



# Prestige + Powers

## *Strategic Government Relations*

### **The Powers Report**

*A Weekly Summary of Activities in Jefferson City*

The Powers Report is produced by Prestige Powers, a strategic government relations firm.

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#### **MOSIRA to move quickly – out of one chamber, anyway**

Rep. Tim Flook (R-Liberty) expects to move HB 1511 out of the House Job Creation and Economic Development Committee next week. He should know. It's his bill and his committee. Look for the bill to pass the House as early as the end of January, and then sit like a rock in the Senate.

Sen. Jason Crowell (R-Cape Girardeau) has made no secret of his plan to hold this bill hostage – and possibly others – pending debate on his desire to put nearly all tax credits through the appropriations process.

The bill is known as MOSIRA – the Missouri Science and Innovation Reinvestment Act. In a nutshell, the bill captures a percentage of tax revenues produced by growth in the life sciences industry and invests that money in a “Missouri Science and Innovation Authority” with broad powers to:

- Execute contracts with science and technology enterprises, buy and sell property, go into debt, and possess patents, copyrights, trademarks, and proprietary technology;
- Make loans, grants, and investments, and participate in joint ventures;
- Give bonuses to employees that make significant discoveries or develop patents;
- License or sell intellectual property to third parties.

HB 1511 exempts the authority from the Sunshine Law when the body believes the disclosure of information would be harmful to the authority's competitive position under certain guidelines.

The only opposition to surface at the public hearing held this week came from Missouri Right to Life, which is concerned about the possibility of state money being used to support embryonic stem cell research.

The full text of HB 1511 is available here:

<http://www.house.mo.gov/billtracking/bills101/billpdf/intro/HB1511I.PDF>.

#### **“Fair Tax” analysis**

The father of supply-side economics – Dr. Art Laffer – told a Senate seminar this week that the economies of states without income taxes are much better off than the economies of states with high income taxes. Supporters of the so-called “Fair Tax” – which seeks to dump the

income tax and replace the revenue with a broad sales tax – are using Laffer’s analysis to promote the idea.

“I mean, all taxes are bad,” Laffer said, “But you want a tax structure that does the least damage.”

Opposed to the Fair Tax is lobbyist Jim Moody, a former state budget director and commissioner of administration.

“A fair tax is a tax somebody else pays,” he said.

Sen. Chuck Purgason (R-Caulfield) filed the Fair Tax in the Senate this week (SJR 29). Identical measures have also been filed in the House, where the measure was actually passed last year before dying in the Senate. House Speaker Ron Richard seemed to indicate he was going to wait and see if the Senate acts first this year when he told reporters, “We’ll see if the Senate has an appetite for that.”

The idea doesn’t appear to have much backing from Gov. Jay Nixon, who said, “We have to be very careful when we talk about these dramatic changes.” But, the Fair Tax proposal doesn’t really need the governor’s support. If approved by the General Assembly, the measure would go directly to the voters for their verdict.

Under the Fair Tax, beginning in 2012, “no tax shall be imposed upon any income derived from any source within this state.” Instead, the current statewide sales tax rate of 4.225% would be increased to 5.11% and be applied to nearly every purchase, including services which are not taxed today.

No tax would be imposed on property or services purchased for a bona fide business purpose, including agriculture, or for investments or tuition. All other sales tax exemptions – like food and medicine – would be void.

The Fair Tax is intended to be “revenue neutral.” To that end, the measure anticipates the possibility that the rate of 5.11% might not be correct and would need to be adjusted. There’s also a mechanism for exempting certain services from the tax, but it would take a two-thirds vote of both chambers and the signature of the governor.

In addition to getting rid of corporate and individual income taxes and franchise taxes, the measure also gets rid of the earnings taxes in St. Louis and Kansas City. Other provisions already in the Constitution would probably require the state to replace those lost revenues to St. Louis and Kansas City.

The measure also anticipates helping offset the effects of applying the sales tax to basic necessities like food by setting up a mechanism for monthly rebates to qualified households using federal poverty guidelines.

A “Tax Adjustment Commission” appointed by the governor could, upon a unanimous vote, recommend adjustments to the tax rate. The recommendation would first be voted on without substantive amendment by the House and, if approved, by the Senate. The governor would have two weeks to sign it or reject it. If rejected, the General Assembly could override the veto with a two-thirds vote.

Clearly, the supporters don’t want to make it easy to change the tax rate. The full text of SJR 29 is available here: <http://www.senate.mo.gov/10info/pdf-bill/intro/SJR29.pdf>.

### **Joint Committee on Missouri’s Energy Future report**

The committee was formed last year and given the charge of examining the state’s current and future energy needs and look ahead for workable strategies for the next 25 years. The report is signed by all 6 Republicans but none of the four Democrats.

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We're guessing the partisan split emerged over the report's rather negative view of cap & trade:

The effect of the Waxman-Markey legislation known as Cap and Trade in its present form would be devastating to Missouri's economic well-being. We should urge each member of our federal congressional delegation to vigorously oppose the passage of that bill or similar legislation that would have a punitive impact on Missouri. Manufacturing and agricultural jobs, critical to Missouri's economic prosperity, would be among the hardest hit under this type of law.

Then there's this regarding alternative forms of energy:

Incentives to encourage new alternative energy companies should reflect market-based solutions over government mandates and a centrally planned economy. The government should not be in the business of picking winners and losers. We need to determine the real cost of these sources of energy, whether they are economically viable or bolstered by artificially inflated prices of traditional sources of energy, or require extraordinary public subsidies. We must take into account transmission issues, the need for intermittent generators and other factors that affect the cost. Alternative and renewable sources must be economically sustainable.

And this:

Increases in efficiency and reduced usage are important and should be encouraged to take pressure off the demand for electricity. However, before Missouri considers options like a statewide energy code or adopting an existing standard, the impact on our economic development should be carefully analyzed. The potential harm to the construction industry and other consequences could have a negative effect on job creation and retention.

The bottom line: "Expectations that the United States or Missouri will become energy independent or eliminate the need for fossil fuels to supply our energy needs is unrealistic."

You can read the full report, which contains quite a bit of raw information, here:

[http://www.prestigepowers.com/MO\\_Energy\\_Future\\_Report\\_-\\_Final.doc](http://www.prestigepowers.com/MO_Energy_Future_Report_-_Final.doc).

### **Ethics hearing set for next week**

The House Committee on Government Accountability and Ethics will meet Wednesday morning, January 20, to consider HB 1500 from Rep. Steve Tilley (R-Perryville) and HB 1322 from Rep. Paul LeVota (D-Independence). HB 1322 would reinstitute campaign contribution limits. HB 1500 is the broad ethics bill we analyzed earlier (as HB 1487, which was withdrawn so more lawmakers could sign on as co-sponsors).

Missouri is not alone. The Indiana House this week approved an ethics bill on a vote of 97-2. The Indiana bill:

- Makes lawmakers wait a year after leaving office before becoming lobbyists.
- Requires reporting of gifts and meals above \$50 (current level is \$100).
- Prohibits the governor from fundraising during the "budget session." Lawmakers are already prohibited.
- Prohibits lobbyists from representing clients with conflicting interests.
- Restricts certain business contributions to campaigns.

### **Are the budget writers being too optimistic?**

The chairman of the Senate Government Accountability and Fiscal Oversight Committee, Sen. Chuck Purgason, isn't buying the consensus revenue estimate reached earlier this month by the House budget chairman, the Senate appropriations chairman, and the governor's budget director. That number – which anticipates general revenue growth of 3.6% in FY11 (but still down from FY09) – was based on an uptick in employment and an increase in consumer confidence and spending.

In Purgason's report to his constituents, he writes: "We still have job losses, the banks still have toxic assets, banks are still not loaning money, businesses are not expanding, home foreclosures and bankruptcies are still happening, our federal government has spent, borrowed, and printed over \$12 trillion, the problems we had a year ago are still with us, and unemployment is still rising.

"Remember, the people who now say we are coming out of a recession are the same people who did not see this one coming."

Every bill that could potentially cost the state significant money has to clear Purgason's committee. He's always been pretty conservative in approach. He might be even more conservative this year.

### **DNR turning to the public for money**

The Department of Natural Resources, which is undergoing serious funding problems, is urging the public to make tax-deductible donations to support the state park system. The Parks currently get most of their funding from a portion of the one-tenth-of-a-cent sales tax for parks and soil conservation. With people buying less, revenues are down substantially.

Read more about it here: <http://www.mostateparks.com/donations.htm>.

### **Food stamp fallout**

Here's the first victim of the problem created by faulty computer programming that was making it look to the feds like Missouri was doing a phenomenal job enrolling people eligible for food stamps. A plan to launch an electronic records system for welfare recipients in Greene County at a cost of \$5 million has been scrapped. The money to pay for it was going to come from the \$14 million federal bonus the state got for being so darn good at signing people up.

Now, because of the snafu, the feds might want that money back.

### **Was it a test vote?**

The Public Service Commission this week denied Ameren's request for an interim rate hike of \$37 million – less than two percent – on a vote of 3-2. PSC Chairman Robert Clayton said the rate increase would send the "wrong message."

Still pending is Ameren's rate increase request of \$402 million – about 18%. Public interest in the rate case is high, partly because of a grassroots lobbying effort funded by some of Ameren's biggest customers.

The PSC also denied Ameren's request to examine its rules to determine if the grassroots lobbying effort is in violation of those rules.

## **Sex offenders win one**

The Missouri Supreme Court this week ruled that sex offenders convicted prior to the passage of a law banning them from handing out candy at Halloween don't have to abide by the law. The 4-3 ruling upholds previous decisions that laws cannot be applied retroactively.

Greene County Sheriff's captain Randy Gibson made a valiant effort at the Quote of the Week when he said the differing requirements for various sex offenders based on when they were convicted complicates things.

"Contrary to popular belief," he said, "convicted sex offenders don't run around with the date of their conviction stamped on their foreheads."

## **A very busy week for bill filing**

Legislators filed more than 200 bills this week, some more interesting than others:

- HB 1569 lowers the speed limit for trucks above 18,000 pounds to 10 miles per hour below the posted limit and prohibits all drivers from driving more than nine hours in one day.
- HB 1574 puts a tax on wireless phones to fund 9-1-1 emergency services.
- HB 1576 creates a refundable income tax credit for taxpayers 70 and older for 50% of the personal property taxes on their motor vehicles.
- HB 1585 allows a special license plate for members of the National Wild Turkey Federation. Gobbler's Law?
- HB 1602 creates the Missouri Energy Freedom Act, declaring that any energy produced in Missouri that stays in Missouri is not subject to federal regulation.
- HB 1613 changes the time period to give up custody of newborns without prosecution from 5 days to 60 days.
- HB 1623 outlaws smoking in state prisons.
- HB 1625 requires reporting health insurance information on state income tax forms, which could trigger notices to some taxpayers that their kids might be eligible for assistance.
- HB 1629 creates the Governor's Dropout Advisory Commission to make recommendations on dropout prevention and recovery.
- HB 1631 makes it a crime to have sex with a patient in a hospital or nursing home.
- HB 1635 creates Missouri Jobs for the Future Districts, another economic development bill.
- HB 1642 creates a tax credit for hiring certain high school kids for summer jobs.
- HB 1648 regulates "permanent cosmetics" the same as tattoos.
- HB 1649 prohibits smoking on school grounds, including the boy's room.
- HB 1655 prohibits campaign contributions from any entity other than individuals or committees. No more company checks.
- HB 1666 requires local DWI arrests to be reported to the highway patrol's tracking system (as does HB 1674). This is a priority of the governor.
- HB 1670 legalizes marijuana for medicinal purposes.
- HB 1677 makes the first Friday of March "Dress in Blue Colon Cancer Awareness Day."
- HCR 18 urges Missouri's congressional delegation to vote against the health care reform bill. This will likely be debated on the House floor next week.

- HCR 19 urges state agencies to provide public education on light pollution.
- HCR 22 urges Congress to remove the federal ban on sports wagering, but don't bet on it.
- HCR 25 claims sovereignty for Missouri under the Tenth Amendment, as does HCR 28, HCR 29, and SCR 34.
- HJR 72 puts term limits on the attorney general, state auditor, and the directors of certain state agencies.
- HJR 73 would put a state demographer in charge of congressional and legislative redistricting.
- HJR 74 would prohibit compelling anyone to participate in any health care system.
- HJR 75 exempts business personal property from taxation.
- HJR 77 would authorize up to \$800 million in bonds to build things.
- HJR 78 requires a 60% majority to amend the constitution.
- SB 744 requires health insurance coverage for eating disorders. Or should this be Gobbler's Law?
- SB 747 prohibits health insurance exchanges from offering coverage for elective abortions.
- SB 750 prohibits the sale or lease of vehicles with the windows tinted darker than law allows.
- SB 779 expands the crimes for which DNA samples are collected from those arrested.
- SB 780 makes refusing to submit to DWI testing a misdemeanor. This is another priority of the governor.
- SB 785 puts a tax on every working phone number to create a pool of money to keep traditional phone companies profitable after they are required to lower intrastate inter-carrier access charges.
- SJR 30 requires ballot measures seeking tax increases to only be placed before the voters in a general election, when the turnout is highest.
- SJR 31 reaffirms a citizen's right to religious expression.

Direct questions on these or other bills to your lobbyist. For a complete list of all the bills filed this week with links to the home page of each bill, go here:

[http://www.prestigepowers.com/Filed\\_Bills.mht](http://www.prestigepowers.com/Filed_Bills.mht).

### **Quote of the Week**

Sen. Jim Lembke (R-St. Louis), addressing about 500 people at a state sovereignty rally in the Rotunda protesting the federal health care bill:

“If we don't stand together, there will be chains of bondage that will lead to a new kind of slavery.”

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