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# **Missouri's Economic and Governmental Status Across States and Over Time: A Comparison Guide**

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by  
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## An Overview of the Report

This report looks at the status of the state of Missouri using a number of economic and governmental indicators, referred to as "factors." Unless otherwise noted it looks at all of Missouri's governments -- state and local. It examines how Missouri "stacks up" along two major dimensions. The first is its ranking among the fifty states, from the highest value high =1 to the lowest =50. The second is Missouri's percentage of the U.S. average for each factor, that is where does it stand on a relative basis compared to the entire U.S. It looks at how each factor has changed over a time period that ranges from fourteen to thirty-eight years. The length of the time period used is a function of data availability. (See page 3 for Table 1.)

In addition it looks at what Missouri's status would be if it was positioned at the U.S. national average level. This is done only for selected key indicators but it could be done for all of the factors included in this report. Relative to this national average base, it looks at the per capita difference, the total dollar amount difference, and the dollar amount difference as a percentage of what was actually spent. (See page 6 for Table 2.)

The purpose here is to provide an overview of Missouri's status -- a broad view across the surface of how the state stacks up along major economic and governmental dimensions. ***It is not intended to be an in depth analysis of each factor and the numerous nuances that they would manifest.*** Rather, it is intended to uncover issues or areas where much more detailed scrutiny might be apropos, that is, to delve beneath the surface level uncovered here and to look with more in depth scrutiny below the surface into a particular factor. An example, of an overall issue that might be examined would be to assess the question of why Missouri's status is low on so many of the crucial economic fiscal, and governmental factors examined here.

The information is presented in three formats. First is a verbal description and brief discussion of each factor, Second, is the factor shown in tabular form showing full detail over time by rank and percentage of the U.S. status. Third, is a visual/graphical portrayal of each factor.

The intent of this report is to uncover areas of interest or concern for further, more in depth, analysis. While it does not reflect all of the possible economic and governmental dimensions for Missouri, its breadth and scope is enough to suggest areas in which more detailed effort might be of interest and worthwhile.



**Table 1**  
**Summary of Missouri's Status by Factor**

<i>Factor</i>	<i>Time Period</i>	<i>Percent of U.S.</i>		<i>Rank</i>		<i>Current Status</i>	
		<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Percent of U.S.</i>	<i>Rank</i>
1. Population	1970–2008	1.9	2.3	13	18	1.9	18
2. Gross Domestic Product (GDP)	1970–2007	86	96	18	36	86	36
3. GDP Relative to Income	1970–2007	97	102	21	31	98	30
4. Per Capita Income	1970–2008	89	94	35	25	89	35
5. Median Household Income	1970–2007	90	107	17	37	92	37
6. Net Earnings Per Capita	1970–2007	86	94	24	36	86	36
7. Average Earnings Per Job	1970–2007	86	94	23	32	86	32
8. Unemployment Rate	1970–2008	77	105	12	38	105	16
9. Value Added Per Capita	1967–2006	97	115	13	24	101	23
10. Government Revenue Per Capita–State and Local	1970–2006	74	83	39	47	79	47
11. Government Revenue Relative to Income	1970–2006	78	90	43	50	90	43
12. State Revenues Per Capita	1992–2006	74	86	44	46	74	46
13. State Revenues Relative to Income	1992–2006	83	92	39	45	84	43
14. State Taxes Per Capita	1992–2006	73	87	40	47	73	47
15. State Taxes Relative to Income	1992–2006	83	93	38	46	83	46
16. State/Local Taxes Per Capita	1992–2006	76	86	35	43	79	43



<i>Factor</i>	<i>Time Period</i>	<i>Percent of U.S.</i>		<i>Rank</i>		<i>Current Status</i>	
		<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Percent of U.S.</i>	<i>Rank</i>
17. State/Local Taxes Relative to Income	1992–2006	83	93	40	48	89	42
18. State Appropriations Higher Education	1970–20 08	62	91	33	47	62	47
19. Higher Education Appropriations Relative to Income	1970–2008	70	96	35	44	70	44
20. Higher Education Percent of Tax Revenue	1992–2006	28	31	36	37	29	36
21. Tuition Per Student	1973–2009	91	133	14	26	109	18
22. State Expenditures Per Capita	1992–2006	72	82	43	49	80	45
23. State Expenditures Relative to Income	1992–2006	80	90	38	46	90	39
24. State/Local Expenditures Per Capita	1992–2006	72	81	45	48	81	45
25. State/Local Expenditures Relative to Income	1992–2006	80	92	38	48	92	38
26. Public Infrastructure per capita (state and local)	1970–2006	57	107	38	45	80	28
27. Public Infrastructure Relative to Income	1992–2006	67	91	28	46	91	28
28. Elementary/Secondary Per Capita	1970–2006	83	91	30	44	85	38
29. Elementary/Secondary Relative to Income	1970–2006	88	99	29	46	99	29
30. Higher Education Spending Per Capita	1970–2006	73	89	35	45	82	45
31. Higher Education Relative to Income	1992–2006	84	95	38	42	91	38
32. Highways Per Capita	1970–2006	86	108	24	43	104	24



<i>Factor</i>	<i>Time Period</i>	<i>Percent of U.S.</i>		<i>Rank</i>		<i>Current Status</i>	
		<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Percent of U.S.</i>	<i>Rank</i>
<b>33. Health and Hospitals Per Capita</b>	<b>1970–2006</b>	<b>68</b>	<b>104</b>	<b>16</b>	<b>34</b>	<b>104</b>	<b>16</b>
<b>34. Public Welfare Per Capita</b>	<b>1970–200</b>	<b>63</b>	<b>99</b>	<b>21</b>	<b>42</b>	<b>83</b>	<b>37</b>
<b>35. Public Safety Per Capita</b>	<b>1970–2006</b>	<b>77</b>	<b>85</b>	<b>19</b>	<b>29</b>	<b>80</b>	<b>29</b>
<b>36. Environment/Parks Per Capita</b>	<b>1970–2006</b>	<b>65</b>	<b>93</b>	<b>16</b>	<b>43</b>	<b>71</b>	<b>43</b>
<b>37. Government Admin. Per Capita</b>	<b>1970–2006</b>	<b>65</b>	<b>91</b>	<b>32</b>	<b>49</b>	<b>65</b>	<b>49</b>



**Table 2**  
**Summary of Missouri's Status if Located at the**  
**National Average Level**

***Per Capita Difference from National Average\****

Factor #	Period	<u>\$ Amount</u>		<u>Rank</u>		<u>Current Status</u>	
		Low	High	Low	High	\$ Amount	Rank
38. Higher Education	1991–2006	–\$53	–\$114	6	13	–\$114	6
39. State Taxes	1991–2006	–\$219	–\$642	4	11	–\$642	4
40. State and Local Taxes	1991–2006	–\$390	–\$860	8	16	–\$860	8
41. State Taxes and Current Charges	1991–2006	–\$275	–\$732	5	7	–\$732	5
42. State and Local Taxes and Current Charges	1991–2006	–\$543	–\$1,057	4	11	–\$1,057	4
43. State Expenditures	1991–2006	–\$719	–\$1,038	2	8	–\$1,038	6
44. State and Local Expenditures	1991–2006	–\$1,196	–\$1,604	2	6	–\$1,604	6

\* A minus sign for amount means it is below the national average.

***Total Dollar Difference from National Average (in \$millions)\****

Factor #	Period	<u>\$ Amount</u>		<u>Rank</u>		<u>Current Status</u>	
		Low	High	Low	High	\$ Amount	Rank
45. Higher Education	1991–2006	–\$283	–\$666	7	10	–\$666	7
46. State Taxes	1991–2006	–\$1,176	–\$3,742	5	10	–\$3,742	5
47. State and Local Taxes	1991–2006	–\$2,098	–\$5,014	6	8	–\$5,014	7
48. State Taxes and Current Charges	1991–2006	–\$1,480	–\$4,271	5	7	–\$4,271	7
49. State and Local Taxes and Current Charges	1991–2006	–\$2,921	–\$6,166	3	5	–\$6,166	5
50. State Expenditures	1991–2006	–\$3,868	–\$6,055	4	8	–\$6,055	7
51. State and Local Expenditures	1991–2006	–\$6,431	–\$9,359	2	5	–\$9,359	5

\* A minus sign for amount means it is below the national average.



***Dollar Difference as a Percentage of Existing Level***

Factor #	Period	Percentage		Rank		Current Status	
		Low	High	Low	High	% Amount	Rank
52. Higher Education	1991–2006	-15.2	-34.4	6	13	-21.5	6
53. State Taxes	1991–2006	-15.1	-36.8	4	11	-36.8	4
54. State and Local Taxes	1991–2006	-16.7	-32.4	8	16	-27.4	8
55. State Taxes and Current Charges	1991–2006	-16.5	-34.6	4	7	-34.6	4
56. State and Local Taxes and Current Charges	1991–2006	-18.7	-33.3	4	11	-26.0	4
57. State Expenditures	1991–2006	-22.5	-38.4	2	8	-24.9	6
58. State and Local Expenditures	1991–2006	-23.1	-38.7	2	6	-23.7	6



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Finally I must note the very fine work done by Samrita Lohani working at the Public Policy Research Center. She took on the task of preparing the "raw" data for the analysis, doing much of the computer work, and finalizing the graphs and tables shown throughout the report. Her involvement was pivotal to the completion of the work.

The final responsibility, however, rests with me.

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## Methodology for the Analysis

This section will discuss briefly the methodology used to produce the results presented in the following Factors (1-58) on Missouri's economic and governmental status.

Since there are so many possibilities, the first step was to settle on, to vet, which dimensions ("factors") were of the greatest potential interest and relevance and would reflect a "cross surface" view of the state. Obviously, there are many more variables that might have been considered than those used here. The ones chosen are based on their importance and relevance to Missouri issues and problems and also to the ever present limitation imposed by obtaining comparable data going back far enough in time to be of relevance.

Once the factors were selected they were arrayed as summarized in Table 1 for Factors 1-37. Factors 38-58, shown in Table 2, were derived from the data for Factors 1-37.

The next step was to "standardize" the factors so comparisons could be made showing Missouri compared to the other states. Gross amounts such as dollars do not allow this to be done. This was done in two ways. First, was to convert all of the relevant data for all of the states into per capita terms. For a few factors such as population, unemployment, or median household income this adjustment was not appropriate. This permits the factors to be compared across states. Second, was to divide all appropriate factors for all years by personal income. This computation expresses how much each factor relates to the personal income in a state. Again, it allows direct and comparable comparisons to be made.

The next step was to express these factors in terms that bring out Missouri's standing. Two calculations accomplished this. The first was to rank each factor from high= 1 to low= 50 for each year. This places Missouri in a relative position vis-à-vis all other states. The second expressed the standardized factor in terms relative to the U.S. national average which equals 100. That is, what percentage of the U.S. average is Missouri? Again this was done for all factors and all years.

The final outcome of this work is shown in Factors 1-58 to follow. A discussion of two Factors will help to put what was done in perspective, using Factors 2 and 3 as examples.

Factor 2 states state gross domestic product (GDP) for Missouri expressed in per capita terms. The first column shows the per capita value for the state, the second Missouri's ranking relative to all states, and the third Missouri as a percentage of the U.S. average. It shows that the state has gone from a rank of 18th in 1970 to 36th in 2007. As a percentage of the U.S. average it went from 96 in 1970 to 86th in 2007. Thus while the dollar value of GDP increased from \$4,746 in 1970 to \$39,036 in 2007, Missouri's relative status vis-à-vis other states actually declined.

Factor 3 uses the same format but standardizes by personal income rather than in per capita terms. That is, the base is income not population. It shows that the gross domestic product has fallen from \$1,233 in 1970 to \$1,149 in 2007. Missouri's ranking has dropped from 22 to 30 and its percentage of the U.S. average from 102 to 98 over the period 1970 to 2007.

The other factors presented in the text to follow have the same format structure but examine different dimensions of Missouri's economic, fiscal, and governmental status.



## A Glossary of Factors Used in the Analysis

### Factor Number, Name, and Brief Definition

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#### NOTE:

- *All data sources are listed at the end of the report.*
- *Any factor stated in per capita terms has been computed using population data from Factor 1.*
- *All factors stated as relative to income use personal income per \$1,000.*
- *Much more detailed definitions of factors related to government funding, operations, and programs can be found at: State and Local Government Finances-Definitions <http://www.census.gov/govs/estimate/definitions.html> (accessed 7/15/2010).*
- *More complete definitions for other factors can be found at Bureau of Labor Statistics-Glossary at: <http://www.bls.gov/glossary.htm> (accessed 6/28/2010), and Bureau of the Census, [http://factfinder.census.gov/home/en/epss/glossary\\_i.html](http://factfinder.census.gov/home/en/epss/glossary_i.html).*

1. Population : All people living in a state.
2. Gross Domestic Product (GDP) Per Capita: A measurement of a state's output derived from the sum of value added from all industries in a state. It is the gross output of industries less intermediate inputs. It is the state counterpart to the national gross domestic product (GDP).
3. GDP Relative to Income: Factor 2 expressed relative to income.
4. Per Capita Personal Income: Income that has been received by, or on behalf of, persons who live in a state.
5. Median Household Income : The income point that divides the distribution of household income into halves, one half of the households lie above and one half are below.
6. Net Earnings Per Capita: Total earnings (pay and wages) less contributions for social insurance.
7. Average Earnings per Job: Total earnings from Factor 6 divided by the population of the state.
8. Unemployment Rate: The number of persons unemployed as a percentage of the labor force.
9. Value Added Per Capita: A measure of manufacturing activity derived from subtracting the cost of inputs, such as materials and supplies, from the value of shipments. It is considered to be the best value measure for comparing the economic importance of manufacturing among states.



10. Government Revenue Per Capita–State and Local: State and local revenues from all (own source) taxes and current charges.
11. Government Revenue Relative to Income: Factor 10 divided by income
12. State Revenues Per Capita: State revenues from all (own source) taxes and current charges. Current charges are amounts received from the public for the performance of specific services benefiting the person charged and from the sales of commodities and services.
13. State Revenues Relative to Income: State revenues from all (own source) taxes and current charges.
14. State Taxes Per Capita: All state taxes levied such as sales and gross receipts, and personal and corporate income. Taxes are compulsory contributions extracted by a government for public purposes. It is all classified as general revenue.
15. State Taxes Relative to Income: All state taxes levied such as sales and gross receipts, and personal and corporate income
16. State/Local Taxes Per Capita: All state and local taxes levied such as property, sales and gross receipts, and personal and corporate income.
17. State/Local Taxes Relative to Income: All state and local taxes levied such as property, sales and gross receipts, and personal and corporate income
18. State Appropriations Higher Education: State and local appropriations for higher education including capital.
19. Higher Education Appropriations Relative to Income: State and local appropriations for higher education including capital.
20. Higher Education Percent of Tax Revenue: The appropriations of state tax funds for the operating expenses of higher education as percentage of total tax revenue.
21. Tuition Per Student: The average published tuition and fees for in-state students at four year colleges and universities.
22. State Expenditures Per Capita: All amounts of money paid out by a government except that for the retirement of debt.
23. State Expenditures Relative to Income: State expenditures on general revenue operations.
24. State/Local Expenditures Per Capita: State expenditures on general revenue operations.
25. State/Local Expenditures Relative to Income: State and local expenditures on general revenue operations.



26. Public Infrastructure per Capita (state and local): Long-term outstanding debt used as a proxy for spending on state infrastructure.
27. Public Infrastructure Relative to Income: Long-term outstanding debt as a proxy for spending on state infrastructure.
28. Elementary/Secondary per Capita: State and local spending on elementary and secondary education including capital.
29. Elementary/Secondary Relative to Income: State and local spending on elementary and secondary education including capital.
30. Higher Education Spending per Capita: State and local spending on higher education including capital outlay.
31. Higher Education Relative to Income: State and local spending on higher education including capital outlay.
32. Highways per Capita: State and local spending on highways and other transportation related activities (such as bridges, street lighting, snow and ice removal, airports, parking facilities, and port facilities), including capital.
33. Health and Hospitals per Capita: State and local spending on hospitals, and outpatient health services.
34. Public Welfare per Capita: State and local spending on public welfare for those in need contingent upon their need. It includes cash assistance, vendor payments, and a variety of other services.
35. Public Safety per Capita: State and local spending on police, fire protection, correction activities, and protective inspections and regulations.
36. Environment/Parks per Capita: State and local spending on natural resources, parks and recreation, housing and community development, and solid waste management.
37. Government Administration per Capita: State and local spending on financial administration, judicial and legal activities, general public buildings and other administrative services.



## Summary of Findings on Missouri's Economic, Fiscal, and Governmental Status

**Table 1** summarizes the findings on Missouri's economic and governmental status for Factors 1 through 37. It is broken down as follows.

**Factor:** The indicator being examined.

**Time Period:** The time period over which the factor is examined.

**Percent of U.S.:** The relationship between the value for a factor for Missouri and the overall U.S. The high and low values are indicated for the time period being examined.

**Rank:** The rank of Missouri on this factor compared across all fifty states. The range is from a high of 1 to a low of 50.

**Current Status:** This shows the latest value for each factor as a percent of the U.S. (at 100) and for the ranking across all fifty states.

**Table 2** show Factors 38 through 58 that indicate what the difference between the potential and actual status for Missouri would be if Missouri was located at the national average level. This is shown for:

- per capita difference,
- total dollar amount difference and,
- total dollar amount difference as a percent of the actual value amount expended.

This is shown over the time period 1991 to 2006.

Also indicated is the ranking across the fifty states on each of the above dimensions.

A more complete discussion of Factors 38-58 is provided just before Factor 38 in the text below.



## Summary of Study Findings

The following is a brief summary of findings of the analysis to follow. It is organized into functional categories rather than each factor by itself. Refer to each individual factor below for a more complete discussion with data year by year. For ease of reference to a fuller discussion, the individual factors are identified as a number in parentheses (#).

### Missouri Demographics

Demographics deals with characteristics of a population of people. The population might be as small as a city block or as large as an entire nation. There are literally thousands of dimensions that one might look at. Two very basic ones are examined here for the state of Missouri -- the number of people and their income status. They provide a broad profile of the state.

Missouri's population **(1)** has risen by 1.23 million between 1970 and 2008 or at an annual average rate of 32,000 residents. Its state ranking has fallen from 13th to 18th. This is a very modest growth.

Per Capita Income **(4)** for the state is a measure of the overall status of residents -- total income divided by total population. It has increased from \$3,850 to \$35,228 between 1970 and 2008 -- a substantial dollar amount. However when compared to other states its rank has dropped from 25 to 35 and as a percent of the U.S. average from 94 to 89. Thus income per resident is increasing but at a lower rate than most of the other states; only 15 are now lower.

Median Household Income **(5)** is the value that divides the income distribution into two equal parts -- 50 percent above and 50 per cent below. It avoids the variations that can be introduced into per capita income due to outlying high or low values. Missouri has grown from \$7,672 in 1970 to \$46,005 in 2007. Again a substantial dollar amount. But its ranking has fallen relative to other states from 29 to 37 and while in 2007 it is about at the same percentage of the U.S. average as in 1970 (90 versus 92) it has decreased considerably from its peak of 107 in 2000. The trend is essentially flat.

### The Missouri Economy

The economy of Missouri is a complex myriad of factors. Many are macro in their coverage such as gross domestic product but many are also micro such as the status of individual industries or worker groups. The coverage here focuses on the macro facets of the state's economy in order to set the context for other more micro facets.

Gross domestic (state) product per capita **(2)** indicates what the state has produced in output per resident. While the dollar amount has grown from \$4,746 to \$39,036 the trend relative to other states has been markedly downward since 1970. It has dropped from a state rank of 18 to 36 and as a percentage of the U.S. average from 96 to 86. Relative to personal income **(3)** it has actually fallen in dollar amount as well as ranking and relative to the U.S. average. The overall trend is downward.

Net earnings per capita **(6)** indicates the economic status of earnings for the state's population. As might be expected it has increased in dollar amount however it has fallen in both state ranking (24 to 36) and as a percentage of the U.S. average (94 to 86). Relatively speaking the earnings status of resident has been slipping since 1970.



Looking at earnings as an average per job **(7)** reveals much the same trend a decline in rank (23 to 32) and compared to the U.S. (94 to 86), overall a lowering of economic status per job.

The unemployment rate **(8)** captures a macro summary of the state's economic status. It is 16th relative to other states and 105 percent of the national average. A clear deterioration since 1970.

Value added per capita **(9)** reflects the situation for manufacturing in the state. Compared to other states it has decreased from 15 to 23 but it has hovered around the U.S. average since 1967.

### Total Government Revenues

State and local revenues per capita **(10)** reflects the total amount that is collected per resident by all of Missouri's state and local governments for the support of public services. It includes taxes, fees, and charges. Missouri has ranked low since 1970 at 39 but has fallen to 47 by 2006. Only three states rank lower in revenues per capita. Missouri has been a very low tax state over most of the period 1970 to 2006, usually in the 40s.

This is also reflected in these revenues relative to income **(11)** which has been well below the U.S. average, presently at 90 percent. Missouri is a low government revenue state and imposes a burden that is well below the U.S. average. This is, of course, reflected in spending. Low revenues with a low burden lead inexorably to low support for public programs.

Looking at just state revenues per capita **(12)** the picture is even more clearly defined. The state of Missouri ranks near the bottom in revenues per resident, with consistent rankings in the upper forties, presently 46. Only four states are lower in state revenues per resident. As might be expected this imposes a low burden on residents relative to income **(13)**. But again low state revenues and associated burden leads to very low levels of support for public programs.

### Tax revenues

If one looks at just state taxes per resident **(14)**, not total revenues, the same picture emerges. Missouri is near the bottom, 47 in 2006. Only three states are lower. Relative to income **(15)**, state taxes are well below the national average and have been consistently over time.

Shifting attention to all Missouri taxes both state and local per capita **(16)** the picture that emerges is roughly the same. The ranking has varied somewhat but is presently at 43. As a percentage of the national average it is still very low at 79 percent. In relation to income state and local taxes **(17)** rank somewhat higher, 42 as of 2006, and are closer to the national average at 89 percent.

As was the case with total government revenues, state tax revenues for Missouri, governments are low and have been consistently over time. To note once again low total government revenues and tax revenues, state and local, leads to a lesser quantity and quality and diversity of public services.

### Support of Infrastructure

Infrastructure is crucial for the social and economic performance of any government. Support for it can enhance the economic competitiveness and social milieu for any state. Unfortunately there is no data series that quantifies the infrastructure investment made state by state over time. However,



there is a proxy measure that reflects this process. Since infrastructure is most often financed with long-term debt, the amount of such debt outstanding provide an indication of public capital investment.

Factor 26 shows the long-term debt outstanding from 1970 to 2006 across states. Missouri ranked 38 in 1970 and then showed a downward trend into the mid 40's. As a percentage of the national average it was very low between 1975 (57) and 2002 (74). In 2006 its ranking jumped dramatically to 28 but it remained well below the national average at 80 percent. The jump in 2006 is probably attributable to major bond issues by Missouri's state and local governments and is a clear improvement but is counter to what has been the long term trend.

Relative to income **(27)** the rankings had been in the 40's until 2006 when it rose to 28. As a percentage of the U.S. average it has risen steadily from 67 to 91. There appears to have been progress in Missouri's investment in public capital

### Spending on Public Education (K-12 through Higher)

Spending on education from K-12 through higher education is a key factor in both the social and economic status of the state. It helps to define the milieu in which past development has occurred and future growth and development will take place.

Missouri's spending on K-12 education has been better in rank per capita **(28)** than its overall spending. It has generally ranged from the low 40s to the high 30s and as a percentage of the national average from the low 90s to the mid 80s. Some of this reflects the fact that it is a combined state and locally supported function and while state support may have been low many local school districts have offset the low state support with higher local property taxes. Relative to income **(29)** the burden has ranked well above other factors. It is presently 29 and falls at 99 percent of the U.S. average.

State spending on higher education per resident **(30)** has shown a steady deterioration from a rank of 35 in 1970 to 45 in 2006, only five states spend less per resident on higher education. As a percent of the U.S. average it has fallen from 89 to 82 a slight improvement from its low of 73 percent in 1985. Relative to income **(31)** it's rank has risen from 42 to 38 and moved from 84 to 91percent of the U.S. average.

Spending on higher education is primarily driven by funding actions at the state level. A major dimension of this is state tax appropriations per resident **(18)**. The picture here is bleak. Tax appropriations per resident presently rank 47; only three states are lower. It is at a dismally low level relative to the U.S. average of 62. Relative to income **(19)** state tax appropriations rank low at 44 and fall at 70 percent of the national average. Both have deteriorated since 1970 when they were 35 and 96 percent respectively.

Another way to look at this funding is what percentage of state tax revenues does higher education represent **(20)**. The figures here are bleak as well. The state's ranking is 36 and it is at a mere 29 percent of the U.S. average.

In the context of low and decreasing state support the burden of paying for higher education in Missouri has increasingly been shifted from state funding to student tuition (and fees). The state



now has the 18th highest ranking for tuition per full time equivalent student **(21)** and is 109 percent of the national average.

While education from K-12 through higher education is a key to the future development of the state the data support the fact that there has not been a commitment to support this public function at levels that would make the state competitive. This has set a poor environment over the past several decades but also bodes poorly for Missouri's future competitive status in a global environment. Education is an investment that takes time, years to decades, to grow and flourish. But it must be made to come to fruition; it has not been done adequately.

### Other Missouri State and Local Spending

Looking at other specific spending categories the picture varies a bit more.

Highway spending **(32)** ranks near the middle of states at 24 and is 104 percent of the national average. However highways are supported through federal aid and dedicated state funds such as the gas tax. This offers protection from the vagaries of state legislative funding.

Health and hospitals **(33)** per resident have done very well ranking quite high at 16 and falling at 104 percent of the U.S. average. As with highways, this category is much more a function of non-state funding such as federal funds than are other state and local programs.

Spending on public welfare **(34)** is more in line with other public programs in the state. It ranks 37 and is at 83 percent of the national average.

Public safety **(35)** fares slightly better with a rank of 29 and falling at 80 percent of the national average. However, much of this is a local rather than state responsibility and spending for local police and fire/EMS protection varies with the financial status of the local jurisdiction providing the service. The state's role is relatively small overall.

The function environment and parks **(36)** is mixed state and local but leans much more toward local operations of sanitation, sewerage, and recreational facilities. It, like many other programs in Missouri, fares poorly with a state ranking of 43 and a 71 percent level compared to the U.S. average.

The day-to-day operations represented by government administration **(37)** fares very poorly. It ranks 49 across states; only one state is lower. Compared to the national average it is a very low 65 percent.

### Missouri Government Expenditures

The above discussion has summarized overall revenues and spending on public programs for governments in Missouri. The following pulls this information together.

State expenditures per resident in Missouri **(22)** are amongst the lowest nationwide. They have improved very slightly from a rank of 49 in 1992 to 45 in 2006 but have been in the mid-to high 40s for decades. Relative to the national average **(23)** it is 80 percent up somewhat since 1992. Of course this might be expected given the low levels of revenue collection available to support state spending, as discussed earlier.



At the total government level, state and local **(24)**, the picture is very much the same. The ranking has been in the mid to high 40s, improving slightly from 48 to 45, and relative to the U.S. average **(25)** it has risen from 72 to 81 percent.

Again a general low level of revenue collection leads to a low level of spending for all of Missouri's governments combined. This is a profile which has been dominant for a long period of time.

### Missouri's Revenue and Spending Potential

One important consideration in the rankings compared to other states is what is Missouri's potential to raise more funds enabling it to increase support for public programs. One way to benchmark this is to ask the question "what would Missouri's status be if it taxed and spent at the national average." In other words how does the state stack up relative to the U.S.?

This is done using three comparisons with the national average -- the per capita difference, the total dollar amount difference, and the dollar difference as a percentage of the actual existing level.

Factors 38-44 discuss this in detail and Table 2 summarizes it for several key revenue and spending items. One thing stands out starkly in the summary per capita information in Table 2, Missouri is and has been well below the national average level. It has always ranked near the top in being the most below the per capita U.S. average usually in the single digits. Its present status puts it between 4th and 8th highest in per capita deficiency. As an example per capita state and local expenditures are \$1,604 below the national average and it ranks sixth highest (see Table 2).

When converting this into dollar deficiencies (Factors 45-51) the picture is reinforced. Missouri is billions of dollars below where it could be if just average. Table 2 shows that the current rankings are again in the single digits and the dollar amounts, for the items shown, mostly in the billions. Again as an example, current state and local spending (Factor 51) ranks 5 highest across states at a dollar amount of about \$9.4 billion.

A final comparison Factors 52-58 in Table 2 looks at the total dollar deficiency as a percentage of what was the actual existing level. For the seven items shown the current status indicates a very high deficiency percentage cross state ranking from 4 to 8. The percentage itself runs consistently in the mid to upper 20's. Using again state and local spending as an example **(58)** Missouri is 6th highest in dollar deficiency percentage at 23.7.

Missouri is clearly not using the potential it has to raise revenue and fund public programs. Only a handful of states are "worse" in public revenue and spending status.



## Detailed Data on Missouri Factors



## FACTOR 1 MISSOURI RESIDENTS

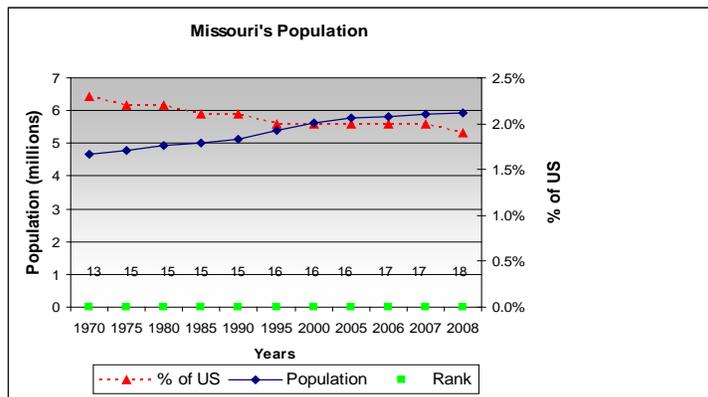
While Missouri is a relatively populous state providing residence to just under 6 million people, the number of residents in the state has not risen by very much over the past nearly 40 years since 1970. It ranked number 13 in the nation in 1970 but has fallen to 18<sup>th</sup> by 2008. Also, as a percentage of the U.S. population it has declined from 2.3% to 1.9%. Missouri cannot be characterized as a high growth state

The population has myriad implications but two are at the top level. First, it is the source from which the state and local governments derive most of their revenues. Second, population drives the need for the provision of public services at both the state and local level.

Change in state population is important for both of these reasons.

### *MISSOURI'S POPULATION (millions)*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>Percentage of US Population</u>
1970	4.68	13	2.3%
1975	4.80	15	2.2%
1980	4.92	15	2.2%
1985	5.00	15	2.1%
1990	5.12	15	2.1%
1995	5.38	16	2.0%
2000	5.61	16	2.0%
2005	5.79	16	2.0%
2006	5.83	17	2.0%
2007	5.89	17	2.0%
2008	5.91	18	1.9%



## FACTOR 2 THE ECONOMIC OUTPUT OF MISSOURI -- PER RESIDENT

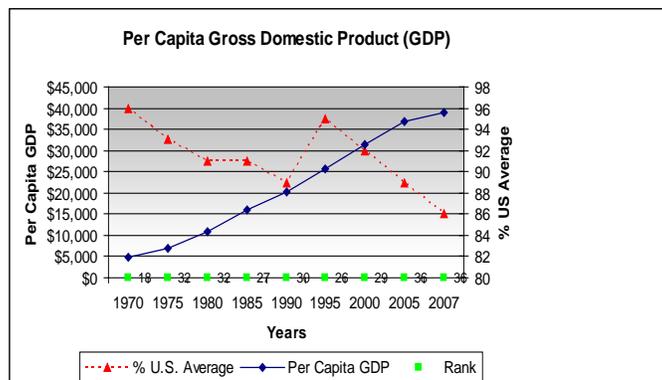
State gross domestic product is the state equivalent to the national data on gross domestic product. It measures the value of a state's output as the sum of all value added in a state from all industries.

When stated in per capita terms this measure indicates the relative economic status of one state compared to another. As shown below Missouri has slipped substantially from a relatively high ranking of 18th in 1970 to 36th by 2007. As a percentage of the U.S. average it has likewise fallen going from 96% to 86%.

Relative to other states and to the U.S. average Missouri has shown steady decline.

### PER CAPITA GROSS STATE PRODUCT

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$4,746	18	96
1975	6,876	32	93
1980	10,841	32	91
1985	15,877	27	91
1990	20,296	30	89
1995	25,571	26	95
2000	31,522	29	92
2005	36,821	36	89
2007	39,036	36	86



### FACTOR 3 THE ECONOMIC OUTPUT OF MISSOURI -- RELATIVE TO INCOME

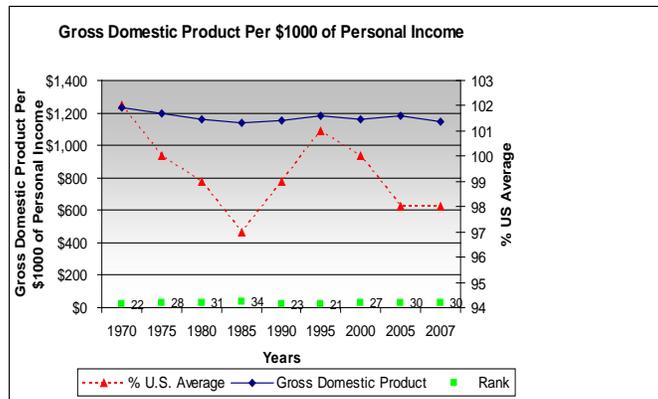
The state's gross domestic product relative to income has shown a drop similar to per capita. By ranking it has gone from 22 in 1970 to 30 in 2007. As a percentage of the U.S. average it has been somewhat steadier going from 102% in 1970 to 98% by 2007.

It is interesting to note that relative to income the dollar amount has actually been decreasing -- from \$1,233 in 1970 to a low of \$1,149 by 2007.

Again this is an indicator of the state's declining economic status among the fifty states and compared to the total U.S.

#### GROSS DOMESTIC PRODUCT PER \$1000 OF PERSONAL INCOME

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$1,233	22	102
1975	1,195	28	100
1980	1,163	31	99
1985	1,137	34	97
1990	1,151	23	99
1995	1,186	21	101
2000	1,157	27	100
2005	1,180	30	98
2007	1,149	30	98



## FACTOR 4 MISSOURI'S INCOME STATUS -- PER RESIDENT

The income of Missouri's citizens is one good indicator of the health of the state's economy and the economic status of its residents. Also, the amount of income per person provides an indication as to the resource base available for the purchase of private expenditures and the support of public goods.

As shown below, Missouri is not a wealthy state but neither is it poor. While it had been solidly in the middle income range (25th in 1970) it has fallen in ranking between 1970 and 2008 from 25th to 35th. This is a considerable drop. Also, it has declined from 94% of the U.S. average to 89%.

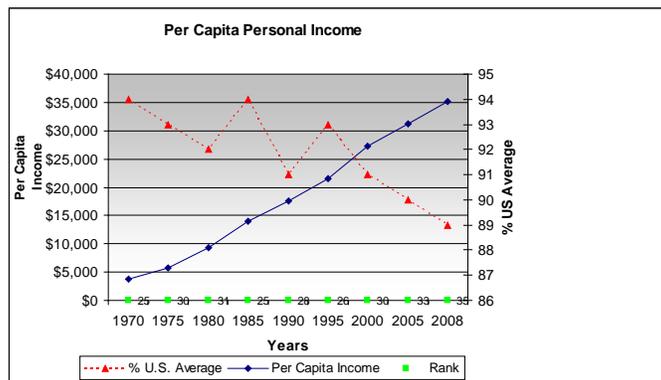
This steady downward trend in income status is clear relative to other states and the overall U.S.

This is a point of concern for the future of the state.

### INCOME PER MISSOURI RESIDENT\*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$3,850	25	94
1975	5,756	30	93
1980	9,324	31	92
1985	13,962	25	94
1990	17,627	28	91
1995	21,559	26	93
2000	27,243	30	91
2005	31,202	33	90
2008	35,228	35	89

\*Per capita personal income



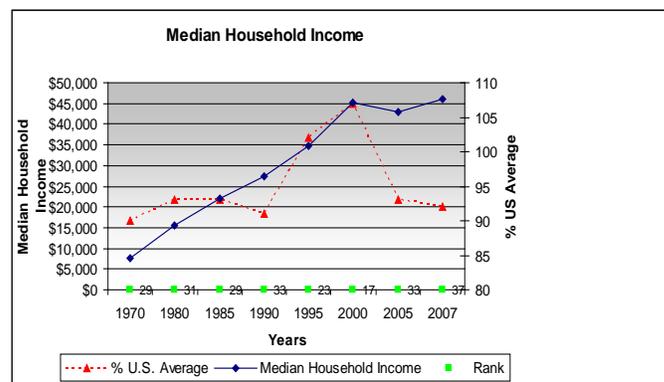
## FACTOR 5 MISSOURI'S HOUSEHOLD INCOME STATUS -- THE MEDIAN VALUE

Another measure used to indicate the economic status of state residents is median household income. It is the value which divides the income distribution for household units into halves. One half of the households fall below, one-half above. It relates to all persons living in a housing unit as their normal place of residence.

It is used most often as an indicator of household status since it is not subject to the wide variations that an average or per capita measure can often introduce due to outlying high or low values.

The state has slipped in ranking from 29 to 37 but retained its status relative to the overall national average.

<i><b>MEDIAN HOUSEHOLD INCOME</b></i>			
<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
<b>1970</b>	<b>\$7,672</b>	<b>29</b>	<b>90</b>
<b>1980</b>	<b>15,581</b>	<b>31</b>	<b>93</b>
<b>1985</b>	<b>21,939</b>	<b>29</b>	<b>93</b>
<b>1990</b>	<b>27,332</b>	<b>33</b>	<b>91</b>
<b>1995</b>	<b>34,825</b>	<b>23</b>	<b>102</b>
<b>2000</b>	<b>45,097</b>	<b>17</b>	<b>107</b>
<b>2005</b>	<b>42,986</b>	<b>33</b>	<b>93</b>
<b>2007</b>	<b>46,005</b>	<b>37</b>	<b>92</b>



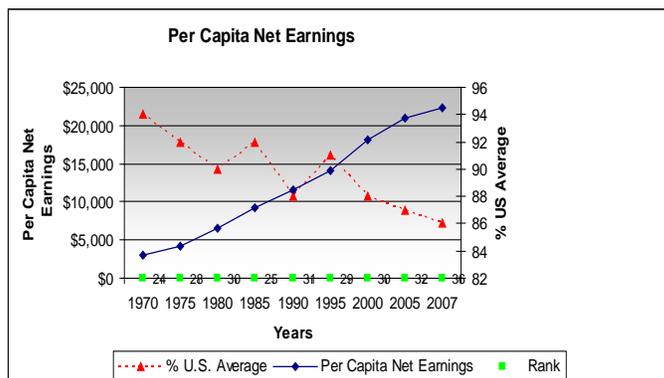
## FACTOR 6 TOTAL NET EARNINGS PER RESIDENT

This factor represents total earnings minus contributions to government social insurance programs. It is remuneration (pay and wages) to workers for services performed and is stated in per capita terms.

In 1970 Missouri ranked solidly in the middle range for earnings at 24th. It was at 94% of the U.S. average. By 2007 it has slipped to a ranking of 36 and is 86% of the U.S. average. The trend overall has been downward

Earnings are an important indicator of the economic status of a state's workforce. These numbers depict a deterioration over the past almost four decades.

<b>PER CAPITA NET EARNINGS</b>			
<b><u>Year</u></b>	<b><u>Value</u></b>	<b><u>Rank</u></b>	<b><u>% U.S. Average</u></b>
1970	\$2,966	24	94
1975	4,169	28	92
1980	6,508	30	90
1985	9,245	25	92
1990	11,611	31	88
1995	14,071	29	91
2000	18,111	30	88
2005	20,962	32	87
2007	22,389	36	86



## FACTOR 7 AVERAGE EARNINGS PER JOB FOR MISSOURI RESIDENTS

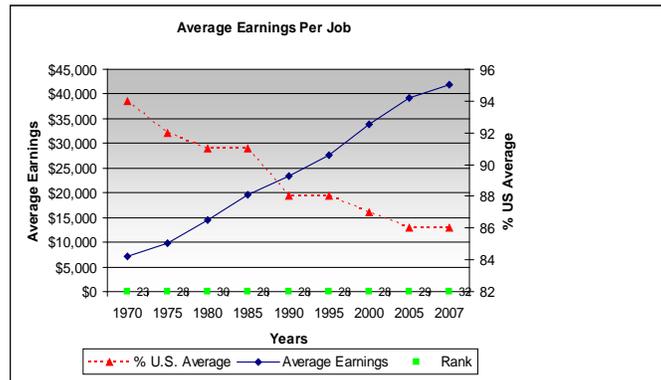
Average earnings per job states earnings (remuneration in pay and wages) in terms per actual jobs (rather than per capita as with Factor 6). It is another way to determine the economic status of a state's workforce except that it uses actual jobs rather than the entire state population. Thus, the dollar values are higher since it is spread over a smaller number.

In 1970 Missouri ranked solidly above the mid-point ranking at 23. It stood at 94% of the U.S. average. The trend since then has been downward with a ranking of 32 in 2007 at 86% of the U.S. average.

It shows another slippage dimension of Missouri's economic status over the past several decades.

### AVERAGE EARNINGS PER JOB

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$7,081	23	94
1975	9,868	28	92
1980	14,423	30	91
1985	19,510	28	91
1990	23,335	28	88
1995	27,627	28	88
2000	33,864	28	87
2005	39,210	29	86
2007	41,843	32	86



## FACTOR 8 "WITHOUT A JOB" -- HOW MANY ARE UNEMPLOYED IN MISSOURI

Missouri has been an industrialized state and, therefore, tended in the past to mirror the national economic environment. This has changed over recent years along with the general national environment.

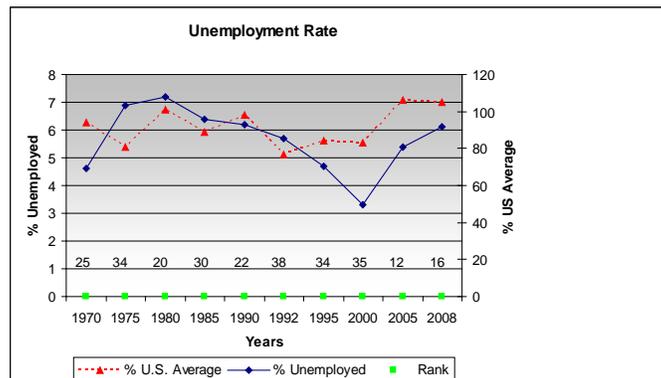
The extent to which residents are not employed influences the economic status of state residents and the resource base available to support public programs. The unemployment rate is one widely used indicator of labor force status.

Missouri's rate of joblessness generally had been below the national average through 2000, falling as low as 77% in 1992. This has been reversed since 2000 when it rose from 83% to 105% of the US. average and now (2008) ranks 16th highest nationally.

### THE PERCENTAGE OF THE LABOR FORCE NOT EMPLOYED \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	4.6	25	94
1975	6.9	34	81
1980	7.2	20	101
1985	6.4	30	89
1990	6.2	22	98
1992	5.7	38	77
1995	4.7	34	84
2000	3.3	35	83
2005	5.4	12	106
2008	6.1	16	105

\*The unemployment rate



## FACTOR 9 HOW MUCH DOES MANUFACTURING CONTRIBUTE TO THE MISSOURI ECONOMY-- PER RESIDENT

Manufacturing activity is an important component for any state's economic health and vitality. More manufacturing means higher employment and income for state residents, a larger tax base for the provision of state and local government services, and an improved perception and competitive status for the community. Growth in manufacturing generally leads to improved economic vitality.

Missouri's manufacturing activity per resident increased between 1967 and 1990 with ranking moving up slightly from 15 to 13. Since then it has fallen to 23rd. It is still solidly in the mid range of states but not the top tier it occupied earlier. As a percentage of the national average it remains just above it at 101%. This is, however, a drop from its peak of 115% in 1995.

The signs reflect a downward trend in the manufacturing sector's role in the state economy.

### **THE CONTRIBUTION OF MISSOURI'S MANUFACTURING SECTOR PER CAPITA\***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1967	\$1,281	15	97
1971	1,595	14	105
1975	2,704	17	100
1986	4,746	14	106
1990	5,913	13	111
1995	7,388	14	115
2000	7,329	24	103
2006	7,740	23	101

\* Per capita value added



## FACTOR 10 TOTAL REVENUES FOR ALL MISSOURI GOVERNMENTS (STATE AND LOCAL) -- PER PERSON

Missouri governments support their programs through the levying of a variety of taxes and the collection of a wide array of fees and charges. The extent to which this is done becomes reflected as a "cost" to each resident (and some non residents) for the public services provided.

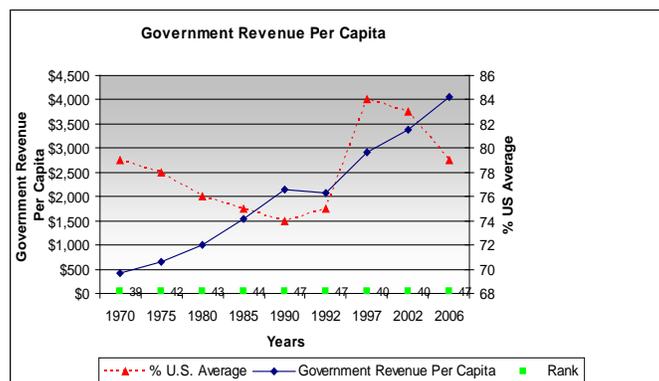
Missouri has always been below the national average in ranking and has been falling since 1970. Relative to other states it has dropped from 39 to 47. Thus, the impact of Missouri's state and local government on residents is low, falling, and currently one of the lowest in the nation.

Only three states collect less per revenue per resident. This leaves a great deal of room for higher levels of support without endangering a low tax status.

### GOVERNMENT REVENUE PER CAPITA \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$426	39	79
1975	661	42	78
1980	1,002	43	76
1985	1,547	44	75
1990	2,135	47	74
1992	2,086	47	75
1997	2,905	40	84
2002	3,390	40	83
2006	4,064	47	79

\*Revenue per resident from taxes, fees, and charges for all state and local governments.



## FACTOR 11 THE CLAIM OF GOVERNMENT REVENUES ON RESIDENT INCOME

How much of a burden are government revenues on resident income? When total revenues (taxes, fees, and charges) are related to available income the true burden of public operations becomes more clear.

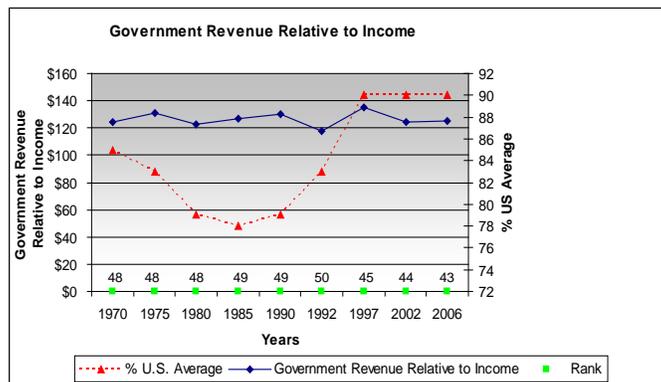
State and local governments combined in Missouri have always imposed a low burden. At one point in 1992 it was at the very bottom with a ranking of 50, the lowest burden of any of the fifty states. While 48th in 1970, the state is currently 43rd; this is a slightly greater burden. In 2006 Missouri remains well below the national average at 90% and still has a ranking across states of 43. This is an improvement from being 50th in 1992.

Relative to income Missouri imposes a low revenue burden on its residents and has since 1970.

### GOVERNMENT REVENUES RELATIVE TO INCOME\*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$124	48	85
1975	131	48	83
1980	123	48	79
1985	127	49	78
1990	130	49	79
1992	118	50	83
1997	135	45	90
2002	124	44	90
2006	125	43	90

\*Revenues from taxes, fees, and charges for all state and local governments, per \$1,000 of personal income.



## FACTOR 12 TOTAL STATE REVENUES COLLECTED PER CITIZEN

The primary support for many important public services in Missouri is state revenue. The amount that the state collects from each citizen indicates how intensively it is using its available resource base.

State government revenue collections in Missouri rank near the bottom of the fifty states in collections per person; it has been, consistently ranked in the 40s. It is presently 46th with only 4 states lower.

It has also been well below the U.S. average and presently lies 26 points below at 74%. This has been the case generally since 1992 (and earlier, not shown here).

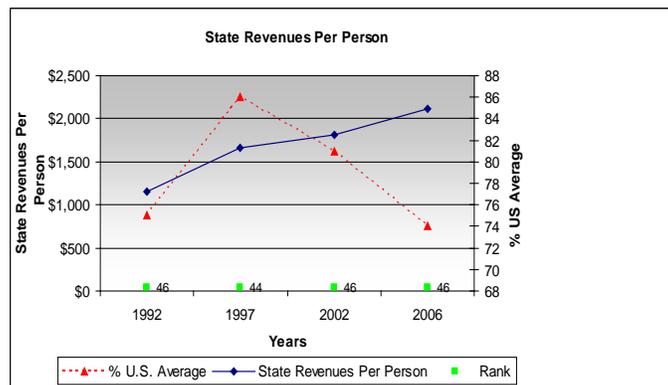
Relative to the U.S. average status the state is well below it and has been falling.

Per capita state revenues in Missouri are among the lowest in the nation.

### STATE REVENUES PER PERSON \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$1,160	46	75
1997	1,668	44	86
2002	1,815	46	81
2006	2,117	46	74

\* Revenue per capita from state taxes and current charges.



## FACTOR 13 THE CLAIM OF STATE REVENUES ON RESIDENT INCOME

State finances are the major contributor to the support of public programs in Missouri. The burden these revenues exert on resident income is one important factor that might constrain the state's ability to raise support through higher revenues. The greater the revenues, the higher the burden and the less likely more funds can be raised.

State government in Missouri imposes one of the lowest revenue burdens on its citizens of any state. It has ranked as low as 45 out of 50 in 1992 and is presently at 43, a slight lessening in burden.

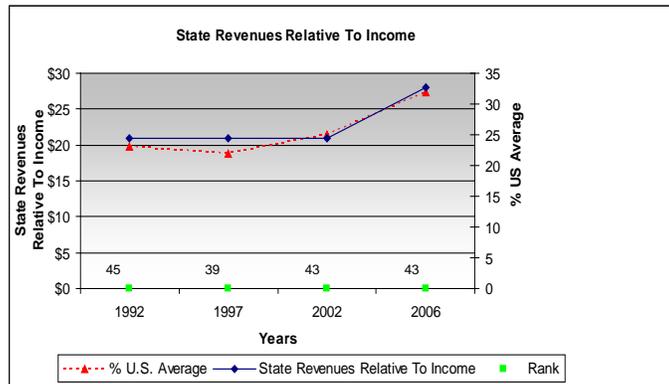
Relative to the national average, it has remained in the low 80s over the period 1992 to 2006. This does not place Missouri at the bottom of the list but it is well below the national average.

The Missouri state revenue burden is one of the lowest of the fifty states.

### STATE REVENUES RELATIVE TO INCOME \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$66	45	83
1997	77	39	92
2002	67	43	88
2006	65	43	84

\* State revenues relative to \$1,000 of personal income.



## FACTOR 14 STATE TAX COLLECTIONS PER RESIDENT

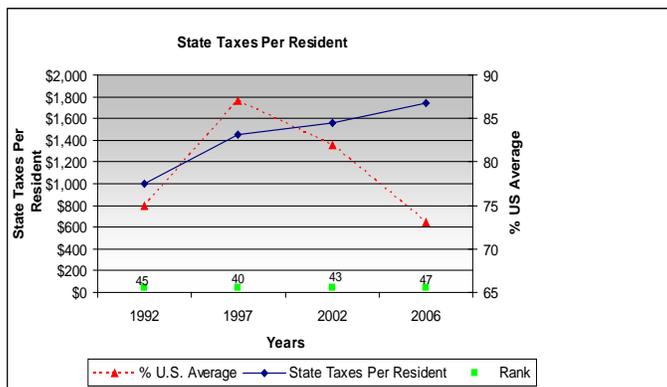
Taxes collected represent compulsory contributions extracted by a governmental jurisdiction for public purposes. It does not include assessments for retirement and social insurance purposes which are classified as insurance trust revenue. All tax revenue is classified as general revenue.

This factor shows state tax collections per resident. Missouri has been near the bottom since 1992 with a ranking of 45 at 75% of the U.S. average. Presently it is 47 (only three states are lower) and lies at 73% of the U.S. average.

State tax collections per resident have been consistently near the bottom for several decades (not all shown).

<b>STATE TAXES PER RESIDENT *</b>			
<b><u>Year</u></b>	<b><u>Value</u></b>	<b><u>Rank</u></b>	<b><u>% U.S. Average</u></b>
<b>1992</b>	<b>\$1,000</b>	<b>45</b>	<b>75</b>
<b>1997</b>	<b>1,453</b>	<b>40</b>	<b>87</b>
<b>2002</b>	<b>1,557</b>	<b>43</b>	<b>82</b>
<b>2006</b>	<b>1,745</b>	<b>47</b>	<b>73</b>

\* State taxes collected per capita.



## FACTOR 15

### STATE TAX COLLECTIONS -- THE CLAIM ON RESIDENT INCOME

Low state tax collections lead to a low burden on resident income. Missouri has been near the bottom in state taxes relative to income for decades (not all shown here). It was 45 in 1992 at 83% of the U.S. average and has remained steady with a ranking of 46 and lying at 83% of the national average in 2006.

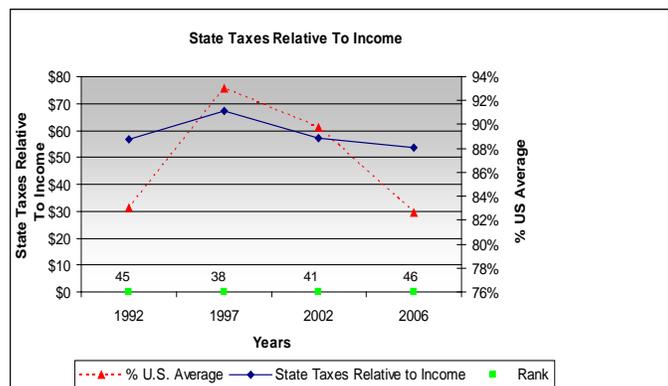
This factor reflects the low burden that the state imposes on its residents for the provision of state public programs.

It also suggests that raising taxes would not necessarily increase the tax burden to a high level.

#### **STATE TAXES RELATIVE TO INCOME \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$ 57	45	83
1997	67	38	93
2002	57	41	90
2006	54	46	83

**\* State taxes relative to \$1000 of personal income.**



## FACTOR 16 STATE AND LOCAL TAX COLLECTIONS PER RESIDENT

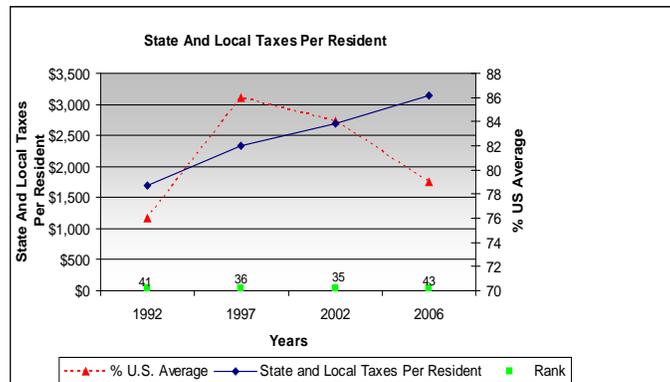
This expands the information in Factor 14 to reflect taxes collected by Missouri's local jurisdictions. The single major difference in most cases is the local property tax. This is the major revenue source for most of the state's localities. Some local governments do also rely on sales and gross receipts taxes as permitted by state enabling legislation, e.g., St. Louis City and County.

Missouri's overall ranking is, and has been, low presently in 2006 at 43 and 79% of the U.S. average. Missouri has been a low tax state for decades (not all shown here) which as will be shown in Factor 22 leads to low overall spending on public programs. Other factors on specific spending also, generally, show this. See for example higher education, Factor 18.

### **STATE AND LOCAL TAXES PER RESIDENT \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$1,686	41	76
1997	2,342	36	86
2002	2,698	35	84
2006	3,139	43	79

\* Taxes collected by state and local governments per capita.



**FACTOR 17**  
**STATE AND LOCAL TAX COLLECTIONS -- THE CLAIM ON**  
**RESIDENT INCOME**

State and local taxes collected produce a burden on state residents, and in some instances non-residents as well.

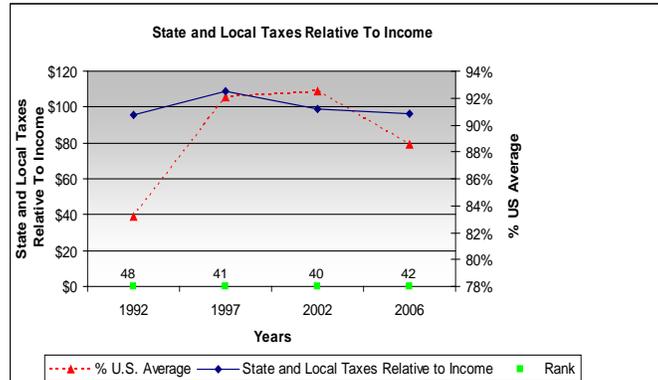
As shown below Missouri has ranked as low as 48 (in 1992) and presently stands at 42. As a percentage of the U.S. average it has risen slightly from its 1992 value of 83% but is below its peak of 93% in 2002 when it had its highest state ranking of 40.

Missouri's tax burden on income is, and has been, among the lowest nationally for several decades (not all shown here).

**STATE AND LOCAL TAXES RELATIVE TO INCOME \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$ 96	48	83
1997	109	41	92
2002	99	40	93
2006	97	42	89

**\* Taxes collected by state and local government relative to \$1,000 of personal income.**



## FACTOR 18 STATE TAX APPROPRIATIONS FOR HIGHER EDUCATION -- PER RESIDENT

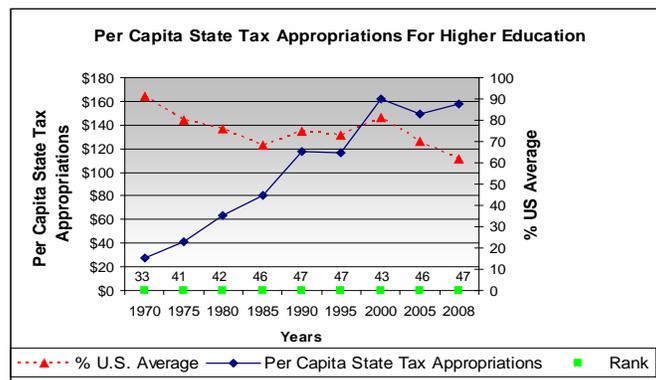
An important facet of state operations is tax appropriations for higher education. These funds are used to provide education and training beyond K-12. They reflect the legislative process and its outcome in terms of how much support each resident will receive.

In 1970 Missouri ranked 33th at 91% of the U.S. average. Since then it has fallen dramatically to 62% of the national average with a ranking of 47th. This reflects a clear lesser commitment to providing higher education for state residents.

The burden for higher education has been shifting from the state in the form of tax appropriations to students in the form of higher and higher tuition and fees and charges.

### PER CAPITA STATE TAX APPROPRIATIONS FOR HIGHER EDUCATION

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$27.2	33	91
1975	41.1	41	80
1980	63.6	42	76
1985	80.4	46	68
1990	117.7	47	75
1995	117.0	47	73
2000	162.4	43	81
2005	148.9	46	70
2008	158.2	47	62



## FACTOR 19 STATE TAX APPROPRIATIONS FOR HIGHER EDUCATION AS A CLAIM ON RESIDENT INCOME

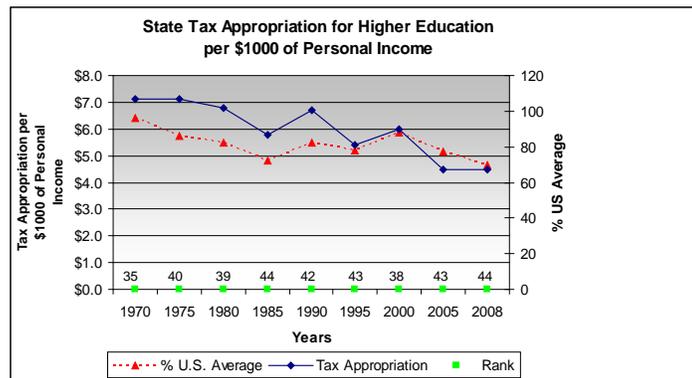
An important facet of state operations is support for higher education. These funds are used to provide education and training. They reflect the legislative process and its outcome in terms of how much support each student in the system will receive.

In terms of the burden they impose on state residents in 1970 Missouri ranked 35th at 96% of the U.S. average. Since then it has decreased steadily to 70% of the national average with a ranking of 44th.

This reflects a clear lesser commitment to providing higher education for state residents. In other words, state appropriations relative to income have fallen to rank 44th and the burden relative to the national average has fallen to 70th.

### STATE TAX APPROPRIATIONS FOR HIGHER EDUCATION PER \$1000 OF PERSONAL INCOME

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$7.1	35	96
1975	7.1	40	86
1980	6.8	39	82
1985	5.8	44	72
1990	6.7	42	82
1995	5.4	43	78
2000	6.0	38	88
2005	4.5	43	77
2008	4.5	44	70



## FACTOR 20 HIGHER EDUCATION AS A STATE PRIORITY -- PUBLIC HIGHER EDUCATION AS A PERCENTAGE OF TAX REVENUES

One reflection of government involvement with higher education is the proportion of overall tax revenues that is used for its support. Where money is spent, and the amount spent with respect to other programs, clearly articulates relative standing in priorities for a budget item.

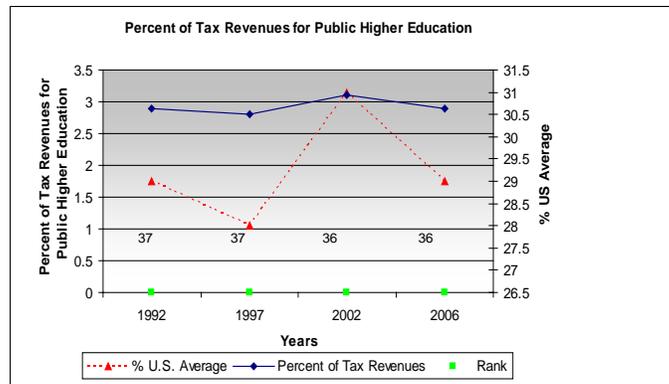
On this basis, higher education fares poorly. It now ranks 36th nationally and is only 29th relative to the national average.

This indicates that higher education has slipped dramatically as a state priority.

### PERCENT OF TAX REVENUES FOR PUBLIC HIGHER EDUCATION\*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	2.9	37	29
1997	2.8	37	28
2002	3.1	36	31
2006	2.9	36	29

**\*The percentage of state and local government collected tax revenues that is appropriated or levied for the operating expenses of higher education.**



## FACTOR 21 HOW MUCH DOES THE STUDENT PAY FOR HIGHER EDUCATION?

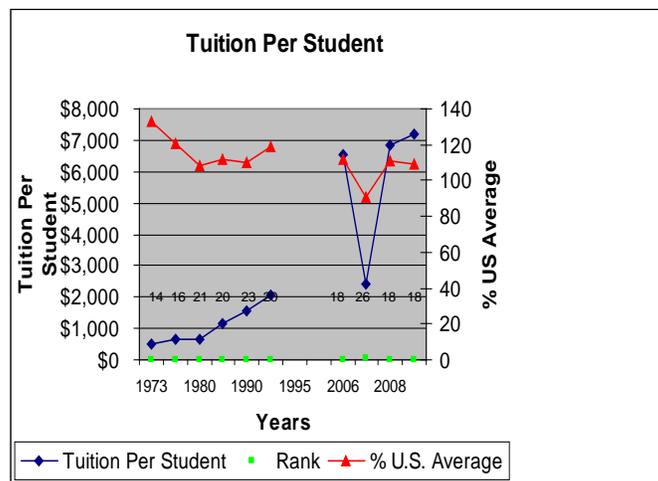
If state funds are not appropriated for higher education then, it is often argued, tuition can be an offset. However, the more the direct cost, (tuition and fees) the less access there is to educational opportunities. The purpose for having public support for higher education is to allow residents of the state to improve their human capital and contribute to the state's social and economic advancement. Paying for higher education increasingly through tuition reduces "affordability" and forces other career paths to be followed.

Tuition per student in Missouri has gone up by a factor of 13 since 1973 from \$508 to \$7,198 in 2009. It ranks 18th highest and is 109% of the U.S. average. Clearly, the cost of additional education is being placed more and more on the student. This lessens overall opportunity to obtain further training and expertise. It also erodes the quality of the state's workforce and its relative competitiveness.

### TUITION PER STUDENT\*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1973	\$508	14	133
1978	634	16	121
1980	662	21	108
1985	1,140	20	112
1990	1,580	23	110
1992	2,042	20	119
1995	comparable data not available		
2000	comparable data not available		
2006	6,531	18	112
2007	2,391	26	91
2008	6,845	18	111
2009	7,198	18	109

\* Estimated tuition and fee revenues of public higher education per full-time-equivalent public student.



## FACTOR 22 STATE SPENDING ON EACH RESIDENT

The overall level of state spending is indicative of how involved and supportive a state is with providing public programs for its citizens. The less that is spent, obviously the less available in number and diversity of programs. Since the state is a major source for higher education support, low overall spending means generally the same for education programs.

State spending in Missouri for public programs is amongst the lowest in the nation. In 1992, Missouri was 72% of the U.S. average and ranked 49 out of all fifty states. By 2006, it had improved slightly to 80% of the national average with a rank of 45.

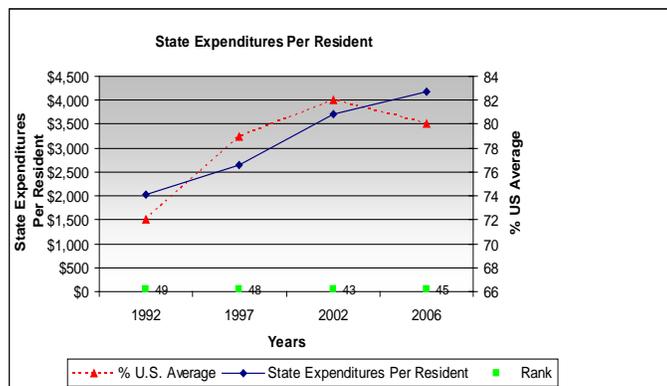
This shows a consistent pattern of low state spending on public programs over a time period that extends back well prior before 1992 (not shown here).

State support of public programs is one of the lowest nationwide.

### **STATE EXPENDITURES PER RESIDENT \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$2,037	49	72
1997	2,646	48	79
2002	3,718	43	82
2006	4,172	45	80

**\*State spending on public programs  
(exclusive of funds expended through  
intergovernmental programs).**



## FACTOR 23 STATE SPENDING AS A CLAIM ON RESIDENT INCOME

The amount of state spending on public programs indicates the state's commitment to supporting various public activities needed by its citizens. This spending in relation to income in the state indicates how much of a burden spending represents. The greater the burden, the more difficult it might be to increase the level of public operations.

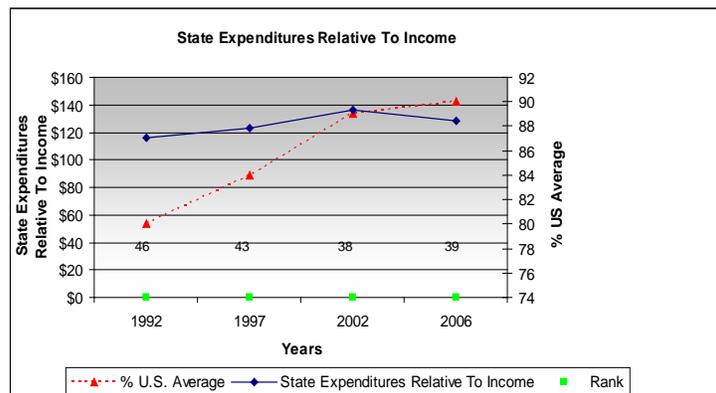
Starting out with a ranking of 46 in 1992, Missouri had fallen to last (50) by 1980 but has risen up to 39 by 2006. As a percentage of the national average, it went from 80 in 1992 up to 90 in 2006.

The low burden on income for state-level spending programs for residents of Missouri suggests that there is considerable leeway for increased state spending on public programs without imposing a high burden.

### STATE EXPENDITURES RELATIVE TO INCOME \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$116	46	80
1997	123	43	84
2002	136	38	89
2006	128	39	90

**\*State spending on public programs relative to \$1,000 of personal income (exclusive of funds expended through intergovernmental programs).**



## **FACTOR 24** **STATE AND LOCAL SPENDING ON EACH RESIDENT**

This factor expands the information shown in Factor 22 to reflect local government spending as well as that by state government. It reflects all spending on public programs in the state except for the retirement of outstanding debt.

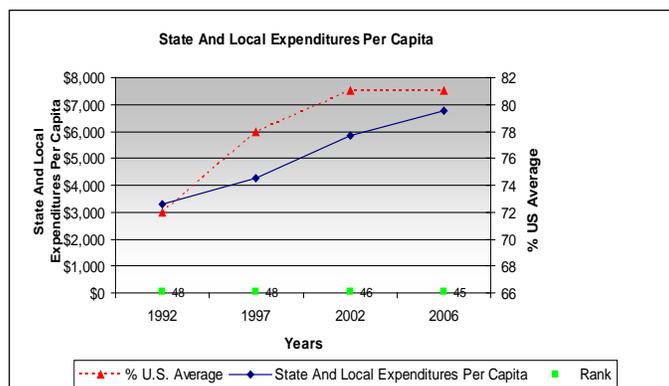
Missouri has been in the high 40s over the entire period 1992-2006 making it one of the lowest spending states in the nation. While not shown here this status is true going back several decades.

Presently the state ranks 45 and stands at 81% of the U.S. average. This is somewhat of an improvement from 1992 when it ranked 48 and was at 72% of the U.S. average. That is, only two states were lower in spending and it was 28 percentage points below the national average.

### **STATE AND LOCAL EXPENDITURES PER CAPITA \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$3,314	48	72
1997	4,279	48	78
2002	5,843	46	81
2006	6,781	45	81

**\*State and local spending per capita on public Programs (exclusive of funds expended through intergovernmental programs).**



## FACTOR 25 STATE AND LOCAL SPENDING AS A CLAIM ON RESIDENT INCOME

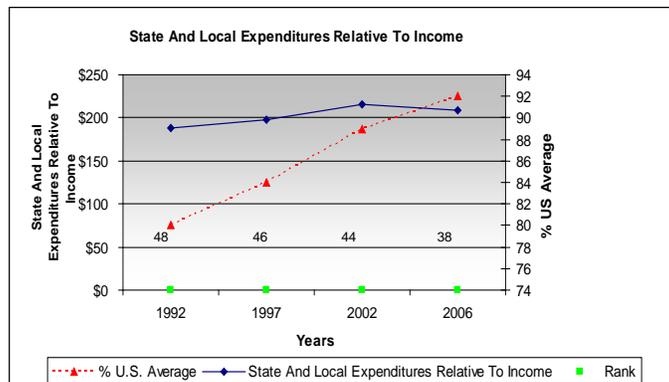
In terms of the burden that state and local spending imposes the state overall has improved from a rank of 48 and U.S. average of 80 in 1992 to a rank of 38 and 92% of the national average in 2006.

It should be kept in mind, however, that this reflects local as well as state spending. In many instances localities have altered (increased) their spending due to changes (decreases) in state spending priorities. Also, Missouri's income status relative to other states has changed over the recent two decades thus affecting these numbers as well.

### **STATE AND LOCAL EXPENDITURES RELATIVE TO INCOME \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$188	48	80
1997	198	46	84
2002	216	44	89
2006	209	38	92

**\*State and local spending on public programs relative to \$1,000 of personal income (exclusive of funds expended through intergovernmental programs).**



## FACTOR 26 STATE AND LOCAL SUPPORT FOR PUBLIC INFRASTRUCTURE PER RESIDENT

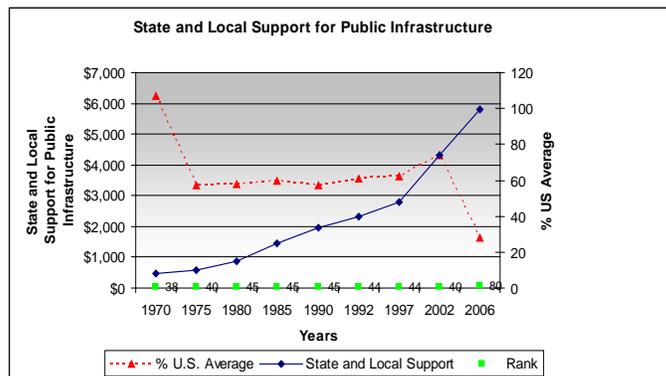
Many of the demands of citizens on government require the expenditure of funds for physical infrastructure such as schools, roads, transportation facilities, or public buildings. To do this government often must issue debt to cover the cost. This might be retired over a 20-30 period. Without these funds derived from borrowing the ability of government to meet the needs of its citizens would be limited. These are long term investments that require long term financing. They cannot be handled on a yearly basis.

The relative position of Missouri in debt per resident placed it at 38th in 1970 or 107% of the national average but it has risen from being in the 40s through 2002 to 28th in 2006. The present level of debt is 80% still well below the national average seen in 1970 or years in between, as low as 57% in 1975 and 1990.

### STATE AND LOCAL SUPPORT FOR PUBLIC INFRASTRUCTURE \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$485	38	107
1975	592	40	57
1980	860	45	58
1985	1,450	45	60
1990	1,976	45	57
1992	2,326	44	61
1997	2,806	44	62
2002	4,308	40	74
2006	5,804	28	80

\*Outstanding long-term debt for all state and local governments per resident.



**FACTOR 27**  
**STATE AND LOCAL SUPPORT FOR PUBLIC INFRASTRUCTURE AS A CLAIM ON RESIDENT INCOME**

Support for public infrastructure programs, as manifest in outstanding debt has risen dramatically from a rank of 46 in 1992 at 67% of the U.S. average to a rank of 28 in 2006 at 91% of the national average.

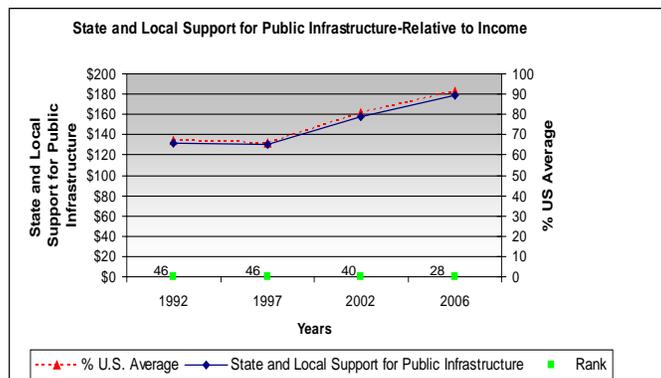
Overall statewide this is certainly an improvement. However, it must again be noted that this reflects both state and local outstanding long-term debt combined.

Many localities have had to issue debt to cover their infrastructure needs. Also, this measure does not reflect the full scope and coverage of infrastructure outlays in the state. Other methods have been used to cover expenditures on infrastructure including spending from current revenues.

**STATE AND LOCAL SUPPORT FOR PUBLIC INFRASTRUCTURE RELATIVE TO INCOME\***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$132	46	67
1997	130	46	66
2002	158	40	81
2006	179	28	91

**\*Outstanding long-term debt for all state and local governments relative to income.**



## FACTOR 28 SPENDING ON PUBLIC ELEMENTARY AND SECONDARY EDUCATION PER RESIDENT

Education programs are highly interrelated. Support for programs at the elementary and secondary level (K-12) provide an indication of what one might expect for higher education. Since education is an investment by government in the future of its citizens, the nature and amount of education is crucial to the future social and economic development of the state of Missouri.

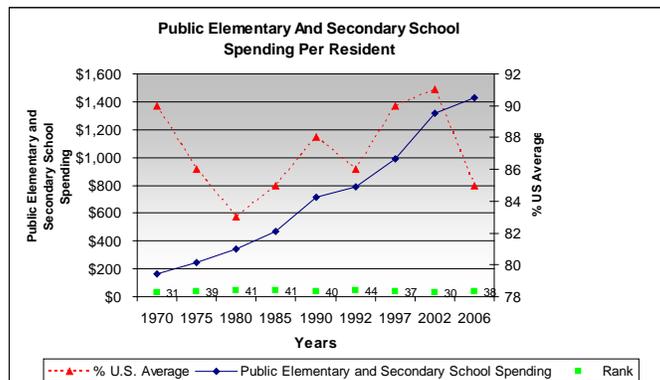
Between 1970 and 2006 Missouri's rank relative to other states has fallen from 31 to 38. As a percentage of the U.S. averages it has gone down from 90 to 85. Both of these indicate a lower and declining relative level of support for K-12 education.

The relative trend has been clearly and consistently downward.

### **PUBLIC ELEMENTARY AND SECONDARY SCHOOL SPENDING PER RESIDENT \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$167	31	90
1975	248	39	86
1980	343	41	83
1985	471	41	85
1990	715	40	88
1992	792	44	86
1997	992	37	90
2002	1,318	30	91
2006	1,428	38	85

\* Public spending on elementary and secondary education per state resident.



## FACTOR 29 SPENDING ON PUBLIC ELEMENTARY AND SECONDARY EDUCATION RELATIVE TO RESIDENT INCOME

Education programs are highly interrelated. Support for the elementary and secondary level provide an indication of what one might expect for higher education. Since education is an investment by government, both state and local, in the future of its citizens, the nature and amount of education is crucial to the future social and economic development of the state.

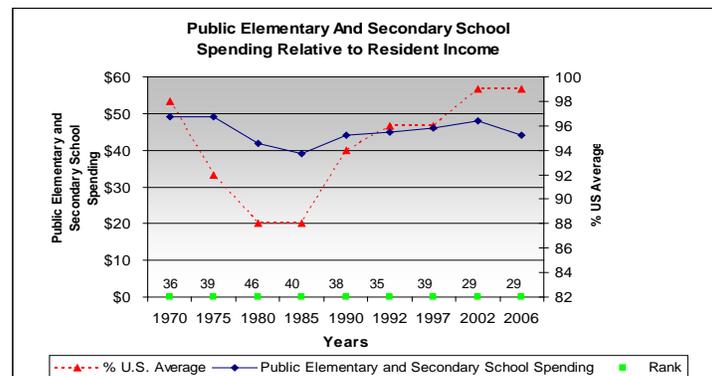
Between 1970 and 2006 Missouri's rank relative to income has actually risen from 36 to 29 among the fifty states and from 98 to 99 percent of the national average. Both of these indicate a slightly higher burden.

Much of this is undoubtedly due to the litigation that has surrounded K-12 education in the state which has pushed the state of Missouri into greater funding for K-12 programs and the state foundation formula.

### **PUBLIC ELEMENTARY AND SECONDARY SCHOOL SPENDING RELATIVE TO RESIDENT INCOME \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$49	36	98
1975	49	39	92
1980	42	46	88
1985	39	40	88
1990	44	38	94
1992	45	35	96
1997	46	39	96
2002	48	29	99
2006	44	29	99

\* Public spending on elementary and secondary education per \$1,000 of personal income.



## FACTOR 30 SPENDING ON HIGHER EDUCATION PER RESIDENT

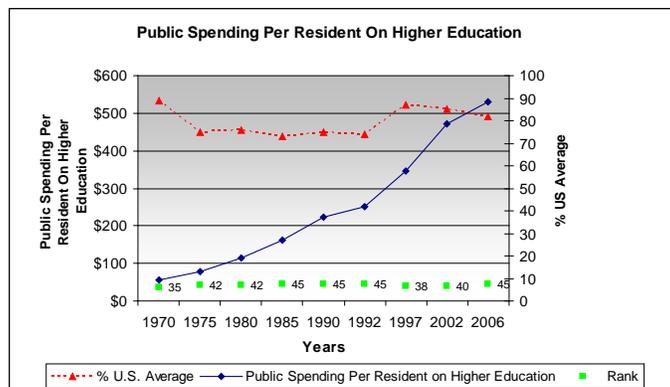
While elementary and secondary education provides the foundation, higher education offers the opportunity for educational specialization and training that is so essential in a complex society. Our future as a state will depend upon the extent to which we can compete. Our competitiveness depends in large part upon the quality of our workforce and our capacity to respond to the ever-changing demands of technology and the global market place. No longer is a high school diploma enough; some education at an institution of higher education is more and more becoming a minimal requirement for initial employment, career enhancement, or professional development.

Public support for higher education mirrors that for K-12 public schools. Since 1970, support has dropped from a ranking of 35 to 45, only five states are lower. Relative to the national average Missouri has fallen from 89% to 82%. In a time when more emphasis needs to be placed on education at all levels, but particularly job-related education offered by higher education, this is a clear movement in the wrong direction.

### PUBLIC SPENDING PER RESIDENT ON HIGHER EDUCATION\*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$57	35	89
1975	77	42	75
1980	114	42	76
1985	161	45	73
1990	223	45	75
1992	251	45	74
1997	346	38	87
2002	472	40	85
2006	530	45	82

\* State and local spending per resident on higher education.



## FACTOR 31 SPENDING ON HIGHER EDUCATION RELATIVE TO RESIDENT INCOME

Looking at public spending on higher education relative to income there has been some improvement.

The state has moved from 42nd to 38th in rankings among states and has increased as a percentage of the national average from 84 to 91.

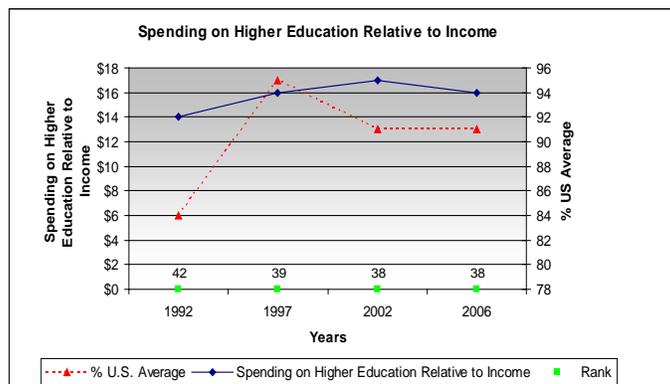
The actual dollar amounts, however, have changed only slightly from \$14 in 1992 to \$16 in 2006. Not much of an increase in burden.

Missouri continues to fund this important public program at a level that puts it at a comparative disadvantage relative to many other states. This is an important factor given the changing U.S. economy, the requirement for higher levels of educational opportunity, and the competition from other countries in the global marketplace.

### **PUBLIC SPENDING ON HIGHER EDUCATION RELATIVE TO INCOME \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1992	\$14	42	84
1997	16	39	95
2002	17	38	91
2006	16	38	91

\* State and local spending on higher education relative to income.



## FACTOR 32 PER RESIDENT SPENDING ON HIGHWAYS

Spending on highways and related activities are a crucial element in a state's infrastructure development and its ability to compete in interstate and international markets. It includes not only the actual roads but also bridges and the maintenance and repair of existing facilities.

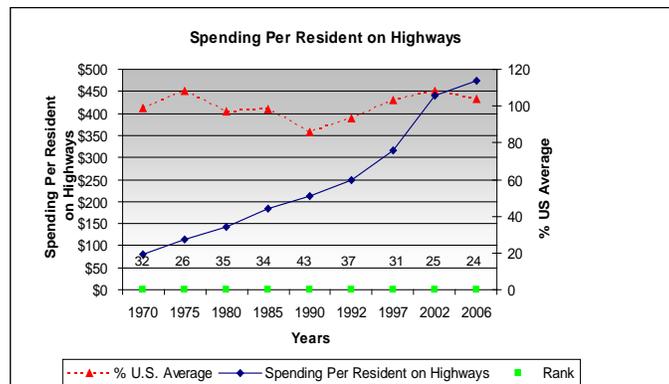
In this area Missouri's status contrasts with most of the support for other programs. It has moved in state ranking from 32 to 24 between 1970 and 2006 and now exceeds the national average at 104%.

This is a good sign for the state in terms of infrastructure development. More than one-half of the spending has been in capital outlay.

### **SPENDING PER RESIDENT ON HIGHWAYS \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$81	32	99
1975	114	26	108
1980	142	35	97
1985	184	34	98
1990	212	43	86
1992	249	37	93
1997	317	31	103
2002	441	25	108
2006	473	24	104

\* State and local spending per capita on highways.



## FACTOR 33 PER RESIDENT SPENDING ON HEALTH AND HOSPITALS

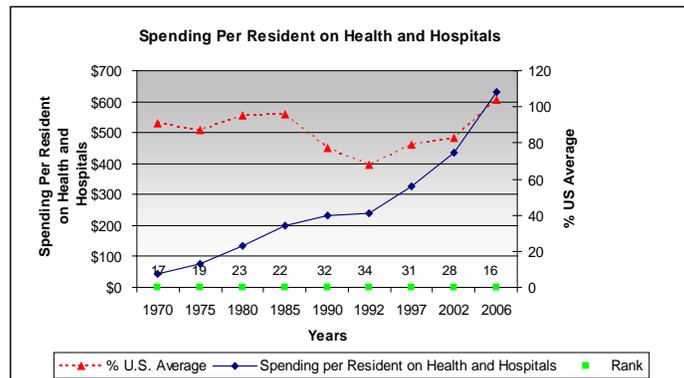
Missouri's spending on health and hospitals also is in contrast to other public programs. It ranked 16th nationally in 2006 after being as low as 34th in 1992. As a percentage of the U.S. average it has gone from a low value of 68 in 1992 to over the national average in 2006 at 104%. Thus, comparatively speaking the state fares well compared to other states and to the average for the U.S.

Some of this variation, such as cross state ranking going from 34 to 16 and percentage of the U.S. average from 68% to 104% is undoubtedly due to the vagaries that have characterized the U.S. health system over two decades.

### SPENDING PER RESIDENT ON HEALTH AND HOSPITALS \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$44	17	91
1975	77	19	87
1980	136	23	95
1985	201	22	96
1990	231	32	77
1992	240	34	68
1997	326	31	79
2002	434	28	83
2006	630	16	104

\* State and local spending per capita on health and hospitals.



## FACTOR 34 PER RESIDENT SPENDING ON PUBLIC WELFARE

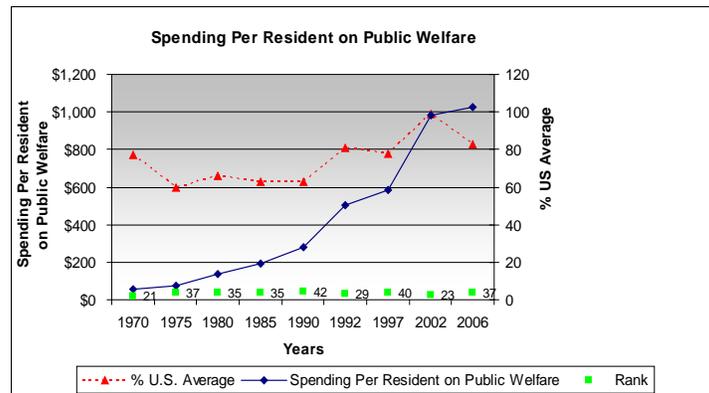
Public welfare programs in the U.S. have gone through major shifts and vary considerably state-to-state in terms of what specific programs are supported and at what level.

In this context Missouri has fallen in ranking from 21 to 37 between 1970 and 2006 and yet has increased as a percentage of the U.S. average from 77% to 83%, with a low of 60% in 1975.

### SPENDING PER RESIDENT ON PUBLIC WELFARE \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$56	21	77
1975	77	37	60
1980	134	35	66
1985	190	35	63
1990	281	42	63
1992	501	29	81
1997	584	40	78
2002	985	23	99
2006	1,028	37	83

\* State and local spending per capita on public welfare including cash assistance payments, vendor payments, and other public welfare.



## FACTOR 35 PER RESIDENT SPENDING ON PUBLIC SAFETY

Public safety includes police and fire protection as well as correction activities, and protective inspection and regulation provided by both the state and localities.

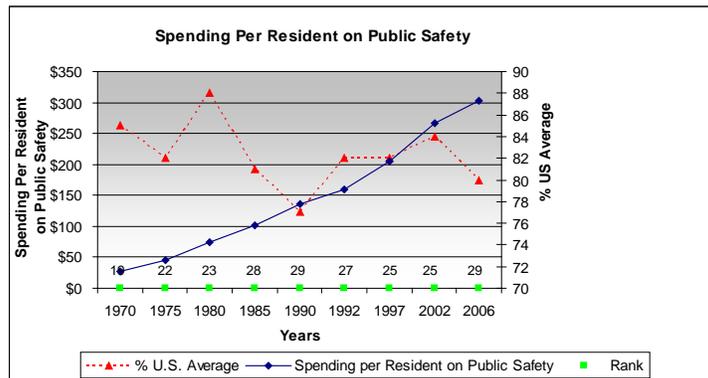
Missouri ranks slightly below the middle at 29 after a high of 19 in 1970 and is now at 80% of the U.S. average after a low of 77% in 1990.

It should be kept in mind that most of these services are provided by local jurisdictions not by the state.

### **SPENDING PER RESIDENT ON PUBLIC SAFETY \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$27	19	85
1975	46	22	82
1980	75	23	88
1985	102	28	81
1990	136	29	77
1992	159	27	82
1997	205	25	82
2002	267	25	84
2006	302	29	80

\* State and local spending per capita on police and fire protection.



## FACTOR 36 PER RESIDENT SPENDING ON PARKS AND ENVIRONMENT

This spending category includes parks and recreation, sewerage, and solid waste management. As with public safety most of these services are locally funded and provided. State involvement is clearly secondary if there is any.

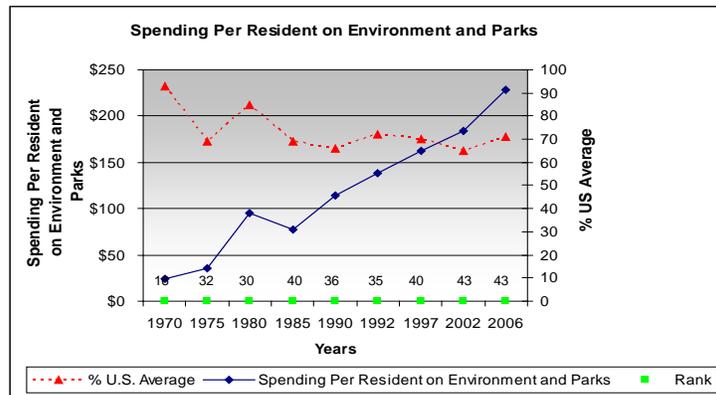
The state has slipped dramatically between 1970 and 2006 going from a ranking of 16 to 43 and from 93% to 71% of the U.S national average.

This reflects in large part the fiscal strain placed on local governments to fund public programs. Greater emphasis has been placed on programs such as public safety.

### **SPENDING PER RESIDENT ON ENVIRONMENT AND PARKS \***

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$24	16	93
1975	35	32	69
1980	95	30	85
1985	77	40	69
1990	114	36	66
1992	138	35	72
1997	163	40	70
2002	184	43	65
2006	228	43	71

**\*State and local spending per capita on sewerage, other sanitation, and parks and recreation.**



## FACTOR 37 PER RESIDENT SPENDING ON GOVERNMENT ADMINISTRATION

Government administration deals with the day-to-day general operations of government activities such as finance, judicial and legal, public buildings, and other administrative responsibilities.

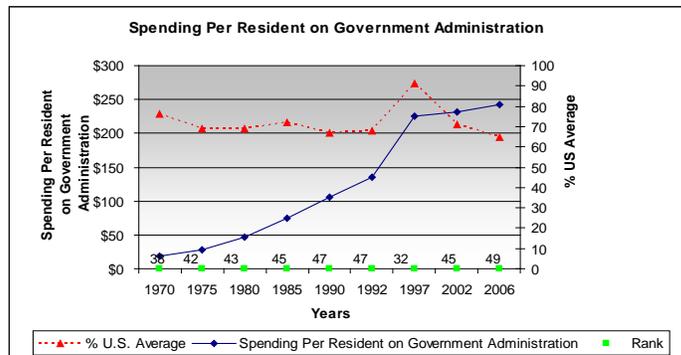
They are near the bottom in terms of their budgetary status.

Missouri fares very poorly in funding this component of operations. Its rank has fallen from a 38 in 1970 to 49th; only one state ranks lower. As a percentage of the U.S. average it has dropped from 76% to 65%. This is a clear downward trend but especially when contrasted to its 91% status in 1997.

### SPENDING PER RESIDENT ON GOVERNMENT ADMINISTRATION \*

<u>Year</u>	<u>Value</u>	<u>Rank</u>	<u>% U.S. Average</u>
1970	\$18	38	76
1975	28	42	69
1980	47	43	69
1985	75	45	72
1990	105	47	67
1992	136	47	68
1997	226	32	91
2002	232	45	71
2006	242	49	65

\* State and local spending per capita on financial administration and general control (judicial and legal, and other administration).



## AN OVERVIEW OF FACTORS 38 TO 58

Factors 38 to 58 relate Missouri's actual status relative to the national average level. The national average is viewed as a reasonable benchmark “potential” for spending and revenue raising. These factors examine by how much Missouri deviates from the national average for seven characteristics drawn from Factors 1 to 31.

Negative values imply the state is below the national average (or “potential”); positive values means it exceeds the national average level.

The same analysis could be done for other spending and revenue items. The following are chosen as illustrative of Missouri's tax and spending effort. They are:

- higher education,
- state taxes,
- state and local taxes,
- state taxes and current charges,
- state and local taxes and current charges,
- state expenditures,
- state and local expenditures.

For each of these dimensions the amount by which Missouri deviates from the national average level or a “potential” base, is indicated along three dimensions. A negative number indicates it is below the national average. They are:

- the per capita difference,
- the total dollar amount difference,
- the total dollar amount difference from the national average expressed as a percentage of the actual existing level for each item.

In effect these factors show how much Missouri taps into its resource base and how much it expends. This is measured against the national average level as a base for comparison. The ranking across the fifty states is also shown. The time period examined is 1991 to 2006.

Using higher education spending as an example, Factor 38 shows:

- the per capita difference between Missouri and the national average is a negative \$114 in 2005/06 placing Missouri 6th lowest in ranking across the states,
- the total dollar spending difference is -\$666 million in 2005/06 and Missouri ranks 7th lowest as indicated by Factor 45 and,



- the total dollar difference from the national average potential as a percentage of the actual spending level is shown in Factor 54. Missouri is 27.4% with a ranking of 8th.

Thus for higher education Missouri spends per capita and in total well below the national average level. The negative dollar difference is 27.4% of actual spending in 2005/06. In other words, if Missouri spent just at the national average level actual expenditures would have been 27.4% greater.



# Difference in Missouri's Taxing and Spending Status if Missouri was at the U.S. National Average "Potential" Level: Selected Factors

## PER CAPITA DIFFERENCE

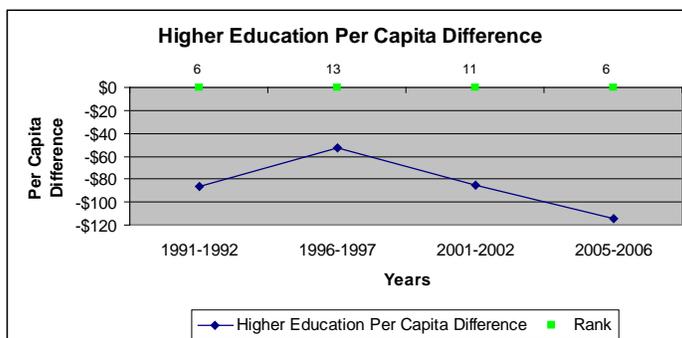
<i>Higher Education Per Capita Difference</i>		
<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-87	6
1996-1997	-53	13
2001-2002	-85	11
2005-2006	-114	6

### **FACTOR 38 HIGHER EDUCATION -- PER CAPITA DIFFERENCE FROM NATIONAL AVERAGE**

Missouri's gap from the national average per capita spending on higher education has been widening. In 1991/92 there was a negative \$87 difference, ranking it 6<sup>th</sup> lowest. By 2005/06 this had grown to -\$114, again with a rank of 6<sup>th</sup>.

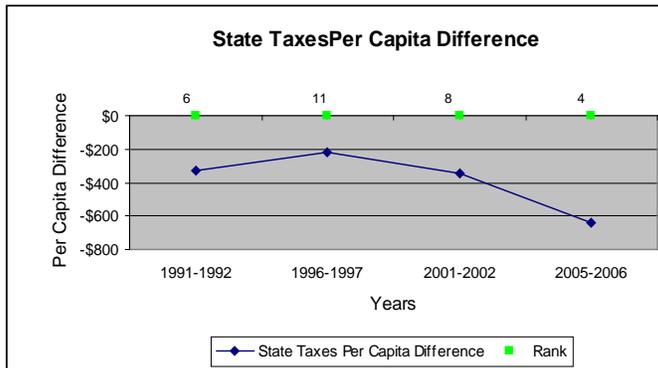
There was one year in which the gap narrowed to a low of \$53 per capita (with a rank of 13<sup>th</sup>) but it was still well below the national average.

The trend is pretty clearly defined as moving toward a larger negative difference from -\$53 to a present -\$114. This is a factor of over 100%.



### State Taxes Per Capita Difference

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-330	6
1996-1997	-219	11
2001-2002	-344	8
2005-2006	-642	4



### FACTOR 39 STATE TAXES -- PER CAPITA DIFFERENCE FROM NATIONAL AVERAGE

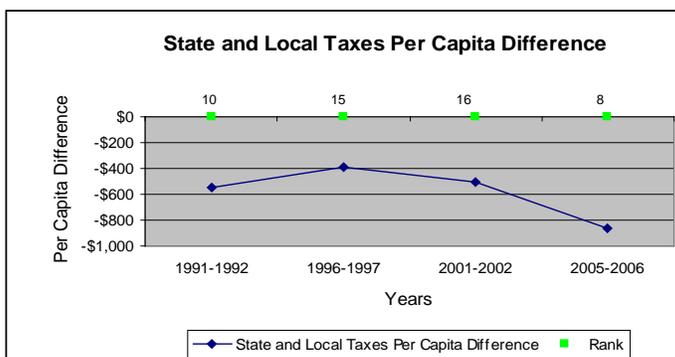
The negative gap in just *state* taxes per capita has risen over the time period shown, nearly doubling from -\$330 to -\$642. It did recede one year to -\$219 but then rose again steadily to its present status at -\$642.

It is now ranked as having the 4<sup>th</sup> highest negative gap of the fifty states.

Again the trend has been toward a larger and larger negative difference over the time period shown.

### State and Local Taxes Per Capita Difference

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-546	10
1996-1997	-390	15
2001-2002	-505	16
2005-2006	-860	8



### FACTOR 40 STATE AND LOCAL TAXES -- PER CAPITA DIFFERENCE FROM NATIONAL AVERAGE

Shifting to *state and local* taxes combined (that is, revenues for all of Missouri's governmental jurisdictions) the same pattern emerges as with just state taxes per capita.

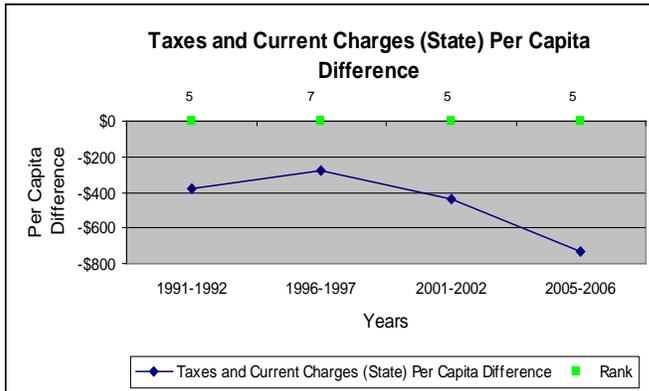
Missouri ranked 10<sup>th</sup> lowest in 1991/92 at a negative \$546. It fell somewhat in 1996/97 to a negative \$390 with a ranking of 15<sup>th</sup>.

By 2005/06, however, this negative gap had increased to \$860 per capita and placed the state as 8<sup>th</sup> nationally.



**Taxes and Current Charges (State) Per Capita Difference**

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-382	5
1996-1997	-275	7
2001-2002	-441	5
2005-2006	-732	5



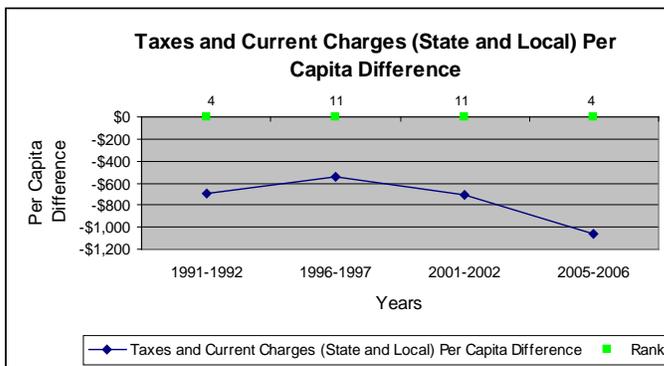
**FACTOR 41  
STATE GOVERNMENT REVENUES  
-- PER CAPITA DIFFERENCE  
FROM NATIONAL AVERAGE**

Looking at all *state* revenues which includes not only taxes but also current charges (general fund) Missouri has increased in the negative gap from -\$382 per capita in 1991/92 with a rank of 5<sup>th</sup> nationally to -\$732 with a ranking of 5<sup>th</sup> highest in 2005/06.

While the negative per capita dollar amount has changed (increased) the ranking has remained at 5<sup>th</sup> lowest nationally over most of the entire time period examined. This dollar change represents an almost 100% increase between 1991/92 and 2005/06.

**Taxes and Current Charges (State and Local) Per Capita Difference**

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-695	4
1996-1997	-543	11
2001-2002	-711	11
2005-2006	-1,057	4



**FACTOR 42  
STATE AND LOCAL  
GOVERNMENT REVENUES -- PER  
CAPITA DIFFERENCE FROM  
NATIONAL AVERAGE**

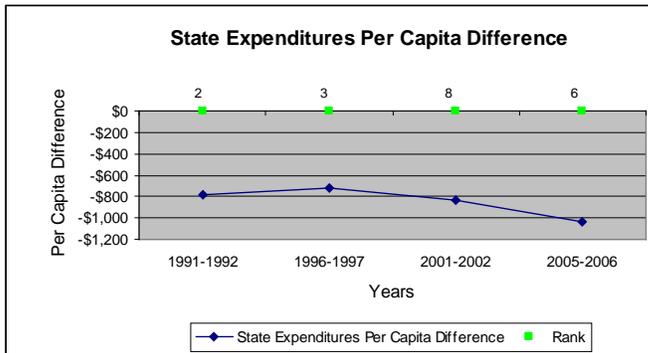
Examining *state and local* taxes and current charges shows the per capita gap has risen from a low of -\$543 in 1996/97 with a ranking of 11<sup>th</sup> nationally to -\$1,057 by 2005/06. It presently is 4<sup>th</sup> highest in the size of the per capita gap from the national average.

While there was some lessening of this gap in 1996/97 (to 11<sup>th</sup>), it presently stands 4<sup>th</sup> lowest in the nation at over \$1,057 per capita.



### State Expenditures Per Capita Difference

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$-782	2
1996-1997	-719	3
2001-2002	-838	8
2005-2006	-1,038	6



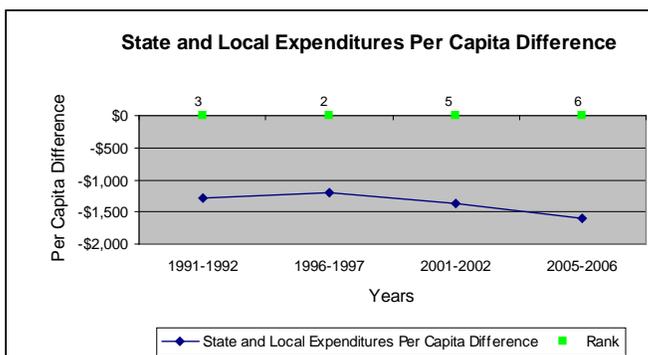
### FACTOR 43 STATE EXPENDITURES -- PER CAPITA DIFFERENCE FROM NATIONAL AVERAGE

State expenditures are obviously linked to state revenues. The gap in state expenditures per capita has risen from a low of -\$719 in 1996/97 (a rank of 3<sup>rd</sup>) to a lower figure of -\$1,038 (with a rank of 6<sup>th</sup>).

The national ranking has shown some slight improvement going from 2<sup>nd</sup> highest (only one state was higher) nationally in 1991/92 to 6<sup>th</sup> in the most recent year. Nonetheless, it remains very high.

### State and Local Expenditures Per Capita Difference

<u>Year</u>	<u>Per Capita Difference</u>	<u>Rank</u>
1991-1992	\$ -1,283	3
1996-1997	-1,196	2
2001-2002	-1,364	5
2005-2006	-1,604	6



### FACTOR 44 STATE AND LOCAL EXPENDITURES -- PER CAPITA DIFFERENCE FROM NATIONAL AVERAGE

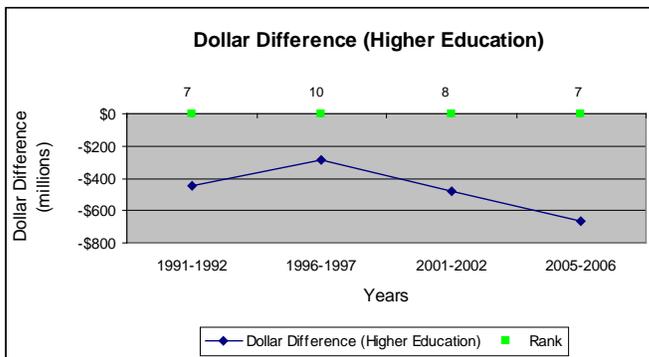
Shifting attention to state and local expenditures (that is spending by all of Missouri's state and local jurisdictions) once again reveals Missouri to rank very high in the negative gap from the national average but with some very slight improvement in its national ranking from 2<sup>nd</sup> in 1996/97 (at -\$1,196) to a present 6<sup>th</sup> in 2005/06 (-\$1,604).



## DOLLAR DIFFERENCE

### *Dollar Difference (Higher Education)*

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ - 444	7
1996-1997	- 283	10
2001-2002	- 477	8
2005-2006	- 666	7



### **FACTOR 45 HIGHER EDUCATION -- TOTAL DOLLAR DIFFERENCE FROM NATIONAL AVERAGE**

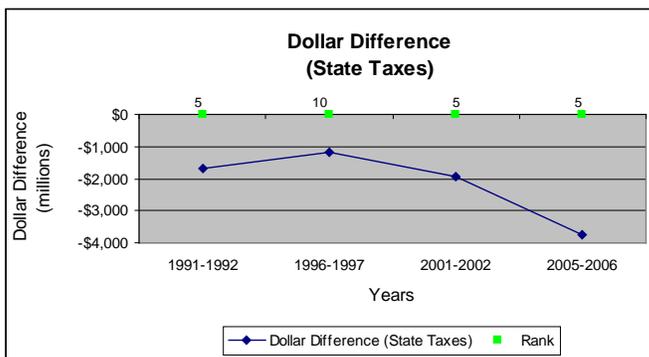
The total dollar difference in spending on higher education compared to the national average was a negative \$444 million in 1991/92.

This ranked Missouri 7<sup>th</sup> highest nationally. This negative gap fell in 1996/97 to \$283 million (a rank of 10<sup>th</sup>) but moved back upward through \$477 million in 2001/02 (8<sup>th</sup> ranked) to a present level in 2005/06 of \$666 million with a national rank of 7<sup>th</sup>.

This is a 50% increase between 1991/92 and 2005/05.

### *Dollar Difference (State Taxes)*

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -1,690	5
1996-1997	-1,176	10
2001-2002	-1,928	5
2005-2006	-3,743	5



### **FACTOR 46 STATE TAXES -- TOTAL DOLLAR DIFFERENCE FROM NATIONAL AVERAGE**

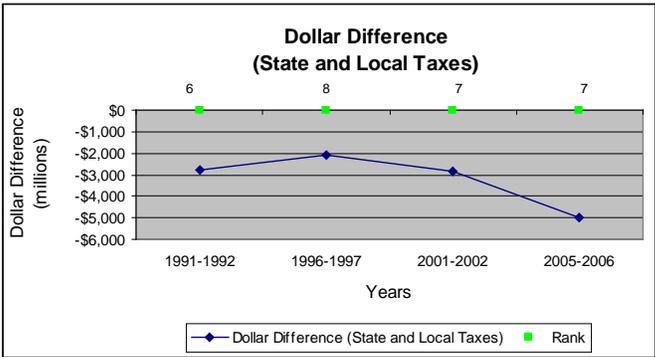
State taxes in Missouri have always been low. The negative gap compared to a national basis was \$1.69 billion in 1991/92 with a rank of 5<sup>th</sup> highest. The status improved in 1996/97 with the dollar gap falling to \$1.176 billion and a ranking of 10<sup>th</sup>. By 2001/02 the trend had reversed with the dollar gap increasing substantially to \$1.93 billion. But by 2005/06 it had grown dramatically to \$3.74 billion placing it 5<sup>th</sup> highest in a national context.

This is over a 100% expansion between 1991/92 and 2005/06.



**Dollar Difference (State and Local Taxes)**

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -2,802	6
1996-1997	-2,098	8
2001-2002	-2,832	7
2005-2006	-5,014	7



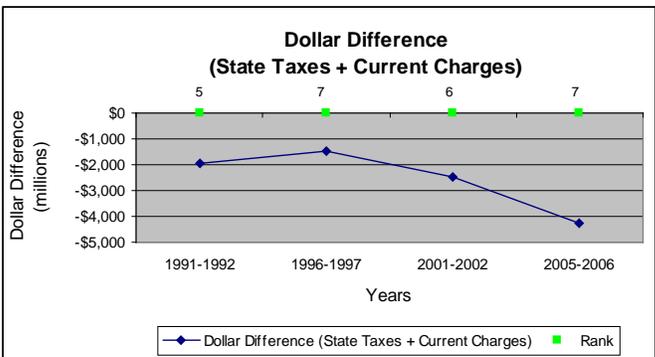
**FACTOR 47  
STATE AND LOCAL TAXES -- TOTAL  
DOLLAR DIFFERENCE FROM  
NATIONAL AVERAGE**

The dollar gap for state and local taxes combined shows much the same pattern as just state taxes only it is much larger in size. In 1991/92 the negative dollar gap was \$2.8 billion with a rank of 6<sup>th</sup>. This fell a bit in 1996/97 to \$2.09 billion (rank 8<sup>th</sup>) but then the gap expanded substantially to \$2.83 billion in 2001/02 (rank 7<sup>th</sup>) and then to \$5.01 billion by the present 2005/06 with a national ranking of 7<sup>th</sup>.

This is more than a doubling from its low in 1996/97.

**Dollar Difference  
(State Taxes + Current Charges)**

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -1,961	5
1996-1997	-1,480	7
2001-2002	-2,474	6
2005-2006	-4,271	7



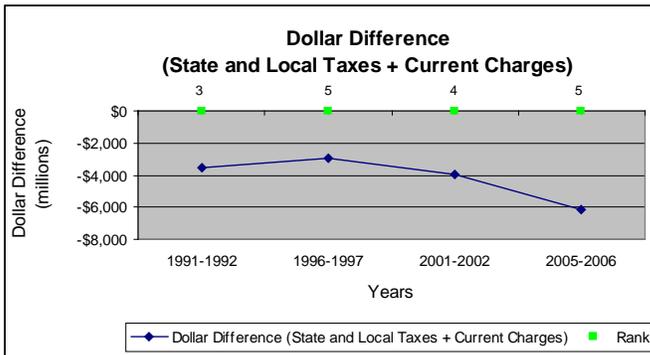
**FACTOR 48  
STATE AND LOCAL GOVERNMENT  
REVENUES -- TOTAL DOLLAR  
DIFFERENCE FROM NATIONAL  
AVERAGE**

Moving attention to state taxes and current charges the situation remains similar. In 1991/92 the negative gap was \$1.96 billion with a rank of 5<sup>th</sup> highest nationally. As shown with other factors again there was some improvement shown in 1996/97 with the dollar gap declining to \$1.48 billion (rank of 7<sup>th</sup>). But then the negative gap began to increase from \$2.47 billion (rank of 6<sup>th</sup>) to \$4.27 billion by 2005/06 (rank of 7<sup>th</sup>). The total dollar gap has more than doubled between 1991/92 and 2005/06.



**Dollar Difference (State and Local Taxes + Current Charges)**

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -3,562	3
1996-1997	-2,921	5
2001-2002	-3,984	4
2005-2006	-6,166	5



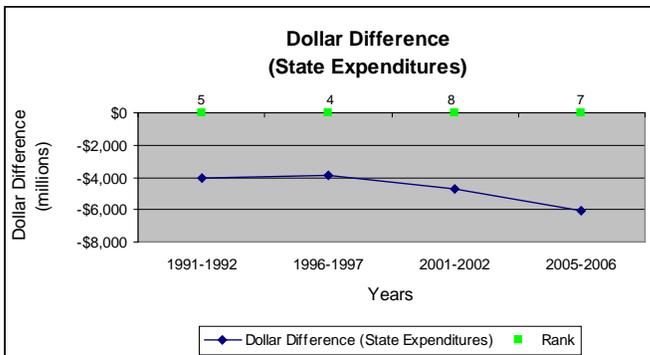
**FACTOR 49  
STATE AND LOCAL TAXES -- TOTAL  
DOLLAR DIFFERENCE FROM  
NATIONAL AVERAGE**

As with the state taxes and current charges the negative gap in *state and local* taxes and charges (which covers all of the governmental jurisdictions in Missouri) started in 1991/92 at a high level of \$3.56 billion and a very high rank of 3<sup>rd</sup>.

It improved slightly in 1996/97 to \$2.9 billion (rank of 5<sup>th</sup>) but since then has widened. It was \$3.98 billion in 2001/02 (rank of 4<sup>th</sup>) but overall has had a major increase of more than 50% by 2005/06 to \$6.17 billion and a high national ranking of 5<sup>th</sup>.

**Dollar Difference (State Expenditure)**

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -4,012	5
1996-1997	-3,868	4
2001-2002	-4,700	8
2005-2006	-6,055	7



**FACTOR 50  
STATE EXPENDITURES -- TOTAL  
DOLLAR DIFFERENCE FROM  
NATIONAL AVERAGE**

Since *state* spending is determined by state revenues it is not surprising that Missouri has a large negative dollar gap, some \$4.01 billion in 1991/92 (rank of 5<sup>th</sup>). This dropped a small amount in 1996/97 to \$3.87 billion (a rank of 4<sup>th</sup>) but then began to widen rising from \$4.70 billion (rank of 8<sup>th</sup>) in 2001/02 to \$6.06 billion by 2005/06 (a rank of 7<sup>th</sup>).

The dollar gap in state expenditures has grown by about 50% between 1991/92 and 2005/06.



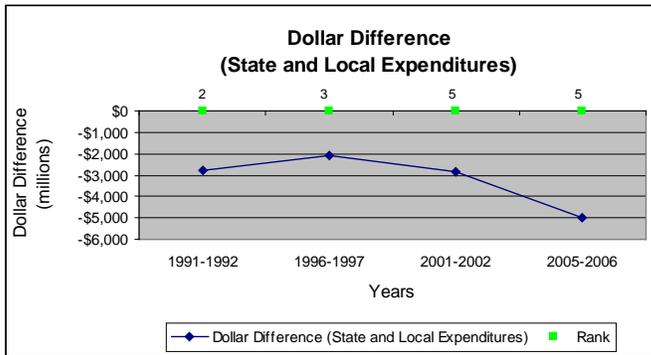
**Dollar Difference  
(State and Local Expenditures)**

<u>Year</u>	<u>Dollar Difference(millions)</u>	<u>Rank</u>
1991-1992	\$ -6,583	2
1996-1997	-6,431	3
2001-2002	-7,645	5
2005-2006	-9,359	5

**FACTOR 51  
STATE AND LOCAL  
EXPENDITURES -- TOTAL DOLLAR  
DIFFERENCE FROM NATIONAL  
AVERAGE**

Looking at spending for all governments in Missouri, state and local, uncovers a large negative gap. In 1991/92 the dollar amount was \$6.58 billion ranked a very high 2<sup>nd</sup>, only one state had a greater negative dollar gap. After a miniscule drop in 1996/97 to \$6.43 billion the amount rose steadily to a present status of \$9.36 billion (rank of 5<sup>th</sup>) in 2005/06.

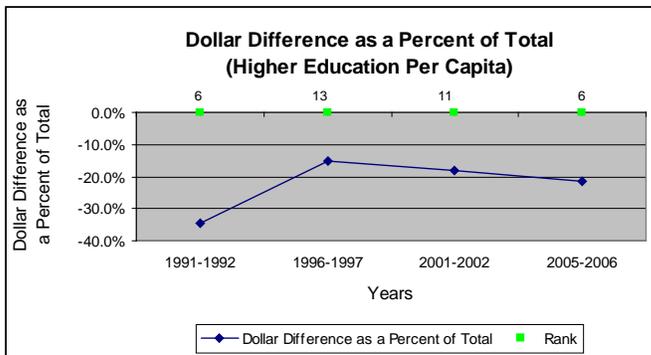
The dollar difference gap has grown by just shy of 50% between 1991/92 and 2005/06.



**DOLLAR DIFFERENCE AS A PERCENT OF  
EXISTING LEVEL BY YEAR**

***Dollar Difference as a Percent of Total  
(Higher Education Per Capita)***

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-34.4%	6
1996-1997	-15.2%	13
2001-2002	-18.0%	11
2005-2006	-21.5%	6



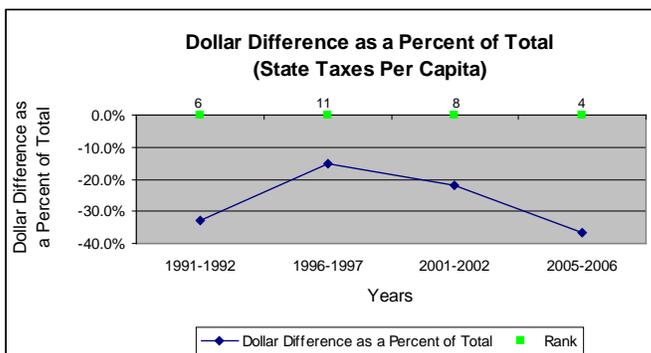
**FACTOR 52  
HIGHER EDUCATION --  
DIFFERENCE AS A PERCENTAGE  
OF TOTAL FOR ITEM**

Missouri has made some progress on the dollar gap relative to what was actually spent on higher education, even though it remains negative. In 1991/92 it was over 34% and ranked 6<sup>th</sup> nationally. This then fell to 15.2% in 1996/97 (13<sup>th</sup>) but then began to rise reaching 21.5%, 6<sup>th</sup> nationally) by 2005/06.

Thus, the negative dollar gap, if at the national average level, was over one fifth of what was actually spent in the state. If at the national level Missouri would have spent 21.5% more per capita on higher education in 2005/06.

***Dollar Difference as a Percent of Total  
(State Taxes Per Capita)***

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-32.9%	6
1996-1997	-15.1%	11
2001-2002	-22.1%	8
2005-2006	-36.8%	4



**FACTOR 53  
STATE TAXES -- DIFFERENCE AS A  
PERCENTAGE OF TOTAL FOR ITEM**

The negative gap in state taxes per capita has shown an upward trend over the time period indicated, growing as a percentage of what was actually collected.

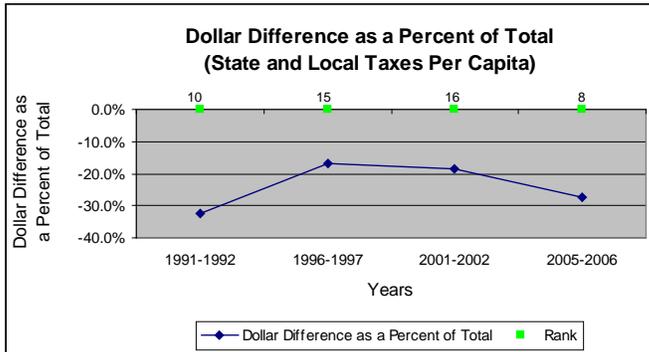
It went from 32.9% of state tax collections per capita in 1991/92 (6<sup>th</sup>) to 36.8% by 2005/06 (4<sup>th</sup>).

This means that if levied at the national average level state taxes per capita would have been 36.8% higher than the present actual level.



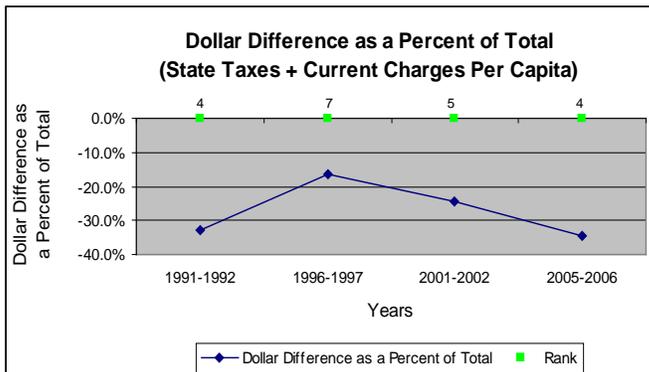
**Dollar Difference as a Percent of Total  
(State and Local Taxes Per Capita)**

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-32.4%	10
1996-1997	-16.7%	15
2001-2002	-18.7%	16
2005-2006	-27.4%	8



**Dollar Difference as a Percent of Total  
(State Taxes + Current Charges Per Capita)**

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-33.0%	4
1996-1997	-16.5%	7
2001-2002	-24.3%	5
2005-2006	-34.6%	4



**FACTOR 54  
STATE AND LOCAL TAXES --  
DIFFERENCE AS A PERCENTAGE  
OF TOTAL FOR ITEM**

The negative gap in *state and local* taxes per capita has fallen from the highest level in 1991/92 (10<sup>th</sup>) to a present level of 27.4% (8<sup>th</sup>) in 2005/06.

This means that 27.4% more would have been collected at the state and local level in tax collections if at the national average level.

The numbers also shows that local taxes collected per capita help to lessen the size of the negative gap of 36.8% for *state* taxes in 2005/06, as shown in Factor 53.

**FACTOR 55  
STATE GOVERNMENT REVENUES --  
DIFFERENCE AS A PERCENTAGE OF  
TOTAL FOR ITEM**

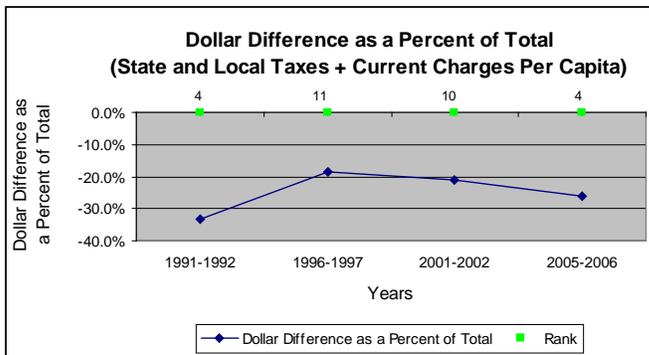
Looking at *state* taxes plus current charges the negative gap was 33.0% of the actual amount in 1991/92 (4<sup>th</sup> nationally). This softened somewhat until reaching the present status of 34.6% (4<sup>th</sup>) in 2005/06.

If levied at the national average level state taxes and charges would have been 34.6% higher in 2005/06. As a percentage gap this places it very high in a national context (4<sup>th</sup>).



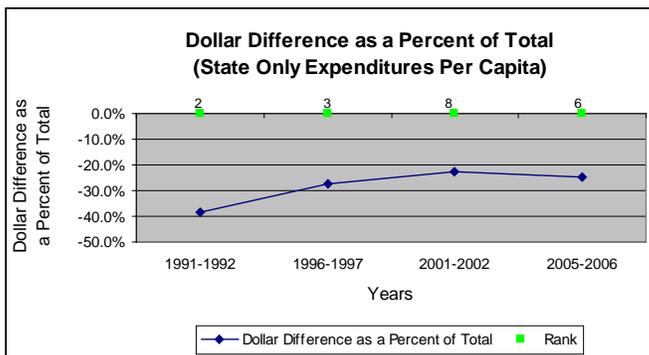
**Dollar Difference as a Percent of Total  
(State and Local Taxes + Current Charges  
Per Capita)**

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-33.3%	4
1996-1997	-18.7%	11
2001-2002	-21.0%	10
2005-2006	-26.0%	4



**Dollar Difference as a Percent of Total  
(State Only Expenditures Per Capita)**

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-38.4%	2
1996-1997	-27.2%	3
2001-2002	-22.5%	8
2005-2006	-24.9%	6



**FACTOR 56  
STATE AND LOCAL GOVERNMENT  
REVENUES -- DIFFERENCE AS A  
PERCENTAGE OF TOTAL FOR ITEM**

The negative gap in per capita state and local taxes and current charges was one third of what was actually spent in 1991/92 placing it 4<sup>th</sup> highest of all states.

This dropped considerably in 1996/97 to 18.7% (11<sup>th</sup>) but then it began to rise. It had reached 26.0% by 2005/06 (4<sup>th</sup> nationally).

**FACTOR 57  
STATE EXPENDITURES --  
DIFFERENCE AS A PERCENTAGE OF  
TOTAL FOR ITEM**

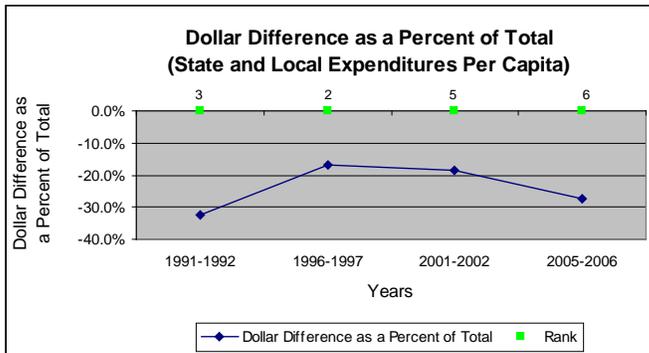
The negative gap in state spending per capita was 38.4% (2<sup>nd</sup>) in 1991/92. Only one other state had a larger relative gap. The situation has improved since then with the present status at 24.9% or 6<sup>th</sup> in a national context.

But potential state spending (at the national level) per capita still falls just shy of one quarter of the actual level of spending.



***Dollar Difference as a Percent of Total  
(State and Local Expenditures Per Capita)***

<u>Year</u>	<u>Dollar Difference as a Percent of Total</u>	<u>Rank</u>
1991-1992	-38.7%	3
1996-1997	-27.9%	2
2001-2002	-23.1%	5
2005-2006	-23.7%	6



**FACTOR 58  
STATE AND LOCAL EXPENDITURES  
-- DIFFERENCE AS A PERCENTAGE  
OF TOTAL FOR ITEM**

*State and local* spending per capita reveals a similar pattern. The negative gap was 38.7% in 1991/92 or 3<sup>rd</sup> nationally. By 2005/06 the gap had decreased to 23.7% or 6<sup>th</sup> in a national context.

This still means that potential expenditures per capita for state and local governments in Missouri are almost one quarter of what was actually spent, again placing it near the top.



## SOURCES OF DATA FOR THE ANALYSIS

### **Factor 1:**

U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis, *Population SA-1-3*.

### **Factor 2:**

U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, *Gross Domestic Product by State*, various years.

### **Factor 3:**

U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, *Gross Domestic Product by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

### **Factor 4:**

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Per Capita Personal Income SA1-3*.

### **Factor 5:**

U.S. Census Bureau, Current Population Survey, *Annual Social and Economic Supplements*.

### **Factor 6:**

Bureau of Economic Analysis, Regional Economic Accounts, *State Economic Profiles SA-30*, various years.

### **Factor 7:**

Bureau of Economic Analysis, Regional Economic Accounts, *State Economic Profiles SA-30*, various years.

### **Factor 8:**

Bureau of Labor Statistics, *Labor Force Data Seasonally Adjusted*, various years.



**Factor 9:**

U.S. Census Bureau, Economics and Statistics Administration, Geographic Area Statistics, *Annual Survey of Manufactures*, various years.

Population same as Factor 1.

**Factor 10:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 11:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 12:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 13:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 14:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 15:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.



**Factor 16:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 17:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 18:**

Center for the Study of Education Policy, Illinois State University, "Grapevine Compilation of State Higher Education Tax Appropriations," data for various years.

**Factor 19:**

Center for the Study of Education Policy, Illinois State University, "Grapevine Compilation of State Higher Education Tax Appropriations," data for various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 20:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 21:**

Years 1973 to 1992 derived from Kent Halstead, "How States Compare in Financial Support of Public Higher Education 1983-84," (Washington, DC: U.S. Department of Education, National Institute of Education, dated April 1984) and Kent Halstead, "State Profiles: Financing Public Higher Education 1978 to 1987 (Washington, DC: Research Associates, July 1987).

Years 2006 to 2009 taken from College Board, "Trends in College Pricing," "Tuition and Fees by State," various years (New York, NY: The College Board).

**Factor 22:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.



**Factor 23:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 24:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 25:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 26:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 27:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 28:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 29:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.



**Factor 30:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 31:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

Bureau of Economic Analysis, Regional Economic Information System, Regional Economic Accounts, *Personal Income SA1-3*.

**Factor 32:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 33:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 34:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 35:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 36:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 37:**

U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State*, various years.

**Factor 38:**

See Factor 30.



**Factor 39:**

See Factor 14.

**Factor 40:**

See Factor 16.

**Factor 41:**

See Factor 13.

**Factor 42:**

See Factor 10.

**Factor 43:**

See Factor 22.

**Factor 44:**

See Factor 24.

**Factors 45 -- 51:**

In the same order as Factors 38 -- 44.

**Factors 52 -- 58:**

In the same order as Factors 38 -- 44.



## Author Biography

### ***DONALD PHARES***

Donald Phares is Professor Emeritus of Economics and Public Policy at the University of Missouri-St. Louis.

Phares is the author or editor of the books *Who Pays State and Local Taxes?* and *State-Local Tax Equity: An Empirical Analysis of the Fifty States*; co-author of *Municipal Output and Performance in New York City*; and editor of *A Decent Home and Environment: Housing Urban America, Metropolitan Governance without Metropolitan Government ?*, and *Governing Metropolitan Regions in the Twenty-First Century*.

He also has written more than eighty articles and book chapters and scores of technical and government reports. He has consulted for and done research with, as examples (not exhaustive):

- *Federal*-- the Department of Housing and Urban Development, the U.S. Advisory Commission on Intergovernmental Relations;
- *State* -- Hawaii, Massachusetts, Missouri, New York, and Ohio;
- *Local* -- the City of St. Louis, Kansas City, the St. Louis Public Schools, the School District of Kansas City, and other municipal governments and school districts;
- *Research organizations*-- the National Conference of State Legislatures, the RAND Corporation, the Urban Institute;
- *Businesses*—Anheuser-Busch Companies, Standard and Poor's Corporation, Emerson Electric Co., Civic Progress (St. Louis), Archer Daniels Midland Co.;
- *Foundations*-- the Ford Foundation, the Alfred P. Sloan Foundation;
- *Universities*-- Syracuse University, Washington University, Michigan State University, the University of Illinois, Portland State University, Indiana University at Indianapolis.

Phares also has served as an expert witness in legal cases pertaining to State and local taxation; the projection of future income; and the analysis of social, demographic, fiscal, and economic trends. He has also done numerous economic and fiscal impact studies for both public and private organization.

His administrative experience includes; chairperson of a department of economics, director of a public policy research center, dean of a college of arts and sciences, and vice chancellor for a university campus.

He received his BA from Northeastern University and his MA and Ph.D. from Syracuse University.

