St. Louis Post-Dispatch (Missouri)

April 27, 2004 Tuesday Five Star Late Lift Edition Correction Appended

THE BFSTPLK ECONOMY

SECTION: EDITORIAL; Pg. B6

LENGTH: 572 words

MISSOURI BUDGET
TWO YEARS AGO, we suggested here that Gov. Bob Holden was Missouri's answer to Joe Bfstplk, the guy in the old "L'il Abner" comic strip who walked around with a rain cloud over his head.

For more than three years now, Mr. Holden has had Bfstplkian luck with the state economy. He took office in January 2001, just as the national economy was heading into the tank. He had to order cutbacks and withhold money for three straight budget years.

This past January, Mr. Holden sent over another tough set of budget numbers for the 2005 budget year, along with a proposal for a $700 million tax increase. It now turns out things weren't nearly so bad as the governor had forecast.

As Virginia Young of the Post-Dispatch reported Monday, the billion-dollar budgetary "train wreck" everyone in Jefferson City was worried about didn't happen. The House and Senate are working on measures that would give state workers raises, increase funding for schools and -- at least in the Senate -- avoid deep cuts in Medicaid.

This year is not like the booming 1990s, but it's far less gloomy than the past three years. Mr. Holden had predicted a 1 percent drop in state revenues. Instead, they increased 5.2 percent in the first three quarters of the fiscal year. For Gov. Bfstplk, it's like a countrysong: "Even when things go right, I go wrong."

What went right?

"Usually, the governor's Office of Administration takes the CBO (Congressional Budget Office) forecast for the nation and takes 2 percent of it, and that becomes the Missouri forecast," said Ed Robb, an economist and former head of the Economic and Policy Analysis Center at the University of Missouri at Columbia.

Among the 50 states, Missouri is startlingly average, Mr. Robb said, accounting for 1/50th of most revenue projections -- "as long as you're not talking banana production."

Normally, Mr. Robb said, the Legislature goes along with the governor's projections. But with the economy starting to turn around and the full effect of the Bush administration's tax cuts kicking in, opinions varied about what the state's revenue picture would be.

Joe Haslag, Mr. Robb's successor at the Economic and Policy Analysis Center, forecast 3.8 percent growth in the first nine months of the budget year. The governor's staff couldn't believe the news would be that good. In fact, it was better. "Bearden's guy really nailed it," said Mr. Haslag.

"Bearden's guy" would be economist Jim Coons of Columbus, Ohio, hired by House Appropriations Committee Chairman Carl Bearden of St. Charles to bolster his argument that the state didn't need a tax increase because the economy was turning around.

"We built some statistical forecasting equations for tax revenue and different measures of economic activity for 8 of 10 different components of tax revenue," Mr. Coons said. "We then used some assumptions of where the state economy is going to go."

Mr. Coons predicted 5.2 percent growth in the first three quarters of the 2004 budget year, precisely on target and enough to cover Mr. Bearden 's stingy budget goals.

We would still argue with Mr. Bearden that Missouri needs a tax increase -- on cigarettes and casino revenues in particular -- to offset previous cuts to education, colleges and the social services safety net. But we bow to his choice of economic forecasters. And no, Mr. Coons said, he hasn't yet made his Kentucky Derby pick.