Missouri Budget Project E-News
State and Federal Policy Update
April 8, 2011

State Issues

Federal Issues

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1. March General Revenue Update

Missouri General Revenue (GR) collections (net of refunds) increased 9.2 percent in the month of March relative to March of 2010. For Fiscal Year 2011 overall, net GR collections are now up 6.5 percent. However, net GR collections in the January through March quarter that just concluded were lower than in the January through March quarter in FY 2006. Despite the relatively strong growth in collections over the last three months, these collections were less than the collections from this same time period five years ago, indicating that Missouri remains in a deep revenue hole.

2. Senate Reduces Future Unemployment Benefits in Exchange for Extension

In a political deal to advance HB 163 and extend federally funded unemployment benefits for the long-term unemployed, the Missouri Senate made damaging changes to a vital component of the safety net and rejected federal money that would spur economic activity in the state.

The Senate agreed to permanently reduce available state unemployment benefits from 26 to 20 weeks for those who become unemployed in the future. Despite some statements made on the floor, the reduction in available benefits would go into effect once the bill became law. As a result, when workers lose their jobs through no fault of their own, they will have less time to find employment and get back on their feet, particularly problematic during this and future economic recessions. **Moreover, extended benefits are based on the number of state weeks, so the extended federal unemployment benefits will also be reduced from 20 to 16 weeks.**

In addition, the Senate agreed to reject $250 million in pending federal stimulus money. While specific cuts have not been identified or agreed to, the pool of funds at risk includes funding for purposes such as special education and services for homeless and otherwise disadvantaged students; money for programs for children with disabilities; funding for water quality management and infrastructure; emerging industry grants; and law enforcement and justice assistance grants.

The rejected funds will likely be reallocated to other states, whereas using the funds in Missouri would provide jobs and spur economic activity.

The bill will need a final vote in the Senate next week. If the House does not adopt the Senate version, the bill will go to conference between the two chambers.

To read the Missouri Budget Project's press release on the Senate action, click here.

http://mobudget.org/articles/show/192-Missouri_Senate_Reduces_Future_Unemployment_Benefits_in_Exchange_for_Extension

3. Legislative Action on Tax & Revenue Related Bills

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

The House began debate on **House Joint Resolution 8** this week. After just 30 minutes, the measure was set aside without a vote. It could be brought up again at any time, perhaps as quickly as this next week. 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.**

http://www.mobudget.org/category/9/article/181-MO_House_Debates_Elimination_of_Corporate_Franchise_Tax

Corporate Franchise Tax Bill Sent to Governor

Senate Bill 19 (Senator Schmitt) was officially approved this week by the Missouri House. The measure, which eliminates the corporate franchise tax over a five year period, now goes to the Governor. When fully phased in, it will reduce state revenue by $85 million annually. Click here to see the MBP's statement on the issue.

http://www.mobudget.org/category/9/article/181-MO_House_Debates_Elimination_of_Corporate_Franchise_Tax

House Committee Rejects TABOR

The House Committee on Downsizing State Government (Chair: Representative McNary) **voted against passage of House Joint Resolution 11** this week. This is the first time in several years of proposed TABOR measures in Missouri that a legislative committee has voted officially to oppose the measure and is a significant step for Missouri. HJR 11 proposes a constitutional amendment creating a damaging revenue and spending lid known as "TABOR." The measure, referred to as TABOR after a similar constitutional amendment, is proven to have had devastating impacts in Colorado, generating diverse opposition from Missouri business and civic leaders for the last several years. There is ample evidence that Missouri would be harmed with cuts to education, transportation, health, mental health and other infrastructure needs should HJR 11 pass.

4. Legislative Action on the State Budget

Like the House Budget Committee, the Senate Appropriations Committee marked up the 13 appropriation bills in record time. The process will continue next week as "open" items are further discussed. One open item is the structure of subsidized child care for very low income Missourians. A proposal is on the table to decrease the 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. One hundred percent of FPL is $18,530 per year for a typical family of 3. One hundred fifty percent is $27,795. Decreasing the subsidy means that families will have to pay higher co-pays, which would be a hardship for these very low income working parents.

Federal Issues

1. House Budget Committee Chair Releases Budget Plan

This week, House Budget Committee Chair Paul Ryan released a budget plan that drastically cuts spending in major programs. According to a Center on Budget and Policy Priorities analysis of a report by the Congressional Budget Office, his plan charts a "spending path that would nearly end most of government spending other than social security, health care, and defense by 2050."

While the Ryan plan would cut $4.3 trillion, those savings are offset by $4.2 trillion in tax cuts, ultimately having a minor impact on deficit reduction. To learn more, click here.

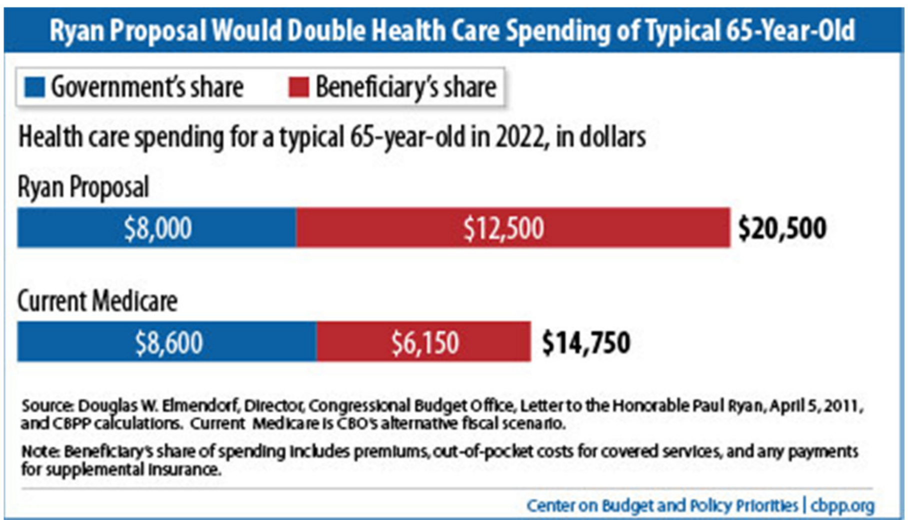
The proposal drastically cuts spending in major programs that assist low-income and working families. $2.9 trillion of approximately $4 trillion in budget cuts come from low-income programs including Medicaid, food stamps, Pell grants, and low-income housing. To learn more, click here.

Impact on Health Care Programs

Ryan's budget proposal contains some particularly disturbing proposals about Medicaid, Medicare and the Affordable Care Act. He proposes block granting Medicaid, which is currently an entitlement program, as one way to save money. Currently Medicaid is funded with a blend of state and federal dollars. Of each dollar spent on Medicaid services, 64 cents is federal money and 36 cents is state money. If a block grant were imposed and the costs of Medicaid services were larger than the fixed amount of money the state received, Missouri would have to pick up 100 percent of the additional cost. The likely outcome of such a scenario is that services, provider reimbursements, and/or eligibility for children, pregnant women, seniors and individuals would be cut.

The February 2011 monthly report by the Department of Social Services shows that 454,834 children were insured through Medicaid/CHIP, and 363,902 seniors and individuals with disability were insured by Medicaid. To be eligible for Medicaid, these adults must have incomes below 85 percent of federal poverty level, or $772 per month. To read more about why block granting Medicaid is a bad idea for the state, providers, and those eligible for Medicaid, click here. http://www.cbpp.org/cms/index.cfm?fa=view&id=3462

Ryan also proposes eliminating Medicare for those eligible starting in 2021, replacing it with vouchers to buy private insurance. As illustrated in the graph below, the amount of the voucher would shrink over time compared to health costs, leaving large numbers of seniors unable to purchase adequate coverage or without any coverage. To read more, click here. http://www.cbpp.org/cms/index.cfm?fa=view&id=3453



As part of the Affordable Care Act, starting in 2014, individuals with incomes less than 133 percent of Federal Poverty Level will be eligible for Medicaid, and those with incomes between 134 and 400 percent of Federal Poverty Level will be eligible for subsidies to allow them to purchase affordable insurance. Ryan's plan eliminates both the subsidies and the Medicaid expansion, leaving hundreds of thousands of Missourians with low and moderate incomes without health insurance.

To read the Missouri Budget Project's news release on the health care related proposals in Congressman Ryan's budget proposal, click here.

http://www.mobudget.org/category/9/article/191-House_Budget_Plan_Would_Leave_Millions_Without_Health_Insurance