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FY 2012 Budget Approved with Additional Spending Reductions

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On June 10, 2011, Governor Nixon approved Missouri's Fiscal Year 2012 budget, which begins on July 1, 2011. With this approval, the Governor reduced the budget that had been approved by the General Assembly by an additional \$172 million in restrictions, or "withholds." These reductions in funding are in addition to approximately \$800 million in funding reductions that were made in the previous year's budget that in large part became permanent reductions in the FY 2012 budget.¹

In addition to the \$172 million in spending restrictions, the Governor vetoed \$30,000.² While the Governor cannot add money to any line item, he may veto all or a portion of a line item. It is notable that the Governor made the bulk of the additional cuts via spending restrictions, rather than through his veto authority. As restrictions (withholds) the spending could later be restored if revenues become available.

For the most part, the Governor's June spending restrictions were to areas of the budget that the General Assembly had provided increased funds to when compared with FY 2011.

Several Factors Adversely Impact State Revenue, Resulting in Cuts

The FY 2012 budget, as approved by the General Assembly in May, was based upon an anticipated 4 percent growth in revenues during that fiscal year (as compared to the current year).³ The economic assumptions that underlie that projected growth rate have not changed. However several other factors have coalesced and will reduce anticipated state revenue, requiring the Governor's announced budget reductions. These factors include:

- The estimated \$50 million in increased costs associated with the recovery efforts necessitated by the multiple natural disasters that hit Missouri this spring;
- The Legislature did not reach agreement on the proposed Tax Amnesty and Tax Credit reform measures that were expected to generate \$24.5 million for the FY 2012 budget; and
- The elimination of the corporate franchise tax over five years. The phase out of the tax, which had been assessed on companies with assets of more than \$10 million, is expected to reduce state revenue by \$25 million in FY 2012 and by \$87 million per year when fully phased in.⁴

¹ Office of Administration

² <http://oa.mo.gov/bp/pdf/files/FY2012ExpenditureRestrictionLineItemVeto.pdf>, downloaded June 15, 2011. The vetoed fund would have reimbursed Boone County for costs related to civil detention and legal fees, but Boone County is not statutorily authorized for this reimbursement.

³ Office of Administration, <http://oa.mo.gov/bp/pdf/files/2012presspacket.pdf>, downloaded June 15, 2011.

⁴ IBID #1

The Bottom Line for the FY2012 Budget

With the most recent reductions that have been included in the FY 2012 budget, the shrinking of state investments in services becomes more apparent. Overall, the FY 2012 budget as approved contains \$23.3 billion in state and federal funding. The amount is \$500 million below the FY 2011 budget of \$23.8 billion. In fact, declines in available state general revenue have been so steep over the most recent fiscal crisis that the Missouri Budget Project projects that state general revenue will not return to its FY 2008, pre-recession levels, until FY 2016.⁵

The following summarizes the major components of the recently approved FY 2012 budget.⁶ In large part, the FY 2012 budget makes permanent the cuts that were made in the previous fiscal year.⁷

Areas Where Funding Was Kept at FY 2011 Level

- The Foundation Formula, which funds K-12 schools, received flat funding for the second year in a row (Funding is now more than \$200 million below the amount required in law)
- Area Agencies on Aging (Governor withheld a \$900,000 increase made by legislature)
- Domestic Violence grants (Governor withheld a \$700,000 increase made by legislature)
- Crisis Care services (Governor withheld a \$800,000 increase made by legislature)
- Family Reunification contract (Governor withheld a \$1.6 million increase made by legislature)
- Child care subsidies (Funded at FY 2011 level by the legislature)
- Judiciary (Governor withheld a \$6 million increase made by legislature)
- MOREnet (Governor withheld \$50,000, eliminating all funding)
- Office of Child Advocate (Governor withheld a \$100,000 increase made by legislature)
- Mediation for child support cases (Governor withheld a \$100,000 increase made by legislature)
- “Expense and equipment,” professional development, and travel costs were reduced, including a 10 percent reduction for in-state travel costs for state employees, mileage reimbursement reduction to 37 cents per mile and out of state travel costs reduced by 20 percent.

Areas Where Funding Was Increased over FY 2011 Level

- School bus transportation (Total funding of \$99.8 million, an increase of 21 percent after the Governor’s restriction of \$8 million)
- Parents as Teachers (Total funding of \$14 million, an increase of \$1 million after following a \$2.05 million restriction)
- Bright Flight scholarship (Total funding of \$12.3 million, an increase of \$1 million after a \$2.0 million restriction)
- Access Missouri Scholarship (Total funding of \$16.9 million, an increase of \$1 million after a \$1.0 million withhold)
- Pharmacy program partnership between Missouri State University and UMKC (This new program received funding of \$2 million)
- Animal Care Facilities Act (This new legislation received \$1.1 million for implementation)
- Partial restoration of cuts for providers of services to individuals with a developmental disability (Total funding of \$172.7 million, an increase of \$3.2 million)

⁵ See “Missouri General Revenue Collections Still in Deep Hole”, January 2011, available at www.mobudget.org

⁶ <http://oa.mo.gov/bp/pdf/FY2012ExpenditureRestrictionLineItemVetoes.pdf>, downloaded June 15, 2011.

⁷ Additional analyses of the impact of FY2011 budget cuts can be found on the Missouri Budget web site: “20 Ways in 20 Days” http://www.mobudget.org/files/20_Ways_in_20_Days.pdf and “FY2011 belt tightening has broad and deep impact.” (http://www.mobudget.org/files/FY_2011_cuts_summary.pdf)

Areas Where Funding Was Decreased from FY 2011 Level

- Four year higher education institutions (The Governor withheld \$14.9 million, resulting in total funding of \$641 million, an average decrease of 7 percent for each institution)
- Community colleges (The Governor withheld \$1.9 million, resulting in total funding of \$127.6 million, an average decrease of 7 percent)
- Area Health Education Centers (The Governor's withhold of \$400,000 results in the elimination of all funding)
- Eliminated funding for the arts, public TV and radio (cut made by legislature)
- General Assembly (The Governor withheld \$800,000 resulting in total funding of \$31.8 million, a decrease of 4.6 percent)
- Fifty percent cut to Missouri Housing Development Corporation Housing Assistance (cut made by legislature, resulting in total funding of \$2.25 million).