

1 P R O C E E D I N G S

2 CO-CHAIRMAN GROSS: My name is Chuck
3 Gross. I'm co-chairing this Tax Credit Commission
4 with my friend Steve Stogel, and we welcome all of
5 you here. We're privileged to have Governor Nixon
6 come in to help us kick this off. And with that,
7 Governor, welcome and thanks for being here.

8 (APPLAUSE.)

9 GOVERNOR NIXON: Good morning. Good
10 morning. I want to thank everyone, first of all
11 for -- thanks. He doesn't do that every time, so I
12 guess sometimes they want to hear me, and I guess
13 sometimes Rex doesn't.

14 I want to thank everybody for being here
15 today and for devoting your energy to this time-
16 intensive but yet very, very important effort.
17 Because of where we are, we're operating under a
18 time -- tight time frame and in a challenging
19 environment for all of us.

20 First I'd like to acknowledge this
21 group. I mean, as we look around the room, we have a
22 wide range of interests represented from a wide range
23 of diversity, wide range of geographic diversity,
24 wide range of backgrounds, but you share one common
25 thread, and that is everyone sitting at this table

1 has significant knowledge and is empowered to help us
2 at this time make some important decisions.

3 I would note that this is not a
4 homogeneous group, and quite frankly, that's by
5 design. We did not -- I did not think that the best
6 effort here was to try to get everybody to get into
7 one small thought of groupthink and get something
8 relatively simplistic that didn't carry the weight of
9 the diversity of opinion that's necessary.

10 But each one of you was chosen to serve
11 on this commission because you are an expert in your
12 field, whether you're a legislator, a banker, an
13 educator or developer. You were also selected so
14 that the collective wisdom of this Tax Credit
15 Commission could be applied to an urgent charge,
16 helping the State of Missouri make wise use of
17 taxpayers dollars to create jobs, spur economic
18 development and build strong communities.

19 Specifically, I'm calling on you to do
20 three things: Determine which of our 61 tax credit
21 programs are generating a good return on investment
22 for taxpayers, determine which tax credit programs
23 are not generating a good return on investment and
24 provide me with fact-based recommendations for
25 change.

1 It should be noted here that I am not
2 asking you to cut off those tax credits that have
3 already been approved. I think that's an important
4 point to make as we go here. I mean, there's a
5 number of efforts that we have done to begin
6 projects, we're in the middle of projects around the
7 state, I don't want to disturb what we have already
8 committed, I don't want to back up on deals the
9 State's already been in.

10 That could be a very disruptive process
11 out there, and I just think that this is about
12 looking forward. This is about what we're gonna do,
13 not, in essence, on anything that we have done. And
14 so I am trying to provide a forward looking.

15 But I do think that is an important
16 subsection, especially when you come to some of the
17 way that currently these investments are held and
18 some of the portfolios that are out there. It's just
19 very, very important we keep certainty in that
20 market.

21 To begin this, as you know, we're
22 looking at a budget gap in Fiscal Year 2012 that
23 could exceed 400 million dollars at the state level.
24 In addition, nearly 900 million dollars of federal
25 stabilization funds from Missouri will run out at the

1 end of this fiscal year. That budget stabilization
2 fund was for two years. This fiscal year ends that
3 support which has helped us continue services in many
4 areas.

5 That means in the next several years we
6 challenge you from Missouri as we work to overcome
7 these lingering effects.

8 It's important to note, though, that
9 meanwhile, tax credit spending has continued to
10 climb. It has increased from about 5.6 percent of
11 revenue collections in 2006 to 8 percent of revenue
12 collections in 2010. That put us in a position of
13 having to cut 125 million in critical services,
14 including education and public safety.

15 Now, in the 21 months that I've been
16 your Governor, I've had to make across-the-board cuts
17 in order to balance the budget and maintain our
18 spotless triple A credit rating. Among those cuts,
19 1.2 billion dollars in spending across state
20 government, 2500 positions taken out of the State
21 payroll, cuts to Parents as Teachers, K through 12
22 education, higher education. We also merged the
23 Water Patrol and the Highway Patrol. We renegotiated
24 state leases and contracts to wring out costs, and we
25 consolidated state labs and sold off state vehicles.

1 We have been managing your resources well. In
2 addition to all of that, I have had to veto or
3 restrict spending approved by the legislature nine
4 times in 21 months.

5 I took these actions because they were
6 necessary to keep our fiscal house in order. That
7 triple A credit rating isn't window dressing, okay?
8 It allows school districts, fire protection districts
9 and water districts to save millions of dollars each
10 year in interest when they need to borrow money for
11 improvements.

12 As most of you know, the state credit
13 rating is the precursor to analyzing what the lower
14 rates are and what they pay, and the converse of
15 that, if states have that credit rating dropped at
16 the state level, what that means is that the
17 creditworthiness of all other public -- all other
18 institutions, whether it's a water district, a fire
19 district or whatever, are touched also. And so
20 maintaining this fiscal discipline is vital to us,
21 especially as we emerge out of the challenging times
22 we've been in and we put ourselves in a position to
23 lead the recovery across our country.

24 And yet during a time when austerity
25 measures were the order of the day throughout state

1 government, as I mentioned before, we've seen one
2 area of government continue to grow, and that's been
3 tax credits, quite frankly.

4 In Fiscal Year 2011 we've projected to
5 spend almost 500 million dollars on tax credits.
6 Now, I use that word "spend" because -- and I know
7 we've got a very empowered commission here, but I do
8 think it's worth noting, we have legislators here and
9 others who have been deeply involved in the
10 appropriations process.

11 For us, when you're balancing a budget,
12 when you get to the end of the line, you know, a
13 credit equals spending. I mean, if I don't get to
14 take in the money, then it's money. And so when we
15 talk about it as spending, I think that it's
16 important that that has been missed a little bit I
17 think in some of the legislative discussions over the
18 years just in a sense that as these programs have
19 built up, it's almost like you didn't have to go to
20 appropriations, you didn't have to have a fiscal
21 impact study, and so it kind of has skirted that.

22 So that 500 million dollars in tax
23 credits, that's nearly four times the amount that
24 we're spending on the 79 sites where our two-year
25 community colleges are offering programs, okay? Four

1 times as much on tax credits last year as we spent on
2 each of our community colleges and their satellite
3 campuses.

4 You notice Mr. Marble not smiling over
5 here, it would be because he runs a fine organization
6 in southwest Missouri, Crowder College, that has a
7 number of those outreach programs that are creating
8 jobs each and every day with many businesses in his
9 area.

10 In Fiscal Year 2011 we are projected to
11 spend more than twice as much on tax credits as we
12 are projected to spend on all programs through the
13 Department of Health and Senior Services. Okay.
14 Twice as much on tax credits as we do on all programs
15 in Health and Senior Services; an entire department
16 whose responsibility includes a broad range of health
17 issues.

18 The current trend continues. In three
19 to four years tax credit spending will exceed state
20 support for all of our public four-year colleges and
21 universities, including the University of Missouri.
22 Once again, if we stay on the path we're on, the
23 amount of these, at the rate we're moving, will be
24 more than we spend on all of our four-year
25 institutions and their affiliated organizations.

1 In times like these, everything must be
2 on the table. Anything less would be irresponsible.
3 Now, it's a cliché to say that you can't cut your way
4 to prosperity, but like most clichés, there happens
5 to be a good section of truth to that.

6 I need, we need, the State needs sharp,
7 well-honed economic development tools that will allow
8 us to take immediate advantage of opportunities to
9 grow our economy in the short term and will position
10 us for the long-term prosperity.

11 This is not about taking us away from
12 the field of economic development. This is not about
13 backing us out of areas where we are making
14 significant progress. This is about calibrating
15 those tools, this is about measuring those tools and
16 making sure that the taxpayers are getting their best
17 return while saving us resources.

18 We must use all of the resources that we
19 do have, including tax credits, in a smart, focused,
20 strategic fashion that maximizes a return on
21 investment for taxpayers.

22 It is my charge to you to produce a
23 report containing a clear reading of the strengths
24 and weaknesses of our current tax credit programs and
25 an evaluation of their return on investments. Which

1 ones are actually creating jobs, spurring economic
2 development and building communities? All three of
3 those are efforts that are contained within various
4 tax credit programs of the 61 you'll look at, and
5 which are falling short of their goals. I want your
6 fact-based recommendations for changes that we all
7 know are long overdue.

8 Let's not kid ourselves. We all know
9 that has been far too long since we took a hard look
10 at the ROI of these efforts about what the efficacy
11 of the various products are, various credit programs
12 that have been passed and passed and passed over the
13 last decades. This is that time. We all know that
14 the analysis here is long overdue.

15 Now, this is not the first time that
16 I've convened a group of outside experts to advise me
17 on issues of vital importance to the future of
18 Missouri, nor will it be the last. And there are
19 reasons for that. And one of the reasons is the
20 strength of this group, the contentiousness of the
21 debate about these issues and the need for us to work
22 together to try to get fact-based, rational public
23 policy made.

24 Let me give you an example of another
25 group that's working closely with me in a difficult

1 environment. In August I convened a summit on higher
2 education. We invited each one of the presidents of
3 the two employer institutions, each one of the
4 members -- the chairmen of each one of their boards,
5 the chief academic officers, the chief folks -- of
6 the Faculty Senate, and we convened a summit.

7 They all came to -- every single one of
8 the institutions were well represented by each of
9 those positions. They all came to Jefferson City to
10 get a thorough briefing on the budget and to hear
11 from some innovators in their field.

12 I charged them with carrying out a
13 comprehensive review of all of their academic
14 programs. I asked them to make recommendations for
15 increased consolidation and collaboration, I've asked
16 them to develop -- work to develop a new funding
17 model for higher education in Missouri.

18 Higher education, it's gonna look at --
19 I mean, for those of you that have not been in higher
20 education, looking at all of their academic programs
21 and analyzing which ones are performing, which ones
22 are not, and how to get the best out of that is a
23 significant undertaking which we are gonna complete
24 over a 12-month period. We will be seeing already
25 action by the Coordinating Board for Higher Education

1 on this matter as this week progresses. But these
2 leaders have put their shoulders to the oak and are
3 working to make sure that we improve.

4 Now, I ask you to begin a similar
5 process this morning with open minds and bold ideas.
6 Open minds is very, very important; not necessarily
7 forgetting what your positions are and the thousands
8 of people that each one of you represent, but we need
9 to look at these, not in the context of hardened
10 positions, but in understanding what it's like in
11 fiscally challenging times to make difficult
12 decisions and trying to trim these accordingly.

13 I need you to complete your review,
14 present me with a clear fact-based recommendation,
15 and I will work with the legislature to implement it.
16 I make that point because we're not -- we're not
17 asking this group to draft a bill, we are not asking
18 you to -- to lobby or anything like that.

19 What we want is fact-based information
20 that can then be the jump start, the touchstone, the
21 document, the findings that will allow us to make --
22 make -- have strong arguments and strong positions
23 and strong fact-based decisions.

24 Now, I just want to make sure that
25 everyone appreciates how serious our state is about

1 competing, and we will back that up with serious
2 investment and economic development and in -- in
3 the -- in all of the area and in substantial portions
4 of the area we're talking about here, but we need to
5 use our tax credit programs in ways that will create
6 long-term economic development that will put
7 Missourians to work for many years.

8 As most of you know, we're also into a
9 long-term planning that some of you are involved in.
10 Director Kerr and Counsel Pieper and Director
11 Hemenway are all working on, which is to lay out a
12 five-year economic development plan for the state.
13 We're in a very robust process right now of traveling
14 the state, of putting together that blueprint for
15 where we go.

16 But I also want to give you a good
17 example of the type of investment that we do make
18 that has a great return. Let me give you an example
19 because it's fresh on my mind since I was just there
20 last week, which is a Missouri company, Sabreliner.

21 Sabreliner is building a new hangar in
22 Perryville where they will do painting, where they
23 will do other work on jets. It's a great project.
24 We've been working on it for some period of time.
25 The company will invest 6.7 million dollars of their

1 own dollars in the local economy and create up to
2 451 new jobs over the next five years. Now, what did
3 we do to compete to get that? Because Sabreliner is
4 a relatively large company, a Missouri company. They
5 can go anywhere they want. What made them choose
6 Perryville, Missouri?

7 First of all, we had a great workforce
8 there and they had a history. They had a helicopter
9 repair facility right there, we've got a nice airport
10 there, and so it allows them to get in and out of
11 there. But let's not kid ourselves. We had to come
12 up with an economic development incentive package so
13 that we weren't out-competed by another state.

14 What was that package and what's been
15 our return on that? We gave them -- they qualified
16 for 3.7 million dollars in Quality Jobs tax credits.
17 It's important to know how those work. It has to be
18 a job that is above the county average in wages, it
19 has to be a job that provides healthcare to the
20 employee.

21 And that benefit, that economic
22 development benefit does not pay out until the
23 workers have earned the money. It's not upfront
24 money. When the workers get the paychecks after they
25 qualify for the time -- and Representative Flook here

1 knows more about this than -- I'm gonna be simplistic
2 here, so don't get up here and give a 45-minute
3 explanation, you and Sallie, about exactly how I hit
4 the whitecaps of this one, but the bottom line, the
5 purpose of this discussion, it's a tax credit program
6 that's robust, it's competitive but doesn't pay out
7 until the jobs are created and pays out -- the credit
8 is a portion of the withholding taxes of the employee
9 that has the new job.

10 But that wasn't all we did. I mean, we
11 also had to come up with some cash to make sure that
12 there was infrastructure improvements that were
13 necessary there. You know, the water, the sewer, the
14 roads, the things that are there, we have to have
15 upfront cash in some of these deals.

16 In this one we had a million dollars of
17 Community Development Block Grant that went not to
18 Sabreliner, but went to the City of Perryville who
19 was our partner, our local partner. So -- and we
20 also had about \$270,000 in some transactional support
21 that we did, and we'll do job training dollars in the
22 future to make sure that as their workers come on
23 line, that working with the local community college,
24 getting that training, getting the safety training,
25 that we're there to be partners in that.

1 But when you look at that, it's about a
2 package of about 5 million dollars. It's about 451.
3 We're not talking about construction jobs. And I
4 don't mean to -- I'm not down-talking construction.
5 I'm just talking, these are permanent jobs. There'll
6 be construction jobs. We're not even talking about
7 the jobs that the contractor will have that builds
8 the facility.

9 But when you look at that paid out over
10 a period of time, earned out over a period of time,
11 my sense is that's a pretty sharp economic
12 development tool package that's very competitive when
13 it comes to other states. I can talk about that to
14 the taxpayers of our state with absolutely no
15 problems.

16 You know, I mean, we're spending this
17 money and it's a smart thing to do. So I mention
18 that in the sense that I'm not asking you to tell us
19 how do we -- how do we exit ourselves from competing
20 for jobs. You know, that's not the point here. We
21 have -- we're gonna have less resources to do what
22 we're doing, we have to have sharper economic
23 development tools, we need to make the trims that are
24 necessary, but we need to do that on a fact-based
25 number.

1 Now, so once again, Sabreliner -- and
2 I've got other examples, but I'm not gonna either
3 bore or excite you with them, depending on your
4 desire to listen, but this is a far cry from a
5 giveaway or a bailout. This is a joint investment
6 that the State of Missouri is making for jobs for the
7 future in the Show-Me State.

8 I just want to stress that time and
9 again, as Governor of the state, it's my job to get
10 up in the morning and do a lot of things. Preeminent
11 among them right now in this economy is get people
12 back to work in careers, get people trained for
13 careers and have long-term growth.

14 We've managed because of the diversity
15 of our economy. The efforts we've made to keep our
16 unemployment rate under the national average, we've
17 managed to have jobs over the last six months, we've
18 managed to move forward. Some of the tools you're
19 talking about here have been valuable parts in one
20 way or another of that effort.

21 Now, some of you are strong supporters
22 of one type of tax credit program, some are strong
23 supporters of others. Some are supporters of none
24 in that sense, thinking instead that rather than a
25 tax credit, the State should seriously look at what

1 sort of upfront dollars we should just put on the
2 table. I mean, that's a legitimate discussion to
3 have. I mean, it's a legitimate open point to
4 discuss.

5 But as you move forward with this
6 review, you know, it's important that we not think
7 about this as a reactive process. Clearly we're here
8 because of the budget challenges. But this is
9 something that should have been done regardless of
10 the budget challenges.

11 Having 61 separate programs, none of
12 which have had a thorough, significant, private-sector
13 external review for decades, now is the time to look
14 at this, okay? It's the time to get serious about it
15 and look.

16 Tax credits work best when they deliver
17 on what they were intend for. Putting people to
18 work, boosting development, building strong
19 communities. And also just like I talked about the
20 program, the one with Sabreliner, we have to make
21 sure that we're communicating very well in these
22 areas, whether it's the communication between the
23 Department of Natural Resources when you deal with
24 Brownfield credits, whether it's communication with
25 the Department of Economic Development either to a

1 developer or to a local community, we need to make
2 sure that we are also working to -- some of these
3 programs are housed in different places, and so they
4 get -- you have tax credit programs that are housed
5 in Revenue, Social Services, Health and Senior
6 Services, you know, DNR, Economic Development, and we
7 on the government side have a significant
8 responsibility not to get siloed into this sort of
9 stuff and say, All right, we want to work with you,
10 but here's the six windows you have to come to to
11 talk to us. And so thoughts you may have on how we
12 can make sure that we're keeping that communication
13 line open and moving forward is also extremely,
14 extremely important. So we can't be reactive. This
15 is not reactive. This is action, not reaction.

16 And it's important to remember that tax
17 credits work best when they deliver on what they were
18 intended for: Putting people to work, boosting
19 development and building strong communities.

20 And once again, if you've caught a theme
21 from me, it is that looking at what we spend money on
22 and the economic incentive and the tax credit
23 incentives and measuring and building communities,
24 some of these -- these are community-building areas,
25 whether it's assisting local food banks to meet the

1 needs that are out there or other programs like that,
2 but the major tranche of these deal with economic
3 development.

4 Clearly folks, we wouldn't be here if
5 all of our 61 tax credit programs were delivering on
6 each one of these goals. It wouldn't be necessary to
7 be here. Inaction is not what we're headed for. So
8 some of these programs are gonna need to be scaled
9 back, some are failing, quite frankly, and might be
10 eliminated, some of which have not had much action in
11 the number of years, and maybe perhaps the best thing
12 to do is just eliminate them.

13 The commission's report will give us the
14 best chance to sharpen or economic tools and effect
15 rational reform now rather than facing irrational
16 reform in January. The stakes are high and the clock
17 is ticking. Missouri's economy needs your help now.
18 The hard working taxpayers of our state need your
19 help now. And quite frankly, as your Governor, I
20 need your help now.

21 I've seen two sessions of this, and
22 we've just not had the kind of fact-based efforts and
23 thoughtful dialogue that's necessary to accomplish
24 appropriate reform while preserving the ability to
25 compete with anybody in the country and anybody in

1 the world for jobs and projects in the future.

2 Because, you know, we're not only competing with
3 Kentucky and Kansas for jobs in economic development,
4 we're competing in a global marketplace.

5 We've shown the world that Missouri is
6 open for business, and we must continue our momentum
7 as we build a 21st century economy. We need to be
8 smart, sharp and agile and make strategic use of all
9 our resources. We need to remain a low-tax state
10 that makes the best investments it can: Investments
11 that make good economic sense in the short term and
12 that deliver a solid return for taxpayers in the long
13 term.

14 So I'm calling on you to begin this
15 vital work today. Gather the facts on these tax
16 credits, determine which ones are delivering a good
17 return on investment for taxpayers and which are not,
18 make recommendations backed up by facts, not just
19 emotion.

20 I look forward to receiving your report
21 by Thanksgiving. That will give us time to prepare
22 as we begin to finalize our budget for next year and
23 gear up for the next legislative session. I know
24 that's a tight timeline. We're here in September.
25 But this is an empowered group. And everybody's

1 busy, everybody's got a lot of other things. We
2 wouldn't be here if you didn't have a lot of other
3 things you're doing, and so putting this on a tight
4 time frame so that we have time to take these
5 recommendations, put them in our proposals and our
6 budget, put them in the proposals that we're -- when
7 dealing with the legislature next year are very, very
8 important.

9 As I look around this room, I see some
10 of the brightest, most successful folks in my state.
11 I mean, quite frankly, I am incredibly impressed.
12 Each one of you, everybody here brings a lifetime of
13 experience and knowledge that are essential to this
14 critical endeavor.

15 True reform will only come with
16 thoughtful, bipartisan effort. We can in our state
17 support public education, protect public safety and
18 other necessary services and competitively create
19 jobs, long-term jobs. We can do this. Quite
20 frankly, folks, we must.

21 I mean, if we get in -- in a reactive
22 mode at this time as we're beginning to emerge and
23 we're beginning to create jobs, as we're beginning to
24 get more investment in the state, as we're beginning
25 to move and see the sun rise once again economically,

1 this is the time to make these choices, make these
2 differences and move forward. We cannot allow the
3 mindless gridlock that has captured so much of public
4 policy to invade our state. We just can't. We're
5 Missourians.

6 We do not have to have a session or a
7 process in which people bark at each other as if that
8 is adult communication. We cannot let the mindless
9 gridlock that has captured so much of public policy
10 invade our state. Now is the time to begin the
11 process that will pay dividends for generations to
12 come.

13 The work we are being asked to be done
14 is extremely important, and I know each of you is
15 taking it very, very seriously. As your Governor and
16 Chief Executive of this state, I thank you from the
17 bottom of my heart, both personally and in my public
18 position, for being willing to serve at this
19 important time on this vital commission. Thank you,
20 good luck and Godspeed.

21 (APPLAUSE.)

22 CO-CHAIRMAN GROSS: Thank you, Governor.
23 Appreciate you being here and for your leadership on
24 this issue. We will have the rest of the
25 commissioners come up and join us and officially call