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January 20, 2012

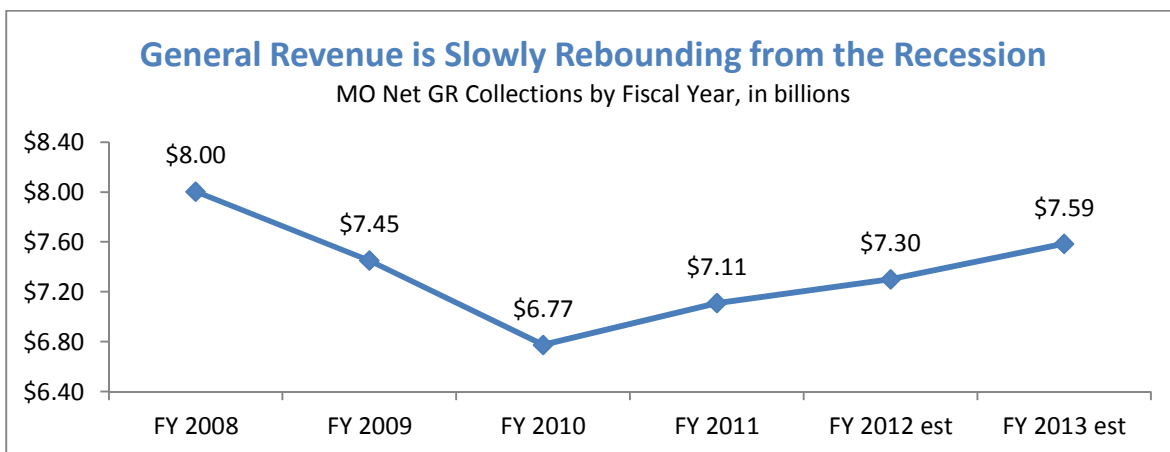
Governor Nixon's Budget Likely to Harm Economic Outlook *Flat funding for K-12, deep cuts to higher education undermine future work force*

Ruth Ehresman, Budget Policy Director

Governor Nixon outlined a budget for fiscal year (FY) 2013¹ on January 17 that continues a three-year trend of spending cuts to balance the budget. Nixon emphasized the importance of economic development, jobs and a strong future workforce, but his recommendations don't match that commitment. The Governor's budget calls for nearly flat funding for elementary and secondary education and deep cuts for higher education, both of which are the bedrock of a well-educated workforce. Facing an estimated \$500 – 800 million shortfall,² the proposal relies predominately on reductions to services that benefit Missouri families.

In addition to large cuts in higher education funding, proposed cost efficiencies in Medicaid and cuts to workers who provide public services, the Governor urged the legislature to pass legislation to trim the cost of tax credits and to enact a temporary delinquent tax amnesty. However, he stopped short of endorsing any significant, ongoing revenue increase in his State of the State address.

A better approach to Missouri's budget shortfall includes more revenue to keep Missouri from falling further behind, build strong schools, create an environment for job growth and protect vital programs. Although the recession and the loss of federal dollars have contributed to the shortfall, an outdated tax system and policy decisions by state lawmakers to eliminate some taxes and increase tax giveaways further deepen the state's budget hole. **At the current projected growth rate, revenue will not reach its pre-recession level until FY 2016**, undermining the state's economy and ability to attract jobs.³



¹ Missouri's fiscal year begins on July 1 and the state is currently in fiscal year 2012. The fiscal year 2013 budget the Governor proposed, and which the General Assembly will act upon, begins on July 1, 2012

² The Office of Budget estimated a \$500 million shortfall, but the Missouri Budget Project estimates it is closer to \$800 million. http://www.mobudget.org/files/Missouri_Facing_Major_Budget_Shortfall_in_FY%202013.pdf.

³ http://www.mobudget.org/files/Missouri_Facing_Major_Budget_Shortfall_in_FY%202013.pdf

Selected Key Requests in the Governor's Proposed Budget⁴

The Missouri budget relies upon a combination of state general revenue funds, earmarked funding sources (such as tobacco and gasoline taxes) and federal funds. The following itemizes spending from all of these funding sources under the Governor's proposal.

Department of Elementary and Secondary Education

Total budget of \$5.259 billion

- Increases the K-12 school foundation formula by \$5 million. (This is far short of the \$292.5 million requested by the Department and the approximate amount of the funding formula under its statutorily required funding level.)⁵
- Increase Parents as Teachers by \$1.0 million (total funding of \$14.0 million).
- Increase First Steps special education by \$2 million (total funding of \$332.3 million).
- Eliminate the following programs: Scholars and Fine Arts; Safe and Drug Free Schools and Communities; Character Education Initiatives; and Schools with Distinction, for a savings of \$723,000.
- Cut vocational rehabilitation by \$153,000 (total funding of \$111.1 million).
- Cut career education by \$8 million (total funding of \$60.4 million).
- Cut 24.5 core staff positions.

Department of Higher Education

Total budget of \$1.032 billion

- Cut community colleges by \$18.2 million (total funding of \$114.5 million).
- Cut four-year institutions by \$99.1 million (total funding of \$623.2 million).

Department of Health and Senior Services

Total budget of \$1.027 billion

- Combine the offices on Women's Health, Minority Health and Primary Care and Rural Health into the Center for Health Equity (total funding of \$6.2 million).
- Increase funding for Division of Community and Public Health by slightly over \$12 million in federal funds (total funding of \$274.7 million).
- Propose \$29.9 million for the MO Healthnet Home and Community-Based Services Program to meet increased demand, and \$6.4 million and 90 staff to do assessments in the Home and Community-Based Services Program (total funding of \$676.4 million for Division of Senior and Disability Services).
- Cut: 8 core staff from the Division of Community Health; 2 core staff from the Division of Senior and Disability Services; and 6 core staff from the Division of Regulation and Licensure.

Department of Mental Health

Total budget of \$1.317 billion

- Cut 19 core staff and \$4.7 million from the Office of the Director (total budget of \$47.6 million).
- Increase funding for Division of Alcohol and Drug Abuse by \$5.8 million to cover increased utilization of MO HealthNet and to offset loss of federal match for MO HealthNet⁶ (total funding of \$118.5 million for Division of Alcohol and Drug Abuse).
- Cut 4 core staff from the Division of Alcohol and Drug Abuse
- Increase funding for the Division of Comprehensive Psychiatric Services by \$12.2 million to cover increased need for MO HealthNet and to offset loss of federal match for MO HealthNet (total funding of \$448.1 million for Division of Comprehensive Psychiatric Services).

⁴ The Governor requested a two percent pay increase for state employees. This increased cost is reflected in his proposed budget for each Department.

⁵ The base for comparison is the funding level after the Governor's vetoes and/or withholds were made in 2012.

⁶ MO HealthNet (Medicaid) is funded by a combination of state and federal funds. State funds spent draw down a "match" of federal funds. During the recession, the federal match was increased to enable states to minimize cuts in their Medicaid programs.

- Propose \$2 million and 47 staff to accommodate increased use of Sex Offender Rehabilitation and Treatment Services.
- Cut 10 core staff from the Division of Comprehensive Psychiatric Services.
- Increase funding for Division of Developmental Disabilities by \$60.8 million to cover increased need for MO HealthNet and the Partnership for Hope, and to offset loss of federal match for MO HealthNet (total funding of \$703.0 million for Division of Developmental Disabilities).
- Cut 17 core staff from the Division of Developmental Disabilities.

Department of Social Services

Total budget of \$8.006 billion

- Propose new funding of \$1.6 million for Family Support Division to comply with drug testing of TANF recipients per HB73 and 47 (enacted in 2011).
- Increase funding for foster care by \$10.1 million to help increased number of children in state custody (total funding of \$108.5 million).
- Increase funding for child care by \$10 million to replace one-time federal funds and to meet increasing demand (total of \$199.0 million).
- Cut Children's Treatment Services by \$1.6 million (total funding of \$13.1 million).
- Cut 5 core staff from the Office of the Director (three transferred to the Division of Legal Services to conduct hearings related to the drug testing of TANF recipients); 58 in the Family Support Division; and 28 in the Children's Division.
- Increase Medicaid by \$68.1 million to offset loss of federal match for MOHealthNet.
- Reduce Medicaid core spending by \$349.1 million through better coordination of care, lower fixed annual rates for Medicaid HMOs, use of generic pharmaceuticals and improved pharmacy rebates (total funding of \$6.845 billion for MO HealthNet Division).

Conclusion

Given the strong negative reaction of many members of the General Assembly to the Governor's proposed cuts in higher education, significant changes will likely be made as the budget moves through the House and Senate. The legislature must send its approved budget to the Governor by May 11.