SHOW-ME INSTITUTE
WHERE LIBERTY COMES FIRST

SHOW-ME INSTITUTE

Annual Report

BUILDING A LEGACY OF LIBERTY

Liberty does not sustain itself.
Join us as we launch a campaign to build a freer, more prosperous Missouri for generations to come.

CONTENTS

Looking Forward: REFLECTIONS FROM THE CHAIRMAN AND THE PRESIDENT

JAMES G. FORSYTH III
Chairman & Treasurer

REX SINQUEFIELD
President

Rex Sinquefield and Jim Forsyth speak out on issues of the day (responding to questions from Senior Fellow Andrew B. Wilson in ***bold italics***).

Gov. Mike Kehoe called the just-ended 2026 regular session of the Missouri Legislature a "transformational" event. Do you agree? Are we any closer to the promised land of accelerated growth and prosperity enjoyed by Florida, Texas, and other states that zeroed out their state income taxes?

Rex: We aren't there yet, but we are much closer than ever before to making it happen. The biggest change is simply this: We now have a realistic plan for phasing out the state income tax. Endorsed by both chambers of the Missouri Legislature, a proposed amendment to the Missouri Constitution will go to a vote of the people on August 4, 2026.

If it passes, the amendment will require the legislature to pass legislation that phases out the income tax with no loss of fiscal discipline or integrity. It will allow the legislature to expand sales tax on services to compensate for the impact of lower income tax rates. This plan is constitutionally guaranteed to be revenue-neutral for the state. That means that the bottom won't fall out of the bucket of state tax receipts and leave state and local governments unable to pay for essential public services. At the same time, the amendment will step up the pace of replacing "the worst tax, a killer tax," as I called it in last year's annual report, with a far less damaging tax.

An income tax takes money out of the pockets of productive people and puts it into the public purse—and that is the road to ruin. A sales tax is largely voluntary. If you don't want to pay it, hold on to your credit card and save money. The governor put it very well, saying "Missourians can spend their money better than government, and I hope you will join me to help Missouri families secure a better future for themselves . . . with no income tax."

We are confident that the people of Missouri understand the wisdom of this, and how it will help us to grow as never before. We would become the tenth state with no individual income tax. As I see it, we would also move into the top decile in economic and demographic growth. Now that would be a genuine *transformational* change—to go from being one of the laggards to becoming a leading growth state.

Jim: We have a number of opportunities right now to make our state more competitive. Getting rid of the income tax is right up there at the top of the list. But we also need to demonstrate that we can close the deal—acting decisively and doing what we say we are going to do. I'd say that school reform ranks as a close second in terms of priority. In the latest National Assessment of Educational Progress—known as the Nation's Report Card—Missouri reading scores hit a 20-year low, with 42 percent of Missouri's fourth graders scoring Below Basic, the minimum level of expected performance for their grade. In other words, they flunked reading.

In last year's annual report, you spoke in glowing terms about the "Mississippi Miracle." Ten years ago, Mississippi's schools were among the worst in the country. Today they are among the best in both reading and math. The key to Mississippi's turnaround was a focus on ensuring that kids learn to read in their first few years of school. Inspired by this example, several other states have now followed Mississippi's lead, with similar results.

Is Missouri set to join them anytime soon? Sometime in the not-so-distant future, will we be able to say, Mission Accomplished, we've done what we said we were going to do?

Jim: It breaks my heart to say it, but the sad truth is *no*. And worse yet, it became a Mission Aborted, after a resounding early victory that could—and *should*—have closed the deal in no more than a couple of weeks. But that didn't happen. Why? Because the Missouri Senate, for no good reason, did not want to disturb the status quo in our K–12 education system. It declined to ratify the key elements of a House bill. So now we are back to square one: another legislative session come and gone, with little or nothing being done to improve the dismal performance of our K–12 education system. We had our hopes raised at the halfway point during the 2026 legislative session, only to have them dashed at the end of it.

Working from a model policy document prepared by the Show-Me Institute, the House of Representatives designed and passed a bill that would have completely overhauled the way that Missouri schools teach young children to read. Still more, this bill—which only recently would have been considered too hot to handle in the policymaking arena—passed with big majorities on both sides of the aisle. It did so by the vote of 131 to 10.

Because of the Institute's role in shaping it, the House bill contained every one of the key elements that Mississippi and other states have used to get young children over the difficult hump of first learning to read. That includes preliminary testing of students in grades K–3 for reading deficiencies. The curriculum is based on phonics. More than just sounding out words, phonics includes learning to recognize and pronounce letters of the alphabet and common syllables or groups of letters, building vocabulary, and discussing the meaning of words that you might often hear without understanding what they really mean. It teaches young children to *play* with words as they learn to read and write.

Finally, the approach taken by Mississippi and other states that have followed its lead includes ending social promotion of third graders who score Below Basic on the state reading test. They are held back from advancing to fourth grade unless they meet limited criteria for exemption. Now this is where the rubber really meets the road. In Mississippi, it was a key factor galvanizing the support of students, teachers, and parents alike. The fear of failure is a powerful motivator, and it brought everyone together in supporting students who were about to be tested.

Unfortunately, Missouri Senators gave their continued support to the most adamant opponents of any kind of transformational change: the ones who have been running the show for many years and don't want to be held accountable for producing better results—namely, the teachers' unions, school boards, and school administrators.

Well, gentlemen, where do we go from here? What do we do now to reform and improve public education in Missouri?

Rex: Getting back on track in pushing early childhood literacy in the 2027 legislative session looks like a very doable objective to me. What happened in the Missouri House of Representatives is proof of that. The Mississippi-type plan was very popular at the grassroots level across the state, going by the vote of more than 130 members of the lower chamber. They are better able to speak for the people than our state senators in the upper chamber, who are much fewer in number. Only 34 of them, versus nearly five times that number of state reps.

Jim: And this is *not* about making any unreasonable demands on our school system. It's about holding our schools accountable for a very basic function. Teaching young children to read in a timely, effective way is an essential part of a public school system. If our schools won't or can't do that, they don't deserve to exist. Because they are depriving many of their students of the opportunity to lead free and independent lives.

Without knowing how to read, they will have a hard time making good decisions about everything else in their lives to follow. Literacy is essential for them to determine what they want to do with their freedom and how to make the best use of their talents.

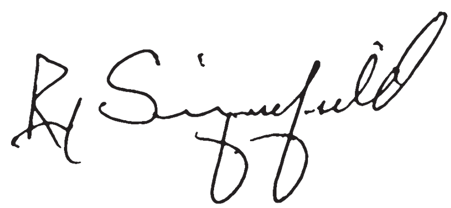
Rex: One last thought from me. In the weeks and months to come, we at the Show-Me Institute should be pushing harder than ever on overall school reform—not just early literacy. I believe we must have universal choice. That's critical because it would transfer all the crucial decision-making power to the parents, as opposed to leaving it in the hands of teachers' union bosses or district administrators, who are accustomed to thinking that their districts are their own private fiefdoms. In the use of taxpayers' money, parents should be free to choose whatever school they want, public or private.

Are you suggesting that the state doesn't have to be involved in the provision of public education?

Rex: Exactly right. They can simply require it and others must provide it.

Jim: And one final thought from me. It looks like next year is going to be a very busy and—let's hope—productive year. I do think that we can make childhood literacy a reality in Missouri. Instead of being a Mission Aborted, it should be a mission well on its way to being accomplished.

Getting rid of the income tax won't be easy, but it is doable—and it would be a giant step forward for our state.



REX SINQUEFIELD
President

JAMES G. FORSYTH III
Chairman & Treasurer

MISSOURI'S NEXT FISCAL CHAPTER

By Elias Tsapelas

The Show-Me State's era of easy money is ending, and the cost of the past decade's excess is coming due. Lawmakers are now wrestling with questions they avoided for years, brought into focus this legislative session. As the temporary surge in state revenue fades, policymakers are once again working under a binding budget constraint. At the same time, they have advanced a constitutional proposal that would allow Missouri to eliminate its income tax over time, putting that question in front of voters.

The proposal, House Joint Resolutions 173 and 174, allows voters to decide whether Missouri should begin eliminating its income tax on individuals. If approved, the amendment would give lawmakers the authority to determine the pace through revenue-based triggers and a five-year window to adjust the state's sales tax.

These debates lead back to a few core questions for Missourians. What level of services should the state provide? How should those services be funded? And how quickly should Missouri move toward a more competitive tax system that relies less on income and more on consumption?

For several years, these tradeoffs were easy to ignore. Federal COVID aid, strong revenue growth, and inflation-driven tax collections created a greater sense of flexibility than actually existed. Programs expanded and higher spending levels quickly became the norm. Missouri's budget grew rapidly during this period, nearly doubling in total size. This growth wasn't driven solely by federal funds. Spending of state tax dollars grew by more than 50 percent from FY 2019 to FY 2025, significantly outpacing inflation.

Rather than setting those funds aside, the state spent more than it brought in, drawing down a significant surplus to support ongoing commitments. That approach masked the true cost of recent fiscal expansions and left the state exposed once revenues normalized. As COVID aid ended and revenue growth slowed, the limits of that approach became clear during this year's budget process.

Because the constitution requires a balanced budget, once the surplus was exhausted, the gap had to be closed. Much of what were described as "cuts" this year reflect that adjustment from historically high baselines rather than true reductions in government-provided services. When temporary funding is used to support permanent obligations, future budgets become harder to balance and less flexible when conditions change.

This pressure on the budget is central to the broader tax reform discussion. Missouri has already shown over the past decade that growth-oriented tax reform can work. Since Senate Bill 509 passed in 2014, the state's top individual income tax rate has fallen from 6 percent to 4.7 percent, while state tax collections still grew over time, even after accounting for inflation. The structure worked because it tied tax relief to actual revenue performance.

Missouri's next step builds on that approach. If voters approve the constitutional amendment, the pace of change will depend on the policy choices lawmakers make, especially whether and how they modernize the state's sales tax to better reflect today's economy. Make no mistake—time is of the essence.

States across the country are rapidly lowering their income taxes and putting them on a path to elimination, often by modernizing their sales tax systems to reflect an economy that increasingly relies on services rather than goods. In most cases, services are not subject to the sales tax, while goods typically are. As a result, Missouri's sales tax system remains overly complicated, with a narrow and outdated base that still leans heavily on goods, placing more pressure on income taxes than necessary.

As my colleagues have been writing about for years, moving away from income taxes is a step in the right direction for Missouri's economy. A system that relies more on consumption tends to support long-term growth by reducing penalties on work and investment. It also makes the state more attractive to individuals and businesses who are deciding where to live and expand.

At the same time, the budget cannot be ignored. When government spending grows quickly, it becomes harder to reduce taxes without making other changes. Bringing spending back in line does not determine whether tax reform happens, but it does make it easier to move faster.

Missouri now has an opportunity to build on more than a decade of tax reform while restoring discipline to the budget. Doing so in a fiscally responsible manner will require lawmakers to reassess the state's recent spending commitments and direct tax dollars toward core priorities, while also making thoughtful decisions about how to modernize the tax code.

The choices ahead will shape Missouri's fiscal path for years to come. If the state pairs disciplined budgeting with a clear plan for tax reform, it will be better positioned for long-term growth. If not, the path forward becomes more difficult.

Missouri's next fiscal chapter is just beginning, and its outcome will depend on whether lawmakers move the state's tax and spending policies forward together.

Matt Fowler KC / Shutterstock

DOING NOTHING ON TAXES IS MISSOURI'S REAL RISK

By Patrick Tuohey

Too much of the coverage about tax reform in our cities and the state presents the debate as if it is optional. There are concerns about risks associated with spending cuts, service priorities, and which taxes might go up as a result of an income or earnings tax going down.

Those discussions are important and necessary. But they miss a more fundamental point: Missouri is falling behind, and the tools available to reverse that trend are limited.

Since I moved to Missouri in 2005, Missouri's population growth (around nine percent) has lagged the rest of the country (about 15.5 percent nationwide). Missouri lost a seat in the U.S. House of Representatives after the 2010 Census precisely because of that meager growth. Not able to keep up, we are effectively falling behind.

The same is true for our largest two cities. The City of St. Louis has been losing population for years as residents move to St. Louis County or elsewhere. Like the state, Kansas City is growing at a much slower rate than its neighbors within the metropolitan area. It just so happens that Kansas City's largest suburbs are across the state line in Kansas.

This diagnosis—that Missouri is not keeping pace—is necessary before anyone can be expected to accept the medicine of tax reform.

Missouri legislators cannot change our climate or natural resource base, and those amenities, while strong, do not always compete with other regions.

Legislators have tried, mightily, to use tax dollars to lure large employers to Missouri. Yet there is little evidence that those efforts have succeeded in producing sustained economic or population growth. There should be little surprise in that result. Predicting which firms or industries will drive long-term growth is difficult for anyone, and targeted incentives often fail to deliver benefits.

It is as true as it is counterintuitive: The millions of small decisions and transactions made every day by the people in Missouri, including the mistakes, are a greater source of economic growth than top-down efforts to direct them.

If we have a general sense of what works, how can we implement it here in Missouri?

In short, by getting out of the way.

Getting out of the way is not just a matter of reducing the myriad regulations that drive up the costs of opening a business, building a home, raising a family, or delivering a service—though those things matter. It also involves recognizing the small ways our tax policy introduces incentives we never intended.

Taxing work through income or earnings taxes not only disincentivizes work itself, but it can also discourage people from moving to—or staying in—Missouri or our largest cities, which is exactly the opposite of what we are trying to do. Research suggests that taxation can influence migration decisions, particularly for high earners and highly mobile workers.

At the same time, the thousands of small taxing jurisdictions in Missouri—enabled by our permissive system of creating community improvement districts, transportation development districts, fire and ambulance districts, and others—drive up the cost of purchasing goods and services in an often-opaque way. Combined sales taxes in parts of Missouri are already upwards of ten percent.

As a result, the least distortionary tax we rely on, the property tax, is increasingly under assault. Economists do not agree on every question of tax policy, but there is substantial evidence that property taxes tend to be less harmful to economic growth than taxes on income or consumption. Our current mix of income and sales taxes has not only distorted the markets to which they apply; it has also distorted our understanding of tax policy itself.

This relative underperformance is not occurring in a vacuum. Other states, including some of our direct competitors for people and investment, are making different policy choices. The Fraser Institute's annual Index of Economic Freedom, which evaluates states based on taxes, spending, and regulation, ranks Missouri 22nd in the nation, behind five of the eight states we border. That is not a position of crisis—but neither is it a position of leadership. And in a competitive environment, standing still is often indistinguishable from falling behind.

There are plenty of things that make Missouri a wonderful place to live. The cost of living is manageable in part because we have avoided some of the more restrictive land-use policies seen elsewhere. We have beautiful forests, lakes, and rivers. And the people are wonderful.

But those advantages alone are not enough if we are not also a competitive place to live, work, and raise a family.

Missouri must get its arms around how it regulates, how it raises revenue, and how it assigns the power of taxation to private interests.

Doing nothing is not a neutral choice. It is a decision to accept slower growth, continued outmigration, and diminished economic relevance over time. The question is not whether Missouri will change, but whether we will make deliberate choices—or allow current trends to make them for us.

Checubus / shutterstock

THE RIGHT TO BE LEFT ALONE

By David Stokes

Longtime supporters of the Show-Me Institute may recall that I am the self-proclaimed "accidental tourist" of Missouri local government. *The Accidental Tourist,* as some of you may recall, was a wonderful 1985 novel and 1988 film about a travel writer who hates to travel. Sort of like a radical anarcho-capitalist who researches and writes about local government, but simpler.

There are many problems with local government in Missouri. Not all of these issues are readily solvable, and many "solutions" cause new problems. For example, informed, active citizens are a foundation of democracy, but at the local level with a normal voter turnout of 20 percent that highly motivated group can have outsized influence in local government, both for good and, more commonly, for ill. The most frequent example of this is in zoning disputes, where often the determining factor of whether a zoning change is approved or not is how organized local residents get in opposing it. Some may say, "well, that's democracy," but is it? Zoning rules and changes should be based on law and precedent, not the whims of neighbors.

A related issue, at least for those of us who favor limited government, is that even in areas where most people want local government to do a few basic things and otherwise leave them alone, it seems the people who choose to get involved in local government are exactly the people who don't want to leave you alone. The lack of involvement by the majority—especially in rural parts of Missouri—allows an active minority to impose new rules and regulations within local government upon people who don't always want those things in the first place.

Which brings me to the stories of Sedalia and Cole Camp. These are two Missouri municipalities, one of which you have probably heard of and one you probably have not. Both witnessed attempts to substantially increase the power of local government over the past few years. We will start in Sedalia, the home of Missouri's state fair (yes, I have been). A few years ago, Sedalia quietly began an aggressive property nuisance enforcement program. The frequent citations led to large fines for some people; in some cases people forfeited property to the city because they could not pay the fines. All of this was happening as Sedalia expanded its Chapter 353 downtown redevelopment plan to increase the use of tax incentives, urban planning, and city control to "grow" the downtown area. These are the exact same redevelopment plans that generally fail wherever they are tried, such as in the City of St. Louis.

Sedalia, Missouri
Logan Bush / Shutterstock

When a city starts taking people's homes, some people start paying attention. In Sedalia, Debbie Covington formed "Concerned Citizens & Businesses of Sedalia" to raise awareness of the abuses. City government responded last year by limiting comments at public meetings to contain the criticism. After a lot of hard work, the group succeeded in 2026 in replacing some of the elected officials who had been driving the aggressive code enforcement and tax subsidies. Here's hoping the new city leadership focuses on the basic needs of residents and not the expensive dreams of urban planners.

Cole Camp's story was less obviously abusive but more subtly nefarious. Missouri has a small cadre of widely used urban planners, municipal lawyers, and city managers and administrators. Cole Camp is a small town in Benton County, not that far from Sedalia. In 2024, Cole Camp hired urban planners out of St. Louis to update and expand the city's comprehensive plan. Most cities have such plans to guide development and generate regulations, codes, and rules. In urban areas, the average person may want that. In rural areas, they often don't, but they get them anyway. In Cole Camp, the updated plan was going to go hand-in-hand with updating the city's zoning code. But a funny thing happened: The people of Cole Camp realized they didn't want any of this.

But it isn't enough to just decide you don't want something. You need someone to step up and lead the fight. My opinion is that many small Missouri towns don't have that person, which is why they get plans, rules, and codes they don't want. In Cole Camp, however, they had Nicole Garrett on the planning commission, and she took it upon herself to lead opposition to all these changes. Stopping the comprehensive plan wasn't easy. There were city officials, the city's lawyer, and urban planners all counting on these changes (and getting paid for them). But Nicole organized community groups to get the message out that Cole Camp wanted to be what it was: a small town with limited rules and regulations. That message took hold, the comprehensive plan and new zoning rules were stopped, and Cole Camp ended up with a new mayor. I'll let you guess who that mayor is. Yes, it's Nicole.

It is an unfortunate conundrum that the people who tend to get active in local government are often the same people who want to expand local government. We need more people like Debbie and Nicole to step up and fight back. The hard part is finding effective leaders who understand that the right to be left alone is a perfectly valid principle to use when assessing issues at the local level.

Cole Camp, Missouri
Logan Bush / Shutterstock

WHY MISSOURI MUST CHOOSE FREEDOM OVER DEPENDENCY—AGAIN

By Brenda Talent
CEO, Show-Me Institute

As Missouri faces a projected $1.7 billion general revenue deficit for Fiscal Year 2027 with the post-COVID surplus nearly exhausted and spending continuing to outpace sustainable revenue growth, we face a familiar choice. Will we double down on policies that foster dependency and government intervention, or recommit to the proven path of free markets and individual liberty?

This isn't a new debate. Missourians have confronted versions of it for decades. In my 2019 message, I warned against trading our hard-won freedom for the empty promises of socialism and bigger government. In 2018, I defended capitalism as the most effective and moral economic system against socialist alternatives that take away freedom and empower the state. The core choice remains the same: free markets and individual liberty that empower people through voluntary exchange and innovation, or top-down government solutions that promise security but too often deliver stagnation, higher costs, and diminished opportunity.

The Current Reality in Missouri

Look at our state's finances. After years of strong revenue growth fueled by the post-COVID boom, the cushion is nearly gone. Missouri now confronts a huge budget shortfall, as the surplus built during the pandemic is drained to cover spending that has outpaced sustainable revenue growth. This reality underscores the urgent need for fundamental tax reform, including phasing out our punitive individual income tax to make Missouri more competitive and pro-growth.

Entitlements remain a major driver of spending. Medicaid accounts for more than a third of all state spending. Total program costs have nearly doubled since 2020, from about $10.8 billion to more than

Grindstone Media Group / Shutterstock

$20 billion, and about one in five Missourians is now enrolled. While these programs are intended to help the vulnerable, their unchecked growth creates dependency traps, strains state resources, and leaves Missouri exposed to federal policy shifts.

Meanwhile, Missouri's economy has real strengths, but it also faces real challenges. Unemployment sits around 3.8 percent, which is better than the national average. Yet our long-term growth has been disappointing. Too many Missouri families are still struggling to get ahead. These realities remind us of a simple truth: government cannot create prosperity through programs and interventions. Real, lasting growth comes from removing barriers to work, entrepreneurship, and investment.

Why Free Markets and Individual Liberty Work Best

The evidence from history is clear. Free markets aren't perfect, but they have lifted more people out of poverty and created more widespread prosperity than any alternative in human history. They reward hard work and innovation, let people make their own choices, and treat individuals with dignity.

By contrast, the dependency path of ever-growing government programs, subsidies, and regulations discourages work and initiative, pushes aside private solutions, and burdens our kids and grandkids with more debt and less opportunity.

The Show-Me Institute has spent more than two decades documenting these dynamics with rigorous research. We've consistently pushed for tax reform to make Missouri more competitive—in particular by phasing out the income tax—along with real school choice and policies that promote self-reliance instead of dependency.

The momentum we've built is demonstrated in recent accomplishments. In 2025, a bill eliminated Missouri's income tax on capital gains. This year, we saw the passage of House Joint Resolutions 173 and 174—a constitutional amendment (Amendment 5) that Missouri voters will vote on this August, which would require the phase-out and eventual elimination of the individual income tax based on revenue growth.

Building a Legacy of Liberty

This year we're excited to launch our Building a Legacy of Liberty campaign—a bold, multi-year initiative in support of our work to help the next generation of Missourians choose freedom. Through research, education, and engagement, we aim to ensure that liberty and prosperity endure for our children and grandchildren.

None of this work would be possible without the steadfast support of our donors, board members, and dedicated staff. Your belief in market solutions and principled policy keeps us moving forward, even when the political winds shift.

The choice before us is clear. Let's commit to making Missouri a national leader in freedom and prosperity—not by promising more government solutions, but by trusting the proven power of free markets and individual liberty. I am optimistic that we will succeed, because Missourians are resilient, practical, and ready to fight for a brighter, freer future.

Thank you for standing with the Show-Me Institute.

LITERACY POLICY IN MISSOURI

By Cory Koedel

Literacy policy is a key priority at the Show-Me Institute. Why? An alarming 42 percent of Missouri's 4th graders scored "below basic" on the 2024 National Assessment of Educational Progress (NAEP), commonly referred to as the nation's report card. Some of these children are illiterate; others can barely read. Missouri cannot sustain a thriving economy if its future workforce lacks basic academic skills. Something must change.

Literacy is an important skill on its own. It also underpins success in every other academic subject. And unlike many challenges in schools, for which solutions are unclear, we know precisely how to improve literacy outcomes. Many states—including Indiana, Louisiana, and Mississippi—have implemented recent literacy reforms with strong results.

What did these states do? First, they implemented common-sense laws requiring schools to teach reading using phonics, not three-cueing. Phonics teaches the relationships between letters and sounds, enabling students to decode words systematically. Three-cueing, by contrast, encourages students to rely on context—such as pictures, sentence meaning, or initial letters—to guess words rather than sound them out. The research is clear: phonics works; three-cueing does not.

Next, these states got serious about measuring literacy with a uniform reading test and imposed a literacy standard for promotion from the third to fourth grade. Retention in the third grade may sound harsh, but it's necessary because in fourth grade, students begin the transition from learning to read to reading to learn. Children who enter fourth grade without basic literacy skills have dim prospects for academic success.

Missouri already has related policies in place, at least on paper. But the Missouri policies are weak and poorly designed. For instance, we require phonics as the primary method of reading instruction, but don't prohibit three-cueing. We also mandate literacy tests in the early grades, and struggling readers are supposed to be retained. But different districts give different tests, and there is no test-based retention rule. Accordingly, schools have plenty of wiggle room to socially promote students who are not academically prepared. There is no evidence that struggling readers in Missouri are consistently identified, remediated, and—if that fails—retained.

It is easy to get everyone on board with the idea of promoting literacy in our state. After all, who supports illiterate children? But we must move beyond rhetoric and achieve actual solutions. There is a lot to do, but three changes would go a long way:

1. Unambiguously banning three-cueing as a method for teaching reading instruction.
2. Requiring school districts to give a common literacy test to all students in early grades (I recommend grades 1–3), with a uniform definition of third-grade proficiency.
3. Requiring students (with limited exceptions) who do not meet the standard—after two chances—to repeat the third grade so they can stay on track academically.

The 2026 legislative session brought some good and bad news about our prospects for achieving these objectives. First, the good news: Our lawmakers recognize three-cueing is ineffective and are open to limiting its use. They also generally support a retention policy with teeth. This is notable—concerns that retention "punishes the child" often undermine retention policies, though it is no kindness to socially promote a third-grade student who cannot read.

Now, the bad news: Our lawmakers seem unwilling to fully ban the use of three-cueing as many other states have done. Opponents of banning three-cueing have argued in testimony that teachers need all available tools to help our students. My sense is that this argument has been persuasive even though three-cueing is demonstrably ineffective (which is a point that has been raised in other testimony).

Regarding retention, despite being supportive in principle, our lawmakers are bogged down in operational details. A major challenge is the state's current use of four different literacy screeners, all approved by the Missouri Department of Elementary and Secondary Education (DESE). A strong literacy policy would rely on a single assessment with a clear, statewide cut score that determines third-grade retention. But our lawmakers—and seemingly DESE as well—have been reluctant to replace the four different screeners with one common screener.

To implement a retention policy with four different screeners, we need four different cut scores, which is an unnecessary complication and will surely lead to claims of unfairness. There are other solutions—for example, we could allow districts to continue using the four screeners but determine retentions using the common third-grade reading test all students take as part of annual statewide testing—but these solutions have failed to gain traction in Jefferson City.

Ultimately, despite literacy being one of the major education topics of the 2026 legislative session, nothing got done. A glass-half-empty interpretation is that this is more of the same in Missouri—children in neighboring states with better policies are demonstrating much improved reading skills, while our children continue to languish. A glass-half-full interpretation is that our lawmakers spent a lot of time thinking about literacy policy and considering how we could move forward in Missouri during the 2026 session, and perhaps this will lead to success in 2027. We'll see which perspective is closer to the truth next year.

Rido / Shutterstock

THINKING ABOUT THINK TANKS

By Andrew B. Wilson

To begin with, what the heck is a think tank?

As a figure of speech, I've never liked the term. It brings to mind a fish tank or terrarium—a highly regulated environment whose inhabitants have all their needs met, but at the cost of their freedom. Its purpose is to insulate those inside from the wider world, and vice versa. Honestly, I can't think of anything further from the goals of the Show-Me Institute. A think tank—this one, anyway—exists to change the way people think about important public policy issues. To do that we need constant interaction with the public.

For us, isolation would mean irrelevance, which is why our policy analysts travel all over the state to engage with anyone interested in our ideas. The papers, commentary, and testimony that our writers produce aren't just for our own benefit. As Voltaire put it, "To hold a pen is to wage war." The three founders of the Show-Me Institute—Rex Sinquefield, Crosby Kemper, and Mike Podgursky—fully agreed with him on that point. They were thinking big, and they had a compelling vision of the future. In their own words:

> [Our] work is rooted in the American tradition of free markets and individual liberty. The Institute's scholars seek to move beyond the 20th-century mindset that every problem has a government solution. . . . By applying [free-market] principles to problems facing the state, we hope to build a Missouri with a thriving economy and a vibrant civil society—a Missouri that [may someday] lead the nation in wealth, freedom, and opportunity for all.

A goal this ambitious isn't something that can be accomplished from inside a "tank."

Free-Market Thinking in Practice

At the Institute we often talk about competing in the marketplace of ideas. That's not just a slogan. A marketplace, where buyers decide for themselves what to accept and what to reject, is our ideal environment. We want to be in the middle of policy discussions, where we can confront the ideas of our opponents head-on. We're happy to give them a fair hearing; let them roll out their reassurances about how wisely tax dollars are being spent, or how much better off children are by simply letting the state decide where they go to school. But as confident as they are about each misguided policy they defend, they tend to quiet down when we ask a simple question: *How's that working out?* Why, for example, are so many more families and businesses moving out of Missouri and into free market–oriented states like Florida and Texas rather than the other way around? Why have Missouri's K–12 students lost so much ground in reading and math proficiency in recent years?

Questions like these help explain our skepticism of big government and our confidence in free markets. Letting workers keep more of the money they earn leads to more economic growth. Letting families direct the education of their children leads to better academic performance. And both of these facts demonstrate a core principle of the Show-Me Institute: *People thrive in places where they are free to lead lives of their own choosing.*

Policy Over Politics

Some organizations like ours have to strike a delicate balance between ideals and politics. I'm happy to say that this isn't a problem at the Institute. Our guiding principles are individual liberty and limited, accountable government, full stop—regardless of what level of government is involved, or which party is in power. Are we pro-business? If that means pushing for lower taxes and less regulation, then we usually are. But if it means looking the other way while the government hands out subsidies to politically favored companies, then no, we're not. And we aren't anti-government, either. We just want the government to be limited to the functions it is best suited to perform, and to perform those functions well. And we want every aspect of government to be as transparent as possible so citizens can judge for themselves how well their public servants are doing their jobs.

Greg Kenkel

Winning One Step at a Time

If there is a downside to working at a think tank, it's that progress can be *slow.* That's especially true in Missouri, which is called "The Show-Me State" for a reason. Its political culture resists change. That can be a good thing; it has, for example, spared Missouri from the "abolish the police" movement and other excesses of the progressive left. But it has also meant that Missouri is slow to follow the example of states like Arkansas or Florida, especially when it comes to school choice issues.

Still, progress does happen, and if getting it means we must constantly pressure Jefferson City to move step by step in adopting the reforms that are flourishing elsewhere in the country – well, as you know from our regular progress reports, that's what we'll do. In fact, that's what we have done. As a result of our work, Missouri expanded the scope of charter schools, then got privately funded school scholarships, then expanded eligibility for the scholarships, then got public funding for the scholarships, then increased the public funding, and so we press on.

The good news is that free-market reforms have a built-in momentum. Each one whets the public's appetite for more. Part of the reason is that, as I have discussed, freedom simply works better. But another reason is that human liberty (not license, but liberty) is, in and of itself, a good thing. It is the indispensable prerequisite to what our Founding Fathers called "the pursuit of happiness"—the inalienable right of every person to engage, on his own terms rather than the government's terms, in the decent and honest occupations and activities of an orderly society.

Freedom to think, to speak, to worship, to invest, to choose a trade, to form a family, to enjoy recreation—to engage with all that a good society offers without having to comply with the dictates of oppressive government. That is at the heart of what it means to be a human being. That's freedom. It's what the Show-Me Institute was founded not just to defend but to advance across the whole range of economic and educational policy.

It's immensely satisfying to be part of an organization with that mission—even if everyone does call us a "think tank."

MEDIA AND OUTREACH

ON THE AIR

Throughout the year, the Show-Me Institute maintained a consistent presence on radio, on television, and in print across Missouri. Institute experts are weekly guests on radio programs across the state, including *Mundo in the Morning* in Kansas City; *The Gary Nolan Show* in Columbia, Jefferson City, and Springfield; and *The Tim Jones and Chris Arps Show*, *The Vic Porcelli Show*, and *The Allman Report* in St. Louis. Researchers at the Institute also serve as a trusted resource for television and newspaper reporters across the state and have published op-eds in the *St. Louis Post-Dispatch*, the *Kansas City Star*, the *Columbia Missourian*, and more.

THE SHOW-ME INSTITUTE PODCAST

On the Show-Me Institute Podcast, Institute staff gathered for roundtable discussions on the most pressing policy issues facing Missouri, and Susan Pendergrass interviewed subject-matter experts from across the country to offer insight and perspective on a wide range of topics. Download the show wherever you get your podcasts.

AT THE CAPITOL

Institute staff also traveled to Jefferson City during legislative sessions, providing testimony before committees on issues central to the Institute's mission.

Stock-Asso/ Shutterstock

RozenskiP / Shutterstock

IN THE COMMUNITY

INSIDER'S HOUR

Throughout the year, the Show-Me Institute continued to build on the success of the Insider's Hour event series, hosting events in cities across the state. Attendees had the opportunity to hear directly from Institute experts about key public policy issues affecting Missouri. From tax reform to education and healthcare, participants gained valuable insights and engaged in open dialogue about the issues shaping their communities and daily lives.

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

NEXT GEN CONNECTION HOUR

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

Zach Lawhorn

LAWLESS: THE MISEDUCATION OF AMERICA'S ELITES

In partnership with the WashULaw Federalist Society, the Show-Me Institute welcomed Ilya Shapiro, senior fellow and director of constitutional studies at the Manhattan Institute, to the Washington University School of Law for a discussion of his book *Lawless: The Miseducation of America's Elites*. His remarks focused on how ideological capture has reshaped legal education and its implications for American institutions.

This event was co-sponsored by the Show-Me Institute, the WashULaw Federalist Society, the Sinquefield Charitable Foundation, and Show-Me Opportunity.

BUILDING A LEGACY OF LIBERTY

WHERE LIBERTY COMES FIRST

As the Show-Me Institute enters its third decade, it is rewarding to see the progress we've made advancing free-market policies in Missouri. Because those hard-won gains must be protected and expanded for generations, we launched our first capital campaign: **Building a Legacy of Liberty**.

A Home for the Work Ahead

The campaign celebrates our return to our permanent headquarters in the Central West End in St. Louis, rebuilt stronger after the May 2025 tornado, and invites you to leave your mark on it. The building on Washington Place has been completely revitalized. Our new, larger conference room is now expansive and purpose-built. We have constructed a state-of-the-art podcast studio. The offices have been overhauled to provide an ideal environment for research and collaboration. An office for visiting fellows ensures we can support top policy talent.

Each of these spaces has been purposefully designed to power the research, relationships, and ideas that advance liberty in Missouri.

As our campaign launches, we invite you to partner with us by attaching your name to one of them.

Our Vision for Missouri

This is what we want Missouri to become: a state where entrepreneurs are free to pursue their dreams, where families direct their children's education, and where policy empowers the individual rather than the bureaucracy.

Our progress toward that goal is real. Missouri has reduced its income tax to 4.7 percent and is actively advancing proposals to phase it out altogether. The MOScholars education savings account program has grown 370 percent since its early years, with scholarship awards rising 140 percent this year alone and record applications already coming in for next year. These gains were many years in the making, and they will require sustained effort to maintain and extend.

Mihai_Andritoiu / Shutterstock

Building a Legacy Together

You are probably aware of the success experienced by states such as Texas, Florida, Tennessee, and more recently Arkansas, Indiana, and Mississippi. People are moving to those states, their economies are growing, their kids are getting a better education, and their state and local governments are increasingly taking advantage of technology and private-sector practices to deliver public services more efficiently and effectively.

A great American renewal is occurring in those states, and their people are flourishing as a result.

That didn't happen by accident. It happened because of the efforts of think tanks like ours in those states. We regularly network with those organizations, sharing ideas, celebrating successes, and gaining knowledge of what has worked in other jurisdictions.

The message of our campaign is this: It can happen in Missouri! In fact, it is happening, step by step, in large part because of the efforts of the Show-Me Institute, which means in large part because of you, our donors.

We are absolutely determined to finish the job. We want Missouri to join the ranks of all the states that have put their faith—not partially, but fully—in freedom, capitalism, and honest and effective government.

We hope you will join us by naming a space and helping us hit the ground running. With your partnership, the Show-Me Institute will remain Missouri's boldest, most independent voice for freedom—today and for decades ahead.

Learn more at:

showmeinstitute.org/legacy

FINANCIALS*

REVENUE

Individual Donations	$2,567,157	89.63%
Grants	$150,120	5.24%
Other Income	$147,005	5.13%

Total: $2,864,282

EXPENSES

Program	$2,063,707	83.72%
Overhead	$401,312	16.28%

Total: $2,465,019

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	$4,076,373	95.25%
Fixed Assets	$51,796	1.21%
Other Assets	$151,683	3.54%

Total: $4,279,852

**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 the first 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 serves on the boards of Artisphere and the Greenville Zoo Foundation. Her previous community involvement includes volunteering with the Greenville Chapter of the National Charity League, WINGs Pediatric Hospice, Ladue Chapel Presbyterian Church, and the Center of Creative Arts (COCA). Earlier in her career, Megan was a real estate broker with Janet McAfee Inc., one of St. Louis's leading luxury real estate firms. She earned a Bachelor of Science in Business Administration from Washington University in St. Louis.

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 syndicated talk radio host. She is co-chair of the Republican National Lawyers Association and Vice Chair of the Missouri Republican Party. She lives in Columbia, Missouri with her husband and two sons.

Liza Forshaw - Director

Liza Forshaw is a retired attorney in St. Louis, Missouri, having practiced law for 31 years with Thompson Coburn LLP and its predecessor firm Thompson & Mitchell. She currently serves as the longtime chairman of her municipality's zoning board of adjustment. In 2023 the nation of Hungary honored her with a Gold Cross of Merit for her leadership of the nonprofit Cardinal Mindszenty Foundation since 2012. She has served on numerous other nonprofit boards. She holds an A.B. in economics cum laude from Princeton University and a J.D. from the University of Virginia.

Louis Griesemer - Director

Louis Griesemer is chairman of the board of the Erlen Group, a mining, real estate development, and logistics company headquartered in Springfield, Missouri. He is past president of Springfield Underground Inc., Parkville Stone Company, and Barnhart Limestone. 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 over 20 years.

Crosby Kemper III - Director

Crosby Kemper III is former director of the Institute of Museum and Library Services; executive director of the Kansas City Public Library; the chair of the Schools, Health, Libraries, and Broadband (SHLB) coalition; and former CEO of UMB Financial Corporation. He co-founded and is a 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 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 Emeritus 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 with ButcherJoseph & Co., a boutique investment banking firm based in St. Louis. Carter has been recognized as an Emerging Leader by The M&A Advisor and recognized as a Top M&A Professional in St. Louis by the readers of *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 (b. 2021) is diagnosed with DESSH. Carter earned a bachelor's degree in biology from Princeton University and an MBA in entrepreneurship and marketing from Washington University's Olin School of Business.

STAFF & ADVISORS

BRENDA TALENT
CEO

DORIS DRAKE
Office Manager

JESSICA GATEWOOD
Director of Development

AVERY FRANK
Senior Policy Analyst

CHRISTINA GIBSON
Donor Relations Manager

AARON HEDLUND
Chief Economist
On Leave of Absence

CORY KOEDEL
Director of Education Policy

SUSAN PENDERGRASS
Director of Research

DAVID STOKES
Director of Municipal Policy

ELIAS TSAPELAS
Director of State Budget and Fiscal Policy

ANDREW B. WILSON
Senior Writer

FELLOWS & SCHOLARS

SUSAN K. FEIGENBAUM
Research Fellow

BEVERLY GOSSAGE
Research Fellow

MICHAEL McSHANE
Senior Fellow of Education Policy

MICHAEL PODGURSKY
Senior Research Fellow

DAVID C. ROSE
Research Fellow

JAMES V. SHULS
Distinguished Fellow

PATRICK TUOHEY
Senior Fellow

HOWARD WALL
Research Fellow

ANDREW B. WILSON
Senior Fellow

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

2025 ANNUAL REPORT

SHOW-ME INSTITUTE

P.O. Box 16024
Saint Louis, MO 63105
314-454-0647

Visit Us:
showmeinstitute.org

Find Us on Facebook:
Show-Me Institute

Follow Us on X:
@showme

Watch Us on YouTube:
Show-Me Institute

Advancing Liberty with Responsibility by Promoting Market Solutions for Missouri Public Policy