The Missouri Budget Project
Shaping Policy... Creating Opportunities

Senate Bill 26 Harms Early Learning, K-12 and Higher Education

1. The extreme tax cut will require dramatic cuts to state services, beginning with the fiscal year 2014 budget currently being debated in the Missouri legislature. The proposed tax cut will severely undermine Missouri's ability to invest in core public services like education, health, public safety and infrastructure that promote our quality of life and make the state attractive for business investment.

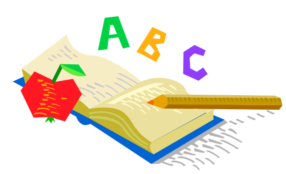
2. **When fully implemented, the tax cut will require Missouri to cut $960 million from the state's general revenue budget** – the equivalent of 32 percent of current state funding for local K-12 school districts and more than $100 million more than the amount of funding Missouri provided to all of its four and two year public colleges in the current fiscal year.

3. Missouri still hasn't recovered from the recent economic recession. After multiple years of budget reductions, state funding for local school districts is already $620 million below the required funding level as determined by the foundation formula. **The tax cuts will ensure that Missouri can never fully fund its schools and will likely result in further cuts to state support for local schools.**

4. Missouri's public four year colleges and universities and community colleges are already $292 million below the level of funding received in FY 2001 when adjusted for inflation. As a result, tuition for Missouri's four-year institutions has nearly doubled in the last decade. **The tax cut will require additional steep tuition increases** to make up for likely further reductions in funding for higher education, making a college education less affordable for families and compromising access to quality higher education for Missourians.

5. A tax cut of this magnitude will ensure that Missouri is never able to adequately fund education, **child care assistance, or the array of supports that improve educational attainment, such as preschool enhancements and Parents as Teachers.**

6. **The damage could last for generations.** Because the Missouri Legislature is largely restricted from increasing taxes under the Hancock Amendment in the State Constitution, **the tax changes can't be overturned by lawmakers once implemented. In other words, even if lawmakers realize they made a mistake, they will not be able to fix it.**



7. **Tax cuts will harm Missouri's creditworthiness.** Recently Moody's Investor Services downgraded Kansas' credit outlook. In their statement, Moody's said, "Although subject to appeal, this ruling is credit negative for Kansas (Aa1 negative) and underscores challenges the state faces as it tries to offset revenue losses from the income tax cuts it enacted last year." **As a result, the proposal could severely limit bonding capacity to invest in local schools.**

8. Decreases in state funding for services will increase pressure on localities to make up the difference, likely through much higher property taxes. **States without an income tax have property taxes that are 8 percent to 12 percent above the national average** and sales taxes 18 percent to 21 percent above the national average.