

Nuts & Bolts

The Consensus Revenue Estimate as a Start to Balancing the Budget

Missouri's state constitution requires the budget to be balanced, meaning state spending cannot exceed incoming revenue. In the case of a shortfall where the state does not collect enough revenue to pay for its expenditures, the state may temporarily withhold or permanently restrict spending. If there is extra revenue at the end of the year, the state can use it as "carryover" revenue the next year.

The legislature relies on an estimate of expected revenue as a starting point for creating the budget. Lawmakers work with the Governor to determine this estimate, called the Consensus Revenue Estimate, or "CRE." The CRE is announced each December, with adjustments made throughout the budget process to make sure the budget stays balanced as revenues and expenditures fluctuate.

Key Steps in the Budget Process

The state legislature creates a budget each fiscal year which runs from July 1st to June 30th. Legislators introduce the budget bills at the beginning of the legislative session in January. The final budget must be approved one week before the end of session.



See Page 10 for a more detailed budget process.

Appropriations Bills Detail State Expenditures

The legislature outlines its recommendations for the state budget in 13 different House Bills. Each budget bill includes the spending recommendations for the state's 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 allocate funds for the following functions:

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

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.

Federal Funds

Funding from the federal government that is provided for specific programs and services.

State Earmarked Funds

Funding from certain state taxes and fees dedicated to specific purposes. This includes excise taxes like the gas tax, which is dedicated to transportation.

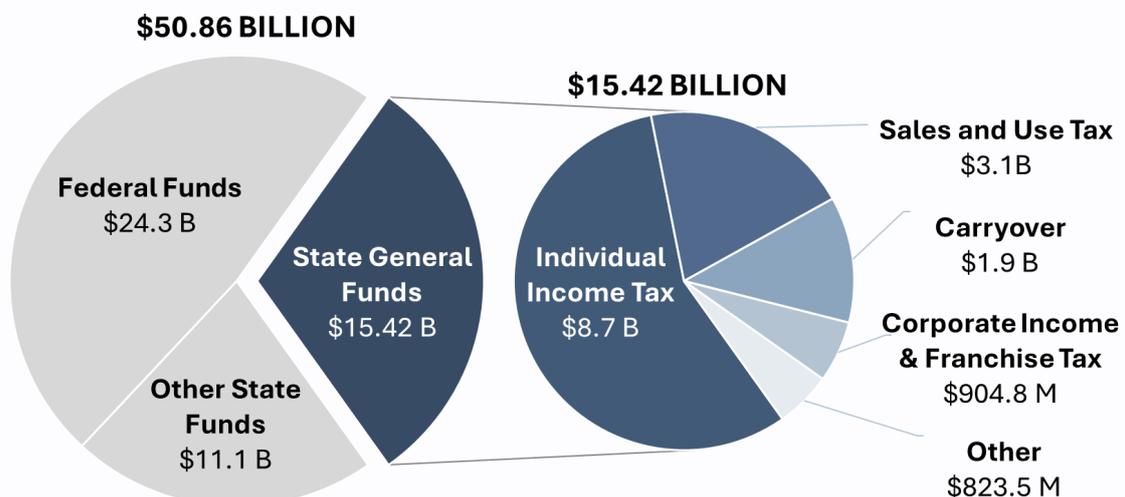
State General Revenue

Funding that lawmakers have the power to allocate. It largely comes from state individual income tax and sales taxes, with corporate income tax and other sources also providing a small proportion.

Missouri’s total operating budget includes support from all funding streams including federal, state earmarked, and state general revenue. The general revenue budget is what lawmakers spend the most time debating each year because (unlike federal and earmarked funding) it does not include specific requirements for how it must be spent.

The general revenue budget is currently being supported by a significant amount of “carryover” revenue, or unspent funds left over from a prior year. For more information, see page 7.

FY26 Budget Breakdown by Funding Source



Sources of State-Collected Revenue

State budget needs are supported by a diverse base of state-collected tax revenue, including income and sales tax, gas and tobacco taxes, and lottery and gaming revenue. Collecting taxes from many sources of revenue makes Missouri less likely to feel shocks to its economy from economic changes in one of these income streams in the short term.

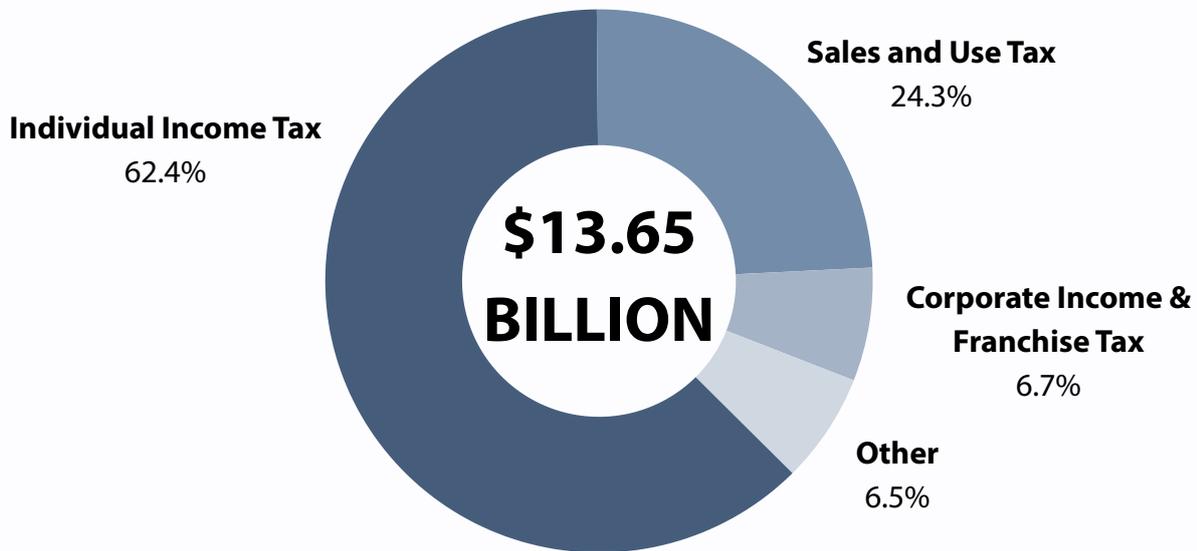
Earmarked Revenue

Some state-collected revenue is earmarked, or used for specific purposes. For example, revenue collected from the gas tax must go to localities and state transportation costs, while revenue from lottery & gaming taxes must go to public education funding.

General Revenue

General revenue is largely made up of the state income and sales taxes paid by everyday Missourians. Nearly $\frac{2}{3}$ of the general revenue is funded through the individual income tax. Only 7% of general revenue is funded through corporate income taxes, or taxes levied on the profits of mostly large, multi-state or multi-national corporations. The vast majority of small businesses in Missouri pay taxes through the individual income tax system, not the corporate tax system.

Fiscal Year 2027 Estimated General Revenue Collections



Note: Because Missouri requires a balanced budget, in most years the CRE (see pg. 2) very closely matches the general revenue budget or “appropriations” for that year. But in recent years, extraordinary federal funds designed to address the health and economic impacts of COVID allowed Missouri to set aside significant savings, or “carryover” funds.

This has resulted in a nearly \$2 billion gap between general revenue collections and general revenue spending.

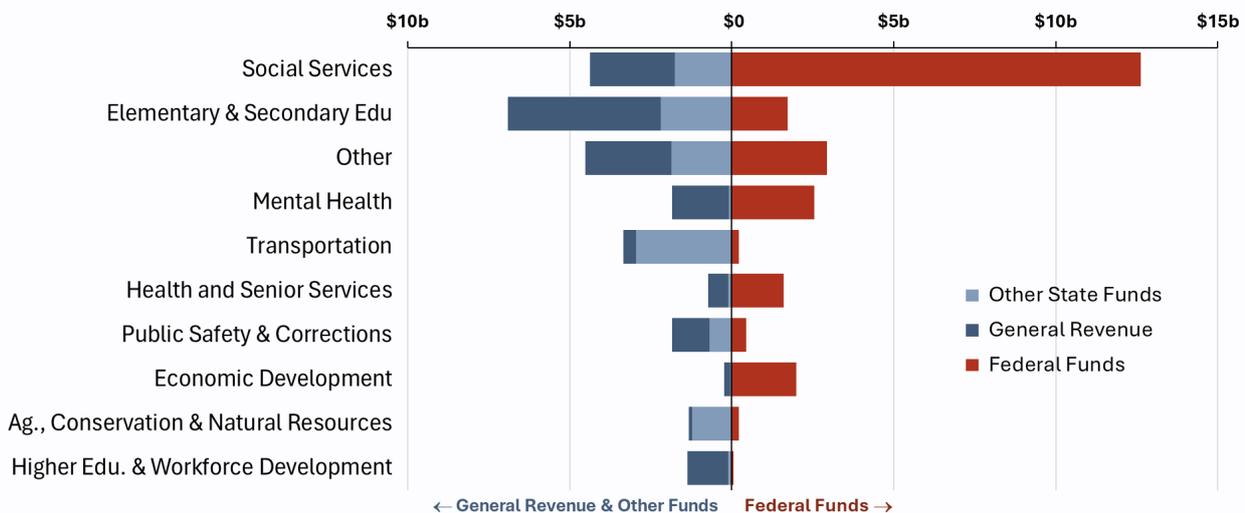
State Appropriations by Department

Different Departments Get Funded by Different Sources

When advocating for specific programs in the budget, it's important to understand how that program is funded. Some areas of the budget rely more heavily on federal funding while other areas are funded almost entirely with state revenue.

State general revenue is the funding stream that lawmakers have the most say in allocating since it does not have specific requirements on how it must be spent. This provides opportunities for advocacy - but also means that programs that rely heavily on general revenue can be vulnerable to cuts during budget shortfalls.

FY26 Budget Allocation by Revenue Source



Departments Funded by General Revenue are More Vulnerable to Cuts

Around one third of Missouri's total operating budget goes toward services housed in DSS, the Department of Social Services—that is because Missouri heavily leverages federal funds to pay for these services.

- Many programs housed in DSS are funded primarily through federal block grants, with little to no state funding support.
- Other programs, such as Medicaid, are funded through a federal/state match. This means state spending cuts can trigger automatic cuts to federal spending if that state match is not replaced with other revenue.

Other services, like K-12 and higher education, rely heavily on general revenue and other state funds. This is because very little federal revenue is available to support these services, making state funding critical in providing an adequate base of support for these services.

Comparing State Budget Investments Over Time

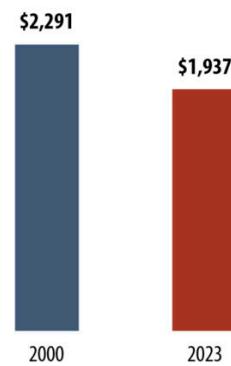
While the size of the state budget has grown nominally over time, only looking at the number of dollars in revenue year-to-year fails to account for inflation, population growth, and economic growth.

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.

Missouri's Per Capita General Revenue Spending Has Declined Over Time
Per Capita GR Spending, Inflation Adjusted (2023 Dollars)

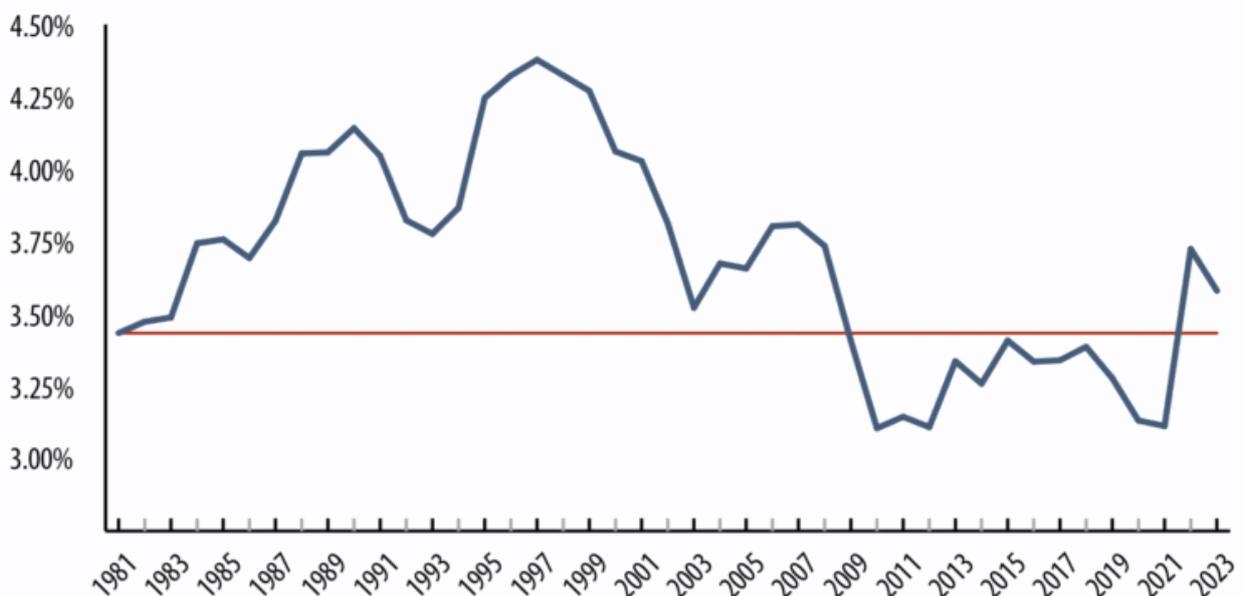


Share of the Economy

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

Overall, net general revenue collections as a share of the economy have declined significantly over time. A recent increase in federal dollars from temporary COVID-related funds and economic upheaval led to an unusual spike in this measure that is slowly returning to normal.

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



Living on Borrowed Time: Missouri Faces Big Budget Cliff

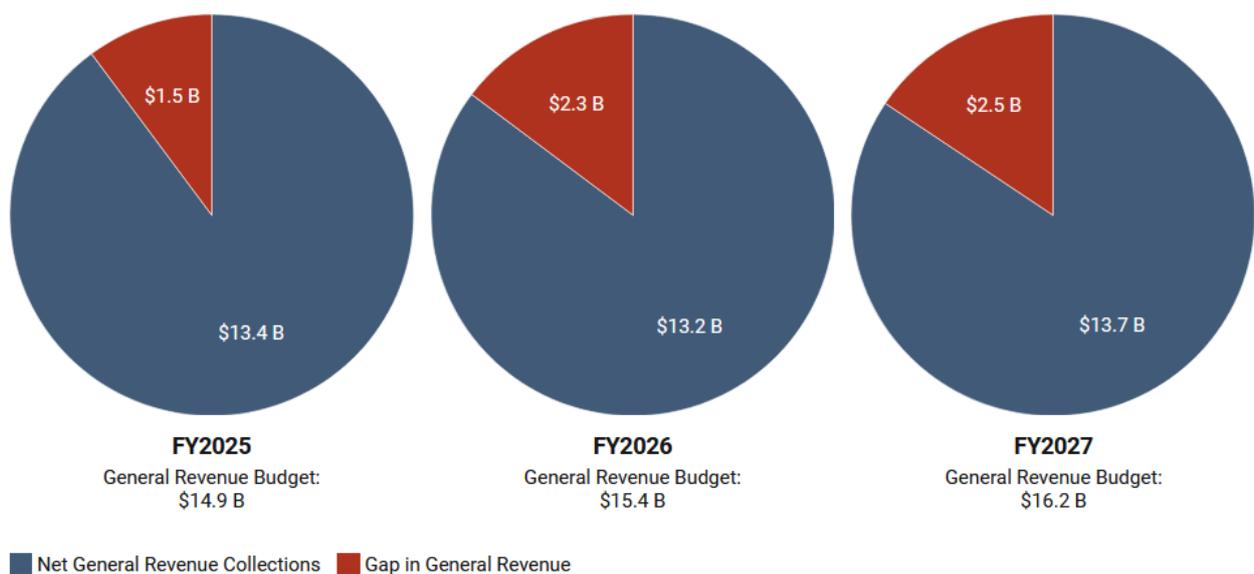
What is a Budget Cliff?

Governor Kehoe recently announced that Missouri expects a \$1 billion shortfall in general revenue in FY 2027 with that gap growing to over \$2 billion in future years.

This shortfall comes on the heels of decades of state tax cuts, primarily benefiting the wealthy and corporations. Federal COVID-related savings temporarily masked the shortfall, but as those savings are spent down the full impact of those tax cuts on the state budget will be felt.

In Fiscal Year 2026, Missouri's general revenue budget is \$15.4 billion – but the state only expects to generate \$13.2 billion in state general revenue dollars – a gap of more than \$2 billion that is currently being paid for with the savings accrued during COVID.

General Revenue Gap



Net General Revenue Collections: FY24 & FY25 based on actual collections, FY26 & FY27 based on Consensus Revenue Estimate

Upcoming Tax Cuts and Federal Cost Shifts Will Likely Widen the Gap

In the coming years, significant cuts to federal funding for Medicaid and SNAP will shift new costs to Missouri's state budget. In addition, tax cuts passed in recent years have not yet been fully implemented. Despite this uncertainty, Missouri lawmakers continue to propose additional tax cuts, increasing the likelihood of painful and deep cuts to critical services funded by the budget.

For more on the budget cliff, see [this report](#).

Once Tax Cuts are Fully in Effect Missouri Will Lose Nearly \$4 B in Revenue Per Year

Most tax changes recently passed by the Missouri legislature disproportionately flow to the highest income brackets.

- The corporate income tax rate was cut by more than one-third, from 6.25% to 4%, and the franchise tax was eliminated.
- Missouri’s top income tax rate was cut from 6% in 2014 to 4.5% when fully implemented, a tax cut that is heavily skewed toward Missourians with very high incomes.
- Missouri is now the only state to exempt capital gains (or taxes on unearned income) entirely from taxes.

Tax Cut “Phase-In”

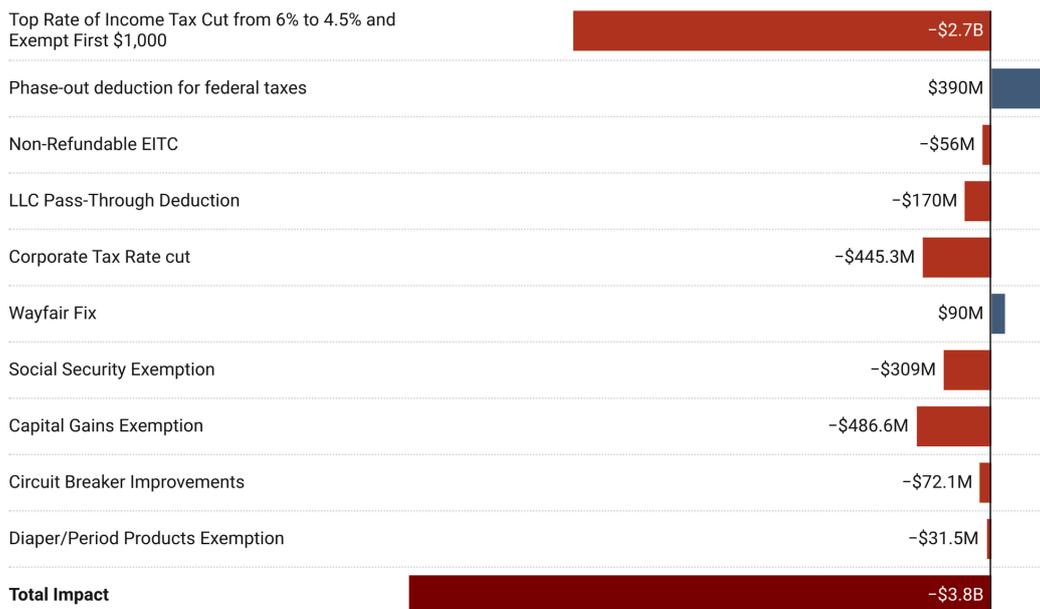
When Missouri passes tax cuts, they often include a “phase-in” period, where the tax cut is not implemented all at once. Instead it is rolled out slowly over time.

This “phase-in” period masks the true impact of tax cuts and over time can lead to chronic budget shortfalls.

Overall, the tax changes significantly diminished Missouri’s ability to invest in the services that help families, communities, and the economy thrive, while putting little back in the pockets of everyday Missourians.

- Combined, tax changes made since just 2014 will cost Missouri about \$3.8 BILLION every year when fully implemented.
- That's the equivalent of more than 25% of this year's state general revenue budget.

Combined Impact of Tax Changes 2014 - 2025



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 subsequently “fixed” the error in the corporate apportionment rate; as these changes effectively balanced each other out, these tax changes are excluded from the chart.

Chart: Updated December 2025 • Source: Missouri Budget Project • Created with Datawrapper

Missouri's Constitution Limits Revenue Collections & Legislative Taxing Authority

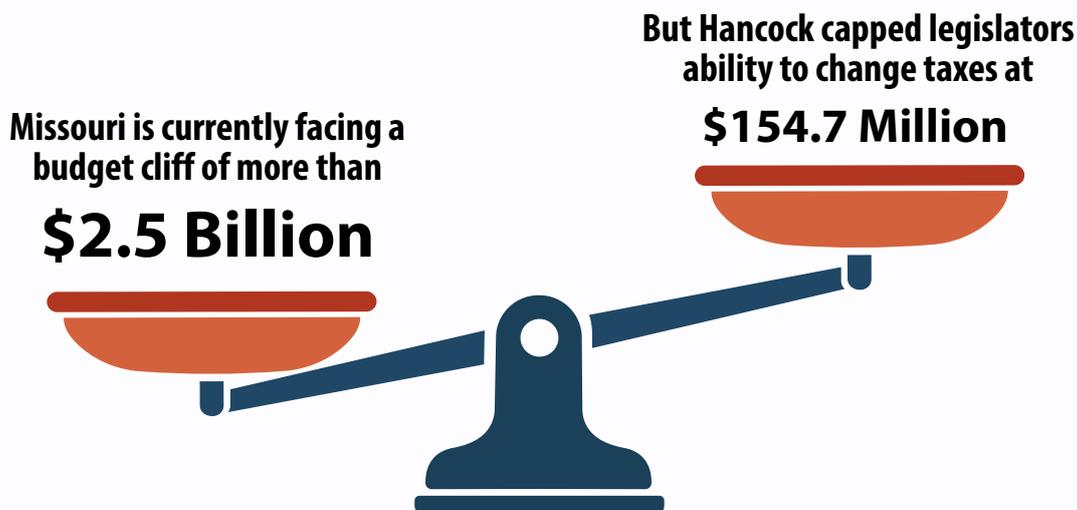
Overview of the Hancock Amendment

Missouri's Constitution has several provisions designed to limit the amount of revenue raised by the state, commonly referred to as "the Hancock amendment".

- The Hancock Lid limits the amount of Missourians' personal income that may be used to fund state government to no greater than 5.6 percent of the total income in Missouri. Missouri revenue is now \$4.7 billion BELOW the Hancock Lid.
- Hancock also requires voter approval for taxes or fees passed by the General Assembly that exceed specific limits. In FY 2026, the limit on how much the state legislature was allowed to increase taxes without a vote of the people was \$154.7 million.

Comparing the Numbers

Missouri collected \$13.2 billion in general revenue in FY26. The limit on how much legislators can increase taxes without a vote of the public is less than 2% of general revenue collected. This makes it difficult for legislators to face unexpected changes to the budget when they occur.



With such a small margin of change that lawmakers can enact, they are unable to quickly respond to dynamics like the increasing need for services or federal-level changes that shift costs onto states, like recent SNAP and Medicaid cuts. Without the ability to increase revenue to match the state's need, the Hancock Amendment limits budget and revenue flexibility in Missouri.

Legislators keep dropping revenue, even in the face of budget shortfalls

In fiscal year 2026, the legislature had the power to authorize tax changes that would generate up to \$154.7 million without triggering a public vote. Instead, they continued to erode Missouri's tax revenue, making it harder to fund programs that support the needs of Missouri communities.

Missouri Budget Process

