

For Immediate Release  
April 1, 2010

# SHARING A VIEW OF THE STATE

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Issues and Comments – 33<sup>rd</sup> Senatorial District

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*Senator*

***Chuck Purgason***

## **Hope is Not a Plan**

"The principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale."

- Thomas Jefferson, letter to John Taylor, May 28, 1816

The Missouri Senate Appropriations Committee is now working on our version of what will be the budget for the State of Missouri in Fiscal Year 2011. The House passed their version of the state budget for the next fiscal year beginning June 1, 2010, last week.

Unfortunately, the House passed a budget that contains \$300,000,000 of Federal FMAP money that has not come to the state (and it is questionable that it will come this year or at all). This puts the Senate Appropriations Committee in the position of having to reduce our state budget around \$500,000,000 in order for us to reach a balanced budget. The challenges for the next budget year and the year beyond continue to pile on.

While the talk of large numbers and lots of zeroes can be somewhat arcane and "inside baseball," this does affect each of us - after all it is our money. So bear with me in this update.

I am sure readers of this column know that most of my writings are on the budget issues. Although sometimes boring, it is the most important thing that the state legislature does and it's a very tough thing to do when we are in partnership with a federal government that has no concept of the laws of economics and passing balance budgets.

This year Governor Nixon proposed a budget totaling \$23,857,795,551. Included in that budget is \$900,000,000 of one-time, federal dependency money that is being used to pay for ongoing operating expenses of state government. Also included in his budget proposal is \$300,000,000 of federal dependency money that is "promised" by the federal government, but has not yet been approved by Congress - we may or may not receive these funds.

Dependence on both of these revenue sources is problematic at best and, at worst, disastrous in future years. The General Assembly needs to reduce the Governor's recommended budget by at least \$650,000,000 to \$750,000,000 to begin fixing the structural imbalance of dependence on one-time revenues from the federal government that end this year.

Since the agreement on the consensus revenue estimate in January, we have learned that revenue collections are continuing to decline with year-to-date revenue collections as of February being down 12.7%. This is about \$610,000,000 less than what was expected in order to meet the budget.

Governor Nixon has responded to these declining revenues by withholding more money from the existing budget. He is asking the legislature to revise downward his recommended budget for the next fiscal year by removing the \$300,000,000 that has not been approved by Congress and reducing the general revenue estimate by \$200,000,000 to correct an overly-optimistic consensus revenue estimate - both prudent recommendations. These suggested reductions to the Governor's recommended budget total \$500,000,000.

Unfortunately, the House only reduced the budget by about \$225,000,000 and included the \$300,000,000 of "maybe" money.

These recommended steps, and more, are necessary to resolve the structural imbalance that currently exists in the state budget. The over reliance on one-time, federal dependency money has put our state budget at risk in the coming years.

This \$1,200,000,000 of one-time, federal dependency money will not be available in the next budget year, meaning that the fiscal year 2012 budget will start with a \$1,200,000,000 hole. The necessary cuts that will have to be made next year will be unlike anything we have seen in recent years, even topping the cuts that were made in fiscal years 2003, 2004, and 2005.

The significance of the shortfall in revenue that we face this year and next cannot be underestimated. This is the time when the Governor, the House, and the Senate must work together to fix the structural problems in our state budget. This will require very difficult decisions, courage, and realism - it is not a time for gamesmanship and politicizing.

The recently released unemployment numbers continue to suggest a national unemployment rate of 9.7% with Missouri's unemployment rate holding at 9.4%. These rates are not expected to change in the near term. Without more people becoming employed, we cannot reasonably expect income tax and sales tax collections to turn upward to fill the hole created by the one-time revenue sources.

The Missouri Senate must now contend with an unbalanced budget. We can no longer hope that better times will come. State government must live within its means just like the rest of us.

Unlike Congress, we must have a balanced budget. The state of Missouri can't print money to satisfy unrestrained and politically-motivated spending habits - even in an election year. We can either jump off of a ten-foot cliff today or choose to jump off of a hundred-foot cliff tomorrow.

This is the time to make difficult decisions. Having hope in a greater, more prosperous future is great motivator - I have that hope myself, but hope is not a plan.

As always, I appreciate hearing your comments, opinions and concerns. I can be reached in Jefferson City at (573)751-1882, e-mail to [chuck.purgason@senate.mo.gov](mailto:chuck.purgason@senate.mo.gov) or by regular mail at 201 West Capitol Avenue, Room 420, Jefferson City, MO 65101.

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