

Missouri Budget Project E-News State and Federal Policy Update May 6, 2011

State Issues

- 1. State Lawmakers Finalize Missouri's FY 2012 Budget**
- 2. Legislature Faces Considerable Decisions in its Final Week of Session Next Week**

1. State Lawmakers Finalize Missouri's FY 2012 Budget

After three days of tense negotiations, House and Senate conferees agreed on budget details for FY2012. Once House Budget Committee Chair Ryan Silvey and Senate Appropriations Chair Kurt Schaefer reached an agreement, the bills were quickly approved by the Conference Committee on Wednesday night, and approved by both the House and Senate on Thursday. The bills now go to the Governor for his signature. The Governor can veto specific line items, or can withhold funds that can later be restored if there is sufficient revenue. The Governor may not add any funds to the budget approved by the General Assembly.

The stalemate in conference negotiations was over four main issues. The Senate wanted to increase funding for 2- and 4-year higher education institutions by \$20 million (a 4.5 percent cut from FY 2011 funding), and increase school bus transportation by \$20 million over the Governor's request. The House was committed to providing funding for the MO Rx program, which provides pharmacy assistance to low income seniors and individuals with a disability. They also wanted to restore cuts to in-home provider rates included in the Governor's budget request.

The compromise increased higher education funding by \$10 million, resulting in a cut of 5.4 percent, lower than the 7 percent cut recommended by the Governor. An additional \$10 million was approved for school bus transportation, the MO Rx program was funded, and the 4 percent cut made to reimbursements to in-home care providers was restored.

Other highlights include:

- Flat funding for the second year for elementary and secondary schools; (the Foundation Formula) Funding is more than \$200 million below the amount called for in law
- Funding for Independent Living Centers at the House level (Senate wanted a deep cut)
- \$2 million for a pharmacy program partnership between Missouri State University and UMKC
- \$1.1 million to fund the Animal Care Facilities Act (the law passed after the puppy mill referendum was overturned by the legislature)
- Eliminated funding for the arts, public radio and TV
- Fifty percent cut to Missouri Housing Development Corporation Housing Assistance. The Missouri Housing Trust Fund is included in this appropriation. It provides housing

assistance to low income Missourians, many with mental or physical disabilities. *According to a study conducted by the Technical Assistance Collaborative, Inc. and the Consortium of Citizens with Disabilities—“Priced Out in 2008”—NOWHERE in Missouri can a single individual with a disability receiving SSI without any subsidies rent a one bedroom apartment for less than 50% of their monthly income. On average, in the state of Missouri, an individual on SSI uses 83% of their income for housing when renting a one bedroom unit.*

- \$6.4 million to supplement deputy sheriffs’ salaries
- \$3.2 million to partially restore cuts made to providers of services to individuals with a developmental disability
- \$900,000 partial restoration of core cuts made to Area Agencies on Aging
- Maintained current funding for subsidized child care, along with current distribution structure (Senate wanted to reduce by \$1 million and change structure in such a way that 6,000 very low income families would have seen reduced benefits in order to help an additional 600 families)
- Included funding for planning grants for the exchange and consumer assistance program required by the Affordable Care Act

The Missouri Budget Project will provide additional analysis of the budget, and a final report when the Governor signs the budget. It is the Governor’s responsibility to assure the budget is balanced, and at this point it is not clear whether he will need to withhold funds to do so.

It is important to note that with one week remaining in the legislative session, several bills still need to be enacted to make the proposed budget balance, including House Bill 116 and Senate Bill 322. Both bills are discussed in further detail in the next section.

Moreover, the legislature did not take into account the passage of the law that eliminates corporate franchise taxes. The Governor’s office estimates this will cost over \$20 million. [As indicated by the Missouri Budget Project](#), the elimination of the corporate franchise tax will cost the state more than \$85 million annually when fully phased in.

The legislature also assumed the elimination of the circuit breaker tax credit for low income senior renters, which would net an estimated \$57 million. While the Missouri Budget Project supports changes to reduce the costs of tax credits, it is concerned about eliminating this support for low income Missourians.

To read the Missouri Budget Project’s press release about the approval of the budget, click [here](#).

Other budget bills

In addition to the regular budget bills, supplementary budget bills passed this week to appropriate funds to continue programs through the current fiscal year, and to re-appropriate funds that were not spent in the current fiscal year.

The most contentious bill was [HB18](#), the re-appropriation bill that contained federal budget stabilization and federal stimulus funds. Several weeks ago, four Senators (Lembke, Nieves, Crowell and Kraus) allowed the bill to extend unemployment benefits to pass if \$250 million in

federal funds would be cut from HB18. Their stated desire is to send a message to Washington, DC to rein in federal spending. Senate Appropriations Chair Kurt Schaefer presented a substitute bill that cut \$114 million in what was considered unneeded appropriation authority. This did not satisfy the four Senators, who engaged in a 12 hour filibuster around 5 PM. The bill finally passed in the early hours of May 4th, with an additional cut of \$14 million to a weatherization program.

[2. Legislature Faces Considerable Decisions in its Final Week of Session Next Week](#)

The Budget for the new year relies on funding that is included in several measures that have not yet been approved, including House Bill 116 and Senate Bill 322.

The budget assumes increased revenue through a tax amnesty program and through savings by eliminating or reducing the costs of tax credits. The [Senate Substitute for House Bill 116](#) 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 the MOSIRA – 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,” but as mentioned previously, the bill does eliminate low income seniors and people with disabilities from eligibility for the Property Tax Credit if they rent (Circuit Breaker).

The House and Senate are not in agreement on these changes. In particular, the House is unlikely to accept many if not all of the Senate’s tax credit reforms. As a result, it is likely that the measure either will not pass or a scaled down version of the original tax amnesty proposal could be amended to another bill.

[Senate Bill 322](#) also awaits final approval. The measure reauthorizes state provider taxes and the MO Rx program, which helps more than 200,000 low and middle income seniors access prescription medication. Provider taxes generate more than \$1 billion in state revenue that then leverages \$1.8 billion in federal funds for Missouri. This funding is critical to the core budget.

SB322 was passed by the House on May 5th. Since it was amended extensively, it now goes back to the Senate.

It is likely that conference committees will have to iron out the differences in SB322 and HB116.