

January 28, 2013

Overview of the Fiscal Year 2014 Budget

During the past four years, Governor Nixon worked with the legislature to move Missouri forward and maintain strong fiscal discipline. That hard work is paying off. Missouri employers added more than 40,000 jobs last year. Missouri exports continue to climb and home construction is rebounding. Missourians are once again investing in the future.

Together, the Governor and the Legislature have balanced the budget for the past four years and have held the line on taxes. As a result of this focus on fiscal discipline, Missouri is one of only a few states to hold a spotless AAA credit rating from all three rating firms. This sound financial management will allow investments in key priorities in the upcoming budget.

The top priorities will continue to be – investing in education, creating jobs for Missourians, growing our economy and keeping our fiscal house in order.

- **Investing in education from the earliest years through college:** Increase funding for early childhood education, provide record funding for K-12 classrooms, expand A+ Scholarships statewide, and provide funding tied to improved outcomes for higher education.
- **Helping businesses grow and create jobs:** By streamlining the state's business incentive programs, cutting bureaucratic red tape, and ramping up efforts to help businesses ship their goods around the globe, Missouri will be a better place for businesses to invest and create jobs.
- **Keeping our tax dollars here at home:** Missouri has a choice: put our federal tax dollars to work here in Missouri by covering more people through Medicaid or send those tax dollars to provide health care in other states. Keeping them here is the smart thing to do for our economy and the right thing to do for Missouri families.
- **Improving critical public facilities:** By capitalizing on Missouri's AAA credit status and enacting legitimate tax credit reform, funds will be available to invest in critical projects to keep Missouri moving forward.
- **Making government more efficient:** Invest in technology and continue to streamline operations and make government smarter and smaller.
- **Balancing the budget while holding the line on taxes.**

Improving employment and spending growth would otherwise boost general revenue collections by 4.8 percent in Fiscal Year 2014, but the franchise tax phaseout and expected federal tax changes will hold revenue growth to only 3.1 percent--\$7.929 billion.

- The Governor's Fiscal Year 2014 budget includes the following efficiencies and enhancements:
 - Continued downsizing of state government by 190 positions, bringing the total reductions since 2009 to 4,500.
 - \$56.6 million redirected property tax credits for renters to services for seniors and people with disabilities.
 - \$51.8 million increase from a tax amnesty plan.
 - \$15.5 million increase from additional collections from Medicaid transition.
 - \$10.5 million increase from sales tax collections on out-of-state retailers.

➤ Governor Nixon's Fiscal Year 2014 budget recommends the following increases:

Early Childhood Education

- \$10 million for the Missouri Preschool Program.
- \$3.5 million for Early Head Start Programs.
- \$3.5 million for child care service quality improvement and accreditation assistance.
- \$1.5 million for the First Steps Program.

K-12 Classrooms

- \$65.9 million for the K-12 foundation formula.
- \$32.5 million for K-12 school districts from Prop C collections.
- \$8.8 million for K-12 special education for high cost students.
- \$1.5 million to expand educational opportunities for students in low-income school districts.

Higher Education

- \$34 million for colleges and universities based on improved outcomes, an average increase of 4%.
- \$1 million for the A+ Scholarship Program, expanding the program statewide.

Jobs

- \$2.3 million for export initiatives promoting trade activities and resources to expand Missouri exports.
- \$2 million for the customized training program.
- \$7 million for the Arts Council and the other cultural partners.
- \$6.3 million to expand transitional childcare benefits to low-income working families. Families will now receive partial subsidy up to 175% of the federal poverty level.
- \$6 million for tourism to enhance efforts to showcase Missouri.
- \$3.9 million for port and transportation connector improvements.

Health Care

- \$907.5 million federal funds for Medicaid coverage for 259,000 low-income working adults.
- \$151.2 million to fund a 3% provider rate increases for foster parents, children's residential treatment providers, licensed and license-exempt childcare providers, Department of Mental Health Community providers, home and community based service providers, primary care physicians, non-emergency medical transportation and skilled nursing facilities. Note: the increase for senior and disability services are funded through the Senior Services Protection Fund.
- \$10.2 million for the Partnership for Hope, to serve an additional 1,015 people with developmental disabilities.
- \$26.0 million to provide home and community-based services to 735 more people with developmental disabilities, in addition to the increase for Partnership for Hope.

Public Safety

- \$10.1 million increased investment to address unmet mental health needs, including funding to improve community responses to mental illness crises and provide intervention coordination.
- \$1.9 million for domestic violence shelters to expand transitional housing and enhance residential and support services.
- \$1 million for the National Guard Trust Fund which provides military honors and tuition assistance.

Efficient and Effective Government

- \$27.4 million for a 2% salary increase for state employees, effective January 1, 2014.
- \$3 million for repositioning of 1,800 nursing positions.
- \$45.6 million to fully fund the actuarially required contribution to the Missouri State Employees Retirement System.
- Sufficient funding to keep healthcare premiums flat for employees who are members of the Missouri Consolidated Health Care Plan who earn wellness incentives.

GENERAL REVENUE SUMMARY

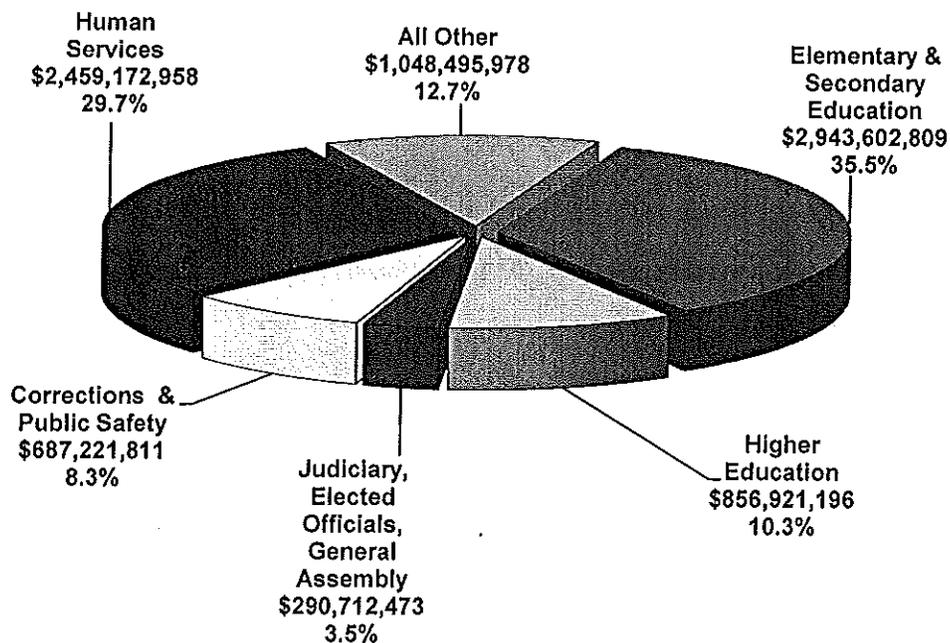
<u>RESOURCES</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Balance	\$ 168,931,183	\$ 64,351,126	\$ 0
Previous Year's Lapse ¹	208,140,137	139,820,067	108,253,029
Revenue Collections	8,619,276,393	8,971,700,000	9,240,500,000
Refunds	(1,278,687,045)	(1,280,000,000)	(1,312,000,000)
Federal Budget Stabilization Receipts	277,269,999	0	0
Other Collections ²	0	19,200,000	132,000,000
Transfers to Fund	150,105,240	182,755,695	123,440,318
Total Resources Available	\$ 8,145,035,907	\$ 8,097,826,888	\$ 8,292,193,347
<u>OBLIGATIONS</u>			
Operating Appropriations	\$ 7,909,511,629	\$ 8,013,807,330	\$ 8,286,127,225
Supplemental/Estimated Appropriations	134,881,752	58,546,813	0
Capital Appropriations	89,632,154	70,000,000	70,000,000
Expenditure Restrictions ³	(53,340,754)	(44,527,255)	(64,000,000)
Total Obligations	\$ 8,080,684,781	\$ 8,097,826,888	\$ 8,292,127,225
Ending Balance	\$ 64,351,126	\$ 0	\$ 66,122

NOTES TO GENERAL REVENUE SUMMARY

- (1) Unexpended appropriations are counted as a resource in the next fiscal year to avoid premature commitment of uncertain resources until actual lapses are known. This includes reserves authorized by Section 33.290, RSMo.
- (2) Includes tax credit reform, tax amnesty, integrated tax system, federal reciprocity, and other collection initiatives.
- (3) The FY 2014 expenditure restriction is applied to the Facilities Maintenance and Reserve Fund as authorized in Article IV, Section 27(b) of the Missouri Constitution.

GOVERNOR'S RECOMMENDED OPERATING BUDGET—GENERAL REVENUE

Total Appropriations* \$8,286,127,225



*Excludes refunds

FY 2014 BUDGET SUMMARY

	<u>FY 2012</u> <u>Expenditures</u>	<u>FY 2013</u> <u>Appropriations</u>	<u>Governor's</u> <u>Recommendation</u> <u>FY 2014</u>
<u>Total Operating Budget</u>			
General Revenue	\$ 7,848,646,650	\$ 8,052,354,143	\$ 8,286,127,225
Federal Funds	7,109,281,039	8,056,513,370	9,372,391,597
Federal Stabilization	133,387,684	0	0
Other Funds	7,841,772,928	8,169,423,567	8,042,247,281
Total	\$ 22,933,088,301	\$ 24,278,291,080	\$ 25,700,766,103
<u>Capital Improvements - One-Time</u>			
<u>Projects*</u>			
General Revenue	\$ 89,096,216	\$ 70,000,000	\$ 70,000,000
Federal Funds	11,102,710	188,243	37,250,796
Federal Stabilization	0	0	0
Other Funds	32,439,588	30,015,000	67,891,149
Total	\$ 132,638,514	\$ 100,203,243	\$ 175,141,945
<u>Federal Stimulus*</u>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	279,844,367	0	0
Federal Stabilization	5,813,631	0	0
Other Funds	11,862,799	0	0
Total	\$ 297,520,797	\$ 0	\$ 0
<u>GRAND TOTAL</u>			
General Revenue	\$ 7,937,742,866	\$ 8,122,354,143	\$ 8,356,127,225
Federal Funds	7,400,228,116	8,056,701,613	9,409,642,393
Federal Stabilization	139,201,315	0	0
Other Funds	7,886,075,315	8,199,438,567	8,110,138,430
Total	\$ 23,363,247,612	\$ 24,378,494,323	\$ 25,875,908,048

Reappropriations are recognized in the budget in the first year they are appropriated. Expenditures from reappropriations are recognized in the year in which the expenditure occurred.

Note: FY 2013 total operating budget includes supplemental recommendations.

CONSENSUS REVENUE ESTIMATE
FOR FY 2014 AND REVISED FOR FY 2013
GR COLLECTIONS - NET OF REFUNDS

	Actual FY 2008 \$s (Mills)	Actual FY 2009 \$s (Mills)	FY 2009 % Change	Actual FY 2010 \$s (Mills)	FY 2010 % Change	Actual FY 2011 \$s (Mills)	FY 2011 % Change	Actual FY 2012 \$s (Mills)	FY 2012 % Change	Estimate FY 2013 \$s (Mills)	FY 2013 % Change	Estimate FY 2014 \$s (Mills)	FY 2014 % Change
Individual Income	\$5,210.1	\$4,876.0	-6.4%	\$4,433.7	-9.1%	\$4,640.3	4.7%	\$4,913.9	5.9%	\$5,148.0	4.8%	\$5,390.0	4.7%
Sales	\$1,931.1	\$1,813.1	-6.1%	\$1,731.7	-4.5%	\$1,759.8	1.6%	\$1,845.3	4.9%	\$1,888.0	2.3%	\$1,931.0	2.3%
Corporate	\$459.3	\$358.1	-22.0%	\$287.8	-19.6%	\$385.5	33.9%	\$340.6	-11.6%	\$345.0	1.3%	\$342.0	-0.9%
County Foreign	\$185.9	\$189.6	2.0%	\$177.1	-6.6%	\$193.3	9.1%	\$164.6	-14.8%	\$170.0	3.3%	\$178.0	4.7%
All Other	\$217.5	\$214.0	-1.6%	\$144.0	-32.7%	\$130.7	-9.2%	\$76.2	-41.7%	\$140.7	84.6%	\$87.5	-37.8%
Total	\$8,003.9	\$7,450.8	-6.9%	\$6,774.3	-9.1%	\$7,109.6	4.9%	\$7,340.6	3.2%	\$7,691.7	4.8%	\$7,928.5	3.1%

BUDGETED FULL TIME EQUIVALENT (FTE) SUMMARY									
Department	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Gov Rec	Change	Change
								13 to 14	09 to 14
Elementary and Secondary Education	1,830	1,746	1,717	1,711	1,690	1,691	1,691	1	(139)
Higher Education	76	76	76	76	76	79	79	4	4
Revenue	1,583	1,463	1,418	1,443	1,403	1,385	1,385	(18)	(198)
Transportation	6,947	6,617	6,617	6,417	5,813	5,653	5,653	(159)	(1,294)
Office of Administration*	2,086	2,033	2,204	2,254	2,176	2,179	2,179	3	93
Agriculture	401	391	393	410	413	414	414	1	13
Natural Resources	1,814	1,796	1,782	1,784	1,755	1,757	1,757	2	(57)
Conservation	1,872	1,844	1,844	1,843	1,813	1,813	1,813	-	(59)
Economic Development	978	976	967	967	934	907	907	(27)	(71)
Insurance, Financial Inst., Prof. Reg.	534	545	550	583	578	580	580	2	46
Labor and Industrial Relations	866	832	828	824	824	824	824	-	(42)
Public Safety	5,035	5,033	4,974	4,960	4,971	5,011	5,011	40	(24)
Corrections	11,431	11,329	11,152	11,047	11,039	11,027	11,027	(12)	(404)
Mental Health	8,676	8,292	7,874	7,440	7,403	7,445	7,445	43	(1,231)
Health and Senior Services	1,914	1,894	1,834	1,727	1,788	1,786	1,786	(2)	(129)
Social Services	8,178	8,093	7,760	7,355	7,220	7,159	7,159	(60)	(1,019)
Elected Officials	975	987	992	993	986	984	984	(3)	9
Judiciary	3,405	3,406	3,406	3,406	3,406	3,404	3,404	(2)	(1)
Public Defender	560	572	572	587	587	587	587	-	27
General Assembly	712	711	688	680	686	686	686	-	(26)
Total	59,873	58,636	57,648	56,508	55,560	55,370	55,370	(190)	(4,502)

*Increase in Fiscal Years 2011 and 2012 primarily due to maintenance and mail consolidation from other departments.

Higher Education Institutions' FY 14 Funding Based on Improved Outcomes					
Institution	FY 14 Core Funding	Pool	% of Targets Met	Amount in Budget	% Change
Crowder College	4,399,905	237,790	60%	142,674	3.2%
East Central College	4,984,993	269,410	80%	215,528	4.3%
Jefferson College	7,313,206	395,237	40%	158,095	2.2%
Metropolitan Community College	30,318,270	1,638,530	100%	1,638,530	5.4%
Mineral Area College	4,797,111	259,257	100%	259,257	5.4%
Moberly Area Community College	4,909,643	265,338	80%	212,270	4.3%
North Central Missouri College	2,381,150	128,688	80%	102,950	4.3%
Ozarks Technical Community College	9,984,410	539,600	80%	431,680	4.3%
St. Charles Community College	7,470,409	403,733	60%	242,240	3.2%
St. Louis Community College	43,595,002	2,356,061	60%	1,413,637	3.2%
State Fair Community College	5,092,146	275,201	100%	275,201	5.4%
Three Rivers Community College	4,260,897	230,277	60%	138,166	3.2%
Community College Subtotal	129,507,142	6,999,122		5,230,228	4.0%
Linn State Technical College	4,570,639	196,671	100%	196,671	4.3%
University of Central Missouri	52,607,262	2,263,643	80%	1,810,914	3.4%
Southeast Missouri State University	43,254,606	1,861,207	80%	1,488,966	3.4%
Missouri State University	73,443,748	3,160,219	100%	3,160,219	4.3%
Missouri State University - West Plains	5,105,715	219,694	80%	175,755	3.4%
Lincoln University	17,308,982	744,790	60%	446,874	2.6%
Truman State University	39,510,924	1,700,120	80%	1,360,096	3.4%
Northwest Missouri State University	29,351,986	1,262,990	100%	1,262,990	4.3%
Missouri Southern State University	22,652,541	974,719	80%	779,775	3.4%
Missouri Western State University	21,052,327	905,863	80%	724,690	3.4%
Harris-Stowe State University	9,492,814	408,467	100%	408,467	4.3%
University of Missouri	394,020,620	16,954,355	100%	16,954,355	4.3%
Four Year Institution Subtotal	712,372,164	30,652,738		28,769,772	4.0%
Two and Four Year Institutions Total	841,879,306	37,651,860		34,000,000	4.0%

Medicaid for Low Income Working Adults

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
New Participants	259,499	268,039	276,579	292,061	307,542	307,542	307,542	307,542

GR Summary									
Cost New Participants	\$0	\$0	\$0	(\$30,112,261)	(\$69,303,438)	(\$86,590,613)	(\$117,617,393)	(\$143,257,483)	
Savings Existing Programs	\$31,046,711	\$71,355,159	\$82,283,976	\$81,243,754	\$78,914,722	\$79,579,907	\$78,383,904	\$77,975,810	
New Revenue	\$15,526,633	\$53,559,860	\$57,288,553	\$61,775,426	\$62,967,197	\$64,955,602	\$67,167,055	\$69,564,371	
Net Positive Impact	\$46,573,344	\$124,915,020	\$139,572,528	\$112,906,918	\$72,578,481	\$57,944,896	\$27,933,566	\$4,282,698	

Key Assumptions

Take up rates were state determined based on an analysis of Missouri's population, take up rates experienced with prior expansions, and take up rates experienced by other states following an expansion. Take up rates by category are:

- o Parents-70% 2014-2016, 75% 2017, 80% 2018-2021
- o Childless Adults-60% 2014, 65% 2015, 70% 2016, 75% 2017, 80% 2018-2021
- o Medically Frail-95% all years

Per member/Per Month (PMPM) rates by category were developed by Mercer. The rate for the medically frail was state-developed based on an analysis of this specific population. The PMPM for the first year is \$436 for parents, \$583 for childless adults and \$1,635 for the medically frail.

Other PMPM assumptions include:

- o Commercial reimbursement payment levels with trend adjustments.
- o Medically Frail population will also be eligible for a wrap around benefit, including in-home services and mental health services.
- o The maximum permissible cost sharing for eligibles between 100% and 138% FPL.

Revenue projections include only increased income and sales tax as a result of the increased direct federal participation and the avoidance of High Insurance Pool (HIP) tax credits redeemed. Projections include direct impacts only; an economic multiplier was not assumed.

The state does assume a woodwork affect for children, that information is in a separate analysis, since it will occur with or without additional Medicaid for adults.