SHOW-ME INSTITUTE ANNUAL REPORT

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LOOKING FORWARD: REFLECTIONS FROM THE CHAIRMAN AND PRESIDENT

JAMES G. FORSYTH III
Chairman & Treasurer

REX SINQUEFIELD
President

We present an interview with Rex Sinquefield and Jim Forsyth, President and Chairman (respectively) of the Show-Me Institute. Rex comments on tax and fiscal issues in Missouri. Jim gives his views on education and the "Mississippi miracle"—a remarkable breakthrough in elementary education that should be of great interest to people in our own state.

Senior Fellow Andrew Wilson posed the questions in ***bold italics***.

We have a new governor and a new group of legislators in Jefferson City. How would you assess them regarding tax issues in the 2025 session of the Missouri Legislature?

Rex: A good beginning in stating a critical objective: getting rid of the state income tax. It made us applaud at the Show-Me Institute. You won't get there overnight, and it won't be easy. It will be a real journey, and people aren't going to sign up for the trip unless their political leaders prepare them for it.

What makes eliminating the income tax so important?

Rex: The income tax is the worst tax, a killer tax. It destroys productivity (output per man-hour of work), and it discourages good behavior. No other tax is like that. A sales tax, in large part, is voluntary. To avoid it, keep your credit card in your pocket and save some money. The income tax takes money out of the pockets of productive people and puts it into the public purse, and that's the road to ruin.

Over the past few years, Missouri has cut the state income tax from 6.0 to 4.7 percent. That's good, but it's not good enough. Other states have been moving faster, and one of them—Mississippi—has passed legislation to radically lower its income tax over the next five years and place the state on a path to eliminating it altogether.

Credit goes to Mike Kehoe as the first governor in Missouri history to call for the complete elimination of the state income tax. In his State of the State address he made the case very well: "Missourians can spend their money a whole lot better than government, and I hope you will join me to help Missouri families secure a better future for themselves . . . with no income tax."

Longtime supporters of the Show-Me Institute know that we have been calling for the abolition of the state income tax for many years. In a detailed policy paper published back in 2006 ("Repealing the State Income Tax by 2020"), we laid the foundation for making that a major policy objective, explaining how it could be done over a 14-year period. Even then we saw there was no overnight solution, because our state depends so heavily on income tax receipts. And that hasn't changed.

In Fiscal Year 2024, income tax receipts accounted for close to $8.5 billion of the state's more than $13 billion in net general revenue funds, or more than 60 percent. At the same time, the income tax is expected to pay for nearly 17 percent of Missouri's total spending, or about one third of the state's non-federal spending, in Fiscal Year 2025. The point is, any way you look at it, quitting the income tax cold turkey could be difficult.

Why not get rid of the state income tax and replace it with increases in sales taxes?

Rex: I would love to see that, but it may require a new constitutional amendment to invalidate an earlier one. The real estate industry secured the passage of an amendment to the Missouri Constitution that flat-out banned the application of any new uses of the sales tax.

If it comes to a battle royale over a new amendment to replace the old, that may well be one that we will want to fight. Missouri makes much more sparing use of sales taxes than other states. There are literally thousands of goods and services with sales tax exemptions. In the meantime, there are many other things that the governor and legislators can do to ease the way to eliminating the state income tax.

That begins with bringing the state budget under tighter control and getting ready to cut the size of state government. One of the first things to do is to take the state out of the economic development business, which is now costing more than $500 million a year in tax-credit redemptions. State and local political leaders shouldn't be trying to pick winners and losers.

Over to you, Jim. Tell us about the "Mississippi Miracle" and the remarkable success Mississippi schools have had in getting 8- and 9-year-old children over the difficult hump of learning to read. Do you see this as something schools in Missouri might be able to replicate?

Jim: Yes, I do. Our educators and political leaders should be champing at the bit to explore whether our state could benefit from applying the same approach to teaching children to read that has worked wonders in Mississippi.

But first, some background on the current state of K–12 public education in Missouri. Our schools rank in the bottom half of all states in academic achievement, and the future looks anything but good.

According to the most recent National Assessment of Education Performance (NAEP, or the Nation's Report Card) provided by the U.S. Department of Education, a dismaying 42 percent of Missouri's 4th-graders scored below Basic in reading, the minimum expected level of achievement for their grade. In other words, they had little or no idea of how to read. Our schools ranked lower than those of all but five other states.

In a recent article ("Missouri Public Schools Have a Very Serious Reading Problem"), Susan Pendergrass, our director of research at the Show-Me Institute, pointed out that most of those non-readers are "most likely now in the 5th grade trying to figure out what the heck their textbooks on any subject are trying to teach them." "What will Missouri look like in 15 years," she asked, "when almost half of our 25-year-olds are barely literate?"

What could be more important than helping kids with their reading and writing, so they can succeed at completing their education and entering the workforce?

The answer is "nothing," as Mississippi's experience has shown. Ten years ago, Mississippi schools were among the most poorly performing in the country. Now they are among the best.

What became the Mississippi miracle was sparked by the dynamic leadership of Dr. Casey M. Wright, an East Coast educator and consultant who became the Mississippi Superintendent of Education in 2013. She promoted what is called the "science of reading," which begins with the idea that learning to read for an elementary school child is a much different challenge than learning to talk is for a toddler. She adopted a new methodology that placed greater emphasis on sounding out words (phonics), building vocabulary, and tutoring kids. There was also a concerted effort at the K–3 level of education to make sure that children learned to read before they advanced to the 4th grade. There would be no more "social promotions."

Over the past decade, Mississippi has climbed out of the hole of ranking among the nation's rock-bottom worst school systems. Its ascent in the national rankings has been startling.

Highlights from Mississippi's 2024 Report Card include the following:

- Its highest-ever percentage of students scoring Proficient or Advanced in all four tests: 4th-grade reading and math and 8th-grade reading and math
- Ranking number 1 in the nation for achieving the highest score increases in the above categories
- Ranking number 9 in the nation for overall 4th-grade reading scores and number 16 for overall math scores (up from 49 and 50 a decade ago)
- African American 4th-graders ranking number 3 among their peers nationally for reading and math scores
- Hispanic 4th-graders ranking number 1 among their peers nationally for reading and number 2 for math scores

Why the sudden increase in math scores? First, it helps that they can read the math books. And it appears that success in learning to read has made children much more excited about going to school in general. It has made them more willing and even eager to tackle math and delve into a host of other subjects.

We shouldn't be surprised that children enjoy school more, and learn more in all areas, when they can read and therefore understand what they are being taught. The converse is also true: When we *don't* get kids reading on grade level at an early age, they will be handicapped in all subjects.

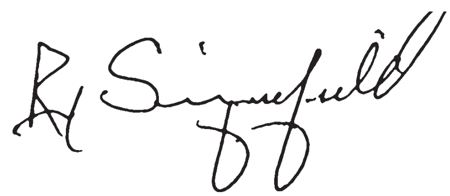
The bottom line is that Mississippi has produced great results, turning the 3rd-grade reading test into a major event for families of school-aged children across Mississippi. In a podcast, Nicholas Kristof, a columnist for the *New York Times,* painted a vivid picture of the impact of the test, saying: "It just galvanizes everybody. It focuses every kid in the state on making sure they can read by the end of the third grade and focuses families on it, teachers, schools, and it works."

Any closing words, Jim?

Jim: Governor Kehoe and the legislature did take a step in the right direction during the 2025 session when they made $50 million of public funding available for Missouri children to attend private school or be homeschooled. That is a major advance that will triple the number of kids who can receive education scholarships, and it would not have happened without the governor's leadership.

We are grateful for that. But it's like pulling teeth to get Missouri to adopt reforms that are succeeding spectacularly across the country. Other states are either holding their public schools accountable, giving parents private school options, or both.

We can't seem to do either here in Missouri. Why not?



Rex Sinquefield

James G. Forsyth III

MISSOURI'S MEDICAID BLAME GAME

By Elias Tsapelas

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Nobody wants to hear "I told you so," but Medicaid has made an entirely predictable mess of Missouri's finances. For more than a decade, Missouri lawmakers have sat idle while Medicaid slowly devoured the state's budget. Despite my best efforts to warn Missourians about what's been happening, many of our elected officials still don't seem to get the picture.

To provide a little context, Medicaid, the government-sponsored health coverage program for low-income individuals, costs nearly $900 billion per year nationally. This is up from approximately $300 billion as recently as 2008. In Missouri the trend is similar, with program costs nearly tripling over the same period from $6.5 billion to more than $18 billion. Medicaid has become Missouri's largest government program, and it accounts for more than a third of all state spending.

How did we get here? While it's nearly impossible to trace Medicaid's rapid growth back to a single cause, there have been several key points in recent years that were clear, but unfortunately ignored, signs of what was to come.

In 2010, Congress passed the Affordable Care Act (ACA), which served as a turning point (in the wrong direction) for America's healthcare system. Not only did the ACA wreak havoc on the health insurance market, but it also allowed states to provide Medicaid coverage for able-bodied adults. The program's resources were previously reserved for those who are unable to work (children, the elderly, the disabled, etc.). And to entice states to adopt this expansion of Medicaid, the ACA increased the share of healthcare costs covered by the federal government for this newly covered population.

For nearly a decade, Missouri was able to fend off the allure of Medicaid expansion and the promise of increased federal support, but Missouri voters approved a constitutional amendment to extend Medicaid to able-bodied adults in 2020. As I explained repeatedly at the time—and as Missouri's lawmakers soon found out—growing entitlements while becoming increasingly reliant on the federal government comes with a hefty price tag.

To be fair, Missouri voters were misled by expansion's supporters, who apparently convinced them that the policy wouldn't destroy Missouri's budget. In fact, proponents argued that Medicaid expansion would *save* Missouri money. For more than a year prior to the Medicaid expansion vote, I wrote and testified numerous times about how wrong their claim would prove to be. It doesn't take an elaborate statistical analysis to understand that covering several hundred thousand new Medicaid enrollees would have to cost something.

Unsurprisingly, Medicaid expansion supporters with their pie-in-the-sky promises also failed to account for one of the biggest problems with opting to receive additional federal funds, which was the strings the federal government would tie to their acceptance. Of course, it didn't help that Missouri approved and implemented Medicaid expansion at the height of the COVID-19 pandemic. At that time, with numerous overly generous relief packages that our state lawmakers readily accepted, the federal government swiftly sank its claws deeper into Missouri's finances.

Perhaps the most problematic federal requirement was that Missouri's Medicaid agency stop checking whether program enrollees remained eligible to continue receiving benefits. This requirement remained for more than three years. As a result, Missouri had to keep on its Medicaid rolls, at a minimum, tens of thousands of recipients for multiple years even though they no longer qualified for benefits, costing taxpayers hundreds of millions in unnecessary spending.

After expansion's implementation in October 2021, program growth quickly exceeded all cost and enrollment estimates from before the policy's adoption. Between January 2020 and April 2023 (prior to COVID-19 and 18 months after expansion went into effect), Medicaid enrollment grew from nearly 850,000 to more than 1.5 million, with approximately 340,000 of those being able-bodied adults. At the same time, the federal government's share of Missouri's budget grew from around one third to nearly one half of all spending.

All told, Medicaid's whirlwind past five years should serve as a much-needed wake-up call for Missouri. As we look toward our state's financial future, there's no doubt that there are some serious challenges ahead. After years of federal prodigality and state revenue growth that allowed Missouri's lawmakers to largely avoid dealing with the repercussions of their past decisions, it appears the gravy train is about to run out. Pandemic-era relief funding has dried up, state tax revenues are down, and even the federal government recently took action to rein in its excess Medicaid spending.

As tempting as it may be to assign blame or say "I told you so," it's probably better to focus on where Missouri should go from here. To start, Missouri's elected officials should take ownership of the mess that's been created under their watch and begin making the tough decisions necessary to get Medicaid back on a sustainable track. As difficult as the next few years may be for the Show-Me State, lawmakers should know by now that ignoring the problem will only make it worse.

THE BORDER WAR IS BACK, AND STILL COSTING US

By Patrick Tuohey

Before Kansas tried to poach Missouri's sports teams, its fighters burned our towns.

The Kansas–Missouri border has long been a front line—not just of geography but of ideology, identity, and aggression, dating back to the 1850s. While the nation remembers "Bleeding Kansas" from that era, much of the blood was actually spilled in Missouri. In particular, the Jayhawkers, a band of guerrilla raiders from Kansas, often crossed into Missouri to torch homes, loot farms, and settle scores. The cruelty was indiscriminate, and the legacy still smolders.

The Jayhawkers used the abolitionist cause as cover for brutality. Their namesake lives on as the University of Kansas mascot, making KU perhaps the only major university in America that lionizes what today would be called domestic terrorism.

Of course, today's border battles are fought not with rifles and swords, but with spreadsheets and subsidies. In fact, Kansas is once again trying to take what belongs to Missouri. This time, the weapons are tax incentives, and the targets are sports teams in Kansas City.

The funny thing is that only a short time ago both states had sworn off competing with each other over how much corporate welfare they could hand out to big business. In 2019, after years of trading subsidies to entice companies across State Line Road, both states declared a ceasefire. Governor Mike Parson signed legislation to end the fighting in Missouri, and Governor Laura Kelly issued a similar executive order covering Kansas, both agreeing the practice was wasteful and damaging. It was "a bad deal for both states," Parson said. Kelly pointed out the war did not "result in tangible economic growth."

Truer words were never spoken, at least by politicians.

However, after voters in Jackson County, Missouri, rejected a 2024 sales tax to fund stadium renovations for the Chiefs and a new ballpark for the Royals, Kansas legislators began talking about using STAR bonds—public financing that diverts sales taxes—to build new stadiums and lure both teams to the Sunflower State. Governor Kelly claimed her 2019 executive order stopping state efforts to woo Missouri businesses didn't include the Chiefs or Royals, and Kansas changed its STAR bond rules to draw the teams across State Line Road.

Not to be outdone, Missouri Governor Mike Kehoe called a special session of the legislature so that Missouri could enact its own package of incentives for the Chiefs and Royals. Missouri's total offer was worth at least $50 million per year for 30 years.

Negotiations continue as of this writing, so it's impossible to know the ultimate value of these offers. The teams have yet to tell us what it is they want to build.

I can't report these events without shaking my head in disbelief. It's not only that every decent study of stadium subsidies has shown they cost more than they bring in. It's also the prospect of the elected leaders of two states—who are supposed to represent free people in self-governing republics—toadying up to the team owners, offering them wealth that belongs to the public and begging them to condescend to do business in their states.

Frankly, the whole spectacle is offensive. I'm happy to note for the record that the good people of Jackson County, Missouri, refused to engage in it. Jackson County would of course be the area most affected if the teams moved to Kansas. Nevertheless, when its citizens were asked directly whether they wanted to pay higher taxes as an offering to the Chiefs and Royals, they had the dignity and good sense to decline.

I think that shows what the public actually thinks about this kind of corporate welfare.

Since I work for the Show-Me Institute, I'll address my final thoughts to the leaders of the Show-Me State:

You should not have followed Kansas into a costly and unseemly battle for the favor of billionaires. Missouri is already in a budget crunch, and even if it weren't, your duty is to husband revenue for reforms essential to the state, like expanding school choice, reducing taxes, reforming Medicaid, or upgrading infrastructure. Even if you manage to "save" the Chiefs or the Royals, Missouri is going to suffer a net revenue loss—and the truth is that you have already suffered a loss in credibility with the public that will be hard for you to regain.

The voters are wise to this game; they don't like it, and no matter how you try to justify it, they aren't going to reward you for giving in to the demands of the rich and powerful.

Sometimes the only way to win a border war is by not fighting.

Gilberto Villasana and Yuriy Boyko_Ukraine/Shutterstock

SENATE BILL 4 AND MISSOURI'S ENERGY FUTURE

By Avery Frank

In recent years, concerns over both the availability and cost of electricity have grown across the country. The U.S. Department of Energy (DOE) recently forecast that U.S. electricity demand will grow by 15 to 20 percent in the next decade and double by 2050. The DOE also projects that data centers alone may consume 6.7 to 12 percent of U.S. electricity by 2028, up from 4.4 percent in 2023.

Meanwhile, a 2021 DOE report outlined that nearly 30 percent of U.S. coal-fired power plants are projected to retire by 2035.

All of this means that we will likely need to build new power plants, which are very expensive. Utility companies in states such as Missouri will be allowed to recoup their costs on these plants and make a government-approved profit for new capital expenditures. Unless something is done to either produce energy more efficiently or make new ratepayer-funded capital no longer necessary, electricity rates are likely to rise.

There have been efforts at the national level to stave off the parade of coal plant closures with a flurry of executive orders, the declaration of a national energy emergency, and reform of the Environmental Protection Agency.

In Missouri, lawmakers recently passed Senate Bill (SB) 4 in an effort to spur the creation of dispatchable (always available) power plants and slow the shutdown of Missouri's extensive fleet of coal-fired power plants. The governor has signed the bill.

SB 4 is a large omnibus bill with many components, but arguably the biggest change is granting electric utility companies increased financial flexibility and predictability in exchange for stronger oversight from the Missouri Public Service Commission (MPSC).

The bill modifies the state's construction-work-in-progress (CWIP) rules. Prior to SB 4, electric utilities had to wait until a power plant was operational to recover the cost of its construction. Now, they can raise rates to help finance projects during the construction phase. SB 4 authorizes these rate adjustments only for natural gas projects, although there is potentially a pathway for its application to nuclear energy and other resources. In theory, this could better enable the construction of capital-intensive investments like combined-cycle natural gas or nuclear plants. For these larger projects, CWIP could lower total project costs by allowing firms to rely more on revenue instead of loans.

One concern with the new rules is that they put ratepayers on the hook for projects that are not completed or that cost more than initially projected. SB 4 includes two provisions to protect ratepayers—cost caps and a refund mechanism—but the MPSC should consider more. CWIP financing could function similarly to a bond, where consumers are rewarded for their contributions to developing energy infrastructure, such as reduced rates after the new infrastructure becomes operational.

The bill also includes several provisions to strengthen oversight by the MPSC. One such provision is the "reliable replacement" policy, which mandates that replacement generation capacity be online (with appropriate transmission in place) prior to the shutdown of an existing power plant.

Another provision allows the MPSC to reject long-term plans from investor-owned utilities like Ameren and Evergy and require revisions if the plans are deemed inadequate.

Further, SB 4 prohibits state-regulated monopolies from entering third-party agreements that require plant closures, including "a settlement in order to meet

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pollution reduction or other corporate or societal goals beyond those in the law." As one example, Ameren had previously stated it had a goal of net-zero carbon emissions by 2045 in compliance with the Paris Agreement. SB 4 disallows such commitments.

SB 4 is a useful step in protecting the integrity and affordability of Missouri's grid in the current monopoly system. But consider what might be accomplished if we focused on innovation rather than regulation and introduced market forces to Missouri's energy sector.

Consumer-regulated electricity (CRE) and retail competition are two free-market ideas that Missouri ought to consider.

CRE essentially allows private developers to create private grids for large industrial customers only. These high-demand users are the primary source of concern for future energy demand, and CRE offers a targeted solution without directly charging ratepayers. This solution could complement the existing monopoly model and allow private developers to address load growth from data centers and other huge customers without having to draw power from the traditional grid.

Missouri could also consider adopting retail competition to break up the monopoly on electricity generation for many citizens. Introducing retail competition would open the door for private companies to compete over the generation of electricity but still leave transmission and distribution under monopoly control. This would increase consumer choice and potentially spur innovation in the energy sector.

Further, with both retail competition and CRE, developers—not ratepayers—would be on the hook for failed projects, cost overruns, and infrastructure overbuilding.

The American energy sector is undergoing rapid change and rising costs. The provisions of SB 4 can help Missouri adapt by supporting capital-intensive projects and curbing premature coal plant retirements. However, more reform is needed. Missouri should allow the free market to guide its energy future. With market-oriented policies, Missouri could create a stronger, more reliable grid that would better serve our state.

FROM THE DESK OF THE CEO:
THE POWER OF NATURE AND THE POWER OF IDEAS

By Brenda Talent

On Friday, May 16, a tornado tore through the St. Louis area, severely damaging numerous homes and businesses. Unfortunately, the Show-Me Institute's headquarters was one of those businesses. The roof and most of the third floor were torn away, and the building is now uninhabitable. Thankfully, by God's grace, nobody on our team was hurt.

Our thoughts are with those who have suffered more catastrophic losses than we did. But this has still been a challenging process. Our team worked quickly to recover essential equipment, documents, and other critical items as we were not sure how long the building would be safe to access. We are currently looking for a new location, and we do not yet know if we will be able to rebuild the office at our old location.

We are incredibly thankful for the outpouring of support we've received in the wake of the tornado. We wouldn't exist without our supporters, and the generous assistance from donors has been both deeply gratifying and also essential to our future success.

Because of the hard work of our staff and generous support from people like you, we've been able to continue operations without too great an interruption. We're still deeply committed to our mission of advancing liberty and opportunity in Missouri. We lost our building but not our purpose. We won't be deterred from continuing our work and accomplishing our goals.

So what have we been working on lately? Much of it has been centered on the recently completed legislative session in Jefferson City.

I had a lot of optimism heading into this year. We have a governor who has publicly supported eliminating the income tax and also voiced strong support for school choice. There was reason to think that this time we might actually see bold reforms enacted in Jefferson City. Unfortunately, the results so far have been disappointing.

On school choice, we repeated the familiar pattern of seeing some progress but falling short of truly transformative changes. We did see $50 million in public funding authorized for the MOScholars program, which is a notable win. MOScholars gives money to students to spend on educational expenses such as tuition, tutoring, or transportation, and this money will expand the program's reach. Publicly funding these scholarships is a good first step, but the program could be much larger.

Unfortunately, we still haven't seen serious momentum in Jefferson City for charter school expansion. As a practical matter, charter schools are only available in a few places in Missouri. They should be available statewide. And we still have a system where, for the most part, the quality of a child's education is determined by zip code. Other states have implemented open enrollment for public schools, where children are free to attend whatever school best meets their needs. Why can't Missouri do the same?

On tax reform, we heard a lot of talk but didn't see as much action. At the start of the year, there were productive discussions about bills that would eliminate the income tax. In the end, we received a smaller but not insignificant reform that exempts capital gains from state taxation. That means there is still work to be done. More significant tax reform will require a greater commitment from our elected officials to deliver on their promises.

To top it all off, we had a special session of the legislature in which lawmakers signed off on a package of more than a billion in tax incentives to finance new or renovated sports stadiums in Missouri. This is a truly terrible idea. It's corporate welfare for billionaires who don't need the help of taxpayers. What's more, these schemes just don't work. Decades of research show us that subsidies for sports teams almost always fail to deliver on promised economic benefits. These giveaways were a disappointing end to a disappointing session.

It is of course fair to note that this is just the governor's first legislative session, and while we did hope for more progress this year, there will be opportunities in the future to get things done. But the clock is ticking. By many metrics—population, economic growth, educational outcomes—Missouri is falling behind other states, including many of our neighbors.

I continue to be hopeful. I just came back from a meeting with leaders of other think tanks in other states whose goals are similar to the Institute's. They all told me that success in their states came after years of pressure that, while producing only incremental reform in the short term, gradually convinced their legislatures that bold reform was not really all that bold—that it was both desirable and politically sustainable.

So we're going to continue being happy warriors for freedom in Missouri; neither disappointment nor natural disasters will stop us.

These pictures show the Show-Me Institute headquarters in the wake of the May 16 tornado. There was damage throughout the building, but the most severe damage was on the third floor, with most of the third floor and roof destroyed. The building is currently uninhabitable and will be for the foreseeable future.

Photos by Jessica Gatewood and Zach Lawhorn

MODERATION IN LOCAL GOVERNMENT IS NO VICE

By David Stokes

What do normal people want from their city and county governments? They want quality police or sheriff protection, a good fire department, well-maintained roads, regular trash pickup, some nice parks and playgrounds, and fast turnaround on permits that are needed. That's what they pay taxes for—at least the taxes they pay to municipalities and counties.

With that in mind, what major policy proposals did the mayor of St. Louis (who was defeated for re-election this year) make in 2024?

- A new program of direct cash payments as part of a universal basic income program, using both tax dollars and private donations.
- Giving taxpayer money to traffic scofflaws to register their cars and renew their plates.
- Giving taxpayer money to water scofflaws (is that a term?) to pay their delinquent water bills.
- Using taxpayer money to hire lawyers for people being evicted from their residences. (This has the city taking sides in a private, civil dispute.)

The mayor who initiated these programs is no longer in office, so their legislative status is uncertain. The City of St. Louis and its new mayor now have much higher priorities (in particular, tornado recovery). Many of these initiatives are at various stages of enactment by the board of aldermen—some may still be in the preparation stage, some have been introduced as new ordinances (though it's unclear how likely they are to pass), and some have been passed but are held up by court challenges.

One of the proposals—the car registration funding—was presented as a "loan," as if the people who didn't bother to register their cars could be counted on to pay back the money.

The jaded pessimist in me wonders if the former mayor was using the leftover federal stimulus funds to help in her campaign for re-election by purchasing votes with tax dollars.

The mayor of Kansas City didn't go that far with the stimulus funds, perhaps because he didn't have nearly as much money to spend in the first place. But he did shepherd through an ordinance that forced landlords in Kansas City to accept any applicant using housing vouchers (e.g., Section 8 vouchers, a federal program that allows but does not require landlords to participate) and prohibited landlords from rejecting applicants solely for reasons such as a criminal record or past evictions. This ordinance created a mountain of paperwork requirements for landlords to meet before rejecting anyone. Fortunately, the state legislature passed legislation in the 2025 session (which the governor signed) to prevent cities from passing laws like this.

The activist group behind the legislation was KC Tenants, which is every bit as radical a local group as you would guess. (Read its online organizing manifesto if you don't believe me.) In low-turnout municipal elections, well-organized, radical groups have outsized political influence.

If KC Tenants and similar St. Louis groups really wanted housing to be less expensive, they would be fighting for reduced zoning regulations to give developers more opportunities to build homes and apartments. As Austin, Texas, and Minneapolis have recently demonstrated, reducing zoning rules leads to an increase in housing construction and a decrease in rents. That is nothing more than basic, competitive capitalism. But basic, competitive capitalism is the last thing that KC Tenants and many progressive politicians in Missouri's two

St. Louis City Hall
Kit Leong/Shutterstock

largest cities actually want. They want cheaper housing, but they want to do it through government planning, mandates, litigation, and threats. (If you don't believe me about the threats, really, read the KC Tenants online manifesto.)

Missouri's two largest cities should be the jewels of the state alongside the scenic beauty of our rural areas. The economic opportunities offered by our big cities plus their architecture, fountains, stadiums, restaurants, museums, and arches (well, one big arch) once made them known as the Gateway to the West and the Paris of the Plains. Now, they are first and seventh in murder rates among American cities, and the population of the City of St. Louis continues to fall each year. (Kansas City's population growth is better.)

The newly elected mayor of St. Louis, who took office in April, ran her campaign touting a return to basics in St. Louis government. That may seem like a modest goal, but doing the basics well would be anything but a modest accomplishment. Here's hoping she succeeds.

ANOTHER SWING AND MISS ON OPEN ENROLLMENT

By Susan Pendergrass

As Missouri students continue to struggle with stagnant academic achievement, especially in foundational skills like reading and math, lawmakers and families alike are searching for meaningful solutions. The latest results from the National Assessment of Educational Progress (NAEP) paint a sobering picture of the state's educational outcomes—one that demands urgent reform. In 2024, NAEP results revealed that 42 percent of our 4th-graders and 35 percent of our 8th-graders could not even reach the Basic level of achievement in reading. This means that they are essentially illiterate. The percentage of Missouri students below the Basic level of achievement in reading has been steadily increasing for at least a decade.

In recent years, the legislature has given all Missouri families publicly funded access to virtual schooling (critical to rural students in districts with limited course offerings), created a donor-funded education scholarship program that almost every student in the state is eligible to apply for, and expanded charter schools to fully accredited districts in Boone County. Each of these was a step forward in expanding educational options for Missouri children, but they also reach only a very limited number of students. This year, another promising education reform was considered by the legislature: allowing for open enrollment across public school districts.

Open enrollment is a simple yet transformative idea: allow students to transfer to public schools outside their assigned district. Currently, most students are locked into schools based solely on their zip code, regardless of whether that school is effectively meeting their academic needs. Open enrollment would provide families—especially those in underperforming districts—the opportunity to seek better options within the public school system. This measure doesn't require creating new schools or additional bureaucracy. It simply removes barriers that prevent students from accessing existing, higher-performing schools.

If an open enrollment program were to be established in Missouri, we would not be breaking new ground. Sixteen states, including Florida, Texas, and Arizona, already have strong open enrollment policies that have improved student outcomes and fostered healthy competition among schools. Two of our neighbors—Kansas and Oklahoma—have some of the strongest open enrollment programs in the nation.

There are two arguments for open enrollment. The first is that when schools must compete to retain and attract students, they are more likely to innovate, improve curriculum quality, and focus on results. There is a significant body of research demonstrating the positive competitive effects in states with open enrollment.

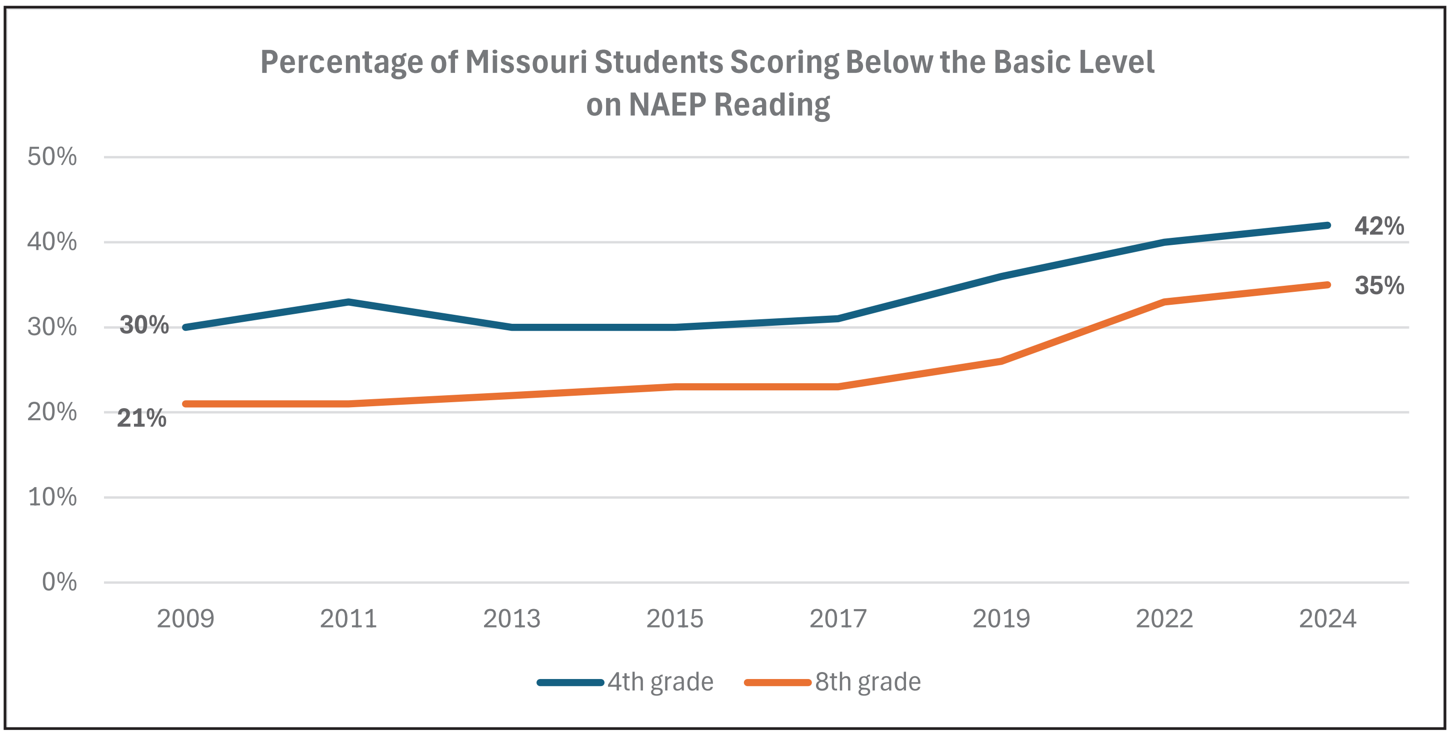
The second argument is that we should be allowing kids an exit door when their assigned public school is not a good match for them. There are countless reasons why this might be true. The school could be too big, too small, or not have the right course. The student could feel bullied or disconnected from the teachers. The parents may want their children in a school that is closer to work or closer to after-school activities.

And, of course, no child deserves to be legally trapped in a failing school. In the current system, funding continues flowing indefinitely to schools that produce poor outcomes. Open enrollment programs, where funding follows students to the public school of their choice, align incentives for districts to improve performance and offer immediate relief to families trapped in the cycle of low performance.

Critics of open enrollment often cite concerns about transportation and funding imbalances. These issues are real—but solvable. Targeted transportation grants, revised funding formulas, and phased implementation plans can mitigate these challenges. What's not acceptable is maintaining the status quo while another generation of students falls further behind.

This year, Missouri's legislature once again considered launching an open enrollment program. The bill that got the most support, House Bill 711, was less than ideal, as districts were not required to accept students. Nonetheless, this bill passed the House committees and the full House. It passed the Senate committees and was debated by the full Senate. Ultimately, the bill did not come up for a vote in the Senate.

Missouri's NAEP scores reveal a deep and ongoing crisis in student learning. While the state has made efforts to address literacy and teacher training, these initiatives have yet to produce significant gains. Families need more than promises—they need choices. Open enrollment could have been a practical way to immediately expand access to quality education. Once again, unfortunately, we'll have to wait another year to see if the legislature can make it happen.



Note: Due to disruptions in data collection caused by COVID, the *x*-axis skips 2021 and then resumes two-year increments.

— 20TH ANNIVERSARY —

20 YEARS OF SUCCESS

— CELEBRATION —

The Show-Me Institute commemorated its 20th anniversary with a special evening at the Saint Louis Club. The celebration honored the Institute's founders, reflected on two decades of advancing free-market public policy in Missouri, and featured keynote remarks by Dr. Arthur B. Laffer, renowned economist and Presidential Medal of Freedom recipient. Marc Cox, host of *The Marc Cox Morning Show* on 97.1 FM Talk, served as the evening's emcee.

COMMUNITY OUTREACH

Insider's Hour

Throughout the year, the Show-Me Institute hosted a series of Insider's Hour events in cities across the state. These events provided attendees with an opportunity to hear directly from Institute experts about key public policy issues affecting Missouri. From tax reform to education and healthcare, participants received valuable insights and engaged in open dialogue about the policies impacting their communities and daily lives.

To find an upcoming Insider's Hour near you, visit showmeinstitute.org.

Next Generation Connection Hour

The Show-Me Institute's Next Gen Connection Hour brings young professionals together to discuss public policy issues that impact daily life in Missouri. Each event features brief remarks from Institute experts, followed by time for questions, conversation, and networking.

Private Screening of *Tune out the Noise*

The Show-Me Institute hosted a private screening of *Tune Out the Noise* at the Chase Park Plaza in St. Louis. Directed by Errol Morris, the documentary features Rex and Jeanne Sinquefield and chronicles the rise of evidence-based investing and the founding of Dimensional Fund Advisors. The screening was followed by a Q&A with Rex Sinquefield, who shared reflections on the film and his role in the story.

The State of the Conflict in Ukraine

In October, Jim Geraghty, a fellow at the National Review Institute and senior political correspondent for *National Review*, joined the Show-Me Institute at the Kansas City Public Library to share insights from his recent reporting trip to Ukraine. Drawing on his firsthand experiences, Geraghty discussed the broader implications of the war in Ukraine, its global ripple effects, and what the conflict means for the United States.

This event was co-sponsored by the Show-Me Institute, the National Review Institute, the Kansas City Public Library, and Show-Me Opportunity.

THE SHOW-ME INSTITUTE

PODCAST

Charles Fain Lehman

Dominic Pino

Charles C.W. Cooke

Bryan Caplan

The Show-Me Institute Podcast serves as a platform for thoughtful conversations on Missouri's most pressing public policy issues. Each episode features in-depth discussions with leading scholars, policy experts, and journalists, covering important topics at the local, state, and national levels.

Over the past year, the podcast explored a wide range of challenges facing Missouri and the country. In one episode, Charles Fain Lehman of the Manhattan Institute discussed his report "Doing Less with Less: Crime and Punishment in Washington, DC," examining the rise in violent crime, the effects of reduced law enforcement capacity, and potential reforms to strengthen public safety and the justice system. The conversation offered valuable lessons for Missouri's cities, highlighting how better resource allocation and accountability strategies are important for reducing crime and improving public safety.

Trade and economic policy were the focus of a conversation with Dominic Pino, the Thomas L. Rhodes Fellow at the National Review Institute. Pino and host Susan Pendergrass examined how tariffs function as a hidden tax on consumers, addressed common misconceptions about trade deficits, and provided historical context for America's long-standing protectionist tendencies.

The podcast also addressed the growing centralization of power in the federal government in a discussion with Charles C. W. Cooke, senior editor at *National Review*. Cooke outlined how the shift away from state and local control undermines the constitutional principles of federalism and why restoring that balance is critical to preserving liberty.

Housing policy was another key focus. Bryan Caplan, professor of economics at George Mason University, joined the show to discuss his book *Build, Baby, Build: The Science and Ethics of Housing Regulation.* He explained how excessive housing regulations contribute to shortages and high costs and offered ideas for reforming policy and improving public understanding of the issue.

In addition to these featured interviews, the podcast regularly hosted roundtable episodes where Show-Me Institute policy experts discussed legislation moving through Jefferson City and shared insights on broader trends in education, taxation, healthcare, and local governance across the state.

PUBLICATIONS

PAPERS PUBLISHED IN 2024

Model Policy: "Municipal Reform in Missouri," by David Stokes. Released March 15.

Model Policy: "Modernizing Unemployment Insurance," by Aaron Hedlund. Released March 15.

Model Policy: "Healthcare Price Transparency," by Aaron Hedlund. Released April 1.

Report: "The Hancock Amendment: A Primer," by Elias Tsapelas. Released April 24.

Report: "Longer Days and Fewer Total Hours: Examining the Four-day School Week in Missouri," by Avery Frank and James Shuls. Released June 17.

Report: "Why Markets Matter for Human Progress and Prosperity," by Russell S. Sobel. Released July 10.

Report: "A Taxpayer Bill of Rights for Missouri," by Elias Tsapelas and Aaron Hedlund. Released August 6.

Report: "Why Markets Matter in Education," by Michael McShane. Released August 6.

Report: "A Free-Market Guide for Missouri Municipalities: Part 1—Structure," by David Stokes. Released October 14.

Policy Brief: "The Minimum Wage in Missouri," by Elias Tsapelas. Released October 14.

Booklet: "Missouri Condition of Education 2024," by Susan Pendergrass and Avery Frank. Released November 18.

2025 Blueprint: Moving Missouri Forward. Released December 5.

Report: Missouri's Free-Market Policy Guide: Unlocking the Blueprint. Released December 16.

Booklet: "Missouri Tax Landscape," 2024 update. Released December 18.

Report: "Crime Trends and Criminal Justice Policies in Missouri's Largest Cities," by Sicuro Data Analytics. Released December 20.

FINANCIALS*

REVENUE

Individual Donations	**$2,511,132**	**95.10%**
Grants	**$8,437**	**00.32%**
Other Income	**$120,808**	**04.58%**

Total: $2,640,377

EXPENSES

Program	**$2,054,566**	**84.62%**
Overhead	**$373,564**	**15.38%**

Total: $2,428,130

Note: The board of directors covers the overhead expenses of the Show-Me Institute. Since 2006, donations from supporters have funded education and research exclusively.

STATEMENT OF FINANCIAL POSITION

Current Assets	**$3,662,454**	**92.73%**
Fixed Assets	**$38,265**	**00.97%**
Other Assets	**$248,694**	**06.30%**

Total: $3,949,413

**Show-Me Opportunity, a supporting organization, is included in this consolidated financial report.*

BOARD OF DIRECTORS

James G. Forsyth III - Chairman and Treasurer

James Forsyth is president and CEO of Moto, Inc., which operates the MotoMart chain of gas stations and convenience stores. He is also president and CEO of the Forsyth Carterville Coal Company. He is chairman of the endowment committee at Ladue Chapel and serves on the endowment committee at John Burroughs School. He is also on the advisory boards of Commerce Bank of Saint Louis and the Saint Louis Symphony. He holds a bachelor's degree in economics from the University of Virginia.

Rex Sinquefield - President

Rex Sinquefield is co-founder and former co-chairman of Dimensional Fund Advisors, Inc. He also is co-founder of the Show-Me Institute. In the 1970s, he co-authored (with Roger Ibbotson) a series of papers and books titled *Stocks, Bonds, Bills & Inflation*. These works provided seminal data on the performance of the financial market in the United States. At American National Bank of Chicago, he pioneered many of the nation's first index funds. He is a life trustee of St. Louis University and DePaul University and a trustee of the St. Vincent Home for Children in Saint Louis. He received a B.S. from Saint Louis University and an M.B.A. from the University of Chicago in 1972.

Megan Holekamp - Vice Chairman

Megan Holekamp is a real estate broker at Janet McAfee Inc., the largest independently owned luxury real estate broker in Saint Louis. She currently serves on the board of directors for Artisphere, a fine-arts festival in downtown Greenville, South Carolina. Over the years she has also volunteered with a number of organizations, including the Greenville Chapter of the National Charity League, WINGs Pediatric Hospice, Ladue Chapel Presbyterian Church, and the Center of Creative Arts (COCA). She holds a B.S. degree in business administration from Washington University.

W. Bevis Schock - Secretary

Bevis Schock is an attorney in solo practice in Saint Louis. He handles many civil rights cases defending the right of free speech and the right of all citizens to be free of government misconduct. He received his J.D. from the University of Virginia and his B.A. from Yale University.

Jennifer Bukowsky - Director

Jennifer Bukowsky is an attorney and talk radio host in Columbia, Missouri. She currently serves as vice chair of the Missouri Republican Party. She also serves on the board of directors for the Republican National Lawyers Association and is the immediate past president of the Federalist Society Jefferson City Lawyers Chapter. She received a J.D. with highest honors from the University of Missouri School of Law. She is also a CPA.

Joe Forshaw - Director

Joseph Forshaw is past president and CEO of Forshaw, a Saint Louis-based, family-owned business founded in 1871. He served for many years as an advisory director for Commerce Bank. An alumnus of Saint Louis University High School, he received both his B.A. and J.D. degrees from Saint Louis University.

Louis Griesemer - Director

Louis Griesemer is past president of Springfield Underground Inc., Parkville Stone Company, and Barnhart Limestone. He is also past chairman of the board of the Erlen Group, a mining, real estate development, and logistics company headquartered in Springfield, Missouri. He currently serves on the advisory board for UMB Bank in Springfield. He holds a bachelor's degree from Washington University in Saint Louis.

Hon. Robert M. Heller - Director

Robert Heller is a retired judge who served for 28 years on the Shannon County Circuit Court in Missouri, where he presided over a broad range of civil and criminal cases both locally and throughout the state. He has served as a member of several Missouri court-related committees and as a district chair for the Boy Scouts of America. He holds a J.D. from the University of Missouri–Columbia and a B.A. in philosophy from Northwestern University.

Gregg Keller - Director

Gregg Keller is the principal of Atlas Strategy Group and is widely regarded as one of the preeminent public affairs professionals in the country. A former executive director of the American Conservative Union, the Conservative Political Action Conference (CPAC), and the Faith and Freedom Coalition, Keller has been an advocate for free-market public policy at the local, state, and national levels for more than 25 years.

Crosby Kemper III - Director

Crosby Kemper III is former director of the Institute of Museum and Library Services; former executive director of the Kansas City Public Library; former chair of the Schools, Health, Libraries, and Broadband (SHLB) coalition; and former CEO of UMB Financial Corporation. He co-founded and is the former chairman of the Show-Me Institute. He has taught English at Sichuan University in Chengdu, China, and been a bookseller in Grand Central Station in New York City. He received a bachelor's degree in history from Yale University.

John Lamping - Director

John Lamping is a founding partner and branch manager of Magis Financial Advisors. He is a former Republican member of the Missouri State Senate, representing District 24. During his time in office he served as chair of the Families and Pensions Committee and the Joint Committee on Pensions. Lamping has also served on several nonprofit boards and was on the board of trustees for Saint Louis University High School. He holds a bachelor's degree in economics from Princeton University and an M.B.A. in finance from New York University.

Michael Podgursky - Director

Michael Podgursky is Chancellor's Professor of Economics at the University of Missouri–Columbia, where he served as department chair from 1995 to 2005, and research fellow at the Sinquefield Center for Applied Economic Research at Saint Louis University. He is a former fellow of the George W. Bush Institute at Southern Methodist University. He earned a bachelor's degree in economics from the University of Missouri–Columbia and a Ph.D. in economics from the University of Wisconsin–Madison.

Carter Smith - Director

Carter Smith is a vice president and banker in the St. Louis office of J.P. Morgan Private Bank, where he specializes in working with business owners in the middle and lower-middle market. Prior to wealth management, Carter worked in mergers and acquisitions, where he received recognition from *The M&A Advisor* and *Small Business Monthly*. Carter is a director of the DESSH Foundation, a 501(c)(3) that supports patients with DeSanto-Shinawi Syndrome (DESSH). Carter's oldest son August is diagnosed with DESSH. Carter earned a bachelor's degree from Princeton University and an MBA from Washington University's Olin School of Business.

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

2024 ANNUAL REPORT

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