



May 30, 2006

## **Lackluster Session Fails to Address Missouri's Shortfalls in Funding Basic Services**

### *Assessing Health, Budget & Revenue Issues in the 2006 Legislative Session*

*By Ruth R. Ehresman,  
Director of Health and Budgetary Policy*

#### **Healthcare, Education Receive Scant Attention**

The General Assembly spent a large amount of time in 2006 on a handful of issues. These include: the voter ID bill; campaign finance reform; the sale of MOHELA assets and their use; and eminent domain. Given the deep health care cuts in 2005, perhaps it was fortunate that no additional harm was done.

Passing the budget was relatively smooth sailing, although the members of the Conference Budget Committee put in long hours. With a predicted surplus in Fiscal Year 2006, and a more optimistic outlook for 2007 revenue, the General Assembly did not have to grapple with making deep cuts.

This should *not* be confused with adequately funding education, health care or other human services! K-12 education is about \$800 million below full funding of the current formula, according to education experts. Funding for higher education was increased, but is still below its 2002 level.

The General Assembly took just a tiny step to restore last year's health care cuts by authorizing funding for wheelchair batteries and glasses, slightly lowering premiums for some children in the SCHIP program, and including funds for a limited insurance program for workers with a disability.

No additional money was appropriated for subsidized childcare, thus assuring that Missouri continues to remain at the bottom of all states. The Department of Social Services appears to be wavering in its commitment to achieving accreditation for the Children's Division, and did not even request full funding to achieve the next incremental step.

#### **Painful Inaction on "Undoing the Harm"**

The Missouri Budget Project expected health issues to be more prominent, given that Medicaid is slated to sunset in June 2008. A number of recommendations from the Medicaid

Reform Commission were introduced in a variety of bills. These include: a modest restoration of the Medical Assistance for Workers with a Disability Program, called the Disabled Employees' Health Assistance Program (DEHAP); a Health Care Technology Fund to promote state of the art technology; a managed care model to provide health services to individuals with disabilities and special health care needs; and establishing an on-going Joint Committee on Health Care. The Medicaid Reform Commission also made rather vague recommendations to address Medicaid provider fraud and Senator Chris Koster championed a bill allowing the state to more aggressively prosecute fraud.

When the dust settled, none of these were enacted in law. The DEHAP, Health Care Technology Fund, Joint Committee, Medicaid provider fraud bill, along with changes that would have made the affordability test for children in the SCHIP program more fair, died the last day of the session when the House refused to take up the Senate Substitute for HB 1742. The Senate Substitute was an opportunity to fix some of the 2005 cuts which had "gone too far" according to bipartisan sentiment. As a result of inaction, an estimated 12,000 children and individuals with disabilities will continue to be uninsured. And lawmakers dodged their fiscal responsibility to assure that Medicaid money is not lost to provider fraud that is estimated to be as much as \$500 million per year.

A bill passed that extends the sunset of the Children's Health Insurance Program and the non-Medicaid personal care services program to June 2008, to coincide with the sunset of the other public health insurance programs.

These minimal efforts to reform Medicaid mean that next year's agenda is likely to be heavy with proposed changes for Medicaid. One challenge will be assuring that "reform" follows the first principle of medical practice: *First do no harm*. Our policy choices have harmed more than 200,000 Missourians, and true reform must address the effect of those choices.

While Medicaid reform was given scant attention, effort went into providing tax relief to those who can afford to purchase long term care insurance and pay for their own premiums. This legislation died when bills were not taken up by the Senate. While it seems appealing to provide incentives for health insurance, a high cost is attached. When fully implemented, these proposals would have decreased general revenue by an estimated \$115 million per year. Our first priority should be to use limited health care resources for low-income individuals and families who cannot afford to purchase insurance. The proposed tax deduction would not help these individuals.

### **TABOR Legislation Fails to Advance**

The General Assembly declined to take action on HJR 48, the constitutional amendment creating a spending lid that would have crippled Missouri's ability to adequately fund health, education and other basic services. This is similar to Colorado's TABOR (Taxpayer Bill of Rights) amendment. It has had such a negative effect on Colorado that voters recently voted to suspend it for five years. TABOR is a proven bad idea and Missouri must continue to reject it.

## **Variety of Tax Credit / Exemption Proposals Stalled**

More than 60 bills were introduced that would have enacted a wide range of tax credits, tax deductions and sales tax exemptions. Fortunately most of these didn't pass. A House proposal to phase out the corporate franchise tax was stopped by inaction in the Senate. Missouri already has the lowest corporate taxes of any of the states that have corporate taxes. Portraying corporate taxes as a barrier to businesses locating in Missouri seems inaccurate. If the tax needs to be simplified, this can be done. Phasing out the corporate franchise tax would have cost the state at least \$125 million in general revenue.

An omnibus economic development bill would have created, streamlined and/or revoked a wide range of tax credits. It also would have created sales tax exemptions for utilities used in (among others) the manufacture of agricultural biotechnology, pet foods, pesticides, and prescription pharmaceuticals. It also exempted raw products used in building automobiles from sales tax. The estimated cost would have been more than \$47 million in 2007, and more than \$75 million in later years. However, the estimated fiscal note did not attempt to assign a monetary value to the sales tax exemptions. This bill, went to Conference Committee, but was not voted on.

## **Missouri Must Address Revenue Generation**

The General Assembly also missed opportunities to raise adequate revenue and to enact minimum wage legislation. Missourians will likely have an opportunity to vote on the minimum wage issue in November. A progressive income tax reform bill received a negative hearing; Representative Jeannette Oxford withdrew the bill when it was obvious that it wouldn't be given thoughtful consideration. The General Assembly passed on opportunities to increase tax on alcohol products, to close corporate tax loopholes, to end the outmoded practice of giving businesses a discount for filing their taxes on time and eliminating a variety of tax credits.

Missouri's budget is clearly inadequate. The state has not recovered from the deep cuts made in health care over the past four years. Funding for both elementary and secondary and higher education in Missouri is inadequate. Our state work force is among the lowest paid in the nation. The Governor turned to the sale of MOHELA assets to fund capital improvements in institutions of higher education and reduce debt. And still, the General Assembly looks for ways to decrease state revenue, while refusing to thoughtfully discuss any revenue enhancements. Penny-wise, pound foolish policies erode our infrastructure and our quality of life. One wonders what will trigger Missouri's wake-up call.

*The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state's budgetary and tax policy options and their impact on low-income Missourians.*