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Avoiding a Budget Crisis for Missouri

This has not been a good week for the economy. Talk of bank failures, mortgage scandals, credit freezes and proposed multibillion dollar taxpayer-funded bailouts has filled the headlines.

While the decision on the bailout that has dominated the news in recent days is being made in the United States Congress in Washington, not by the State Legislature in Jefferson City where I serve, good financial practices are something that Missouri must begin to follow in order to help avoid the kind of mess we see unfolding on Wall Street — thanks in large part to ill-advised financial policies coming out of Washington.

Some of our sister states are starting to feel the effects of living outside their means, and are now reaping the results in the form of budgets that are seriously out of balance. Fortunately, the Missouri Constitution prohibits passing a state budget that is not balanced each year, so it falls to the Legislature to ensure that our spending does not exceed our revenue.

During the 2008 legislative session, I proposed the creation of the [Missouri Savings Account](#), a plan I will reintroduce in 2009. This constitutional amendment, if approved by the people, would put away 2 percent of the general revenue budget each year in a savings account. During times of budget shortfalls or forecasts of decreases in revenue for the upcoming year, the General Assembly would be able to take one-third of the fund and use it for the budget. This savings account will give us the money we need to make it through the tough times and will also remove the excuse, which may be used by some legislators, that lean budget years are a reason to raise taxes.

Unfortunately, our state may be facing some economic challenges of our own down the road. In the past few years, our economy has been strong and state revenues have been up. For fiscal year 2008, revenues grew 3.7 percent, slightly above the forecast. But recently, some troubling numbers have surfaced. A new report shows that at the end of September, revenues were down .89 percent from last year — although it was forecasted that state revenues would actually be up 3.4 percent. Some fear that Missouri may very well see another budget crunch in the near future.

We know that the economy is cyclical and that budgets ebb and flow. However, it is important that we learn from history and avoid a situation such as the one we faced just a few years back when serious cuts had to be made in order to keep the state budget from spinning out of control. It is the tendency of government to spend more money when times are good, without planning for a rainy day. By adopting a savings plan, the Legislature will be forced to adopt a more sound fiscal policy and spend tax dollars more efficiently.

If you have any 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.gov or by phone at (888) 711-9278. My web address is <http://www.senate.mo.gov/bartle>.

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