Missouri Budget, Revenue & Tax Credits

September 2012

Missouri Division of Budget and Planning
Missouri Budget, Revenue & Tax Credits

- Budget – with and without tax credits
- Revenue – recent trends and historical comparisons
- Tax Credits – recent trends and comparison to revenue collections
- State comparisons – key programs and tax credits
The Budget

- The official spending pie
- Adding in tax credits
- Further comparison of spending
FY 2013 General Revenue Operating Budget
Total Appropriations $8.01 Billion

- Elementary and Secondary Education: $2.9B (36.4%)
- Human Services: $2.4B (29.6%)
- Corrections and Public Safety: $665M (8.3%)
- Higher Education: $850M (10.6%)
- All Other: $919M (11.5%)
- Judiciary, Elected Officials, General Assembly: $290M (3.6%)

What's Missing? Tax Credits.
Add in Tax Credits
Total Expenditures $8.64 Billion

- Human Services: $2.4B (27.4%)
- Tax Credits *: $629M (7.3%)
- All Other, and Secondary Education: $2.9B (33.8%)
- Higher Education: $850M (9.8%)
- Corrections and Public Safety: $665M (7.7%)
- Judiciary, Elected Officials, General Assembly: $290M (3.4%)

* Assumes no growth in tax credit redemptions
## Tax Credit Redemptions Compared to GR Approps (millions of $s)

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 13 Approp</th>
<th>FY 12 Redm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary and Secondary Education</td>
<td>2,917.5</td>
<td></td>
</tr>
<tr>
<td>Social Services</td>
<td>1,499.4</td>
<td></td>
</tr>
<tr>
<td>Higher Education</td>
<td>850.4</td>
<td></td>
</tr>
<tr>
<td><strong>Total Tax Credits</strong></td>
<td><strong>629.5</strong></td>
<td></td>
</tr>
<tr>
<td>Corrections</td>
<td>602.5</td>
<td></td>
</tr>
<tr>
<td>Mental Health</td>
<td>602.0</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Senior Tax Credits</strong></td>
<td><strong>511.9</strong></td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>492.1</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>270.8</td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td>170.8</td>
<td></td>
</tr>
<tr>
<td><strong>LIHTC Redemptions</strong></td>
<td><strong>164.2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Historic Redemptions</strong></td>
<td><strong>133.9</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Senior Property</strong></td>
<td><strong>117.6</strong></td>
<td></td>
</tr>
<tr>
<td>Office of Administration</td>
<td>112.5</td>
<td></td>
</tr>
<tr>
<td>Statewide Leasing &amp; Property Mgmt</td>
<td>112.4</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>62.9</td>
<td></td>
</tr>
<tr>
<td>Elected Officials</td>
<td>49.6</td>
<td></td>
</tr>
<tr>
<td>Public Debt</td>
<td>45.2</td>
<td></td>
</tr>
<tr>
<td>Economic Development</td>
<td>36.6</td>
<td></td>
</tr>
<tr>
<td>Public Defender</td>
<td>36.3</td>
<td></td>
</tr>
<tr>
<td>All Other (Agric, Nat Res, etc)</td>
<td>67.9</td>
<td></td>
</tr>
</tbody>
</table>

$\text{Total: } 608.3M \quad \text{Redemptions: } 140.8M$
Revenue

- Recent general revenue collections
- Historical comparisons
MO General Revenue Collections

Typical Growth assumes an annual increase of 3.5%
NET GENERAL REVENUE COLLECTIONS
($s in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
<th>FY 11</th>
<th>FY 12</th>
<th>FY 13 Est</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>5,210</td>
<td>4,434</td>
<td>1,931</td>
<td>1,732</td>
<td>1,891</td>
<td>863</td>
</tr>
<tr>
<td>Sales</td>
<td>5,072</td>
<td>5,072</td>
<td>609</td>
<td>609</td>
<td>663</td>
<td>663</td>
</tr>
<tr>
<td>Corp. &amp; Other</td>
<td>863</td>
<td>609</td>
<td>663</td>
<td>663</td>
<td>863</td>
<td>863</td>
</tr>
</tbody>
</table>
The Hancock Gap

Collections ($M)


TSR Collected TSR Adjusted Limit

$3.8B
General Revenue as % of Personal Income

- 2001: 4.1%
- 2002: 3.8%
- 2003: 3.6%
- 2004: 3.7%
- 2005: 3.7%
- 2006: 3.9%
- 2007: 3.9%
- 2008: 3.8%
- 2009: 3.3%
- 2010: 3.1%
- 2011: 3.2%
- 2012: 3.2%
Tax Credits

- Tax credit growth compared to revenue
- Growth in redemptions
- Largest tax credits
Tax Credit Redemptions by Fiscal Year

FY 01: $398.7
FY 02: $365.2
FY 03: $356
FY 04: $408.3
FY 05: $406.1
FY 06: $412.2
FY 07: $479.3
FY 08: $504.5
FY 09: $584.7
FY 10: $522.9
FY 11: $545.2
FY 12: $629.5

$M
500
550
600
650

50
100
150
200
250
300
350
400
450
500
550
600
650
### FY 12 Biggest Program Redemptions

<table>
<thead>
<tr>
<th>Program</th>
<th>FY12, $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing *</td>
<td>164.2</td>
</tr>
<tr>
<td>Historic Preservation *</td>
<td>133.9</td>
</tr>
<tr>
<td>Property Tax</td>
<td>117.6</td>
</tr>
<tr>
<td>Missouri Quality Jobs *</td>
<td>35.4</td>
</tr>
<tr>
<td>Infrastructure Development *</td>
<td>33.4</td>
</tr>
<tr>
<td>Brownfield Remediation Tax *</td>
<td>17.0</td>
</tr>
<tr>
<td>Qualified Equity / New Markets *</td>
<td>15.4</td>
</tr>
<tr>
<td>Missouri Health Insurance Pool *</td>
<td>14.3</td>
</tr>
<tr>
<td>Neighborhood Assistance</td>
<td>9.8</td>
</tr>
<tr>
<td>Distressed Areas Land Assemblage</td>
<td>7.6</td>
</tr>
<tr>
<td>Enhanced Enterprise Zone</td>
<td>7.3</td>
</tr>
<tr>
<td>BUILD</td>
<td>6.6</td>
</tr>
</tbody>
</table>

- These 12 programs account for 89% of the FY12 redemptions.
- Programs with an “*” were the 7 programs with the biggest growth over FY11.
State Comparisons

- Rankings on key comparisons
- Tax credit rankings for the “big two”
- Summary
<table>
<thead>
<tr>
<th>Statistical Category</th>
<th>MO Rank</th>
<th>MO</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Cap State &amp; Local Govt Expds on K-12</td>
<td>34</td>
<td>$1,652</td>
<td>$1,881</td>
</tr>
<tr>
<td>K-12 Expds % of All State &amp; Local Govt Expds</td>
<td>16</td>
<td>24.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td>Per Cap State &amp; Local Govt Expds on Higher Ed</td>
<td>42</td>
<td>$627</td>
<td>$763</td>
</tr>
<tr>
<td>Higher Ed % of All State &amp; Local Govt Expds</td>
<td>31</td>
<td>9.2%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Per Capita State and Local Govt Revenue</td>
<td>47</td>
<td>$5,428</td>
<td>$6,732</td>
</tr>
<tr>
<td>State &amp; Local Tax Rev as% of Personal Income</td>
<td>46</td>
<td>8.9%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Per Capita State Govt Total Revenue</td>
<td>43</td>
<td>$2,996</td>
<td>$3,666</td>
</tr>
<tr>
<td>State Govt Tax Rev as a % of Personal Income</td>
<td>44</td>
<td>4.4%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

*Morgan Quitno Press State Rankings*
Tax Credits – the “Big Two”
State Comparisons

- Low Income Housing Tax Credits *

  - California #1 at $516M
  - Georgia #2 at $200M
  - Missouri #3 at $132M
  - Massachusetts #4 at $50M

* Estimated annual state expenditures on low-income housing tax credits from most recent year’s estimates of available credits by Novogradac & Co LLP (accounting firm with expertise in low income housing tax credits)
Tax Credits – the “Big Two”
State Comparisons

- Historic Tax Credits **
  - Illinois #1 at $365M
  - Missouri #2 at $331M
  - Pennsylvania #3 at $305M

** Rankings by investment in certified projects from National Park Service’s December 2011 report, Appendix D.
MISSOURI STATE RANKING

- Low Income Housing Tax Credits (MO is #3)
- Historic Preservation Tax Credits (MO is #2)
- K-12 Education (Mo is #34)
- Higher Education (Mo is #42)