



Scott Fitzpatrick

Missouri State Auditor

Analysis of General Revenue Fund Financial Condition

Report No. 2025-101

December 2025

auditor.mo.gov

Analysis of General Revenue Fund Financial Condition

Table of Contents

State Auditor's Report	2
------------------------	---

Introduction	
Background	3
Scope and Methodology.....	4

Management Advisory Report - State Auditor's Findings	General Revenue Fund Surplus Being Rapidly Reduced By Deficit Spending5
---	--



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Mike Kehoe, Governor
and
Members of the General Assembly
Jefferson City, Missouri

We have reviewed the financial condition of the state's General Revenue Fund. Due to the significance of the General Revenue Fund to the state and its taxpayers, the State Auditor's Office conducted this analysis to assess the financial condition of the fund and communicate the results to you as budget decision makers, as well as to taxpayers and relevant stakeholders.

Multiple years of budget surpluses in the aftermath of the COVID-19 pandemic resulted in a significant balance being built in the state's General Revenue Fund. The state has now begun the process of depleting that surplus due to deficit spending in the fund through a combination of expenditure increases and slowing revenue growth. Current projections show the need for immediate action to ensure revenue and expenditure levels are equalized before the General Revenue Fund balance becomes critically low and emergency action is required.

The accompanying Management Advisory Report presents the results of our analysis of the General Revenue Fund Financial Condition.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

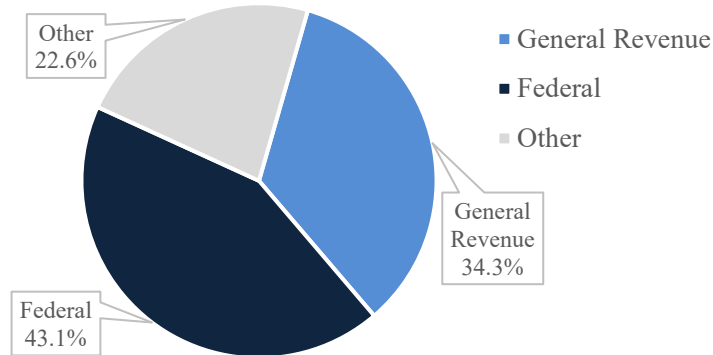
Analysis of General Revenue Fund Financial Condition

Introduction

Background

Missouri's state budget is divided into three main fund types - General Revenue, Federal, and Other. For Fiscal Year (FY) 2025, state expenditures totaled 34.3% from General Revenue, 43.1% from Federal, and 22.6% from Other sources.

Figure 1: State expenditures, by funding source, year ended June 30, 2025



Source: Prepared by the State Auditor's Office (SAO) using *Missouri House of Representatives Fast Facts 2026*.

Federal funds are received from the federal government and generally earmarked for specific programs like Medicaid, Temporary Aid to Needy Families (TANF), school aid, and many others. The Other category includes hundreds of funds created by state law, or administratively, and designated for specific purposes. Examples of Other funds include the Gaming Proceeds for Education Fund, the Lottery Proceeds Fund, and the State Road Fund.

The General Revenue category includes only 1 fund, the General Revenue Fund. The General Revenue Fund is unrestricted, meaning it can be budgeted and spent for any allowable state purpose at the discretion of the General Assembly. The General Revenue Fund receives funding mainly through taxes, including personal income, sales, and corporate income taxes levied by the State of Missouri. General Revenue is often used to match federal funds or when the use of Other funds is restricted. For these reasons, the health of the General Revenue Fund is critical to the overall health of the State of Missouri's budget and financial condition.



Analysis of General Revenue Fund Financial Condition

Introduction

Scope and Methodology

The scope of our analysis included, but was not necessarily limited to, General Revenue Fund activity occurring during the 25 years ended June 30, 2025.

This report combines information from a variety of sources. Our methodology included reviewing reports by the Office of Administration Division of Budget and Planning (OABP), House Appropriations staff, fiscal notes prepared by the General Assembly's Joint Committee on Legislative Research - Oversight Subcommittee, and the State Treasurer's Office (STO) fund reports. This information was combined with additional data from the state's accounting system, Statewide Advantage for Missouri (SAM II), as well as a review of recently passed legislation impacting state finances. To produce estimates for ongoing and future fiscal years, we used historical revenue and appropriation information.

Analysis of General Revenue Fund Financial Condition

Management Advisory Report

State Auditor's Findings

General Revenue Fund Surplus Being Rapidly Reduced By Deficit Spending

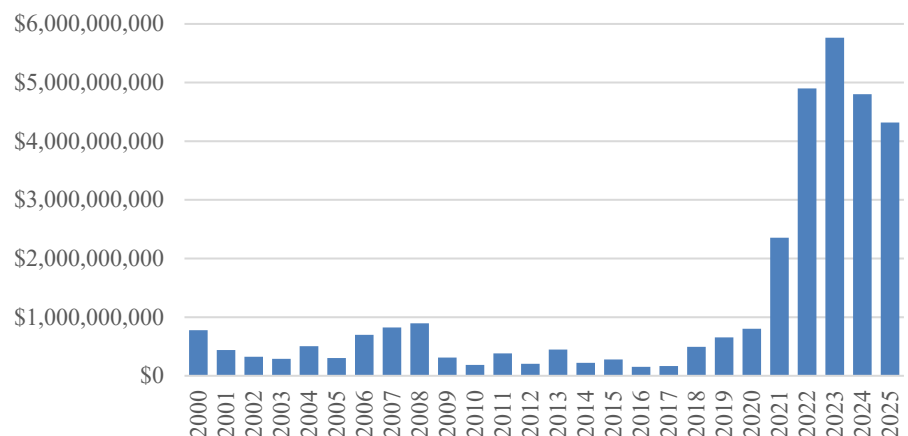
The balance of the state's General Revenue Fund (GRF) increased to unprecedented levels in recent years, but multiple years of significant deficit spending, and projected future deficit spending, threaten to eliminate all GRF surplus balances unless action is taken.

The recent increases in the GRF balance resulted primarily from the federal and state responses to the COVID-19 pandemic, which caused unusual activity for Missouri's budget and the GRF. While revenues initially declined, they later surged with increasing economic activity and significant federal aid, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). While the balance of the GRF soared to unprecedented levels, this balance has supported multiple years of deficit spending which, if it is not corrected soon, will result in deterioration of the state's financial health.

General Revenue Fund balance increases

From fiscal year (FY) 2000 through FY 2020, the average year-end fund balance of the GRF was \$445.5 million. However, from FY 2021 to FY 2025, the average year-end fund balance of the GRF increased to approximately \$4.4 billion. This represents an 888% increase in the average GRF year-end balance. As shown in Figure 2, the GRF year-end balance did not exceed \$1 billion from FY 2000 through FY 2020, but the year-end balance has been greater than \$2 billion every year since then, and greater than \$4 billion for the last 4 fiscal years.

Figure 2: GRF Balance by Fiscal Year



Source: Prepared by the State Auditor's Office (SAO) using *Office of the Missouri State Treasurer Fiscal Year Fund Activity Reports*.



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

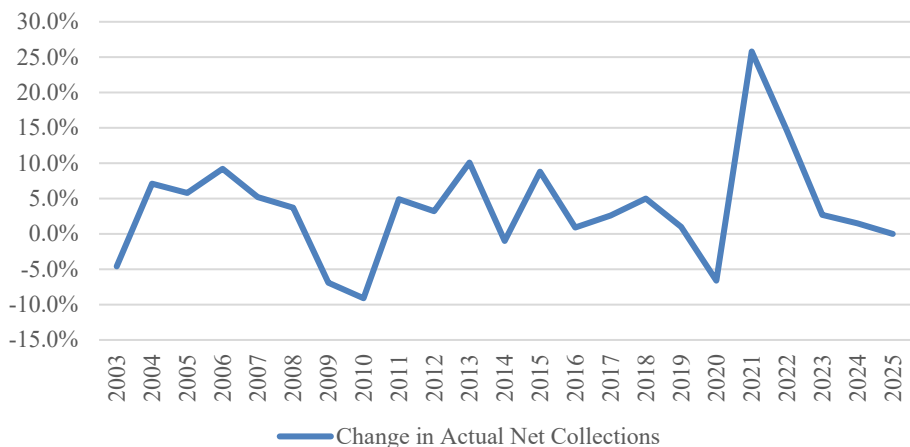
Revenues and expenditures outpacing CPI

In this historically unusual post-COVID era, both revenue and spending increased significantly faster than the Consumer Price Index (CPI). From FY 2020 to FY 2025, annual revenue increased by 45.8%, while annual expenditures increased by 53.4%. In comparison, the CPI increased by only 24.5%¹ over the same timeframe.

Changes in GRF collections are unpredictable

Changes in revenue to the GRF are historically volatile and unpredictable. From FY 2003 to FY 2025, the largest annual decrease in net collections to the GRF was negative 9.1%, while the largest increase was 25.8%. The average change in annual net collections during this period was 3.65%, but only 2 out of the 23 years during this period experienced a change in net collections between 3 and 4 percent. As Figure 3 shows, net collections tend to decrease rapidly during economic recessions, and experience strong growth in periods of economic expansion. Net collections have also historically been sensitive to changes in tax law at the state and federal levels.

Figure 3: Change in actual
GRF net collections, FY 2003
through FY 2025



State Fiscal Year					2003	2004	2005	2006	2007	2008	2009	2010	2011
Change in Actual Net Collections					-4.6%	7.1%	5.8%	9.2%	5.2%	3.7%	-6.9%	-9.1%	4.9%
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3.2%	10.1%	-1.0%	8.8%	0.9%	2.6%	5.0%	1.0%	-6.6%	25.8%	14.6%	2.7%	1.5%	0.0%

Source: Prepared by the SAO using *Missouri House of Representatives Fast Facts 2026*.

Deficit spending is depleting General Revenue

The GRF balance peaked in FY 2023 with a year-end fund balance of approximately \$5.8 billion (see Figure 2). However, FYs 2024 and 2025 saw significant deficit spending of close to \$960 million and \$480 million, respectively, resulting in a FY 2025 year-end balance of approximately \$4.3 billion. Deficit spending is expected to continue in the near future. Assuming (1) the FY 2026 and FY 2027 Consensus Revenue Estimate (CRE) agreed to

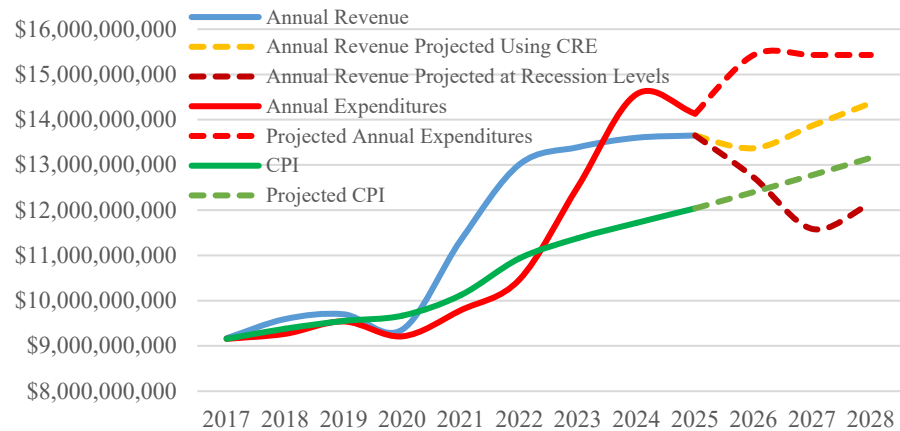
¹ CPI is calculated on a calendar year basis. The 2025 CPI is an estimate based on change in CPI from 4th quarter 2023 to 4th quarter 2024.



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

by the Governor and the General Assembly is realized, (2) the average change in net GRF collections (3.65%) is realized for FY 2028, and (3) the FY 2026 estimated expenditures² remain constant for FY 2027 and FY 2028, deficit spending of over \$2 billion, \$1.5 billion and \$1 billion is projected for FY 2026, FY 2027 and FY 2028, respectively.

Figure 4: GRF revenues and expenditures, actual FY 2017 through 2025, projected FY 2026 through 2028



Source: Prepared by the SAO using *Missouri House of Representatives Fast Facts 2026* and *Budget Summary (FY 2019 to FY 2026)*. Revenue projected at recession levels is calculated assuming the worst 3 consecutive years of change in actual annual net collections from FY 2003 to FY 2025 being applied to FY 2026 through FY 2028. FY 2026 through FY 2028 CPI is calculated by assuming 3% annual growth for calendar years 2026 through 2028.

GRF balance projected to be reduced to zero by FY 2028

Assuming FY 2026 expenditures remain unchanged and revenues grow at the rate of the latest CRE, the state will deplete the GRF balance in FY 2028.

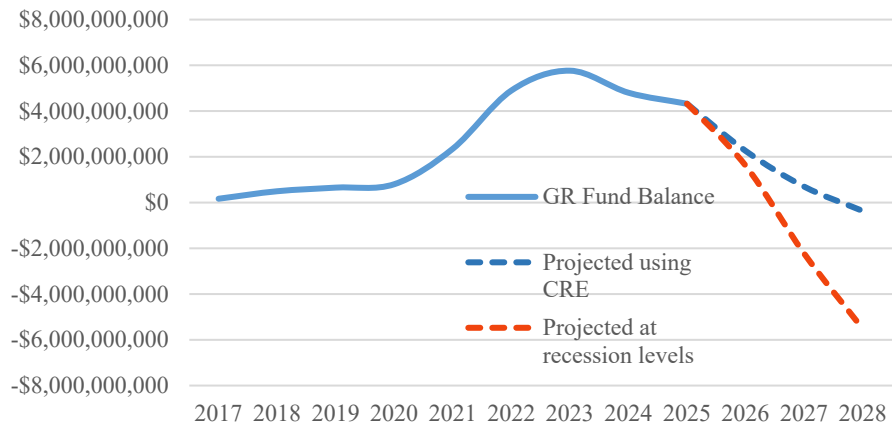
If we assume the worst 3 consecutive years of change in actual annual net collections from FY 2003 to FY 2025, which would essentially represent a recessionary period, and apply that experience to FY 2026 through FY 2028, Missouri would run out of General Revenue in FY 2027, at which point the deficit would be over \$3.8 billion. See Figure 5 for actual and projected year-end GRF balances for FY 2017 through FY 2028.

² FY 2026 through FY 2028 expenditures are calculated using FY 2026 appropriated budget amounts minus appropriation lapse, estimated based on the ratio of actual appropriation lapse to appropriated budget amounts from FY 2017 through FY 2025.



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

Figure 5: GRF balance, actual
FY 2017 through FY 2025,
projected FY 2026 through
FY 2028¹



Source: Prepared by the State Auditor's Office (SAO) using *Missouri House of Representatives Fast Facts 2026* and *Budget Summary (FY 2019-FY 2026)*.

The data supporting Figures 4 and 5 is included below in Figures 6 and 7.

Figure 6: GRF Summary,
FY 2017 through FY 2025,
and projected GRF Summary,
FY 2026 through FY 2027
using CRE, FY 2028 using
average growth

	FY 2017	FY 2018	FY 2019	FY 2020
RESOURCES				
Beginning Balance	153,230,255	167,908,411	495,265,873	654,033,083
Revenue	9,016,241,965	9,468,580,657	9,567,355,901	8,933,519,617
Collections Additions	0	0	0	253,199,888
Transfers to Fund	154,525,495	125,437,895	131,929,979	173,729,056
Total Resources Available	9,323,997,715	9,761,926,963	10,194,551,753	10,014,481,644
EXPENDITURES				
Total Appropriations	9,718,075,177	9,622,007,084	9,718,578,062	10,472,759,197
Other Adjustments	(394,402,453)	0	0	0
Confirmed Lapse	(4,750,000)	(25,700,000)	(3,956,886)	(988,138,998)
Regular Lapse	(162,833,420)	(329,645,994)	(174,102,506)	(273,027,747)
Total Expenditures	9,156,089,304	9,266,661,090	9,540,518,670	9,211,592,452
Ending Balance	167,908,411	495,265,873 ¹	654,033,083	802,889,192
Spending Surplus/(deficit)	14,678,156	327,357,462	158,767,210	148,856,109



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

	FY 2021	FY 2022	FY 2023	FY 2024
RESOURCES				
Beginning Balance	802,889,192	2,354,130,727	4,899,052,196	5,765,663,412
Revenue	11,239,918,178	12,881,026,519	13,234,562,879	13,429,120,925
Collections Additions	(172,091,394)	0	0	0
Transfers to Fund	272,853,965	130,569,337	157,216,031	171,103,924
Total Resources Available	12,143,569,942 ²	15,365,726,583	18,290,831,107 ⁴	19,365,888,261
EXPENDITURES				
Total Appropriations	10,375,513,266	11,042,244,637	13,151,033,463	15,802,879,758
Other Adjustments	0	0	0	0
Confirmed Lapse	(209,674,935)	(11,620,660)	0	0
Regular Lapse	(376,399,116)	(563,949,590)	(625,865,768)	(1,239,174,911)
Total Expenditures	9,789,439,215	10,466,674,387	12,525,167,695	14,563,704,847
Ending Balance	2,354,130,727 ³	4,899,052,196	5,765,663,412	4,802,183,414
Spending Surplus/(deficit)	1,551,241,534	2,544,921,469	866,611,215	(963,479,998)

	FY 2025	CRE		Average Growth
		FY 2026	FY 2027	FY 2028
Projected Revenue Change		-2.10%	3.80%	3.65%
RESOURCES				
Beginning Balance	4,802,183,414	4,320,169,337	2,258,905,852	697,301,634
Revenue	13,430,978,645	13,148,928,093	13,648,587,361	14,146,760,800
Collections Additions	0	0	0	0
Transfers to Fund	219,440,158	219,440,158	219,440,158	219,440,158
Total Resources Available	18,452,602,217	17,688,537,588	16,126,933,371	15,063,502,592
EXPENDITURES				
Total Appropriations	15,712,375,171	16,165,145,874	16,165,145,874	16,165,145,874
Other Adjustments	3,465,104 ⁵	0	0	0
Confirmed Lapse	0	0	0	0
Regular Lapse	(1,583,407,395)	(735,514,137)	(735,514,137)	(735,514,137)
Total Expenditures	14,132,432,880	15,429,631,737	15,429,631,737	15,429,631,737
Ending Balance	4,320,169,337	2,258,905,852	697,301,634	(366,129,145)
Spending Surplus/(deficit)	(482,014,077)	(2,061,263,485)	(1,561,604,218)	(1,063,430,779)



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

Figure 7: GRF Summary,
FY 2025, and projected GRF
Summary, FY 2026 through
FY 2028 at recession levels

		Worst Three Fiscal Years (03-25)		
	FY 2025	FY 2026	FY 2027	FY 2028
Projected Revenue Change		-6.90%	-9.10%	4.90%
RESOURCES				
Beginning Balance	4,802,183,414	4,320,169,337	1,614,218,877	(2,229,617,525)
Revenue	13,430,978,645	12,504,241,118	11,366,355,177	11,923,306,580
Collections Additions	0	0	0	0
Transfers to Fund	219,440,158	219,440,158	219,440,158	219,440,158
Total Resources Available	18,452,602,217	17,043,850,613	13,200,014,211	9,913,129,213
EXPENDITURES				
Total Appropriations	15,712,375,171	16,165,145,874	16,165,145,874	16,165,145,874
Other Adjustments	3,465,104 ⁵	0	0	0
Confirmed Lapse	0	0	0	0
Regular Lapse	(1,583,407,395)	(735,514,137)	(735,514,137)	(735,514,137)
Total Expenditures	14,132,432,880	15,429,631,737	15,429,631,737	15,429,631,737
Ending Balance	4,320,169,337	1,614,218,877	(2,229,617,525)	(5,516,502,524)
Spending Surplus/(deficit)	(482,014,077)	(2,705,950,460)	(3,843,836,402)	(3,286,884,998)

¹ The ending balance reported by OABP is \$30 higher than STO's ending balance.

² \$1 rounding error in OABP summary.

³ The ending balance reported by OABP is \$1 higher than STO's ending balance.

⁴ \$1 rounding error in OABP summary.

⁵ Unidentified FY 2025 activity.

Source: Prepared by the SAO using *Office of the Missouri State Treasurer Fiscal Year Fund Activity Reports*.

Recent tax legislation will
reduce GRF revenues in the
near term

Recent changes in tax law, including the increases in the standard deduction contained in the "One Big Beautiful Bill" (OB BB) Act, and the elimination of the state tax on capital gains,³ will put downward pressure on revenue to the GRF in the near term. The impact of such legislation is reflected in the latest CRE, and is therefore included in the above projections. However, these projections do not include, or assume, any future changes in federal or state tax law. This includes certain pre-existing provisions of state statute that will lead to further state income tax reductions⁴ and the elimination of the state tax on corporate capital gains.⁵ These changes are triggered by potential increases to General Revenue collections and reductions in the state's income tax rate. Specifically, additional income tax rate reductions are triggered when net General Revenue collections exceed the highest of the previous 3 fiscal years by at least \$200 million. Additionally, the exemption of capital gains income for corporate filers occurs when the individual income tax rate reaches 4.5%. Since it is unclear when these reductions will be triggered, they

³ House Bill 594, First Regular Session, 103rd General Assembly (2025).

⁴ Senate Bills 3 & 5, First Extraordinary Session, 101st General Assembly (2022).

⁵ House Bill 594, First Regular Session, 103rd General Assembly (2025).



Analysis of General Revenue Fund Financial Condition Organization and Statistical Information

are not included in this analysis, but it is certain these changes will eventually put additional downward pressure on GRF revenues in the period immediately following their enactment.

Budget Reserve Fund
balance available, but
restrictions exist on fund
use

Missouri's Budget Reserve Fund, which serves as the state's rainy day fund, had a balance of approximately \$950 million at June 30, 2025. However, Constitutional restrictions on the use of these funds make the Budget Reserve Fund of limited use as it relates to any potential shortages in the GRF. Additional information related to the Budget Reserve Fund and the restrictions that exist in the availability and use of its balance is available in Report No. 2019-103, *Budget Reserve Fund*, issued in October 2019.

Conclusion

Deficit spending in the GRF in multiple recent fiscal years has quickly reduced the historic surplus in the fund, and if continued, is projected to deplete the fund balance by the end of FY 2028. Executive and Legislative action is needed to address this situation in a timely manner.

The longer Missouri waits to equalize GRF revenues and expenditures, the harder this exercise will become and the more drastic the required budget cuts will be. Ultimately, failure to equalize revenues and expenditures could lead to emergency measures to control spending, up to and including emergency expenditure restrictions enacted by the Governor, with little warning to Missouri schools, hospitals, and other budget stakeholders.

Without viable rainy day funds available, it is imperative the General Assembly and the Governor work to balance the GRF budget as soon as possible to avoid emergency budget actions, and provide stakeholders with financial guidance on which they can rely.