



Legislature Plans to Reconvene April 27

The General Assembly is Expected to Pass the Budget and a Limited Number of Policy Bills

On Wednesday, House and Senate leadership issued a joint statement that the Legislature will reconvene April 27 after over a month of very limited activity. As the COVID-19 pandemic has swept across Missouri, the Legislature has largely stayed away from the Capitol. Members only came in to address time-sensitive issues, namely the supplemental budget and the provider taxes that are critical to funding Missouri's Medicaid program.

When the Chambers reconvene, hearings and other proceedings will technically be open to the public, but the Legislature will adhere to social distancing and infection mitigation procedures. These protective measures will slow down the process of debating and moving bills. In practical terms, the remaining weeks of session will likely amount to less than a week of working time. However, we expect the Legislature to pass a number of policy bills prior to adjournment on May 15 as well as the SFY 2021 operating budget before the May 8 constitutional deadline.

Two of the top priority issues likely to move are punitive damages and the prescription drug monitoring program (PDMP). SB 591, sponsored by Senator Bill White (R-Joplin), would raise the threshold for awarding punitive damages by requiring evidence that the defendant intentionally harmed someone or acted with deliberate disregard for others' safety. This bill passed the Senate and is awaiting referral to a House Committee. HB 1693, sponsored by Representative Holly Rehder (R-Scott City), would create a statewide PDMP, making Missouri the final state in the nation to do so. This bill requires a final vote in the House to move to the Governor's desk.

There are hundreds of other outstanding bills before the House and Senate. In these final weeks, the Legislature is likely to only seriously consider those that have progressed through most of the process and/or have consensus. The Legislature could create omnibus legislation on topics, such as professional licensure and healthcare, by adding amendments to bills and sending them to conference to work out the differences between the House and Senate versions. Provisions that draw controversy or require significant floor time will be difficult to move, unless they are a top priority.

The SFY 2021 operating budget must be complete prior to July 1, which is the start of the fiscal year. Governor Parson's preferred method was for the Legislature to restart the budget process in a special session. However, House and Senate leadership stated they will finish the budget before May 8. House Budget Chair Cody Smith (R-Carthage) signaled he believes there will be a \$1 billion general revenue shortfall in SFY 2021. Missouri's revenues are clearly being impacted by COVID-19. During the first ten days of April, state sales tax receipts were down 18% from last year. Over 101,000 initial unemployment claims were filed the week ending April 11, up from 3,621 the week ending February 8.

However, there are also substantial federal funds flowing into Missouri. The state will receive \$2.1 billion by the end of April for COVID-19 related expenditures made by the state and local governments. Treasurer Scott Fitzpatrick (R-Shell Knob) reported the state received \$1.189 billion of this money late Wednesday.

While most funding streams are for COVID response, some will be flexible enough to fill budget shortfalls, such as the federal FMAP adjustment approved in early March. This increases the federal share of Medicaid funding, allowing the state to use the general revenue for other services in the budget.

As with the supplemental budget, stimulus funds that flow through the state will have to be appropriated in the SFY 2021 budget. There is uncertainty surrounding available federal funds and the state's projected revenue losses, and there is disagreement on how to account for these in the budget. The House appears to be considering up to \$1 billion in cuts to general revenue. As federal funds and guidance become available, and we have a more accurate picture of state revenues, it is possible the Legislature will pass a series of supplemental budgets to fill in funding needs. It is unlikely Missouri or local governments will have sufficient COVID-19 expenses to fully utilize the federal funds. It is not yet clear whether the state will be able to create a mechanism for private agencies to receive reimbursement from the federal money.

Most federal COVID-19 funding has strings attached and requires expenditures to be for eligible services. As these funds are distributed, it will be important for the state to track disbursements and ensure funds are used for allowable purposes. The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act includes \$25 million for the US Inspector General to scrutinize stimulus spending. The Governor named Treasurer Fitzpatrick to lead a working group charged with studying the available federal funds as well as advising on and monitoring distributions.

Several announcements have been made recently on how much Missouri will receive from various sources passed in the CARES Act, including:

- A \$152.4 million grant to help the state's 75 airports respond to the COVID-19 crisis.
- A \$61.7 million grant to support rural transit systems.
- \$208 million to help elementary and secondary schools with coronavirus-related needs.
- \$206 million for Missouri's colleges, universities, and trade schools. Half of the funds will be for grants to students to cover immediate expenses. The remainder will be provided to schools to offset COVID-related costs.
- \$54.6 million that the Governor will be able to distribute to elementary, secondary, and higher education institutions to help address COVID-related needs.
- \$66.5 million for childcare and early education services.
- \$27.7 million to help Missouri's 29 community health centers with staffing needs and treating COVID-19 patients.
- The first \$30 billion of the \$100 billion allocated in the CARES Act for healthcare providers and hospitals was distributed, and \$618 million went to Missouri providers.

As the Legislature makes plans to reconvene, Governor Parson extended the state's stay at home order until May 3. Alongside the extension, he announced the initial framework for the state to begin reopening and moving toward recovery.

Parson said he expects the state's economy to reopen in phases. Harder-hit areas could remain restricted longer, and some social distancing may be required even as Missouri reopens. Parson's four pillars for moving toward recovery are:

- Rapidly expand testing, including testing for those who are currently contagious and those who have developed immunity to the virus.
- Expand reserves of personal protective equipment.
- Continue to monitor and, if necessary, expand hospital and healthcare system capacity.
- Improve the state's ability to predict potential outbreaks using Missouri's public health data

Missouri's largest population centers will remain under shelter-in-place orders past May 3. Kansas City has extended its stay at home order until May 15. St. Louis City and County extended their orders indefinitely, with the expectation that restrictions will be re-evaluated mid-May.