

**Missouri Budget Project E-News
State and Federal Policy Update
May 11, 2012**

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Federal Issues

- 1. House Passes Bill Breaking Last Summer's Budget Agreement**

State Issues

- 1. State Budget Passed by Legislature**

Yesterday, the House and Senate completed work on the state's FY 2013 budget, sending the bills to Governor Nixon for his signature.

The budget does not include tax amnesty provisions proposed by Governor Nixon and approved by the House that would have provided \$70 million in critical revenue for Missouri services. Both chambers did pass [HB 1731](#), which changes the distribution of gaming and lottery funds, ensuring that veterans' homes will be fully funded and child care can be funded at current eligibility levels.

However, the budget shifts funding for early child care and education away from the Department of Social Services to the Department of Elementary and Secondary Education. As a result, funding was eliminated for three child care related programs including accreditation facilitation, early childhood startup and expansion, and early Head Start grant programs. Only the stay at home parent program will continue.

In addition, the budget restores some health care services through Medicaid services for the blind through an eligibility and premium structure similar to the Children's Health Insurance Program.

The final budget also funds a two percent salary increase for state employees earning up to \$70,000 annually.

2. Veterans & ECDEC Funds Lynchpin of Budget Deal

For years, early childhood programs and funding for veterans services have competed for funding brought into the state by casino boarding fees. Compromises on the issue in the last few years brought the General Assembly to [House Bill 1731](#), sponsored by [Representative David Day](#) (R-Dixon). The original bill proposed funding early education through lottery funds and designating all of the boarding fees to veterans programs. A later Senate version of the bill funded early education through the Tobacco Master Settlement funds.

In recent weeks, HB 1731 became the so-called lynch pin in budget negotiations. The conference committee was awaiting resolution of the legislation so that they could be assured of funding for both programs. The House attached the Senate language onto an unrelated bill in an attempt to force action by the Senate when [Senator Jason Crowell](#) (R-Cape Girardeau) refused to report the bill out of his committee.

Eventually, the legislation was moved from committee, but only after a provision to eliminate women's leadership training in Missouri institutions of higher learning was added.

Finally, a compromise on the bill, and the budget, was reached on Wednesday of this week when provisions were adopted that disallow a quality rating system for early education and require that equitable funding of higher education institutions be instituted by 2015.

This compromise broke loose the budget bills and HB 1731, allowing the General Assembly to pass a state budget by their constitutional deadline.

3. Revenue Proposals Still Essential

With the passing of the fiscal year 2013 budget, many of the calls for revenue proposals such as tax amnesty and the Marketplace Fairness Act have moved to the back burner, but they could be essential for the long term fiscal stability of the state.

While analysis is still being done on the fiscal stability of the state budget passed this week, reserve funds are estimated at between \$6 million and \$8 million, far short of what may be required. In addition, the budget does not account for additional supplemental spending bills that will likely be necessary.

While the Senate has refused to take up the tax amnesty measure, the House continues to attach versions of the proposal to various Senate bills and send them over to the upper house. Also, two bills that contain the Marketplace Fairness Act are currently in House Rules and may be taken up in the last week of the legislative session.

The Missouri Budget Project will continue to advocate for these responsible revenue measures in the final week of session and oppose legislation that will cause the budget to move further out of balance.

4. Senate May Consider Broad-Based Tax Cut

[House Bill 1639 \(Nolte\)](#) was assigned to the Senate Ways and Means committee this week. The measure would have devastating impacts on Missouri's ability to fund education, public safety, transportation and health care.

The bill would reduce corporate income tax from 6.25 percent to 3.125 percent over a series of years and would reduce tax revenue by \$325 million annually once fully phased in. Missouri already has the 7th lowest effective corporate tax rate in the nation. Because the measure is certain to result in cuts to education, public safety and other services, it would undermine Missouri economy and is likely to lead to steep increases in property taxes as localities struggle to fund education and other critical services.

5. Extension of Non-Profit Tax Credits Still Before Senate

In late April, the Senate Ways & Means Committee passed [House Bill 1278](#) (Representative Long), which would extend several "charitable" or "contribution" tax credits that non-profits rely on to provide services to Missourians.

Many credits have either recently expired or are set to expire this year, including the Children in Crisis tax credit; the Residential Renovations for Disability tax credit; the Pregnancy Resource Center tax credit; the Food Pantry Donation tax credit; the Residential Treatment Agency Center tax credit; and Developmental Disability Care Provider tax credit.

The Missouri House voted in March to approve the measure, followed by Senate Committee approval on April 26th. The full Senate has yet to approve the bill.

6. Signatures Submitted For Tobacco Ballot Initiative

Last Friday, a coalition of advocates submitted signatures for a ballot initiative to increase the state's tobacco tax to 90 cents per pack. Currently at 17 cents per pack, Missouri's tobacco tax is by far the lowest in the nation. While legal challenges are still being heard on this and other initiatives, voters would consider the increase on the November ballot.

7. Upcoming Committee Hearings

There are currently no hearings posted for bills about which the Missouri Budget Project reports. Check the [Missouri Budget Project Facebook page](#) for additional hearing announcements throughout the week.

Federal Issues

1. House Passes Bill Breaking Last Summer's Budget Agreement

This week the U.S. House of Representatives passed a bill that would reduce funding for food stamps, Medicaid, the Children's Health Insurance Program, social services, and other programs in order to prevent deep cuts in Pentagon spending scheduled to go into effect in January 2013.

The cuts would take place as part of the sequestration designed to automatically go into effect as a result of the special committee on deficit reduction's failure to come to agreement last year.

[This Center on Budget and Policy Priorities report](#) has more on the proposals.