

[Video: Linda Luebbering presentation](#)

# **Missouri Budget Update**

**August 2011**

Missouri Division of Budget and Planning

# MISSOURI BUDGET UPDATE

## August 2011

- Economic Data – Actual & Projected
- State revenue update.
- State spending update.
- What's ahead for FY 2012 and FY 2013.

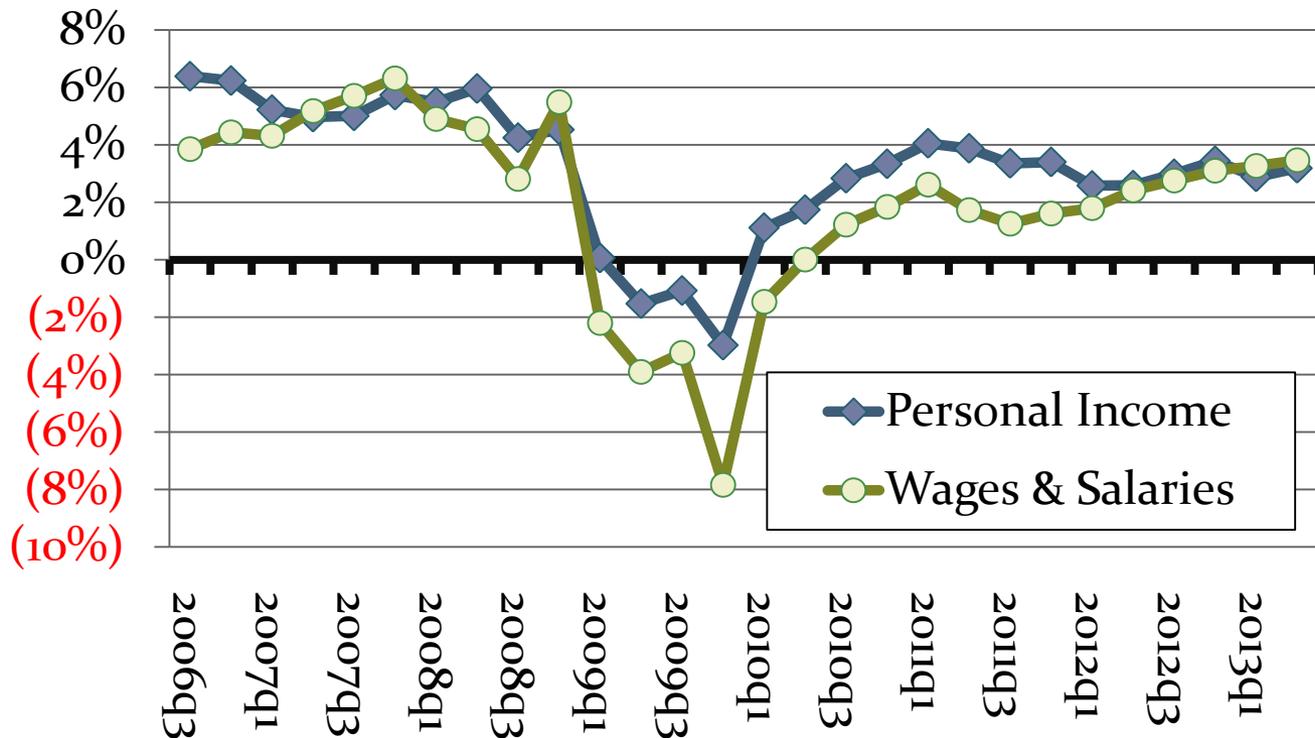


# **MISSOURI BUDGET UPDATE**

## **August 2011**

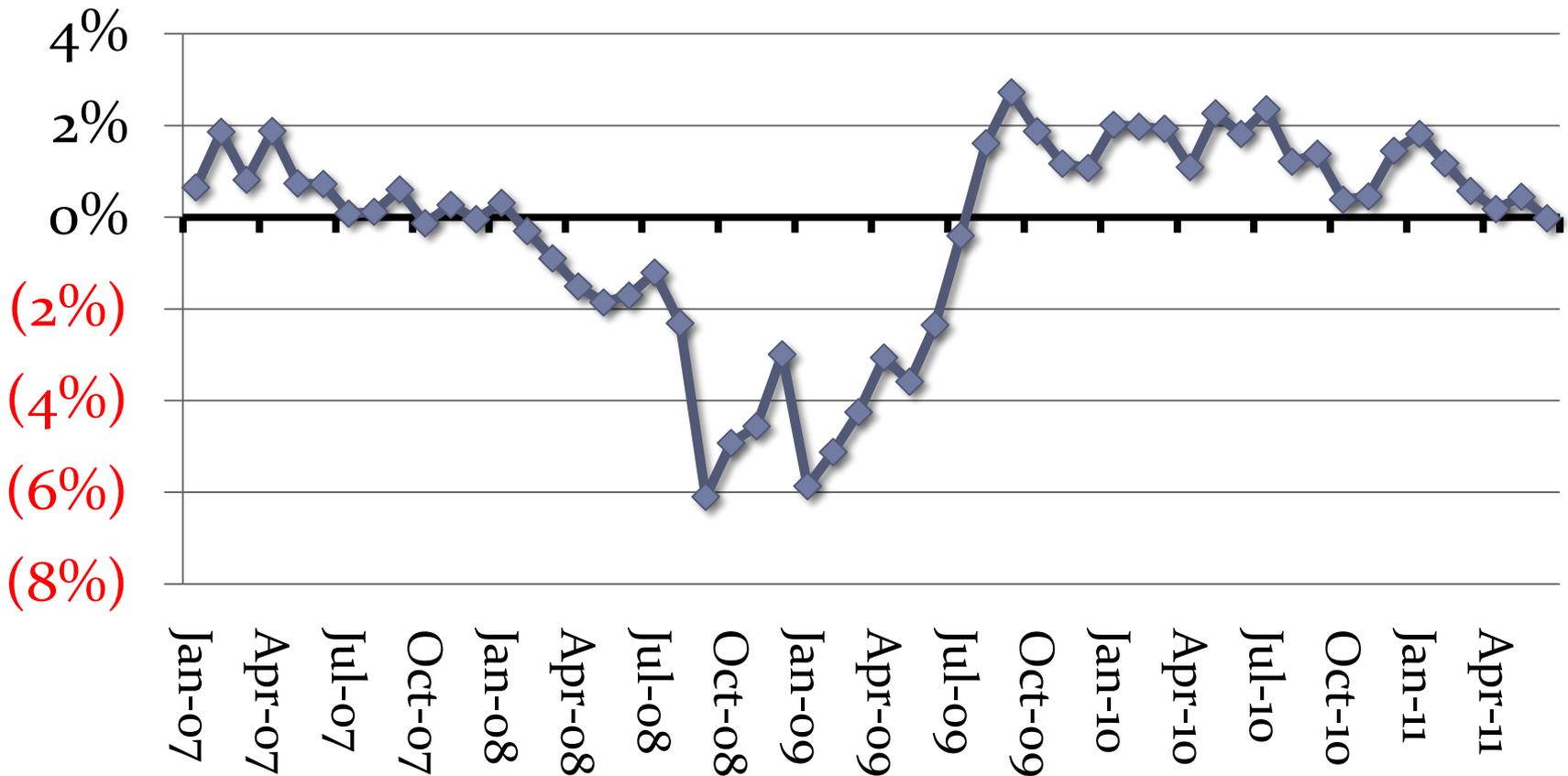
Economic Data – Actual & Projected

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



- Personal Income growth has accelerated over the last five quarters, but growth in Wages & Salaries has been slower to recover.
- Near-term increases in Personal Income will be in the same modest range as recent data until the employment level consistently increases, which is more likely in Calendar Year 2012.

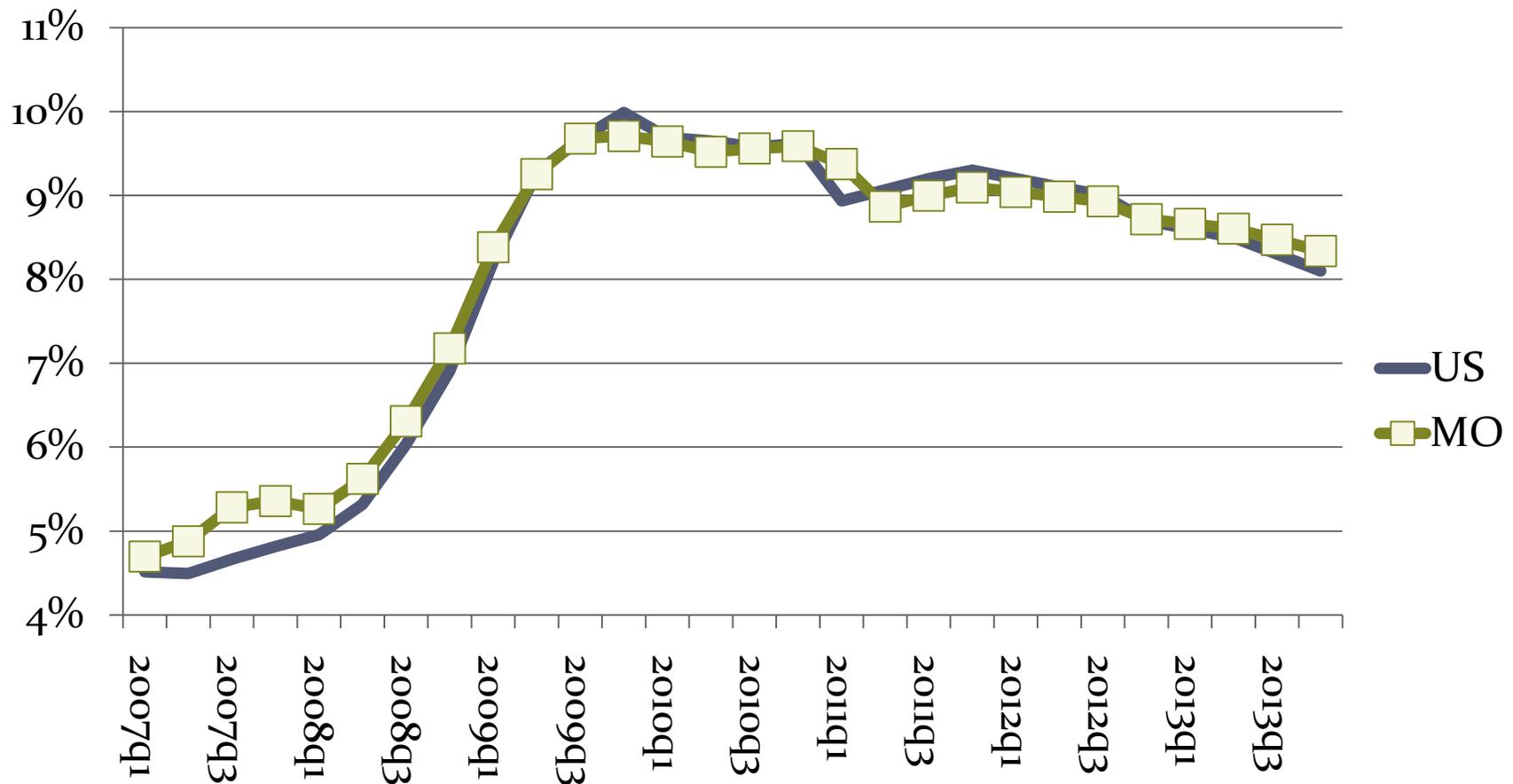
## Change in US Total Industrial Output *Over Previous Three Months*



- Industrial Production has slowed in the past three months. Inventories of manufacturers and retailers have increased relative to sales, leading to fewer orders.

## US & MO Unemployment Rates

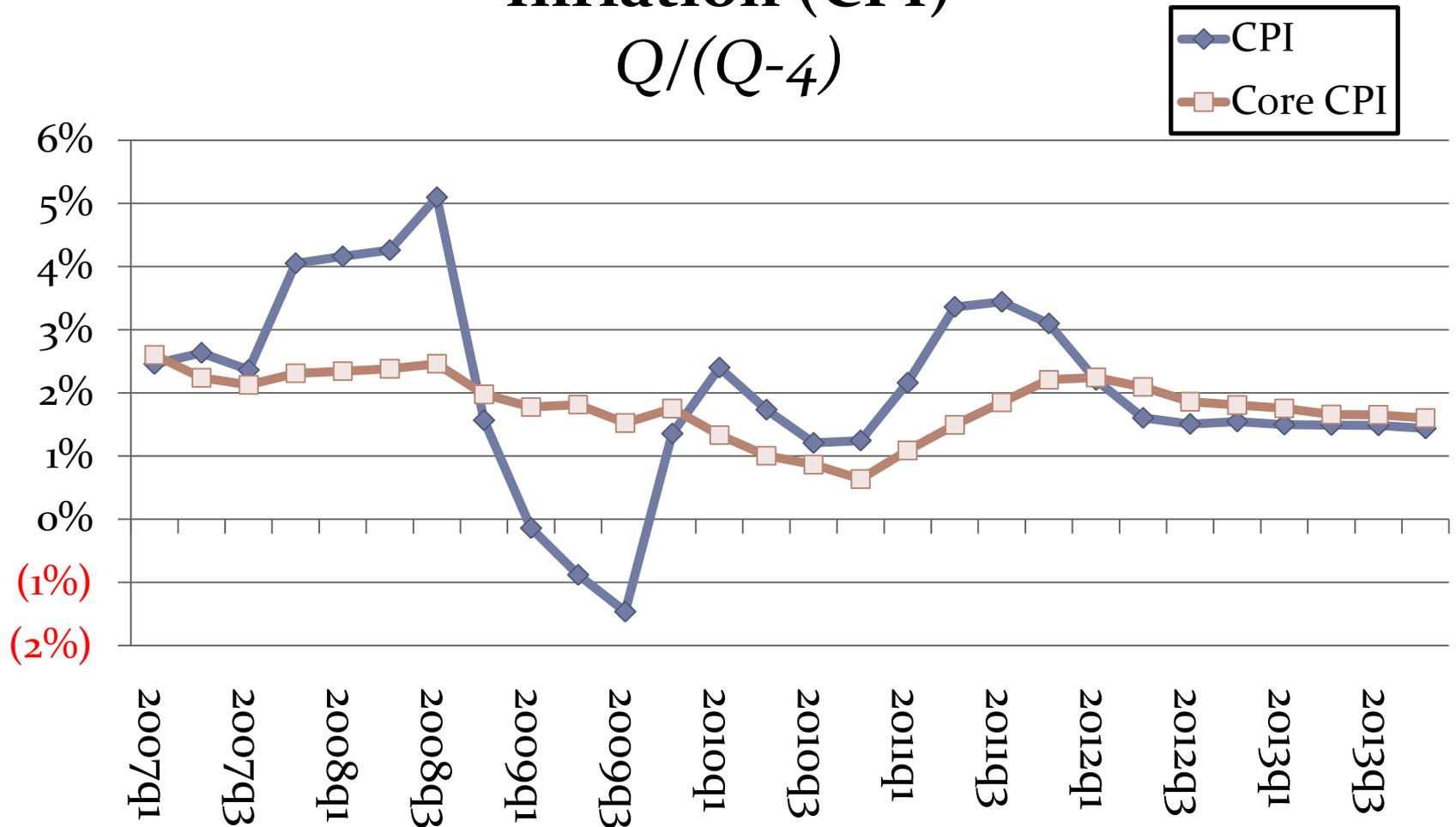
*Seasonally Adjusted Data*



- US Unemployment is expected to remain high, though decline slightly, through 2012.
- In general, the unemployment rate in MO follows the national trend.

# Inflation (CPI)

$Q/(Q-4)$



- The lack of consumption or wage growth is keeping inflation subdued, despite the impacts of high gasoline prices earlier this year.
- There is some evidence that higher energy prices may impact “core” inflation, the statistic that monetary policy makers generally emphasize.

# MISSOURI BUDGET UPDATE

## August 2011

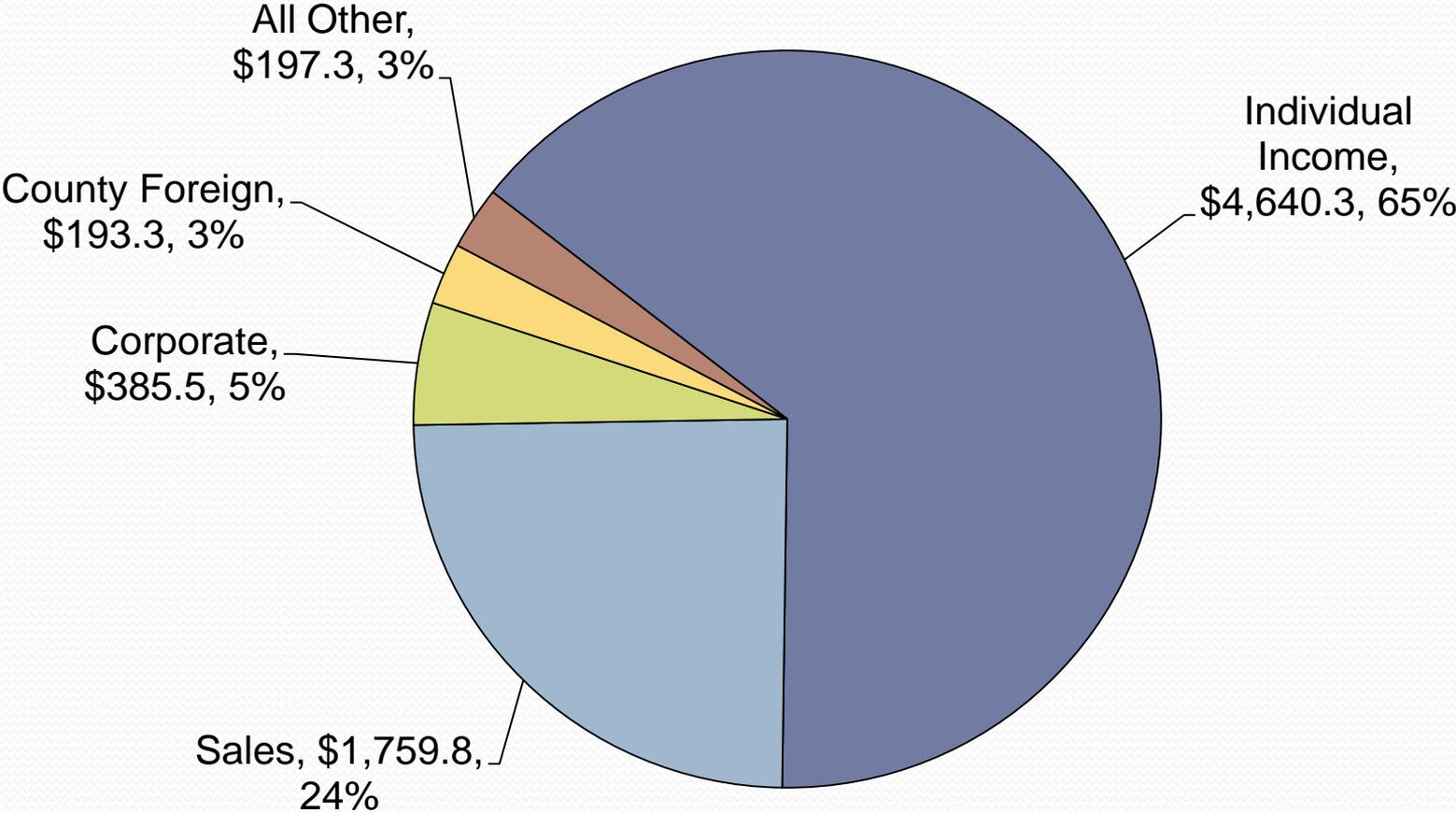
### STATE REVENUE UPDATE

- Sources of general revenue.
- General revenue projections.
- Federal stabilization & relief funds.

# FY 2011 NET GENERAL REVENUE COLLECTIONS

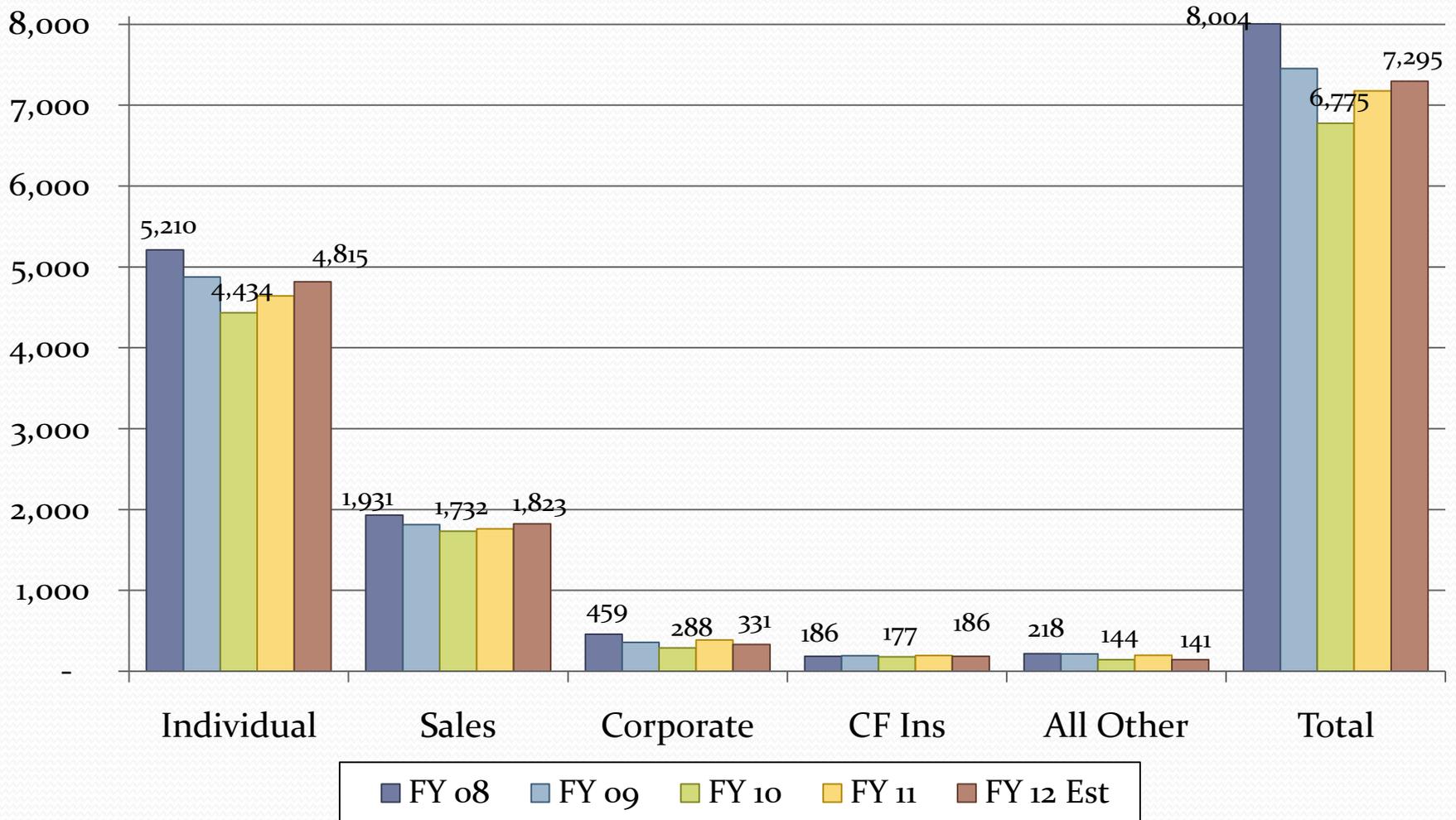
(\$ in millions)

**Total \$7,176.2**



# NET GENERAL REVENUE COLLECTIONS

(\$s in millions)



# REVENUE COLLECTIONS

## HOW ARE WE DOING?

- Consensus forecast for FY12 would require growth of about 2% above FY11 actual collections.
- Positive signs are seen in withholding taxes, biggest source of state's income. Growth in FY11 was 2.5%.
- Sales tax collections continue to be stagnant with growth of only 0.3% for FY11.
- Lottery and Gaming revenues projected to fall short.
- Hurdles: high unemployment rate; continuing housing market flux; European debt crisis; continuing federal budget saga.

# FEDERAL STABILIZATION FUNDS

(\$s in millions)

	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>Total</b>
<b><u>Resources</u></b>					
Enhanced FMAP	\$432.1	\$702.8	\$638.0	\$0.0	\$1,772.9
Education	\$0.0	\$753.2	\$0.0	\$0.0	\$753.2
General Purpose	\$0.0	\$167.6	\$0.0	\$0.0	\$167.6
Education Jobs	\$0.0	\$0.0	\$189.7	\$0.0	\$189.7
Total	\$432.1	\$1,623.6	\$827.7	\$0.0	\$2,883.4
<b><u>Estimated Expenditures</u></b>					
Enhanced FMAP	\$255.8	\$611.7	\$595.9	\$309.5	\$1,772.9
Education	\$0.0	\$530.0	\$158.3	\$64.9	\$753.2
General Purpose	\$0.0	\$88.5	\$75.5	\$3.6	\$167.6
Education Jobs	\$0.0	\$0.0	\$189.7	\$0.0	\$189.7
Total	\$255.8	\$1,230.2	\$1,019.4	\$378.0	\$2,883.4

# MISSOURI BUDGET UPDATE

## August 2011

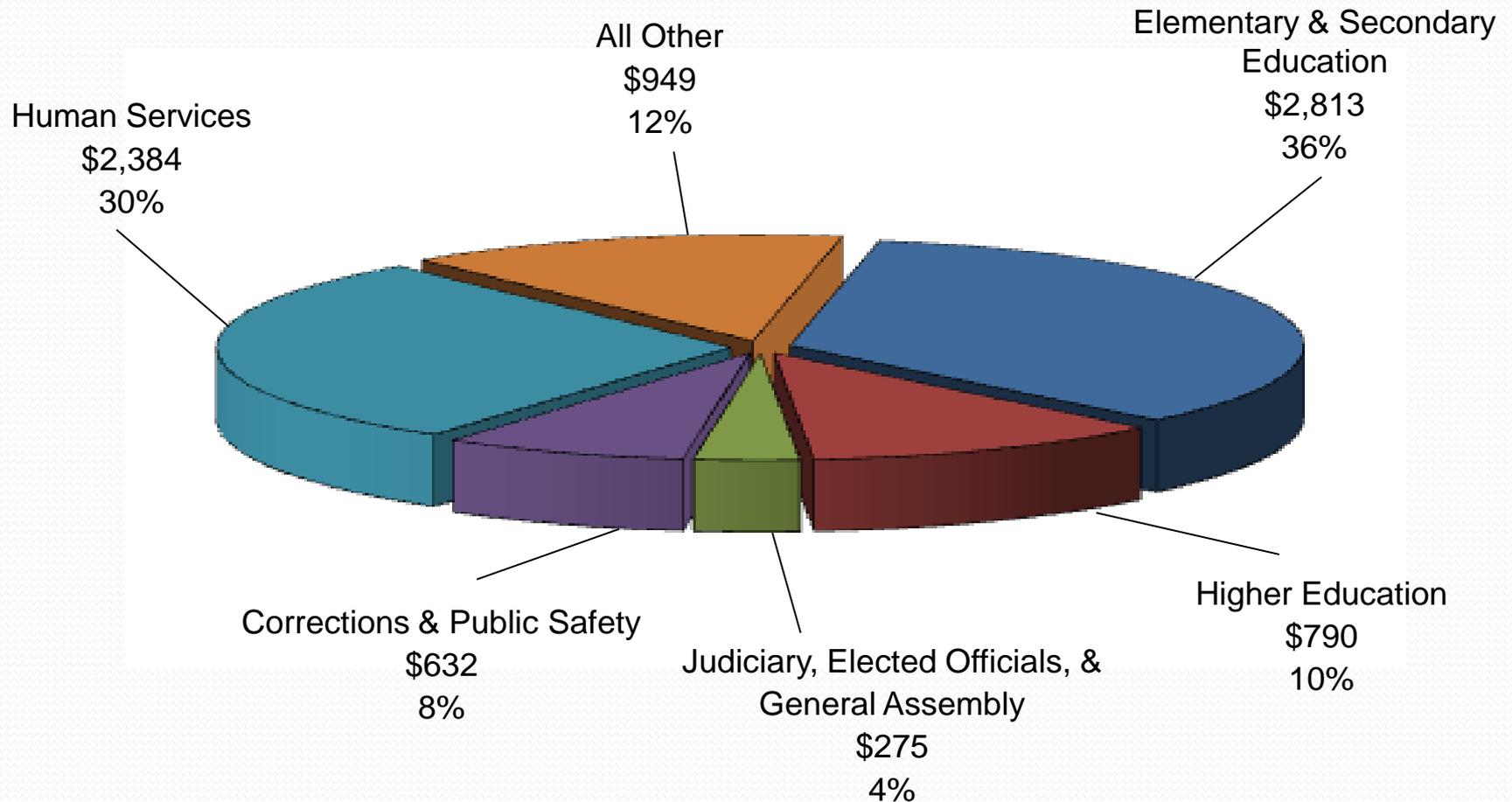
### STATE SPENDING UPDATE

- State spending pie.
- Operating budget summary.

# FY 2012 General Revenue Available Spending

Includes Federal Stabilization Funds (\$ in millions)

**Total \$7,843**



# FY 2009-2012 OPERATING BUDGET

## (\$s in millions)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2012
	Expenditures	Expenditures	Expenditures	Budget	Available
<b><u>Total Operating Budget</u></b>					
General Revenue	\$ 8,380.1	\$ 7,530.3	\$ 7,582.5	\$ 7,897.5	\$ 7,774.8
Federal Funds	6,264.9	6,818.0	6,809.3	7,470.7	7,468.2
Federal Stabilization	0.0	811.4	419.9	64.9	68.5
Other Funds	7,465.2	7,458.9	7,709.1	7,800.2	7,773.6
Total	\$ 22,110.1	\$ 22,618.6	\$ 22,520.8	\$ 23,233.3	\$ 23,085.1

# MISSOURI BUDGET UPDATE

## August 2011

### **FY 2012 and FY 2013 BUDGET**

- What's Ahead?
- How Do We Make It Work?

# FY 2012 AND FY 2013 BUDGETS

## WHAT'S AHEAD?

- Hopeful that revenue will remain on track with consensus forecast. Continuing economic situation adds uncertainty.
- Gaming and lottery funds projected to fall below appropriations.
- Recovering and rebuilding from multiple disasters will require significant investment from the state.
- Federal budget negotiations could lead to significant reductions in federal funds for state programs.

# FY 2012 AND FY 2013 BUDGETS

## WHAT'S AHEAD? (continued)

- Over \$400 million in one-time revenue sources in FY2012 budget will not be available in FY13.
- Continued improvement in economy should lead to better revenue numbers for FY13.
- Health care cost increases will continue to impact budget.

# FY 2013 BUDGET

## HOW DO WE MAKE IT WORK?

- More people working in good jobs!
- More focused use of tax credits.
  - Discussion on special session could lead to long term solution.
- Improved collections of existing taxes.
  - Legislation did not pass in 2011 regular session, some discussion for inclusion in special session.
- Reduced spending.

# MISSOURI BUDGET UPDATE

## August 2011 Summary

- State revenue update – on track for FY12. Positive signs in individual income tax; but some hurdles.
- Anticipating continued revenue improvement in FY12 and FY13. Some sources (gaming and lottery) may be down.
- What's ahead for FY12 & 13 – funding disaster recovery. Phase out of one-time sources creates challenges.
- To balance budget – better jobs tools, continued spending review, tax credit reform, improved collection of existing taxes.