

Missouri Budget Project E-News

State Policy Update: Special Report on the Budget

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Late last week Governor Nixon made two important announcements regarding the budget for the current fiscal year (FY2010) and the budget that the General Assembly is crafting. In conjunction with the Governor's statements, State Budget Director Linda Luebbering announced that revenue estimates are being revised to reflect a \$700 decline compared to FY2009 revenue. This is the largest decline in history.

Additional revenue restrictions (which mean cuts to the budget) are being made to ensure the budget remains balanced for the rest of this fiscal year. Restrictions have already been made in August, October, and January.

Some of the newly announced \$126 million in restrictions are relatively painless since they are "lapsed" funds that were appropriated but are not needed, or were changes in amounts owed to the federal government. . Other restrictions likely represent cuts in significant services. **These are in bold.**

Highlights of the latest round of cuts include

- \$1.0 mil in administrative spending across all Departments and the Governor's office
- \$4.2 mil in Department of Elementary and Secondary Education (small cuts)
- \$.19 mil for MOREnet in Dept of Higher Education. (A cumulative total of about 50% of the budget for this has been cut)
- \$.12 mil for the MO Institute of Mental Health (A cumulative total of about one third of the budget for this has been cut)
- **\$1.1 mil for Amtrak (Will eliminate one of the two trains between St. Louis and Kansas City)**
- \$1.2mil for tourism (A cumulative total of almost 25 percent of the tourism budget has been cut)
- **\$1.6 mil for mental health services to individuals who are not eligible for Medicaid**
- **\$1.1 mil for Area Agencies on Aging**
- **\$1.5 mil for home and community based services for individuals not eligible for Medicaid (This cut eliminates funding for about 2,600 individuals who are elderly or have a disability)**
- **\$.29 mil for Alternatives to Abortion**
- **\$.23 mil for community work supports (A cut of about 10 percent)**
- **\$1.4 mil to federally qualified health centers (health care services for the low income uninsured and those insured by Medicaid)**
- \$75.6 mil in payments to the federal government (the amount owed was decreased by the federal government)
- **\$.5 mil in estimated lapse for the Crisis Nursery program (This cut will carry over into the next proposed budget)**

Governor also suggests a course of action to balance future budgets

Governor Nixon also delivered remarks about future budget priorities to a business group in Springfield. He acknowledged the major challenge facing himself and the General Assembly in crafting the FY2011 budget and the budgets in subsequent years. He estimated that about \$500 mil needs to be cut from the budget he proposed in January.

Nixon affirmed that making across the board cuts was not a prudent way to balance the budget. He offered teachers in classrooms, the highway patrol and corrections officers, and services to children, the

elderly and those with a disability as examples to his priorities. The Governor urged “right sizing” government, and creating a government that is “leaner, more nimble, and efficient.”

According to the Governor, “right sizing” would include the following

- Identify wasted space and sell unnecessary buildings
- Sell 2000 cars in the state fleet
- Eliminate 3 state holidays (for state workers)
- Eliminate an additional 1000 state employees
- Merge the Departments of Elementary & Secondary Education and Higher Education
- Merge law enforcement for state highways and waterways
- Consolidate procedures for obtaining environmental permits
- Consolidating state labs
- Put more government services on-line (he didn’t specify which services)
- Close county Division of Family Services offices and set up regional offices
- Privatize collection of child support
- Modernize pension and health care programs for state employees, following the example of private companies (probably translates into fewer benefits for state employees)
- Evaluate the effectiveness of tax credits and maximize the state’s return on investment (but protect the Circuit Breaker tax credit that helps seniors and individuals with a disability pay property taxes)
- Eliminate subsidies that support choices to attend private colleges and universities
- Reduce subsidies for biofuels

Conclusion

The Governor presented a fairly ambitious agenda for “right sizing” government. Each of his suggestions needs to be evaluated to determine whether they are a prudent and feasible way to deliver better services to Missourians and whether they reflect Missourians’ priorities .

The bottom line is that balanced solutions are called for in this time of unprecedented revenue shortfalls. The shortfall is too great to be solved by merely cutting services, or even by consolidating administration. It just makes sense to immediately plug the holes that allow potential revenue to slip away. Closing tax loopholes, taxing internet purchases in the same way that purchases made in bricks and mortar stores are taxed, eliminating outmoded administrative practices and reining in tax credits are some examples of immediate change that is needed.