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Doug Nelson
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Linda S. Luebbering
Director
Budget and Planning

TO: Department Directors, Deputy Directors, and Budget Officers
FROM: Linda Luebbering
DATE: July 31, 2013
RE: Fiscal Year 2015 Budget Instructions

The following summarizes Fiscal Year 2015's fiscal outlook and budget instruction highlights. The attached document provides detailed instructions for the completion of the budget request. If you have questions, please contact us.

Fiscal Outlook

General revenue collections continued to increase in Fiscal Year 2013, as statewide employment and income have improved. Overall, net general revenue collections grew 10% over Fiscal Year 2012 compared to projected growth of 4.8%. Although positive news, much of the unexpected growth was due to higher capital gains realized in anticipation of changes in federal tax policies; this will not likely reoccur in the upcoming fiscal year. The state's largest source of general revenue, the withholding tax, grew 3.5%, matching projections for Fiscal Year 2013. This rate is consistent with an economy that is steadily growing.

Going forward, forecasters expect muted economic growth through mid-2013, but this growth is expected to accelerate as the economy recovers. As is typical, global energy markets and international financial concerns pose key risks to this outlook.

The fiscal outlook is further clouded by recent legislative actions, most notably HB 253. Although this legislation was vetoed by Governor Nixon, his veto may be overridden. If HB 253 becomes law, several provisions will have direct negative consequences for state revenue collections in Fiscal Year 2014. Further, the most critical potential impact is an additional immediate reduction in the individual income tax rate upon congressional enactment of the federal Marketplace Fairness Act (FMFA). HB 253 would reduce the top tax rate from 6% to 5.5% and apply that lower rate to all previous tax years upon enactment of the FMFA. The impact on the current fiscal year could be a cost of \$1.2 billion. Other

provisions in that bill would reduce general revenue by over \$800 million each year when fully implemented.

Overview of Budget Instructions

Because of this uncertainty, departments are to request their core budget and any necessary core adjustments at this time. Departments may request mandatory new decision items. However, before doing so, departments should submit a preliminary list of such items to Budget and Planning for review prior to inclusion in the October 1 submission. Discretionary new decision items should not be requested at this time. Any exceptions must be discussed in advance with Budget and Planning.

Later this fall, when the budget outlook is more certain, we will be working with departments to update budget requests as appropriate. We may be working with departments on major reductions to the core budget. Conversely, we may be asking departments for high priority new decision items for consideration.

Key Changes and Reminders

1. **October 1 Submission** – As noted above, departments will request adjustments to their core budgets plus mandatory items only. Mandatory items and any exceptions 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 OA Facilities Management, Design and Construction by September 1 in order for them to have work completed for the October 1 submission.
3. **Fund Financial Summary Forms** – To ensure that the Fund Financial Summary forms are accurate, agencies should **not** submit them with the October 1 budget submission. They will be due to House and Senate Appropriations offices by November 15. Agencies will work with their Budget and Planning analyst through the summer and fall to ensure these forms are complete and accurate. Updated forms will be due to House and Senate Appropriations offices within two weeks of the announced Governor Recommendations. When a form indicates that dollars are set aside for cash flow purposes, an explanation must be included in the notes section about how the cash flow amount was determined. Questions on the forms should be directed to Shelly LeCure (751-9324).
4. **Fiscal Year 2014 Pay Plan** – The legislature appropriated partial year funding for the \$500 annual pay increase. If the pay plan is implemented, additional appropriation authority will be needed in Fiscal Year 2015. A new decision item should be requested as a cost to continue for the Fiscal Year 2014 pay plan. If the pay plan is ultimately not implemented, Budget and Planning will correct the request for the January submission. Additional information is included on page 15 in the attached instructions.

5. Missouri Senior Services Protection Fund – Since this fund’s revenue is one-time, departments should eliminate this authority from their core budget and request a new decision item from general revenue to replace the core funding.
6. Supplemental Requests Forms – Departments may request mandatory supplemental items, but these must be reviewed with Budget and Planning prior to being submitted. Agencies should assume release of Governor’s Reserve when determining the supplemental amount. Agencies must submit supplemental requests even if the release of Governor’s Reserve will meet the full supplemental obligation.
7. Approved Reorganizations – Agencies with Fiscal Year 2013 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.
8. New Reorganizations – Agencies need to 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.
9. House Bill Language – Agencies should review current house bill language and consult with Budget and Planning on recommended changes.
10. 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 us. These submissions should include a table of contents.