



## **Missouri Must Repair Storm Damage Before Adding to Rainy Day Fund**

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*Following is a response to an editorial published June 26, 2006 in the Joplin Globe addressing Missouri's Budget Reserve—or "rainy day"—Fund.*

Putting money away for a "rainy day" is a good idea...for families and for the state of Missouri. We agree with Joe Hadsall (Saving money broken promise for legislators) that we must make Missouri's "rainy day" fund more accessible.

Currently, the Governor must declare an emergency and two-thirds of the members of the Legislature must consent to using the Budget Reserve Fund. Monies must be repaid with interest over no more than three years.

When state general revenue collections fell 2.8 and 4.6 percent for Fiscal Years 2002 and 2003 respectively, the Governor and many legislators called for using the Budget Reserve Fund but were unable to gain the necessary legislative approval.

During the economic downturn the early 2000's, the state cut \$1.4 billion in education, health care, public safety and other services benefiting Missourians.

As of May 31, 2006, the Budget Reserve Fund contained \$491.2 million—a substantial sum. Yet, Mr. Hadsall asks why we aren't saving for the next economic

downturn which he says may come in the next 20 years. Our first priority should be to undo the harm of cuts made during the bleak economic period after 9/11.

Fortunately, the need to dip into the reserve fund is not as critical today as it was in 2002 and 2003. Missouri is enjoying an economic recovery; the state is projected to have excess revenue of more than \$300 million for fiscal year 2006 which ends June 30. Now is the time to strengthen services that benefit all Missourians. Economic development is driven by the state's quality of education, health care and infrastructure such as transportation and public safety. Corporations choose to locate in states that invest in these services.

While there were some funding increases in the 2006 session, we have a long way to go. K-12 education is about \$800 million below full funding of the current formula, according to education experts. Funding for higher education is still below the level in 2002.

Nearly 250,000 low-income parents, children, the elderly and those with disabilities lost access to health care since 2001. Missouri made the most severe Medicaid cuts to *working* parents of any state in the nation in 2005, causing 68,000 very low income parents to lose their access to health care.

In 2006 the Legislature failed to restore health care services to the vast majority of the 90,000 low-income Missourians who were cut the previous year.

Missouri must meet its fiscal responsibility by directing the necessary resources for vital services that make our state strong. Investing in the health and education of Missouri's citizens is a wise use of revenue that yields a high return.

Many of us don't realize how Missouri compares to other states in taxes and spending. We are a low-tax state that shortchanges our citizens in a number of important areas. Consider this: a higher percent of Missourians lack reasonable access to primary health care than 47 other states; 39 states spend more than Missouri on K-12 and higher education; 48 other states provide higher funding for childcare providers.

In addition to investing less in services than most other states, Missouri ranks low on all taxes. Missouri's total federal, state and local taxes are lower than 37 other states. Missourians pay lower state and local taxes as a percent of their income than 42 other states. Missouri has the lowest corporate income tax of the 46 states that assess this tax. And, we have a number of tax loopholes that most other states have closed. These cost Missouri millions in revenue every year.

Missouri's tax structure is especially hard on low-income families, taxing them at a higher rate than in 35 other states.

We agree with Mr. Hadsall that changes should be made so that the Rainy Day Fund is easier to use. But before we stuff additional dollars to the \$500 million already under the state's mattress, we need to make sure that the services so vital to a thriving economy are adequately funded. That's the pivotal challenge and it requires that we work together to find a solution.

*The Missouri Budget Project is a statewide nonprofit nonpartisan fiscal analysis organization that informs the public about the state's budgetary and fiscal policy and its impact on moderate and low-income Missourians.*