

Missouri Budget Project E-News Federal and State Policy Update March 5, 2010

In this issue:

Federal issues

1. Health care reform ultimatum
2. Extension of benefits for the unemployed and enhanced FMAP poised for Senate vote next week

State issues

3. Budget woes deepen
4. Some good ideas on the table
5. House Budget Chair Icet releases his budget proposals
6. Update on mega sales tax
7. Don't miss the March 11 Budget Forum in Springfield!

This is the spring break for the Missouri legislature. Committee hearings for the following week and additional summary of bills' status will be provided next week.

Federal issues

1. Health care reform ultimatum

President Obama upped the ante on passing health care reform this week. He urged the House and Senate to pass health care reform and get a bill on his desk before Easter. The vehicle to do this is a budget reconciliation bill that needs only 51 votes to pass the Senate. The president is urging that some suggestions offered by Republican be adopted, including expanded use of health savings accounts, using "undercover patients" to identify Medicaid and Medicare fraud, and alternatives to litigation in cases of alleged malpractice.

2. Extension of benefits for the unemployed and enhanced FMAP poised for Senate vote next week

It now appears that the Senate will vote next week on proposals to extend unemployment insurance and assistance with COBRA health insurance to support the long term unemployed. It also appears that a 6 month extension of the enhanced federal match for Medicaid (now about 74 percent in Missouri) will be included in the bill. This 6 month extension represents \$300 million for Missouri, which is critically important for the fiscal year 2011 budget that the General Assembly is discussing.

Unemployment rates just released for the month of February show that unemployment stands at 9.7 percent. A statement just released by the Center on Budget and Policy Priorities reports that the Labor Department's most comprehensive alternative unemployment rate measure — which includes people who want to work but are discouraged from looking and people working part time because they can't find full-time jobs — edged up to 16.8 percent in February. While very high, that figure is still below the 17.4 percent rate reached in October 2009.

Long-term unemployment remains a significant concern. Over two-fifths (40.9 percent) of the 14.9 million people who are unemployed have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.0 percent of the labor force, a higher percentage than at any point in the past six decades (the next highest was 2.6 percent in June 1983). See www.cbpp.org for the full report.

State issues

2. Budget bills woes deepen

Governor Nixon announced on Tuesday that revenue projections for FY 2011 (which begins on July 1, 2010) are much lower than anticipated. Revenue for the first 8 months of the fiscal year is 12.7 percent below revenue at the same point last year. Revenue for FY2011 is likely to be \$750 million to \$1 billion below original estimates. This huge gap is driven by lower revenues due to the recession and by

Congress' failure to approve an extension of enhanced funds for Medicaid (FMAP). Tax cuts enacted in previous years and the growth of tax credits also contribute to the decline of state revenue.

The cuts needed to balance the already bare bones budget are alarming leadership in both the House and the Senate. It will be difficult to create a balanced budget without making some structural changes in government or wholesale reductions in education or health care. Senator Shields introduced a constitutional amendment, **SJR44**, which removes the names of the State Departments that are specifically listed in the constitution. If this passes, it would open the door to merging various departments in an effort to reduce overhead costs.

However, **SJR44** would have to be voted on by Missourians in November, so it does not help balance the budget that the General Assembly must send to the Governor in early May.

It is critically important that the General Assembly and Governor unite behind ways to assure adequate revenue to provide education, higher education, health care, mental health, transportation, and services to seniors and children. We simply cannot balance the budget only by cutting services. Balanced solutions that include ways to increase revenue must also be a part of the solution. Read on...

4. Some good ideas on the table

Although the Governor continues to pledge to not increase taxes, the General Assembly appears to be open to a few ways to do this.

Senator Bray's bill to tax internet sales, **SB905**, was reported DO PASS by the Ways and Means Committee. It is expected that Representative Sutherland will introduce a similar bill in the House after the spring break.

Several bills have also been introduced that would eliminate the yacht loophole that allows individuals who buy yachts longer than 25 feet to pay a fee rather than sales tax on their purchase. The fee is much lower than sales tax. These bills are **HB2240 (Talboy)**, **HB2241 (Silvery)**, and **HB2254 (Nolte)**.

5. House Budget Chair Icet releases his budget proposals

Budget Chair, Allen Icet, released his proposed budget yesterday. This will be discussed and marked up by the House Budget Committee when the General Assembly returns from spring break next week.

In comparing the Budget Chair's recommendations to those of the Governor, some highlights of general revenue cuts include

- \$58.2 mil more for K-12 education (but no restoration of Parents as Teachers funds), **plus** \$24.2 mil in federal budget stabilization funds
- A \$6.7 mil cut in higher education
- \$4.3 mil more for transportation, but cutting \$450,000 for Amtrak subsidies
- \$9.1 million cut for biodiesel producers
- \$15.1 mil cut in mental health including \$1.1 mil for Alcohol and drug abuse treatment, \$5 mil for comprehensive psychiatric services, \$1.6 mil for services for those with developmental disabilities, and across the board cuts for regional offices and habilitation centers
- \$7.3 mil cut in health and senior services, including \$1.1 mil for Area Agencies on Aging, \$1.8 mil for Non-Medicaid Home & Community based services, \$1.0 mil for public health contracts, and \$.7 mil for the office of minority health
- \$65 mil cut in social services, including \$7.4 mil for subsidized child care (which triggers the loss of an **additional** \$38.7 mil in federal money), \$2.5 mil for treatment of autism for children insured by Medicaid, and \$6.3 mil for federally qualified health centers

6. Update on Mega Sales Tax

A substitute for **SJR 29 (Purgason)** was presented on the Senate floor on Thursday, 3/4. The Substitute makes a number of changes to the introduced joint resolution, but is still a flawed idea.

Key provisions in the substitute include

- Exempting additional services and purchases from the mega sales tax including tuition for K-12 grades in private schools, motor fuel, insurance, the sale of used property, materials purchased too be a component of new personal property sold at retail, donations to and purchases by non-profits
- Business to business transactions and tuition and fees for higher education continue to be exempt
- The corporate tax is repealed in 2013, but individual income taxes are phased out from 2013 through 2018
- Kansas City and St. Louis may keep their earnings tax, but no new earnings taxes are allowed
- The General Assembly MAY establish a prebate or rebate to lessen the tax burden
- The General Assembly must find a way to continue property tax relief for seniors who had previously benefited from the Circuit Breaker tax credit
- The mega sales tax is initially limited to 7 percent.

Bottom line: *This is still a regressive tax. And the math simply doesn't add up.* The Missouri Budget Project estimates that the mega tax would need to be about 11 percent – WITHOUT the additional exemptions and replacing the circuit breaker tax credit. The staff of the Joint Committee on Tax Policy did an independent analysis of the initial proposal and estimated that the mega rate would have to be between 9 and 10 percent to be revenue neutral.

A detailed analysis of the Senate Substitute for SJR29 will be available next week.

7. Don't miss the March 11 Budget Forum in Springfield!

Strengthening Resources for Missouri Families & Our Economy

Learn more about Missouri's current budget situation and discuss
how we can create opportunities to move Missouri forward.

PLEASE JOIN US

Thursday, March 11

Southwest Center for Independent Living

Penny's Place Community Room

2864 South Nettleton

Springfield, MO 65807

11:30 am – 1 pm

Lunch will be provided and there is no cost to attend this meeting.

Please RSVP by March 5th to: civeson@policyworks.biz, and indicate
any need for meeting accommodations or accessible materials.

This event is co-hosted by the following organizations:

*Association for the Education of Young Children, Missouri Chapter, Child Care Resource and Referral,
Council of Churches of the Ozarks, Lutheran Family and Children's Services of Missouri, Missouri
Association for Social Welfare, Missouri Budget Project, Missouri Health Advocacy Alliance, Missouri
Jobs with Justice's Public Good Project, NAACP Springfield, Missouri Branch, Southwest Center for
Independent Living*