

Missouri Budget Project E-News December 9, 2011

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State Update

1. **General Revenue Update**

This week, the state of Missouri reported that it made an accounting error when calculating general revenue collections for the FY 2011 end of year total. As a result, \$66.6 million in federal reimbursement was credited to state general revenue totals that should have been credited to federal funds.

Therefore, the FY 2011 total general revenue collections were somewhat lower than what was originally reported. However, those collections remained higher than the original FY 2011 revenue estimate, upon which the estimates for FY 2012 growth were based. As a result, Missouri general revenue only needs to grow by 2.6 percent compared to the actual FY 2011 collections to meet the funding level as appropriated in the FY 2012, current year budget. At this stage, Missouri appears likely to attain that level.

Through November, individual income tax collections are up 2.7% and sales and use is up 3.4%. Net GR collections year-to-date total \$2.838 billion, up 2.98% over FY 2011 at this time.

2. **House Committee Recommends Changes to Rainy Day Fund**

The House Interim Committee on Disaster Recovery met on Wednesday, December 7th to review and approve the final draft of the committee report. Within the report, the Committee recommends both utilizing the state's Rainy Day Fund and presenting to voters the opportunity to reform the Rainy Day Fund to make it more useful. Specifically, the recommend reforms include extending the repayment period up to ten years and capping required interest payments on funds that are utilized at ½ of 1 percent. A public vote on those changes is required because the Rainy Day Fund provisions are constitutional.

Missouri Budget Project has long recommended reforming the state's rainy day fund to make it more responsive to the state's needs. More information on the Rainy Day Fund can be found in MBP's latest paper on the issue, *Missouri's Rainy Day: Utilizing the State Rainy Day Fund and Options for Reform*.

<http://www.mobudget.org/category/3/article/208->

[Missouris Rainy Day Utilizing the Rainy Day Fund and Options for Reform](http://www.mobudget.org/category/3/article/208-Missouris_Rainy_Day_Utilizing_the_Rainy_Day_Fund_and_Options_for_Reform)

Federal Update

1. The Supercommittee Failed: Now What?

As you know, the so-called Congressional "supercommittee" failed to reach agreement on a plan to reduce federal deficits by \$1.2 trillion. As a result, the debt deal enacted over the summer requires automatic cuts to take place in 2013. These cuts represent about 9 percent annually in both defense and non-defense programs.

To learn more about how these across-the-board cuts, referred to as sequestration, would take place, read the Center on Budget and Policy Priorities report, *How the Potential Across-the-Board Cuts in the Debt Limit Deal Would Occur*, by visiting:

<http://www.cbpp.org/cms/index.cfm?fa=view&id=3557>

2. Economic Impact of Proposed Changes to Medicaid Provider Tax

Although the "supercommittee" failed to reach a deficit reduction deal, pressure remains for Congress to address the federal debt and deficits. While Medicaid is exempted from the automatic sequestration scheduled for 2013, some proposals to address federal spending have recommended changes to Medicaid financing that would dramatically impact Missouri.

One of these changes would limit the amount of provider taxes the state can leverage to draw down federal funds. A recent report by the Department of Health Management and Informatics at the University of Missouri School of Medicine found that the proposed change would cost Missouri \$2.4 billion in federal matching funds between state fiscal years (SFY) 2015 to 2018, and result in 8,735 to 16,479 lost jobs in the hospital sector by SFY 2018. In addition, the study found that the lost revenue could be shifted to private payers, resulting in \$715 in higher premiums per person for private health insurance.

To learn more about provider taxes and their economic impact on Missouri, read the report, *Economic Impact on Proposed Cap on Provider Taxes on Missouri*, by visiting:

http://web.mhanet.com/userdocs/articles/Economic Reports/111511_Cost-shift_Report.pdf