

Jeremiah W. (Jay) Nixon
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)

Doug Nelson
Commissioner

Daniel D. Haug
Acting Director
Budget and Planning

TO: Department Directors, Deputy Directors, and Budget Officers
FROM: Dan Haug, Acting State Budget Director
DATE: July 25, 2016
RE: Fiscal Year 2018 Budget Instructions

The following summarizes the Fiscal Year 2018 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.

Transition

The Fiscal Year 2018 budget will reflect the Governor-elect's recommendations. Section 33.260, RSMo, requires the Division of Budget and Planning to assist the Governor-elect in preparing a budget and carrying out budget responsibilities. Budget and Planning will work with departments this fall to provide necessary information to the Governor-elect's transition team.

Fiscal Outlook

General revenue remains tight. Fiscal Year 2016 general revenue collections grew by 0.9% compared to Fiscal Year 2015 collections which increased 8.8% from Fiscal Year 2014. The most promising news from Fiscal Year 2016 was the 4.6% growth in gross individual withholding tax collections. Sales tax collections were encouraging with 3.7% growth in net collections for the fiscal year. Net corporate income tax collections declined by 35.6% in Fiscal Year 2016.

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 global economic challenges contributing to this situation. If Fiscal Year 2017 follows this pattern, growth in collections will be modest. Net general revenue collections would need to grow by about 6.1% to meet the Fiscal Year 2017 budgeted revenue estimate.

Going forward, forecasters expect wage and business growth to accelerate as the economic expansion continues in 2016, which has not consistently occurred during the last several years. As is typical, domestic and international financial concerns as well as geopolitical issues pose key risks to this outlook. The weakening Chinese economy, the Puerto Rico debt crisis, and the British exit from the European Union all pose downside risk to the U.S. and Missouri economies.

The Fiscal Year 2018 budget will also need to consider the implications of SB 509 (2014) as provisions of the bill reduce income tax collections, including taxes for pass-through businesses. However, the anticipated personal income tax reductions will not occur in Tax Year 2017 as general revenue growth was insufficient to trigger the tax cuts.

Overview of Budget Instructions

Departments may request mandatory Fiscal Year 2018 new decision items. Budget and Planning will review all items prior to inclusion in the October 1 budget submission. Departments may also submit to Budget and Planning, separate from the October 1st budget submission, preliminary requests for new funding for high-priority, non-mandatory programs. Budget and Planning will review these requests with the Governor-elect prior to inclusion in the Governor's budget submission.

Key Changes and Reminders

1. October 1 Submission – Submit budgets no later than October 1. As noted above, discuss mandatory items with Budget and Planning prior to the October submission.
2. Timely Submission
 - Submit completed budget requests by October 1 as required by state statute.
 - Provide leasing information to DFMDc by September 1.
 - Submit capital improvement items to DFMDc by September 15.
 - Consolidated agencies must submit information technology requests to OA ITSD and Budget and Planning by September 1. ITSD will review these items and work with Budget and Planning to determine which items to include in the October submission.
3. Web-ready Budget Books – Each department must provide Budget and Planning 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 General Assembly and public access to the information. Budget and Planning will provide more detailed information about this requirement in August.
4. Fiscal Year 2017 Restrictions – Do not core cut the Fiscal Year 2017 expenditure restrictions in the October budget submission. The Governor-elect will make decisions about any Fiscal Year 2018 core reductions of those items.
5. Capital Improvements – The Fiscal Year 2018 capital improvement bill will be submitted as a biennial bill. Agencies should work with DFMDc to determine which, if any, requests for new projects will be submitted in the Fiscal Year 2018 request.
6. Supplemental Requests Forms – Agencies may request mandatory supplemental items, however, Budget and Planning will review these items prior to department request submission. Limit these requests to essential items that cannot wait until the next fiscal year. Agencies should assume a release of the statutory three-percent reserve when determining the supplemental request amount. Agencies must submit supplemental requests even if the statutory reserve release will fulfill the supplemental obligation.

7. Fiscal Year 2018 Pay Plan – Do not include any pay plan in the department request. The Governor’s recommendation will include any new pay plan recommendations.
8. Organizational Dues – Any organizational dues greater than \$70,000 for a single membership must have a separate appropriation number and separate line in the appropriation bill. Include a description of these dues in the Core Request Form under the Core Description section.
9. 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. Any exceptions will be rare and must be discussed with your assigned Budget and Planning analyst prior to BRASS coding.
10. Fund Financial Summary Forms – **Please review these instructions as they have been updated for Fiscal Year 2018.** Budget and Planning will work with agencies to ensure the forms are accurate and complete. Submit a draft copy of the forms to Budget and Planning separate from the budget submission no later than October 1. Budget and Planning will provide the General Assembly Appropriations staff with a copy of all Fund Financial Summaries 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 General Assembly Appropriations staff with a complete set of the forms. Direct questions about the forms to your assigned Budget and Planning analyst or Gina Verslues (751-9324).
11. Approved Reorganizations – Include any transfers/reallocations related to Fiscal Year 2017 reorganizations 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.
12. New Reorganizations – Consult with Budget and Planning prior to conducting any new reorganizations within or between departments. Reorganizations 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 BRASS changes to the budget; changes may also require filing by the Governor under the Reorganization Act of 1974. The Governor must approve and submit to the General Assembly any departmental reorganizations or program/function transfers.
13. House Bill Language – Review current house bill language and consult with Budget and Planning on recommended changes for Fiscal Year 2018.