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NIXON'S LATEST ROUND OF BUDGET RESTRICTIONS CONTINUE DANGEROUS TREND FOR MISSOURI; NEW SOLUTIONS NEEDED

After years of budget cuts, state services are operating at levels below where they were in 2000

St. Louis, MO – Today, Governor Jay Nixon announced \$203,741,063 in additional budget restrictions for Missouri government offices and programs during FY 2010, which began on July 1, 2009. This follows previously announced cuts and withholdings for the current fiscal year of \$385 million, for a total of nearly \$590 million cut from the budget passed by the Missouri Legislature. An additional \$105 million was vetoed by the Governor following the end of the legislative session in May.

“These cuts have real meaning for Missourians,” said Amy Blouin, Executive Director of the Missouri Budget Project. “They mean waiting lists for critical mental health services, a reduction in health care reimbursements, fewer mentoring programs for children and a loss of jobs at a time of already high unemployment.”

The budget cuts were made due to a significant decrease in state revenue collections, stemming in part from the economic recession. **During the first quarter of Fiscal Year 2010 (July 1 – September 30, 2009), state net general revenue collections dropped by 10 percent compared to the previous year.**

Additionally, tax cuts passed during the last few state legislative sessions have also decreased the revenue collected in Missouri by \$325.9 million per year, and there has been a 160 percent increase in state tax credits since FY 2002. Even prior to the current economic downturn, Missouri faced significant budget shortfalls due to these decreases.

“Over the past decade, Missouri has responded to ongoing budget shortfalls in one way – by cutting state services,” said Blouin. “Our state services now operate at a level below where there were in the year 2000, while at the same time the need for programs such as food and unemployment assistance for Missourians has increased due to the recession.”

The number of Missourians facing unemployment reached 9.5 percent in August 2009, nearly three times the level of 2000. More than 285,000 Missourians were unemployed in August 2009.

Use of Missouri’s Medicaid program, Missouri Health Net, is also on the rise, despite significant changes in eligibility requirements in 2005. In June 2008, Missouri Medicaid enrollment stood at about 832,000. As of June 2009, this number had climbed to 871,081, or an increase of 4.7 percent for the year.

“With these latest cuts to Missouri’s budget, our state has reached a critical point,” said Blouin. “The economic crisis provides an opportunity for us to determine our state’s future. We can and must implement strategies to ensure our state has the resources to give Missourians access to the quality education, affordable health care and transportation services necessary for families and businesses to thrive. To do this, we must begin to address the revenue side of this budget crisis.”

While our state’s economy has changed over the past few decades, our tax structure has not. One example is a loss of state sales tax revenue from purchases made on the internet rather than in local stores. A recent estimate from the University of Tennessee indicates that Missouri loses more than \$200 millions in revenue annually due to not capturing sales tax from internet purchases.

Missouri can also close tax loopholes that result in lost revenue for the state. Currently, Missouri rewards companies for submitting their state-owed taxes on time with a discount on the amount they owe, even though they are required by law to pay on time. This is an outdated practice that began before businesses had computers to support their work, and is no longer necessary.

Additionally, Missouri currently has a tax loophole which allows companies that register their trademark subsidiary in states without a corporate income tax, such as Delaware, to avoid paying taxes for their sales and operations in Missouri. This accounts for a significant loss of state taxes from national retailers with stores in our state. Most states have closed this loophole, but Missouri has yet to do so.

“When our state legislators return to Jefferson City in January to begin work on the FY 2011 budget, they must find solutions to our ongoing shortfalls and work to prevent cuts like those made today from continuing to deplete the state services Missourians rely on,” said Blouin. “Closing these tax loopholes and updating our revenue structure are important ways to begin that critical process.”

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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.