Missouri's Fund Balance Explained

There are often misconceptions promoted in the media that the State of Missouri enjoys a more than $5 billion surplus. That is simply not true, and this document will help set the record straight.

As of July 1, 2024, Missouri will have a nearly $6 billion fund balance. However, **fund balance does not equal surplus**. A "surplus" suggests there are no plans for these funds, but in reality, over 66 percent of Missouri's fund balance has already been obligated for Fiscal Year 2025 – meaning state government has approved spending plans that must be paid throughout the coming fiscal year. Additionally, revenue reductions and ongoing expenditures already approved for the years ahead cannot be forgotten.

Fund Balance: What does it mean? What is included?

Missouri's fund balance includes both general revenue and various federal funding streams:

FY25 Starting Balance:	$5.7 Billion (GR + ARPA)
Est. FY25 General Revenue (GR)	$13.3 Billion
Total FY25 GR Obligations (Expenses)	($15.3 Billion)
Total FY25 ARPA Obligations (Expenses)	($1.8 Billion)
Est. FY25 Ending Balance:	**$1.9 Billion** (GR + ARPA)

Do we actually have a $1.9 billion surplus?

No, the accurate terminology regarding the estimated $1.9 billion left at the end of FY25 is still "fund balance." Reductions in revenue and increased ongoing expenditures approved by recent legislation mean we have obligations beyond the current fiscal year that rely on Missouri's fund balance in the future. Not to mention new projects approved this past session that require ongoing spending beyond the current fiscal year.

In FY22, Missouri saw a revenue growth of 14.6 percent. In FY23, that rate slowed to 2.7 percent, and based on revenues through June 27, 2024, it is expected to be approximately 1.0 percent by the end of FY24. Revenue estimates suggest a 0.2 percent growth in FY25. This is caused primarily by an economic leveling out and revenue reductions approved in recent years.

Examples of Revenue Reductions/Obligations

SB 3	Income Tax Cut & Triggers – reducing rate from 4.8%-4.5%	($332.1 Million)
SB 727	Elementary and Secondary Education	($400 Million)
Budget	Est. Necessary Increases to K-12 Foundation Formula	($300 Million)
Budget	Medicaid Expansion Constitutional Requirements	($275 Million)
Budget	I-44 Bond Payments	($44 Million)
Budget	Nursing Facility Rebase and Hospice Provider Rates	($43.2 Million)
Budget	Direct Care Provider Rates Increases	($20.1 Million)
Total Est. Reduction		($1.41 Billion)

These examples represent an **additional $1.4 billion** in ongoing revenue reductions and increased expenses that must be accounted for beyond the current fiscal year, and that's why the $1.9 billion fund balance at the end of FY25 must be preserved to help meet future needs.

Missourians can celebrate that state revenues remain positive, and unemployment continues to be historically low. The Parson Administration has maintained Missouri's AAA bond rating and has paid down state debts to the lowest levels in recent history, leaving the state with 50 percent less than when it started. Businesses continue to grow and make investments across the state, and it's all been done while cutting Missourians' taxes by over 20 percent. That is REAL reform.

While times are good and the state has a healthy fund balance, that may not always be the case in the future. The State of Missouri remains strong, but resources are not limitless. Because no, there is no $5.7 billion surplus, and unlike the federal government Missouri must maintain a balanced budget.