



Governmental Services Group

The second week of the 2026 legislative session was defined by a pivot from ceremonial starts to policy debates as the hearing process has begun in earnest.

Governor Mike Kehoe delivered his State of the State address on Tuesday, January 13, 2026. Governor Kehoe laid out a vision centered on "A Foundation for Growth." His speech balanced an ambitious tax-cutting agenda with a call for fiscal discipline as the state transitions away from pandemic-era federal funding.

The center of Kehoe's policy agenda is a plan to fully eliminate Missouri's individual income tax within five years. There are real concerns from legislators and Capitol regulars that this massive cut to general revenue cannot be easily replaced and would force a major increase in sales tax on goods purchased throughout the state. The Governor called on the General Assembly to pass a joint resolution that would place this proposal before voters later this year.

To offset the lost revenue and modernize the state's financial structure, the Governor proposed expanding the tax base to include digital services, such as streaming subscriptions, e-books, and AI platforms. He emphasized that this transition would include "triggered" reductions that only occur when the state hits specific revenue milestones, while promising that agriculture, healthcare, and real estate would remain exempt from these changes.

Governor Kehoe urged the legislature to adopt a stance of strict fiscal discipline. Warning of a potential \$2 billion future deficit as one-time federal relief funds dry up, he proposed a \$600 million cut to the state's core general revenue budget to return Missouri to a sustainable, pre-pandemic framework. Despite these cuts, he pledged to maintain full funding for the K-12 foundation formula and higher education. He also noted that the state must now begin using more general revenue to cover its 10% match for Medicaid expansion, as the previous federal supplements have been exhausted.

On the legislative front, Lawmakers moved forward with several bills targeting new technologies, including age-verification requirements for AI chatbots. Additionally, House and Senate committees began debating measures to on property tax reform. The scope of tax policy throughout Missouri on the income tax, sales taxes, and property taxes are expected to dominate most of the legislative session.

Next week will be a short week for both chambers as the legislature is not in session Monday, January 19th, for Martin Luther King Jr. Day. As always, we will keep you updated on the latest from Jefferson City.

Tobacco Sales

HB 2085, sponsored by Representative Keathley, specifies that the State of Missouri must preempt the sale of tobacco products, alternative nicotine products, and vapor products.

This preemption will include local ordinances that deal with: (1) Ingredients; (2) Setting the age to sell or purchase at 21 years of age and above; and (3) Licensing and products bans.

In addition, existing state regulations on the sale of tobacco products to minors found in Sections 407.924 through 407.934, RSMo, will supersede any local laws, ordinances, orders, rules, or regulations enacted by a county, municipality, or other political subdivision regulating the sale of tobacco products, alternative nicotine products, or vapor products.

The bill does not prohibit counties, municipalities, or other political subdivisions from enforcing ordinances or regulations that set the age to sell or purchase tobacco products, alternative nicotine products, and vapor products to individuals under 21 years of age.

In support of the bill was Casey's General Stores, Hub, INC, MO Grocers Association, Maverik Convenience Stores, MO Vape and Alternative Products Association, MO Petroleum Marketers Association, Premium Cigar Association, Fas-Trip Convenience Stores, Associated Industries of Missouri, MO Petroleum and Convenience Association, and Cigar Association of America.

In opposition to the bill was the American Cancer Society, MO State Medical Association, American Heart Association, Parents Against Vaping, Most Policy Initiative, Dent County Health Center, Missouri Public Health Association and Green County Health Department.

MO Healthnet Work Requirements

HJR 154, sponsored by Representative Chappell, proposes a constitutional amendment relating to MO HealthNet work requirements. If approved by voters, this constitutional amendment would require the Department of Social Services, MO HealthNet Division to implement work requirements for applicable individuals, as defined in the bill.

Applicable individuals must demonstrate compliance with the work requirements for the three consecutive months preceding the month during which the individual applies, and no applicable individual will remain enrolled in MO HealthNet unless compliance has been demonstrated. The bill specifies that those seeking an exemption from the work requirements must provide documentation for the exemption sought.

The Department is prohibited from seeking or implementing any additional optional exemptions provided for by federal law, unless a general statute law expressly authorizes the implementation of the exemption. Additionally, the Department is prohibited from accepting exemption designations, approvals, or determinations by a managed care organization.

Currently, the Department is required to take all actions necessary to maximize federal financial participation in funding medical assistance. This bill repeals that requirement.

Currently, no greater or additional burdens or restrictions on eligibility or enrollment standard,

methodologies, or practices can be imposed on persons eligible for MO HealthNet services than on any other population eligible for medical assistance. This bill repeals that restriction

Testifying in support of the bill was Freedom Principal MO, FGA Action, and several citizens.

In opposition to the bill was Missouri Budget Project, American Cancer Society, AARP, Empower Missouri, American Heart Association, and several citizens.

Health Benefit Plans

SB 970, sponsored by Senator Fitzwater, provides that when calculating an enrollee's overall contribution to an out-of-pocket max or any cost-sharing requirement under a health benefit plan, a health carrier or pharmacy benefits manager shall include any amounts paid by the enrollee or paid on behalf of the enrollee for any medication for which a generic substitute is not available. Additionally, no health carrier or pharmacy benefits manager shall design benefits in a manner that considers the availability of any cost-sharing assistance program for any medication for which a generic drug substitute is not available.

The provisions of this act shall apply to health benefit plans entered, amended, extended, or renewed on or after August 28, 2026.

This bill had a hearing in the Senate Children's and Families Committee this week.

Testifying in support of the bill was MS Society, American Cancer Society, MSMA, MAOPS, Mercy Health Systems, Reach Foundation, Missouri Bootheel Regional Consortium, Novartis, Pfizer, National Alliance on Mental Illness, and Mosaic Life Care.

In opposition to the bill was the Missouri Insurance Coalition, Mid-America Carpenters Regional Council, and America's Health insurance Plans.

Hospital Investments

HB 2146, sponsored by Representative Kalberloh, authorizes, but does not require, the board of trustees of certain hospitals to invest up to 50% of the hospital's available funds, defined in the bill, into certain mutual funds, bonds, money-market investments, or a combination thereof. This permission only applies if the hospital receives less than 3% of its annual revenue from municipal, county, or state taxes, as well as if the hospital receives less than 3% of its annual revenue from appropriated funds from the municipality in which the hospital is located. Following that, the remaining percentage of any available funds not invested as allowed are required to be invested into any investment in which the State Treasurer is allowed to invest.

Additionally, with the exception of counties of the third and fourth classification where there already exists a hospital organized under Chapter 96, 205, or 206, RSMo, county commissions are authorized to establish, construct, equip, improve, extend, repair, and maintain public hospitals, engage in health care activities, and issue bonds. This bill removes the exception for hospitals established under the provisions of Chapters 96 and 206 in counties of the third and fourth classification.

The bill authorizes, but does not require, the board of trustees of any hospital district that

receives less than 3% of its annual revenues from hospital district or state taxes to invest up to 50% of its available funds, defined in the bill, into certain mutual funds, bonds, money-market investments, or a combination thereof. Following that, the Board must invest the remaining percentage of any available funds not required for immediate disbursement into any investment in which the State Treasurer is allowed to invest.

This bill had a hearing in the House Health and Mental Health Committee this week.

In support of the bill was Golden Valley Memorial Health Care.

There was no opposition to the bill.