

**Missouri Budget Project E-News  
Federal and State Policy Update  
May 7, 2010**

**In this issue:**

**Federal issues:**

1. **Action still expected by Memorial Day on extension of supports for families affected by the recession**
2. **Kudos to Congresswoman Emerson for taking a strong stand on child nutrition issues**

**State issues**

1. **April year-to-date revenue is significantly lower than in previous year**
2. **Bill that seeks to be a barrier to health care reform gets Senate approval**
3. **Action on other bills related to health care**
4. **Status of bills that need to pass to balance the proposed budget**
5. **Balanced, common sense revenue solutions need to advance NOW!**

**Federal issues**

1. **Action still expected by Memorial Day on extension of supports for families affected by the recession**

Hope remains that long term extension of unemployment insurance, COBRA and enhanced federal matching funds for Medicaid (FMAP) will be approved before the Memorial Day recess via H.R.4213, the American Workers, State and Business Relief Act of 2010. Both the House and Senate have passed extensions, but in separate bills. House and Senate leadership are now negotiating a compromise. As we understand it at this time, the plan is for the House to pass the pre-negotiated bill and send it back to the Senate for approval. The current unemployment insurance extension expires June 2. Current enhanced FMAP will expire December 31, 2010. The longer extension would extend FMAP to June 2011.

2. **Kudos to Congresswoman Emerson for taking a strong stand on child nutrition issues.**

Congresspersons Emerson and McGovern asked fellow House members to sign onto a letter to Speaker Pelosi in support of President Obama's request for an additional \$1 billion for child nutrition programs. The goals of the child nutrition programs are to reduce children's hunger and increase the nutritional value of their meals. Familiar programs funded under this umbrella include the school lunch and breakfast programs, summer food programs and the Child and Adult Care food program.

As of 4/29, 206 House members signed onto the letter, including Congresspersons Carnahan, Clay and Cleaver.

**State issues**

1. **April year-to-date revenue is significantly lower than in previous year**

Ten months into the Fiscal Year 2010, the year to date revenue is more than \$600 million lower than in the previous fiscal year. Gross general revenue was down by 8.3 percent. Lower revenue plus a growth in refunds (personal income tax, for example) meant a bottom line decrease of \$752 million when compared to the first 10 months of the previous year.

2. **Bill that seeks to be a barrier to health care reform gets Senate approval**

Senator Jane Cunningham's constitutional amendment to protect individual's right to purchase health care directly has been sitting in the Senate, as has a companion bill by Representative Cynthia Davis. On 5/4, language from Senator Cunningham's bill was amended to **HB1764 (Diehl)**, a bill that would allow the dissolution of some domestic insurance. The **Senate Substitute for HB1764** now goes back to the House. The proposed language, which attempts to allow Missourians to "opt out" of the mandate for individuals to purchase insurance, is a statutory change rather than a constitutional amendment (which is a good thing), but it will require a vote of the people in August. Since it includes a referendum, the Governor cannot veto the bill.

3. **Action on other bills related to health care**

**SB1007 (Dempsey)**, which proposes to save money in the Medicaid program, was referred to the House Rules Committee. This makes changes in the Medicaid program that could reduce costs of in-home services. The budget approved by the General Assembly assumed the passage of this bill. Based on a report by the Lewin Group that

identified potential Medicaid savings, the bill would use a third party to assess the need of a client for in-home services. This is based on the belief of the Department of Health & Senior Services that it is paying too much for in-home care because in-home providers over-estimate the needs of their clients either intentionally or unintentionally. The Lewin Group estimates that third party assessments could save as much as \$3.4 million annually. The bill would also require in-home providers to log their hours electronically. It is estimated that this could save as much as \$25 million in state and federal funds.

The concern is whether these cost saving measures will result in individuals not getting the needed support to allow them to remain in their own homes. The desired outcome should be accurate assessments of individuals' needs rather than a minimalist assessment that cuts costs for the state.

**The Senate Committee Substitute for HB1311 (Scharnhorst)** was passed by the Senate and reported to the House on 5/6. This bill requires insurance companies to pay for certain treatment for children diagnosed with autism. It exempts Medicaid (MO HealthNet) from paying for the same treatment.

#### **4. Status of bills that need to pass to balance the proposed budget**

As reported earlier, a number of bills must be passed that enact cost-saving measures that are assumed in this year's budget and the next. There has been limited, and sometimes convoluted, progress on these during the past week. Without their passage, the Governor will enact more cuts. An immediate example is the failure to pass a bill this week to eliminate Truman's Day as a state holiday, thus reducing overtime costs for state facilities that require 24 hour staff. In response, the Governor announced that mileage reimbursement for state employees would be reduced from 42 to 37 cents per mile.

**Senate Substitute for SJR44 (Shields)**, which combines the Departments of Elementary & Secondary and Higher Education to create a Department of Education, was heard in the H Committee on Higher Education.

**SS for SJR45 (Shields)**, which creates a new State Board of Education with oversight of pre-school grades K-12 and higher education, was also heard in the House Committee on Higher Education.

The Senate amended **HB1868** to include setting up a commission to reorganize the provision of health care to those insured by Medicaid, to state employees, retirees and their dependents in a Division of State Health Care in the Office of Administration.

**HB2245 (Bivens)**, which is a vehicle for slowing down implementation of the Foundation Formula for elementary and secondary schools, and which makes other education related changes, was heard in the S Committee on Education on 5/5.

A similar bill, **HB1543 (Wallace)** was reported DO PASS by the Senate Committee on Government Accountability and Fiscal Oversight on 5/6.

A House Committee Substitute for **SB943 (Shields)**, also similar to the above bills, was voted DO PASS by the House Elementary and Secondary Education Committee on 5/6.

While not identical, these bills all have the intent of slowing down the implementation of the Foundation Formula, directing Parents as Teachers programs to high need or low income families and allowing a fee to be charged for PAT services, limiting the state payments for summer school, and making it optional for the state to fund the Career Ladder program.

**A Senate Substitute for HB2357** was amended and passed by the Senate on 5/6. This includes changes to the state employees' retirement system, including changing the "Rule of 80" to a "Rule of 90" (which would require employees to work longer before retirement, and requiring employees to contribute 4 percent of their salary to help fund their retirement benefits).

#### **5. Balanced, common sense revenue solutions need to advance NOW!**

Again, no action was taken this week on **SB905 (Bray)** and **HB2302** (Sutherland), both of which would tax internet sales the same way that purchases made in bricks and mortar stores are taxed.

The Governor is working with a handful of Republican Senators including Brad Lager, co-chair of the Legislature's Joint Tax Policy Committee to revive and create consensus on a proposal to reform tax credits for the current year. A summary of the proposal, which could change considerably within the next week, follows.

- The Senior Citizens Circuit Breaker and Homestead Preservation remain exempt from any changes
- All other tax credit programs would be capped, reducing the total amount of authorized tax credits from \$622.4 million in FY 2099 to \$369.7 million. Specific proposed changes: Historic Preservation tax credits would be capped at \$75 million annually; Business Development tax credits would be capped at \$150 million annually; Low Income Housing tax credits would be capped at \$75 million; and the Legislature could appropriate \$69.7 million per year for 49 additional tax credits.
- With the exception of the caps, all eligibility and statutory language related to tax credits remains as currently written in statute

The proposal is not formatted as an amendment to a bill at this time.

***Next week is the final week of the legislative session. Shortly after the session ends, the Missouri Budget Project will send out a complete update of budget-related actions.***