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## Missouri General Revenue Growth Improves Again in December

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Continuing its recent trend, Missouri General Revenue (GR) collections (net of refunds) increased 9.4 percent in the month of December. For Fiscal Year (FY) 2011 overall, net GR collections are up 4.6 percent. Should net GR growth continue at this level, the state should be able to avoid additional budget cuts during the second half of FY 2011. However, even with this revenue growth, the state budget for FY 2012 is in a very difficult position and budget reductions in the \$700 to \$800 million range remain likely.

Individual Income tax collections grew 8.0 percent in December, boosting the FY 2011 growth rate to 3.3 percent. Corporate Income/Franchise taxes rose 6.6 percent and are up 11.1 percent for FY 2011 to date. However, Sales and Use tax collections fell 13 percent in December, leaving the overall growth rate after six months at just 0.2 percent.

GR Refunds declined about 53 percent for the month, providing a substantial boost to December's net GR growth rate. It is important to note that refund growth often behaves erratically month to month and the December decline may not be indicative of a long term trend in this area.

<u>Tax</u>	<u>Through Dec FY 2010</u>	<u>Through Dec FY 2011</u>	<u>Pct. Change</u>
Ind. Income	\$2,360,466	\$2,439,342	3.3
Sales and Use	\$896,281	\$898,259	0.2
Corp Income/Fran	\$220,148	\$244,580	11.1
All Other	\$212,772	\$245,545	15.4
<b>Gross GR</b>	<b>\$3,689,667</b>	<b>\$3,827,726</b>	<b>3.7</b>
GR Refunds	\$366,598	\$350,959	(4.3)
<b>Net GR</b>	<b>\$3,323,069</b>	<b>\$3,476,768</b>	<b>4.6</b>

Dollars in Thousands

Source: *Missouri Office of Administration*

As noted above, state revenue growth as of December 31<sup>st</sup> is adequate to meet the current FY 2011 budget. Unfortunately, the still sluggish national economy, characterized by stubbornly high

unemployment, may not be able to produce the robust revenue growth that Missouri would need to avoid severe budget shortfalls in FY 2012 and beyond. The latest national economic news is as follows:

- Real Gross Domestic Product grew 2.6 percent in the 2010 Third Quarter<sup>1</sup>. This growth rate has not yet led to significant numbers of new jobs. In fact, the most recent national unemployment rate (for November) stands at 9.8 percent, the highest since last April.<sup>2</sup> However, the just released *Automatic Data Processing (ADP) Employer Services* survey for December reported strong job growth of 297,000 for the month, which may signal better labor market conditions are taking hold.<sup>3</sup>
- The *US Index of Leading Economic Indicators* rose 1.1 percent in November, keeping with its generally positive path in 2010. This Index also rose 0.4 percent in October.<sup>4</sup>

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<sup>1</sup> U.S. Department of Commerce, Bureau of Economic Analysis

<sup>2</sup> U.S. Department of Labor, Bureau of Labor Statistics

<sup>3</sup> "Hiring by Businesses is on an Energetic Pace," Kevin G. Hall, *St. Louis Post-Dispatch*, January 6, 2011, Page A11

<sup>4</sup> The Conference Board Leading Economic Index for the USA