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## **Still trying to balance the budget: Governor approves new round of cuts**

*Ruth R. Ehresman, Director of Health and Budgetary Policy*

In June, Governor Nixon vetoed \$105 million in the budget approved by the General Assembly, and withheld another \$325 million to balance it. Vetoed funds are gone from the budget for the fiscal year. Funds that are withheld may be restored later in the year, if additional money is available. Some programs and services were previously cut in the original budget, or were not adjusted for inflation. The use of federal budget stabilization and stimulus funds were critical in preventing even more devastating cuts.

On August 20, the Office of Administration announced that an additional \$60 million is being withheld. This brief summarizes the Governor's decisions.

### **Key Findings**

- Elementary & Secondary Education and Higher Education were left virtually untouched
- Some cuts were made to services and staff who provide services for vulnerable populations (children who have been abused and neglected, low income parents and their children, seniors, individuals with a disability, individuals with mental health needs, youth in the juvenile justice system)
- The Department of Health & Senior Services and the Department of Revenue eliminated a substantial number of positions
- Small reductions across the board to services provided in institutions achieved savings in the Department of Mental Health, as well as in other departments
- The Department of Social Services bore the brunt of balancing the budget, with cuts totaling \$16.4 million. Although the Social Services budget contains the second largest amount of General Revenue (Elementary & Secondary Education contains the largest amount), the services it provides are targeted to the most vulnerable Missourians
- The Department of Corrections made significant cuts to programs that focus on rehabilitation and support for individuals released from prison
- The bulk of savings in the Department of Economic Development were achieved by cutting almost one third of the Tourism program

## Summary of August Budget Reductions by Department

### *Department of Elementary and Secondary Education*

**General Revenue (after vetoes): \$3.0 billion**

**Amount withheld: \$4.5 million**

- \$69,500 by eliminating 4 full time positions (FTEs) in career education and 4 FTEs in improving teacher quality in urban areas
- \$319,000 reduction to Centers for Independent Living, which means that fewer individuals with a disability will receive services. This is a 10 percent reduction and will affect those served at each of 22 Centers for Independent Living

### *Department of Higher Education*

**General Revenue (after vetoes): \$1.1 billion**

**Amount withheld: \$216,000**

- \$127,000 deferring or eliminating purchase of equipment
- \$53,000 in reductions to travel and professional development

### *Department of Revenue*

**General Revenue (after vetoes) excluding money for refunds: \$83.7 million**

**Amount withheld: \$1.3 million**

- \$1.1 million by eliminating 37 FTEs. The impact of these reductions will be to decrease the amount of revenue collected because of decreased capacity to investigate and prosecute fraudulent tax and licensing issues and collections, as well as lower revenue collections by field compliance staff. It is also estimated that these cuts will result in longer waits for customers

### *Department of Transportation*

**General Revenue (after vetoes): \$13.8 million**

**Amount withheld: \$479,000**

- \$159,000 by eliminating funds that support non-profit agencies provision of mobility services to seniors and individuals with a disability. This is a 10 percent reduction

### *Office of Administration*

**General Revenue (after vetoes): \$496.1 million**

**Amount withheld: \$1.8 million**

- \$1.3 million by reducing activities and 10 FTEs in information technology.
- \$205,000 by reducing information technology funds for the Department of Revenue

### *Department of Agriculture*

**General Revenue (after vetoes): \$47.4 million**

**Amount withheld: \$202,000**

- Slightly over half of the reductions are achieved by laying off staff or leaving staff positions vacant (4 FTEs)
- Across the board reductions are made by decreasing animal disease control monitoring, animal care facility inspections and state meat inspections

### *Department of Natural Resources*

**General Revenue (after vetoes): \$12.8 million**

**Amount withheld: \$933,000**

- \$142,000 by laying off staff or leaving positions vacant (5 FTEs)
- \$170,000 by reducing historic preservation of court houses
- \$404,000 by reducing the state's debt for a project at Mark Twain Lake. This is dependent on successful work with Missouri's congressional delegation to reduce or eliminate the state's debt.

### *Department of Economic Development*

**General Revenue (after vetoes): \$73.7 million**

**Amount withheld: \$11.3 million**

- \$7 million by reducing the tourism program
- \$1.3 million by reducing the State Tax Increment Financing fund (this money lapsed in the previous fiscal year)
- \$1.2 million by reducing funds for the Arts and Humanities Councils

### *Department of Labor and Industrial Relations*

**General Revenue (after vetoes): \$2.3 million**

**Amount withheld: \$123,000**

- \$116,000 by laying off 3 FTE and leaving 1 position vacant

### *Department of Public Safety*

**General Revenue (after vetoes): \$67.4 million**

**Amount withheld: \$2.5 million**

- \$572,000 by reducing non-highway assignments of the MO Highway Patrol
- \$433,200 by eliminating 8 FTEs
- \$148,000 by reducing training for firefighters. This eliminates about one third of the classes for fire fighters and emergency responders

### *Department of Corrections*

**General Revenue (after vetoes): \$604.9 million**

**Amount withheld: \$7.0 million**

- All Correctional Centers will see small reductions
- \$1.2 million by reducing staff at the Eastern Correction Center (2 FTE), substance abuse services ("several" FTEs), educational services (10-12 FTEs), the Community Supervision Center (5 FTEs) and the St. Louis Community Release Center (1 FTE)

### *Department of Mental Health*

**General Revenue (after vetoes): \$688.0 million**

**Amount withheld: \$4.8 million**

- \$352,400 by reducing staff by 12 FTEs
- Savings are achieved by a 1 percent reduction in supplies and training in residential care centers, as well as reductions in purchase of community services in habilitation centers

- \$333,700 by reducing staff training (by about half of the budgeted line item)

### *Department of Health & Senior Services*

**General Revenue (after vetoes): \$249.3 million**

**Amount withheld: \$3.9 million**

- \$239,900 by eliminating 13 FTEs in the Division of Community and Public Health
- \$307,900 by reducing core public health functions by 3.4 percent
- \$25,200 by eliminating 9.5 FTEs in the Division of Senior and Disability Services (the rest of the salary for these positions is from federal money)
- \$451,500 by eliminating 24 FTEs in the Division of Regulation and Licensure
- \$378,600 by reducing contracts with Area Agencies on Aging by 3.4 percent
- \$1.7 million by reducing the In Home Services Program (This reduction still provides the same amount of money spent in FY09, \$6.7 million)

### *Department of Social Services*

**General Revenue (after vetoes): \$2.1billion**

**Amount withheld: \$16.3 million**

- \$116,900 by reducing the budget for legal services expense and equipment by about 70 percent
- \$2.3 million by maintaining a hiring freeze until November/December for Income Maintenance staff
- \$59,000 by reducing mentoring services for youth at risk of entering the child welfare or juvenile justice system. The existing mentoring program is cut by 5 percent. A new program for adolescent boys is cut by about 10 percent.
- \$171,600 by eliminating 5 FTEs in Children's Division administration
- \$492,400 by eliminating 20 FTEs in Children's Division field staff
- \$246,600 by reducing child abuse prevention programs
- \$1.2 million by reducing the Voluntary Placement program to prevent parents from having to place children in state custody in order for the children to get the mental health services they need
- \$15,000 by reducing contracts with adoption resource centers to provide support services for adoptive families
- \$8.6 million by reducing General Revenue used to purchase subsidized child care. Federal stimulus funds will replace \$4.7 million of this, and other federal funds for child care were increased by \$3.1 million. There is a \$751,000 reduction in programs that support improving the quality of early care providers.
- \$654,000 by reducing juvenile justice treatment programs

## **Conclusion**

The August withholding will likely erode some of the Departments' ability to efficiently and effectively fulfill their mission. This is especially true in the Department of Health & Senior Services mandate to assure public health and safety, and the Department of Revenue's role in providing quality customer service and in collecting revenue. Government inefficiency could be an unintended consequence of the cuts.

Making small reductions broadly across budget line items (as was done in the Department of Corrections and the Department of Mental Health) could also have a negative impact. This approach to budgeting does not allow for clear assessment of priorities, and indiscriminately reduces services and the staff needed to provide quality services.

If the economy doesn't improve, it is possible that additional rounds of cuts will be needed later in the year. Missouri had a bare bones budget even before the economic downturn began. Securing adequate revenue for basic infrastructure, transportation, education at all levels, health care, mental health services, services for children who are abused and neglected, services for seniors and individuals with a disability, and services such as subsidized child care to support low income parents who are trying to support their families will be even more challenging in the next fiscal years.

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