

Missouri Budget Project E-News State and Federal Policy Update December 21, 2012

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State Issues

1. Medicaid Expansion Would Save General Revenue

[A new analysis](#) from the Missouri Office of Administration (OA), Division of Budget & Planning, indicates that expanding Medicaid as called for in the Affordable Care Act would provide an additional \$46 million in revenue for Missouri's general fund in fiscal year 2014, increasing to \$125 million in the following year.

The additional revenue is accomplished through a combination of savings in general revenue currently spent on Medicaid services and new tax revenue generated from the activity that results from an increase in federal funding provided to the state for Medicaid. The revenue received from the cost savings and tax revenue could then be used to benefit other services provided for in Missouri's budget.

2. State Revenue Forecast Released

Also this week, the Office of Administration, and Senate and House Leadership released their [forecast of state revenue for the next year](#). This forecast of revenue, known as the Consensus Revenue Estimate, is what the Governor and lawmakers use to determine Missouri's next annual budget.

The estimate assumes that revenue in the current year (fiscal year 2013) will reach 4.8 percent growth and revenue in the next year (fiscal year 2014) will reach 3.1 percent growth. Because economic conditions are improving, this growth is possible. However, it requires some significant improvement in the two primary sources of state revenue over the next several months:

- Individual income tax is currently growing at a rate of 3.8 percent, but would need to increase to 4.9 percent over the next seven months to meet the estimates;
- Although sales tax collections have grown only 0.6 percent over the last 5 months, they would need to grow 3.4 percent over the next seven months to reach the consensus.

Given that Missouri has yet to enact the Marketplace Fairness Act, which would allow the state to capture sales taxes on online retail, the sales tax forecast is likely very high.

Moreover, a portion of the revenue growth in the current year is connected directly with the national mortgage settlement, providing Missouri with \$39 million in one-time funding. As the corporate franchise tax is also being phased out in Missouri, corporate income tax revenue has decreased by more than 5 percent compared to the previous year and will continue to decline.

As a result, the revenue estimates, while possible, are very optimistic.

3. Please Update Your Contact Information

The Missouri Budget Project is gearing up for the legislative session, so please review your contact information below to make sure that we can accurately match you with your elected officials when sending out action alerts or updates. Please make sure your home address is listed.

If information is incorrect or missing, please respond to this e-mail with the updated information.

Thank you!

First name:

Last name:

Address:

City:

State:

ZIP:

Phone:

4. Happy Holidays and See You Next Year!

We'll be back in the new year with more on these issues and to keep you informed during the legislative session. Thank you so much for your support in 2012, and we look forward to working with you in 2013. Happy holidays everyone!