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**MISSOURI LEGISLATIVE UPDATE – MAY 1, 2009**

TO: American Institute of Architects of Missouri

**HEARINGS OF INTEREST**

**Monday, May 4**

Senate Appropriations, 10:00 a.m., Senate Lounge

HB 17 Re-Appropriates money for capital improvements

HB 21 Appropriates money for capital improvements and other stimulus funds

**DESIGN BUILD FOR SCHOOLS:** The language to allow school districts to enter into design build contracts has been amended to an omnibus bill in the House, HCS SS SB 291. This bill is on the House calendar for debate. When this bill comes up on the House floor, I expect there to be multiple amendments to this omnibus education bill. The bill then has to go back to the Senate since it has many more provisions than when it was approved by the Senate. Sen. Shields will determine what provisions will stay in the final bill he takes back to the Senate and the House for final approval.

**OMNIBUS LICENSING BILL MOVING:** On Tuesday and Wednesday the House debated an enormous professional registration package that contained countless provisions ranging from dental hygienists to endowed cemeteries. The original bill, SB 296, came through the Senate last month as a little consent bill relating only to architects and engineers. But a House committee adorned it with 89 pages of professional registration provisions and sent it to the House floor where every imaginable amendment relating to licensed or registered professions would be perfectly germane.

More than a dozen amendments appeared, and there were amendments to the amendments. It was approved 115-43, but will be prove very controversial when the bill goes back to the Senate for final approval. No amendments to Chapter 327 were amended to the bill.

**STATE OPERATING BUDGET:** The House/Senate conference committee completed their work on Thursday evening to work out the differences in the House and Senate versions of HBs 1 to 13. They will meet again on Monday, May 4, at 1:00 p.m. to finalize HB 11 – Department of Social Services' budget. The budget is then ready to go to the House and Senate floor for final consideration and approval. The budget is due on the Governor's desk by Friday, May 8.

**HOUSE DEFEATS STIMULUS BILL:** The Missouri House rejected a \$336 million economic stimulus/stabilization bill Thursday. Republicans object to legislation filled with "pork barrel" spending projects. Democrats were urged by Governor Nixon to vote against the bill as it "costs too much". The Nixon administration is concerned that tax revenue projections for the 2010 fiscal year may require some of the stimulus/stabilization funds to balance the

budget. The 68 to 83 vote stunned the House Republican leaders as a vote 24 hours earlier to adopt the House Committee Substitute passed by a vote of 97 to 56. In just 24 hours, the Republicans lost a net of 8 votes while the Democrats had a net loss of 22 votes.

Some of the provisions lost in the defeat of HB 22 were the funds for the statewide inoperability system, the Ellis Fiscell Cancer Center, and the funding for Metro St. Louis.

Time is running out for a bill in this session, but it is never over before May 15 at 6:00 p.m. The House Leadership will determine if there is any hope for a reconsideration of HB 22, but it is not likely. HB 17 is the re-appropriation of capital improvement projects from 2008/09 to 2009/10. There are rumors that HB 17 might be opened up during the Senate consideration for a limited number of stabilization projects.

**HOUSE APPROVES TAX CUT PLAN:** On April 30, the House approved legislation, on a party-line vote, that would reduce the state's income tax rate by a half percent, HCS SB 71.

Under the bill, the rates would drop by a half-percentage point. For example, the top rate of 6 percent on income over \$9,000 would be cut to 5.5 percent. Republicans originally sought a two-year tax cut, saying that the lost revenue would be offset by \$1 billion in federal stimulus funds. But today, they broadened the bill to provide for a permanent tax cut of \$463 million a year. The vote was 86-66.

Republicans said taxpayers would do a better job of stimulating the economy than the government would. Democrats said the state should save the money for vital services such as education and health care for vulnerable people. The bill's fate is uncertain; some Republican senators have been less receptive to a tax cut.

**HOUSE KEEPS ECONOMIC DEVELOPMENT LEGISLATION ALIVE:** The Legislature's main economic development bill remains bogged down in the Senate. On Thursday, the House approved a committee substitute for Senate Bill 215. The bill, which originally related to port authority boards, was sent back to the Senate containing many of the key provisions also contained in House Bill 191, the economic development legislation which has been stuck in the Senate for months. Senate Bill 215 now contains many important economic development programs such as:

- Increasing the cap on the Quality Jobs program to \$100 million.
- Creating a \$10 million Research and Development tax credit, with \$3 million guaranteed for small businesses.
- Increasing the cap on the New Markets Tax Credit program from \$15 million to \$25 million. This tax credit provides incentives for capital formation for small businesses located in low income and underserved communities.
- Increasing the cap on the BUILD program to \$25 million.
- Creating a \$5 million Angel Tax Credit program, which would increase entrepreneurial businesses access to investors that provide crucial seed and early stage venture capital.

It also includes funding for important job training and pre-employment training programs. The economic development package has received wide bipartisan support in the House, which passed

Senate Bill 215 by a 141-5 vote. After the successful House vote, the bill was sent to the Senate where it was brought up for discussion, but awaits a vote.

Progress on the economic development package has been held up in the Senate by an ongoing debate over how the state issues tax credits. Some Missouri Senators are seeking to change how funding for tax credits is allocated by having the funds go through the appropriations process. They are also pushing to place caps on the amount of tax credits that can be issued under each program and to set an automatic expiration date for tax credit programs.

The House and Senate have been in discussion over the economic development bills for weeks as both sides look for a compromise that will allow the bill to pass.

**MISSOURI ENERGY EFFICIENCY INVESTMENT:** HCS SS SCS SB 376 was voted out of the House Energy and Environment Committee on Tuesday and has been referred to the House Rules Committee.

The Public Service Commission (PSC) must allow electric companies to implement and recover costs related to PSC-approved energy efficiency programs. Cost recovery shall only occur when the program has been approved by the PSC, the program results in energy savings, and the program is beneficial to all customers in the class for which the program is proposed. In determining recovery of costs, the PSC shall use a cost-effectiveness test as described. The act allows the electric companies to implement certain programs that are paid for through alternate measures even if the programs do not meet the cost-effectiveness test.

The PSC may develop cost recovery methods to encourage further investments in energy efficiency programs, which may include capitalization of investments, rate design modifications, accelerated depreciation, and allowing the company to retain a portion of the net benefits for its shareholders. The PSC shall fairly apportion the costs and benefits of energy efficiency programs to each customer class except that it may reduce or exempt costs to low-income classes.

Customers may elect not to participate in an electric company's energy efficiency program and not be charged for the associated costs provided the customer meets certain criteria. Customers who elect not to participate will not be eligible to participate in the programs in the future, except as provided by rule by the PSC. Customers who participate in programs starting after August 1, 2009 must participate in the funding recovery for a certain period of time as established by rule by the PSC.

Electric companies must annually report on their energy efficiency activities under the act, with requirements as listed. Electric companies must list out separately on its customers' bills the cost associated with its energy efficiency programs.

The act prohibits any customer from participating in a company's energy efficiency program that offers a monetary reward for participating if the customer has received a tax credit through the low-income housing or historic preservation tax credit programs. The PSC shall develop rules to prescribe documentation to be provided to the electric company by the customer to prove that he

or she did not receive either such tax credit. It shall be a Class A misdemeanor for providing false documentation.

The PSC must develop rules that provide for public disclosure of all the recipients of monetary rewards through energy efficiency programs offered by electric companies under the act.

The act requires any appliance purchased by the state until August 28, 2011 to be an Energy Star rated appliance, unless it is cost-prohibitive.

**NO FORMAL LEGISLATIVE REPORT NEXT TWO WEEKS:** As customary, there will not be a Friday Legislative Update report for the next two weeks, May 8 or May 15. The General Assembly will work five full days the next two, final weeks of session. I WILL send emails out as things of interest and importance happen. Also, I will be available on my cell phone, 573-353-4188, should you wish to contact me. I will be in my office on a very limited basis during the next two weeks.