



# SHOW-ME newsletter

2023 ISSUE 3



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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

As summer ends and the leaves begin to turn, it's not too early to start thinking about the 2024 session of the Missouri Legislature. Legislative sessions are often about what's new—new ideas, new reforms, and new problems. But the legislature could have a successful year in 2024 by simply focusing on fixing problems that we already know about with solutions that have already been discussed.

Open enrollment is the obvious place to start. Kids in Missouri shouldn't be restricted to their neighborhood schools—they should be able to enroll anywhere across the state to find something that works best for them. Multiple bills were filed on open enrollment in 2023, and it was frequent topic of discussion, but nothing made it across the finish line.

Meanwhile, Missouri fell further behind.

We watched as our neighbors in Iowa, Nebraska, Kansas, Oklahoma, and Arkansas all passed significant school choice legislation this year. Missouri is becoming an outlier when it comes to allowing families to find the education that works best for them. The learning loss occurring in Missouri—reflected in the alarmingly poor scores in math and English in the National Assessment of Educational Progress (NAEP) educational assessment—only underscores the urgency of the crisis. It's time to finally get something done—or families are going to continue to choose to live and work elsewhere.

On the topic of education, what about a parents' bill of rights for Missouri? It would enshrine in law what everyone already understands is essential to education

and to the welfare of children generally—that parents should be able to direct the upbringing of their children, and that they ought to be aware of what is happening in their kids' schools. Dozens of other states nationwide have passed versions of this law very recently. Huge numbers of Missouri legislators are on record supporting the idea. So what's the holdup?

And what about spending in our state? Many politicians in Missouri talk a big game about the size of government being out of control. But last year, Missouri passed the biggest state budget on record—it was nearly \$51 billion. It wasn't all bad or wasteful—some items, like rebuilding I-70, are important priorities. But passing a budget that size doesn't suggest that lawmakers really made an effort to identify unneeded or wasteful spending. Meanwhile, a property tax fight is beginning to boil over across the state, as property taxes are expected to skyrocket this year because of the housing market and inflation.

Missourians are rightfully angry about government spending and higher taxes.

Last year, it seemed like petty personal squabbles among legislators, especially in the state senate, got in the way of the general assembly doing its job. It would be nice if our leaders remembered why they were sent to Jefferson City: not to bicker, but to pass quality legislation that helps Missourians. And the good news is that passing good laws is easier than ever; we don't need to reinvent the wheel. We know what went wrong last year, and we know how to fix it. Now it's just a question of actually getting it done.

# IT'S PAST TIME THAT MISSOURI LEGISLATORS SUPERCHARGED THE AUDITOR'S OFFICE

Patrick Ishmael

Longtime followers of the Show-Me Institute are familiar with our extensive transparency projects of the last six years. From cities to counties and from collective bargaining agreements to curricula, Missourians have a right to see and understand exactly how their money is being used, and yet too often, state and local governments resist basic inquiries from the public into their operations.

That shouldn't happen. I've recommended to the legislature before, with success, that preemptive transparency is critical to good and clean government. Today, programs exist in both the treasurer's office and the office of administration to make local spending more easily accessible to the public. The Show-Me Checkbook Project has had an impact, and its language and principles are in today's state laws.

But I've also recommended, to less success, another important reform: supercharging the state auditor's office with greater oversight powers for local government. Why is that important? First, current law limits the extent to which the state auditor can initiate investigations into local government. Currently, local government audits only occur if the auditor is invited, or if a petition with sufficient resident signatures is created. It's like requiring the farmer to ask the fox if he can check on the chickens; the fox has every reason to say no.

Second, a series of reports that the *Kansas City Star* released this summer echoes concerns I raised years ago—without active state oversight or at least the specter of it, the activities of local officials can slip into financial mismanagement or worse. So far, the *Star's* "Broken Government" series has detailed crimes committed by local officials that have generally gone underreported statewide, usually because the victimized towns are small.

Yet for the people of Center, Forsyth, Dixon, and many other Missouri communities, these stories go to the heart of their relationship to and trust in their government—trust that could have been better protected if the state auditor's office had more power to oversee these local governments.

To be clear, I think the auditor's office already has the power to force greater spending transparency from local government under current law, offering a parallel path for greater local spending transparency alongside the treasurer's and office of administration's existing spending transparency projects. In fact, I've written repeatedly about what the auditor could do today even without action from the legislature.

But it remains true that the legislature can and should do more to empower the state auditor's office, a point emphasized by the auditor and the *Kansas City Star* in August. That means adding funding and staff to the office so that more audits of state and local governments can be conducted. That also means giving the auditor's office the power to initiate more audits on its own rather than waiting to be invited to scrutinize a local government's operations.

To be sure, local government is an important tool for delivering services to Missourians, but local government is, at its core, a managerial convenience to the state. As local government failures continue to mount, the Missouri Legislature should strongly consider giving the state auditor new tools and resources to keep government transparent and accountable.



# MEDICAID PAPERWORK ISN'T THE PROBLEM

*Elias Tsapelas*

Nobody wants to do unnecessary paperwork—especially when it's for the government. Nearly three months ago, Missouri's Medicaid agency began a yearlong process of checking whether program enrollees were still eligible to receive benefits and removing those who weren't. Unsurprisingly, these checks quickly led to a noticeable decline in program enrollment, ending a 28-month-long streak of consecutive growth for Missouri's Medicaid program. But now that the enrollment tides are turning, state and local news outlets have begun attributing the decline to "paperwork issues" and insinuating foul play. But this characterization is incredibly misleading.

Missouri's Medicaid program has spun out of control over the past three years. As a result of the COVID-19 pandemic, the federal government required states to stop periodically checking Medicaid recipient eligibility. On top of that, Missouri voters also approved Medicaid expansion over the same period. Today, more than 1.5 million Missouri residents are on Medicaid, the program has never been more expensive, and estimates suggest that more than 20% of enrollees shouldn't be receiving services.

Enrollees can be ineligible for the program for a variety of reasons, but the most common are that they make too much money, have coverage from their employers, or have moved out of state. When states process eligibility checks, they often send paperwork to enrollees asking them to complete and return the documents if they want to continue receiving services. When someone doesn't respond within the specified window, they are classified as being removed from the program for "procedural reasons." This is what's being referred to as "paperwork issues" by some.

"Procedural reasons" is purposely different than the other common classification for individuals removed from the program—those who were "determined ineligible." If an enrollee never responds to the state Medicaid agency's attempts to confirm their eligibility, they can only be removed from the program for "procedural reasons"

because there wasn't enough information to determine their eligibility. Calling all failures to respond to the state Medicaid eligibility checks "paperwork issues" misses a key point.

Someone who knows they no longer qualify for coverage is unlikely to go through the effort of filling out and returning the Medicaid renewal application. For years, individuals on essentially every welfare program across the country have been required to inform the state when something changes that would make them ineligible for services, but they rarely do.

Medicaid rules are already significantly biased towards recipients maintaining coverage, and for many people, this government-sponsored coverage is only a resource they need temporarily. It's important to keep in mind that, even if a recipient is wrongfully removed from the program, they're still effectively covered (as long as they're eligible) because the federal government will cover up to three prior months of health costs once re-enrolled.

Removing Medicaid recipients who don't provide eligibility isn't just smart policy—it's a necessary act of fiscal prudence. It's an act of prudence that, prior to three years ago, was standard, federally mandated operating procedure. If our elected officials ever want a chance at reining in Medicaid's runaway spending, scrutinizing the program's rolls must remain part of the equation. Missouri's Medicaid enrollment isn't dropping as a result of paperwork issues; instead, years of exorbitant waste are finally being cleaned up, and that's a good thing.

# PROPERTY TAXES

David Stokes

Last year, I wrote about how Missouri's 2023 property reassessment was going to be a painful and expensive process for many people. Needless to say, I was right. The combination of significantly increased home values, which leads to higher property assessments, and high inflation, which leads to lower property tax rate rollbacks, is the dangerous combination at work here.

Boone and Warren counties, to give two examples, each had an average assessment increase of eight percent. (It is possible, even likely, that residential assessments went up more than that, and commercial assessments went up less, but we don't have that final breakdown yet.) In prior years, taxing districts in those counties would have rolled their rates back roughly four or five percent to partly offset the assessment increases. But with 2022 inflation rates at eight percent, the taxing bodies don't have to roll rates back at as much as they previously might have. (Taxing bodies, like school districts, get to account for inflation in their reassessment and tax rate calculations, so the higher the inflation, the lower the rate rollback.) Columbia kept its tax rate exactly the same this year. In Warren County, the Wright City R-II School District kept its rate the same, while the Warren County R-III District actually raised its rate slightly.

Things are even worse in Kansas City. Once again, the Jackson County assessor's office has proven woefully unable to conduct a fair and proper reassessment. There are numerous claims of missed deadlines and erroneous valuations. The City of Independence has even sued Jackson County over the entire assessment process; this is akin to two wolves suing each other over who gets to eat the sheep. This is now the third assessment cycle in a row with substantial valuation increases in Kansas City, made worse by the fact that the Kansas City school district is the only taxing entity in the state exempt from

rate rollback rules. So when assessments go up thirty percent in Jackson County, as they did in 2019 and are poised to do again this year, the school district gets to keep all of that windfall. At least the people of Kansas City can take comfort in the fact that their well-funded school district is performing brilliantly for their children. (Note: it isn't performing brilliantly. Just 19 percent of students in the district are proficient in math.)

As I have said many times over the past year, assessments should be as accurate as possible and the tax base should be as wide as possible so that rates can be as low as possible for everyone. Assessed values are jumping, and that is a sign of a healthy economy. However, when politicians limit the tax base with subsidies and abatements and exempt whole groups from future increases, that increases the burden on everyone else. When local elected officials try to maximize revenue at the expense of the average taxpayer, that further heightens the impact.

Property taxes are often said to be the most popular taxes for economists and the least popular for taxpayers. In Missouri in 2023, that latter half at least is certainly proving to be the case.



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# AN UPDATE TO MOSCHOOLRANKINGS.ORG

*Susan Pendergrass*

The Show-Me Institute has added 2021–22 academic data to the MOSchoolRankings.org website. Now users can see three years of academic data, with numbers for every public school, district, and public charter school in the state. But let's take a minute to address a couple of issues and likely questions.

**What has changed?** The Department of Elementary and Secondary Education (DESE) changed the growth measurement. In the past, the growth data were centered on the number 50, and school (or district) performance was measured as national curve equivalents (NCEs) above or below 50, plus an indication as to whether a school's (or district's) score was statistically significantly different than the state average of 50. In 2021–22, DESE changed the measurement so that it is centered on 0 and a school's (or district's) score is the number of standard deviations above or below 0, plus an indication as to whether the score is statistically significantly different than 0.

**What hasn't changed?** When this project was launched, using 2018–19 data, we calculated grade intervals for 10 indicators and committed to using the same grade intervals every year. This would allow us to see if schools (or districts) are getting progressively better over time. Even though there has been a global pandemic in the meantime, we have stuck with this commitment. And now we can see how the distribution of grades has changed over time. For English/language arts (ELA) scores, school and district grades have declined each year since we began the project. For math, the grades have recovered nearly to their 2018–19 distribution.

The Show-Me Institute has also added 2021–22 finance data to the MOSchoolRankings.org website. Now users can see two years of detailed financial data for every public school district and public charter school in the state.

**Why did the Show-Me Institute decide to include/exclude "X" category of revenue or spending?** We didn't. These numbers all come from a report titled the Annual Secretary to the Board Report (ASBR) that each school district and charter school submits to the state.

ASBRs are prepared based on guidelines in the Missouri Financial Accounting Manual. ASBRs account for each dollar that comes into a district and each dollar that is spent. We didn't distinguish between which sources are "important" or "appropriate" for users to consider. We included all money that flowed into each district from every source.

Similarly, we included every expenditure reported in the ASBR. When our site was first launched, many questioned why we included capital expenses, such as land. Again, we included everything reported and provided sufficient detail for users to disregard what they deem to not be true education expenses. Remember, however, that every dollar spent by a public school district is a dollar that wasn't spent elsewhere for a different public purpose.

**Why are the spending numbers so high?** When every dollar that is spent by public school districts is totaled up and divided by the number of students, the result is often higher than what the public assumes it will be. The expenditures per student on MOSchoolRankings.org uses the ASBR Total Expenditures as the numerator and the DESE-reported enrollment for each district as the denominator.

**Why don't the numbers match the expenditures per student on the academic side of the website?** When the Show-Me Institute first launched MOSchoolRankings.org with academic grades for each school and district in the state, we included total expenditures per student for context. These numbers come from a DESE file titled Finance Data and Statistics Summary for All Districts/Charters. We have continued to use this file with each update for consistency. Why those numbers differ from the ASBR totals is not clear.

There is much that can still be learned from the wealth of data that now exists on MOSchoolRankings.org. As always, the Show-Me Institute welcomes any user feedback or questions.

# MISSOURI MUST COMMIT TO INNOVATION IN EDUCATION

*Avery Frank*

Missouri has tiptoed around implementing real innovation in education policy. We have seen some modest successes in recent years—the creation of a (fairly limited) education savings account (ESA) program, fixing a glitch to equalize funding for charter schools, improving the ease of use for the Missouri Course Access Program (MOCAP), a new standardized test experiment for 20 districts, and the creation of the LETRS program intended to boost phonics instruction. But this is not enough. Families want more, and students deserve the opportunity to go to schools that best suit them.

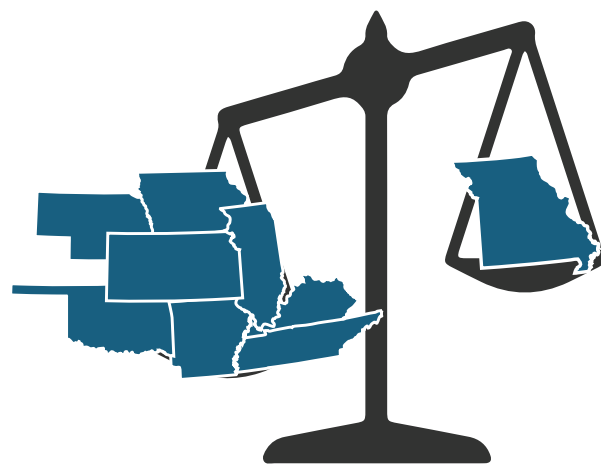
Open enrollment—a policy that allows students to attend any school, regardless of where they live—is probably the hottest topic in education reform in the country right now. Numerous states—including Arkansas, Kansas, Iowa, Oklahoma, and West Virginia, to name a few—either created an open enrollment program in 2023 or expanded their existing program. It seemed as though we might see progress in Missouri, as an open enrollment bill made progress in the legislature, but it died on the vine late in the session.

Missouri's failures are particularly concerning when you look at some numbers comparing us to other states. Forty-three states have open enrollment programs and 24 have mandatory programs in which districts are required to accept transfers if they have space. Additionally, 14 states have school voucher programs.

Some states also rely on an ESA program. ESAs give families the option to move beyond the local district school and pay tuition for a private school, find a tutor, or pay for online resources. But Missouri's ESA program only serves 3,900 of our more than 860,000 students (fewer than 1% of our student population). Missouri's program relies on donations for scholarship funds, as opposed to over a dozen states that finance their ESA programs with public education funds.

To highlight one key example: Arkansas committed to school choice reform in this past legislative session. Arkansas—spurred by a determined governor—passed the LEARNS Act, which will give Arkansas families \$6,600 per student per year to pay for education expenses, such as textbooks, tutoring, and private school tuition. For the first three years, there will be income requirements, and after that the program will be open to all families. Additionally, the base salary for teachers was raised from \$36,000 to \$50,000. Arkansas (unlike Missouri) seems to have noticed the education emergency, and is taking drastic action, not just talking about it.

Missouri is quickly becoming an outlier when it comes to education reform. Families are noticing, and they will vote with their feet. How do we fix this? Missouri policymakers need to actually commit to innovation. No half-measures, no nibbling around the edges, no narrow or limited programs. If we want to be a state that people move to, live in, and raise families in, we need to get out of our comfort zone and go all-in.







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