



PUTTING PENSION COST IN CONTEXT: MISSOURI

This brief on Missouri is part of a series of state reports that compare pension obligations to subsidy spending for either FY 2018 or FY 2019, depending on data availability.

The measure chosen for pension obligation is the employer normal cost, which is the portion of the total normal cost (i.e. present value of future benefits allocated to a particular fiscal year) that is attributable to employers. The employer normal cost is obtained from annual financial statements and actuarial valuation reports – either extracted directly or calculated by: 1) multiplying covered payroll by the employer normal rate; or 2) subtracting the employee share from the total normal cost; or 3) subtracting legacy costs (i.e. annual payment needed to amortize the unfunded actuarial accrued liabilities) from actuarially determined employer contribution. Where the necessary information is not provided, the employer normal cost is estimated by multiplying the total normal cost by the actuarially determined employer contribution (rate) as a percentage of total contribution (rate).

The cost of economic development incentive programs was obtained from annual reports from economic development agencies, state tax expenditure reports, and GASB Statement No. 77 Tax Abatement Disclosures in annual financial reports. We also consider corporate tax dodging via offshore tax havens as reported by U.S. PIRG. Where data for a particular program or tax expenditure is not available for the year of study, the most recent data (but no earlier than 2016) is used as an estimate.

2019 Missouri Public Employee Pension Obligations	\$150,219,017
2019 Cost of Missouri Subsidies and Corporate Tax Breaks	\$538,485,876

Missouri's public pensions are administered through the Missouri State Employees' Retirement System (MOSERS), the Public School Retirement System (PSRS), and the Public Education Employee Retirement System (PEERS). The employer does not contribute to the latter two, so the normal cost is \$150.2 million 2019 for MOSERS [1-4]. Recently, concerns with funding have prompted lawmakers to consider replacing MOSERS with defined contribution plans, thus lowering benefit levels for retirees. At the center of debate is how to resolve underfunding, and one option is to reduce tax breaks for corporations.

Missouri's *known* giveaway costs are already over three times the pension obligation; the actual costs likely are larger, as the state fails to disclose the price tag for some of its subsidy programs. Almost every state publishes a tax expenditure budget, and while the contents of such reports are not standardized, most states disclose at least some of their tax incentives there. However, Missouri does not publish an annual tax expenditure report. The sales tax exemption for data centers (on the purchase

of electricity used by cloud-computing centers – by far their largest operating expense) is listed as one of Missouri’s economic development programs, but the state does not even disclose one aggregate cost figure, claiming that such disclosure is prohibited by taxpayer confidentiality.

Among the disclosed programs, Missouri Quality Jobs and Missouri Works are the costliest business incentives [5, 6]. Tax credits for historic preservation and brownfield remediation also account for a substantial amount of foregone revenue [5, 6]. Missouri also suffers an enormous uncapped “vendor discount” (an archaic vestige of days before cash register software automatically computed how much sales tax had been collected) which allows retailers to keep some of the sales taxes they collect. Indeed, a 2017 report from the state auditor found that Missouri trails only Colorado in the share of sales and use taxes it allows retailers to keep [9]. Moreover, the state loses about \$161 million in taxes via offshore corporate tax havens [10].

August 2019 marked a historic moment when Missouri and neighboring Kansas entered into a legally-binding agreement to bilaterally “disarm” in the Kansas City metro area. After wasting more than a third of a billion dollars in the past decade, paying border-hopping companies to do little more than change their employees’ commuting routes, the two states agreed to stop using state subsidies for such deals. This is the first such bi-state agreement in U.S. history and a worthy example for many other metro areas that span two or three states.

Subsidy Program Costs

Economic Development Subsidies and Corporate Tax Breaks	Subsidy Amount
Missouri Quality Jobs [5]	\$48,411,000
Missouri Works – Business Incentives [5]	\$64,787,000
Missouri Works New Jobs Training [5]	\$4,715,000
Missouri Works Job Retention Training [5]	\$2,781,000
Missouri Manufacturing Jobs Act [5]	\$15,013,000
Business Use Incentives for Large-Scale Development [5]	\$13,776,000
Enhanced Enterprise Zone [5]	\$4,929,000
Business Facility Tax Credit [5]	\$8,218,000
Amateur Sports Contribution/Ticket Sales Tax Credit [5, 6]	\$1,606,590
Rebuilding Communities Tax Credit [5]	\$56,000
Development Tax Credit [5]	\$374,000
Data Center Sales Tax Exemption [5]	Confidential
Historic Preservation Tax Credit [5]	\$54,566,000
Brownfield Remediation + Assemblage [5,6]	\$34,927,347
Business Incubator* [6]	\$236,357
Missouri Works Customized Training Program [6]	\$5,674,274
Tourism Grants [7]	\$1,803,982
Film Production Assistance** [7]	Unknown
Meat Processing Facility Investment + Qualified Beef Producers Tax Credit [8]	\$615,342
Vendor’s Discount/Compensation*** [9]	\$115,000,000
Corporate tax dodging via offshore havens [10]	\$160,995,984
TOTAL	\$538,485,876

* Latest available data is from 2018 calendar year and used as an estimate for fiscal year 2019.

** The number of tax credits issued in 2019 for film production is \$0, and the tax credit program has sunset as of 2013. However, according to previous reports by Division of Tourism and the Missouri Film Office (up to 2018), the state provides assistance annually to over 100 projects. The form and magnitude of this assistance is not known.

*** Latest available data is from 2016 and used as an estimate for fiscal year 2019.

Source Documents

(Accessed February 18, 2020)

- [1] Missouri State Employees' Retirement System. 2017. "Actuarial Valuation Report as of June 30, 2017." https://www.mosers.org/docs/default-source/funding/reports/2017-06-30-actuarial-valuation-msep.pdf?sfvrsn=86495a80_8.
- [2] Missouri State Employees' Retirement System - Judges. 2017. "Actuarial Valuation Report as of June 30, 2017." https://www.mosers.org/docs/default-source/funding/reports/2017-06-30-actuarial-valuation-judges.pdf?sfvrsn=fdc1a82_8.
- [3] Missouri State Employees' Retirement System. 2019. "Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019." https://www.mosers.org/docs/default-source/funding/comprehensive-annual-financial-report---2019.pdf?sfvrsn=7a21380c_14.
- [4] Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri. 2019. "Comprehensive Annual Financial Report." <https://www.psr-peers.org/About-Us/Resources/Annual-Report>.
- [5] Missouri Office of Administration. 2019. "Comprehensive Annual Financial Report for Fiscal year Ended June 30, 2019." https://oa.mo.gov/sites/default/files/CAFR_2019_0.pdf.
- [6] Missouri Department of Economic Development. 2019. "Tax Credit Accountability Report: Annual Status Report of Economic Development Programs." https://ded.mo.gov/sites/default/files/Annual%20Tax%20Credit%20Accountability%20Report_6-19_0.pdf.
- [7] Missouri Division of Tourism. 2018. "Annual Report FY18." <https://mdt-visitmo-cdn.s3.amazonaws.com/industry-files/annual-reports/1555106172-mdt-annual-report-fy18.pdf>.
- [8] Missouri Accountability Portal. "2019 Tax Credit Data." <https://mapyourtaxes.mo.gov/MAP/Download/Default.aspx>.
- [9] Office of Missouri State Auditor. 2017. "Cost of Tax Incentives and Exemptions." <https://app.auditor.mo.gov/Repository/Press/2017113798933.pdf>.
- [10] U.S. PIRG Education Fund. 2016. "Picking up the Tab 2016: Small Businesses Bear the Burden for Offshore Tax Havens." <https://uspig.org/sites/pirg/files/reports/USP%20PickTab%20Nov16%201.0.pdf>