

Missouri Budget Project E-News
State and Federal Policy Update
April 6, 2012

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State Issues

1. March Revenue

Missouri General Revenue (GR) collections net of refunds grew 3.0 percent in March compared to March of last year. As a result, net GR collections are up 2.45 percent for fiscal year (FY) 2012 overall. While this growth rate is close to the 2.7 percent called for in the Consensus Revenue Estimate, state revenue must grow at a 3.2 percent rate over the final three months of the fiscal year to attain this forecast. At the current growth rate (2.45 percent), the state will not attain the nominal FY 2008 revenue total (\$8 billion) until FY 2016.

2. Senate Appropriations Begins Budget Mark-Ups

The [Senate Appropriations Committee](#) began mark ups on the state budget Wednesday morning this week. Conflicts within the majority caucus stalled the mark up process that was supposed to begin Monday. Many of the budget line items, particularly in Mental Health, Children's Services, and Medical Services for the Blind, were left unresolved and will be revisited next week.

The committee accepted a recommendation from the Governor to include a \$50 million grant from the federal government to upgrade the eligibility and enrollment system for MO HealthNet, the Missouri Medicaid Program.

3. Circuit Breaker Cuts Discussed in Senate

[Senate bill 675](#), sponsored by [Senator Jason Crowell](#) (R-Cape Girardeau), a bill that would eliminate the [circuit breaker tax credit](#) for low income renters, was debated on the Senate Floor this week.

The circuit breaker program is a low income tax relief program known as the Circuit Breaker for veterans, seniors and people with disabilities who rent their homes. [Nearly 106,000 Missourians with fixed incomes would be impacted by the eligibility elimination in the bill.](#)

The circuit breaker program has been in existence in Missouri since a 1972 ballot initiative amended the State Constitution to allow the tax relief program to apply to renters as well as homeowners. Recently, the tax credit program was in jeopardy in during the 2011 Extraordinary Session as a way to finance another tax credit program. An amendment on the floor of the Senate saved the Circuit Breaker for low income renters.

In addition, [SB 548](#) , sponsored by [Senator Chuck Purgason](#) (R-Caulfield) was placed on the Senate Informal Calendar. In addition to eliminating the circuit breaker for renters, the bill places limits on Low Income Housing and Historic Preservation tax credits, places sunsets on tax credits not currently subject to sunsets, and extends the sunset date of for a number of tax credits including those for the Children in Crisis, Pregnancy Resource Centers and Food Pantry tax credits.

Neither bill was voted on by the Senate.

4. TABOR Presented in Senate Ways & Means

[House Joint Resolution 43](#), sponsored by [Representative Eric Burlison](#) (R-Springfield), would institute a spending limit in the Missouri Constitution. This TABOR like amendment was heard in the [Senate Ways and Means Committee](#) on Thursday and could be passed out as early as next week.

Several concerned organizations and business groups testified in opposition to the resolution. [The Missouri Budget Project prepared a report](#) to educate the committee on the problems inherent in Constitutional Appropriations limits.

5. Audit Shows MO \$4 Billion Below Hancock Limit

State Auditor Tom Schweich released an [audit this week of Missouri's compliance with the Hancock amendment](#). The Hancock amendment, dating from 1980, set a state revenue cap and limited the amount that the Legislature could raise state revenue without a popular vote.

According to the audit, in FY 2011, state tax collections were a full **\$4 billion below what is allowed by Hancock**. The audit underscores that TABOR is a flawed solution to a nonexistent problem.

As indicated in [an editorial by the St. Louis Post-Dispatch](#), *“That’s \$4 billion in potential revenue, keeping the state under a restrictive revenue cap set all the way back in 1980, that, to*

some extent, our lawmakers are leaving on the table....it's impossible not to see the disconnect when lawmakers are talking about taking health care away from blind Missourians when they have let many tax dollars slip through their fingers.”

6. Senate Debates Bill to Lower Corporate Income Tax

[Senate Bill 661](#), sponsored by [Senator Schmitt](#) (R-St. Louis County), was debated on the Senate floor this week. The bill would reduce corporate income tax in Missouri from 6.25 to 3.125 percent over a five-year period. By Fiscal Year 2015, the measure would cost the state \$217 million.

Missouri’s corporate income tax rate is currently 6.25 percent of net taxable income. However, Missouri is one of only five states that allow companies to deduct 50 percent of federal income tax payments when calculating state tax. This deduction results in an effective corporate income tax rate of 5.2 percent, already the 7th lowest in the nation. Further reductions at this time of fiscal crisis would require the state to make cuts to services, nullifying any economic benefit of reducing the corporate income tax.

7. Upcoming Committee Hearings

Below are hearings as scheduled at press time. Check the [Missouri Budget Project Facebook page](#) for additional hearing announcements throughout the week.

The [Senate Appropriations Committee](#) will meet on **Tuesday, 4/10 at 12 p.m.** in Senate Committee Room 2 regarding the budget bills. The Senate Mark-Up Open Items sheets are available to download off of the [Senate website](#).

The [Senate Judiciary and Civil and Criminal Jurisprudence Committee](#) will hear the Justice Reinvestment Act, [HB 1525](#), on Wednesday, 4/11 upon adjournment in the Senate Lounge.