

Missouri Budget Project E-News State and Federal Policy Update April 29, 2011

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State Issues

1. **Missouri Budget Project Issues Quarterly General Revenue Report**

The Missouri Budget Project has issued its quarterly general revenue report. For the quarter ending March 31st, general revenues rose 10.9 percent, marking four consecutive quarters of growth. While the state’s economic and revenue situation remains uncertain, the sustained growth indicates that the worst of Missouri’s revenue decline has likely ended.

However, the state continues to confront an enormous revenue problem. As context, in FY 2010 Missouri’s net GR total of \$6.774 billion was *\$1.23 billion less* than the \$8.003 billion collected in FY 2008. Moreover, net GR collections for the quarter ending March 31, 2011 totaled \$1.507 billion – still *below the \$1.52 billion that was collected in the same quarter of FY 2006*.

To read more, click [here](#).

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

Senate Gives First Round Approval to Merged Tax Amnesty, Tax Credit, MOSIRA and Aerotropolis Bill

The Senate gave first round approval this week to a [Senate Substitute for HB 116](#). The bill merges several significant bills into one measure, including:

- Some of the tax amnesty components contained in the original HB 116;
- Some of the tax credit reforms contained in SB 280;

- A somewhat scaled down version of a new tax credit program known as “Aerotropolis,” which creates a new tax credit designed to spur St. Louis as a “Cargo Hub.” The components of “Aerotropolis” that remain in the Senate approved version are specific to “freights and facilities”; and
- Creates MOSIRA, the Missouri Science and Innovation Reinvestment Act, while including language specifying that it is “subject to appropriations.”

The tax credit reforms within the Senate-approved measure are scaled back considerably from what was previously proposed. Changes were not made to limit the size of “Contribution Tax Credits,” and there does not appear to be any change in the Senior Citizen Property Tax Credit (Circuit Breaker).

However, the Missouri Budget Project is in the process of analyzing the 300 page bill and will have more details on the measure next week.

The bill is scheduled for Fiscal Review on Monday, May 2nd before being sent to the Senate for a final vote on the measure.

3. Legislative Action on the State Budget

Conference Committee to Meet on Regular Appropriations Bills

The Conference Committee will meet on Monday, May 2nd at 10 AM in the Senate Lounge to reconcile differences in the budget bills passed by the House and Senate. The budget bills must be sent to the Governor by May 6, so it appears that House and Senate leadership do not anticipate a lengthy conference. The compromise bills must be approved by both the House and the Senate.

While many of the proposed cuts are regrettable, including the FY2011 cuts that are being made permanent, the Missouri Budget Project is especially concerned about three changes that were made in the Senate.

- 1) *Deep reductions for Independent Living Centers.* These reductions jeopardize the very existence of some of the centers that provide support for individuals with disabilities.
- 2) *Elimination of the MO Rx program.* MO Rx is the pharmacy assistance program that benefits 207,000 low-income seniors and individuals with disabilities. It does not duplicate any other benefit program. Without reauthorization, MO Rx will expire in August 2011.
- 3) *Reduction of funds for subsidized child care, and a change in the distribution of the subsidy.* The proposed change would extend benefits for 600 families when their income increases slightly. However, it would reduce benefits by as much as 50 percent for 6,000 families that make as little as \$18,900 per year.

Senate Conference Committee Conferees include Senators Kurt Schaeffer, David Pearce, Scott Rupp, Tim Green, and Kiki Curls. Conferees from the House include Representatives Ryan Silvey, Rick Stream, Thomas Flanigan, Sara Lampe, Chris Kelly, and Jamilah Nasheed (HB2 only). Senators can be contacted through <http://www.senate.mo.gov/11info/senalp.htm>. Representatives can be contacted through <http://www.house.mo.gov/member.aspx>.

Other appropriation bills – HB 18 Advances to Senate

[House Bill 18](#), which primarily appropriates federal stimulus funds and federal budget stabilization funds, was passed by the House on April 28th and reported to the Senate. This bill is the likely source of \$250 million in cuts that were part of the brokered deal to pass the bill that allowed extended unemployment benefits.

4. Legislative Action on Health Care

[House Bill 609](#), which creates a health insurance exchange as required by the Affordable Care Act, is on hold until next week while a substitute bill is being prepared.

House Bills [547](#) and [573](#), which give the Department of Insurance authority to collect information about proposed health insurance premium rate increases and approve those which are significant, will likely be voted on in the Health Insurance Committee next week. It is unlikely that they will be reported to the full House for debate.

Federal Issues

1. House Budget “Tax Reform” Prioritizes High-Income Tax Cuts, Ignores Deficit Reduction

In addition to making permanent the Bush tax cuts and relief from the alternative minimum tax (AMT), the House Budget passed on April 15th includes a series of additional tax cuts benefitting predominantly high-income households. These additional tax cuts would cost nearly \$3 trillion over ten years, over and above the nearly \$4 trillion cost of the Bush tax cuts and AMT relief over the same time period. In order to pay for these cuts, the House budget includes drastic budget cuts, [many impacting key programs for those with low or moderate incomes](#).

According to [an analysis by the Urban Institute-Brookings Institution Tax Policy Center](#), the House budget plan would make the tax code “much more regressive than it is today.” Moreover, as stated in a [report by the Center on Budget and Policy Priorities](#), “from a fiscal policy standpoint, using the savings from curbing inefficient tax subsidies to finance even bigger upper-income tax cuts, rather than to do more to address the nation’s fiscal problems, would represent misguided priorities.”

To read more, click [here](#).