

Week of April 5, 2010



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The Budget Process

Last week the Senate Appropriations Committee began work on the fiscal year 2011 budget, which was passed by the House and sent to the Senate at the end of March. As a member of the committee, I am committed to working with my colleagues to pass a balanced budget by the May 7 constitutional deadline that makes the best use of every taxpayer dollar. Still, this task will not be an easy one, and painful cuts will unfortunately be necessary.

In the midst of our budget work last week, the state released its March 2010 general revenue report. Unfortunately, the news goes from bad to worse, as we now know that 2010 fiscal year-to-date general revenue is down 13.3 percent compared to this time last year—from \$5.4 billion in collections last year to \$4.7 billion this year.

For the current FY 2010, which ends June 30, state budget officials estimate that net general revenue collections will ultimately decline to \$6.73 billion—a \$700 million decrease from FY 2009 collections and the largest in state history. Sharp revenue declines have forced the governor to cut more than \$850 million from the current budget. For the budget we are now working on (FY 2011), we are preparing to cut approximately \$500 million from the governor's original budget proposal, which he presented just a few months ago during his State of the State address. As you can see, it's nearly impossible to predict where we will be in terms of revenue in these uncertain times, which makes creating a balanced budget a very difficult task. Still, one of the most important duties—and only constitutionally required task—of the Legislature each session is to allocate money for state programs, projects and services for the coming fiscal year.

I've said many times that budget cuts will be necessary for the Legislature to submit a balanced budget to the governor by the deadline, because unlike the federal government, we are not able to deficit-spend. And for most lawmakers, raising taxes on Missourians is not an option. With that said, the budget process is very long and complicated, and requires a lot of compromise. Also, what may be cut at one point during the course of creating a spending plan may not ultimately reflect what is in the budget package that crosses the governor's desk in

May. This can sometimes create some confusion as to what is being cut at any given time. Here is a brief overview of how a budget is created every year:

- The governor submits his budget recommendations to the Legislature early in the calendar year.
- The Senate Appropriations Committee and House Budget Committee separately hear testimony from various state departments and agencies, as well as the public. Each committee takes this information under consideration, in addition to the governor's budget proposal, as these committees begin to create their respective state spending plans.
- The budget is divided into several bills according to state departments, which originate in the House Budget Committee. They must first be passed by that committee, and then by the House as a whole, before moving to the Senate.
- Once budget bills reach the Senate, they are sent to the Senate Appropriations Committee, which then reviews the House's budget plan and develops its own version of the bills based on the committee's collected testimony and other information (this is where we are currently at in the process). The bills must be passed by the committee before moving to the full Senate for debate.
- The Senate must pass the budget bills, which then return to the House for approval; however, because the Senate typically makes changes to the House's budget, both chambers must work out their differences. This happens in a conference committee, which consists of five members from both the House and Senate.
- Compromises are made, and then the bills return to each chamber for one final vote.
- Finally, the budget is sent to the governor. The governor does have the power to veto line-items in the budget. A two-thirds vote by both legislative chambers is required to override a governor's veto.

The budget process is time-consuming and complex, but it requires that taxpayer dollars be treated with care. This year may be particularly challenging, but as we work on finalizing a budget over the next few weeks, we must maintain our commitment to Missourians to exercise fiscal restraint in these tough times.

I know many of you are troubled by the state's budget situation, so please do not hesitate to contact my office with your 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.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senatorial District.

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