

Missouri Budget Project E-News State and Federal Policy Update April 15, 2011

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State Issues

1. **Governor Signs Temporary Unemployment Extension, Reduced Benefits in Future**

On Wednesday, Governor Nixon signed [House Bill 163](#). Although the bill extends federally funded unemployment benefits for the long-term unemployed, as a result of changes made by the Senate, it also damages a vital component of the safety net and rejects federal money that would spur economic activity in the state.

Nearly 10,000 Missourians who have been unemployed more than 79 weeks will see their benefits restored after temporarily losing those benefits when four Senators blocked the bill providing the technical change required for extension. An additional 56,667 will receive those extended benefits in the near future.

However, in order to advance the bill, available state unemployment benefits have been reduced from 26 to 20 weeks for those who now become unemployed, allowing those workers less time to find employment and get back on their feet.

Because the deadlines to introduce new legislation has passed, any effort to restore those benefits must be pursued in the next legislative session.

2. **Legislative Action on Tax & Revenue Related Bills**

The “Mega Sales Tax” Debate Starts, Stops, May Start Again?

Like last week, the House once again debated [House Joint Resolution 8](#) this week. After a short time and the approval of an amendment making a technical change, the measure was set aside.

It could be brought up again at any time. HJR 8 proposes a constitutional amendment that is unlike anything ever enacted in any state. It would expand the state's sales tax (at a much higher rate) to apply to nearly everything Missourians purchase, including services such as child care and rent and items that are currently exempt from the sales tax, such as food and prescription medication. **To read Missouri Budget Project's statement on the measure click [here](#).**

TABOR “Light” Passes Committee

The Senate Ways and Means and Fiscal Oversight Committee passed [Senate Joint Resolution 8](#), a proposal for a constitutional amendment that would establish a revenue lid for the state. The amendment, if passed by voters, would require the state to provide refunds to taxpayers if revenue increased by more than five percent over the previous fiscal year. Like other TABOR revenue lids, the bill is problematic because it permanently locks the state into the current revenue crisis and threatens the ability of future legislatures to respond to the state's changing needs and adequately fund basic state services.

Tax Amnesty & Collections

On Thursday, the Senate Ways and Means Committee passed [House Committee Substitute for House Bill 116 & 316](#) (Flanigan and Chris Kelly), which already passed the House. The bill would enact several tax collections and amnesty related provisions that are expected to generate \$7 million in general revenue in FY 2012, \$25 million in FY 2013 and \$26 million in FY 2014.

3. Legislative Action on the State Budget

House Bills 1-13, the regular appropriation bills, moved quickly through the Senate Appropriations Committee this week. The bills will likely go to the Senate floor for debate next week.

A proposal to decrease the child care subsidy currently available to families with incomes between 101 and 139 percent of the Federal Poverty Level (FPL) in order to provide very small subsidies to families with incomes up to 150 percent of FPL passed committee this week. Although the proposal is well intentioned and would extend child care subsidies to an additional 600 Missourians, as our colleagues at the [Partnership for Children](#) have indicated, without additional funds for this proposal, assistance would be decreased for 6,000 very low income families.

The passage of a number of other bills is critical to balancing the budget, including [House Bill 15](#), which contains \$189 million of federal funds for education. Without its passage, deep cuts will be required in the budget the Senate is considering. HB15 was passed by the House on February 24th and has been on the Senate calendar for debate since March 7th.

Another critical bill is [Senate Bill 322](#), which extends a number of provider taxes that are used for the state match that draws down federal Medicaid funds. About 64 cents of each Medicaid dollar is federal funds. SB322 was third read and passed by the Senate on April 12th. The House must also pass this bill before it is sent to the Governor for his signature.

4. Legislative Action on Health Care

Health Exchange Bill Passes House

[House Bill 609](#) (Molendorp), which sets up the framework for the health insurance exchange required by the Affordable Care Act, passed the House without amendments on Thursday. It will move to the Senate next week.

Committee to Consider Insurance Premium Regulation

The House Health Insurance Committee will hear [House Bill 547](#) (McNeil) on Tuesday, 4/19 in Hearing Room 5. Missouri is one of only three states that does not require insurance premium rate increases to be filed with the Department of Insurance. HB547 requires rate increases to be filed with the Department of Insurance, requires a public hearing if the increase is considered significant, and requires the Department of Insurance to consider testimony provided at the hearing when deciding whether the increase should be approved.

Missouri Rx Program Still Set to Expire in August

Although both chambers have authorized numerous provisions to eliminate the franchise tax for corporations, neither has yet prioritized the passage of a bill to reauthorize Missouri Rx, which will otherwise expire on August 28, 2011. The program pays fifty percent of out-of-pocket costs for prescriptions covered by Medicare Part D plans for more than 200,000 eligible seniors. The program, which costs the state about \$20 million annually, has been paid for by tobacco settlement funding.

Federal Issues

1. Discussions on Deficit & Debt Reduction Continue

As the U.S. House of Representatives considered the Fiscal Year 2012 budget plan released last week by House Budget Committee Chair Paul Ryan, on Thursday President Obama outlined his priorities for deficit and debt reduction.

The [President's plan](#) would reduce deficits by approximately \$4 trillion over the next twelve years. The proposal considers all parts of the budget, as urged in the Missouri Budget Project paper, [Reducing Deficits and the National Debt: The Devilish Details](#). The plan also addresses Medicare costs (unlike the Ryan plan, which shifts those costs – see below as well as [last week's update](#) for more information).

However, two-thirds of the deficit reduction in the President's plan comes from budget cuts, while only one-third is from revenue increases. As explained in the [Missouri Budget Project paper](#), a more balanced approach similar to the 50-50 split in the Domenici-Rivlin proposal is preferable.

The President is also urging congressional leaders to begin negotiations and agree to an outline of a plan by June, before the “drop-dead” date to lift the nation's debt ceiling.

To read a statement from the Center on Budget and Policy Priorities with more details about the President's plan, click [here](#).

Amid the unveiling of the President's plan, the House is scheduled to vote on Budget Chair Paul Ryan's budget resolution on Friday 4/15, before leaving for a two week break.

The Impact of the Ryan House Plan on Health Issues

The Ryan budget resolution includes several major cuts in health programs, including block granting or imposing a low spending cap on Medicaid, eliminating traditional Medicare for those currently under the age of 55, and eliminating the subsidies that will help low and middle income Missourians purchase affordable health insurance when the Affordable Care Act is fully implemented.

The Center on Budget and Policy Priorities analyzed the impact of a Medicaid block grant on each state, and found that Missouri fares very poorly under a block grant. The analysis shows that if a Medicaid block grant had been implemented in 2000, by 2009 Missouri would have received \$10.66 billion less in federal funds than it actually received under the current system. Click [here](#) to read more in the Missouri Budget Project Policy Pulse.

Over time, the gap between expenses and a block grant grows. The same analysis showed that in 2009, Missouri would have received \$1.85 billion less in that year than it actually received. Only 10 states would have lost a higher percent of federal funds in 2009 than Missouri would have lost. To read the full report click [here](#).

President Obama did not propose any of the 3 changes to Medicaid and Medicare that Ryan proposed. He outlined proposals for Medicaid, but with little detail. He does propose blending the various match rates for Medicaid into a single rate, saving an estimated \$100 billion. Currently, there is a higher federal match for the Children's Health Insurance Program than for regular Medicaid. It is not clear whether the federal match for extending Medicaid to all individuals with incomes up to 133 percent of Federal Poverty Level in 2014 is included in this blending.