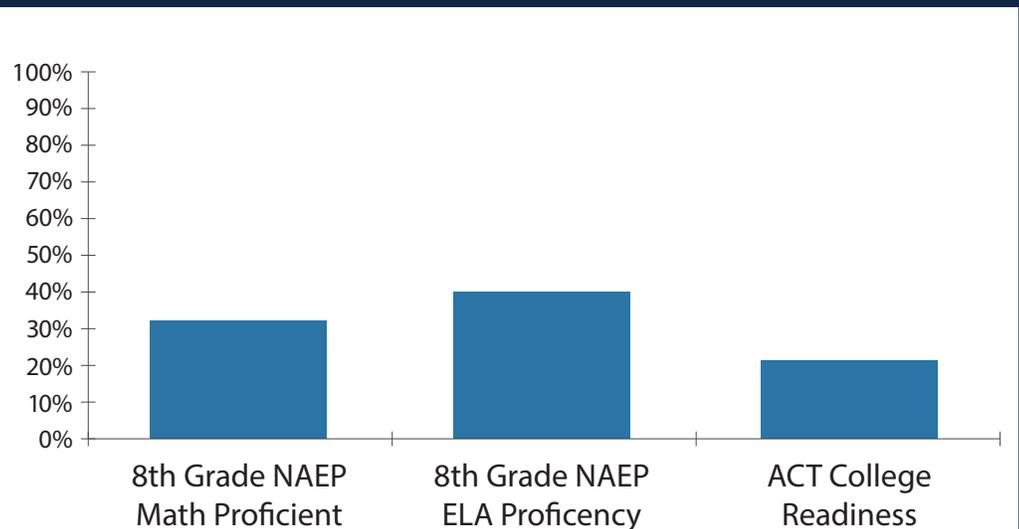
ESAs are flexible-use savings accounts used solely for education purposes. Individuals or corporations would donate to organizations that manage these accounts and families could use those funds to purchase school supplies, tutoring services, or even private school tuition.

WHO ELSE DOES IT? Five states have ESA programs: Arizona, Florida, Mississippi, Nevada, and Tennessee. Seventeen states have tax credit-funded scholarships: Alabama, Arizona, Florida, Georgia, Indiana, Iowa, Kansas, Louisiana, Montana, Nevada, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Virginia.

THE OPPORTUNITY: Missouri is one of the few states that does not have some kind of private school choice program. It does, however, have a large stock of private schools, and through MoVIP (the Missouri Virtual Instruction Program) we have a curated and vetted set of online courses that are turn-key ready for Missouri students to use. The supply is waiting; we can help connect it to the demand.

2016 NAEP* EXAM RESULTS

Most of Missouri's students aren't ready for high-school work by 9th grade, and aren't ready for college upon graduation.



**National Assessment of Educational Progress*

KEY POINTS

- Many Missouri students are not being prepared for success.
- As educational options for students expand, parents should have the flexibility to customize their children's education.
- ESAs are popular. According to polling by EdChoice, 49 percent of Americans support ESAs, and only 27 percent oppose them.
- ESAs have the potential to save both the state and school districts money.

SHOW-ME INSTITUTE RESOURCES

Essay: “Estimating the Fiscal Impact of a Tax-Credit Scholarship Program”

Video: “ESAs Empower Families in Arizona”

Blog post: “ESAs Can Help Missouri Students with Dyslexia”

Blog post: “Empowerment Scholarship Accounts Would Be a Boon to Missourians”

Blog post: “Do You Hear That? It’s the Drumbeat of School Choice Getting Louder”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





HIGHER EDUCATION

Michael Q. McShane and Michael Highsmith

THE PROBLEM: The University of Missouri system, and higher education in the United States in general, are at a crossroads. Tuition is rising, resulting in over \$1 trillion in student loan debt nationwide. At the same time, students who fail to secure a high-income job after graduation face serious financial consequences. As schools struggle with these issues, a rising tide of anti-free speech policy is sweeping across the higher education landscape.

THE SOLUTION: *Higher education reform.*

Higher education reform in Missouri should accomplish at least two objectives: (1) reduce costs through innovation; and (2) protect free speech. Universities could help reduce costs by encouraging competency-based education (CBE), which can reduce the time students must spend in school by granting accreditation when a student demonstrates proficiency in a subject. These programs let students pursue their degrees but also help protect them from excessive costs and loan defaults. In addition, the state could promote income share agreements (ISAs), which provide an alternative to student loans whereby a student agrees to pay a percentage of future income in exchange for present financial aid. Schools should also be encouraged to follow the free speech principles embodied in the University of Chicago's Statement of Freedom of Expression.

WHO ELSE DOES IT?

Schools across the nation such as Texas A&M, Purdue, the University of Michigan, and the University of Wisconsin offer CBE degrees. Purdue has implemented a self-funding ISA program. The University of Chicago, Carnegie Mellon, George Mason, William and Mary, and Purdue have sterling records protecting student freedom of speech according to research from Heterodox Academy.

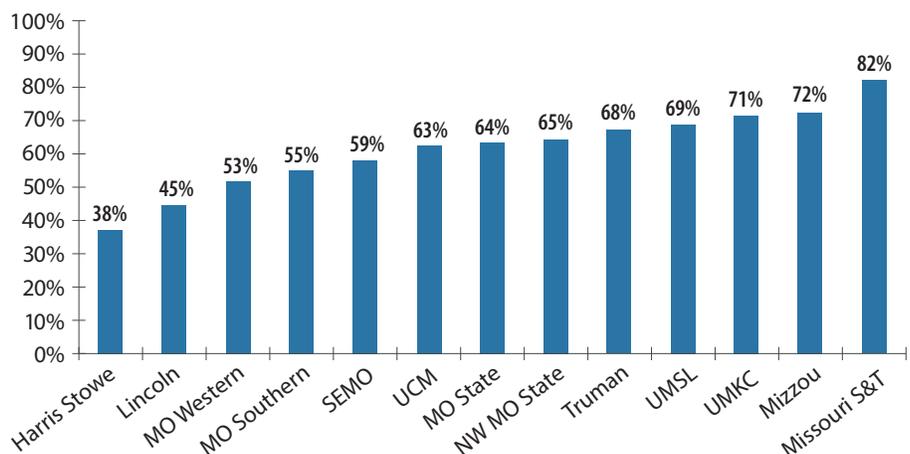
THE OPPORTUNITY: Recent upheaval at Missouri's largest university has given us a chance to step back and evaluate how to provide a cost-effective education to students in an environment that fosters the free exchange of ideas.

KEY POINTS

- For many Missouri students, the enormous investment required for a university education isn't paying.
- Competency-based education programs can reduce both tuition costs and the time a student must spend in the classroom before joining the workforce.
- A collective pool of income share agreements could enable successful investments to fund future degrees.
- Free speech and open debate are essential to the health of a university.

PERCENTAGE OF MISSOURI PUBLIC UNIVERSITY GRADUATES WHO RECEIVED FEDERAL AID WHO EARN MORE THAN A HIGH SCHOOL GRADUATE

A university degree is no guarantee that one's income will exceed that of someone with only a high school diploma.



SHOW-ME INSTITUTE RESOURCES

Op-Ed: “Reaping the Whirlwind at Mizzou”

Blog post: “Diversity of Viewpoints? Not at Mizzou”

Blog post: “Mizzou’s Loss Is Other Schools’ Gain”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





INCOME TAX REFORM

Patrick Tuohy

THE PROBLEM: Missouri's economy has been stalled for almost two decades, as startup growth has slowed and entrepreneurs and taxpayers are leaving the state. Missouri is shrinking relative to other states and economies, ranking **48th out of 50 states** in real GDP growth between 1997 and 2015. Individual and corporate income taxes are destructive to the state's economic growth, productivity, and income, encouraging taxpayers to move their work or investments out of Missouri. This not only lowers economic output for the state, but also destabilizes revenue for state and local governments.

THE SOLUTION: *Reduction/elimination of income taxes.*

Lowering or eliminating individual income taxes will allow Missourians to increase their take-home pay, increase business investments, and encourage population growth through immigration.

THE OPPORTUNITY: Income tax reductions may be achieved in several different ways, both with and without "pay-for's." Reductions in tax incentives and spending can, for instance, provide the budgetary space to cut taxes. Whatever the pathway, reducing an obstacle to state growth and personal income growth should be a high priority if we want to jumpstart Missouri's economy.

KEY POINTS

- Missourians work hard for their money and deserve to keep what they earn.
- Income taxes penalize and discourage work.
- If you include the 1-percent earnings tax in our two biggest cities, Missouri has a top income tax rate of 7 percent, which is more than all but 17 states. Our top income tax rate equals or exceeds those of all but one of eight neighboring states.

REAL GDP GROWTH MISSOURI AND NEIGHBORING STATES 1997 TO 2015

Every one of Missouri's neighbors has outperformed it since 1997.

AREA	GROWTH*	RANKING
United States	2.0	N/A
Oklahoma	2.5	10
Nebraska	2.3	15
Iowa	2.0	22
Arkansas	1.9	23
Tennessee	1.8	29
Kansas	1.7	30
Illinois	1.2	41
Kentucky	1.2	42
Missouri	1.0	48

* **Compound annual GDP growth.**

Source: U.S. Bureau of Economic Analysis.

- A real reduction in individual income taxes raises take-home pay and encourages more consumption of Missouri goods and services, making Missouri more competitive with other states in the nation.

SHOW-ME INSTITUTE RESOURCES

Essay: “The 49th State: Revisiting Missouri’s GDP Sector by Sector”

Essay: “Taxes Matter and They’re Too High for Missouri”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





OPEN COLLECTIVE BARGAINING

Michael Highsmith

THE PROBLEM: Under current Sunshine Law in Missouri, government bodies may close meetings, records, and votes relating to contract negotiations until the contract is executed or rejected. This lack of transparency in negotiations between government unions and government officials can lead to contractual agreements that aren't in the public's best interest.

THE SOLUTION: *Open collective bargaining.*

Open collective bargaining would allow the public to attend meetings when government bodies are negotiating collective bargaining agreements with unions to ensure that tax dollars are being spent wisely. Openness in public affairs empowers citizens to hold their government representatives accountable. The public is directly affected by policies set during collective bargaining; citizens therefore deserve to be present during such meetings. An open collective bargaining rule would not prohibit the public agency from discussing and formulating its bargaining positions in executive session.

WHO ELSE DOES IT? Colorado (for public schools only), Florida, Georgia, Kansas, Minnesota, Mississippi, Montana, Nebraska, Nevada, North Dakota, Tennessee, and Texas all require contract negotiations to be open.

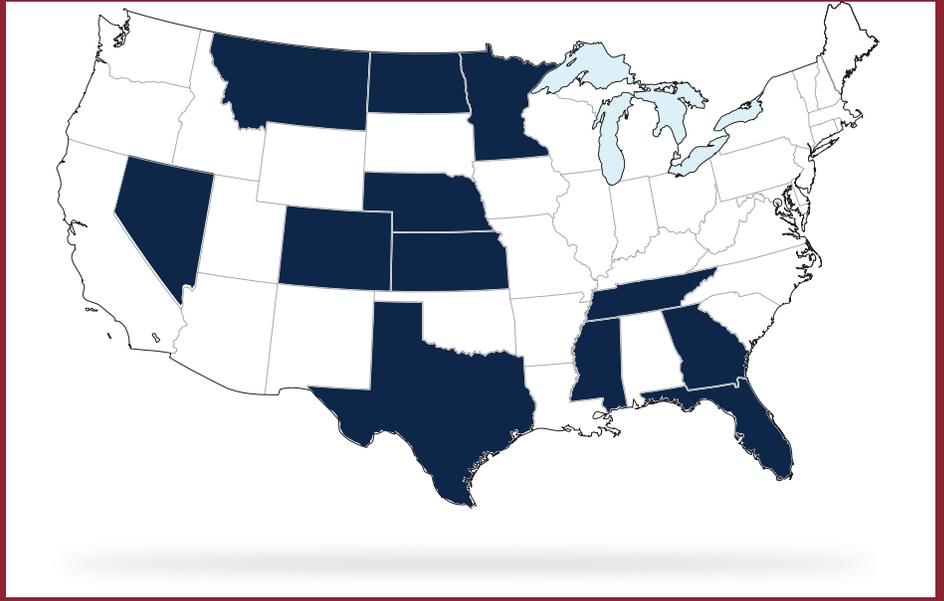
THE OPPORTUNITY: A transparent negotiating process will enable the public to hold government accountable in its dealings with public employee unions and help ensure that the agreements reached between the two parties are in the interest of everyone instead of just a select group of employees.

KEY POINTS

- Sunshine is the best disinfectant. Transparency increases government accountability and prevents back-room deals.

OPEN COLLECTIVE BARGAINING FOR GOVERNMENT EMPLOYEE UNIONS

Several states already conduct transparent negotiations with public employee unions.



- Open collective bargaining gives citizens the opportunity to attend union negotiations with government bodies and help ensure that tax dollars are spent responsibly.
- Missouri's Sunshine Law does not prevent government bodies from closing meetings to the public if they relate to a negotiated contract, even though there is no compelling reason why negotiations between a union and a public body need to be held in secret.
- Government unions can make campaign contributions and support candidates that they will potentially bargain with after election. This advantage makes it especially important that the public be aware of how the government and public employee unions interact.

SHOW-ME INSTITUTE RESOURCES

Essay: “A Primer on Government Labor Relations in Missouri”

Video: “Government Unions: Restoring Accountability”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





PREVAILING WAGE AND PROJECT LABOR AGREEMENTS

Patrick Ishmael

THE PROBLEM: State law governs what many government contractors must pay workers to get a government project, and it can also govern what kinds of workers contractors can use on that job. These restrictions often mean that large union contractors from big cities get jobs, to the detriment of smaller companies, local laborers, minority laborers, and taxpayers.

THE SOLUTION: *Let the market set wages and decide which contractors get the state's business.*

The prevailing wage is a version of the minimum wage—it sets a floor for pay. But like the minimum wage, a wage floor can actually hurt the people it's intended to help by denying employment to people who can do a job at a more competitive price. To make matters worse, making state projects more expensive also means less taxpayer money will be available for other priorities.

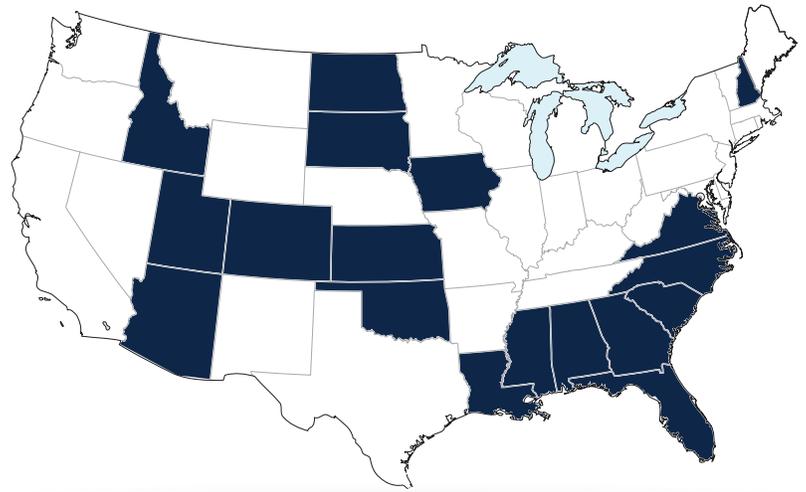
Meanwhile, project labor agreements (PLAs) set restrictions on who can and cannot participate in a project. This works to the advantage of the union firms for whom PLAs are written and structured to benefit.

Rather than dictate wages or employment, the government should focus on creating a robust jobs environment where higher wages develop organically and sustainably—without the deleterious effects of wage floors and job-killing contractor burdens—and where contractors compete on a level playing field.

WHO ELSE DOES IT? States with no prevailing wage law include Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, New Hampshire, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Utah, and Virginia.

According to Associated Builders and Contractors, an industry group, twenty-two states have passed PLA reforms “that increase competition and guarantee fair treatment

STATES WITH NO PREVAILING WAGE LAW



■ Eighteen states—including many of the fastest-growing states in the nation—have no prevailing wage law.

of all contractors and their employees on taxpayer-funded construction projects.”

THE OPPORTUNITY: Moving away from market-distorting policies like the prevailing wage and PLAs will enhance the state's ability to act as both a promoter of employment opportunities and steward of taxpayer money. It will also provide smaller contractors across the state the opportunity to compete on price with their larger competitors.

KEY POINTS

- Promotes competition among those seeking contracts for state projects.
- Helps to ensure taxpayer money is spent efficiently and effectively.
- Keeps the government's thumb off the scale in deciding whether union or non-union labor will get a project.

SHOW-ME INSTITUTE RESOURCES

Blog post: “Special Interests Inhibiting Joplin’s Recovery?”

Blog post, “Playing Favorites on the Board of Aldermen?”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





PUBLIC PENSION REFORM

Michael Highsmith

THE PROBLEM: Defined benefit (DB) pension plans promise employees annual payments for life upon retirement, but if a public plan does not have enough money to make these payments, taxpayers are legally bound to fund the difference. Pension plans can come up short if they fail to make sufficient contributions or overestimate their investment returns. Nationwide, state-run public pension funds are underfunded by nearly \$1 trillion dollars.

THE SOLUTION: *Defined contribution plans.*

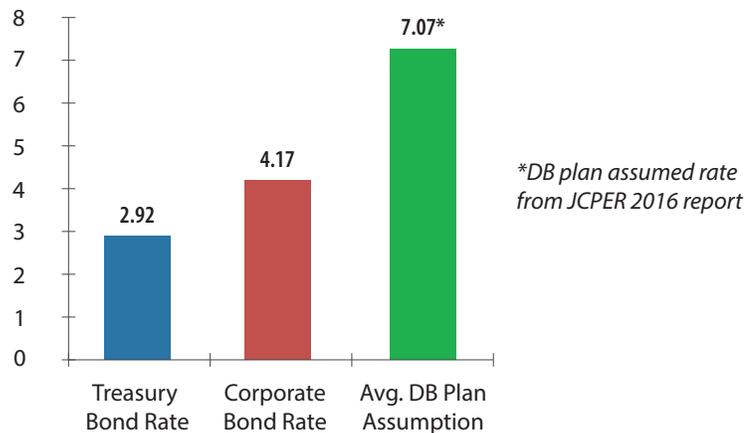
Defined contribution (DC) plans consist of employer/employee contributions into individual accounts—think 401(k)—which employees can manage as they see fit. Upon retirement, the funds are available to employees. DC plans fundamentally differ from DB plans in that they cannot incur unfunded liability (so taxpayers are not on the hook), they put investment decisions into the employee's hands, and they are transferable from one job to another.

WHO ELSE DOES IT? Of Missouri's 128 public retirement plans, 78 are DB, 38 are DC, and 12 are a combination of the two plans. Public DC plans exist across the nation; states such as Michigan and Alaska offer DC plans for new state employees, while others such as Florida offer both DC and DB plans.

THE OPPORTUNITY: Missouri's DB plans value their unfunded liabilities at approximately \$15.6 billion.¹ In 2015 an independent expert, using a corporate bond rate of 4.35%, valued the funding gap at closer to \$57 billion. Pension reform offers a chance to stop the bleeding. DB plans can hold taxpayers accountable if investment returns

RATES OF RETURN: TREASURY AND CORPORATE BONDS VS. DEFINED-BENEFIT PLAN ASSUMPTIONS

Defined-benefit plans assume higher return rates than either Treasury bonds or corporate bonds.



Sources: Joint Committee on Public Employee Retirement 2016 annual report; IRS data.

are lackluster, whereas DC plans cannot incur unfunded liabilities by definition.

KEY POINTS

- DC plans can protect Missouri from devastating budget shortfalls.
- When a DB plan's investment returns are below (sometimes unrealistic) assumptions, taxpayers can be forced to pay the cost.
- DC plans put investment decisions in the employee's hands and can be transferred from one job to another.
- Shifting to DC plans reduces the political incentive to overpromise when impacts won't be felt for years.

¹Joint Committee on Public Employee Retirement 2016 annual report.

SHOW-ME INSTITUTE RESOURCES

Policy study: “Public Employee Pensions In Missouri: A Looming Crisis”

Essay: “The Funding Status of State and Local Government Pensions in Missouri”

Policy study: “Missouri Transition Costs and Public Pension Reform”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





PUBLIC UNION RECERTIFICATION

Graham Renz

THE PROBLEM: Once a government union comes to power, it can stay in power indefinitely. No further elections are scheduled and no term limits are imposed. This means workers can do little to ensure their union truly represents their interests and is held accountable.

THE SOLUTION: *Regular public union recertification elections.*

Regular public union elections would give workers the right to elect union representation to fixed terms. Regular elections would help keep union actions in line with worker interests and lead to competition among unions. It would also help prevent backlash from union leadership in response to decertification petitions.¹

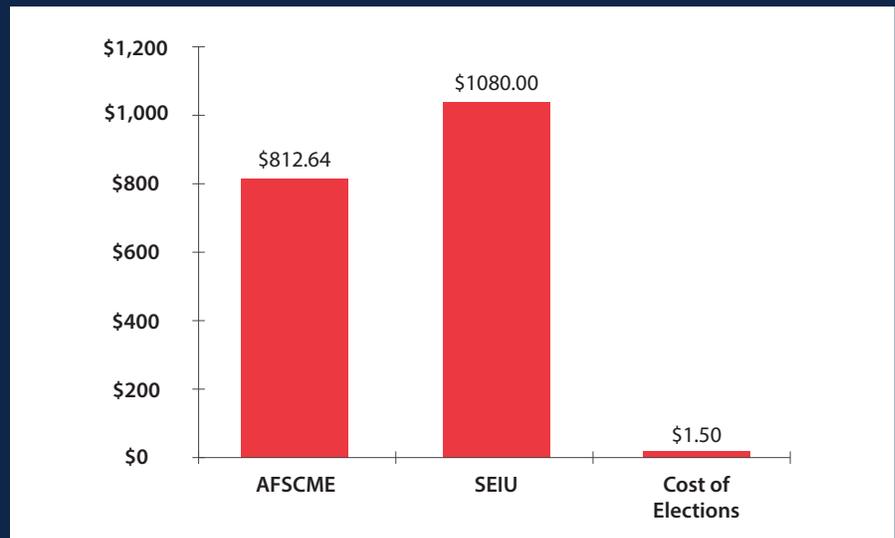
WHO ELSE DOES IT?

Currently, only Wisconsin requires regular public union elections.

THE OPPORTUNITY: The Commonwealth Foundation recently gave Missouri a letter grade of 'D' regarding its public labor laws. Research from the Show-Me Institute indicates that regular union elections need not be prohibitively expensive, and they offer a way to ensure that the unions serve the workers—not the other way around.

SELECTED UNION DUES PER WORKER VS. COST OF ELECTION PER VOTE

Union recertification elections could be funded with a tiny fraction of the amount that most union members pay in annual dues.



Source: Wright, J. The Low Cost of Labor Reform. The Show-Me Institute, 2015.

KEY POINTS

- Public workers in Missouri should have the right to choose who represents them.
- Regular elections would make unions more accountable to those they represent, just as regular government elections pressure politicians to be accountable to voters.
- Regular elections need not create new fiscal burdens, and can be cost neutral.

¹Employees can only force an election through a petition process in which their personal information is made public.

SHOW-ME INSTITUTE RESOURCES

Essay: “A Primer on Government Labor Relations in Missouri”

Essay: “The Low Cost of Labor Reform”

Scan this QR Code for an electronic version of this article
and a link to our other Missouri Blueprint pieces.





RIGHT TO WORK

Patrick Ishmael and Graham Renz

ENACTED

THE PROBLEM: Many workers in Missouri can be forced to join unions. That is unfair not only to the employees disempowered by the law, but also to employers who have to operate under it.

THE SOLUTION: *Right to work.*

Right to work ends compulsory unionism, giving workers the right to decide whether joining a union best serves their interests. This means that being a member of a union cannot be a prerequisite for employment, and provides employees the final decision about whether they want to give money to a union that may or may not have their best interests at heart.

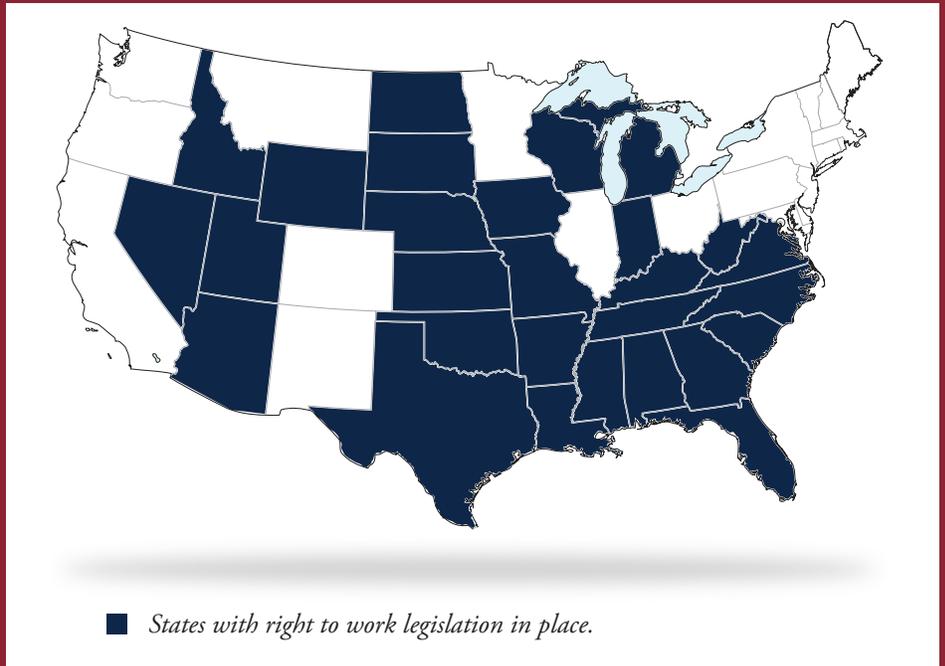
WHO ELSE DOES IT? Alabama, Arizona, Arkansas, Florida, Georgia, Guam, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming

THE OPPORTUNITY: Missouri would join the majority of American states that already have right to work laws, finally placing Missouri employers and employees on a level playing field with other states.

KEY POINTS

- Missouri will be able compete with neighboring right to work states on even footing in attracting businesses.
- Existing unions will be more responsive to the concerns of members, thanks to the credible threat of members leaving the organization.
- Employees will have greater control over their representation in negotiations with their employer.

STATES WITH RIGHT TO WORK LEGISLATION



- Employers will have greater flexibility in managing their businesses and making their operations more successful.
- Private employers are the focus, but analogous Roosevelt Laws in the public sector, like paycheck protection, should be pursued by policymakers as well.

SHOW-ME INSTITUTE RESOURCES

Essay: “A Primer on Government Labor Relations in Missouri”

Op-ed: “Rise of the Roosevelt Law: Is Reform in Government Unions Coming to Missouri?”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.



Governor Eric Greitens signed right to work legislation into law on February 6, 2017.



TAX CREDIT REFORM

Patrick Ishmael and Michael Austin

THE PROBLEM: The state of Missouri uses public money to subsidize the private projects of special interests, often in the name of “economic development.” Practically, that means less money for public needs and greater difficulty in later reducing taxes for all taxpayers.

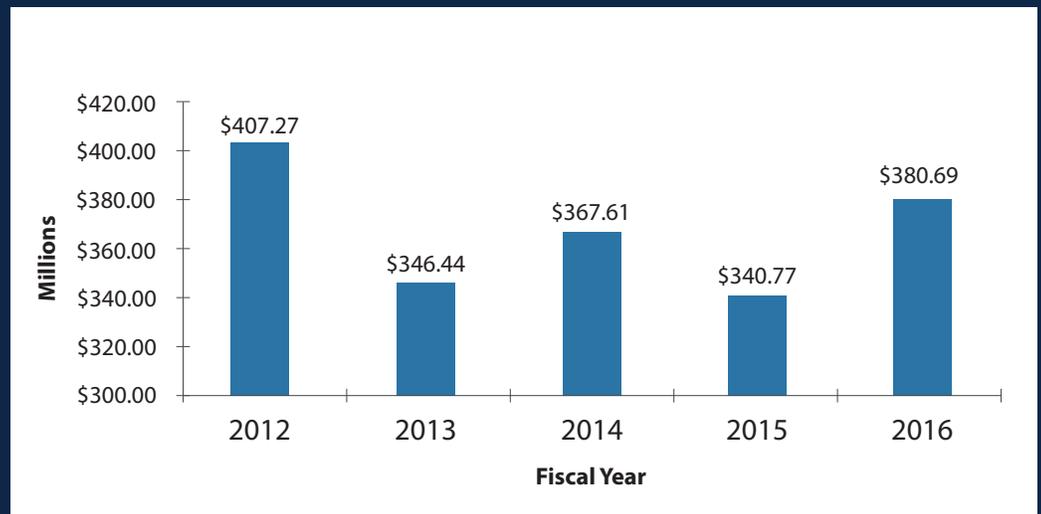
THE SOLUTION: *Draw down economic development tax credits and cut taxes with the savings.*

Tax credits inefficiently allocate taxpayer money into speculative private sector development projects. Over the last few decades, Missouri has given billions to a host of narrow programs and interests, with poor economic results overall. If the state is going to make an “investment” in private activities, it should be through the broadest mechanism possible—a tax cut.

THE OPPORTUNITY: Reducing the availability of development tax credits provides a practical pathway to pay for general tax cuts. For example, drawing down tax credits could provide the space to eliminate the state’s corporate income tax entirely; alternatively, cutting these credits could be used to reduce, by a smaller increment, income taxes on all Missourians. Whatever the strategy, putting more money in the pockets of Missouri residents and businesses is a better development strategy than the state trying to pick winners and losers in the marketplace. Being able to cut taxes for everyone in an effectively budget-neutral manner makes this reform all the more attractive.

ECONOMIC DEVELOPMENT TAX CREDITS ISSUED

Each year since 2012, over \$340 million in economic development tax credits have been issued in Missouri.



Source: Missouri Department of Revenue.

KEY POINTS

- Reform would move policy away from the status quo of taxing everyone—including the poor—to underwrite the development projects of government insiders and cronies.
- Individuals can be empowered to invest in the state and themselves.
- The role of government can be reestablished so that it is acting not as a private investor, but as a neutral player in such private activities.
- Taxes can be cut with a built-in pay-for.

SHOW-ME INSTITUTE RESOURCES

Case study: “Aerotropolis: A Raw Deal for Missouri”

Essay: “Cutting the Ties That Bind: End Missouri’s Corporate Income Tax”

Essay: “Passing Through Missouri: Left Behind on Taxes?”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





TRANSPORTATION INFRASTRUCTURE

Graham Renz and Patrick Tuohy

THE PROBLEM: The Missouri Department of Transportation (MoDOT) will likely face funding shortfalls in the near future. The state will need to generate new revenue in fair and economically sound ways.

THE SOLUTION: *User fees.*

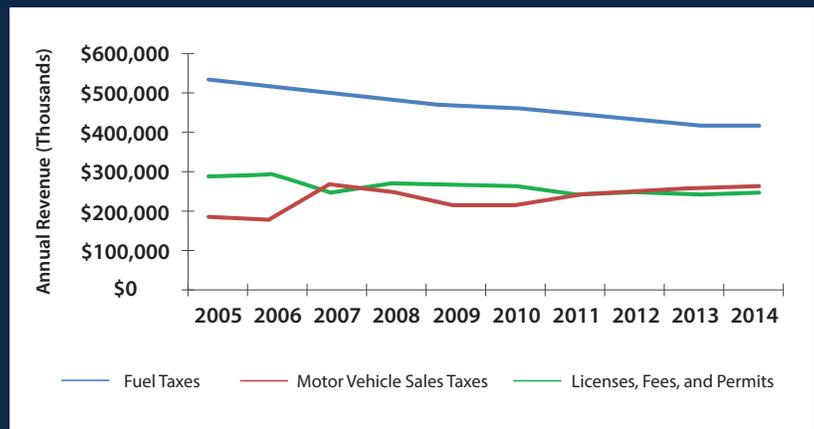
User fees connect the costs of goods and services to those who consume those goods and services. That means the people driving on the roads are the ones who pay for the roads. User fees are fair and constitute sound economic policy. In the short- to medium-term, adjusting fuel taxes (which haven't been raised since 1996) to inflation would raise enough funds for MoDOT to continue improving and maintaining the state's road system. But other, long-term solutions, such as tolling on major interstates and bridges, can help keep infrastructure funding sustainable. Public-private partnerships (P3s) could also boost capital funds. Furthermore, expanding MoDOT's use of design-build could save roughly 20% per project.¹

WHO ELSE DOES IT? Various forms of tolling are either planned or implemented in many states. Dozens of projects are funded by P3's in more than 10 states. Design-build has been shown to reduce costs in state and federal projects.

THE OPPORTUNITY: Missouri has the 5th-lowest gas tax and the 4th-lowest diesel fuel tax in the country. Simply adjusting these fuel taxes to inflation—raising them by less than 10 cents a gallon—would provide the funding necessary to keep Missouri's infrastructure in good repair. With I-70 soon requiring a full rebuild, simple tolling infrastructure and design-build procedures could be implemented to help increase capital investment and lower costs.

MISSOURI HIGHWAY USER-FEE REVENUE (2014 DOLLARS)

Fuel taxes, which aren't tied to inflation, have brought in less and less revenue over the past decade



Source: Missouri Department of Transportation. 2014 Comprehensive Annual Financial Report.

KEY POINTS

- A robust and well-maintained transportation system is vital to a strong Missouri economy.
- User fees assign the largest share of the cost burden for major projects to the people who benefit the most from them.
- Design-build and public-private partnerships bring the strengths of the free market to public infrastructure investment.
- User fees could prevent unfair special taxing districts from forming to fund wasteful projects.

¹Design-build is a project delivery method in which a single contractor both designs and builds an improvement. Overlapping these traditionally distinct project phases reduces costs and time to completion.

SHOW-ME INSTITUTE RESOURCES

Essay: “Funding the Missouri Department of Transportation and the State Highway System”

Scan this QR Code for an electronic version of this article and a link to our other Missouri Blueprint pieces.





5297 Washington Place | Saint Louis, MO 63108 | 314-454-0647
3645 Troost Avenue | Kansas City, MO 64109 | 816-287-0370

Visit Us: showmeinstitute.org Find Us on Facebook: facebook.com/showmeinstitute Follow Us on Twitter: twitter.com/showme