



Mississippi Center for Public Policy

Limited Government ★ Free Markets ★ Strong Traditional Families

2014 Legislative Recap

*Highlights from the Mississippi Legislature's annual Regular Session,
which lasted from January 7 - April 3*

Budget and Taxes

This fiscal year there was a significant boost in state government revenue. While surpluses ideally should be returned to taxpayers, the Legislature did at least stabilize the budget to guard against tax increases in the future. This was done by (a) funding the “rainy day fund” to its full measure of 7.5% of the General Fund, or about \$400 million, and (b) for the first time in recent memory, using only recurring revenue to pay for recurring expenses. And while the Legislature approved questionable new debt, the total of that new debt is less than the amount which will be paid off in the coming year. As a result, the overall debt burden will be lower when compared to the current year.

Still, the total state budget grew to \$20.02 billion for Fiscal year 2015, which begins this July 1. The amount most often quoted by the media and public officials is \$5.5 billion, the amount in the “General Fund,” which is thought of as the Fund over which the Legislature has the most control. About \$9 billion comes from “Federal Funds.” The remaining \$5.6 billion comes from “Special Funds,” derived from a wide variety of sources, including taxes that are designated for certain purposes (education, health care, highways, etc.); payments by patients or insurers to state-run hospitals and other medical providers; tuition payments to state universities and colleges; fees and fines charged by regulatory and law enforcement agencies; and many others.

The largest components of the General Fund were: Education, including K-12, Community Colleges, and state Universities 54% (\$3 billion); Medicaid 15% (\$800 million); Debt Service 7% (\$386 million); and Corrections 6% (\$346 million).

New debt and tax exemptions (HB 787) The “bond bill” is most significant for the differences

Bill Trivia

House Bills Introduced	1,651
Senate Bills Introduced	<u>1,003</u>
Total Introduced	2,654
Signed by Governor	393
Vetoed by the Governor	4
Became law without Gov's signature	<u>4</u>
Total Approved by House & Senate	401

About 70% of bills that were introduced died without being considered at all, and 15% became law. The other 15% made some progress but died along the way.

104 bills that were approved by House committees were never taken up on their own House floor; Senate committees passed 42 bills that were never taken up on the Senate floor.

171 bills passed by the House died in the Senate; 71 bills passed by the Senate died in the House.

All 4 vetoes occurred because other identical bills had already been signed, not because the governor disagreed with the bills.

These numbers do not include Special Sessions, two of which have already been held as of June 1. The first was called by the governor during the Regular Session to, in essence, revive four bills that had died. The second was to provide disaster relief funds for the areas affected by the April 28 tornadoes.

in the House and Senate versions. The House approved about \$430 million in new debt while the Senate proposed less than \$100 million. In the end, the two chambers agreed to borrow \$199 million. Most of this debt is for higher-ed institu-

Education

tions, but it also includes a variety of museums, small highway projects, and so-called economic development projects. This bill also changed some tax laws, including the removal of sales tax for finance charges and for durable medical equipment.

Business Tax Regulations (HB 799) The legislature did not pass, or even seriously consider, broad based tax cuts during the 2014 session. But in HB799, they did address a number of issues related to how the Department of Revenue (DOR) treats taxpayers, especially businesses. It improves the process for appealing tax rulings, and it removes the onerous requirement that taxpayers, in order to appeal a tax ruling against them, post a bond for the entire amount of tax in dispute. But the provision gaining most attention was designed to address a Mississippi Supreme Court ruling (*Equifax v. DOR*) which gave the Department of Revenue wide latitude in the enforcement of tax calculations. Although that case involved multistate corporations, the Mississippi chapter of NFIB (National Federation of Independent Businesses, which represents small businesses) agreed that this provision will help by requiring DOR to be consistent in their application of tax law.

Collecting overdue medical bills via the Department of Revenue (HB 1349)* This bill is, perhaps, the worst of the session. The measure would have allowed public and private hospitals to use the Department of Revenue to seize income tax refunds to collect outstanding medical bills. It would also have given those hospitals access to the tax returns of the people they claim owe them money. HB 1349 passed the House, but died in a Senate committee. **This bill did not pass into law.*

Performance-based budgeting (HB 677) Select agencies will now be required to develop a budget process for funding the most effective, evidence-based programs – that is, performance-based budgeting. Performance-based budgeting promises to make agencies more accountable and efficient by introducing objective standards that measure successful outcomes, rather than just inputs. The evidence for performance-based budgeting is somewhat mixed, but more budget transparency is a good start.

K-12 Funding and Teacher Pay Raise (HB 504) Spending on K-12 education will increase by \$87.4 million. Most of that is designated for a teacher pay raise. Lawmakers passed a bill that provides for an increase of \$2,500 over two years, with an extra boost for starting teachers. In 2016, the state will launch a “School Recognition Program” that incorporates some elements of merit-based pay in “A” and “B” schools and in schools that improve by one letter grade.

The current average teacher salary in Mississippi is about \$42,000. For the just-ended school year, a starting teacher earned a state-mandated *minimum* of \$30,900 if he or she possessed only a bachelor’s degree, and \$32,960 with a master’s, although almost all districts supplement those amounts. Under the plan approved in HB504, the starting salary for a teacher with a bachelor’s degree will rise \$2,500, to \$33,390, for the coming school year and another \$1,000 the following year. The first-year salary for a teacher with a master’s degree will rise \$2,800. Salaries for teachers with one year of experience will rise by \$2,000 the upcoming school year and \$1,000 next year. Teachers at all other levels of experience will see a \$1,500 raise this year and another \$1,000 next year.

A little known fact is that teachers are the only state employees who automatically receive a raise every year. All teachers with a bachelor’s degree receive at least \$495 more each year, regardless of the quality of their teaching. All teachers with a master’s degree receive an automatic \$660 raise every year. Teachers with doctorate degrees receive an almost \$800 raise each year.

Flexible funding for children with disabilities (HB 765)* Mississippi has a worst-in-the-nation 23% graduation rate for students with disabilities. HB765 would have created a pilot program allowing 500 children with disabilities to use state funds to obtain services outside their public school. Under federal law, schools are required to meet the educational needs of students with disabilities. When schools cannot meet these needs, parents are often forced to file a lawsuit against

their school district. This bill would have allocated \$6,000 into an “Individualized Education Fund” (IEF) that could be used by parents to meet their child’s needs by enrolling in a private school and/or obtain therapy and tutoring. The original bill passed both houses, but the final conference report failed by six votes in the House, 57-63, with 52 Democrats and 11 Republicans voting against it. MCPP provided technical assistance on this bill. **This bill did not pass into law.*

Common Core ... What do you think?

SB 2736 would have halted implementation of the Common Core State Standards and replaced them with more rigorous, field-tested standards currently being used in other states. Critics of Common Core argue that the standards are neither state-led nor state-controlled and that they are based on a workforce development model that disregards the importance of a liberal arts education for an informed, democratic citizenry.

Health Care/Welfare

Medicaid - The Legislature continued to avoid expansion of the Medicaid program as envisioned by the Affordable Care Act (Obamacare). Still, the cost increases continue because of new rules from the federal government. In an effort to find ways to save money yet improve care, the Legislature continues to explore the best methods of utilizing managed care for Medicaid recipients. Managed care promises to lower costs by paying for Medicaid services on a “capitated” (per person) basis instead of paying for specific treatments (fee-for-service). HB1275 expanded the managed care program to include new enrollees who are 19 years old or younger.

Drug-testing welfare recipients (HB 49) The Temporary Assistance to Needy Families program, (TANF, known as “tannif”) is the cash assistance program most people think of as “welfare.” HB49 will require new applicants for TANF to complete a questionnaire which is designed to identify potential substance abuse problems. If the questionnaire

indicates a likelihood of abuse, the applicant must take and pass a drug test to continue to receive cash assistance. Applicants failing the drug test are referred to a drug rehab program. If they fail the drug test again, they are disqualified from the program.

Civil Liberty & Criminal Justice

Religious Freedom (SB 2681) Few bills generated as much controversy as SB 2681, the Religious Freedom Restoration Act (RFRA). This brief bill, supported by MCPP, aims to restore First Amendment protections for religious freedom which have traditionally been recognized by federal and state courts. These protections were weakened significantly by a 1990 Supreme Court decision, *Employment Division v. Smith*, which expanded the conditions under which governments could limit the exercise of religious beliefs. In response to *Smith*, an outraged public pushed Congress to pass the federal RFRA in 1993. As President Bill Clinton explained upon signing RFRA: “This law basically says that the government should be held to a very high level of proof before it interferes with someone’s free exercise of religion.” A later U.S. Supreme Court ruling upheld RFRA but said the federal law could not be applied to states. The court did, however, say states could pass their own RFRA. Before this year, 18 states had done just that. Mississippi became the 19th, with RFRA almost exactly mirroring the federal law.

Second Amendment rights (HB 314/HB 764) HB 314 protects the fundamental right to bear arms in several ways by: 1) prohibiting the confiscation of guns during a state of emergency; 2) limiting the authority of localities to restrict the carrying of firearms; 3) clarifying the conditions localities must follow in implementing gun “buyback” programs; and 4) protecting the gun rights of public housing residents. HB764 exempts disabled veterans from paying concealed weapon permit fees. Legislators also authorized an annual 2nd Amendment Sales Tax holiday the first week of September (**SB 2425**).

Protecting the Right to Life (HB 1400) This law bans late-term or “post-viability” abortions that occur 20 weeks after the mother’s last men-

strual period. Support for the measure is based on two medically significant facts: 1) abortions after 20 weeks are much riskier for the mother's health and life; 2) infants are generally considered viable outside the womb after 20 weeks. A third reason for the law is documentation suggesting that the Miss. Department of Health is not accurately recording the gestational age of aborted babies. Twelve states already ban late-term abortions.

“This is not about a woman’s body. This is about the life of an unborn 20-week baby.”

Senator Angela Hill during debate on HB 1400

Criminal Justice reform (HB 585) A rare example of a truly bipartisan response to a highly controversial topic, HB585 implements a wide range of changes to our criminal justice laws. Its intent is to improve public safety, make the justice system more just, and to reach those goals while lowering the cost of the prison system. It will make sentencing clearer and more consistent, and it requires the Department of Corrections to keep criminals in prison for a minimum percentage of their sentence. (Some methods of detainment, such as house arrest, are much less expensive and often more effective in the long run than incarceration, but the DOC was thought to be utilizing those options too early in many cases, allowing criminals out of prison too early.) The bill establishes more of a weight-based scale for drug offenses; gives more authority to judges; provides standards for alternative sentencing, drug courts and veterans courts and encourages their wider usage, among other significant measures. HB 585 is anticipated to save Mississippi as much as \$266 million over the next 10 years. MCPP has testified in support of this effort and supported it for some time. The bill itself contained the recommendations of a task force of judges, prosecutors, victims’ advocates, local officials, and more.

Right to Work (SB 2473/SB 2653/SB 2797/SB 2689) SB 2473 and SB 2653 seek to prevent the workplace violence and harassment that sometimes marks labor union drives and strikes/picketing. SB2797 prevents localities from forcing an employer to accept a collective bargaining agreement; SB2689 prevents localities from prohibiting criminal background checks on potential employees.

Economic Incentives/Crony Capitalism

Evaluating economic incentives (HB1365, HB1318) In passing HB 1365, Mississippi joins a small group of states which regularly evaluate the costs and benefits of targeted tax incentives to see if they are producing the outcomes that were promised when they were enacted. This bill will require a periodic report of the number of aggregate jobs created and state revenue generated via various tax incentives. **HB 1318** expanded the authority of the State Auditor to review state-funded economic development programs. **Taxpayer funds to grocery stores (HB 1328)** This bill will provide subsidies to convenience stores, grocery stores, and any other entity (Wal-Mart has been a recipient in other states) that promises “a meaningful commitment” to increase its offering of “quality” fruits and vegetables at least temporarily. Though no state funding is provided at this point, the bill calls for the Mississippi Development Authority to facilitate the use of federal taxpayer funds and tax credits to subsidize everything from site acquisition to security for these stores. This law is devoted to resolving the manufactured crisis of the “food desert” – a term popularized by the Obama administration in its efforts to fight obesity. But even the *New York Times* acknowledges that poor urban neighborhoods “not only have more fast food restaurants and convenience stores than more affluent ones, but more grocery stores, supermarkets and full-service restaurants, too. And there is no relationship between the type of food being sold in a neighborhood and obesity among its children and adolescents.”

Transparency

Public Records (SB 2507; HB 928) SB2507 authorizes the Ethics Commission to enforce the Public Records Act, rather than requiring citizens to go to court to seek enforcement. HB928 limits the amount a public body can charge to fill a public records request. They must charge no more than “the pay scale of the lowest level employee or contractor competent to respond to the request.”