

March 31, 2023

The #MoLeg kept it moving this week. The House focused on passing the FY24 operating budget. Due to massive unexpected changes from Chairman Smith on the lower chamber side, it's safe to say the Senate version of the budget will look much different. Last week, we told you Chairman Smith cut almost \$1 billion from the Governor's recommendation. Word on the street is Cody Smith never told Parson he was doing this - he didn't even send a text. Yowza. The budget is due May 6.

St. Louis Circuit Attorney Kim Gardner

Gossip tells us the Senate Majority Floor Leader told Senators to be ready to debate HB301 sponsored by Representative Lane Roberts (R - Joplin) next week. HB301 is being handled by Senator Tony Luetkemeyer (R - Parkville) and modifies and establishes provisions relating to public safety. Specifically, the language allows the Governor to appoint a special prosecutor in the City of St. Louis for a period of five years if the Governor determines that a threat to public safety and health exists in the City of St. Louis. The legislation as written applies to the St. Louis Circuit Attorney's Office and the sponsor's intent with the legislation is to address crime by allowing a special prosecutor to be appointed by the governor for every 35 homicides per 100,000. During the bill's progression through the House process, the bill was amended to include several new provisions. You can expect some party line fireworks to erupt when this hits the floor.

Earlier in the week, Kim Gardner said she plans to run for reelection. Curious move. Also this week: halls of the Capitol filled with St. Louis residents protesting legislation that would remove local control. A date has been set for the first hearing in Missouri Attorney General Andrew Bailey's efforts to remove St. Louis Circuit Attorney Kim Gardner. Both sides are scheduled to appear in court in St. Louis on April 18 when all pending motions in Bailey's quo warranto proceeding will be heard.

Committee Hearing Notes

Conveyance of State Property

The Senate General Laws Committee convened Wednesday morning to discuss SB 537, sponsored by Senator Travis Fitzwater (R-Holts Summit). The bill authorizes the conveyance of state property located in the County of Pike. MODOT testified in support of the bill. No opposing testimony was provided.

The committee then turned its attention towards SB 505, sponsored by Senator Holly Thompson Rehder (R-Sikeston). **The bill authorizes the Department of Natural Resources to convey land located in Iron County to the State Highways and Transportation Commission. MODOT testified in support of the bill.** No opposing testimony was presented.

Fiduciary Duties for Investments

The Senate Veterans, Military Affairs and Pensions Committee met Wednesday afternoon to discuss SB 436 sponsored by Senator Jill Carter (R-Granby). The bill seeks to modify provisions relating to duties of fiduciaries for public employee retirement systems by defining the term "financial". Additionally, for the purpose of investments, the bill requires an investment fiduciary to take into account only financial factors, not for the purpose to further social, political, or ideological interests. During the bill presentation, the sponsor informed committee members that the bill is in response to the Silicon Valley Bank crash. Patriot Voices, Opportunity Solution Project supported the bill. PSRS, PEERS, MO NEA, and LAGERS opposed the bill and expressed concerns with the broad terms and the bill as drafted would impact the ability of the system to make the best possible investments on behalf of the investor.

Clarifying MOSERS and MPERS Statute References

The Senate Veterans, Military Affairs and Pensions Committee met Wednesday afternoon to discuss SB 77, sponsored by Representative Rusty Black (R-Chillicothe). 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. The MO State Employees Retirement System supported the bill. No opposing testimony was provided. Immediately after the hearing, the committee went into executive session to consider passage of SB 77. After no discussion, the committee passed the bill by a 6-0 vote.

Surviving Spouse Benefits

The House Pensions Committee convened Tuesday morning to consider passage of HB 303, sponsored by Representative Lane Roberts (R-Joplin). Currently, if the spouse of a deceased St. Louis police officer is receiving survivor benefits and remarries, they will lose those benefits. The bill allows a surviving spouse to continue receiving retirement benefits even in the event the surviving spouse remarries. During committee discussion, substitute language was adopted which ensures the provisions are applicable to future benefits and not retroactively. Once modified, the committee passed the bill by a 9-0 vote.

Clarifying MOSERS and MPERS Statute References

The House Pensions Committee convened Tuesday morning to discuss 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. The MO State Employees Retirement System, and MODOT and Patrol Employees Retirement System provided supporting testimony. No opposing testimony was provided.

The Senate Veterans, Military Affairs and Pensions Committee met Wednesday afternoon to discuss SB 77, sponsored by Representative Rusty Black (R-Chillicothe). The bill is the Senate companion to HB 1185, highlighted above. Committee discussion and testimony mirrored the House hearing. Immediately after the hearing, the committee went into executive session to consider passage of SB 77. After no discussion, the committee passed the bill by a 6-0 vote.

Anti-Red Flag Gun Seizure Act

The Senate General Laws Committee convened Wednesday morning to consider passage of SB 10, sponsored by Senator Bill Eigel (R-St Charles). The bill establishes the "Anti-Red Flag Gun Seizure Act", which provides that any federal order of protection or other judicial order issued by a court to confiscate any firearm, firearm accessory, or ammunition from any law-abiding citizen shall be considered an infringement on the people's right to keep and bear arms. After brief discussion, the committee failed to pass the bill by a 3-3 vote.

Tidbits

- The House Government Efficiency and Downsizing Committee convened Wednesday morning to discuss HB 157, sponsored by Representative Micheal O'Donnell (R-St. Louis). The bill establishes the "Daylight Saving as New Standard Time Pact", which seeks to permanently change Daylight Saving time to the new standard time. During committee discussion, substitute language was adopted to allow MO to switch to standard time instead of relying on the Pact. Once modified, the committee passed the bill by an 11-1 vote.
- On Thursday, the State Board of Education announced it will be reconvening its Blue-Ribbon Commission on Teacher Recruitment and Retention and moving on to its second phase of work – addressing issues related to climate and culture in schools. In a statement the Board said, "working conditions must be addressed alongside salary if we want to help create long-term, sustainable change for Missouri's educator workforce." The Commission will deliver its Phase II report to the Board at their August 15 meeting.
- On April 1, the federal moratorium on Medicaid eligibility reviews will end. Starting next week, Missouri will resume reviewing enrollees' income and other data to see if they still qualify for MO HealthNet. After the state's vetting of residents begins, people who qualify because of Medicaid expansion will still be able to receive benefits. One of the reasons people may lose coverage is due to increased income or if the state is unable to find information that verifies their income level.

- Attorney General Andrew Bailey has filed an appeal for a federal judge's ruling that declared the Second Amendment Preservation Act (SAPA), unconstitutional. In addition to the appeal, AG Bailey has asked the judge to stay his decision, allowing the law to remain in place during the appeals process. A decision on that request is expected sometime next week. The appeal itself is expected to be heard by the 8th US Circuit Court of Appeals in either May or June.
- Bingo! - HB 511 sponsored by Representative Mike McGirl (R - Potosi) repeals the tax imposed on the sale of bingo cards. The bill repeals the tax imposed on the sale of bingo cards. After no discussion yesterday, the committee passed the bill by a 9-0 vote.

Budget Update

The full House dedicated floor time this week to finish crafting their version of the FY2024 \$45.6 billion budget. The total also includes \$2 billion in supplemental spending for the FY2023 budget. The House budget is also approximately \$2 billion less than Governor Mike Parson's recommendations. Even with these changes, this is now the largest budget in Missouri's history. If the budget as written by the House remains unchanged it would add about \$1.5 billion to the general revenue surplus of \$3.8 billion. This budget anticipates revenue growth, which has been in double digits over the past thirty months, will slow to low single digit numbers. If growth continues at the current rate of 12.8% through June 30th of this year, this will add another \$1.5 billion to the surplus.

The bulk of the debate was spent by arguing repeatedly over how much money the state can spend, where the funding sources should be spent from and heated debate over diversity, equity and inclusion policy language which was added on 13 of the budget bills by Representative Doug Richey (R-Excelsior Springs). The House version now includes roughly \$9.7 billion in K-12 funding, full funding for transportation for school districts, \$78 million for a childcare subsidy payment increase which was initially cut in the committee process, and continued funding for Medicaid expansion. Additionally, the 7% inflationary increase for higher education institutions was partially restored at 5% which equates to roughly \$70.8 million with the remaining 2%, \$16.8 million, left for the performance funding model to be distributed amongst the institutions. There was also an additional 11.3% pay increase for the Missouri State Highway Patrol and Capitol Police added to the increase of the 8.7% provided in March. Finally, a partial restoration for the community and home-based service provider rates was restored but also almost increased by 8.7% on an amendment from Representative Deb Lavender (D-Manchester) but was narrowly defeated by a 73-71 vote.

There were also several contentious items that are still not included in the House version of the budget. The funding for expansion for the pre-kindergarten program has been removed as well as the \$4.5 million for state aid to public libraries. Budget Chairman Cody Smith (R-Carthage) determined legislation was needed before funding could be added to the pre-k program and stated the library funding cut was due to a pending lawsuit against Missouri. Another major proposal not included is the \$859 million that was included for I-70 as Chairman Smith stated this money would be better spent in HB 19 which is the capital improvements bill. Also not included in the House version was a savings account dedicated to education needs.

The budget now will be sent to the Senate for their consideration where sweeping changes are expected to take place. The Senate also does not have to follow the balancing rule where no increased funding may take place without a corresponding decrease elsewhere as that is only applicable to the House. It is anticipated the Senate will begin crafting their version of the budget as early as next Wednesday and will have it on the floor within two weeks. The constitutional deadline to pass a budget is May 5 at 6 p.m.

Tax Reform Fund

The House Special Committee on Tax Reform convened Thursday afternoon to consider passage of HB 1252 sponsored by Representative Bishop Davidson (R - Republic). The bill creates the "Tax

Reform Fund” and establishes triggers for when the fund can be utilized. In the event of budget short falls, the fund could be drawn from and utilized to meet budget shortfalls. In addition to the fund being fully funded, general revenue surplus would be required to be at \$20 million or more. Lastly, in addition to a .15% decrease in income tax, there would be a .1% increase in sales and use tax. During committee discussion, substitute language was adopted to clarify triggers can only be implemented when the fund actually hits certain revenues, not based on predicted outcomes. Additionally, the substitute modifies triggers by increasing the fund from \$200 million to \$250 million, and increases the .1% increase in sales to .25%, and increases the .15% decrease in income to .5%. Once modified, the committee passed the bill by a 10-0 vote.

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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