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Missouri Legislature Passes FY 2012 Budget

Some critical services salvaged; Ongoing revenue challenges ignored

Today, the Missouri legislature agreed to a fiscal year 2012 budget that cuts approximately \$700 million from the General Revenue fund through a combination of budget cuts, tax amnesty, and administrative savings. However, it relies on the passage of several other bills, does not account for the loss of revenue related to the repeal of the state's corporate franchise tax, and does not take a balanced approach to the state's ongoing revenue shortfalls.

"We're pleased that legislators have maintained funding for critical services like Missouri Rx, which provides pharmacy assistance to low-income seniors and individuals with disabilities, and child care assistance to support low-income working families. Lawmakers struggled with a bad situation to protect these services, as well as funding for independent living centers, and to minimize the impact of budget cuts to K-12 and higher education," said Ruth Ehresman, Director of Health and Budget Policy for the Missouri Budget Project. "Representative Silvey, Senator Schaefer, and House and Senate budget negotiators should be commended for protecting these vital programs."

"However, while the legislature was able to maintain funding for these services, it's distressing that with only one week left in the legislative session, next year's budget is based on tens of millions in funding that has yet to be passed," continued Ehresman.

Despite knowledge of the necessity of these bills since the beginning of the legislative session, the legislature has not yet passed [SB 322](#) or [HB 116](#). SB 322, which authorizes the provider taxes upon which the state's Medicaid financing structure is largely based, contributes more than \$1 billion to the state's budget. HB 116 includes approximately \$20 million in "revenue enhancements" from a tax amnesty.

Additionally, while the elimination of the corporate franchise tax, which was passed by the legislature and signed by the Governor, will cost the state more than \$85 million annually, the FY 2012 budget does not account for the loss of these funds.

Moreover, conference negotiators expressed concern over the impending loss of hundreds of millions in federal dollars, which will make the budget for FY 2013 even more challenging. Despite knowledge of this loss last year, another year has passed with no significant action to raise adequate revenue to fund the critical services and infrastructure that Missourians rely on.

Several bills were introduced that would increase state revenue, including proposals to increase the state's cigarette tax, which is by far the lowest in the nation, and implement the streamlined sales tax mechanism to collect taxes owed on online sales. Neither has been debated by the full House or Senate chambers.

"Policymakers should be taking a balanced approach to the state budget. After years of budget shortfalls, our budget has already been cut to the bone, and next year's estimated \$700 million shortfall looks just as bad. Common sense ways to reform the state's revenue system have been ignored while legislators have advanced policies that actually make the problem worse," stated Ehresman.

Due to continued low revenue, the budget includes additional severe cuts to higher education, senior services, and mental health services. While there is no evidence that policies such as the elimination of the corporate franchise tax will attract jobs to the state, businesses are attracted to communities that offer an educated and skilled workforce as well as a solid infrastructure for their businesses and their workers. "In order for the Missouri

economy to grow and for Missourians to thrive, the state must invest in the services that provide for the foundation of our economy,” stated Ehresman.

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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.