2024

BLUEPRINT

Moving Missouri Forward

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www.ShowMeInstitute.org

The Show-Me Institute's mission is to advance liberty with individual responsibility by promoting market solutions for Missouri public policy. Our vision is for Missouri to be a place where entrepreneurs can pursue their dreams, parents are free to direct the education and upbringing of their children, and a growing economy provides opportunities for all. Critical to achieving this vision is a state government that understands the value of freedom in the lives and future of our people.

The 2024 Blueprint: Moving Missouri Forward explores 16 policy areas in which common-sense reform could immediately and positively impact everyday life for Missourians. Issues covered range from education and health care to unemployment insurance and budget reform. Each article identifies a problem that affects the citizens of our state, provides background information and analysis, proposes one or more solutions, and then boils the solutions down into actionable recommendations. We believe that the proposals our policy team has assembled can put Missouri on the path to a healthier economy, a better public education system, and a more vibrant and flourishing civil society.

CONTENTS

STATEWIDE SCHOOL CHOICE

THE PROBLEM

Options for Missouri's public school students are limited by narrow district offerings. Most of Missouri's neighboring states have passed laws allowing all families to choose where their children are educated.

THE SOLUTION

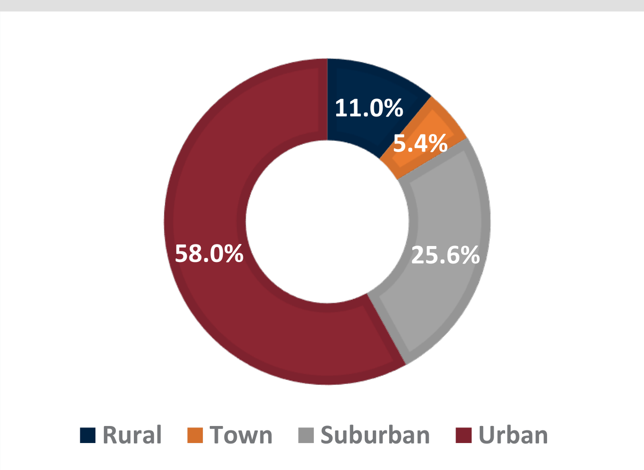
Broaden opportunities for public school students by expanding charter schools, allowing interdistrict choice, and opening the MOScholars program to all students in the state.

Charter School Expansion

In nearly every state, charter schools are available to families in every type of community, and they are most likely to be sponsored by a local school board. In 2021–22, there were 969 rural charter schools enrolling 371,800 public school students nationwide, including 119 schools in communities designated by the Census Bureau as "remote rural."

CHARTER SCHOOL LOCALES

Nearly 1 in 6 charter schools nationwide is located in a town or rural area.



Source: National Alliance for Public Charter Schools, publiccharters.org

There were also 2,054 suburban charter schools enrolling 1,113,000 students.

Yet in Missouri, charter schools continue to be solely a district intervention for poor performance, limited to families in just three out of 520 school districts (Kansas City, the City of St. Louis, and Normandy). While technically allowed to sponsor a charter school, local school boards in Missouri continue to view charter schools as a threat rather than an opportunity.

Of the 43 states with charter schools, Missouri is the only one with no rural charter schools.

Flexibility, opportunity for innovation, and freedom from bureaucracy can make charter schools a great addition to a school district's portfolio of schools—even in remote, rural areas. They present an opportunity to create a specialized school within a district, or across districts, for those parents who choose them.

Missouri can encourage charter schools to form across the state by creating an appeals process that would give charter applicants denied by local school boards the opportunity to apply for sponsorship from the Missouri Charter Public School Commission.

Interdistrict Choice/Innovation Zones

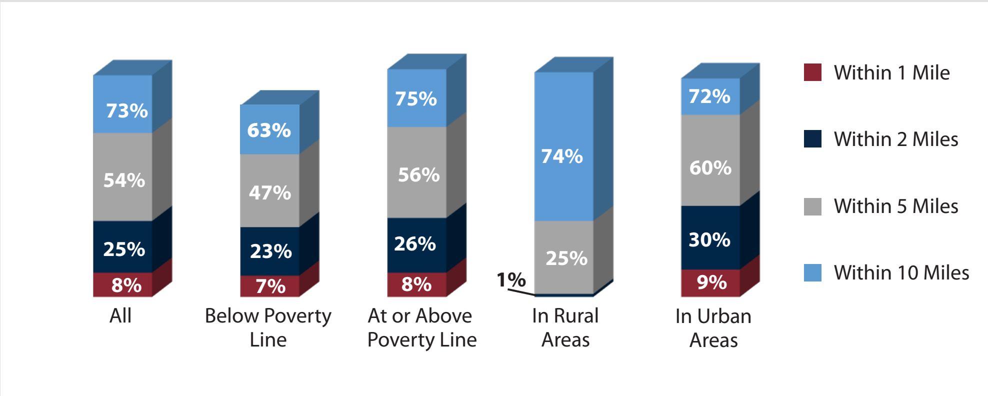
Many school districts in Missouri are too small to offer a comprehensive education to their students. Staffing and administrative difficulties limit the quality and scope of high school coursework. Students who graduate from these high schools will enter the workforce or postsecondary education with peers who have had substantially more preparation opportunities.

Open enrollment programs, which allow students to enroll in a district other than the one where they live, now exist in 43 states, and district participation is mandatory in 24. Missouri technically has open enrollment, but participation is highly restricted.

Missouri should allow students to cross district lines to access a broader array of coursework. Missouri school districts should be required both to allow students to transfer

FAMILIES WITH ACCESS TO ONE OR MORE TRADITIONAL PUBLIC SCHOOLS UNDER INTERDISTRICT CHOICE

National estimates suggest that over half of all families could access at least one out-of-district choice within five miles of their house.



Source: Matthew M. Chingos and Kristin Blagg, "Who could benefit from school choice? Mapping access to public and private schools," The Brookings Institution, March 31, 2017.

out and to receive students from other districts. Information on available capacity should be posted by class and program on all school web pages. Funding for students wishing to cross district lines could be determined through a separate foundation formula that would not create a disincentive for districts to participate.

Expansion of the Empowerment Scholarship Account (ESA) Program

Missouri finally has a private school choice program that parents of students with disabilities and low-income students can access. Unfortunately, the legislature chose to limit this opportunity to Missouri families in communities of more than 30,000 people. In addition, funding for the scholarship program must be raised by scholarship-granting organizations soliciting donations for which the donor receives a full state tax credit. Limits on the amount of tax credits available restrict the number of scholarships that can be distributed to fewer than 4,000 students (out of a total public school enrollment of more than 850,000).

Beyond removing the community size restriction, Missouri should raise the income limit for the program from 200 percent of the federal poverty line to 300 percent. Finally, low-income students and students with disabilities who receive MOScholar scholarships should receive the additional weighting given to districts through the foundation formula for children with these additional needs.

Voter and parent support for school choice programs has been steady and widespread. In a survey of parents taken in June 2021, some 75 percent of parents responded that they somewhat or strongly support ESA programs. This support has remained steady over the past year. If Missouri supports this program for some children, it should support it for all children.

POLICY RECOMMENDATIONS

- Amend Missouri's charter school law to allow rejected applicants to request sponsorship by the Missouri Charter Public School Commission.
- Allow students to choose schools outside their home districts in order to access broader education options.
- Expand the Missouri Empowerment Scholarship Account Program to serve all qualified students in the state.

TEACHER PAY DIFFERENTIATION

THE PROBLEM

Missouri is suffering from a teacher shortage—in specific subject areas and schools—and districts are limited in their ability to target these high-need positions.

THE SOLUTION

Allow districts to offer higher salaries or bonuses to teachers in high-need subject areas.

KEY FACTS

- Over the past decade, Missouri has hired a steadily increasing number of teachers for a gradually declining number of students.
- Across all certification areas, Missouri had 258 positions left vacant in 2022. These vacancies were spread among 74 of the state's 520 school districts, but nearly half of all vacancies were in just five school districts.

The State of Missouri's Teacher Pipeline

In the 2021–2022 school year, Missouri had its highest number of full-time equivalent teachers in the past decade—contrasting with shrinking student enrollment. Missouri had 66,907 teachers for 887,540 students during the 2012–2013 school year, versus 70,435 teachers for 863,218 students during the 2021–2022 school year.

Missouri teacher program enrollment is also nearing its highest point in the past decade, moving from 12,568 in 2011–2012 to 7,830 in 2015–2016 to 11,183 in 2020–2021. Among the 3,710 graduates from Missouri teacher programs in 2020–2021, 1,599 (43%) earned certification in elementary education. Meanwhile, only 79 were certified in biology, 21 were certified in chemistry, and 4 were certified in physics. Five districts accounted for about half of teacher vacancies in 2022, and many of these vacancies were in a few subject areas—special education, physics, mathematics, and chemistry.

Hiring in Education Should Be More Influenced by the Free Market

Missouri pays teachers according to a "single salary schedule," which considers only experience and whether or not a teacher has a master's degree. But among prospective teachers with different subject-area expertise, market alternatives for their skill sets are not equal. The same offer will not as effectively recruit or retain teachers with higher-paying market alternatives, as these individuals are "forfeiting" more money. Both Florida and Georgia successfully implemented pay differentiation for high-need positions—with Florida offering loan forgiveness (up to $10,000) and Georgia placing math and science teachers on the sixth-year step of the salary schedule until their sixth year.

Missouri Should Allow Districts to Be Flexible in the Job Market

In reality, pay differentiation already exists in schools; teachers with more years on the job make more than newer ones—and so do teachers with advanced degrees. Districts should also be able to offer a teacher in a high-need subject area more (without lowering other teachers' salaries).

POLICY RECOMMENDATION

- Allow districts to compensate those in high-need subject areas (defined by an objective vacancy rate threshold) at a more competitive rate—whether it be through higher placement on the salary schedule, bonus pay, or loan forgiveness.

EDUCATION FUNDING FORMULA

THE PROBLEM

Missouri's outdated school funding formula results in the overfunding of some wealthy districts and sends money to districts for students who don't attend school there. Hold harmless provisions that are typically used to ease the transition from an old formula to a new one have been in place for almost 20 years.

THE SOLUTION

Revise the foundation formula to reflect annually updated property values, eliminate outdated hold harmless provisions, and allow funding to follow students to broader types of education options.

KEY FACTS

- The foundation formula adopted in 2004, designed to equalize spending between property-poor and property-wealthy districts, contains multiple hold harmless provisions that misdirect funds.
- Families are increasingly choosing where their children attend school rather than having a district assigned to them. The foundation formula is ill-equipped for this change.
- The Department of Elementary and Secondary Education (DESE) has requested a $100 million increase in General Revenue for the foundation formula in 2025 without acknowledging Missouri's steadily declining enrollment.

It Isn't 2005 Anymore

Missouri's school funding formula is not designed for 2024 and beyond. The formula was last revised in 2004, and the educational landscape has changed in the last two decades, particularly as a result of the COVID-19 pandemic. The formula should be updated to account for changes that are taking place across public education.

The education foundation formula has several hold harmless provisions that have outlived their usefulness. According to one such provision, the amount that districts are expected to raise through local property taxes is based on property values from 2005 unless those values have declined since then. The outdated 2005 values skew the distribution of state funds, which often results in state money going to districts with very high property values.

The Money Should Be for Students, Not Districts

Another significant hold harmless provision is the allowable use of average daily attendance numbers from any of the three previous years. Missouri has declining enrollment in nearly every district. This decline began with the 2013 kindergarten cohort and has not abated. Nonetheless, districts can continue to use the highest attendance of the prior three years.

Statewide, average daily attendance, on which the foundation formula is based, has declined by 65,000 students since 2019. On a district-by-district basis, it is estimated that in 2022–23, nearly 75,000 students were counted in the foundation formula who were not enrolled—at a cost of $175M–$200M.

At the same time, more families want to choose their children's schools, in some cases paying out of pocket to place their children in an education environment, such as a learning pod, that works for them. A more equitable funding formula would allow each student's funding to follow them to the school of their choice.

It's time for an across-the-board update to the school funding formula that uses recent property values, doesn't count students who are not enrolled, and allows public money to follow students to a school of their choice.

POLICY RECOMMENDATION

- Allow funding to follow each student to the school of their choice.

SCHOOL REPORT CARDS

THE PROBLEM

Missouri parents don't have a source of information about the quality of their children's schools that is accurate, accessible, and easy to understand.

THE SOLUTION

Mandate the creation of a transparent online school report card system (including an easy-to-interpret rating system) that clearly communicates measures of school quality to parents and community members.

KEY FACTS

- The federal Every Student Succeeds Act (ESSA) requires every state to publish report cards on schools and districts. High-quality school report cards help parents make informed choices and help states prioritize schools for academic improvement interventions.
- The Department of Elementary and Secondary Education (DESE) Data Dashboard has no rating system for schools or districts that is useful for parents or policymakers.

Parents Are Being Kept in the Dark

Information about the performance of a school in Missouri is very difficult to find and not user friendly. When done well, report cards can be a useful and valuable way to communicate school information to parents. A 2019 Phi Delta Kappa survey found that when parents are aware of school report cards, 66% of them read them. Of those who read report cards, 82% of parents found them useful.

DESE is required by federal law to produce parent-friendly report cards on every school and district in the state. Technically, it has produced them, but the DESE report cards contain significant language and technical obstacles. These report cards have undefined acronyms, technical jargon, and navigation troubles that make them very difficult to understand. In 2020 DESE released a Data Dashboard that has contextual information but no simple system of differentiating among schools or districts based on performance.

The current report cards and Data Dashboard do not provide information that is easy for parents and community members to access or to understand. What is needed is a report card that contains a rating system across multiple performance measures, including proficiency in English/language arts and math, growth in English/language arts and math, and performance disaggregated by subgroup for the same.

There are many examples of high-quality report cards available from other states. In addition, the U.S. Department of Education and the ExcelinEd Foundation have held school report card design competitions. Much is now known about what makes a school report card useful, relevant, and easy to understand.

The Show-Me Institute created its own website, MOSchoolRankings.org, with letter grades for all schools and districts in the state. It now has three years of academic data and two years of finance data. Ideally, DESE would be required to create something similar.

POLICY RECOMMENDATION

- Mandate the design and creation of a transparent online school report card system that clearly communicates measures of school quality to parents and community members, including an easy to interpret rating system, such as A–F for every school and district. Such report cards should be mobile and print friendly.

MISSOURI PARENTS' BILL OF RIGHTS

THE PROBLEM

Missouri parents have a fundamental role to play in their children's education, but they have reason to be concerned that some Missouri schools and districts are ignoring them—and in some cases concealing what is being taught to their kids.

THE SOLUTION

Missouri parents should have their fundamental right to participate in and direct the education of their children affirmed in state law, with the state adopting a parents' bill of rights to ensure that parents can see and understand what is happening in their children's classrooms.

KEY FACTS

- In 2022, the Heritage Foundation found that Missouri ranked 51st in educational transparency—dead last in the country.
- Sunshine Law requests sent in recent years by the Show-Me Institute seeking curricula from Missouri schools and districts often were ignored or met with demands for tens of thousands, and even hundreds of thousands, of dollars to process the requests.

Which Rights Should Be Included in Statute?

At a minimum, parents should have:

- The right to know what Missouri schools are teaching
- The right to know how Missouri schools are performing
- The right to know how Missouri schools are spending taxpayer money
- The right to choose the existing educational option that works best for their children
- The right to control their children's health and identifying markers, including but not limited to the right to opt out of health measures not required by state order or statute

The Importance of Having Teeth in the Law

One of the challenges with Missouri's Sunshine Law is that the consequences for violations are relatively meager, sometimes requiring either an intervention from the attorney general's office or even litigation to access documents covered by the law. Districts have even demanded hundreds of thousands of dollars from our researchers to access curricular documents—an indirect way of saying that a district simply won't comply with our Sunshine requests.

The state needs to turn the tables in favor of parents and taxpayers. Failure by a school or district to satisfy the requirements of a Missouri Parents' Bill of Rights should subject it to financial penalties by the state and administrative penalties affecting the privileges afforded districts under state law. Transparency and accountability in local government, including schools, should not be optional; to ensure that, the law needs to have strong, unambiguous consequences attached to violations of its provisions.

POLICY RECOMMENDATIONS

- Pass a parents' bill of rights into law so that schools and districts understand their obligations to the parents (and taxpayers) who fund their operations.
- Ensure that the law has "teeth"—that is, consequences for violations—so that the law isn't seen merely as a set of recommendations that can be violated without penalty by schools and administrators.

OCCUPATIONAL LICENSING

THE PROBLEM

Needless occupational licensing requirements are standing between people and the work they want to do.

THE SOLUTION

Periodic review of all licensing requirements and the elimination of those without proven benefits to public safety.

KEY FACTS

- In 1950, **5%** of the workforce was licensed through state laws.
- In 2022, **21.7%** of U.S. employed workers held a state-issued license, and 2.3% held a state-issued certification but no license.
- The Missouri Division of Professional Registration supports 41 professional licensing boards and commissions responsible for licensing and regulating the activities of more than 525,000 Missourians.
- Missouri currently has a universal licensing regime that allows those with out-of-state licenses to have Missouri licensing requirements waived.
- However, "glitches," such as a six-month maximum review period and language that allows "licensing compact" regulations to overrule the state's universal reciprocity, have undermined the effectiveness of this policy.

Regulations Burden Businesses and Consumers

Occupational licensing is the government giving someone permission to work in a certain field. Obtaining a license typically involves satisfying an educational requirement and paying a fee.

Most licensing laws are justified as public safety measures or as a way to ensure the quality of the relevant service. As to the latter claim, we should first ask why assurance of quality should not be left to the market. There is little evidence that occupational licensing laws provide any benefit in this regard, as the Mercatus Center at George Mason University found in a meta-analysis of 19 different studies in Florida directly related to licensing and product quality. In only 16% of included studies did researchers observe positive relationships between licensing and product quality (21% negative and 63% unclear or neutral).

Safety concerns seem like a more legitimate justification for occupational licensing, but in practice licensing regulations appear to burden various practitioners in ways that are unconnected with the risks inherent in the jobs they do, as the table below illustrates.

Occupation	Education/Experience Required for License/ Certification (Days)
Emergency Medical Technician	26
Manicurist	93
Makeup Artist	175
Skin Care Specialist	175
Barber	233

Source: License to Work, 3rd edition. Institute for Justice. ij.org/ report/license-to-work-3.

It is difficult to connect a concern for public safety with a regulatory regime in which it takes over six times as many training hours to work as a makeup artist as it does to work as an EMT.

The clear beneficiaries of licensing regulation are existing practitioners, who benefit from laws that make it more difficult for newcomers to enter a profession—leading to higher prices for consumers and higher costs for potential entrants. The effects are particularly harmful for low-income individuals; they not only have to pay more for services, but they also have potential avenues to employment cut off, as many cannot afford the time and money required for training in a field that would otherwise be open to them. Moreover, higher prices and lower availability due to occupational licensing can induce consumers to undertake dangerous projects on their own, creating genuine safety concerns.

Weaknesses in Missouri's Licensing Reciprocity Regime

2020 marked the establishment of Missouri's licensing reciprocity regime. Under current law, any person who has held a valid license issued by another state for at least one year can practice in Missouri at the same occupation or level with all Missouri licensing requirements waived. However, two problems with the law remain. First, the relevant oversight body can wait up to six months to issue a waiver; a worker considering relocation to Missouri might not be able to afford to wait half a year before starting work in the profession in which they've been trained. Second, according to Missouri's reciprocity statute, licensing reciprocity *"shall not apply to an oversight body that has entered into a licensing compact with another state for the regulation of practice under the oversight body's jurisdiction."* Missouri's licensing reciprocity regime would normally apply to licenses issued in any other state, but compacts extend reciprocity only to the other states participating in the compact. Therefore, passing licensing compacts that appear to cut red tape may actually increase it.

Sensible Reform for Licensing Requirements

It can be difficult to realize just how onerous licensing requirements are; often only those in the industry who are directly affected give them much thought. An automatic sunset provision would force policymakers to consider the legitimacy, costs, and benefits of each occupational license and any corresponding regulations every five years. The reviews could be staggered so that one fifth of professional licenses are reviewed each year. Periodic reviews would make it easier to uncover inefficient, overly burdensome regulations, which could ultimately lead to the removal of onerous requirements, a restructuring of licensing boards, or the complete elimination of licenses that are found to be unnecessary. Provisions of this nature are not new; 36 states have adopted some kind of sunset provision for occupational licenses, including Arizona and Texas.

Additionally, Missouri must work to assure that good policy is not undermined. The maximum time to review a license waiver application should be reduced from six months to a more reasonable time like two months or even one month. This would prevent interested parties from stalling potential competitors.

Lastly, the "compact exception" that allows compacts to override our state's licensing reciprocity regime should be removed. While there are benefits to entering compacts, they often come at the expense of those interested in relocating to our state.

Reducing the burden of occupational licensing could create opportunities for workers and consumers, lower prices, and increase economic growth. Licensed occupations should be the exception, not the rule, and licensing requirements should only be enacted when safety concerns demand it.

POLICY RECOMMENDATIONS

- Establish a staggered sunset and review period for all professional licenses and licensing boards.
- Reduce maximum waiver review time from six months to one or two months.
- Remove the "compact exception."

UNEMPLOYMENT INSURANCE MODERNIZATION

THE PROBLEM

Missouri's unemployment insurance (UI) system is poorly designed and holds back the state economy.

THE SOLUTION

Modernize Missouri's UI system to incentivize work, promote job creation, safeguard the state budget, and reduce fraud.

KEY FACTS

- Unnecessary and excessive UI benefit extensions in early 2021 paid most jobless workers more to remain unemployed than to get a job despite lockdowns ending and the rapid rebound in the economy in late 2020.
- These extensions are significant factors behind the severe labor shortages that helped fuel the ongoing inflation crisis.
- The UI system suffers from significant fraud, sixty percent of which is concealed earnings fraud.

Crippling Labor Shortages and an Ongoing Inflation Crisis

More than three years after the initial impact of COVID-19, the United States continues to suffer from labor shortages and elevated inflation. After reaching a 40-year high in the summer of 2022, the rate of price *increases* has slowed, but there has been no reversal in the cumulative 17% jump in prices since early 2021. As a result, the typical family has lost nearly $4,000 in purchasing power since just before the pandemic.

During and after the pandemic, Missouri suffered the consequences of its poorly designed and implemented unemployment insurance system. Even after a recent surge in 2023, Missouri's labor force participation rate is still 0.5 percentage points below its pre-COVID level—amounting to 25,000 missing workers who remain on the sidelines.

At an initial glance, the ongoing labor shortage might seem odd, given that Missouri took the lead in terminating its participation in federal unemployment benefit extensions back in the summer of 2021. Unfortunately, by then the damage was already done. The sheer magnitude of the UI benefit checks—coupled with other government benefits that discouraged work like the temporarily expanded Child Tax Credit—caused bank accounts to become flush, thus taking pressure off of the unemployed to find new jobs.

The result is slower economic growth, businesses that are forced to compete with government benefits and their after effects to recruit workers, and stubborn inflationary pressures when businesses cannot meet demand without raising prices due to their worker-recruiting difficulties. Going forward, Missouri should reform its UI system to help resolve the current crisis and prevent a repeat in the future.

Unemployment Insurance Design Flaws

Numerous flaws plague Missouri's current UI system. First, outdated IT and accounting systems limit reform options both in the long term and in response to unexpected crises. These systems were a big reason why the enhanced benefits during the 2020 lockdowns paid many workers above a 100% replacement rate, and they also caused significant payment delays.

Secondly, state law stipulates that benefit extensions are triggered on and off by changes in the unemployment rate. This arrangement sounds intuitive, but it doesn't account for job vacancies. Slack in the labor market—which affects the difficulty of finding a job—depends on the ratio of vacancies to unemployed workers, not just the unemployment rate. Tying benefit extensions to this ratio would more appropriately match economic conditions, and had it been done during the pandemic downturn, benefit extensions would have been automatically halted earlier in response to the rebound in job vacancies.

In addition, the UI payroll tax only applies to the first $11,000 in wages and is not indexed to the average state wage or to inflation, which forces the tax rate to be steep to raise sufficient revenue. The combination of a narrow base and high rate creates a disincentive to hiring and encourages businesses to lay off workers during hard times.

The current UI tax structure also reduces job stability by setting individualized UI tax rates for businesses based on their history of layoffs—a practice called *experience rating*. However, the range of tax rates is too narrow to reflect the differences in how often various businesses lay off workers. As a result, businesses with stable employment subsidize businesses with more frequent layoffs, blunting the incentive for businesses to find ways to stabilize their payrolls. This compressed tax structure also makes the UI trust fund more likely to run short after a recession, prompting tax increases on all firms to restore solvency.

Steep earnings penalties in the form of a 100% benefit offset rate (meaning that workers lose $1 in benefits for each $1 they earn) discourage those who lose their full-time job from taking part-time work while they search for new permanent employment.

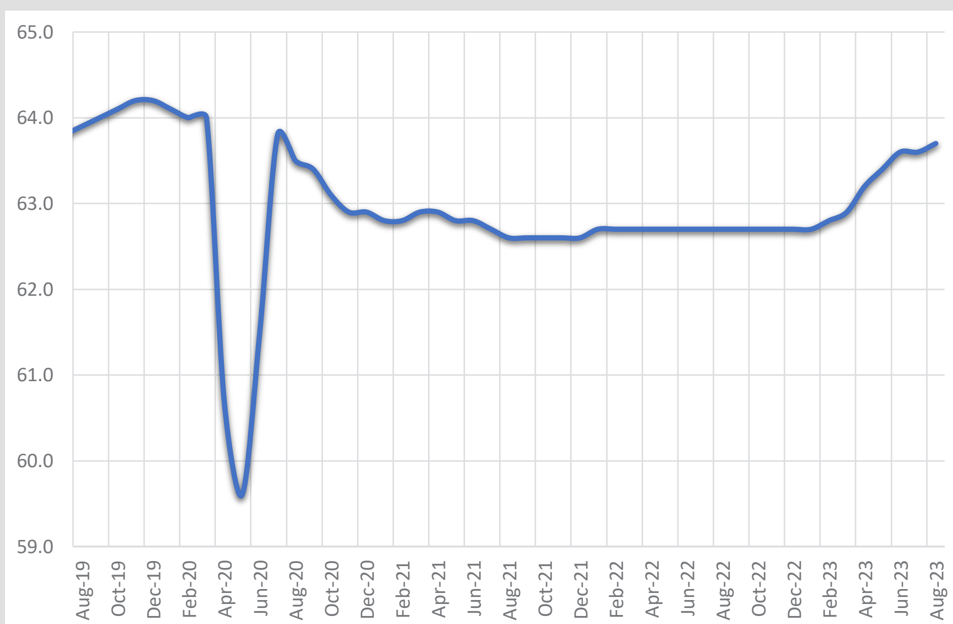
In the short run, Missouri can undertake reforms to address these problems and reduce UI fraud in all its forms, especially concealed earnings fraud, which accounts for 60% of fraud and occurs when workers continue to collect unemployment benefits even after they accept a new job. Missouri should also push for more fundamental changes at both the state and federal levels, such as introducing unemployment accounts similar in concept to health savings accounts that allow workers to build retirement savings and have more skin in the game during jobless spells.

POLICY RECOMMENDATIONS

- Upgrade IT and accounting systems to allow for greater policy flexibility and better administration.
- Prohibit UI benefit amounts from exceeding 100% of a worker's previous wages and tie the duration of benefits to economic conditions.
- Tie UI benefit extensions to the ratio of job vacancies to unemployed workers.
- Reduce the benefit offset rate for partial unemployment benefits from 100% to no higher than 50%.
- Require that employers immediately report hires to the Missouri Department of Labor.

MISSOURI LABOR FORCE PARTICIPATION RATE

Missouri's labor force participation rate has been consistently below its pre-pandemic level for over three years now, contributing to labor shortages, slower economic growth, and inflationary pressures.



Source: Bureau of Labor Statistics.

ECONOMIC DEVELOPMENT SUBSIDIES

THE PROBLEM

Excessive use of economic development subsidies enriches developers at the expense of taxpayers, schools, and other public services.

THE SOLUTION

Eliminate or substantially reduce the use of economic development subsidies by local governments, including tax-increment financing (TIF), community improvement districts (CIDs), and transportation development districts (TDDs).

KEY FACTS

- Five counties in Missouri now use county-level TIF commissions, instead of municipal TIF commissions.
- In 2022, Kansas City approved up to $8.2 billion (billion!) in tax subsidies for the Golden Plains Technology Park.

An Abysmal Track Record

Subsidies like TIF rarely deliver on promises of economic benefits. Research shows that 84 percent of firms would choose the same state no matter what subsidies and incentives are offered by other states. The same is true at the local level. Studies from across the country indicate that, except in special circumstances, these subsidies fail to fulfill their promises of job creation and economic growth.

For a project to qualify for some subsidies, the city must declare a parcel of land "blighted," but the standards for doing so are so low that successful shopping malls have qualified for subsidies. Some owners even let their property become blighted in order to qualify for the subsidy.

Change the Decision-making Process

A major flaw in the TIF process is that in most cases, cities decide on the tax subsidies that affect other taxing districts. Cities can approve a TIF project that is harmful to other taxing districts, such as schools. School districts should be able to opt out of TIF like emergency districts can. One way to address this problem is to expand the use of county TIF commissions, where the county appoints most of the members. County officials are responsible to all the residents in their county and are more likely to weigh the costs and benefits of the proposed subsidy for the entire region. Currently, there are county TIF commissions in five counties: St. Louis, St. Charles, Jefferson, Platte, and Cass. That number should be much larger.

Additionally, it is too easy to create a new TDD or CID. Currently, property owners (often just one) can vote by signature to create a district or create one through a simple court filing. The public can be excluded from the entire process by drawing CID or TDD districts that have no residents. With such little oversight and public involvement, opportunities for malfeasance are too common in these taxing districts.

Recent years have seen some positive policy changes. The state legislature passed reforms limiting the use of TIF in the floodplain and increased the number of counties that use county TIF commissions. Webster Groves and Boonville each rejected a major TIF project. A half-dozen TDDs have been dissolved as their purposes have come to an end. The Kansas City Council lowered its local cap on the total abatements it will give out.

On the other hand, the heavy use of incentives has expanded to rural parts of Missouri. St. Louis County has become less disciplined in recent years with its county TIF commission (other counties with that system have maintained fiscal discipline). Currently, parts of the Kansas City region appear to be in a bidding war with each other over who can give the Kansas City Royals the most money for a new stadium. Taxpayers throughout Missouri deserve better than an overly generous corporate welfare state.

POLICY RECOMMENDATIONS

- Move TIF decision making to the county level in many more counties around Missouri.
- Allow school districts to opt out of TIF, as fire districts are allowed to.
- Require actual public votes by the entire city or county when new TDDs or CIDs are proposed.
- Refrain from using tax dollars for sports stadiums, which is a poor use of taxpayer money.

INCOME TAX REFORM

THE PROBLEM

Missouri's economy is suffering because of an overreliance on income tax as a source of revenue.

THE SOLUTION

Continue to reduce or eliminate the use of the individual income tax and earnings taxes.

KEY FACTS

- Missouri's GDP growth rate in the first quarter of 2022 was above the national average, clocking in at 2.6%. That improvement in GDP growth has coincided with the state's steady reform and reduction of its income taxes.
- Earnings taxes in Missouri's biggest cities remain subject to five-year renewal votes, but the harm these taxes do may increase as non–city residents move toward remote work rather than traditional work in city-based offices and escape these taxes.

Income Taxes Are Holding Missouri Back

Missouri's economy has lagged behind the country in recent decades, and state and local tax structures are a part of the problem. Missouri ranked 16th in income tax reliance in 2020. Such a reliance on these growth-destroying taxes—on income taxes at the state level and earnings taxes in Kansas City and St. Louis—has consequences, and Missourians have demanded reform in these tax policy areas especially over the last five years.

Alternatives to the Individual Income Tax

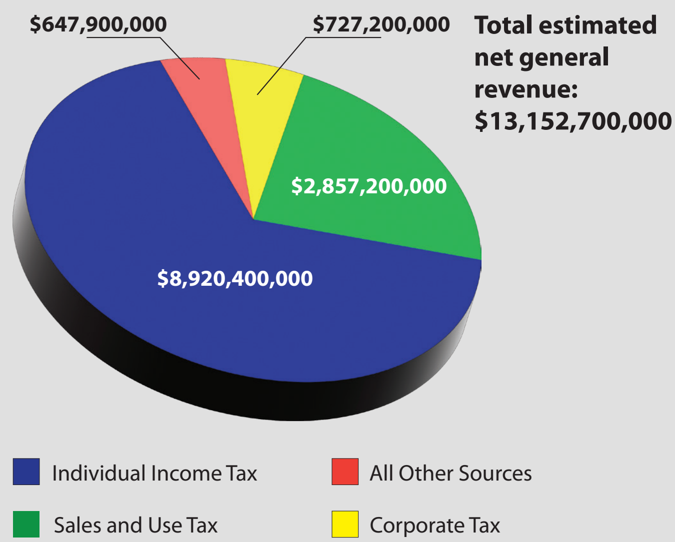
In recent years, Missouri lawmakers have taken some steps to reduce the state individual income tax. Most recently, the legislature passed a law to gradually reduce the income tax to 4.5%, triggered by the state meeting certain revenue targets. However, there is no reason to stop those tax reductions at 4.5% if revenue targets continue to be met. If state government can operate at lower income tax rates, it should. More drastic reductions could be offset by responsible fiscal practices such as ending corporate handouts in the form of tax subsidies. Not only would income tax reductions allow citizens to keep more of their hard-earned money, but they would reduce the state's reliance on income tax revenue and make the state more competitive in the region.

POLICY RECOMMENDATIONS

- Remove the cap on income tax reductions based on state revenue triggers.
- Make Missouri less reliant on income taxes in favor of less-damaging forms of taxation such as property taxes.
- Ensure that the income tax is low and broadly based by reducing or eliminating tax subsidies.

MISSOURI: FISCAL YEAR 2023 GENERAL REVENUE BY SOURCE

Missouri's budget is heavily reliant on revenue from income taxes.



Source: Missouri Office of Administration. Missouri Budget, Fiscal Year 2024.

PROPERTY TAX REFORM

THE PROBLEM

Property taxes are a vital and efficient source of revenue for local government, but various factors, including harmful exemptions and inconsistent assessment practices, have eroded trust in the system.

THE SOLUTION

Property taxes work best when they are predictable, broadly based, and targeted to the local services that benefit residents. Missouri assessors should more uniformly assess residential property by using an average-based system instead of individually assessing every property, which leads to increased variances between neighbors and undermines trust.

KEY FACTS

- Surprisingly, cities in Missouri rely less on real estate taxes than cities in any other state.
- Missouri local governments rank third highest among the 50 states for reliance on personal property taxes.

Rolling Back Tax Rates

Families and property owners within the Kansas City School District have been hit particularly hard by the mismanaged assessment process in Jackson County and the unique rate-rollback exemption for that very large school district. In 2019, when assessments in the school district went up 23%, the school board kept the tax rate exactly the same. That placed a real burden on homeowners. This year, the same thing is poised to happen in Kansas City and, to a slightly lesser extent, throughout Missouri. The state needs to require local officials who set tax rates to do a better job rolling rates back as valuations increase. Reforms should include reducing the maximum inflation calculation used in setting rates. If taxing bodies need more revenue, voters should provide it, not inflation.

Change the Underlying Property Tax Base

Property taxes work best when the item being taxed is immobile. Taxing cars, boats, livestock, grain, and business equipment is not sound tax policy. While there is no way of knowing how many Missouri cars are improperly registered in Illinois, Kansas, or Arkansas, the number is likely high. Missouri should phase out personal property taxes in a revenue-neutral manner by replacing them with slightly higher real property taxes. Such a tradeoff would work particularly well to encourage economic development if the state allowed for a higher percentage of real property taxes to be based on the value of the land and less on the buildings.

Going in the Wrong Direction

In an effort to address the impact of higher property taxes in Missouri, the legislature passed a bill allowing counties to freeze the property taxes for senior citizens, starting at the surprisingly youthful age of 62. There are many problems with this bill. It is harmful simply because it reduces the property tax base. Unless local governments cut services in response to the enactment of this plan, it will almost certainly lead to higher tax rates on those properties that are not subject to the property freeze. In 2024, the legislature should repeal this bill, or at least make the requirements to have your property taxes frozen much more strictly targeted through means-testing and higher age limits.

POLICY RECOMMENDATIONS

- Remove the Kansas City School District's exemption from property tax rate rollbacks (Missouri Constitution, Article 10, Section 11(G)).
- Eliminate personal property taxes, or, at a minimum, require that those tax rates roll back like real property taxes and expand RSMo §92.040 (which allows lower personal property taxes on business equipment) to more cities than just St. Louis and Kansas City.
- Repeal or substantially reform the authorization for senior citizen property tax freezes.
- Reduce the inflation calculation maximum from 5% to 3%.
- Authorize land taxation in Missouri.
- Move to an assessment system for houses that is based on community sale averages, not individual property assessments.

LOCAL GOVERNMENT TRANSPARENCY

THE PROBLEM

Local governments often hide documents and spending records from the taxpaying public, despite legal requirements under the Sunshine Law.

THE SOLUTION

Mandate that local governments report spending information, and that local school districts report on both spending and curricula.

KEY FACTS

- Missouri already has two programs through which local governments may report their spending, but participation is voluntary.
- The Sunshine Law request system is fraught with government chicanery and vanishingly weak consequences for statutory violations.

A Checkbook for Missouri

The creation of the Show-Me Checkbook in the state treasurer's office in 2018 and the passage of House Bill 271 in 2021 were positive developments for transparency in local government, but more can and should be done. Local governing bodies should be required, not invited, to report their spending as a condition of being able to take money from the public through taxation—with meaningful consequences for failure to report.

School districts owe taxpayers a similar obligation. Accordingly, the state should establish an easily accessible and understandable online database of elementary and secondary school curricula, lesson plans, and spending so that taxpayers can know what is being taught to K–12 students with public dollars.

Accountability Pays Dividends

From a good-governance perspective, online transparency portals ensure that rather than responding to Sunshine Law requests seeking these data, local governments can simply refer requestors to the continuously updating online resource. At the same time, taxpayers will be able to see in an understandable format where their money is going, and they will be able to keep tabs on the activities of elected leaders and bureaucrats when they choose—not when government chooses to give them spending and curricula information.

Moreover, the very existence of these online projects protects against wrongdoing in the future. When public officials understand that their spending and instructional activities will be available for all taxpayers to see, they will be more likely to be prudent in their decision making. The public deserves to know where their tax dollars are going. After all, taxpayers are the bosses of government, not its subjects.

Empower the Auditor

Not every state has an auditor. Fortunately, Missouri does have one charged with overseeing the proper, accountable, and transparent function of government, but unfortunately, the powers of the auditor are limited with respect to local government—often requiring a local invitation before being able to "check the books" of these subdivisions of the state. Not only should the auditor's office have more resources to conduct independent oversight activities for local government, but it should also have the explicit power to demand documentation from local government for how money is being spent and to publish that information for public review.

POLICY RECOMMENDATIONS

- Make the reporting of local government spending data to the Show-Me Checkbook database mandatory rather than voluntary.
- Establish (and mandate reporting to) a similar database for school districts that would track both expenditures and curricula, and ensure existing laws for district expenditures and curricula are fully enforced while the state database is built.
- Empower the auditor to provide more comprehensive oversight of local government.

BUDGETARY REFORM

THE PROBLEM

Missouri's budget has more than doubled in size over the past decade, and if this troubling trend of government spending growth continues, it could soon prove disastrous for state taxpayers.

THE SOLUTION

Rein in out-of-control spending growth by increasing budget transparency and accountability and prioritizing Missouri's long-term financial health.

KEY FACTS

- Missouri's government is on track to spend more this year than ever before, even after adjusting for inflation.
- Currently, Missouri lacks strong protections against excessive government growth; the state's current budgeting practices actually encourage greater spending.
- Most state budget documents are difficult to find, are hard to interpret, and are in a form that requires citizens to manually transcribe the data to be studied.
- Missouri engages heavily in "economic development" government subsidies that are issued outside of the state's normal budgeting process, thus receiving higher priority and less scrutiny.

Spending at Record Levels

Missouri's budget has been growing for years, and this year is no exception. Our state is currently on track to spend more this year than ever before. Despite the purported protections against unchecked government growth provided by Missouri's Hancock Amendment, state spending continues to drastically outstrip both inflation and population growth. In fact, over the past five years, Missouri's budget has grown by more than 40%, even after accounting for our recent bout of historic inflation.

Current Practices Encourage More and More Spending

Missouri currently uses what is called an "incremental" approach to budgeting, which means that budget items from one year automatically roll over into the next and establish the new baseline for state spending. This makes budgeting easier for legislators, because it allows them to focus attention on new funding requests, but it also means that failing programs often get automatically renewed and may even receive budget hikes while escaping annual scrutiny. The result is snowballing government growth. Missouri should require legislators to evaluate program effectiveness and regularly use "zero-based budgeting," meaning that lawmakers must build the state's budget from square one and regularly reassess all spending to make sure it's effectively advancing state priorities.

You Can't Fix What You Can't See

Currently, most state budget documents are difficult to find, hard to interpret, and in a form that requires citizens to manually transcribe the data to be studied. Such hurdles mean that lawmakers and state bureaucrats can act with greater impunity and less oversight. There is no good reason why documents that detail where taxpayer money is going should not be easy for any citizen to access and understand.

Standing Out in the Wrong Way

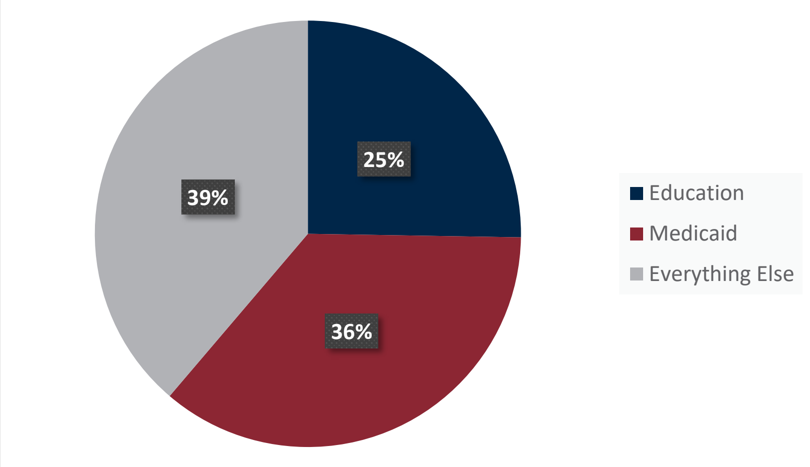
Missouri is one of the leading states in the amount of government subsidies it redirects from taxpayers to corporations in the name of "economic development," devoting more than $5 billion in tax expenditures to a host of narrow incentive programs over the past decade. The problem is that these tax expenditures deliver a poor return on investment, further widening the gap between what Missourians pay and the services they receive for their hard-earned money. Currently, decisions over these tax expenditures take place outside of the state's normal budgeting process, hiding their true cost and giving them priority over tax cuts and spending on core government services. At the very least, elected officials should shine a light on these expensive programs by making them subject to the same appropriations process as all other state spending priorities so that their costs and benefits can be properly weighed. In many cases, the likely outcome from calling attention to these tax expenditures is that they will be wound down so that the savings can be returned to Missourians through tax cuts or invested in more promising areas.

POLICY RECOMMENDATIONS

- Turn the tide on Missouri's ever-growing budgets by reining in discretionary spending, including non-transparent tax expenditures.
- Establish clear and meaningful state program performance metrics that allow objective assessments and implement zero-based budgeting.
- Make all state budget documents available in easily accessible, machine-readable formats (e.g., in Excel or CSV format) that Missourians can easily download and analyze.
- Increase transparency and accountability by including tax expenditures in the annual budgeting process.

FY 2023 OPERATING BUDGET

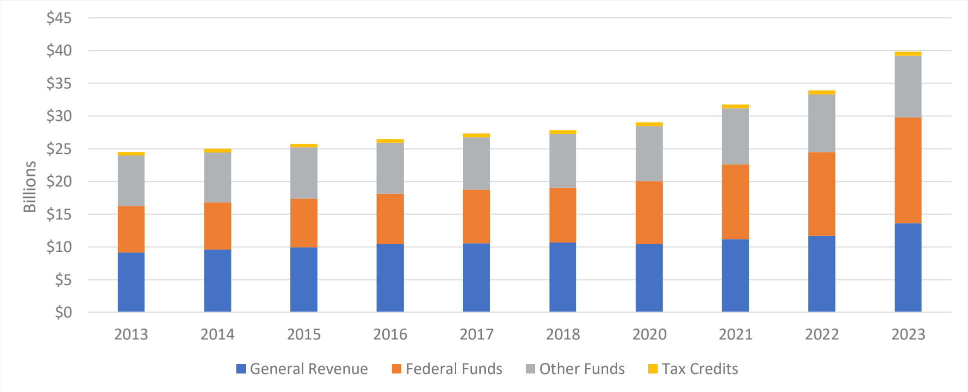
With approximately 60% of all state spending devoted to education and health care, continued budgetary growth puts enormous pressure on every other state spending priority.



Source: Missouri House of Representatives Budget Fast Facts.

BUDGETARY GROWTH

Missouri's state spending has grown by more than 42% in the past five years.



Source: Missouri House of Representatives Budget Fast Facts.

TAXPAYER BILL OF RIGHTS

THE PROBLEM

After more than four decades, Missouri's tax and expenditure limit—commonly referred to as the Hancock Amendment—is no longer providing an effective check on government growth.

THE SOLUTION

Improve and expand the taxpayer protections provided by the Hancock Amendment by adopting a Taxpayer Bill of Rights (TABOR).

KEY FACTS

- On paper, Missouri's Hancock Amendment promises refunds to state taxpayers if the government grows faster than their pocketbooks, but because the refund mechanism was poorly designed, Missourians haven't received a refund in more than 20 years.
- The Hancock Amendment contains a tax expenditure loophole that allows state government to avoid issuing refunds to taxpayers by instead redirecting those funds to subsidize chosen projects outside of the normal budgeting process.
- Although the Hancock Amendment requires property tax rates be rolled back when property values increase too quickly, this requirement is not being applied to the personal property taxes paid on the value of things such as cars, boats, and farm equipment.
- Missouri taxpayers would be better protected by the adoption of a new, stronger tax and expenditure limit in the form of a Taxpayer Bill of Rights instead of attempting to fix the flawed Hancock Amendment.

Hancock Protections No Longer Effective

In 1980, and then again in 1996, Missouri voters approved amendments to the state's constitution that were intended to place important restrictions on the government's ability to raise and spend tax dollars, commonly referred to as the Hancock Amendment. But in the more than 40 years since its initial passage, serious weaknesses in the amendment's restrictions have been exposed.

One of the amendment's main selling points—a state revenue limit with a tax-refund provision—was intended to prevent government from growing too fast. And if revenues exceeded the limit, state taxpayers would receive a refund of the difference. The problem is that policymakers and an out-of-date compliance formula have rendered the tax refund threshold nonfunctional, resulting in state taxpayers not receiving a refund in more than 20 years. In fact, without reform, it's unlikely that the Hancock Amendment's tax refund provision will ever be triggered again.

Once people realized that Missouri's elected officials were finding ways to grow government without voter input or triggering refunds, voters approved an amendment in 1996 to explicitly require voter approval for any tax hikes above a specified size. This measure too has recently proved ineffective. Due to insufficiently defined terms for measuring compliance with the provision, it's unlikely the amendment could force any new state tax proposal to receive voter sign-off.

Missouri needs stronger, more resilient taxpayer protections. Consistent with the core ideas that Missourians supported multiple times with their approval of the Hancock Amendment, Missourians should be assured that:

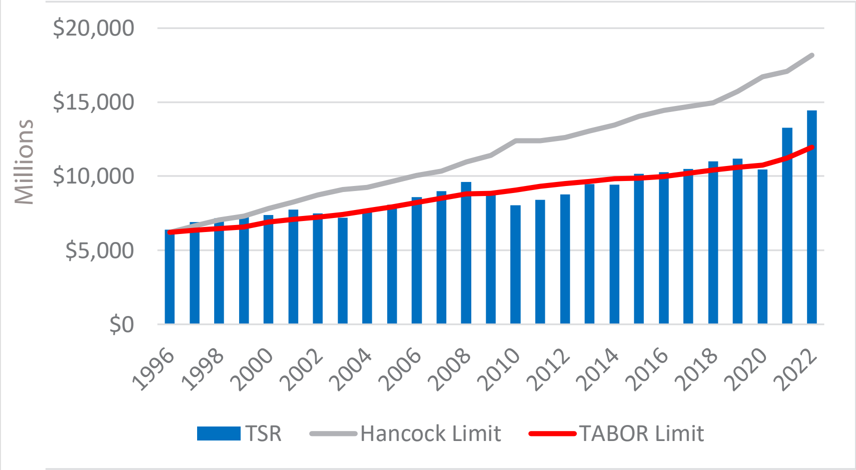
1. When tax revenues grow faster than inflation plus population growth, taxpayers will get an automatic refund unless they explicitly approve using the money for spending.

2. Comprehensive state spending—including on tax expenditures—cannot grow faster than inflation plus population growth without voter approval.

3. When property values increase faster than inflation, tax rates will be automatically reduced to ensure taxes aren't raised without voter approval.
4. When lawmakers want to substantially raise, change, or extend taxes, there will always be a transparent process for voter approval.

HANCOCK REVENUE LIMIT VS. TABOR LIMIT

Missouri is currently more than $3.7 billion below the Hancock-established revenue ceiling



Source: Missouri State Auditor's Office and (for TABOR limit) author's calculations.

There are two property taxes that are exempt from the Hancock requirement that tax rates roll back as assessed valuations increase (three if you count the general exemption from this requirement for all property taxes levied by the Kansas City School District). Personal property taxes on cars and similar items—which Missouri taxes more than most states—are not subject to the rollback rule. Perhaps this is because people assumed used car values would always decrease, which they did until 2021 and 2022. The windfalls local governments are receiving in 2022 from increased used-car valuations should be addressed, and rate rollbacks should be required for personal property as they are for real property.

The commercial surtax (or surcharge) is the other tax exempt from rate-rollback requirements. This is a tax levied only on commercial property with a rate that varies by county. Commercial valuations have increased significantly since 1985, when the tax was first levied, and as of 2023 rates have only once been lowered in any county (by Clay County in 2022). The rate rollback requirement should be applied to the commercial surtax as well.

POLICY RECOMMENDATIONS

- Adopt a Taxpayer Bill of Rights that more effectively realizes the spirit of the Hancock Amendment through robust limits on state spending and revenues that will stand the test of time.
- Expand the Hancock Amendment's property tax rate rollback provisions to include personal property taxes and the commercial surtax.
- Guard against runaway inflation by protecting taxpayers from drastic property assessment increases.

FREE-MARKET HEALTH CARE REFORM

THE PROBLEM

Health care supply is limited by regulations that protect incumbent providers at the expense of patients. At the same time, overgrown state welfare programs like Medicaid squander resources and taxpayer money.

THE SOLUTION

Enact free-market reforms to create opportunities for new entrants in the health care field, lower prices, increase the availability of care across the state, and put Medicaid on a long-term downward budget trajectory.

KEY FACTS

- The failure to make many COVID-era health care reforms permanent places unnecessary limits on health care access.
- Certificate of Need laws separate patients who need care from doctors who want to provide it.

Make Temporary Health Care Reforms Permanent

“Scope of practice” defines what various medical professionals can do in a state. More treatment options for patients means more competition among providers, which is good for consumers in terms of service and price. This is especially important in rural areas where doctors may not always be available or nearby. Western states have generally broadened the scope of advanced practice registered nurses, including the expansion of their prescribing authority, because of the wider availability of these nurses, especially in rural areas. Missouri should take a similar approach and pursue broader scopes of practice in all of its medical fields, unbounded by arbitrary geographic restrictions, that have proved safe and effective in other states.

“Telemedicine” is the provision of medical care over the telephone or internet. During the pandemic, the state temporarily loosened the laws and regulations for who could see a physician online and under what circumstances. Those waivers, now expired, should be made permanent in law.

“Licensure” is the way the state regulates certain professions. Some standards are perfectly reasonable, like requiring a certain amount of education before a doctor can practice in Missouri. But licensure can often act as a barrier to entry, especially for qualified doctors from other states. The expansion of licensure reciprocity in Missouri in 2020 increased access to both in-person care and telemedicine. Missouri should not give up these benefits in favor of exclusive licensing compacts with other states that might limit reciprocity going forward.

Repeal Certificate of Need

Missouri’s Certificate of Need law forces many health care providers to get state approval before entering new markets or expanding services. This requirement hampers innovative start-ups and market newcomers that would provide Missourians care. It also puts upward pressure on health care prices by restricting supply as demand for services rises. Hospitals shouldn’t have a statutory say in whether new entrants can compete with them.

Reform and Realign Medicaid

In Fiscal Year 2022, the State of Missouri spent over $12.6 billion on its Medicaid program, and for Fiscal Year 2024 it plans to spend over $19 billion. This is not sustainable. Thanks to an artifact of COVID-era laws, eligibility redeterminations of Medicaid beneficiaries were halted for a time, ballooning Medicaid rolls further. The Affordable Care Act is also responsible for this explosion of spending. Policymakers should make sure that those in Missouri’s Medicaid program are eligible for benefits and remove those who are not. More broadly, they must reassess and rein in the program to protect the state’s financial future.

POLICY RECOMMENDATIONS

- Make the temporary waivers of scope of practice and telemedicine restrictions permanent.
- End the “compact exception” to licensure reciprocity.
- Repeal Missouri’s Certificate of Need law.
- Ensure that all recipients of Medicaid benefits in Missouri are eligible for those benefits, and realign the program’s spending toward the truly needy.

HEALTH CARE PRICE TRANSPARENCY

THE PROBLEM

The lack of transparency in health care pricing means that patients don't know the price of the treatment they receive until they get the bill and that hospitals are shielded from competition.

THE SOLUTION

Arm consumers with the information they need to make health care decisions.

KEY FACTS

- In Missouri, prices for the same service can differ widely depending on a patient's insurance. For example, the price of a pelvic CT scan at a single hospital can vary by a multiple of 20.
- Uninsured patients—who tend to be among the poorest—are routinely charged the highest prices.

What We Don't Know Is Costing Us

Advocates of government-run health care often claim that market forces do not operate in health care. However, they neglect to mention that competition has been artificially suppressed by a lack of price transparency. Studies have found wide variation in prices paid for health care procedures across regions, among hospitals, and most alarmingly, within the same hospital based on the type of insurance or lack thereof.

With average deductibles up 79% over the past decade, price transparency is critical for both the insured and the uninsured because it opens up several ways to control costs:

- It allows patients to compare providers.
- It forces hospitals to compete on price and quality.
- It helps insurers negotiate lower rates.
- It aids employers in offering cost-effective plans to workers.
- It facilitates alternatives to fee-for-service payment models.
- It enables physicians to partner in cost-containment efforts.

Hospitals Are Ignoring Transparency Rules

In June 2019, the Trump administration issued an executive order requiring hospital price transparency. Since January 2021, hospitals have been required to provide not only list prices but also negotiated charges for 300 shoppable services. Hospitals must make this information available both in machine-readable and consumer-friendly formats. However, only 36% of hospitals are fully compliant. The *Wall Street Journal* has reported that hundreds of hospitals embedded code in their price transparency websites that prevents search engines from returning pages with the price lists. Furthermore, hospitals aren't the only providers of care; clinics, imaging centers, and other providers should be bound by transparency requirements as well. Until patients can be informed consumers of the care they purchase, we can't expect to keep the cost of medical services under control.

POLICY RECOMMENDATIONS

- Require by state law that hospitals and other health care providers publish pricing information to the public in user-friendly, machine-readable form.
- Under state law, prohibit providers from pursuing medical debt collection if they are found to be noncompliant with transparency requirements.
- Implement incentives for both doctors and insurers to show patients how to look up prices.

Show-Me Institute
Where Liberty Comes First

WELFARE REFORM

THE PROBLEM

As many Missouri businesses continue struggling to find workers, the state's welfare programs are fostering government dependency.

THE SOLUTION

Reform Missouri's welfare programs to incentivize self-sufficiency while minimizing waste, fraud, and abuse.

KEY FACTS

- Nearly 1 in 4 Missourians are enrolled in government-sponsored health coverage through Medicaid.
- Estimates suggest that upwards of 20% of current welfare recipients may be ineligible to receive services.
- Following recent federal actions, Missouri can once again begin enforcing work requirements for able-bodied recipients of the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families program (TANF).
- Missouri's current welfare eligibility guidelines can foster government dependency by incentivizing recipients to reject employment offers that would result in them eventually losing benefits.
- Unless swift action is taken, Missouri will soon have the most expansive welfare system in the country as the result of recently enacted "benefit cliff" legislation.

Continuing Growth

As government spending has grown in recent years, so too has enrollment in Missouri's various welfare programs. Today, Medicaid is Missouri's largest government-run program, with nearly 1.5 million Missourians enrolled, or approximately one fourth of Missouri's population. This represents an increase in enrollment of approximately 70% since the beginning of 2020.

Medicaid is not the only program growing in size. More than 700,000 Missourians are enrolled in the Supplemental Nutrition Assistance Program (SNAP). There are also approximately 25,000 children in Missouri whose childcare costs are being fully subsidized by taxpayers.

For the past three years, federal policy was the primary driver of welfare program growth, but now it is the responsibility of Missouri's government to right-size the program's rolls. As of April 2023, estimates suggest that more than 20% of current Medicaid enrollees were no longer eligible to receive services, and there's little reason to doubt that the situation is similar in other welfare programs.

Change Incentives to Change Outcomes

Welfare programs shouldn't encourage dependency, but far too often they end up trapping recipients on government support. For years, it was understood that if you were healthy enough to work, receiving welfare benefits should depend on working or at least trying to find gainful employment. But in recent years, Missouri stopped enforcing work requirements for both the SNAP and TANF programs.

Governments should be incentivizing welfare recipients to become self-sufficient, but often it has not been doing so. To qualify for most welfare programs, a recipient's income must be below a certain point. Then, once their income exceeds that point, presumably because they've gone back to work, they'll no longer qualify for benefits. This means that many recipients face the difficult decision of whether taking a job or promotion was worth more to them than losing their benefits. Needless to say, Missouri's government should reform its welfare programs to ensure that no recipient is ever disincentivized from furthering their career.

Reform Can't Wait

Last legislative session, a bill was passed to address welfare benefits cliffs, but it will create more problems than it solves. In fact, if it is enacted fully without reform, Missouri will have the most expansive welfare system in the country.

Missouri already has federally provided flexibility for administering its welfare programs that it's not taking advantage of, and instead of adding more bureaucracy on top of our already-bloated welfare system, Missourians would be much better served if the state legislature adopted real reform.

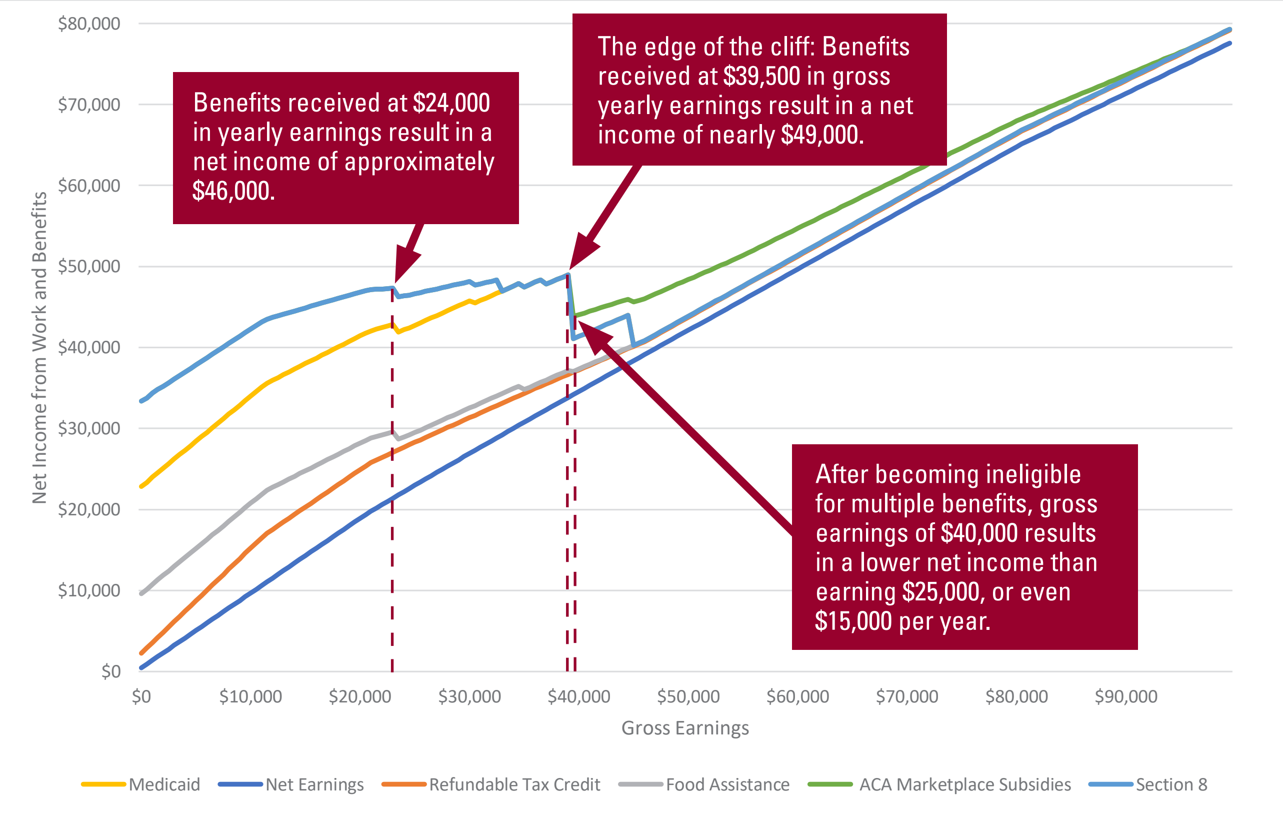
Providing a streamlined, efficient welfare system that promotes self-sufficiency is within reach, and that will not only be better for program recipients, but for taxpayers and employers as well.

POLICY RECOMMENDATIONS

- Continue upgrading state information systems to encourage greater accountability by minimizing waste, fraud, and abuse.
- Pursue additional federal flexibility to tailor welfare programs to meet Missouri's needs.
- Take advantage of currently provided flexibility to meaningfully reform welfare programs and encourage greater efficiency of administration.
- Repeal benefit cliff legislation and reform welfare programs to encourage self-sufficiency instead of fostering dependency.

WELFARE BENEFITS CLIFFS FOR SINGLE MOTHER OF ONE

Benefits cliffs occur when recipients abruptly lose benefits as their earnings increase.



Source: BenefitsCliffs.org.

RESOURCES

MO School Rankings

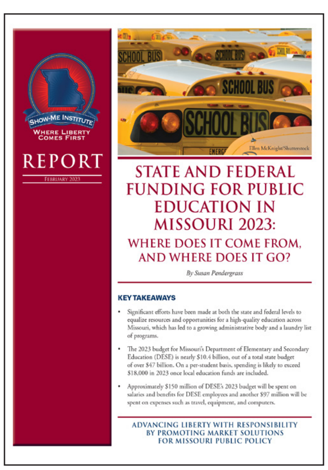
The Missouri Department of Elementary and Secondary Education (MO DESE) has not provided the required level of transparency regarding student performance or the allocation of taxpayer funds. This transparency is essential for building an education system that prioritizes higher standards, reduces achievement gaps, and emphasizes results-based accountability.

In response to DESE's failure to perform one of its most basic functions, we launched The Missouri School Rankings Project and MoSchoolRankings.org.

Show-Me Institute Podcast

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

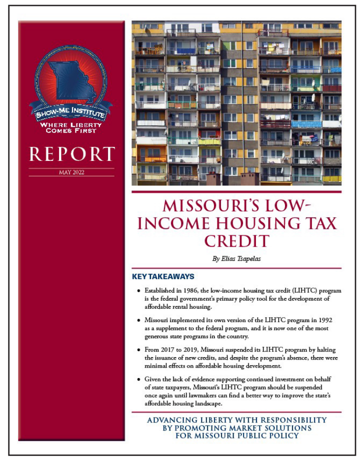
Listen and subscribe to the Show-Me Institute Podcast at soundcloud.com/show-me-institute or on Apple Podcasts.



An In-depth Look at State and Federal Funding

How is public education financed in Missouri? How much of a district's revenues are generated locally, and how much money is contributed by the the state and federal government? What impact did the COVID stimulus funds have on education financing?

These questions and others are addressed in this report, which also presents a program-by-program account of how education dollars are spent in the state.



Missouri's Low-income Housing Tax Credit

The low-income housing tax credit (LIHTC) program is the federal government's largest tax expenditure on affordable rental housing. In Missouri, LIHTC is the state's primary housing policy tool and its most expensive tax credit program. Despite the program's cost and political durability, the question remains: is the LIHTC program an effective and cost-efficient approach to improving housing affordability?

This report explores this question, providing details on the structure of Missouri's LIHTC program and the economic incentives it creates, along with a discussion of the conclusions that can be drawn following the temporary suspension of Missouri's LIHTC program from 2017 to 2019.

Saving Federalism: How Federal Policy Affects Missouri's Spending

This report examines how policy at the federal level has influenced Missouri's budget. In particular, the report explains how reliance on federal aid has contributed to Missouri's budget ballooning in the last decade. The exact areas where grants from the federal government have significantly impacted Missouri, including Medicaid, education, and economic development, are broken down in detail. The report ends with recommendations for how Missouri can reassert control and reduce its reliance on federal money.

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