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Missouri General Revenue Decreasing as Needs Increase

State Revenue Decreases While Economic Challenges Cause Need for Investment in Services

St. Louis, MO – Missouri General Revenue Collections, after refunds, dropped by 1.2 percent in September, resulting in an overall decrease of 0.9 percent for the first quarter of State Fiscal Year 2009 to date. The decline in net State General Revenue (GR) heightens concern that the state may be faced with a difficult budget situation beginning in Fiscal Year 2010, and that services for Missouri residents could be decreased during this time of economic downturn.

Overall, Missouri's three most significant revenue sources are witnessing concerning trends. Individual Income Tax collections grew by 2.3 percent in the first quarter of the fiscal year, but fell by 2.6 percent in September. If weakness in income tax collections continues in the coming months, it would indicate significant difficulty for the state budget. Individual Income Tax collections generate nearly 65 percent of all state general revenue collections.

State Sales and Use Taxes also declined, for the second fiscal quarter in a row. While state Sales and Use Taxes grew by 15.1 percent in September, they declined by 3.6 percent for the fiscal quarter overall as economic challenges have caused Missourians to decrease their discretionary spending. Sluggish sales tax will continue to be an area of substantial concern for the state as the end of September completes two quarters of decline. During the preceding quarter (April-June 2008), overall state sales and use tax collections were down by 3.7 percent.

State Corporate Income and Franchise Tax collections fell by 11.7 percent overall in the first quarter of the fiscal year and fell by 0.5 percent in September alone. At the same time, state general revenue tax refunds grew by 13.1 percent for FY 2009 to date.

The overarching trend of declining revenue in Missouri indicates that the state could face significant budget pressures sooner than expected. The Missouri Budget Project had previously indicated that the State would face a budget shortfall of \$680 million by fiscal year 2011. The falling revenue could result in budget shortfalls as soon as fiscal year 2010.

This decline in state revenue occurs at a time when the need for services is increasing due to difficult economic conditions. The Missouri economy lost approximately 19,000 payroll jobs since last October. Nearly 190,000 Missourians are currently unemployed. Additionally, 740,000 Missourians are living in poverty, an increase over 2006 of 12 percent. Missouri's families and economy will require a heightened investment in the array of services the state provides - including health care, senior services, child care and education - to overcome the economic conditions plaguing the nation. The revenue situation will make it more difficult for state lawmakers to meet these needs.

The unstable revenue conditions make it all the more critical for the U.S. Congress to pass the Second Economic Stimulus Bill currently before them. This bill, which has not garnered much public attention due to the focus on the financial bailout, would provide low and middle income families with the economic relief they need during these troubled times. The bill includes the following critical elements:

1. Extension of unemployment benefits for families facing long-term unemployment due to economic deterioration;
2. Increased federal funding for critical health care services through Medicaid. As families face job loss and businesses face increasing cost pressures, more Missourians are likely to become uninsured. Enhanced Federal funding would provide the state with the fiscal resources to make health care a priority; and
3. Increased funding for food stamps.

Since 2001, Missouri has struggled with its ability to adequately fund services. Current revenue numbers further indicate that the state's fiscal crisis will continue. These numbers do not yet reflect the impact of the Wall Street crisis, which could result in further erosion of resources.

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The Mission of the Missouri Budget Project is: To advance public policies that improve economic opportunities for all Missourians – particularly low and middle-income families – by providing reliable and objective research, public education and advocacy. More information is available at www.mobudget.org.