



Missouri Budget Update

July 2012

Missouri Division of Budget and Planning

MISSOURI BUDGET UPDATE

July 2012

- Economic Data – Actual & Projected
- State revenue update.
- State spending update.
- What's ahead for FY 2013 and FY 2014.

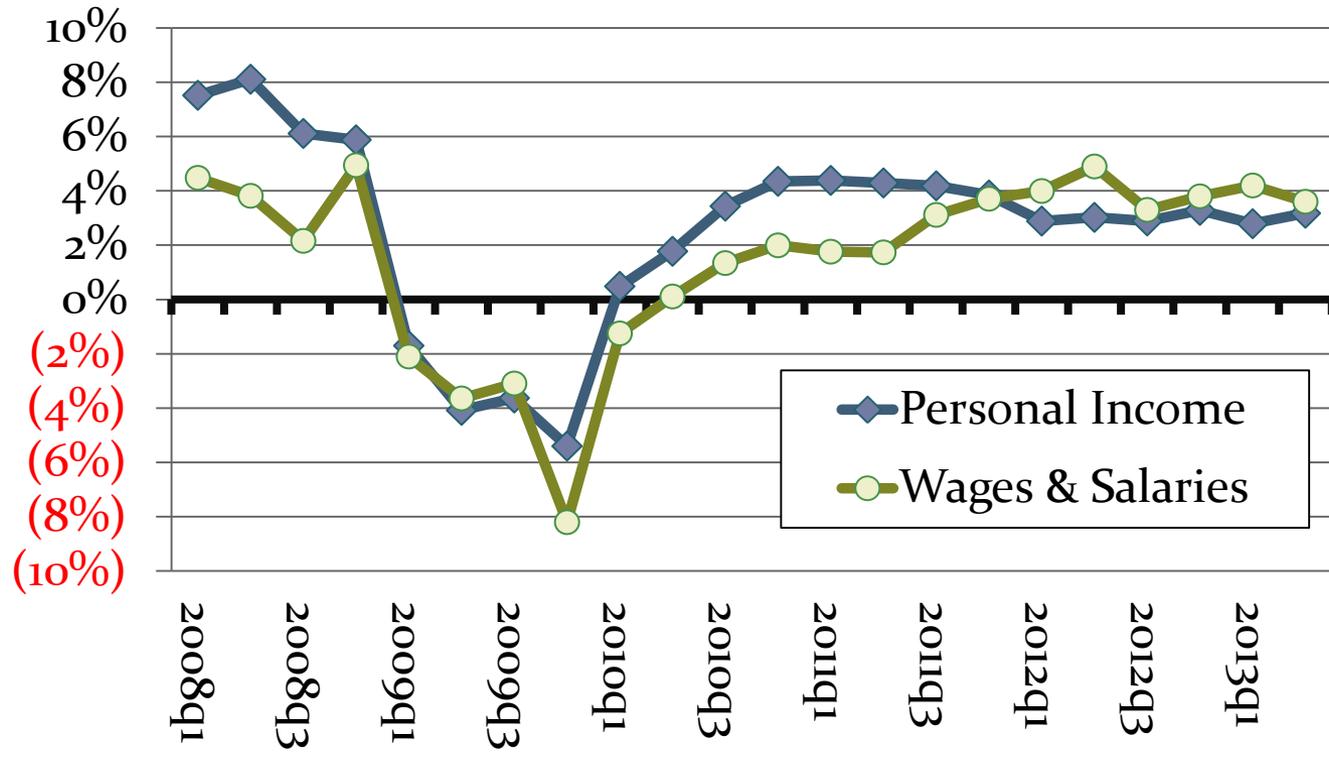


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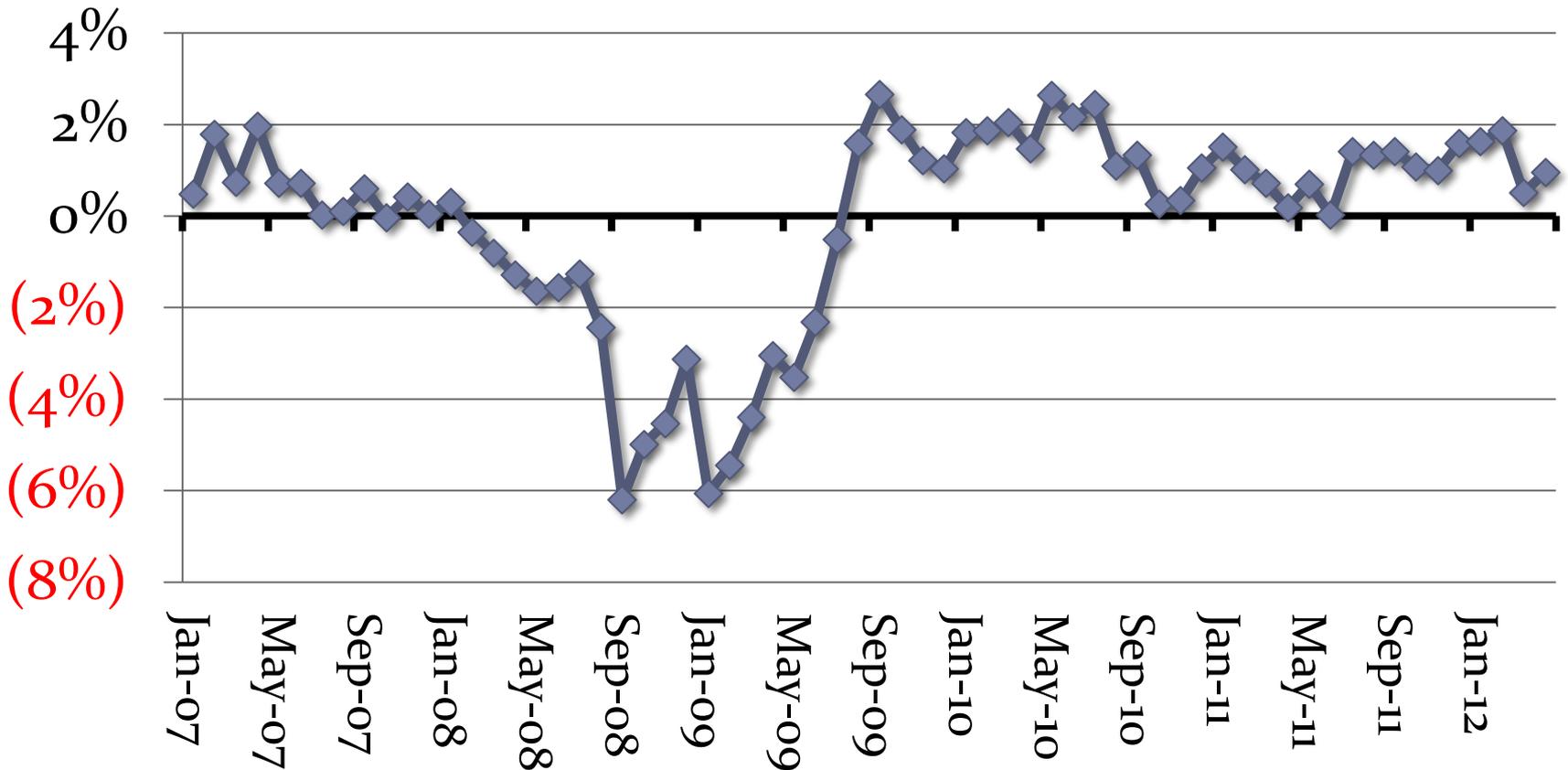
Economic Data – Actual & Projected

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



- Personal Income growth had been relatively strong in recent quarters, but slowed to just under 3% early in calendar year 2012.
- Wages and salaries accelerated early in the year, while transfer payments slowed.
- Growth in the US economy has slowed in the first half of 2012, curtailing income growth. If numerous risks can be avoided, growth should strengthen into 2013.

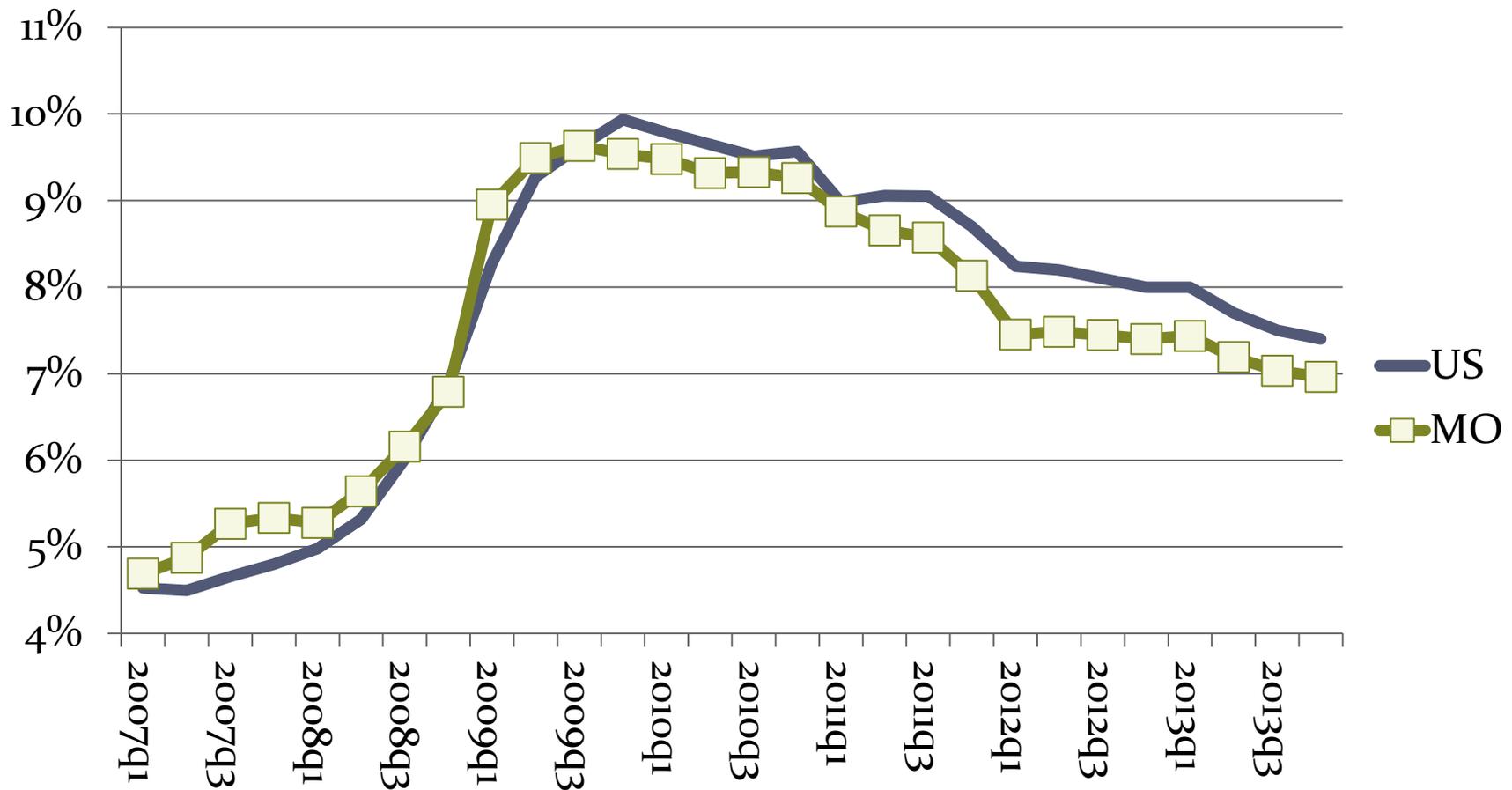
Change in US Total Industrial Production *Over Previous Three Months*



- Industrial Production showed stronger growth early in 2012, but cooled recently. Above-average winter temperatures encouraged retail spending, which in turn boosted manufacturers.

US & MO Unemployment Rates

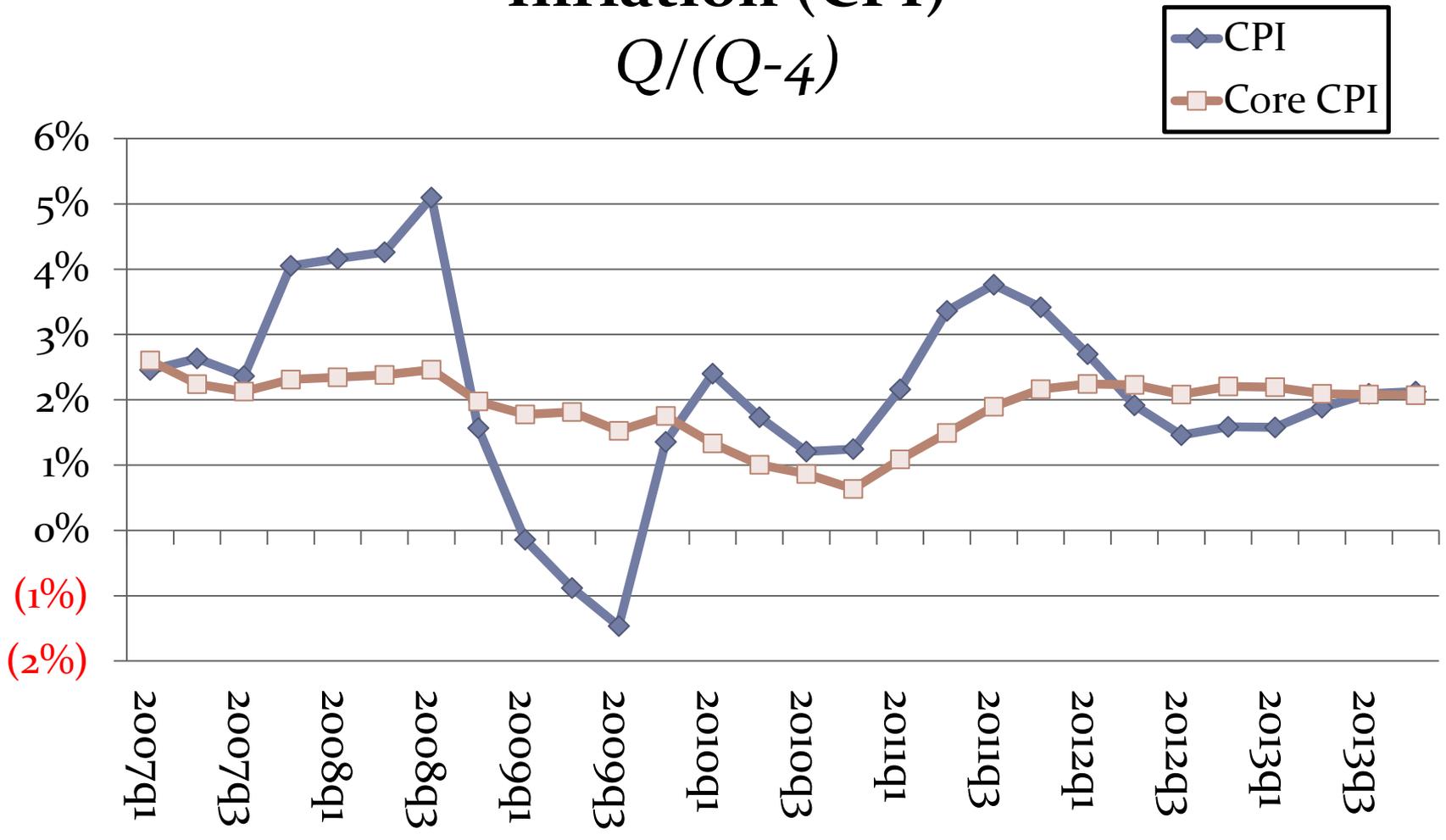
Seasonally Adjusted Data



- US Unemployment is expected to decline slowly but steadily through 2013.
- In general, the unemployment rate in MO follows the national trend, but have remained below the national average since 2010.

Inflation (CPI)

$Q/(Q-4)$



- Inflation remains subdued, but improvement in wages and spending has pushed the outlook to roughly 2% growth over the next several quarters.
- Growth in “core” inflation, which excludes food and energy, remains in a comfortable range.

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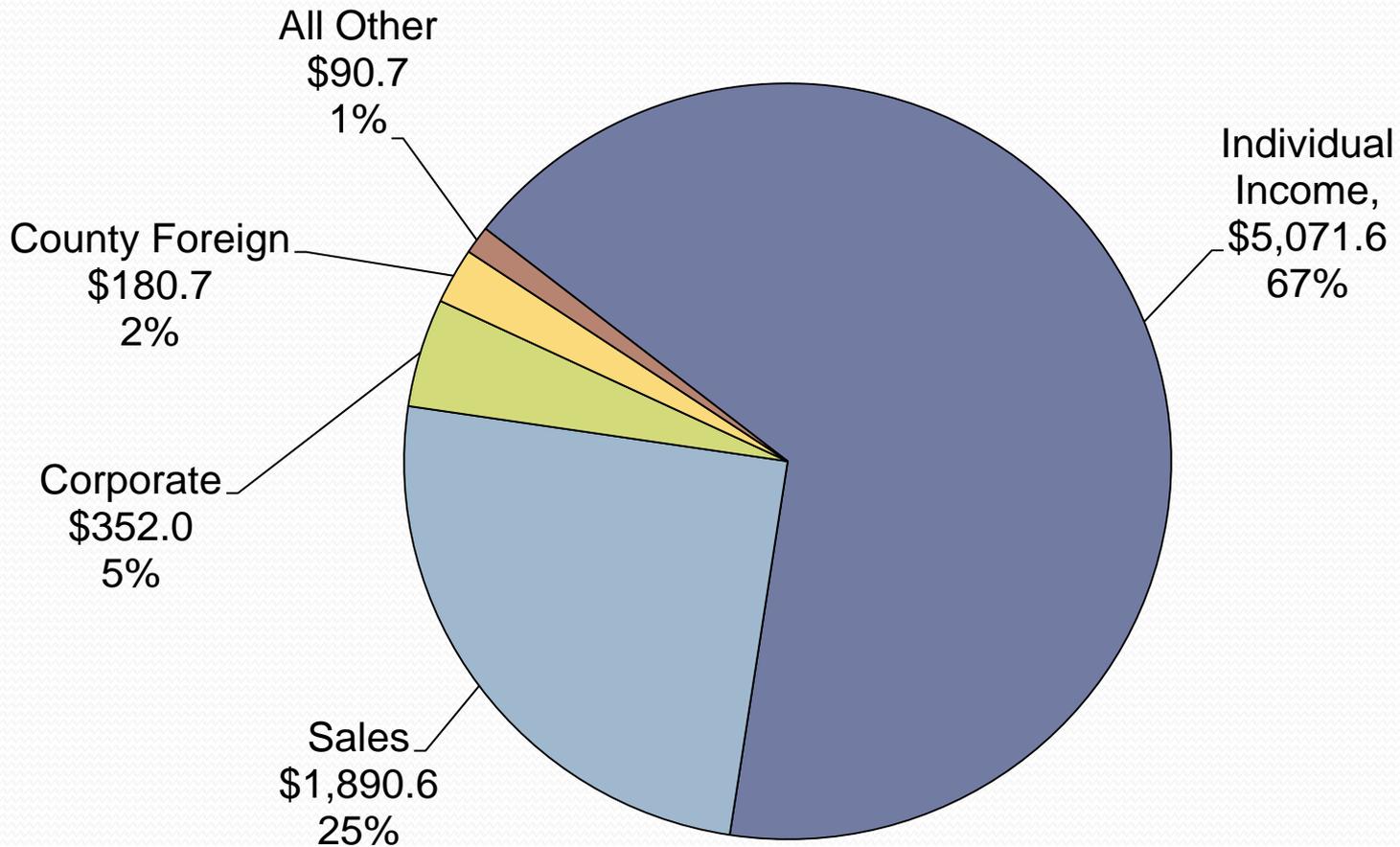
STATE REVENUE UPDATE

- Sources of general revenue.
- General revenue projections.
- One Time Funds – Stair Step Down.

FY 2013 NET GENERAL REVENUE COLLECTIONS

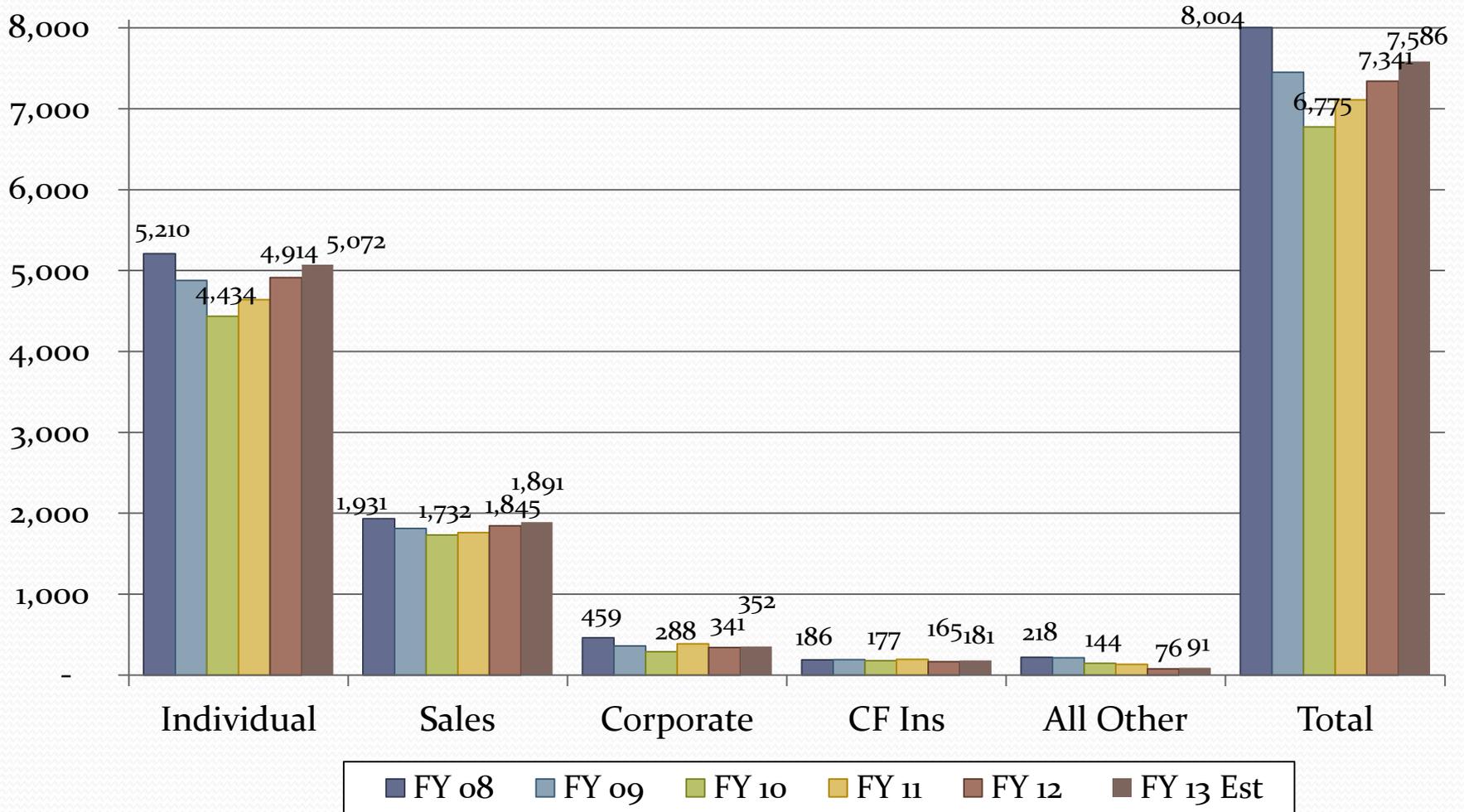
(\$ in millions)

Total \$7,585.6



NET GENERAL REVENUE COLLECTIONS

(\$s in millions)

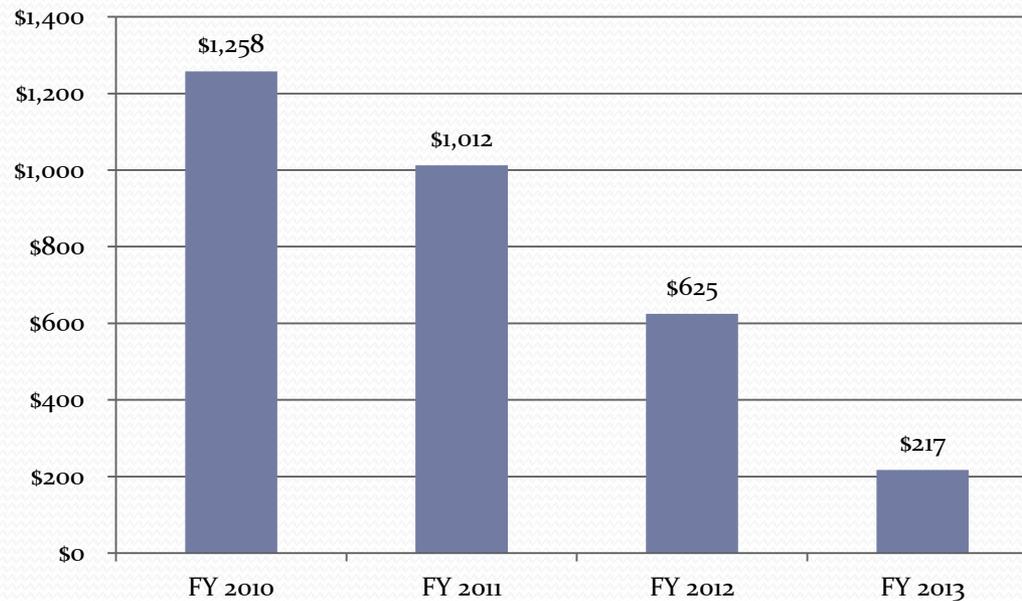


REVENUE COLLECTIONS

HOW ARE WE DOING?

- Consensus forecast for FY13 would require growth of about 3.3% above FY12 actuals.
- Positive signs are seen in withholding taxes, biggest source of state's income.
- Sales tax collections are expected to continue to improve.
- Final budget approved by legislature assumes \$35M more lottery than projected by lottery commission.
- Hurdles: continuing housing market flux; European debt crisis; continuing federal budget saga.

One-Time Funds Stair Step Down (millions of \$s)



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FY 2013 GR Resources Unavailable For FY 2014 Over \$200 million:

- National Mortgage Settlement--\$40 million
- Federal Funds Carryover (FMAP)--\$62 million
- One Time Fund Balances--\$115 million

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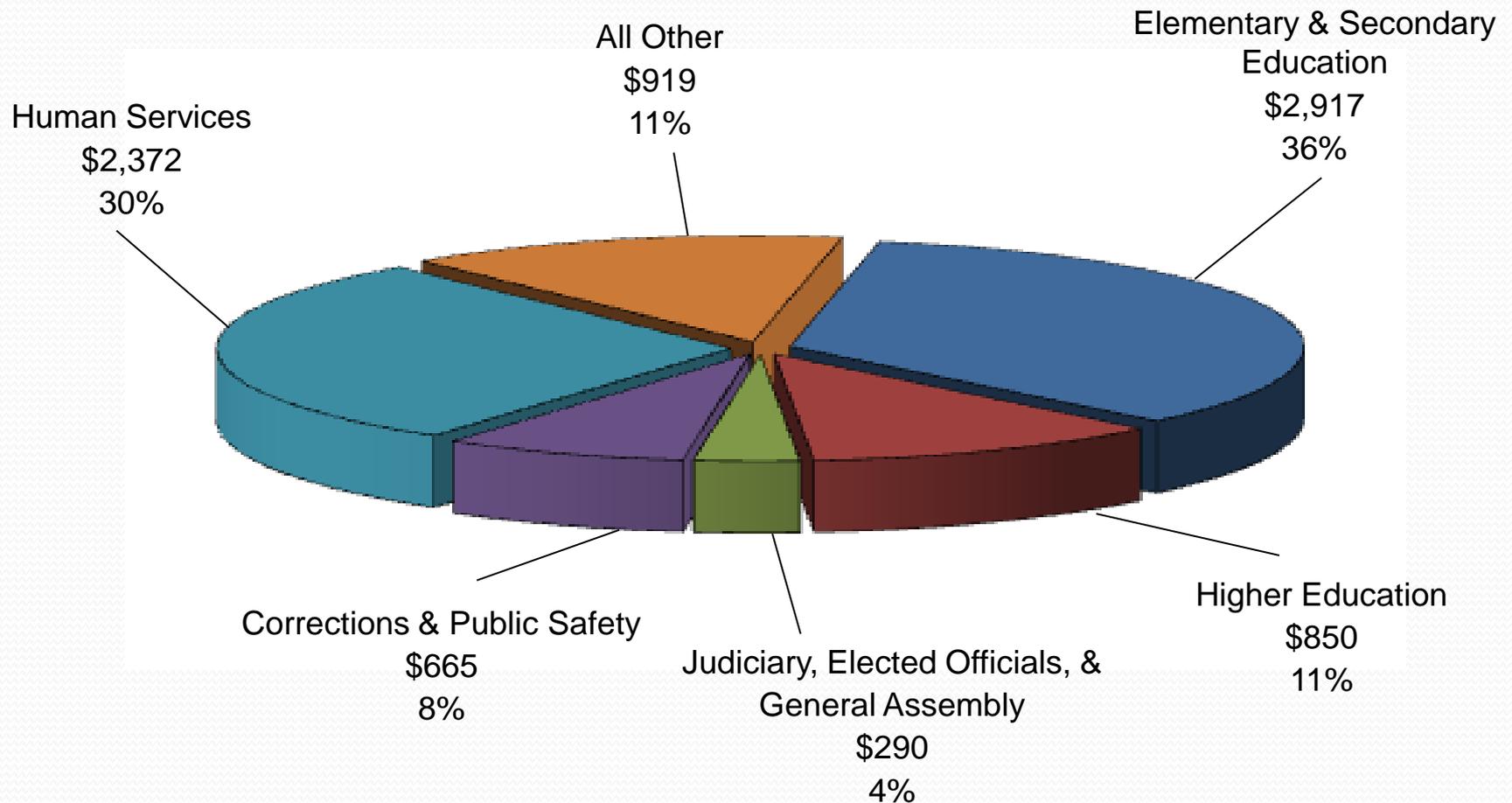
STATE SPENDING UPDATE

- State spending pie.
- Operating budget summary.

FY 2013 General Revenue Operating Budget Truly Agreed To and Finally Passed

(\$ in millions)

Total \$8,013





MISSOURI BUDGET UPDATE

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FY 2013 and FY 2014 BUDGET

What's Ahead?

FY 2013 AND FY 2014 BUDGETS WHAT'S AHEAD?

- Hopeful that core revenue will remain on track with forecast. Continuing economic situation adds uncertainty.
- Legislative issues – will tax credit reform be addressed?
- Lottery Funds
- Underfunding of Mandatories.
- Recovering and rebuilding from multiple disasters.
- Federal budget negotiations.

FY 2013 AND FY 2014 BUDGETS

WHAT'S AHEAD? (continued)

- Over \$200 million in one-time revenue sources in FY2013 budget will not be available in FY2014.
 - But stair steps have allowed for more thoughtful approach.
- Continued improvement in economy should lead to better revenue numbers.
- Pent up demand for increased funding.

Summary and Any Questions?

- Economy is continuing to improve, but there are uncertainties aplenty.
- State revenue expected to continue to improve.
- Lottery fund expectations for FY 2013 are very high.
- Still have one-time funds to address in FY 2014, but much smaller amount.