



SHOW-ME newsletter

2023 ISSUE 2



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ADVANCING LIBERTY WITH RESPONSIBILITY
BY PROMOTING MARKET SOLUTIONS
FOR MISSOURI PUBLIC POLICY

A MESSAGE FROM THE **CHIEF EXECUTIVE OFFICER**



Brenda Talent

Missouri has long prided itself on being the “Show-Me State.” Missourians aren’t taken in by lofty promises or empty rhetoric—you have to show us something before we believe it will work. Unfortunately, it doesn’t seem like Missouri is taking our state motto very seriously as of late. Numerous states have been showing us what

can be achieved with the right policies. Our response has largely been to twiddle our thumbs.

Education is perhaps the most glaring example. Later in this newsletter, Susan Pendergrass will go into further detail on the utter failure of the legislature to pass meaningful education reform in this legislative session, even though our sister states are moving full steam ahead. Susan highlighted school choice victories in Oklahoma, Kansas, and Arkansas, but plenty of other states made advances as well. Indiana expanded its Choice Scholarship program, making the program available to almost every family in the state. South Carolina passed a bill that will give low- and middle-income families \$6,000 to spend on education expenses. Montana has a new education savings account program. North Carolina passed a significant bill with several school choice provisions.

What happened in Missouri? Not much. Creating an open-enrollment program allowing students to attend a school anywhere in the state was allegedly a priority for many lawmakers in Jefferson City. But the legislature couldn’t get its act together, and no open enrollment bill made it to the finish line.

How about tax policy? A number of states—Florida, South Dakota, Texas, and Tennessee, to name a few—have no income tax and have seen the benefits to their economies. Missouri has made some incremental progress on this issue, with a tax cut last year that

will eventually lower the state’s income tax rate to 4.5 percent. But that’s just a modest reform compared to the elimination of the income tax, which is what we actually need. Many legislators in Missouri would tell you without hesitation that we need to lower taxes in our state. And yet, we saw little movement toward additional tax cuts in this legislative session. Why not?

So what did actually happen in this legislative session? Well, lawmakers did manage to dramatically expand the size of state government. They approved a \$51 billion budget, the largest in state history. We also saw passage of a bill intended to reduce welfare that will actually increase welfare dependency in Missouri. And to top it all off, the legislature created a new tax credit to give away money to the film production industry.

Figuring out the best way forward for our state isn’t always easy, but implementing reforms that we’ve seen work in other states should be easy pickings for the legislature. We’ve seen school choice and lower taxes work in other states, and there’s no reason to think these ideas wouldn’t work in Missouri. So why aren’t we doing it here? It’s time for lawmakers in our state to pay closer attention to the Show-Me State motto and start acting on what we’ve been shown.



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ANOTHER YEAR WARMING THE BENCH

Susan Pendergrass

It was a banner year for families and education reform—outside of Missouri. Iowa parents got a big win. Once its new school choice law is fully phased in, families will be able to take \$7,600 to the public or private school of their choice. The Oklahoma Legislature also scored a victory for parents. Oklahoma students who choose a private school can take a dollar-for-dollar tax credit for tuition, from \$7,500 for the lowest-income families to \$5,000 for the highest-income families. In Arkansas, Governor Sanders signed a sweeping education bill—the Arkansas LEARNS Act—that allows families to use up to 90 percent of annual per-student spending on private school tuition, homeschooling, or other educational expenses, while holding public schools more accountable. Another neighbor, Kansas, will begin implementing its own strong open-enrollment program passed by the legislature last year.

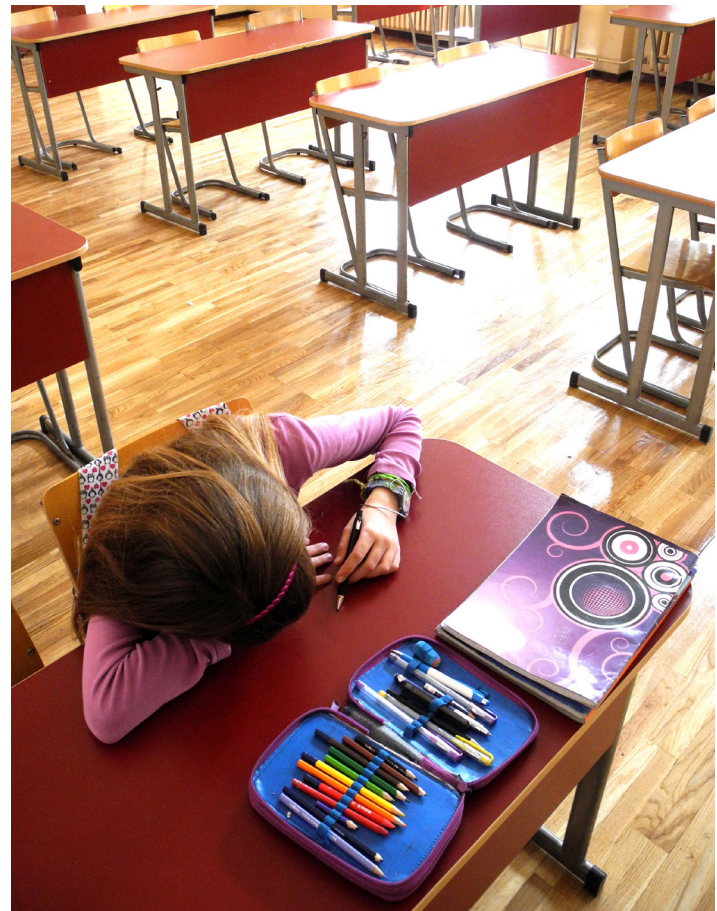
Once again, Missouri parents came up shorthanded. An admittedly weak open-enrollment bill died when Missouri Senators couldn't stop filibustering each other's bills. A bill that would have made it easier for Missouri students to enroll in the state's full-time virtual program met a similar fate, as did expansion of the extremely limited education savings account (ESA) program.

Here are the facts in our state: Missouri's public school enrollment has been declining for over a decade. From the high-water mark of nearly 1 million students in 2009, we are now down below 850,000 and expected to be in the high 700,000s by 2030. We now have dozens of school districts with fewer than 100 students and a growing number of high schools with tiny graduating classes.

Parents in the three lowest-performing districts can choose a charter school and a maximum of a few thousand students in the six-largest communities can apply for an ESA, but only if they are low income or have a disability. If you jump through the right hoops, you may be able to enroll in a full-time virtual program.

Nearly every family in the state is given exactly one choice for their children's education, and if it isn't a fit—too bad, you're stuck. Or you can simply move to a neighboring state. Kansas, Iowa, Arkansas, and Oklahoma trust parents to pick the right school that works for them. Enrollment is already shrinking, and our resistance to change is going to shrink it even more. And guess what happens when you have fewer K-12 students? You have fewer high school graduates, fewer college students, and fewer workers. It doesn't make Missouri look like a very attractive state.

School choice is spreading like wildfire across the country because parents have stood up and demanded it. If Missouri continues sitting on the bench, families are going to choose to raise their children elsewhere.



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FUEL FOR MISSOURI'S WELFARE FIRE

Elias Tsapelas

It's no secret that enrollment in Missouri's welfare programs is out of control. Regulatory changes in response to the pandemic have caused the rolls to grow larger and larger since 2020. A few months ago there was optimism that the tides were about to turn, as President Biden announced that he was finally going to allow the federal emergency order for COVID-19 to expire. In theory, this move allowed states to take back some control from the federal government regarding their welfare rolls. Unfortunately, Missouri lawmakers had other plans.

Despite the 2023 legislative session being one of the least productive sessions in history, lawmakers found time this year to pass one of the largest welfare expansions in the country while also making a COVID-era Medicaid expansion policy permanent. Today, more than 20 percent of the state's population is on Medicaid, and a significant number of those enrolled don't qualify for the benefits they're receiving. As a condition for receiving COVID relief funds, the federal government banned states from periodically checking whether Medicaid enrollees were still eligible to receive benefits. This ban, as anyone could predict, quickly led to ballooning enrollment and program spending.

In April, as the COVID emergency rules expired, states were allowed to begin checking eligibility again, and cost savings were expected to soon follow. Over the last two months, Florida has already removed approximately 250,000 ineligible recipients from its program. In contrast, Missouri doesn't expect to start processing removals until July 1.

Moreover, Missouri's legislature recently approved a measure that provides 12 months of continuous Medicaid eligibility to certain enrollees. This policy, which was part of the original COVID relief funds agreement, mandates that women who are enrolled in Medicaid at any point during their pregnancy will keep Medicaid coverage for twelve months after giving birth, regardless of whether they need Medicaid coverage or

not. While helping uninsured new moms is certainly a laudable goal, paying for health coverage for people who go back to work and have other (likely better) coverage is not a good idea.

Further expanding Medicaid wasn't even the worst idea in the bill. The bill also created new "transitional" benefits for the state's other welfare programs. Although the measure was intended to reduce the work disincentives inherent to welfare benefits, which would be a good idea if done correctly, the approved language would actually grow government dependency, increase costs, and create new and more burdensome administrative tasks for recipients and state administrators alike. At a time when state spending has never been higher, more people are dependent on government services than ever before, program waste is potentially at an all-time high, and many businesses are still struggling to find workers, the last thing Missouri needs is a new welfare program.

Over the final weeks of this year's session, I warned that these policies would do more harm than good. Unfortunately, lawmakers did not listen. If the 2024 session is going to be any better, cleaning up this year's mess before creating any new ones would be a good place to start.



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WHAT TO DO ABOUT PROPERTY TAXES IN MISSOURI?

David Stokes

Property taxation is in the news, as 2023 is a reassessment year in Missouri. When it comes to reassessing homes, “Business is a-boomin,” to quote Lt. Aldo Raine (played by famous Missourian Brad Pitt in *Inglorious Basterds*). Thanks to the substantial rise in home values (as a consequence of the pandemic, among other things), 2023 assessments for homeowners are showing substantial increases in value. The other shoe won’t drop until the fall, when local governments revise their property tax rates. Thanks to inflation—another consequence of the pandemic made far worse by President Biden’s ostentatious spending bonanza—local governments may not have to roll their tax rates back as much as normal. These two factors have only one likely outcome—large property tax increases for homeowners in November.

The Missouri Legislature attempted to address property tax issues this past session with more vigor than usual. The problem is that many of the proposed solutions do more harm than good. Capping property assessments or taxes for senior citizens is smart politics but bad public policy. The famous Prop 13 caps on assessments for homes in California did help many homeowners, but they haven’t kept taxes low. Overall, California has the fifth-highest state and local tax burden among the 50 states.

Economist Charles Tiebout first popularized the idea that in metropolitan areas where services are primarily funded by property taxes, citizens can choose among a menu of public options to find the community with services and tax levels that best fit their circumstances. The market works to capitalize the quality of services and associated tax levels in housing prices. Policies that interrupt that capitalization, such as capping property tax rates for some residents but not others, have a negative impact on both the housing market and local government.

Another proposal that was debated in the legislative session was eliminating personal property taxes. These are the property taxes we pay on cars, boats, livestock,

etc., each year. Missouri local governments tax personal property more than most other states. Eliminating personal property taxes would be a beneficial move, even though it would be financially neutral for most people and governments in the short term. (Local governments would almost certainly be allowed to raise real property tax rates to make up for lost tax revenues.) But in the long run, standard economic theory holds that taxing immobile objects like land and buildings instead of mobile objects like cars and boats would create a better overall property tax system, especially if we moved toward taxing land more and buildings less.

The worst part about the current assessment system is the random nature of it. One person’s home goes up ten percent while a neighbor’s goes up fifteen percent and nobody knows why. It’s time we stopped individually assessing homes and moved to an average-based system that changes everyone’s home assessment in an area up (or, occasionally, down) the same percentage (leaving room for exceptions like additions, remodeling, and disasters). This would level the playing field for everyone.

In the short term, people should appeal their reassessments if they are too high. In the long run, we need a property tax system based on accurate assessments along with a broad tax base focusing on taxing immobile objects, and we should be taxing them all at as low a rate as possible.

Mobile taxpayers will vote with their feet to reward local governments that provide quality services at reasonable tax rates, and they will punish those with high taxes and poor services, as evidenced by the continued decline of the population in the City of St. Louis. There are markets for everything, including property taxes.

OPEN ENROLLMENT RUNS OUT OF GAS

Avery Frank



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Open enrollment laws are a very promising form of school choice, and they're gaining popularity around the country. These laws permit students to attend whatever public school they choose. Forty-three states have adopted such laws.

When Missouri House Bill (HB) 253, which would have created an open enrollment system for our state, raced through the Missouri House in February, there was reason to be optimistic the Senate could push it past the finish line. However, as the session approached the checkered flag, it became apparent that open enrollment had completely run out of gas, so much so that an open-enrollment bill did not even reach the Senate floor for formal debate. What happened? Did someone cut the fuel line? Siphon the gas out of the car?

Let's discuss the objections that were raised in the Senate to HB 253.

Fear of consolidation was the biggest obstacle to open enrollment's passage; a number of rural senators were convinced that students would leave their districts for better sports, more classes, or simply to be at a bigger school. And it is undoubtedly true that some

rural students would leave their current schools if they actually had the chance to enroll in another. But so what? The whole point of school choice is to benefit students by giving them the chance to choose the school that fits them best.

Besides, under open enrollment, rural districts would also gain students who want what those schools have to offer, such as smaller class sizes, more playing time in sports, a more intimate or relaxed school environment, or other attractive features

that rural schools are perfectly capable of providing. I chose my own high school because it was smaller, fit my values, and was more intimate. Even though the larger school nearby had far more classes and a storied football program that had produced numerous NFL players, it was not a fit for me.

One of the advantages of school choice is that it tends to make all schools better because it makes every school compete for students. It's an axiom of economics that monopoly businesses produce lower-quality products because they know their customers have no choice but to buy from them. When competing businesses enter markets, every business tends to perform better. For the same reason, schools get better when they have to structure the education they offer to satisfy the desires of families and students.

Open enrollment would result in different student bodies at rural schools but not necessarily smaller ones; in fact, the students who still chose those schools would be much more likely to be enthusiastic about the experience, as I was.

Rural educators really ought to rethink whether school choice would be such a bad thing even from the point of view of their own narrow interests. How much better would their jobs be if every student in their schools was there because they actually wanted to be there? Education is difficult for a lot of reasons, but the biggest is probably that kids are so different that no school can possibly serve all of them equally well. Wouldn't it be easier to tailor the curriculum and culture of a school to fit certain kinds of students and then allow families to decide whether that school fits the needs of their children? Wouldn't that produce a more satisfied student body—whether it ends up being bigger or smaller—and therefore create a better experience for teachers and principals as well?

Some lawmakers also did not believe that open enrollment would increase academic achievement. That objection represents the triumph of ignorance and ideology over experience. Not only have studies demonstrated that school choice leads to positive academic results for students, but the states that have adopted open enrollment have seen increased achievement as result. Florida—a leader in school choice—is a prime example.

Moreover, open enrollment isn't only about academic achievement as measured by test scores. A new school might help a child socially. Or a new school might have a better music program. Or maybe it's a better spot for a kid to chase his or her athletic dreams. The point is that school choice works for kids because it permits those who know the students best—their parents—to match the school to the child instead of trying to force the child to fit into an educational setting that for whatever reason simply doesn't work for him or her.

None of these concepts require a Ph.D. in education to understand. As everyone knows, wealthier families already have a form of open enrollment—and regularly exercise it. We are all familiar with how moms and dads will search for the best school for their kids and work

and sacrifice to pay for it, precisely because they know that in education, one size simply doesn't fit all.

Some legislators were also concerned that open enrollment would force school districts to hire more staff to accommodate special education students. But this is looking at the problem in exactly the wrong way. Children with special needs can be challenging to educate, and there aren't enough teachers who know how to educate them. Solving those problems will require more money and more innovative policies regardless of where those kids go to school. Open enrollment cannot make the problem worse, and could make it better, if at least some parents of special needs kids are able to find a school setting that works better for their children.

And why wouldn't that happen? Special needs kids aren't a monolith; their problems exist on a spectrum both of kind and degree, and it is quite likely that some families could find a school that meets their needs—if they were given the opportunity to look for one.

Let's be honest about what is really preventing Missouri from joining the 43 other states that have adopted open enrollment. Change can be frightening, and the public education establishment resists it. Too many educators in Missouri are reluctant to face the prospect of having to really think about how to run their schools so that parents and students want to attend them. That reluctance has so far carried the day in the Missouri Senate, even though the change under consideration here—open enrollment—is now a proven method of making schools better for everybody.

That has to change. It is too late in the day to argue that open enrollment doesn't work. It does work, and it has worked in 43 states, for students and families and everyone who cares about preparing children for life. It will work here in Missouri as well, if and when our state senators decide to finally embrace an idea whose time has come.



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Each episode is a free-flowing conversation focused on free-market solutions to issues that affect Missourians. Topics include: expanding educational freedom, increasing government transparency, and uncovering the hidden taxes that line the pockets of private developers.

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