

Missouri Budget Project E-News May 16, 2011

Outcomes of the State Legislative Session

1. **Budget Issues**
2. **Tax & Revenue Related Bills**
3. **Economic Opportunities & Health Policy Measures**

Budget Issues

Governor Nixon announced last week that the Fiscal Year 2012 state budget, as approved by the legislature, **faces a \$90 million shortfall**. The shortfall is attributable to three main items:

- The Office of Administration, Division of Budget & Planning estimates that phasing out the state's corporate franchise tax, as approved by the Legislature this session, will reduce state revenue by \$25 million in FY 2012 (increasing to a cost of \$87 million annually when fully phased in);
- The legislature failed to pass the tax amnesty proposal that was expected to generate about \$20 million; and
- The state incurred \$25 million in additional costs related to flood assistance to southern Missouri.

The Governor has until June 30th to veto all or a portion of the state budget.

Tax & Revenue Related Bills

Critical FRA (“Provider Taxes”) Extended

On the final day of the legislative session, the Legislature approved [Senate Bill 62](#) with an amendment that extends the authorization of several current and critical provider taxes/federal reimbursement allowance (FRA) from 2011 to 2015. The provider assessments generate more than \$1 billion in state-based revenue that in turn brings into Missouri \$1.86 billion in federal funding for health care related services.

No Agreement on Tax Credits & Tax Amnesty

The Legislature failed to come to agreement on [House Bill 116/Senate Bill 280](#), which would have enacted a number of tax-related provisions from different bills, including:

- Tax amnesty components contained in the original HB 116;
- Tax credit reforms contained in SB 280;
- A somewhat scaled down version of a new tax credit program known as “Aerotropolis” that creates a new tax credit designed to spur St. Louis as a “Cargo Hub”; and
- Enactment of MOSIRA – Missouri Science and Innovation Reinvestment Act, subject to appropriations.

The failed measure included several controversial tax credit reforms, including a provision that would have eliminated the eligibility for the **Circuit Breaker Property Tax Credit for seniors**

and people with disabilities who rent. In 2009, 106,000 renters claimed the Circuit Breaker Tax Credit with an average benefit of \$540 per year.

The failure of the bills (HB 116 & SB 280) to pass gives the legislature more time to carefully consider a balanced approach to tax credit design and reform.

Support for the “Mega Sales Tax” Diminishing

The Legislature did not advance the “mega tax” proposals this year, and the measures appear to be losing support among legislative leaders. Although the House considered [House Joint Resolution 8](#), the debates on the bill were limited and the measure did not come to a vote.

Similarly, the Senate Ways and Means Committee held a hearing on [Senate Joint Resolution 1](#), but the committee was not asked to vote on the measure.

The diversity of opposition to the measure appears to be making a difference with lawmakers. However, the proposal is likely to resurface in the next legislative session and/or as initiative petition(s). To read more about this issue, [click here](#).

Support for the Streamlined Sales Tax Grows

Like his predecessor, the new Chair of the House Tax Reform Committee, Representative Funderburk, took over the leadership on advocating for the Streamlined Sales Tax collections mechanism for Missouri. Representative Funderburk’s bill, [House Bill 966](#), would allow Missouri to collect sales tax for online purchases just as it does for purchases made in local stores. To read more about this issue click [here](#).

In addition, the House Ways and Means Committee voted in support of Streamlined when they amended it to a different bill in committee. Although, in the end, the measure did not receive final approval, the committee’s support of the Streamlined Sales and Use Tax Agreement indicates broad support for the measure.

TABOR is Rejected by House Committee

The House Committee on Downsizing State Government **voted against passage of [House Joint Resolution 11](#)** this session. This was the first time that a Legislative Committee defeated TABOR in Missouri, and it marks a significant step for the state. HJR 11 proposed a constitutional amendment creating a damaging revenue and spending lid known as “TABOR.” The measure, referred to as TABOR after a similar constitutional amendment in Colorado, has proven to have had devastating impacts there, 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.

Economic Opportunities & Health Policy Measures

MO Rx Reauthorized

On the final day of the legislative session, the Legislature approved [House Bill 412](#), which included an amendment reauthorizing the MO RX program until August of 2014. MO Rx provides critical prescription assistance support for 207,000 Missouri seniors.

Unemployment: Extended Federal Benefits Come at Significant State Cost

The legislature approved [House Bill 163](#) in April. The bill allows Missourians who have been unemployed for more than 79 weeks to receive additional, temporary, fully federally funded unemployment benefits for a limited time. However, the bill also included a provision to reduce the number of state Unemployment weeks from 26 to 20 weeks. The Senate insisted on this provision in exchange for accepting the additional federal benefits. The issue is likely to be revisited in 2012.

Health Insurance Exchange Structure Advances

The legislature advanced, but did not pass, [House Bill 609](#) which would have set up the basic structure for Missouri's health insurance exchange as required by the Affordable Care Act. The measure passed the House with significant support under the leadership of Representative Molendorp, but did not pass the Senate. The state now faces a number of choices: 1) Governor Nixon could set up a basic structure by executive order. Governors have done this in several states; 2) the state could continue planning without a governing structure, and the General Assembly could formalize the exchange structure during the next session; or 3) the state could take no action, and participate in the exchange that will be set up by the federal government.

Health Care Cost Transparency

The approved version of [Senate Bill 62](#) was amended to include a provision to increase health care cost transparency for consumers. Individuals shall be permitted to know their cost for a specific item or service, copayments, deductibles, etc. The information is required to be available through a web site and by another means for those who lack internet access. The bill also requires the Oversight Division of the Joint Committee on Legislative Research to perform an actuarial analysis of any health care mandate imposed after August 28, 2011, and to make a recommendation about the mandate to the Speaker of the House and the President Pro Tem of the Senate.