

Cape Girardeau  
Global Issues Testimony  
9-20-10

# Senator Jason Crowell Global Issues Testimony

PUBLIC MEETING 9/20/2010

Page 45

1 That's a good answer.

2 MR. HARTLE: Thank you.

3 CO-CHAIR GROSS: Thank you. Next on  
4 the list is Senator Crowell.

5 SENATOR CROWELL: Thank you very much.  
6 Ray, it's good to see you.

7 MR. WAGNER: Thank you, sir.

8 SENATOR CROWELL: I can't believe the  
9 root chairman won't introduce the illustrious Ray Wagner as  
10 the candidate.

11 CO-CHAIR GROSS: I'm glad I said he was  
12 going to be here.

13 SENATOR CROWELL: You did.

14 MR. WAGNER: My apologies. I was at  
15 the committee hearing in St. Louis. I raced down here and  
16 got caught up in all the construction.

17 SENATOR CROWELL: No, I really do  
18 appreciate you all being here, and I appreciate the  
19 dialogue that we were able to chair with the two -- share  
20 with the two co-chairmen before we came up. And I really  
21 do appreciate you all coming down to Cape Girardeau.

22 What you're engaging in in every definition  
23 of the word is a Herculean effort, and I do not diminish  
24 your task or -- or the effort to which you move forward as  
25 we deal with this.

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PUBLIC MEETING 9/20/2010

1                   It's kind of interesting. I wanted to sit  
2 here because I think, with the possible exception of  
3 Senator Gross, you're getting a flavor for what it is to  
4 sit on an appropriations committee at the Missouri House or  
5 the Missouri Senate. Although you haven't even scratched  
6 the surface on the people that want to come up and ask for  
7 government money.

8                   And it comes in the form of tax credits. It  
9 comes in the form of direct appropriations. You haven't  
10 added the parents that are talking about not being able to  
11 provide health insurance for their children, so they want a  
12 Medicaid appropriation.

13                   You haven't heard from the education lobby  
14 that wants to educate the youth, both on the K through 12  
15 level and on the higher education level. You haven't begun  
16 to hear all of the demands that this state has or wants,  
17 desires, or needs that this state has for limited  
18 resources.

19                   I don't diminish anything that anyone has  
20 said here so far to the Committee on the worthiness of what  
21 they're able to accomplish with these state tax credits,  
22 with these taxpayer resources.

23                   The question is not whether we can do this.  
24 The question to you all is at what cost can we do all of  
25 this. I want everything that every one of these

PUBLIC MEETING 9/20/2010

1 individuals wants done in this state, but I don't want it  
2 done at any cost. We can't afford that, and I think in my  
3 capacity as a representative of this community, that's the  
4 point that I want to leave you with, because you all know  
5 me. You know the subject to appropriations and what I am  
6 talking about, and we will continue to have that dialogue  
7 as we move forward.

8                   You all know these numbers, but I think  
9 everyone else needs to understand these numbers of where we  
10 find ourselves as a state.

11                   The past two fiscal years have been met in  
12 Missouri by major revenue declines. At the end of state  
13 fiscal year '10, which is June 30th, 2010, revenues  
14 declined by 9.1 percent or \$676 million. This followed a  
15 revenue decline of 6.9 percent or \$553 million in state  
16 fiscal year '09, ending June 30, 2009.

17                   Because Missouri's budget for fiscal year  
18 '10 was based on a 1 percent revenue growth, the Governor  
19 had to veto or withhold \$938 million just to keep the state  
20 budget balanced. He also transferred an additional \$320  
21 million from the federal budget stabilization funds,  
22 federal government free money, that our children and  
23 grandchildren will eventually pay back, but is viewed as  
24 free money to the State of Missouri.

25                   For state fiscal year '11 passed by the

## PUBLIC MEETING 9/20/2010

Page 48

1 General Assembly, which started July 1, 2010, we've  
2 appropriate more of this money. But to make a long story  
3 short, what we are looking at as members of the General  
4 Assembly, and you just got a taste of it in what you've  
5 heard as testified of the value that people place on their  
6 portion of the state pie, but what I am looking at when I  
7 roll into Jefferson City in January is a \$900 million hole  
8 in the state budget.

9 It's not going to be just can I afford your  
10 tax credits, can we cash flow this. We're looking at  
11 education, both higher and elementary education, Medicaid,  
12 all of the numerous and important government services that  
13 are there.

14 So with that being the context and I've  
15 shared in depth with the chairs in this concept, but more  
16 importantly continue to hold my hand open in what we are  
17 trying to accomplish. The only rational basis that I know  
18 of in which to divvy out limited resources to unlimited  
19 needs is an appropriations process where everyone that  
20 looks at those taxpayer dollars and wants a piece of them  
21 have to go compete against everyone else and make their  
22 case, just as they have made their case to you here today.

23 How in the world do you distinguish between  
24 providing seniors housing, by providing a circuit breaker  
25 tax credit to keep you in your home versus the

PUBLIC MEETING 9/20/2010

1 appropriation to a child so that they can have access to K  
2 through 12 education? How in the world does anyone come to  
3 that determination that a scholarship that provides a first  
4 generation college student is more important than rehabing  
5 an history site in the community that you love and have  
6 grown up in?

7 How in the world do you do that? It's  
8 terribly difficult. We do that in the state of Missouri  
9 through an appropriations process, where you take as much  
10 information as you possibly can get and you appropriate  
11 limited resources for unlimited needs and desires.

12 And that's the fundamental framework that I  
13 want to share with you all, because is it perfect?  
14 Absolutely not. And I think I reminded you all. It's  
15 democracy, and as I was taught, Benjamin Franklin said that  
16 democracies are the worst form of government until you  
17 compare them to all others.

18 Is the appropriations process the worst form  
19 of dealing with disbursing limited resources to unlimited  
20 wants and desires? Absolutely, but it is the only  
21 mechanism that I would respectfully submit to you where we  
22 can differentiate as a state through a rational basis  
23 wants, desires and needs.

24 I don't know how else to do it. If we set  
25 certain things off as an entitlement, and we've seen a

1 hundred million dollar cut to our Access Missouri  
2 scholarships just this year alone, is that the right  
3 outcome. Is it rational that Missouri leads the nation in  
4 historic preservation tax credits, and is number two in the  
5 nation in low-income housing tax credits when we're 32nd in  
6 the country in K through 12 per capita funding or 42nd in  
7 higher education per capita funding?

8 Is that rational? Is that the outcome that  
9 we want, or can we do better? Can we do better in an  
10 appropriations process? I don't know, but that is what I  
11 have been talking about for three years in the Missouri  
12 General Assembly. It's something that you will have to  
13 wrestle with as you look at what you feel as a committee is  
14 the best way to make sure that I think we do two things.

15 Number one, are we utilizing the taxpayers'  
16 dollars in the state of Missouri at a maximum effect? Are  
17 we doing the best job we can with those limited resources?  
18 Are we getting the biggest bang for our buck? And in that  
19 line, are we using those limited resources in the area in  
20 which we as a collective, as a state, think our priorities  
21 reflect and where we are we going to go?

22 And that goes for all of the basket of tax  
23 credits, whether they be the Social Justice tax Credit, the  
24 Urban Core Revitalization Tax Credits, or the Economic  
25 Development Tax Credits. What is our ROI, and are we

1 assured that we're getting the ROI that we need.

2 I look forward to working you as we move  
3 forward. I really do appreciate everyone that has come out  
4 and advocated for their particular program and all the  
5 wonderful good that they do. I don't diminish at all, and  
6 I do not look at this as an adversarial process.

7 This is Christmas, folks. This is  
8 Christmas, and we've got a Christmas list that is this  
9 long, and Mom and Dad have to sit at the table, and you  
10 have to tell little Johnny and Becky you're not going to  
11 get everything that you want. And how best do we put in  
12 place a system that hands out limited resources to  
13 unlimited desires.

14 I'm sharing with you one direction. I think  
15 with the talent, and I appreciate the Governor coming up  
16 with all of you coming together that hopefully that in the  
17 state of Missouri that this is our chance, this is our  
18 moment where we can bring together divergent ideas and  
19 answer those simple questions of do we have the best system  
20 in place to do what we have to do in this state. And I  
21 look forward to being a meaningful partner in that process  
22 and appreciate your time.

23 Yes, sir.

24 CO-CHAIR GROSS: I'm just curious.  
25 We've served together for a number of years.

PUBLIC MEETING 9/20/2010

1 SENATOR CROWELL: Sure.

2 CO-CHAIR GROSS: I appreciate your work  
3 on this, but I don't think we've ever discussed two  
4 programs that I'm wanting to dig into a little more to see  
5 if it sheds some light on how to deal with this issue.

6 One is the State TIF program, and the other  
7 one is the originally designed ODESSA --

8 SENATOR CROWELL: Uh-huh.

9 CO-CHAIR GROSS: -- Program. One I  
10 remember very well is not subject to appropriate -- I mean  
11 it is subject to appropriation, but first it starts with a  
12 statutory lid --

13 SENATOR CROWELL: Correct.

14 CO-CHAIR GROSS: -- on how much we can  
15 spend.

16 SENATOR CROWELL: Are you talking the  
17 Super TIF?

18 CO-CHAIR GROSS: The State TIF Program.

19 SENATOR CROWELL: Yeah, yeah, the Super  
20 TIF part.

21 CO-CHAIR GROSS: Right.

22 SENATOR CROWELL: Yeah, has its state  
23 appropriation.

24 CO-CHAIR GROSS: Right. And so it  
25 means everybody knows how much money is available. I mean,

1 it's right there in the statute.

2 SENATOR CROWELL: Right.

3 CO-CHAIR GROSS: Now, that can be  
4 changed through legislation as you well know.

5 SENATOR CROWELL: Uh-huh.

6 CO-CHAIR GROSS: But passing  
7 legislation is not easy, --

8 SENATOR CROWELL: Right.

9 CO-CHAIR GROSS: -- and so as  
10 legislators a strong hand on doing it.

11 If you looked at our tax credit programs as  
12 a whole to see if that kind of a process could be applied.

13 SENATOR CROWELL: Well, we -- there  
14 will be agree to disagrees and everything else. And we've  
15 had that ourselves, on whether or not a tax credit can be  
16 subject to appropriations. And what I want you to know is  
17 the envisionment that I have is not that you come to the  
18 General Assembly and you ask on a project-by-project basis  
19 what is going on.

20 CO-CHAIR GROSS: Right.

21 SENATOR CROWELL: What I envision as  
22 subject to appropriations process would be is that an  
23 entity like DED would come forward after taking public  
24 testimony and say, you know what, historically we have done  
25 this much in Historic Preservation Tax Credits. We project

1 that we need this much in Historic Preservation Tax  
2 Credits.

3 We take that information down as members of  
4 the House, the Senate and the Executive, and when we get  
5 the numbers in from higher education, we get the numbers in  
6 from the ag community, we get the numbers in -- I mean, I  
7 can run down every House appropriations bill that you can,  
8 and ultimately we craft a \$20 billion plus budget.

9 And but what people need to understand is,  
10 even though you see that \$20 billion plus appropriation,  
11 there's under \$8 billion now that we have any control over,  
12 as you well know. It used to be a little bit more when we  
13 came in, and now it's at 7.8 billion. That's it. That's  
14 all we have control over in the General Assembly.

15 So when you start looking at tax credits  
16 that are spending half a billion dollars a year, that makes  
17 up a significant portion. Unless everyone here knows, my  
18 ire is not focused on tax credits alone. I am trying to do  
19 the most difficult deal that state government has had to  
20 have. And maybe it's just the time that I came in.

21 To get a little philosophical with you, you  
22 know, the Carnahan years were golden years as everyone  
23 tells me that was in the General Assembly, and the horrible  
24 problems that we had during the Carnahan years is we had so  
25 much money we didn't know what to spend it on. And it

1 became a very difficult deal. Do we do tax cuts, do we do  
2 buildings here, do we authorize this, or do we authorize  
3 that?

4 Well, I came in to the General Assembly  
5 after all of that was over, and I'm trying to cleanup. I'm  
6 trying to cleanup from what I think were very wonderful  
7 things to do today at that time, but had little foresight  
8 as to what the ramifications were going to be 5, 10, 15, 20  
9 years down the line as it relates to the state.

10 And the way that I calculate where we find  
11 ourselves today in our challenges and why tax credits do  
12 not have my ire is because we are trying to put in place  
13 rational mechanisms to right size state government to  
14 existing revenues.

15 I told you we are looking at billions of  
16 dollars in decline as to what is available to the State of  
17 Missouri to provide essential governmental services. How  
18 you right size state government to that is a difficult  
19 process, and I've tried to be engaged in all of them.

20 Just this past session, I put forth  
21 legislation that was signed into law during special session  
22 that will save the Missouri taxpayers \$700 million over the  
23 next ten years by changing three items in our state  
24 pensions: making employees pay a state contribution, making  
25 employees vest at ten years not five years, and saying you

1 know what, your retirement is going to be tied to Social  
2 Security.

3 We're not going to let you retire at 48  
4 years age anymore. We're going to make you basically work  
5 a little bit longer before you retire, and over the next  
6 ten years, it'll save taxpayers \$700 million. So it's not  
7 isolated. It's I tried to come up with what I believe are  
8 rational mechanisms to meet existing revenues.

9 It may be that the General Assembly decides  
10 that we're not spending enough money in tax credits, so  
11 let's go cut higher education, let's go cut K through 12  
12 education, and let's double down on what we're doing in  
13 these other tax credits because that's where we need to be.  
14 I don't know. But I do know that the General Assembly is  
15 in a very difficulty time with governors and everywhere  
16 else of trying to right size state government to existing  
17 revenues.

18 And now I'll close with this just saying,  
19 I'm not raising taxes. You will find me as pig-headed and  
20 as stubborn as I can be when people say you know what, this  
21 job of right sizing state government to existing revenues  
22 is just too difficult, let's go raise taxes on this or  
23 raise taxes on that, you will find me fighting that as hard  
24 as I've advocated for some of these other reforms.

25 CO-CHAIR GROSS: Thank you.

PUBLIC MEETING 9/20/2010

Page 57

1 CO-CHAIR STOGEL: First off all,  
2 Senator, we really appreciate you being here today, and --

3 SENATOR CROWELL: Thank you guys.

4 CO-CHAIR STOGEL: And I really  
5 appreciate you staying, the getting reacquainted earlier.  
6 It was very nice, you know, and we appreciate it. And we  
7 hear you raising one of the strategic issues, which is how  
8 tax credits originate, and it will all be part of a robust  
9 discussion and as part of the global themes where you  
10 start.

11 So your voice is welcome, and we accept your  
12 offer of partnership and participation because it's when  
13 you take the Legislature, the Administration, people who  
14 are in this room who are invested in the communities have a  
15 short period of time to come up with ways to find credits  
16 that are inefficient and make them more efficient to do  
17 other programatic changes after we decide some -- get input  
18 on strategic themes.

19 Now you've raised one of the core themes,  
20 and we are glad you're here and have raised it, and I'm  
21 sure it will be part of a very continuing dialogue.

22 SENATOR CROWELL: I'm sure it will, and  
23 nothing --

24 CO-CHAIR STOGEL: We thank you.

25 SENATOR CROWELL: -- nothing is

1 different from an appropriations committee meeting. So I  
2 think Senator Gross, as the chair of the Senate  
3 Appropriations Committee, can tell you this is a heck of a  
4 respectful group coming in advocating for theirs. I  
5 haven't seen anybody's effigy burned yet. I haven't seen,  
6 you know, anybody get yelled at or anything else. So I do  
7 know how difficult the charge is.

8 I lay one suggestion out. I hope you all  
9 will continue to look at that, will keep the dialogue open,  
10 and I wish you well in your endeavors.

11 CO-CHAIR GROSS: Thank you very much.  
12 It's a pleasure to have you present as part of the process.

13 SENATOR CROWELL: Thank you.

14 MR. WAGNER: Mr. Chairman, may I ask a  
15 couple of questions?

16 CO-CHAIR GROSS: Sure.

17 MR. WAGNER: I think, Senator, you  
18 addressed some of this in Senator Gross' questioning and  
19 comments about how you would go about the appropriation,  
20 the process.

21 SENATOR CROWELL: Sure.

22 MR. WAGNER: But as I have begun to  
23 hear some of the voices about all of this in my few short  
24 weeks on this Commission, that has been a reoccurring (sic)  
25 theme, that it will never work as part of the

1 appropriations process, any sort of credits allocation  
2 process, that developers will not participate in a program  
3 that is subject to appropriations that bears risks from  
4 year to year to year.

5 If you might respond to that, --

6 SENATOR CROWELL: Sure.

7 MR. WAGNER: -- it would be helpful to  
8 me. And then secondly, I think somewhat related to that, I  
9 heard at a Committee hearing this morning that something  
10 that maybe I sort of -- I conceptually understand, that in  
11 essence, nothing we do through this Committee, through this  
12 Commission, by way of recommendations if enacted next  
13 session would impact the amount of money being spent on  
14 credits, revenues being given in the form of credits for  
15 the next several years --

16 SENATOR CROWELL: Correct.

17 MR. WAGNER: -- because these projects  
18 have a lead time or a lag time, that that won't affect the  
19 \$500 million that you cut in FY '09. If that has been the  
20 case in '09, and so that we're only looking for, you know,  
21 these actions would only take place and only have impact  
22 three or four years down the road.

23 SENATOR CROWELL: Sure.

24 MR. WAGNER: So what would your  
25 reaction be to that, and how would we as a Commission do --

1 address what I believe to some degree is our charge in  
2 helping to assist you all in the General Assembly and the  
3 Governor get our arms around the budget.

4 SENATOR CROWELL: Sure. Well, let me  
5 say this, and I think you've hit on some very important  
6 concepts, and let me answer them this way first.

7 My dad always told me when you find yourself  
8 in a hole, quit digging. Okay. So I know you all had just  
9 started looking at this, but I've been on this for four  
10 years. And I don't think that just because we didn't act  
11 four years ago, doesn't mean we shouldn't act today.

12 So the sooner the better. I agree 100  
13 percent with you. In every proposal and every discussion  
14 I've had over these past four years in the General Assembly  
15 any change to existing tax credit law is on a going-forward  
16 basis. Nothing would ever apply retroactively, and I think  
17 it's important for individuals, particularly in the  
18 Low-Income Housing Tax Credit community, to understand  
19 that, because I know those are streamed over ten years.

20 Also as it relates to a subject to  
21 appropriations, nothing, nothing would be done to  
22 unappropriate an authorized tax credit. Okay. So once  
23 that deal is struck, once that authorization occurs,  
24 whether you have a streaming tax credit like quality jobs  
25 that is five years usually in nature or a low-income

1 housing that is ten years in nature, or you have an  
2 Historic Preservation Tax Credit that is paid at the end of  
3 the job, once you've turned in all of your invoices, once  
4 you are authorized, it's a deal. It's a handshake. It's a  
5 commitment by the State that the State will honor.

6           What I am trying to do with the subject to  
7 appropriations process is to say in any given year, the  
8 General Assembly, because I -- as Benjamin Franklin would  
9 say, it's an ugly process, but it's the only process that I  
10 know that can take unlimited demands, unlimited desires,  
11 wants and needs and differentiate those into what we will  
12 appropriate, what we can afford, and what we will do.

13           Without question, at the end of every  
14 appropriations hearing, at the end of every General  
15 Assembly and a budget that is passed, there are winners and  
16 losers. There are those people that think they got  
17 screwed, and there are those people that, you know, got in  
18 the budget that still aren't happy.

19           I don't know that there's anyone that is  
20 ever happy at the end of the appropriations process, other  
21 than the appropriations chair that's finally done. It can  
22 either shave or take a well-deserved rest. But as it  
23 relates to the appropriations process, I -- I don't know,  
24 you know, and I hate to think that there were ulterior  
25 motives. But there was never a dialogue or discussion

PUBLIC MEETING 9/20/2010

Page 62

1 where an authorized tax credit would somehow not be funded.

2 Okay.

3                   Once you are authorized, you are funded, and  
4 that's been in every proposal at every time. What -- what  
5 I would respectfully submit to you is a story by analogy,  
6 and then I'll close and hopefully leave this with you, and  
7 I shared it with the two chairs.

8                   Previously our economic development and our  
9 -- and really we're looking at a lot of these tax credits  
10 as a new phenomenon in the state of Missouri. Historically  
11 these have not been available in the state of Missouri. It  
12 was really an explosion during the Carnahan administration,  
13 when we had all this cash and we didn't know what to do  
14 with it.

15                   We had previously kind of put all of our  
16 faith in administrations, particularly as it related to  
17 economic development. The Governor had the stroke, the  
18 Governor was the one that administered our economic  
19 development, and whether -- and really we need to be  
20 honest. The only reason we do this in tax credits is the  
21 State of Missouri says you can't make a direct  
22 appropriation to a citizen.

23                   So we get around the whole constitutional  
24 bar by calling it a tax credit, but these are specific  
25 appropriations of taxpayer dollars to other individuals in

1 the state of Missouri. Our constitution prohibits it, but  
2 when we call it tax credits, we survive court scrutiny.

3 So it's really a new phenomenon, and I think  
4 previously we had swung a pendulum too far over here where  
5 we left it to the winds of an administration on what could  
6 be done with economic development or anything else. In  
7 order to hedge ourselves, not in a partisan manner, but  
8 just no one person should have that much power.

9 We made them entitlements, and we said if  
10 you do X, you will get this tax credit. The administration  
11 can't cut it off for partisan reason, or they can't hand it  
12 out for partisan reason. We're going to set up an  
13 objective criteria, and if you do X, you get it.

14 The problem with having it set up as an  
15 entitlement is the rest of the budget is not set up as an  
16 entitlement. And -- and when you have declining revenues  
17 and an increasing cost, at some point those X, and you  
18 start getting results that I don't know we're in tune with  
19 where our values as a state are.

20 Are our values as a state number one, we're  
21 historic preservation tax credits, but 45th in the country  
22 in per capita funding for students for access to higher ed.  
23 Number two in the country for low-income housing tax  
24 credits, but 32nd in the country for K through 12 funding  
25 per capita basis.

1 I don't know that that's Missouri's values.  
2 I will personally tell you they're not my values, and  
3 that's why I've tried to reform some of those changes that  
4 were there. But in that process, that appropriations  
5 process, it's going to be hard because I'm telling one  
6 group that as the pendulum swung all the way over, that  
7 your entitlement is no longer an entitlement.

8 And I at one time in my life had an  
9 entitlement. Very fortunate as a kid growing up. My mom  
10 and dad got me a card, and they gave me one of those gas  
11 cards, you know, back when gas companies gave out cards.

12 And one day, my mom being who my mom is, and  
13 I should have known this, she found out I was buying more  
14 things than just gas with that gas card. So she sat me  
15 down at the table with my mother and father, and she wanted  
16 her gas card back.

17 Boy, I bitched and screamed like it was the  
18 end of the world because I was going to have to pay for my  
19 own gas now, and I wasn't going to be able to buy all of  
20 those other things I was buying out of there for not only  
21 me but my friends as well, and I didn't like it. I didn't  
22 like the new day.

23 I didn't like the way that it was going to  
24 work out, and I laid out every horrible possibility,  
25 including the scenario that if my mom and dad took that gas

1 card away from me, I was going to run out of gas late some  
2 night, I was going to have to walk on a road, and probably  
3 going to get hit by a car and die.

4 If they take my credit card, I'm going to  
5 die. The whole world is going to end, and can you live  
6 with yourself, Mom and Dad, for taking my gas credit card  
7 away.

8 Mom and Dad didn't buy it, and luckily or  
9 unluckily, I'm standing here before you today. I didn't  
10 die either. So when we start saying that this can't be  
11 done, I'm going to close with this just, heard the exact  
12 same arguments when we reformed Medicaid and everyone said  
13 from the editors at the "Post Dispatch" to the "Kansas City  
14 Star" to everywhere else, how in the world can you remove  
15 Medicaid as an entitlement in state government? How can  
16 you do that?

17 Well, we did, and it works, and it has  
18 worked, and we can move tax credits from an entire --  
19 entitlement pendulum to somewhere where we can on a  
20 rational basis provide for everything everyone wants, but  
21 also all of the other groups that you didn't hear from  
22 today and won't hear from for today.

23 MR. WAGNER: Thank you.

24 CO-CHAIR GROSS: Thank you.

25 CO-CHAIR STOGEL: Senator, we really

PUBLIC MEETING 9/20/2010

Page 66

1 appreciate you being here.

2 SENATOR CROWELL: Thanks.

3 CO-CHAIR STOGEL: And we look forward  
4 to that continuing conversation --

5 SENATOR CROWELL: Thank you all.

6 CO-CHAIR STOGEL: -- as early as next  
7 week.

8 SENATOR CROWELL: Yes. I'll be in  
9 Columbia.

10 CO-CHAIR GROSS: Next Representative  
11 Bray, did you want to testify?

12 REPRESENTATIVE RAYMOND: No, I came  
13 just to listen and learn today.

14 CO-CHAIR GROSS: Very good.

15 REPRESENTATIVE RAYMOND: Thank you.

16 CO-CHAIR GROSS: Then that finishes the  
17 first list, and we're going to take a ten-minute break, and  
18 we'll come back and continue. And if you signed up but  
19 didn't indicate whether you want to testify or not, please  
20 do that.

21 We'll take a ten-minute break.

22 (Thereupon, a break was taken; after  
23 which, the proceedings continued as follows:)

24 Next I have on the list to testify is Nathan  
25 Leoni. Nathan?

# Doug Mueller Global Issues Testimony

PUBLIC MEETING 9/20/2010

Page 96

1 MR. THOMPSON: Unfortunately I -- I  
2 just -- I really don't.

3 MR. WAGNER: Thank you very much.

4 CO-CHAIR GROSS: Thank you very much.  
5 Appreciate it.

6 MR. THOMPSON: Thank you very much for  
7 your time.

8 CO-CHAIR GROSS: Anybody else? Please  
9 state your name and spell it for the record.

10 MR. MUELLER: Doug Mueller.  
11 M-U-E-L-L-E-R. I'm a minority partner at W. E. Walker  
12 Lakeman Insurance. That's W-A-L-K-E-R L-A-K-E-M-A-N.

13 Gentlemen, I'm -- you've heard from  
14 everybody. I mean, you've heard all facets. I was going  
15 to come in and speak about, you know, some of the same  
16 things these guys have all spoken about. I can tell you in  
17 these economic times, it's tough. I don't envy your jobs  
18 right now, trying to figure out what to do with these tax  
19 dollars and everything else.

20 I can tell you that from a taxpayer, a  
21 businessman, my perspective on this program is it's far  
22 reaching in its benefits. Okay. Very, very far reaching.  
23 it affects everyone. It's a tax dollar that's working for  
24 the people in Missouri. The benefit's huge.

25 I look at your tax dollars. Okay. We have

## PUBLIC MEETING 9/20/2010

Page 97

1 government services. To me that's -- there is no immediate  
2 benefit from that other than the services we are providing  
3 for those tax dollars. It's a necessary evil. We've got  
4 to have it. Okay.

5           You guys' challenges are coming back in  
6 here, identifying what's left of the tax dollars after the  
7 services. That's my assumption anyway. So you've got tax  
8 dollars that might have a short-term benefit, an  
9 intermediate benefit, and a long-term benefit.

10           This tax program, to me, has a very  
11 long-term benefit. It should be very highly rated in terms  
12 of what's left after the services that are done and paid  
13 for. You look at some of the stimulus money that's come  
14 from the federal government. I've heard horror stories,  
15 okay, of where this money has gone. Strictly short-term  
16 benefit, maybe helping a project get completed or maybe  
17 some social service program continue funding for a short  
18 period of time.

19           When that money is gone, what's going to  
20 happen? Who knows? Okay. Who knows?

21           Here you've got a program that generates  
22 immediately construction services, banking services,  
23 subcontractors, general contractors, architects, engineers.  
24 Then you've got people that are living in these places that  
25 are affordable and usable. On to the fact that they're

1 going to continue to do services. This tax money is going  
2 to generate additional tax money to the State.

3 So when you guys back and reconvene, I hope  
4 you could maybe find some way to prioritize tax dollars  
5 that are long-term benefits to the State and to the people  
6 of Missouri.

7 That's all I have to say. Thank you for  
8 being here, and good luck.

9 CO-CHAIR STOGEL: Mr. Mueller.

10 MR. MUELLER: Yes.

11 CO-CHAIR STOGEL: Thank you for your  
12 testimony, but I do want -- just for the record, --

13 MR. MUELLER: Sure.

14 CO-CHAIR STOGEL: -- jump in a little  
15 bit about the stimulus program. WE have Senator Crowell  
16 and Representative Bray is here, but I know something about  
17 the stimulus -- about the stimulus plan, which this  
18 Commission did last year. But for the record, the money  
19 that came into the state that was not accountable  
20 reimbursable money which was managed and appropriated  
21 through the Legislature.

22 Senator Crowell referenced it earlier.

23 MR. MUELLER: Uh-huh.

24 CO-CHAIR STOGEL: There was a whole  
25 bunch of money that came in and had to spent on a certain

Mueller (cont.)

PUBLIC MEETING 9/20/2010

1 very limited scope of projects for roads. There's another  
2 pot of money everybody got for checks. And there's  
3 something in process like medical records, and the State of  
4 Missouri has been very careful not to enter into cliff  
5 funding.

6 The day California, for instance, got it's  
7 \$8.9 billion, it went out the door the next day. Missouri  
8 has harbored its money, and carefully worked to use that  
9 money over time. And it's been a pretty thoughtful  
10 process, I think.

11 MR. MUELLER: Hopefully you did not  
12 think I was criticizing how the State had used --

13 CO-CHAIR STOGEL: No.

14 MR. MUELLER: I was more using it as I  
15 know in some areas it was used and has been used strictly  
16 as a short-term benefit. Whereas --

17 CO-CHAIR STOGEL: But that's a policy  
18 question that funds are set up.

19 MR. MUELLER: Okay. Right.

20 CO-CHAIR STOGEL: But the  
21 administration of the money has been over time. It's been  
22 open book, and it's easy to track, and the Legislature has  
23 been involved in the most difficult portion.

24 MR. MUELLER: So when a tax dollar is  
25 out generating beginning to end, that's the best tax dollar

1 out there.

2 CO-CHAIR STOGEL: That was a  
3 congressional decision in '09.

4 MR. MUELLER: Right.

5 CO-CHAIR STOGEL: Senator Crowell made  
6 his comments about --

7 MR. MUELLER: Sure.

8 CO-CHAIR STOGEL: -- how that's going  
9 to get repaid. That too is beyond the scope of this  
10 Commission. We don't want anybody on the record to think  
11 that the stimulus money has been -- hasn't lacked full and  
12 fair attention. It's been run as an open-book process.

13 MR. MUELLER: Sure. Sure.

14 CO-CHAIR STOGEL: Thank you.

15 MR. MUELLER: Thank you guys.

16 CO-CHAIR GROSS: Thanks for being here.  
17 Anyone else who would like to testify? Seeing none, we  
18 stand in recess until seven o'clock.

19 (Thereupon, a break was taken at 5:54  
20 till 7:08 p.m.; after which, the proceedings  
21 continued as follows:)

22 Okay. The Governor's Tax Credits Review  
23 Commission will come back into order. We recessed before  
24 six o'clock, and it's now seven, so we'll get going again.

25 Again, everyone who testifies, your comments

# Larry Bill Global Issues Testimony

PUBLIC MEETING 9/20/2010

Page 130

1 answer, and we'll put it in the record.

2 MR. WAGNER: Perfect.

3 MR. SANFORT: I didn't say thank you  
4 all for coming down here. I appreciate that.

5 CO-CHAIR STOGEL: Well, we appreciate  
6 everybody coming out tonight to help us in our learning  
7 curve here.

8 CO-CHAIR GROSS: Would anyone else like  
9 to testify?

10 MR. BILL: I'd like to.

11 CO-CHAIR GROSS: Please. State your  
12 name and spell it for the record.

13 MR. BILL: My name is Larry Dill.  
14 L-A-R-R-Y. B-I-L-L.

15 And right now I'm running as the independent  
16 candidate for Congress in the 8th District. And the big  
17 question I've got is what -- what happens to these tax  
18 credits if you actually don't owe the State in that much  
19 tax? If you could explain that to me, I'd appreciate it.

20 CO-CHAIR STOGEL: You calculate your  
21 State tax liability.

22 MR. BILL: Okay.

23 CO-CHAIR STOGEL: Tax credits come in  
24 two basic forms, transferrable certificates and  
25 allocations. A few common certificates that are not

1 transferrable, so you have to think of certificates that  
2 are transferrable or not --

3 MR. BILL: Okay.

4 CO-CHAIR STOGEL: -- or allocations.

5 To the extent you have a certificate and it's transferrable  
6 and you don't use it all, you just simply sell it into the  
7 marketplace, and there's a large market.

8 MR. BILL: Okay.

9 CO-CHAIR STOGEL: To the extent it's a  
10 certificate like NAP Credit that's non-transferrable, you  
11 carry it forward for, I think, five years, --

12 MR. BILL: Okay.

13 CO-CHAIR STOGEL: -- till you have  
14 enough liability.

15 MR. BILL: All right.

16 CO-CHAIR STOGEL: To the extent that  
17 it's an allocation credit like the low-income, again it's  
18 something that you can carry back or carry forward to use  
19 up the credit over time, based on your liability.

20 There's a lot of credits that get allocated  
21 or awarded that simply are never redeemed. But it's --  
22 it's a hard thing to gage at any point in time because you  
23 don't know when they're going to be redeemed, and part of  
24 the strategic issues for the Commission is how to add more  
25 budget certainty. So you want certificates to be redeemed

1 so you can match the next general revenue.

2 MR. BILL: Okay.

3 CO-CHAIR STOGEL: I hope that's  
4 sufficient.

5 MR. BILL: I think it's pretty close.  
6 The question I've got is let's say you had \$100,000 of  
7 these transferrable or marketable credits and your tax  
8 liability was only \$10,000.

9 CO-CHAIR STOGEL: Right.

10 MR. BILL: So you take the 90,000 in  
11 the transferrable credits, you put them on the open market;  
12 is that correct?

13 CO-CHAIR STOGEL: Yes.

14 MR. BILL: Who buys these credits?

15 CO-CHAIR STOGEL: People who have tax  
16 liability.

17 MR. BILL: And that would be big  
18 companies?

19 CO-CHAIR STOGEL: Well, some big  
20 companies buy them to use on their return. Some  
21 syndicators buy large pools of this, break it into small --  
22 smaller pieces to get what's called the New Form 100, and  
23 then sell it to individuals who might have 10 or 20  
24 thousand dollars of liability.

25 MR. BILL: Okay.

PUBLIC MEETING 9/20/2010

1 CO-CHAIR STOGEL: So they're divisible  
2 and there's a submission process and a recertification -- a  
3 recertification process that goes into these -- that's  
4 standard -- fairly standardized form.

5 MR. BILL: So if I had a \$20,000  
6 liability, there's a chance I could buy the certificate for  
7 18,000?

8 CO-CHAIR STOGEL: Yes.

9 MR. BILL: And so I reduce my tax  
10 liability by \$2,000?

11 CO-CHAIR STOGEL: Well, you reduce your  
12 liability, in your example, by \$18,000.

13 MR. BILL: Okay.

14 CO-CHAIR STOGEL: You buy 20 -- you buy  
15 a \$20,000 certificate --

16 MR. BILL: Right.

17 CO-CHAIR STOGEL: -- for 18,000.

18 MR. BILL: Okay.

19 CO-CHAIR STOGEL: Your state tax  
20 liability goes from 20 to 0.

21 MR. BILL: Correct.

22 CO-CHAIR STOGEL: But you have \$18,000  
23 of basis in that certificate.

24 MR. BILL: Right.

25 CO-CHAIR STOGEL: And you have income

1 recognition of \$2,000 on your federal return times your tax  
2 bracket. So your financial gain is a marginal 6 or 7  
3 percent, depending on your tax bracket.

4 MR. BILL: But in the overall scheme of  
5 things by the fact that those credits were on the market  
6 and available, when that cash outflow personally is less;  
7 is that correct?

8 CO-CHAIR STOGEL: Well, instead of  
9 paying the State 20,000, you pay 18 to buy a certificate.  
10 Your liability goes to zero, but you pay a tax on the  
11 difference between 20 and 18. So say you're in the 35  
12 percent maximum marginal tax bracket.

13 MR. BILL: Okay.

14 CO-CHAIR STOGEL: That's 35 percent of  
15 2,000, is 700, so you've made \$1,300 profit after tax on an  
16 \$18,000 investment.

17 MR. BILL: Okay.

18 CO-CHAIR STOGEL: Of a 6 percent  
19 return.

20 MR. BILL: Okay. So essentially the  
21 State is shorted by \$2,000 in the overall scheme; is that  
22 right?

23 CO-CHAIR STOGEL: No, I wouldn't say  
24 that is right at all.

25 MR. BILL: Okay.

1 CO-CHAIR STOGEL: I would say that the  
2 State created a certificate that was worth \$20,000, and now  
3 the State was -- had to -- that taxpayer was able to reduce  
4 his liability by the certificate he purchased for a program  
5 that's authorized to create certificates.

6 And then the question the State has to ask,  
7 which this Commission has been charged with thinking  
8 through is, was the certificate for \$20,000 that the State  
9 put a \$20,000 certificate out, did it -- did the State get  
10 \$20,000 or more or less back, and how do you measure that.

11 MR. BILL: Okay. And that's what your  
12 job is, right? I mean, that's --

13 CO-CHAIR STOGEL: That's the crux of  
14 the whole matter in 61 different tax credit programs.

15 MR. BILL: Okay. Thank you for doing  
16 that. I appreciate it. I don't want to take much more --  
17 I don't want to take much more time, but what do you tell a  
18 person that commits a hundred percent of their own money  
19 into a project on the open market when they're not  
20 subsidized?

21 I mean what -- there's a lot of developers  
22 that go out and build, you know, 95 apartment units and  
23 they don't get a nickel of government subsidy, tax credit,  
24 anything like that, and you know, where is the fairness of  
25 that is the point I'm getting at.

1 CO-CHAIR STOGEL: Here's the fairness.

2 The developer who is going to do a 95-unit apartment  
3 project and charge market-rate rents, to make his numbers  
4 work might mean -- I'll use St. Louis numbers.

5 MR. BILL: Okay.

6 CO-CHAIR STOGEL: -- \$2,500 a month,  
7 \$2,800 a month for a two-bedroom, \$3,000 a month. If you  
8 want to -- and those people would have to have the \$2,500 a  
9 month would have to have \$4100,000 of income. So you're  
10 going to be building in Chesterfield.

11 The people who build Chesterfield don't get  
12 subsidies. People who build in the urban core who service  
13 low-income housing get federal and state subsidies to have  
14 the kind of low-income units that would be \$395 for a  
15 two-bedroom or \$345 for the one bedroom that several folks  
16 testified here today about because, in this community,  
17 that's needed to help people with median incomes at 60  
18 percent of the area.

19 Meaning income -- we're told the area median  
20 income was around \$50,000 today, and 60 percent of that is  
21 30,000. So you're helping households with a family of four  
22 at \$30,000 find decent housing and for seniors who live  
23 alone, probably at 16 or 18 thousand dollars which might be  
24 the Medicaid level.

25 So people who build housing to help that

1 target population need subsidy to cover their costs. It  
2 seems to me a really clean bright line with no room for  
3 fuzziness. Now, people who service seniors affordable  
4 living alone should get subsidy to make their -- make the  
5 numbers work for the tenant and the project and the bankers  
6 and all the people who get the ripple effect versus  
7 somebody who wants to build apartments for people who are  
8 making \$100,000 in Chesterfield.

9 Different markets, and not inconsistent.

10 CO-CHAIR GROSS: Let me say something  
11 too.

12 MR. BILL: Okay.

13 CO-CHAIR GROSS: It boils down to, in  
14 my opinion, a policy decision that the General Assembly and  
15 the Governor make whether they want to support and protect  
16 dollars into it because no matter how you slice it, there  
17 is a -- at least an up-front cost or -- or whatever to the  
18 State.

19 Now, through multipliers and that type of  
20 thing, some programs turn out, I think, to be an economic  
21 benefit. Okay. Some probably don't, but there's no  
22 question that you are -- you are -- the State is making the  
23 decision to put money into some of these activities,  
24 low-income housing, historic preservation, circuit  
25 breakers, or whatever they might be, taxpayer programs, and

1 those are policy decisions.

2 Some people are going to call it welfare  
3 programs because it's tax dollars going into those. Some  
4 are going to say they're economic development programs  
5 because of the return back to the State.

6 CO-CHAIR STOGEL: I think your question  
7 is one that is asked very frequently, and they -- we  
8 grapple with that every year in the General Assembly when  
9 the tax credit legislation moves through the process, is  
10 this where the State wants to put its money, and are they  
11 getting a return for it.

12 MR. BILL: Okay.

13 CO-CHAIR STOGEL: And should you in  
14 your -- your run for Congress, you can grapple with this  
15 because there's a federal historic credit, a federal  
16 low-income credit. Last time I looked the federal  
17 low-income credit, there were probably two-thirds of the  
18 members in Congress were supportive of the program.

19 MR. BILL: Okay.

20 CO-CHAIR STOGEL: You can continue the  
21 dialogue if your run is successful in DC.

22 MR. BILL: All right. Well, thank you  
23 very much.

24 CO-CHAIR GROSS: I think Mr. Wagner has  
25 something.

1 MR. WAGNER: I may have a question just  
2 that you helped me raise, Mr. Chairman, that may be along  
3 the lines that this gentleman is inquiring about.

4 What do states -- and, Senator Gross, you  
5 might have an answer to this as well.

6 States that don't have the low-income  
7 housing credit, states that do not have an historic tax  
8 credit program -- this morning I heard that Minnesota just  
9 initiated a program for low-income -- I guess for historic  
10 tax credits, and that Illinois has a trial program that's  
11 been in existence for maybe one year with one program, one  
12 -- one deal, something along those lines.

13 CO-CHAIR GROSS: They have an  
14 affordable housing program.

15 MR. WAGNER: Okay. I think I was  
16 thinking along the lines of the historic tax credit  
17 program. So what have those states done to reach this  
18 urban core market that you're talking about, and are there  
19 examples to be drawn upon in those states that could apply  
20 to Missouri to address our budget problem in your  
21 experience?

22 CO-CHAIR STOGEL: In a lot states that  
23 don't -- I think there's 11 states that have some sort of  
24 low-income program. We've heard testimony today about 18  
25 states. I think the number is much larger. I'm going to

1 find out tomorrow from the National Trust on how many  
2 states have an historic program.

3 In California, to build low-income housing,  
4 the State passed a multi-billion dollar bond deal, and they  
5 hand out cash to the developers. They do the same thing in  
6 New York City.

7 Just building low-income housing needs some  
8 sort of assistance. So whether -- different states may do  
9 it with cash or with credit, and in Kentucky it's very hard  
10 to make the numbers work. I mean, there's just not a lot  
11 of new production sometimes.

12 And Missouri has been very proactive by  
13 using reserve funds and other things in the MDHC arsenal in  
14 federal programs to help these along.

15 But particularly out of state, not in St.  
16 Louis, the income levels are so low. Family of four's  
17 incomes are like \$34,000. Statewide the average is 54,000,  
18 but some of the census tracks 34,000.

19 It's very hard to get the numbers to work,  
20 and one of the nice things about the Low-Income Program,  
21 for -- for the record, is that it's got a pretty good  
22 geographic spread around the state.

23 But your other question is what do other  
24 states do? That's a charge for the Commission, and we'll  
25 put it on the list and add it to the report.

1 MR. WAGNER: I should apologize --

2 CO-CHAIR STOGEL: That's okay, Ray.

3 Just loading the work up.

4 MR. WAGNER: -- turning the Chair into  
5 the -- into a witness, but you have become the subject  
6 matter expert here today as well.

7 CO-CHAIR STOGEL: Okay. I will find  
8 out what other states do on low-income.

9 MR. WAGNER: Sir, now you've asked a  
10 couple of questions. Do you have any observations to make  
11 about all these things? Do you think --

12 MR. BILL: Well, you know, like here's  
13 -- here's --

14 MR. WAGNER: -- the system is working  
15 for Missouri?

16 MR. BILL: Here's the point I'm getting  
17 at is that subsidizing low-income housing, you know, is --  
18 is a good goal. Okay. I'm not saying it's not, but what  
19 I'm also saying is that on the subject of let's say  
20 historical tax credits where you dress up the downtown and  
21 -- and you subsidize the sidewalks or whatever it takes to  
22 get all that stuff in, people still go to the mall.

23 The general population pays money for what  
24 it wants, and if people wanted those things, then they  
25 would pay for them. You know, they would go to those shops

1 is what I'm getting at. And so that's why I'm thinking  
2 that, you know, we're going to have to cut some of this  
3 back because there's no reason to subsidize things that  
4 people in general don't want, because people pay for what  
5 they want.

6 And that -- that's my opinion.

7 MR. WAGNER: But if the Wal-Mart is  
8 subsidized with the taxes through the financing district --

9 MR. BILL: Well, that's another  
10 situation. You're absolutely right on that too.

11 CO-CHAIR STOGEL: You know, there's the  
12 other shoe that just fell. So --

13 MR. BILL: Uh-huh.

14 CO-CHAIR STOGEL: That too is beyond  
15 the scope of this Commission.

16 MR. BILL: But the small business  
17 people don't have the access to the paperwork and  
18 bureaucracy to get to those things, and that's the ones  
19 that are forgotten.

20 Thank you.

21 CO-CHAIR GROSS: Thank you.

22 CO-CHAIR STOGEL: Thank you.

23 CO-CHAIR GROSS: Thank you for coming.

24 Anyone else like to testify? A couple of people have come  
25 in since this session began. We're taking public testimony