



SHOW-ME newsletter

2024 ISSUE 1



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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 we begin to approach the November elections in Missouri, many people's minds will be on the upcoming governor's race. However, this is also a time to reflect on the outgoing governor. What from his six-year tenure will, for better or for worse, stand the test of time? What will his legacy be?

I want to start with the positive. While the last six years haven't been marked by nearly enough progress from a free-market perspective, state government did accomplish a few things worth celebrating.

- It passed legislation lowering the top income tax rate in Missouri from 5.2 percent to 4.95 percent (prior to Parson's term, the rate had been lowered from 6 percent to 5.2 percent), and eventually to 4.5 percent if certain triggers are met.
- It created the Empowerment Scholarship Account (ESA) program, which allows families to apply for scholarship funds that can be spent on a variety of educational options.
- It established a broad licensing reciprocity program.
- It increased transparency in education; schools are required to track their expenditures and revenues and provide the information in a searchable database. Additionally, the Office of the Treasurer and the Office of Administration have created databases to track spending by Missouri municipalities.

Yet progress on school choice, taxes, and transparency reform could have been much faster and more comprehensive, and the governor has to accept responsibility for that. It is true that the Show-Me State tends to move slowly and follow the example of other states. And the legislature has been bogged down by

petty feuds and rivalries in recent years. But the real test of leadership is the ability to set priorities, stay focused on those priorities, and herd the cats to get things done. The governor failed that test; he has followed too often when he should have been leading.

The budget is one area where the governor showed consistent leadership. Unfortunately, he led us in the wrong direction. In the last three years, the state budget has grown from \$31.1 billion to \$53.5 billion—a total increase during that period of 72%, which dwarfs the increase in prices (18%), economic output (25%), and population growth (1%).

How did state government balloon to this size? A huge infusion of federal "pass through" funds certainly played a large role, but so did decisions made by state policymakers, including the governor. The state Medicaid program is growing at an alarming rate. One in four Missourians is now enrolled in the Medicaid program, and total state spending on the program has grown by more than 65% over the past three years. The Department of Elementary and Secondary Education's (DESE) budget has continued to grow. The governor recently created the Office of Childhood for childcare and pre-K programs. In just three years, that office's budget has increased from \$635 million to \$1.2 billion.

It's still possible to change the narrative, because there's plenty of time remaining in the 2024 legislative session. But I'm not holding my breath. During his final state of the state address, the governor outlined plans to expand subsidies and create new tax credits for childcare, implement a large expansion of pre-K, and increase both teacher and state employee pay. It appears that Missouri may see even more expansion in the size of state government in 2024. And unfortunately for our state, and the governor, the explosion in the size of government over the last half decade is going to be his legacy.

WILL SCHOOL BOARDS AROUND MISSOURI CONTINUE TO ADOPT A FOUR-DAY SCHOOL WEEK?

Avery Frank

Back in my time in school, March was a time when we started to think about summer break. Perhaps it was because we were so excited for warm weather and sleeping in until noon, or perhaps it was because my friends and I were dreading the summer football workouts. In any case, the second semester is a time when students and adults alike begin to think about the next year—just ask all the seniors who are most likely feeling the first symptoms of senioritis.

School boards are also thinking about the next year during this time. In fact, many are in the process of crafting the district schedule for the 2024–2025 school year. While the dates of the first day of school, Christmas break, and spring break are important, I am particularly interested in how many districts will move to a four-day school week (4dsw).

This school year (2023–2024), 23 Missouri districts adopted a 4dsw for the very first time, moving the total tally of 4dsw districts in Missouri up to 173. Just five years ago, only 34 districts used a 4dsw. If we continue the growth trend of the past five years (which has been between 20–40 new districts per year), we may have almost 200 school districts using a 4dsw in our state in 2024–2025.

Despite all these districts moving to a 4dsw, an important question remains. How much evidence is there to support these moves? My colleague James Shuls and I dove deep into this topic.

If you are interested in bringing evidence to your school board, or if you are a school board member yourself, here is a summary of the best available data we found.

- **Effect on Student Achievement:** Small, negative effect on academic achievement—close to null or no effect for rural districts.
- **Effect on District Finances:** Little evidence, but the scarce evidence points to districts spending slightly less (~2.9%) but also receiving less (~2.6%).



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- **Effect on Teacher Retention:** Few studies, but mixed results on its effect.
- Missouri parents generally support keeping a 5dsw (64%), with the strongest support among those who could not provide childcare on the extra day off (84%).
- Strong support amongst Republicans and Democrats for giving parents the option to transfer their student (69%) or be eligible for a voucher (59%) if their district moves to a 4dsw.

All of this means school boards ought to proceed with caution. The 4dsw is not inherently bad, and if a district really wants to try it, then it should attempt to maintain the existing number of instructional hours as much as possible. Whether this is achieved by lengthening school days or shortening the summer break, districts must be very deliberate with their implementation of this schedule.

I encourage people to pay attention to your school board meetings this year. As school boards look to the next year, they should be equipped with the best evidence possible as they make decisions that can have a major impact on students and their families.

SHOULD THE VILLAGE, THE PEACEFUL VILLAGE, DISINCORPORATE NEXT MONTH?

David Stokes



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The residents of Peaceful Village, a small, incorporated community in Jefferson County, are voting on whether to disincorporate the village itself on April 2, 2024. If the disincorporation proposal passes, the residents will revert to living in unincorporated Jefferson County. The tax and service differences between these two choices are small; disincorporation would likely be barely noticed by most residents.

Not surprisingly for someone who works at the Show-Me Institute, I passionately believe in limiting the role of government in people's lives, including my own. One of the most direct ways to limit government in your life is to limit the number of governments that have authority over you. Residing in an unincorporated area is one way to do that. You need not worry about city rules and regulations if you don't live in one in the first place.

How far can one go to limit the number of governments one has to answer to? In Missouri, you can easily live outside of a municipality, but the entire state is

divided into counties. Can you live outside of any local government's authority in the United States? Well, yes, but it isn't easy. "Unorganized" areas—as places not a part of any city or county government are known—are only significant (by area) in Alaska and Maine, along with small sections of northern Vermont and New Hampshire. Would that be worth it? Maybe, but probably not. Despite the theoretical appeal that limiting the interactions with government has for me, my revealed preference is to live within a typical Missouri municipality (University City), so feel free to consider that accordingly.

Does living in an unincorporated community really reduce the impact of government in your daily life? It depends. Sure, if you made a radical change from living in a large city like St. Louis to move to unincorporated Bollinger County in southeast Missouri, you would notice the difference in the taxes you pay and the services you receive at the local level. But if you moved from Liberty to unincorporated Clay County, where the county provides a level of services similar to cities, the differences would be slight. Small towns and villages in rural areas simply don't provide the same services—or levy the same taxes—that bigger cities and suburbs do.

Missouri makes extensive use of specialized taxing districts, which is another quirk of how many local governments get to boss you around. You may live in an unincorporated area without zoning, but the local fire district might still have the authority to tell you how your construction project must be done (at least from the fire code perspective). If not a fire district, then perhaps an ambulance, soil, hospital, tourism, entertainment, road, sports, or street light district might have the authority to tax or regulate you, to name just a few other special taxing district options.

In Missouri, no matter how you try to limit your dealings with the planners, regulators, and busybodies who dominate local government, too often it is death by a thousand cuts from obscure agencies you have never heard of. I don't know, perhaps the French-speaking parts of far northern Maine don't look so bad after all.

IT'S GOOD TO BE BACK

Patrick Tuohy



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When the Show-Me Institute asked if I would consider returning as a senior fellow, I wanted to give the offer careful consideration. Over the next few weeks, I visited with people in and around Kansas City government. My question to them was, “Is there a constructive role for a free-market think tank to play in the city?” I was sure to add that I would accept “no” as an answer.

No one said no. And I spoke with people who do not share the policy preferences held by many at the Institute. At least one person I asked was someone with whom I had tussled over economic development policy in my previous time at the Institute. Everyone was familiar with the Institute and told me there was a role for it to play in shaping good policy.

It is not enough that we talk to those who already share our view. The hard work of public policy is—or at least ought to be—working with those who see the world differently. Ideally, we can convince them of our view. Hopefully we can find common ground and compromise. And even if we can’t, we have built a relationship that makes the process easier the next time around.

We can be civil in our discourse without compromising our principles. Let me add that compromising on policy is not the same as compromising on principle. It is merely a recognition that the work of persuasion remains unfinished.

One of my conversations about policy led to the *Kansas City Star* bringing me on as a weekly opinion columnist—something I consider a great honor. I have submitted columns on topics familiar to Show-Me readers: stadium funding, law enforcement, municipal transportation, and housing policy. My editors at the *Star* have made few, if any changes to my submissions and have defended them against outside criticism. I’m grateful for that.

It’s good to be back to be back at the Institute.

The formal research papers my colleagues publish may seem like the end of our work, but that’s not the case. From the inside, what Institute analysts and scholars have published in papers, on our blog, and in newspapers, and what we’ve said on TV and radio, amount to an ongoing conversation. A 20-year conversation, at that! No matter what is in the news (stadium subsidies, petition reform, land banks, school choice) we’ve likely written about it 5, 10 or 15 years ago.

That body of work almost becomes another voice at the Institute, reminding us where we’ve been, showing us that we were (often) right to be skeptical of something, and keeping us anchored to our free-market principles.

Governors and legislatures come and go, policies rise and fall in popularity, and the quality of civil discourse falls (let’s hope it rises once again.) But as always, the Show-Me Institute is a good place to weather the storm.

MEDICAID THREATENS MISSOURI'S FINANCIAL FUTURE

Elias Tsapelas

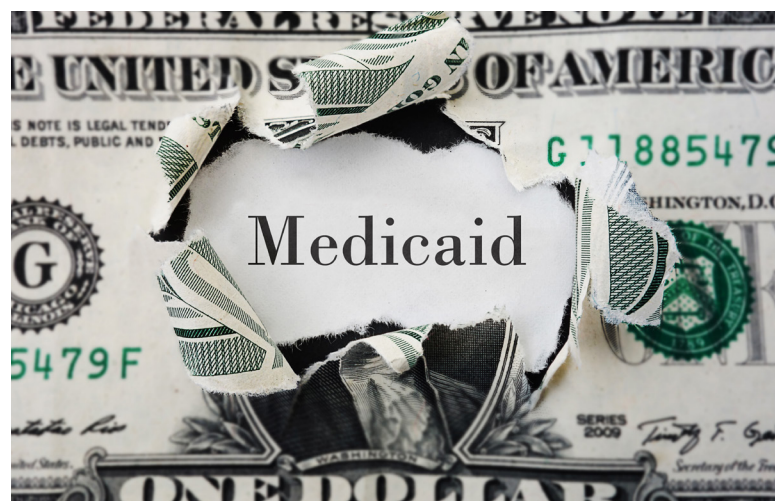
Unless state lawmakers take action, and soon, all signs are pointing to Medicaid blowing an enormous hole in Missouri's next budget.

For years, Medicaid's ever-growing costs have been a major problem for Missouri's budget, but things are about to get significantly worse. In just the past four years, program enrollment has ballooned by more than 40%, with nearly one in four Missourians now on the rolls. At the same time, Medicaid's total cost has grown by nearly 80% over the same period, from approximately \$10.8 billion to more than \$19 billion.

While it is true that the federal government picks up a large portion of Medicaid's bills, Missouri's federal counterpart is also a major reason the state's program has grown as big as it is today. Since 2020, Missouri has experienced a once-in-a-generation pandemic and voters approved expanding Medicaid eligibility under the Affordable Care Act. Unsurprisingly, the result was the program exploding in size, but fortunately for state taxpayers, the federal government provided Missouri with what was called "enhanced" funding to spare them from the worst of the accompanying costs.

That doesn't mean that Missouri's taxpayers aren't paying more for Medicaid today than ever before. In fact, state spending on the program has increased by more than 70% since 2020. But during that time, Missouri also experienced a tremendous run of state revenue growth, which, taken together with the increased federal funding, meant that Missouri's lawmakers were able to avoid addressing the long-running Medicaid cost problem.

However, things are going to change next year. In addition to the typical inflationary health care cost increases, state budget preparers will have to find the funds to fill a hole the federal government is about to leave behind. After paying a larger share of Medicaid costs for several years, the federal government has now discontinued its increased spending and returned to paying its pre-pandemic share. This means that, unless Medicaid enrollment drops significantly or state lawmakers take action now to reform the program, state tax dollars will be needed to take the place of those expiring federal funds.



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In other words, if state lawmakers don't take action now, they should expect the general revenue cost of the Medicaid program to increase significantly next year, likely by at least several hundred million dollars. Given that recent reports suggest that state tax revenue isn't expected to grow that much, there's a good chance

Medicaid's costs will increase by more than the state's tax collections. And if that were to happen, dramatic budget cuts to other state spending priorities such as education, roads, or public safety will be needed to finance Medicaid's cost growth.

Unlike the COVID-19 pandemic, the coming budgetary shortfall is entirely predictable, but Missouri's elected officials have thus far chosen not to prepare for that reality. There's no getting around the fact that successful Medicaid reform will take time to implement, and that reining in spending now is preferable to waiting. The question is whether lawmakers will recognize these sobering truths soon enough to steer our state clear of the hole in the budget that's ahead.

IT'S NOT JUST DECLINING ENROLLMENT THAT IS EMPTYING CLASSROOMS IN MISSOURI

Susan Pendergrass

Show-Me Institute analysts have written here before about some of the reasons Missouri is experiencing declining K-12 enrollment. The pandemic caused a lot of parents to rethink things, and many Missouri families started exploring options outside of traditional public schools. But there is another force that is compounding classroom declines—chronic absenteeism. Chronic absenteeism, which is a designation applied when a student misses at least 10% of a school year, has doubled in nearly every district in the state since the beginning of the COVID-19 pandemic. And the academic consequences of this are clear in our declining test scores.

Statewide, rates of chronic absenteeism have nearly doubled from 13% in 2019 to 25% in 2023. An interactive map (which can be found at returntolearntacker.net) created by an analyst at the American Enterprise Institute (AEI) allows you to dig in at the district level, and the results are alarming. Over half of all students (51%) in the St. Louis Public School District were chronically absent last year, compared to an already dismal 25% in 2019. Similarly, 47% of Kansas City Public School District students were chronically absent last year. But it's not just our lowest-performing districts where students aren't showing up. Fourteen percent of students in Webster Groves and 19% of students in Parkway—two suburbs of St. Louis known for their “good schools”—were chronically absent last year, in both cases a doubling from pre-pandemic numbers.

Not to state the obvious, but kids can't learn if they're not in school. It's hard to imagine that missing 18 days of school in a year (18 days is 10 percent of a Missouri school year)—or about a day every two weeks— isn't very disruptive to a child's academic success. We need to treat this as the crisis that it is. We should be reading about this in the news regularly. Nat Malkus, the author of AEI's report and a guest on the Show-Me Institute's

podcast, said this is the biggest crisis facing America's schools today. And yet, the recurring issues of teacher pay and public education spending seem to dominate the headlines.

Our students are already behind academically due to the upheaval of the pandemic. Parents need to be brought to the table and made to understand how important it is for them to ensure that their children attend school regularly, because it is first and foremost parents' responsibility. Leaders from school officials, elected leaders, and the Missouri Department of Elementary and Secondary Education (DESE) need to be vocal about the fact that we have a real problem on our hands. It's time to shift our thinking back to the pre-pandemic mindset of the importance of going to a school building every day.



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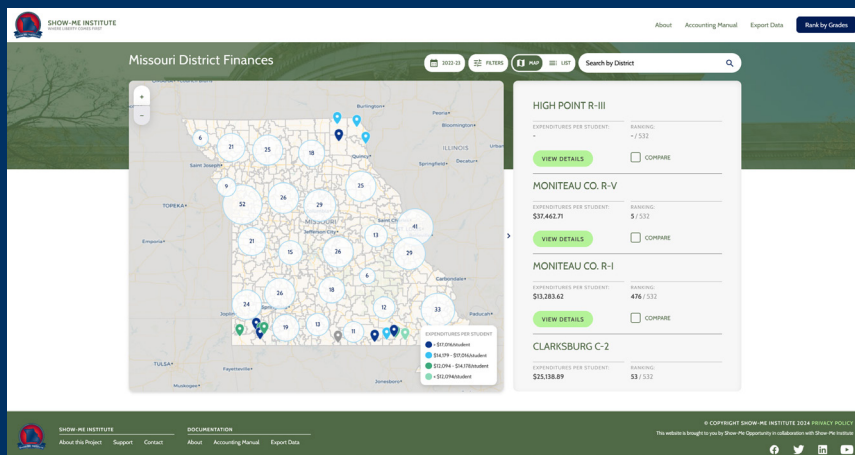
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MOSCHOOLRANKINGS.ORG



In response to the Missouri Department of Elementary and Secondary Education's (DESE) failure to perform one of its most basic functions, we launched **MoSchoolRankings.org**. The website makes student performance and spending data more transparent by providing parents, policymakers, educators, and taxpayers with access to easy-to-understand information about every Missouri school and school district in order to motivate actions that will result in dramatic reforms to Missouri's education system.

2023 Data Now Available!

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