

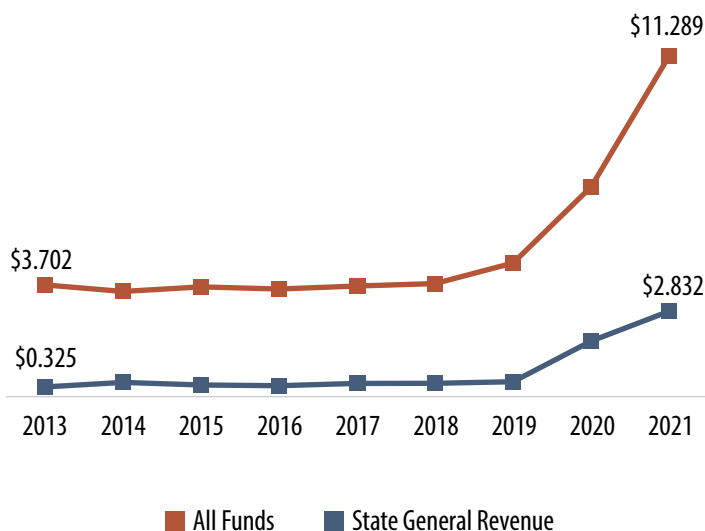
Federal COVID Relief is Driving the State's Economy and Budget "Surplus"

Missouri ended calendar year 2021 with \$11.2 billion in the bank - an extraordinary amount. Although much of the balance is federal funding or earmarked state funds, \$2.8 billion of the total was state general revenue.¹ By comparison, that amount was **nearly six times the average amount of state general revenue in the bank at the end of a normal year.**

This "surplus" was largely made possible due to the Federal COVID response. Through a series of legislation including the Families First Act, CARES Act, American Rescue Plan and additional appropriations measures, the U.S. Congress provided significant financial assistance to states and localities, companies and nonprofit organizations and individuals. This assistance is bolstering Missouri's economy and state revenue. Although Missouri is currently maintaining a significant general revenue balance, the extraordinary economic dynamics created by the Federal COVID response may be temporary and Missouri could at some point see a "normalization" or decrease in state revenue.

Missouri Fund Balances

December 2013 - December 2021, Amounts in Billions



Federal COVID Relief Fosters Extraordinary General Revenue Savings

Federal fiscal relief in response to COVID came to Missouri in multiple forms and allowed the state to offset what would have been state general revenue costs. This resulted in significant state general revenue savings over the last two years. The relief included:

- **\$2 billion in Coronavirus Relief Funds provided through the CARES Act.** Although \$520 million of this was distributed to counties,

the bulk was dedicated to state services.² The state was able to use the state share of the funding to cover increased costs due to the public health emergency and to offset state expenditures for anything that was connected to the public health emergency. For example, the funding was able to support a portion of the salaries for state employees for the period that they were dedicated to

COVID-related activities. As these and other state expenses were covered by federal funds, the state was able to save a significant amount of state general revenue tax dollars.

- **Enhanced Federal Matching funds for Medicaid.** As has occurred in previous economic crises, Congress also provided increased federal funding to support Medicaid. The increased federal funds were intended to respond to heightened enrollment during periods of unemployment and reduce the cost to the state of the increased enrollment. This funding also allowed Missouri to reduce state general revenue spending on Medicaid compared to what was budgeted. **As a result, at the end of December, Missouri had \$630 million in the “Medicaid Stabilization Fund.”** Although this funding has been placed in a special fund separate from state general revenue, it actually represents additional state general revenue that was saved due to the enhanced federal funding for Medicaid.³
- **American Rescue Plan Coronavirus State Fiscal Recovery Funds.** This third pool of state fiscal relief will provide \$2.7 billion in largely flexible funding to Missouri. The state has received the first disbursement of \$1.3 billion but has not yet appropriated it. This funding is kept separate from general revenue, although it accounts for a portion of the total funds balance at the end of 2021. As lawmakers appropriate the funding, it might be used to offset additional general revenue expenses and result in additional savings over the next several years.⁴
- **American Rescue Plan Medicaid expansion Incentive.** In addition to the enhanced federal matching funds for Medicaid, the American Rescue Plan included a financial incentive for states to expand Medicaid if they had not already done so. The timing of that legislation allowed Missouri to qualify for the incentive, which will provide an additional \$1.15 billion in federal funds to support Missouri’s pre-expansion Medicaid program. Although not yet received, this funding is important to note as it will provide additional funding to offset general revenue costs from July 2021 – June 2023.

These extraordinary funds allowed the state to protect and increase services in response to COVID, yet also allowed the state to save state general revenue.

Federal COVID Relief Fosters Extraordinary Economic Growth & Increased Tax Revenue

In addition to fostering state general revenue savings, the Federal COVID relief measures provided billions of dollars in direct assistance to Missourians. The impact for Missourians was dramatic. This assistance bolstered Missouri’s economy and is driving significant growth in state personal income and state tax revenue. Some examples:

- **Economic Impact Stimulus Payments:** The CARES Act provided economic stimulus payments (sometimes referred to as rebates) to Missourians based on income and family size. IRS data indicate that as of June 26, 2020, more than **3 million households in Missouri received \$5.27 billion in economic stimulus payments.**⁵
- **Federal Pandemic Unemployment Assistance:** Both the CARES Act and the Families First Act provided significant federal funds to support enhanced and extended unemployment benefits, including benefits for gig workers and others who are not traditionally eligible. As of the end of

January, the Federal Pandemic Unemployment had programs had **provided \$5.047 billion to offset income that Missourians lost due to the pandemic.**⁶

- **Child Tax Credit:** The American Rescue Plan included a temporary increase in the Child Tax Credit and provided advanced payments of the credit to families from July to December 2021. During the six-month period, **a total of \$1.778 billion was provided to 660,000 families – reaching 1,162,000 Missouri children.**⁷
- **Paycheck Protection Program (PPP):** The PPP provided \$13.7 billion through 233,301 loans to Missouri businesses and nonprofit organizations to protect jobs during the pandemic. **\$12.4 billion of that amount has been forgiven and was used to support 1,586,322 Missouri jobs.**⁸

Together these programs put billions of dollars into Missouri's economy and supported jobs in communities across the state as Missourians spent the assistance they received. For example, families who received the Child Tax Credit reported that the credits were used immediately for purchases including food, clothing, utilities, items for school, rent and mortgage payments, child care and vehicle repairs.⁹ That spending then supported jobs like the cashier at the local grocery or retail store and the mechanic at the local auto repair shop. Similarly, the infusion of additional federal funding for Medicaid supported the health care workforce, while federal fiscal relief supported state employee salaries.

As a result, the influx of federal funds through fiscal relief and direct assistance to Missourians drove significant gains in personal income. Between the first quarter of 2020 and the third quarter of 2021, total personal income in Missouri grew by nearly \$26 billion, or 8.3 percent and wages grew by 6.8% during that period.¹⁰

That growth in income coupled with the growth in consumer spending supported a significant bump in state sales and income tax collections. After accounting for the shift in the tax filing deadline in 2020, **state general revenue tax collections were about \$1 billion dollars higher in FY 2021 than in FY 2019.**¹¹

Summary

At the end of 2021, Missouri had \$2.8 billion in state general revenue in the bank. That balance resulted from a combination of savings in state general revenue spending over the last two years and increased state tax revenue resulting from increased personal income. Both components were made possible by the influx of Federal COVID relief. The growth in state general revenue will likely be maintained over the next several years due to additional federal support provided through the American Rescue Plan and the Infrastructure Investment and Jobs Act. However, Missouri could at some point see a “normalization” or decrease in state general revenue when these extraordinary funds are expended.

References

1. Office of the Missouri State Treasurer, “Monthly Fund Activity Report”, December 2013 – December 2021 available <https://treasurer.mo.gov/content/about-the-office/1monthlyfunds>.
2. See Missouri State Treasurer, Federal COVID -19 Related Funds Transparency Portal at <https://treasurer.mo.gov/COVID>
3. IBID #1
4. IBID #1
5. IRS Statement on Economic Impact Payments by state - as of June 26, 2020
6. United States Department of Labor, “Pandemic Unemployment Assistance: Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States”, Cumulative Total for Missouri through January 29, 2022; https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html
7. “By State: Advance Child Tax Credit Payments Distributed in December 2021”, Department of the Treasury, December 15, 2021, <https://home.treasury.gov/system/files/131/Advance-CTC-Payments-Disbursed-December-2021-by-State-12152021.pdf>
8. United States Pandemic Oversight Interactive Dashboard – data download on 2/3/2022 at <https://www.pandemicoversight.gov/data-interactive-tools/interactive-dashboards/paycheck-protection-program>
9. “Who Has Received Advance Child Tax Credit Payments, and How Were the Payments Used? Patterns by Race, Ethnicity, and Household Income in the July–September 2021 Household Pulse Survey”, Urban Institute, November 2021, <https://www.urban.org/sites/default/files/publication/105023/who-has-received-advance-ctc-payments-and-how-were-the-payments-used.pdf>
10. Missouri Budget Project analysis of the U.S. Bureau of Economic Analysis data. Total personal income in Missouri grew from \$307.7 billion to \$333.5 billion; wages grew from \$160 to \$171 billion; personal income transfers grew from \$60.4 billion to \$70.8 billion during the period discussed.
11. Missouri State Budget Director, in testimony before the House Budget Committee, January 2022