

**Missouri Budget Project E-News
State and Federal Policy Update
March 2, 2012**

State Issues

- 1. Ruth Ehresman Leaves MBP**
- 2. House Tax Reform Committee Considers Streamlined Bill**
- 3. House Tax Reform & Marketplace Fairness**
- 4. Rainy Day Fund Reforms**
- 5. Justice Reinvestment Act Progresses**
- 6. Upcoming Committee Hearings**

State Issues

1. Ruth Ehresman Leaves MBP

After more than six years of dedicated service, Ruth Ehresman left the Missouri Budget Project early this week to pursue new opportunities. MBP appreciates her hard work and dedication over the years and will miss her greatly.

If you have questions about issues that Ruth traditionally handled, please feel free to contact any of the Missouri Budget Project staff. MBP is currently conducting long-term planning and is not filling Ruth's position at this time.

2. House Releases Budget, Senate Hears from Departments

The [House Budget Committee](#) released their changes to the Governor's Budget this week. The committee plans to reduce the fiscal impact of state employee pay raises by limiting the raises to employees who make less than \$70,000 per year. New Decision Items in Health, Mental Health and Social Services were funded for only the first nine months of the fiscal year. However, the committee included language that directs the administration to consider the items to be fully funded and then return to the General Assembly next session for supplemental appropriations.

The Budget Committee removed a \$50 million federal grant to fund a Medicaid eligibility and enforcement upgrade that was included in the Appropriations Committee's recommendations. The grant had been contentious because its purpose was to plan for a health insurance exchange, a key component of the Affordable Care Act.

Meanwhile, the Senate Appropriations Committee heard from state departments this week on their budgets. In the hearings on the Department of Social Services, members paid considerable

attention to parts of the MO HealthNet budget that were being funded by the federal government through the Affordable Care Act.

The House Budget Committee will be doing mark-ups on the entire budget next week (details below), and the budget bills could be considered on the House floor the week after spring break.

3. House Tax Reform & Marketplace Fairness

This week, the [House Committee on Tax Reform](#) passed a bill that will take a step toward marketplace fairness between brick and mortar and internet sales. [House Bill 1569](#), sponsored by [Representative Doug Funderburk](#) (R-St. Peters), would amend the definition of “nexus,” concerning the physical ties a business has in the state, for sales tax collection purposes. Essentially, the bill would require internet and catalogue sellers to collect sales taxes if they had a contract for sales with a company that has a physical location in Missouri.

While the “nexus” issue is similar in eventual effect to the Marketplace Fairness Act, both concepts are important for moving retail sales in Missouri toward greater fairness. The nexus concept would take effect immediately, and unless major internet retailers cancel their sales agreements in Missouri, many would be required to collect sales taxes. The Marketplace Fairness Act would enter the State of Missouri into the Streamlined Sales Tax agreement between states that will standardize interstate sales tax rates and set the stage for a nationwide tax sharing agreement as soon as Congress acts.

For more information about the impact of these tax loopholes, read the Missouri Budget Project report [“Missouri Should Enact the ‘Streamlined Sales Tax’ to Ensure Equitable Collections of Sales Tax.”](#)

4. Rainy Day Fund Reforms

[Senate Joint Resolution 50](#), sponsored by [Senator S. “Kiki” Curls](#), passed the Senate Appropriations Committee this week. The resolution seeks to make the Rainy Day Fund more accessible for the state to use for natural disasters by extending the repayment period from the current three years to six years.

The combination of serious natural disasters and an economic crisis has rendered the Rainy Day Fund unusable in recent years. The steep repayment period, combined with cash flow problems, could have caused serious damage to the state’s ability to fund essential services in future years. The inaccessibility of the fund, however, has placed the entire burden for disaster recovery on next year’s budget, causing steeper cuts than would be necessary if the fund could be used.

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.](#)

5. Justice Reinvestment Act Introduced

The Justice Reinvestment Act, a bill that will amend parole and probation guidelines for non-violent offenders, is progressing in the Senate and House. The act will save the state tens of millions of dollars and increase public safety by focusing on corrections strategies that improve outcomes.

The Senate version of the Act, [SB 699](#), sponsored by [Senator Jack Goodman](#) (R-Mt. Vernon), was perfected this week. It remained similar to the House version, which will accelerate passage. The House version, [HB 1525](#), sponsored by [Representative Gary Fuhr](#) (R- St. Louis), was referred to the floor by the House Rules Committee this week.

Both bills may be passed by the end of next week.

6. 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 [House Budget Committee](#) will meet on **Monday, 3/5, at 10 a.m.** in Hearing Room 3 to review the House Committee Substitutes for HB 2001 – HB 2013. The committee will reconvene upon morning adjournment Wednesday, 3/7, to continue consideration of the bills.

The [Senate Appropriations Committee](#) will meet on **Tuesday, 3/6, at 8:30 a.m.** in Senate Committee Room 2 regarding the Department of Health and Senior Services.