Jobs and Growth Blueprint for Missouri

Policy Report

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Executive Summary

Missouri is at a crossroads and continues to lose economic ground against other states. To right the ship, Missouri needs to implement a top-to-bottom, comprehensive, and practical conservative agenda that addresses Missouri's shortcomings and builds upon its strengths. This document provides a detailed overview of some policies that hold promise for bringing jobs and prosperity back to Missouri.

Key Policy Pillars

A comprehensive jobs agenda consists of the following pillars:

1. **Better Stewarding Your Hard-Earned Tax Dollars**
   (a) Reform the Budget Process and Re-Prioritize Opportunity-Enhancing Activities
   (b) Structure Taxes to Maximize Economic Growth, Not Government
2. **Unlocking Innovation and Entrepreneurship**
   (a) Reduce the Opportunity Cost and Risk of Entrepreneurial Experimentation
   (b) Increase Labor Market Fluidity and Reduce Incumbent Bias
   (c) Facilitate the Creation of an Innovation Ecosystem
3. **Realizing Missouri's Human Potential**
   (a) Prepare Missouri's Workforce for the Jobs of Today and Tomorrow
   (b) Redesign the Safety Net as a Safety Trampoline
4. **Modernizing Regulations for the 21st Century**
   (a) Protect Employee Freedom in the Workplace
   (b) Unshackle Workers from Burdensome Occupational Licensing
   (c) Push Back Big Government
5. **Investing in Missouri's Foundation of Infrastructure**
   (a) Prioritize Missouri's Transit Systems
   (b) Unleash Market Forces to Expand Broadband
6. **Bringing Sensibility to Missouri's Legal Liability System**
   (a) Enact Comprehensive Tort Reform
   (b) Other Liability Reforms

1 Setting the Stage

Over the past two decades, Missouri's economy has gone from 1/50th of the U.S. economy to 1/60th. Career politicians continually tell us that only they can bring prosperity to Missouri, but actions speak louder than words, and Missouri is 47th in economic growth. It is long past time that Jefferson City institute far-reaching changes to root out the corruption and sclerosis that have been holding Missouri back.

The focus of this document is to give an overview—albeit a detailed one—of promising policies to increase job creation, economic growth, take-home pay, and innovation. However, good policy is not enough—leaders must take their case to the people and marshal support behind a pro-growth agenda. The purpose of this document is to serve as a reference to develop such an agenda.

2 Proposals: Better Stewarding Your Hard-Earned Tax Dollars

Before any meaningful tax, spending, or regulatory changes are pursued, it is time to drain the swamp in Jefferson City. Once a comprehensive package of substantive ethics reforms is passed, the public can have greater faith that officials in Jefferson City are serving the public interest. At that stage, it is critical for Missouri to completely change the way it approaches the budgeting and appropriations process so that Missouri government can deliver better results for taxpayers.

2.1 Reform the Budget Process and Re-prioritize Opportunity-Enhancing Activities

Missouri has been reducing the share of its budget spent on opportunity-enhancing items, such as education and infrastructure, in favor of higher transfer payments.

1. **Resist expanding Medicaid.**
   Between 2000 and 2014, Missouri experienced the sixth-highest Medicaid spending growth as a share of state revenue.[1]

   - Despite the 90% federal matching rate, Medicaid expansion would still require that Missouri devote even more of its state budget to Medicaid instead of education or infrastructure.
   - Missouri should pursue a waiver from the federal government (particularly if a Republican is elected President) to receive and redirect Medicaid expansion dollars toward subsidized private insurance plans or health savings accounts.[2]
   - Section 1115 waivers under the Social Security Act allow states to experiment with applying Medicaid funding toward innovative systems for delivering care. Massachussetts used this provision in its 2007 reforms, and several states, including Indiana, Utah, Michigan, Arkansas, Tennessee, and Kentucky, have received or are pursuing such waivers.[3]
   - States can apply for section 1332 waivers under the ACA beginning January 2017, which would "waive basically every major coverage component of the ACA, including exchanges, benefit packages, and the individual and employer mandates."[4] States would still receive federal funding, but they could find their own way to increase healthcare access and affordability.[5]

2. **Enact performance-based budgeting.**
   Scarce resources should be directed toward high-return projects, and programs that are not performing should either be reformed or discontinued.

   - Missouri should adopt a stance that focuses on deciding *what to keep*, not what to cut.
   - Require regular evaluation of tax credit programs by a nonpartisan professional staff. Since 2012, 17 states have followed this path.[6]
   - Employ evidence-based policy-making using comprehensive cost-benefit analysis similar to what Minnesota does in using the Pew-MacArthur Results First Initiative cost-benefit model.
   - Oklahoma has formal data sharing procedures to overcome bureaucratic barriers in its Quality Jobs Program.[7]

3. **Enact provisions to reduce fiscal risk and budget volatility.**
   Increasing tax and expenditure stability will protect Missouri's credit rating and provide more funding certainty for high-priority areas.

   - Implement an aggregate cap on tax credits with a competitive application process.
   - Iowa implemented an aggregate cap in 2009, and awards of the California Competes Tax Credit follow a competitive application process.[8]
   - Control the timing of incentive redemption.
   - Florida caps redemptions at $35 million a year.[9]

4. **Improve transparency and accountability.**
   Budget reforms are only as good as the agencies undertaking their implementation. Transparency shines much needed light on the process.

   - Pay for remaining tax incentives (i.e. any that are not eliminated) through the budget appropriations process.
   - Minnesota recently phased out its Job Opportunity Building Zones tax incentive and replaced it with the Minnesota Job Creation Fund, which is a cash grant funded through appropriations.[10]
   - Procedures should be put in place to balance protecting recipients' investments from uncertainty and political interference against the need for monitoring and accountability.
   - Require open meetings between government unions and public officials (also discussed in the regulations section of this report).

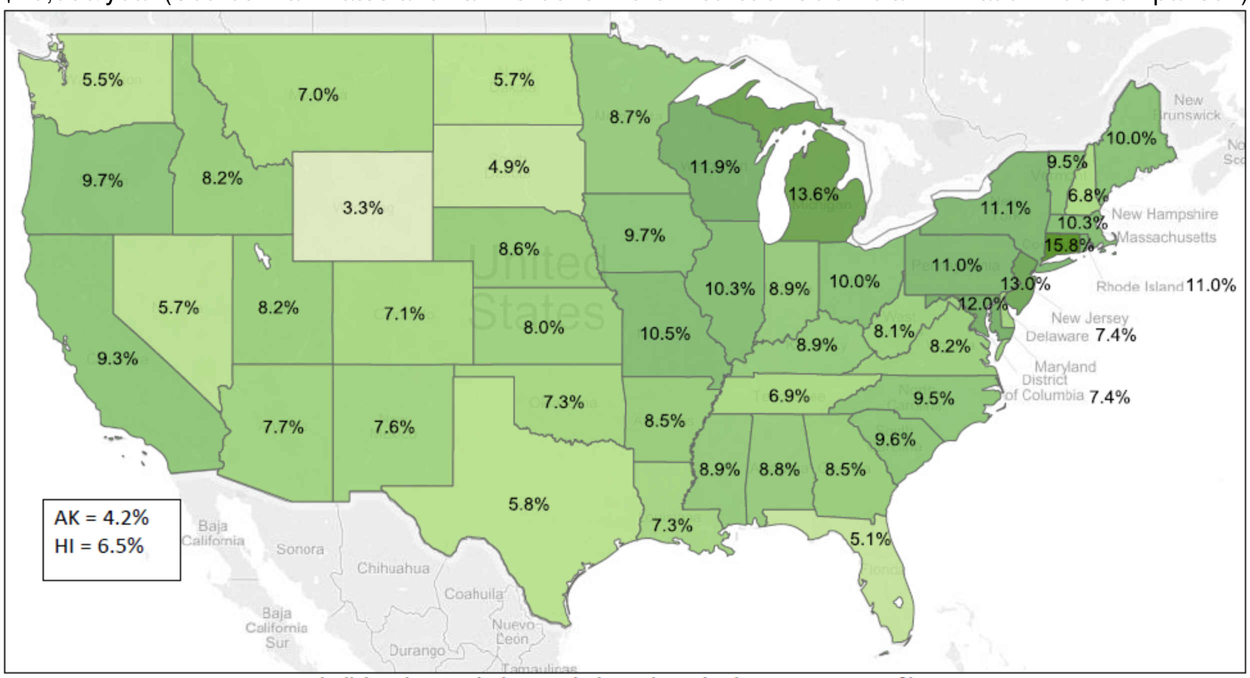
5. **Replace defined-benefit public employee pensions with a cash balance plan.**
   Defined-benefit pension systems expose taxpayers to greater risk and, even more importantly, their current structure reduces the incentive for highly qualified individuals to work for the state government.

   - Oklahoma recently enacted SoonerSave, which is a defined contribution plan that applies to state employees hired after November 1, 2015.[11]
   - Unlike standard defined-contribution systems, cash balance plans retain some of the risk sharing features that protect workers against fluctuations in asset returns.

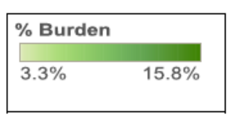
2.2 Structure Taxes to Maximize Economic Growth, Not Government

As a percentage of income, a family earning $50,000 faces a total tax burden of 10.3% in Kansas City vs. only 8.7% in Indianapolis and 6.9% in Denver.[12] Taxes impose economic damage not simply by directly removing resources from the private sector, but also by reducing productive activity because of their complexity and impact on incentives. Provisions that place caps on tax revenues are useful for limiting the growth of government, but they are imperfect substitutes for wise tax policy design. The overriding goal of tax reform should be to alter the structure of taxes to improve economic performance, not to drastically reduce revenue. Responsible budgeting matches any decrease in net revenues with clear spending cuts. The following policies and principles should guide future tax reform efforts.

Figure 1: Total 2014 Tax Burdens (Income + Sales + Property + Auto) as a % of Income for a Family Earning $75,000/year (Source: Tax Rates and Tax Burdens in the District of Columbia – A Nationwide Comparison)



The lighter the green in the map, the lower the tax burden as a percentage of income.



1. **Make tax simplification a top priority.**
   Complicated tax codes increase compliance costs and encourage wasteful rent-seeking behavior.
   - Some states like Texas restrict localities to choosing rates for their sales and property taxes and prohibit them from making adjustments to the tax base.[13]
2. **Roll back business tax credits and reduce or eliminate the corporate tax.**
   Despite the liberal narrative, the corporate tax is not a tax on CEOs. Corporate taxes reduce wages, increase costs, and worst of all for Missouri, they impede job creation.[14]

- Research finds that corporate tax increases lead to significant reductions in employment and income[15] and also drive away innovative individuals and companies.[16]

3. **Institute a state-level refundable Earned Income Tax Credit (EITC).**
   Details of this proposal are discussed in the safety net section of this document.

4. **Repeal federal deductibility and lower the income tax rate.**
   Instead of letting distortions in the federal tax code affect state taxation, Missouri should take the additional revenues raised from ending federal deductibility and buy down the top income tax rate.[17]

5. **Reduce or eliminate personal property taxes.**
   Personal property taxes greatly add to costs and cheapen the notion of private ownership by taxing goods in perpetuity.
   - Missouri has the third highest personal property tax burden per capita.[18]
   - Several states have repealed their tangible personal property tax, including Iowa and Ohio.[19]
   - When applied to businesses, personal property taxes penalize investment by taxing capital and machinery.
   - Indiana has recently passed reforms that allow localities to exempt new property or enact a filing threshold for businesses with small amounts of capital.[20]

6. **Exclude business inputs from the sales tax base.**
   Sales taxes are most efficient when applied only to final consumer sales.[21] Taxation of intermediate goods purchased by businesses leads to multiple layers of taxation, which increases costs and reduces economic output.[22]
   - Elimination of *tax pyramiding* would remove the need to enact narrow sales tax exemptions for particular goods, e.g. on certain types of equipment deemed important for investment.[1]
   - Recent tax changes in Iowa have expanded the types of business purchases exempt from the sales tax.[23]

7. **Shift away from traditional property taxes to land-value taxation.**
   Taxing structures reduces the incentive to increase development and make improvements. Land taxation, by contrast, is one of the most efficient forms of taxation.
   - Henry George first proposed the idea of taxing land and not structures, and modern economists have affirmed the economic sense in this approach.[24]

8. **Broaden the sales tax base and use the revenues to reduce the rate.**
   Special interest provisions and carve-outs distort the allocation of resources and rarely further any legitimate public policy goal, such as providing relief to lower-income households.[25]

9. **Reorient tax credits toward subsidizing job training and R&D**.
   Resources dedicated toward improving job training and R&D provide benefits even if a particular employer leaves the state.
   - Recent research has shown the potency of incentives for R&D and innovation.[26]
   - Missouri's tax burden for mature R&D operations currently ranks 49th among the states.[27]

[1] See http://www.sjsu.edu/people/annette.nellen/website/TaxReform/Report2cSUTPyramiding.pdf

3 Proposals: Unlocking Innovation and Entrepreneurship

Innovation and entrepreneurship[28] are a part of America's economic DNA, but recent studies point to a troubling decline in business start-ups.[29] There is no single culprit, but a number of economic and policy changes have made *entrepreneurial experimentation*—the lifeblood of small business growth—more difficult and costly. For Missouri to improve its economic standing through greater entrepreneurship, it will need to make deep and wide-ranging reforms. There is no silver bullet or quick fix. All of the policy categories in this report address ways to improve the economic environment and, therefore, both jobs and innovation. Below are policy ideas and principles tailored specifically to increase entrepreneurship.

3.1 Reduce the Opportunity Cost and Risk of Entrepreneurial Experimentation

Entrepreneurship is an inherently risky venture. While much policy focus is deservedly placed on maximizing potential returns in the event of success (e.g. by keeping taxes low), limiting the personal fallout from failure also encourages more people to take the leap into self-employment.

1. **Introduce one-stop permitting for small business formation.**
   Establishing a one-stop shop for starting a business would reduce costs and improve coordination among regulatory agencies.
   - The most powerful variant, the Devens model, would empower a single public official to license any new business.[30]
2. **Enact land-use reform.**
   Businesses increasingly enjoy locating in mixed-use areas, and the emergence of innovative agglomeration economies can be stifled by many zoning and land-use laws. Recent evidence highlights the growth-impeding effects of land-use regulations.[31]
   - The lack of assembled, usable land is a major reason why St. Louis is losing many of its growing companies.[32]
   - Michigan and Ohio have laws that permit counties to create land bank authorities that can accept title to vacant properties and work with cities to align the reuse of those properties with economic development plans.[33]
   - Experiment with alternatives to traditional use-based zoning. One example is implementing "entitlements subject to self-made options," which would allow property owners to buy the right to a certain land-use activity.[34]
   - Missouri could also limit the ability of local governments to place restrictions on home-based businesses.
   - Missouri could consider writing its own code for building and then permit localities to make it easier, but not harder, to build than the state code.[35]
3. **Reform unemployment insurance and other safety net programs for entrepreneurs.**
   Extending unemployment benefits to entrepreneurs would provide protection against downside risk during the critical early experimentation phase of many business ventures.

- The first step for Missouri would be to opt into the federal Self-Employment Assistance (SEA) program, which is modeled after a pioneer program in Oregon.
- The SEA waives the requirement that UI recipients be actively search for a new job at an existing company, as long as they are working on starting a "credible" business.[36]
- Missouri would have significant flexibility to design its own rules.
- Research shows that this reform causes new firm formation and raises productivity.[37]
- Other reforms to unemployment insurance include reducing the duration of benefits (discussed elsewhere in this report) and diverting some of the savings to *match private venture capital dollars* and/or to help finance a state-level *earned-income tax credit*.
- Missouri could also experiment with ways to expand cheap, portable *health insurance options* for entrepreneurs.

4. **Consider increasing the homestead exemption under state bankruptcy law.**
   Currently, Missouri permits creditors to *foreclose* on a delinquent borrower during *bankruptcy* if the owner has more than $15,000 in home equity.[38]

   - Increasing the homestead exemption to allow for greater home equity would reduce the cost of entrepreneurial failure by allowing more people to stay in their houses.
   - Recent research suggests that more entrepreneur friendly bankruptcy laws give rise to statistically and economically significant increases in self-employment.[39]
   - In general, caution is in order when it comes to loosening bankruptcy laws, because doing so can also reduce the supply of credit.
   - Florida, Iowa, Kansas, Oklahoma, South Dakota, and Texas have unlimited homestead exemptions; Colorado and California have $45,000 and $50,000 exemptions, respectively. By contrast, Utah, Georgia, Indiana, South Carolina, Tennessee, and Virginia have low exemptions.

3.2 Increase Labor Market Fluidity and Reduce Incumbent Bias

Innovation entails a process of "creative destruction" that is significantly hampered when government policies restrict the reallocation of workers or prioritize incumbent firms over start-ups.

1. **Reform occupational licensing laws**.
   Specific ideas are discussed in the regulatory reform section of this document.

2. **Limit the enforcement of non-compete clauses.**
   Non-compete clauses should only be enforced when there is clear evidence that a company is protecting a bona fide investment and not simply seeking to reduce competition. Even in these instances, the clauses should only be enforced for short periods of time.

3. **Stop "elephant hunting" and handing out firm-specific subsidies.**
   "If they feel they have to pay you to move to their location, there's probably a reason. I consider that a danger sign."[40] Despite the appeal to politicians of attending ribbon cutting ceremonies, there exists little evidence that special interest deals to lure specific companies increase aggregate employment,

wages, or growth.[41] Instead, such efforts divert resources from more productive uses and put start-ups at a competitive disadvantage.

- Big business captured 69% of Missouri Works deals and 89% of the dollars in 2013 and 2014.[42]
- Firm-specific subsidies are more likely to attract footloose companies that are less inclined to put down deep roots.[43]
- Extensive research documents that *young SMEs* (small-and-medium-sized enterprises) create the vast bulk of net new jobs.[44]
- Focusing on improving the environment for *existing businesses* is generally more effective than pursuing policies aimed at luring businesses from elsewhere.[45]

4. **Engage the private sector in efforts to expand access to credit.**
Ensuring that the private sector has "skin in the game" directs funds toward projects that have the highest potential of success.[46]
   - Prioritize loan guarantees, such as Revolving Loan Funds (RLFs) and Capital Access Programs with loan loss reserves, over direct loans.
   - Either shy away from public venture funds or ensure that funds are split up among multiple, smaller investments awarded by competitions run by local entrepreneurs.
   - Recent research emphasizes the importance of *entrepreneurial quality*, not merely quantity. The supply of start-ups is growing, but the ability of high-potential growth start-ups to commercialize and scale seems to be stagnating.[47]

5. **Strengthen employment-at-will by eliminating the immediate pay provision.**
Economic security should not be purchased through policies that reduce labor market fluidity. The reallocation of workers across firms and industries is paramount to economic growth and innovation. Making it more difficult to fire workers simply makes firms less likely to hire in the first place.
   - Missouri has generally strong employment-at-will policies, including the absence of an implied-contract exception.
   - However, the requirement that firms immediately pay discharged employers leads to higher administrative costs and legal consequences for unwitting violations.[48]
   - Extensive research documents the negative effects of wrongful discharge laws and the gradual state court-induced erosion in employment-at-will doctrine.[49]

3.3 Facilitate the Creation of an Innovation Ecosystem

Successful businesses do not operate in a vacuum. Paving the way for an economy that creates more jobs and larger paychecks requires creating an environment that facilitates collaboration and the sharing of information across industry, academia, and the public sphere. The BioGenerator and Cortex in St. Louis as well as the start-up scene in Kansas City are both promising developments, but the innovation ecosystem in those two cities and throughout the rest of the state can be greatly improved.[50] Importantly, the right policies avoid a top-down approach, which is most likely to fail, and combine elements of "benign neglect" with significant decentralization in the choice of initiatives.[51]

1. **Cultivate Missouri's greatest asset: its people.**
   Labor force growth and the availability of *middle-skilled* and *high-skilled* workers are important factors for increasing business start-ups.[52] A separate section of this report discusses detailed proposals.

   - Policymakers operate overwhelmingly under the theory that people go where the jobs are. While of course true to an extent, recent research increasingly shows that *jobs go to where the (skilled) people are.* Why? Because *people start businesses where they live.*[53]
   - Policies that focus on relocating capital investment are likely to be ineffective. In fact, recent studies show that typical incentive programs have *no discernable impact* on net job creation.
   - Missouri should therefore focus on policies that cultivate and attract *a skilled workforce*.
   - Quality of life factors are of particular importance to attracting people, including but not limited to low crime, good public schools, abundant cultural and recreational opportunities, etc.

2. **Connect entrepreneurs to training, information, and each other.**
   Entrepreneurs are not born with the knowledge of how to start, operate, and expand a successful business. Facilitating access to information and creating a fertile environment for entrepreneurs to interact with each other can help create a robust and self-perpetuating network of innovation.

   - Kansas City's KCBizarre provides business-specific road maps for opening a business and guidance navigating the licensing, permitting, and approval process. Similar entitites could be set up elsewhere throughout the state.
   - Kauffman FastTrac and Goldman Sachs 10,000 Small Businesses are two private sector examples of programs that help entrepreneurs start businesses.
   - The Small Business Administration has a large network of Small Business Development Centers (SBDCs), and the recent "Revitalizing American Manufacturing and Innovation Act" provides funding for proposals to create manufacturing institutes.
   - Providing platforms for networking and collaboration where entrepreneurs can interface with each other is also valuable for cultivating a rich entrepreneurial ecosystem. The San Francisco Citizens Initiative for Technology and Innovation (sf.citi) is a leader in this regard.[54]

3. **Improve university research collaborations and the commercialization of innovations.**
   The presence of high-quality research universities, R&D funding, and patents are important factors associated with higher growth, but Missouri is increasingly a laggard both in terms of research output and technology transfer.

   - The Bluegrass Economic Advancement Movement (BEAM) is one example of a state bringing together top private sector employers with universities to strengthen the regional ecosystem for manufacturing.
   - Encourage Missouri universities to adopt standardized licenses for spin-off companies akin to what the University of North Carolina has done with express licensing.
   - The Kauffman Foundation offers other compelling proposals to improve the speed and volume of innovation commercialization.[55]
   - The next governor should also pursue more comprehensive higher education reforms aimed at improving the access to and quality of Missouri's public universities. Such reforms are left to future analysis.

4 Proposals: Realizing Missouri's Human Potential

Behind all the statistics regarding the inefficiency of excessive taxation, spending, and regulation lies the unrealized potential of Missouri's greatest asset: its people. The great American experiment has succeeded not because of technocratic or technological progress, but rather, because our historical belief in *limited, effective government* has created the best environment for human flourishing. However, Missouri has in recent years fallen behind in delivering on the promise of making the next generation better off than its predecessors, and righting this failure must be a top priority.

4.1 Prepare Missouri's Workforce for the Jobs of Today and Tomorrow

According to site selectors, one of Missouri's greatest weaknesses is the quality of its workforce. This shortcoming is particularly problematic because the supply of educated workers and entrepreneurs is paramount for new firm creation and productivity.[56]

1. **Expand Career Academies and other Youth Training Programs**
   A significant middle skills gap exists, where middle skills require more than high school but less than college.[57] Missouri should employ innovative as well as tried-and-true methods to better prepare youth to enter the workforce.
   - Career Academies are job training programs in high school that combine academics with technical knowledge around a career theme.
   - Career Academies have been shown to cause an 11% persistent rise in earnings and without any negative effects on post-secondary achievement.[58]
   - Wisconsin currently operates the largest youth apprenticeship program in the country.
2. **Strengthen Apprenticeships and other Employer-Relevant Vocational Programs**
   One of the top imperatives for state workforce development is facilitating programs that promote *life-long learning*. Such programs are more effective when they incorporate the needs of employers and connect trainees with vacancies.
   - Employer customized job training has been shown to be *10 – 16 times more effective in creating jobs* than tax incentives.[59]
   - North Carolina has been a leader in implementing these programs.
   - Tennessee operates 27 technology center that provide training that leads to certificates and diplomas, and the graduation rate is 75%.[60] Furthermore, "Tennessee Reconnect" makes attendance at these institutions tuition-free.
   - Tennessee also uses state-level metrics for workforce training as part of its "Drive to 55" initiative, and it has enacted a $10 million competitive grant program through Tennessee LEAP to improve alignment between industry and skills training providers.[61]
   - South Carolina has been a leader in establishing an apprenticeship program that connects young adults to the manufacturing sector.[62] Apprenticeship SC has worked with more than 670 companies and 11,000 employees.[63]

4.2 Redesign the Safety Net as a Safety Trampoline

Current safety net programs often trap people in lives of dependency and penalize work and marriage.[64] In fact, Eugene Steuerle points out that "avoiding marriage is *the* tax shelter for low and moderate income individuals." Furthermore, research points out that welfare receipt in one generation causes welfare participation in the next generation.[65] Missouri should pursue state reforms and lobby for national reforms to transform the safety net into a safety trampoline that increases economic resilience.

1. **Create a state-level, refundable Earned Income Tax Credit (EITC).**
   The Earned Income Tax Credit, unlike the minimum wage or other poorly designed safety net programs, is the most effective anti-poverty policy in the U.S.[66] Missouri should build upon its success by creating a parallel state-level refundable EITC.

   - Unlike traditional cash assistance welfare, the Earned Income Tax Credit actually *increases* labor market participation.[67]
   - To maximize effectiveness at increasing labor market participation, the EITC should be *refundable* and delivered in *periodic payments*. A nonrefundable EITC, by contrast, would provide no benefit to the lowest income households.
   - The EITC should also cover childless adults, and to prevent creating unintended marriage penalties, credits for low-wage workers should be split from benefits for children and benefits should be based on personal rather than family income.[68]

2. **Improve the transition from welfare to work.**
   Missouri ranks 50th in the nation in terms of the percentage of welfare recipients engaging in work activities, at only 17%.[69]

   - Nationwide, 34% of welfare (TANF) applications were approved in 2016. Missouri, by contrast, approved 62% of applications.[70]
   - Missouri should impose a *mandatory job search requirement* upon application for TANF.
   - Missouri spends over 30% less on work-related activities as a fraction of TANF expenditures than the national average.[71]
   - Missouri should stop gaming Maintenance of Effort (MOE) provisions in TANF and start meaningfully enforcing work requirements.[72]
   - Currently, Missouri gives 24 months before any job requirement (which is very broad) must be satisfied and only cuts benefits by 25% in the event of noncompliance.[73]
   - Missouri should enact a *diversion program* (which two-thirds of states have) which allows families to choose a lump-sum cash payment to address immediate needs instead of receiving a monthly TANF payment.[74]
   - Missouri should also pursue work requirements for SNAP (food stamps).

3. **Reduce disability insurance (SSDI) work disincentives.**
   The current disability insurance system provides lifetime benefits in exchange for a promise to never do substantial work again.[75] Currently, more than 17% of prime-age men do not work, compared to only 5% in the late 1960s.[76] Missouri loses out on the contribution of these missing workers, and the missing workers themselves lose a sense of productive purpose.

- Recent research finds that disability insurance is responsible for large declines in employment and higher exits from the labor force.[77]
- Expansion of the VA's Disability Compensation (DC) program to a broader set of conditions in the 2001 Agent Orange decision reduced labor force participation by 18 percentage points.[78]
- Missouri should pursue/lobby for reforms that reduce dependence of SSDI eligibility on earnings.
- SSDI should follow a continuum rather than "all or nothing." A time-limited and partial disability option would allow more people to remain in the workforce.[79]
- Increasing stringency of the screening process for SSDI would increase the expected working life of disability insurance applicants.[80]
- Missouri should improve access to timely work supports by pursuing a system of integrated employment/eligibility services that would include "outreach to workers, employers, and healthcare providers; triage of applicants into no support, work support, or immediate SSDI entry conditional on Social Security Administration approval; and delivery of evidence-based work supports."[81]

4. **Eliminate marriage penalties in means-tested programs.**
The fraction of children living in single-parent households is the single strongest negative correlate of upward income mobility.[82] In the face of this stark reality, current means-tested programs penalize cohabiting couples for marrying by reducing their benefits or cutting off eligibility entirely.[83]

    - Allow low-income married families with children under six to spit their income and have that split income be considered in applications for programs like Medicaid and food stamps.[84]
    - Missouri could also directly reimburse low-income married couples for the amount of their marriage penalty.
    - Out-of-wedlock births accounted for 92% of births in welfare-recipient (TANF) families.[85]
    - Missouri should also consider pursuing federally funded Healthy Marriage grants for welfare (TANF).[86]

5. **Shorten the duration of unemployment insurance benefits.**[87]
Unemployment insurance is an important element of the safety net, but aside from its fiscal cost, it tends to lengthen unemployment spells and reduce job creation.

    - Missouri recently reduced the duration of unemployment benefits to 13 weeks, though the Missouri Supreme Court subsequently struck down the reform for procedural reasons.[88]
    - Recent research finds that Missouri's reforms substantially reduced the average duration of unemployment and increased the job finding rate.[89]
    - In exchange for reducing duration, benefits could, in principle, be made more generous at the beginning of the unemployment spell.
    - Alternatively, savings could be diverted to *match private venture capital dollars* or used to help *finance a state-level EITC*.
    - The Minnesota Emergency Employment Development (MEED) offers employers $4/hour wage subsidies for 26 weeks to hire unemployed workers who are not eligible for unemployment insurance, and California's Employment Training Panel Program was created by cutting unemployment insurance taxes by 0.1% and enacting a 0.1% employer training tax.[90]

6. **Reform worker's compensation to reduce costs and increase competitiveness.**
   Missouri's worker compensation system currently ranks 30th in terms of cost, with costs exceeding those in North Dakota, Indiana, Arkansas, Virginia, Nevada, and Utah by more than 50%.[91]

   - Missouri modified its worker compensation system in 2005[92] (and again in 2013 to address some unintended consequences[93] of the 2005 changes) but still lacks key structural reforms.
   - Wisconsin (along with other states) has recently enacted wide-ranging reforms to its workers' compensation system.[94]
   - Move toward an *exclusive factor* standard instead of a *contributing factor* standard. A contributing factor standard exposes employers to considerable risk by putting them on the hook even when workplace conditions are only a small part of the reason for an injury.[95]
   - Utilize *experience rating* to provide savings to companies that maintain a good safety and claims record, akin to what is done in Ohio's *Grow Ohio Incentive Program*.[96]
   - Implement a medical fee schedule, as Wisconsin has recently done.[97]
   - Use American Medical Association Guidelines to rate impairment, thereby capping the size of the anticipated award and lowering the frequency of claims.
   - More fundamental reforms include allowing employers to integrate employee health plans and workers' compensation medical coverage; allowing employers to use ordinary disability insurance for workers' compensation; and establishing portable Workers' Compensation Accounts (WCAs) for employees.[98]

5 Proposals: Modernizing Regulations for the 21st Century

The imperative to unleash the full potential of Missouri's economy means that it's time to release businesses and households from the stranglehold of excessive regulations. In short, it's time we regulate the regulators. As recent research shows, multiple decades of regulatory creep are partly responsible for halting the progress of many states in improving their living standards.[99]

5.1 Protect Employee Freedom in the Workplace

Reforming labor laws is more than a matter of dollars and cents: it is about restoring employee freedom. Part of America's secret economic sauce is its reliance on competition as a device to discipline market power. Just as producer competition benefits consumers, competition among unions also benefits workers.

1. **Enact Right-to-Work**.
   Nobody should be required to pay union dues as a condition for accepting a job. Just companies need to compete for customers, so should unions be required to compete for workers.

   - Missouri is one of a dwindling number of states without a right-to-work law, which puts it at a significant competitive disadvantage.
   - States with right-to-work laws experience greater job growth.[100]

2. **Enact a workers' choice law.** Right-to-work prevents forced paying of dues as a condition for employment, but workers are still forced to accept the union's representation as the monopoly bargaining unit. A workers' choice law would allow individual workers to opt entirely out of union membership and negotiate independently with their employer, just as employees do in non-unionized workplaces.[101]
   - A workers' choice law would fixed the "free rider" (or "forced rider") issue that unions complain about in right-to-work states.
   - Workers' choice prevents the creation of micro unions. Such micro unions would force employers to negotiate with more than one union per employee group.
3. **Require periodic re-certification of government unions**.
   States should require regular elections to ensure that public employees continue to actively prefer their union representation.
   - Wisconsin established an annual re-certification requirement for public unions in 2011 in Act 10.
   - Proposed legislation in Michigan would require public sector unions to re-certify every two years.[102]
4. **Improve public union transparency.**
   Government unions, which affect taxpayers, should be *at least* as transparent as private unions.
   - Require government unions to disclose financial information in LM filings, just as private sector unions do.
   - Close loopholes in the Sunshine Law and require open meetings between government unions and public officials.
5. **Enact paycheck protection**.
   Require unions to obtain written permission from workers before spending dues for political purposes.
   - HB1891 in Missouri passed in the legislature but was vetoed by Governor Nixon. The Senate failed to override the veto back in spring 2016.[103]
6. **Prohibit local labor peace ordinances.**
   Prohibit localities from conditioning government contracts on the private employer's acceptance of a labor peace agreement. These agreements force employers to accept unions by abandoning their rights secured by the National Labor Relations Act (e.g. the employer must be neutral during the organizational campaign, must recognize card check and not insist on secret ballots, etc.).[104]
   - Tennessee, Georgia, Louisiana, Michigan, Alabama, and Mississippi have already banned local peace ordinances. Colorado, Utah, Texas, Virginia, and North Carolina have recently debated the issue.
7. **Prohibit card check for public employees**. In comparison to secret elections, card check violates employee confidentiality. When done in the context of public employment, coercive unionization tactics also expose taxpayers to added costs.
   - North Carolina and Virginia prohibit public sector unions altogether.
   - Kansas requires secret ballot elections for all public employees except teachers. The law was strengthened in 2013 to assess the costs of the election to the party seeking the election.

5.2 Unshackle Workers from Burdensome Occupational Licensing

Currently, 21% of workers in Missouri are required to obtain an occupational license before working.[105] These requirements **reduce worker mobility**, **limit opportunity**, and **increase costs** for consumers. Missouri should reform occupational licensing laws to ensure that restrictions only exist in cases of bona fide safety and health considerations and that such restrictions are the least intrusive intervention possible.

Specific reforms to pursue:

1. **Pass a "Right to Earn a Living Act."**
   Missouri should enshrine the right of individuals to pursue their chosen profession free of interference by the government, except when absolutely necessitated by health or safety considerations.[106]
   - Such an act provides substantive protection of this right while also allowing state/local governments to protect the public.
   - Any ordinance or rule that limits entry or competition in a business or profession would need to be *legitimate*, *necessary*, and *tailored.*
   - Agencies and local governments would have some period of time after enactment to bring their regulations into compliance.
   - Governor Haslam in Tennessee recently signed one such law, and similar legislation has been introduced in Minnesota and Utah.
2. **Require regular evaluation of occupational licensing laws.**
   - Subject to well-defined requirements for legislative overrides, occupational licensing laws should face robust sunset and sunrise provisions and undergo regular economic cost-benefit analysis (with a critical eye toward job creation, firm formation, etc.) by a *nonpartisan agency*.
   - The Colorado Department of Regulatory Agencies (DORA) is a high-functioning example of such an agency, and Colorado has one of the lowest percentages of workers subject to occupational licensing.[107]
3. **Prioritize less restrictive means of protecting safety and health when possible.**
   Occupational licensing laws are a blunt instrument that raise costs and limit innovative capacity.
   - Facilitate the development of private certification as a responsible alternative to licensing.
   - Other alternatives less restrictive than licensing include a deceptive trade practice act, regulation of the *process* of providing the specific good or service, inspection, bonding or insurance, and government certification.[108]
4. **Require occupational boards to also include representatives from outside the profession.**
   Such a provision provides a hedge against the impulse of professions to use occupational licensing to erect barriers to entry for the purpose of self-enrichment.
5. **Form multi-state compacts that recognize occupational licenses from other states.**
   Multi-state compacts increase labor mobility, which is necessary for innovation and growth.
   - The Nurse Licensure Compact is one such example.

- Recent evidence shows that reciprocity provisions for occupations affects whether individuals move across state lines.[109]

6. **Limit licensing exclusions for individuals with criminal records to relevant and recent offenses.**

   - Georgia, Illinois, Alabama, and Kansas have passed restrictions on the ability of professional licensing boards to deny licenses to felons.[110]

5.3 Push Back Big Government

1. **Extend Missouri's "Big Government Get Off My Back Act."**
   The bill restricts the ability of the state to impose new rules or fees on small businesses.[111]

   - Governor Nixon recently vetoed HB1870.[112]

2. **Enact state franchise law reform.**
   Legislation should be enacted that provides explicit legal separation between franchisors and franchisees such that employees of a franchisee are not considered employees of the franchisor.

   - The NLRB's 2015 ruling in *Browning-Ferris Industries* deemed franchisors as "employers" for the purposes of bargaining under the National Labor Relations Act.
   - This shift threatens the independence of franchisor and franchisee and may result in unions demanding the opportunity to bargain with a franchisor parent company in any dispute with an individual franchisee.
   - Texas, Tennessee, Louisiana, Michigan, Wisconsin, Indiana, Utah, and Georgia have already passed franchise law reform.

3. **Eliminate prevailing wage provisions.**
   State prevailing wage laws artificially inflate costs and distort the allocation of resources away from their most efficient uses.

   - HB1931 would repeal Missouri's prevailing wage law on public works projects.
   - The U.S. Chamber of Commerce lists the existence of a state prevailing wage as one of the primary regulatory drags on Missouri's economy.[113]
   - States that do not have prevailing wage laws: Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, New Hampshire, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Utah, and Virginia.[114]

4. **Resist minimum wage increases and introduce a youth minimum wage.**
   Despite claims to the contrary, a considerable body of evidence shows that increases in the minimum wage depress job creation and increase unemployment of young and low-skilled workers.[115]

   - Ideally, Missouri should abolish its state-level minimum wage and follow the federal standard.
   - Missouri should implement the federal youth minimum wage, which lowers the minimum wage for those under age 20 to $4.25 per hour for the first 90 days of employment. Expansion of the EITC (discussed elsewhere in this document) would be a wise accompanying policy.

5. **Repeal Missouri's mandatory Renewable Energy Standard (RES).**
   Energy mandates are an economically damaging way to encourage efficient energy use. Politicians should not be in the business of selecting specific energy technologies to favor. Mandating one technology today risks discouraging investment in unknown alternatives tomorrow.

   - Missouri law now requires that investor-owned utilities (65% of electricity sales) produce at least 15% of their energy from selected renewable energies by 2021, with specific carve-outs for solar.
   - Recent estimates suggest that the RES will lower employment by over 6,000 jobs in 2021, reduce real disposable income by $675 million, decrease investment by $75 million, and lead to an average $195 increase in annual household electricity bills, $1,195 in annual commercial business electricity bills, and $27,425 in annual industrial electricity bills.[116]

6 Proposals: Investing in Missouri's Foundation of Infrastructure

As a public good, infrastructure is a *classic* economic example of what government *should* be spending money on. For Missouri to compete on the global economic stage, it needs to make smart and strategic investments in all of its infrastructure, including transit, energy, and telecommunications. A partial list of policies to address these issues follows.

6.0.1 Prioritize Missouri's Transit Systems

Efficient transportation networks regularly rank as one of the top criteria for site selectors assisting companies looking to relocate. Furthermore, a plethora of evidence shows that transportation networks are a key ingredient toward facilitating productivity-enhancing economic agglomeration.[117]

1. **Adopt statewide ride-sharing regulations.**
   Missouri should *embrace ride-sharing, not fight it,* and should therefore avoid the temptation to impose undue restrictions on peer-to-peer transportation.

   - Such regulations increase costs, stifle innovation, and perpetuate barriers to entry and rarely further legitimate public safety goals.
   - Ride-sharing also has the ability to reduce congestion.
   - Adoption of statewide rules would preempt outdated local for-hire vehicle regulations.
   - Twenty-seven states, including Illinois, Nebraska, Kansas, Oklahoma, Arkansas, Tennessee, and Kentucky have adopted simplified statewide regulations.[118]

2. **Pursue intelligent public-private partnerships.**
   When implemented properly, public-private partnerships harness the innovation and efficiency of the private sector to deliver performance gains and cost-savings for taxpayers.[119]

   - Indiana and Virginia are successful models. Virginia, in particular, has succeeded in garnering greater private sector buy-in because there is a defined pipeline of projects that can be relied on for continued long-term business. Virginia's OTP3 is also a leader in transparency.[120]

- By contrast, Chicago's privatization of parking meters has been a failure. Some key lessons: ensure transparency, don't overlook the transition, use one-time revenues for one-time expenses, and watch for all the budget implications of privatization.[121]
- Missouri could also create an enhanced *state infrastructure bank (SIB)* that employs a *competitive application process* to bring a *merit-based approach* to funding. The objective should be maximizing return on investment, not spreading funds evenly across the state.
- Ohio, Florida, South Carolina, Kansas, Georgia, and Virginia have used SIBs extensively.[122]

3. **Divert funds saved from eliminating tax credit programs to the highway budget.**
As discussed elsewhere in this document, tax credits and direct government spending both have opportunity costs. Rather than engage in wasteful attempts to lure companies to Missouri using special interest tax breaks, Missouri should use some of those resources to improve its infrastructure and increase its appeal to a wider range of businesses looking to invest in Missouri for the long-term.

4. **Pursue smart labor reforms that will reduce costs.**
Right-to-work, prohibiting labor peace agreements, and eliminating prevailing wage provisions would all increase the efficient allocation of scarce taxpayer resources.

5. **Insist on nonpartisan cost-benefit analysis of all transportation projects.**
Allocating investments via logrolling, as many states do, instead of evidence-based policymaking reduces the "bang for the buck" Missouri taxpayers receive.

6. **Appoint a "super secretariat" with the authority to link up relevant departments.**
Relevant departments are those with responsibility over investments related to transportation, economic development, commerce, housing, land conservation, and other infrastructure, e.g. water/sewer.

    - Mitt Romney created the *Office of Commonwealth Development* in 2003 to coordinate the capital budgets of agencies responsible for environment, transportation, housing, and energy.[123]
    - Michigan has a *Department of Energy, Labor, and Economic Growth* that brings together job, workforce, and economic development functions under a single agency.

7. **Order a comprehensive, independent audit and implement performance metrics.**
Such an audit should include examination of the department's accounting, procurement rules, fleet management, and training.

    - Virginia under Governor McDonnell found over $600 million in immediate savings due to better contracting and project acceleration following an independent assessment.[124]
    - A 2009 audit of Idaho's transportation budget found over $30 million in one-time savings and $6 million annually thereafter.
    - Making efficiency gains in a program *makes no sense* if the program needs a thorough overhaul.
    - A recent audit of the Texas DOT recommended organizational changes to alter the culture of the agency, to emphasize business/financial management, and to implement performance metrics.

8. **Prioritize funding sources linked to usage.**
If structural reforms are insufficient to meet needs, Missouri should pursue higher gas taxes, tolling, or other user fees in place of higher general taxes.[125] To prevent a higher overall taxpayer burden, any increases should be paired with a reduction in sales or income taxes and cuts to general spending.

- Non-general funding sources have two advantages: they make the connection between cost and benefit more apparent, and the people who benefit more are the ones who pay more.

6.1 Unleash Market Forces to Expand Broadband

Broadband has become almost equally indispensable to economic development as the highway system. Intelligent reforms can increase private investment to the point that costs would be recoverable in many under-served markets, but there remains a compelling rationale for state involvement to expand access, particularly in rural areas.[126]

1. **Exempt internet protocol-based technologies from state utility regulation.**
   A law modeled after the "Advanced Voice Services Availability Act" would enhance innovation by saying no to state-specific regulations.[127]
   - Such laws have received bipartisan support in Minnesota, California, Colorado, and elsewhere.[128]
2. **Work with localities to alter zoning rules that hinder telecom construction.**
   Excessive zoning and land use regulations create delays and increase costs of building towers and other necessary telecom structures.
3. **Facilitate bundling of broadband demand.**
   Regional Development Planning Councils can support grant programs to help consumers, education institutions, and libraries purchase broadband.[129]
4. **Allow usage-based pricing in under-served areas.**
   Mandating a single price blunts the incentive to invest in broadband in areas with low demand. Well-designed UBP plans are likely to have positive effects for consumers and for investments in the broadband infrastructure.[130]
5. **Support local and regional efforts at expanding broadband infrastructure.**
   Kansas City was an early adopter of Google Fiber, and St. Louis has been making upgrades in internet connectivity by adding fiber to the existing sub-street infrastructure.[131]

7 Proposals: Bringing Sensibility to Missouri's Legal Liability System

Missouri's liability system currently ranks 44th out of the country and is regularly rated as one of the worst in the country.[132] In fact, St. Louis County is rated as one of the worst counties in the country in terms of litigation environment. A subpar litigation environment increases costs for businesses and households and, worst of all for investment, instills substantial uncertainty.

7.1 Enact Comprehensive Tort Reform

Studies consistently find that caps on damages reduce the number of lawsuits, the value of awards, and insurance costs.[133] Pursuing intelligent reforms has the potential to increase employment by over 2%.[134]

1. **Extend personal injury caps beyond medical malpractice claims.**[135]
2. **Bar plaintiffs from any damages if they were 50% or more at fault.**
   Currently, damages can be reduced in proportion to the extent to which the plaintiff shares fault for the accident.
3. **Move to a pure several liability system.**
   A plaintiff can now collect 100% of damages against a defendant that is only 51% responsible, leaving the defendant to seek reimbursement from the other defendants. Reform would require the winning plaintiff to collect from each defendant only the amount for which that particular defendant is liable.
4. **Pass reforms to the collateral source rule.**
   Defendants should only be liable for costs *actually incurred* by plaintiffs, not charges that were subsequently discounted and not actually paid in full by the plaintiff.
   - If a plantiff receives an Explanation of Benefits for care received due to an injury for which the defendant is at fault, the defendant should only be liable for what the plaintiff actually owes, not for the undiscounted amount shown on the EOB.
   - SB847 was vetoed by Governor Nixon.[136]
5. **Move toward a "loser pays" system.**
   A losers pay system discourages frivolous lawsuits and improves the efficiency of the court system by reducing the backlog of cases.
   - Those who file *frivolous* (as opposed to *meritless*) lawsuits would be required to pay the defendant's attorneys' fees related to dismissal of the suit.
   - Another option is to impose only the costs of discovery on the losing party.
   - Adopt a vexatious litigant law, which requires that plaintiffs who repeatedly file and lose lawsuits obtain permission from the court and post security before filing subsequent litigation.
   - Wisconsin, Tennessee, Texas, Arizona, and New Hampshire have recently passed elements of a loser pays system.[137]

7.2 Other Liability Reforms

1. **Adopt the *Daubert* standard for the admission of expert witness testimony.**
   Missouri currently adopts a flexible standard based on the paper credentials of purported experts, not on their methods.
   - SB591 was vetoed by Governor Nixon.[138] SB233 and HB697 were also introduced but failed in the face of strong trial attorney opposition.
2. **Pass a "Transparency in Lawsuits Protection Act."**
   Such an act bars courts from finding new rights to sue without clear legislative authorization, thus preserving legislative policy-making authority.[139]
   - Georgia and Tennessee have passed legislation along these lines.

Notes

[1]Source: http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind7

[2]See "Over-Medicaid-Ed: How Medicaid Distorts and Dilutes America's Safety Net" by the Manhattan Institute.

[3]See "The ACA and Medicaid Expansion Waivers" by the Kaiser Family Foundation.

[4]See http://healthaffairs.org/blog/2014/12/05/section-1332-waivers-and-the-future-of-state-health-reform/

[5]See "Over-Medicaid-Ed: How Medicaid Distorts and Dilutes America's Safety Net" by the Manhattan Institute.

[6]See "Better Incentive Information" by Pew Charitable Trusts.

[7]See "Better Incentive Information" by Pew Charitable Trusts.

[8]See "Reducing Budget Risks" by Pew Charitable Trusts.

[9]See "Reducing Budget Risks" by Pew Charitable Trusts.

[10]See "Reducing Budget Risks" by Pew Charitable Trusts.

[11]See http://www.opers.ok.gov/dc-basics

[12]See table 1b in "Tax Rates and Tax Burdens in the District of Columbia – A Nationwide Comparison." Comprehensive state tax information can be found in the "2015 State Tax Handbook" by the CCH Group.

[13]See "Lessons from Texas" by the Goldwater Institute.

[14]For research on the effects of corporate taxes, see "Tax Structure and Economic Growth" by Young Lee and Roger Gordon (Journal of Public Economics 2005).

[15]See "To Cut or Not to Cut? On the Impact of Corporate Taxes on Employment and Income" by Alexander Ljungqvist and Michael Smolyansky (2016 working paper).

[16]See "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists" by Enrico Moretti and Daniel Wilson (2015 working paper).

[17]Further analysis of this concept can be found in "Iowa Tax Reform Options: Building a Tax System for the 21st Century" from the Tax Foundation.

[18]See "States Moving Away from Taxes on Tangible Personal Property" by the Tax Foundation.

[19]See "Using the Tax Structure for State Economic Development" by the Brookings Institute and "States Moving Away from Taxes on Tangible Personal Property" by the Tax Foundation.

[20]See "Indiana's 2014 Tax Package Continues State's Pattern of Year-Over-Year Improvements" by the Tax Foundation.

[21]See "Sales Taxation of Business Purchases: A Tax Policy Distortion" by Alan Viard.

[22]See "What's Wrong with Taxing Business Services?" by the Council On State Taxation.

[23]See http://www.forbes.com/sites/taxanalysts/2015/10/22/iowa-has-the-best-tax-policy-proposal-of-the-year/#5c8244934800 and http://www.crestonnews.com/2016/03/16/iowa-passes-tax-legislation-that-could-cut-state-revenue/a4hysxp/

[24]See chapter 15 of "Reviving Economic Growth: Policy Proposals from 51 Leading Experts" and "Prospects for Land Rent Taxes in State and Local Tax Reforms" by Thomas Nechyba (working paper). Furthermore, Richard Arnott discusses implementation in "Neutral Property Taxation" (Journal of Public Economic Theory 2005). See "50-State Property Tax Comparison Study For Taxes Paid in 2015" from the Lincoln Institute of Land Policy or "Residential Property Taxes in the United States" from the Brookings Institute for state property tax data and rankings.

[25]See "Retail Sales and Use Taxation" in *The Oxford Handbook of State and Local Government Finance* for more information on sales tax principles.

[26]Most recently, see "Do Tax Incentives for Research Increase Firm Innovation? An RD Design for R&D" by Dechezlepretre et al (NBER working paper 22405, July 2016). A nice summary can be found at http://www.nber.org/digest/sep16/w22405.html. Also, see "State Incentives for Innovation, Star Scientists and Jobs: Evidence from Biotech" by Enrico Moretti and Daniel Wilson (NBER working paper), "Beggar Thy Neighbor? The In-State, Out-of-State, and Aggregate Effects of R&D Tax Credits" by Daniel Wilson

(Review of Economics and Statistics 2009), and “Tax Policy and Heterogeneous Investment Behavior” by Eric Zwick and James Mahon (2016 working paper).

[27]See “Location Matters: The State Tax Costs of Doing Business” by the Tax Foundation.

[28]See “The Role of Entrepreneurship in US Job Creation and Economic Dynamism” by Decker et al (Journal of Economic Perspectives 2014).

[29]There is an extensive literature pioneered by John Haltiwanger, Steve Davis and others on this topic. The following article discusses several of these papers: http://voxeu.org/article/decline-high-growth-entrepreneurship.

[30]See chapter 15 of “Reviving Economic Growth: Policy Proposals from 51 Leading Experts.”

[31]See “Why Has Regional Income Convergence in the U.S. Declined?” by Peter Ganong and Daniel Shoag as well as “Why Do Cities Matter? Local Growth and Aggregate Growth” by Chang-Tai Hsieh and Enrico Moretti.

[32]See “St. Louis Inner City Competitiveness Assessment and Strategy Project” from the Initiative for a Competitive Inner City (ICIC).

[33]See “Recapturing Land for Economic and Fiscal Growth” by the Brookings Institute.

[34]See “Startup Act for the States” from the Kauffman Foundation.

[35]Ed Glaeser suggests this idea in chapter 15 of “Reviving Economic Growth: Policy Proposals from 51 Leading Experts.”

[36]See http://cfed.org/knowledge_center/publications/entrepreneurship/SEA_Expansion_Advocacy_Guide.pdf

[37]See “Can Unemployment Insurance Spur Entrepreneurial Activity? Evidence from France” by Hombert et al (working paper 2014). Also, see http://www.kauffman.org/~/media/kauffman_org/resources/2016/entrepreneurship%20policy%20digest/pd_healthinsurance_032116.pdf

[38]Source: https://texaspolitics.utexas.edu/archive/html/cons/features/0406_01/homestead.html

[39]See “Bankruptcy Law and Entrepreneurship” by Armour and Cumming (American Law and Economics Review 2008). Also see “The Impact of Personal Bankruptcy Law on Entrepreneurship” by Ye Jia (Canadian Journal of Economics 2015) and “Does Bankruptcy Law Affect Business Turnover? Evidence from New and Existing Businesses” by Rohlin and Ross (Economic Inquiry 2015).

[40]See “Choosing the United States” by Michael Porter.

[41]For example, see “Job Creation and Firm-Specific Location Incentives” by Nathan Jensen.

[42]See “Shortchanging Small Business: How Big Businesses Dominate State Economic Development Incentives” by Good Jobs First.

[43]See “Choosing the United States” by Michael Porter.

[44]A plethora of academic research from Steve Davis, John Haltiwanger, and others exists on the subject. Karen Mills also discusses this fact in “A Playbook for Making America More Entrepreneurial” in the Harvard Business Review.

[45]See “Clusters and Comparative Advantage: Implications for Industrial Policy” by Rodriguez-Clare (Journal of Development Economics 2007).

[46]See “How Entrepreneurs Access Capital and Get Funded” and “The Dos and Don’t of Local Entrepreneurship Promotion,” both by the Kauffman Foundation.

[47]See “The State of American Entrepreneurship: New Estimates of the Quantity and Quality of Entrepreneurship in 15 US States, 1988 – 2014” by Guzman and Stern (NBER working paper 2016).

[48]See “The Impact of State Policies on Job Growth: A 50-State Review” by the U.S. Chamber of Commerce.

[49]Some examples include “The Employment Consequences of Wrongful-Discharge Laws: Large, Small, or Not at All?” by Autor et al (American Economic Review 2004) and “Does Employment Protection Reduce Productivity? Evidence from US States” by Autor et al (Economic Journal 2007).

[50]See “The Rise of Innovation Districts” by the Brookings Institute.

[51]See “’Old Economy’ Inputs for ’New Economy’ Outcomes: Cluster Formation in the New Silicon Valleys” by Bresnahan et al (Industrial and Corporate Change 2011).

[52]See “Demographic Origins of the Startup Deficit” by Karahan et al (working paper 2015).

[53]See “What Comes First, People or Jobs: Evidence and Lessons for Indiana” out of the Center for Business and Economic Research at Ball State University.

[54]See “Big Ideas for Small Business” by the National League of Cities.

[55]See “Startup Act for the States” by the Kauffman Foundation.

[56]See “Human Capital and Regional Development” by Gennaioli et al (Quarterly Journal of Economics 2013), “Overview of Economic Competitiveness” by the Productivity and Prosperity Project at Arizona State University, “An Analysis of the Geography of Entrepreneurship” by the Kauffman Foundation, “Entrepreneurship and the City” by Ed Glaeser (NBER working paper), and “Local Industrial Conditions and Entrepreneurship: How Much of the Spatial Distribution Can We Explain?” by Ed Glaeser and William Kerr (Journal of Economics and Management Strategy 2009).

[57]Joe Fuller at Harvard Business School has conducted extensive research about this problem.

[58]See “Workforce Development Policy” by the Family Impact Institute.

[59]See “Growing the State Economy” by the Family Impact Institute and “State Tax Incentives for Economic Development” from the Brookings Institute.

[60]See “Positioning Wisconsin for the Jobs of the Future” by the Family Impact Institute.

[61]See “Leveraging Regional Assets to Grow Minnesota’s Economy” by the Brookings Institute.

[62]See “Strong Families, Prosperous States” by the American Enterprise Institute and “Room to Grow” by the Conservative Reform Network.

[63]See “Remaking Economic Development” by the Brookings Institute.

[64]See “Marginal Tax Rates and 21st Century Social Welfare Reform” by Eugene Steurle of the Urban Institute.

[65]See “Family Welfare Cultures” by Dahl et al (2014 working paper).

[66]See “The Earned Income Tax Credit” by Nichols and Rothstein

[67]See “Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income” by Hoynes and Patel (2015 working paper).

[68]Consider the following excerpt from “EITC Expansion Backed by Obama and Ryan Could Penalize Marriage For Many Low-Income Workers” by Eugene Steuerle: ”A childless male making $11,000 qualifies for a credit of $1,011 under the Obama-Ryan model in 2016. If he marries a spouse with two children making about $20,000 and getting a credit of $5,172, they would get only one credit of $4,018, a loss of $2,165 from the combined credits of $6,273 they had before marriage.”

[69]Source: Office of Family Assistance, “Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010,” Office of the Administration for Children and Families, Table 27. More information can also be found in the Cato report “The Work vs. Welfare Trade-off: 2013”

[70]Data from the Office of Family Assistance.

[71]See figure 1-D in “Temporary Assistance for Needy Families Program (TANF): Eleventh Report to Congress.”

[72]See http://www.acf.hhs.gov/ofa/resource/work-participation-rates-fiscal-year-2014 for data and “Welfare Reform Report Card” from the Heartland Institute for additional ideas.

[73]See the “Welfare Rules Databook” from the Urban Institute.

[74]See the “Welfare Rules Databook” from the Urban Institute.

[75]See “Understanding the Increase in Disability Insurance Benefit Receipt in the United States” by Jeffrey Liebman (Journal of Economic Perspectives 2015).

[76]See chapter 15 of “Reviving Economic Growth: Policy Proposals from 51 Leading Experts.”

[77]See “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt” by Maestas et al (American Economic Review 2013), “The Rise in the Disability Rolls and the Decline in Unemployment” by Autor and Duggan (Quarterly Journal of Economics 2003) and “Disability Insurance Benefits and Labor Supply” by Jonathan Gruber (Journal of Political Economy 2000).

[78]See "The Impact of Disability Benefits on Labor Supply: Evidence from the VA's Disability Compensation Program" by Autor et al (2015 NBER working paper).

[79]See "Beyond All or Nothing: Reforming Social Security Disability Insurance to Encourage Work and Wealth" by Jason Seligman of the Mercatus Center.

[80]See "Disability Insurance Incentives and the Retirement Decision: Evidence from the U.S." by Courtney Coile (2015 NBER working paper). Furthermore, "Disability Benefits, Consumption Insurance, and Household Labor Supply" by Autor et al (working paper 2015) shows the welfare improving effects of lowering replacement rates and imposing stricter screening.

[81]See "The Employment/Eligibility Service System: A New Gateway for Employment Supports and Social Security Disability Benefits" by Mann et al (Mathematica Policy Research working paper).

[82]See "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States" by Chetty et al (Quarterly Journal of Economics 2014).

[83]See "Marriage Penalties in the Modern Social-Welfare State" by Douglas Besharov and Neil Gilbert as well as "The Hefty Penalty on Marriage Facing Many Households with Children" by Adam Carasso and Eugene Steurle.

[84]This proposal comes from "Strong Families, Prosperous States" by the American Enterprise Institute.

[85]See "Figure 8-C of "Temporary Assistance for Needy Families Program (TANF): Elevanth Report to Congress."

[86]See "Temporary Assistance for Needy Families Program (TANF): Elevanth Report to Congress" for a description.

[87]Recent research from Mitman and Rabinovich (2015) shows that optimal unemployment insurance should be extended at the beginning of a recession but should rapidly be cut back to facilitate a more robust recovery.

[88]http://www.kmbc.com/news/missouri-supreme-court-strikes-down-unemployment-benefit-change/40900420

[89]"Potential Unemployment Insurance Duration and Labor Supply: The Individual and Market-Level Response to a Benefit Cut," NBER Working Paper 22411, by Andrew Johnston and Alexandre Mas.

[90]See "Growing the State Economy" by the Family Impact Institute.

[91]Source: Oregon Department of Consumer and Business Services. http://www.cbs.state.or.us/external/dir/wc_cost/files/report_summary.pdf.

[92]http://www.insurancejournal.com/magazines/features/2005/07/04/57762.htm

[93]https://www.sedgwick.com/news/Documents/Articles/Summary%20of%20Missouri%20Senate%20Bill%201.pdf

[94]See http://hausmann-johnson.com/2016/03/changes-have-come-to-workers-compensation-laws/, http://lindner-marsack.com/news/major-changes-to-the-wisconsin-workers-compensation-system-ahead, and http://docs.legis.wisconsin.gov/2015/related/acts/180.pdf

[95]https://mochamber.wordpress.com/2015/01/05/workers-compensation-reform/

[96]https://www.bwc.ohio.gov/downloads/blankpdf/growohiocomparison.pdf

[97]http://www.businessinsurance.com/article/20150301/NEWS08/303019963

[98]See "Workers' Compensation: Rx for Reform" by the National Center for Policy Analysis.

[99]See "Why Has Regional Income Convergence in the U.S. Declined?" by Peter Ganong and Daniel Shoag as well as "Why Do Cities Matter? Local Growth and Aggregate Growth" by Chang-Tai Hsieh and Enrico Moretti.

[100]See "The Effect of State Policies on the Location of Manufacturing: Evidence from State Boundaries" by Thomas Holmes. The Mackinac Center's "Economic Growth and Right-to-Work Laws" summarizes other research.

[101]The Mackinac Center provides model legislation in "Workers' Choice: Freeing Unions and Workers from Forced Representation."

[102]See "Top Labor Reforms for Michigan" by the Mackinac Center.

[103]See http://www.stltoday.com/news/local/govt-and-politics/paycheck-protection-veto-override-fails-in-missouri-senate/article_e243cfa0-1837-5be7-84de-592f122b37cb.html

[104]See "State Law Labor Reform: Tools for Growth" from the U.S. Chamber of Commerce.

[105]Source: White House report "Occupational Licensing: A Framework for Policymakers."

[106]For model legislation, see “Right to Earn a Living Act” by the Goldwater Institute.

[107]See “Reforming Occupational Licensing Policies” by the Brookings Institute.

[108]See ALEC’s “Occupational Board Reform Act” model legislation.

[109]Johnson and Kleiner 2014, “Is Occupational Licensure a Barrier to Interstate Migration?”

[110]See “Fact Sheet: New Steps to Reduce Unnecessary Occupation Licenses that are Limiting Worker Mobility and Reducing Wages” from the White House.

[111]See http://house.mo.gov/billtracking/bills161/sumpdf/HB1870I.pdf and http://www.nfib.com/content/news/economy/session-ended-with-4-small-business-victories-74243/

[112]https://legiscan.com/MO/bill/HB1870/2016

[113]See “The Impact of State Employment Policies on Job Growth: A 50-State Review” from the U.S. Chamber of Commerce.

[114]Source: https://www.dol.gov/whd/state/dollar.htm

[115]The body of research on minimum wages is extensive. Recent work shows the importance of looking at longer time horizons following legislative changes and not just on instantaneous changes to aggregate employment. See “The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers” by Jeffery Clemens and Michael Wither; “Are There Long-Run Effects of the Minimum Wage?” by Isaac Sorkin; “Industry Dynamics and the Minimum Wage: A Putty-Clay Approach” by Daniel Aaronson, Eric French, Ted To, and Isaac Sorkin; and “Effects of the Minimum Wage on Employment Dynamics” by Jonathan Meer and Jeremy West. In “State Minimum Wages and Business Location: Evidence from a Refined Border Approach,” Shawn Rohlin shows that raising the minimum wage deters new establishments from locating in an area.

[116]See the Beacon Hill Institute report, “The Economic Impact of Missouri’s Renewable Energy Standard.”

[117]Examples include “The Economics of Density: Evidence from the Berlin Wall” by Ahlfeldt et al (Econometrica 2015) and “Railroads and American Economic Growth: A “Market Access” Approach” by Dave Donaldson and Richard Hornbeck (Quarterly Journal of Economics, forthcoming).

[118]See “20 for 2020: An Agenda for Missouri” from the Show-Me Institute.

[119]“Public-Private Partnerships: When and How” by Engel et al (2008) and “Soft Budgets and Renegotiations in Public-Private Partnerships: Theory and Evidence” by Engel et al (2015) provide guidance on creating successful PPPs.

[120]See “Drivers of Successful Public-Private Partnerships” by the Brookings Institute.

[121]See “The Lessons of Long-Term Privatization: Why Chicago Got it Wrong and Indiana Got it Right” by the Manhtattan Institute.

[122]See “Banking on Infrastructure: Enhancing State Revolving Funds for Transportation” by the Brookings-Rockefeller Project on State and Metropolitan Innovation, and “State Infrastructure Banks” by the Council of State Governments.

[123]See “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy” by the Brookings Institute.

[124]See “State Transportation Reform: Cut to Invest in Transportation to Deliver the Next Economy” by the Brookings Institute.

[125]For more information and innovative funding ideas, see “Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation” by the National Conference of State Legislatures.

[126]See “Usage-Based Pricing and Demand for Residential Broadband” by Nevo et al (Econometrica 2016).

[127]See “The States’ Broadband Plan: Three Suggested Policies to Promote Broadband in the States” by ALEC.

[128]https://www.minnpost.com/community-voices/2016/06/daytons-stance-internet-voice-service-20th-century-policy

[129]See “Missouri 2030: An Agenda to Lead” by the Missouri Chamber of Commerce and “Growing the State Economy” by Wisconsin Family Impact.

[130]See “The Economics of Usage-Based Pricing in Local Broadband Markets” by Johannes Bauer and Steven Wildman.

[131]See “The Rise of Innovation Districts” by the Brookings Institute.

[132]“2015 Lawsuit Climate Survey: Ranking the States,” U.S. Chamber Institute for Legal Reform. Missouri is ranked 44th in overall treatment of tort and contract litigation; 43rd in having and enforcing meaningful venue requirements; 46th in treatment of class action suits and mass consolidation suits; 42nd in damages; 42nd in timeliness of summary judgment/dismissal; 45th in discovery; 43rd in scientific and technical evidence; 40th in judges’ impartiality; 35th in judges’ competence; and 40th in juries’ fairness.

[133]See the CBO report, "The Effects of Tort Reform Evidence from the States."

[134]"Creating Conditions for Economic Growth: The Role of the Legal Environment," NERA Economic Consulting.

[135]http://www.alvinwolff.com/blog/will-the-laws-change-in-2016-for-tort-in-missouri-.cfm

[136]http://governor.mo.gov/news/archive/gov-nixon-signs-seven-bills-including-income-tax-exemption-missouri-service-members

[137]See "101 Ways to Improve State Legal Systems," by the U.S. Chamber Institute for Legal Reform.

[138]http://governor.mo.gov/news/archive/gov-nixon-signs-seven-bills-including-income-tax-exemption-missouri-service-members

[139]See "Lawsuit Reform for Competitive State Economies: A Guide for State Legislators" by ALEC.