

Missouri Budget Project E-News Federal and State Policy Update March 11, 2010

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Federal issues

1. Senate passes extension of unemployment benefits, assistance with COBRA and increased matching funds for Medicaid. Great news!

Yesterday the U.S. Senate passed an extension of unemployment benefits, assistance with 65 percent of the cost of COBRA health insurance, and enhanced federal matching funds for Medicaid. The Medicaid match is critically important in helping address Missouri's dire FY2011 revenue shortfall by bringing in \$300 million. The House had passed these extensions earlier, but will now have to pass the Senate jobs bill that contains the extensions. We expect this to happen.

2. President Obama brings energy to the health care debate in Missouri

I can personally attest that there was tremendous excitement in the air when President Obama entered the toasty gymnasium at St. Charles High School yesterday. Crowds lined the street outside the school, mostly in support of health care reform, but with a smattering of opponents and tea partiers as well.

The President announced an executive order that will beef up efforts to identify and weed out fraud and waste in Medicare and Medicaid. He underscored the need to reform health care now in the light of growing premium costs for employers and workers, growing numbers of uninsured, and insurance market rules that allow those who are sick or have a pre-existing condition to be denied insurance coverage. Obama stressed that he wants every American to have the choice of the same kind of insurance as he and members of Congress have.

State issues

3. Calls for balanced solutions for Missouri's budget woes are increasing. **ADD YOUR VOICE!**

Missouri is facing historic declines in revenue that are in part due to the economic recession. However, Missouri's fiscal pressures are also due to a lack of action on critical revenue issues.

Over the last decade, while the state made very deep cuts to health care, mental health care and critical services for children and seniors, we witnessed a 60 percent growth in tax credits. In fact, according to the Joint Tax Policy Committee of the General Assembly, the state currently has \$2.4 billion in outstanding tax credits that are expected to come due over the next five years. Revenue has also been decreased by the passage of \$300 million in state tax cuts directed at a select portion of the population.

The state is now considering additional cuts to the core services that help our families thrive including education, child care, and other basic infrastructure needs. These are the services that provide the foundation for a strong economy.

The only responsible course of action at this point is to look not only at services cuts, but also address the state's revenue options, including evaluating tax credits and plugging unfair loopholes in our current tax structure.

Yesterday, the House Minority Caucus issued a statement saying that a wide range of options are needed to balance the budget. The Missouri Budget Project is hopeful that their stand will add to the momentum of recently filed bills (by both Republican and Democratic legislators) to close tax loopholes, and will result in a serious bipartisan discussion about state revenue solutions when the legislators return to work on March 15th. For our state's economy to improve, and for Missouri families to move out of this recession prepared for a prosperous future, Missourians need our elected officials to provide proactive leadership to shore up revenue.

ADD YOUR VOICE TO URGE BALANCED BUDGET SOLUTIONS. CALL YOUR SENATOR AND REPRESENTATIVE TODAY AND TELL THEM:

We cannot solve our budget problem only by cutting services. Increasing revenue must be on the table as well.

OR

Please act now to create a balanced solution to assure that: our children are well educated and healthy; our seniors are cared for; parents are assisted in their efforts to work and care for their families; those vulnerable because of mental illness; a disability or domestic violence are protected; and Missouri has an infrastructure that creates communities that are good for business. These should NOT be competing priorities.

To look up your legislator or find contact information, go to www.moga.mo.gov.

4. What potential revenue-related options are currently on the table?

These options are on the table.

- **Taxing internet sales.** **SB905 (Bray-D)** is on the Senate calendar and **HB2302 (Sutherland-R)** was introduced on 3/4. This is not a new tax, but would tax internet sales in the same way that purchases made in bricks-and-mortar stores are taxed.
- **Closing the yacht sales tax loophole.** Representatives **Talboy-D (HB2240)**, **Silvey-R (HB2241)** and **Nolte-R (HB2254)** have filed bills that would require purchasers of 25 foot+ yachts to pay sales tax, rather than a much smaller fee.
- **Sweeping a portion of some funds.** The Governor proposed this in his budget, and **SB1000 (Green-D)** and **HB2305 (Kelly-D)** would provide needed legislation. If enacted as proposed (which is probably unlikely) this would net \$27 million.
- **Restructuring government.** A number of proposals have been introduced to restructure government, perhaps combining functions and merging some state departments. These include **SJR44 (Shields-R)**, **SB1057 (Shields-R)**, and **SB1065 (Lager-R)**. **SB1067 (Shields-R)** establishes a process for long term strategies and budget forecasting. None of these will help solve the immediate problems in FY2011 and FY2012.
- **Reining in the growth of tax credits.** Senator **Crowell-R** has offered: **SB890**, which places a one year moratorium on low income housing tax credits; and **SB954**, which eliminates 4 tax credits, and makes most other tax credits subject to appropriation.
- **Delay phasing in funding for the foundation formula that funds elementary and secondary education.** **HB2245 (Bivins-R)** and **SB949 (Crowell-R)** propose a one year delay.
- **Modernizing and reforming the personal income tax structure.** **HB2034 (Oxford-D)** would enact progressive reform of Missouri's personal income tax. At this date, it has not been given a hearing.

5. Committee hearings scheduled

In the House

Monday, 3/15

The Budget Committee will hear **HBs2001 through 2013** (the appropriations bills) at 9 AM in HR3.

Tuesday, 3/16

The Budget Committee will hear **HBs2001 through 2013** (the appropriations bills) at 8 AM in HR3.

Wednesday, 3/17

The Budget Committee will hear **HBs2001 through 2013** (the appropriations bills) upon morning adjournment in HR3.

Thursday, 3/18

The Budget Committee will hear **HBs2001 through 2013** (the appropriations bills) at 8 AM in HR3.

In the Senate

Monday, 3/14

The Appropriations Committee will hear a presentation on the Department of Social Services budget at 12:30 PM in SCR2

Tuesday

The Appropriations Committee will hear a presentation on the Department of Social Services budget at 8 AM in SCR2

Wednesday, 2/23

The Appropriations Committee will reappropriations at 8 AM in SCR2

Other hearings will likely be posted early next week.