Joplin
Social Contribution Program Testimony
9-14-10

COMMISSIONER GROSS: No.

MS. HEMENWAY: Okay. No, then.

COMMISSIONER GROSS: I think we'll move on. Maybe we'll throw out some comments and things as folks testify and take it from there.

So first on the list that desire to testify, I think, is the Chip Wolf.

MR. WOLF: Yes.

COMMISSIONER GROSS: Did you want to testify first?

MR. WOLF: Yes.

COMMISSIONER GROSS: Please come forward.

Welcome. Glad you're here.

Please state your name for the record. You have ten minutes. And proceed.

MR. WOLF: Thank you. My name is Chip Wolf. I'm regional vice president with Great Circle, which is a nonprofit organization in the State of Missouri, located in four sites, actually: in Springfield, St. James, St. Louis, and Columbia.

Great Circle is a nonprofit organization that provides services to children who suffer from abuse and neglect, and need intensive intervention to ensure their safety and ability to function in the community at large. Great Circle provides comprehensive

Wolf (cont.)

statewide continuous services to vulnerable children and families.

Nonprofits are Missouri businesses and employers, and we do contribute to the local and state economy. Tax credits are one way that Missouri supports community-based organizations like Great Circle, nonprofits, and volunteer programs that fund -- that fund programs in the shaping of the quality of life in Missouri.

Tax credits fill a gap in reimbursement for caring for foster children, provides needed capital for renovations, and supports the agency's mission for other programs operated by Great Circle for children and families.

Not all tax credits are created equal. Certainly three types of tax credits which are kind of at hand at this point and should be considered in any tax revisions or reform: business tax credits, contribution or benevolent tax credits, and reimbursement tax credits.

Business tax credits are often the largest tax credit programs and are often not subject to legislative caps. Benevolent or contribution tax credits, which is a tax credit program that Great Circle has benefited from, support nonprofit mission-driven organizations. These include Neighborhood Assistance Program, Youth Opportunities Program, Maternity Home, Pregnancy Resource Center, and Children in Crisis. These tax credits already have statutory gaps.

Donors to nonprofits when tax credits are available are self-directing their tax payment to support the mission, as described by the Department of Economic Development on their web site. Applications in process for NAP and YOP programs are included with increased transparency, and they're administered by at least three state departments.

One of the things I think is important also to recognize in the benevolent or contribution tax credits is simply the fact that through the application, that's one step of one part of it; but for nonprofits, that's the first part.

The second part is that we are then charged to go out and actually sell or receive those tax credits, which again puts the pressure on us, back on the organization, to go and sell those tax credits. So it's important to recognize that when those tax credits are granted, that doesn't suddenly automatically magically show up in our budgets. We have to go work for that, which is important to note.

Wolf (cont.)

Reimbursement tax credits, which is a tax credit that an agency purchases to build private donor support. There is not any financial impact to the State with these, as the agency reimburses the State for the amount of the tax credit award.

An example of this that is important or related to Great Circle is the residential treatment agency tax credit, because Great Circle, as an organization, provides residential treatment services in all four of our regions in the state.

I think it's important just to recognize, as we all do -- not that you don't -- but certainly to recognize that these are extraordinary budget times. And that's why I think it is critical to differentiate between the types of tax credits that we face.

Reform should focus on unlimited tax credits.

Benevolent tax credits, for instance, for Boys and Girls Town and for Great Circle -- which Great Circle was formed as a merger between EdgeWood Children's Center out of St. Louis and Boys and Girls Town of Missouri, which is located in St. James, Columbia, and Springfield -- represents a relatively small portion of our budget, but it's critical in this sense: It's really not about bricks and mortar for us.

One of the things that Great Circle faces,

Wolf (cont.)

along with our sister nonprofits throughout the state really is trying to address the gap in funding between what our rates of reimbursement for the care of kids we serve and what we -- what the rate of reimbursement is and what the true cost of that is.

And so, for instance, in Springfield last year, out of our region, we served in excess of 2100 children of families last year.

One of the constant battles that I fight is the upkeep and maintenance of facilities while trying to keep up with the growing need for services, particularly these times, and particularly out of our rural counties, which we have great partnerships with.

And so what constantly is a challenge is to alleviate pressure off of our operational budget, to make sure that those dollars are directed towards the services that go to children and families.

And so when faced with projects like the one I'm involved right now -- I have a youth opportunity program, a tax credit program that's going on right now -- those renovations and the upgrade of the facilities, including a thing -- I see Jim Anderson here today -- we signed, for instance, a renewable pledge about going green. And so we do that for a couple of reasons: we want to be good citizens, but

Wolf (cont.)

also we recognize those kind of initiatives take additional pressure off of our operational budget. The more pressure that comes off of our operational budget, the more of those dollars go directly to children and to families rather than facilities.

So that's an important part that the tax credit program plays for Great Circle, is the ongoing upkeep and management of facilities that normally, if we did not have those programs, would certainly come out of our operational budget or would have to be delayed or put off for some time. So I think it is important to notice that.

If benevolent tax credits are not taken off the table during the reform discussion, we feel like there must be a protective class of tax credit designated for children of families similar to the circuit break tax credit for senior citizens.

Again, we recognize, particularly in these times, the increased need of services is not -- it's not easy. In fact, it's growing. And so we feel like that's an important stipulation. We also feel like that this should not be the subject to the director of the department, but rather it must just be a protected class and subset.

I think that's it.

Wolf (cont.)

COMMISSIONER GROSS: Okay. Any questions?

And by the way, Commissioner Jim Anderson is here. And Mr. Alan Marble has arrived during your testimony.

Any questions from anybody of the witness?

Mr. Burlison?

MR. BURLISON: Co-chair Steven Stogel is not here today. I'm going to ask the questions that I know that he would want to ask.

The credits that you get right now, you've got the residential treatment tax credit?

MR. WOLF: Right now we actually have youth opportunity program tax credits.

MR. BURLISON: Okay. YOP?

MR. WOLF: Yes.

MR. BURLISON: Any others?

MR. WOLF: Not currently.

MR. BURLISON: And to what degree are those credits received right now?

MR. WOLF: Right now we have $500,000 in tax credits, and we have sold all those.

MR. BURLISON: How much does that leverage out to be?

MR. WOLF: Well, that -- in terms of our overall budget, it's -- from an agency standpoint, like

Wolf (cont.)

1.5 percent of the agency-wide budget statewide.

MR. BURLISON: And what is your operating budget?

MR. WOLF: 32 million.

MR. BURLISON: And what about state contracts?

MR. WOLF: State contracts make up approximately 80 -- let's say 85, to be fair. 85 percent of the business that we do in the state is through our State contracts.

MR. BURLISON: Any idea what the gap is between costs to you and reimbursement?

MR. WOLF: Approximately $35 a day overall. I think it's a little higher in our residential programs, but a little less in some of our community-based programs.

MR. BURLISON: And can you explain that?

MR. WOLF: Really what happens is, you've got -- part of it has to do with accreditation, part of it has to do with service standards. Even things like, for instance, the State of Missouri, which just went through their own accreditation standards, which really govern client/staff ratios, case managers, those types of things, really do drive costs not in a bad way, but certainly raise costs, because we're talking about the

Wolf (cont.)

difference between a case manager oversees 60 cases versus a case manager oversees 15 cases. So that's part of what that's about.

MR. BURLISON: Any idea what the percentage of -- do you have individuals who are assigned by the courts or by the State to you?

MR. WOLF: Most of the children actually in our care are through -- in the custody of the Children's Division through the State of Missouri.

MR. BURLISON: So that -- any percentage of that?

MR. WOLF: I would say still probably about 85 percent of those.

MR. BURLISON: And the rest come from?

MR. WOLF: There will be some that will be private insurance clients. Also, some would be through -- we do have some federal grants that we do administer as well on a local level.

MR. BURLISON: That's all I have.

COMMISSIONER GROSS: Okay. Anything else?

COMMISSIONER ANDERSON: Just one question, if I could.

Any challenge in administration of those grants? Obviously, the whole purpose here is review. That doesn't necessarily mean automatic change. There

Wolf (cont.)

could be some administrative changes. Any administrative issues we need to be aware of?

MR. WOLF: I do think -- I think probably you may hear from other nonprofits that say this as well, but I think certainly the difference sometimes between 50 percent tax credit, 70 percent tax credit, I do think presents a challenge for us as we go out to market those, simply because -- I mean, you know, YOP, which is the 50 percent, those, at times, can be challenging to move on.

So I would say from an administrative standpoint, that's probably one challenge that we faced with the YOP tax credit this last year.

COMMISSIONER ANDERSON: Thank you, sir.

COMMISSIONER GROSS: Thanks for being here.

MR. WOLF: Thank you very much for the opportunity.

COMMISSIONER GROSS: Next on the list is Kevin Killian. Kevin Killian.

MR. KILLIAN: Thank you all.

COMMISSIONER ANDERSON: Welcome. State your name, and proceed.

MR. KILLIAN: Kevin Killian. I'm the CEO of Good Samaritan Boys Ranch north of Springfield, Missouri, in Brighton, Missouri, and we are a

Kevin Killian NAP, YOP Testimony

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COMMISSIONER ANDERSON: Thank you, sir.

COMMISSIONER GROSS: Thanks for being here.

MR. WOLF: Thank you very much for the opportunity.

COMMISSIONER GROSS: Next on the list is Kevin Killian. Kevin Killian.

MR. KILLIAN: Thank you all.

COMMISSIONER ANDERSON: Welcome. State your name, and proceed.

MR. KILLIAN: Kevin Killian. I'm the CEO of Good Samaritan Boys Ranch north of Springfield, Missouri, in Brighton, Missouri, and we are a

Killian (cont.)

residential treatment facility for all boys across the state of Missouri.

All of the kids are -- virtually all the kids, probably 99 percent of our kids are in the custody of the State either through the Children's Division or the juvenile courts.

We, on average, have one or less private placement a year, and that's something that our board has kind of allowed to do just on a sliding scale with kids in the local community that may need a place to go.

We are a full residential. We have all levels of care from emergency through level four. We also have a transitional living program in Springfield, Missouri, which is for kids older, 16 to 21, who will not be able to go back home, for whatever reason. And so we do have a group home and apartments for transitional living, and scattered site apartments in Springfield that we operate also.

And I'd just like to encourage you-all to continue with the benevolent tax credits. It is a vital part of what we do. Over the last ten or 12 years, we've been able to utilize about $4 million in credits that have all gone to upgrading facilities.

The facility 15 years ago was in pretty rough

Killian (cont.)

shape. Jim, who has lived in the area, knows they've gone through some pretty substantial financial issues, and those tax credits actually have allowed us to bring our facility up.

We are accredited through the Council of Accreditation nationally. We are licensed through the State. And if it had not been for the tax credits, you know, 180 to 200 kids a year would not have residential treatment.

These are all kids that have been abused and neglected, have all been removed from their homes by the State, are in the custody of the State. So this is not a case where these kids are looking to just get out of a tough situation. They are actually being removed. And if we had not had those tax credits, we would not have the facility that we have.

Our facility is, in my opinion, looked on very highly by the State at this point. Our referrals stay very high, and that's because of the program that we're able to operate. If it wasn't for the tax credits, that money would have to come out of our regular operating budget.

Some of the questions that were asked earlier: We've got a much smaller budget. Our budget is only $5 million a year. This year I actually have

Kiltan (cont.)

500,000 in NAP and 500,000 in YOP. Because we're a rural-based program, the NAP credits are 70 percent. Quite frankly, 70 percent credits are gone almost the day I get 'em. Literally.

The YOPs for us, because we are a rural-based program, even though we have the Springfield community with our transitional living, it is more difficult for us to sell the YOPs. We are not as visible as a lot of the local agencies are in Springfield. And so by having those tax credits, it does give us the opportunity to go after some donors and who, hopefully, once they've used the tax credit, will be familiar with us and be more anxious and more willing to support us in the future, even when we don't have the tax credits.

Because, as Chip said, we are underfunded by the State. You know, the State does not pay for full cost of care. And for us, that ranges about 20 percent, is what we're short every year on what it costs us to operate.

And quite frankly, the economy has not helped any of that. Even though you have tax credits, you still have to have people that have the disposable income that's able to move those tax credits. Just because, you know, we have 50 percent credits or 70 percent credits, they still have to have the means

Killian (cont.)

to be able to use those.

So as the economy gets tougher, it's harder to get donations. And not having the tax credits would really cripple a lot of agencies, a lot of not-for-profits, not just us. And the consequences to that is that you're going to have kids that are in need of help that aren't going to have that help available for them. And that truly is a tragedy.

And that's not something that Missouri wants to be known for, that they're not able to provide that help for those kids that have been identified of needing help, and having actually been removed from the home, and not have someplace to go for that.

And, you know, that's -- the difference in the 50 and 70 percent credits -- you know, as far as I'm concerned, if they went to one level, I think that would be fine, as long as we knew what the level was. As long as it's the same across-the-board.

When you have the differences in the urban and rural agencies, you can't have a low level that is going to be tough for the smaller rural agencies to be able to move those, because they just don't have -- we don't have the donor base, quite frankly, that the big agencies or the community-based programs do. And so we're out working pretty hard to let people know we've

Killian (cont.)

got those and that they're available.

We're currently -- on the YOPs, we are currently expanding in transitional living program. We have had ten beds in an old nursing home for the last eight years. We are building a new facility. We're actually building 20 beds. We have been operating with a waiting list of ten to 12 kids every month for the last two and-a-half years. And as soon as we're able to open that new facility, those kids will not be on a waiting list anymore, and they will move forward into public school and jobs and into the community and become contributing citizens to wherever in the community they are.

COMMISSIONER WOOD: Questions from anybody on the commission? Staff?

MS. HEMENWAY: I do. Mr. Killian, I live actually very close to your facility and watched the improvements over the year, and it is a very -- it's become an incredibly attractive facility, and it's too bad we don't get to drive -- you're probably very happy that the highway has gone around you.

MR. KILLIAN: I'm not.

MS. HEMENWAY: But it's been nice seeing the improvements over the years.

One of the things that the commission has

Killian (cont.)

entertained, one of the questions that it's entertained is how, in programs such as yours, do they measure the return? And have you done or has your organization or similar organizations to yours done any kind of measures on the actual impact of the service to the child's life in future years?

Do you measure recidivism rates? Do you measure, you know, time spent in school and higher ed? How is it that that could be quantified in some way?

MR. KILLIAN: There's two different methods. One of them, the State is developing some follow-through and follow-up information to be able to track those kids once they leave not only our facility, but the State custody, what they end up doing.

Internally we've been doing that for quite some time, and our figures show us that between 60 and 65 percent of the kids, once they leave our facility -- these are kids that sometimes have been in ten or 15 places before they come to us -- do not end up in another facility.

The success rate for transitional living program is even higher than that. It's probably closer to 80 percent of the kids, once they've been through the transitional living group home, through the apartment process, then they are truly out on their own

Killian (cont.)

and do not then create a situation where they're back into -- either into the State custody or into the jail system.

The State is developing those numbers now on a larger across-the-state basis, and so we will be part of those numbers, too, as part of the accreditation process that they went through, that we've been going through. So ...

MS. HEMENWAY: So part of becoming accredited is actually showing a success -- some kind of success benchmark or measure?

MR. KILLIAN: Exactly. You have to actually show that what you're doing is beneficial, that we're actually doing what we say we are, and that is diverting kids from that setting and that upbringing that they've had, and changing their processes and their lives also.

One of the things is to break the cycle. That's a term everybody uses. But really -- and it's every cycle, whether it's the welfare mentality, the abuse, all of -- the drug use, all of that. The goal is to break that cycle and to create an environment where those kids not only are safe, but then they carry that forward when they become adults.

MS. HEMENWAY: Thank you very much.

MR. BURLISON: Again, I want to kind of walk down this. What's the amount of your 5 million-dollar budget that's privately raised?

MR. KILLIAN: We're raising right at $200,000 through regular donations. That's without the tax credits.

MR. BURLISON: And I think you mentioned 4 million in credits?

MR. KILLIAN: Over the last ten years, yes.

MR. BURLISON: Were those all YOP and --

MR. KILLIAN: No. They're all NAP and YOP. Yes.

MR. BURLISON: That's all I have.

COMMISSIONER GROSS: Anything else? (No audible response).

Thank you for being here.

MR. KILLIAN: Thank you all very much.

COMMISSIONER GROSS: Next on the list is John Joines.

MR. JOINES: Good afternoon.

COMMISSIONER GROSS: Good afternoon. State your name, and proceed.

MR. JOINES: My name is John Joines, and I'm the chief executive officer for Economic Security Corporation of Joplin.

Alison Malinowski-Sunday Domestic Violence Testimony

thing businesses need, the one thing investors need in historic projects is certainty. They need to know that, you know, there's rules to the game, and that the rules are followed, and that there is certainty not just today, but five years out, ten years out. Absolutely, Jim.

COMMISSIONER GROSS: Thank you for being here.

MR. O'BRIAN: Thank you very much, Senator.

COMMISSIONER GROSS: Alice Malinowski.

MS. MALINOWSKI-SUNDAY: Allison Malinowski-Sunday.

First let me thank you very much for having this hearing in Joplin. It is a rare occurrence to have these sorts of events here in our part of the state. So thank you, and welcome, and I hope you have a great visit.

My name is Allison Malinowski-Sunday, and I'm the executive director of a local non-for profit domestic violence shelter.

I've had this position for just about 30 years and have seen really a tremendous change in the way the State of Missouri funds domestic violence services, and one of those ways is through the domestic violence tax credits specific to our programs.

Sunday (cont.)

Last year, Lafayette House, my agency, raised $40,000 that was converted into $20,000 in these domestic violence tax credits. The State passed the legislation about ten years ago, and the domestic violence credits do have a maximum cap that is managed, and all of the eligible shelters receive preliminary allocation at the beginning of the year.

As we use or don't use those credits, we actually are allowed to share them amongst the different shelters throughout the year.

Two years ago, Lafayette House celebrated its 30th anniversary, and I was able to raise $100,000 locally to renovate my shelter to do major capital improvements on the shelter facility. And I used about $40,000 in tax credits, plus received in kind. Every dollar of that renovation was done through local contributions and in-kind gifts.

Your tax credits, not a huge part of my budget. My budget is about $3 million. I'm using about $40,000 -- I'm raising 40,000, using 20,000 in tax credits every year. What I do with that tax credit donations is I'm able to leverage federal dollars for my shelter services.

So I take your dollar, and I'm able to get $8 of federal funding for domestic violence services. So

Sunday (cont)

that has serious impact on my organization. If I was not able to leverage those dollars, frankly, I'm not sure that I would be able to provide the services to the number of people I do each year.

I'm the only shelter between Springfield and Nevada. I have a very large geographic area that I'm serving. Last year I served 1700 women and children. That is -- the southwest Missouri shelters more women and children every year than St. Louis does. That's a phenomenal issue, but we have been able to build those services over the course of the years, and really leverage really small amounts of money. Again, my annual budget is less than $3 million. So $40,000 raised locally really is an important -- has an important impact.

I think you have, like, an awesome job. Your report really wowed me in the scope of the tax credits. Domestic violence tax credits, I get it, are really of such a small percentage, and I think it would be very easy to say these are not important, but I think that the 1700 women and children that I sheltered last year would certainly disagree with that.

They don't have -- you, Miss Hemenway, asked someone about the impacts of their services. With domestic violence, I know that I am actually saving

Sunday (cont.)

lives. Hopefully, I can't count those lives because I've saved them, but I know that some of these women would be murdered if I did not have my shelter, if I did not have that safe place.

So can I tell you five women didn't get killed last year? Well, no. But I do know it in my heart that that is the truth. So a very tiny financial impact, frankly, I do believe saves lives here in Joplin, Missouri.

So I understand that you have a very big scope. I do plead with you to recognize the benevolent tax credits as really an important ethical and moral support that our communities need.

Again, thank you very much for coming to Joplin. Thank you for listening. Questions?

COMMISSIONER GROSS: Questions?

COMMISSIONER WOOD: You have a 2 million-dollar cap on this, as I'm looking at now, and it's never been reached.

MS. MALINOWSKI-SUNDAY: Probably not. Right. But I know I seldom use all mine. I get about 47,000, is my allocation. They take -- however, one year, I received a 100,000-dollar gift, and I was able to borrow others' unused credits for that.

COMMISSIONER WOOD: Okay.

Sunday (cont)

MS. MALINOWSKI-SUNDAY: And I guarantee, that one gift would not have come without the tax credits.

COMMISSIONER GROSS: Anything else? (No audible response).

Thank you very much.

MS. MALINOWSKI-SUNDAY: Thank you.

COMMISSIONER GROSS: Did anybody else sign up that I missed? (Hand raised).

Come forward, sir. Did you sign up and I didn't get it? Here we go. Are you Lane?

MR. CLEVENGER: Yes, sir.

COMMISSIONER GROSS: Welcome.

MR. CLEVENGER: Thank you.

COMMISSIONER GROSS: State your name for the record.

MR. CLEVENGER: Lane Clevenger, C-L-E-V-E-N-G-E-R.

I'm a small business owner here in Joplin. I get paid being a financial adviser, and I serve as a president for a not-for-profit organization called the Discover Downtown Alliance. And we have zero employees and are just a volunteer organization that is supporting the revitalization of our downtown district. And I've been serving on the board for, I believe, about four and-a-half years now and have seen a

Francine Pratt NAPYOP, Maternity, Pregnancy, Children in Crisis Testimony

COMMISSIONER GROSS: The Tax Credit Review Commission will come back to order.

We had recessed for a break until 7 o'clock, and now we'll proceed again. And I haven't seen names yet, but you look like you're anxious to testify, and you're the first one in the room. So if you'd like to come forward, state your name for the record, and proceed.

MS. PRATT: Thank you, Senator, and Commissioners and Staff.

My name is Francine Pratt, and I'm the executive director for Isabel's House in Springfield, Missouri. I've actually been in the position for six months now, and so I would like to share with you some information. And I also have a copy for your records.

COMMISSIONER GROSS: Thank you.

MS. HEMENWAY: Yes, please. Thank you.

COMMISSIONER GROSS: Would you give me your first name?

MS. PRATT: Francine. F-R-A-N-C-I-N-E. P-R-A-T-T.

I wanted to share with you how tax credits help the 12 Missouri emergency child care providers. We provide services for babies and young children, and we try to use a pro-active approach in addressing child

Pratt (cont.)

abuse and neglect in Missouri.

For Isabel's House in particular, the tax credits enable us to partner with our community to build the facility that we're now in, to purchase equipment and supplies, and to provide continuous training to our staff.

We opened for business three years ago, and we've served over a thousand children and almost 500 families in the three years that we've been open. Based on our pre- and post-surveys conducted with families, we believe that we have prevented abuse and neglect of over a thousand children in the past three years.

91 percent of the parents that we helped stated that they had a reduction of stress by using our services and referrals to address their challenges.

The tax credits make it possible for Isabel's House to raise additional private contributions to support the State resources that we receive through a State contract.

With the recent statewide budget cuts and reductions, we're facing a 28,000-dollar deficit this year. We could understand the reasons for the cutbacks, because of the economy and because of the State budget.

Platt (cont.)

However, I'm working in a community that is trying desperately to pro-actively address the red flag issue of having the highest level of child abuse and neglect in Missouri as a whole.

We rely on the tax credits even more so while we're diversifying our financial strategies so that we can move toward self-sufficiency and self-funding.

Our data demonstrates that homelessness and overwhelming parental stress are two main reasons why people use our services. Without these services, there would be an additional burden to the State of Missouri. It is estimated that Missouri taxpayers pay $23,000 to keep one child in foster care for a year.

With our services, less than 1 percent of the people who we serve actually end up in the foster care system. As a new agency, we continue to see extensive use of our services. We've almost doubled the average number of children that have stayed at Isabel's House from the beginning to the end of our three-year fiscal year from when we first opened.

With our growth also comes job opportunities. In order for us to staff up and be within our State ratio, we do need to increase our staff, and we will be doing that by the end of June. We will hire six additional staff before the end of the fiscal year, and

Pratt (cont)

we're looking at the skill sets of those who use our services to see if we can actually hire them as well, which helps in the employment efforts.

We turned some of our positions into full-time positions so that staff were having a liveable wage instead of just a working wage to also support the economic development in the areas in that capacity in Springfield.

We've recently launched a door-to-door campaign going into the areas where the abuse and neglect is reported the highest by the fire department and the police department to further get to the children before they impede any type of abuse or neglect.

I can tell you that our community as a whole has taken on reducing abuse and neglect, and recognizes it to be a community problem. However, the community supports us through tax credits as well as in-kind donations.

We apply for almost every grant that we think we qualify for. We have a multitude of fundraisers to raise the seed money needed to diversify our revenue streams and become self-funded. Tax credits really help us to achieve that.

We also understand the need for the State to

Pratt (cont.)

address the impact of tax credits on its overall budget; and in doing so, it is important to consider that tax credits are not all created equal, but fall into three distinct categories, according to our analysis.

First, there are the unfunded, unlimited tax credits that create unfunded liabilities.

Second, there are those tax credits that are already subject to annual caps or annual appropriations, which allow the State to manage how many tax credits are issued and claimed in any given year. These include the Neighborhood Assistance Program, the Youth Opportunities Program, Maternity Home, Pregnancy Resource Center, and Children in Crisis.

The third area, those are the tax credits that are purchased by the agency using them so there is no negative impact on the State budget at all. What this means is the agency using the tax credits reimburses the State of Missouri for the amount of tax credits awarded. And an example of that is the residential treatment agency, from what I know in my research.

A way to dramatically impact the budget of the State of Missouri in a positive way could come from

Pratt (cont.)

making the tax credits in the first category subject to an annual cap or an annual appropriation like the tax credits in category 2. And that's the category that we use the most for Isabel's House.

Those are already subjected to an annual appropriation, which allows the State to control what is allocated, and limit its liability at whatever level is appropriate.

Tax credits in category 3 should not need any changes because these tax credits are purchased by the agency using them. A cap or lack thereof in this category does not appear to have any effect on the State budget.

Thank you for your time and consideration of this testimony.

COMMISSIONER GROSS: Thank you very much for being here.

Any questions?

MS. HEMENWAY: Can we clarify? Just for Isabel's House, have you used NAP?

MS. PRATT: Yes.

MS. HEMENWAY: And have you used youth opportunity tax credits?

MS. PRATT: Yes.

MS. HEMENWAY: Have you used the residential

Pratt (cont.)

access? Or that's not really applicable to Isabel's House?

MS. PRATT: No. We use Children in Crisis.

MS. HEMENWAY: Children in Crisis. All right. Thank you.

MS. PRATT: You're welcome. Thank you.

COMMISSIONER GROSS: Next? There are only two of you, so you can -- did you want to testify?

MR. NEAL: Sure.

COMMISSIONER GROSS: I should have looked.

MR. NEAL: Be delighted.

Thank you, sir. My name is Jeff Neal, N-E-A-L. I own Neal Group Construction. We're a restoration and remediation company here in town.

COMMISSIONER GROSS: Thank you.

MR. NEAL: So the documents you have on the desk here, this is actually -- we're actually the general contractor on this project.

COMMISSIONER GROSS: Oh, yeah. We talked for quite a while with those folks about that project.

MR. NEAL: And I'm here to talk about both the benefits of the historical tax credit program, but also the benefits to the Brownfields, the volunteer cleanup program.

COMMISSIONER GROSS: Okay. Welcome to have a

Pratt (cont.)

Tax Credits and the Impact for Crisis Nurseries

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Tax credits help the 12 Missouri emergency child care providers, for babies and young children, proactively address child abuse and neglect in Missouri. For Isabel's House, the tax credits enabled our community to partner together to build the facility, purchase equipment and supplies and provide continuous training for our staff.

We opened for business three years ago and have served over 1000 children and almost 500 families. Based on the pre and post surveys conducted with families, we believe that we prevented abuse and neglect of over 1000 children in the past three years – 91% of the parents that we helped stated they had a reduction in stress by using our services and referrals to address their challenges.

The tax credits make it possible for Isabel's House to raise additional private contributions to support the State resources we receive through a state contract. With the recent statewide budget cuts and reductions we are facing a $28,000 deficit this year. We understand the reason for the cuts because of the economy. However, in a community that is trying to proactively address the red-flag issue of having the highest level of child abuse and neglect in Missouri, we rely on the tax credits even more so while we diversify our financial strategies to become self-sufficient.

Our data demonstrates that homelessness and overwhelming parental stress are the two main reasons that people used our services. Without these services, there will be an additional burden to the State of Missouri. It is estimated that Missouri taxpayers pay $23,000 to keep one child in foster care for a year. With our services, less than one percent ends up in the foster care system.

As a new agency, we continue to see extensive use of our services. We have almost doubled in the average number of children that have stayed at Isabel's House from three years ago when we first opened.

With our growth comes job opportunities; we plan to hire six additional staff before the end of the fiscal year and are looking at the skill sets of those who use our services to offer jobs where appropriate for those that are unemployed. We created more full-time positions to better serve our customers and move staff towards livable wages. We've launched a door-to-door campaign going into the areas where abuse and neglect is reported the most to talk to families about our services. All of this is done through the use of tax credits.

Our community as a whole has taken on reducing abuse and neglect and recognizes it is a community problem. However, the community supports us through tax credits and in-kind donations. We apply for almost every grant that we can and have a multitude of fundraisers to raise the seed money needed to diversify our revenue streams and become self-funded. Tax credits help us to achieve this.

Pratt (cont.)

We understand the need for the state to address the impact of tax credits on its overall budget and, in doing so, it is important to consider that tax credits are NOT all created equal but fall into three distinct categories.

1. First, there are the unfunded unlimited tax credits that create unfunded liabilities.

2. Second, there are those tax credits that are already subject to annual caps or annual appropriations which allow the state to manage how many tax credits are issued and claimed in any given year. These include Neighborhood Assistance Program, Youth Opportunities Program, Maternity Home, Pregnancy Resource Center, and Children in Crisis.

3. Third, there are those tax credits that are "purchased" by the agency using them so there is no negative impact on the state budget at all. What this means is that the agency using the tax credits "reimburses" the State of Missouri for the amount of tax credits awarded. The example is Residential Treatment Agency.

A way to dramatically impact the budget of the State of Missouri in a positive way could come from making the tax credits in the first category subject to an annual "cap" or annual appropriation. Like the tax credits in category 2 that are already subject to annual appropriation, this allows the state to "control" what is allocated and limit its liability at whatever level is appropriate.

Tax credits in category 3 should not need any changes because these tax credits are purchased by the agency using them. A cap (or lack thereof) in this category has no effect on the state budget since these are "purchased" tax credits.

Thank you for your time and consideration of this testimony.