



For more information:
Amy Blouin, Executive Director,
314-518-8867, or
Traci Gleason, Director of Communications & Public Engagement, 816-872-8133

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State of the State a Missed Opportunity
Statement from Missouri Budget Project Executive Director, Amy Blouin

The Missouri Budget Project is disappointed that Governor Nixon missed an opportunity this evening to engage the legislature in a real conversation about our state's future. While acknowledging next year's expected revenue shortfall, the administration's only response was to propose additional cuts. Given the ongoing nature of Missouri's budget problems, elected officials should take a balanced approach to the budget and discuss responsible revenue solutions.

While General Revenue collections have improved slightly in the last two quarters, this improvement is relative to the significant decrease in collections that occurred in 2008 and 2009. In fact, it will be FY 2016 – more than five years – before the state sees collections equivalent to that of FY 2008. Although the national recession has certainly contributed to Missouri's budget woes, structural problems in our revenue policies have also eroded our state's tax base. Without taking action to enhance revenues, the state will continue to face a very difficult budget environment in FY 2012 and beyond.

There are several possibilities to address our state's revenue problems, including:

- *Updating the State's Tobacco Tax:* As of July 1st, Missouri's cigarette tax became the lowest in the nation. At 17 cents per pack, Missouri's cigarette tax is not only well below the national average of \$1.43 per pack, but \$0.90 below the \$1.07 average of our primary bordering states, and is behind every major tobacco producing state, which average 48.5 cents per pack. If Missouri increased its tax to be in line with the average of its neighbors, it would generate approximately \$500 million in new revenue – nearly erasing the revenue shortfall for FY 2012.
- *Implementing the Streamlined Sales Tax (SST) Mechanism:* Uncollected sales taxes on online sales now account for 4.2 percent of total sales, costing Missouri approximately \$210 million in state and local tax revenue per year. By enacting the SST like 23 other states (including several of Missouri's neighbors), elected officials would protect state and local revenue from further loss and modernize a critical component of Missouri's tax structure for the new economy. In addition, the legislation would level the playing field for local businesses that assess the tax and allow them to effectively compete with Internet sales.

When adjusted for inflation, the real purchasing power of GR collections has fallen more than ten percent over the last decade. Critical core services that support the state's workforce and provide the foundation for our economy have already been cut to the bone. Additional cuts to these services and proposed cuts to the education system will jeopardize the state's fragile economic recovery. The state must invest in the future for all Missourians by taking a balanced approach and exploring responsible options for increasing the state's revenue.