

# Missouri Budget Project E-News State and Federal Policy Update May 4, 2012

## State Issues

1. **State Budget Negotiations Off to Slow Start**
2. **General Revenue Update: Growth Picks Up**
3. **Several Non-Profit Tax Credits Set to Expire without Legislative Action**
4. **University of MO Finds Revenue Lost to Online Sales in Hundreds of Millions Annually**
5. **Missouri Saves Money with Passage of Justice Reinvestment Act**
6. **Upcoming Committee Hearings**

## State Issues

### **1. State Budget Negotiations Off to Slow Start**

The negotiations of the conference committee on appropriations have stalled as conferees await the passage of separate legislation related to funding for veterans and early childhood education. This funding is counted on in the budget, but measures have been stalled in the Senate. The [conference committee](#) is scheduled to meet next on Monday, May 7<sup>th</sup> beginning at 10:00 a.m.

As is often the case during budget negotiations, funding items can shift from one department to another. In our zeal to get out the timeliest information, we included incorrect information in this analysis specific to early childhood education funding. [This link provides corrected information.](#) Our apologies for the error in the original document.

**The state budget must be approved by Friday, May 11<sup>th</sup>.**

### **2. General Revenue Update: Growth Picks Up**

Missouri general revenue (GR) collections net of refunds rose 6.9 percent in April compared to April of 2011. As a result, net GR collections for the first 10 months of fiscal year (FY) 2012 are up 3.1 percent, on pace to meet the 2.7 percent consensus revenue estimate for the year.

However, gross collections have risen only 1.3 percent for FY 2012 overall. The primary reason for the 3.1 percent net growth rate is that GR refunds have declined by 7.8 percent. As the state was required to re-pay \$325 million to the state budget reserve fund prior to May 15<sup>th</sup>, it is possible that the state may not have been prioritizing refund payments so as to accumulate revenues to be able to meet this obligation. It is possible that refund payments may grow over the last two months of FY 2012, decreasing the net GR growth rate.

Even if the state achieves the consensus revenue estimate amount for FY 2012, revenues at this level would still leave the state *\$703 million below the revenues collected in FY 2008.*

**April revenue included \$238 raised through donations received at a “[bake sale](#)” held in the State Capitol on April 11<sup>th</sup> by a diverse coalition of community groups.**

For a detailed analysis of state revenue through the third quarter of FY 2012, please see the Missouri Budget Project report, [State Revenue Picks Up: Missouri Revenue Third Quarter FY 2012](#)

### **3. Several Non-Profit Tax Credits Set to Expire without Legislative Action**

Several “charitable” or “contribution” tax credits that non-profits rely on to provide services to Missourians have either recently expired or are set to expire this year if the state Senate fails to approve [House Bill 1278](#) (Representative Long).

The tax credits include 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 a Senate Committee approval on April 26<sup>th</sup>. However, the full Senate has yet to approve the bill.

### **4. University of MO Finds Revenue Lost to Online Sales in Hundreds of Millions Annually**

New research from the University of Missouri’s Truman School of Public Affairs indicates that the state of Missouri will lose up to \$1.4 billion in revenue over the next three years due to not collecting sales taxes owed for purchases made through online retail.

To recoup this revenue, 24 other states have enacted the Streamlined Sales and Use Tax Agreement. Bills to enact the streamlined sales tax in Missouri have passed through House committees, but are stalled in the Rules Committee.

However, while the streamlined sales tax would increase the state’s receipt of sales taxes owed, federal action is also required to address the tax loophole created by online sales. For more information on this issue, see the Missouri Budget Project Report, “[Missouri Should Enact the Streamlined Sales Tax to Ensure Equitable Collections of Sales Tax.](#)”

More on the University of Missouri study can be found [here](#), [here](#), and [here](#).

### **5. Missouri Saves Money with Passage of Justice Reinvestment Act**

The general assembly gave final approval to [House Bill 1525](#) (Representative Fuhr) this week. The measure enacts modest probation and parole reforms which are expected to reduce corrections costs by at least \$168,000 in the next fiscal year.

The measure is the first to be approved of many corrections reforms that were recommended by the [Missouri Working Group on Sentencing and Corrections](#)

## 6. 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.