

April 7, 2023

Happy Friday and good morning!

It's a short week next week for the observance of Easter Monday. This also means there are only five weeks left in the 2023 regular session. It's flying by.

This benchmark is also a signal that we will start to see committee activity slow down. The Senate Appropriations Committee is expected to meet April 11. This will give us an idea what the rest of the budget process will look like for the next few weeks.

A general recap of the week, your committee and floor notes and a budget update is below.

Thanks and have a great weekend!

### **Cannabis Sales in Missouri**

The popularity of adult recreational use of marijuana continues to grow in Missouri. Yesterday, the MoCannTrade Association announced the Missouri Division of Cannabis Regulation is reporting cannabis sales in Missouri have topped \$125 in March. Sales of legal adult use cannabis totaled \$93.5 million in March, while medical marijuana sales were \$32.7 million. On Tuesday, voters across the state almost unanimously approved local marijuana sales tax ballot measures. The tax does not apply to medical marijuana sales. MoCannTrade Executive Director Andrew Mullens said the following about the success of the state's cannabis program:

"Between record cannabis sales and local communities voting to embrace the economic benefits of adult use sales, Missouri couldn't be better positioned to make a real and lasting impact on our state economy, while being one of the most customer-friendly cannabis programs in the entire nation," said Andrew Mullins, MoCannTrade Executive Director.

### **#MoGov**

Earlier this week, Missouri Secretary of State Jay Ashcroft (R - Missouri) announced he is officially running for Governor in 2024. This was not a secret. Ashcroft has been fundraising for these efforts for sometime. This means we have three horses in the race on the R side: Lieutenant Governor Mike Kehoe (R - Missouri), State Senator Bill Eigel (R - St. Charles County) and now officially Secretary of State Jay Ashcroft (R - Missouri). Get your popcorn ready.

### **Sports Betting in Missouri**

The Senate dedicated over eight hours Wednesday afternoon to debate SB 30, sponsored by Senator Tony Luetkemeyer (R - Parkville). The bill seeks to legalize sports betting in Missouri. During debate, the sponsor offered substitute language to set the tax rate to 12% on all sports bets, which is estimated to generate over \$30 million dollars in additional revenue earned for MO Schools. Additionally, the substitute sets aside \$1 million for the compulsive gamblers fund. During the eight hour debate, over sixteen amendments were offered by various Senators. Amendments that were successfully adopted include increasing the tax rate from 12% to 14%, allowing bars to offer sports wagering kiosks, increasing admission fees from two to four dollars for each person embarking on an excursion gambling boat, and allowing peer-to-peer fantasy sports betting. Additionally, Senator Barbara Washington (D-Kansas City) successfully amended the bill to include the definition of a Players Association and require direct notification to the applicable players association regarding any information relating to conduct and allowing the

Players Association to submit to the commission any requests to restrict, limit or exclude a type or form of sports wagering. Senator Nick Schroer (R-O'Fallon) then attempted to amend the bill to include language creating the Video Lottery Control Act, which establishes a framework to allow VLTs in truck stops and fraternal organizations. After considerable debate, the bill was returned back to the calendar to be considered further another day.

### **Committee Hearing Notes**

#### **Clarifying MOSERS and MPERS Statute References**

The House Pensions Committee convened Tuesday morning to consider passage of HB 1185, sponsored by Representative Barry Hovis (R-Whitewater). The bill clarifies several statutory provisions relating to MOSERS and MPERS. In addition to correcting drafting errors, deleting obsolete statutes, and providing procedural clarifications, the language also limits long-term disability for elected officials and aligns judicial plan contribution refunds with general interest rates other employees receive. There was no discussion before the committee passed the bill by a 6-0 vote.

#### **State Employee Retirement**

The House Pensions Committee convened Tuesday morning to discuss HB 89, sponsored by Representative Rudy Veit (R-Wardsville). The bill states if the MPERS reaches at least an 80% funded ratio, the age for participants to retire is lowered from 55 to 50 and the sum of the members age and total credited hours is also lowered from 90 to 80. The sponsor informed the committee the intent of the legislation is to allow for a return of the original retirement system of "80 and out" and to ensure the funds remain actuarially sound. A private citizen provided opposing testimony. MOSERS and MoDOT and Highway Patrol Employees Retirement System provided informational testimony regarding the background of pension reform from 2011 and what the future impacts to the fund if the legislation passes. No supporting testimony was provided to the committee.

#### **Board of Trustees Term Limits**

The House Pensions Committee convened Tuesday morning to discuss SB 20, sponsored by Senator Mike Bernskoetter (R-Jefferson City). This is the Senate companion bill to HB 923 and modifies terms of active employee members of the Board of Trustees of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System by offsetting board members to two-year staggered terms. MoDOT and Highway Patrol Employees' Retirement System provided supporting testimony. No opposing testimony was provided to the committee.

#### **Public School Retirement Systems**

The House Pensions Committee convened Tuesday morning to discuss SB 75, sponsored by Senator Rusty Black (R-Chillicothe). The bill modifies several provisions regarding public school retirement systems. Specifically, the bill allows teachers to earn up to the annual earnings limit applicable to a Social Security recipient before the calendar year of retirement. Additionally, the bill allows a retired teacher or noncertificated employee who is receiving a PSRS retirement benefit to work full time for a school district that has demonstrated a shortage of certified teachers or noncertificated employees for two to four years. Lastly, the bill allows members of the Public School Retirement System of Missouri who have 32 or more years of creditable service, regardless of age, to have their retirement allowance calculated using a multiplier of 2.55%, and establishes a process to remove a same sex domestic partner as a beneficiary in the event of a separation. The Missouri State Teachers Association and Missouri Retired Teachers and Public School Personnel Association provided supporting testimony stating there is an advantage to passing minor incentives to encourage experienced teachers to either stay in the classrooms or

return to the classrooms. PSRS provided informational testimony stating this would have a positive impact on the retirement system. No opposing testimony was provided to the committee.

### **Federal Grant Money for Broadband**

The House Special Committee on Tax Reform convened Tuesday afternoon to discuss HB 1076, sponsored by Representative Cody Smith (R-Carthage). The bill is the House companion to SB 25, sponsored by Senator Lincoln Hough (R-Springfield) and currently, what the Federal Government taxes or exempts, the State taxes or exempts unless the State specifically exempts it by law. The bill seeks to exempt federal, state, and local taxes from being collected on broadband grants that the Federal Government has administered to the State of Missouri. AT&T, MO Broadband Providers, and MO Chamber of Commerce and Industry supported the bill. No opposing testimony was presented.

### **State Performance Audits**

The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 310, sponsored by Representative Louis Riggs (R-Hannibal). The bill mandates performance audits of all the state departments, General Assembly, judiciary and executive offices be conducted once every four years to measure economy and efficiency. No supporting or opposing testimony was presented to the committee.

The committee then turned its attention towards HB 313, also sponsored by Representative Louis Riggs. The bill requires all state departments to report, on a quarterly basis, the cost of complying with federal regulations to the Department of Economic Development. The bill also requires the reports to be delivered to the General Assembly and made public on the Department's website. No supporting or opposing testimony was presented to the committee.

### **Various 21st Century Task Forces**

Representative Louis Riggs (R-Hannibal) appeared before the House Committee on Government Efficiency and Downsizing Wednesday morning to present five bills that seek to create various task forces to study everything from technology to social service systems in Missouri and provide reports to the General Assembly before August 28, 2024. Specifically, HB 311, HB 312, HB 317, HB 735, HB 737 establish various task forces to study how to maximize and expand existing industries that spur technological innovation throughout the state, study and evaluate the current condition of the state's social services system, study the condition of the state's current technology platforms, study the degree of centralization of the various functions of government, and to provide and maintain an accurate account of Missouri state-owned property. No supporting or opposing testimony was presented to the committee.

### **Costs of Complying with Federal Regulations**

The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 313, sponsored by Representative Louis Riggs (R-Hannibal). The bill requires all state departments to report, on a quarterly basis, the cost of complying with federal regulations to the Department of Economic Development. The bill also requires the reports must be delivered to the General Assembly and made public on the Department's website. No supporting or opposing testimony was presented to the committee.

### **Missouri State Technology Task Force**

The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 317, sponsored by Representative Louis Riggs (R-Hannibal). The bill establishes a task force to study and evaluate the condition of the state's current technology platforms, evaluate the use and security of cloud platforms, research and evaluate new adaptive technologies,

evaluate the state's workforce development efforts and make recommendations based on the current and future state's needs for technology. No supporting or opposing testimony was presented to the committee.

### **Decentralizing State Government Task Force**

The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 735, sponsored by Representative Louis Riggs (R-Hannibal). The bill establishes a task force to evaluate the degree of centralization of the various functions of government, evaluate the capacity for the private sector and political subdivisions to assume responsibilities currently under the purview of state government and make recommendations regarding decentralizing state government to the General Assembly. No supporting or opposing testimony was presented to the committee.

### **State Building Usage Task Force**

The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 737, sponsored by Representative Louis Riggs (R-Hannibal). The bill establishes a task force to provide and maintain an accurate account of Missouri state-owned property, evaluate the conditions of all state-owned property, evaluate the funding each property is receiving for maintenance and whether said funding is sufficient, make recommendations, including if state-owned property is in need of rehabilitation or liquidation, create detailed plans for the rehabilitation or liquidation of state-owned property and make recommendations regarding funding for the maintenance of state-owned property. No supporting or opposing testimony was presented to the committee.

### **Office of Administration Bidding Procedures**

The Senate Committee on Governmental Accountability convened Thursday morning to discuss SB 544, sponsored by Senator Bill Eigel (R-St. Charles). The bill permits the commissioner of Administration the ability to contract directly with other governmental agencies for the purchase of products, services, including construction and construction supplies. Additionally, the bill allows the Commissioner to purchase from the education base cooperative contract source from nongovernmental agencies. During bill presentation, the sponsor informed committee members that the Office of Administration has a series of rules on who they can contract with for construction and rehabilitation projects in some of the school districts and there was a vendor that could provide roofing products at a greatly fiscally reduced cost to the State. However, because of some of the rules, it prohibited the Department from having the ability to use existing dollars of the State and the bill simply provides the Office of Administration the flexibility to utilize state dollars and simplify the process. Joe Brazil with Tremco Building Group supported the bill and informed committee members of current business practices and they provide customers the ability to purchase materials directly from them and they also set up the job, which provides discount rates and provides benefits to various state agencies. However, in MO it takes 9-10 months to turn a project around, and current rules not only bind the department, but create obstacles. The legislation would simplify bidding procedures in MO and provide efficiency. No opposing testimony was presented.

### **ESG Scores**

The Senate Committee on Governmental Accountability convened Thursday morning to discuss five bills that in varying ways prohibit discrimination against businesses based on ESG scores. Specifically, SB 177, SB 316, SB 50, SB 430, SB 377, sponsored by Senators Bill Eigel (R-St. Charles), Denny Hoskins (R-Warrensburg), Mike Moon (R-Ash Grove), Jill Carter (R-Granby), and Mary Elizabeth Coleman (R-Arnold) vary from prohibiting any public entity from using ESG scores in a calculation to award public contracts to requiring a company to provide written

certification that the company is not currently engaged in, and will not engage in any economic boycotts for the duration of the contract. During the bill presentation Senator Coleman informed committee members that the State is one of the largest consumers and the intent of the bills is to protect the economic interests of the State. The Opportunity Solutions Project supported the bill. The MO Sierra Club opposed the bills. The MO Chamber of Commerce and Industry opposed SB 377 and SB 430, and informed committee members that the bills are backdoor business mandates and expressed concerns with vague definitions and the bills could potentially exclude vendors. PROMO MO also opposed SB 377 and SB 430 and informed committee members that the bills are an unconstitutional invasion of freedom of speech.

### **Rural Workforce Development Act**

The Rural Community Development Committee convened Thursday morning to consider passage of HB 959, sponsored by Representative Kurtis Gregory (R-Marshall). The bill establishes the "Missouri Rural Workforce Development Act" and creates tax incentives for investing in businesses located in rural areas. The tax credits are equal to the percentage of the fund investment, with no more than \$25 million dollars in total combined tax credits authorized per year. The objective is to address the growing unemployment rate in rural areas and the adverse impact it has on rural communities. During committee discussion, substitute language was adopted to remove provisions regarding undocumented workers, narrowed the definition of "capital investments," and limited the amount of employees a business may have to qualify for the credits. Once modified, the committee passed the bill by a 5-3 vote.

### **Tidbits**

- On Monday, all ten Senate Democrats signed a letter issued from Senator Doug Beck's office calling on Governor Mike Parson to replace the head of the Missouri Commission on Human Rights, Reverend Timothy Faber. Reverend Faber testified in opposition last Wednesday in the Senate General Laws Committee against a proposal to outlaw discrimination based on sexual orientation and gender identity, otherwise known as MONA. Reverend Faber introduced himself as a legislative liaison for the Missouri Baptist Convention and only acknowledged being chairman of the Missouri Commission on Human Rights after questioning by Senator Doug Beck. The ten Democratic Senators stated his testimony is in direct contradiction to the commission's mission.
- On Monday, Governor Mike Parson announced the Department of Public Safety has approved a total of over \$9.9 million in grants to 43 sheriff's offices across the state for security and other improvements to local jails. Jail improvements include cell door lock upgrades, video surveillance equipment, full-body scanners, HVAC improvements, and other maintenance and improvement projects. The funding comes from the American Rescue Plan Act (ARPA) and was part of Governor Parson's Fiscal Year 2023 budget plan. The full list of recipients may be found [here](#).
- The U.S. Fish and Wildlife Service has announced more than \$20 million in grant funding to 19 states, including Missouri, for building, renovation and maintaining marinas and other boating facilities. Funding for the program comes from the Sport Fish Restoration and Boating Trust Fund, a voluntary user-pay system created in 1950 by recreational boaters and anglers.
- On Tuesday, many cities and counties passed an increase on the sales tax on recreational marijuana. Starting in October, all sales of marijuana will be taxed an additional 3% by each city and an additional 3% by each county. There is already a 6% tax rate of recreational marijuana in Missouri. Even with this increase, many other states pay a much higher rate, such as Illinois, which charges up to a 25% tax rate.

### **Budget Update**

The House Budget Committee met this week to allow committee members to ask further questions regarding HBs 17 (Deferred Maintenance Reappropriation), 18 (Maintenance and Repair), 19 (ARPA – mostly reappropriated funds) and 20 (Higher Education Transformation Projects – with a 50/50 match). Committee members' questions centered mainly on what projects have been completed and if ongoing funding was still required. The main conversation centered on where the funding for I-70 and I-44 would be placed and how much would be appropriated for the two highway systems. At this time no hearing has been set to mark-up the bills and allow committee members to draft their own amendments.

The Senate Appropriations Committee did not meet this week but have been actively engaging in meetings with various stakeholders and Appropriation's staff to craft their version of the FY2024 budget. Public statements have been released by various Senators announcing their intentions to restore funding for public libraries, return the \$859 million to MoDOT for I-70 and I-44, increase the childcare subsidies and expand pre-K programs, and the more conservative members indicated they would like to see some version of the controversial DEI language remain within the budget bills.

Also, this week, Budget Director Dan Haug released the general revenue report for March. Collections for March increased 3.5% compared to those in March 2022, from \$926.9 million last year to \$959.7 million this year. The net general revenue collection for the FY2023 to-date increased 11.9% compared to March 2022, from \$8.29 billion last year to \$9.27 billion this year. Although the revenue report is positive, Budget Director Dan Haug did caution the state is expecting a slow down towards the end of FY2023 and the increases in collections are expected to stagnate.

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### **Hearings**

**House:** <https://house.mo.gov/AllHearings.aspx>

**Senate:** <https://www.senate.mo.gov/hearingsschedule/hrings.htm>

### **Key Upcoming Dates:**

- April 10, 2023 – Easter Break – No Session

- May 5, 2023 – Constitutional Deadline to pass the FY2024 state budget
- May 12, 2023 – Last day of Legislative Session
- July 1, 2023 – First day of the new fiscal year
- July 14, 2023 – Last day for Governor Parson to sign or veto legislation
- September 13, 2023 – Veto Session

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Brittany Robbins  
Strategic Capitol Consulting (SCC)  
Government Affairs, Communications, Operations  
314-712-8646  
[brittany@strategiclobby.com](mailto:brittany@strategiclobby.com)