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Missouri General Revenue Posts Another Solid Gain in January

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Missouri General Revenue (GR) collections (net of refunds) increased 15.9 percent in the month of January relative to January of 2010. For Fiscal Year (FY) 2011 overall, net GR collections are now up 6.3 percent. If revenue continues to show improvement, the current fiscal year should be safe from any additional budget reductions.

However, the budget for FY 2012, currently being debated by lawmakers, continues to face significant budget reductions totaling more than \$700 million. A thorough review of the January revenue collections indicates that in some areas, collections may be beginning to falter:

- In January, Missouri's sales and use tax collections rose 9.0 percent compared to the same month in the previous fiscal year. However, for the year to date, this category of revenue has increased by only 1.4 percent compared to the previous year.
- Individual income tax was less robust than in recent months, increasing by only 1.6 percent in January compared to January 2010. As a result, the FY 2011 year-to-date growth rate for individual income tax declined to 3 percent (as compared to a 3.3 percent growth rate to date at the end of December).
- Gross corporate income and franchise taxes actually *fell by 21.1 percent* in January. While a significant decrease, they remain 7.8 percent above FY 2011 for the year to date.

Similar to December, a major source of increased revenue in January was due to another sharp decline in general revenue tax refunds. Refunds *fell by 46 percent* compared to the previous January, providing a significant boost to the January revenue numbers. Because refunds tend to be erratic, refunds compared to the previous year may not continue to decline.

As previously noted, state revenue growth as of January 31st appears to be adequate to meet the current FY 2011 budget. However, Missouri continues to face steep challenges in overcoming the budget crisis because the growth in revenues begins from a base of significant decline. For example, net revenues in January of fiscal year 2010 were **22.4 percent lower** compared to January of fiscal year 2009. As a result, revenue collections for the current month remain well below what they were in past years, and **12 percent lower today than they were in January of 2008:**

January 2008 - \$736.6 million
January 2009 - \$722.8 million
January 2010 - \$561.2 million
January 2011 - \$650.4 million¹

¹Revenue numbers received from the Missouri Office of Administration

General Revenue FY 2011 Year to Date Compared with FY 2010

Tax Source	FY 2010 July-Jan	FY 2011 July -Jan	Pct. Change
Ind. Income	\$2,875.2	\$2,962.2	3.0
Sales and Use	\$1,037.1	\$1,051.8	1.4
Corp Income/Fran	\$245.3	\$264.4	7.8
All Other	\$235.4	\$276.2	17.3
Gross GR	\$4,392.9	\$4,554.5	3.7
GR Refunds	\$508.7	\$427.4	(16.0)
Net GR	\$3,884.2	\$4,127.2	6.3

Dollars in millions

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