

Moving Missouri Forward



2018 Blueprint

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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. It also puts upward pressure on health care prices.

THE SOLUTION: *Repeal the Certificate of Need law.*

Eliminating CON requirements would allow Missourians to benefit from 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 have no CON law.

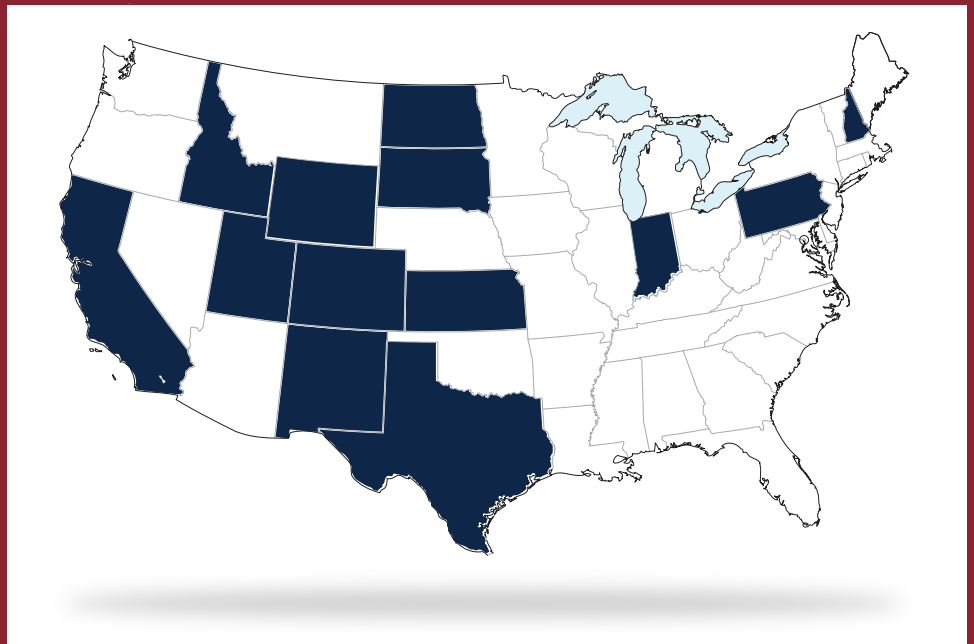
THE OPPORTUNITY: Missouri would join a growing list of states that have opened the door to real health care competition.

KEY POINTS

- CON laws separate patients who need care from doctors who want to provide it.
- More competition would create pressure to reduce health care prices.
- Missouri would be able to compete with nearby states, including Kansas, where smaller hospitals are opening up because they aren't restricted by CON laws.

STATES WITHOUT CERTIFICATE OF NEED LAWS

Thirteen states (blue) have either repealed or declined to enact certificate of need laws.



Source: National Conference of State Legislatures. "CON-Certificate of Need Laws," August 25, 2016.

- CON reform is an opportunity to help communities threatened by the loss of existing hospitals.
- Ending CON would empower patients to make choices that benefit 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"



CHARTER SCHOOL EXPANSION

Michael Q. McShane and Emily Stahly

THE PROBLEM: Demand for charter schools in Missouri is at an all-time high. Unfortunately, for practical purposes charter schools are limited to the Kansas City and Saint Louis School Districts. Establishing a charter school is nearly impossible in any district that meets minimum state accreditation requirements. Tens of thousands of students are denied the opportunity for a better education.

THE SOLUTION: *Expand charter schools statewide.*

Charter schools should be allowed in districts regardless of whether the district meets minimum state accreditation standards. Per-student funding should be the same for both charter school and traditional public school students. Demand among families and charter school authorizers like universities should determine where and when charter schools open in Missouri.

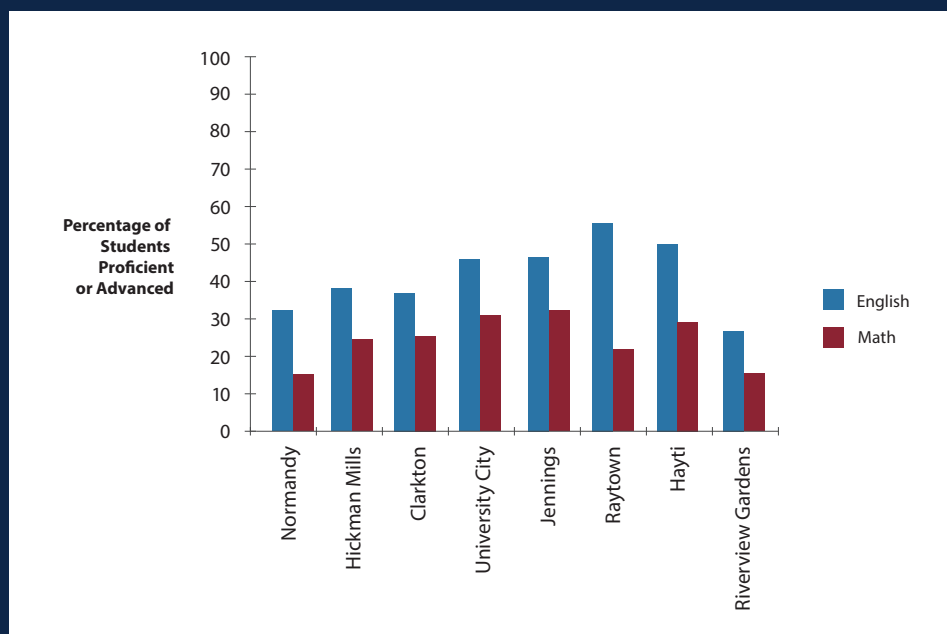
WHO ELSE DOES IT?

Over 6,900 charter schools operate in 43 states and the District of Columbia, serving more than 3.1 million students. States like Indiana place no caps on the number of charter schools and fund charters and traditional public schools at equal or nearly equal levels. Unlike Missouri, almost all other states allow charter schools to operate anywhere.

THE OPPORTUNITY: Charter schools are growing. Over 23,000 students enrolled in charter schools in Missouri 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 waitlist 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.

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.



Source: Missouri Department of Elementary and Secondary Education.

KEY POINTS

- Thousands of Missouri students are trapped in poor schools due to needless restrictions on school choice.
- Allowing charter school expansion will meet demand from families, not bureaucrats.
- School choice has a proven track record elsewhere in the country.

SHOW-ME INSTITUTE RESOURCES

Essay: “Expanding Charter Schooling in Missouri”

Blog Post: “Charter Schools Boost College Completion”

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”



COURSE ACCESS

Michael Q. McShane

THE PROBLEM: All across Missouri, students lack access to higher-level coursework such as AP courses, calculus, and 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 course offerings.

WHO ELSE DOES IT? Eleven states across the country have some form of course access program.

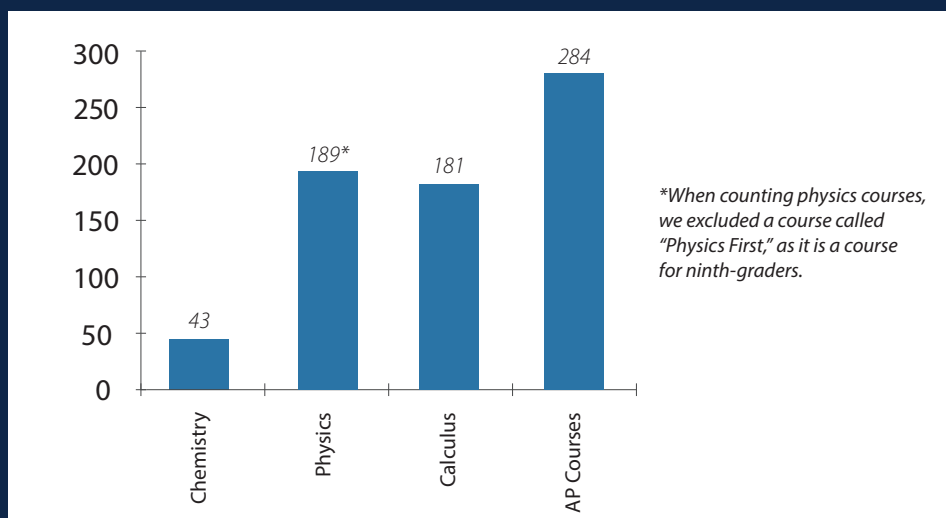
THE OPPORTUNITY: Missouri has much of the infrastructure needed to create a course access program through an underused program known as the Missouri Virtual Instruction Program (MoVIP), which was signed into law in 2006. In addition, the Grandview R-II and Springfield school districts have created their own online programs, but these courses are not available to all students in the state. In all three cases, the course offerings are vetted by the Missouri Department of Elementary and Secondary Education (DESE) and can be credited toward graduation.

KEY POINTS

- 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 advanced physics, 40% had none enrolled in calculus, and 63% had none enrolled in AP 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.

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.



Source: Missouri Department of Elementary and Secondary Education.

- Missouri already has the infrastructure needed to create a course access program.

SHOW-ME INSTITUTE RESOURCES

Essay: "Course Access in Missouri: Diversity, Personalization, and Opportunity"

Blog Post: "Missouri Students Need Access to Advanced Coursework"

Video: "Course Access: Opening Opportunities Across Missouri"

Video: "Course Access Brings the Classroom to the Student"



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 46% of total spending and is the largest driver of general spending growth in Missouri.

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

An EITC is a credit that may be used to offset a worker's state income tax liability. Proper use of EITCs could 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.

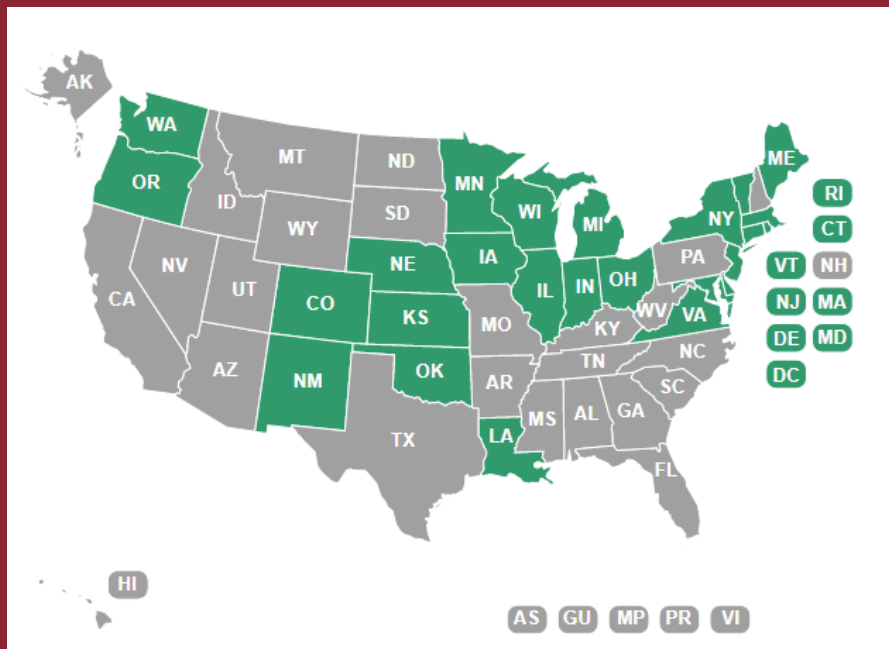
THE OPPORTUNITY: Moving current public welfare dollars to an EITC will encourage self-reliance among the state's poor while also restricting growth in public welfare spending. Not only does the EITC help working families make ends meet, but it also encourages recipients and families to find jobs and increase hours worked. Missourians can move up the economic ladder with the aid of the EITC—which can help people get off state assistance entirely, thus bringing down the cost of the credit.

KEY POINTS

- Aid to our most vulnerable citizens will be better targeted, while still providing the help they need.

STATES THAT OFFER EARNED INCOME TAX CREDITS

Twenty-five states and the District of Columbia offer EITCs.



Source: "Tax Credit Reform: Recommendations to Make Missouri a Best-in-class State." Governor's Committee on Simple, Fair, and Low Taxes. 2017.

- 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"



ECONOMIC DEVELOPMENT SUBSIDIES

Patrick Tuohey

THE PROBLEM: Excessive use of economic development subsidies has diverted much-needed tax revenue to developers and away from schools and other public services. In the past 15 years, Saint Louis City alone has distributed \$709 million originally intended for municipal services to developers via tax increment financing (TIF) and tax abatement. Studies from across the country indicate that these subsidies fail to generate promised jobs and growth.

For a project to qualify for some subsidies, the city must declare a parcel of land “blighted,” but the standards for doing so are very low—developers can qualify for subsidies for undeveloped fields or for buildings that are merely vacant. Under the current definition even the governor’s mansion could be blighted!

THE SOLUTION: *Economic development reform.*

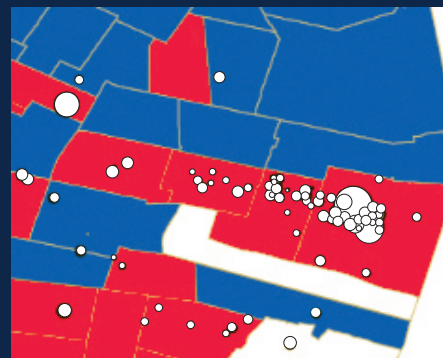
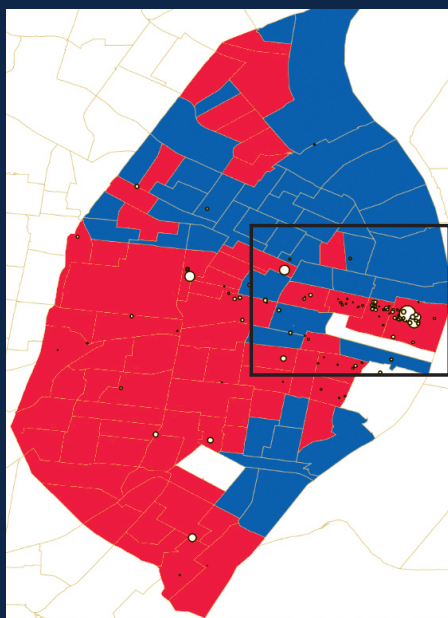
The legal definition of *blight* should be narrowed to ensure that only truly needy projects would qualify. Other reforms that would help rein in these giveaways include moving TIF decision-making to the county level, providing greater voices for other impacted taxing jurisdictions such as schools, and capping subsidies.

WHO ELSE DOES IT? Various TIF and economic development reform efforts are underway in other states. California, which pioneered TIF in 1952, ended the existing program in 2012 due to the cost.

THE OPPORTUNITY: Focusing state law on addressing actual blight and doing so in communities suffering from high unemployment and poverty will go a long way in making sure that public policy addresses real needs and doesn’t just reward the politically well connected.

TIF IN SAINT LOUIS

In St. Louis City, TIF projects, marked by white dots, appear mostly in wealthy areas (red) rather than in poor (blue) areas.



Source: United States Census Bureau American Community Survey, 2010–2014.

KEY POINTS

- TIF projects active in Missouri have collected almost \$2.5 billion since their inception and do not deliver their promised benefits.
- Many subsidies are not used in the economically depressed areas they were designed to assist. In Saint Louis, less than 25% of TIF spending occurs in the poorer half of the city.

SHOW-ME INSTITUTE RESOURCES

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

Policy Study: “Tax Increment Financing and Missouri”



EDUCATION SAVINGS ACCOUNTS

Michael Q. McShane and Emily Stahly

THE PROBLEM: Missouri students are underperforming. On the 2015 NAEP exam, only 31% of Missouri 8th-graders were found proficient in math and only 36% were found proficient in English. For the Class of 2016, only 22% of Missouri ACT test-takers scored “college-ready” in all four tested subjects. Many students from poor or middle-class families are trapped in failing schools because of where they live and have no opportunity to pursue a better education.

THE SOLUTION: Tax credit-funded education savings accounts.

Education savings accounts (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 the funds to purchase school supplies, tutoring services, or even private school tuition.

WHO ELSE DOES IT: Six states have ESA programs, and 17 states have tax credit-funded scholarships.

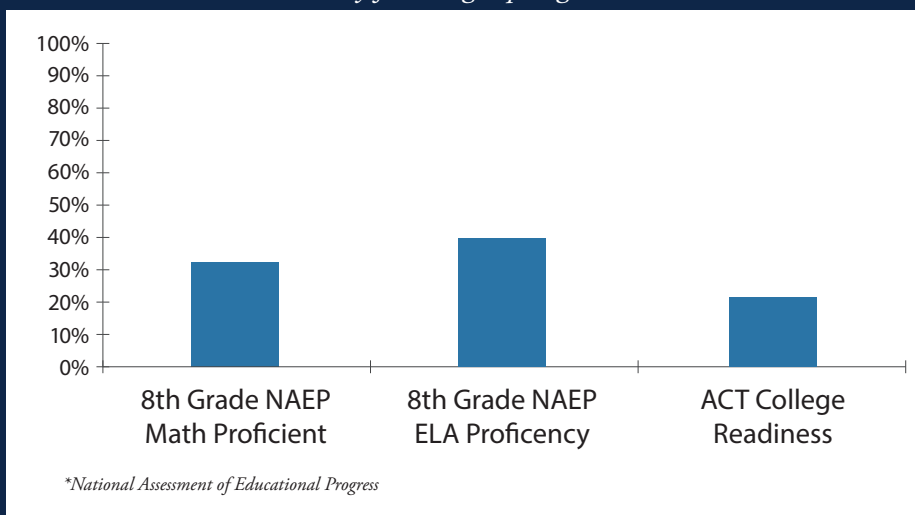
THE OPPORTUNITY: Missouri is one of the last states without some kind of private school choice program. It does, however, have a large stock of private schools, and through the Missouri Virtual Instruction Program we have a vetted set of online courses that are ready for Missouri students to use. The supply is waiting; we just need to connect it to the demand.

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.

2015 NAEP* AND CLASS OF 2016 ACT 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.



Source: Missouri Department of Elementary and Secondary Education.

- ESAs are popular. According to polling by the education organization EdChoice, 49% of Americans support ESAs, and only 27% 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”

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

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

Video: “ESAs Empower Families in Arizona”



HIGHER EDUCATION

Michael Q. McShane, Michael Highsmith, and Emily Stahly

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 high-paying jobs are facing serious financial problems. In the Show-Me State, enrollment at the University of Missouri–Columbia continues to drop. The current freshman class is about 14 percent smaller than the previous year's and is the smallest incoming class in almost 20 years.

THE SOLUTION: *Higher education reform.*

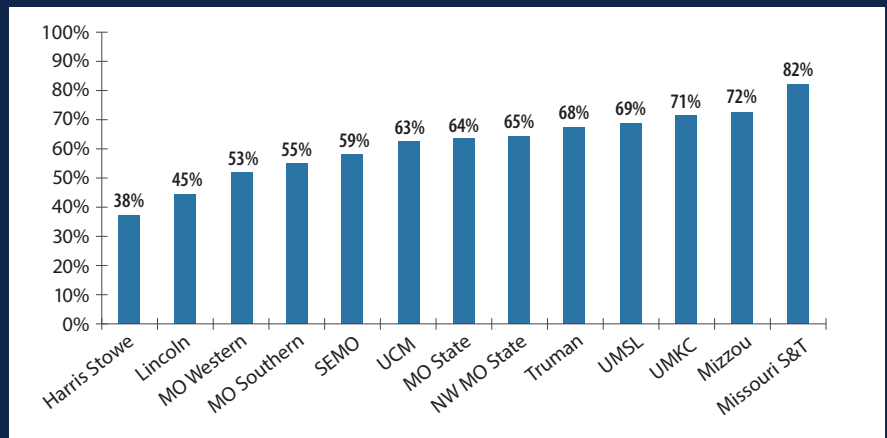
Reform in Missouri should focus on reducing costs through innovation to attract more students. Universities could help reduce costs by encouraging competency-based education (CBE), which can reduce the time that students must spend in the classroom by granting accreditation when a student shows that she has mastered the subject matter. These programs allow students to pursue a degree while simultaneously protecting them from excessive costs and loan defaults. At the same time, 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.

WHO ELSE DOES IT? Schools across the nation, such as Texas A&M, Purdue, University of Michigan, and University of Wisconsin, offer CBE degrees. Purdue has a self-funding ISA program in which it loans money to current students and then reinvests returns into future student borrowing.

THE OPPORTUNITY: Recent upheaval at Missouri's largest university has given us a chance to step back and evaluate how best to improve the higher education environment and provide cost-effective options to students. The University of Missouri system made progress in protecting free speech this past summer; now it should focus on reducing costs to help draw more students to our public universities.

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.



Source: College Scorecard, U.S. Department of Education.

KEY POINTS

- Higher education can greatly increase a student's financial prospects, but not everyone who spends money at a university comes out in the black.
- CBE programs can reduce tuition costs and the time a student must spend in class.
- By reinvesting earnings, ISAs can fund future degrees.

SHOW-ME INSTITUTE RESOURCES

Essay: "Stuck in the Middle with Mizzou: Examining the Effectiveness and Efficiency of the University of Missouri"

Case Study: "Moving Mizzou Forward: Reform Ideas from Around the Nation"

Op-Ed: "Reaping the Whirlwind in Columbia"

Blog post: "Mizzou Enrollment Shrinks to a New Low"



HIGHWAYS/TRANSPORTATION INFRASTRUCTURE

Graham Renz and Patrick Tuohey

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 to all Missourians.

THE SOLUTION: *User fees.*

User fees are about having the people who use things pay for them. That means the people driving on the roads are 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. Furthermore, expanding MoDOT's use of design-build¹ could save roughly 20% per project.

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 10 states.

THE OPPORTUNITY: Missouri has the 3rd-lowest gas tax and the 3rd-lowest diesel fuel tax in the country. Adjusting these fuel taxes to inflation—raising them by less than 10 cents per 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 a design-build workflow could be implemented to help increase available capital and reduce costs.

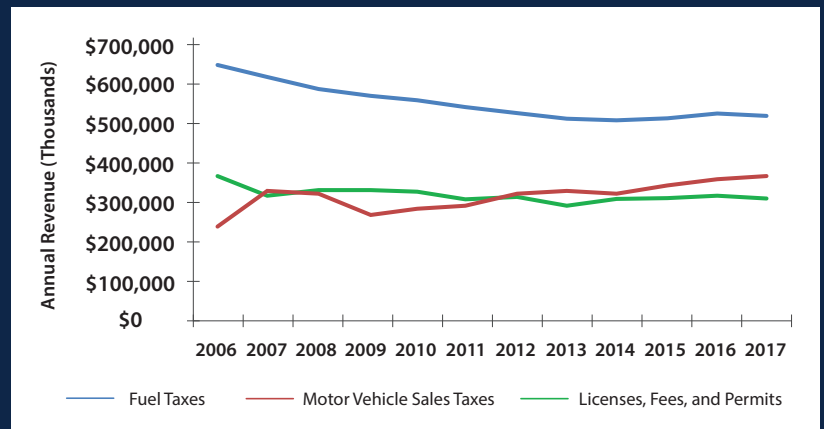
KEY POINTS

- A robust and well-maintained transportation system is vital to a strong Missouri economy.

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.

MISSOURI HIGHWAY USER-FEE REVENUE (2017 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. 2017 Comprehensive Annual Financial Report.

- User fees are the most fair and economically sound way to fund major projects.
- 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.

SHOW-ME INSTITUTE RESOURCES

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

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



INCOME TAX REFORM

Patrick Tuohey

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 other states, ranking 48th out of 50 states in real GDP growth between 1997 and 2015, and 44th between the third quarter of 2009 and the second quarter of 2016. Individual and corporate income taxes are destructive to the state's economic growth, productivity, and wealth, 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 or elimination of the individual income tax.*

Lowering or eliminating individual income taxes allows Missourians to increase their take-home pay, increase business investments, and encourage population growth through in-migration.

WHO ELSE DOES IT? Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) currently have no income tax. Two other states (New Hampshire and Tennessee) levy income tax only on dividends and income from investments.

THE OPPORTUNITY: Income tax reductions could be achieved in several ways. Reductions in tax incentives and spending can, for instance, provide the budgetary space to cut taxes. Whatever the pathway, reducing an obstacle to state 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.

REAL GDP GROWTH MISSOURI AND NEIGHBORING STATES Q3 2009 TO Q2 2016

AREA	GROWTH	RANKING
United States	1.9	N/A
Oklahoma	2.5	5
Nebraska	2.3	9
Iowa	2.3	11
Arkansas	2.2	13
Tennessee	1.8	18
Kansas	1.7	22
Illinois	1.3	33
Kentucky	1.2	36
Missouri	0.8	44

Source: U.S. Bureau of Economic Analysis.

- 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.
- 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"



OPEN COLLECTIVE BARGAINING

Michael Highsmith and Patrick Tuohey

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 where 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 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? Alaska, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Minnesota, Montana, Ohio, Oregon, Tennessee, and Texas all require contract negotiations to be open.

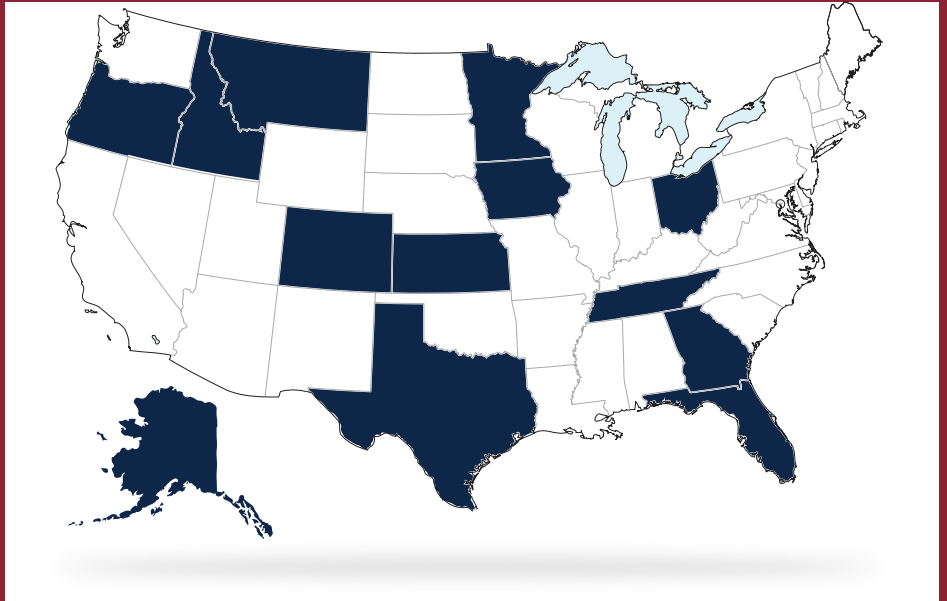
THE OPPORTUNITY: A transparent negotiating process will enable the public to hold government accountable in its dealings with public employee unions and help ensure that the agreements reached between the two parties are in the interest of everyone instead of just a select group of employees.

KEY POINTS

- 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 conduct transparent negotiations with public employee unions.



Source: Freedom Foundation. "Public Meetings Aren't Scary," March 22, 2017.

- Missouri's Sunshine Law 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 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

Policy Study: "A Primer on Government Labor Relations in Missouri"

Video: "Government Unions: Restoring Accountability"



PREVAILING WAGE

Patrick Ishmael

THE PROBLEM: Many government construction contracts dictate what potential contractors must pay workers to get the job. These restrictions are bad news for taxpayers and laborers alike. Taxpayers may not be able to afford to start projects whose labor costs are inflated, and of course, laborers can't get paid for projects that are never undertaken.

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

THE SOLUTION: *Let the market set wages.*

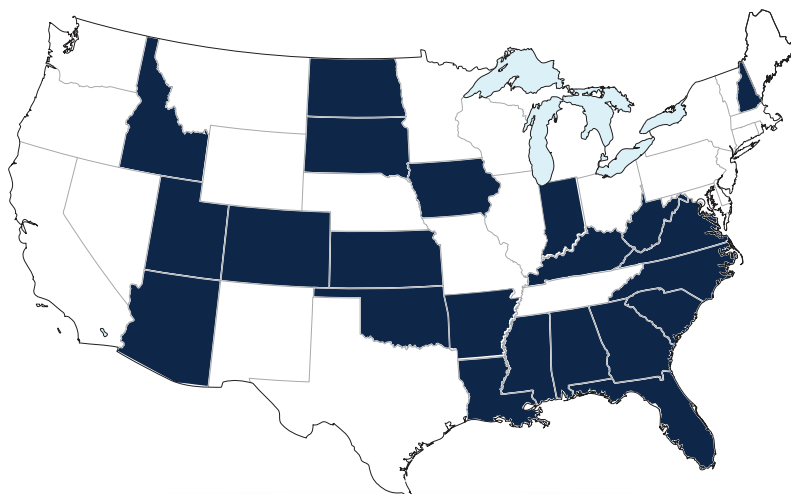
Rather than dictate wages, the government should have policies that support a healthy jobs environment where higher wages for all sorts of construction projects—including public construction—develop on their own without the harmful effects of wage floors.

Policymakers must keep in mind that project delays can hurt their communities over time. It would be better to let the market set wage rates for these projects and to begin delivering those public services sooner rather than later.

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

THE OPPORTUNITY: Moving away from market-distorting policies like the prevailing wage will help the state promote job growth and spend taxpayer money efficiently.

STATES WITH NO PREVAILING WAGE LAW



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

Source: U.S. Department of Labor

KEY POINTS

- These reforms would promote job growth and make public works projects more affordable.
- Taxpayers get the most bang for their tax buck when their money is spent efficiently and effectively.

SHOW-ME INSTITUTE RESOURCES

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

Blog Post: “Playing Favorites on the Board of Aldermen?”

Blog Post: “The Race Is On: Wisconsin Pushes to End Project Labor Agreements and Prevailing Wage”



PUBLIC PENSION REFORM

Michael Highsmith and Patrick Ishmael

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. 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? 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.

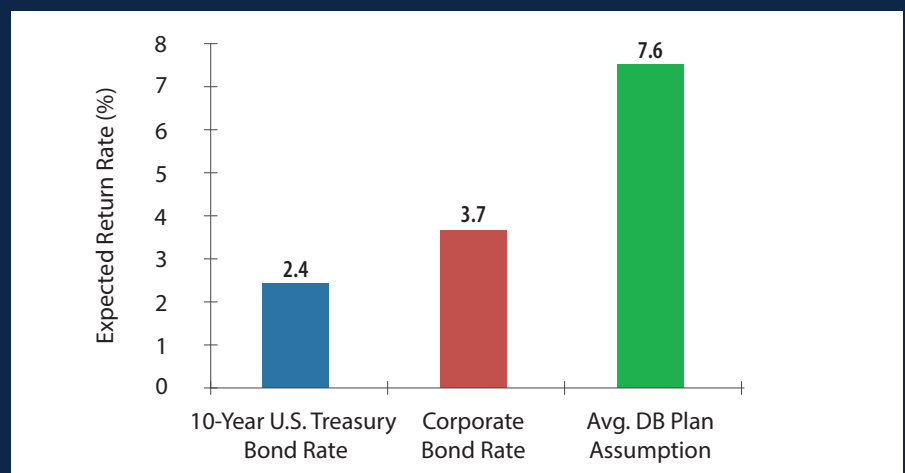
THE OPPORTUNITY: Pension reform offers a chance to stop the bleeding. DC plans cannot (by definition) incur unfunded liabilities. DC plans also offer employees a retirement account that they can manage themselves and take with them if they change jobs in the future.

KEY POINTS

- DC plans can protect Missouri from devastating budget shortfalls.

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: IRS data; Citibank Pension Liability Index; Boston College Public Plans Database.

- 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.

SHOW-ME INSTITUTE RESOURCES

Policy Study: "Public Employee Pensions in Missouri: A Looming Crisis"

Policy Study: "Missouri Transition Costs and Public Pension Reform"

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



PUBLIC UNION RECERTIFICATION

Graham Renz and Patrick Ishmael

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, Wisconsin and Iowa require regular public union elections.

THE OPPORTUNITY:

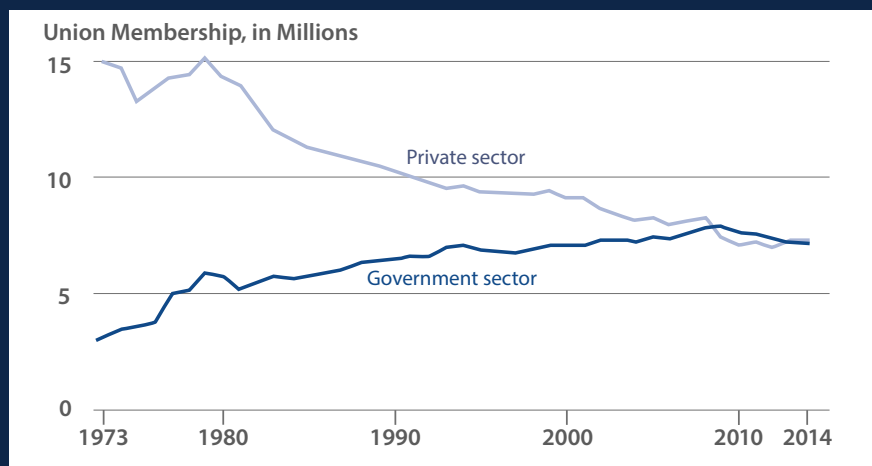
The Commonwealth Foundation recently gave Missouri a letter grade of 'D' regarding its public labor laws. Show-Me Institute research indicates that regular union elections need not be prohibitively expensive and offer a way to ensure that unions serve workers—not the other way around.

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 can be held at a reasonable cost to taxpayers.

UNION MEMBERSHIP INCREASINGLY FOUND IN GOVERNMENT SECTORS

Unions were once concentrated in factories, mills, and other sites of private commerce. Today half of American union members are government employees, not tradesmen or factory workers.



Note: Figures for 1982 have been interpolated.

Source: Barry T. Hirsch and David A. Macpherson, "Union Membership and Coverage Database from the CPS," 2014, <http://www.unionstats.com>.

SHOW-ME INSTITUTE RESOURCES

Policy Study: "A Primer on Government Labor Relations in Missouri"

Essay: "The Low Cost of Labor Reform"

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



RIGHT TO WORK

Patrick Ishmael and Graham Renz

THE PROBLEM: Until recently, many workers in Missouri could be forced to join unions. That was unfair not only to the employees affected by the law, but also to employers who had to operate under it.

THE SOLUTION: *Right to work.*

Right to work ends forced unionism and lets workers decide whether joining a union best serves their interests. This means that being a member of a union cannot be a requirement for employment, and gives 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.

In 2017, Missouri passed Right to Work, but in 2018, the state will hold a referendum on that law.

WHO ELSE DOES IT?

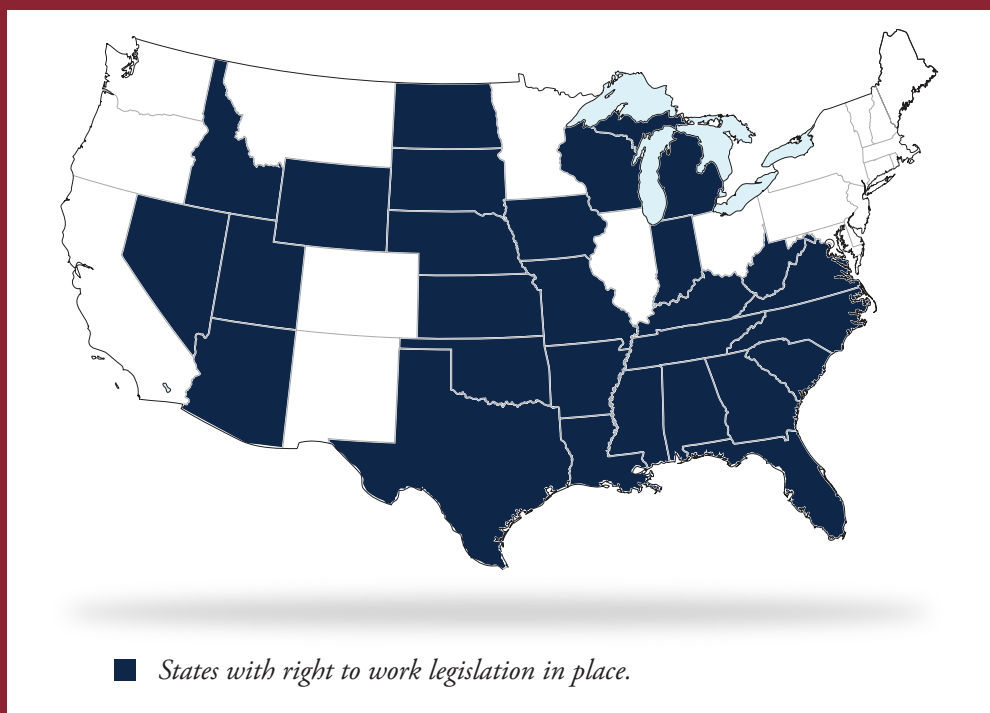
Alabama, Arizona, Arkansas, Florida, Georgia, Guam, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming.

THE OPPORTUNITY: If the state's Right to Work law is put into full effect, Missouri will 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 better able compete with neighboring right-to-work states in attracting businesses.
- Existing unions will be more responsive to the

STATES WITH RIGHT TO WORK LEGISLATION



Source: National Right to Work Legal Defense Foundation.

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

SHOW-ME INSTITUTE RESOURCES

Policy Study: "A Primer on Government Labor Relations in Missouri"

Op-Ed: "Rise of the Roosevelt Law: Is Reform in Government Unions Coming to Missouri?"



SENTENCING REFORM

Patrick Tuohey and Emily Stahly

THE PROBLEM: Prison costs in Missouri are rising, and the state's crime and incarceration rates are higher than the national average. According to the National Institute of Corrections, "The crime rate in Missouri [2015] is about 18% higher than the national average rate." Missouri imprisoned 530 people per 100,000 population in 2015—the eighth-highest incarceration rate in the nation. High crime and incarceration rates present a significant cost to taxpayers, and imprisoning minors is especially expensive. Recent federal law requires that prisons adopt important—and expensive—protections for minors, among them providing educational resources and separating them from the adult population.

THE SOLUTION: *Relax harsh and automatic sentencing laws that drive up costs without increasing public safety.*

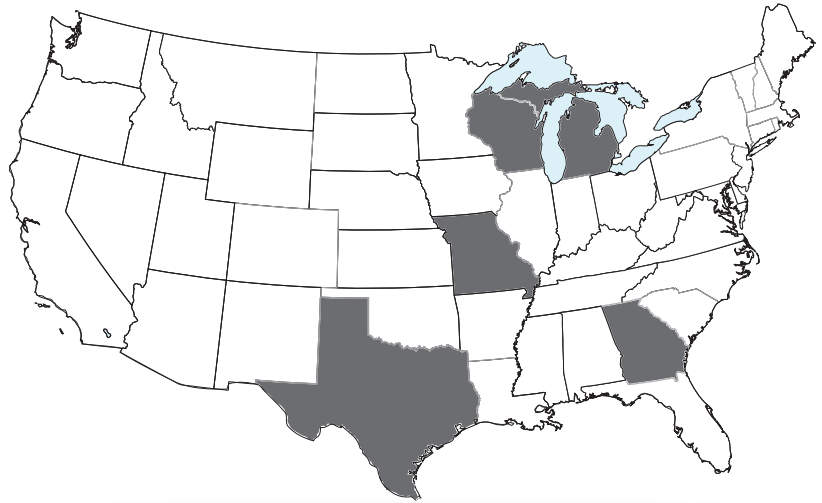
Courts should have the flexibility to sentence nonviolent offenders to treatment programs or probationary periods prior to locking them up—while still retaining the ability to treat violent or habitual offenders appropriately.

The Raise the Age movement advocates for 17-year-olds to be prosecuted in the juvenile court system unless certified as adults due to the nature or severity of their crimes. Raise the Age would mitigate much of the need to retrofit adult prisons to protect minors, and would offer minors educational and rehabilitative services.

WHO ELSE DOES IT? Currently, 45 states do not presume that 17-year olds should be tried as adults. Nine of these states have passed Raise the Age laws since 2007.

THE OPPORTUNITY: In addition to the cost savings from having to house fewer inmates or not having to retrofit adult institutions for minors, there is the potential for a substantial benefit in human capital if nonviolent and drug offenders are sentenced to treatment or probation instead of being warehoused in state institutions with few opportunities for self-improvement.

STATES THAT HAVE NOT PASSED RAISE THE AGE LAWS



■ States that still try 17 year olds as adults.

Source: Justice Policy Institute (2017) *Raise the Age: Shifting to a Safer and More Effective Juvenile Justice System*. 4. Washington, DC: Justice Policy Institute.

KEY POINTS

- Passing Raise the Age would not prevent judges from prosecuting 17-year-olds as adults if they were repeat offenders or if their crimes were especially serious.
- Other states have cut incarceration rates responsibly, reducing costs and increasing public safety.

SHOW-ME INSTITUTE RESOURCES

Blog Post: "Criminal Justice Reform: Addressing the Costs of Incarceration"

Blog Post: "Criminal Justice Reform: Raising the Age"

Blog Post: "Criminal Justice Reform: Mandatory Minimums"



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.

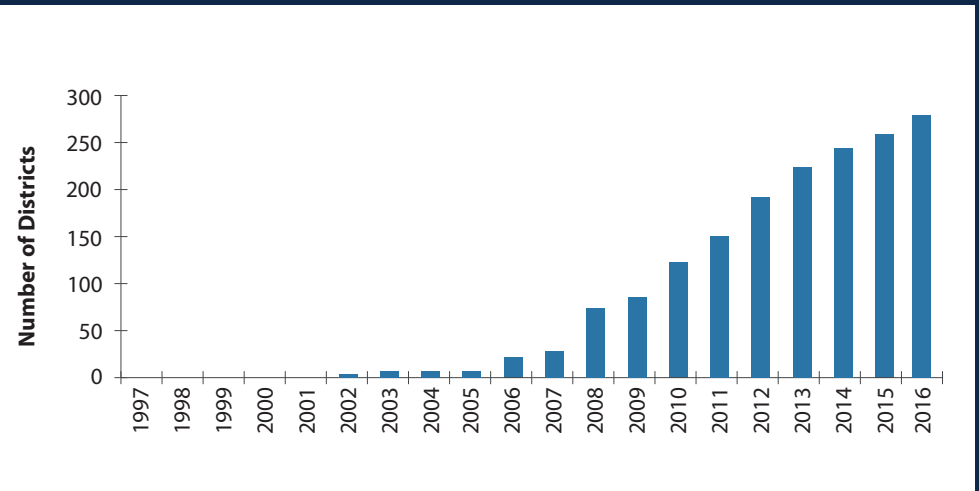
First, these districts allow narrow special interests to tax the public for their own private gain. For example, a luxurious hotel in Kansas City instituted a CID in order to charge a 1 percent sales tax that it will use to refurbish rooms and replace carpeting.

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.

COMMUNITY IMPROVEMENT DISTRICTS IN MISSOURI 1997–2016



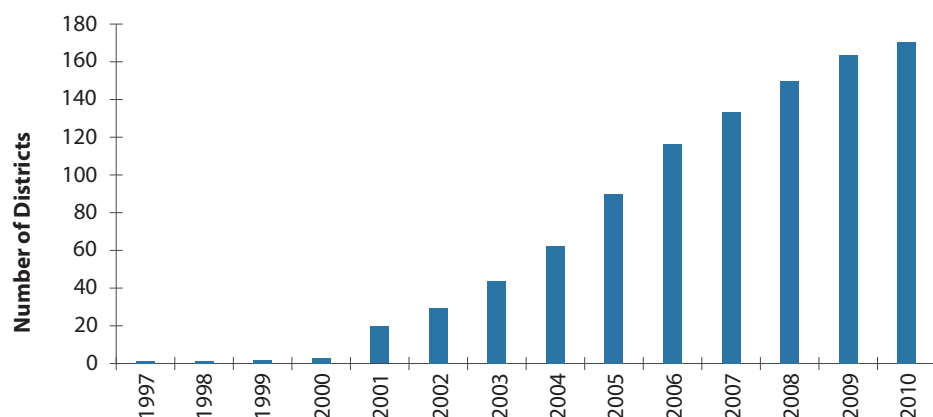
Sources: Missouri Department of Economic Development and Missouri Department of Revenue.

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 all SDs sunset unless explicitly approved by district voters, and (4) requiring more transparent public bodies, such as city or county councils or commissions, 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. It would also result in lower taxes in Missouri's largest markets by making sure that special taxing districts only act with the informed consent of voters.

TRANSPORTATION DEVELOPMENT DISTRICTS IN MISSOURI 1997–2010



Source: Missouri Highways and Transportation Committee.

SHOW-ME INSTITUTE RESOURCES

Missouri State Auditor's Report: "Transportation Development Districts" (Report No. 2017-2020).

Blog Post: "Auditor's Report Sheds Light on Special Taxing Districts"

Blog Post: "Missouri's Troubling Sales Tax Mosaic"

KEY POINTS:

- In 2014 and 2015 alone, TDDs in Missouri collected more than \$176 million in tax revenue—yet only 6% 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.
- Of the 34 TDD audits the State Auditor's office has completed over the past 10 years, one-third concluded the TDDs under consideration were in bad financial shape. And nearly all audits indicated other issues, ranging from conflicts of interest and uncompetitive bidding practices to a failure to comply with basic accounting standards.
- 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.



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