

**Missouri Budget Project E-News
State and Federal Policy Update
February 24, 2012**

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State Issues

- 1. Revenue Trends Hold Significant Implications for FY 2013 Budgeting**

Revenue collections for the first seven months of FY 2012 are significantly below projections, raising concerns that the state will face mid-year budget corrections. The slow pace of revenue growth has significant implications for FY 2013 budgeting, and indicates that more conservative budget techniques may be required.

Moreover, the uncertain revenue growth dynamics call into question two unusual components of the Executive Budget Proposal for FY 2013, specifically budgeting to expend nearly every dollar of expected revenue, and not planning for a FY 2013 supplemental budget.

More details can be found in the Missouri Budget Project paper, [*Budgeting for FY 2013 under Uncertain Revenue Dynamics*](#).

- 2. Senate Ways and Means Contemplates Eliminating Circuit Breaker**

The Senate Ways and Means Committee met this week to hear a slate of bills sponsored by [Senator Jason Crowell](#) (R-Cape Girardeau) to eliminate various tax credits in Missouri. In his presentation, Senator Crowell stated that he does not necessarily believe that all of these credits should go away, but that he would like the General Assembly, especially in these lean budget years, to review all the tax credit programs and compare the lost revenue against the programs those dollars could fund.

[Senate Bill 675](#), which would eliminate the Circuit Breaker Program, was the first tax credit bill heard. The Circuit Breaker provides property tax relief to low income seniors, veterans and people with disabilities. Several senior advocates, disability groups and recipients spoke of the value of this program and how the funds are used to purchase essentials by the recipients.

The elimination of this tax credit was removed from a wide-ranging tax bill during the special session. Click the link to read the Missouri Budget Project's updated paper on the circuit breaker property tax credit, [At Home Thanks to Missouri's Circuit Breaker: 219,000 Missourians Benefit from Important Tax Provision](#).

3. Senate Special Committee on Social Program Savings Convenes

The new Senate special committee established to consider cost savings that could be found in social programs met this week. Two presentations were given, one by the [National Conference of State Legislatures](#) (NCSL) and another by the MO Healthnet Division.

Joy Wilson, of NCSL, laid out the history of Medicaid waivers in the United States and the reasoning behind recent conversations in Congress around changing Medicaid into a block grant program. During her presentation, she clarified which social programs are already block grants from the federal government and which are individual entitlement programs. She also made it clear that states are not able to voluntarily change their Medicaid program to a block grant since it would require an act of Congress.

Dr. Ian McCaslin, Director of the MO Healthnet Division then laid out the pros and cons for a state moving to a block grant for their Medicaid program and the difficulty that Missouri would have filling the gap in funding during down economic years.

The Missouri Budget Project also issued a paper this week examining the fiscal impact of a Medicaid block grant on the state. The paper, [Evaluating the Fiscal Impact of a Medicaid Block Grant](#), indicates that as a strategy to save money, it is a risky proposition.

At the end of the committee meeting, [Chairman Rob Schaaf](#) (R-St. Joseph) said that he would be working on the preliminary report, due Thursday, March 1st, over the next week and would call the committee back to review the report.

4. House Budget Committee Hears Subcommittee Recommendations

The House Budget Committee heard the recommendations of their Appropriations Subcommittees this week. In the recommendations, extra funds were set aside for public defenders, implementation of the Justice Reinvestment Act, and a slate of education programs.

In the Department of Social Services Budget, the subcommittee recommended cuts to program growth, transfer of the Women and Minority Health program to local public health offices, and a 25% cut to all new decision items. Program growth in social programs is a historical calculation based on years of data and has been considered fairly indisputable in previous years. Margaret

Donnelly, Commissioner of Health and Senior Services, spoke to the transfer of funds from the Women and Minority Health Program to the public health offices. She stated that it is not a program that those offices want to manage, and the funds would be insufficient to run the program if it spread evenly throughout the state. [Representative Tom Flanigan](#) (R-Carthage), chairman of the Appropriations subcommittee on Social Services, Health and Mental Health, said that the 25% cut in new decision items was intended to prevent withholds by the Governor by only appropriating for the first 9 months of the year and then the General Assembly could fund the final three months of the year through the Supplemental Budget.

The recommendations for the Department of Social Services also included the acceptance of a \$50 million federal grant to fund a Medicaid eligibility and enforcement upgrade. This grant has been a point of contention within the General Assembly because its purpose is to plan for a health insurance exchange, a key component of the Affordable Care Act. [Chairman Ryan Silvey](#) (R-Kansas City) stated that he would like a Governor's Amendment to add the funding into the Budget.

The Chairman and ranking member [Chris Kelly](#) (D-Columbia) agreed to appoint a [working group of the Budget Committee that will review the recommendations](#) made by the previous subcommittee and determine the impacts of the reductions.

5. Upcoming Committee Hearings

Below are hearings as scheduled at press time. Check the [Missouri Budget Project Facebook page](#) for additional hearing announcements throughout the week.

The [Senate Appropriations Committee](#) will meet on **Monday, 2/27, at 12 p.m.** in Senate Committee Room 2 regarding the Department of Social Services.

On Tuesday, 2/28, the Committee will reconvene at 8:30 a.m. in Senate Committee Room 2 to hear [SJR 50](#) (Curls, D – Kansas City). SJR 50 increases the amount of time for repaying the Budget Reserve Fund, when funds from the Budget Reserve Fund are appropriated due to a disaster, or the governor's reduction of the state's expenditures.

Federal Issues

1. President's Budget Proposal Would Change Budget Control Act Rules

As a result of the supercommittee's failure last year to enact deficit reduction, sequestration, or mandatory cuts to spending, are scheduled to go into effect in 2013. Under the Budget Control Act of 2011, defense and nondefense programs will equally absorb the cuts made. Each program area would be cut by \$54.7 billion each year until 2021.

However, the President's proposal removes the firewall between defense and nondefense spending, combining the existing caps into one overall cap on discretionary programs. This flexibility could result in protecting the military budget at the expense of domestic and

international discretionary programs. The budget is scheduled to cut \$984 billion over the nine-year period, from 2013 to 2021. Click [here](#) for more information.