

January 19, 2023

That's a wrap for week 3. It was short, but a lot went down. The first committee hearings are in the books, Governor Mike Parson delivered his annual State of the State Address and we have a new state treasurer. We're hopping along.

Recap and any committee notes worth flagging are below. Please let us know if you have any questions and we will talk to you soon!

### **State of the State Address**

On Wednesday, Governor Mike Parson delivered the 2023 State of the State Address to the full General Assembly. He began his "Not Done Yet" speech by reflecting on his past accomplishments and he ended with a big and expensive look ahead. See below for an outline of his budget priorities.

He did mention pay raises for state employees. As you know, Governor Parson is proposing an 8.7% pay raise for all state workers — plus a bonus for some strenuous jobs — as a way to offset inflation and discourage employees from leaving for better-paying jobs as a part of his supplemental budget. The governor's plan outlined last week and during his speech needs approval from the Legislature before it can take effect. Parson said he wants lawmakers to act quickly so that the raises can appear in employee paychecks by March 31. The governor said there are about 7,000 open positions across the state government, and the pay raises are necessary to keep pace with rising wages in the private sector. Also, during his remarks, he called on all active employees to help him get a budget bill with pay raises on his desk by March 1. Let's get to work!

#### *Infrastructure:*

- \$250 million to continue broadband expansion efforts
- \$35 million to update railway crossings
- A planned \$859 million investment to widen and rebuild the I-70 corridor from St. Louis to Warrenton, Kansas City to Odessa, and extending both East and West from Columbia

#### *Workforce Development and Education:*

- Adds \$117 million to fully fund the foundation formula
- \$233 million for school transportation needs
- \$32 million to expand the Career Ladder Program
- A continuation of the Teacher Baseline Salary Program which raised teacher pay from \$25,000 to \$38,000 per year
- \$6 million to expand pre-kindergarten options to all four-year-old children eligible for free and reduced priced lunch at no cost
- \$78 million to increase child care subsidy rates and establishes three new child care tax credit programs:
  - Child Care Contribution Tax Credit: Encourages contributions to child care providers to improve and expand facilities and services
  - Employer-Provided Child Care Assistance Tax Credit: Benefits employers who offer child care assistance to their employees
  - Child Care Provider Tax Credit: Assists child care providers with payroll costs and incentivizes capital improvements to child care facilities
- \$272.4 million for transformational capital improvement projects at Missouri's public higher education institutions

- \$71 million (7%) increase in core funding to Missouri's public higher education institutions (the highest increase in 25 years)
- \$38 million for MoExcels workforce development projects on college campuses
- \$3 million for Apprenticeship Missouri
- \$2.2 million to modernize Missouri's 27 job centers
- \$800,000 for the Fast Track program
- \$500,000 for Jobs for America's Graduates

*Government Reform:*

- \$22 million for the Missouri Department of Social Services' Children's Division

*Health and Mental Health Care:*

- \$3.5 million to expand the youth behavioral health liaison program and add an additional 27 liaisons throughout the state
- \$4 million for Certified Nursing Assistant (CNA) training programs to increase the number of individuals receiving CNA training
- \$4.3 million to the Missouri Department of Health and Mental Health to implement a new maternal mortality plan

*Public Safety*

- \$50 million for school safety grants for schools to make physical security investment on their campuses, develop safety plans, establish school resource officer programs, and increase their active training threats

Governor Parson's full State of the State Address, outlining the FY24 Budget and his priorities is available [here](#).

**Budget Update**

As indicated above, Governor Parson has released his Fiscal Year (FY) 2024 executive budget recommendations. At the time of this report, House subcommittees have started scheduling hearings to begin the process of crafting the final FY2024 budget. The governor's executive budget asks for a record setting \$50,532,767,022 (this breaks down into roughly \$14 billion in general revenue, \$12.2 billion in other funds, and \$24.2 billion in federal funds). The two state departments with the highest amount of spending include the Department of Elementary and Secondary Education at \$10.1 billion (20%) and the Department of Social Services at \$16.4 billion (33%). The governor also included the following in his executive budget but did not include these in his address:

*Infrastructure:*

- \$379 million for the Statewide Transportation Improvement Program (STIP)
- \$21.2 million (partnering with the federal government) to provide improvements to Waynesville-St. Robert Regional Airport, Rosecrans Memorial Airport, and Jefferson City Memorial Airport
- \$13.9 million for energy grid resilience
- \$650,000 (partnering with Port KC and the US Army Corps of Engineers) on a Lower Missouri River Navigation study

*Education:*

- \$250 million to create an Education Stabilization Fund
- \$25 million to invest in research, program development, and skills training to increase competitiveness for semiconductor manufacturing opportunities

*Government Reform:*

- \$234.2 million for the Facilities Maintenance Reserve Fund which increases the funding to better maintain, repair, and renovate state facilities
- \$15.6 million for statewide technology investments including network resiliency, increasing cybersecurity, and establishing a technology command center

#### *Mental Health and Healthcare:*

- \$88 million for treatment and support for Missourians with behavioral health and developmental disabilities for an additional 7,198 individuals and waiver services for 1,540 new individuals with development disabilities in need of residential services and in-home supports
- \$42.8 million to provide a rate increase for residential treatment facilities for children
- \$3.8 million to incentivize Local Public Health Authorities (LPHAs) to become accredited

#### *Public Safety:*

- \$14.5 million for MoDOT's high priority safety-related equipment
- \$231,085 to develop training standards and offering access to free training and education to those serving victims

### **Committee Notes**

#### **Personal Property Assessments**

The Senate Economic Development and Tax Policy Committee convened Tuesday afternoon to discuss SB 8, sponsored by Senator Bill Eigel (R-St. Charles). The bill would eliminate personal property taxes from Missouri by annually reducing the amount taxed by political subdivisions until it is completely phased out in 2073. Within the bill's provisions, trigger provisions are established to require certain revenue levels before a reduction in property taxes may occur. The bill also allows for reimbursements for revenue levels to certain political subdivisions by the state, subject to appropriations. During committee discussion, committee members expressed concerns the provisions would eventually cut essential services to citizens and expressed doubts other revenue streams would offset the cuts to property taxes. Americans for Prosperity and several private citizens provided supporting testimony and stated their assessments have increased dramatically over the last few years and many are on fixed incomes and cannot afford the increases. The Missouri Municipal League, Callaway County, Missouri Association of Counties, County Commissioners Association of Missouri, a disability advocate, Ambulance District Association of Missouri, Cottleville Fire District, O'Fallon Fire District, Developmental Disabilities Resource Board of St. Charles County, Missouri Association of County Developmental Disabilities Services, Missouri Ambulance Association, St. Charles County Ambulance District, Missouri Disability Empowerment Foundation, Missouri NEA and several private citizens provided opposing testimony. Opponents expressed they are concerned decreasing property taxes would decrease revenue streams available for essential and critical services provided by political subdivisions. There was also concern that this would prevent political subdivision's ability to adjust to the cost of inflation and could also hinder the ability to repay debt services. The State Tax Commission provided informational testimony regarding the assessment and property tax process.

#### **New State Treasurer Sworn In**

On Tuesday, Vivek Malek was sworn in as the 48<sup>th</sup> Missouri State Treasurer. The ceremony took place in the House Chamber where he pledged a fiscally conservative approach to protecting tax dollars, providing opportunities for growth, and promoting success for all Missourians. Treasurer Malek, 45, of Wildwood, is the first person of Indian descent and the first person of color to hold statewide office in Missouri. He was appointed on December 20, 2022 by Governor Mike Parson to succeed Scott Fitzpatrick, who was elected as Missouri State Auditor during the November 2022 General Election.

#### **Tidbits**

- URBN, a multinational lifestyle retail corporation, announced Tuesday that it will establish a new fulfillment center for its clothing retail brand Nuuly in Raymore, investing up to \$60 million and creating 750 new jobs. The company plans to locate the new 604,000-square-

foot facility at the Raymore Commerce Center, pending local approval. For this expansion, URBN will benefit from the Missouri Works program, a tool that helps companies expand and retain workers by providing access to capital through withholdings or tax credits for job creation.

- This week, the US Supreme Court turned away a Missouri appeal that sought to ensure states can cut taxes even as they receive \$195 billion in federal pandemic-relief money. Missouri is among several other states that have sued after President Joe Biden signed the \$1.9 trillion measure into law in March 2021. The law includes a provision that says a state can't use the money "to either directly or indirectly offset a reduction in the net tax revenue of such a state." Without comment, the justices left the federal appeals court decision in place that states Missouri lacked legal standing to press a lawsuit over the requirements imposed under the American Rescue Plan Act (ARPA).
- On Thursday, Governor Mike Parson signed Executive Order 23-01 to establish a Master Plan on Aging to help reduce age and disability discrimination, eliminate barriers to safe and healthy aging, and help Missourians to age with dignity. The Executive Order calls on the Department of Health and Senior Services (DHSS), with the assistance of a new Advisory Council to develop a Master Plan on Aging for the State of Missouri that addresses the needs and health outcomes for older adults and individuals with disabilities. DHSS is tasked with finalizing the Master Plan on Aging by December 31, 2025, and releasing a public report.

### **Hearings:**

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

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

### **Key Upcoming Dates:**

- February 8, 2023 – State of the Judiciary
- February 20, 2023 – Presidents Day Observed – No Session
- March 1, 2023 – Last Day to File Bills
- March 9 – 20, 2023 – Legislative Spring Break
- 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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