

Week of October 26, 2009



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## State Budget Focus of 2010 Session

With the 2010 legislative session fast-approaching, the budget has been weighing heavily on the minds of lawmakers—namely, how will the less-than-projected revenues impact the programs and services the state offers to its citizens and what can we do to minimize that impact? Likely the budget crisis will result in some tough decisions that have been on hold for the last year or two so we can ensure the future prosperity of Missouri and avoid inflicting any long-term damage to the state's economy.

As a member of the Senate Appropriations Committee, it is especially clear to me that the Legislature's role in the state's budget process never ends. Even before the next session begins, we are paying close attention to the budget so we know what we will have to work with when the time comes to develop a spending plan. Appropriations Committee hearings begin Dec. 7, which is when state agencies will be given the opportunity to discuss their budget requirements for the coming year. Given the circumstances, it is more important than ever that we exercise the financial responsibility and restraint that has allowed Missouri to weather the recession better than some of our neighboring states. Difficult budget decisions are inevitable and with taxpayers' dollars at stake, we must take great care not to spend recklessly or above our means. Unfortunately our means are well below what we projected back when we created the FY 2010 budget.

The FY 2010 budget was originally based on a 1 percent growth rate, but the latest numbers put us approximately at a negative 10 percent growth rate as compared to the same time last year—a number that will require us to make cuts somewhere. These cuts will be in addition to the cuts the governor already made to the budget. He vetoed \$105 million and is suspending \$325 million. This, too, is with the addition of federal stimulus dollars. Without this extra money, we would be in a much worse position—though on the other side of the coin, we would have already made the tough decisions and would have a better grasp on where we stand financially. And just this week, the governor announced another \$204 million in cuts,

including eliminating 200 full-time and 493 part-time state positions.

Even worse, the governor's now \$634 million in cuts and withholdings is not enough. This month, the state again tapped into the budget reserve fund—to the tune of \$150 million—to help pay bills and the salaries of government workers, primarily teachers. This recent withdrawal from the fund brings this fiscal year's total borrowing to \$325 million, leaving about \$170 million left to last through June 30, 2010 (the end of the fiscal year). Missouri law requires the state to re-pay the money by May 15, 2010.

The repercussions of the budget crisis can be felt everywhere. In addition to the most recent job cuts, an additional 1,500 state jobs were eliminated this year by the governor to save money. Despite these preemptive cuts and withholdings, 2010 could still be a time of reckoning as the Legislature tries to balance the budget and will more than likely be forced to make additional cuts. Lawmakers must balance what we need with what we can afford. However, we will not raise taxes to compensate for the shortfall.

It is important to understand that the economy is cyclical, and while there is certainly enough bad news to go around, there are signs that things are turning around. Recently it was reported that the national GDP (gross domestic product) had a lower-than-expected rate of decline for the second quarter, and for the just-ending third quarter, economists are predicting the number will once again be back in positive territory.

The economy will eventually correct itself, but in the meantime, state government must be fiscally responsible and conservative in our spending estimates. We are at a crossroads, and it is imperative we make the right choices for the sake of Missouri's future.

To listen to me discuss the upcoming budget year, please visit my multimedia website at [www.senate.mo.gov/Audio/Pearce/Multimedia-2009.html](http://www.senate.mo.gov/Audio/Pearce/Multimedia-2009.html). The site features podcasts and audio and video links for visitors to listen to and watch that address issues important to our community.

As always, please feel free to contact me or my staff with any questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

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