

**Missouri Budget Project E-News
Federal and State Policy Update
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Federal issues

- 1. Health care reaches the finish line. Final bill may be signed today!**

We are SO close to the finish line. The House has approved the reconciliation bill and the President is expected to sign it as early as this afternoon.

Of course, there is much work still to be done. Opponents of health care reform will continue to try to undermine support. Educating the general public about the content of the bill and how it will affect them will be critically important over the next months.

Some state legislatures are trying to pass laws or constitutional amendments that will not allow their citizens to pay financial penalties for not purchasing insurance. Missouri is one of these. The House already passed a constitutional amendment to “protect individuals rights to pay directly for their health care”, and the Senate debated a similar amendment on the floor this week. Lt. Governor Kinder is trying to force Attorney General Christ Koster to participate in lawsuits filed by other states. A link to a paper on the Missouri Budget Project’s web site is included at the end of this update.

- 2. The making of the budget- FY2011**

The House debated the budget bills for 8 hours this Tuesday and Wednesday. They cut about \$224 million from the budget, and expect the Senate to make deeper cuts. As always, there was a good deal of theater that included some show boating, some impassioned and compassionate speeches (Rep. Sara Lampe gave an outstanding speech on the need to establish greater accountability for approval of tax credits), and a near fist fight.

Early in the debate, an amendment was approved that represents a freeze on the foundation for elementary and secondary education. The amendment cut \$105 from the proposed budget. This decision means that schools would get the same amount in FY2011 that was appropriated in FY2010. Amendments were proposed to increase funds for Parents as Teachers, but were defeated. The bill passed by the House contains \$27.8 mil for Parents as Teachers. In FY2010 \$30.8 million was appropriated.

Efforts were also made to restore the \$7.4 million cut from subsidized child care for low income working parents, but were defeated. Cutting this money will result in the loss of about \$38 mil in federal funds, since the state will not be meeting its maintenance of effort requirements.

The federally qualified health centers that serve low income uninsured individuals, as well as adults and children insured through Medicaid, was cut by \$4.5 million from the \$9 million appropriated last year. \$500,000 was added to fund Certified Rural Health Centers.

Many of the changes made on the House floor represented relatively small amounts of money (Tens of thousands to several hundred thousand dollars). The primary strategy is nickel-and-diming many categories to trim the budget. Caution: the nickels and dimes can add up to significant suffering and/or to less responsive or ineffective services. And of course in some cases the stakes are higher. As reported previously, mental health services have been particularly hard hit not only in this budget for FY2011, but also in the withholds that the Governor has made throughout the current fiscal year.

Since the budget bills passed by the House will undoubtedly be changed-perhaps significantly- in the Senate, the Missouri Budget Project is not preparing an exhaustive compilation of changes. The Senate Appropriations Committee is expected to take up the budget bills next week, although no meeting is currently on the calendar.

There is (appropriately) a lot of hand-wringing going on about the budget. The Missouri Budget Project urges that some of that energy be put into enacting balanced, common sense solutions that close tax loopholes, assure taxes are collected equitably, and staunch the bleeding from tax credits and exemptions that have been enacted. Unless that happens, the state will find itself in an even more difficult spot next year.

3. Actions on tax and revenue-related issues

Capturing Tax on Internet Purchases: One of the most critical revenue -related issues in Missouri is the “streamlined sales tax legislation”. The legislation, which has bi-partisan support, would allow Missouri to enact the enforcement mechanisms and streamlined systems needed to capture sales tax on internet purchases. Projections from the University of Tennessee indicate that Missouri is losing \$160 million in the current year in state and local revenues due to not collecting sales tax on internet purchases. **Senate Bill 905 (Bray)** and **House Bill 2302 (Sutherland)** implement the provisions of the streamlined sales tax. **HB2302** was referred to the H Ways & Means Committee on 3/25. **Please contact your senator and house member in support of these bills.** For more information see our “Policy Pulse” article on the issue. Please see the link below.

Mega Sales Tax: No action was taken this week on **SJR 29 (Purgason)** or **HJR 56 (Emery)**, the proposals to replace Missouri’s current revenue structure with a devastating, enhanced sales tax that would be applied to nearly all services. The proposal would increase taxes on most Missourians (an estimated 95 percent) but would not result in new revenue for services or infrastructure. The MBP recently released “Apples and Oranges” a report that evaluates this proposal compared to the tax policy in states that proponents of the mega sales tax often use to argue their point. See the link below.

TABOR: HJR 87 (Icet) passed the Missouri House this week. Although “tweaked” from previous versions, the bill still contains the fundamental TABOR formula that had devastating impacts in Colorado. Since this is a constitutional amendment, it would require a vote of the people. The Missouri Budget Project does not expect the bill to move forward in the Senate, but is monitoring it.

HB2254 (Nolte), which eliminates the sales tax exemption for yachts longer than 25 feet, was referred to the H Ways & Means Committee.

HB2310 (Sutherland) was heard by the H Ways & Means Committee on 3/25. This bill proposes to reform Missouri’s personal income tax. While it eliminates income tax for those with taxable incomes under \$4000, it actually increases income tax on some very low income Missourians. The top tax rate in this proposal is 6 percent. Because it is a flat tax on all income over \$4000, unlike most income taxes, it is not a progressive tax.

4. “Rebooting Missouri Government” ideas are brought forward

Senate work groups met on Tuesday to discuss the ideas offered on the Rebooting portal, as well as ideas offered by the Senate and the Governor. The groups met Tuesday morning and reported to the full Senate on Tuesday afternoon.

The Tax Structure work group discussed a proposal by the Governor to reform tax credits. The goal is to create a streamlined system that allows adaption to economic changes within the state, that better prioritizes projects to

maximize economic impact, provides tangible results, increases accountability and is more flexible. He proposes to do this in 4 broad steps:

- Create a global cap of \$314 million in tax credits. This is 70 percent of the tax credits redeemed in 2009 (Circuit Breaker and Homestead tax credits are excluded)
- Eliminate the provisions of all current tax credits (except the 2 excluded above) and create 6 new tax credit programs designed by purpose: business development; redevelopment; affordable housing; community assistance; public infrastructure; and finance and insurance.
- Administer all tax credits through the Department of Economic Development

Of the \$448,649,000 in tax credits redeemed in FY2009, \$115.9 million were for affordable housing; \$42 million for business development; \$23.9 million were for community assistance; \$15.5 million were for finance and insurance; \$28 mil for public infrastructure; and \$222.8 million for redevelopment.

In addition to the Governor's tax credit reform plan, other recommendations for further study by the Tax Structure work group include

- Establishing an interim committee to study tax proposals such as flat tax proposals, taxing internet purchases, eliminating personal and corporate income tax, and quantifying the cost of sales tax exemptions
- Tweaking the discount businesses receive for filing their taxes on time to encourage electronic filing
- Reviewing bio-diesel and ethanol subsidies
- Merging the circuit breaker and homestead preservation tax credits

In the Social Programs work group, ideas presented include:

- Reform/downsize habilitation centers
- Transfer state operated Department of Mental Health beds for acute psychiatric care to local hospitals
- Enact a State False Claims Act (we already have a weak False Claims Act)
- Use managed care for all individuals insured by Medicaid
- Consolidate departments/divisions
- Charge fees for licensing child care facilities, EMT/Paramedics, etc.
- Charge fees for child support enforcement and consider saving by privatizing collections
- Allowing employees to work from home (to save mileage costs)
- Include step-parent income in determining eligibility for MOHealthnet and other benefits

Ideas/recommendations are being channeled to the State Departments and to Senate members of the work groups. The Rebooting Government portal is still active at www.senate.mo.gov. Submit your good ideas!

5. New papers available on the Missouri Budget Project web site

Don't forget our new section "Policy Pulse" with short articles summarizing critical issues. Access "Policy Pulse" by clicking here.

Other new materials on the Missouri Budget Project website that may be useful to you:

"Apples to Oranges" discusses how non-income tax states fund vital services and why these state tax systems should not be compared with Missouri's SJR 29 or HJR 56. To read this, click here

"Why Constitutional Amendments to Allow Missouri to Opt Out of Federal Health Reform Should Be Opposed". To read this, click here.

"Missouri General Revenue Continues Sharp Decline in February." To read this, click here.

"Legislation Strives to Reign in Abuses in Payday Lending" To read this, click here.

6. Need help in filing taxes? Help is available here!

Tax assistance centers are actively operating throughout Missouri to assist Missouri taxpayers, particularly seniors, people with disabilities and low income families, in filing their taxes. These centers help to ensure that those who are eligible for tax refunds, such as the Earned Income Tax Credit, receive them. For a list of VITA (Volunteer Income Tax Assistance) and TCA (Tax Counseling for the Elderly) throughout Missouri, [click here](#).

For the Gateway (St. Louis) EITC Community Coalition, [click here](#).

7. Events

Join hundreds of other child advocates at Missouri's annual [Child Advocacy Day](#) this April 7, 2010 in Jefferson City. Go to www.childadvocacyday.org for more information and to RSVP.