

2021 BLUEPRINT

Moving Missouri
FORWARD



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CHARTER SCHOOL EXPANSION

Abigail Burrola and Susan Pendergrass

THE PROBLEM: Demand for public charter schools far outstrips supply. A 2014 survey of Missourians found that while 2 percent of children are enrolled in public charter schools, 11 percent of parents said they would like to enroll their children in a public charter school. Unfortunately, public charter schools in Missouri are functionally limited to the Kansas City and Saint Louis school districts. Establishing a charter school is seen as nearly impossible in any district that meets minimum state accreditation requirements. Charter schools are only allowed under strict conditions, meaning many students who want to attend one will not be able to do so.

THE SOLUTION: *Expand public charter schools statewide.*

Charter schools should be allowed to have non-district sponsors, regardless of whether a district meets minimum state accreditation standards. Per-student funding should be the same for both public charter school and traditional public school students. Charter school authorizers, such as the state charter school commission and universities, are already willing to authorize charter schools. Demand among families should determine where and when charter schools open in Missouri.

WHO ELSE DOES IT? Over 7,000 charter schools operate in 43 states, the District of Columbia, and Guam, serving more than 3.2 million students. Twenty-three states place no caps on the number of charter schools, and many fund charters and traditional public schools at equal or nearly equal levels. Unlike Missouri, almost all other states

allow charter schools to operate anywhere. In fact, there are over 3,000 charter schools in suburban, small town, and rural communities across the country.

THE OPPORTUNITY: Charter schools are growing. Nearly 23,000 students were enrolled in 71 public charter schools in Missouri for the 2017–18 school year. University Academy, one of the top-performing public charter schools in the state, has a waiting list of 700 students. The demand is there. Simply by getting government out of the way, we can offer students a way out of underperforming schools and into schools they want to attend.

KEY POINTS

- Thousands of Missouri students are trapped in poor schools due to needless restrictions on school choice.
- Allowing public charter school expansion will meet demand from families.
- Charter schools have a proven track record elsewhere in the country and in Missouri.

SHOW-ME INSTITUTE RESOURCES

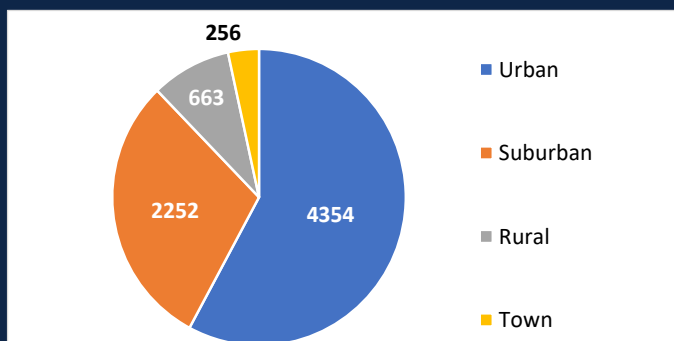
Essay: [“Expanding Charter Schooling in Missouri”](#)

Blog Post: [“Charter Schools Are Working in Kansas City”](#)

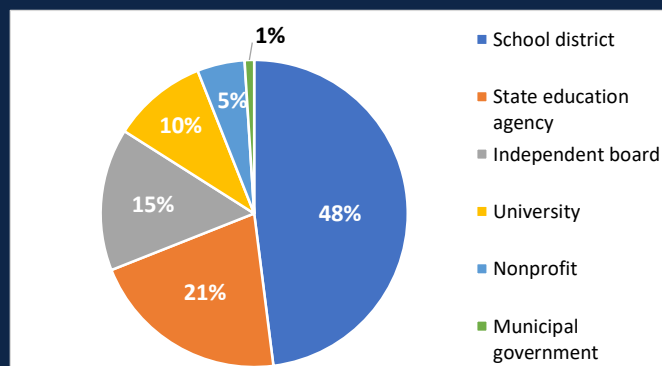
Blog Post: [“Charter Schools Can Exist in Rural Areas, Too”](#)

Blog Post: [“Charter Schools Boost College Completion”](#)

CHARTER SCHOOLS BY LOCALE, NATIONWIDE 2018–19



CHARTER SCHOOLS BY AUTHORIZER TYPE, 2018–19





ECONOMIC DEVELOPMENT SUBSIDIES

Corianna Baier and Patrick Ishmael

THE PROBLEM: Excessive use of economic development subsidies has led to much-needed tax revenue being diverted to developers and away from schools and other public services. For a project to qualify for some of these subsidies, a parcel of land must be declared “blighted.” But the standards for blight definition are very loose—projects involving undeveloped fields or buildings that are merely vacant can qualify for subsidies. Some subsidy applications, such as those for tax-increment financing (TIF) projects, require a cost-benefit analysis. But many of these analyses are flawed or missing from current projects, which can lead to an improper allocation of tax dollars. Missouri state and local governments have given out over \$6 billion in economic development subsidies since 1990. However, studies from across the country indicate that these subsidies fail to generate promised jobs and growth.

THE SOLUTION: *Economic development reform.*

Better oversight is needed to ensure that only truly needy projects qualify for economic development subsidies. Changing the legal definition of blight and capping subsidies would rein in these giveaways. Other options include moving TIF project decision making to the county level.

WHO ELSE DOES IT? Many other states (such as New Jersey) and localities (including Chicago) have recognized

the need for TIF and economic development reform. California, which pioneered TIF in 1952, ended the existing program in 2012 due to cost.

THE OPPORTUNITY: Addressing actual blight in communities suffering from high unemployment and poverty will help ensure that that public policy addresses real needs and doesn't just reward the politically well connected.

KEY POINTS

- In 2019, Missouri reported 524 TIF projects from 100 political subdivisions across the state. These projects are anticipated to have \$10.1 billion in TIF-reimbursable project costs. Such subsidies take money away from public services that the broader community relies on.
- In most cases, subsidies do not have the desired effects on job, investment, or economic growth.

SHOW-ME INSTITUTE RESOURCES

Policy Study: [“Does Tax-Increment Financing Pass the ‘But-For’ Test in Missouri?”](#)

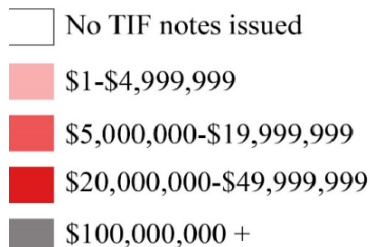
Blog Post: [“Sometimes Common Sense Does Prevail”](#)

Blog Post: [“Tallying the Costs of Development Subsidies”](#)

TIF IN ST. LOUIS

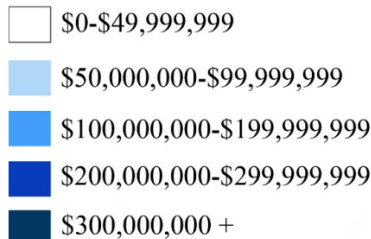
In St. Louis, TIF projects appear more often in wealthy areas than in poorer areas.

AMOUNT OF ORIGINAL TIF NOTES PER WARD



Source: Missouri State Auditor's office: <https://app.auditor.mo.gov/Repository/Press/2020076701653.pdf>

TOTAL ASSESSED VALUE BY WARD



Source: Missouri State Auditor's office: <https://app.auditor.mo.gov/Repository/Press/2020076701653.pdf>



EDUCATION FUNDING FORMULA

Susan Pendergrass

THE PROBLEM: Missouri's school funding formula is not designed for 2020. It was last revised in 2004, with several "hold-harmless" provisions that have outlived their usefulness. By one such provision, the amount districts are expected to raise through local property taxes uses property values from 2005 unless those values have declined since then. This skews the distribution of state funds and often results in state money going to districts with very high property values. Further, during the pandemic many students have moved between in-person schooling, virtual schooling, and homeschooling, depending on their family's circumstances. A more equitable funding formula would allow a student's funding to follow him to the school of his choice.

THE SOLUTION: *Revise the school funding formula.*

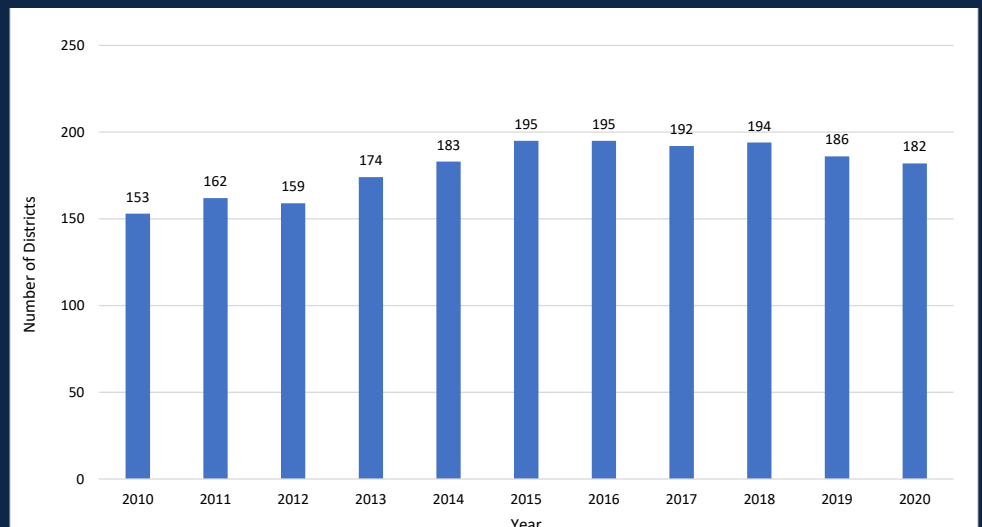
The formula should adjust for property value assessments yearly. All hold-harmless provisions in the formula should be revisited. Allow parents to direct state funding for their children's education to the school of their choice.

WHO ELSE DOES IT? At least three states have created safe learning scholarships to allow parents to use their children's state funding for private, virtual or homeschool education.

THE OPPORTUNITY: Updating the property assessments with current values, along with updating or eliminating the hold-harmless provisions, would help ensure that the funding formula accurately accounts for every district's local effort. It would also provide access to funding for students who have left their assigned public school, rather than holding districts harmless by giving them the student's funding even after the student has left.

MISSOURI SCHOOL DISTRICTS USING 2004 PROPERTY VALUES FOR STATE FUNDING FORMULA

Using the much-lower 2004 property values means that some districts are treated by the state as if local property taxes generate less revenue ("local effort") than they actually do. As a result, the state sends some wealthy districts money to compensate for their apparent lack of resources, even though they aren't lacking.



Source: Missouri Department of Elementary and Secondary Education (DESE).

KEY POINTS

- A student funding formula based on 2005 property values creates outdated, biased school funding patterns.
- The pandemic has highlighted the need to allow parents to access their state education funding and have it follow students to the schools of their choice.

SHOW-ME INSTITUTE RESOURCES

Policy Study: ["A Primer on Missouri's Foundation Formula For K-12 Public Education: 2017 Update."](#)

Report: ["Opportunities to Improve Missouri's Education Funding Formula"](#)

Blog post: ["Pandemic Pods Raise Important Questions About School Funding"](#)

Blog post: ["It's Time to Fund Everything for Every Student"](#)



EDUCATION SAVINGS ACCOUNTS

Susan Pendergrass

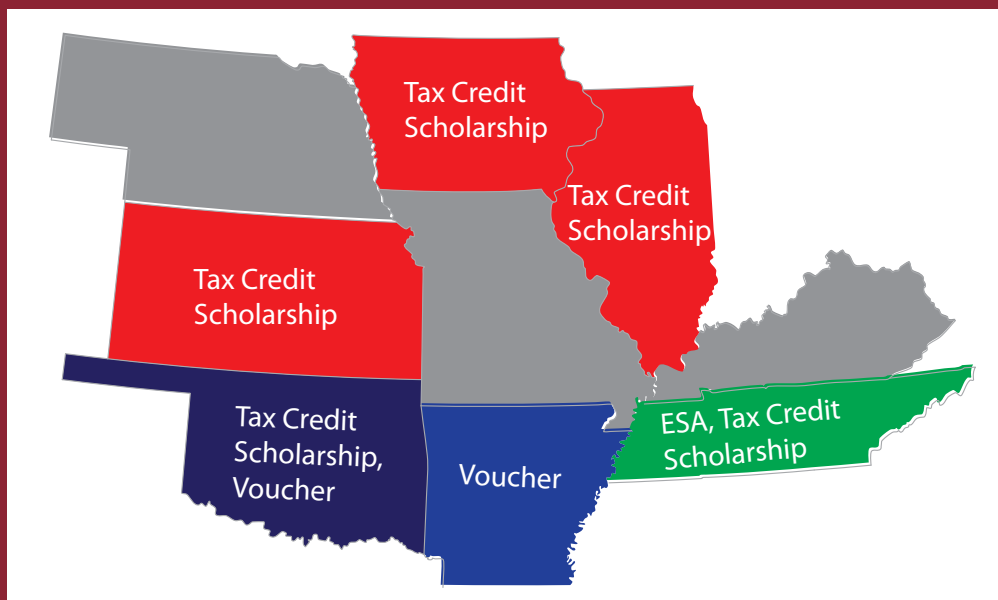
THE PROBLEM: Demand for school choice far outstrips supply, particularly in the midst of a pandemic. According to a 2014 survey, just 28 percent of Missouri parents of school-aged children would choose a traditional public school if they could choose any type of school for their child. The same survey found support levels of 60 percent or higher among registered voters for school vouchers, education savings accounts, and a tax-credit scholarship program. A survey of Missouri parents conducted in summer 2020 found that just 59 percent were willing to send their child back to school if they opened. Missouri students need more options.

THE SOLUTION: Education savings accounts (ESAs). ESAs are flexible-use savings accounts used solely for education purposes. They could be directly funded by the state and administered by a private contractor. Families could use the funds to purchase school supplies, tutoring services, or private school tuition.

WHO ELSE DOES IT? Six states have ESA programs, and 17 states have tax credit-funded scholarships, including Kansas, Iowa, Illinois, Indiana, and Oklahoma. At least three states—New Hampshire, North Carolina and Oklahoma—created emergency ESAs in response to the disruption to public education caused by the COVID pandemic.

THE OPPORTUNITY: The U.S. Supreme Court decision in *Espinoza v. Montana DOR* has cleared the way for public dollars to be spent by parents at private schools. Missouri, however, is among a shrinking number of states without a private school choice program. It does, however, have a large stock of private schools and as many as 28,000 available seats. Parents looking for in-person learning this year could use an ESA for private school tuition.

VOUCHER, ESA, AND TAX CREDIT SCHOLARSHIP PROGRAMS: MISSOURI AND NEIGHBORING STATES



Source: edchoice.org

KEY POINTS

- Missouri parents want and deserve more choice regarding their children's education.
- Many Missouri students are not being well prepared to succeed as adults.
- ESAs could support many different types of students, like low-income gifted or bullied students, as well as those in virtual-only school districts who need in-person learning.

SHOW-ME INSTITUTE RESOURCES

Essay: ["Bryce's Law Revisited: Serving Missouri's Neediest Students Through Targeted Scholarships"](#)

Podcast: ["Education Needs Innovation"](#)

Blog: ["It's time to fund everything for every student"](#)

Blog: ["How Missouri Can Serve Its Low-income Gifted Students"](#)

Infographic: ["A school roadmap for 2020"](#)



EXPANDING STUDENT OPTIONS

Susan Pendergrass

THE PROBLEM: Missouri students who want online or virtual instruction have the legal right to enroll in the Missouri Course Access Program (MOCAP), but only with the permission of their district—which isn't always easy to get. Conversely, students who need in-person instruction must either pay tuition for private school or create and pay for learning pods with neighbors and friends.

THE SOLUTION: Parents should be allowed to determine, without district input, whether to enroll their children in MOCAP. Parents who need in-person instruction for their children should be given a portion of their state funding to facilitate learning pods or enrollment in a private school.

Both of these policies will immediately expand options for Missouri parents, making it easier for them to navigate a school year characterized by fluctuating schedules and rapidly changing education delivery systems.

WHO ELSE DOES IT? Most states offer some form of virtual education, including 26 states with virtual charter schools. Parents in at least three states can get grants to choose their own in-person learning environments this year.

THE OPPORTUNITY: MOCAP currently has eleven virtual education providers that have been vetted and approved by the Department of Elementary and Secondary Education (DESE). The Missouri State Board of Education could waive the regulation requiring parents to get district permission to enroll with one of these approved providers. In addition, the Missouri Legislature could make state funds available to parents who need in-person learning for their children when their district only provides virtual classes.

KEY POINTS

- MOCAP is an existing, approved education option that offers students a cost-effective way to take courses not otherwise available in their district. It should be easy to access, especially during a pandemic.

- Many parents have had to take it upon themselves to find or create in-person learning this year. The state should make sure that all parents have the funds they need to make that happen.

SHOW-ME INSTITUTE RESOURCES

Essay: [“Course Access in Missouri: Diversity, Personalization, and Opportunity”](#)

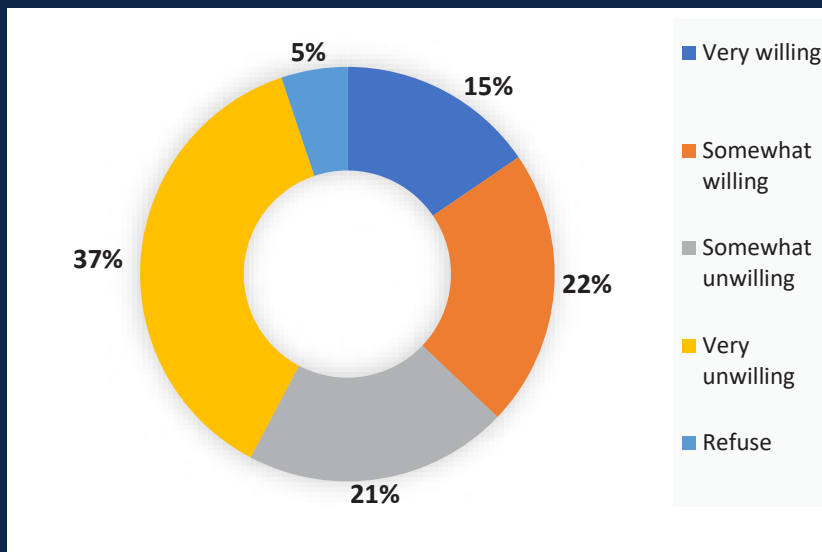
Blog Post: [“Fall 2020 Educational Resources for Missouri Parents”](#)

Blog Post: [“Attention Parents”](#)

Blog Post: [“Immediate Education Legislation Needed for Special Session”](#)

ONLINE PUBLIC SCHOOL: PARENT OPINION SURVEY

Over one third of Missouri parents are very willing or somewhat willing to enroll their children in a tuition-free online public school.



Source: Survey of Missouri parents with children under the age of 18 at home. Conducted June 28 to July 6, 2020 by WPA Intelligence on behalf of the Missouri chapter of the National Coalition for Public School Options.



FREE MARKET HEALTH CARE REFORM

Patrick Ishmael

THE PROBLEM: Missouri has made significant strides in health-care reform during the coronavirus pandemic, passing legislation establishing unilateral license reciprocity for health care workers and other professions and advancing temporary waivers dealing with telemedicine and scope-of-practice issues. Unfortunately, while laws are permanent, the waivers that were issued will eventually expire. Accordingly, legislative action is required to ensure Missouri's health care system is flexible not only during the pandemic, but also after it's over.

THE SOLUTION: *Unleash the supply of health care in the state.*

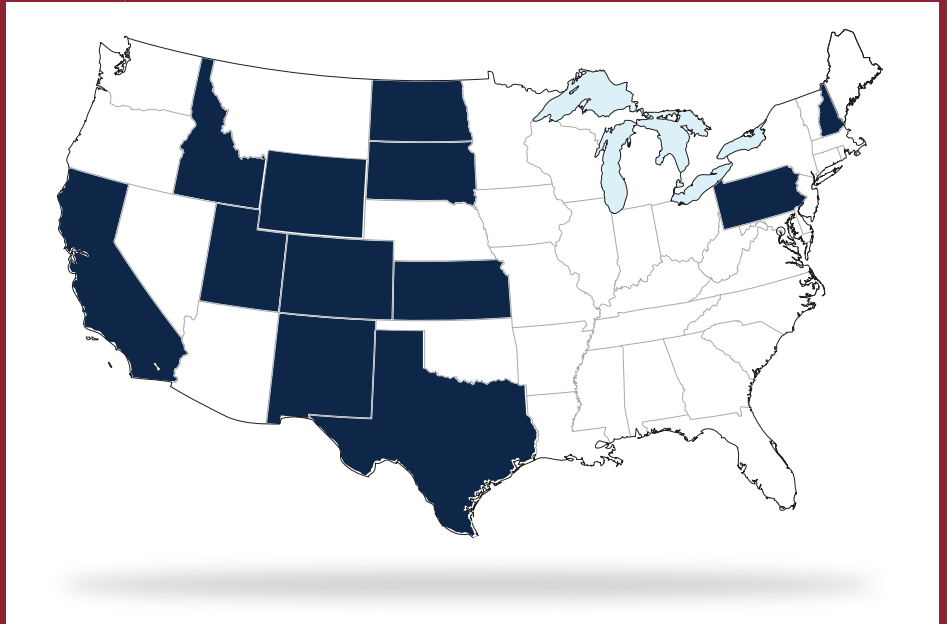
First, make 2020's health care waivers permanent and ensure Missouri patients have ample access to the health care resources not only during the pandemic, but beyond it. Second, repeal the state's Certificate of Need law so that critical health care facilities and services can open more freely in the state. Third, ensure that short-term medical insurance plans are protected from over-regulation and their terms extended, and renewable, to the greatest extent possible under federal law. The key to increasing health care access and reducing health care costs is to promote the supply of these services and professionals. The more government interferes with this process, the worse off Missourians, and their health, will be.

WHO ELSE DOES IT? States across the country have instituted significant health care reforms in response to the coronavirus pandemic. Many are in the process of making their waivers and executive orders permanent, including in the areas of scope of practice, telemedicine and certificate of need.

THE OPPORTUNITY: Missouri patients deserve a health care system that conforms and responds to their needs, not the needs of ambitious bureaucrats and regulators. Making these waivers permanent and otherwise

STATES WITHOUT CERTIFICATE OF NEED LAWS

Twelve states (blue) have either repealed or declined to enact certificate of need laws.



Source: National Conference of State Legislatures. "CON—Certificate of Need Laws." December 2019.

liberalizing the state's health care system are necessary tools to achieving this end. That means passing a law that allows medical professionals to practice to the maximum extent of their training, clearing the way for more competition in the provision of health care services, promoting flexible health insurance offerings like short-term medical insurance, and ensuring that patients can be seen remotely by physicians regardless of the physician's home state of practice. Temporary waivers are inadequate; these reforms need to be made permanent. The only way that progress will be made is by passing a law—and as soon as possible.

KEY POINTS:

- States across the country responded to the coronavirus pandemic almost categorically by reducing health care regulations to maximize health care access.
- Health care access comes in many forms. It includes not only access to physical buildings like hospitals and other care centers, but also to an ample supply of trained

medical professionals and to choice in competitive insurance offerings that conform to the needs of consumers, not to the convenience of the government.

- Health care supply is key to putting downward pressure on health care prices in both the short and long terms.
- Focusing on promoting supply is an important element of free-market reforms not only in health care, but in other policy areas as well.
- If regulations can be eliminated when doing so is critical to public health, they simply aren't necessary and should be repealed.

SHOW ME INSTITUTE RESOURCES

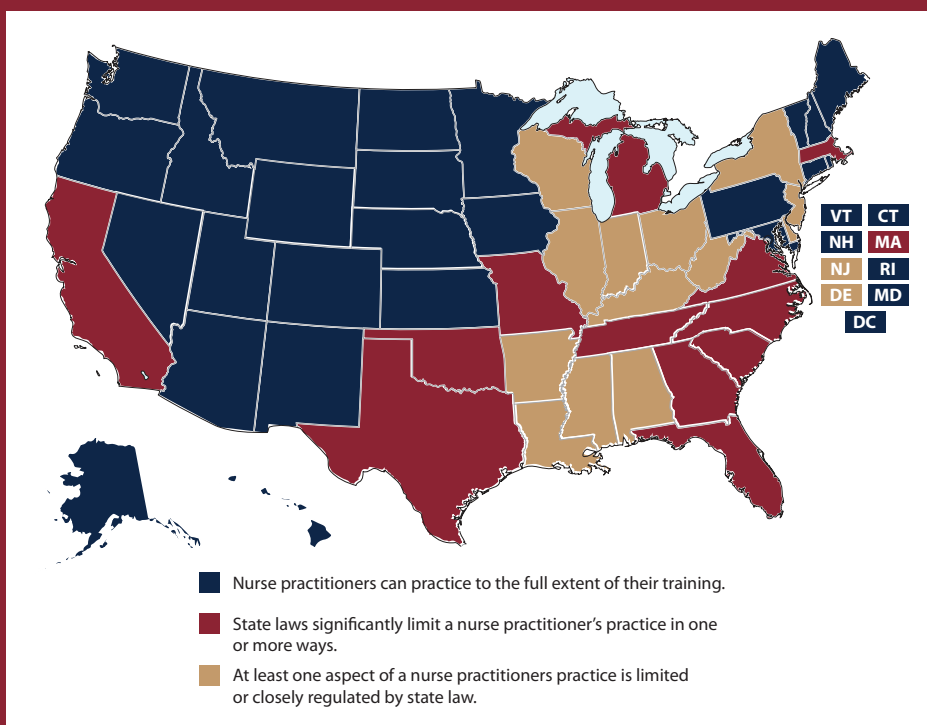
Policy Bulletin: [“Moving Missouri Forward: Five Policies to Restart Missouri”](#)

Blog Post: [“Governor Approves Waivers Expanding Health Care Supply, Including License Reciprocity”](#)

Blog Post: [“A Small Step Forward, but Let's Take the Leap”](#)

STATES WITH BURDENSOME SCOPE OF PRACTICE STATUTES FOR NURSE PRACTITIONERS

Missouri is one of a dozen states that heavily restrict the practices of nurse practitioners.



Note: This map does not reflect temporary waivers related to coronavirus response.

Source: American Association of Nurse Practitioners



INCOME TAX REFORM

Corianna Baier

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's economy is shrinking relative to those of other states, ranking 43rd in real GDP growth between 2009 and 2019. Missouri's tax structure is a big part of the problem. Individual and corporate income taxes are destructive to the state's economic growth and encourage taxpayers to move their work or investments elsewhere. The result is not only reduced economic output for the state, but destabilized revenue for state and local governments. Local income taxes, such as the earnings taxes in St. Louis City and Kansas City, have similar negative effects on growth. These taxes steer money from private investment and make Missouri's largest cities less competitive.

THE SOLUTION: *Reduce or eliminate the individual income tax and earnings taxes.*

Lowering or eliminating individual income and earnings taxes increases take-home pay and business investment opportunities for Missourians. It will also make Missouri, St. Louis, and Kansas City more competitive in the region, encouraging population growth through in-migration. Reduction or elimination of these taxes does not necessarily need to be met with equivalent taxes imposed elsewhere. Wasteful spending shouldn't be supported with a new revenue stream—it should be eliminated.

WHO ELSE DOES IT? Seven states currently have no income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. Two other states, New Hampshire and Tennessee, levy income tax only on dividends and income from investments, though the tax in Tennessee will be eliminated by 2021. Kansas City and St. Louis are the only cities in Missouri that impose an earnings tax. Most of the country's largest cities do not have earnings taxes.

THE OPPORTUNITY: Income tax reductions could be achieved in several ways. Reductions in tax incentives and spending can provide the budgetary space to cut taxes. The introduction of the Internet sales tax could be balanced with an income tax reduction. The earnings tax can be eliminated if Kansas City or St. Louis citizens vote not to renew it. The

Real GDP Growth Rate, Missouri and Neighboring States, 2009–2019

Area	Growth Rate	Ranking Amongst States
United States	2.3	N/A
Oklahoma	2.4	9
Tennessee	2.3	13
Nebraska	2.0	18
Iowa	1.8	24
Kansas	1.6	33
Arkansas	1.5	34
Illinois	1.4	35
Kentucky	1.4	35
Missouri	0.9	43

Source: U.S. Bureau of Economic Analysis

tax would phase out over ten years, giving ample time for each city to gradually reorient its revenue strategy and reassess its spending priorities. Whatever the pathway, reducing an obstacle to state and personal income growth would help jump-start Missouri's economy.

KEY POINTS

- Missourians work hard for their money and deserve to keep what they earn.
- State and local income taxes penalize and discourage work.
- A reduction in individual income and earnings taxes increases take-home pay and encourages more consumption of Missouri goods and services, making Missouri more competitive with other states in the nation.
- Earnings taxes aren't just a Kansas City and St. Louis issue. Because these cities sit at the center of Missouri's regional economic engines, bad policies there have negative ripple effects throughout the state.

SHOW-ME INSTITUTE RESOURCES

Report: [“Local Income Taxes”](#)

Essay: [“A New Tax Policy Vision for Missouri”](#)

Essay: [“Taxes Matter and They're Too High for Missouri”](#)

Essay: [“Updated Estimates on the Effects of Earnings Taxes on City Growth”](#)



OPEN COLLECTIVE BARGAINING

Patrick Ishmael

THE PROBLEM: Thanks to ongoing litigation surrounding HB 1413—a government union reform bill passed in 2018—some government bodies may still 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 are not in the public's best interest.

THE SOLUTION: *Open collective bargaining for all unionized public employees.*

Open collective bargaining would allow the public to attend meetings where government bodies are negotiating collective bargaining agreements with unions to ensure that tax dollars are being spent wisely. The public is directly affected by policies set during collective bargaining; citizens therefore have a right 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? Twelve states require contract negotiations to be open, as do three others on a limited basis.

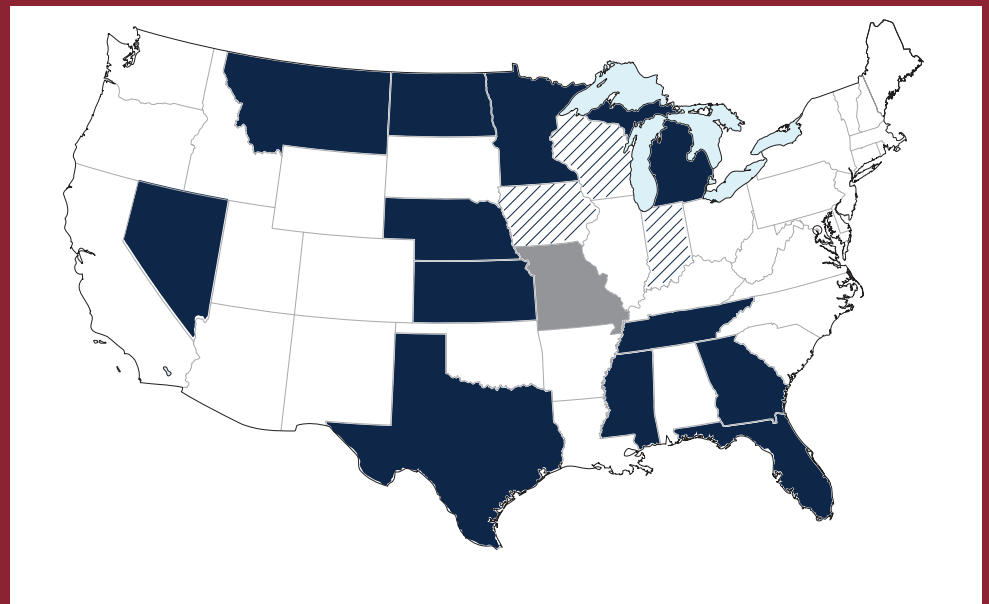
THE OPPORTUNITY: A transparent negotiating process will enable the public to hold government accountable in its dealings with public employee unions.

KEY POINTS

- Open collective bargaining gives citizens the opportunity to attend union negotiations with government bodies and help ensure that tax dollars are spent responsibly.

OPEN COLLECTIVE BARGAINING FOR GOVERNMENT EMPLOYEE UNIONS

Several states (in blue) already require that public-sector union contract negotiations be open to the public. States with blue cross-hatching have enacted more limited contract-negotiation transparency measures.



Note: Missouri's open collective bargaining law has been suspended, pending ongoing litigation.

Source: *Commonwealth Foundation State Labor Comparison.*

- Missouri's Sunshine Law currently allows government bodies to close 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 should be held in secret.
- Government unions can make campaign contributions and support candidates that they will potentially bargain with after they're elected. This advantage makes it especially important that the public be aware of how the government and public employee unions interact.

SHOW-ME INSTITUTE RESOURCES

Policy Study: [“A Primer on Government Labor Relations in Missouri”](#)

Video: [“Government Unions: Restoring Accountability”](#)



SCHOOL REPORT CARDS

Abigail Burrola and Susan Pendergrass

THE PROBLEM:

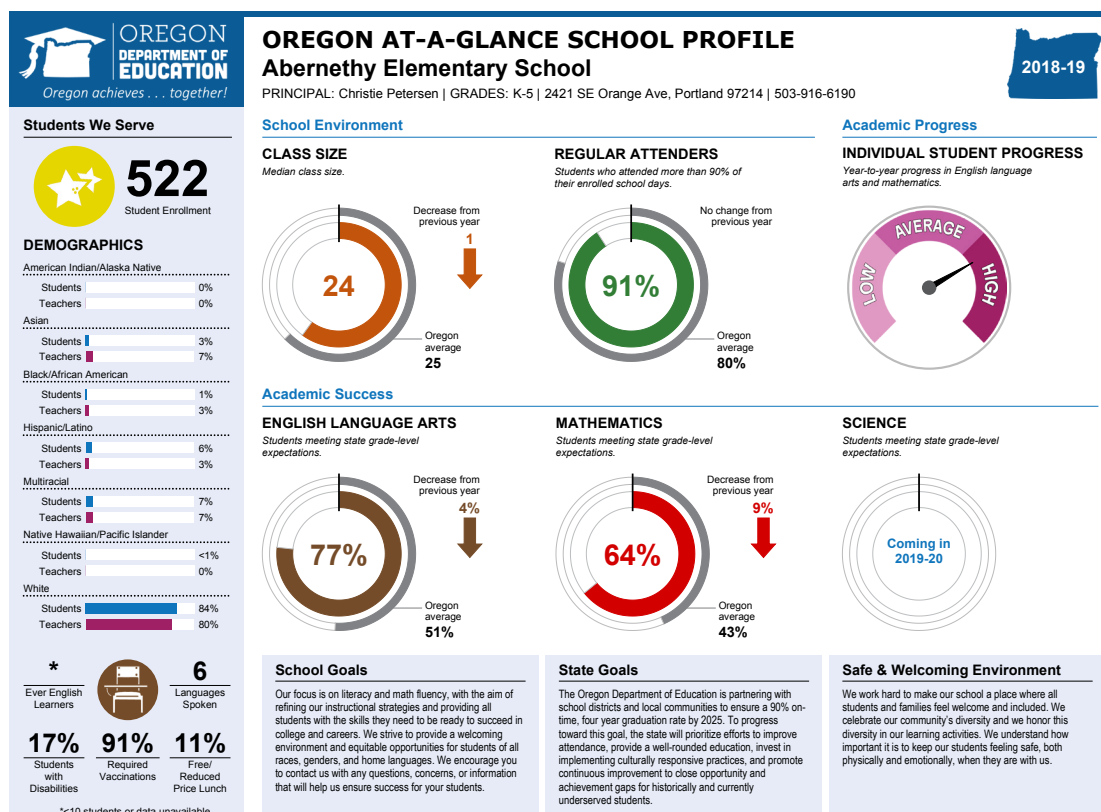
Information about the performance of individual schools in Missouri is difficult to find, and the information that is available is not user-friendly. The Missouri Department of Elementary and Secondary Education (DESE) is required by federal law to produce parent-friendly report cards on every school and district in the state. However, DESE's "report cards" are of little use to parents. They are available on a website that is difficult to navigate and are laden with technical jargon. DESE's report cards do not meet the requirements set out in the 2015 Every Student Succeeds Act (ESSA), so parents are not getting all of the information they need. The information gap is so wide that other organizations, such as news outlets and academic centers, are stepping in to do the job that DESE should be doing.

THE SOLUTION: *Redesign the school report cards.*

The school report cards should be redesigned so that they are user-friendly and provide all of the federally required information. The report cards should also be mobile- and print-friendly.

WHO ELSE DOES IT? Many states, such as Delaware, Illinois, Louisiana, and Oregon (see graphic) have high-quality, parent-friendly report cards.

THE OPPORTUNITY: Better reporting on the performance of our public schools would serve the interests of parents, policymakers, and the schools themselves. Problems that are now hidden because of the current reports' lack of transparency could finally be identified and then addressed.



School Website: www.pps.net/schools/abernethy

For more information please visit: www.oregon.gov/ode/reports-and-data/

KEY POINTS

- Current DESE school report cards are hard to find and understand.
- Armed with better information about school performance, parents and policymakers could hold school districts and administrators accountable.

SHOW-ME INSTITUTE RESOURCES

Report: ["Missouri's Report Card and ESSA Requirements"](#)

Blog Post: ["Why Are Other Organizations Doing DESE's Job?"](#)

Blog Post: ["Missouri's School Accreditation Doesn't Help Students"](#)

Podcast: ["It Shouldn't Be This Hard"](#)



SPECIAL TAXING DISTRICTS

Patrick Tuohey and Graham Renz

THE PROBLEM: Special taxing districts (SDs) are political subdivisions of the State of Missouri that fund specific services and improvements, such as neighborhood security, fire protection, and various kinds of infrastructure. In theory, SDs can help deliver services to taxpayers efficiently and effectively. But in practice, certain SDs—particularly transportation development districts (TDDs) and community improvement districts (CIDs)—may create more problems than they solve.

First, these districts allow narrow special interests to tax the public for their own private gain. For example, a luxurious hotel in Kansas City instituted a CID in order to charge a 1 percent sales tax that it will use to refurbish rooms and replace carpeting.

Second, the districts are often drawn tightly around businesses, such as shopping malls, so that no local residents have to vote for the tax increase. The ability to draw district boundaries gives business owners a great deal of power to charge local taxes without public oversight. Without that oversight, SD boards can extend the length of their tax increases well past the initial project need.

Lastly, the Missouri State Auditor has pointed out that SDs are not transparent and that taxpayers are often not consulted in their creation and have no idea of their existence. For example, customers often choose hotels based on room rates, but rarely by tax rate—in fact, many customers do not even know they are paying these additional sales taxes.

The number of SDs is growing rapidly, and the combined impact of these small districts is adding to the tax burden of Missourians across the state.

THE SOLUTION: *Stricter requirements for the creation of SDs and stronger reporting requirements to ensure accountability.*

Reforms that will provide greater taxpayer protection include (1) requiring that a minimum number of residential voters live in districts; (2) requiring that the state auditor or director of revenue compile an annual report that details statewide SD spending, revenue, and debt; (3) requiring that

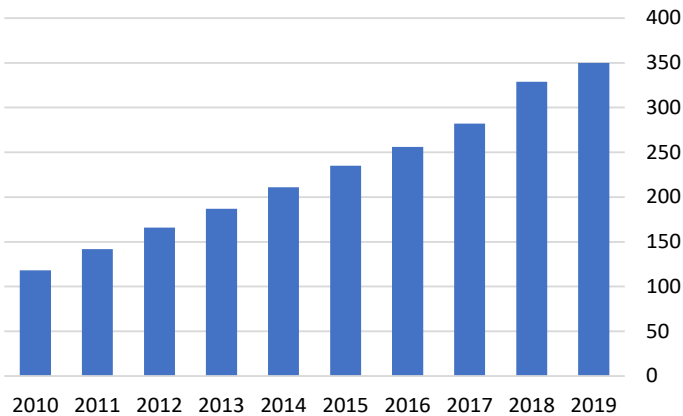
all SDs sunset unless explicitly approved by district voters; and (4) requiring more transparent public bodies, such as city or county councils or commissions, to approve all SD bids. To truly curb abuse, the sales taxing authority of SDs could be revoked so that only property tax revenue could support district projects.

THE OPPORTUNITY: Reforming these districts could increase transparency and provide protection for taxpayers. Limiting the taxing authority of SDs to property tax revenue would internalize the costs of district projects, meaning that those who benefited from the projects would be the ones paying for them. With districts no longer able to externalize costs by imposing sales taxes, the laws governing SDs would be better aligned with their original purpose: to allow a group of landowners and residents to come together to share the cost of a project that might be too expensive for one of them to undertake, but that would benefit all of them if completed.

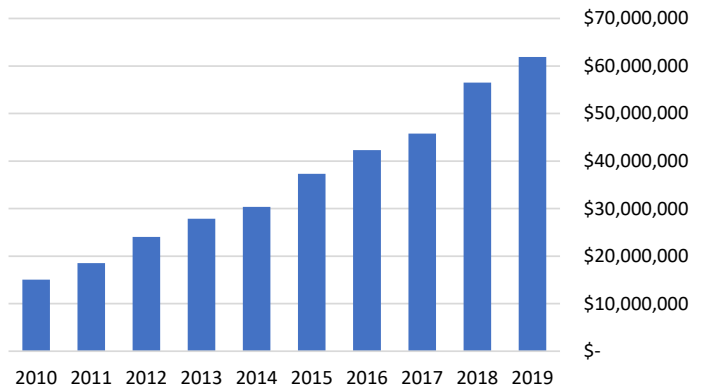
KEY POINTS

- From 2010 to 2020, nearly 50 percent of TDDs were given a rating of “fair” or “poor” by the Missouri State Auditor.
- In 2014 and 2015 alone, TDDs in Missouri collected more than \$176 million in tax revenue—yet only 6 percent of those TDDs had residents within their boundaries. According to the state auditor’s report, \$125 million of that revenue was collected without residential voter approval.
- From 2010 to 2020, nearly 50 percent of TDDs were given a rating of “fair” or “poor” by the Missouri State Auditor.
- Requiring SDs to demonstrate they are meeting their job creation and tax revenue goals would keep them accountable to taxpayers.
- SD board members voting for and approving contracts for themselves is a potential conflict of interest. Requiring that contracts be put out for bid would ensure a competitive process.

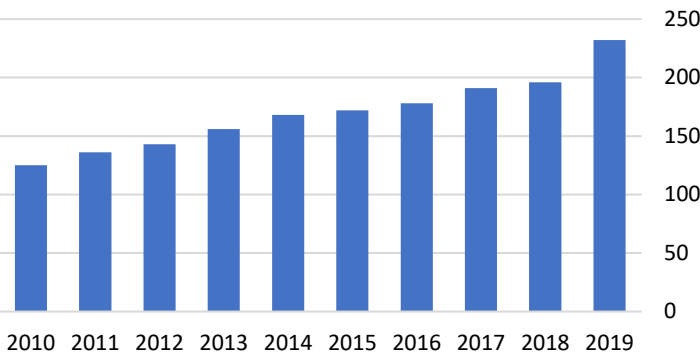
Number of CIDs, 2010-2019



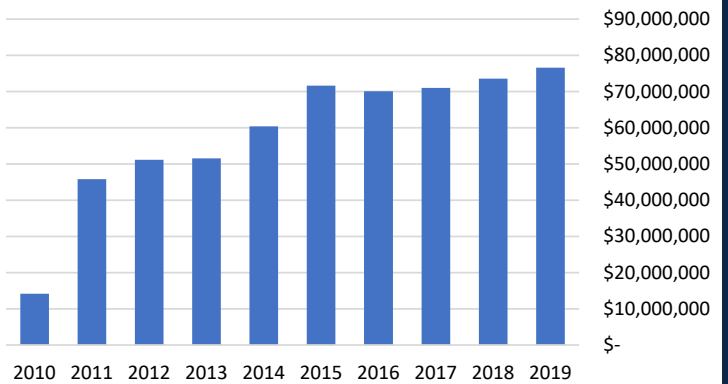
Dollar Value of CIDs, 2010-2019



Number of TDDs, 2010-2019



Dollar Value of TDDs, 2010-2019



SHOW-ME INSTITUTE RESOURCES

Missouri State Auditor's Report: [“Transportation Development Districts” \(Report No. 2017-2020\)](#)

Essay: [“Overgrown and Noxious: The Abuse of Special Taxing Districts in Missouri”](#)

Op-Ed: [“How Missouri's Special Taxing Districts Promote Legal Plunder”](#)

Blog Post: [“Auditor's Report Sheds Light on Special Taxing Districts”](#)

Blog Post: [“Missouri's Troubling Sales Tax Mosaic”](#)

Blog Post: [“Missouri's Dubious Tax Honor”](#)

Blog Post: [“A Fine First Step in the Right Direction for Special Taxing District Reform”](#)



SPENDING TRANSPARENCY

Patrick Ishmael

THE PROBLEM: Missouri's local governments are not required to make their spending data accessible to the public.

THE SOLUTION: *"Checkbook" transparency.*

Local governments should be required to make their spending data a matter of public record—not only easy to access but easy to search as well. In the summer of 2018, the treasurer's office retooled the state's transparency portal and included this kind of expenditure information for state spending, and legislation passed earlier in 2018 requires school districts to provide spending information in a similar format. If the state and its school districts can be transparent, then cities, counties, and other taxing districts can be, too.

WHO ELSE DOES IT? Most states have transparency tools that touch on spending, but few are as comprehensive as Ohio's Online Checkbook, which includes state and local spending in its records.

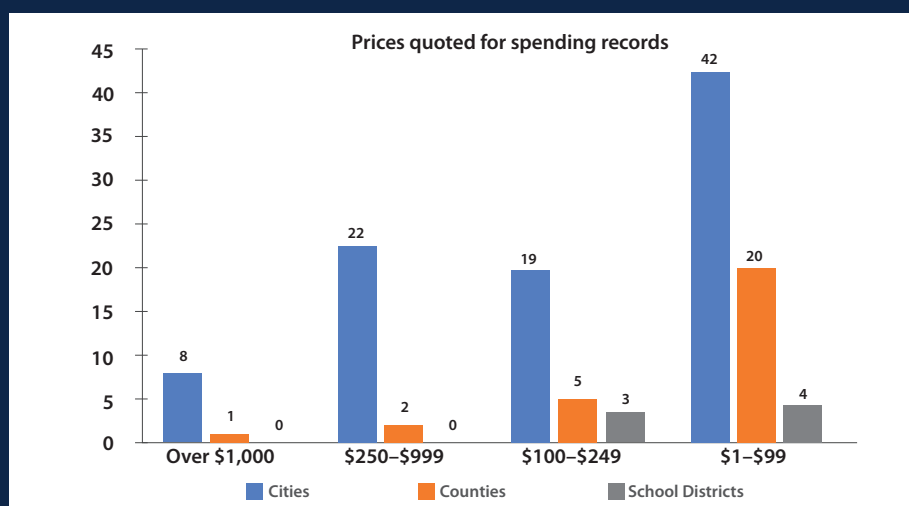
THE OPPORTUNITY: Missouri can improve government transparency and accountability by ensuring that all of Missouri's local entities, most of which are free from in-depth state oversight, can at least be scrutinized by the public. Modern technology allows government to crowd-source the task of keeping government honest, and while a checkbook transparency portal should never be viewed as a replacement for formal audits, it can serve as an intermediate step that help ensure government actors at every level are spending taxpayer money appropriately.

KEY POINTS

- Missouri's local governments are not required to keep their expenditure records electronically. This can make records less accessible and more expensive to request.

QUOTES FOR SPENDING RECORDS: CITIES, COUNTIES, AND SCHOOL DISTRICTS

In 2019, Show-Me Institute researchers submitted Sunshine Law requests for spending information to cities, counties, and school districts throughout the state. The prices quoted for those records varied widely.



- The cost and ease of access to your local government's spending records should not depend on where you live.
- Adding local governments and special taxing districts to the treasurer's spending transparency portal would allow taxpayers to monitor how their tax dollars are spent from the convenience of their electronic devices.
- The Missouri State Treasurer's spending transparency portal needs to be made more robust through the inclusion of the date that expenses were incurred, the addresses of vendors, and a map feature so that viewers can visualize where money is being spent. In addition, data from the site should be downloadable into an Excel file.

SHOW-ME INSTITUTE RESOURCES

Essay: ["Government Spending Records Should Be Free and Open to the Public"](#)

Blog Post: ["Missouri's Checkbook: 2000–2017"](#)

Video: ["The Cost of Transparency"](#)



TAX CREDIT REFORM

Elias Tsapelas and Patrick Ishmael

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.*

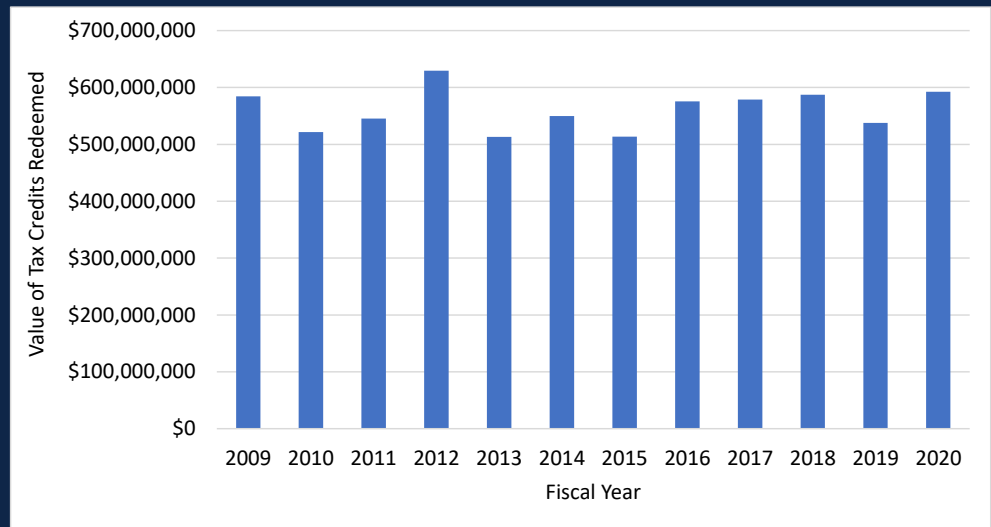
Tax credits inefficiently allocate taxpayer money into speculative private sector development projects. Over the last few decades, Missouri has given billions to a host of narrow programs and interests, with poor economic results overall. If the state is going to make an “investment” in private activities,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

WHO ELSE DOES IT? Following the passage of the Tax Cuts and Jobs Act in 2017, momentum has grown for state-level tax code change. Recently, states like Arizona, Connecticut, and Iowa have reformed their tax credit programs as a major component of broader tax policy legislation.

THE OPPORTUNITY: Reducing the availability of development tax credits could provide lawmakers with a way 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 trying to pick winners and losers in the marketplace. Being able to cut taxes for everyone in a budget-neutral manner makes this reform all the more attractive.

STATE TAX CREDIT REDEMPTIONS IN MISSOURI, FISCAL YEARS 2009–2020

Each year since 2009, Missouri has diverted more than \$500 million from other state funding priorities to be spent on economic development



Source: Missouri Department of Revenue.

KEY POINTS

- The role of government can be reestablished so that it is acting not as a private investor, but as a neutral player in private activities.
- Taxes can be cut with a built-in pay-for.

SHOW-ME INSTITUTE RESOURCES

Essay: [“Cutting The Ties That Bind: End Missouri’s Corporate Income Tax”](#)

Blog Post: [“Missouri Needs Tax Credit Reform Now More than Ever”](#)

Blog Post: [“The LIHTC Program is Back Again”](#)



TEACHER RETIREMENT ACCOUNTS

Susan Pendergrass

THE PROBLEM: Missouri has three separate teacher pension plans: the Public School Retirement System of the City of St. Louis (PSRSSTL); the Kansas City Public School Retirement System (KCPSRS); and the Public School Retirement System (PSRS), which serves all teachers other than those in the City of St. Louis and Kansas City. These plans face many problems. Both PSRSSTL and KCPSRS have assets totaling less than 70 percent of what is owed to future retirees, and KCPSRS has more retirees than active members. PSRS appears to be more financially sound, but it is using unrealistic assumptions for future investment returns. Attempts to shore up the finances of plans usually involve burdening the youngest (or future) teachers with most of the cost. Further, Missouri teachers must teach for at least 24 years before their pension is worth more than what they have contributed to it.

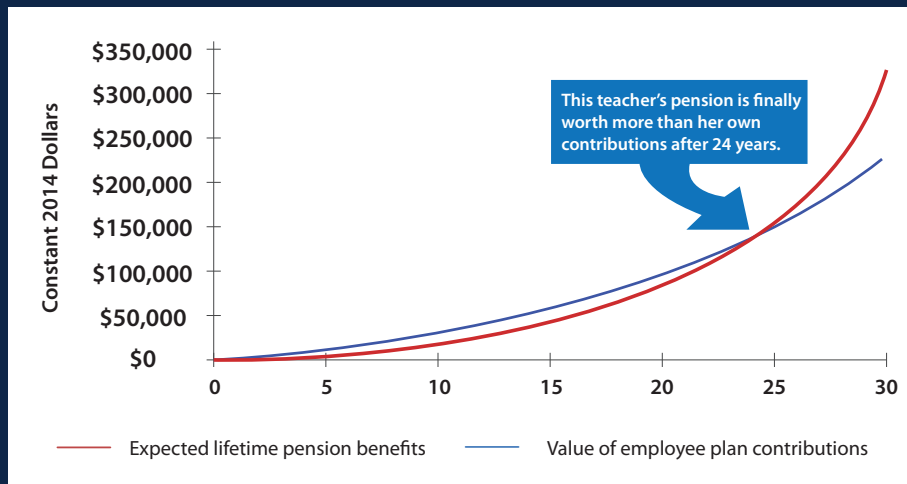
THE SOLUTION: *Teacher retirement savings accounts.*

The next generation of teachers in Missouri should have the option of choosing a transportable defined contribution plan. The defined contribution plan, or Teacher Retirement Account (TRA), would be similar to a 401(k) and could include a matching contribution from the school system. Teachers could be fully vested within a year and would be able to take their accounts with them if they change jobs.

WHO ELSE DOES IT?

Twenty-nine states and the District of Columbia offer teachers plans other than traditional defined benefit pensions.

EXAMPLE OF HOW PENSION BENEFITS AND EMPLOYEE CONTRIBUTIONS GROW OVER TIME



Notes: The figure displays the value of lifetime pension benefits and required employee contributions for employers hired at age 25 earning average salaries and enrolled in a traditional plan that provides annual benefits equal to 2 percent of final average salary times years of service. Benefits vest after 5 years, and retirees may begin collecting at age 60. The required employee contribution rate is 7 percent. Calculations assume 8 percent nominal interest and 3 percent inflation.

Source: Author's calculations from the Urban Institutes State and local Employee Pension Plan database.

THE OPPORTUNITY: Missouri could support its next generation of teachers by giving them retirement options rather than forcing them into plans that are becoming more financially unhealthy.

KEY POINTS

- Missouri's three teacher pension plans have made promises that are becoming financially unsustainable.
- We can better support our next generation of teachers by giving them retirement benefit options.

SHOW-ME INSTITUTE RESOURCES

Blog post: ["A Retirement House of Cards"](#)

Blog post: ["Public Employee Pensions: Time to Get Our Heads out of the Sand"](#)

Podcast: ["They Want to Take My Pension"](#)



TRANSPORTATION FUNDING

Graham Renz and Jakob Puckett

THE PROBLEM: The Missouri Department of Transportation (MoDOT) will likely face funding shortfalls in the near future. New revenue will be needed, and it should be generated in a way that is both economically sound and fair.

THE SOLUTION: *User fees.*

The people driving on the roads should be the ones who pay for the roads. Raising Missouri's fuel taxes—which haven't been raised since 1996—to account for inflation would raise hundreds of millions of dollars to help MoDOT maintain the state's road system in the near term. 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 help raise funds.

WHO ELSE DOES IT?

Various forms of tolling are either planned or implemented in many states. Dozens of projects are funded by P3s in more than ten states.

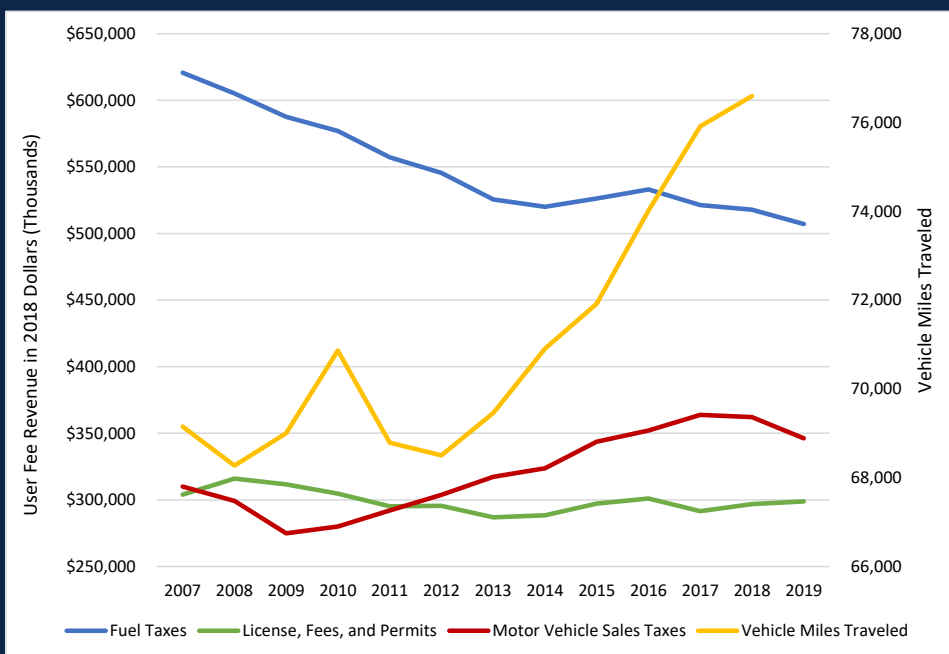
THE OPPORTUNITY: Missouri has the second-lowest tax rate in the country for both gasoline and diesel fuel. Adjusting these fuel taxes to inflation—raising them by less than 10 cents per gallon—would provide more than half of the necessary funding to keep Missouri's road and bridges in good repair. With I-70 soon requiring a full rebuild, the use of tolls could increase available capital and reduce costs.

KEY POINTS

- A robust and well-maintained transportation system is vital to a strong Missouri economy.
- Public-private partnerships bring the strengths of the free

MISSOURI USER FREE REVENUE (2018 DOLLARS) AND ROAD USE

Fuel taxes, which aren't tied to inflation, have brought in less and less revenue over the past decade while road usage has risen.



Source: Missouri Department of Transportation Comprehensive Financial Snapshot 2009–2019, Federal Highway Administration.

market to public infrastructure investment.

- User fees could prevent unfair special taxing districts from forming to fund wasteful projects.

SHOW-ME INSTITUTE RESOURCES

Policy Study: [“Funding the Missouri Department of Transportation and the State Highway System”](#)

Op-ed: [“Funding Roads by the Mile, Not the Gallon”](#)

Blog Post: [“With MoDOT’s Tank Nearly Empty, a Fuel-Tax Increase Might Be the Answer”](#)



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