

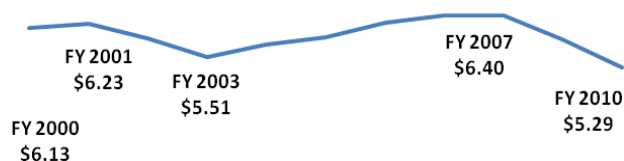
Just the Facts: Understanding Missouri's Revenue Crisis

Missouri General Revenue is nearly \$1 billion below what it was a decade ago

Missouri general revenue dropped significantly over the last decade, from \$6.13 billion to \$5.29 billion when adjusted for inflation to FY 2000 dollars. This general revenue decline is historic. Between 1975 and 2001 Missouri had no years of falling revenue. In the last decade, revenue has dropped in four years. FY 2010 was 9 percent lower than the previous year and more than 13 percent below FY 2000 when adjusted for inflation.

Source: Annual revenue data from the Missouri Office of Administration, Inflation adjusted by MBP using the Consumer Price Index.

General Revenue FY 2000 - FY 2010
Adjusted for Inflation to 2000 Dollars
Amounts in Billions

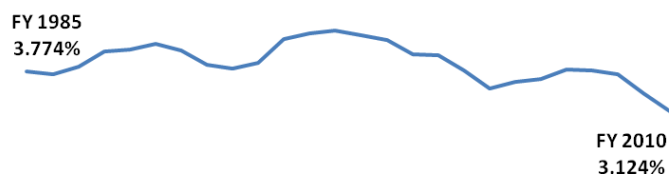


Missouri General Revenue spending as a portion of the economy is below the 1985 level

The Hancock Amendment to Missouri's Constitution restricts state general revenue growth to the ratio of general revenue to personal income that existed in the 1980s. The ratio of the two measures provides a picture of how far Missouri state general revenue has declined when compared to the state's economy. State general revenue in FY 2010 was just 3.124 percent of state personal income, well below what it was in 1985 and nearly \$2 billion below the Hancock "lid".

Source: Annual revenue data from the Missouri Office of Administration, Personal Income data from the Bureau of Economic Analysis.

Missouri General Revenue as a Percent of Personal Income 1985 - 2010



Reliance on one time funding sources has increased dramatically

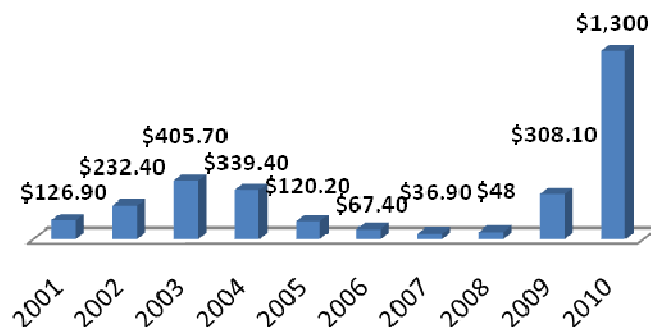
During the last decade, the decline in state general revenue was partially offset by a combination of temporary and extraordinary revenue sources totaling \$2.9 billion. These funds helped to plug holes in state revenue and lessen the cuts to critical services like education and infrastructure. The temporary funds included \$822 million in tobacco funds from the Master Settlement Agreement, \$280 million in revenue bonds, and \$1.8 billion in federal stabilization funding from the "stimulus" bill (ARRA).

The FY 2010 general revenue budget relied on \$1.3 billion of these temporary sources. These sources will dissipate in FY 2011 – FY 2012.

Source: Annual revenue data from the Missouri Office of Administration, And the Annual Executive Budgets

Use of One Time Funding in Missouri's General Revenue Budget 2001 - 2010

Amounts in Millions



Significant cuts to services in FY 2010 & FY 2011

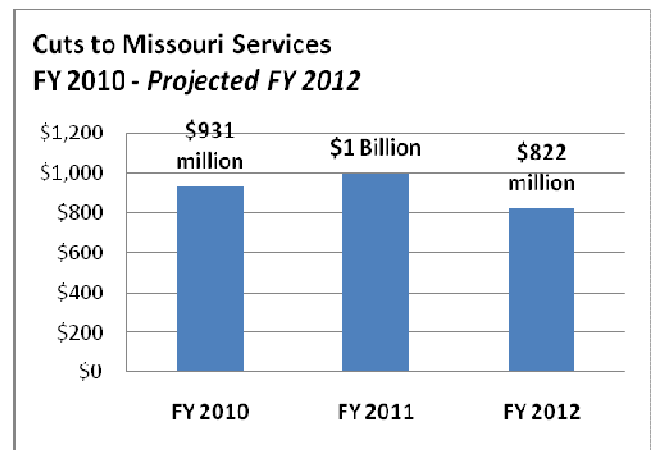
Even with the use of federal budget stabilization dollars, Missouri's revenue decline has resulted in significant cuts to services and infrastructure. With the historic drop in revenue in FY 2010, the Governor made a series of mid-year budget restrictions that essentially cut state spending by \$931 million.

Although the budget passed by the Legislature and approved by the Governor for FY 2011 relies on an additional \$922 million in stabilization funds, it also included nearly \$1 billion in cuts to core services and infrastructure.

The impact of the cuts: More than 6,000 children and adults with severe mental illness or developmental disabilities lost treatment. A 40 percent cut to school transportation funding resulted in local school districts merging bus routes, with much longer rides for children. Failure to fully fund the K-12 foundation formula resulted in local districts merging classrooms and some districts are considering shortening the school year. Cuts to Higher Education scholarships including both "Bright Flight" scholarships and need-based scholarships mean that college may be out of reach for many Missouri students. Further cuts to Parents as Teachers, Area Agencies on Aging and more will impact all Missourians.

Source: Data on revenue and stabilization dollars from the Office of Administration

Data on budget cuts from state executive departments.



The Outlook

Despite the cuts that already occurred in FY 2010 and FY 11, **the Missouri Budget Project projects that Missouri will face an additional \$822 million budget shortfall in FY 2012.** Although state revenue is beginning to rebound from the economic recession, the continuing shortfall results from a combination of factors including the depletion of one-time funding sources, and the erosion of Missouri's revenue base since 1985.

The Mission of the Missouri Budget Project is to advance public policies that improve economic opportunities for all Missourians, by providing reliable and objective research, analysis and advocacy. Contact the MBP through our website at www.mobudget.org