

Missouri Budget Project E-News

State and Federal Policy Update

July 22, 2011

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State Issues

- 1. State Lawmakers Called to Special Session**

Following announcements by Senate President Pro Tem Rob Mayer and House Speaker Steven Tilley that the chambers had reached consensus on a wide-ranging tax credit package, the Governor officially called for a special legislative session this week. The session will be held in September, concurrent with the veto session.

Two significant public policy areas will be considered during the special session: disaster recovery policy and a tax credit package.

- 2. Disaster Recovery Recommendations**

The Disaster Recovery Policies are likely to cover a range of recommendations that have been presented through testimony to the Special House and Senate Interim Committees on Disaster Recovery. The Missouri Budget Project presented testimony before the House Interim Committee on Disaster Recovery recently in St. Louis and stressed the importance of accessing the state's Rainy Day Fund in order to cover the increasing costs of disaster recovery resulting from the multiple natural disasters in Missouri over the last year.

Current estimates indicate the state's portion of the disaster costs could range from \$150-\$300 million. At the same time, the need for a wide array of state services has increased due to the disasters, including child welfare services, unemployment, health and mental health care. Accessing the Rainy Day Fund would allow policymakers to continue funding for these critical core state services, while at the same time effectively respond to disaster recovery needs.

In past years, lawmakers have been reluctant to tap into the state's rainy day fund due to stringent repayment requirements. As a result, in addition to recommending that lawmakers access the rainy day fund, the MBP recommended that lawmakers present Missouri voters with the opportunity to reform the fund. For more information on the barriers in the current fund, click [here](http://www.mobudget.org/files/Missouri_Rainy_Day-Utilizing_the_State_Rainy_Day_Fund_and_Options_for_Reform.pdf). (http://www.mobudget.org/files/Missouri_Rainy_Day-Utilizing_the_State_Rainy_Day_Fund_and_Options_for_Reform.pdf)

3. Tax Credit Package

Perhaps the more controversial measure for the special legislative session, lawmakers will consider a somewhat altered version of a wide-ranging tax credit package that did not pass during the regular legislative session. The package includes several significant policy changes, including:

- Reductions to Historic Preservation and Low Income Housing Tax Credits;
- Creation of an Aerotropolis Tax Credit;
- Establishment of the Missouri Science and Innovation Reinvestment Act;
- Sales Tax Exemptions for Data Centers; and
- Tax Amnesty Provisions that are intended to assist in collecting unremitted tax revenue.

Overall, the package is expected to generate revenue, although the exact amount has not been released. **However, a fundamental portion of that revenue results from reductions to current tax credits, including a proposed \$50 million cut to Missouri's Circuit Breaker Property Tax Credit program.**

The Circuit Breaker cuts are achieved through significant eligibility reductions to this popular program, which enables Missouri seniors and people living with disabilities to stay in their homes by reducing their property taxes. If enacted, **96,114 Missouri seniors, disabled veterans and people living with a disability who have very low incomes would be impacted.** To read more about the impact of the proposed circuit breaker changes, click [here](http://www.mobudget.org/files/At_Home_Thanks_to_MO_Circuit_Breaker-July_2011.pdf). (http://www.mobudget.org/files/At_Home_Thanks_to_MO_Circuit_Breaker-July_2011.pdf)

4. Upcoming Committee Hearings

The **House Interim on Disaster Recovery** will conduct a tele-hearing on Monday, July 25 at 11:30 a.m. regarding its preliminary findings. The physical location is HR 3, and the hearing can be accessed by calling 573-526-5712 or 866-630-9350.

On Tuesday, July 26 at 11 a.m., the **Senate Interim on Emergency Response** meets in the Senate Lounge.

The **Senate Interim on Insurance Response** will meet on Wednesday, July 27 at 1 p.m. in Sedalia (3201 W. 16th Street, Hopkins Building, Room 714, Lower Level, Sedalia, MO).

The **Senate Government Accountability Committee** has announced a hearing scheduled for Monday, August 15. The Committee, which will meet at 12 p.m. in Senate Committee Room 1, will: review MoDOT's five year plan for applicability to other agencies, among other items.

5. Impact of Medicaid on the Economy

In the context of state and federal budget debates, it is important to recognize the larger impact of Medicaid spending on the economy. According to a recent study by [Families USA](#), a 5 percent Medicaid cut in 2011 will cost more than 250,000 jobs nationwide. Here in Missouri, such a cut would mean \$633 million in lost business activity and 5,330 fewer jobs. To read the full report, click [here](#).

(<http://www.familiesusa.org/resources/publications/reports/medicaid-cuts-hurt-states.html>)

Federal Issues

1. Debt Ceiling, Deficit Reduction Talks Still Ongoing

The ongoing debate and negotiations over raising the nation's debt ceiling continue, as the August 2nd deadline set by the U.S. Treasury Department quickly approaches. This week, the U.S. House voted for a so-called "cut, cap, and balance" bill, which was then set aside in the Senate. The plan would have locked in severe cuts over the next ten years and required a balanced budget amendment before the debt ceiling could be raised. The St. Louis Post-Dispatch recently published [Missouri Budget Project Executive Director Amy Blouin's commentary](#) (http://www.stltoday.com/news/opinion/article_84ef35f7-3d75-530c-ae92-38df918201c0.html) on deficit reduction efforts, including a balanced budget amendment, and a Center on Budget and Policy Priorities statement on the bill can be read [here](#).

(<http://www.cbpp.org/cms/index.cfm?fa=view&id=3537>)

Meanwhile, the Senate's "Gang of Six," whose negotiations on a deficit reduction plan had previously fallen apart, put forward a plan that included both spending cuts and revenue increases. A CBPP [analysis of the plan](#) (<http://www.cbpp.org/cms/index.cfm?fa=view&id=3547>) calls it "a significant step forward," despite some troubling elements included in the plan.

At this time, Congress appears to be waiting on the results of continued negotiations between President Obama and House Speaker John Boehner.

For more background on the issues involved in resolving the nation's debt and deficit, including global spending caps and balanced budget amendments, visit Missouri Budget Project's [federal policy page](#). (http://www.mobudget.org/federal_policy.html)