



Missouri Budget Update

September 2016

MISSOURI BUDGET UPDATE

September 2016

- The Economy – signs of improvement
- State Budget Update
- State Revenue Update
- Status and Future Outlook

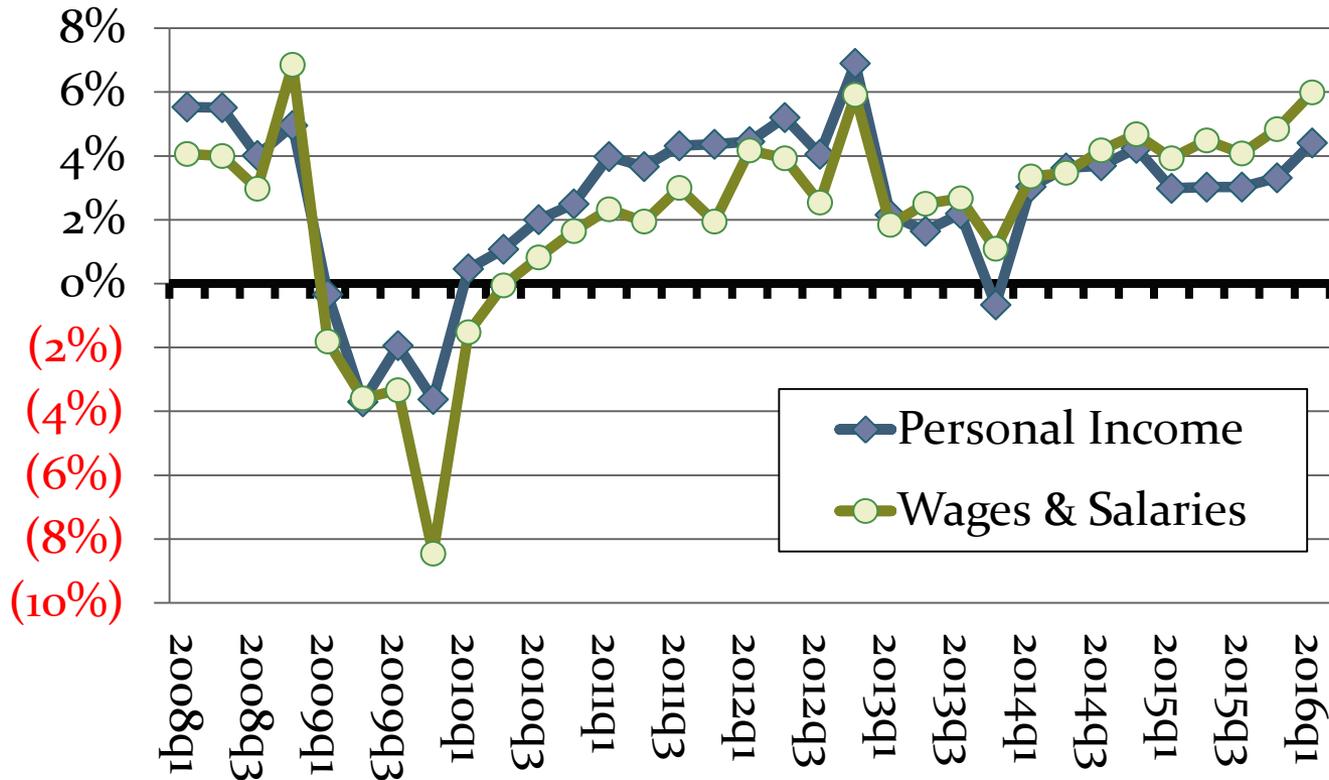


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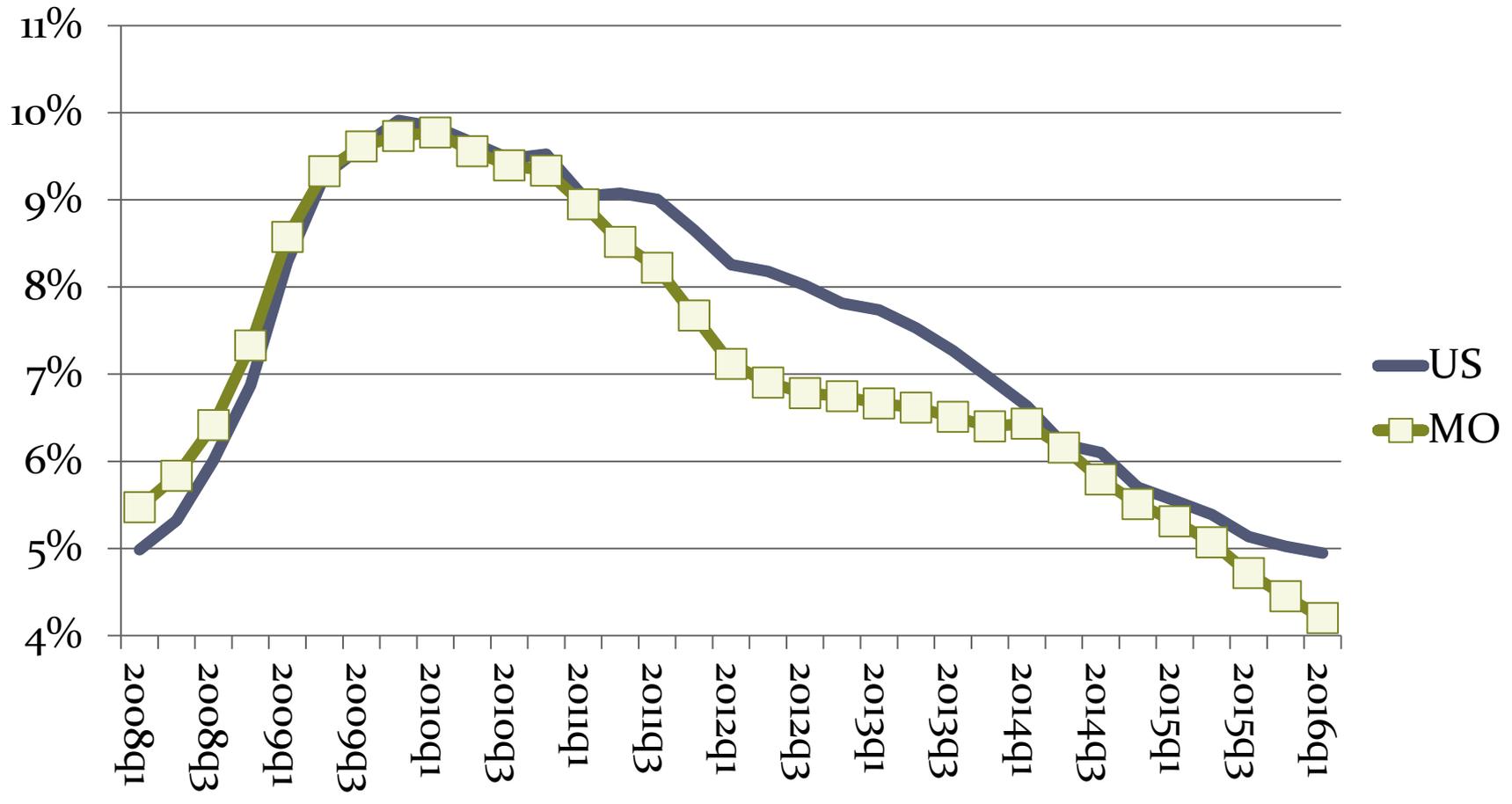
Economic Indicators

Growth in MO Personal Income Q/(Q-4)

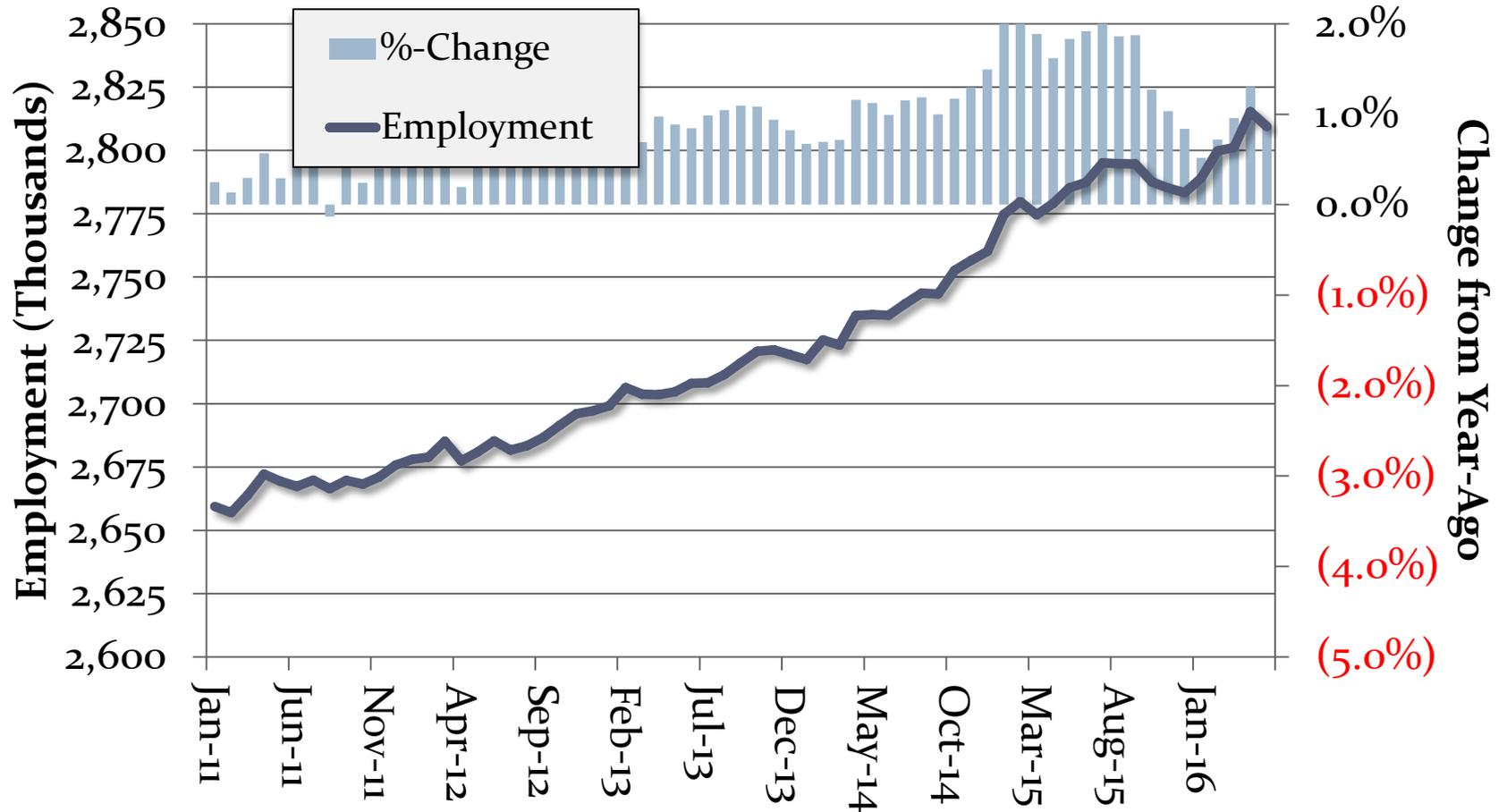


US & MO Unemployment Rates

Seasonally Adjusted Data

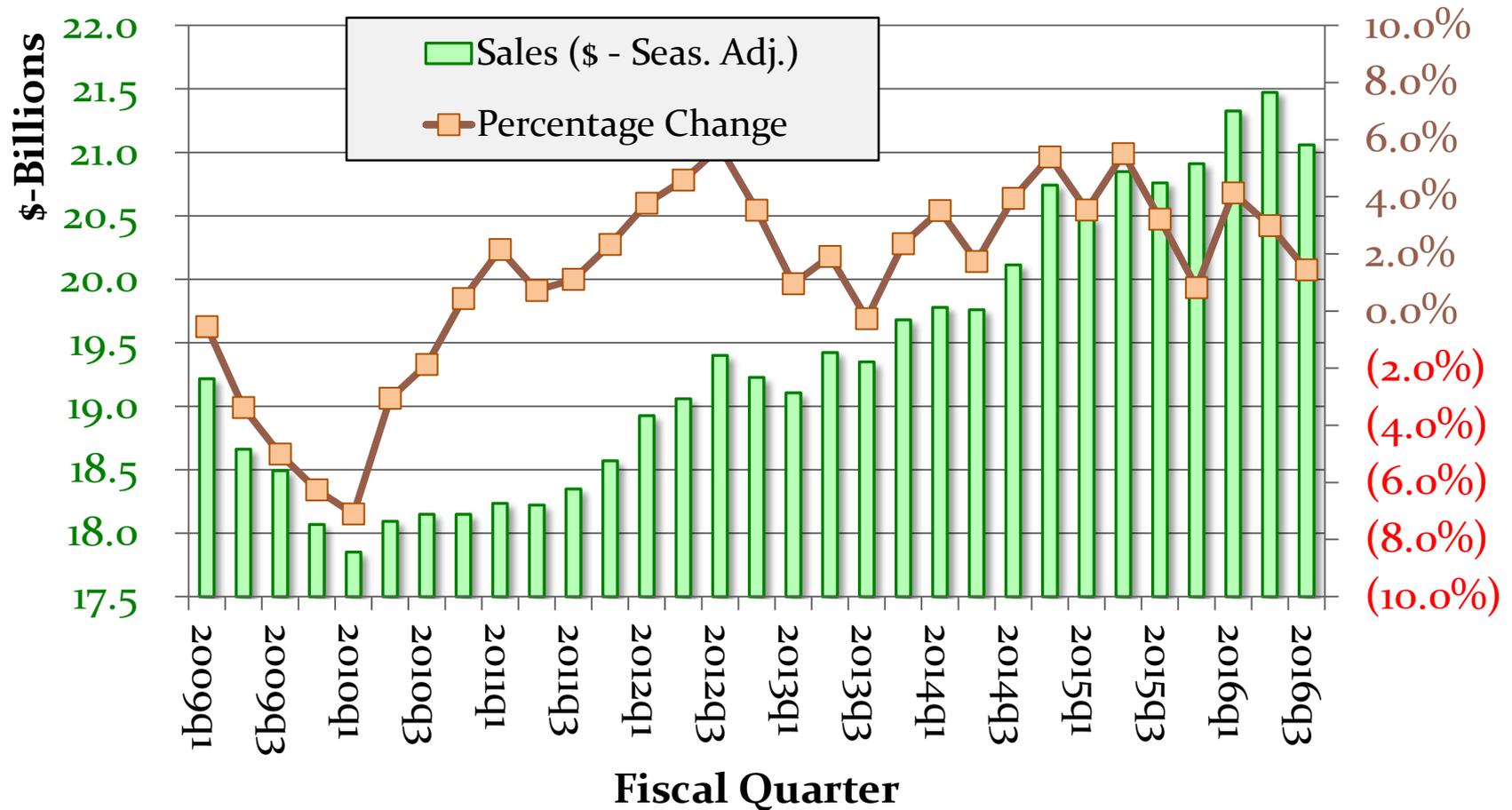


Missouri Current Employment



Source: US BLS

Total Taxable Sales

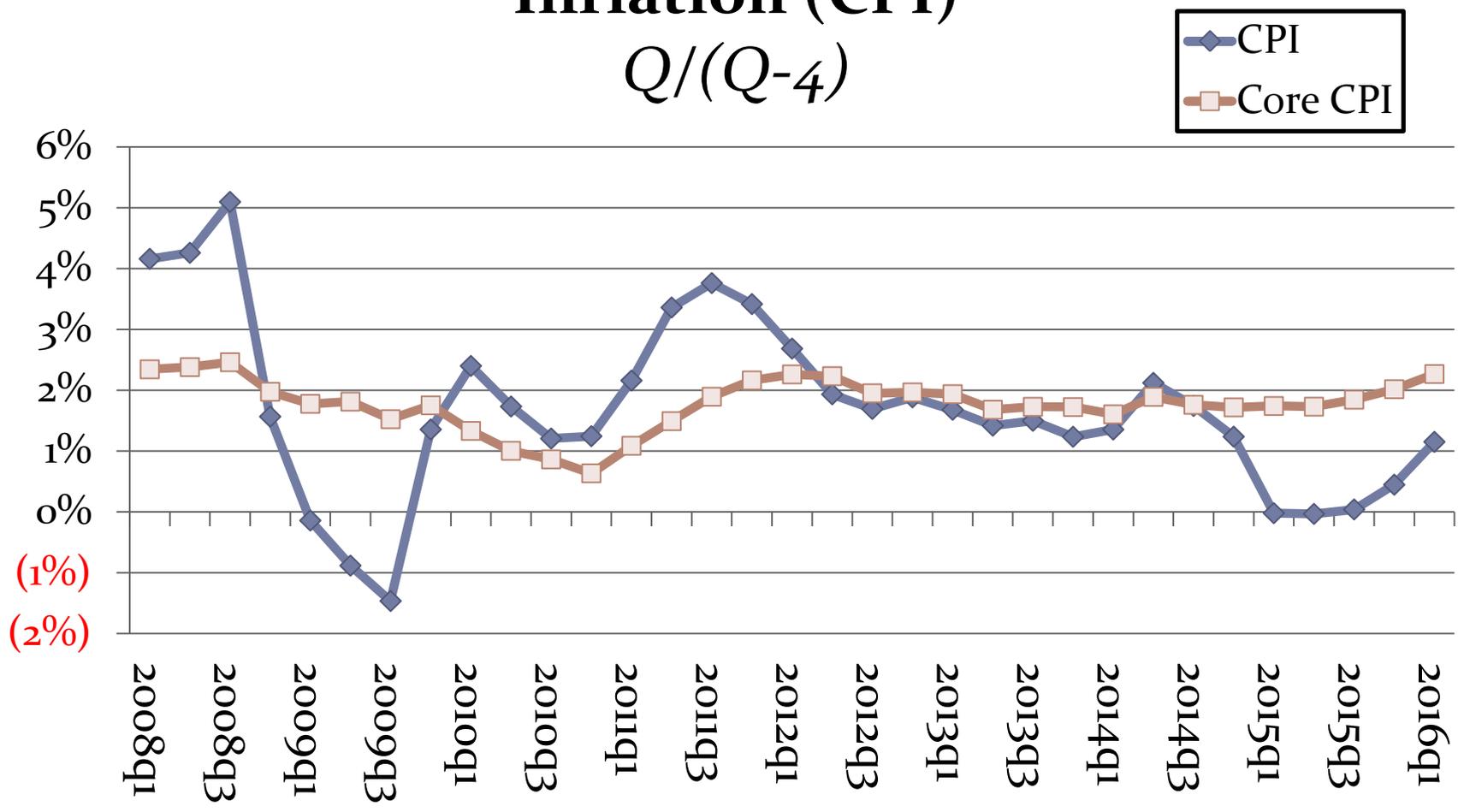


Consumers continue to regain confidence as employment and income improve.

Source: DOR Quarterly Reports, Seasonally Adjusted by B&P

Inflation (CPI)

$Q/(Q-4)$





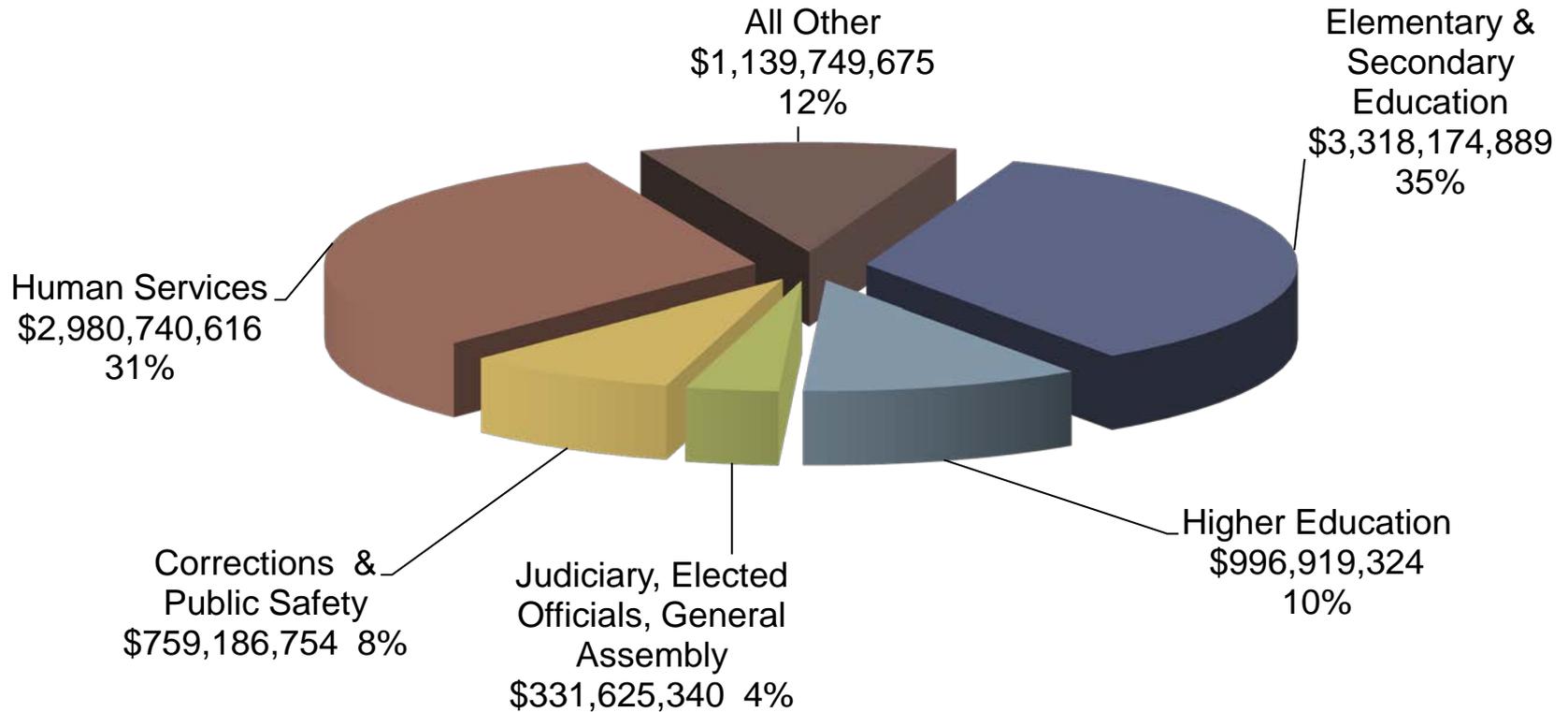
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State Budget
Where does the money go?

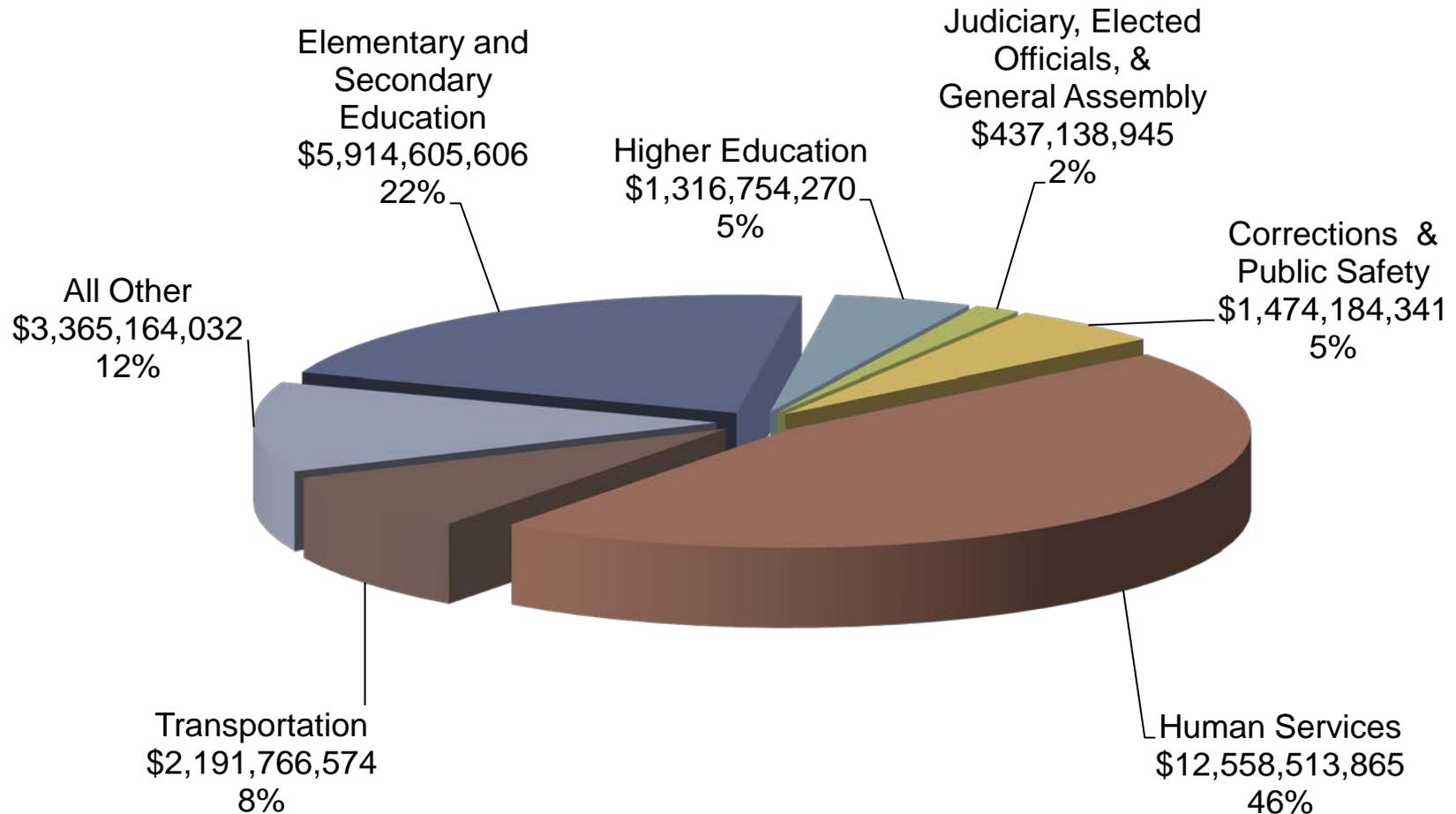
FY 2017 TAFP OPERATING BUDGET – GENERAL REVENUE

\$9.53 Billion



FY 2017 TAFP OPERATING BUDGET – ALL FUNDS

\$27.3 Billion





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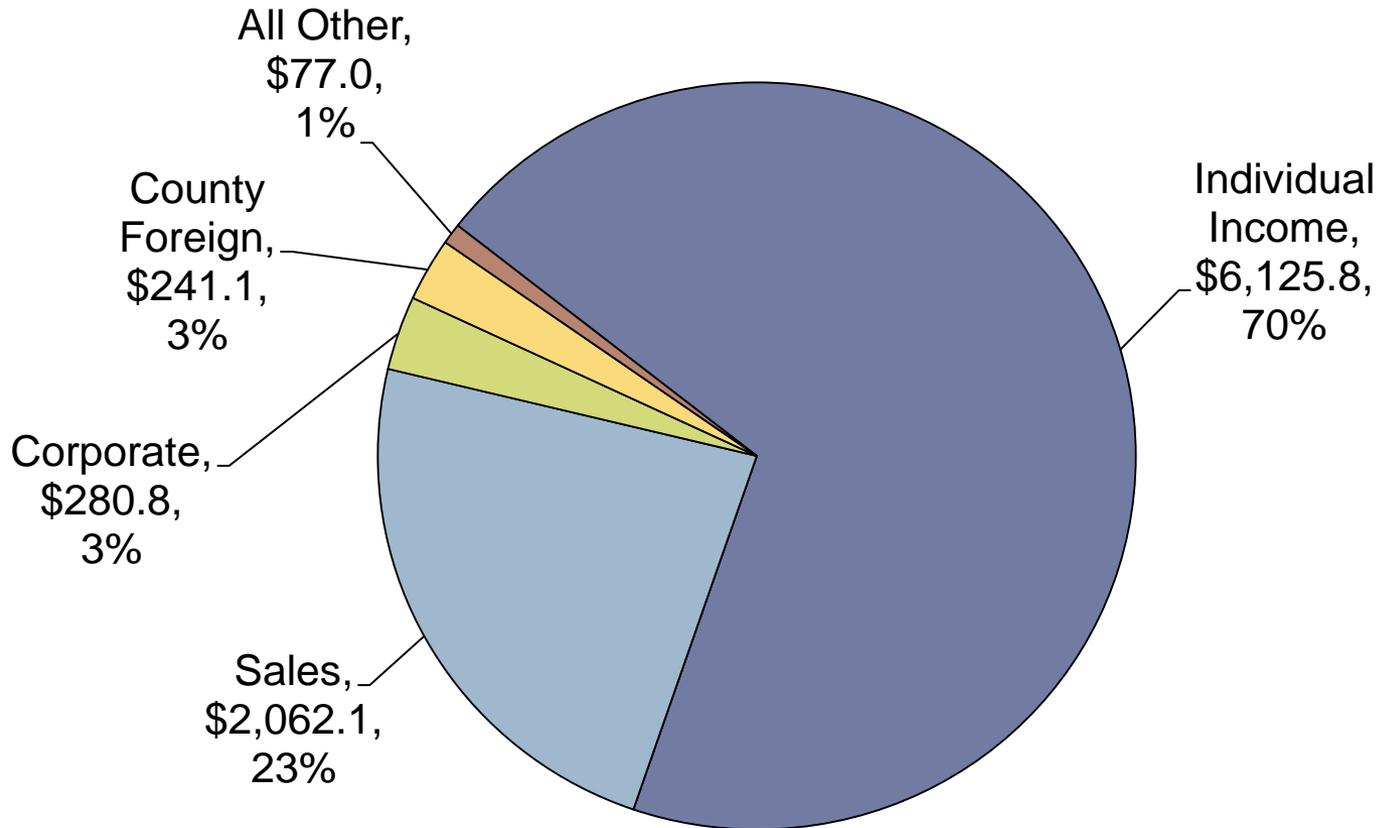
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State Revenue Update

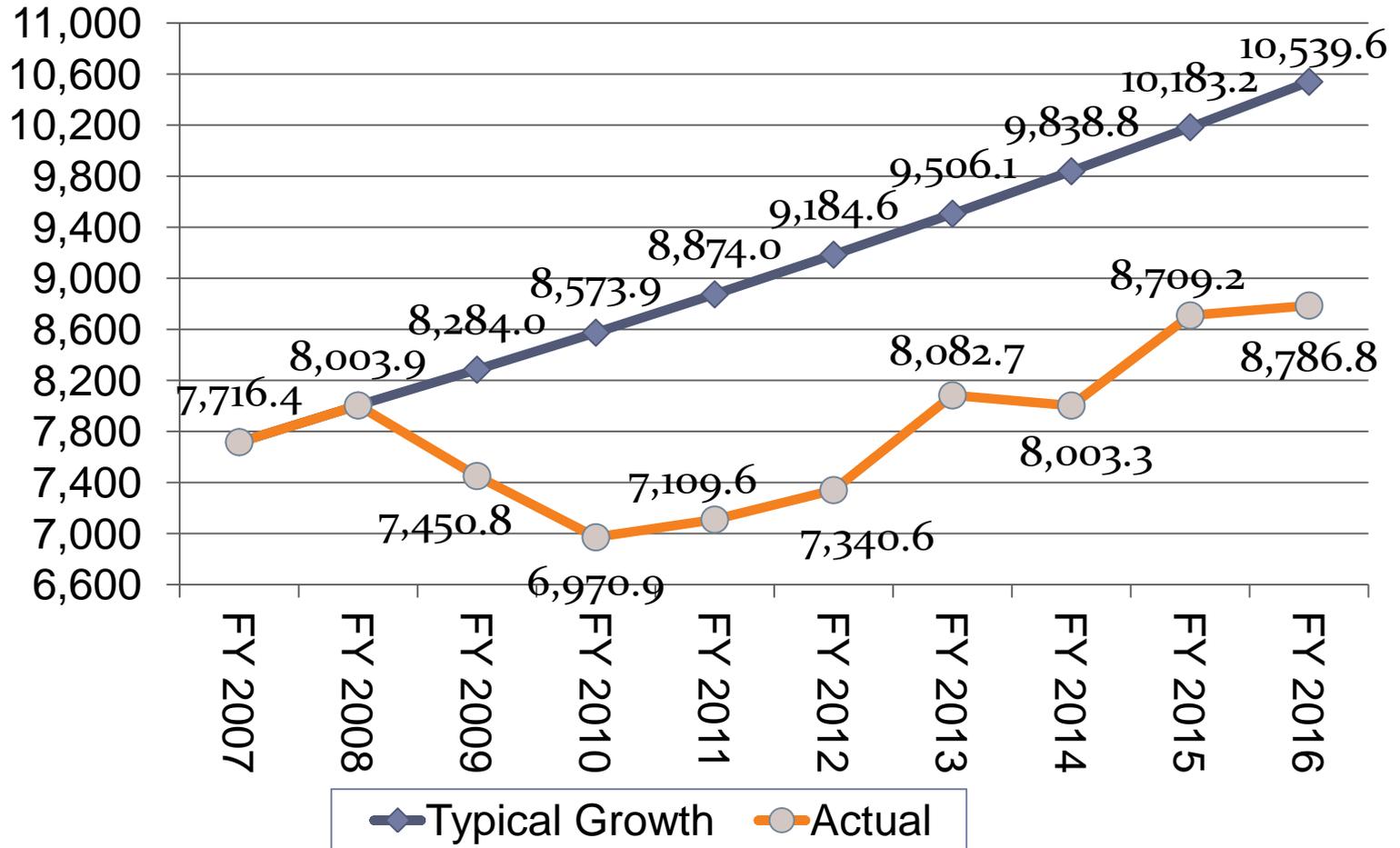
FY 2016 NET GENERAL REVENUE COLLECTIONS

(\$ in millions)

Total \$8,786.8

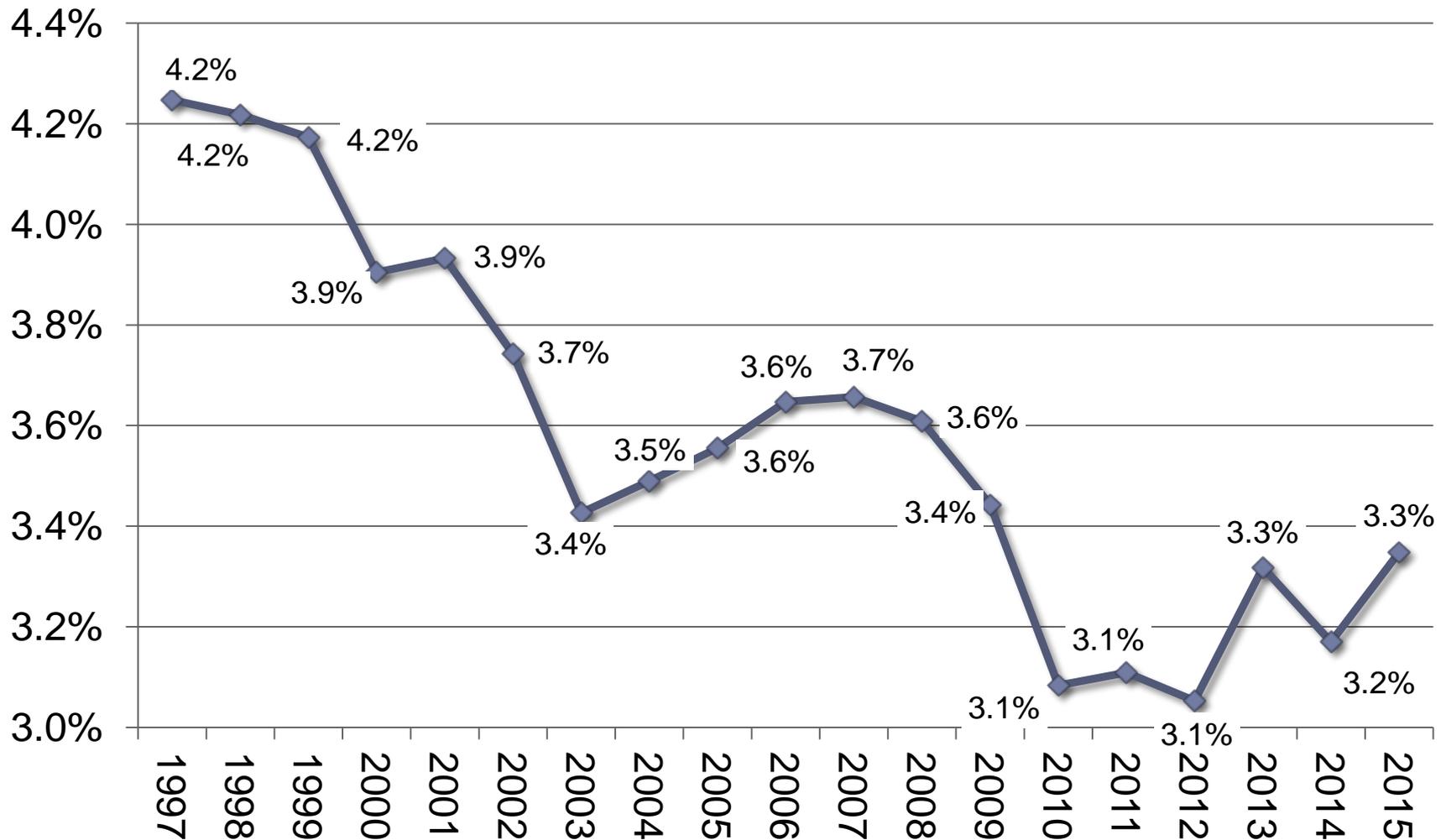


MO General Revenue Collections

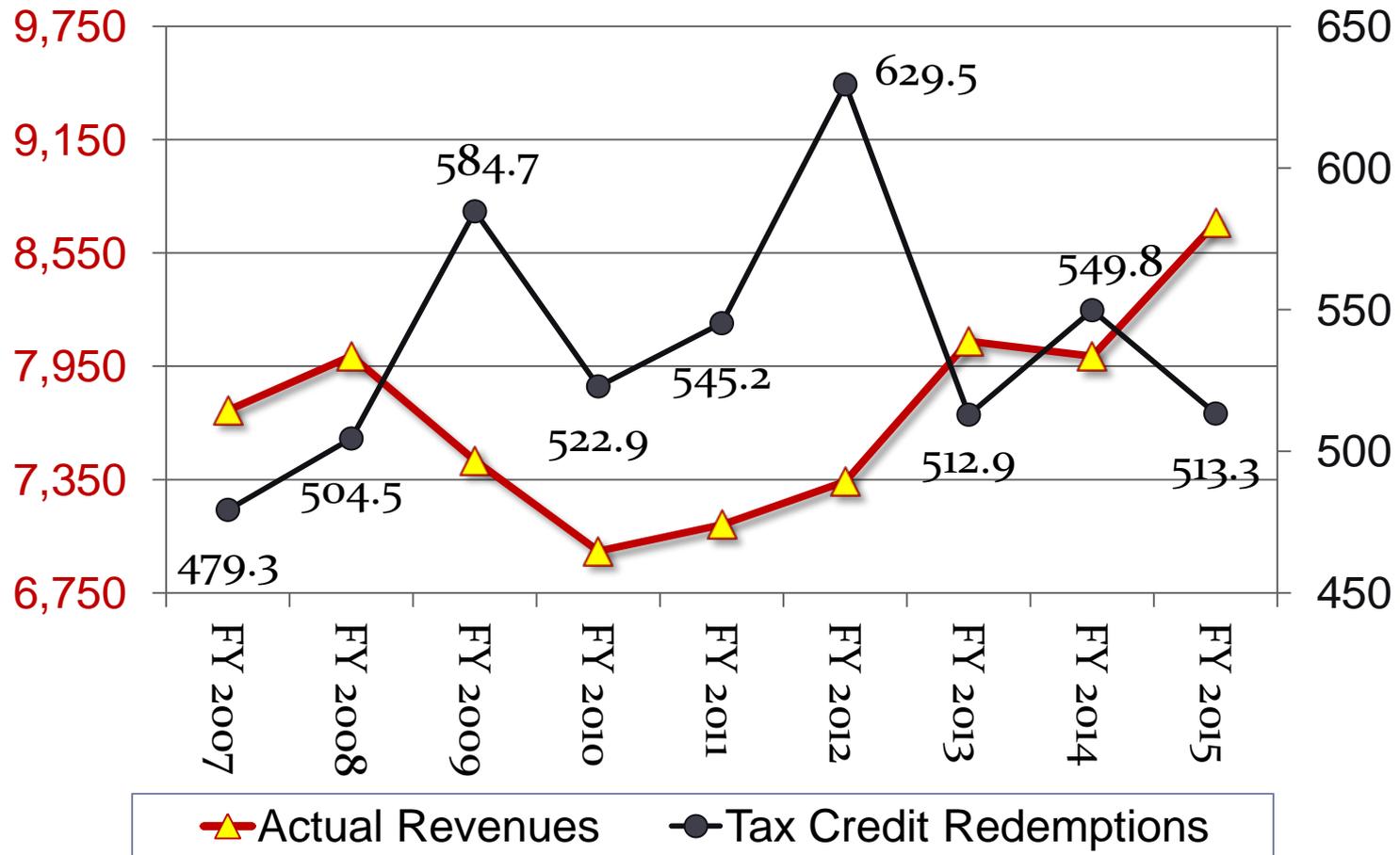


Typical Growth assumes 3½%.

General Revenue as % of Personal Income



General Revenue Collections & Tax Credit Redemptions





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Status and Future Outlook

CURRENT STATUS – GR COLLECTIONS

- FY 2015 – up 8.8%
- FY 2016 – up 0.9%
 - Net Individual Income Tax Collections – up 3.0%
 - Net Sales Tax Collections – up 3.7%
 - Net Corporate Tax Collections – down (35.6%)

CURRENT STATUS

- Reached 0.9%, still short of the needed 2.8%.
- For FY 2017 growth needed to meet budgeted revenue estimate is 6.1%. There are \$174.6 million in expenditure restrictions at this time.
- Will monitor the situation closely since achieving 5.5% growth may be challenging given economic trends and downside risks.

FUTURE OUTLOOK

- Base revenue would likely continue to turn around as economy continues to improve.
- Previously passed tax cuts plus SB 509 will result in lower revenue growth for foreseeable future.
- \$s for key investments will be impacted.

FUTURE OUTLOOK

- Economic uncertainty due to British exit from EU, Puerto Rico, other potential soft spots.
- Anticipating continued growth in Missouri general revenue collections, but broader economic issues may hamper growth.

FUTURE OUTLOOK

Tax Code Changes

- SB 509 (2014) -- \$621 million in fifth year
 - estimate does not assume change in behavior
- Corporate Tax Allocation -- \$46M estimated cost
- Franchise Tax Phase Out -- \$126M
- Tax changes from 2016 could exceed \$12.1M in FY 2017 revenue loss

BUDGET

POTENTIAL BRIGHT SPOTS

- Medicaid Expansion – Save state dollars, help balance the budget, economic boost. Will legislature authorize?
- Federal fix for Internet sales – \$167M latest estimate for positive GR impact. Will Congress fix? Timing to implementation is a factor.
- Continued economic growth, particularly if international issues are resolved.

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- Questions?