

January 20, 2010

Overview of Fiscal Year (FY) 2010 and FY 2011 Budgets

Even though Missouri is in better shape than most other states, tough budget challenges remain. The national and international economic crisis has caused revenue to continue its downward spiral, reaching historic rates of decline in the previous and current fiscal years. Revenue forecasters predict a modest increase for FY 2011, but not enough to prevent additional cuts and the continued fiscal restraint necessary to keep the Missouri budget balanced. Governor Nixon has taken action and kept Missouri's budget balanced without raising taxes.

- The FY 2010 budget originally assumed net general revenue collections of \$7.764 billion. That estimate was revised downward to \$6.971 billion, leaving a revenue shortfall of \$793 million. Governor Nixon implemented a plan even before the fiscal year began to bring costs down to ensure that the state's budget remained in balance. In addition to the vetoes and expenditure restrictions announced earlier this fiscal year, his plan includes additional restrictions of over \$50 million plus \$150 million in projects funded with federal budget stabilization funds that will remain restricted unless revenues pickup more than anticipated.
- The FY 2011 budget is based on a revenue estimate of \$7.22 billion. While an increase over FY 2010, it is below FY 2009 collections of \$7.45 billion and well below FY 2008 collections of \$8.00 billion. In order to preserve his priorities and maintain vital services, the Governor's budget includes:
 - 544 fewer positions for a total reduction of nearly 1,800 positions since taking office;
 - \$253 million in general revenue core reductions, including:
 - \$121 million in the Medicaid program;
 - \$32 million in administrative expenses;
 - \$12 million in the allocation of the income tax on non-resident athletes and entertainers.
 - \$39 million in lower debt service requirements, due to debt being retired.
 - \$27 million transfer from 23 state funds with sufficient excess balances.
 - \$26 million from collection efficiencies within the Department of Revenue.
- A few highlights of Governor Nixon's FY 2011 budget are:
 - \$3.022 billion for Missouri's K-12 classrooms through the Foundation Formula, a record amount, including an increase of \$18 million.
 - \$37.5 million for the Career Ladder Program which enhances career development and compensation for participating teachers.
 - \$911 million for higher education institutions including a freeze on college tuition for the second year in a row so more families can afford a higher education.
 - \$25 million existing funding for A+ scholarships, including making students in all public high schools eligible for A+.
 - \$16.4 million for the Missouri Customized Job Training Program which provides training and retraining of workers to ensure a skilled workforce to help create and retain jobs, including an increase of \$2.4 million.
 - \$6.9 million for the Medicaid Program and \$4.3 million for the Missouri Consolidated Health Care Plan to provide medically necessary evidenced-based therapies to children with autism.
 - \$34.2 million for biodiesel incentives to benefit the state's agricultural economy and Missouri farmers, including an increase of \$9 million, to complement the full funding of ethanol incentive payments approved last year.
 - \$39 million for Missouri's Public Defender System including a \$2 million increase to provide resources to manage growing caseloads.

FY 2011 BUDGET INCLUDES:

Economy

- \$16.4 million for the Customized Job Training Program, including an increase of \$2.4 million.
- \$34.2 million for biodiesel incentives, including an increase of \$9 million for production expansion.

Elementary and Secondary Education

- \$3.022 billion for the Foundation Formula, a record amount.
- \$258.8 million for school food services, including an increase of \$39.1 million.
- \$370.5 million for early childhood special education and special education grants, including an increase of \$11.6 million.
- \$167.8 million for student transportation.
- \$50.1 million for Career Education programs, including career-technical, adult and community education opportunities.
- \$37.5 million for the Career Ladder Program.
- \$30.4 million for the First Steps Program.
- \$29.3 million for the special education High Need program, including an increase of \$3.4 million.

Higher Education

- \$911 million for public institutions of higher learning and a commitment for no tuition increases.
- \$96 million for the Access Missouri Financial Assistance Program.
- \$25 million existing funding for A+ scholarships, including making students in all public high schools eligible for A+.
- \$16 million for the Bright Flight Program.

Healthcare

- \$8.0 billion to maintain all services and eligibility levels throughout the Medicaid Program.
- \$84.9 million, including an increase of \$6.9 million to serve children with Autism Spectrum Disorders.
- \$44 million to continue funding to local Area Agencies on Aging.
- \$8.7 million for core public health functions provided through local health departments.
- \$4.3 million for state employee insurance coverage of applied behavior analysis for dependents with Autism Spectrum Disorders.
- \$725,000 to improve services for Missourians in nursing facilities.

Public Safety

- \$534.7 million to securely house and rehabilitate offenders within Missouri's correctional institutions.
- \$259.9 million to support the operations of the Missouri State Highway Patrol, including an increase of \$16.1 million.
- \$97.4 million for the Board of Probation and Parole to safely monitor and rehabilitate offenders under community supervision.

Other Priorities

- \$979.9 million to fund employee benefits, an increase of \$24.6 million primarily to maintain current retirement benefits for state employees.
- \$79.2 million for services to our veterans, including an increase of \$676,748 for food costs at veteran's homes.
- \$6.2 million for the National Guard Trust Fund programs, including an increase of \$19,560 for the tuition assistance program.
- \$730,649 to create a certified local foods program, provide grants for community gardens in urban areas, and provide grants to farmers markets.

**CONSENSUS REVENUE ESTIMATE
FOR FY 2011 AND REVISED FOR FY 2010
GR COLLECTIONS – NET OF REFUNDS**

	Actual FY 2008 \$s (Mils)	Actual FY 2009 \$s (Mils)	FY 2009 % Change	Est. FY 2010 \$s (Mils)	FY 2010 % Change	Est. FY 2011 \$s (Mils)	FY 2011 % Change
Individual Income	\$5,210.1	\$4,876.0	-6.4%	\$4,627.3	-5.1%	\$4,798.1	+3.7%
Sales	\$1,931.1	\$1,813.1	-6.1%	\$1,716.2	-5.3%	\$1,761.7	+2.7%
Corporate	\$459.3	\$358.1	-22.0%	\$295.4	-17.5%	\$352.0	+19.2%
County Foreign	\$185.9	\$189.6	+2.0%	\$193.0	+1.8%	\$200.0	+3.6%
All Other	\$217.5	\$214.0	-1.6%	\$139.0	-35.0%	\$111.4	-19.9%
Total	\$8,003.9	\$7,450.8	-6.9%	\$6,970.9	-6.4%	\$7,223.2	+3.6%

ADDITIONAL EXPENDITURE RESTRICTIONS

#	DEPT	ITEM	APPROP	JULY RESTRICTION	OCTOBER RESTRICTION	JANUARY RESTRICTION	NOTES
1	DHE	Access Missouri Scholarship Program	\$77,860,640	\$0	\$0	(\$13,000,000)	Estimated lapse with scholarship amount per student at current level.
2	DHE	MOREnet	\$12,754,612	(\$165,810)	(\$3,061,107)	(\$1,913,191)	Restrict portion of remaining balance.
3	DNR	DNR Fee Funded Programs	\$55,518,575	\$0	\$0	(\$304,090)	Non-GR restriction necessary to ensure that fee funded program expenditures stay in balance with available revenue. Includes reduction of about 20 positions.
4	DNR	Soils Sales Tax	\$42,815,934	\$0	\$0	(\$2,269,245)	To reflect declining revenue from the dedicated sales tax (one-half of one-tenth % tax). Reduction in grants and other spending.
5	DPS	Interoperable Communications	\$87,000,000	\$0	(\$29,319,115)	(\$15,901,052)	An additional \$6.6M can be funded using Hwy Funds (for a total of \$25M) and \$9.3M can be funded with federal Public Safety Interoperable Communications (PSIC) Grant money. Total funding available from all sources is \$76M, which is the amount needed based on current estimates.
6	DHSS	Federal Earnings		\$0	\$0	(\$5,511,155)	With the transition of the Consumer Directed Services Program to DHSS, there is no longer a need to keep a federal cash balance.

4

ADDITIONAL EXPENDITURE RESTRICTIONS

#	DEPT	ITEM	APPROP	JULY RESTRICTION	OCTOBER RESTRICTION	JANUARY RESTRICTION	NOTES
7	DSS	MO RX		\$0	\$0	(\$1,800,000)	Healthy Family Trust Fund has funds available that can be used instead of general revenue.
8	DSS	Child Support Enforcement	\$0	\$0	\$0	(\$2,702,279)	GR savings because using ARRA incentive match.
9	DSS	Child Support Contract		\$0	\$0	(\$27,192)	Child Support contract for hard to collect cases is expiring Feb 2010. Will absorb duties in-house.
10	DSS	Medicaid		\$0	\$0	(\$9,209,679)	Reduce cost of NEMT contract, reduce DME rates to be comparable with Medicare, ensure matching actual hospital expenses with federal dollars.
11	CI	Security Upgrades & Improvements - Capitol Bldg	\$681,812	\$0	\$0	(\$681,812)	Security upgrades at the Capitol will not be completed -- card readers and locks, upgraded public address system, cameras for each floor of the Capitol.
12	CI	Construction of multi-purpose bldg at Delmina Woods Park Camp	\$921,186	\$0	\$0	(\$847,306)	Hold on adding a new recreation program space for this DYS facility in Forsyth, MO. The facility currently does not have an indoor recreation area.
13	CI	Construction of new dormitory bldg at W.E. Sears Youth Ctr	\$696,268	\$0	\$0	(\$650,863)	Rather than building a new dorm at this DYS facility in Poplar Bluff, continue using the current dorm.
			\$278,249,027	(\$165,810)	(\$32,380,222)	(\$54,817,864)	
						(\$52,244,529)	Exclude DNR funds

5

GENERAL REVENUE SUMMARY

<u>RESOURCES</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Beginning Balance	\$ 545,131,560	\$ 8,787,067	\$ 16,286
Previous Year's Lapse	290,692,220	254,411,536	99,809,434
Revenue Collections	8,891,673,581	8,381,900,000	8,657,200,000
Refunds	(1,440,889,670)	(1,411,000,000)	(1,434,000,000)
Revenue Collection Compliance			26,271,000
Federal Budget Stabilization Receipts	250,000,000	250,000,000	900,600,000
Transfers to Fund	175,103,408	243,700,000	182,500,000
Total Resources Available	<u>\$ 8,711,711,099</u>	<u>\$ 7,727,798,603</u>	<u>\$ 8,432,396,720</u>
 <u>OBLIGATIONS</u>			
Operating Appropriations	\$ 8,639,388,717	\$ 7,802,206,989	\$ 8,317,084,164
Supplemental/Estimated Appropriations	101,131,499	93,168,682	95,000,000
Capital Appropriations	149,132,086	36,712,614	72,000,000
Expenditure Restrictions	(186,728,270)	(204,305,968)	(52,000,000)
Total Obligations	<u>\$ 8,702,924,032</u>	<u>\$ 7,727,782,317</u>	<u>\$ 8,432,084,164</u>
 Ending Balance	 <u>\$ 8,787,067</u>	 <u>\$ 16,286</u>	 <u>\$ 312,556</u>

FY 2011 BUDGET SUMMARY

	FY 2009 <u>Expenditures</u>	FY 2010 <u>Appropriations</u>	Governor's Recommendation <u>FY 2011</u>
<u>Total Operating Budget</u>			
General Revenue	\$ 8,380,075,219	\$ 7,888,375,671	\$ 8,317,084,164
Federal Funds	6,264,871,360	7,185,416,434	7,164,855,480
Federal Stabilization	0	888,555,919	258,826,466
Other Funds	7,465,195,385	7,554,870,584	8,117,029,441
Total	\$ 22,110,141,964	\$ 23,517,218,608	\$ 23,857,795,551
<u>Federal Budget Stimulus</u>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	12,105,781	2,410,638,276	0
Federal Stabilization	5,817,550	84,720,999	0
Other Funds	0	160,201,228	0
Total	\$ 17,923,331	\$ 2,655,560,503	\$ 0
<u>Capital Improvements - One Time Projects</u>			
General Revenue	\$ 22,836,518	\$ 36,712,614	\$ 72,000,000
Federal Funds	9,251,227	16,703,326	163,243
Federal Stabilization	0	284,900,842	20,344,716
Other Funds	36,582,424	51,633,240	35,953,056
Total	\$ 68,670,169	\$ 389,950,022	\$ 128,461,015
<u>GRAND TOTAL</u>			
General Revenue	\$ 8,402,911,737	\$ 7,925,088,285	\$ 8,389,084,164
Federal Funds	6,286,228,368	9,612,758,036	7,165,018,723
Federal Stabilization	5,817,550	1,258,177,760	279,171,182
Other Funds	7,501,777,809	7,766,705,052	8,152,982,497
Total	\$ 22,196,735,464	\$ 26,562,729,133	\$ 23,986,256,566

FY 2009 expenditures do not include refunds of \$1,487,623,099, including \$1,440,650,430 general revenue.

FY 2010 appropriations do not include refunds of \$1,404,359,023, including \$1,356,173,371 general revenue.

FY 2011 Governor's recommendations do not include refunds of \$1,482,359,023, including \$1,434,173,371 general revenue.

7

FULL TIME EQUIVALENT (FTE) SUMMARY

<u>Fund Source</u>	<u>Fiscal Year</u>			<u>FY 2011</u>	<u>FY 2011</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Over/(Under)</u>	<u>Over/(Under)</u>
				<u>FY 2009</u>	<u>FY 2010</u>
General Revenue	32,345.60	29,888.63	29,384.49	(2,961.11)	(504.14)
Federal Budget Stabilization	0.00	201.20	0.00	0.00	(201.20)
Federal	10,058.49	11,403.88	11,390.06	1,331.57	(13.82)
Other	17,468.71	17,135.54	17,310.37	(158.34)	174.83
	59,872.80	58,629.25	58,084.92	(1,787.88)	(544.33)