Missouri Budget Project E-News
State and Federal Policy Update
August 5, 2011

State Issues

Federal Issues

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1. July General Revenue Update

Missouri General Revenue collections, net of refunds, rose 0.6 percent in July of 2011, relative to July of 2010. While the increase is a sluggish start to the new fiscal year (FY 2012), July collections may not be indicative of long term trends. July 31 is a major tax due date for individual income and sales and use taxes; therefore, it is normal for substantial July tax liabilities to be collected in early August. The state will be able to better evaluate FY 2012 revenue trends after August receipts are known in approximately one month.

2. Upcoming Committee Hearings

The **Senate Government Accountability Committee** has announced a hearing scheduled for Monday, August 15. The Committee, which will meet at 12 p.m. in Senate Committee Room 1, will: review MoDOT's five year plan for applicability to other agencies, among other items.

On Tuesday, August 16, the **Senate Interim Committee on Fiscal Response** will meet at 10 a.m. in Senate Committee Room #2.

The **Senate Interim Committee on Health Insurance Exchanges** will also meet on the 16th at 1 p.m. at Cerner Corporation in Kansas City (2850 Rockcreek Parkway).

3. Maintenance of Effort Provisions Ensure Health Insurance During Tough Economic Times

Maintenance of effort (MOE) provisions, which stabilize funding for health care services, serve an important role in maintaining the provision of adequate health care and important economic activity that is critical to economic recovery. As states struggle to balance continuing budget shortfalls, some states have suggested eliminating MOE requirements from Medicaid and CHIP programs.

This effort would be short-sighted. Not only would several million individuals potentially lose health insurance coverage, but cuts would also negatively affect economic recovery. To learn more about MOE provisions and the role they play in health insurance coverage and the economy, read the Missouri Budget Project brief "*Maintenance of Effort Provisions Ensure Health Insurance During Tough Economic Times*."
(http://www.mobudget.org/articles/show/218-MOE_Requirements_Ensure_Health_Insurance_During_Tough_Economic_Times)

4. National Report: Americans Don't Move Because of Tax Rates

State tax rates do not cause people to leave – or move to – a state, according to a new report that busts a common myth advanced by those who want to replace the current state income taxes with a system that favors the rich at the expense of working Missourians.

Arguments by proponents of a proposal to replace the state's personal and corporate income taxes with a greatly expanded and increased sales tax that applies to nearly all goods and services often include the unproven claim that the change would both keep people from leaving Missouri and attract residents to the state. But according to the report released today, while Americans move from state to state for a variety of reasons, taxes rarely factor into such decisions.

The report cites numerous examples of research debunking the migration myth and, through case studies, shows how misinformation about the impact of taxes on migration can influence policymakers and the media. Those that support the migration myth often wrongly assume a cause and effect relationship, promote irrelevant findings, and inaccurately measure migration, the report found.

To learn more about the report's impact on Missouri, read the Missouri Budget Project press release on the report. (http://www.mobudget.org/articles/show/217-National_Report_Americans_Dont_Move_Because_of_Tax_Rates)

To read the full report from the Center on Budget and Policy Priorities, click here.
http://www.cbpp.org/cms/index.cfm?fa=view&id=3556

To learn more about the mega tax proposal, read the Missouri Budget Project mega tax fact sheet.
http://www.mobudget.org/category/3/article/176-Mega_Tax_is_Unwise_Policy

Federal Issues

1. Debt Limit Deal Signed Into Law

The Budget Control Act of 2011 was passed by both chambers of Congress and signed into law by President Obama on August 2nd. The deal includes a series of debt limit increases estimated to carry through to early 2013, accompanied by corresponding spending cuts. Major elements of the deal include:

- Binding caps on discretionary spending that will reduce the deficit by approximately $900 billion over ten years. These caps do not apply to entitlement programs, and apply to fiscal years 2012 through 2021.

- The appointment of a special committee comprised of 12 members of Congress will be appointed by Congressional leaders within two weeks to identify an additional $1.2 to $1.5 trillion in budget savings by November 23rd. The committee can consider revenue measures, as well as cuts to spending, including entitlement and defense spending.

  If the committee agrees on a proposal, Congress must vote on it by December 23rd. If the committee fails to come to consensus or the agreement does not pass Congress, across-the-board cuts will be triggered, going into effect in January, 2013. Half of the cuts would be from defense and security related spending, and Medicare would be cut. Social security and Medicaid are exempted from automatic cuts. To learn more about how these across-the-board cuts, read the Center on Budget and Policy Priorities (CBPP) report "*How the Potential Across-the-Board Cuts in the Debt Limit Deal Would Occur*." http://www.cbpp.org/cms/index.cfm?fa=view&id=3557

- A required vote in the fall on a balanced budget amendment.

According to the CBPP report, if the across-the-board cuts are enacted, defense and security programs would be cut by about $55 million annually from 2013 through 2021. Non-defense cuts of the same amount would also take effect; about $17 billion would be cut from Medicare provider payments ($10 billion) and other entitlement programs ($7 billion). (Several mandatory programs are exempt from these cuts, including Medicaid, Social Security, SNAP and child nutrition programs, and the Earned Income Tax Credit).

It is critical that the Joint Select Committee on Deficit Reduction consider a balanced approach to deficit reduction that includes both revenue increases and spending cuts, and protects vulnerable populations.

To learn more about a balanced approach, read Executive Director Amy Blouin's opinion piece about deficit reduction and long-term debt.
http://www.mobudget.org/category/9/article/220-St_Louis_Post_Dispatch_Guest_Commentary_by_Amy_Blouin_Protect_the_Future_and_the_Vulnerable

A flow chart illustrating how the stages of the agreement will proceed can be seen here.

http://www.nytimes.com/interactive/2011/07/22/us/politics/20110722-comparing-deficit-reduction-plans.html?ref=politics#panel/11th-hour-deal

To read a statement about the agreement by CBPP President Robert Greenstein, click here.
http://www.cbpp.org/cms/index.cfm?fa=view&id=3555

For more background on the issues involved in resolving the nation's debt and deficit, including global spending caps and balanced budget amendments, visit Missouri Budget Project's federal policy page.
http://www.mobudget.org/federal_policy.html