

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

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- 1. Join us in Springfield!**

**Forum on the State Budget & Critical Revenue Issues**

**Missouri Budget Project**

**Monday, February 8, 2010 6:30 – 8 p.m.**

**Southwest Center for Independent Living**

2864 South Nettleton Avenue, Springfield, MO

Dinner will be provided

\*\*The Forum is Free but registration is recommended to ensure enough refreshments and materials. Please email Cande Iveson at [civeson@policyworks.biz](mailto:civeson@policyworks.biz) to confirm your attendance.

- 2. Federal assistance for Medicaid hangs in the balance**

The American Recovery and Reinvestment Act (ARRA) contained additional money to help States pay for their Medicaid program. This is critically important since Medicaid enrollment has increased in Missouri to 881,119 persons in December 2009 from 811,628 in March 2008. The federal assistance comes to States as an increase in federal matching rate (FMAP) for Medicaid. Prior to ARRA, the federal government provided about 64 cents of every dollar spent on Medicaid in Missouri. With the enhanced FMAP, about 74 cents of every dollar spent on Medicaid is federal money. This translates into almost \$300 mil over a 6 month period. The enhanced FMAP ends on December 31, 2010, which is the middle of the state's current fiscal year. It was expected that the FMAP extension would be part of a bill in the Senate Finance Committee that also contains extension of unemployment benefits and assistance with COBRA coverage. As of this afternoon, it appears unlikely that FMAP extension will be included in the bill.

Governor Nixon's budget assumes the continuation of the enhanced FMAP through FY2011. It is critically important that Congress approve the extension to help Missouri and other states who find themselves in a tough spot with increasing Medicaid enrollment and declining state revenue in the current fiscal year and the next.

**What can you do? Please contact Senators McCaskill (202-228-6326) and Senator Bond (202-224-5721) by Monday, February 8 and urge them to support a six month extension of the enhanced FMAP (the acronym is pronounced “eff map”), which is set to expire on December 31, 2010, which is the middle of state fiscal year 2011.**

- 3. Economy continues slide; Governor announces additional**

On February 2 Governor Nixon announced yet another round of withholds needed to balance the FY2010 budget. Revenue dipped again in January, and was 22.4 percent lower than it was at the same time last year.

The February withholds total \$73.8 mil. Previous withholds were made in October (\$203.7 mil) and in August (\$60 mil) and \$109 mil was vetoed and \$325 mil withheld when the Governor signed the budget in June.

**Here are highlights of the cuts:**

- An estimated 120 positions are eliminated across the state departments, some of which will be layoffs
- Parents as Teachers is cut by about 7 percent (\$2 mil)
- MoreNet is cut by \$638,000, an additional 5 percent. Total cuts for this line item are about 45 percent of appropriated funds
- The Missouri Institute of Mental Health is also cut by an additional 5 percent. Total cuts (\$497,000) are about 30 percent of the appropriated funds
- The state will suspend monthly deferred compensation payments for state employee (\$2.2 million)
- Funds to expand broadband service to rural areas are cut by \$24 mil in addition to \$8.8 mil cut earlier. Total appropriated funds were \$40 mil
- Core public health is cut by an additional 8 percent. Total cuts are \$1.1 mil, about 11 percent of the appropriated funds

Some general revenue funds are being replaced by federal or other state funds in the Department of Mental Health and early childhood funds. Savings are also coming from a number of programs that have not used the funds appropriated in the current year's budget ("lapsed" funds).

**4. Update on Mega Sales Tax**

SJR 29 (Purgason) and SJR 37 (Ridgeway) were heard in the Senate Governmental Accountability and Fiscal Oversight Committee on Thursday, January 28, but have not been voted out of committee. That is good news!

These constitutional amendments propose to greatly expand the state sales tax and eliminate individual and corporate income taxes (**the most recent MBP analysis indicates that the sales tax would need to increase to 11 percent to cover the costs in the bill**). Most goods and services, including those not currently taxed, would be eligible for the newly increased sales tax, including child care, nursing home care, food and prescription drugs, and rent and housing, among many others. This change would lead to a significant tax increase on low and middle income Missourians and would place a heavy burden on Missouri's economy.

For more information on the proposal see the Missouri Budget Project fact sheets at: [http://www.mobudget.org/state\\_tax.html](http://www.mobudget.org/state_tax.html) and the ITEP (Institute on Taxation and Economic Policy) Testimony at <http://www.itepnet.org/motest0110.pdf>

**Because of the dire consequences these proposals the Missouri Budget Project is continuing to ask Missourians to contact their State Senator and State Representatives and urge them to oppose SJR29 and SJR37 and any others similar to them. Please contact the Missouri Budget Project if we can assist you.**

**Thanks to all who weighed in with testimony or calls to the Senators opposing SJR29. The Missouri Budget Project will keep you updated on these bills!**

**5. Actions on other tax and revenue bills**

An astounding number of bills that would reduce taxes have been filed. Most of these propose expanding or creating new tax credits, or exempting purchases from sales and use taxes. In addition, a number of bill have been introduced that would lower individuals' income tax by increasing the personal and/or dependent exemption. Three of these bills have been heard within the past 2 weeks. The bill with the largest fiscal note, **HB1520 (Smith)** was heard by the House Committee on Tax Reform this week. If enacted it will decrease state general revenue by an estimated \$156 mil each year.

During this time of increased need for services, most states have raised taxes in some way. By lowering taxes we make it even more difficult for Missouri to provide basic education, health, mental health, and supports for families who are struggling to make ends meet. The benefits of this type of bill go to everyone in Missouri, rather than target those who most need help. The most recent analysis of “who pays” taxes in Missouri show that the lowest 20 percent of families (those making \$17,000/year or less) pay an average of 9.6 percent of their income on state and local taxes. Those with the top 5 percent of income (with incomes higher than \$412,000/year), pay an average of 5.4 percent in taxes. A bill like HB1520 does nothing to ameliorate that disparity.

**SB728 (Crowell)** requires appropriations for state tax credits. The bill was heard in the Senate Government Accountability and Fiscal Oversight Committee on February 4.

#### **6. Update on “just saying no” to federal health care reform**

SJR25 (Cunningham) was also heard last week in the Senate. It was voted DO PASS from the Senate Committee on Government Accountability and Fiscal Oversight. This constitutional amendment is being promulgated by national conservative groups in an effort to destabilize federal health care reform efforts, and attract conservative voters to the polls in coming elections. Look for a call to action in the near future.

#### **7. Other bills of interest**

**HB1544 (Fisher)** extends the state’s ability to receive federal extended unemployment benefits for Missourians facing long-term unemployment in the current recession. The bill passed the House this week and now goes to the Senate. This very important bill is similar to action taken by Representative Fisher in the 2009 legislative session. The Missouri Budget Project commends him for his continued leadership on this critical issue.

**SB618 (Rupp and Schmitt)** mandates that health insurance plans cover the diagnosis and treatment of autism spectrum disorders. After amending the bill to trim the cost of the bill, it received initial approval from the Missouri Senate this week.

**HB1893 (Kelly)** revises the gaming fund distribution, locking funds for early care and education to the fiscal year 2009 level (a year with low gambling revenues), and earmarking the next \$500,000 of funds (assuming that gambling revenues will go up) to the Veterans Commission Capital Improvement Fund. This is not a new battle, nor is it a pretty one. The change in distribution would be subject to appropriations.

#### **8. Bonding proposal should be thoroughly**

**House Joint Resolution (HJR)77** currently being debated in the Missouri Legislature would allow Missouri to increase bonds for much needed capital improvement projects by \$800 million. However, the issue must be evaluated in the overall context of the Missouri state budget situation. The Missouri Budget Project has a new analysis of the proposal on our website at <http://www.mobudget.org/files/HJR%2077%20Bonding%20Analysis%20Feb%202010.pdf>

#### **9. MO HealthNet Oversight Committee considers cost containment report**

The MO HealthNet Oversight Committee met on February 2 and heard reports from the Lewin Group and Mercer consultants. The Lewin Group’s recommendations focused on cost containment in the MO HealthNet program, although they also suggested ways to raise adequate revenue to fund MO HealthNet. These included raising the tax on tobacco products, on high-sugar soft drinks, and on alcoholic beverages. To read the reports go to <http://www.dss.mo.gov/mhd/oversight/resources.htm>.

#### **10. Committee hearings scheduled**

##### **In the House**

House Appropriations Committee on Health, Mental Health and Social Services, on 2/8 at 1 PM in HR5; 2/9 at 2 PM in HR5; on 2/10 at 2 PM in HR5 and 2/11 at 8 AM in HR5. These are an overview of the Departments’ budgets.

Other hearings will likely be posted next week.

**In the Senate**

Senate Appropriations Committee on 2/8 at 12:30PM in SCR2 will discuss tax credits.

Senate Judiciary and Civil and Criminal Jurisprudence Committee on 2/8 at 3 PM in the Senate Lounge. **SB587 (Nodler)** and **SJR34 (Goodman)** will be heard. These pertain to the 10<sup>th</sup> Amendment of the constitution, and assuring states' sovereignty.

Senate Committee on Progress and Development will hear **SB612 (Wilson)** and **SB613 (Wilson)**, which modify eligibility requirements for food stamps to allow Missouri to choose the option to allow felons convicted of a drug related offense to be eligible for food stamps.