

September 15, 2023

T-G-I-F, y'all!

Another veto session is wrapped. As expected, the House dedicated floor time considering and overriding several Governor line-item budget vetoes, meanwhile the Senate refused to take up any overrides, ultimately leaving Governor Mike Parson's budget cuts in place. In short, it was a day of previewing stump speeches.

A general recap is below. There were a lot of hearings and housekeeping this week, so our update is longer than usual.

We will be in touch soon to begin planning for the 2024 regular session. Please let us know if you have any questions or concerns in the meantime.

Thanks and have a great weekend!

Floor Activity

The House and Senate convened at noon on Wednesday to consider the 201 line-items eligible for consideration for Veto override. Procedurally, any motions to override a veto must begin in the originating chamber. Traditionally, the sponsor of the bill makes any motions to override a veto. As it pertains to the 13 budget bills, those originate in the House, but any member may make an override motion.

As expected, members did make motions to override certain line-items, the objection of the Governor notwithstanding. The following are the line-items which were approved by the House:

- Sections 8.090, 8.095, 8.100, 8.105, 8.125, 8.130, 8.140, 8.215 and 8.220 which funds a 20% pay plan and fringe benefit increase for the Missouri State Highway Patrol
- Section 8.085 which funds an increase in the Capitol Police pay plan
- Section 8.270 which increased funds for expenses incurred by Missouri Task Force 1
- Section 8.501 which funds military reenlistment incentives
- Section 19.303 for the planning, design, land acquisition, utility relocation and construction of capacity improvements on I-44
- Section 19.504 for the planning, design and construction of a police center in St. Louis City

The following line-items that failed to be overridden by the House:

- Section 7.046 for walkability improvements in Grandview
- Section 8.545 for an increase in funding for the Office of Search and Rescue
- Section 10.830 for the long-term care ombudsman program
- Section 10.110 for funding the Youth at Risk of Mental Health Crises
- Section 11.115 for funding a year-round youth jobs program in the city of St. Louis
- Section 19.243 for the Riverview Gardens School District in St. Louis County for roof maintenance, repairs, improvements, upgrades and a lead assessment
- Section 19.503 for the planning, design, maintenance and construction of a training facility for law enforcement in O'Fallon

The overrides were sent to the Senate for their consideration. The Senate refused to take up any overrides, leaving Governor Mike Parson's budget cuts in place.

In Brief:

- On Monday, Cole County Circuit Judge Jon Beetem listened to more than two hours of arguments regarding the proposed ballot titles of initiatives intended to enshrine abortion rights in Missouri's constitution written by Secretary of State Jay Ashcroft. Judge Beetem has given attorneys one week to file final briefs. The ACLU of Missouri filed the lawsuit on behalf of the physician who is the named sponsor of the initiatives.
- House Republicans convened a caucus meeting on Tuesday and have selected Representative Jon Patterson (R-Lee's Summit) to serve as the next Speaker of the House. Representative Patterson, a Republican from Jackson County, represents District 30. He currently serves as the House majority floor leader and will remain in that role until the 2025 legislative session.
- St. Charles County Council voted to freeze property taxes at current levels for residents 62 years and older. This will take effect as early as 2024. St. Charles County is the third county in Missouri to enact a similar property tax freeze for seniors after a bill signed by Governor Mike Parson gave counties the power to pass such a property tax freeze. The freeze applies to all taxing districts in the county, such as school districts, fire districts and library districts.
- On Tuesday, Governor Mike Parson announced he had selected the Honorable Kelly Broniec to be a Judge on the Missouri Supreme Court. She will fill the vacancy created by the retirement of Judge George W. Draper III. Judge Broniec was one of three nominees who were submitted to Governor Parson by the Appellate Judicial Commission for consideration. Judge Broniec's swearing-in date has not yet been set; however, Missouri law requires her to be sworn in within 30 days of her appointment.
- Four initiative petitions have been filed to legalize sports betting in Missouri. All four petitions would tax wagers made at 10%. The effort is spearheaded by the St. Louis Cardinals baseball team, and also includes the Kansas City Chiefs football team, the Kansas City Royals baseball team, the Kansas City Current and St. Louis City soccer teams, and the St. Louis Blues hockey team. The petitions are currently going through the approval process. Once the petitions are approved, around 175,000 valid signatures will have to be collected to get the issue on the ballot in 2024.

Committee Activity

Justice System Reform

The Joint Committee on the Justice System convened Wednesday morning for an organizational meeting. Chairman Senator Tony Luetkemeyer (R-Parkville) announced a sub-committee would be appointed and an advisory committee would be formed to research and work on reforming the current criminal code. This action must take place every ten years according to Missouri statute and the report which is generated is non-binding. No announcement was made regarding an upcoming meeting date.

Transportation Overview

The Transportation Accountability Committee convened Tuesday afternoon to receive testimony regarding interstate construction, maintenance, planning and funding, highway maintenance including snow removal, current construction projects, MODOT construction specifications, MODOT employee policies, construction cost inflation and Outdoor advertising. MoDOT Deputy Director and Chief Engineer Ed Hassinger testified before the committee in place of Director Patrick McKenna. Committee members spent the majority of the hearing criticizing and questioning how the I-70 improvement project will impact traffic, decrease tourism, and costs of the various projects. Committee members also expressed concerns the I-70 project is overshadowing other construction projects which have now had their start dates delayed.

Due to time constraints the committee moved swiftly through the agenda. Deputy Director Hassinger informed the committee inflation costs for construction rose to nearly \$1.2 billion for the current year and some projects would be delayed as they adjust for the costs. Next the committee discussed the shortage of employees in the MoDOT workforce, which stands at 489 vacancies. Committee members expressed concern this would impact road conditions if a major weather event were to occur. It was noted MoDOT has raised the pay per hour to try and recruit more staff.

Finally, the committee asked questions regarding the current outdoor advertising policy for both the state and federally. Chairman Don Mayhew (R-Crocker) stated the policy regarding outdoor advertising at the federal level needs to be addressed to allow schools to offer advertising on their outdoor sports backstops. Chairman Mayhew has asked that stakeholders meet to draft legislation which would address this issue without jeopardizing any federal funding or circumvent federal regulations. The hearing ended with Chairman Mayhew stating he plans to schedule other hearings to focus on individual issues regarding MoDOT in the future.

The Joint Committee on Transportation Oversight also convened on Wednesday morning to receive testimony regarding the I-70 Improvement Project and approve or deny pending applications for memorial highway and bridge designations.

Earnings Tax

The House Special Interim Committee on Earnings Tax convened Tuesday morning for an initial evaluation and planning hearing and to consider informational testimony presented by the City of St. Louis, City of Kansas City, and the plaintiff attorney against the city of St. Louis Mark Milton

According to Committee Chairman Representative Jim Murphy (R-St. Louis), the earnings tax is a tax that is beneficial to the city, however it is also a detriment to the city as St. Louis in particular is not growing. The intent of the committee is not to take away the earnings tax from the cities, but to evaluate and explore different ways cities can grow and replace current revenue streams. Additionally, the committee will be looking into how the City of St. Louis refunds commuter taxes and the viability of the earnings tax.

Gregory Daily, the Collector of Revenue for the City of St. Louis provided informational testimony to the committee and informed committee members that reducing or removing the earnings tax would not only impact the progress of the City, but would impact the whole state. The earnings tax was established in 1954, and the 1% tax hasn't changed since 1959. In November 2010, voters passed a state law that in order for the earnings tax to continue, it would need voter approval every five years. There have been three retention votes, which have been overwhelmingly supported by voters.

According to Daily, the earnings tax is the largest source of general revenue for the City of St. Louis and funds major city services like police, fire, circuit court, circuit attorney, and city maintenance and is designed to be paid by people that utilize city services. As you know the earnings tax is before the courts to determine if remote workers should be required to pay the earnings tax. Daily provided an update and stated that both sides have filed their appeals and the case is being argued in the Eastern District of Appeals and shall be determined in 2024. Daily concluded his testimony by stating costs for the city will not disappear just by removing or reducing the earnings tax and those revenues will need to be replaced.

Tammy Queen, the Finance Director for the City of Kansas City provided informational testimony and informed committee members of the importance of the earnings tax to the cities overall budget. The City

currently has a budget of just over \$2 billion and the general fund is about 30% of that total, 35% is special revenue funds, and business activities like aviation and sewer make up another 35%. The general fund is used to fund public safety such as police and fire protection, ambulance services, and courts.

Additionally, Queen provided an overview on the impact COVID had on The City and the various adjustments The City made for the potential decline in tax collection and their rebate process for commuters. Queen concluded her testimony by informing committee members that The City doesn't currently have statutory authority to amend the collection of the earnings tax and recommended a tax burden study to evaluate the burden of taxes and the mix of taxes in both St. Louis and Kansas City on the residents and businesses.

Mark Milton, a tax attorney in St. Louis that is currently representing the plaintiffs in a current tax dispute against the city also provided informational testimony regarding the current lawsuit and the interpretation of current statute. Milton informed committee members that that lawsuit is not only a tax refund case, but also a constitutional case.

The committee chair concluded the hearing by informing members that he plans on having the next hearing in St. Louis and following hearing in Kansas City and plans to have a report submitted and finalized by the end of October.

Broadband Deployment

The Joint Committee on Rural Economic Development convened on Wednesday morning for an organizational meeting and to receive an update from the Office of Broadband Director BJ Tanksley. Director Tanksley testified before the committee that nine full projects are currently underway to deploy broadband statewide and expects two of the projects to be completed before the end of 2023. This will also include connecting 55,000 people in five different locations. It was also announced the Office of Broadband is planning for the IJA BEAD \$1.7 billion in funding which will be received in 2024 and they are partnering with University of Missouri and Regional Planning Commissioners to determine how best to structure the next round of grant programs.

Before the end of 2023 the Office of Broadband will submit their Digital Equity Act plan and how they can bridge the digital divide for those facing non-infrastructure barriers. The challenge process for the grant program will also be available for public comment to determine what should and should not be funded. He also noted they are still determining what metrics to use to deem a project successful. Committee members expressed concern there are still over 300,000 citizens living in unserved and underserved areas.

Chairman Senator Jason Bean (R-Peach Orchard) asked all committee members to submit agenda items for future meetings and would like to discuss job growth, education and health care specifically. There was no announcement made for the next hearing.

BJ Tanksley also appeared before the House Workforce and Infrastructure Development Committee this week to provide the same update on the progress with the Broadband Equity, Access, and Deployment Program. Testimony and committee discussion mirrored the Rural Economic Development Committee.

Substance Abuse Task Force

The Substance Abuse and Prevention Task Force convened Thursday morning to receive testimony from the Department of Social Services and the Department of Corrections regarding non-Medicaid programs within the departments. Chairman John Black (R-Marshfield) announced at the beginning of the hearing this would be the last hearing in which the various departments would testify. However, next month he plans to hear from other groups including the American Cancer Society, Missouri Association of Counties and Operation Outreach to receive testimony regarding community programs that are not entirely state funded. The meeting date for this hearing was not announced before the conclusion of the hearing. The committee plans to issue a report with legislative recommendations before the end of the year as FY 2025 budget hearings are scheduled to begin shortly upon the 2024 session convening.

The Director of the Department of Social Services Robert Knodell testified before the committee regarding the primary role of DSS. He informed the committee the majority of programs available to the public lies within the Medicaid program and has numerous inter-agency collaborative initiatives. He testified nearly 75% of removals of children from homes within Missouri are the direct result of some form of substance abuse. He stated increased funding would be required to increase capacity at facilities across the state as intervention programs are ineffective when capacity is lacking. Deputy Director Adam Crumbliss also testified before the committee that time to care ratios need to increase to create effective sober outcomes. It was also stated that continued education between agencies was needed to ensure programs are working properly and not being duplicated. Committee members' concerns centered around duplicative programs and utilization of resources. It was stated several times one Department needed to spearhead efforts to coordinate services to ensure those in need had easy access.

Budget Director for Department of Corrections Trevor Foley testified before the committee regarding the challenges and costs that substance abuse disorders play on the offender population and the impacts on Corrections staff. Director Foley testified in the last two years the General Assembly has allocated increased funding for the Department to be able to offer community-based services once an offender has completed their sentencing. However, these programs are just now beginning to be built out, so no data is available on the effectiveness of these programs. Director Foley also mentioned the new Re-Entry 20-30 model initiative which is still in the planning stages with the Department of Mental Health, Department of Social Services and Department of Corrections.

Chairman Black ended the hearing by asking the two Departments to submit any additional recommendations to the committee before the end of the month.

Agency Activity

Education

The State Board of Education convened for their monthly meeting on Tuesday to consider amending some rules regarding staffing, child care and the Missouri School Improvement Program; adoption of the Fiscal Year 2025 budget requests; discussion of legislative priorities; and adjustments to the strategic plan. There are several new decision items the Board is proposing for the FY 2025 budget cycle. These were adopted by the board. These include:

- A \$98,995,763 general revenue increase to the Foundation Formula as there has been a drop in the Weighted Average Daily Attendance (WADA), a change in the weighting threshold for student populations and the composition of high-performance districts under MSIP 6
- A \$14,068,681 general revenue increase to Transportation costs to meet the maximum threshold of 75% of a school district's reimbursable cost

- A \$78,476,232 general revenue increase to replace the ARPA Child Care Stabilization and Discretionary funding used in the FY2024 budget increased child care subsidy rates to the 58th percentile of market rates. ARPA Child Care Stabilization funding expires on 9/30/2024 and ARPA Child Care Discretionary funding expires on 9/30/2024.
- A \$1,912,140 general revenue increase for Early Childhood Special Education (ECSE) for increased costs for this mandated reimbursement to districts and a supplemental request for the FY 2024 budget will also be made.
- A \$5,115,000 general revenue ask for Literary Coaches and would provide continued funding for the Department to complete the current Language Essentials for Teachers of Reading and Spelling (LETRS) training for educators which began in 2023-24. LETRS was initiated with federal ESSER II and III funds, which are expiring.
- A \$3,688,000 general revenue ask for Math Coaches and would provide continued funding for math coaches currently being funded through ESSER relief funds for the Missouri Mathematics Mastery program.
- A \$1,998,000 general revenue ask for Teacher Recruitment and Retention – Missouri Leadership Development System (MLDS) Expansion. This is a result of the Blue Ribbon Commission’s Phase II recommendations related to the climate and culture within schools that contributes to teacher retention. It includes contracting with additional MLDS specialists to provide training statewide to Missouri principals and assistant principals.
- A \$116,000 general revenue increase for Registered Youth Apprenticeships (RYA) Expansion and is to increase the contracted support for the continued expansion of the program.
- A \$6,562,393 general revenue increase for Department of Social Services (DSS)/ Department of Mental Health (DMH) Public Placements. The Public Placement provides funding support to districts educating non-domiciled students placed by DMH, DSS or a court. The fund has been prorated between 32 and 41% the past five years.
- A \$37,762,880 federal fund increase for the School Nutrition Program as the 2023-24 school year reimbursement rates increased to 8%, Supply Chain Assistance Funds IV are available and ongoing federal grants were funded as one-time in FY2024.
- A \$1.5 million federal fund increase for First Steps Program to fully expand Medicaid funds available for First Steps services.

Next, the Board moved on to their legislative priorities. The majority of the discussion centered on teacher pay as a tool to increase its recruitment and retention efforts. The minimum yearly pay for teachers is \$25,000, although the last two years the General Assembly temporarily increased starting pay to \$38,000, and the Board would like to see this increase set permanently in statute. The other legislative priorities for the board include early learning and early literacy, success ready students and workforce development, safe and healthy schools and efficiency and effectiveness for staff and students. The Board will take final action at the October meeting.

Finally, the Board discussed the update to the strategic plan. The strategic plan communicates the long-term direction and vision of the Department set forth by the Board. The update centered mainly on clearly defining the terms under the Show Me Success plan. These included updates to the definition of Early Learning, Literacy, Success-Ready Students and Workforce Development and Needs-Based Funding and Resources. The board is expected to adopt the updates at the October meeting.

Additionally, the Joint Committee on Education convened on Wednesday morning to receive a presentation from the Department of Elementary and Secondary Education relating to the school funding

Foundation Formula and the statewide assessment test known as MSIP. The latest iteration of MSIP, known as MSIP six, has significantly more rigorous standards than the previous assessment, with an emphasis on additional weight given to students on free and reduced meal plans. Deputy Commissioner Dr. Kari Monsees reported that a recalculation of the state adequacy target (SAT) will result in the Department requesting an additional \$120 million in the next fiscal year budget and potentially as much as \$300 million the following year. The current payout of the SAT has been the same for four years at \$6,375 per student and the new request will be for \$6,760 for fiscal 2025 and \$7,145 for 2026.

During discussion, Dr. Monsees reported approximately 3% fewer students enrolled in public schools in Fall 2020 than in Fall 2019, and the state is currently 1.5% below the Fall 2019 level of enrollment. Currently there are approximately 200 districts considered to be "hold harmless" and qualify for a state minimum funding level calculation regardless of student enrollment, and it is estimated the new calculation of the SAT may result in as many as 40 additional districts becoming "hold harmless."

Finally, Commissioner Dr. Margie Vandeven provided an overview of the state's achievement funding model, which focuses on value added to a child's life in terms of growth within a school year and is used to calculate the new MSIP. The Quality Schools Coalition provided testimony in support of growth-measured approaches to student evaluation, which they said provides a greater level of equity to low-income districts and empowers school districts to measure success in a more individualized way.

Key Upcoming Dates

- December 1, 2023 – First day of bill filing
- January 3, 2024 – First day of Legislative session

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