

**Missouri Budget Project E-News
Federal and State Policy Update
April 23, 2010**

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1. Budget conference committee begins work

House and Senate conferees were appointed and the Budget Conference Committee began its work on Thursday morning, 4/22 at 8:30 AM. Senate conferees are Republicans Mayer, Rupp and Schaeffer, and Democrats Bray and Green. House appointees include Republicans Icet, Stream and Silvey and Democrats Lampe and Kelly (HB2001, Lampe and Bringer (HB2002), Lampe and Kelly (HB2003), Lampe and Komo (HB2004), Lampe and Bringer (HB2005), Harris and Bringer (HB2006), Komo and Bringer (HB2007), Lampe and Harris (HB2008), Harris and Bringer (HB 2009), Curls and Bringer (HBS 2010 and 2011), Kelly and Bringer (HB2012, and Lampe and Kelly (HB2013). These conferees will reconcile the differences between the bills passed by the House and Senate. The Conference Committee report will then go back to the House and Senate for approval before being sent to the Governor. The General Assembly must finish its budget work by May 7.

As the Conference Committee began its discussion of the House-Senate differences, it was obvious that House Budget Chair Icet and Senate Appropriations Chair Mayer had resolved the differences prior to the meeting. Senator Mayer explained that the Conference Committee would take global recommendations made by the Senate that included cutting administrative expense and equipment lines and in-state travel in all bills by 10 percent. Out-of-state travel and professional development were cut by 20 percent, and mileage reimbursement was reduced by 5 cents. An estimated 1,029 positions will be cut.

Taking turns walking the Committee through the budget bills, Icet and Mayer indicated that rather than splitting the difference between the House and Senate positions, the Committee was almost always taking the Senate recommendation, which meant deeper cuts. Occasionally one of the Committee members made a plea to mitigate a cut, but their arguments rarely prevailed. At least that was the pattern in House Bills 2001 through 2007.

The Conference Committee will take up HB2008 (Department of Public Safety) on Monday at 8:30AM and will work through the day until the House and Senate convene at 4 PM. If necessary, the Conference Committee will continue its work on Tuesday.

Here are some of the rather complicated issues that affect the budget, but remain unresolved.

1. The House included \$300 million in federal money that is expected to be approved by Congress, but has not been finally approved in the same bill by both the House and Senate in Washington DC. The Senate did not include this \$300 million, and the Governor does not want it included in the FY2011 budget.
2. The Governor asked that the General Assembly approve a budget that is \$500 million less than the budget he originally proposed due to a downward revision of the estimated revenue for FY2011. Discussion on the Senate floor indicated that even with that \$500 million reduction, it is likely that the Governor will have to withhold as much as \$130-140 million in the FY2011 budget.
3. Even though the Senate made very deep cuts, it assumes savings that are based on the passage of 24 bills, many of which are still in their house of origin! These include savings within the Medicaid program (e.g. **SB1007-Dempsey**), the sweeping of excess moneys from some funds (e.g. **SB1000-Green**); and tools that allow for more effective collection of delinquent taxes. And of course, many more.

4. There are a number of bills (e.g. **SB1057-Shields**, and **SJR 44 & 45 – Shields**) that would reorganize Government to achieve cost-savings in the long run, but also would net short term savings. For example, combining functions within Departments, and eliminating state holidays could save money in the next fiscal year.

There is a mind-boggling amount of work that needs to be done, with only about 3 and a half weeks remaining in the session.

2. Governor announces yet another round of withholds for the current fiscal year

Budget Director Linda Lumbering dropped a bomb during the Budget Conference Committee meeting in announcing that another round of withholds in the current year's budget was necessary. She stated that tax collections for April were down 19 percent, and that year-to-date revenue is down 13.8 percent compared to last year. Average income tax payments have fallen nearly 30 percent, while average income tax refunds are up nearly 8 percent. Tax credits and policy changes that exempt part of pensions and social security from state income tax contribute to the growing tax refunds.

Later in the morning Governor Nixon outlined the \$45 million in cuts. The biggest surprise was yet another cut in the Parents as Teachers program. A summary of the cuts follows.

- \$8 million DESE Transportation Budget for transportation to public schools (Total cut for the year is \$12 million)
- An additional \$4.9 million from Parents as Teachers (Total cut for the year is \$6.9 million, a cut of 22 percent of their FY2010 budget)
- \$1.3 million from Higher Education Access Missouri Scholarships (Lapsed, i.e. unused spending. Total cut for the year is \$14.3 million)
- \$4 million from Metro Transit Funding for St. Louis Region (Payment suspended following passage of Proposition A)
- \$6.4 million from MO Consolidated Health Care Plan (Lapsed spending)
- \$8.5 million from payments to the state employee retiree health plan for future retirees' costs (Year to date nearly \$30 million. This delays payment into the fund that pays for retirees' health care, but does not affect the benefits they receive. At this point, it does not jeopardize the solvency of the fund)
- \$3.1 million from Biodiesel (This delays payment to future years. Year to date cuts total \$7 million)
- Medicaid \$2.2 million (General revenue is replaced with additional federal match dollars from hospitals)
- \$1.2 million Medicaid Clawback (Total cut of \$76.8 year to date. This is lapsed (unused) due to enhanced federal match)
- \$2.9 million reduction to supplemental budget
- \$2 million from personal service and fringe benefits (Lapsed spending)

The cuts in FY2010 and the proposed cuts in the FY2011 budget underscore the need for balanced solutions. It is impossible to continue to cut our way out of the challenges in balancing the budget. Closing tax loopholes and other common sense ways to increase revenue simply must be on the table.

Relying on cuts alone will harm individuals and families who are struggling to stay afloat in these tough economic times, and will undermine Missouri's future economic recovery.

3. Governor and education leaders reaffirm support for tax credit reform

Governor Nixon held a news conference at noon on 4/21 to call for tax credit reform. Flanked by education leaders, Nixon pointed out that quality public education is an essential support for economic development and the creation of jobs. The Governor recognized that tax credits can be a strategic tool in furthering economic development, but that continued investment in education lays the groundwork. He pointed out that even during the economic downturn that has contributed to budget shortfalls resulting in significant cuts to education, the amount of redeemed tax credits grew to \$585 million a year.

The Governor and education spokespersons urged the General Assembly to pass comprehensive tax credit reform before the session ends. The economic development bills that have been amended to include tax credit reform are

both stalled in their respective chambers. **SB895 (Demspey)** is on the Senate calendar, but has not been taken up for debate this week. **HB2399 (Hobbs)** was heard in the House Job Creation and Economic Development Committee several weeks ago. Witnesses overwhelmingly opposed the bill, and the Committee has not voted on it.

4. Action on other tax related bills

HB2302 (Sutherland), a bill that would allow taxing internet purchases (called the streamlined sales tax), is stalled in the House Rules Committee. Studies estimate that taxing internet sales would net \$187 million in Missouri in the next fiscal year, if fully implemented.

SB905 (Bray), the Senate streamlined sales tax bill, is on the Senate calendar.

SJR29 (Purgason), the mega sales tax constitutional amendment, is also still on the Senate calendar for debate. **HJR56 (Emery)** was voted Do Pass by the House Ways & Means Committee.

5. Action on health care reform issues

HJR48 (Davis), a constitutional amendment to protect individual's rights to purchase their health care directly (and in effect, have Missouri opt out of federal health care reform, was heard in the Senate Committee on Governmental Accountability and Fiscal Oversight.

In a parallel move, Lt. Governor Peter Kinder retained a lawyer to represent him as an individual in challenging the constitutionality of federal health care reform. Kinder set up a fund to receive private donations to underwrite the cost of this effort.

Click here to visit the Missouri Budget Project's Policy Pulse to read what the AMA and managed care plans have to say about the positive impact of federal health care reform!

6. Don't miss the *Forums on Children's Issues in western Missouri*

The Missouri Budget Project is joining other state-wide and local organizations in co-sponsoring a series of *Forums on Children's Issues* presented by Citizens for Missouri's Children. Each forum will feature a presentation on the most recent county-specific KIDS COUNT findings, and a panel discussion with providers, educators and other advocates. By understanding how children fare in your county, you can be better equipped to advocate on behalf of children and families.

For a complete list of co-sponsors, go to www.mokids.org. For more information, contact Emily Schwartz, Director of KIDS COUNT and Communications at 314.878.5022 ext205 or eschwartz@mokids.org.

Cass County Forum: Tuesday April 27, 2010 from 2-4 PM
Cass Regional Medical Center
2800 East Rock Haven Road, Harrisonville, MO 64701

Lafayette County Forum: Wednesday, April 28, 2010 from 2-4 PM
Higginsville Community Building
801 W. 29th Street, Higginsville, MO 64037

Jackson County Forum: Thursday, April 29, 2010 from 2-4 PM
Penn Valley Campus Center, Room 502
3201 Southwest Trafficway, Kansas City, MO 64111