

Missouri Budget Project E-News
State and Federal Policy Update
January 28, 2011

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State Issues

1. **MO House Establishes Special Committee on Disabilities**

House Speaker Steven Tilley established a Special Committee on Disability Services, to be chaired by Rep. Jeff Grisamore (R-Lee's Summit). The committee will address a wide array of disability-related issues, including physical and developmental disabilities and mental health-related issues. Rep. Grisamore also indicated that the committee will review the Department of Mental Health's proposal to expand mental health first aid in the state. To listen to Rep. Grisamore discuss the formation of the committee, visit:

<http://house.mo.gov/news.aspx?news=true&id=393>

Rep. Jason Holsman (D-Kansas City) was also appointed to chair a new Special Committee on Renewable Energy.

2. **Missouri Budget Project Releases Policy Pulse on Governor's Medicaid Savings Proposal**

Many Missourians have inquired how the Governor would trim \$67 million from Medicaid in FY 2012 without cutting eligibility. To learn more about the sources of the savings, read the latest Policy Pulse by visiting http://mobudget.org/files/Policy%20Pulse%20%201%2028%2011_%20Gov%20Medicaid%20proposals.pdf.

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

Three bills to increase the state's **tobacco tax** have been introduced. As of July 1st, Missouri's cigarette tax became the lowest in the nation. At 17 cents per pack, the tax is not only below the national average of \$1.43, but 90 cents below the \$1.07 average of our primary bordering states, and the 48.5 cents/pack average of the major tobacco producing states. Rep. Mary Still has filed **HB 342** and **HB 343**, and Rep. Jamilah Nasheed filed **HB 181**. HB 342 increases the cigarette tax by \$1.00 per pack upon a vote of the people, and HB 343 increases the cigarette tax by 12.5 cents per year for 8 years until the additional tax reaches \$1. HB 181 increases the tax from 17 to 33 cents per pack. To learn more about the state's tobacco tax and the revenue an increased tax could produce, read the Missouri Budget Project report, "Missouri Hits Bottom: It's Time for Cigarette Tax Reform," by visiting http://www.mobudget.org/files/Cigarette_Tax_9_1_10.pdf.

An additional "fair tax" proposal was introduced by Rep. Chris Kelly this week. **HB 152** would decrease the individual income tax rate, eliminate the corporate income tax, and expand the sales tax to cover services. While the bill modifies broader mega-tax proposals, tweaks cannot fix the underlying problems of the concept. HB 152 and

HJR 8, which proposes a constitutional amendment to eliminate personal and corporate income taxes and broaden and increase the sales tax on products and services, have both been referred to the House Tax Reform Committee. The Senate's version of the constitutional amendment proposal, **SJR 1**, was referred to the Ways and Means and Fiscal Oversight Committee. To read an op-ed about the concept by Missouri Budget Project Executive Director Amy Blouin, visit http://www.mobudget.org/files/Fair_Tax_Anything_But_Fair.pdf.

Three bills related to tax credits have been filed:

- **SB 139**, sponsored by Sen. Jason Crowell, would subject all tax credits to the appropriations process (referred to the Ways and Means and Fiscal Oversight Committee).
- **SB 185**, by Sen. Chuck Purgason, would sunset all tax credit programs not currently subject to the Missouri Sunset Act (referred to the Ways and Means and Fiscal Oversight Committee).
- **HB 251**, by Rep. Stanley Cox, would eliminate film tax credits as of January 1, 2012.

Rep. Chris Kelly filed **HB 316**, which proposes changes related to the collection of money owed to the state. The bill, which was referred to the Ways & Means Committee, would incorporate many of the revenue enhancements, such as tax and debt collections, that were included in the Governor's budget.

Three bills that would either cap or eliminate corporate franchise taxes saw legislative action this week. On Wednesday, the Senate Jobs, Economic Development, and Local Government Committee heard **SB 18** and **SB 19**, both of which were introduced by Sen. Eric Schmitt. **SB 18** would cap corporate franchise taxes at \$2 million annually, and **SB 19** would eliminate the taxes over a 5-year period. According to their fiscal notes, SB 18 would cost the state \$1.18 million in general revenue in FY 2013. SB 19 would cost \$27.8 million in FY 2013 and \$42.2 million in FY 2014. Rep. Jerry Nolte filed **HB 77**, a similar bill to eliminate the corporate franchise tax. The bill was referred to the House International Trade & Job Creation Committee.

Sen. Will Kraus introduced **SJR 8**, a proposal for a constitutional amendment that would establish a revenue lid for the state. The amendment, if passed by voters, would require the state to provide refunds to taxpayers if revenue increased by more than five percent over the previous fiscal year. Like other TABOR revenue lids, the bill is problematic because it permanently locks the state into the current revenue crisis and threatens the ability of future legislatures to respond to the state's changing needs and adequately fund basic state services. The bill was referred to the Ways and Means and Fiscal Oversight Committee.

4. Additional Appropriations Hearings Scheduled

The Senate Appropriations Committee will reconvene next week on the following days to hear more departmental budget presentations. All hearings will take place in Senate Committee Room 2.

Monday, 1/31, 12 p.m. (Department of Elementary and Secondary Education)

Tuesday, 2/1, 8 a.m. (Department of Higher Education)

Wednesday, 2/2, 8 a.m. (Department of Higher Education continued, Department of Insurance, Financial Institutions, & Professional Registration)

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

- **House Appropriations Committee for Health, Mental Health and Social Services** meets Wednesday, 2/2, at 2 p.m. in House Hearing Room 5 to hear the budget presentation by the Department of Health and Senior Services.
- **House Education Appropriations Committee** meets on Tuesday, 2/1, at 2 p.m. in House Hearing Room 1 to continue the budget presentation by the Department of Elementary & Secondary Education. The committee will reconvene at 8 a.m. and 2 p.m. on Wednesday, 2/2 for a presentation by Higher Education Institution Presidents.

5. Save the Date – Missouri Poverty Summit

On June 14th, Missourians to End Poverty is hosting the Missouri Poverty Summit in Jefferson City, in which you can learn more about how people in communities like yours are working together to eliminate poverty. To learn more, visit www.communityaction.org.

Federal Issues

1. Congressional Budget Office Issues Report on Budget & Economic Outlook

This week, the Congressional Budget Office (CBO) released its Budget and Economic Outlook for Fiscal Years 2011 through 2021. In a statement, Center on Budget and Policy Priorities Director of Federal Fiscal Policy James Horney highlighted three issues from the report:

- “The economic recovery remains anemic, with the unemployment rate expected to remain above 8 percent through 2012. Thus, implementing big cuts in federal spending (or big increases in broad-based taxes) *now* would weaken the economy and further slow the already sluggish pace of economic growth, sacrificing many jobs.
- Policymakers could significantly reduce the real risk that rising deficits and debt will pose later this decade *simply by following current law* and allowing the 2001 and 2003 tax cuts to expire at the end of 2012, as scheduled.
- While CBO’s projection of the 2011 deficit is higher than its projection last August, this change does *not* reflect “runaway spending.” The \$445 billion cost in 2011 of December’s bipartisan tax cut-unemployment insurance deal and small business legislation enacted in September account for more than the entire \$414 billion increase in CBO’s 2011 deficit projection. These two bills consisted overwhelmingly of tax cuts; spending provisions account for only \$37 billion (9 percent) of their cost.”

To read Horney’s full statement on the report and its conclusions, visit:

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3381&emailView=1>

The CBO report can be read by visiting: <http://cbo.gov/doc.cfm?index=12039>

2. House GOP Group Proposes Spending Reduction Plan

The House Republican Study Committee (RSC), a caucus of 175 self-described conservatives, released a spending proposal to cut non-defense discretionary spending to 2006 levels in the next fiscal year, and freeze spending at those levels until FY 2021. Such substantial reductions would mean “...cuts of more than 40 percent in education, environmental protection, law enforcement, medical research, food safety, and many other key services,” according to the Center on Budget and Policy Priorities (CBPP).

In fact, according to the Congressional Budget Office, the cuts would reduce appropriations in these areas by more than 40 percent *below* what is necessary to maintain last year’s level of funding, adjusted for inflation.

To read the CBPP’s blog post on the plan, visit <http://www.offthechartsblog.org/house-gop-group-would-decimate-key-services/>.

To see the RSC plan, visit <http://rsc.jordan.house.gov/Solutions/SRA.htm>.