



October 28, 2009

**Governor Announces Additional \$203.7 mil  
in Restrictions to Balance the FY2010 Budget**  
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Faced with first quarter revenue that is 10 percent below that of the first quarter in the previous fiscal year, Governor Nixon announced yet another round of restrictions to balance the FY2010 budget. With these new restrictions, the Governor has withheld a total of \$588 million in the FY2010 budget, in addition to vetoing \$105 million. The total state budget is \$23.1 billion and general revenue made up about one third of the entire budget (\$7.8 billion) sent to the Governor.

In keeping with the vetoes and restrictions made earlier this year, elementary and secondary education received relatively small reductions. Higher education has been sheltered mostly to honor the agreement the Governor crafted during last year's legislative session to protect higher education if universities promised not to increase tuition.

The largest restrictions announced in this round were in the areas of facilities maintenance and repairs, funding for arts and education, research grants in life sciences, salaries in the Departments of Corrections, Mental Health and Health & Senior Services, funding for new clients who have a mental illness, funding for projects in the area of mental health, improvements in administration in the Department of Social Services, and Medicaid.

These cuts seriously undermine the quality of life for Missourians, and will make it more difficult for vulnerable individuals to obtain needed services. The Missouri Budget Projects believes we cannot adequately address our budget problems without balanced solutions that include raising revenue. There are some shorter term ways to accomplish this without raising taxes, such as closing corporate tax loopholes and ending the outdated practice of giving discounts to businesses that file their taxes in a timely way.

Longer term, the state could make changes that would level the playing field for Missouri businesses by taxing internet sales in the same way local sales are taxed. In addition, Missouri's income tax structure is grossly outdated. The top tax bracket is \$9000, the same as it was in 1931. The income tax's progressive structure has eroded over time.

A summary of the expenditure restrictions made in August and in October follows. This information is also available at the Missouri Office of Administration web site.

<b>Summary of Restrictions in the FY2010 Budget</b>					
<i>Department</i>	<i>Line item</i>	<i>Appropriation in FY2010 budget</i>	<i>Current restriction</i>	<i>October restriction</i>	<i>Notes</i>
Elementary & Secondary Ed	Salaries & operating expense	\$62,550,538	\$114,335	\$873,184	Eliminates additional positions
	K-12 transportation	\$183,603,843	0	\$15,806,130	This is the <u>increase</u> in transportation in

					the FY2010 budget
	Character education	\$774,514	0	\$375,000	Funds the first semester only
	Early grade literacy	\$145,000	0	\$80,000	Reduces numbers of teachers trained by SEMO
	Virtual education	\$4.8 mil	0	\$2.328 mil	Funds the first semester only
Higher Education	Salaries & operating expense	\$1,126,622	\$73,446	\$40,150	Eliminates additional staff positions
	UMC Telemedicine	\$815,640	0	\$203,910	25% restriction of total funds
	MORENET	\$12,754,612	\$127,546	\$3,061,107	25% restriction of total funds
	Hospitals & clinics	\$19,075,825	0	\$3,131,456	25% restriction of total funds
	Institute of Mental Health	\$1,655,892	0	\$413,973	25% restriction of total funds
	MO Kidney Program	\$3,765,097	\$15,000	\$926,274	25% restriction of total funds
	State Historical Society	\$1,457,605	0	\$364,401	25% restriction of total funds
Revenue	Salaries & operating expense	\$43,644,629	\$1,308,963	\$1,128,656	Eliminates additional positions
	Assessment maintenance	\$19,020,668	0	\$6,117,708	Reduces county reimbursement rate from \$5.99 to \$4.00 per parcel
Transportation	Transportation assistance program	\$1,592,172	\$159,217	\$238,826	25% restriction of total general revenue funds <sup>1</sup>
Office of Administration	Salaries & operating expense	\$61,073,476	\$1,801,165	\$625,086	Eliminates additional positions
	Maintenance & repair of facilities	\$107,832,197	\$47,832,197	\$20 mil	This is spread out over FY2010 <u>and</u> FY2011
	Broadband	\$40 mil	0	\$8.8 mil	Restriction is based on estimates of what will be needed for FY2010 <u>and</u> FY2011
	Other Post Employment Benefits	\$31,055,000	0	\$11,155,000	Maintains prefunding of anticipated retiree costs at the FY2009 level
Agriculture	Salaries & operating expense	\$9,602,561	\$201,700	\$235,208	Eliminates additional positions

<sup>1</sup> The larger amount of funding for the Department of Transportation comes from earmarked taxes. Funds from general revenue make up a small portion of the Department's budget.

Natural Resources	Salaries & operating expense	\$9,893,893	\$286,052	\$481,099	Eliminates additional positions
Economic Development	Salaries & operating expense	\$5,014,448	\$24,700	\$222,609	Eliminates additional positions
	Arts Council	\$10,185,000	\$1,018,500	\$4,430,474	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	Humanities Council	\$1,697,500	\$169,750	\$738,412	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	Public broadcasting	\$1,697,500	\$169,750	\$738,412	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	Historic preservation	\$1,697,500	\$169,750	\$738,412	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	State Library Networking	\$1,607,500	\$160,750	\$699,262	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	MO Technical Investment	\$4,352,691	\$1 mil	\$1,473,996	Eliminates funding in the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters
	Small Business Development Centers	\$500,000	0	\$75,000	Total reduction of 15%. This pays for counselors salaries
	Tourism	\$23,659,810	\$7 mil	\$1,604,278	Total reduction of 10%
	Life Sciences Research	\$13.3 mil	0	\$13,034,000	No new grants will be awarded for a year
	Tax Increment Financing	\$13,158,455	\$1,515,846	\$918,582	Based on updated estimated of amount needed
	MO Job Development	\$11,083,939	\$625,000	\$483,394	Total reduction of 10%
Labor & Industrial Relations	Salaries & operating expense	\$772,389	\$123,855	\$7,688	Eliminates additional positions
Public Safety	Salaries & operating expense	\$52,403,497	\$2,437,611	\$3,652,810	Eliminates additional positions
	Interoperability	\$87 mil	0	\$29,319,115	Funds capability of first responders to communicate <sup>2</sup>
Corrections	Salaries & operating expenses	\$396,007,516	\$5,255,7878	\$3.2 mil	Eliminates additional positions
	Medical Services Contract	\$129,859,956	0	\$832,650	Based on expected savings from change in healthcare contract
	Mentoring for children whose	\$400,000	\$40,000	\$60,000	Total reduction of 25%

<sup>2</sup> It appears that this is not a reduction. Cost estimates were lower than anticipated, and \$19 mil will be funded through Highway funds.

	parents are incarcerated				
	St. Louis Re-Entry program	\$750,000	\$75,00	\$112,500	Total reduction of 25%
Mental Health	Salaries & operating expenses	\$269,136,696	\$1,131,003	\$3,665,066	Eliminates additional positions
	Community programs	\$78,515,322	\$874,517	\$3 mil	No new non-Medicaid clients will be served in substance abuse, psychiatric or developmental disability programs
	One time and pilot projects	0	0	\$9 mil	This would have been used for pay start up costs for new decision items <sup>3</sup>
Health & Senior Services	Salaries & operating expenses	\$32,489,743	\$1,177,392	\$821,840	Eliminates additional positions
Social Services	Salaries & operating expenses	\$103,302,103	\$5,120,068	\$5,114,108	Eliminates additional positions
	Federal Bonus funds			\$6,885,999	This would have funded enhanced computer programs and administration <sup>4</sup>
	Adolescent Boys' program	\$300,000	0	\$40,500	Cuts 15% of remaining funds
	Contract for FAMIS system	\$800,000	\$463,212	\$236,788	Contract will be ended and work absorbed by state employees
	Medicaid cost containment			\$32,450,000	Various efforts to contain costs within the program, and ensuring reimbursements do not exceed Medicare reimbursement rates. <sup>5</sup>
Secretary of State	Available fund balance			\$3.8 mil	
Total				\$203,741,063	

<sup>3</sup> These are federal funds that were earned beyond the money that was appropriated.

<sup>4</sup> This is money the state earned as a bonus for good administration of the food stamp program.

<sup>5</sup> Will affect hospital, nursing homes, in-home providers, durable medical equipment, physicians and mental health providers