



Legislative Update

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GOVERNOR PARSON WITHHOLDS \$180 MILLION FROM BUDGET DUE TO COVID-19, SIGNIFICANT CUTS TO HIGHER EDUCATION

In anticipation of a significant state revenue shortfall during the remainder of the current fiscal year due to the COVID-19 pandemic, Governor Parson announced \$176 million in expenditure restrictions on April 1. Both of the major sources of state general revenue, sales taxes and personal income taxes, are expected to be significantly reduced by economic shutdown and loss of employment caused by the pandemic.

The Governor's budget office anticipates about \$500 million in state revenue shortfall, but expects that the state may receive about \$315 million in federal funds from the recently approved federal stimulus package. This federal funding may make up for the rest of the revenue gap for this fiscal year, though it's possible that additional withholding may be necessary.

The withholds announced this week do not affect K-12 schools, but higher education funding is significantly affected. Funding for public four-year colleges and universities will be reduced by \$61.3 million and funding for community colleges will be reduced by \$11.6 million.

While the effects of the pandemic are significant and unexpected, they also highlight the lack of resilience in the state budgeting process caused by the cumulative effect of harmful state tax cuts in recent years. These tax cuts have reduced the state's ability to invest in public education and other vital services while also maintaining responsible levels of budget reserve funds.

BUDGET ACTIONS

The legislature plans to complete action next week on two budget measures: HB 2014 (Smith), the supplemental appropriations bill for the remainder of this fiscal year, and HB 2456 (Smith), the bill to extend the sunset on the Health Care Provider tax.

The Senate Appropriations Committee will meet on April 7 to consider both HB 2014 and HB 2456. The committee is expected to increase COVID-19 related spending in HB 2014. The committee is also expected to vote to approve HB 2456 (Smith), a bill to extend the sunset on the Health Care Provider Tax. This tax is a key component of the state budget and helps draw down federal Medicaid funding.

The full Senate will then consider both bills, and the House will also convene next week to approve any changes made by the Senate to HB 2014.

Legislative proceedings will be significantly revised to minimize interactions between lawmakers due to the pandemic. Most staff will remain at home, and legislators will remain in their offices unless they are voting. The public will be allowed in the House and Senate galleries but are encouraged to watch the proceedings from home via live stream audio and video.

REMAINDER OF SESSION UNCERTAIN, SPECIAL SESSION APPEARS LIKELY

Once legislators complete these key budget actions next week, it is not clear when the session will resume. Under the Constitution, the Regular Session will end on May 15, and action on next year's budget during the Regular Session must be completed by May 8.

Given the health concerns over large gatherings, legislators may not be able to safely return to the Regular Session. Also, given the uncertainty regarding the impact of the pandemic on state revenues, legislators are likely to need to make significant reductions to the budget plan recently considered by the House Budget Committee.

The Governor may need to call a special session in June to finish next year's budget. The Governor could also ask legislators to consider action on other priorities specified in the call for the special session.

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