

**Missouri Budget Project E-News
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1. The making of the budget- FY2011

The Senate Appropriations Committee began marking up the 13 budget bills on Wednesday, March 31. They are first going through the bills line by line. The Chair, Senator Mayer, is suggesting on which line items the Senate will concur with the House, and which they will increase or reduce. Members of the Committee may suggest which line items they wish to be “open”, meaning that they will likely offer amendments to change those when work continues next week.

Before the hearing began last night, Senator Mayer announced that while he believes that \$300 million in enhanced federal match for Medicaid will be available in the fiscal year, he is not including that money in his budget, but is saving it for FY2012. This means that the Senate must make deeper cuts than were made in the House. The Missouri Budget Project is disappointed in this decision. We support using that money in the FY2011 budget, and using balanced solutions such as closing tax loopholes and taxing internet sales to balance the FY2012 budget.

The Senate Appropriations Committee will begin consideration of amendments to the budget bills beginning next week. Hearings are now scheduled to begin on Tuesday at 9 AM, and continue through Thursday, beginning at 8 AM (tentative) and continuing through the evenings as needed.

After the Senate finishes its work, the bills go to the Senate floor. After Senate approval of the bills, a conference committee composed of House and Senate members will be appointed to work out the differences in the bills passed by the House and Senate.

2. Actions on other bills

Tax credit reform: The Governor’s plan to reform tax credits, which was presented last week during the “Rebooting Government” Senate work group discussions, was amended to an omnibus economic development bill, **SB895 (Dempsey)**. Several amendments by Senator Shields and Senator Crowell were offered. Senator Crowell has been a strong advocate throughout the session to make tax credits subject to the appropriations process, and his amendment would require this. This is a controversial provision, and it was evident that there was not consensus among the Senators. The bill was laid aside and will likely not be taken up until after the Senate finished its work on the budget.

In a nut shell, the Governor’s plan will establish a global cap on tax credits, eliminate current statutory language, and combine tax credits into 6 broad categories. The Department of Economic Development would have broad responsibility to authorize tax credits.

The Missouri Budget Project has concerns about including the category of what will be called “community assistance” in the plan. These contribution based tax credits are primarily used by not for profit organizations, and focus on social programs rather than economic development. The Missouri Budget Project urges that these be exempt from the global cap (as are the Senior Circuit Breaker and Homestead Preservation tax credits). The total amount of Community Assistance tax credits is small, and these are not a driving force in creating a budget deficit.

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.

Taxing internet sales (streamlined sales tax): HB2302 (Sutherland) was heard by the H Ways & Means Committee on 3/31. No one testified in opposition to HB2302. **SB905 (Bray)** was briefly debated on the Senate floor and was set aside for further debate.

SB625 (Justus) was perfected by the Senate. This bill requires a sliding scale for child care subsidies to be put into law.