



Introduction to Missouri's State Budget 2025

Every Missourian wants to live in a healthy, thriving community, where they and their families have the opportunity to thrive from childhood through retirement, with good schools, well-maintained highways and infrastructure, and strong local economies.

Our state taxes fund the shared services that make this possible, like schools, transportation and infrastructure, and support for our most vulnerable.

Funding for these and other important services that impact our quality of life every day are allocated in the state budget.

This primer illustrates how Missouri's state budget works, where the state gets funding for services, and how the budget has changed over time.

SENIOR SERVICES EARLY EDUCATION
 QUALITY OF LIFE ELEMENTARY EDUCATION
 SECONDARY EDUCATION MODERN SERVICES
 LOWER UTILITY BILLS LIBRARIES
 SAFE BRIDGES DISABILITY SERVICES
 SERVICES FOR THE BLIND SERVICES FOR THE DEAF
 SAFE COMMUNITIES FIRE PROTECTION
 SAFE WORKING CONDITIONS STATE PARKS
 CLEAN WATER POLICE PROTECTION GOOD
 COMMUNITY COLLEGES WORKER TRAINING
 SAFE FOOD AFFORDABLE PRESCRIPTIONS
 AFFORDABLE TRANSPORTATION SAFE STREETS
 CHILD SAFETY FAMILY PROTECTION TRAIL-
 MATERNITY SERVICES LOWER COLLEGE TUITION
 AFFORDABLE HOUSING PUBLIC SAFETY SAFE BRIDGES
 NATURAL RESOURCES GOOD ROADS LIBRARIES
 SENIOR SERVICES EARLY EDUCATION SAFE COMMUNITIES
 QUALITY OF LIFE ELEMENTARY EDUCATION STATE PARKS
 MODERN SERVICES SECONDARY EDUCATION LOWER UTILITY BILLS
 LIBRARIES SAFE BRIDGES DISABILITY SERVICES CLEAN WATER
 SERVICES FOR THE BLIND SERVICES FOR THE DEAF
 FIRE PROTECTION
 SAFE WORKING CONDITIONS

Sources of Funds That Support Missouri Services

- All Missourians contribute to our state’s shared investments through the taxes they pay.
- On average, the tax dollars paid per person in Missouri are far lower than most other states.
- In fact, Missouri is ranked 46th in the amount of state tax revenue it collects per person.

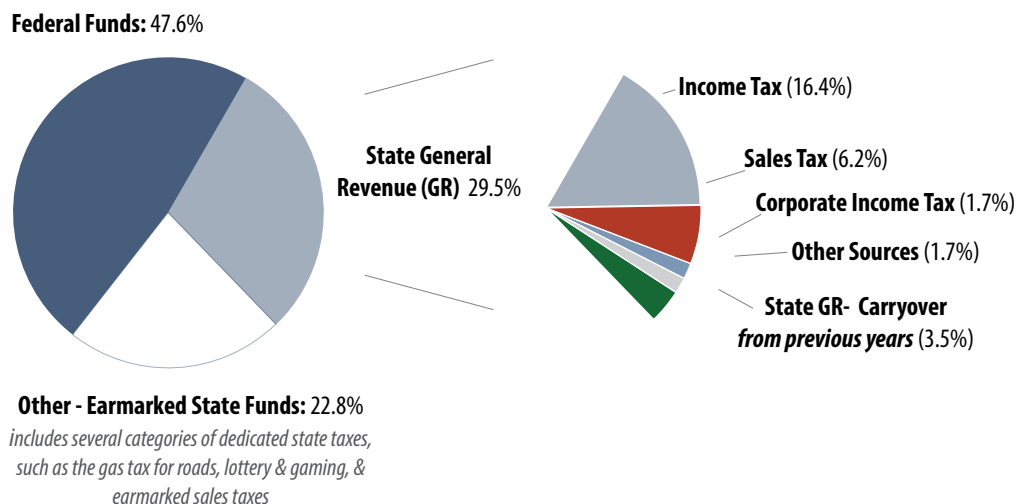
Missouri’s budget is made up of three main “buckets” of funds. Each of those “buckets” have multiple funding sources.

- State General Revenue: State general revenue consists primarily of the state individual income tax and sales taxes, with the corporate income tax and other sources also providing a small proportion. These are the funds that lawmakers have the most authority to allocate.
- Federal: Funding from the federal government is provided for very specific purposes, like transportation or health care.
- Earmarked: Another source is state-generated revenue that is dedicated to specific purposes, and includes excise taxes like the gas tax, which is dedicated to transportation.

Missouri’s total operating budget for FY 2025 is \$50.47 billion.

The state budget is currently larger than it typically is as a result of federal COVID relief funding that allowed Missouri to accrue savings that it is currently spending down (see page 4 for more information).

Missouri’s FY 2025 Operating Budget \$50.47 billion



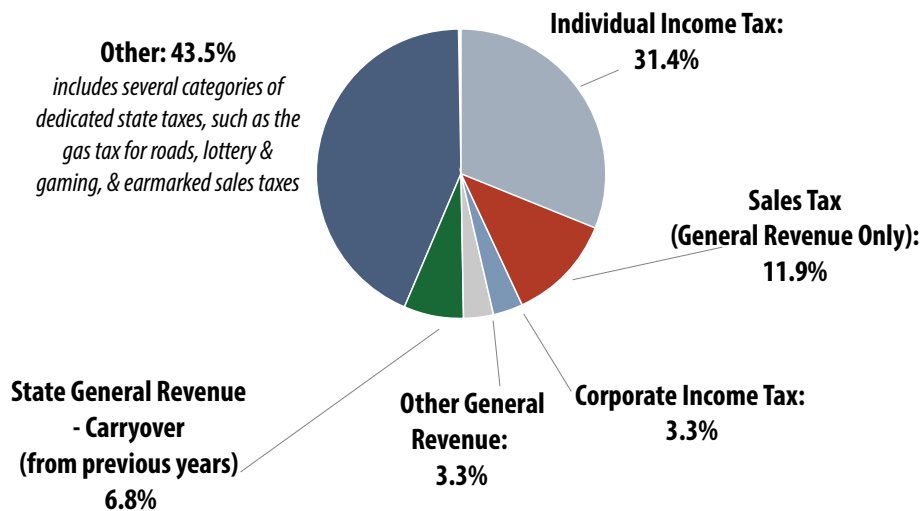
Sources of State-Generated Revenue

State budget needs are supported by a diverse base of state-generated tax revenue, including income and sales tax, gas and tobacco taxes, and lottery and gaming revenue. This diversity makes Missouri less vulnerable to shortfalls that result from short-term economic changes.

Some state-generated revenue is earmarked for specific purposes, while others (namely income and sales taxes) are "General Revenue."

- Compared to other states, Missouri earmarks more state-generated funds for specific purposes.
- As a result, while the individual income tax comprises a significant portion of state general revenue, it makes up just 31% of state-generated funding.

Missouri's FY 2025 Operating Budget Sources of State-Generated Revenue (Excludes Federal Funds) \$26.43 billion



Source: Missouri House of Representatives, 2024 Budget Fast Facts

Note: The significant use of "carryover" revenue to fund the budget is an unusual feature of recent state budgets that resulted from the infusion of extraordinary federal funds. The amount appropriated in the General Revenue Budget for FY 2025 is nearly \$1.8 billion over the revenue expected for the year - the carryover funding will make up the difference.

See page 4 for more information about this dynamic.

Federal Funds Have *Temporarily* Increased the Size of State Budget

Since 2020, Missouri's operating budgets have been significantly larger than normal as a result of a temporary infusion of federal funds. Moreover, federal funds make up a much larger share of the state budget than is typical.

Specifically:

- A series of COVID relief packages included extraordinary federal funding that was designed to flow through state budgets.
- Subsequent federal investments, such as the Bipartisan Infrastructure Bill, have also temporarily increased the budget.

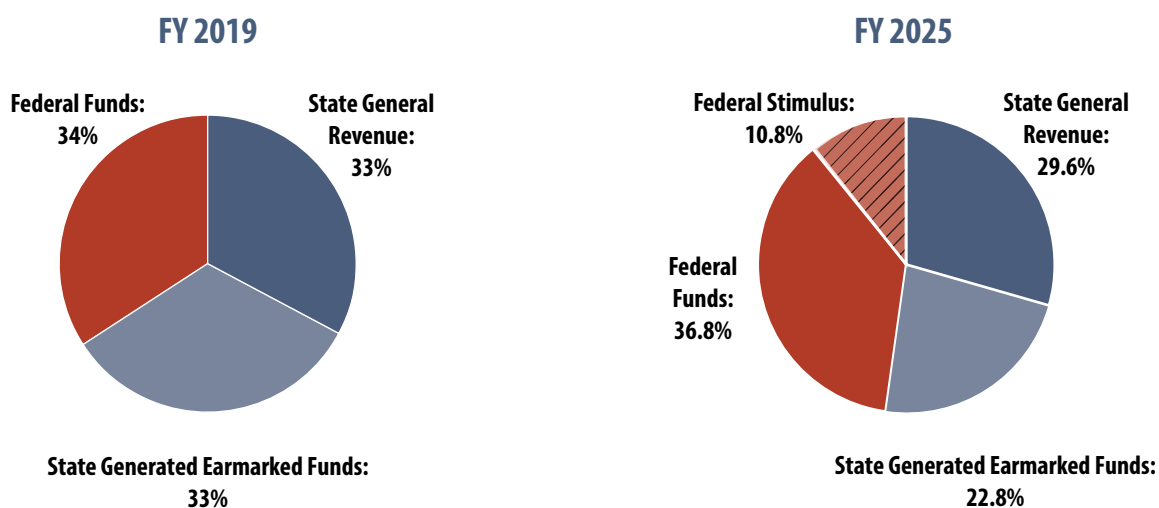
These federal funds:

- Enabled new one-time investments,
- Generated significant general revenue savings, and
- Bolstered incomes and consumer spending, which stabilized or even increased state sales and income tax collections.

As a result, the state was able to set aside billions in general revenue.

Now Missouri is spending the savings it accrued.

The amount appropriated in the General Revenue Budget for FY 2025 is nearly \$1.8 billion over the revenue expected for the year - the carryover funding will make up the difference.



Missouri's Constitution Limits Revenue Collections & Legislative Taxing Authority

Overview of the Hancock Amendment

In 1980, the Constitution of Missouri was amended to limit the amount of revenue raised by the state. This is commonly referred to as the Hancock amendment.

In addition, it requires voters to approve taxes or fees passed by the General Assembly that exceed specific annual limits.

- The Hancock Amendment limits the amount of Missouri's personal income that may be used to fund state government to no greater than the portion used to do so in 1981, when it was 5.6 percent.

Hitting the "Hancock Lid" in the 1990s....

Missouri revenue did not reach the Hancock limit until the late 1990s, when economic growth was exceptional.

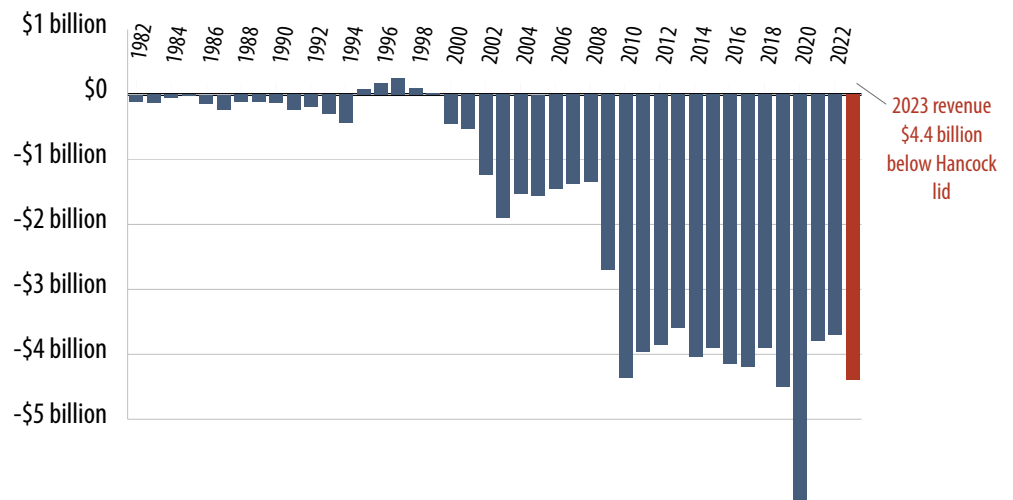
- From 1995 to 2000, the state **exceeded the maximum amount of tax revenue allowed by law** and was required to refund nearly \$1 billion to taxpayers during that time frame.
- Though a significant amount of money as a whole, the average Missouri family received a refund of just \$40 over those five years.

Resulted in Diminished Investments Today.

In the years that followed, legislators began enacting tax cuts.

- In fiscal year 2023, total state revenue was \$4.4 billion under the Hancock limit.
- In fiscal year 2025, the legislature had authority to authorize tax changes that would generate up to \$150.5 million.

State Billions Short of Hancock Limits



Source: Office of the Missouri State Auditor, Review of Article X, Sections 16 through 24, Constitution of Missouri, Year Ended June 30, 2023; Report No. 2024-064, September 2024

Already Enacted Tax Cuts Will Reduce State Revenue by More Than \$3 Billion Annually When Fully Implemented

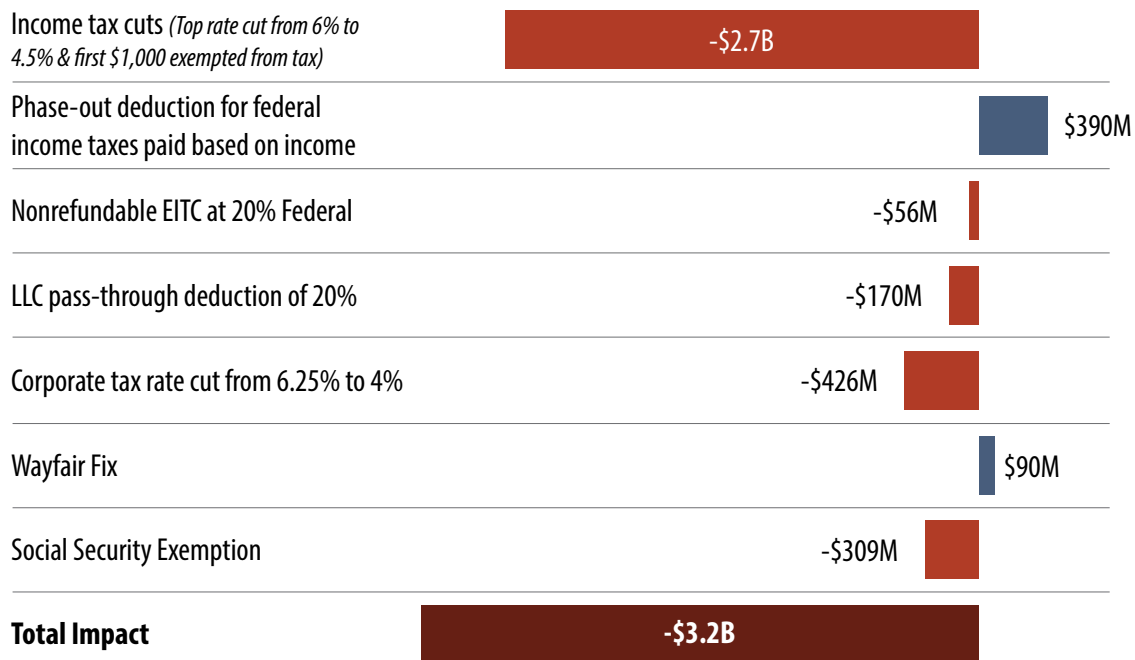
Since 2014, Missouri legislators have approved several tax cuts:

- Many of these were targeted to corporations. The corporate income tax rate was cut by more than one-third, from 6.25% to 4%, and the franchise tax was eliminated.
- During a special legislative session in 2022, Missouri’s General Assembly passed an individual income tax bill that disproportionately benefits Missouri’s wealthiest households. When fully implemented, the tax changes will reduce state revenue by more than \$1 billion annually.

Overall, the tax changes significantly diminished Missouri’s ability to invest in the services that help families, communities, and the economy thrive.

- Combined, tax changes made since just 2014 will cost Missouri about \$3.2 BILLION every year when fully implemented.
- That’s the equivalent of more than 20% of this year’s state general revenue budget.

State Tax Cuts Since 2014



Note: This chart excludes changes to Missouri’s corporate apportionment rate. Between FY2015 and FY2016, net corporate tax revenue in Missouri declined by nearly one-third due to an error in Missouri’s corporate apportionment rate. Lawmakers later “fixed” the error in the corporate apportionment rate. As these changes effectively balanced each other out, these tax changes are excluded from the chart.

Comparing State Budget Investments Over Time

Although the size of the state budget has grown nominally over time, simply looking at the number of dollars in revenue year-to-year fails to account for inflation, population growth, and economic growth.

While it can be difficult to assess the adequacy of state budget investments, especially when comparing those investments over time, there are several ways to compare Missouri's investments in public services.

Per Capita

To account for inflation and population, one can look at the general revenue spending for each person in Missouri.

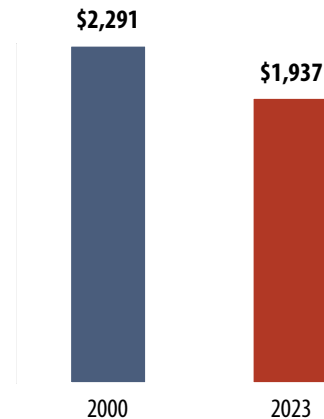
Share of the Economy

State spending can also be examined as a share of the size of the state's economy. This is generally measured as the total personal income in a state.

Overall, net general revenue collections as a portion of the economy have declined significantly over time. Recent infusions of federal dollars, combined with COVID related economic upheaval, led to an unusual spike in this measure that is slowly returning to normal.

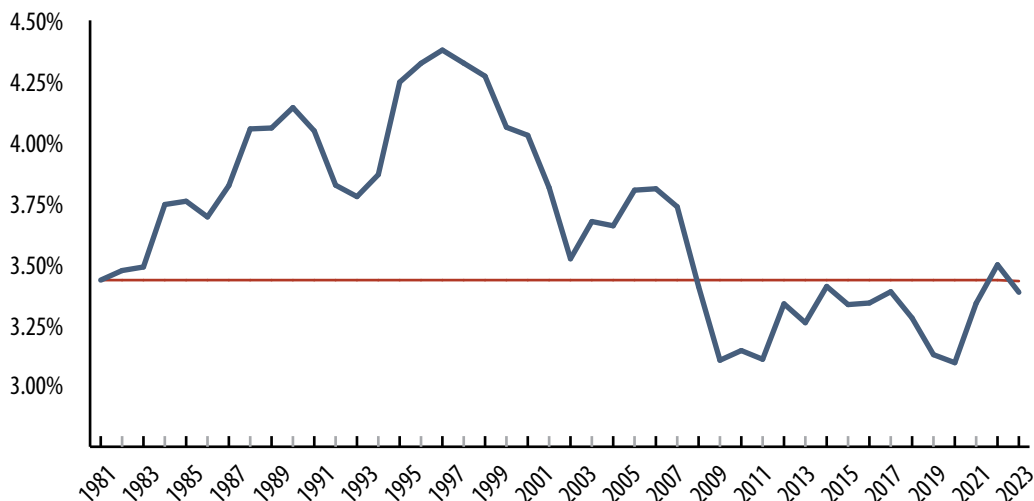
Missouri's Per Capita General Revenue Spending Has Declined Over Time

Per Capita GR Spending, Inflation Adjusted (2023 Dollars)



Missouri Invests Less in Services as GR Has Fallen Relative to the Size of the Economy

General Revenue as Percent of Personal Income, by Fiscal Year Compared to 1981 Baseline

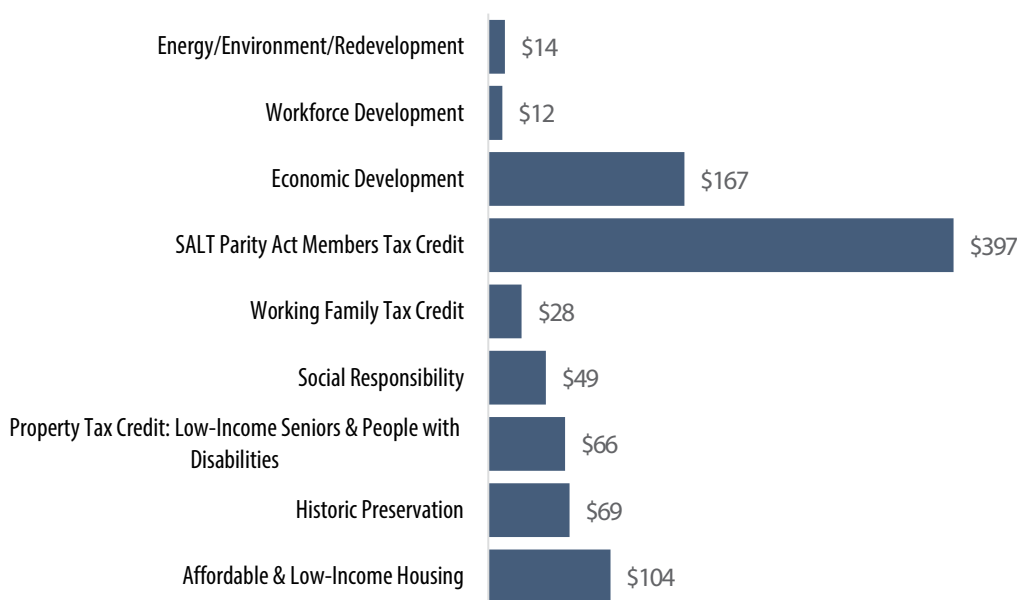


Tax Credits Cost Missouri Nearly \$907 Million in FY 2024

- Many tax credits serve important policy goals, like helping low-income seniors remain in their homes or helping nonprofits like food banks, domestic violence centers, or organizations serving pregnant women and children leverage donations. Others promote affordable housing or economic development.
- The growth of tax credits has significantly reduced state general revenue, costing nearly \$907 million in FY 2024, up from almost \$515 million in fiscal year 2015.
- Although tax credits reduce the revenue available for the state budget, their impact is not transparent because they are not included in the budget.
- Beginning in 2023, eligible Missouri households can receive a Working Family Tax Credit. The tax credit helps low-paid workers offset the cost of sales taxes and fees associated with everyday household necessities, like food, diapers, and utilities. The program gave Missouri workers and their families nearly \$28.5 million in tax credits in FY 2024.
- In FY 2024, the SALT Parity Act Members Tax Credit program was the most costly. The program gave businesses nearly \$397 million in tax credits, and accounted for more than 44% of all state tax credits given in FY 2024.

Tax Credits Redeemed by Category in FY 2024

In Millions



Source: Missouri Department of Revenue

Nuts & Bolts

Missouri Requires a Balanced Budget

Missouri's state constitution requires the budget to be balanced, so spending by the state cannot exceed incoming revenue.

The state's fiscal year runs from July 1st to June 30th every year. Because the budget year begins in the middle of a calendar year, it is named for the coming calendar year. So, the budget that lawmakers will be debating in 2025 is the Fiscal Year 2026 budget.

The full legislature must pass its final budget one week prior to the end of the legislative session. In 2025, that means the legislature must pass the budget by May 9th.

The Consensus Revenue Estimate Provides the Total Budget Amount

Because the state budget must be balanced every year, the legislature relies on an estimate of expected state revenue as a starting point for the budget process. Traditionally, lawmakers work together with the Governor to determine this estimate, which is referred to as the Consensus Revenue Estimate, or "CRE."

As the budget process progresses, other revenues are considered. These other considerations may include a beginning balance, any lapses from the previous year, adjustments for legislative changes, and any other transfers to the general revenue fund.

Appropriations Bills Detail State Expenditures

The legislature outlines its recommendations for the state budget in 13 different House Bills, which are referred to as the budget bills. Each bill includes the spending recommendations for different state government departments and functions.

While most other bills are assigned a number in the order they are filed, the 13 operating budget bills are generally the first 13 numbered bills and appropriate funds for the following functions:

HB 1	<i>Board of Fund Commissioners (public debt)</i>
HB 2	<i>Elementary and Secondary Education</i>
HB 3	<i>Higher Education & Workforce Development</i>
HB 4	<i>Revenue and Transportation</i>
HB 5	<i>Office of Administration & Employee Benefits</i>
HB 6	<i>Agriculture, Natural Resources, Conservation</i>
HB 7	<i>Economic Development, Commerce & Insurance, and Labor & Industrial Relations</i>
HB 8	<i>Public Safety & Missouri National Guard</i>
HB 9	<i>Corrections</i>
HB 10	<i>Mental Health, Health & Senior Services</i>
HB 11	<i>Social Services</i>
HB 12	<i>Offices of Statewide Elected Officials, Judiciary, & State Public Defender</i>
HB 13	<i>Statewide Real Estate</i>

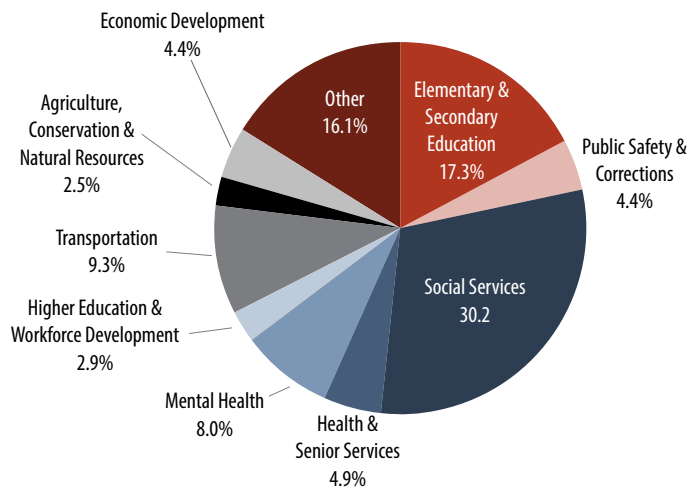
State Appropriations by Department

The budget bills include the support from all funding streams, federal, state earmarked dollars and state general revenue dollars.

The most flexible of the funding streams is state general revenue because it does not include specific requirements for how it must be spent like the other funding streams do. Because of this, the state general revenue budget is generally what lawmakers spend the most time debating each year.

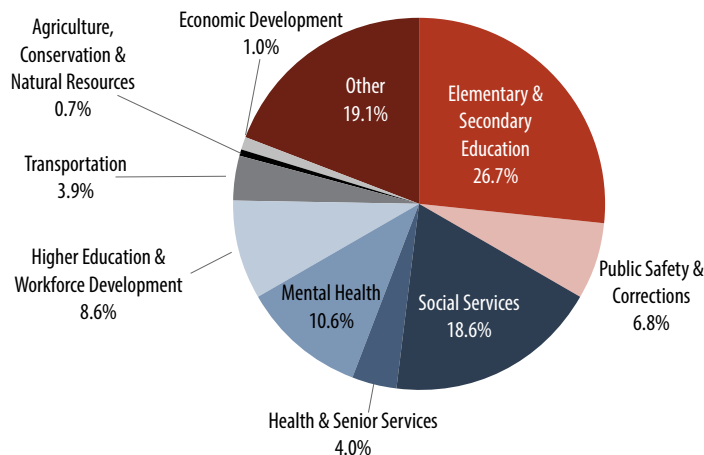
Missouri Fiscal Year 2025 Budget - TOTAL Funds

\$50.47 billion



Fiscal Year 2025 General Revenue Operating Budget

\$14.95 billion



Source: Missouri Office of Administration, Appropriation Bills (Fiscal year 2025), "Fiscal Year 2025 Totals by Department"

The Missouri Budget Process

Executive Budget

Summer through October 1st:

Departments submit budget requests to the Office of Administration for consideration by the Office of Budget & Planning and the Governor.

Late January/early February:

Governor releases Executive Budget

** deadline for submission is 30 days after the legislative session begins**

House Budget

January:

The Chairman of the House Budget Committee introduces the Budget Bills, and they are referred to the House Budget Committee.

January & February:

House Appropriations Committees discuss specific department budgets from previous years and give recommendations for the coming year.

February & March:

House Appropriations Committees present their recommendations to the full Budget Committee to be accepted, amended or rejected.

March:

Budget Chair presents the Committee's budget to the entire House of Representatives for amendment and passage.

Senate Budget

January through March:

The Senate Appropriations Committee considers the various department budgets and considers changes for the next fiscal year.

March & April:

The House Budget bills are assigned to the Senate Appropriations Committee for amendments or approval

April:

Senate Appropriations Committee Chair presents the Senate Budget to the entire Senate for amendments or approval.

Conference Committee

April or May:

Select members of the House Budget Committee and the Senate Appropriations Committee meet to reach a compromise on the differences between their budgets.

Floor Approval

April or May:

The House of Representatives & the Senate both vote on the Conference Committee version of the state budget.

the legislature must approve the budget by one week prior to the end of the legislative session

Governor Approval

Before July 1:

The Governor has until July 1 to make line item vetoes, veto, sign or allow budget bills to become law without a signature

Veto Override

September:

The General Assembly meets for a veto session in September to consider overriding the Governor's vetoes.