

Week of 1-26

For the past couple of weeks in this column we have been examining the state budget crunch. In the first week, we examined how the boom years of the 1990s brought huge increases in state expenditures, especially on schools. Last week, we discussed how the economic downturn has suppressed government revenues. This week we will look at the impact on the recovering economy on Missouri's state budget and the limits on raising Missouri state taxes.

The American economy is indeed surging. Missouri's economy is getting better as well. That has meant that Missouri taxpayers are paying more in taxes to the state government. However, due in no small part to federal tax cuts and due to the huge capital loss carry-forward tax rule, Missouri revenues have not and will not for the next 12 months bounce back as smartly as the economy as a whole. Also, in order to avoid even more severe cuts in last year's budget, the legislature used \$500 million in one-time funds that will not be available in this budget year. The net result is harsh: Missouri will either have to cut an additional \$400-500 million from its budget, increase revenue (by raising fees or taxes), or do a combination of the two. Thus, Missouri school leaders fear a second year of cutting and warn that another year of cuts will lead to layoffs and program reductions. I believe them. They have managed the first year of cutting relatively well, but a second year would be even more painful. Over 80% of a school's budget is spent on personnel.

School leaders and others who receive state government monies strongly support raising taxes as the way to respond to declining government revenues. This is also the approach that Governor Holden has urged. Most Missourians are not aware that the Constitution of our state forbids the legislature from raising taxes more than \$75 million without a vote of the people. With budget shortfalls of over \$500 million, the legislature does not have the power to raise taxes enough to offset the loss in revenue. And, the only tax increases that would have produced enough money to overcome this sizable shortfall was either a sales or an across the board income tax increase. Even a doubling of the corporate income tax, which would have walloped struggling Missouri businesses, would not have replaced half of the shortfall.

In the midst of an economic downturn, when companies are downsizing and individuals are struggling financially, there is little statewide public support for a tax increase. In fact, just a few months back, a group that was working on putting a tax increase on the ballot for schools and hospitals decided not to go forward because of a lack of public support. Missourians have rejected the five previous attempts to raise taxes, including a cigarette and a gas tax for our crumbling roads.

Although state tax increase proposals have failed, local property tax levy increases have been approved by folks in eastern Jackson County. Why would people reject state taxes and embrace local taxes? I believe that people in our community have voted for property tax increases because they are confident that the money is going directly to their schools, of which they are proud. However, I think people have a sense that if they send more money to Jefferson City to be run through the convoluted school finance formula and distributed throughout the state that their local school will not get that money back. I think they are right. That is one big reason why I have opposed a sales tax or income tax increase.

Next week, I will discuss my plan for relieving the pressure on our schools.

If you have comments or questions about this week's column or any other matter involving state government, please do not hesitate to contact me. You can reach my office by e-mail at matt_bartle@senate.mo.us. Also, you can read any of the bills I file on my website at: <http://www.senate.state.mo.us/04info/members/mem08.htm>). Thank you again for making it possible for me to serve in the Missouri Senate.