



Highlights of the Governor's FY2011 Budget

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The Governor delivered his State of the State address on January 20, outlining his 2010 priorities and releasing his budget request for FY2011. This paper examines the consensus general revenue estimate on which his budget is based, provides an overview of the Governor's priorities, and examines the impact of his budget on state departments, some services and staff that provide services.

Consensus revenue estimate

The FY2011 budget request is based on a consensus revenue estimate of \$7.2 billion, assuming a net revenue growth of 3.6 percent. Last year's consensus revenue estimate was based on a 1 percent net growth. In the current fiscal year, revenue is lagging far behind the original estimate. (See the table below). The consensus revenue appears to be an optimistic estimate given Missouri's steep revenue decline and its slow recovery in previous recessions.

The Governor continues to use federal stabilization funds to fill in some gaps created by declining general revenue. Missouri's revenue decline is exacerbated by recent policy decisions that reduce taxes for some Missourians, and \$585 million in tax credits granted in FY 2009.

General Revenue Receipts and Estimates¹			
	Actual receipts FY2009	Consensus estimate (revised) FY2010	Consensus estimate FY2011
Net General Revenue Collections	\$7.45 billion	\$6.97 billion	\$7.22 billion
Net Growth Rate		-6.4 percent	+3.6 percent

Governor Nixon's budget priorities include the following

Economy

- Implementation and administration of the Governor's 2010 Jobs Plan: the Missouri First Initiative (provides incentives to businesses already operating in Missouri); and the Missouri Science and Innovation Reinvestment Act (incentives for bio-tech companies to locate in Missouri)
- \$42.7 mil for 3 job training programs
- \$34.2 mil to fully fund biodiesel incentives, including an increase of \$9 mil

Education

Elementary and Secondary

- \$3.02 bil for the Foundation Formula (an \$18 mil increase, but not full funding)
- \$37.5 mil for the Career Ladder Program
- \$370.5 mil for early childhood special education, including \$11.6 mil in new funding

¹ All the information in this document is taken from the Governor's budget request at <http://oa.mo.gov/bp> unless otherwise indicated

- \$29.3 mil to help local districts with the costs of educating children with special needs, including \$3.4 mil in new funding

Higher Education

- Freezing college tuition for a second year, and proposing \$911 mil for colleges and universities
- \$25 mil for the Missouri Promise Program to provide qualified students at all public high schools with a 2 year scholarship to any public community college

Health care

- An additional \$276 mil to cover increased Medicaid caseloads due to the recession
- Savings of \$121 mil in Medicaid without changing eligibility or eliminating services. Cost savings include better management of care for high-cost users; better coordination of benefits with other insurers to assure that Medicaid is the payer of last resort; precertification of imaging services; a third-party contractor to assess and do intake of clients in long term care settings; clinical review of psychotropic medications; increased use of generic drugs; monitoring in-home services provision by phone; and lowering reimbursement rates in select areas/specialties, in which the current Medicaid rate is higher than Medicare's rate
- An increase of \$6.9 mil to serve children with autism

Efficient government

- Permanently reducing the state workforce by an additional 550 positions, bringing the total reduction to almost 1,800 since the Governor took office. (See summary of cuts at the end of this document)
- Combining state agency functions
- Reducing energy use in state buildings
- Reducing facility costs through lease negotiation, downsized facilities and consolidated staff
- Authorizing additional collections tools to enable the Department of Revenue to maximize efficiency in collecting delinquent and existing taxes
- Reinvesting \$800,000 turned over to the state from local motor vehicle license offices to fund programs for veterans, their families and survivors of firefighters and police who died in the line of duty

A chart of the Governor's recommendations by Department follows

**Fiscal Year 2011 Governor's Recommended Budget
Includes All Funds (Federal, State and Earmarked)**

	FY 2009 Expenditures (in \$ millions)	FY2010 Appropriation (in \$ millions)	Governor's FY 2011 Recommendations (in \$ millions)
Public Debt	94.3	92.1	78.4
Elementary & Secondary Education	5,226.7	5,422.9	5,432.2
Higher Education	1,221.1	1,305.7	1,252.1
Revenue	437.9	436.1	431.7
Transportation	2,430.1	2,266.2	2624.7
Office of Administration	312.5	305.6	293.9
State Employee Benefits	819.3	955.2	979.9
Agriculture	56.5	65.1	63.0
Natural Resources	357.7	317.9	311.0
Conservation	132.5	145.5	145.5
Economic Development	254.6	338.0	282.7
Insurance, Financial Institutions and Professional Registration	30.5	36.7	37.1
Labor and Industrial Relations	116.9	131.0	131.9
Public Safety	553.7	511.7	527.2
Corrections	634.1	664.6	672.6
Mental Health	1,139.3	1,211.6	1,225.3
Health and Senior Services	885.1	892.6	936.4
Social Services	6,909.8	7,462.6	7,898.2
Elected Officials	108.1	118.4	115.5
Judiciary	184.4	190.1	189.9
Public Defender	35.7	37.3	39.2
General Assembly	32.7	35.0	34.6
Real Estate	136.8	145.4	154.7
Operating Supplemental		429.9	
Total Operating Budget			
<i>General Revenue</i>	<i>8,380.1</i>	<i>7,888.4</i>	<i>8,317.1</i>
<i>Federal Funds</i>	<i>6,264.9</i>	<i>7,185.4</i>	<i>7,164.9</i>
<i>Federal Stabilization Funds</i>	<i>0</i>	<i>888.6</i>	<i>258.9</i>
<i>Other Funds</i>	<i>7,465.2</i>	<i>7,554.9</i>	<i>8,117.0</i>
	*22,110.1	*23,517.2	*23,857.8
*differences due to rounding			

It is difficult to tease out changes in specific services in the various departments with the available level of detail. The Governor's efforts to increase efficiency by combining functions will result in shifting staff across departments and transferring money from a variety of sources.

Changes in the Department of Social Services Budget

Sufficient detail is available in the Children's Division and Family Support Division portions of the budget to understand some changes in services. The following changes are based on a comparison to FY2010 appropriations:

- The Children's Division achieved accreditation last year, so that line item went from \$8.7 mil to \$0
- The following line items were eliminated in the Governor's budget: crisis nursery; teen crisis care; psychiatric diversion; and child abuse prevention demonstrations
- The Missouri Mentoring Partnership was eliminated
- A new line item, "crisis care" was added, and funded at \$1.25 mil (less than the crisis care services zeroed out)
- Foster Care case management contracts were reduced by \$800,000
- Purchase of child care was reduced by \$750,000, but the Governor stated that he was using federal money to maintain the same eligibility level and to provide subsidized care to non-TANF parents while they searched for a job
- Voluntary placement funds were increased from \$0 to \$2.4 mil

Proposed Workforce Reductions

Governor Nixon proposed eliminating a total of 550 jobs to increase government efficiency. For the most part, those jobs are in the areas of social services and mental health. He proposes eliminating 288 jobs in the Department of Social Services, and 253 in the Department of Mental Health. These cuts come on top of previous reductions of 200 and 400 jobs respectively.

What's next?

The House Budget Committee and Senate Appropriations Committee are not likely to use the Governor's budget as the starting point for discussion. Both chairs will likely develop their own budget to use as the basis for discussion in their respective committees.

In his speech, Governor Nixon pledged to use every tool available to increase business activity in Missouri. The Missouri Budget Project urges him, along with the General Assembly, to do the same in balancing the budget. The problem is too large to solve just by cutting services, such as health care, education and transportation, which Missourians need to get by in hard times. A balanced approach is needed that includes closing corporate tax loopholes, changing outmoded administrative practices that cost the state money, and taxing internet sales in the same way that sales in our local stores are taxed. None of these actions raise taxes, but merely assure that the playing field is more level for businesses located in Missouri.

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, analysis and advocacy. Contact the MBP through our website at www.mobudget.org