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**Doug Nelson**  
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**TO:** Department Directors, Deputy Directors, and Budget Officers  
**FROM:** Linda Luebbering  
**DATE:** July 30, 2015  
**RE:** Fiscal Year 2017 Budget Instructions

The following summarizes the Fiscal Year 2017 fiscal outlook and budget instruction highlights. The attached document provides detailed instructions for the completion of your department's budget request. If you have questions, please contact us.

### **Fiscal Outlook**

General revenue resources remain tight as the state continues to make up for the decline in revenue during the recession. General revenue collections for Fiscal Year 2015 grew by 8.8% compared to Fiscal Year 2014 collections. However, this followed a 1% decline in revenue for Fiscal Year 2014. The most promising news from Fiscal Year 2015 was the 8.5% growth in gross individual income tax collections. Sales tax collections remained sluggish with 2.3% growth in gross collections for the fiscal year.

Missouri is seeing a similar trend to other states with significant swings in revenue growth/decline. Capital gains and tax policy have driven some of that volatility with continued global economic challenges contributing to this situation. If Fiscal Year 2016 follows this pattern, growth in collections will be modest. Based on the best available information at this time, net general revenue collections would need to grow by about 2.0% to fund Fiscal Year 2016 estimated expenditures.

Going forward, forecasters expect wage and business growth to accelerate as the economic recovery strengthens in 2015. As is typical, global energy markets and international financial concerns pose key risks to this outlook. Although gas prices continue to decline, consumers have not yet begun to spend the savings in other retail areas. Forecasters expect spending to increase in the latter half of 2015 into 2016. In addition, the weakening Chinese economy, and the Greece and Puerto Rico debt crises all pose downside risk to the U.S. and Missouri economies.

SB 509 (2014) will need to be considered beginning in the Fiscal Year 2017 budget. The bill would reduce income tax collections, including taxes for pass-through businesses. Some provisions of the bill will go into effect in January 2017 (for the 2017 tax year) others may go into effect at that time, depending upon growth in revenue collections.

### **Overview of Budget Instructions**

Departments may request mandatory new decision items. Departments may also submit preliminary proposals for new funding requests for high-priority, non-mandatory programs. However, because of limited resources, Budget and Planning will review all items prior to inclusion in the October 1 budget submission.

### **Key Changes and Reminders**

1. **October 1 Submission** – As noted above, mandatory items and any high priority expansion items should be discussed with Budget and Planning prior to submission.
2. **Timely Submission** –
  - Agencies must submit completed budget requests by October 1 as required by state statute.
  - Leasing information must be provided to DFMDc by September 1 in order for them to complete the work necessary for the October 1 budget submission.
  - Capital improvement items must be submitted to DFMDc by September 15.
  - Information technology requests for consolidated agencies must be submitted to OA ITSD by September 1. ITSD will review these items and work with Budget and Planning to determine which items to include in the budget request.
3. **Tax Amnesty Funding** – Because of the uncertainty with the outcome of the tax amnesty program and the overall budget picture, retain the tax amnesty appropriations in the Fiscal Year 2017 core budget for the October 1 submission. Any core changes and/or new decision item requests will be added in the Governor's Recommendation cycle.
4. **Organizational Dues** – Departments will need to ensure that any organizational dues which are \$70,000 or more for a single membership have a separate appropriation number. A description of these dues should be included in the Core Request Form under the Core Description. These should also appear as separate line items in the appropriation bills.
5. **Capital Improvements** – Although the Fiscal Year 2016 capital improvement bill was an annual bill instead of a biennial bill, Fiscal Year 2017 will be treated as an off-year and will mainly contain only the second year items from last year. Fiscal Year 2016 capital improvements projects appropriated will be included in an Fiscal Year 2017 reappropriation request as necessary. Agencies should work with DFMDc to

determine which, if any, requests for new projects will be submitted in the Fiscal Year 2017 request.

6. Fund Financial Summary Forms – Agencies will work with Budget and Planning throughout the summer to ensure the forms are accurate and complete. A draft copy of the forms must be submitted to Budget and Planning no later than October 1, separate from the budget submission. Budget and Planning will provide a copy of all Fund Financial Summaries to the House and Senate by November 15. Updated forms with the Governor recommendations will be due to Budget and Planning within two weeks of the announced Governor recommendations. Budget and Planning will provide the House and Senate Appropriations staff with a complete set of the forms. Questions about the forms should be directed to your assigned Budget and Planning analyst or Gina Verslues (751-9324).
7. Core and New Decision Item Request Forms – The core and new decision item request forms include a prompt to enter the applicable House Bill Section number. If there is not a current House Bill section, use “N/A”. If it is recommended by the Governor, update the information for the January submission.
8. Fiscal Year 2017 Pay Plan – Any new pay plans recommended will be included in the Governor recommendations and should not be included in the department request.
9. Supplemental Requests Forms – Agencies may request mandatory supplemental items, but these must be reviewed with Budget and Planning prior to being submitted. These requests should be limited to only those items for which a supplemental is essential – the funding cannot wait for the next fiscal year. Agencies should assume release of the statutory reserve when determining the supplemental request amount. Agencies must submit supplemental requests even if the release of the statutory reserve will meet the full supplemental obligation.
10. Approved Reorganizations – Agencies with Fiscal Year 2016 reorganizations must include necessary transfers/reallocations in the October 1 budget submission. Please work with your Budget and Planning analyst to ensure the amounts are accurate and consistent between departments prior to submission.
11. New Reorganizations – Agencies should consult with Budget and Planning prior to conducting any reorganization within their department or between departments. These actions may require document filings separate from the budget process. Reorganizations must be submitted to Budget and Planning and approved by the Governor prior to making changes to the budget in BRASS; they may also require filing by the Governor under the Reorganization Act of 1974. Reorganizations or transfers of program/functions between departments must be approved by the Governor and submitted to the General Assembly.
12. House Bill Language – Agencies should review current house bill language and consult with Budget and Planning on recommended changes.

13. Web-ready Budget Books – Budget and Planning will post a PDF copy of the department's October budget request and the January Governor's recommended budget on the Internet. If the OA Print Shop prints your budget, they will provide a PDF copy to Budget and Planning, otherwise the department is responsible for submitting a PDF copy to Budget and Planning ([pamela.mcquary@oa.mo.gov](mailto:pamela.mcquary@oa.mo.gov)). These submissions should include a table of contents.
  
14. Core Reallocations – Any reallocations completed within the core should be reallocated between the same fund type (GR/Federal/Other) so the net reallocation is \$0 by fund type. Any exceptions to this will be rare and should be discussed with your assigned Budget and Planning analyst prior to coding it in BRASS.