

**Missouri Budget Project E-News
State and Federal Policy Update
March 4, 2011**

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State Issues

- 1. Missouri General Revenue Growth Continues in February**

Missouri General Revenue (GR) net of refunds rose 5.0 percent in February compared to February of 2010, bringing the FY 2011 fiscal year-to-date growth rate to 6.2 percent after 8 months of collections. The primary reason for the current growth rate is that GR Refunds *have declined* about 10 percent over the first 8 months of the fiscal year, while gross GR collections are up a modest 3.6 percent. Assuming that refund growth reverts to more historically normal levels, the net GR collection growth rate is likely to taper off and eventually be closer to the level predicted in the Consensus GR Estimate, which is 3.6 percent for FY 2011.

However, it should be noted that state GR collections through February are below what they were in FY 2007 and only slightly better than in FY 2006. Recent growth in GR collections does not change the fact the Missouri's General Revenue is inadequate.

MO Net GR Collections Through February (millions of dollars)

FY 2006	\$4,443.1
FY 2007	\$4,657.1
FY 2008	\$4,901.3
FY 2009	\$4,834.6
FY 2010	\$4,219.8

FY 2011 \$4,479.5
Source: *Missouri Office of Administration*

2. President of the MBP Board of Directors, Don Phares, Releases a Comprehensive Study of Missouri's Tax, Spending and Economic Status

President of the Missouri Budget Project Board of Directors, Don Phares, recently released a report through the Public Policy Research Center that provides a comprehensive review Missouri's economic, tax and spending indicators compared to the nation. **One key finding in the report shows that Missouri's state tax revenue now ranks 47th lowest in the nation, a significant decline since 1970 when it ranked 39th lowest.** As a result, investments in an array of services have also declined. The study, "*Missouri's Economic and Governmental Status Across States and Over Time*" is available here [http://www.mobudget.org/articles/show/182-MOs_Economic_and_Governmental_Status_Across_States_and_Over_Time]

3. Legislative Action on Tax & Revenue Related Bills

Tax Amnesty & Collections Passes House

The House passed House Bill 116/House Bill 316 (Representatives Flanigan and Chris Kelly) on 3/3/11. The merged bill, House Committee Substitute for House Bill 116 & 316 [<http://www.house.mo.gov/BillSummary.aspx?bill=HB%20116&style=new>] would enact several tax collections and amnesty related provisions that are expected to generate \$7 million in general revenue in FY 2012, \$25 million in FY 2013 and \$26 million in FY 2014. The proposal now moves to the Senate.

Corporate Franchise Tax Repealed

The House passed House Bill 76 [<http://www.house.mo.gov/BillSummary.aspx?bill=HB%20116&style=new>] (Nolte) on 3/3/11. The bill eliminates the corporate franchise tax in Missouri. When fully phased in, the elimination of the corporate franchise tax will cost Missouri \$85 million in state general revenue annually. The Senate has already passed Senate Bill 19 [http://www.senate.mo.gov/11info/BTS_Web/Bill.aspx?SessionType=R&BillID=4065317] (Schmitt) which is substantially similar to HB 76. Any differences will need to be reconciled and approved by both bodies before final passage. Click here to see the MBP's statement on the issue. [http://www.mobudget.org/files/MO_House_Debates_Elimination_of_Corporate_Franchise_Tax.pdf]

Tax Credit Bills

A hearing was held in the Senate Ways and Means Committee this week on Senate Bill 280 [http://www.senate.mo.gov/11info/BTS_Web/Bill.aspx?SessionType=R&BillID=4147458] (Purgason). The bill would make significant changes to tax credits, some of which were recommended by the Tax Credit Reform Commission, including:

- Reducing the credit size for nonprofit "contribution" tax credits (domestic violence shelter credits, family development accounts, maternity homes credits, neighborhood assistance program, pregnancy resource centers, residential treatment and more);

- Reducing total credits awarded for Historic Preservation and Low Income Housing and prohibiting stacking of the two;
- Repealing provisions of the Circuit Breaker/Property Tax Credit that allows renters with fixed incomes (seniors and people with disabilities) to receive a partial credit to offset their housing costs.

Local Earnings Taxes Hearing

A hearing was held in the House Ways and Means Committee this week on House Bill 26 [<http://www.house.mo.gov/billsummary.aspx?bill=HB26&year=2011&code=R>] (Tishaura Jones). The bill would extend the reauthorization period for the city earnings taxes from every five years to every 20 years.

4. Legislative Action on Other Bills Pertaining to Economic Opportunities for Missourians

Extended Unemployment Bill Stalls in Senate

House Bill 163 [<http://www.house.mo.gov/billsummary.aspx?bill=HB163&year=2011&code=R>] (Fisher), a bill that would allow Missourians who are facing long-term unemployment due to the economic recession to receive extended federally funded unemployment benefits, has stalled in the Senate. Three senators prevented passage of the bill this week. Technical language in Missouri's unemployment statute needs to be altered each time the extended benefits become available in order to draw down the money. Thousands of Missourians will be eligible for more than \$80 million in federally funded extended benefits beginning in April, assuming the bill is allowed to pass. The most recent unemployment numbers indicate that 9.6 percent of Missourians were unemployed in December.

5. Legislative Action on The State Budget

HB15 [<http://www.house.mo.gov/billsummary.aspx?bill=HB15&year=2011&code=R>] (Silvey) was voted DO PASS by the Senate Appropriations Committee and will go to the full Senate for debate and approval. This is a supplemental appropriation bill for the current fiscal year (that ends June 30, 2011). It appropriates \$189.7 million to a fund for state elementary and secondary education. This federal money will actually be given to schools in the next fiscal year. By using it in this way, elementary and secondary schools will have essentially flat funding in FY2012 when compared to the current fiscal year.

As detailed in the hearing schedule below, the House Budget Committee is still considering the Appropriations Bills. Look for a summary of changes made to the Governor's recommendation next week.

The House Budget Committee will meet at 12 p.m. on Monday, 3/7/11, and at 8 a.m. on Tuesday, 3/8/11 and Wednesday, 3/9/11 for an overview of HCS House Bills 1 through 13. All meetings will be held in Hearing Room 3.

The Senate Appropriations Committee will also meet at 12 p.m. on Monday, 3/7/11 at 12 p.m. and on Tuesday, 3/8/11 at 8 a.m. regarding the Department of Social Services. The committee will reconvene on Wednesday, 3/9/11 at 8 a.m. to discuss funding for elected officials and the General Assembly. All meetings will be held in Senate Committee Room #2

6. Legislative Action on Health Care & Other Bills of Interest

House Bill 609 [<http://www.house.mo.gov/billsummary.aspx?bill=HB609&year=2011&code=R>] (Molendorp), the bill that sets up the framework for the Missouri health insurance exchange required in the Affordable Care Act, is not on the calendar for a hearing, but we expect it may be heard next week. The bill generally follows model language developed by the National Association of Insurance Commissioners, except for the parts that are specific to each state regarding the composition of the Exchange and its governing board. The Missouri Budget Project appreciates the bill sponsor's dedicated work on this important bill. We will be working with him, his committee and others as the bill moves forward to strengthen or clarify parts of the bill.

Federal health care reform has placed a focus on the role of state regulatory bodies (the Department of Insurance, Financial Institutions and Professional Registration in Missouri) to monitor and/or approve proposed insurance premium rate increases. Some states require the approval of the regulatory body for rate increases, others merely require rates to be reported to the regulatory body. Missouri is one of three states that requires neither. Three bills have been filed that would move Missouri more in line with other states: HB547 [<http://www.house.mo.gov/billsummary.aspx?bill=HB547&year=2011&code=R>] (McNeil), HB573 [<http://www.house.mo.gov/billsummary.aspx?bill=HB573&year=2011&code=R>] (Kirkton), and HB574 [<http://www.house.mo.gov/billsummary.aspx?bill=HB573&year=2011&code=R>] (Aull). The Missouri Budget Project will share more information on these when they are assigned a committee hearing.

Federal Issues

1. CBPP Updates Report on Impact of House-passed Continuing Report

Two weeks ago, we reported on the status of the Continuing Resolution (CR) that would fund the federal government for the remainder of the current fiscal year. The House and Senate did agree on a CR to temporarily continue funding for an additional two weeks, and negotiations continue on proposals for funding the remainder of the year. The Center on Budget and Policy Priorities has updated their report that analyzes the impact on the House-passed funding bill. To learn how the bill would impact Missouri and other states, click here.

[<http://www.cbpp.org/cms/index.cfm?fa=view&id=3405>]