2026 State of the State Address: A FOUNDATION FOR GROWTH
Governor Mike Kehoe
January 13, 2026

Highlights for Education

Budget

- The days of excusing budgetary decisions with fund balances and so called "surpluses" are over.
- The Governor's proposed budget cuts more than $600 million from the core, starting to correct a future spending imbalance of potentially over $2 billion.
- The Governor's proposed budget meets priority and mandatory spending requirements such as Medicaid match, childcare subsidies, and disaster relief – without cutting core funding for higher education and without cutting the K-12 foundation formula.
- And remember: Missouri is one of only three states that have Medicaid expansion funding required in our Constitution. That limits the ways we can balance the budget.

Phase Out Income Tax

- If we are serious about building a foundation for growth, to compete rather than be complacent, then we must begin the work now to phase-out and eliminate Missouri's individual income tax.
- The question before Missourians will be clear: Should Missouri begin a phased elimination of the individual income tax, with a full repeal within the next five years.
- Our plan pairs tax relief with closing loopholes. Today, much of our commerce happens through monthly subscriptions and digital services like online advertising, e-books, and AI platforms that fall outside our current sales tax base. Their billionaire owners don't pay.
- When these types of modern services are taxed, it will create new revenue for local governments.
- These increases will need to be offset by reducing local taxes, like property taxes, a high priority for Missourians and many of us in this room.
- Eliminating the income tax is not about runaway sales taxes.
- Missouri's tax code was built for the past 100 years. Our economy demands one for the next 100 years.
- I will never apologize for putting money back in the pockets of hardworking Missourians.
- A proposed constitutional amendment filed Tuesday by House Speaker Jon Patterson appears to be the legislative vehicle for Kehoe's plan. It seeks to ask voters: "Shall the Missouri Constitution be amended to allow the reduction and elimination of state individual income tax and to authorize the expansion of the sales and use tax base for the purpose of reducing and eliminating the state individual income tax?"
- The legislature could eliminate the tax without having to go to the ballot.
- But to raise a tax requires a statewide vote. And expanding the sales tax base would require a vote to roll back a 2016 constitutional amendment approved by voters prohibiting the state from adding sales taxes to services or transactions.

Education

- Our budget funds FFA again, so that programs like this can continue to benefit the next generation of agriculture leaders.
- Last year, we took an important step forward by including $50 million in general revenue funding to strengthen the MO Scholars program.
- Our budget recommendation this year includes an additional $10 million for the MO Scholars program for a total of $60 million because this program is working, and Missouri families are counting on it.
- Thanks to the One Big Beautiful Bill Act and the work of our federal delegation, Missouri will opt in to the new federal scholarship tax credit program.
- Beginning in calendar year 2027, this program directs private dollars toward student scholarships, allowing Missourians to receive up to $1,700 in federal tax credits for investing in students.
- I am once again asking the General Assembly to pass Senator Trent and Representative Pollitt's legislation supporting public school open enrollment.
- In the meantime, we're including $7.5 million in our budget to make open enrollment a reality as soon as possible.
- I signed an executive order creating a statewide school accountability A-F grade card.
- While my budget recommendation for Fiscal Year 2026 included the largest increase since the foundation formula was created, the General Assembly chose to spend an additional $297 million on top of this historic recommendation.
- Last legislative session, we provided record funding for the K-12 education formula, an increase equivalent to ten years of funding increases.
- Although funding education is a top priority for me, the current formula simply does not work.
- I look forward to seeing the results of the School Funding Modernization Task Force's work on my desk come December but until then, the record investment K-12 education received last year will provide school districts with stability.
- Again, we are not cutting core K-12 funding. Only a bureaucrat would say that continued record funding is somehow a cut.
- That is why the organizations overseeing these programs must operate with transparency and accountability, always putting students first.
- This is not happening now, and I look forward to legislation sponsored by Senator Bean and Representative Cook, establishing a governing oversight board for MSHSAA.