

Missouri Budget Project E-News
State and Federal Policy Update
February 10, 2012

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State Issues

- 1. House Tax Reform Committee Considers Streamlined Bill**

The [House Committee on Tax Reform](#) heard legislation that would level the playing field for Missouri businesses by bringing Missouri into the Streamlined Sales Tax agreement. This agreement would allow state and local governments to collect taxes owed on remote sales, such as internet purchases.

Currently, when a Missourian makes a remote purchase, they are required by law to remit a “use tax” equal to the sales tax collected by Missouri businesses. However, since most consumers do not actually pay this tax, local businesses face a competitive disadvantage since they are required to collect the sales tax but their online competitors are not.

Support for the Marketplace Fairness Act continues to grow, and the sponsors of the pieces of legislation ([HB 1356](#) and [HB 1215](#)) are encouraged by conversations with leadership in House. The sponsors, [Representative Doug Funderburk](#) (R-St. Peters) and [Representative Margo McNeil](#) (D-Florissant) held an informational session after the hearing where they answered questions of diverse groups and other legislators on Marketplace Fairness.

A Committee Substitute is expected next week in the Tax Reform Committee.

To learn more about this issue, read the Missouri Budget Project report “[Missouri Should Enact the ‘Streamlined Sales Tax’ to Ensure Equitable Collections of Sales Tax.](#)”

2. Tax Amnesty Proposal Heard in Committee

[House Bill 1030](#), sponsored by [Representative Tom Flannigan](#) (R-Carthage), was heard in the [House Budget Committee](#) this week. The bill would allow residents and companies to pay delinquent taxes without penalties or interest for a short period of time. In previous years, this type of program has allowed the state to collect more taxes as well as provided relief to taxpayers.

The Governor’s Budget for Fiscal Year 2013 assumes an influx of money from a tax amnesty program in order to balance the books. The General Assembly considered similar legislation last year. While different proposals passed both the House and Senate, legislation never made it to the Governor’s desk for his signature.

HB 1030 will be heard again in the House Budget Committee on Monday.

3. Justice Reinvestment Act Introduced

Over the interim, legislators studied the swiftly increasing costs in the State Corrections Department. The Justice Reinvestment Act, [House Bill 1525](#), sponsored by [Representative Gary Fuhr](#) (R-St. Louis), is the House’s attempt to lower these costs.

The Justice Reinvestment Act is similar to legislation passed in other states that allows non-violent offenders to reduce their parole or probation periods and places drug offenders on parole in treatment programs.

The Missouri Budget Project is working with the Department of Corrections and House Finance Staff to determine the cost savings to Missouri taxpayers.

4. Appropriations Committees’ Work Moves Forward

The [House Education Appropriations Committee](#) began its discussion of the Governor’s Budget proposal on Tuesday by walking through each line item of the Department of Elementary and Secondary Education budget ([HB 2002](#)). The Committee discussed the Department of Higher Education budget ([HB 2003](#)) on Wednesday.

The budgets reflect a 2 percent increase for state employees. The Governor also proposed a 5 percent across the board reduction in travel expenses. HB2002 reflects the cuts enacted when the [Governor withheld funds from some programs when he signed the budget in June](#). For a highlight of the Governor’s proposed changes click [here](#). Committee Chair Lair announced that the Committee will consider amendments to HB2002 beginning next Tuesday.

The Governor recommended significant reductions to higher education funding, including an \$89 reduction in state aid for Missouri's four year colleges & universities and a \$16.9 million reduction in state aid to community colleges. However, a settlement of a multi-state mortgage lawsuit was announced this week. It is expected that Missouri will receive \$196 million from the settlement, of which about \$40 million can be used for state budgetary needs (the bulk of the settlement is intended for homeowners who were impacted by foreclosures). Governor Nixon is recommending that the \$40 million be used to offset some of the proposed cuts in higher education.

The [House Appropriations Health, Mental Health and Social Services Committee](#) continued listening to overviews of various programs, and looking at historical spending trends from FY2008-FY2013. Discussions will continue next week on the budgets of the Departments of Health & Senior Services and Mental Health ([HB 2010](#)) and the Department of Social Services ([HB 2011](#)). Remarks from the Committee members showed some misunderstanding and negative stereotypes about services, how they are delivered, who receives them, and why they are important. These issues are complex, and term limits work against legislators developing a thorough understanding of them.

Many lawmakers have expressed particular concern about the Governor's proposed cuts to higher education. There may be an effort to offset some of the cuts to higher education by reducing services in the health, mental health and/or social services budgets. The sluggish economic recovery translates into limited general revenue growth, and budget stabilization funds from the federal government have been used up. Unless solutions to increase revenue are enacted, legislators and the Governor have no choices other than cutting services and programs that most Missourians believe are priorities. Cutting essential services and infrastructure is unwise not only because it harms the Missourians who are struggling to make ends meet, but it negatively impacts the current economy. These cuts also place Missouri at a disadvantage in capitalizing on the fuller economic recovery as it happens.

There are six appropriations committees that hear and offer amendments to the introduced budget bills. After being passed by the appropriations committees, the bills are sent to the Budget Committee, which reviews and reconciles the recommendations from the appropriations committees before sending the bills to the House floor for debate. When the full House passes the bills, they are sent to the Senate.

5. Upcoming Committee Hearings

Below are hearings as scheduled at press time. Check the [Missouri Budget Project Facebook page](#) for additional hearing announcements throughout the week.

The [Senate Appropriations Committee](#) will meet on **Monday, 2/13 at 12 p.m.** in Senate Committee Room 2 concerning the Department of Public Safety.

The [House Appropriations Education Committee](#) will meet at **2 p.m. on Tuesday, 2/14**, in Hearing Room 1 for markup. Markup will be continued **Wednesday, 2/15, at 2 p.m.**

The [House Appropriations Public Safety & Corrections Committee](#) will meet for markup on **Tuesday, 2/14, at 2 p.m.** in Hearing Room 3.

As mentioned previously, the [House Budget Committee](#) will hold an executive session on [HB 1030](#) in Hearing Room 3 on Wednesday, 2/15, upon morning adjournment.

Federal Issues

1. No Movement on Payroll Tax/Unemployment Insurance/ Medicare Payment Fix

The Center on Budget and Policy Priorities published a [paper](#) discussing some flaws in current Unemployment Insurance proposals. One provision would allow ten states per year, chosen by the Secretary of Labor, to use unemployment insurance funds for purposes other than UI, directly undermining the purpose of UI.

Another provision would allow states to use funding currently allocated for job training for other purposes, such as tax cuts. This would reduce unemployment benefits and allow for no increase in employment services, such as job training.

2. Congressional Budget Office releases annual outlook report

The Congressional Budget Office (CBO) released its annual [report on the economic and budget outlook](#). It projects that the deficit in FY2012 will be \$1.1 trillion, or 7 percent of the Gross Domestic Product, which is smaller than recent years but still at historic levels. In his testimony to Congress, CBO Director Doug Elmendorf emphasized that the real fiscal problem is not the size of recent deficits but the growth in long-term deficits and the debt, which is largely driven by rising health care costs and demographic changes.

3. Efforts to Avoid Sequestration

The failure of the supercommittee to reach consensus means that the deficit reduction targets established under the Budget Control Act (2011) were not met. As a result, a sequestration of funds beginning in 2013 requires defense and non-defense programs to be cut by \$54.7 billion each in every year until 2021.

Senator John McCain introduced legislation, cosponsored by Senators Kyl (R-AZ), Cornyn (R-TX), Graham (R-SC), Rubio (R-FL), Ayotte (R-NH), and Thune (R-SD), to delay sequestration for one year and is pressing for negotiations on other ways to reduce the deficit and avoid the sequester.