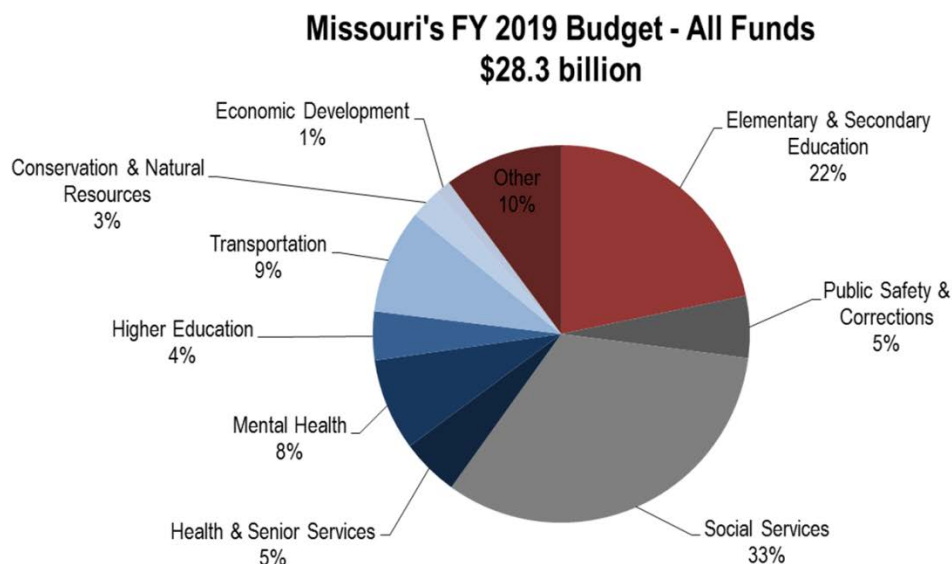




An Initial Look at Missouri's State Budget for Fiscal Year 2019

State Lawmakers approved the state budget for Fiscal Year 2019 this week. The budget, which kicks-in on July 1st, provides \$28.3 billion in total funding for critical community services, including education, health & mental health, child welfare, transportation and public safety.¹

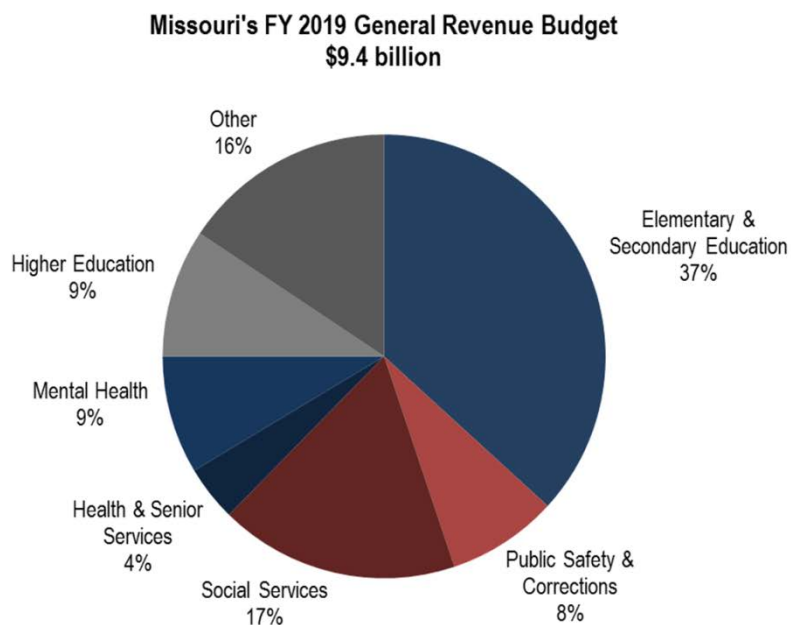


Total funding for the budget comes from three nearly equal pools of funds:

1. State general revenue, which includes state individual and corporate income tax and most state sales taxes;
2. Federal funding, which comes to Missouri for use in very specific areas of the budget; and
3. State earmarked funding, which includes state-based funds that are dedicated and/or constitutionally restricted to fund certain services, such as the gas tax which can only be used for roads.

¹ Budget Information is from a compilation of resources used by lawmakers including conference committee worksheets, the state budget bills and the executive budget request. Most of these documents are available at: <https://house.mo.gov/budget.aspx> or <https://oa.mo.gov/budget-planning/budget-information/2019-budget-information/fiscal-year-2019-executive-budget>

The state general revenue budget that lawmakers approved for the new budget year is \$9.4 billion, nearly the same as what was approved for the current budget year. K-12 Education receives the largest portion of the general revenue budget, at 37%.



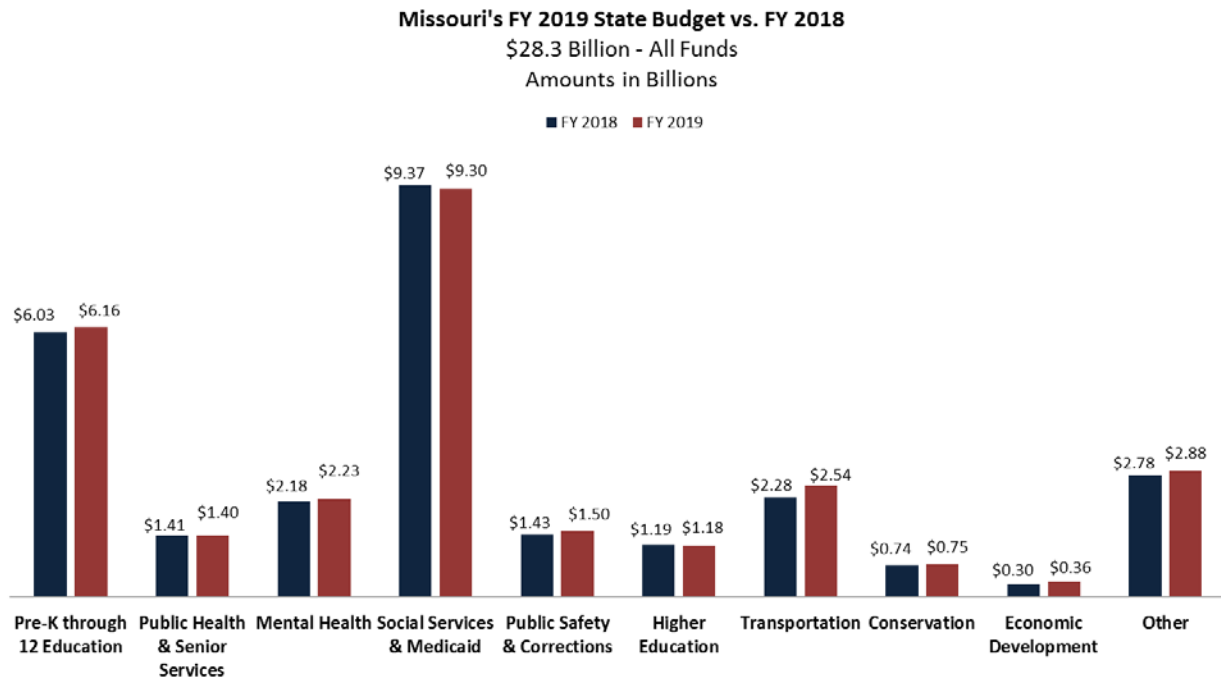
Overall, the general revenue budget for Fiscal Year 2019 did not increase compared to the approved Fiscal Year 2018 budget.

As a result, most areas budget were “flat-funded” compared to the current funding levels.²

Major exceptions include education and transportation:

- Lawmakers approved an increase for the “foundation formula” that distributes state funds to local schools, and largely protected higher education from cuts.
- The increased funding available to fund education was due to decreased costs in Medicaid.
- Those decreases were due to extraordinary dynamics and the funding is likely to tighten after FY 2019 as state tax cuts approved in 2014 continue to be phased-in.
- The increased funding for transportation results from expected increases in state dedicated funds.
- In addition to the increases in those two major areas of the state budget, lawmakers approved salary increases for state employees who earn less than \$70,000 per year. Those employees will receive a \$700 per year increase beginning in January, 2019.

² The FY 2018 to FY 2019 comparison does not incorporate about \$250 million in restrictions that were made to the current year budget,

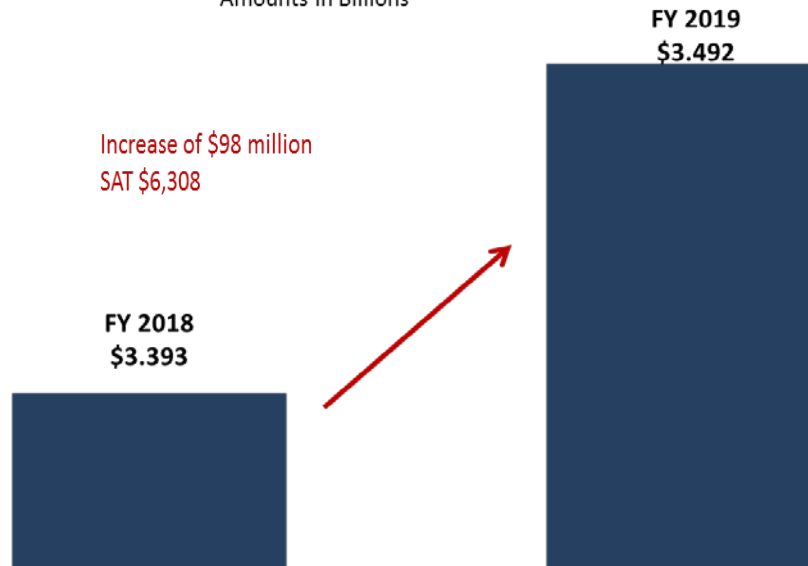


State Funding for Local Schools

Lawmakers approved a \$98 million increase for Missouri's Foundation Formula, which distributes state funding to local schools.

- About half of the increase is intended to support the implementation of Pre-K funding that was authorized in 2014 by House Bill 1689.
- The bill provided that the foundation formula would incorporate Pre-K funding for children age 3 and 4, at an amount up to 4 percent of the school district's total number of students who are eligible for free and reduced lunch.
- The addition to the formula begins with the FY 2019 budget. The foundation formula bases state aid to local schools on an "adequacy target" of \$6,308 in the FY 2019 budget.

**State Funding for Public Schools
Pre-K through 12 Foundation Formula**
Amounts in Billions

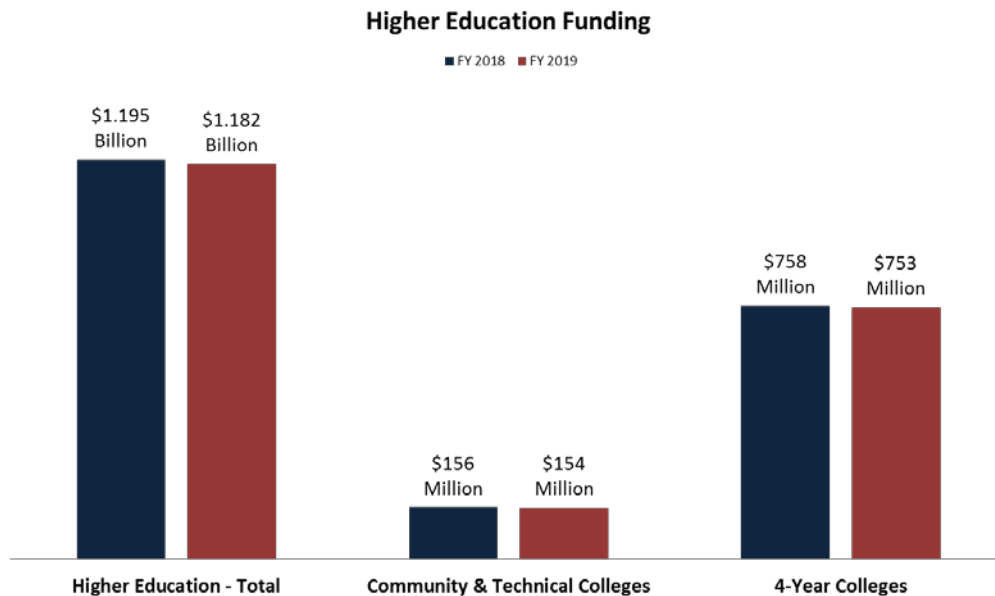


In addition to state funding for local schools, the FY 2019 budget for the Department of Elementary and Secondary Education included a number of notable items:

- Funding for school transportation was funded at \$102.5 million for FY 2019, an increase compared to the FY 2018 amount of \$90.3 million after the Governor's restrictions;
- Parents as Teachers was approved at \$18 million, the same as the current year, with \$500,000 of the funds earmarked for students in unaccredited or provisionally accredited districts; and
- The Public Placement Fund, that supports K-12 education for students in Foster Care that live outside the school district where their parents reside, was funded at \$5.6 million. This is an increase of \$625,000 over the current year, but remains well below the level received in FY 2017 of \$11 million.

State Funding for Public Colleges & Universities

The Governor originally proposed a \$76 million cut to funding for Missouri's 4-year colleges and an additional \$15 million cut to community college funding. But, lawmakers largely protected funding for Missouri's public colleges and universities in their approved version of the FY 2019 budget.



A table that details the funding for Missouri colleges by category and institution is below. One-time supplemental funding was provided to Harris-Stowe State University and Missouri Southern State University to meet extraordinary needs. The one-time funds are not expected to be available following FY 2019.

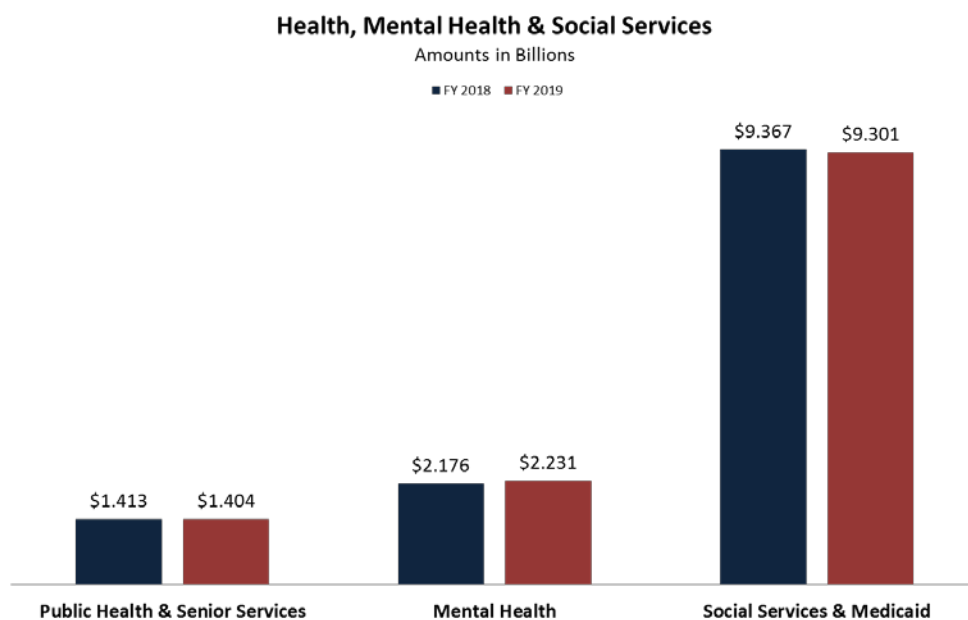
Higher Education		
	FY 2018	FY 2019
Community & Technical Colleges	\$155,655,312	\$153,936,886
University of Central Missouri	\$55,984,610	\$54,538,357
Southeast Missouri State	\$46,273,968	\$45,079,469
Missouri State University	\$85,920,837	\$84,351,060
Lincoln University	\$20,532,513	\$20,670,193
Truman State	\$41,942,526	\$40,860,322

Northwest Missouri State	\$31,189,542	\$30,386,117
Missouri Southern State University	\$23,844,235	\$26,431,242
Missouri Western State University	\$22,012,252	\$21,446,755
Harris-Stowe State University	\$9,913,078	\$10,411,260
University of Missouri	\$420,572,068	\$418,511,876
TOTAL 4-Year Colleges	\$758,185,629	\$752,686,651

Health, Mental Health & Social Services

As mentioned previously, a number of dynamics allowed lawmakers to reduce state funding for Medicaid without resulting in cuts to services or eligibility. These include:

- An overestimate of the cost of transitioning to Medicaid Managed Care in the FY 2018 budget, the reduction between years results in about \$240 million in savings in the managed care line; and
- An increase in the federal matching rate for Medicaid, which reduces the amount of state funding needed to support the program.



Overall, the approved funding for health, mental health and social services, included some notable increases:

- Most provider reimbursement rates are increased by 1.5% compared to the current year. In some instances these increases take the form of increased “day rates”, but they all remain close to the equivalent of a 1.5% increase.
- Funding for Independent Living Centers were increased by \$500,000 and an additional \$1.34 million in funding was provided for centers that do not receive separate federal grants directly.
- Lawmakers approved funding for expansion of Postpartum Care for 12 Months for Moms in Substance Abuse Treatment, amounting to \$1.4 million total.
- Autism Regional Projects Core Funding remains funded at \$8.8 million. Cuts to this area had been proposed during budget negotiations, but funding was maintained.
- General revenue of \$4 million was provided to fund the “Opioid Treatment Access to Recovery & Peer Recovery”, the funding replaces a \$4.6 million federal grant that has expired.

However, many areas of the health, mental health, and social services budget that were cut in FY 2018 were not restored in the new budget.

Most notably:

- Eligibility for the MORx prescription assistance program for seniors and people with disabilities remains limited to those who are eligible for both Medicaid & Medicare;
- Core funding for Area Agencies on Aging and their meal programs was flat funded; and
- A cap on Consumer Directed Services, that limits reimbursement for those services to 60% of the cost of Nursing Facility Care, remains in place.

In the final weeks of budget negotiations additional federal funding become available and was added to the budget for FY 2019. Specifically, **Missouri received an additional \$10 million from the federal Child Care Development Fund.** This was added as an increase to the child care budget, but the specific use of the funding is still being determined and is dependent on federal grant policies.

An additional \$21 million in federal TANF Contingency Funds was added to the budget. TANF (Temporary Assistance for Needy Families) is the federal cash assistance program that serves Missourians with low-incomes. The additional funding was directed at the following:

- \$19 million directed at Work Assistance and other programs for TANF and SNAP participants;
- \$1 million for the “Healthy Marriage/Fatherhood Program”, and
- \$1 million for after school programs.