

Missouri Budget Project E-News June 24, 2011

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State Issues

1. Missouri House Forms Interim Committee on Disaster Recovery

Missouri House Speaker Steven Tilley appointed an Interim Committee on Disaster Recovery. The Committee is charged with researching how the state can better aid in the immediate recovery process and create an infrastructure that would allow Missouri to most effectively respond to future disasters. The Committee is charged with providing a comprehensive report to the General Assembly by July 31st.

A key concern for Missouri is financing the recovery and rebuilding efforts. Most recently, the Governor withheld \$50 million from the FY 2012 budget in order to use those funds for costs associated with the natural disasters. Missouri's costs associated with these tragedies are not yet fully known, but given the extent of the damage, the Missouri Budget Project believes the total will likely exceed the \$50 million initial set-aside. In addition to the short-term recovery costs associated with rebuilding, an array of state services including health, mental health, unemployment, child protection and foster care will likely have increased costs for a lengthy period that are directly related to the natural disasters.

Missouri has many opportunities to fund this increased need. **In particular, there appears to be bipartisan interest in tapping into a portion of the state's Rainy Day Fund, which currently has a balance over \$500 million.** This fund was established to allow the state to respond to emergencies exactly like the current situation. In past years, state lawmakers have been reluctant to utilize the available funding due to several barriers in the Rainy Day Fund's design, including stringent repayment requirements. **However, given the need to respond to recent tragedies, Missouri lawmakers could ask Missouri voters to reform some of these barriers. By asking Missourians to consider reforms, state lawmakers could:**

- Meet the current and projected increased needs for critical services directly related to the natural disasters;
- Restore funding to areas of the budget that are impacted by the Governor’s restrictions, such as higher education and child protection; and
- Enhance Missouri’s future security and ability to effectively respond in times of great need.

For more information about how the Missouri Rainy Day Fund functions and how it could be improved, click [here](#).

The Interim Committee on Disaster Recovery began holding public hearings this week. Two additional hearings are scheduled for next week, including:

June 27, 3:00 p.m. at MSSU, Joplin and

June 30, 1:00 p.m. at Clinton Community Building, Sikeston.

For more information about the Committee or to submit testimony online, click [here](#).

2. Governor Approves Budget Bills with Additional Spending Reductions

On June 10, 2011, Governor Nixon approved Missouri’s Fiscal Year 2012 budget, which begins on July 1, 2011. With this approval, the Governor reduced the budget that had been approved by the General Assembly by an additional \$172 million in restrictions, or “withholds.” These reductions in funding are in addition to approximately \$800 million in reductions that were made in the previous year’s budget, which in large part became permanent reductions in the FY 2012 budget. For more detail on the recently approved budget and spending restrictions, click [here](#).

3. Missouri Senate Forms Interim Committee on Health Insurance Exchanges

Senate President Pro Tem Robert Mayer established a Senate Interim Committee on Health Insurance Exchanges to, according to his [press release](#), “study various insurance exchange proposals and their compliance with Missouri law.”

In the session that ended in May, the legislature advanced, but did not pass, [House Bill 609](#) which would have set up the basic structure for Missouri’s health insurance exchange as required by the Affordable Care Act. Under the leadership of Representative Chris Molendorp, the measure passed the House unanimously, but was not voted on by the Senate.

4. Secretary of State Approves Tobacco Initiative Petition

The Missouri Secretary of State’s office [recently approved](#) for circulation an initiative petition that would increase the price of cigarettes produced by manufacturers that were not party to the 1998 tobacco master settlement agreement.

As indicated by a Kansas City Star [editorial](#), the initiative “is actually a deceptive ploy by major cigarette manufacturers” and “an attempt by large cigarette manufacturers to force smaller manufacturers to charge more.”

Because the increase would only be levied on a portion of cigarettes sold, it would raise only a fraction of the revenue that a genuine tobacco tax increase would produce, still leaving schools, law enforcement, and other government services without the resources they need.

For more information on Missouri's cigarette tax – now the lowest in the nation – and options for reform, click [here](#).

Federal Issues

1. Negotiations Regarding Debt Ceiling Continue

Although the deadline for raising the country's debt ceiling is August 2nd, Congressional action remains sluggish, in part due to the upcoming Fourth of July break and the planned Congressional recess that begins August 1st.

While there is some agreement about the need to raise the debt ceiling, the urgency of the situation is also being used to force drastic responses to the nation's rising deficit and debt levels.

Under the leadership of Vice President Joe Biden, leaders meeting to craft a compromise are aiming to finish their work by next Friday, July 1. Some reports of the discussions indicate that the Republican position only includes cuts to discretionary and entitlement spending and does not include any revenue increases. There are also proposals to enact 10 year spending caps that would likely be problematic over the long term.

These sentiments are echoed in proposals for a Balanced Budget Amendment. The House Judiciary Committee adopted an extreme version of the bill that included a global federal spending cap of 18% of gross domestic product (GDP), which would require a 2/3 majority vote to repeal. While there may be votes on these items in July, the votes may be postponed until after Congress' summer recess.

For a primer on the national deficit and long-term debt, click [here](#).