

Missouri Budget Project E-News
State and Federal Policy Update
January 21, 2011

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State Issues

1. **Governor Delivers State of the State, Outlines Budget Recommendations**

The Governor outlined his budget recommendations in his annual State of the State address, which he delivered on Wednesday, January 19th. The fiscal year 2012 budget includes \$704 million in continued reductions to core Missouri services, including education, reductions in mental health and other staff positions, and additional budget balancing actions. To learn more visit:

<http://www.mobudget.org/files/Summary%20of%20Governors%20Budget%20FY%202012.pdf>

2. **Additional Appropriations Hearings Scheduled for Next Week**

The Senate Appropriations Committee received an initial overview of the Governor's budget request on Thursday, 1/20. The Committee will reconvene next week on the following days to hear more details. All hearings will take place in Senate Committee Room 2.

Monday, 1/24, 12 p.m. (Continued Overview and Statewide Issues)
Tuesday, 1/25, 8 a.m. (Department of Revenue)
Wednesday, 1/26, 8 a.m. (Department of Transportation)

The House Appropriations Committees will hold further meetings next week on the budget:

- **House Appropriations Committee for Health, Mental Health and Social Services** meets Tuesday, 1/25, at 2 p.m. in House Hearing Room 5. The Committee will be taking public testimony. To testify, call 573-751-5458.
- **House Education Appropriations Committee** meets on Wednesday, 1/26, at 2 p.m. in House Hearing Room 1 to receive an overview of the Department of Elementary & Secondary Education budget.

3. **Legislative Action on Revenue Related Bills**

Representative Margo McNeil filed **House Bill 278** this week. The bill would implement the provisions of the streamlined sales tax in Missouri, allowing the state to capture uncollected sales tax revenue. According to the most recent estimate from the University of Tennessee, Missouri will lose \$210 million in state and local revenue in 2012 as a result of its failure to capture sales tax due on e-commerce. This bill is a priority bill for the Missouri Budget Project.

Additional Revenue Related Bills:

Senate Bills 18 and 19 would reduce state revenue through changes to the corporate franchise tax. Sponsored by Senator Schmitt, SB 18 would create a cap on the corporate franchise tax, and SB 19 would eliminate it entirely. The official fiscal notes are not yet available for these bills. The Senate Jobs, Economic Development & Local Government Committee will hear both bills on **Wednesday, 1/26 at 1 p.m.** in the Senate Lounge.

4. **Missouri General Revenue Still in Deep Hole**

Recent reports have highlighted both improvements in Missouri's General Revenue for the current fiscal year and less dire forecasts for shortfalls in fiscal year 2012. While improvements in the state's fiscal condition are welcome, as budget discussions begin it is important to understand those improvements relative to the magnitude of revenue decline over the past three years.

The Missouri Budget Project released a report this week that demonstrates that despite the improved outlook, **Missouri continues to face steep challenges in overcoming the budget crisis.** The following data put the severity of the crisis into context:

- Projections indicate a \$500 - \$700 million shortfall in FY 2012, which could likely result in significant cuts to education and other core state services;
- After adjusting for inflation, Missouri general revenue is 12 percent lower than it was a decade ago;
- Missouri revenue collections relative to the size of the state economy are at their lowest in 25 years; and
- The decline in revenue collections has been so steep that Missouri revenue will not return to what it achieved in FY 2008 until FY 2016, five years from now.

As indicated by the data, without revenue discussions, **the state's budget crisis will continue to result in cuts to core state services over the next several years.** To read the full report, visit:

<http://mobudget.org/files/MO%20Revenue%20Still%20in%20Deep%20Hole%20Jan%202011.pdf>

Federal Issues

1. **U.S. House of Representatives Votes to Repeal Affordable Care Act**

This week, the U.S. House of Representatives voted to repeal the Affordable Care Act. Senate leadership has indicated that they will not vote on the repeal, making the House vote largely symbolic. The Center on Budget and Policy Priorities (CBPP) has posted a podcast entitled "Debunking False Claims About Health Reform's Impact on Jobs and the Deficit," which can be accessed by visiting <http://www.cbpp.org/cms/index.cfm?fa=view&id=3371>.

The CBPP has also addressed what would be lost if the act were repealed. "5 Things We Won't Achieve If Health Care Reform is Repealed," can be found at <http://www.offthechartsblog.org/5-things-we-won%E2%80%99t-achieve-if-health-reform-is-repealed/>.