

Weekly Newsletter – February 16, 2018

Last week the Missouri Senate ended the week with a filibuster that began on Wednesday afternoon and was completed with the perfection of Senate Bill 564 at about 10 p.m. on Thursday night. There were a lot of very tired looking Senators, Senate staff, and lobbyists walking the Capitol halls by the end of the process. For part of this week, what appeared to be a deal last week, seemingly fell apart until the Senators who had buyer's remorse over the bill were given assurances the bill will be "openly" debated in the House. This week the highly anticipated new tax plan from conservative senators was released. No fiscal details were yet available, so it is a little difficult at this point to fully evaluate the impact of the legislation. More details on SCS SB 617 will hopefully be available next week.

The Longest Session

As we reach the middle of February in what already seems like a long legislative session thus far, we would pause to note that the calendar dictates that 2018 will be the longest legislative session possible. The beginning and end of session dates are dictated by calendar provisions in the Missouri Constitution, and this year's start date of January 3 and end date of May 18 makes this the longest session possible.

Investigators in the State Capitol

It was widely reported by Capitol media and social media on Wednesday that investigators from the St. Louis Circuit Attorney's Office were in the Capitol this week as a result of her announced Grand Jury investigation related to Governor Greitens' recent indiscretion. Legislators (who in fairness to him are not on Governor Greitens' side) were quoted as saying they had spoken to investigators.

Here is a link to a Missouri Times story related to these activities:

<https://themissouritimes.com/48187/investigators-expand-greitens-probe-begin-interviewing-lawmakers/>

Last Week--Senate Majority Floor Leader Stays The Course—SB 564

Over the past ten to fifteen years, there have been a few different styles of Majority Floor Leader. There are those who are willing to endure long debates that last hours and into or through the night, regardless of the personal impact to their functional level the first day. The other style is to allow three or four hours of debate, and then require the Senate sponsor to lay the bill on the Senate informal calendar, where the bill would normally die.

One style is not necessarily better than the other. They simply reflect different ways to conduct the business of the Missouri Senate.

We are not sure exactly which style we would attribute to current Majority Floor Leader Mike Kehoe until last week. He has displayed a little of both tendencies. However, after the Senate debate that lasted through Wednesday night into Thursday morning and on into Thursday night, we are going to firmly place him in the "stay on it until it gets done" camp. Holding the Senate in for that period of time displayed a lot of patience and perseverance on Senator Kehoe's part.

The underlying bill that was debated, Senate Bill 564, sponsored by Senator Ed Emery, ultimately was perfected late last Thursday night, and was then placed on the third read calendar for one final Senate vote. However, the bill had a small fiscal note and under Senate rules was sent to the fiscal oversight committee for consideration before the third read vote.

Many times, a weekend to mull things over can change things. As mentioned in the introduction above, the Senators that led the filibuster experienced some buyer's remorse on the deal that was struck related to the perfection of the legislation. On Wednesday afternoon of this week, buyer's remorse appeared to have altered the perspective of several Senators because as the Senate began to approve the

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Journal from the prior day, Senator Rob Schaaf stood to discuss what happened with Senate Bill 564 last week when it was perfected after more than 27 straight hours of negotiation.

After much floor discussion that carried on into Thursday afternoon, it is clear that opposition Senators want to see the House companion bill “openly” debated in the House (before the House passes the Senate bill) in the hopes that additional concerns may be addressed in their version of the bill. The dissident Senators were clearly concerned that the House would attempt to pass the Senate bill as it left the Missouri Senate (with no changes), which means the Senate would not have the opportunity to take a final look at the legislation. Many were left wondering how moving the House bill will dramatically change the dialogue as ultimately the House bill will have to be referred to the Senate Commerce Committee which is chaired by the sponsor of SB 564, Senator Ed Emery. In the short term, it appears that the opposition has figured out a way to buy some more time to try to rally opposition in the House. Plenty more twists and turns remain in this conversation, but a Senate bill sitting in the House Utilities Committee in February gives a definite advantage to those that are supportive of the grid modernization legislation.

DSS Director Corsi's Salary

For those who regularly attend budget hearings, a constant problem that is discussed at those hearings is that Missouri has the lowest salaries in the country for state employees. It is a major problem for employee recruitment. In combination with a new required contribution rate of 4% of salary for state retirement that was adopted in 2010, the two factors have contributed to an aging state employee workforce, as recruiting younger employees to a low salary environment becomes more challenging, particularly for very difficult jobs such as working in corrections facilities and mental health institutional settings.

A problem at the bottom of the wage scale is also a problem at the top of the wage scale, where the Department Director jobs similarly have non-competitive salaries. An instance that received attention this week and reflects the recruitment problem was the salary of Department of Social Services Director Steve Corsi.

Director Corsi came to Missouri last year from Wyoming, where he headed a similar department, (although that department did not include Medicaid, a \$10 billion program in Missouri). Corsi was paid approximately \$142,000 in Wyoming for running a much smaller state cabinet level department.

The statutory salary in Missouri for the DSS job is approximately \$128,000, so Corsi would have had to take a \$14,000 salary cut to come and run the larger department in Missouri. Governor Greitens' administration attempted to make Corsi whole by supplementing his salary back to \$142K with a \$14,000 supplement from the budget of the Department of Health and Senior Services.

Last week during House budget hearings, this arrangement was made public through the review of the budget books, and naturally it was criticized, whereupon Governor Greitens ended the supplement to Director Corsi.

As we will further note below, the low state salaries are an ongoing and significant deterrent to attracting qualified people to state government employment.

Medicaid Director Salary

At the next administrative level down from DSS Director Corsi, the MoHealthnet Division has been advertising for a new Medicaid Director at a salary of \$107,000. The Medicaid Director position has been vacant for nearly 14 months, and it is generally viewed that no extremely competent person will take the job at a salary of \$107,000. When the salary is discussed at budget hearings, there is laughter and guffawing as legislators know that it is a very low salary to pay a person to run a \$10 billion program.

In the health care industry, it is probable that the people the Medicaid Director interacts with all make a high multiple of that salary of \$107,000. One of the problems that the MoHealthnet Division deals with is that their employees can leave state service and find jobs at a much higher salary.

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There are rumors that there will be an effort to pass legislation to substantially increase the salary for the Medicaid Director position. The question is how do you single out one or two positions for a “market place” salary when the entire salary structure for state employees needs to be addressed?

The Eigel/Koenig/Onder Tax Plan

The Senate Committee Substitute for Senate Bills 617, 611 and 667 was voted out of the Senate Ways and Means Committee on Tuesday morning, after the release of the SCS to the committee by Senator Bill Eigel, who will handle the substitute when it reaches the Senate floor.

While the 421 page bill was distributed on Tuesday, the key summary sheet that shows the fiscal impact was still not distributed as of Thursday morning.

The new "cost neutral" definition that the Governor and General Assembly have begun using (net revenue movement of less than \$50 million one way or the other) was presented by Senator Eigel who described the bill as “cost neutral”. However, the EITC amendment offered by Senator Jamilah Nasheed and adopted by the Committee is supposed to cost an additional \$34 million (approximately).

Therefore, this “cost neutral” version of Senate Bill 617 results in a loss to General Revenue of about \$80 plus million if passed. That does not separately account for the fact that it is \$80 plus million negative **after** giving MODOT six cents of additional gas tax, which effectively will come from General Revenue.

In a very tight budget situation, there is some momentum for even more tax cuts, although some think the passage of a tax cut bill this year is uncertain at the very least. The Committee activity seems to suggest that the imposition of taxes to pay for tax cuts remain constant in this type of bill, but the tax cut provisions may have a tendency to get more generous.

Accessing House and Senate Bill Copies Electronically

To view House and Senate bill versions online, follow the link <http://www.house.mo.gov/billcentral.aspx>, and type in “HB” or “SB” followed by the appropriate bill number (such as HB1008) to access a summary, history, etc., of each individual bill.