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TO: Department Directors, Deputy Directors, and Budget Officers
FROM: Dan Haug, State Budget Director
DATE: August 7, 2024
RE: Fiscal Year 2026 Budget Instructions

The following summarizes the Fiscal Year 2026 fiscal outlook and budget instruction highlights. Detailed instructions for the completion of your department's budget request are in the attached document. If you have questions, please contact your assigned Budget and Planning analyst.

Fiscal Outlook

Fiscal Year 2024 general revenue collections increased by 1.5% compared to Fiscal Year 2023 collections, which increased by 2.7% from Fiscal Year 2022. The revised budgeted revenue estimate was for a decline of (0.7%). Growth in Fiscal Year 2024 was boosted by strong wage growth and new sales tax collections on online purchases and recreational marijuana.

As the economic expansion slows, revenues are expected to continue moderating through Fiscal Year 2025. Since Fiscal Year 2024 finished above the budgeted revenue growth, net general revenue collections could decline by (2.0%) and still meet the Fiscal Year 2025 budgeted revenue estimate.

Going forward, forecasters expect wage growth and consumption to continue moderating as the labor market cools and interest rates remain high. As is typical, domestic and international financial concerns as well as geopolitical issues pose key risks to this outlook. Uncertainty about national policy, a global economy dealing with high inflation, the wars in Ukraine and Gaza, the British exit from the European Union, and tensions in Asia and the Middle East all pose downside risk to the U.S. and Missouri economies.

The Fiscal Year 2026 budget will also need to consider the implications of the federal tax reform, and Missouri tax changes including SB 153 (2021), SB 3 (2022), and SB 727 (2024). The federal tax reform made multiple changes to the federal tax code and because Missouri conforms with many pieces of the federal code, Missouri's tax code was also subsequently

changed. The federal tax reform nearly doubled the standard deduction while concurrently eliminating the personal and dependent deductions, both at the federal and state levels. Tax year 2025 marks the expiration of most of the federal Tax Cut and Jobs Act (TCJA) provisions. National debate on which provisions to keep and other changes will be closely monitored.

SB 153 (2021) creates the Working Family Tax Credit, with the credit equal to a percentage of an individual's federal earned income tax credit. The first phase-in of this credit occurred in tax year 2023. The second, and final, phase-in of this credit occurred for tax year 2024.

SB 3 (2022) will reduce state income tax collections by phasing in a top rate reduction. The first rate reduction occurred in tax year 2023. The second rate reduction occurred in tax year 2024. The third rate reduction, reducing the top tax rate to 4.7 percent, will go into effect on January 1, 2025. There are now two additional rate reductions scheduled to occur, dependent on growth in net general revenue collections.

SB 727 (2024) increased the allowable tax credits for empowerment scholarship donations, along with other changes to education funding.

Overview of Budget Instructions

Departments may request **mandatory** Fiscal Year 2026 new decision items.

Key Changes and Reminders

1. **Timely Submission** –
 - Completed budget requests due to B&P by October 1 as required by state statute.
 - Leasing information due to FMDC by August 15.
 - Cabinet IT Governance Council approved information technology requests from consolidated agencies due to OA ITSD and B&P by September 1.
 - Capital improvement items due to FMDC by September 1.
2. **MOVERS** - Fiscal Year 2026 will be the first budget to fully utilize the MOVERS MoBGT system. MOVERS EPM resources, including Reference Guides, Crosswalks, a Variable Matrix, and Instructor-Led Training materials are available on the [MOVERS Resource Center](#). The MOVERS Resource Center is supported by ServiceNow and uses Okta to access the materials. State of Missouri team members will select "Workforce Login" and validate through Single Sign-On (SSO). Once team members are logged into the MOVERS Resource Center, they will be able to access the items listed above, along with entering request forms and working with Agency Security Coordinators to request access to the MOVERS EPM system for new team members. If team members are unable to log into the MOVERS Resource Center, please contact MOVERS@oa.mo.gov.
3. **Web-Ready Budget Books** – Each department must provide B&P with a PDF copy of the department's October budget request and the January Governor's recommended budget (both the Appropriations Book and Programs Book). Please see the Fiscal Year 2026 Due Dates section for more detailed guidance. The PDF copy must include a table of contents as well as be bookmarked and searchable to allow easier online access to the information. The PDF, searchable and bookmarked copy of the budget request, with the Governor's Recommendations must be provided to B&P 24 hours prior to the first budget hearing for each department. B&P has set up a shared network folder - [\\oaadminfiles\OAFILE\Department Budgets](#) - where departments can save their PDFs. If you are unable to submit your electronic PDF version of your budget book through the

network folder, you can send an email to Jessica.Farley@oa.mo.gov to request a secure file transfer.

4. Other budget submissions -- All budget submissions that have historically been submitted via e-mail to your B&P analyst may be submitted via the same shared network file used to electronically submit your department budget books. Folders have been set up to submit tax credit analysis forms, department organizational charts, vehicle request forms, and flex request summaries. Once submitted, please notify your B&P analyst and Jessica Farley (Jessica.Farley@oa.mo.gov) of the completed submission.
5. Information Technology Requests – The General Assembly has asked to have all information technology decision items included in the OA ITSD budget instead of individual departments' budgets. IT-related new decision items must be approved by the Cabinet IT Governance Council (CITGC) to be submitted with ITSD's budget request. The ITSD Intake Request Form must be submitted by June 1. Forms can be submitted online [here](#). ITSD Intake office will assist with completing the CITGC Project Business Case for presentation to the CITGC. The CITGC will review and prioritize potential NDIs in its June, July, and August sessions. If approved by the CITGC, departments should submit an electronic copy of New Decision Item Requests to your assigned B&P analyst and Tara Dampf in ITSD (Tara.Dampf@oa.mo.gov) by September 1. Departments are expected to have representation at the OA budget hearings to answer questions about the specific new decision item requests. OA ITSD will provide the impacted departments with the hearing information.

Access to the ITSD Intake Request Form is limited to authorized requestors for each department (typically an IT liaison and/or fiscal manager). If you do not have access and do not know who the authorized requestors are for your department you may request that information through your department's ITSD Business Relationship Manager (BRM) or by emailing Tara Dampf in ITSD (Tara.Dampf@oa.mo.gov).

6. Estimated Appropriation "E" Requests – There are no estimated "E" appropriations in the Fiscal Year 2025 budget, and departments are not to request "E"s in the Fiscal Year 2026 budget.
7. Capital Improvements – The Fiscal Year 2026 capital improvement bills will be submitted as annual bills. Agencies should work with FMDC to determine which, if any, requests for new projects will be submitted in the Fiscal Year 2026 request.
8. Supplemental Requests Forms – Agencies may request mandatory supplemental decision items. Limit these requests to essential items that cannot wait until the next fiscal year. Do NOT assume a release of the statutory three-percent reserve when determining the supplemental request amount. Agencies should provide their Department Request Supplementals as a separate printed submission alongside their Appropriations Book submissions.
9. Organizational Dues – Any organizational dues greater than \$70,000 for a single membership must have a separate appropriation number and a separate line in the appropriation bill. Include a description of these dues in the Core Request Form under the Core Description section.
10. Buckets – Agencies should do all PS bucket moves prior to entering any Core Changes in MoBGT. Any FTE on NDIs or Supplementals must be assigned to the appropriate PS

category/bucket. Please see “FTE, Position, and Bucket Definitions” document on B&P’s website for additional information on PS buckets.

11. Core Reallocations – Any core reallocations should be between the same fund types (GR/Federal/Other) so the net reallocation is \$0 and 0 FTE by fund type. It is generally unacceptable to reallocate funds between PS and EE. Any exceptions will be rare and must be discussed with your assigned B&P analyst prior to MoBGT coding. Also, include a clear description of the reallocation on the Core Details tab in MoBGT. B&P and General Assembly staff need this information for their analysis, and the explanations should therefore be as clear and specific as possible.
12. Core Reconciliation Summary – The core reconciliation summary is now a report in MoBGT (Core Budget Changes by Decision Item). Agencies do not need to submit these reports to B&P, House, or Senate. However, agencies are expected to review these reports prior to their Department Request and Governor’s Recommended budget submissions..
13. Fund Financial Summary Forms (FFS) – All FFS Forms will be submitted in the Appropriations Book.
14. General Assembly FFS information – As was done in previous fiscal years, the House Appropriations Committee has requested a separate spreadsheet with certain information from the FFS forms. (The template is available on B&P’s website.) This spreadsheet should be submitted by October 8th and one week after Governor Recommendations are announced. Submit an electronic copy to B&P, House, and Senate Appropriations staff. Any questions about this spreadsheet should be directed to your House Appropriations analyst.
15. Approved Reorganizations – Include any transfers/reallocations related to Fiscal Year 2026 reorganizations in the October 1 budget submission. Please work with your B&P analyst to ensure the amounts are accurate and consistent between departments prior to submission.
16. New Reorganizations – Consult with B&P prior to conducting any new reorganizations within or between departments and/or making MoBGT changes. The Governor must approve and submit to the General Assembly any departmental reorganizations or program/function transfers. Reorganizations may require document filings separate from the budget process. Changes may also require filing by the Governor under the Reorganization Act of 1974.
17. Appropriation Bill Language – Review current Appropriation Bill language and discuss any changes for Fiscal Year 2026 with B&P.
18. Flexibility Requests/Reports – Flexibility Request forms should be completed to continue flexibility received for Fiscal Year 2025 and to request any new or changed flexibility. As a reminder, each department is responsible for reporting flexibility use to B&P and the House and Senate Appropriations staff.
19. New Decision Item Descriptions - Add a description of each new decision item in MoBGT. The Governor’s Office, Budget and Planning, and the General Assembly use the descriptions; therefore, the descriptions should be clear and concise.
20. American Rescue Plan Act (AB 20) – No requests for additional funding from ARPA State Fiscal Recovery Funds shall be included in the department request. Additionally, no core changes shall be made in department request. Potential core changes can be discussed

after the October 1 department budget submission. In department request, agencies should include a core request form and program description form for items funded in Appropriation Bill 20 that were new for Fiscal Year 2025 as an additional submission to their Fiscal Year 2026 budget request. These templates are available on B&P's website. Electronic copies of the request form and program description form should be submitted to Budget and Planning with the agency's October 1 submission. B&P will coordinate compilation of forms as one budget book for the Governor's Recommendation. Any core changes should be discussed with your B&P analyst.

21. Statutory Reserve – All General Revenue appropriations are subject to the statutory 3% reserve (Section 33.290, RSMo). If you are requesting a new General Revenue appropriation, do NOT request the total amount needed plus 3% to account for this reserve. If you believe the appropriation should be exempt from the statutory reserve, please submit that request to your B&P analyst before the start of the fiscal year if the decision item is approved, along with justification for the exemption.