

**Missouri Budget Project E-News
State and Federal Policy Update
March 23, 2012**

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State Issues

- 1. Budget Bills Approved by House**

The Missouri House passed their version of the state's budget this week, demonstrating the untenable fiscal position of the state. With a more than \$500 million revenue shortfall projected for the next fiscal year, budget negotiations pit funding for higher education against funding for Medicaid for blind Missourians, and funding for K-12 education was funded below statutory requirements for the third year in a row.

After multiple years of budget trimming, the critical public services that provide the foundation for economic growth, which enhance the quality of life for all Missourians, and which create safe communities are now vying against each other for limited funds. The House-approved budget demonstrates that Missouri cannot continue to ignore the ongoing structural nature of the state's budget crisis. Click [here](#) for more on the budget crisis.

No significant funding changes to the committee versions of the budget bills were made during floor debate. Legislators rejected an amendment to reinstate a \$50 million federal grant for a Medicaid eligibility enforcement upgrade that had appeared in the recommendations from the Appropriations Committee for the Health, Mental Health and Social Services Budgets.

The most contentious of the issues discussed was the decision by the Budget Committee to cut health services to blind Missourians. Several amendments would have restored funding for these services by cutting funding to drug testing for TANF (Temporary Assistance for Needy Families) recipients.

As it stands, the House adopted the Committee recommendation of \$6 million for Medical Assistance for the Blind, compared to the budget request of \$28 million. This funding is intended

to allow approximately 2,000 of the 2,800 Missourians who receive health services through the program to qualify instead through Medicaid Spend-Down. However, to qualify for health services in Medicaid Spend-Down, a Missourian must actually expend enough of their income in medical expenses that their income falls to 85 percent of the poverty level, or an income of just \$791 per month for a single person.

The Senate Appropriations Committee is expected to begin mark ups on the State Budget the first week of April

2. Marketplace Fairness Act Approved by House Committee

The [streamlined sales and use tax agreement](#), also known as the Marketplace Fairness Act, was approved by the House Committee on Tax Reform this week. However, in an attempt to make the measure “revenue neutral,” the committee substitute bill would take any revenue gained from enacting streamlined and use it to reduce Missouri’s corporate income tax rate. This change would have severe consequences for the state. Click [here](#) to read Missouri Budget Project’s analysis and learn more about the change and its consequences.

In addition, the streamlined agreement was included in a [House Ways and Means Committee substitute bill](#) for House Bills [1542](#) and [1101](#). The House Committee Substitute for the combined measure also includes the Governor’s tax amnesty provisions. However, the bills include problematic changes, particularly to the individual income tax structure. Missouri’s individual income tax rate would be increased for those with adjusted gross incomes below \$5,001 while simultaneously the state’s income tax rate would be slightly decreased for incomes at \$9,000 and above.

3. Rainy Day Fund Reforms Stalled

[Senate Joint Resolution 50](#), which would extend the repayment period for funds withdrawn from the Rainy Day Fund from 3 years to 6 years, stalled on the Senate floor this week. [Senator Jason Crowell](#) (R-Cape Girardeau) has stated that he will hold any legislation that could lead to one-time funding until tax credit repeals and parole/probation reforms are implemented.

The resolution seeks to make the Rainy Day Fund more accessible for the state to use for natural disasters such as last year’s flooding and the tornados in Joplin and Branson. 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 the MBP report, [Missouri’s Rainy Day: Utilizing the State Rainy Day Fund and Options for Reform](#).

Federal Issues

1. U.S. House Budget Committee Chairman Releases Budget Framework with Severe Reductions

U.S. House Budget Committee Chairman Paul Ryan released his proposed FY 2013 Budget Plan this week. The budget includes a framework that would impose extraordinary cuts over the next decade and beyond. According to [an analysis by the Center on Budget and Policy Priorities](#), under the framework “most of federal government aside from Social Security, health care and defense would cease to exist.”

The proposal would:

- Cut Medicaid by more than \$800 billion over the next ten years and steadily larger amounts after that;
- Cut SNAP (food stamp) benefits by \$133 billion over ten years;
- Shift Medicare to a voucher program and increase the age for eligibility from 65 to 67 years old and;
- Cut non-defense discretionary spending by \$1.2 trillion *below* the funding cuts already imposed under the “Budget Control Act” approved by the Congress last August. Non-defense discretionary spending is broad and includes veterans’ health care, medical and scientific research, highways, education, national parks, food safety, clean air and clean water enforcement, border protection and other law enforcement, low-income housing, child care for the working poor, Head Start, the Women, Infants, and Children nutrition program (WIC), and home-delivered meals for seniors.

In fact, it would slash funds for non-defense discretionary programs over the coming decade by \$800 billion *below the level to which that funding would fall if sequestration occurred every year through 2021*.

Only spending on defense would increase under this proposal.