

Michael L. Parson
Governor



State of Missouri
OFFICE OF ADMINISTRATION
Division of Budget and Planning
Capitol Building, Room 124
Post Office Box 809
Jefferson City, MO
65102-0809
573-751-2345
573-526-4811 (FAX)

Sarah H. Steelman
Commissioner

Daniel D. Haug
Director
Budget and Planning

TO: Department Directors, Deputy Directors, and Budget Officers
FROM: Dan Haug, State Budget Director *DH*
DATE: July 10, 2019
RE: Fiscal Year 2021 Budget Instructions

The following summarizes the Fiscal Year 2021 fiscal outlook and budget instruction highlights. Detailed instructions for the completion of your department's budget request are in the attached document. If you have questions, please contact your assigned Budget and Planning analyst.

Fiscal Outlook

Fiscal Year 2019 general revenue collections grew by 1.0% compared to Fiscal Year 2018 collections, which increased 5.0% from Fiscal Year 2017. Growth of (0.5%) was needed to meet the budgeted revenue estimate. The most promising news from Fiscal Year 2019 was the 39.9% growth in gross individual remittance tax collections and the 14.0% growth in gross corporate income tax collections. Sales tax collections were more moderate with 1.1% growth in net collections for the fiscal year.

Missouri is similar to other states in seeing significant swings in revenue growth/decline. Capital gains and tax policy have driven some of that volatility with continued national policy and global economic challenges contributing to this situation. If Fiscal Year 2020 follows this pattern, growth in collections could remain more moderate. Since FY 2019 finished below their revised estimate, net general revenue collections need to grow by 2.7% to meet the Fiscal Year 2020 budgeted revenue estimate.

Going forward, forecasters expect wages and consumption to continue their moderate growth. As is typical, domestic and international financial concerns as well as geopolitical issues pose key risks to this outlook. Uncertainty about national policy, a slowing global economy, and the British exit from the European Union all pose downside risk to the U.S. and Missouri economies.

The Fiscal Year 2021 budget will also need to consider the implications of the federal tax reform and SB 509 (2014). The federal tax reform made multiple changes to the federal tax code and because Missouri conforms with many pieces of the federal code, Missouri's tax code was also subsequently changed. The federal tax reform nearly doubled the standard deduction while

concurrently eliminating the personal and dependent deductions, both at the federal and state levels.

SB 509 (2014) will reduce state income tax collections by phasing in a top rate reduction and income exemption for pass-through businesses. The first reduction to the income tax rate and the first phase-in of pass-through business income occurred during tax year 2018. The second reduction to the income tax rate and the second phase-in of the pass-through business income occurred during tax year 2019. In addition, HB 2540 (2018) further reduced the top individual income tax rate beginning with tax year 2019. Both pieces of legislation will affect FY 2020 and FY 2021 general revenue collections.

Overview of Budget Instructions

Departments may request mandatory and priority FY 2021 new decision items. For priority items, departments need to look at existing resources as a funding source.

Key Changes and Reminders

1. **Timely Submission** –
 - Completed budget requests due to B&P by October 1 as required by state statute.
 - Leasing information due to FMDC by September 1.
 - Cabinet IT Governance Council approved information technology requests from consolidated agencies due to OA ITSD and B&P by September 1.
 - Capital improvement items due to FMDC by September 15.
2. **Web-Ready Budget Books** – Each department must provide B&P with a PDF copy of the department's October budget request and the January Governor's recommended budget. The PDF copy must include a table of contents as well as be bookmarked and searchable to allow easier online access to the information. The PDF, searchable and bookmarked copy of the budget request with the Governor's Recommendations must be provided to B&P prior to the first budget hearing for each department. B&P has set up a shared network folder - \\oaadminfiles\OAFILE\Department Budgets - where departments can save their PDFs.
3. **Program Description Forms** – Program Description Forms will once again be included on the Missouri Budget Explorer website. Departments should submit a PDF copy of each Program Description Form as well as an Excel listing of all Program Description Forms to ITSD via the shared network folder - \\Oaadminfiles\oafile\BudgetPDFs - by January 31. Additional information is included on page 37 in the attached instructions.
4. **Information Technology Requests** –The General Assembly has asked to have all information technology decision items included in the OA ITSD budget instead of individual departments' budgets. IT-related new decision items must be approved by the Cabinet IT Governance Council (CITGC) to be submitted with ITSD's budget request. The CITGC New Strategic Project or NDI Proposal form must have been completed and submitted to Paula Peters in ITSD (paula.peters@oa.mo.gov) by June 3. If approved by the CITGC, departments should submit an electronic copy of New Decision Item Requests to your assigned B&P analyst and Tara Dampf in ITSD (tara.dampf@oa.mo.gov) by September 1. Departments are expected to have representation at the OA budget hearings to answer questions about the specific new decision item requests.
5. **Estimated Appropriation "E" Requests** – There are no estimated "E" appropriations in the FY 2020 budget, and departments are not to request "E"s in the FY 2021 budget.

6. Fiscal Year 2021 Pay Plans – The legislature appropriated partial year funding for the Fiscal Year 2020 general structure pay increase and the FY 2020 market adjustment pay increase. A new decision item should be requested as a cost to continue for each of these items. Additional information is included on page 18 in the attached instructions. Departments that received partial funding for department-specific pay plans should request a cost to continue new decision item for these pay plans.
7. Mileage Reimbursement Rate Increased Funding – Departments were appropriated FY 2020 funding for a \$.06 increase in the mileage reimbursement rate, the first year of a proposed three-year \$.18 increase. This funding was appropriated to departments' administrative units, with the intent that it be reallocated in FY 2021 to the appropriate, individual appropriations. Departments should reallocate the increased mileage funding in their FY 2021 budget request; federal and other appropriations can be reallocated to any federal or other fund. Departments should request the second year of the proposed three-year increase as a new decision item. Additional information is included on page 18 in the attached instructions.
8. Capital Improvements – The Fiscal Year 2021 capital improvement bills will be submitted as annual bills. Agencies should work with FMDC to determine which, if any, requests for new projects will be submitted in the Fiscal Year 2021 request.
9. Supplemental Requests Forms – Agencies may request mandatory supplemental decision items. Limit these requests to essential items that cannot wait until the next fiscal year. Assume a release of the statutory three-percent reserve when determining the supplemental request amount. Submit the supplemental requests even if the statutory reserve release will cover the entire requested amount.
10. Organizational Dues – Any organizational dues greater than \$70,000 for a single membership must have a separate appropriation number and a separate line in the appropriation bill. Include a description of these dues in the Core Request Form under the Core Description section.
11. Core Reallocations – Any core reallocations should be between the same fund types (GR/Federal/Other) so the net reallocation is \$0 and 0 FTE by fund type. It is generally unacceptable to reallocate funds between PS and EE. Any exceptions will be rare and must be discussed with your assigned B&P analyst prior to BRASS coding. Also, include a clear description of the reallocation on the "Justification" tab on the BRASS Form. B&P and General Assembly staff need this information for their analysis.
12. Fund Financial Summary Forms (FFS) – All FFS Forms should be submitted in Excel format. Please review the instructions and do not change the format of the forms. Submit a draft copy of the forms to B&P separate from the budget submission no later than October 1. B&P will work with agencies to ensure the forms are accurate and complete and will provide the General Assembly Appropriations and Oversight staff with a copy of all FFS Forms by November 15. Updated forms with the Governor Recommendations are due to the General Assembly within two weeks of the announced Governor Recommendations. Submit your forms to B&P within that time frame and B&P will provide the General Assembly Appropriations and Oversight staff with a complete set of the updated forms.
13. General Assembly FFS information – As was done in previous fiscal years, the House Appropriations Committee has requested a separate spreadsheet with certain information

from the FFS forms. (The template is available on B&P's website.) This spreadsheet should be submitted along with the November 15 FFS submission and along with the Governor Recommendation FFS submission two weeks after Governor Recommendations are announced. Submit an electronic copy to B&P and B&P will submit a comprehensive set of the worksheets to the House and Senate Appropriations and Oversight staff. Any questions about this spreadsheet should be directed to your House Appropriations analyst.

14. Approved Reorganizations – Include any transfers/reallocations related to Fiscal Year 2020 reorganizations in the October 1 budget submission. Please work with your B&P analyst to ensure the amounts are accurate and consistent between departments prior to submission.
15. New Reorganizations – Consult with B&P prior to conducting any new reorganizations within or between departments and/or making BRASS changes. The Governor must approve and submit to the General Assembly any departmental reorganizations or program/function transfers. Reorganizations may require document filings separate from the budget process. Changes may also require filing by the Governor under the Reorganization Act of 1974.
16. House Bill Language – Review current House Bill language and discuss any changes for FY 2021 with B&P.
17. Flexibility Requests/Reports – Flexibility Request forms should be completed to continue flexibility received for FY 2020 and to request any new or changed flexibility. As a reminder, each department is responsible for reporting flexibility use to B&P and the House and Senate Appropriations staff. See page 43 in the attached instructions for more details.
18. New Decision Item Descriptions - Add a description of each new decision item to the textbox of the decision item in the Info Edit form in BRASS. The Governor's Office, Budget and Planning, and the General Assembly use the descriptions; therefore, the descriptions should be clear and concise. BRASS limits the number of characters so use only the most important facts and do not add line returns or breaks in the narrative.