

Why Legislators Should Subject Tax Credits to the Appropriation Process

1. The Appropriation of Tax Credits Gives Legislators Options on how to Deal with Missouri's Economic Downturn
 - Current Decisions within the Missouri Budget
 - The SFY10 budget was based on a revenue estimate of \$1.0% growth,
 - Through January of FY 10, revenues have declined 12.5%.
 - If revenues decline 10% for the entire year the budget would be \$1.059 billion short.
 - The Consensus Revenue Estimate is for a decline of 6.4% in FY10
 - Governor Nixon has already withheld \$755 from SFY10
 - Withheld \$650 million from SFY10 budget
 - Vetoes total \$105 million
 - Transferred \$250 million from Budget Stabilization to General Revenue in SFY10 to help balance the budget
 - The current withholdings, vetoes and transfers would balance the budget if revenues only declined 7.4%
 - After vetoes and withholdings we have approximately \$1.2 billion in Federal Budget Stabilization (FBS) funding left that could be used in SFY11.
 - This assumes that the Governor does not take more of this to help balance the budget in SFY10
 - The Governor's budget spends an additional \$300 million in FBS, which has yet to be approved by Congress
 - There is \$711 million in FBS used on ongoing programs in the SFY10 budget, \$525 million of that is in DESE and \$148 million is in Higher Education.
 - Revenue Opportunities lost to Tax Credits
 - Missouri redeemed \$588.2 million in tax credits for FY09, \$676.4 for FY10, and \$698.4 estimated for FY11.
2. The Appropriation of Tax Credits Gives Legislators Greater Accountability and Fiscal Review of Expenditures of State Resources.
 - Legislators can weigh the tax credits against the needed withholdings to determine priority spending within the state