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Response to “State of the State” Address: Missouri Still Lags in Funding for Critical Services Despite Improving Economy

Although Missouri’s economy is improving, gaping holes remain in funding for services of greatest importance to citizens, according to the Missouri Budget Project, a statewide fiscal analysis organization. “Governor Blunt’s State of the State address last night may have left the impression that we are out of the woods but we have a long way to go in providing the services most Missourians deeply care about,” said Amy Blouin, executive director.

“During Missouri’s fiscal crisis beginning in 2001, nearly \$2 billion of cuts were made to vital services, most notably healthcare and education. It is imperative that we restore funding to these critical services and this can be done without raising taxes on our hard-working families,” Blouin said.

Missouri does not have a spending problem as the Governor contends. “The real problem is that the state reduced its revenue during the economic prosperity of the 1990s. Due to 14 state tax cuts and 21 new state credits, Missouri lost nearly \$1 billion in revenue annually,” Blouin said.

“As a result, the state remains well below 2001 funding levels for education and we have added nearly 250,000 Missourians to the ranks of the uninsured in the last five years. Nine out of ten people who were cut from Medicaid in 2005 are working parents and Missouri has the distinction of making the deepest cuts in the nation to parents whose income is well below the poverty level,” Blouin said. “A statewide poll this summer showed that 78 percent of Missourians oppose the Medicaid cuts.”

“The Governor purports to have protected kids. Recent figures show that the cost increases passed by last year's legislature for families whose children receive health care through the state's Children's Health Insurance Program have resulted in nearly 18,000 children losing health care. Their families simply cannot pay the increased cost,” Blouin said.

The growth in state revenues for Fiscal Year 2006 (ending June 30) is projected to result in a \$245 million surplus. “Missourians should be calling on legislators to use these funds to restore health coverage to our working families, the elderly and those with disabilities,” Blouin said.

The Governor requested a \$1 million allocation for anti-smoking programs. The Centers for Disease Control recommends that Missouri spend a minimum of about \$33 million. The state is projected to receive nearly \$150 million in Fiscal Year 2007 from the tobacco Master Settlement Agreement. “A one-million expenditure on a statewide anti-

smoking program is clearly insufficient to be effective, particularly when funding for this purpose is readily available,” Blouin said.

An issue the Governor did not include in his address is the state’s support for granting \$50 million in tax credits to the Kansas City Chiefs and Royals professional sports teams. “Should this be approved by the Missouri Development Finance Board, it would almost certainly begin to affect the state’s general revenue fund next year (Fiscal Year 2007). The tax credits would be approved outside of the legislative process and would take much needed funds from vital services that strengthen Missouri, such as education and healthcare,” says Tom Kruckemeyer, chief economist for the MBP.

Education was a focus of the Governor’s address. While he is proposing a 2 percent increase in higher education funding, Missouri will still be well below 2001 funding levels. In the last five years, tuition increases have averaged about 58% as a result of the cuts to higher education. The proposed increase is not likely to cover the inflationary costs for higher education this year and another tuition increase is projected for the University of Missouri system.

“Missouri’s colleges and universities are increasingly unaffordable for middle income families. Yet higher education is critical to ensuring Missouri’s economic development,” Blouin said.

While the Governor has proposed a \$167 million increase in K-12 funding, Missouri is approximately \$791 million under the level that is constitutionally required. “The School Funding Formula passed last year by the legislature requires new funding to be phased in over a 7- year period. At the end of that time, K-12 will be funded at the

level that is required this year. As a result, 250 school districts throughout Missouri are suing the state for inadequately funding education,” Blouin said.

While the governor cited Missouri as having created 28,000 jobs since January 2005, the Bureau of Labor Statistics figure show a 2,718 increase in total employment when comparing November 2004 with November 2005. “The total employment measure is a more comprehensive way of gauging job growth,” said Kruckemeyer said.

Missouri’s unemployment rate was 5.6% in November. “This puts us at the bottom nationally with only 9 states having a higher unemployment rate,” Kruckemeyer said.

The Missouri Budget Project is a statewide, nonprofit, nonpartisan fiscal analysis organization that informs the public on Missouri’s budgetary and tax policy options...and their impact on low and middle income citizens. More information is available at www.mobudget.org