The MISSOURI BUDGET PROJECT
Shaping Policy... Creating Opportunities

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Overview of the Governor's Fiscal Year 2012 Budget Recommendations

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The Governor released his Fiscal Year (FY) 2012 budget on January 19th with his State of the State address. The official budget recommendations are based on an anticipated 4 percent growth in the state's general revenue in the next year. However, dramatic revenue declines over the last three years have depleted state general revenue, significantly lowering the revenue base to which this growth rate would be applied. In addition, federal stabilization funds that have prevented some budget reductions in recent years are coming to an end. As a result, the Governor's budget request relies on $704.4 million in budget reductions and other budget balancing actions.

Summary of Missouri's General Revenue Outlook

Missouri's general revenue has fluctuated extremely over the last three years due to the economy and resulting fiscal crisis. After falling by 6.9 percent in FY 2009, state general revenue dropped by an additional 9.1 percent in FY 2010. The most recent modest revenue recovery in FY 2011 has yet to make up for those steep declines.

In fact, it will be more than five years before state general revenue returns to the level obtained in FY 2008. After adjusting for inflation, Missouri general revenue is 12 percent lower than it was a decade ago.[1]

In addition, the available federal stabilization funding that has prevented some cuts to core services since fiscal year 2009 is coming to an end. The state is projected to have $342 million in federal stabilization dollars available for the FY 2012 budget, compared with the $1 billion used to support the gap in the FY 2011 current year budget.[2]

As a result, although state general revenue is projected to grow by 4 percent in FY 2012, the total amount of general revenue funding is expected to reach only $7.295 billion. Even when combined with the federal stabilization funds for that year, the combined revenue is well below current year appropriations of $7.9 billion.[3]

As a result, the Governor's budget calls for $704.4 million of budget reductions, administrative savings and revenue policy related recommendations.[4]

[1] For more detail see: Missouri Budget Project, *"Missouri General Revenue Collections Still in Deep Hole,"* January 17, 2011, available at www.mobudget.org
[2] Information obtained from the Missouri Office of Administration, FY 2012 Executive Budget.
[3] IBID
[4] IBID

Budget and Revenue Policy Recommendations

The Governor's budget makes approximately $440 million in direct cuts to general revenue services, including the following major categories:

- $270.8 million in cuts by making the FY 2011 mid-year restrictions permanent. These restrictions included reductions in appropriated funding for mental health, scholarship programs for Missouri college students, Area Agencies on Aging, core public health, transportation funding for local K-12 school districts, and more;
- $53.6 million in reduced funding for Missouri four-year colleges, equaling a 7 percent cut;
- $10.2 million in decreased funding for Missouri community colleges, also a 7 percent cut in funding;
- $38.1 million in cuts by eliminating an additional 863 state employee positions (which brings the total cut in state employees to 3,343 positions since FY 2009); and
- $67.4 million in Medicaid costs containments that do not reduce eligibility for services.

In addition, the budget recommendation does not fund the statutorily required increase in the K-12 school funding formula for the second year in a row (an amount valued at $104 million, but not included in the $704 million in "budget balancing actions" outlined by the Governor). The budget also requires local K-12 school districts to save approximately $112.2 million in current year general revenue funding to be used in the FY 2012 budget. Local school districts would theoretically replace the current year funding with special federal education stabilization funds.[5]

The Governor's revenue recommendations, totaling approximately $50.1 million, include the following:

- "Tax Amnesty" provided on a limited basis to delinquent taxpayers to encourage payment of past-due tax obligations, which is estimated to bring in $20 million in revenue.
- Tax and debt collections enhancements through the Department of Revenue, including: requiring businesses to pay all tax debt to retain licensure or receive payments from the state; and administrative streamlining, including centralizing debt collection in the Department of Revenue. The combination of actions is projected to raise $25.6 million in FY 2012.
- Implementation of some of the recommendations of the Tax Credit Review Commission, including sunsets on select tax credits and reduced caps, totaling $4.5 million.[6]

In addition, the Governor's budget refinances Missouri debt costs to attain lower interest rates, projected to save $37.1 million in state revenue.

[5] IBID

[6] IBID