BEFORE THE TAX CREDIT REVIEW COMMISSION

OF THE STATE OF MISSOURI

In the Matter of :	)
	)
Public Meeting regarding	)
Missouri Tax Credits,	)

TRANSCRIPT

OF

PUBLIC MEETING

Taken on Tuesday, September 28, 2010

At 4:00 p.m.

At 1200 East Broadway, Stephens College

Columbia, Missouri

REPORTED BY:

SHELLEY L. MAYER, RPR, CCR No. 679

1 APPEARANCES:
2 COMMISSIONERS PRESENT:
3 STEVEN J. STOGEL, CO-CHAIRPERSON
4 SENATOR CHUCK GROSS, CO-CHAIRPERSON
5 SENATOR ROBIN WRIGHT-JONES
6 PETE LEVI
7 CRAIG VAN MATRE
8 RUSS STILL
9 MIKE WOOD
10 SHANNON WEBER
11 MELISSA RANDOL
12
13 STAFF MEMBERS PRESENT:
14 SALLIE HEMENWAY
15 CHRIS PIEPER
16 REX BURLISON
17
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1 P R O C E E D I N G S
2 COMMISSIONER WOOD: The Governor's Tax
3 Credit Review Commission will come to order. We have
4 Commissioners Webb [sic], Wood, myself, and my
5 co-chair Mr. Stogel is here, just out of the room.
6 We were in another meeting and he'll be here in just
7 a few minutes, so. Oh, there's Mr. Still also.
8 Welcome, Russ. We'll find a name tag for you.
9 COMMISSIONER STILL: Okay.
10 CHAIRPERSON GROSS: This is the fifth of
11 five regional meetings that we've had around the
12 state. We went to Joplin, St. Joe, Cape Girardeau,
13 St. Louis. Did I miss one? Joplin, St. Joe, Cape
14 Girardeau, and St. Louis, and this one, that's it.
15 Okay. And now here in Columbia.
16 Every -- all the comments are being recorded and
17 transcripts will be available within a week or so on
18 our website at tcrc.mo.gov, no www. Tcrc.mo.gov. So
19 you can go there. Some of the transcripts from
20 previous meetings are already online there, so that
21 is happening.
22 And let's see. We have a sign-up sheet
23 started. Those indicating that they want to testify
24 will be called in the order that they signed up.
25 You'll have ten minutes to testify. Chances are

1 fairly good that somebody on the commission or
2 staff -- and I should have introduced staff, Rex
3 Burlison from the governor's office and Sally
4 Hemenway and Chris Pieper from DED also are here.
5 Recognize them.
6 Anyway, chances are good somebody might
7 ask you a question. We'll just watch the time, try
8 not to drag it on for too long, but try to keep it
9 close to ten minutes in total as well.
10 Let's see, what else. We'll be here
11 until six o'clock, then we'll take a break somewhere
12 around 6:00, come back around 7:00, and go until nine
13 o'clock or nobody else wants to volunteer to say
14 anything. We'll see how that goes.
15 But we're here for public testimony, so
16 we want to hear what you have to say about tax
17 credits. We've had a lot of testimony around the
18 state from various groups that are interested in
19 certain credits, talking about how the credits have
20 benefited their organization or them personally or
21 whatever the case might be, and that's fine. It's
22 your chance to do that. But if you can help us also
23 with our charge on the Commission to say, you know,
24 maybe this isn't working so well or there's a problem
25 with this credit.

1 You know, we have a tough task. Tax
2 credits are a large -- represent a large number in
3 the budget in the State of Missouri, and one of our
4 charges is to see which ones are efficient, which
5 ones aren't, which ones are giving a good return and
6 good value and those kinds of things. So tell us
7 anything you want to tell us within ten minutes,
8 but in that added piece if you have anything you can
9 add on how we can improve or if you think -- if you
10 actually have the guts to come up and say, This is a
11 really bad credit that exists, nobody's done that yet
12 in the four locations, but if you want to take the
13 chance, I'm happy to hear that as well.
14 So any comments or anything from anybody
15 at the table before we get started?
16 MR. BURLISON: Just their name.
17 CHAIRPERSON GROSS: Oh, yeah. Make sure
18 you do state your name and spell it for the record,
19 otherwise you never know how Smith could end up on
20 the record being spelled.
21 So let's see. With that, I guess we'll
22 go ahead and get started. First on the list is
23 Stacey Blodgett.
24 Stacey, welcome, go ahead and state your
25 name, spell it, and proceed.

1 MS. BLODGETT: Stacey Blodgett,
2 S-t-a-c-e-y, last name is Blodgett, B as in boy,
3 l-o-d as in David, g-e-t-t. First of all I'd like to
4 thank you for the opportunity to address the
5 Commission this afternoon. Four individuals from
6 Macon, Missouri, which is 60 miles north, a rural
7 community have traveled here today to express our
8 support for the Neighborhood Assistance Program and
9 the impact that that program has specifically had on
10 our rural community.
11 I am the director of Adult Education and
12 Literacy as well as a board member for the Literacy
13 Council of Macon County. The Family Literacy Center
14 of Macon assists students with obtaining their GED,
15 improving their basic literacy skills. We do
16 remediation for students who are entering into post-
17 secondary training, whether that's in a vocational
18 school or college setting, and we also do employment
19 training skills. Without the Neighborhood Assistance
20 Program quite honestly our program would not exist.
21 According to the Dollar General Literacy
22 Foundation a GED graduate earns on average $9,464
23 more a year than an individual who does not have a
24 high school diploma or a GED. In Macon for -- during
25 the past three years we have had 79 individuals

1 obtain their GED certification. And for a community
2 our size, that is very significant. The economic
3 impact to our community is that it has resulted in an
4 additional $747,000 of additional earnings that goes
5 into our community. And those individuals are now
6 contributing to the tax base and that tax base helps
7 to support our schools and our roads and our
8 hospitals as well as the local businesses.
9 In rural Missouri unfortunately we don't
10 have a large corporate presence. And with that
11 sometimes there's foundation funding that we can
12 access and other funding sources and we just don't
13 have that in our area. So again, without the
14 Neighborhood Assistance Program we wouldn't be able
15 to continue to provide these services, and we have --
16 we have provided those service for over 30 years.
17 So I would like to thank you. I respect
18 and understand the difficult task that you're
19 presented with in looking at these tax credit
20 programs. I hope that you take into consideration
21 the unique aspects of rural Missouri when you're
22 making decisions and the very positive economic
23 impact the Neighborhood Assistance Program has had.
24 And you will hear other examples from the individuals
25 that are with me today.

CHAIRPERSON GROSS: Any questions of Ms. Blodgett?

COMMISSIONER WOOD: How much dollar amount and does that generally go for your staffing, is that what it's for? You're not using it for capital right now, are you?

MS. BLODGETT: No, we're not. It's primarily operating expenses. And, you know, with the Neighborhood Assistance Program, there's specific criteria of how much can be used for different aspects of that. And we have accessed other grant programs to assist with, you know, the shortfall that we have; it's just -- we're accessing as many as of those as we can.

COMMISSIONER WOOD: How much percentage of your budget is kind of what I'm trying to get at, that you get from the tax credit?

MS. BLODGETT: We wrote our last grant for $250,000 for the three-year period. It's probably about 20 to 30 percent I think.

COMMISSIONER WOOD: Thank you.

MR. BURLISON: What other credits do you get?

MS. BLODGETT: That is the only tax credit that we access.

1 MR. BURLISON: State or federal, that's
2 the only one?
3 MS. BLODGETT: That's the only one. We
4 have a grant through DESE that we partner with the
5 school. I'm actually employed with the school
6 district and I manage and partner with the Literacy
7 Council to provide these services, so we do have the
8 DESE grant. So that is a state and federal
9 combination grant.
10 CHAIRPERSON GROSS: Anything else? Thank
11 you.
12 MS. BLODGETT: Thank you.
13 CHAIRPERSON GROSS: Next, is Angela
14 Prenger.
15 MS. PRENGER: Good afternoon. Angela
16 Prenger, P-r-e-n-g-e-r. I am here from Macon and
17 serving as the executive director of our Long Branch
18 Area YMCA. In 2001 we received $500,000 in NAP tax
19 credits. That enabled our community to move forward
20 and add an additional million dollars for a one and a
21 half million dollar construction project. We have a
22 23,000 square foot YMCA facility that sits right off
23 of Highway 63 south of Macon. We serve over 2,500
24 members. The population of Macon is approximately
25 5,800. We employ four full-time employees and we

1 have between 35 and 40 part-time employees. Our
2 annual operating budget is about $475,000 and we are
3 debt free.
4 Our capital project would not have been
5 possible in the capacity that it stands now without
6 the half a million dollars of tax credit, and I too
7 am here to say that that was a wonderful philosophy
8 and redirecting tax dollars to the local community to
9 be put for use at what can serve best the local
10 people.
11 When we wrote the grant, we were trying
12 to address the governor's desire to enable people age
13 55 and older to retain their home longer. And many
14 of our classes, in particular a stretch and flex
15 group which represents our active older adults,
16 definitely impacts their life. We talked about basic
17 skills such as carrying their groceries in and out of
18 their car, being able to turn left and right as
19 they're looking over their shoulder in driving
20 situations. And so we're seeing really practical
21 applications of how the programs at the Y, the
22 fellowship and the recreational and the fitness
23 components are improving people's lives.
24 CHAIRPERSON GROSS: When did you receive
25 the credits?

1 MS. PRENGER: 2001.
2 CHAIRPERSON GROSS: And you've done
3 nothing with credits since then?
4 MS. PRENGER: No. And we will look at a
5 phase-two expansion and writing an NAP tax credit
6 application will be on the top of my list. So we're
7 very much hopeful that those are still remaining for
8 our future expansion.
9 CHAIRPERSON GROSS: Thank you. Questions
10 anyone?
11 COMMISSIONER STILL: Was that a
12 Neighborhood Assistance also?
13 MS. PRENGER: Yes.
14 CHAIRPERSON GROSS: Thank you, Angela.
15 THE WITNESS: Thank you.
16 CHAIRPERSON GROSS: Next is Patricia
17 Knowles.
18 MS. KNOWLES: Trisha Knowles,
19 P-a-t-r-i-c-i-a K-n-o-w-l-e-s. I'm not as good as my
20 colleagues; I have to have a few notes here, so.
21 I'm here today to express support for the
22 Neighborhood Assistance Program or the NAP. I'm kind
23 of in a unique position to express that support
24 because I'm a NAP donor, I'm on the board of the
25 Literacy Council that Stacey talked about, I am the

1 director of the nonprofit Community Child Development
2 Center, and I am a patron of the YMCA and the Maples
3 Repertory Theater, all NAP projects or former NAP
4 projects in Macon County.
5 The City of Maples Theater was a brain
6 child of a local talented man, and they sold NAP
7 credits in 2007 and 2008 with the goal of bringing
8 live professional theater to rural Missouri with
9 emphasis on the youth and seniors. The theater
10 increased the number of productions in Macon and
11 brought many customers to neighboring businesses and
12 even encouraged local businesses to locate in
13 downtown Macon. Today the Maple Theater has an
14 operating budget of 285,000, it employs 40 people in
15 the summer or during the production season and
16 another four to five all year long.
17 NAP coupled with local funds made the
18 theater possible, and it's very common during the
19 summer to see busloads of city folks arrive in Macon
20 to see productions.
21 The Community Child Development Center
22 provides quality care and education for 60 young
23 children ages birth to five. This center was born
24 out of a grave need in our community. A NAP was used
25 during the capital campaign to renovate a 5,000

1 square foot building to meet the licensing
2 regulations that are required.
3 Currently the program is using a service
4 delivery NAP to offer affordable, accessible, and
5 quality care and education for children. The NAP
6 allows the program to serve 40 percent low income
7 children, providing a sliding fee scale for those
8 families. Yearlong extended day care that's
9 affordable and licensed allows those families to
10 leave their children in a safe, healthy, and learning
11 environment while they're at work and school.
12 Currently there's ten families either attending high
13 school, colleges, or university.
14 The center also serves as a training site
15 for Macon Area Career and Technical Center and
16 Moberly Area Community College. The children at CCDC
17 are ready to learn as we have achieved Missouri
18 accreditation and use state-approved curriculums.
19 Long-term research from the Perry preschool project
20 proves that quality early childhood programs rate
21 with $16 to $1 of investment. So for every $1
22 invested, the society reaps $16 back. This is reaped
23 through children are more likely to graduate from
24 high school, do well in school, and be productive
25 members of society. The center employs 18 people

1 with a payroll of almost 300,000 and a budget of
2 400,000. We too are debt free.
3 According to OSEDA Macon County per
4 capita is about 25,000. We have 120 families,
5 members using the center. So that means a $3 million
6 impact on our community.
7 During my 35-year career in education,
8 I've had the opportunity to work for many state
9 programs. Some are good and some weren't so good.
10 And in short I know NAP is a wonderful thing. NAP is
11 a wonderful thing for local nonprofits for it lets
12 them reach quality and serve the under and --
13 underserved. NAP is a wonderful thing for the donors
14 because it lets them become involved in a long-term
15 project and lets them become supportive. Many of
16 these same NAP donors are on the board. One guy even
17 became our fix-it man at the center.
18 NAP is a wonderful thing for rural
19 Missouri because it allows our tax dollars to be used
20 locally. Just think about it, rural Missourians go
21 to the cities. Every time I take my family to a
22 Rams' game or a Chief's game or to the zoo, I'm
23 leaving my tax dollars in the city. NAP assists in
24 leveling the state tax playing field. NAP is a
25 wonderful thing for the State of Missouri because it

1 allows state funds to be paired with local funds to
2 accomplish even greater things.
3 In the past ten years Macon has utilized
4 about a million dollars in NAP funds, but that has
5 been paired with much more money to accomplish all of
6 these wonderful projects that we've just talked
7 about. The Macon's NAP has assisted in creating and
8 maintaining over 150 local jobs and it's improved the
9 quality of life for our citizens. If you have any
10 doubts or concerns about the NAP program, feel free
11 to drive through Macon and you can see the Y and the
12 Center, go to the theater and visit the lit center
13 and you'll see those positive economic results. The
14 Neighborhood Assistance Tax Program is economically
15 productive and is benefiting rural Missouri. Just
16 remember, a NAP is a wonderful thing. Thank you.
17 CHAIRPERSON GROSS: Let's see if there's
18 some questions.
19 MS. KNOWLES: Okay.
20 CHAIRPERSON GROSS: Number one, so how
21 much in tax credits did you receive for the
22 renovation of the theater?
23 MS. KNOWLES: It was 477,000.
24 CHAIRPERSON GROSS: Okay.
25 MS. KNOWLES: Of the theater? I'm sorry,

1 the renovation -- I'm sorry, I was talking about --
2 for the renovation of the theater. They used a
3 service delivery and it was 97,000 is what I --
4 CHAIRPERSON GROSS: What's that mean,
5 "service delivery"?
6 MS. KNOWLES: Service -- there's two
7 types of NAP, there's a capital campaign which is
8 more of your buildings, sticks and stones kind of
9 thing and then service delivery is more operation
10 kind of things.
11 CHAIRPERSON GROSS: How much then for the
12 renovation?
13 MS. KNOWLES: For the -- I don't know if
14 they used --
15 CHAIRPERSON GROSS: Don't know that one?
16 MS. KNOWLES: Yeah. I don't know if they
17 used a NAP for renovation.
18 CHAIRPERSON GROSS: Okay.
19 MS. KNOWLES: But they did use the NAP
20 for service delivery to increase productions and
21 increase attendance.
22 CHAIRPERSON GROSS: And that's for an
23 organization called?
24 MS. KNOWLES: City of Maples Repertory
25 Theater.

1 CHAIRPERSON GROSS: City of Maples
2 Repertory Theater.
3 Okay. I need to also recognize our
4 co-chair has arrived as well as Commissioner Levi and
5 Commissioner --
6 COMMISSIONER RANDOL: Randol.
7 CHAIRPERSON GROSS: -- Randol, I'm sorry.
8 Questions from anyone?
9 MR. BURLISON. Give us an idea of the
10 local funds that you coupled with these funds.
11 MS. KNOWLES: Okay. I can only talk, you
12 know, about the project I know the best, and that's
13 the Community Child Development Center. We of course
14 charge tuition for our children to come, but the NAP
15 does allow us to have a sliding fee scale for that.
16 We also receive grants from, you know, the local
17 rotary; donations, we've had donations from people.
18 And so overall our project was over a million
19 dollars. We did receive a state grant through Social
20 Services, and our startup project was over a million
21 dollars and not quite half of that was NAP.
22 MR. BURLISON: What was the Social
23 Services state grant for?
24 MS. KNOWLES: That was a startup and
25 expansion grant for infant toddler care. That's very

1 expensive. Infant toddler care is very, very
2 expensive because you have to have such a low child
3 staff ratio, so they offer those grants as an
4 incentive to do that type of care.
5 CHAIRPERSON STOGEL: What improvements
6 could be made in the NAP program?
7 MS. KNOWLES: Well, you know, I've worked
8 with a lot of grants and I'll be real honest, I
9 really like the NAP program because it's very
10 doable. You know, when I approach and I -- you have
11 to remember, I'm a little old school teacher, so I
12 approach a businessman and so, you know, give me your
13 tax dollars. And he kind of looks at me like, sure.
14 And my own husband looked at me like that I'll have
15 to admit, and he's a businessman.
16 But once you sell them on that, they are
17 your biggest supporter. And like I said, they will
18 offer to do things for you, they will become a part
19 of that organization. I guess you could make the tax
20 credit bigger, like 80 percent, but you're probably
21 not going to do that. But it's very streamlined.
22 You know, there's one piece of paper that people have
23 to fill out. You know, I think it's -- I -- I think
24 it's very efficient.
25 COMMISSIONER STILL: The people in

1 your -- in Macon that bought the credits, did they
2 get them just from the economic development
3 department, I mean, or were they going through a
4 third party or do you know?
5 MS. KNOWLES: No. The way it works is --
6 or the way in most organizations is we would have
7 some type of fundraising activity, some type of event
8 and tell them about the project. And I know the Y
9 did that, we did that, I think the lit center has
10 done that, and I know the theater has too, some
11 kind -- some kind of selling event, and we would
12 offer those tax credits to the community. And then
13 people would contact us and -- and buy them. And
14 like I said, they're mainly local businesspeople.
15 And we're not talking big corporations, we're
16 talking -- and you're going to hear from one of the
17 donors in just a minute -- local businesspeople that,
18 you know, really want to spend their tax dollars
19 locally.
20 COMMISSIONER STILL: But you got them
21 directly from the program?
22 MS. KNOWLES: Yes, yes. We wrote a grant
23 and applied for it and then they sell them to us
24 directly.
25 CHAIRPERSON STOGEL: The NAP program is

well-understood and there's over 2,000 people who provide donations to use the program.

MS. KNOWLES: Right.

CHAIRPERSON STOGEL: So it's popular and it's understood and it's widely used, so.

MS. KNOWLES: Right. Any --

CHAIRPERSON GROSS: Any other questions?

MS. KNOWLES: -- other questions?

CHAIRPERSON GROSS: Thank you very much for being here.

MS. KNOWLES: Thank you.

CHAIRPERSON GROSS: Next is Chuck Spencer.

MR. SPENCER: It's S-p-e-n-c-e-r. First, I'd say thank you to the Commission for this opportunity; I think I'm probably the fourth and final one talking from Macon, Missouri, about the benefits of the NAP grants to us.

I represent a small business owner in Macon, long-time resident there, small business owner and probably could very much relate to what was said about businesses feeling good about spending their state dollars on important rural community activities and things that we feel like can be beneficial to the community.

1 I've been involved in one way or another
2 in all of the three different or four different NAP
3 grants that have been mentioned here from Macon.
4 Specifically, my most involvement has been through
5 the literacy center. And I got involved in it back
6 in its infant-- infant-- when it was just beginning
7 in the very early years of it and have been a
8 contributor to it almost every year since then with
9 one or two exceptions when I contributed to another
10 NAP program there in Macon. But I've just become
11 very passionate about the fact that here's something
12 that we can do as small business owners to help the
13 quality of life for the people and the community.
14 And I feel especially good about the
15 literacy center because I see the effect it is having
16 on a number of young people in our community and how
17 then they turn around and help that community. These
18 people had for whatever reason kind of fallen through
19 the cracks and dropped out of the public high school
20 and here is a way that they've gotten back into the
21 educational system and find a way to improve their
22 lives.
23 And I always stress to people as I'm
24 talking to other businessmen and promoting these
25 programs is that, you know, we're not competing -- or

they're not competing with the high school, they're actually complementing it by providing a second chance for some of these young people that have maybe taken a wrong turn and suddenly realized that and are saying, Hey, give me a second chance, I do want to turn my life around.

I seen them step up to the plate when we lost one of our two or three significant employers in town, and many of those people were long-time employees, but didn't have a high school education and they found that the job market was very competitive and they desperately needed that. So they turned to our literacy center. And our numbers really soared for a few years while we were helping those people obtain their GED and be more viable candidates in the job market. I've also seen with some of our Hispanic people where we can provide English as a Second Language for some of those so that they can be more efficient functioning citizens in our community.

So as a small business owner I feel very good about this NAP program and what you've done to allow us this opportunity to -- to better some of the opportunities that we have available. And I feel, again, maybe as a business owner, that besides the

1 things I can tell you I feel it does good, I think I
2 can assure you that it has been a very efficient
3 process, speaking specifically about the literacy
4 center. With a very minimal budget they're currently
5 graduating approximately 25 GED graduates each year
6 on a token budget, if you will. Compare that to our
7 local high school that's graduating around a hundred
8 a year. And it's pretty impressive that the literacy
9 center is helping 25 that fell out of the high school
10 system find their way back into a GED graduation
11 program on a minimal budget. So by comparison I
12 think you can see the economic value there is
13 tremendous by comparison.
14 And we've got a wonderful high school
15 system, I'm not at all being critical, I'm just
16 saying this is a very efficient, cost efficient
17 effective program that I think we can all feel good
18 about.
19 So besides offering those kinds of
20 economic benefits that I've mentioned, I think
21 there's some other things that -- that ripple through
22 our -- through our community that you should be aware
23 of if you haven't thought about them.
24 At one of the graduations I saw a
25 gentleman that was over 70 years old, just completed

his GED. And make a very heartwarming testimony about the fact that he had spent his entire life feeling like a second class citizen because he had been deprived of a high school education for whatever reason many years ago. And his lifelong dream, to take a graduation degree to his grave with him. And if we were just a little bit younger, he would continue on into the college campus site even at 70 plus. So it's a pretty heartwarming experience.

For most people it just helps them prepare for a better opportunity, and as they get better opportunities, more meaningful employment, they become more income -- better income producing citizens of our community, for themselves, and for their families long term and much less dependent upon various state and local programs and assistance that they might otherwise be turning to.

So I would also compare, when we think about some of these young people that have made a wrong term or two -- turn or two that are now trying hard to find a way to improve their lot in life, just think about the cost of this program through these NAP credits as compared to maybe a lifelong existence on programs and/or possibly even the penal system, and I think you'll see that our cost effectiveness is

1 quite good.
2 So in my opinion these programs, and this
3 one in particular, is really looking at giving these
4 people a hand up instead of a hand out. And I think
5 it's a heartwarming -- heartwarming experience when
6 you can see that working out here in rural Missouri.
7 I appreciate very much your taking the
8 time. I'd be happy to answer questions if I can.
9 CHAIRPERSON GROSS: Thank you. Any
10 questions? Thanks for being here.
11 MR. SPENCER: Thank you.
12 CHAIRPERSON GROSS. Next is Bruce Hillis.
13 MR. HILLIS: Mr. Co-chairman Stogel and
14 Gross and members of the committee, my name is Bruce
15 Hillis, that's H-i-l-l-i-s. I live at 635 Mud Dauber
16 Lane, D-a-u-b-e-r, Mexico, Missouri 65265. Again,
17 thank you for this opportunity to testify before your
18 commission.
19 As I indicated I live in Mexico,
20 Missouri, and I am representing myself as a taxpaying
21 citizen of Missouri. My testimony won't be about
22 specific tax programs, but more about the general use
23 of tax credits as it relates to two general
24 categories, and I'll divide my testimony between
25 those two general categories.

1 And, Senator Gross, perhaps you'll --
2 I'll help the committee in formulating your charge to
3 the governor as well as answer some of the questions
4 you've raised to yourself in your committee
5 assignment. I hope to do that.
6 CHAIRPERSON GROSS: Please.
7 MR. HILLIS: First of all I'd like to
8 talk about the noneconomic development tool of tax
9 credits and some brief remarks about those. First of
10 all, all of those, I would recommend that they be
11 eliminated and converted to the appropriations
12 process. I'm not making any recommendations on
13 reductions or anything else for those people that
14 have -- are making their case here today, but more in
15 light -- for the reasons of transparency and
16 accountability, they should be in the budget
17 appropriations process. When they are revenue
18 deductions, they're really still a cost of doing
19 business.
20 These tax credits are a cost to do
21 business in Missouri. Now, you may be raising the
22 revenue from other taxpayers, but they're still
23 effectively a cost to taxpayers in Missouri. And to
24 just have them offset revenue is not good for
25 transparency, it's hard to identify them. You can't

1 go on the internet right now and find exactly how
2 much was spent. You can go to the budgets and --
3 and -- but you won't find tax credits to determine
4 how much is planned or will be spent. So for
5 transparency they need to be there.
6 For accountability they obviously need to
7 be in the budget process. If you just reduce them
8 from revenue, it's -- it's like in business, the
9 accounts receivable department, the accounts
10 receivable collection clerk saying, Hey, let's not
11 have any bad debts here, let's just take it off of
12 revenue and blame it on the sales department. That's
13 all you're doing here. You have no accountability to
14 the General Assembly once the overall tax credit is
15 passed and you need some measurement tools to place
16 that accountability and that's why I think they
17 should be in the appropriations process.
18 Now, as far as all economic development,
19 and there's probably some crossbreeds here, there's
20 some that probably promote what you would think is
21 economic development when they are really maybe in
22 the social program or low income housing or
23 whatever these other programs might be. But when I
24 speak of -- I'll allow you to decide where it
25 appropriately should be placed. But economic

1 development programs, all of them should be
2 eliminated unless there is a net positive return on
3 the investment of that tax credit.
4 Now, I know you've been charged to
5 determine the efficacy and efficiency and the rate of
6 return, but let me share with you my -- some of my
7 comments about how to look at that. You can't just
8 look at the cost of the tax credit and determine a
9 return on it. You have to look also at the cost of
10 administration of that tax credit under the
11 Department of Economic dem-- excuse me, not
12 demolition, Department of Economic Development. They
13 have a project called demolition, I get them confused
14 sometimes; sometimes I think it should be the whole
15 department. But the tax credit -- excuse me, I lost
16 my train of thought for just a second.
17 CHAIRPERSON GROSS: You were talking
18 about the administration.
19 MR. HILLIS: The administration cost
20 obviously, but you also have to look at offsetting
21 the benefit by the lost benefit from the tax that you
22 take from the other citizens. The State has no money
23 of its own. The only way it gets money to fund these
24 or to underwrite them or to offset the cost of these
25 economic development tax programs is they have to

1 take it from other citizens. Well, when you take it
2 from other citizens, you reduce their ability to use
3 that money for investment. So you don't always have
4 to account for every dime that is spent on tax
5 credits; you need to account for every dime that was
6 lost opportunity.
7 If I -- I can give a brief example. Any
8 of us when we buy a new pair of shoes, have to forego
9 something when we buy a new pair of shoes. It may be
10 a dinner on the town or it may be something else. So
11 when you take tax money from all the citizens of
12 Missouri, they're foregoing the opportunity to invest
13 that or spend it, et cetera. So it's lost
14 opportunity. You have to deduct that from the cost
15 of -- to determine the return on investment of the
16 tax credit. To not do that is missing the boat, and
17 we're all in the same economic boat here. And just
18 because Kansas wants to shoot a hole in their boat
19 for some tax credit, Missouri shouldn't shoot a hole
20 in our end of the boat.
21 Let me try to answer three of the
22 questions you've posed in your committee assignments
23 because I think they're very good questions and
24 should be answered by you as you make your report to
25 the governor. Is return on investment measured

1 correctly? I hope I've answered that. If not, I'll
2 sure take another stab at it because you have to
3 include all these costs.
4 Second question is do tax credits serve
5 to advance Missouri's economic well-being. No, they
6 do not. Because, one, you are taking this money from
7 other people to lose that investment and spending it
8 on something else. This redirection of capital via
9 tax programs diminishes economic freedom. Economic
10 freedom is the right of individuals to pursue their
11 interests through voluntary exchanges of private
12 property under a rule of law. When you take some of
13 their money and give it to somebody else, you're
14 diminishing their economic opportunity. They also
15 disrupt the marketplace and they absolutely demolish
16 a level playing field among competitors in the
17 marketplace. No question about it. You're giving a
18 tax advantage to one competitor, the competitor over
19 across the street is at a loss disadvantage, they're
20 at a disadvantage.
21 So taking investment from everybody, you
22 may show what is seen, as one of my favorite
23 economists wrote in an essay in 1850, Frederick --
24 Frederic Bastiat, You may see the benefits of some
25 tax credit program for economics, created 300 jobs.

1 What you do not see and what must be seen is the
2 economic impact of taking the money from the citizens
3 to spend over here. I would hope that the governor
4 would appoint an economist to help you with that
5 complex program or question, but that happens; it
6 happens all of the time.
7 CHAIRPERSON GROSS: You have two
8 minutes.
9 MR. HILLIS: Thank you. So let me just
10 state his, Frederic Bastiat, let me take a quote then
11 for a minute out of What is Seen and What is Unseen
12 [sic]. In it he said, in that essay, in the
13 department of economy an act, a habit, an
14 institution, a law gives birth not only to an effect,
15 but to a series of effects. Of these effects the
16 first only is immediate. It will manifest itself
17 simultaneously with its cause. It is seen. The
18 others unfold in succession. They are not seen. It
19 is well for they are foreseen.
20 Today we would call those unintended
21 consequences. And you have to measure the unintended
22 consequences to determine the return on investment.
23 I believe -- now I haven't spoken out
24 against a single tax credit, but I believe when you
25 accurately calculate the return on investment, you

1 will produce none on any program. Because not only
2 are you losing the investment over here of the people
3 you're taking the money from, you also have to
4 administer that and spend money to go through that
5 administration to take it from the Department of
6 Revenue to the Department of Economic Development and
7 then turn around and invest it. It's a negative
8 investment always.
9 What is the reform that should be done?
10 And I know that's an important question for you,
11 reform. And reform may -- the government may say,
12 you shouldn't just cut, you've got to reform. Well,
13 reform is getting rid of an evil and putting
14 something in its place; that's what Mr. Webster says.
15 And this evil is destroying economic freedom.
16 So if anything, what I'd recommend to you
17 is legalize capitalism, promote economic freedom, and
18 the benefits will come. Because it's known to
19 produce prosperity, jobs, entrepreneurial activity
20 where Missouri is in the ditch, 49th or 50th.
21 Economic freedom does that. I will leave with the
22 committee, if I may leave some written testimony.
23 CHAIRPERSON GROSS: Please.
24 MR. HILLIS: Leave with the committee not
25 only my remarks summarized, but a study in 2008 of

1 economic freedom in the United States and all
2 states. Missouri is 15th, dropped from 10th. We're
3 going in the wrong direction. And it includes things
4 like tax credits and right to work. And then Sizzle
5 of Economic Development which -- or Economic Freedom
6 which really shows some of the benefits telling of
7 that. I'd like to leave that with the committee, and
8 I stand prepared to answer questions.
9 CHAIRPERSON GROSS: Any questions for
10 Mr. Hillis?
11 CHAIRPERSON STOGEL: Mr. Hillis, this is
12 our fourth public -- fifth public hearing, and we
13 appreciate you coming and going on record with your
14 very clear opinions on --
15 MR. HILLIS: Thank you.
16 CHAIRPERSON STOGEL: -- on this. None of
17 us here are economists. We do have access to some.
18 We'll help --
19 MR. HILLIS: I hope you do.
20 CHAIRPERSON STOGEL: -- try to relay
21 that; your remarks will be shared.
22 MR. HILLIS: Okay.
23 CHAIRPERSON STOGEL: The -- I'm going to
24 take particular notice of one of your principles and
25 cite the Frothingham versus Mellon case which was a

1 Supreme Court case back 70 or 80 years ago; I don't
2 remember the exact date.
3 MR. HILLIS: I don't -- I'm not familiar
4 with the case, I apologize.
5 CHAIRPERSON STOGEL: It basically said
6 that no one taxpayer has the right to question where
7 appropriations go, and they don't have standing to
8 challenge it because all the revenue comes in and
9 then the legislature and the governor and the elected
10 representatives determine where it goes. So the
11 notion that, from a constitutional point of view,
12 that you would say as to tax credits versus all the
13 other revenue that is collected and expenditures that
14 are made should be measured not only based on the
15 cost to administer the program, but the lost
16 opportunity for reinvestment --
17 MR. HILLIS: Sure.
18 CHAIRPERSON STOGEL: -- that's just not
19 what the Supreme Court decided as a constitutional
20 matter decades and decades ago. So I'm not sure I
21 agree with your economics.
22 MR. HILLIS: I don't know that the U.S.
23 Cons-- or Supreme Court would change my opinion on
24 that. They may say they have no obligation to do it;
25 I'm telling you in a return on investment, you should

1 consider it. That's all my suggestion is.
2 CHAIRPERSON STOGEL: I'll pass it along,
3 but I wanted to note for the audience that the
4 constitution sort of works differently as to
5 particular taxpayers determining where the
6 legislature gets to spend their dollars.
7 MR. HILLIS: May I make one remark, one
8 additional comment?
9 CHAIRPERSON STOGEL: Sure.
10 MR. HILLIS: Again, I'm not evaluating,
11 trying to decide on whether -- how much an
12 appropriation should be. My issue of using the
13 appropriation process for this as an expense is quite
14 different. If -- if everybody can justify the
15 expense in the appropriation -- I'm just saying it's
16 a better mechanism to do an appropriation than it is
17 to do a revenue offset. They're the same, it's all
18 the cost of doing business. I'm just comparing those
19 two.
20 From a purely Missouri constitution
21 standpoint, I think there's some important principles
22 why you should use it in the budget process as
23 opposed to in a revenue offset. In a revenue offset
24 on a tax credit has multiple years, it prevents --
25 it's clearly intended on Missouri constitution that

1 succeeding general assemblies approve appropriations.
2 They missed that opportunity under tax credit that
3 carries multiple years.
4 CHAIRPERSON STOGEL: We've heard the
5 appropriation argument --
6 MR. HILLIS: Okay.
7 CHAIRPERSON STOGEL: -- from others, but
8 we appreciate you coming. The last comment I do want
9 to note for the record, the legislature has over the
10 last three or four years passed a series of
11 increased -- under both the Blunt administration and
12 Governor Nixon have enacted legislation to add to
13 transparency, increase accountability, augment
14 reporting on the records that are available.
15 If you're interested in a compendium of
16 the 61 tax credit programs and you leave me your
17 card, I'll have it sent to you so that you have the
18 full information.
19 MR. HILLIS: Thank you. I'd appreciate
20 that.
21 CHAIRPERSON STOGEL: Since it's all in
22 one --
23 MR. HILLIS: But I'd also appreciate --
24 CHAIRPERSON STOGEL: It's all in one
25 place.

MR. HILLIS: -- the opportunity to be able to go in the budget process and discuss these items instead of doing an independent board.

CHAIRPERSON STOGEL: Actually it is part of the budget process, but that's for another conversation. But glad to give you the --

MR. HILLIS: Okay.

CHAIRPERSON STOGEL: -- compendium of reading materials.

MR. HILLIS: Thank you.

CHAIRPERSON GROSS: Any other questions? Thank you for being here.

MR. HILLIS: You're welcome.

CHAIRPERSON GROSS: Next is, I'm not sure if it's Robert or Roland, and then the last name starts, looks like with a J or an L? Best I can do. Something Commons? Okay. Jeff Craver is next.

CHAIRPERSON STOGEL: When anybody has written materials to hand in, just bring it up here. That would be really helpful so it doesn't get lost in the reporter's multiple duties.

MR. CRAVER: And there's an addendum coming through.

CHAIRPERSON GROSS: Go ahead and state your name and spell it for the record.

1 MR. CRAVER: Jeff Craver with Advantage
2 Capital Partners. That's C-r-a-v-e-r, V as in
3 Victor. Appreciate the committee's time today.
4 Wanted to talk to you about capital formation for
5 small businesses, but specifically the New Markets
6 Tax Credit Program. It's -- in Missouri it's
7 officially called the New Markets Development
8 Program, but it tends to be known as the New Markets
9 tax credit.
10 Just a little bit about Advantage Capital
11 Partners. I've provided you some information on the
12 left side of your folder is information on the New
13 Markets program, investments in states, news
14 clippings and other information. On the right side
15 is information about Advantage Capital specifically.
16 And the last handout coming around is just a couple
17 points that I'll make at the end of my testimony.
18 Advantage Capital is a double bottom line
19 firm. What I mean by that is we focus both on
20 superior turns -- returns for our investors as well
21 as economic benefits of our investments to -- back to
22 the state and the communities in which we invest.
23 That's in terms of job creation as well as economic
24 activity.
25 Since 1992 we have raised 1.4 billion of

1 capital in 14 states and have deployed the bulk of
2 that capital in that time period. Since 1996, which
3 is when our presence in Missouri began, we've
4 deployed over $300 million in capital in both venture
5 capital and gap financing or mezzanine financing as
6 you may call it, basically the financing anywhere
7 below what is bankable by a senior lender.
8 As far as what New Markets is, I think
9 the simplest way to put it is that New Markets is a
10 low interest loan -- and I'm speaking about the
11 Missouri program because the federal program is open
12 to both real estate and small business investment.
13 But the Missouri New Markets program is really a low
14 interest loan for small businesses in low income --
15 low income communities. That's its primary objective
16 and that's where it -- it focuses the effort and the
17 tax credits.
18 Briefly, it was established at the
19 federal level in 2000. It was a bipartisan effort
20 between Clinton and Hastert. It started out as a
21 five-year program and is now a continuing annual
22 federal program totaling 33 billion of direct
23 leveraged investment nationwide. My company,
24 Advantage Capital Partners has participated in six
25 out of seven of the federal allocation rounds and has

1 raised 388 million from those federal allocations.
2 In Missouri the program was begun in 2007
3 and it expanded again in 2009. Missouri basically
4 piggybacked on the federal program and created an
5 allocation of a total of 312 million of additional
6 capital for these small businesses in low income
7 communities. Those -- that 312 million is leveraged
8 private capital that is derived from a total of $25
9 million of tax credit cap space, which is probably
10 the way you speak about it in this commission.
11 That 25 million number however won't effect -- won't
12 be reached, because of the way the program phases in
13 over time, won't be reached actually until 2013
14 fiscal year, and then only for a year before it
15 starts to phase back out.
16 Basically how it works, if a small
17 business is in need of capital for equipment,
18 operations, cash flow, expansion, it's going to be
19 going to its banks, it may be looking for alternative
20 sources of capital. It is most likely going to have
21 a capital gap especially in this economy.
22 At that point it -- we get referrals from
23 our banking partners, from other private equity
24 firms, from venture capital firms, from the
25 Department of Economic Development who refer to us or

1 our competitors' businesses that are in need of this
2 gap financing. We raise capital from the private
3 sector, so every dollar, first dollar in is always a
4 private dollar and it's raised from the private
5 sector from institutional investors. We then invest
6 that money in the form of both equity and debt in
7 these small businesses.
8 To the small business it is really much
9 more like a bank loan. And when I say that, I'm
10 trying to emphasize how there's -- the small business
11 does not have to deal with the red tape. They don't
12 have a file a tax credit application. They don't
13 have to file a tax credit return. They actually
14 never have to deal with the tax credit itself. What
15 they are dealing with is a financial mechanism
16 whereby we are giving them a low interest loan. They
17 are making payments on that loan.
18 And we're also providing them the
19 mentoring because we have real skin in the game.
20 We -- we're putting our own equity at risk in these
21 investments, and without that equity at risk -- that
22 equity at risk makes us want to mentor these small
23 businesses and help them grow. We help with them
24 marketing plans, with management teams, and with
25 general business issues as they -- as they go through

1 their -- their time in our portfolio.
2 As far as the Missouri experience with
3 the program, I'll turn to the packet. In the very
4 first stapled set of documents, the first is sort of
5 an overview of the program. On the second page and
6 it's stapled, it says, Missouri New Markets
7 Development Program, June 2010 update. I apologize
8 for being slightly dated.
9 But I just want to point to a couple of
10 the highlights. Some of these numbers are estimates
11 because while our community development entity at
12 Advantage Capital is a participant in the program,
13 we're not the only participant in the program, so
14 we've had to estimate certain portions, but we were
15 able to set at least a minimum bar.
16 More than 45 businesses that have
17 received investments with over 2,100 jobs created and
18 retained. The average wage is quite impressive,
19 it's $48,000, and I know for a fact that all of the
20 companies that we've invested in provide full
21 benefits for their employees as well. That $48,000
22 average wage is 170 percent of the low income
23 community average wage in which these investments are
24 being made. Leveraged over 300 million of direct
25 investment capital through the program, 312 actually

1 to be specific, with over 400 million of additional
2 follow-on capital. That's capital that's brought in
3 from other sources, whether inside the state or
4 outside the state that is then syndicated into the
5 total investment. But where the -- the capital we're
6 putting in is the risk capital and therefore it's the
7 anchor capital that makes the rest of the deal stay
8 together.
9 There -- there has been an economic
10 impact study run in 2009, I included it, by Don
11 Phares at -- at UMSL. And it did show that in the
12 first two years of the original program, the 2007
13 program, that there were 65 million of general
14 revenue returned with zero cost to the State at that
15 point. The reason for that is there's a two-year
16 delay. We raise the money and invest the money and
17 there's a two-year delay between that raising of the
18 capital and any redeeming of the credits. That
19 two-year delay allows for the businesses to get up
20 and going. No business can just turn a key and open
21 a door and have a hundred employees at it. And even
22 if it's an existing business, it has to expand its
23 operation. And so this mechanism allows the credit
24 to sort of ramp up the revenue return for the State.
25 Moving really quickly through the rest of

1 it --
2 CHAIRPERSON GROSS: You've got two
3 minutes, Jeff.
4 MR. CRAVER: Sure. I'll leave the rest
5 of those points on there. Missouri obviously getting
6 three times the national average on small business
7 investments since 2007 for the New Markets program is
8 a phenomenal number.
9 And then lastly this -- the program
10 attributes. I included this just because I'm a --
11 fortunately a little bit of a student of tax credits
12 the last ten years I've spent here and in working
13 with Senator Gross in the past and sitting on a
14 commission very similar to this at one point in the
15 past, have been able to sort of look at the New
16 Markets program and say, well, how is it different.
17 And so I highlighted what I think the top ten reasons
18 are.
19 Two-year delay, I mentioned that already.
20 The short sunset. After the three years
21 from 2007 to '10, it's sunsetted; the sunset meaning
22 that no more capital can be raised, no new tax
23 credits can be vested.
24 I think number three is a very important
25 mechanism. Already in statute it's the only one of

1 61 programs that has its own independent review and
2 reauthorization included in statute. And what it is
3 is that the program, in order to go back past that
4 three year sunset, has to have a concurrent
5 resolution passed by the General Assembly that says
6 the New Markets program's working and it should be
7 continued. That mechanism is unique and it keeps it
8 out of the legislative process of bill drafting where
9 you get bills with 10, you know, 20 different ideas
10 cobbled together. This process actually makes it so
11 that it is -- it is sort of an up or down vote on New
12 Markets, is it a good idea or a bad idea.
13 Last couple points are in there,
14 transferability, I know you've studied that issue;
15 the recapture, seven years of recapture; federal
16 oversight and protection; application process and
17 accountability.
18 CHAIRPERSON GROSS: Need to cut you off.
19 MR. CRAVER: That's fine.
20 CHAIRPERSON GROSS: Question: The
21 gentleman spoke earlier about the subject to
22 appropriations or at least credits or credit should
23 be subject to appropriations. Yours, you're stating,
24 is subject to appropriations, right?
25 MR. CRAVER: It's not subject to

1 appropriations at this point. In order for any new
2 credits to be issued, it would be subject to
3 legislative action by a concurrent resolution or
4 other type of change to the law.
5 CHAIRPERSON STOGEL: So when does the
6 program sunset?
7 MR. CRAVER: The program sunsetted from
8 the standpoint of raising capital June 30th, 2010.
9 CHAIRPERSON STOGEL: And you're looking
10 for?
11 MR. CRAVER: Well, we're still deploying
12 some of that capital.
13 CHAIRPERSON STOGEL: I understand that.
14 But as far as the Commission's concerned, you would
15 hope the report consensus for economic development
16 would be what?
17 MR. CRAVER: That the program is
18 functioning properly. Whether the legislature would
19 expand the cap which is a separate issue is one
20 question. And the second is whether a -- the sunset
21 should be extended. Because when the original
22 credits that were issued in 2007 roll off the books
23 seven years later in 2014, there will be additional
24 cap space available. So the sunset --
25 CHAIRPERSON GROSS: But you won't have

1 the authorization --
2 MR. CRAVER: But without --
3 CHAIRPERSON GROSS: -- for the program?
4 MR. CRAVER: -- the sunset expansion or
5 extension by concurrent resolution, that won't occur.
6 CHAIRPERSON STOGEL: So the program's
7 basically going to stop in terms of --
8 MR. CRAVER: Without any further
9 legislative action.
10 CHAIRPERSON STOGEL: It'll run through
11 the cycle for the --
12 MR. CRAVER: That's correct.
13 CHAIRPERSON STOGEL: I would direct --
14 MR. CRAVER: But I -- if I could, just
15 one brief point on that which is that the investment
16 won't stop because our typical investment is three to
17 four years in duration. And so when we get money
18 back, we're forced by statute to reinvest those
19 funds.
20 CHAIRPERSON STOGEL: First of all I'd
21 like to introduce you to Pete Levi who's heading the
22 committee on economic development, so urge you to get
23 whatever --
24 MR. CRAVER: Yeah.
25 CHAIRPERSON STOGEL: -- specific requests

1 you have of the panel to Pete.
2 MR. CRAVER: Okay. And this one is
3 classified in distressed communities I believe
4 because of its focus on the low income community, and
5 I don't know which is the appropriate --
6 CHAIRPERSON STOGEL: Start with Pete.
7 MR. CRAVER: Okay.
8 CHAIRPERSON STOGEL: If he wants to push
9 over the distressed community one thing, then that's
10 just --
11 MR. CRAVER: That sounds great.
12 CHAIRPERSON STOGEL: -- his chair role.
13 Just so I understand how you deploy it,
14 you take -- you use the federal credits, put the
15 state credits on top and write your interest rate
16 down. So if I'm a small business, what do you lend
17 to me at?
18 MR. CRAVER: It just depends on what the
19 rates are.
20 CHAIRPERSON STOGEL: Ball park?
21 MR. CRAVER: Fifty percent below the
22 market rate for that same type of capital.
23 CHAIRPERSON STOGEL: So --
24 MR. CRAVER: And that's -- that's
25 actually --

1 CHAIRPERSON STOGEL: -- seven percent --
2 MR. CRAVER: -- national average.
3 CHAIRPERSON STOGEL: -- eight percent, 6
4 percent, I'd have it?
5 MR. CRAVER: Right.
6 CHAIRPERSON STOGEL: And then on top of
7 that you get a 5 percent federal credit which is --
8 so let's say it's eight -- just so I understand.
9 MR. CRAVER: So typically you're looking
10 more in the 10 to 12 percent range because you're
11 talking about gap.
12 CHAIRPERSON STOGEL: Well --
13 MR. CRAVER: Subordinate debt.
14 CHAIRPERSON STOGEL: So you're doing --
15 just so I understand how it works for your firm, just
16 so we're clear on the math, okay?
17 MR. CRAVER: Sure.
18 CHAIRPERSON STOGEL: Eight percent is the
19 market rate, you lend it to somebody at 4. You get a
20 federal credit of 5 percent after tax which is
21 equivalent to say 7 and a half. So 4 plus 7 and a
22 half, you're at 11 and a half, then the state credit
23 adds something in years 3 to 7, so you're getting a
24 15 percent return?
25 MR. CRAVER: That's not the way it

1 would -- and you may be thinking of -- and I know the
2 old post office was a New Markets investment and --
3 CHAIRPERSON STOGEL: For the record I had
4 three allocations.
5 MR. CRAVER: Yeah. And the way the state
6 program tends to function and the way my company
7 functions is that we raise a pool of capital as a
8 venture capital fund. We raise a pool that is state
9 only and we raise a pool that is federal only and we
10 combine them depending on the needs of the small
11 business on how much equity is needed in the deal.
12 CHAIRPERSON STOGEL: So you really --
13 MR. CRAVER: So we monatize the credit up
14 front into the fund.
15 CHAIRPERSON STOGEL: What's the -- then
16 let's go the other way. In terms of a $10 million
17 allocation, there's 3.9 million of state credits.
18 MR. CRAVER: Correct.
19 CHAIRPERSON STOGEL: What's the present
20 value equivalent of those credits since you're doing
21 the equity approach on the interest rate?
22 MR. CRAVER: The present value equivalent
23 of those 3.9 million, it's about -- so it goes from
24 39 cents to about 25 cents depending on where it's
25 trading.

1 CHAIRPERSON STOGEL: Two and a half
2 million dollars?
3 MR. CRAVER: Correct.
4 CHAIRPERSON STOGEL: So the present value
5 discount is something like four?
6 MR. CRAVER: Yes.
7 CHAIRPERSON STOGEL: Okay. Just trying
8 to understand the math. So you're doing an equity
9 approach on an interest rate write down approach?
10 MR. CRAVER: Yes.
11 CHAIRPERSON STOGEL: We can help
12 translate that for the Commission. Thank you.
13 CHAIRPERSON GROSS: Pete, did you have a
14 question?
15 COMMISSIONER LEVI: Suppose there were no
16 state program, but just a federal program. What
17 would the impact be in the state of Missouri?
18 MR. CRAVER: The impact would be much
19 less federal New Markets investing going into the
20 state. The other impact would be that this program
21 which is really sort of getting the best of the best
22 from the standpoint of every year only about 15
23 percent of applicants who apply to the federal
24 program are even given an allocation, that entire
25 network of accountants and CPA's and investors would

1 be doing much less investing in small businesses in
2 the state or would be taking their federal money and
3 investing it elsewhere.
4 COMMISSIONER LEVI: But you say in your
5 material that Missouri is one of eight states to have
6 implemented this state program.
7 MR. CRAVER: Correct.
8 COMMISSIONER LEVI: Why hasn't it been
9 more widespread around the country?
10 MR. CRAVER: When Missouri implemented,
11 it was the third state.
12 COMMISSIONER LEVI: Why aren't there 40
13 states or 20 states or 30 states?
14 MR. CRAVER: It has -- it's been
15 implemented in five other states since Missouri
16 implemented it. I've seen legislation running in a
17 dozen states in any one year. So what individual
18 legislatures decide is beyond my scope of knowledge.
19 Including this one.
20 CHAIRPERSON STOGEL: And so, but bottom
21 line, you'd like to see the program extended and
22 advanced?
23 MR. CRAVER: Correct.
24 CHAIRPERSON STOGEL: Okay. We got that.
25 COMMISSIONER STILL: Mr. Chairman, I

1 didn't -- I'm just getting up to speed on this, guys.
2 Would it be fair to say that your -- Advantage
3 Capital, you're kind of a middleman between these
4 companies that meet the qualifications --
5 MR. CRAVER: Correct.
6 COMMISSIONER STILL: -- and the tax
7 credits?
8 MR. CRAVER: I don't prefer the term
9 "middleman." I would call it an investment fund
10 manager, portfolio manager. So much like a venture
11 capital firm is both a combination of managing a
12 portfolio of multiple investments as well as
13 providing mentoring for those investments.
14 COMMISSIONER STILL: So when you find --
15 you find a company that meets all the qualifications,
16 is that what happens?
17 MR. CRAVER: Yes.
18 COMMISSIONER STILL: And then do you --
19 MR. CRAVER: Or they find us.
20 COMMISSIONER STILL: Or they find you.
21 MR. CRAVER: Yes.
22 COMMISSIONER STILL: Okay. And then do
23 you apply for the credit or do they apply for the
24 credit?
25 MR. CRAVER: We apply for the credits.

1 We apply for the credits actually ahead of the
2 conversation with the small business.
3 COMMISSIONER STILL: Okay. So but once
4 you have the credit, then you have to invest it in
5 companies that meet these qualifications?
6 MR. CRAVER: Correct, that are in low
7 income communities.
8 COMMISSIONER STILL: Then do you go ahead
9 and sell them right away and they go out there in the
10 market or what --
11 MR. CRAVER: No. We don't actually sell
12 them out into the market. The -- in every New
13 Markets transaction whether it's on a single deal or
14 on a fund basis, there is a tax credit buyer who is
15 an equity investor into the fund, provides the up
16 front equity capital. Then there's also a lender
17 into that same fund. The equity investor is the one
18 who gets those tax credits. In order for that to be
19 transferred to a different taxpayer, you'd have to
20 switch out equity investors. The skin in the game
21 has to change.
22 COMMISSIONER STILL: And that's a
23 requirement of the program?
24 MR. CRAVER: Correct.
25 COMMISSIONER STILL: All right. All

1 right. I'm learning here, thank you.
2 CHAIRPERSON GROSS: Any questions or
3 comments? Thank you.
4 MR. CRAVER: Thank you.
5 CHAIRPERSON GROSS: We have two other
6 commissioners who have arrived, Senator Robin Wright-
7 Jones and Commissioner Craig Van Matre.
8 COMMISSIONER VAN MATRE: Van Matre, close
9 enough.
10 CHAIRPERSON GROSS: Van Matre. Also I
11 don't know if they're still here, but two local
12 legislators were here, Chris Kelly and --
13 Representative Chris Kelly and Representative Mary
14 Still. Are they still here?
15 Sorry, I missed them, but we appreciate
16 them assisting putting this together as well.
17 Next on the list is Frank Cordie.
18 Welcome. State your name, spell it for
19 the record and proceed.
20 MR. CORDIE: My name Frank Cordie,
21 C-o-r-d-i-e. I'm the president and chief executive
22 officer of Mid-America Brick in Mexico, Missouri.
23 And I'm not here to talk eloquently about
24 the legislative side of things, but I can talk to you
25 from a person that has benefited from New Market tax

1 credits. Without New Market tax credits, none of
2 what we have achieved would be possible today.
3 Let me just give you a little idea of
4 what has happened over the last -- I started on the
5 project in December of 2006 and the project is to
6 take the former A.P. Green refractory plant in
7 Mexico, Missouri, and to convert it to a plant that
8 makes brick for home construction, institutions, the
9 brick you see on the walls here -- which I really
10 like by the way, the fact that we got brick inside
11 the buildings, this is good. Good consumer.
12 So started on the project. The hurdle
13 in -- I don't know if it's a function of today's
14 economy, I've never done it, I've never been a
15 startup entrepreneur before, but to raise funds to
16 pull this kind of a magnitude of a project is
17 extremely, extremely difficult. It's a $22 million
18 project, and to raise the kind of capital we
19 needed -- well, we started it on -- in December of
20 2006 and we closed the deal this past June 1st, so
21 that gives you a scope of the magnitude of the
22 project to pull this together.
23 The New Market tax credits enabled us to
24 communicate and get on board with Advantage Capital
25 who you just heard, and without them, we would not

1 have been successful in this venture at all. I don't
2 want to say it was exclusively them, but it was
3 primarily Advantage Capital. Without them, nothing
4 else made sense. They brought together a lot of
5 equity funding. Through them I found other partners
6 to equity -- to invest in the business with, as well
7 as a lot of private investors that I attained myself
8 to come up with the necessary funds.
9 We will have a $12 million capital
10 investment into the facility. We are employing
11 people. To give you an idea, we are now into the --
12 I think today is day 120 of our existence here since
13 June 1st when we took ownership of it, and I have 25
14 employees right now on site working. Not only --
15 those are my employees, but in addition to that we
16 have a lot of contractors in there. We've got
17 everything from -- everything you can imagine, from
18 electrical to plumbing to mechanical contractors,
19 demolition people. At any given time we have
20 probably 50 to 75 people that are being employed
21 working on the facility as we speak. We were
22 definitely shovel ready.
23 But the -- in terms of if this program
24 did not exist, then none of what we have achieved
25 would have happened, there's no doubt about that.

1 We have also utilized other benefits. We
2 utilized the Brownfield tax credits. The Brownfield
3 tax credits help us remediate the site, and we're
4 still in the process of going through that right now.
5 We've had the economic -- the Enhanced Enterprise
6 Zone, excuse me, Enhanced Enterprise Zone, we're just
7 beginning on utilizing some of that. We're utilizing
8 a lot of that from the aspects of training because
9 everybody's a new employee, so we've got a lot of
10 training needs at out facility. We have training
11 meetings, numerous of those; today, as a matter of
12 fact. We have the investors, the investor group, but
13 we have leveraged by having all of this available.
14 Oh, we also have the USDA, U.S. Department of
15 Agriculture, the government guaranteed loan because
16 we are rural, so we were able to guarantee the loan
17 and help from some aspects.
18 It's very difficult to find a bank that
19 wants to deal with something of this magnitude,
20 startup in a blighted area, if you want to say such.
21 We did find one in Tennessee. And that was brought
22 on board through connections through again with
23 Advantage Capital. The whole spectrum works. The
24 Advantage Capital group, while they are providing a
25 lot of our capital needs, they also provided a lot of

1 the support necessary for me to get the marketing
2 plan and all the other functions that are necessary
3 in the process of formulating this organization, this
4 company and going forward.
5 I see it for -- you know, I'm here for --
6 not for myself now, I'm here for the next guy. And,
7 you know, as Sallie Hemenway, you're familiar with
8 me, and the Department of Economic Development has
9 been outstanding in the state of Missouri. Without
10 the Department of Economic Development, none of this
11 would have been able to happen either. Commend them
12 highly for everything that's happened.
13 Local government as well. We've got
14 local government impacted here, we've got community
15 involvement, we've got local investors. It takes --
16 it takes an entire community together to pull all
17 this together. The next guy who's got an idea, the
18 next guy that's got a dream, the next guy that wants
19 to make something happen, he's got to have resources
20 to do that.
21 I read your -- on your website, got on
22 there and read around a little bit. You have a Power
23 Point on there and on the Power Point you talk about
24 the gross domestic product and you have a 13.5 I
25 believe the number was, something in that

1 neighborhood, of manufacturing in the state of
2 Missouri. And we need to pump that up.
3 Manufacturing, it creates so many other jobs. I know
4 years ago it used to be a seven to one factor, for
5 every one you did in manufacturing, it created seven
6 other jobs in service sectors as well. Well, you
7 know, like I said, I've got 25 people working right
8 now. We're going to have substantially more than
9 that when we get to making brick, but we're right now
10 leveraging the job of well over a hundred people
11 being employed, simply because of what we were able
12 to do.
13 And as a definite benefactor of the New
14 Market tax credits, of the Brownfield tax credits, of
15 the economic -- Enhanced Enterprise Zone, and
16 Department of Economic Development and the USDA, I
17 appreciate it and thank everybody for your help and
18 assistance.
19 CHAIRPERSON STOGEL: Do you have both
20 state and federal New Markets?
21 MR. CORDIE: The -- I don't give the tax
22 credits. The tax credits go to the CDE.
23 CHAIRPERSON STOGEL: No, I know that.
24 MR. CORDIE: But yes, yes.
25 CHAIRPERSON STOGEL: We're -- Jeff, were

1 both federal and state twinned?
2 MR. CRAVER: A blend, yes.
3 CHAIRPERSON STOGEL: We wish you great
4 success with your business and it's a very exciting
5 story and maybe two years from now you'll have 125
6 direct employees. We would wish that for you and for
7 your community.
8 MR. CORDIE: Thank you.
9 COMMISSIONER VAN MATRE: Could I? In
10 your particular situation, how many dollars in tax
11 credits were awarded versus how many dollars actually
12 translated into investment in your business?
13 MR. CORDIE: In terms of the tax credits
14 for the New Market tax credits, I don't get them,
15 they go --
16 COMMISSIONER VAN MATRE: No, I --
17 MR. CORDIE: -- to the CDE.
18 COMMISSIONER VAN MATRE: -- understand.
19 MR. CORDIE: But the CDE made a $10
20 million loan.
21 COMMISSIONER VAN MATRE: But the
22 efficiency is what I'm looking for in terms of how
23 many dollars --
24 MR. CORDIE: Of equity money is put into
25 the project total?

1 COMMISSIONER VAN MATRE: As a result of
2 these specific credits that were granted by the
3 State. I'm looking at is there were X dollars
4 awarded and that translated into Y dollars you could
5 use.
6 MR. CORDIE: Yeah. The --
7 COMMISSIONER STOGEL: Let Jeff handle
8 this. He can nail that number right away.
9 MR. CRAVER: I can speak to that. We
10 used the maximum cap on the program which is $10
11 million into any allocation -- of allocation.
12 CHAIRPERSON STOGEL: Which is 3.9
13 MR. CRAVER: 3.9 million of credits.
14 CHAIRPERSON STOGEL: Of state credits.
15 And what was the sum of the Brownfield credits?
16 MR. CRAVER: I don't --
17 CHAIRPERSON STOGEL: Ball park.
18 MR. CORDIE: It's 1.6.
19 COMMISSIONER VAN MATRE: No. When these
20 credits are presented to the State of Missouri for
21 redemption --
22 MR. CRAVER: Correct.
23 COMMISSIONER VAN MATRE: -- how many
24 dollars worth of credits will be presented?
25 MR. CRAVER: There will -- they will

1 present 3.9 million spread over five years.
2 COMMISSIONER VAN MATRE: All right.
3 CHAIRPERSON STOGEL: And then the
4 Brownfield's another 1.6. And within --
5 COMMISSIONER VAN MATRE: I don't care
6 about Brownfield. Just the state credit.
7 MR. CRAVER: Just the state New Markets
8 credit would be 3.9 million presented over five
9 years.
10 COMMISSIONER VAN MATRE: And of that 3.9
11 million, how much did Frank get --
12 MR. CRAVER: That would be for that
13 particular project.
14 COMMISSIONER VAN MATRE: No, I --
15 MR. CRAVER: Because the total --
16 COMMISSIONER VAN MATRE: -- understand
17 that.
18 MR. CRAVER: -- project cost was 21
19 million and change.
20 COMMISSIONER VAN MATRE: How many dollars
21 did that translate into in terms of investment into
22 the business?
23 CHAIRPERSON STOGEL: Based on your
24 earlier testimony --
25 MR. CRAVER: That's a response I'd have

1 to get back to you later on just because the sources
2 and uses of the capital as they came out of funds
3 were -- already had equity sources within the cap--
4 within those funds. So to break it down into an
5 individual deal, to unwind our entire transaction
6 is -- into an individual deal is not something I
7 could do by memory.
8 COMMISSIONER VAN MATRE: I may be the
9 only one that has this view of what the commission's
10 supposed to do, but we're looking at budget deficits
11 and everybody wants their credit protected. And so
12 among the factors we're looking at in terms of
13 recommending at the end of the road is how efficient
14 is this particular credit in terms of translating
15 money spent by the State in effect versus money
16 invested. Can you just ball park it?
17 MR. CRAVER: The ball park would be $3.9
18 million spent over five years.
19 COMMISSIONER VAN MATRE: No. That as I
20 understand it is the dollar amount the State is going
21 to pay --
22 MR. CRAVER: Correct.
23 COMMISSIONER VAN MATRE: -- by allowing
24 people not to pay that much in taxes.
25 MR. CRAVER: Yes.

1 COMMISSIONER VAN MATRE: What I want to
2 know is how much of 3.9 found its way into Frank's
3 operation?
4 CHAIRPERSON STOGEL: Didn't you --
5 MR. CRAVER: Oh. So --
6 CHAIRPERSON STOGEL: -- say two and a
7 half million?
8 MR. CRAVER: -- roughly two and a half
9 million on that, yes.
10 CHAIRPERSON STOGEL: The earlier
11 testimony, Craig, before you got here --
12 MR. CRAVER: And these are ball park
13 figures obviously.
14 CHAIRPERSON STOGEL: Plus or minus 25 --
15 two and a half million today is received and three
16 and a half million over seven years is put out by the
17 State. So the -- on a present value basis it's two
18 and a half in and 3.9 out based on what Jeff said.
19 MR. CRAVER: On a present value basis,
20 yes.
21 CHAIRPERSON STOGEL: So that two and a
22 half million will be deployed that the State pays
23 for, nothing for the first two years, and then over
24 five years.
25 MR. CRAVER: Correct.

1 CHAIRPERSON STOGEL: Correct?
2 MR. CORDIE: I -- can I comment just on
3 that? The --
4 MR. CRAVER: But it leverages so much
5 more.
6 CHAIRPERSON STOGEL: Yeah, we
7 understand. For everybody in the audience that is
8 paired up with Brownfield, the loan from the SLDA,
9 the equity from the federal historic -- I mean, the
10 federal New Markets is to give you a chemistry so
11 that --
12 MR. CORDIE: And the equity investors.
13 CHAIRPERSON STOGEL: And the other --
14 MR. CORDIE: You know, I got -- I got
15 five point something million of equity investors that
16 none of that would have come into our community had
17 we not had that.
18 CHAIRPERSON STOGEL: So all the pieces --
19 COMMISSIONER VAN MATRE: The trouble --
20 what I'm saying here, it sounds like I'm criticizing
21 the program, but I'm not. But the problem is there
22 has to be some way of allocating resources in the
23 state that we can justify. And so if what I'm
24 hearing is accurate, you're saying 60 percent of
25 every dollar the State spends finds its way directly

1 into an investment in Frank's business.
2 MR. CRAVER: More like 65, but yes.
3 COMMISSIONER VAN MATRE: Okay. And so I
4 mean the corollary I suppose is if the State just
5 gave you that 65 cents, it wouldn't have been a
6 matter of difference to you; either way you would
7 have gotten 65 cents out of every dollar.
8 MR. CORDIE: As long as I would have
9 gotten the rest of the money that they put in behind
10 it with their equity.
11 COMMISSIONER VAN MATRE: And that's all a
12 function --
13 MR. CORDIE: Yeah.
14 COMMISSIONER VAN MATRE: -- of a number
15 of things.
16 MR. CRAVER: And -- and to reiterate a
17 point made earlier which is that when Frank pays us
18 back in advance, you know, because the business will
19 be that successful, the 65 cents when he pays us back
20 the 65 cents, under law, under state statute and
21 federal statute, we're required to then reinvest it
22 until the full seven-year term has run. So 65 could
23 become a 1.30.
24 CHAIRPERSON STOGEL: That's all correct,
25 that's a very good point, but to Craig's point a part

1 out of $22 million, 3.9 was -- excluding the
2 Brownfield -- was the State's participation some,
3 under 20 percent.
4 MR. CRAVER: Yes. And it's much easier
5 to give me a -- give you a sort of portfolio-wide
6 analysis of total tax credits on the whole portfolio
7 and then say the six or seven businesses that were
8 receiving the funding.
9 CHAIRPERSON STOGEL: Since efficiency is
10 one of the charges, if you think you would like to
11 submit more information for other companies besides
12 Mid-America Brick, that would be welcome.
13 COMMISSIONER LEVI: But if you take that
14 one step further and you say, those tax credits help
15 create jobs, can you translate those jobs into
16 dollars and then what the ultimate revenue is to the
17 State as a result of the saving or creating jobs?
18 MR. CRAVER: Yes. In the study that was
19 provided on the first $9 million of credits that the
20 State authorized on the -- on the cap, on the first
21 $9 million of cap space which -- which Mid-America
22 Brick was not a part of, those jobs, when taking a
23 run through an M-plan analysis, kicked out 65 million
24 of general revenue from that 9 million. Now, that's
25 9 million over five years; it's roughly 49 million

1 dollars, return is 65 million in the first two years
2 of the program with then still another five years of
3 positive benefits.
4 COMMISSIONER LEVI: Do we have those
5 numbers in --
6 MR. CRAVER: You do.
7 COMMISSIONER LEVI: -- these materials?
8 MR. CRAVER: You do have.
9 CHAIRPERSON STOGEL: Have you tested
10 under the REMI model?
11 MR. CRAVER: We have not. My experience
12 is just that the M-plan model tends to be more
13 conservative, but I'm not an economist.
14 CHAIRPERSON STOGEL: Neither am I, we've
15 established that already today. But Brian -- maybe
16 it would be -- we have somebody who's here from the
17 Senate --
18 MR. CRAVER: We've never had access to a
19 REMI model.
20 CHAIRPERSON STOGEL: Sallie and Brian may
21 be --
22 CHAIRPERSON GROSS: I thought REMI was
23 run on all of them.
24 MS. HEMENWAY: It is.
25 CHAIRPERSON STOGEL: We'll double back

1 and share that with you.
2 COMMISSIONER STILL: What was meant by
3 the CDE? What's the CDE?
4 MR. CRAVER: It's the Community
5 Development Entity. It's the federal name for the --
6 for essentially Advantage Capital for the entity that
7 we establish to then apply for the program.
8 CHAIRPERSON STOGEL: It's how the federal
9 program and the state program process the paperwork
10 so that you can leverage the private capital.
11 CHAIRPERSON GROSS: Craig, were you
12 finished?
13 COMMISSIONER VAN MATRE: Well, the -- I
14 mean, this particular credit, am I right though, is
15 not necessarily limited to -- I mean, with a
16 manufacturing firm you'd have a good case of
17 leveraging and that classic multiplier factor, but
18 there -- what other types of benefits to the State
19 from these credits are you familiar with?
20 MR. CRAVER: Manufacturing has been the
21 largest sector that's benefited from it. It has gone
22 into a number of other sectors. It's gone into
23 venture capital for early stage company -- company
24 that's profiled in your portfolio called Baron
25 Technologies; they do cancer research. It's a much

1 smaller employment number, seven jobs, but they're
2 all six-figure jobs and relocated from Tennessee into
3 the central west, so.
4 COMMISSIONER VAN MATRE: If you were
5 going to -- if you were tasked with the job of more
6 specifically targeting the application of this credit
7 to where it would do the most good, how would you
8 consider refining the definition of eligibility to
9 just do that?
10 MR. CRAVER: The definition of
11 eligibility currently has a number of businesses that
12 are considered off the list. So you can't invest in
13 golf courses, you can't invest in packaged liquor,
14 you can't invest in massage services and things of
15 that nature, sin business as --
16 COMMISSIONER VAN MATRE: But the way --
17 MR. CRAVER: -- the Congress has
18 determined.
19 COMMISSIONER VAN MATRE: -- it is now --
20 MR. CRAVER: Best way -- the best way I
21 think to go about it if you were to restrict further,
22 which I would not encourage, would be to stick to
23 that method of saying, Don't invest in these types of
24 businesses.
25 COMMISSIONER VAN MATRE: Instead of --

1 MR. CRAVER: When you --
2 COURT REPORTER: I'm sorry, I can only
3 take one person talking at a time.
4 MR. CRAVER: Sorry. When you highly
5 target any type of venture capital, you make the
6 fundraising practically impossible. So to go out to
7 an institutional investor and say, I want to raise a
8 fund; by the way, it's got to be Missouri only, it's
9 got to be low income community only, oh, and it has
10 to only be in this sector --
11 COMMISSIONER VAN MATRE: In manufacturing
12 for example?
13 MR. CRAVER: Or whatever it might be.
14 You're never going to raise a portfolio because
15 that's -- that's a hyperexposure to too many sector
16 narrowing. You know, you can't get any diversity in
17 your portfolio. When you raise a -- I'm going off
18 subject here, but to compare that to traditional
19 venture capital where you say they may raise just for
20 medical devices, they're investing in 50 states and
21 perhaps internationally as well. We're investing in
22 Missouri only, in low income communities only. So
23 the ability to have a broad portfolio is very
24 important.
25 COMMISSIONER VAN MATRE: So there is no

1 particular magic bullet that's going to fire at this
2 particular credit that would reduce and affect its
3 cost to the State because you think it's already as
4 efficient as it should be?
5 MR. CRAVER: In my opinion, yes.
6 CHAIRPERSON STOGEL: What if the credits
7 were started in year one and didn't have the two-year
8 hiatus?
9 MR. CRAVER: I -- actually I don't
10 think -- while you would get an earlier, better net
11 present value on the equity produced from the
12 credits, you would have an immediate budgetary impact
13 when the funds are raised without the jobs being in
14 place to offset that budgetary impact.
15 CHAIRPERSON STOGEL: Fair comment, thank
16 you.
17 CHAIRPERSON GROSS: Thank you for being
18 here.
19 CHAIRPERSON STOGEL: For the record this
20 is the first time I think we've had such commentary
21 at all on the New Markets credits, so thank you for
22 sharing all that.
23 CHAIRPERSON GROSS: Thank you, Mr. Cordie
24 as well. Next on the list is Deb Sheals.
25 MS. SHEALS: Hello, my name's Debbie

1 Sheals, it's D-e-b-b-i-e S-h-e-a-l-s.
2 Well, that was very good discussion. I'm
3 going to switch to historic preservation tax credits.
4 I don't envy you your task, you have a lot of
5 programs to look at. I only know one of them, but I
6 know it pretty well, so that's what I'm hear to talk
7 about today. And essentially I'm here in support of
8 the historic preservation tax credits.
9 I really think this is a program that's
10 well run and I don't think it's broken. I think
11 trying to fix it could do more harm than good. Make
12 the point that this is a rebate on investment, that
13 private capital is spent for years sometimes before
14 any tax credits are given out. So the private
15 investment happens long before the state outlay goes.
16 It also leverages a high dollar, at least
17 four to one of private investment. They're 25
18 percent of the total tax -- of the -- of the
19 qualified cost. For example in FY '07, that ended up
20 being 19 percent of total project costs, so we got
21 almost five dollars of investment going for the
22 dollar of state credits. Because this investment
23 happens before the tax credits are awarded, the State
24 actually gets income before paying it out.
25 I found that a nice study in Maryland,

1 and it's always -- Mr. Van Matre, the question is
2 always, we pay out a dollar, what are we getting
3 back. The Maryland study was very good, and I have a
4 hard time -- I've read a lot of studies and it's hard
5 to find that. They often speak in generalities
6 instead of dollar for dollar. They found, and I've
7 done similar math, that the State got 34 cents for
8 every dollar before they ever paid out a penny
9 because you pay -- you either pay employment taxes or
10 you pay sales taxes on materials for the construction
11 projects. So we're getting money as a state before
12 we ever pay anything out.
13 Maryland found that within a year, 1.02
14 came back and by the end of the fifth year, they had
15 reached $3.31 for that dollar of investment. So
16 they're getting it back.
17 This project also hits the but-for
18 factor. Many, many projects simply would not happen
19 but for this incentive. Historic preservation is a
20 particular type of development. It has a lot of
21 rules and a lot of requirements that can increase the
22 budget. It's also a high quality, so as a community
23 we get a quality product. It also encourages
24 investment in the oldest part of the communities
25 where our old buildings are, so we target good

1 investment there, and for that we do the tax
2 credits. But they target good development exactly
3 where we need it.
4 You want to see -- you want to know what
5 to do to fix it. Obviously I like the program; I
6 don't want to see a lot done to it. I would hope
7 that you would stick as close to this program was
8 developed to pair with federal programs. Let's not
9 reinvent the wheel; let's stay close to that.
10 You know, the description or the
11 definition of historic is set by the National Parks
12 Service. Let's keep that; let's not tinker with
13 that. Let's not tinker with allowable costs that
14 vary too much from the federal, so that we're not
15 setting two sets of rules.
16 And I'm a historic preservation
17 consultant, I've worked in Columbia and across the
18 state. My clients often use federal and state
19 credits, and they have the same set of rules now and
20 it works on both -- both playing fields.
21 I would really urge you not to put
22 legislative or administrative discretion into the
23 mix. You know, we had a speaker earlier that said it
24 should all go through appropriations. It's -- it's
25 an administrative nightmare and hardly fair to get a

1 lot of these programs battling against each other.
2 If you have folks doing historic programs, they're
3 going to battle over the guys that are trying to get
4 GED's done. They're going to battle over somebody
5 else every year; nobody's going to be certain of
6 what's going on. It takes all the certainty out of
7 it and it's not going to pull the investment in.
8 You know, as I said, I just finished a
9 project now that started in 2006. They're just now
10 pulling their credits this year, once they get
11 through their review process.
12 COMMISSIONER WOOD: You realize -- you
13 realize though every department or everybody that has
14 something in the state budget has that uncertainty?
15 And for those of us that fight that, and I'm not
16 saying I'm supportive or not, come on in, the water's
17 fine or not.
18 THE WITNESS: Yeah.
19 COMMISSIONER WOOD: But you're looking
20 for certainty. Everybody's looking for certainty in
21 the state budget. So I mean, I understand better not
22 going in the appropriations process because deals
23 won't get done, than I do the uncertainty as you
24 explained it.
25 THE WITNESS: Okay. And that's what I

1 was trying to say.
2 COMMISSIONER WOOD: I understand -- I --
3 MS. SHEALS: The deals won't get done.
4 Thank you for the clarification then because that,
5 you know --
6 COMMISSIONER WOOD: But you understand my
7 point is that those of us that work with the state
8 budget, we're fighting against --
9 MS. SHEALS: Right.
10 COMMISSIONER WOOD: -- social services
11 and everybody, and you don't want to do that because
12 you understand their needs as well. But that's what
13 the people that are supporting that say, Come on in
14 and fight with higher education and K-12 and social
15 services and corrections and everybody else, come on
16 in to that battle with us.
17 MS. SHEALS: I see your point. But I --
18 it simply would not be an economic incentive if --
19 if --
20 COMMISSIONER WOOD: That's your better
21 answer.
22 MS. SHEALS: If you -- okay. And I
23 wasn't saying it well. Thank you.
24 COMMISSIONER WOOD: I understand both
25 sides of the issue.

1 MS. SHEALS: Okay. As to the certainty
2 or, you know, as far as appropriations, we did cap
3 this program two years ago. So we know what's coming
4 down the pipeline. It is -- it is predictable for
5 budget writers. We know we're not going to spend
6 more than $140 million on historic credits. My
7 clients know that if for some reason they hit the
8 cap, they're going to have a fair process to get in
9 line for the next year's allocations. It's -- it was
10 a change that was painful for all concerned to make,
11 but it was put together well and it will work if we
12 give it time. And so we can get that incentive and
13 it is still predictable.
14 Also like to make to that point that the
15 Department of Economic Development does a good job
16 with this. Transparency and accountability came up
17 earlier. This is a transparent program, and it's
18 very accountable. DED in early '09 put rules into
19 place that looked at a lot of things that were
20 potentials for abuse including things they'd already
21 done, but they review all costs very closely.
22 And I know you've heard from many
23 developers that go through that, you're -- they're
24 not -- a lot of people think they just hand you a
25 check at the beginning of the program, and it's not

1 that at all. It's very closely watched. They review
2 legal documents, they review partnership agreements,
3 they look closely at related parties to make sure
4 developer's not paying the contractor and are all the
5 same person. Cost cannot -- very few costs can be
6 accrued, you need to spend that money before you get
7 tax credits awarded on. You have to report the jobs
8 you create afterwards. This is a very transparent
9 program and very closely monitored. They -- you
10 know, the State does a good job of watching over our
11 dollars. Those of us in preservation sometimes whine
12 about it, but they're watching out for all of us.
13 CHAIRPERSON GROSS: I think to the
14 gentleman's point on transparency, you're both coming
15 from two different perspectives. From a, kind of a
16 citizen's standpoint of looking to see where the
17 dollar's going to in taxes, it's not -- it's not
18 transparent. It takes a lot of digging to try to
19 find the kind of detail you're talking about on
20 projects that are funded and what the money goes to.
21 And I'm not arguing how well DED requires
22 documentation and that type of thing. But in terms
23 of, back to the appropriations issue, where are they
24 going to put their dollars. It's not there; it's not
25 in the budget. There's not a line item in the budget

1 that says, historic tax credit program, $100 million
2 or $140 million and 2 million to the project on Main
3 Street and 5 million to the project on -- you know,
4 that -- that's the kind of transparency.
5 And I'm not -- I don't know how to get
6 there. I'm just --
7 MS. SHEALS: And that --
8 COMMISSIONER GROSS: -- saying from a
9 different perspective.
10 MS. SHEALS: That's public record. Once
11 a project's finished, it's public record.
12 COMMISSIONER GROSS: I'm not saying it's
13 not a public record. It's just --
14 MS. SHEALS: It's hard to find.
15 COMMISSIONER GROSS: -- more difficult --
16 it is, a lot, different perspective. From your
17 standpoint it's a piece of cake, you all know exactly
18 where to go, where to look, what the dollars are,
19 what's required from DED, you know exactly where it
20 is.
21 MS. SHEALS: Well, but that's why people
22 have to hire me because --
23 COMMISSIONER GROSS: I understand.
24 MS. SHEALS: -- it's not easy. You're
25 right, you're right.

1 COMMISSIONER WOOD: My understanding, the
2 project specific is transparent.
3 MS. SHEALS: Yes, I think so.
4 COMMISSIONER WOOD: The overall
5 program --
6 MS. SHEALS: The program --
7 COMMISSIONER WOOD: -- though, that's
8 where -- that's where we're having trouble.
9 MS. SHEALS: Maybe that's where it is. I
10 feel it's very transparent, and that's back to the
11 federal. I mean, the guidelines are laid out, it's
12 all very clear. And, you know, that's what I hope we
13 can continue is that we have these clear rules and
14 you have to follow these rules no matter who you are
15 or who you're connected to, these are the rules, this
16 is what's done. And my argument is that these are
17 rules that have been well thought of, well tested,
18 they're working well, they give a quality product for
19 the State. They give a quality product for the
20 communities. You know, it's working.
21 CHAIRPERSON STOGEL: I'd very much like
22 to read the Maryland study.
23 MS. SHEALS: I can get that for you. It
24 was interesting. And those are figures actually, and
25 I'll get all of you, it's called the Abell report,

1 it's the best economic study I've seen because it's
2 in plain English. I'm a historian; I've waded
3 through some pretty murky financial records trying to
4 get this done, but this was nice, clear language.
5 COMMISSIONER WOOD: And you've been on
6 the conference call with the subcommittee.
7 MS. SHEALS: I have.
8 COMMISSIONER WOOD: Is that correct?
9 MS. SHEALS: Yes.
10 COMMISSIONER WOOD: I sit on that. You
11 might recognize my voice, I wasn't there, but I
12 would -- I'm the same way, if you get it to the
13 co-chairs --
14 MS. SHEALS: Yeah, it's --
15 COMMISSIONER WOOD: -- we can at least
16 get it to that subcommittee.
17 MS. SHEALS: It's the best one I've
18 seen. And in fact they did a follow-up study that
19 said, it's too bad -- you know, they made some
20 changes to their program and the follow-up study
21 said, if you hadn't made these changes, you would
22 have done even better.
23 COMMISSIONER WOOD: That's why I'm trying
24 to get through this one before Friday, so.
25 MS. SHEALS: That one is -- it's a few

pages and you can read it over lunch.

CHAIRPERSON STOGEL: Debbie, if you get it to me, we'll get it distributed to the commissioners.

MS. SHEALS: I'll be happy to.

CHAIRPERSON GROSS: Russ?

COMMISSIONER STILL: Do you have a -- was there a project here in Columbia or is that --

MS. SHEALS: There's a lot of projects in Columbia. We've had I think $30 million of investment in downtown Columbia. We have the Missouri Theater; we have the building that Kaldi's is in, which is my office now; we have the Berry building on Walnut Street, you're going to hear about that from another speaker; the Missouri Theater; the Atkins City Center was one of the first ones.

COMMISSIONER STILL: Okay.

MS. SHEALS: It's almost ten years ago now. That kind of started -- that was a building that had been remodeled in the '60s. When they started, I think they had a 30 percent occupancy rate at just rock bottom rentals; it's been fully leased ever since and it's spun off a lot of associated development. So that's been back in service for ten years and still full employment and full occupancy

1 downtown.
2 COMMISSIONER STILL: Do you know about
3 how many owner-occupied residential projects there
4 are?
5 MS. SHEALS: In Columbia?
6 COMMISSIONER STILL: No, I mean
7 anyplace.
8 MS. SHEALS: No, I don't. And I don't
9 know if Sallie or Ann have the figures on
10 residential. We don't have a lot in Mid-Missouri --
11 or a lot in Columbia.
12 You know, where I really see that work
13 quite well is for neighborhoods, and that was another
14 reason I'd hate to see you change the -- the
15 definition of historic to say just individuals.
16 Because a district sometimes will get a collection
17 and you almost get critical mass after you get
18 several people that spend the money or that are
19 incented by the tax credits through the money. Then
20 the guy across the street says, well, you know, I'm
21 not going to do a major rehab, but I'll fix this up,
22 and property values creep up and so it can create its
23 own critical mass. I will say that that was also
24 capped by House Bill 191 which I think was a good --
25 a good move. It's a good way to watch over what

1 we're doing and still allow that --
2 COMMISSIONER STILL: And this is, the cap
3 is 70 million?
4 MS. SHEALS: The cap is 140 a year, but
5 they put a per project cap on residential of I think
6 250,000 in credits.
7 CHAIRPERSON STOGEL: That's for a single-
8 family house?
9 MS. SHEALS: That's for a single-family
10 house.
11 CHAIRPERSON STOGEL: So somebody would
12 have to spend a million dollars on that house?
13 MS. SHEALS: Yeah. Before that, you
14 could spend 10 million on your house so, you know,
15 that was government in action, it worked quite, I
16 think, well.
17 CHAIRPERSON STOGEL: For single family
18 homes the testimony in at least St. Joe and Cape was
19 a floor of 10 to 12 thousand dollars would work fine,
20 at least in that section.
21 MS. SHEALS: I think that's low. I think
22 it's okay to have a cap, but don't go so low that
23 you're not getting -- sometimes you'll get those, oh,
24 that white elephant in the neighborhood that there's
25 just nothing else you can do with it, that that will

1 give somebody the incentive to do that. So if you go
2 too low, then you miss those. So 10,000 I don't
3 think is enough. It's -- you know, it's -- it's a
4 well-administered program, but just the cost of
5 running it would make it so high that for $10,000 in
6 credit, you couldn't get it done.
7 CHAIRPERSON STOGEL: Just want to share
8 testimony. Those were single families, not the Watt
9 condo --
10 MS. SHEALS: Right.
11 CHAIRPERSON STOGEL: -- project in
12 Springfield or in downtown Kansas City.
13 MS. SHEALS: Yeah.
14 CHAIRPERSON STOGEL: Or St. Louis.
15 MS. SHEALS: I've done a little work in
16 St. Joe; they need the investment.
17 CHAIRPERSON STOGEL: What?
18 MS. SHEALS: I've done a little work in
19 St. Joe, but I think that's too local.
20 CHAIRPERSON GROSS: Russ?
21 COMMISSIONER STILL: I'm finished.
22 CHAIRPERSON GROSS: Craig?
23 COMMISSIONER VAN MATRE: Yes. So you
24 think that it's important to preserve the right of
25 somebody who is going to put a million dollars in

1 their home to get $250,000 of that money from the
2 State?
3 MS. SHEALS: I think it's important to
4 keep that incentive there. I don't know if the cap
5 needs to be that high. But I think you don't -- you
6 know, this -- as we spend the dollars, the figures
7 are showing that this is paying for itself.
8 COMMISSIONER VAN MATRE: Well, let's test
9 that just a second. The dollars that are spent are
10 tracked in the form of I suppose construction
11 services and -- and those kinds of benefits. Would
12 you get exactly the same kind of economic benefit if
13 you just built -- if you invested in any building,
14 let alone historic?
15 MS. SHEALS: Yes, if --
16 COMMISSIONER VAN MATRE: So the only
17 benefit -- the only marginal benefit to the State
18 from the program is the preservation of historic
19 properties?
20 MS. SHEALS: No, no. Let me finish
21 there. If I'm going to spend a million dollars in
22 Columbia right now, I'm not going to do it in East
23 Campus neighborhood, I'm going to go out south at the
24 edge of the existing infrastructure, maybe beyond it
25 and I'm going to spend my money there. And we're

1 going to end up with a doughnut. It's a good thing
2 about this program is it incents investment where we
3 need it the most as a community. You could spend $6
4 million on a commercial property downtown or you, if
5 you're going to spend that new, you may well go out
6 and you're to pull the --
7 COMMISSIONER VAN MATRE: Is there --
8 MS. SHEALS: -- development out.
9 COMMISSIONER VAN MATRE: -- anything in
10 the program that limits you to only being able to be
11 eligible to spend the money in the interior of town?
12 MS. SHEALS: Well, historic buildings are
13 in the oldest parts of town, so that's the interior
14 of town.
15 COMMISSIONER VAN MATRE: They can also be
16 on the outside, can't they?
17 MS. SHEALS: Sure. They tend to be.
18 COMMISSIONER VAN MATRE: Would you agree
19 then that the credit should be limited then in that
20 regard to only spending in the historic districts of
21 town, downtown?
22 MS. SHEALS: No. I can see your point of
23 looking at centers, but I think the small amount that
24 would be on an outskirt are going to have other
25 things. We -- you know, we have heritage tourism,

1 there are other elements of historic preservation
2 that add to economic viability. And -- because
3 historic preservation is more like --
4 COMMISSIONER VAN MATRE: This is -- this
5 is not adding to economic viability as far as the
6 State's concerned. This is preserving specific
7 property of a specific type. And it isn't that it's
8 a bad program, but if -- we have a $500 million
9 budget deficit, so what we're looking for here from
10 anybody that can tell us is how should we refine
11 these programs so that we get a benefit without quite
12 the economic burden. So if you were going to refine
13 this program, what do you think would be a good way
14 to do that where we get more bang for the buck?
15 MS. SHEALS: I think we're getting a
16 pretty good bang for the buck.
17 COMMISSIONER VAN MATRE: Well, there's
18 going to be $180 million of redemptions of historic
19 credits this year.
20 CHAIRPERSON STOGEL: It was 186 in
21 FY '10. It's going to be capped at 140.
22 MS. SHEALS: It'll never be more than 140
23 from now on. Well, it will -- it's going to take a
24 while.
25 MS. HEMENWAY: That's -- that's not

1 exactly accurate because there's a carry forward on
2 the credit, so it depends on taxpayer use of the
3 credit in terms of the amount of the redemption.
4 There will never be more than 140 authorized; there
5 may however be more than 140 issued and 140 redeemed
6 in any year.
7 MS. SHEALS: That's correct, I'm sorry.
8 COMMISSIONER VAN MATRE: Can they carry
9 those back?
10 MS. HEMENWAY: Yes.
11 COMMISSIONER VAN MATRE: How far?
12 MS. HEMENWAY: Three years.
13 COMMISSIONER VAN MATRE: So how does --
14 MS. SHEALS: So that's, you know --
15 COMMISSIONER VAN MATRE: How does --
16 MS. SHEALS: -- just me speaking here,
17 but that's something you can look at is carry back.
18 I know it's been discussed, and I don't think that's
19 going to hurt the development community. You know,
20 we have to be really careful that by doing what seems
21 like an easy fix, just -- just wrecks it and you
22 don't want it set up so that only those people that
23 don't really need it are the ones using it and it
24 just becomes gravy because I don't want to see that.
25 COMMISSIONER VAN MATRE: I'm looking for

1 any fix.
2 MS. SHEALS: Right.
3 COMMISSIONER VAN MATRE: The one fix you
4 think we could do that would work would be block the
5 carry back?
6 MS. SHEALS: I think so.
7 COMMISSIONER VAN MATRE: All right. What
8 about blocking carry forward?
9 MS. SHEALS: You've got to be careful
10 with that because then folks that can't spread out
11 that use, sell them. And then, you know, you're --
12 then it's 85 cents on a dollar, you know, instead of,
13 you know, the average Joe being able to spread it
14 over ten years and use it themselves, they sell it to
15 somebody who needs it right away and then -- then the
16 sale lessens the impact of the dollars.
17 COMMISSIONER VAN MATRE: Well, how much
18 of those credits are sold and how much are kept by
19 the end user as it were?
20 MS. SHEALS: I don't know. I think quite
21 a few of them are sold now in transferability. And
22 that's the same thing, being careful about making
23 those fixes so that we're not making it so that when
24 they do sell them, they're getting less on the
25 dollar.

1 COMMISSIONER VAN MATRE: Well, we don't
2 have anything to do -- the State doesn't have
3 anything to do with what they're bringing as far --
4 MS. SHEALS: Yeah, you do. If you make
5 it so hard to use that the administration is hard,
6 then people -- or the risk is hard and I think we're
7 even seeing that now with, you know, even the
8 uncertainty with you guys meeting, I've got clients
9 going, well, I don't know if I want to buy this.
10 It's anything you do that makes it less certain and
11 less user friendly gets you a lesser return on that
12 dollar. Because the banks that want to use it are
13 not sure. If it's more of a risk, they're going to
14 pay less for it, they're going to commit to less now
15 for when you're done.
16 COMMISSIONER VAN MATRE: Do you think the
17 main purpose of this program is to preserve inner
18 city real estate?
19 MS. SHEALS: No. I think this is an
20 economic incentive. It has --
21 COMMISSIONER VAN MATRE: Well, I thought
22 you already agreed with me that we get the same
23 economic effect if we just built any building --
24 MS. SHEALS: No, I didn't.
25 COMMISSIONER VAN MATRE: -- instead of

1 historic.
2 MS. SHEALS: I said you can get some of
3 that return. I mean, you'll get the construction
4 jobs on six million, but it's going to be the wrong
5 in-- it has the potential to be less favorable
6 development.
7 COMMISSIONER VAN MATRE: Well, when we're
8 talking about this study from another state, you said
9 Maryland?
10 MS. SHEALS: Uh-huh.
11 COMMISSIONER VAN MATRE: They were
12 tracking investment dollars.
13 MS. SHEALS: Uh-huh.
14 COMMISSIONER VAN MATRE: And they were
15 getting it back in the form of employment taxes and
16 those things, but we -- I thought you agreed with me
17 that it seems intuitive that any money spent for
18 construction would produce exactly the same economic
19 effect, it wouldn't have to be just historic.
20 MS. SHEALS: If you create the right
21 market for it. We have this great raw material in
22 historic resources because of what they are and
23 because of where they are.
24 You know, we got the -- talking about the
25 City Center downtown Columbia. Once one person could

1 see that that worked, that started to create a market
2 for somebody down the road. And once they do it,
3 then a couple of people are seeing it and we create
4 that marketplace and we're creating it where we want
5 it.
6 There's also -- I think the same Abell
7 report did a study on how much greener it is to do
8 historic preservation. So you're creating a market,
9 and we've created a good market for historic
10 preservation. We have experts here, Quaker Windows
11 down south of Jeff City is now developing things just
12 for this. We've created an industry; we've created
13 this need for this. And we're incenting it in on
14 pennies on the dollar for private investment. It's
15 the type of investment we want to see happen.
16 COMMISSIONER STILL: If you -- what if
17 you added a requirement that it -- that the project
18 promote density somehow, would that --
19 MS. SHEALS: I feel that by its nature
20 it's doing that now. Again, I -- that's one of those
21 things that I think by its nature it's doing it. And
22 if you get too much tinkering in there, it's so hard
23 to meet all the rules, then it's, you know, it's not
24 going to work.
25 COMMISSIONER LEVI: Would it be a fair

1 assumption that over a period of time historic
2 preservation on commercial property is going to be
3 more productive and create a greater return for the
4 State than residential property?
5 MS. SHEALS: Maybe slightly. I think
6 doing one house isn't going to, you know, turn the
7 neighborhood around, but we've seen especially in
8 St. Louis, whole neighborhoods that have turned
9 around. And again they're down where we need them in
10 the center of our towns, so.
11 COMMISSIONER LEVI: But Kansas City has
12 spent way more historic tax dollars on commercial
13 buildings than residential buildings.
14 MS. SHEALS: And that's my experience
15 too.
16 COMMISSIONER LEVI: Isn't -- wouldn't you
17 agree there's some kind of assumption that over a
18 period of time the jobs that are created there are
19 going to be sustained after the construction is over
20 and people are employed there?
21 MS. SHEALS: Yeah.
22 COMMISSIONER LEVI: But there's no -- as
23 far as I know there's no requirement that X percent
24 of the dollars be spent on residential and Y on --
25 MS. SHEALS: No.

1 COMMISSIONER LEVI: -- commercial. Would
2 you -- would that make any sense to you?
3 MS. SHEALS: Possibly.
4 COMMISSIONER LEVI: Do you have any idea
5 how you would divide that, if it would make sense?
6 Maybe even if it was geographically divided because
7 the rural areas might be a completely --
8 MS. SHEALS: Yeah.
9 COMMISSIONER LEVI: -- different story.
10 MS. SHEALS: It could -- that's it, it's
11 very -- it's something to look at. It's -- how you
12 divide it up. Because, and we found this with
13 small -- what we call the small deal exemption when
14 they put the cap on it was that we found that the
15 small projects, even small commercial or residential
16 tend to be smaller projects, under 250 in credits.
17 Those don't have a big hit on the budget, as big a
18 hit as a $10 million rehab, but numberwise they're
19 pretty high. So you have a lot of projects working
20 for a lower outlay of state funds.
21 COMMISSIONER LEVI: But then suppose you
22 separated out those small projects and then said for
23 the nonsmall, the larger projects there would a
24 priority from the State to spend more historic
25 preservation tax credit dollars on commercial versus

residential development with the notion that over a period of time it's going to --

MS. SHEALS: You're going to get more jobs, more --

COMMISSIONER LEVI: -- create some more jobs, more revenue --

MS. SHEALS: -- retail jobs --

COMMISSIONER LEVI: -- for the State, it's a greater return.

MS. SHEALS: I can understand that logic. I certainly don't want to let my homeowners out in the cold, but.

COMMISSIONER LEVI: We're not suggesting that.

MS. SHEALS: But it does make sense.

CHAIRPERSON STOGEL: Do you consider a loft project that is going to be rental down by Union Station commercial or residential?

COMMISSIONER LEVI: I would consider that residential.

MS. SHEALS: That's bringing a lot of people into your -- see, you know, it's a very slippery slope.

COMMISSIONER LEVI: It's hard to find a clear line, but just philosophically to say that

there's going to be a longer term return to the State for commercial properties than historic properties -- than residential properties, maybe there needs to be some thought given to philosophically how you implement that. I'm not prepared to do that.

CHAIRPERSON STOGEL: Nor am I, but there's the single family home, there's the large loft projects, and then there's buildings that are just commercial, so I mean, it's not a simple chemistry.

COMMISSIONER LEVI: No, it's not.

MS. SHEALS: And those big loft projects breathe lots of life into areas that need it and they create a need for jobs.

COMMISSIONER VAN MATRE: Why not if they're so advantageous then, give the credit to anybody who's building in that location as opposed to the type of construction?

MS. SHEALS: That's a way to do it. It's a whole different creature. I think preservation's proven to be a good tool and a good framework.

COMMISSIONER VAN MATRE: It's a lot more expensive though in terms of just starting from scratch.

MS. SHEALS: It's more labor intensive.

1 It is more expensive, but --
2 COMMISSIONER VAN MATRE: I mean, if the
3 goal is housing and a location that's going to bring
4 in jobs, wouldn't we be better off with more housing
5 for the dollars spent?
6 MS. SHEALS: I don't think so. I think
7 historic resources have a place. And I think you're
8 going to get a more exciting downtown, you're going
9 to get a more, you know -- that raw material is an
10 important part of that mix and I think --
11 COMMISSIONER STILL: Cool people like it
12 better.
13 MS. SHEALS: Yeah. There you go.
14 COMMISSIONER VAN MATRE: So --
15 MS. SHEALS: I like that. Can I use
16 that?
17 COMMISSIONER VAN MATRE: And that's
18 fine --
19 MS. SHEALS: It is more fun. I mean,
20 I've had kids from the university say, you know, I
21 love the downtown, that was the one of the reasons I
22 came here. There's lots of intangibles there and
23 that's -- this is a proven program that has shown
24 itself to work and to work -- you know, it's not
25 easy. People that do it don't -- I mean, we do it

1 because we love it, we're not getting rich.
2 COMMISSIONER VAN MATRE: Well, nobody's
3 getting rich on this panel doing this either, but --
4 but the issue is how do you spend state -- scarce
5 state resources? And so to the people who say to me,
6 That $180 million is going to be spent on historic
7 tax credits that accrue to the benefit of already
8 relatively wealthy people --
9 MS. SHEALS: No, no. I -- that's --
10 COMMISSIONER VAN MATRE: -- instead of --
11 MS. SHEALS: You know --
12 COMMISSIONER VAN MATRE: Let me finish my
13 question.
14 MS. SHEALS: Okay.
15 COMMISSIONER VAN MATRE: Instead of
16 allocating it to the Department of Elementary and
17 Secondary Education so we can hire teachers --
18 MS. SHEALS: Okay.
19 COMMISSIONER VAN MATRE: -- it's more
20 important to spend it on these buildings?
21 MS. SHEALS: No, no. Honestly if I
22 thought historic tax credits were killing education,
23 I would be out of here. I cannot more strongly
24 support public education. We are incenting
25 investment in the right kind of places.

1 The -- you know, okay, one developer got
2 the credits on that $10 million project. The workers
3 for that project worked all over. And Susan Hart,
4 who's here today, can tell you, she's a contractor,
5 about where those workers are. I got a very small
6 piece of it; the accountant got a small piece of it.
7 And I'm telling you, I'm not a wealthy person and I
8 never will be when I do this, but I love what I do.
9 A lot of people -- we've developed a
10 whole industry of this. This doesn't help just one
11 guy that got those credits. It brought that private
12 investment in. You guys got -- you, I mean as the
13 State, as the Department of Economic Development, got
14 somebody to spend several million dollars on Dunklin
15 Street in downtown Jefferson City in the height of
16 the recession, when nothing else was going on. These
17 guys were able to go in there and make a huge
18 difference on that block and bring in jobs, bring in
19 housing, bring in spin-off development that they
20 simply would not have --
21 COMMISSIONER STILL: What project was
22 that?
23 MS. SHEALS: It's right around the corner
24 from Central Dairy on that block of Dunklin Street.
25 They've done two and they're working on another one

now.

COMMISSIONER STILL: It's residential or?

MS. SHEALS: It's retail on the ground floor and residential above. They've been empty or even worse than empty some of them. We've really increased the level of use.

COMMISSIONER VAN MATRE: Well, if it is that choice -- that's the thing, the legislature's got to make that choice. You've got 180 million you can spend on historic or X. Where does historic fit in that priority?

MS. SHEALS: The historic I'm hoping is paying for itself. The studies seem to indicate that it's paying its way. You know, you guys see that figure of 180 million out here, I see my guy in Springfield who in 2006 started spending money and he's spent $10 million before he gets here to get two million out of that. So if he's been spending that money and he's been paying his taxes, his employees have been paying his taxes, he's been buying materials, there's been money pumped into this economy for the four years that program -- that project's been going on. It's -- and those people have kids.

And the -- I'd love to see, and I wanted

to have the time to see how much our property taxes have gone up in downtown Columbia alone and gone therefore to the school system because of the increase in property values in downtown Columbia and other places.

I've done a lot of work in Springfield. Just about a renaissance in downtown Springfield has come about because of that. So that increase in property taxes is helping with education. It's not an either/or. I really don't believe it is.

CHAIRPERSON GROSS: Okay. We appreciate your testifying.

MS. SHEALS: Thank you very much.

CHAIRPERSON GROSS: Hopefully we'll get two more in before six o'clock. Susan Hart.

CHAIRPERSON STOGEL: We'll try to get two in by 6:00.

MS. HART: Okay.

CHAIRPERSON STOGEL: So just -- we'll try to keep to the schedule and then we'll reconvene at 7:00.

MS. HART: My name is Susan Hart, H-a-r-t. I am vice president of Huebert Builders, we're a commercial general contractor located in Columbia, Missouri.

1 I'm here to address the commission with
2 my experience as a small business owner who does
3 historic tax credit construction work. I don't
4 receive tax credits, I'm not the owner, I'm not a
5 developer. I'm a business that benefits and -- and
6 exists in Missouri because of the historic tax credit
7 project.
8 I want to discuss an actual project today
9 because I think that helps sometimes for commissions
10 to understand sometimes where we talk about these
11 other aspects that are created from a tax credit.
12 The project that I'm going to talk about was a full
13 rehab of a 35,000 square foot building, three story,
14 1920's warehouse that was located at the corner of
15 Orr and Walnut. It was underutilized, mostly
16 vacant. There was some retail on the lower level.
17 It's now a vibrant, three-story building. It has a
18 new business that occupies the lower level, a 10,000
19 square foot new fitness facility. The ground level
20 is -- the main level is for commercial and retail
21 which is about 50 percent leased and it is for an
22 office that's moving in. And then there's 12
23 apartments on the upper floor. That project, total
24 project cost was five million for that project, and
25 of that five million, three million is eligible

1 expenses which are considered for the tax credits.
2 Today I went through so I could speak
3 intelligently about it and accurately. I went
4 through my accounting records, and of that 3 million
5 in eligible construction cost, right at $1 million
6 was spent on construction labor. Now, what's
7 important to remember about that is that occurred
8 during the time period of October 2007 to December
9 2009. And the majority of that work occurred when it
10 was the severest portion of the economic downturn,
11 during November and December of 2008. There were
12 very few other private funded equity projects going
13 on in central Missouri, much less in Columbia. And
14 fortunately we bid on the project and were awarded
15 that project and worked on it.
16 While our competitors were laying off
17 employees that they had hired for 15 or 20 years, had
18 been on their rolls, we were keeping ours and
19 maintaining our employee census as well as we, in
20 fact, in December 2008 we increased our payrolls that
21 month. It was really unheard of if you can even
22 remember how it was during that time. And it wasn't
23 only for our carpenters and laborers and our actual
24 employees, but the electricians and the plumbers and
25 all the other people that it kept their workers

1 working and off the employment rolls. I think that's
2 an important thing to remember. When I write that
3 unemployment tax expense every quarter, it's
4 important to remember keeping people off the
5 unemployment is important.
6 There were other things that you don't
7 think about that's hard to put in a REMI model or all
8 these other models. But what about -- I talked to
9 the owner of the lumberyard and he was -- he did not
10 lay off a shopman that he had had working for him for
11 like 18 years because of all the materials we bought.
12 And there were doors, 90 doors that he prepped and
13 worked on, it kept him busy for three or four weeks,
14 so that provided labor and another person during that
15 time.
16 Many times discussion of tax credit
17 reform and tax credits centers around about, how is
18 this creating new jobs. Big fancy projects come into
19 town, they're new, there are going to be new jobs.
20 But what about the people that have been working and
21 keeping them on the employment rolls? I think that's
22 very important to me as a taxpayer and to a small
23 business owner.
24 I also want to talk about the oversight.
25 A lot of times people talk about, oh, there's not

1 oversight on this project. And I -- before I was
2 part of this construction company, I was an auditor
3 with Deloitte and Touche in the St. Louis office and
4 I worked on SEC financial audits even. I can tell
5 you the Department of Economic Development does a
6 wonderful job -- as a Missouri taxpayer I'm talking
7 now -- they do a very good job of scrutinizing the
8 expenses. I am an unrelated commercial general
9 contractor on these projects. I am subject to
10 scrutiny also on those. On that $3 million project I
11 have had to rationalize and prove and show as little
12 as $137 expense to show that it's not a duplication,
13 that the taxpayers are not paying for it twice on
14 those. And I commend the Department of Economic
15 Development because they do a good job. As a
16 Missouri taxpayer I'm talking, they do a great job of
17 watching those dollars.
18 In closing I'd just ask the Commission to
19 carefully review this historic tax credit and just
20 learn the facts about it. There's a lot of political
21 rhetoric out there about the project -- about the
22 program, and I just ask that you look. I would even
23 suggest that you would work with DED and take one of
24 the projects and look at the process that it goes
25 through and the timing of the process and when the

1 process starts. Even before I come on site to do
2 construction, how many years ahead of that has the
3 developer been working with the banks and the
4 financing to put their equity package together and
5 then we start construction and then do all the work.
6 It's a long process, even on smaller commercial
7 projects.
8 So I thank you for the chance to speak
9 today.
10 CHAIRPERSON GROSS: Thank you. Any
11 questions?
12 COMMISSIONER WOOD: Is that process --
13 sorry, real quick. Is that the process you talked
14 about, that it becomes under the appropriations
15 process, you know, the years they put their financing
16 together, that's where uncertainty comes in --
17 MS. HART: I think that's --
18 COMMISSIONER WOOD: -- right? I mean,
19 that's what I --
20 MS. HART: Right.
21 COMMISSIONER WOOD: -- thought you
22 explained earlier.
23 MS. HART: Right, that is. And I have to
24 tell you, it makes -- it saddens me greatly and when
25 the governor's office came out and pitted -- I mean,

1 pitted the historic tax credit and the education
2 thing, it was a very, very upsetting thing. I have
3 dear, dear friends, people in my life that are part
4 of education. And this is a heated discussion I have
5 and I've lost good friends over it and it is an ugly,
6 ugly argument to have.
7 And it is -- it is so important when you
8 talk -- like when I like to my educating friends --
9 to educators, my teacher friends that are working
10 wages at, you know, the $40,000 a year teacher that's
11 like, Why you got all that money. I talk about,
12 Well, you realize three years ago that developer had
13 to figure out if he was going to buy that building,
14 he had to get the plans together, he can't wait. The
15 banks aren't even going to look at that job if they
16 don't -- if part of the 20 percent of that project is
17 uncertain. How do we do that? And you know, I've
18 tried to think through that as an accountant, how
19 could you do that, how could you do appropriations or
20 some form of appropriation and still make it work,
21 and I don't have the answer for that unfortunately.
22 I'm not sure who does.
23 CHAIRPERSON GROSS: We're working on it.
24 COMMISSIONER STILL: Are there any wage
25 requirements? Do you have to pay a certain wage or

1 anything?
2 THE WITNESS: No. These are not subject
3 to prevailing wage. They're not. But I have to tell
4 you via the nature of the work a lot of times, that
5 the projects have a higher scale of pay rate because
6 it's a more qualified, more technical type of work
7 that occurs.
8 And like when we were talking, when
9 Mr. Van Matre was talking earlier about new
10 construction, it's a lot different type of
11 construction worker in the state of Missouri that
12 does a stick frame building, you know, throws it up
13 in the middle of the day than it is a -- a plasterer
14 that's trained to do plaster patch and repair. Some
15 of those old world trades that we're maintaining.
16 And that's just -- there is -- if you analyze it,
17 there's a higher wage paid.
18 Like on the Missouri Theater, I did
19 analyze. There were over six or seven union trades
20 represented on that job, and that usually shows you
21 that that job was bid, you know, open -- open to all
22 trades, open to nonunion, union. And a lot of union
23 contractors were successful because it was completed
24 and took a more type of labor intensive work. In
25 fact I estimate labor to be 30 percent, sometimes

1 even as much as 50 percent on a historic tax credit
2 project as opposed to just a new stick frame building
3 which could go as low as 25 percent on labor.
4 Yes, Mr. Van Matre.
5 COMMISSIONER VAN MATRE: But you don't
6 have any suggestions as to how the program should be
7 changed?
8 MS. HART: I think two years ago under
9 House Bill 191, we kind of went through the pre--
10 like, because it was such a big number, the historic
11 tax credit, it was -- it was something has to be
12 done. I was not present at those meetings, but I
13 know Deb Sheals and the then director of Economic
14 Development and everyone were working together to
15 craft new legislation, and that's the House Bill 191
16 that's talked about. And there were things enacted
17 in that legislation that we see working now, that we
18 see changes that have been occurring since that
19 legislative period.
20 We kind of were on the prereform that was
21 occurring because, you know, we had a group of
22 senators legislators that were saying, let's look at
23 these historic tax credits. So everyone came to the
24 table and started talking about it. It would be good
25 for the commission I think to have that information

on what that looked like before House Bill 191 and what occurred since then. I think that -- I'm not able to provide that information, I can't speak to it specifically, but I think that would be important if I was on the commission to analyze and look at that.

CHAIRPERSON GROSS: We're going to -- thank you very much.

MS. HART: Thank you.

CHAIRPERSON GROSS: Take a recess and come back at seven o'clock.

(Off the record.)

CHAIRPERSON GROSS. Okay. Let's come back to order and continue with our public testimony. Again, remember that all comments are being recorded and will be transcribed and available later on our website, tcrc.mo.gov. We'll go until nine o'clock or we run out of speakers, whichever comes first. And with that, we'll move on to Christine Bradley.

MS. BRADLEY: It's actually Christina.

CHAIRPERSON GROSS: Christina, sorry.

MS. BRADLEY: Christina Bradley, B-r-a-d-l-e-y. I'm here from Bethel Ridge Estates on behalf of Fairway Management. Some of my residents have already gone home, they did not survive the break, but I did have -- I have three of them to come

1 to support Bethel Ridge and the tax credit community.
2 We are a low income housing tax credit
3 property. We -- Bethel Ridge opened in 2008. I've
4 been a part of both Bethel One and Bethel Two
5 projects, and I just wanted to come and be the voice
6 of the community and let you guys know. I'm not here
7 to talk about numbers; I'm really here to talk about
8 what the numbers have done in our community and ask
9 you for your support and continued support for the
10 low income housing tax credit program.
11 I sold real estate for nine years, and
12 when the market went down, I have now been employed
13 by Fairway Management. Developed quite a passion for
14 seniors and the services that we can offer them. I
15 think this is a wonderful program. I don't think
16 that we need to see any changes whatsoever, and the
17 benefits have been seen since day one. The demand is
18 definitely there. Two months after we leased Bethel
19 Two -- or two months after we opened Bethel Two
20 rather, we were completely leased. We've been
21 totally leased, we have no vacancies, and we have a
22 waiting list. We have a waiting list of about 40
23 people. There's only 42 spots in each building, so
24 we almost have another to fill another building right
25 now and that's just three months after opening

1 date -- or three months after being completely full.
2 So the demand is definitely there. I have three to
3 four phone calls every day asking when we're going to
4 build another one, so that's why we need your
5 support.
6 We're able to provide the affordability
7 factor. They could not live here, at Bethel Ridge
8 Estates, they could not live there if we did not have
9 the rents that we have. Fair market value of this
10 type of property would be somewhere around 800 to a
11 thousand a month. The people that I've brought with
12 me today as well as the rest of the -- the population
13 there at the building would not be able to stay at
14 Bethel Ridge nor would they have the amenities that
15 they have.
16 They have enjoyed a whole new quality of
17 life. And I know you probably can put two and two
18 together to realize what we've been able to bring to
19 them. However, you know, new friendships, a social
20 calendar, just a new beginning, you know, at the end
21 when maybe some of them thought that they might be
22 heading to a nursing home, just a new found -- just
23 completely improved their lives.
24 What Bethel Ridge has done to our
25 economy, I have one lady who came from a higher end

1 facility and she was spending all of her money being
2 in that higher end facility. Well, now, moving to
3 Bethel Ridge she was able to purchase the hearing
4 aids that were necessary that Medicare did not cover,
5 so we are able to get them, you know, more services
6 by being an affordable community, they're able to
7 spend their money other places.
8 Of course it's created jobs. You know,
9 with the construction of the two buildings, we've
10 created lots of job. Through the maintenance of the
11 buildings we have lots of people that are employed
12 locally. One of our subcontractors is here tonight
13 too to talk on behalf of that.
14 They're so proud to be at Bethel Ridge
15 and they are so thankful to all of you for being able
16 to provide the situation that they're in right now.
17 And I just want to share with you a couple of their
18 stories; I don't want to take too much time.
19 But Connie Howe right here has given me
20 the privilege and permission to talk about his story
21 in particular. Connie actually was going through a
22 foreclosure, was diagnosed with dementia, had been in
23 on and out of the hospital three times over a
24 six-month period, maybe less, and his church helped
25 him come to us. And members from the church helped

him move to our property. And being connected to the services that we have available, lot of seniors don't know about the services that are available to them. So that's part of my job is to try to be the liaison between the seniors and what's out there for them.

We now have -- he has a social worker, he has a payee, he's able to live on his own independently. He has a meal program that's set up for him now, a transportation program. So he would probably be the perfect candidate of someone who would be in a nursing home, you know, had it not been for Bethel Ridge and the resources that he's found there to be able to survive and be very independent. And you can see, he likes to get out, so, you know, he wants his independence. He's still asking about a driver's license. I don't think we're going to go there.

And then we have a couple other stories I just want to share with you. Lola Mathis, she's not here tonight, but she came from more of a typical setting. She had lived in an apartment community for a number of years; stairs and a laundry facility were her issues. She now has no stairs to battle. At 89 she moved into our facility, so she still felt like she had quite a life to live. And she is just

1 flourishing. She's doing great. She's part of the
2 social bunch that, you know, really bring life --
3 brings life to the community.
4 So just want to share with you, you know,
5 some of the things that we've been able to do at
6 Bethel Ridge and what the tax credit dollars have
7 done for us. I don't want to take too much time.
8 Does anybody have any questions that they would like
9 to ask?
10 CHAIRPERSON GROSS: Questions? Craig?
11 COMMISSIONER VAN MATRE: You know, I
12 think people have got the wrong idea about what we're
13 doing here. Our idea is not to necessarily get rid
14 of these credits, but to see if there's a way to get
15 more bang for the buck. When you develop a project,
16 how much of the dollar amount of tax credits awarded
17 to that project do you put into the development
18 itself?
19 MS. BRADLEY: I can't answer those
20 questions. I'm the manager of the property of
21 course, so I don't have a lot to do with the budget
22 from the beginning standpoint. I thought you might
23 ask that based on some of the other questions that
24 you've asked tonight.
25 COMMISSIONER STILL: Clearly a

1 troublemaker.
2 MS. BRADLEY: You know, I'm just here to
3 create that picture for you, I can't answer the
4 numbers questions. Hopefully, you can, you know,
5 look at other sources to be able to find those
6 answers. We just don't want to see any cuts at all.
7 So if you could figure out to keep the program alive
8 the way that it is, that would be great.
9 COMMISSIONER VAN MATRE: Well, one of
10 the -- one of the ideas advanced in this area is that
11 it be replaced with direct appropriation on the
12 theory that the credit produces about 30 cents to 35
13 cents to the developer whereas a direct appropriation
14 would be a dollar for a dollar benefit as far as the
15 State's concerned.
16 MS. BRADLEY: I'm sorry, I can't speak on
17 behalf of those numbers, so.
18 CHAIRPERSON STOGEL: We appreciate you
19 brining the human side to this, but Craig's right,
20 we're trying to just figure out --
21 MS. BRADLEY: Right.
22 CHAIRPERSON STOGEL: -- the math and
23 review and find -- see if there's deficiencies and --
24 but we appreciate hearing the --
25 MS. BRADLEY: Thank you.

1 CHAIRPERSON STOGEL: -- human side of
2 what it means to Connie and some of the other folks.
3 MS. BRADLEY: Thank you.
4 MR. HOWE: It's really been tremendously
5 helpful to me personally. I don't know where I'd be
6 if that wasn't available, you know.
7 CHAIRPERSON STOGEL: Well, Jeff Smith
8 builds a really nice product.
9 MR. HOWE: I'm used to working hard. I
10 was a CPA, MBA, and lost 60 clients just like that,
11 and just -- this saved my life just being able to
12 move in there.
13 CHAIRPERSON STOGEL: Have a really good
14 run there.
15 MR. HOWE: Thank you.
16 CHAIRPERSON GROSS: Thank you. Next is
17 Ron Calzone. I'm sorry. Sallie, yes.
18 MS. HEMENWAY: Mr. Chairman, I think it
19 would be appropriate to remind the audience that
20 the -- not only as Mr. Van Matre has suggested we're
21 looking for ways to improve, but we're looking at
22 this prospectively, that for the tenants of the
23 property, none -- this commission's duty is not to
24 change the financing structure of that existing low
25 income housing tax credit development and there would

1 be no changes to their specific project or property,
2 but rather the commission is looking at anything that
3 is new or new applications in the future. So I
4 didn't want the tenants to believe that -- or leave
5 believing that you were considering changing their
6 specific project or property.
7 CHAIRPERSON GROSS: Thank you.
8 CHAIRPERSON STOGEL: Well said, Sallie.
9 MR. CALZONE: Hi, my name is Ron Calzone,
10 that's C-a-l-z-o-n-e. Did you want the address?
11 CHAIRPERSON GROSS: No.
12 MR. CALZONE: Okay. Someone gave it
13 earlier. I'm with Missouri First which is a think
14 tank that kind of focuses on constitutional issues
15 and matters of free market principles. And I'm
16 disappointed to hear what you just said because I
17 guess I thought the commission was about making
18 recommendations about tax credits in general, about
19 their viability, about the appropriateness of having
20 them at all as well as which tax credits continue or
21 which tax credits to pursue in the future. Is that
22 not right?
23 CHAIRPERSON GROSS: Well, we can make
24 recommendations on any aspect of the tax credits.
25 We're just not going to go back into projects --

1 MR. CALZONE: Specific projects.
2 CHAIRPERSON GROSS: -- that have already
3 been approved and funded and all that and try to
4 change the deal.
5 MR. CALZONE: Which would probably be
6 unjust.
7 CHAIRPERSON GROSS: That's what Sallie
8 was talking about.
9 MR. CALZONE: Okay. So, but I'd like to
10 speak then from this point going forward.
11 CHAIRPERSON GROSS: Great.
12 CHAIRPERSON STOGEL: That would welcome.
13 MR. CALZONE: Okay. And I'm -- and I
14 guess I'm here to be another one of the few naysayers
15 which might surprise Senator Gross, but I think that
16 really what would be best for the people of Missouri,
17 what would be most efficient would be to eliminate
18 tax credits totally. Now, particularly those that
19 deal with economic development issues. And I'm not
20 familiar with all of the multitude of types of tax
21 credits, so there may be some that are more
22 appropriate than others.
23 But I'd suggest to you that you all have
24 been tasked with an incredibly difficult job, one
25 that I don't think anyone in the history of any

1 society has been successful in and that is to manage
2 the economy or at least a portion of the economy.
3 You look at just about any nation that has tried a
4 managed economy, they've failed. Of course the
5 greatest experiment was the Soviet Union. It just
6 doesn't work. It's too big a job for man's finite
7 mind to grasp and to do efficiently and properly.
8 And so I think that when you try to
9 evaluate tax credits as a prince-- as a whole or tax
10 credits on some micro level, you've got to look at it
11 in two different ways. You've got to look at it both
12 in practice and in principle. And I would suggest
13 that mostly at least what I've seen so far tonight is
14 that you're looking at it only in practice and only
15 half of the practice, and that is is the benefits.
16 Mr. Hillis alluded to some of the unseen, unforeseen
17 consequences that are maybe negative, but I'd say
18 that, you know, you're looking at a quarter of the
19 total equation.
20 And I would like to address for just a
21 minute the principles I think that speak against the
22 continued use of tax credits, and then I'd like to
23 talk a little bit about some of the practice. The
24 use of tax credits as we are doing in Missouri right
25 now I think violates the core purpose and the core

1 premise of Missouri government.
2 You know, America and Missouri is founded
3 on the principles of equal treatment under the law.
4 We have general welfare clauses that are really about
5 making sure that no one gets favored treatment, and
6 there's a reason for that. Our founding fathers
7 dealt with a whole system of economics and governance
8 back in the 16- and 1700's that conferred special
9 favored treatment to some segments of society,
10 usually the king's favorites, the ones that lined up
11 asking for handouts. Sometimes the king's
12 relatives. And they bristled at that and so they
13 created a system of governance in a society that
14 treated everybody equally under the law. That meant
15 that they weren't any longer going to take money or
16 goods or services from one person and give it to
17 someone else who was favored by the king.
18 We are violating that premise time and
19 time again, whether it's private use eminent domain
20 or whether it's tax credits and a whole host of
21 things. And I think that that's one of the
22 principles that we should be concerned about.
23 What's happened is is we're using the law
24 to plunder the masses in order to provide favored
25 treatment for certain people, and it's just morally

1 wrong. It's against all the -- all the principles
2 that America and Missouri were founded on. And I
3 would suggest that the decisions to plunder and
4 provide for the favorites, those decisions are vested
5 in just a few men. They're not vested in the masses
6 of people. It's not like there's a vote of all of
7 the people that decide whether or not we're all going
8 to tax ourselves so that someone can get favored
9 treatment. You know, if you contrast that to
10 capitalism which is the alternative to the system of
11 tax credits, true, real, free market capitalism,
12 that's the alternative to these kind of tax credits
13 in this system of mercantilism that we've employed.
14 Everybody under capitalism has an equal
15 vote. They get to vote with their dollar. And if
16 there's demand -- I've heard the word "demand" thrown
17 out several times here -- if there's a demand, then
18 people will vote for that demand with their
19 expenditure of their dollars. And the market, almost
20 always when you look at the big picture, allocates
21 resources most efficiently, certainly more
22 efficiently than the Soviet Union was able to with a
23 small oligarchy that was making those kind of
24 decisions.
25 I would suggest that in principle we've

1 got to be concerned about how we undermine the very
2 core principles of Missouri government. The Missouri
3 constitution very clearly tells us what its chief
4 purpose is, what its primary design is. And -- and
5 the way we use tax credits in Missouri violates the
6 chief principal purpose of Missouri government.
7 In fact what's happened is that these
8 programs have turned the law into an instrument of
9 plunder. The law is being used to plunder the people
10 that don't have the time to come here tonight and
11 speak for themselves. They don't have the guards of
12 vested interest as would accommodate the investment.
13 So consequently not only is the law being subverted
14 and being used as an instrument of plunder, we're
15 creating a disrespect for the law as a -- as a matter
16 of course. And that has broader un-- unforeseen
17 consequences than we can even imagine. They're
18 immeasurable.
19 Now, those are the principal concerns I
20 have. If you want to look at this -- the other half
21 of the in-practice equation, I'd like to suggest to
22 you that you're going to see lots of folks come
23 here -- you've got more meetings? Maybe this is the
24 last one. You've already seen and you'll see more
25 people line up here and they'll tell you all of the

1 wonderful things that tax credits have done for them.
2 They'll tell you that at least from their very narrow
3 perspective. And I don't expect them to have a broad
4 perspective and I'm not saying they're dishonest. I
5 don't blame them for coming here. But your job I
6 think is to look at the broader point of view. And
7 you've got to consider how many people will take the
8 time to line up here and tell you that they've got to
9 spend X number of additional hours at work away from
10 their family producing income to pay the extra taxes
11 that tax credits and other types of subsidies cause.
12 So what I'm saying is is that this system
13 of tax credits that provides special favored
14 treatment to some is a burden on others who don't
15 have time to come here and tell you about it. How
16 many moms are going to tell you that they'd like to
17 stay home with their children, but they've got a --
18 they need a second income for their family. And that
19 affects society. So there's a lot of unseen
20 consequences that we need to be concerned about.
21 If we want to just talk about not just
22 the social but the economic concerns, consider how
23 the use of tax credits and similar subsidies diminish
24 the principles of economic freedom. They create an
25 economic -- economic environment that's not favorable

1 for investment. Economic freedom is the engine of
2 progress.
3 I'll leave with you some studies. The
4 Heritage Foundation, among others, specific --
5 specific research foundation also does studies on
6 economic freedom. They compare nations, and they
7 compare states. And what they find out is is where
8 you have high levels of economic freedom where you --
9 where you respect capitalism and reject the special
10 favored treatment that you see with tax credits, you
11 see -- you see side benefits. Like they identify
12 higher personal income for everybody, less
13 unemployment, faster economic growth, more macro
14 economic stability, greater capital investment and
15 productivity in spite of the fact that you attract
16 mal-investment from people when you subsidize what
17 was otherwise not a viable project. More
18 entrepreneurial innovation, better educated
19 workforce, less poverty. Even the birth weight of
20 children increases where you have higher levels of
21 economic freedom.
22 There's a -- there's a study that was
23 done very recently comparing the states. And
24 Oklahoma --
25 CHAIRPERSON GROSS: You have two

1 minutes.
2 MR. CALZONE: Okay. Oklahoma which is of
3 course an adjacent state ranks seventh in economic
4 freedom whereas Missouri ranks 15th. Guess what,
5 their unemployment rate is two points better than
6 ours because they have higher levels of economic
7 freedom. How do we measure that? How do we measure
8 the effects of all of this largess that we're willing
9 to give the people that have the lobbyists or that
10 can hire the people to come and line up and ask for
11 special treatment and special favors?
12 I would also, in closing, I'd like to
13 commend to you the East West Gateway Council of
14 Government Study. Have you all looked at that?
15 CHAIRPERSON GROSS: Is that the one from
16 last year?
17 MR. CALZONE: It was published early
18 2009. They identified --
19 CHAIRPERSON GROSS: If you'd provide it,
20 we'll get that to everybody.
21 MR. CALZONE: Okay. Well, just a -- just
22 a 30-second summation. They identified up to $5
23 billion of subsidies. Most of it went to economic
24 development projects in the greater St. Louis area.
25 And this is what they said. They said that -- they

1 identified that the region added 5,400 jobs to the
2 retail sector between 1990 and 2007. And they can't
3 even necessarily attribute those jobs to the
4 subsidies, but even if you did, if you attributed
5 every single new job to the subsidies, that would be
6 $370,373 per retail job created. It's actually
7 double that if you look at --
8 CHAIRPERSON GROSS: I thought that was
9 largely a TIF study.
10 MR. CALZONE: It was TIF's and similar
11 things.
12 CHAIRPERSON GROSS: Okay.
13 MR. CALZONE: So the point is is that
14 that's not efficient. And we have people bearing the
15 burden, we have taxpayers paying the burden, we have
16 mal-investment that maybe takes away from what would
17 be a better investment in another part of society or
18 economy.
19 CHAIRPERSON GROSS: Fair enough.
20 Questions? Craig?
21 COMMISSIONER VAN MATRE: Does your
22 organization oppose then all income tax?
23 MR. CALZONE: Oppose all income taxes? I
24 think we would be better off without an income tax,
25 yes.

1 COMMISSIONER VAN MATRE: So there's no
2 reason to even ask you about whether you believe that
3 a graduated income tax is a mistake?
4 MR. CALZONE: I think that graduated
5 income tax is discrimination, and I have a problem
6 with that. I think you could probably make the
7 case -- I think a consumption tax is way off subject,
8 but I think that you could make the case for
9 replacing the income tax with consumption tax. And I
10 personally would be in favor of exempting certain
11 necessities from taxation, add some progressiveness
12 to the system, but.
13 COMMISSIONER VAN MATRE: Well, those
14 horses kind of left the barn a while ago, so, you
15 know, I mean, I don't think our mission and our brief
16 scope will allow us to completely revamp the taxation
17 system in the United States.
18 MR. CALZONE: No, but, you know, the
19 thing is is that if we want to create -- if we want
20 Missouri to prosper, then what we'll do is we'll
21 create a corporate culture so to speak of economic
22 freedom in the state of Missouri. We'll create an
23 economically free environment. And business and
24 industry will not only flock to Missouri, but we'll
25 grow our own from Missouri. The surrounding states

1 that look so good that are doing better than
2 Missouri, they have higher levels of economic
3 freedom.
4 COMMISSIONER VAN MATRE: None of those
5 states provide any kind of economic incentives for
6 the jobs to locate them?
7 MR. CALZONE: They do, some of them do,
8 that's right. And we end up getting in a stupid
9 spitting match where everybody ends up the loser.
10 And I would suggest if they're going to be --
11 COMMISSIONER VAN MATRE: So if nationally
12 there was a prohibition against economic incentives
13 by any one state, assuming that was constitutional,
14 then your argument would be valid because no one
15 would have an economic advantage. Don't you see that
16 if we're the only ones that don't provide that
17 advantage, we're going to lose out to all these other
18 states?
19 MR. CALZONE: Don't you see that if we
20 rob Peter so that Paul can have an economic advantage
21 over Kansas --
22 COMMISSIONER VAN MATRE: I'll stipulate
23 it's a zero sum gain, but I don't want us to be the
24 zero.
25 MR. CALZONE: No. What I'm saying

1 within -- within Missouri it's a zero sum gain. And
2 what I'm saying is --
3 COMMISSIONER VAN MATRE: Within Missouri
4 how do we -- how do we adjust these tax credits to
5 accomplish a balanced budget or help accomplish a
6 balanced budget? That's the finite task, not the
7 infinite task of restructuring income tax.
8 MR. CALZONE: Well, I think last -- I
9 think last session we were looking for $500 million
10 to balance the budget at one point and it kind of
11 interest -- it was interesting to me to note that 10
12 percent of that, $50 million, was tax credits that
13 year to one developer in St. Louis that hasn't turned
14 a spade of dirt. And what's more, what's happened in
15 St. Louis and all over St. Louis --
16 CHAIRPERSON STOGEL: Can we be specific,
17 because I'm not sure that's right.
18 MR. CALZONE: Okay. And I may have been
19 mistaken. I understand --
20 CHAIRPERSON STOGEL: I think you're
21 totally wrong.
22 MR. CALZONE: He has turned a spade of
23 dirt?
24 CHAIRPERSON STOGEL: If you're referring
25 to the land assemblage credit, the number's nowhere

1 near that on that issue. So let's deal with facts.
2 MR. CALZONE: Okay. I -- I thought it
3 was a fact that Paul McKee was receiving about $50
4 million.
5 CHAIRPERSON STOGEL: It's nowhere close
6 to that number.
7 MR. CALZONE: I may be mistaken. But the
8 point is still well-taken. One of the other things
9 that --
10 CHAIRPERSON STOGEL: Facts are better
11 well-taken, but let's go on.
12 MR. CALZONE: Okay. I was mistaken about
13 the facts then if you're correct at least.
14 One of my other issues is the eminent
15 domain issue. I'm the proponent of --
16 CHAIRPERSON STOGEL: Time out, time out.
17 That's beyond the scope. I'm going to stop you.
18 MR. CALZONE: So this is --
19 CHAIRPERSON STOGEL: We are not going to
20 get into eminent domain. That is not what this
21 commission is here for.
22 MR. CALZONE: Okay. I wasn't -- I wasn't
23 intending to. I was wanting to point out that this
24 development project in north St. Louis has resulted
25 in the lack of investment in the area. There's a --

1 there's a --
2 CHAIRPERSON STOGEL: Ron, we're not --
3 MR. CALZONE: No one else wants to come
4 into the area.
5 CHAIRPERSON STOGEL: We're not talking
6 about project specific stuff. We want to try to stay
7 on programs and process, not particular projects, so
8 I'm going to ask you to --
9 MR. CALZONE: Okay. My point was is
10 that's just an example of the overall system. And I
11 do hope that the committee does more than just figure
12 out how to patch a sinking ship.
13 CHAIRPERSON STOGEL: I'm not defending
14 any specific thing, but there are boundaries for
15 public testimony.
16 MR. CALZONE: I understand.
17 CHAIRPERSON STOGEL: We're not going to
18 allow attacks on individuals.
19 CHAIRPERSON GROSS: Any questions for
20 Mr. Calzone?
21 Ron, thank you for being here.
22 MR. CALZONE: Thank you.
23 CHAIRPERSON GROSS: Next is Eapen
24 Thampy. I think I said that close to correct.
25 MR. THAMPY: Hi, I'm Eapen Thampy. I

1 work for a nonprofit on property seizure law and
2 we --
3 CHAIRPERSON GROSS: Did you spell your
4 name? I'm sorry, I was talking. If you would please
5 spell it for the reporter.
6 MR. THAMPY: E-a-p-e-n T-h-a-m-p-y.
7 CHAIRPERSON GROSS: Thank you. Go ahead.
8 MR. THAMPY: Cool. So I had something of
9 a prepared statement, but after the -- it was very
10 interesting the first half of the session, so I just
11 decided to be a little bit more extemporaneous and
12 responsive.
13 And I thought, Mr. Van Matre, that your
14 question to the last speaker was -- was a very good
15 question, specifically when you asked, you know,
16 if -- if Missouri is giving a flat tax rate or
17 whatever and all these other states around us are
18 offering tax incentives to businesses to relocate
19 there, you know, isn't -- doesn't Missouri lose.
20 And I wanted to suggest to you that maybe the answer
21 is not really.
22 And I wanted to talk to you about some --
23 some interesting research and auction theory, which
24 is a subset of price theory. And economists use
25 auction theory to describe a lot of economic

1 situations because -- well, first off, you can use --
2 it's a very versatile model format so -- and it makes
3 math pretty -- fairly easy.
4 In 1971 some petroleum engineers
5 published a study on bids for oil leases in the Gulf
6 of Mexico. And what they -- what they -- what led to
7 their study was they noticed that often time -- and
8 they actually say this directly in the abstract --
9 they noticed that often time people would put in bids
10 for property leases in the Gulf of Mexico where you
11 have somewhat of an unknown quantity of -- unknown
12 value. You have to do a lot of science and a lot of
13 the stuff is unknown and it's hard to measure, how
14 much oil, what gas might get out of the well
15 eventually. But there was a lot of uncertainty about
16 the value of the property. And they found that the
17 people who ended up winning these auctions for these
18 leases ended up not making very much money at all.
19 And they -- they -- their finding was very
20 specifically that in this kind of auction situation,
21 the people who win the auction most likely have
22 overvalued the product, okay.
23 And I wanted to suggest to you that maybe
24 sometimes we overvalue the value of -- of economic
25 development tax credits and those programs very

1 specifically. I don't want to talk about social
2 programs that are -- that are accomplished through
3 the tax credit system; I think that there are some
4 very fundamental ways in which those programs help
5 create the institutions that are necessary for
6 democracies and markets to function. And so, you
7 know, generally speaking I think that tax credits for
8 nursing homes or, you know, retirement facilities are
9 good ideas.
10 But economic development however I think
11 you get into a whole -- a maze of other issues.
12 Christine Herman who's a scholar at the Show-Me
13 Institute did an interesting analysis of the $31
14 million tax credit package, incentive package that
15 the City of Columbia, Boone County, and the State
16 gave to IBM to relocate here. And I think the
17 calculation she came up with is that if you go off
18 the figure of I think 600 jobs that pay something
19 like $43,000 apiece, you end up realizing -- and you
20 do the math, you end up realizing the taxpayers are
21 subsidizing each job to the tune of $51,000. And --
22 and the $31 million subsidy isn't even quite an
23 accurate one because there is some uncertain parts
24 going forward including the property tax abatement
25 which, you know, depends on what the land is valued

1 at in the future.
2 But what you end up -- but the question I
3 asked was then, you know, is this revenue neutral. I
4 mean, does it -- and the question to answer there is
5 not just acquiring, you know, $31 million of economic
6 activity or $62 million of economic activity, but
7 what level of economic activity does it take to
8 replenish that $31 million of funds.
9 And -- and, you know, without -- to make
10 the -- to do a back-of-the-envelope calculation, just
11 imagine, you know, you're tellers and you have to tax
12 your sales transactions at, you know, 7.75 percent.
13 To -- for the State to generate 31 million in tax
14 revenue, you'd have to be responsible for creating,
15 you know, $400 million of economic -- of economic
16 activity. You know, that's a multiplier of that 12.
17 That's like 12, 11 or 12. And while there might be
18 some value and you might be able to stimulate some --
19 some -- you might be able to create some jobs, you --
20 it's important to understand that these are not
21 necessarily jobs that are economically -- or that are
22 the most efficient for the economy to create. You're
23 subsiding them and that fundamentally distorts the
24 market structure.
25 If you're subsiding for instance a

1 historic development of homes, you're giving powerful
2 incentives to everyone along the supply chain to
3 remain in their jobs, to not be forward thinking,
4 and -- and, you know, consider, you know, how -- how
5 the economy is changing.
6 And the economy is changing in some very
7 fundamental ways. The financial sector is twice as
8 big as it should be and attracted millions and
9 millions of -- or thousands and thousands of
10 extremely bright people whose talents were seduced
11 from medicine or, you know, the law, or you know,
12 governance. And that's an economic distortion, you
13 know, a brain drain if you will. And think about
14 the -- the unseen consequences of all those minds,
15 you know.
16 And I -- and I want to think of -- of
17 the -- you know, I'm not fluent with Bastiat enough
18 to -- to talk of the seen and the unseen as
19 eloquently as the speaker previously, but I think
20 that -- I think that where markets are dynamic and
21 adaptive and capable and indeed going through a
22 recalculation if you will, this economy is very
23 one -- is one that that's experiencing a very sharp,
24 a very rapid and very painful transition. The
25 information economy is flattening things in ways that

1 we have never really understood, that we still don't
2 understand. Perhaps economic developments, subsidies
3 and tax credits are appropriate in a low technology
4 world where transaction costs and search costs are
5 high, but that's no longer the case. And I think
6 that, you know, on those grounds at least it might be
7 wise to -- to rearticulate or at least
8 reconceptualize how we use tax credits to pursue
9 economic development in the state, so.
10 CHAIRPERSON STOGEL: Let me make one
11 comment before the other commissioners jump in. Just
12 for the record the eight states that border Missouri
13 have 218 programs to -- just focused on economic
14 developments. So if we were to zero out that of the
15 nine-state subregion, we'd be quickly in last place.
16 MR. THAMPY: But also think of the -- of
17 being able to lower the marginal tax rate increasing
18 the incentive to people across the board to work. I
19 mean, there's a trade off there too and perhaps
20 there's a bigger trade off than we realize and that's
21 all I'm suggesting.
22 CHAIRPERSON STOGEL: Right. Well,
23 that's -- that's for economists beyond the scope of
24 this commission too.
25 COMMISSIONER VAN MATRE: It's not that

1 the points you're not making don't have validity,
2 it's not that the points you're making aren't
3 supported by a lot of mainstream codas, all that is
4 true. The trouble is it's the first guy over that
5 cliff is taking a giant leap of faith that everybody
6 else is going to see the wisdom of that leap and join
7 them. But if they don't, if everybody pursues their
8 own parochial self-interest, then we wind up losing
9 jobs and losing economic base.
10 So when you have the luxury of being an
11 academician, you can make those statements and see if
12 people will sign on to them. But when you're in a
13 public arena like this, and I'm being continually
14 reminded that we have to bring along large groups of
15 people with us, we can't just make decisions behind
16 closed doors ourselves as to what we think ought to
17 be done, which would be a lot more efficient than
18 this process I might point out, you have to deal with
19 the real world.
20 MR. THAMPY: Yeah, yeah. I mean, I
21 understand that a lot of psychometric solutions are
22 all we can really settle for. I mean, eliminating
23 for instance the film credit program might be a good
24 step. You know, that's --
25 COMMISSIONER VAN MATRE: Okay. Now,

1 what -- you say that and that is the first thing
2 you've said that we possibly could use in our
3 analysis. Why do you select that one?
4 MR. THAMPY: I'm more aware of the
5 research on that specific subject than -- than --
6 COMMISSIONER VAN MATRE: What is it? The
7 nature of that credit, that we're giving money --
8 MR. THAMPY: There's also I understand a
9 credit for yachts over 30 feet.
10 COMMISSIONER VAN MATRE: Well, let's just
11 focus on film. That's one of the credits that we're
12 supposed to study. Why do you --
13 CHAIRPERSON STOGEL: Take the yachts off.
14 MS. HEMENWAY: There's a sales tax
15 exemption.
16 CHAIRPERSON STOGEL: There's a sales tax
17 exemption, that's not credit.
18 MR. THAMPY: I'm sorry?
19 COMMISSIONER VAN MATRE: Pick one of the
20 credits that you think ought to be abolished and tell
21 me why. What criteria are you using to make that
22 selection?
23 MR. THAMPY: That's a good one. I
24 would -- I would hazard a guess that -- well, I would
25 hazard the statement first that Susan Montee's --

1 okay. I would -- I would probably go with that film
2 credit program, and the reason is is I -- I mean, I
3 simply -- I've seen some of the numbers on -- on that
4 program including the subsidy that that George
5 Clooney movie, Up in the Air got, like $4 million. I
6 mean, what did that bring Missouri?
7 COMMISSIONER WRIGHT-JONES: $12 million.
8 MR. THAMPY: Twelve million. I mean,
9 they mentioned Lambert Field in a song?
10 COMMISSIONER WRIGHT-JONES: No, they
11 actually filmed it in St. Louis, all of it actually.
12 CHAIRPERSON STOGEL: The facts in the
13 film credit are -- when you -- the argument that
14 people make for the film credit, it's a fine line
15 sometimes, is State puts out a dollar and gets
16 back -- it's either 18 or 24 cents immediately.
17 Local communities get like $2. One of the issues on
18 the film credit that people have suggested as an idea
19 for the Commission could be, how do you measure the
20 return to the State. Should it be just the State or
21 should it be local or should the local folks
22 participate in that because there's a mechanism under
23 state law to do that. So the State's return for its
24 dollar is a dollar and then the local communities
25 participate for 75 cents, so that they get $2 in that

1 community, so.
2 MR. THAMPY: Is it $2 in revenue? I
3 mean, is this net? I mean --
4 CHAIRPERSON STOGEL: There are very high-
5 paying jobs for three or four months and they
6 generate a huge payroll bank.
7 CHAIRPERSON GROSS: And the reason the
8 state return is not higher is because they're not
9 permanent jobs. They come in, they spend a lot of
10 money for a period of time, and then they leave.
11 MR. THAMPY: The other thing I'd suggest
12 is that sometimes some of these programs I think
13 create path dependence in economies where they create
14 subsidiary economies or markets. For instance this
15 market for -- that arbitrage is tax credits among
16 people, you know, after market transactions. You
17 know, that also indicates to me that there is more
18 than just, you know, market distortions or
19 opportunity costs that are -- I mean, I think that
20 there is a lot more in those terms to consider too.
21 CHAIRPERSON STOGEL: The financial side
22 of the transaction, there is markets for people to
23 buy and sell the credits because you can buy a big
24 block and you break it down and then you remarket it,
25 so. That's a fairly efficient, wide open, totally

1 competitive market for that subindustry.
2 MR. THAMPY: Well, let me also suggest
3 that --
4 CHAIRPERSON GROSS: Senator Jones had a
5 question for you before you go on.
6 COMMISSIONER WRIGHT-JONES: Could you
7 define for me, because I heard what you said and I
8 heard what Mr. Calzone said, tell me what would the
9 perfect economic world be.
10 MR. THAMPY: You know, that's a good
11 question.
12 COMMISSIONER WRIGHT-JONES: I know it is;
13 I want an answer.
14 MR. THAMPY: That's a good question. I'm
15 not --
16 COMMISSIONER WRIGHT-JONES: Tell me --
17 just construct one. You know, out here on the web,
18 you can do, what's the thing, building castles and
19 stuff. Build me a world real quick. What is the
20 perfect free market world? What would it look like
21 if we could stop --
22 MR. THAMPY: You know, I'm not -- I'm not
23 as free market as you think I am.
24 COMMISSIONER WRIGHT-JONES: I hope you
25 are because that's what you're talking about.

1 MR. THAMPY: I'm really not. I'm really
2 not.
3 COMMISSIONER WRIGHT-JONES: But even so,
4 just tell me -- it's easy to sit here and tell us
5 what's wrong with what we've got, so tell me what
6 would be perfect. Please, tell me.
7 MR. THAMPY: You know, that's a good
8 question. I'm far too humble to tell you what --
9 COMMISSIONER WRIGHT-JONES: No, you're
10 not.
11 MR. THAMPY: -- I think would be perfect.
12 I think that -- I think that a characteristic of a
13 well-functioning economy is that it's dynamic and
14 adaptive.
15 COMMISSIONER WRIGHT-JONES: Keep on.
16 Give me specifics. That's a good general, I need
17 some specifics.
18 MR. THAMPY: But that's -- that means
19 different things --
20 COMMISSIONER WRIGHT-JONES: What would
21 our corporations be doing? Would we have
22 corporations? Would we have a Boeing?
23 MR. THAMPY: You know, I think the common
24 law innovations that allow corporations a deferred
25 liability are excellent vehicles --

1 COMMISSIONER WRIGHT-JONES: Well, what
2 would it look on the street where the stores and the
3 shops and the schools and the senior centers are,
4 what would that look like? I need you to build that
5 for me real quick. What would that look like? What
6 would we do be doing? If we weren't here --
7 MR. THAMPY: You know --
8 COMMISSIONER WRIGHT-JONES: -- doing
9 this, what would we be doing?
10 MR. THAMPY: Productive activities.
11 COMMISSIONER WRIGHT-JONES: This is
12 productive.
13 MR. THAMPY: I mean --
14 COMMISSIONER WRIGHT-JONES: But what?
15 I'm serious.
16 MR. THAMPY: More productive activities.
17 I mean maybe, I don't know.
18 COMMISSIONER WRIGHT-JONES: What? Just
19 give me a name. I need to hear it. Because see, I'm
20 60 years old.
21 MR. THAMPY: Sure.
22 COMMISSIONER WRIGHT-JONES: And when I
23 was in college at UMSL --
24 MR. THAMPY: Uh-huh.
25 COMMISSIONER WRIGHT-JONES: -- we had

1 these very discussions with the powers that be, okay,
2 about what we thought the world should be like in the
3 '60s, why -- you know, what would that be like. And
4 then we all grew up and got jobs and briefcases and
5 went on into the world that was there, okay. So I'm
6 kind of -- you're taking me back to a time --
7 MR. THAMPY: Let -- let me --
8 COMMISSIONER WRIGHT-JONES: -- when I was
9 on that side of the table --
10 MR. THAMPY: Maybe -- maybe --
11 COMMISSIONER WRIGHT-JONES: -- and they
12 asked us that question. We gave them specifics.
13 Just real quickly can you --
14 MR. THAMPY: Maybe I can go -- maybe I
15 can give you a specific.
16 COMMISSIONER WRIGHT-JONES: Okay.
17 MR. THAMPY: Okay. Imagine a Missouri
18 where instead of tax credits, you didn't give any tax
19 credits. In that, Missouri people know that the
20 governance is robust and resilient. It won't give
21 special favors to anyone who has enough money and
22 enough power, okay.
23 COMMISSIONER WRIGHT-JONES: How do we go
24 about progressing? How do we progress? How do we
25 build? How do we rebuild? How do we keep buildings

1 in America like they've had buildings in Europe for
2 six, seven hundred years?
3 MR. THAMPY: We keep -- we keep people
4 coming to America, keep people investing in America,
5 keep America's, you know, basic economy vibrant, its
6 information economy vibrant.
7 COMMISSIONER WRIGHT-JONES: Okay. But --
8 MR. THAMPY: And that means --
9 COMMISSIONER WRIGHT-JONES: -- how do
10 we -- how do we sell --
11 MR. THAMPY: And I don't -- I don't
12 advocate against regulation; I advocate for good
13 regulation.
14 COMMISSIONER WRIGHT-JONES: Okay. But
15 how -- what is daily life like? Where do I get paid
16 and what do I do with that money and who does what to
17 create infrastructure in my neighborhood?
18 MR. THAMPY: You know, I -- I'm not one
19 of those people who denies the role of the government
20 or public institutions.
21 COMMISSIONER WRIGHT-JONES: Where do
22 those dollars come from?
23 MR. THAMPY: I don't deny the need for
24 taxes either, you know. I mean, I think some tax
25 mechanisms are more sophisticated, are more efficient

1 than others. I think that generally those are more
2 desirable, but I -- you know, I'm not one of those
3 radical, anti-government types. I think that the
4 latest Nobel laureates in economics, Eleanor Ostrom
5 and Oliver Williamson, are great institutional
6 economics people and they talk about how we need
7 robust institutions, courts, the law.
8 COMMISSIONER WRIGHT-JONES: And they
9 become robust --
10 MR. THAMPY: You know, systems of the
11 courts.
12 COMMISSIONER WRIGHT-JONES: -- how? How
13 do they become robust?
14 MR. THAMPY: You know, robust protections
15 of property, speech rights, due process rights.
16 COMMISSIONER WRIGHT-JONES: I'm not
17 hearing how dollars are made, generated, and used;
18 that's what I'm not hearing. But thank you --
19 MR. THAMPY: I -- I would say --
20 COMMISSIONER WRIGHT-JONES: -- for your
21 answer.
22 MR. THAMPY: -- that tax and consumption
23 and not wealth is generally preferable.
24 CHAIRPERSON GROSS: All right.
25 COMMISSIONER WRIGHT-JONES: Thank you.

1 CHAIRPERSON GROSS: I appreciate your
2 principled statements and being here today.
3 Next, I can't tell if John Ott was
4 wanting to testify or not. Mr. Ott? He left, okay.
5 Next did I see that want to testify is Suzanne
6 Smith.
7 Welcome, Ms. Smith. State your name,
8 spell it, and proceed.
9 MS. SMITH: Sure, Suzanne, S-u-z-a-n-n-e,
10 Smith, S-m-i-t-h. I'm from the Salt Fork YMCA in
11 Marshall, Missouri, and I'm here to address you about
12 the NAP credits and the YOP credits. And I will try
13 and keep this brief and be respectful of the time.
14 Our YMCA is very small in a small
15 community that serves 22,500 people roughly. And we
16 operate on a budget of roughly $750,000 a year. We
17 don't get any other kind of money from the State or
18 money from the Federal Government. It's from your
19 membership, our program dollars, and any donations
20 that we are able to secure on our own.
21 We have been able to secure NAP credits
22 when we built our facility back in 1999. And
23 recently in 2010 we -- I applied again for NAP
24 credits for some renovation on our current facility.
25 Went through the process of going to the meeting in

1 Jeff City to get advice on how to fill out the
2 application, hired a grant writer because I am not
3 fluent in writing grants to be honest with you, went
4 through the process, submitted the application,
5 received back a letter asking for additional
6 information on five of the questions. Gathered more
7 information, resubmitted, about four weeks later got
8 a denial letter back.
9 It's my understanding that out of the 16
10 million -- approximately $16 million that have been
11 allocated for NAP credits, that only a hundred
12 thousand of them have been allocated since July 1st.
13 We applied for $499,000.
14 CHAIRPERSON GROSS: Could I ask, Sallie,
15 what can you say to this statement or -- we've heard
16 a few other times about DED's process.
17 MS. HEMENWAY: Sure. We -- we have a
18 number of applications in for Neighborhood Assistance
19 Tax Credits, and just like every year, we have more
20 applications than we have tax credit available for.
21 We have -- I don't -- I can't give you the specific
22 numbers, we are in the midst of reviewing several of
23 them, there are several pending. There are several
24 actually that have been recommended for approval, but
25 that have not been announced yet. There are some

1 that are in an appeal because they have been denied
2 and they are appealing and sending back additional
3 information.
4 So the tax credit program started in
5 July, it's only September. We feel like we're --
6 we're at least on par with what the applications
7 approvals and denials that we saw last year. There
8 are -- it is more difficult this year to get a NAP
9 award. The criteria has not changed; however, what
10 we are asking -- or what we are expecting in terms of
11 return on investment has been raised, so we're asking
12 for more indication of the impact of the credit.
13 And it is a learning curve for a lot of
14 nonprofits. We evaluate on exactly the same criteria
15 that we evaluated in the years past; however, we're
16 looking for more detail in terms of making decisions
17 on that specific return on investment. We are not
18 requiring return on investment be a fiscal dollar
19 return on investment.
20 But -- you know, in other words it
21 doesn't have to be like a -- a job creates
22 withholding taxes, therefore, the State gets a net
23 general revenue return. But rather we need the
24 entities to articulate what the State's return is on
25 either costs -- other costs that are saved because of

1 their activities or, you know, what impacts occur
2 locally. However they want to express it, we want to
3 see more return on investment in the -- in the
4 application process and in the -- and in the
5 evaluation process.
6 CHAIRPERSON GROSS: Thank you.
7 Sorry, that won't take away from your
8 time.
9 MS. SMITH: No, that is fine, that is
10 fine. And I appreciate that in-- that input because
11 those are things that are not outlined to us. Like
12 after the fact I learned this. So -- and I've
13 already been in appeal and denied for this year, so I
14 can't reapply until next July.
15 COMMISSIONER VAN MATRE: For your NAP
16 credit?
17 MS. SMITH: For my NAP credit, correct,
18 correct. I can still apply for YOP, but I can't
19 apply for -- for the NAP, and we were trying to get
20 the 70 percent NAP credit. We had donors already
21 lined up that said that they would take all of those
22 credits. And I understand that there are concerns
23 that there are credits that are awarded and times
24 that those credits are never taken and used.
25 So one suggestion I might have is that if

1 you are looking at each application, that they submit
2 letters -- I know they now submit letters of
3 recommendation from people within the community that
4 would support it, but if they would put a dollar
5 amount on that so that you would know when you're
6 looking at that application that this person has the
7 support of somebody that's going to give you a
8 hundred thousand dollars towards that project over
9 two years, then you would know that those credits are
10 going to be used and that they're not going to be
11 allocated and then not have a return back when
12 someone else could have used those.
13 And I would just ask that -- I know that
14 the bar has been raised as far as what the criteria
15 are and what the expectations are. If those could
16 just be lined out so that we as a nonprofit or
17 whoever is applying for those know exactly what you
18 are looking for and how much weight is put on each
19 different question and if -- when the appeal process,
20 that that changes, if we could be notified of that.
21 It's my understanding that we applied,
22 when we were in that process, we were not far from
23 being awarded those credits. But then when we went
24 into appeal process, by then there had been more
25 budget cuts, and so we were farther away from the

1 point basis. But I don't have an exact -- I don't
2 know how far we were and what we would have needed to
3 do to get up to where we would have been awarded. So
4 maybe a little more direct information about what we
5 were lacking would help our process.
6 And I just ask that with -- with the NAP
7 and the YOP credits, I know it's not as huge of a
8 dollar amount that's allocated as some other tax
9 credits, but they are still very, very important to
10 nonprofits that are in a very rural community like
11 ourselves because we don't have huge employers that
12 are out there that give us lots of money because they
13 do need a tax write off. We go out there and we
14 fight for every dollar that we get and a lot of times
15 that's what keeps us going. We have so many people
16 that we serve in our community that that's our job is
17 to help those people and be there for everybody, for
18 all, not just for those that have the money that can
19 come in the door.
20 Just one small example, this summer when
21 we had -- it was so hot outside, we had heat relief
22 where we let everybody come in in the community
23 whether they were members or not so that they could
24 have heat relief. Again, in a community of 22,500,
25 we have 4,000 members in our YMCA which is incredible

in itself. We had over 400 different people that came in our door in a ten-day period over 600 times to utilize that free of cost. And so that is something that -- one small thing that we do back to the community.

And if we have people out there that will help us out by helping us renovate and be able to do things such as change our lighting or change our HVAC units to be able to be more cost-effective so we can remain at a lower rate for everybody to come in, then if we can just keep those dollars.

CHAIRPERSON STOGEL: You were trying to get 499 in NAP credits to raise a million dollars to do physical improvement?

MS. SMITH: Correct, yes.

CHAIRPERSON STOGEL: After the session, talk to me. I'll talk to you about -- teach you about bank qualified bonds.

MS. SMITH: Okay, wonderful, wonderful.

CHAIRPERSON STOGEL: Different lesson.

MS. SMITH: Okay.

CHAIRPERSON GROSS: Good luck.

CHAIRPERSON STOGEL: There's another way to finance it.

MS. SMITH: Okay. And that's all --

1 that's -- yeah, that's all. Just again -- questions?
2 COMMISSIONER STILL: I had a question.
3 In the past when you -- when you got NAP credits, you
4 got them and then you sold them to people in your
5 community, is that what you did?
6 MS. SMITH: Correct, uh-huh.
7 COMMISSIONER STILL: All right. Did you
8 sell them for the full value of them?
9 MS. SMITH: Yes.
10 CHAIRPERSON STOGEL: Two dollars of
11 contributions for a dollar of credit.
12 MR. PIEPER: These are 70 percent
13 credits, right?
14 MS. SMITH: Right. Those were 70 percent
15 credits.
16 COMMISSIONER STILL: Seventy percent
17 credits, but people -- well, if somebody bought one
18 credit, they paid you a dollar for it; is that
19 right?
20 MS. SMITH: Uh-huh.
21 COMMISSIONER STILL: They got a 70
22 percent -- okay.
23 MS. SMITH: Right. And that was -- I was
24 not the executive director when that happened in '99,
25 but I was there --

1 COMMISSIONER STILL: I'm always trying to
2 learn how to --
3 MS. SMITH: That's fine.
4 COMMISSIONER STILL: I'm starting from
5 ground zero here.
6 MS. SMITH: It's a learning process.
7 COMMISSIONER STILL: All right. And now,
8 does DED, when somebody applies, do they -- is there
9 any consideration or record made of where you're
10 going to sell these things and are you going to
11 discount them or are you going to not discount them?
12 MS. HEMENWAY: These are not saleable and
13 transferable credits.
14 COMMISSIONER STILL: You can't transfer
15 them.
16 MS. HEMENWAY: You cannot transfer them.
17 So they are strictly -- if they're 50 percent
18 credits, they are strictly a donation and you get a
19 50 percent credit. You get 50 percent of what you
20 donated. Or if they're 70 percent --
21 MS. SMITH: You get 70 percent.
22 MS. HEMENWAY: -- you get 70 percent --
23 MS. SMITH: Correct, correct.
24 MS. HEMENWAY: -- of your donation. And
25 you have to use that credit against your tax

1 liability.
2 COMMISSIONER STILL: So there's no
3 discount of it.
4 MS. SMITH: No.
5 MS. HEMENWAY: No.
6 COMMISSIONER STILL: What kinds do we
7 discount? The kind of nursing home bonds, that kind
8 of -- nursing home credits, that kind of thing, those
9 get discounted?
10 MS. HEMENWAY: The -- there are a number
11 of saleable and transferable credits, investment
12 credits that are -- are discounted if you will on the
13 open market. The historic credit can range anywhere
14 from 85 to 92 cents when it's sold.
15 The -- our -- our preference is to look
16 at -- in the programs that we evaluate where we have
17 the discretion to evaluate, we look at because it
18 costs the state a dollar in the end, we look to see
19 whether or not our investment is the least amount
20 necessary to get the project done and whether or not
21 that dollar of investment is truly what we're getting
22 in the project. If a developer then has to sell the
23 credit in order to get cash, they're going to have to
24 make up that difference somehow, whether it's debt or
25 their own personal equity. If they sell the credit

1 for less than the dollar, they still have to make up
2 the difference in some other means of financing.
3 Our role in evaluating discretionary
4 credits is to make sure that our investment is worth
5 the dollar that it costs us when it's redeemed.
6 COMMISSIONER STILL: But you -- well, how
7 do you do that? You just look at the value of the
8 project then?
9 MS. HEMENWAY: We look at -- we look
10 at -- on discretionary credits we look at the sources
11 and uses of the project, we look at the developer's
12 internal rate of return on the project. We look at
13 the cost reasonableness of the project, in other
14 words is -- is construction financing -- is -- are
15 construction costs in line with what the market says,
16 is the developer's debt financing in line with what a
17 typical, you know, interest rate would be. Is the --
18 you know, we look at the cap rate on the project to
19 make sure that their rate of return is reasonable for
20 that specific area in a real estate deal.
21 COMMISSIONER STILL: What's their --
22 what's the basic theory of having some that are
23 transferable and some that are not transferable?
24 MS. HEMENWAY: That would be a question
25 for the legislature. The basic theory --

1 COMMISSIONER STILL: Must be some -- must
2 be some economic development reason for it, right?
3 Or is it?
4 CHAIRPERSON STOGEL: The reason credits
5 can be allocated or made transferable --
6 COMMISSIONER STILL: Right.
7 CHAIRPERSON STOGEL: -- is they tend to
8 be larger dollar amounts. Very few people can use
9 the larger dollar amounts; they have to be broken
10 into smaller parts. So as a general kind of
11 response, I think that's the -- NAP credits are
12 generally fairly small, I mean, in terms of using
13 that. But just if you -- somebody has to have a
14 significant income to use the credits, to get $20,000
15 for tax liability, corporations that have very large
16 liability.
17 COMMISSIONER STILL: But suppose she got
18 enough for the 500,000, she'd just get ten people
19 or --
20 CHAIRPERSON STOGEL: Oh, no. She
21 probably --
22 COMMISSIONER STILL: -- a hundred people
23 that --
24 CHAIRPERSON STOGEL: Like down in
25 Marshall, I don't know, but it wouldn't be a hundred.

MS. SMITH: I'm talking I had three people that would take those credits.

CHAIRPERSON STOGEL: Over -- over a couple years. The capital campaign credit's three years.

MS. SMITH: Right.

COMMISSIONER STILL: So they're doing pretty good.

CHAIRPERSON STOGEL: Those three people are doing just fine.

MS. SMITH: Yeah, yeah. And they go after 75 percents. And if it's not locally, they will go out of the area. But they will try and support those that are locally that have NAP credits, so.

COMMISSIONER STILL: I mean, you're talking those would be people that have like four, five million dollars in income.

CHAIRPERSON STOGEL: Big numbers.

MS. SMITH: Yeah.

CHAIRPERSON STOGEL: Seven figures.

MS. SMITH: Not my payroll.

CHAIRPERSON GROSS: Thank you.

MS. SMITH: Yes, thank you.

COMMISSIONER VAN MATRE: Could I ask a

1 question?
2 MS. SMITH: Oh, sure, yes.
3 COMMISSIONER VAN MATRE: When you go for
4 a NAP credit and you don't get it, then you use the
5 same basic program for the application on the YOP
6 credit?
7 CHAIRPERSON STOGEL: They don't do the
8 work in this case.
9 MS. SMITH: Correct, correct. I'm going
10 to look at revamping and going after YOP in a much
11 smaller dollar amount because it's only 50 percent
12 instead of 70 percent that we were going after. So
13 I'm taking one project out of the whole NAP that I
14 was looking at and concentrating on that and going
15 after a smaller dollar amount.
16 COMMISSIONER VAN MATRE: Okay. Now I'm
17 going to ask you a series of unfair questions for
18 which I apologize in advance, okay?
19 MS. SMITH: All right.
20 COMMISSIONER VAN MATRE: The efficiency
21 of the NAP credit according to the REMI model is
22 about -- in other words the State gets back a 1.12
23 for every dollar that it grants in a NAP credit, at
24 least that's how I read it for the first year. And
25 then over the life -- over a ten-year period, it gets

1 back 97 cents. The film credit returns 11 cents.
2 MS. SMITH: Uh-huh.
3 COMMISSIONER VAN MATRE: So just on
4 economic efficiency for the State, would you think
5 it's a fair statement to say we ought to -- if we've
6 got to sacrifice anything, we ought to sacrifice
7 credits that have low efficiencies as far as returns
8 are concerned, i.e., that we ought to get rid of the
9 film credit in favor of the NAP credit?
10 MS. SMITH: Well, thank goodness that's
11 not my job, but I mean, if you're looking at
12 balancing the budget, then it's like my job when I
13 have to look at staff and payroll. Is this
14 department generating enough money to pay for that
15 person's salary or whatever. And unfortunately
16 sometimes you have to cut the one that doesn't make
17 the most money. But then on my side I'm also looking
18 at what is the community benefit. So you have to try
19 and weigh the factors. There's no yes or no to that
20 question for me unfortunately.
21 COMMISSIONER VAN MATRE: So you think
22 that if the legislature determines that the film
23 credit's more valuable to the State than the NAP
24 credit, you're going to respect that judgment?
25 MS. SMITH: I won't have a choice.

1 COMMISSIONER VAN MATRE: I know you won't
2 have a choice.
3 MS. SMITH: I didn't say I'm going to
4 happy about it, but.
5 COMMISSIONER VAN MATRE: You think that
6 their priorities would be skewed?
7 MS. SMITH: Could be. But I mean,
8 everybody has their own passion about what they're --
9 about what they're going for and --
10 COMMISSIONER VAN MATRE: So what criteria
11 should we use in deciding which credit should stay or
12 go?
13 MS. SMITH: I think you need to look at
14 how they're evaluated and how they're disbursed.
15 COMMISSIONER VAN MATRE: We have, and the
16 Department of Economic Development's done that for
17 us and they said, Film credit produces 11 cents on
18 the dollar for an investment for the State, NAP
19 produces 97 cents. That's what they've told us.
20 MS. SMITH: Then if their stuff is
21 accurate, which I'm sure it is because of all the
22 different criteria that they have, and you're looking
23 at balancing the budget, then that's what you would
24 have to do is look at what's on black and white.
25 COMMISSIONER VAN MATRE: Okay. So

1 you're -- you're the person on the street that I'm
2 trying to get an opinion on. What else? Have you
3 been here for the other testimony?
4 MS. SMITH: I've been here for some of
5 it. And I don't know the other people in the room,
6 and I'm -- it's not my job to -- to --
7 COMMISSIONER VAN MATRE: Well, it's not
8 your job, but you're here telling us we need to
9 preserve your credit.
10 MS. SMITH: Correct.
11 COMMISSIONER VAN MATRE: Everybody's told
12 us that.
13 MS. SMITH: That's right.
14 COMMISSIONER VAN MATRE: Except for a
15 couple people got up and said get rid of all
16 credits.
17 MS. SMITH: Right. And I don't agree
18 with those people.
19 COMMISSIONER VAN MATRE: We're having
20 trouble here trying to figure out what our criteria
21 should be.
22 MS. SMITH: So I guess my question to
23 you, and I'm going answer your question real quick
24 with another question. Are you familiar with all the
25 different criteria for each different tax credit,

1 what they go through right now? I mean --
2 COMMISSIONER VAN MATRE: I've got this
3 book --
4 MS. SMITH: -- are you -- do you have a
5 general idea?
6 COMMISSIONER VAN MATRE: -- that tells me
7 what those criteria are.
8 MS. SMITH: Okay.
9 COMMISSIONER VAN MATRE: I'm familiar
10 with some of them. I've used -- I've been awarded --
11 MS. SMITH: Okay.
12 COMMISSIONER VAN MATRE: -- the YOP and
13 neighborhood credits, so I know how they work on tax
14 returns. But you're the nonprofit.
15 MS. SMITH: Correct.
16 COMMISSIONER VAN MATRE: You're sitting
17 there and you need money.
18 MS. SMITH: Uh-huh.
19 COMMISSIONER VAN MATRE: But there's this
20 $500 million budget gap and we're supposed to tell
21 the legislature what you might consider plugging,
22 part of that with this. I think what I need to hear
23 is what's the person on the street think of how we
24 ought to prioritize these credits?
25 MS. SMITH: I think the person on the

1 street would say how many -- you need to look at what
2 credits are generating the most people to have a job
3 and to put money back locally into the Missouri
4 income. I mean, with my NAP, am I going to employ 5
5 people or am I going to employ 500 people. If you're
6 employing 500 --
7 COMMISSIONER VAN MATRE: Are you talking
8 about permanent jobs?
9 MS. SMITH: No. I'm talking about over a
10 two-year period with the NAP that I applied for,
11 okay. And I realize the filmmakers are going to be
12 different. And I'm not real -- I'm not familiar at
13 all except what I heard in this room a few minutes
14 ago about the filmmakers, other than it's a short
15 amount of time and -- and that.
16 But I would say the most people that you
17 put to work, that maybe you're to pull people off of
18 the unemployment line or off of food stamps, that are
19 going to have the most long term effect for the
20 State, then those are the tax credits that I would
21 say that you need to go for, whether it hurts my
22 feelings or not, you've got to look at the overall
23 budget of everybody.
24 COMMISSIONER VAN MATRE: So employment
25 then would be your --

1 MS. SMITH: Yes.
2 COMMISSIONER VAN MATRE: -- number one
3 criteria?
4 MS. SMITH: Employment.
5 COMMISSIONER VAN MATRE: Long term
6 employment?
7 MS. SMITH: Correct.
8 COMMISSIONER VAN MATRE: Thank you.
9 MS. SMITH: And I'm sorry if I skirted
10 around that.
11 COMMISSIONER VAN MATRE: No, that's okay.
12 MS. SMITH: Okay.
13 CHAIRPERSON GROSS: Thank you.
14 MS. SMITH: Thank you very much.
15 UNIDENTIFIED SPEAKER: May I inquire how
16 many names are left on the list?
17 CHAIRPERSON GROSS: Those who have
18 indicated they want to testify, one, two, three.
19 Three. Next is Michael Bodine.
20 MR. BODINE: I'm an electrical
21 contractor. I've --
22 CHAIRPERSON GROSS: Go ahead and spell
23 your name for the court reporter.
24 MR. BODINE: B-o-d-i-n-e. I've worked
25 building low income housing in Missouri since

1 the '80s.
2 Reason I'm up here is my own vested
3 interest. I've -- I started doing this in a
4 recession, I've kept doing it consistently and it
5 kind of -- it smoothed out the recessions through the
6 years. I've been able to provide permanent jobs.
7 I employ ten people. I work for four
8 different Missouri housing development developers.
9 We work all over the state. We do good work. We
10 provide quality housing for people. We work in
11 little communities: Holden, Shelbina, Montgomery
12 City. I've seen nothing but positive stuff come out
13 of this. It's been able -- I've been able to keep
14 employees going.
15 And my own mother lived in low income
16 housing for as long as she could live by herself,
17 and -- and it was just great. I mean, she was a
18 housewife and she couldn't afford market rate on
19 rent. And it was clean and -- and there's a lot of
20 people benefit from the low income housing. I'm not
21 sure the return on the dollar, but I'm sure it's very
22 significant. And the end product is -- anybody
23 that's toured these projects that we build have to be
24 impressed with it. And the quality of the people
25 that live there, the way they take care of it, it's a

1 beautiful thing. And I really don't -- you know, it
2 would be nice to -- if it continued.
3 CHAIRPERSON STOGEL: Very good. I think
4 the -- we're heard testimony from all over the state
5 about the positive impact on neighborhoods and
6 communities like the housing and the person testified
7 earlier about elderly housing. There's no question
8 it's a popular program that has lots of support and
9 does lots of --
10 MR. BODINE: Uh-huh. I figured as much
11 as --
12 CHAIRPERSON STOGEL: -- positive things.
13 I think the question to the Commission
14 is, at least among others, is there a way to make it
15 far more efficient and still deliver the same number
16 of housing units, house the same number of people;
17 and then some secondary questions are, how expensive
18 should a housing unit be and --
19 MR. BODINE: I'm --
20 CHAIRPERSON STOGEL: -- all those sort of
21 policy questions.
22 MR. BODINE: Yeah. I'm good at what I'm
23 good at. I'm not an economist; I'm an electrician.
24 I'm a member of the dwindling middle class in the
25 real world.

1 CHAIRPERSON STOGEL: And I -- let me be
2 clear on that too, I'm not a economist, so. The low
3 income credit program has done quite a lot of good.
4 MR. BODINE: Yes, yes, it sure has with
5 us.
6 CHAIRPERSON GROSS: Any questions? Thank
7 you very much.
8 MR. BODINE: You're welcome.
9 CHAIRPERSON GROSS: Next is Abhi
10 Sivasailam. And now Peggy Kirkpatrick.
11 Welcome. Go ahead and spell your name.
12 MS. KIRKPATRICK: Thank you. My name's
13 Peggy, P-e-g-g-y, Kirkpatrick is
14 K-i-r-k-p-a-t-r-i-c-k. I'm the executive director of
15 the Food Bank for central and northeast Missouri.
16 What our food bank does is we provide
17 food, personal care products, and cleaning supplies
18 to a network of 135 hunger relief agencies in 32
19 counties in central and northeast Missouri. Thirty-
20 five. In addition to that we also partner with a
21 hundred elementary schools in another program called
22 Buddy Packs where we send food home with low income
23 children over weekends and holiday periods.
24 We have been -- the food bank's been
25 around for 29 years and I have been executive

1 director for more than 18 years. We have been
2 extremely blessed to receive NAP credits for as long
3 as I've been there. And we have received those --
4 those credits for operational use, not for capital
5 campaigns.
6 I have to honestly tell you, the NAP
7 program, and I don't know Mrs. Hemenway, but I know
8 the name and I wrote you a letter recently. And we
9 were one of those that applied for tax credits this
10 year. We were denied, we appealed, and we were one
11 of the fortunate few that received some tax credits.
12 We did not receive all that we had applied for, but
13 we did receive some.
14 One of the things that I wanted to -- to
15 talk about is the NAP program, in my opinion, is one
16 of the finest tax credit programs that I have had a
17 chance to be a part of or investigate. Food banks
18 don't qualify, as far as I know, for any other tax
19 credit. We don't qualify for YOP because we don't
20 operate an after school program or shelter for youth,
21 et cetera. The NAP has been extremely valuable to
22 us.
23 CHAIRPERSON STOGEL: You don't use food
24 pantry credits?
25 MS. KIRKPATRICK: The food pantry tax

1 credits, we have received some of those, but that --
2 that is a -- as I understand, the legislature --
3 legislation was passed about five years ago and it
4 sunsets this next year. And they're valuable, but
5 they're not nearly as valuable as the NAP credit.
6 CHAIRPERSON STOGEL: Do you think it
7 sunsets? We'll check the sunset --
8 MS. KIRKPATRICK: Oh, it does sunset next
9 year.
10 COMMISSIONER WRIGHT-JONES: It does.
11 MS. KIRKPATRICK: Unless it's --
12 COMMISSIONER STILL: YOP is the youth
13 opportunity.
14 MS. KIRKPATRICK: Right. YOP we do not
15 qualify for. Now, the only thing that I know of, and
16 please correct me if I'm wrong, is the NAP. And yes,
17 the pantry tax credits which is not something we've
18 really promoted because it's not a guaranteed tax
19 credit like the NAP is.
20 CHAIRPERSON STOGEL: So the NAP is part
21 of your operational expectation?
22 MS. KIRKPATRICK: Right.
23 CHAIRPERSON STOGEL: What's your total
24 budget?
25 MS. KIRKPATRICK: Our budget is $3

1 million.
2 CHAIRPERSON STOGEL: And how much do you
3 ask for in NAP for your operations?
4 MS. KIRKPATRICK: We have received up
5 until this year $250,000 in tax credits.
6 CHAIRPERSON STOGEL: So 250 --
7 MS. KIRKPATRICK: It's $500,000 because
8 we're a 50 percent.
9 CHAIRPERSON STOGEL: So that would be a
10 sixth of your operating cost?
11 MS. KIRKPATRICK: That's correct. It is
12 significant. Should I stop and --
13 CHAIRPERSON STOGEL: You get two and a
14 half million dollars from other sources?
15 MS. KIRKPATRICK: Yes, sir.
16 CHAIRPERSON STOGEL: What are those other
17 sources?
18 MS. KIRKPATRICK: Of the three million,
19 our budget is -- about 69 percent comes from
20 fundraising donations and those types of gifts.
21 CHAIRPERSON STOGEL: So that's two
22 million, one from the community that you service,
23 just raise the money, 10 and 15 dollars at a time?
24 MS. KIRKPATRICK: We're affiliated with
25 four different United Ways.

1 CHAIRPERSON STOGEL: Okay.
2 MS. KIRKPATRICK: That's about 10
3 percent. Another 10 percent is we receive, it's a
4 contract with the Federal Government administered by
5 the State for USDA commodities and then the remaining
6 amount comes from foundations, grants.
7 CHAIRPERSON STOGEL: So in round numbers
8 you get two and a half million dollars from those
9 sources, you get half a million dollars supported by
10 NAP to run your $3 million program?
11 MS. KIRKPATRICK: Uh-huh.
12 CHAIRPERSON STOGEL: How many people do
13 you serve?
14 MS. KIRKPATRICK: We are currently
15 helping to provide food for over 95,000 people per
16 month.
17 CHAIRPERSON STOGEL: 95,000 meals or
18 95,000 people?
19 MS. KIRKPATRICK: People. Last year we
20 distributed 24.4 million pounds of food, had a
21 wholesale value of 38 million. With one dollar, our
22 food bank can acquire 20 pounds of food and that
23 equates to about $15 million worth of food products.
24 CHAIRPERSON STOGEL: Wow.
25 MS. KIRKPATRICK: Of -- just of that

1 500,000, it allowed us to get ten million pounds of
2 food. One of the things that I have been so
3 impressed with the Neighborhood Assistance Program,
4 it's not easy to get them and you have to -- and I
5 have a great appreciation for, especially for the
6 pressure that you're all under this year. Because I
7 also know from the other end what's happening with
8 the economy.
9 What we're seeing, just to give you a --
10 a snapshot of my world, the number of people we were
11 feeding just two years ago was 80,000 people per
12 month and in two years it's jumped to 95,000. In our
13 service area which is again predominately rural and
14 agrarian, just the children that qualify for the
15 federally subsided meals at school, and this is --
16 you have to financially prove up that you're eligible
17 for them, about 48,000 people last year -- 48,000
18 children qualified for the federally subsidized
19 meals. We're waiting for the Department of
20 Elementary and Secondary Education to give us those
21 numbers for this new school year.
22 I don't -- I can't even begin to imagine
23 what you and the legislature are going to have to
24 deal with. If -- I am so glad I'm just feeding
25 people and not doing what you're doing.

1 CHAIRPERSON STOGEL: We're glad you're
2 doing what you're doing.
3 COMMISSIONER VAN MATRE: I was going to
4 say, none of us are going hungry.
5 MS. KIRKPATRICK: Right, right. One of
6 the things, and I -- I don't know if any of the other
7 food banks, and there's six or seven food banks in
8 the state, if any of them have testified at any of
9 your other hearings.
10 CHAIRPERSON STOGEL: They have.
11 MS. KIRKPATRICK: They have?
12 CHAIRPERSON STOGEL: Yeah.
13 MS. KIRKPATRICK: Okay.
14 CHAIRPERSON STOGEL: And we hear the
15 enormous escalating need --
16 MS. KIRKPATRICK: It is true.
17 CHAIRPERSON STOGEL: -- from St. Joe to
18 Cape Girardeau.
19 MS. KIRKPATRICK: Right. Whatever you
20 can do as far continuing the NAP credits and also,
21 and I'm going to very selfishly put the plug in for
22 basic needs or hunger relief.
23 I was asked to provide some additional
24 information. I -- and this was the first year that I
25 was ever asked to provide as specific information.

1 And I have to you tell you, Zatuilla Nara is
2 awesome. She is awesome. She's one of the people
3 that works for the NAP program and I think you know
4 who she is. Great. Even when she's telling me, no,
5 we don't have the credits, she was extremely
6 diplomatic and tactful and I know that she has gone
7 through a lot.
8 But one of the things that the NAP credit
9 to a food bank such as ours is when we started
10 getting these credits, nobody even knew we existed.
11 And now we have -- we have turned donors into
12 partners and friends. It's done exactly what you've
13 wanted, at least that's what was my understanding.
14 And we have taken 500,000 and leveraged it into $38
15 million worth of food. So hopefully you are getting
16 your -- your return on investment.
17 If there's a way that food banks and
18 hunger relief organizations can be included,
19 continually, if I had to choose between the pantry
20 tax credit and this one, I'd use NAP all day long.
21 It's a much finer credit.
22 CHAIRPERSON STOGEL: If the food pantry
23 credit were made to service the six food banks and
24 became regular as a commission recommendation, that's
25 an if, and you and your colleagues could all access

1 that program given the growing need, that may be --
2 that may be a better way to do economic measurement.
3 Because one of the issues before the commission is
4 how do you do the measurement on social programs?
5 Well, on the food bank targeted kind of thing, if
6 it's a way where the State can put out $250,000,
7 leverage 3 million which leverages $30 million of
8 food delivery, that's a pretty good multiplier
9 effect. Because 250 is leveraging a $3 million
10 budget and serving 95,000 people that are getting a
11 meal, so.
12 COMMISSIONER VAN MATRE: Why is the
13 leverage on the pantry credit greater than the NAP
14 credit?
15 CHAIRPERSON STOGEL: Because the -- it
16 may or may not be. It's -- in this example the total
17 budget is $3 million, 250 which is NAP credits, so
18 you have 250 which is --
19 MS. KIRKPATRICK: Five hundred --
20 CHAIRPERSON STOGEL: -- 8 percent of --
21 8.1 percent of the budget being supported by the
22 State to leverage all of these other things. And in
23 a NAP program, like a capital program, it might be
24 $499,000 to generate a million to do a million
25 dollars of work or two million dollars of work or

1 three million dollars of work. There's no guidelines
2 for capital projects, that NAP credits can only be 15
3 percent of the total, they can be half the total.
4 So it's sort of a case by case analysis,
5 but one of the consistent testimonies is -- that
6 we're seeing is that a lot of service providers have
7 a greater need now, expected to get NAP credits to
8 fill 7 to 10 percent of their budget, so they can
9 keep the other stuff going, so. It's all part of the
10 learning we're trying to get, and we really
11 appreciate your testimony. Thank you very much.
12 MS. KIRKPATRICK: Thank you.
13 COMMISSIONER STILL: Just have another.
14 Did you -- do you already have in mind who you're
15 going to sell them to? What you're doing with the
16 credit?
17 MS. KIRKPATRICK: We -- we have had to
18 turn away donors this year because we received less
19 credits, but we had them all committed.
20 COMMISSIONER STILL: And is it a lot? Is
21 it more than 10 or 50 or how many?
22 MS. KIRKPATRICK: It was about 200
23 people.
24 COMMISSIONER STILL: Really?
25 MS. KIRKPATRICK: Uh-huh.

1 COMMISSIONER STILL: Okay. Do they --
2 when you say -- well, you call them donors, but they
3 buy the credits from you? Is that what they do?
4 MS. KIRKPATRICK: They make a donation
5 and in turn I can give them the tax credit, if they
6 qualify for certain -- if they're in certain business
7 occupations or own and operate a farm or own rental
8 property or derive royalties.
9 COMMISSIONER STILL: Oh, okay. Some
10 people who are donors and get credits. Are there
11 also donors who don't get anything?
12 MS. KIRKPATRICK: That's correct.
13 COMMISSIONER STILL: There are some?
14 MS. KIRKPATRICK: What we've -- what
15 we've done with the NAP credit is we've tried to be
16 judicious with it in that we've made a minimum
17 donation to receive the NAP credit.
18 COMMISSIONER STILL: How much is that?
19 MS. KIRKPATRICK: A thousand dollars.
20 COMMISSIONER VAN MATRE: Have you issued
21 any of the pantry credit at all?
22 MS. KIRKPATRICK: We have used some of
23 the pantry credits, but there are some real
24 challenges with the pantry credits in that the NAP
25 credit is a guaranteed, in my instance, 50 percent.

1 With the pantry tax credit, it's not a guarantee
2 because -- and correct me if I'm wrong -- there's
3 a -- my understanding, there's $2 million earmarked
4 statewide, and you have to file your income tax
5 return, your state return by April 15th. And then
6 and only then does the State determine whether you're
7 going to get a full 50 percent credit or if the total
8 amount donates -- or people applying for credits
9 exceeds the two million, then it's all prorated.
10 In addition to that, the NAP tax credit
11 you can take off your federal and your state as a
12 deduction and use the tax credit against your state
13 liability. With the pantry you cannot -- you can
14 take it off your federal as a deduction, but you
15 cannot take it off your state as a deduction.
16 COMMISSIONER VAN MATRE: Well, I don't
17 think you can deduct the amount of income tax you
18 save from the credit necessarily; you can --
19 MS. KIRKPATRICK: No. But you can make
20 it as a charitable gift as the deduction.
21 COMMISSIONER VAN MATRE: Okay. So that's
22 what you're talking about, okay.
23 MS. KIRKPATRICK: Uh-huh.
24 COMMISSIONER VAN MATRE: Now, you heard
25 the previous testimony about the NAP credit and my

1 questions to the previous witness about how do we
2 differentiate between those credits. And obviously
3 you're -- I mean, there's no question about it,
4 you're doing a great job, everybody knows that. The
5 operation you run is first class and really
6 necessary. But there's limited money, so now, you're
7 the person on the street. What criteria would you
8 tell us to use in evaluating all 861 credits for
9 preservation, cutback, expansion?
10 MS. KIRKPATRICK: Craig, I know you don't
11 know me personally, but we know each other at least
12 professionally and -- and you have been a donor to
13 the food bank and you are a donor to the food bank.
14 I'm always going to tell people that I love history,
15 but I probably would not put tax credits on historic
16 preservation when I've got hungry kids that can't be
17 fed.
18 COMMISSIONER VAN MATRE: And you think
19 that's a fairly commonly shared opinion, do you?
20 MS. KIRKPATRICK: Do I? No, I think you
21 could ask five people and you're going to get five
22 different answers because they all have a different
23 hot button. That's why I'd rather do what I'm doing
24 because this is my hot button. It -- and I can't
25 even begin to put myself in your position. I think a

1 return on investment is -- is an excellent thing to
2 look at, but -- but as previous testimony, how many
3 people are you putting to work and is it short term
4 or long term.
5 One of the things that we're doing that
6 we put in our proposal is that some of us don't
7 necessarily employ a great deal of people. We have a
8 paid staff of 39, we cover over 18,000 square miles,
9 but one of the things that our -- our involvement has
10 done is that the numbers have grown because of the
11 unemployment. If we can continue to feed John Doe in
12 say Kirksville until the economy turns around, John
13 Doe's not going to move to Columbia or Kansas City or
14 someplace else where they think they can get a job.
15 They're going to stay there and maybe work part-time,
16 have their hours cut, but work part-time until the
17 economy turns around.
18 What we're seeing is more and more and
19 more migration away from the rural counties into the
20 metropolitan and the whole economic infrastructure of
21 those counties are collapsing and it's a domino
22 effect. It impacts how much state and federal
23 dollars they'll get for their schools and for roads
24 and on a number of other things. So whatever we can
25 do to focus on maintaining economic infrastructure of

1 the rural parts of this state, I'd say do it. And if
2 that means historic preservation, then do it. But
3 pretty soon you're going to have a lot of this state
4 that no one lives in.
5 COMMISSIONER VAN MATRE: And I think
6 that's an excellent point, and I don't know, is there
7 any way to judge that collateral benefit of something
8 like that? Is that a --
9 MR. PIEPER: The benefit of preserving
10 communities?
11 COMMISSIONER VAN MATRE: The benefit of
12 providing a designated or targeted benefit in an area
13 that's had greater than its share let's say of
14 economic losses or employment losses?
15 MR. PIEPER: And there are a variety --
16 COMMISSIONER VAN MATRE: Is there already
17 criteria?
18 MR. PIEPER: -- of programs that are
19 designated for, you know, low economic areas or
20 census tracks that have below average unemployment --
21 or higher than average unemployment. There's a lot
22 of those kinds of criteria that are built in to these
23 programs. For example the NAP program, you know,
24 you're eligible for 70 percent credits whereas if
25 you're in other --

1 MS. HEMENWAY: She's in Columbia.
2 MS. KIRKPATRICK: We're headquartered
3 here. I like the way you're thinking though. I'll
4 move.
5 MR. PIEPER: In the rural areas --
6 MS. KIRKPATRICK: Right.
7 MR. PIEPER: -- you're eligible for 70
8 percent of credits as opposed to in the urban areas,
9 the NAP credits are 50 percent credits. Those 70
10 percent credits are much more desirable for an
11 organization like yours because you can market them
12 much easier and you can attract those donations much
13 easier. So there's some kind of -- those factors are
14 taken into account in these programs.
15 COMMISSIONER VAN MATRE: But you're a
16 service area, your client basis is much larger.
17 MS. KIRKPATRICK: Yeah, it's 32 counties.
18 COMMISSIONER VAN MATRE: Because it's
19 here, she's not eligible for the 70 percent credits?
20 MS. HEMENWAY: The statute and the rules
21 designate who's eligible for 70 and who's eligible
22 for 50 and -- and the Columbia base of the food bank
23 makes them eligible for 50.
24 MS. KIRKPATRICK: That's where we're
25 headquartered.

1 COMMISSIONER VAN MATRE: But what's your
2 percentage of benefit here versus other counties
3 where the -- the need -- you were just talking about
4 this sort of flight to urban areas. What percentage
5 of your services are rendered outside the Columbia
6 area?
7 MS. KIRKPATRICK: Last year Boone County,
8 if we're going to look at poundage, Boone County
9 received about -- and this is off the top of my
10 head -- about five or six million pounds of food and
11 the remaining amount went to all of those other
12 counties.
13 COMMISSIONER VAN MATRE: And the
14 remaining amount was how much?
15 MS. KIRKPATRICK: If I -- if I said five,
16 six, it would be about 18 million went everywhere
17 else. For instance down in the Lake area, Camden,
18 Miller and Morgan County we have put combined in
19 those three counties probably over two million pounds
20 of food.
21 COMMISSIONER VAN MATRE: Okay. So follow
22 me on the math here and make sure I've got it right.
23 You distribute a total of 24 million pounds?
24 MS. KIRKPATRICK: 24.4 million.
25 Wholesale value was 38 million.

1 COMMISSIONER VAN MATRE: So six of that
2 was in --
3 MS. KIRKPATRICK: Boone County.
4 COMMISSIONER VAN MATRE: Boone County.
5 So why wouldn't they be available for five-sixths of
6 their credits to be 70 percent credits?
7 MS. HEMENWAY: It's just the way the
8 current guidelines are written. The current rule is
9 written, they apply as an organization, and the rule
10 designates them a 50 percent applicant. If you want
11 to -- that's a --
12 MR. PIEPER: That could be a
13 recommendation.
14 MS. HEMENWAY: That could be a
15 recommendation.
16 COMMISSIONER STILL: Is that in the
17 statute or is that a rule?
18 MS. HEMENWAY: It's a rule. You know,
19 I'd have to look to see if it -- if it came from --
20 the statute depicts the 70's and the 50's. Whether
21 or not specifically the headquarters was a rule or
22 the headquarters was in the statute, I can't recall
23 right now, but I can look it up for you.
24 COMMISSIONER STILL: That sounds like
25 something that -- it's not going to solve this whole

1 problem, but it sounds like a tweak that would make
2 it more just or more consistent.
3 COMMISSIONER VAN MATRE: Well, I mean,
4 economically this particular application may not -- I
5 mean, the NAP credit as a whole has an economic
6 efficiency of just about one to one. So preserving
7 that credit seems to make a good deal of sense.
8 Allocating the credit among all the applicants
9 though, it sounds like there isn't specific
10 guidelines and so you all just sort of do the best
11 you can or.
12 MS. HEMENWAY: No. There are specific
13 guidelines. There's --
14 MR. PIEPER: There's rules --
15 MS. HEMENWAY: -- statutes and there's
16 rules and then there's guidelines that are based on
17 the rules and based on the statute. And you're --
18 you're asking me why she's a 50 percent recipient
19 versus a 70 percent, and I -- I'm -- my answer is
20 it's either in the rule or in the statute, but I
21 can't -- or in the guidelines which directs her to
22 apply --
23 COMMISSIONER VAN MATRE: Your hands are
24 tied.
25 MS. HEMENWAY: -- for 50's and I -- off

1 the top of my head I don't know which -- which place
2 it's in.
3 COMMISSIONER VAN MATRE: Among the
4 applicants though for NAP credits, how do you
5 differentiate between a food bank and some other --
6 MS. HEMENWAY: There are evaluation
7 criteria that we raise and evaluate every application
8 against. And to answer your question previously
9 about, need is one of those criteria. And need is
10 represented by a series of questions. Impact is
11 represented by a series of questions. Leverage is
12 represented by a series of questions. Capacity is
13 represented by a series of questions to make sure
14 that the organization has the capacity to -- to not
15 only to administer and garner the donations
16 necessary, but also the capacity to carry out the
17 project or program that they say they're going to.
18 COMMISSIONER VAN MATRE: Quantify or a
19 score?
20 MS. HEMENWAY: We quantify those and
21 evaluate them against that criteria. And we make our
22 recommendations based on those results.
23 COMMISSIONER VAN MATRE: Is the criteria
24 public?
25 MS. HEMENWAY: Yes. It's in these

1 guidelines.
2 MR. PIEPER: It's in the rule. And then
3 there's an annual -- each funding cycle there's a
4 publication of the guidelines.
5 COMMISSIONER VAN MATRE: So Peggy could
6 go to that and figure out what of those scores,
7 maximum scores --
8 MS. HEMENWAY: The question is can you go
9 objectively score yourself and come up with -- is
10 that what you're saying? No. This is not an
11 objective scoring criteria and I don't know how a
12 discretionary credit that evaluates a food bank
13 against a YMCA could be an objective scoring. We put
14 as much objectivity into the scoring as we possibly
15 can, but there is admittedly subjectivity to it as
16 well.
17 CHAIRPERSON GROSS: We need to move on to
18 public testimony and have those discussions either
19 privately with staff or at a commission meeting later
20 on. Thank you very much.
21 MS. KIRKPATRICK: Thank you.
22 CHAIRPERSON GROSS: Next we have
23 Linda Priaulx --
24 MS. PRIAULX: Priaulx.
25 CHAIRPERSON GROSS: Sorry, and Mary.

1 Linda and Mary wanted to testify together.
2 MS. PRIAULX: Thank you for letting us
3 come and be before you.
4 CHAIRPERSON GROSS: Both separately state
5 your names and spell them please for the record.
6 MS. CRANMER: My name is Mary Cranmer,
7 C-r-a-n like Nancy, M like Mary, e-r.
8 MS. PRIAULX: And I'm Linda Priaulx, P as
9 in Paul, r-i-a-u-l-x. We wanted to introduce
10 ourselves. I don't know if this is going to be a new
11 spin for you tonight, but we are in a senior
12 industry.
13 Mary is the owner of a company, it's
14 called Comprehensive Care, and we serve seniors. We
15 serve seniors with private duty services and medical
16 home care service. Mary started her company on the
17 premise of aging in place, meaning that seniors can
18 have services in their home and choose alternatives
19 of care rather than being in a state run
20 institution -- or not state run institution, but a
21 Medicaid skilled nursing facility, an assisted living
22 facility, independent living community, okay.
23 So our relationship to the tax credit
24 property is that it's a separate company, an entity
25 that manages the tax credit property, but because

1 they rent to a high proportion of seniors, they
2 sought somebody who could provide this aging in place
3 concept which is what we do. And so we're a separate
4 agency that is allowed to operate within that tax
5 credit property. And I'll let Mary kind of describe
6 some of the services that we provide there.
7 CHAIRPERSON STOGEL: So you're working in
8 low income tax --
9 MS. CRANMER: Yes.
10 CHAIRPERSON STOGEL: -- credit housing
11 projects with seniors?
12 MS. CRANMER: We work -- we --
13 CHAIRPERSON STOGEL: Provide the social
14 services to that housing population?
15 MS. PRIAULX: I'm sorry, what?
16 CHAIRPERSON STOGEL: You provide the
17 social services in part for that?
18 MS. PRIAULX: No. We provide the hands-
19 on care.
20 MS. CRANMER: Hands-on care.
21 MS. PRIAULX: For the seniors --
22 MS. CRANMER: Health and wellness.
23 MS. PRIAULX: -- that request it.
24 MS. CRANMER: I.e., like we can provide
25 if they go in the hospital and they need Medicare,

1 you know, when they come back home and they're
2 homebound or we can provide private duty. We give
3 them a much lower rate when they need private duty
4 for a couple days after they come back from the
5 hospital. We provide medication, set up reminders,
6 bathing, showering -- well, bathing is the same thing
7 as showering. We -- housekeeping, anything that they
8 need, any type of service, we -- we take and make it
9 to their specifications so they can live there. In
10 these communities these are these people's homes.
11 COMMISSIONER WRIGHT-JONES: Is this
12 residential care or independent living?
13 MS. PRIAULX: This is your tax credit
14 property that you pay money to build.
15 COMMISSIONER WRIGHT-JONES: You just have
16 this component --
17 MS. PRIAULX: We have this component --
18 COMMISSIONER WRIGHT-JONES: -- of
19 personal care?
20 MS. PRIAULX: -- through Fairway
21 Management.
22 COMMISSIONER WRIGHT-JONES: Okay.
23 MS. PRIAULX: Because they saw the --
24 they were foresighted in seeing that this might be a
25 great thing for the seniors so that they could have

1 this aging in place concept. And so the seniors pay
2 their rent to Fairway Management, and then those that
3 desire these extra care services -- because it's
4 either stay here or go where, because they can't
5 afford to go anyplace else. Assisted living
6 facilities don't take Medicaid.
7 CHAIRPERSON STOGEL: Who pays your --
8 MS. PRIAULX: Their families pay us or
9 they pay us.
10 COMMISSIONER WRIGHT-JONES: At market
11 rate?
12 MS. PRIAULX: Right. Well --
13 MS. CRANMER: No, no.
14 MS. PRIAULX: Yes and no.
15 MS. CRANMER: It's not the market rate we
16 give to everybody else. It's a lower market rate,
17 very much lower.
18 CHAIRPERSON STOGEL: Fairways doesn't pay
19 you?
20 MS. PRIAULX: No, no, no.
21 CHAIRPERSON STOGEL: It's the tenants'
22 families --
23 MS. PRIAULX: Yes.
24 CHAIRPERSON STOGEL: -- help support, so
25 they still maintain their low income status.

1 MS. PRIAULX: Exactly.
2 MS. CRANMER: Exactly.
3 CHAIRPERSON STOGEL: The kids --
4 MS. PRIAULX: They have us --
5 CHAIRPERSON STOGEL: -- write the checks
6 or whatever.
7 MS. PRIAULX: -- us -- sign the service
8 agreement with us. We bill them, they pay us, yeah.
9 There's no exchange of funds between the two
10 companies at all.
11 CHAIRPERSON STOGEL: Fairways wants to
12 provide access to you all to provide these ancillary
13 services so the tenants have a better home to live
14 in?
15 MS. CRANMER: Quality of life.
16 MS. PRIAULX: That's right. Because it
17 is a concept in aging and while you build these tax
18 credit properties, you have to know that you're
19 renting to seniors who if they paid market rate,
20 would fill your Medicaid rolls. So -- so and you and
21 I both know that future says that we're going to have
22 more and more seniors and so what are we going to do
23 with our seniors?
24 COMMISSIONER VAN MATRE: Let the record
25 reflect she was looking at me when she said that.

1 MS. CRANMER: We didn't mean anything by
2 that.
3 MS. PRIAULX: I testify, I just was -- so
4 I visited with a banker and he -- I said, honestly,
5 how's the economy looking. And he says, the banks
6 are stuck with money and we're not loaning any. So
7 until these numbers come together, we're not going to
8 get our economy moving.
9 Well, we just wanted you to see what
10 aging in place does and that these seniors who live
11 in these properties are really between a rock and a
12 hard place. If they played market -- if they paid
13 market rate, they're going to be on your Medicaid
14 rolls. If they could stay in the low income house
15 and they can afford some ancillary services, which I
16 would gladly afford that for my mother to be able to
17 live there and then pay for these services, then we'd
18 better keep them off your Medicaid rolls, because
19 honestly what we see with seniors is that small
20 adjustments get big results.
21 So those seniors that seek us out and
22 say, you know what, I need you to do my housekeeping,
23 I need you to do my laundry, I need you to help me
24 get some shower assistance, we're enabling them to
25 stay in place a lot longer, okay.

1 We are primarily in the St. Louis market
2 and we have seen private industry fold up their tents
3 and go home when the economy went south. So there
4 were several new projects that were going to be
5 built, some high end projects, they're not being
6 built now. So we are going to have a little bit of a
7 problem as we look long term and look out in that
8 future of what is actually -- where are we going to
9 put our seniors, what's going to be available to
10 them.
11 And my mom's 91 and I would hate to see
12 her in a complex with 20 year old. There's not a
13 high level of safety and security when you have a mix
14 of ages. So in these tax income credit properties
15 where you have seniors only and you have some -- you
16 know, you have some protection because you have a
17 locked building, you know, you have maintenance on
18 site, you have ancillary services, you created a
19 really wonderful world which promotes aging in place
20 with independence and dignity, okay. So that what's
21 we're seeing. We're seeing this spin. And so when
22 you go out and you look at, what should we do, what
23 shouldn't we do, I'm just going to say tax credit or
24 Medicaid at some point, you know, we're going to have
25 to be thinking about that seriously.

1 COMMISSIONER STILL: Your business
2 doesn't get any tax credit themselves?
3 MS. CRANMER: No, no.
4 MS. PRIAULX: No. We're not --
5 COMMISSIONER STILL: You're saying you --
6 MS. PRIAULX: -- for profit.
7 COMMISSIONER STILL: -- that you -- you
8 do business in this -- in these places that got the
9 tax credit.
10 MS. CRANMER: Uh-huh.
11 MS. PRIAULX: That is correct.
12 COURT REPORTER: I'm sorry, I can only
13 take one person talking at a time.
14 MS. PRIAULX: I'm sorry. We provide
15 these services in high end communities as well, as an
16 independent contractor.
17 COMMISSIONER WRIGHT-JONES: Where they're
18 really paying real market rate?
19 MS. CRANMER: Very good market rate.
20 COMMISSIONER WRIGHT-JONES: Let me ask
21 you this. This has nothing do with the tax
22 commission, I just want to get in my head what you're
23 saying about as long as there's a subsidy, you
24 provide a service that they don't wind up on Medicaid
25 rolls, but they're Medicaid eligible; is that right?

1 MS. PRIAULX: They'll have to give up
2 their income and be -- get on Medicaid.
3 COMMISSIONER WRIGHT-JONES: You mean
4 spend down.
5 MS. CRANMER: Uh-huh.
6 MS. PRIAULX: But you put them in a
7 market rate apartment, and they'll be on Medicaid
8 immediately.
9 COMMISSIONER WRIGHT-JONES: But in yours,
10 they're paying subsidized rent.
11 MS. PRIAULX: Yes.
12 COMMISSIONER WRIGHT-JONES: Lower than
13 pure open market rate. Okay.
14 MS. PRIAULX: (Nodded head.)
15 MS. CRANMER: Their average income is --
16 per year is like 26,000.
17 MS. PRIAULX: They can't keep -- or have
18 more than that. And we have seen, just because we
19 have had experience in the Fairway Management
20 program, you know, these are some of the things that
21 we've seen is that we went to Fairway Management and
22 we've said, you know what, we see that the seniors
23 would really like to exercise, do you think you could
24 afford a program like that. And they said,
25 absolutely. So they put money into an exercise

1 program that the seniors are getting. They have put
2 transportation into these buildings; now they have
3 buses so that the seniors have a way out. How are
4 our seniors going to be get transported? I mean,
5 there's just not enough agencies to provide all these
6 services, so they have put transportation into their
7 communities. They had -- I don't know how they did
8 it, but they've built carports, I think that's what
9 you call them, but -- so those were some ways where
10 they were putting money, more money into the
11 communities to provide better care and services for
12 their seniors.
13 CHAIRPERSON GROSS: Thank you very much.
14 MS. PRIAULX: You're welcome.
15 CHAIRPERSON GROSS: Appreciate you being
16 here. Next is Abhi Sivasailam.
17 MR. SIVASAILAM: Spell my name?
18 CHAIRPERSON GROSS: Please.
19 MR. SIVASAILAM: A-b-h-i, first name.
20 S-i-v as in Victor, a-s-a-i-l-a-m as in Mary. Is
21 that it?
22 CHAIRPERSON GROSS: Welcome. Proceed.
23 MR. SIVASAILAM: Well, I am, like Ron and
24 Eapen and other individuals that have spoken tonight,
25 one of these free market proponents who want to see

1 tax credits minimized across the board. But
2 listening to these speeches, I -- I think I
3 understand that that's really not something that
4 you're interested in hearing, partly because it's not
5 very useful for you and if I'm understanding what
6 some of the commission members here have said, it's
7 that you're thirsting for some kind of a paradigm
8 that's useful rather than just these kind of broad
9 ideological platitudes about, you know, free
10 markets. And so I think I'm going to try and answer
11 that, you know, in response to your -- to your
12 question and your question.
13 So the focus of my speech is going to be
14 twofold. I'm going to take a mediated approach from
15 my, you know, general, you everyone, antitax credits
16 approach and try and -- and try and meet somewhere in
17 the middle. And so first I'm going to talk about a
18 different paradigm for looking at how tax credits
19 function in the macro economy as a student of
20 economics. And then -- and hopefully that will
21 furnish us with the tools to look at alternate models
22 that we can use to evaluate the effectiveness of
23 certain tax credits.
24 And then second I'm going to try and
25 address, I forget who he was, whether it was

1 Mr. Burlison or yourself, this idea that, you know,
2 if everyone else is doing tax credits and Missouri
3 gets out of the tax credit game, then somehow we're
4 going to be worse off. And I'm going to try and
5 address that with some -- inside some economics.
6 So let me begin with the model of tax
7 credits that I like to look at which is, you know,
8 freeing ourselves from traditional free market
9 platitudes, why is a free market good. Well, a free
10 market is good because a market is a forum for
11 communication, right. A market is a place whether
12 it's a market for bananas or a market for nuclear
13 weapons, for actors, whether they're separated by a
14 few feet or few continents, come together and
15 communicate about scarcity and subjective value. So
16 sellers communicate scarcity --
17 COURT REPORTER: Could you please slow
18 down.
19 MR. SIVASAILAM: Sorry. So sellers
20 communicate scarcity and buyers communicate
21 subjective value. And they do this using the
22 language of the price mechanism, right. So the
23 issue about interfering with free markets from an
24 economic -- from an economist's standpoint is this
25 idea that it interferes with the efficiency, the

1 communicative efficiency, because there are different
2 types of efficiency. There's Pareto efficiency,
3 there's wealth -- wealth maximizing efficiency,
4 there's bang for the buck efficiency which I'll get
5 to. And then there's this idea of allocative
6 efficiency.
7 MR. BURLISON: You need to slow down.
8 She's -- she's smoking over here.
9 MR. SIVASAILAM: I'm sorry. So my point
10 is that when we -- when we implement -- when we
11 interfere with free markets, what we're doing is
12 interfering with the communicative signals that are
13 being sent back and forth. Now, this argument can
14 be -- can be abused, right. This argument can be
15 used to say, well, then, we don't need the government
16 at all, government should get out of everything
17 because government is just going to interfere with
18 signals. But in the real world, you know, we don't
19 need government if transaction costs are zero. If
20 transaction costs were zero, then we could all just
21 bargain with each other. We wouldn't need
22 government. But we don't live in that world.
23 We -- in a world where there's no
24 prisoner's dilemmas, where there's no coordination
25 problems, what we, economists and political

1 scientists, call coordination problems, we don't need
2 government. But we don't live in that world. And in
3 a world where there's no information asymmetry, then
4 you don't need government because actors can -- can
5 assimilate information into, you know, their -- their
6 models of reason and you don't need a government, but
7 we don't live in such a world.
8 So there is a role for government in
9 mediating these problems, okay, what we would call
10 market failures, what we would call externality
11 problems, information asymmetry problems,
12 coordination problems, and trans-- and minimizing
13 transaction costs.
14 So what I'd like to suggest then is that
15 we should view, you know, this commission here not
16 as, you know, bumbling fools that are acting as
17 planners that think that they know better than us on
18 how to organize a market; it's not that you're bad
19 people, it's that like -- like the child's game of
20 playing telephone, you know, where if I were to send
21 a message from -- from Mr. Levi over here down to
22 Ms. Weber, empirics would suggest that the story gets
23 lost in translation along the way, right. And it's
24 not because Mr. Burlison's a bad person and is
25 intentionally distorting my message; it's that the

1 existence of a new actor distorts the message. And
2 this is an empirical fact.
3 So your existence here is distorting
4 signals, but our goal then, our paradigm is how best
5 to focus these distortion of signals because -- I'm
6 not saying let's eliminate this commission, because
7 that's just not feasible, that's not viable. So what
8 I am saying is how can we minimize the allocative
9 efficiency problems.
10 And then so let's talk about allocative
11 efficiency. You know, the type efficiency that's
12 been bandied about in this commission is the kind of
13 bang for the buck efficiency that if you have Option
14 A and Option B, and Option A, I put in one dollar, I
15 get out five dollars. Option B, I put in one dollar,
16 I get three dollars. That's a -- that's an
17 accountant's version of efficiency; that's not an
18 economist's version of efficiency.
19 The -- the accountant's version of
20 efficiency would say that food pantries shouldn't get
21 the tax credit and film taxes should, but, you know,
22 fundamentally, the film tax doesn't represent the
23 market value, it doesn't represent an allocative
24 efficiency; it represents, you know, a bang for the
25 buck efficiency. And it's not meaningful, you know,

1 partly because we can't compute these psychic
2 externalities and also partly because these
3 multipliers themselves that the -- that the -- that
4 the commission is given aren't necessarily computed
5 correctly.
6 Because, you know, as a student of
7 economics, I know this is not a hard science. I know
8 these multipliers that are technically -- they aren't
9 necessarily correct. But also there's a
10 counterfactual, right.
11 So when we -- when we give a tax credit
12 to a company that makes hot dogs, we lower the
13 marginal cost that the hot dog manufacturer faces and
14 we distort incentives throughout the macro economy.
15 We don't just distort incentives for the hot dog
16 manufacturers, we distort incentives for the
17 complimentary goods, we distort incentives for the
18 substitute goods, and so we don't know the
19 counterfactual.
20 So just because I can say, you know, with
21 the accountant's efficiency that, you know, I put in
22 one dollar here, I get twenty dollars back, well, we
23 don't know what that one dollar would have serviced
24 elsewhere. And this is why these quantitative models
25 of efficiency aren't really particularly useful.

1 And so what I would suggest instead is a
2 more qualitative model of market failure, right?
3 Because as I've said, there is a role for government,
4 okay, and the role for government is mediating
5 externality problems, is mediating coordination
6 problems, is mediating information asymmetry
7 problems. And so what the commission here should do
8 instead of looking at the quantitative numbers, look
9 at the qualitative figures of market failure, okay?
10 Use the proper role of government and step in when
11 you can internalize externalities, when you can
12 minimize information asymmetry problems.
13 COMMISSIONER STILL: How are market
14 failures going to help us?
15 MR. SIVASAILAM: What?
16 COMMISSIONER STILL: Slow down here.
17 What -- how are market -- we're looking at market
18 failure.
19 MR. SIVASAILAM: Uh-huh.
20 COMMISSIONER STILL: How -- well, the
21 people that came from Macon, they have a GED
22 program. Private market is not going to start a
23 business training people to get their GED's in Macon,
24 right? Is that a market failure? Is that what
25 you're talking about?

1 MR. SIVASAILAM: I think -- I think that
2 it's up to you to determine, you know, what a market
3 failure is. And, you know, the -- the various types
4 of market failure are just beyond the scope of this
5 conversation because we'd be here for, you know,
6 quite a while. But, you know, if anything, I suggest
7 you look into what a market failure is and how
8 economists and political scientists have
9 conceptualized these things. These don't --
10 COMMISSIONER STILL: I'm thinking it's
11 businesses that fail, it goes out of business, that's
12 a market failure.
13 MR. SIVASAILAM: That's not exactly --
14 market failure is -- see, it's not a market failure
15 if a hot dog manufacturer goes out of business,
16 right? It's a market failure in an economist's
17 parlance if there are externalities that aren't being
18 encapsulated in the price of a good, right? So a
19 market failure --
20 COMMISSIONER STILL: When you say a
21 market failure, you mean a failure in the operation
22 of a market?
23 MR. SIVASAILAM: Sure, sure.
24 COMMISSIONER STILL: All right.
25 MR. SIVASAILAM: So a market failure --

1 COMMISSIONER STILL: I wasn't with you.
2 MR. SIVASAILAM: -- to an economist would
3 be a common poor resource problem, right? So a
4 market failure to an economist may be, you know, hey,
5 we need cigarette taxes because cigarette taxes cause
6 externalities on other people, you know, in terms of
7 pollution, in terms of secondhand smoke damage, in
8 terms of, you know, groundwater damage, you know,
9 what have you. And all these costs, these social
10 aren't encapsulated in the price and so we need, you
11 know, corrected mechanisms, govian taxation.
12 And, you know, insofar as you're going to
13 have a tax commission, you should focus it to
14 acceptable modes of governmental operation, and I
15 would argue that market failure is a good criteria.
16 And you can -- I don't know what you have in front of
17 you; and, you know, if you ask me for specific
18 examples, hey, you talk about market failure, give us
19 an example of a market failure where you would apply
20 a tax credit, I couldn't answer that question because
21 I just don't know --
22 COURT REPORTER: Please slow down.
23 MR. SIVASAILAM: I just don't know what
24 you have in front of you. But what I encourage you
25 to do is to look at the paradigm of using market

1 failure as a paradigm for evaluating tax credits and
2 say, hey, film taxes don't represent a market failure
3 in any way, there's no information asymmetry here,
4 there's no coordination --
5 COMMISSIONER STILL: You're going too
6 fast.
7 MR. SIVASAILAM: There's no coordination
8 problem here, there's no -- there's no heavy
9 transaction costs that interfere with bargaining
10 here. But on the other hand --
11 CHAIRPERSON GROSS: You have two minutes.
12 MR. SIVASAILAM: Okay. But on the other
13 hand the food pantry may represent a market failure.
14 So start from the -- start from the ground up and
15 weed out these market failures, weed out these
16 options that are definitely not market failures and
17 focus on the market failures. Don't just look at an
18 accountant's definition of efficiency, look at an
19 economist's definition of efficiency.
20 And the last thing about the last place
21 argument is this idea of comparative advantage, okay.
22 So --
23 CHAIRPERSON GROSS: This idea of what?
24 MR. SIVASAILAM: Comparative advantage.
25 Comparative advantage, right. This idea that

1 economists talk about for trade which is that, you
2 know, California if they have tax credits and
3 Missouri gets out of the tax credit market, well,
4 California can't give a tax credit to everything,
5 they can only give a tax credit to certain things.
6 If they gave a tax credit out to everything, then
7 they'd just have a lower tax rate and so they have to
8 pick and choose. So let's imagine --
9 CHAIRPERSON STOGEL: Less revenue.
10 MR. SIVASAILAM: -- an economy -- right.
11 Let's imagine an economy where there are two goods,
12 there are cars and computers. And let's imagine
13 that both of those goods are subsidized by
14 California taxpayers and -- through tax credits and
15 none of those goods are subsidized by Missouri,
16 right.
17 So the idea would be, hey, Missouri's
18 getting out, so now we're all going to be screwed.
19 But the economic way to look at it is, okay, for one
20 unit of labor -- because of tax credits, California
21 can produce three cars or ten computers, okay. And
22 Missouri, because they don't have tax credits can
23 produce less cars. For one unit of labor Missouri
24 can produce one car or two computers, right.
25 California has an absolute advantage, but that

1 doesn't mean the jobs are going to go to California,
2 because as economists have taught us, as David
3 Ricardo taught us 200 years ago, there's a thing
4 called comparative advantage.
5 So if you look at the three cars to ten
6 computers ratio that California faces, and the one
7 car to two computers ratio that Missouri faces, the
8 opportunity cost in terms of real goods for Missouri
9 is one car equals two computers and the opportunity
10 cost of one computer is five cars. And California's
11 opportunity costs on the other hand is one car
12 equals three and a third computers and one computer
13 equals .3 cars, right?
14 So in this example we see that Missouri's
15 opportunity cost for one car is two computers, and
16 California's opportunity cost for a car is three and
17 a third computers. Well, California had an absolute
18 advantage in both goods and yet Missouri comes out
19 with a comparative advantage. And so economic
20 efficiency will dictate that Missouri will produce --
21 will produce the computers.
22 So even if you had absolute advantages
23 that are produced by tax credits, comparative
24 advantages still surface. Even if California uses
25 their tax credits and makes all their goods cheaper

1 to produce, Missouri will still produce goods because
2 comparative advantage will still exist.
3 CHAIRPERSON GROSS: You need to
4 summarize.
5 MR. SIVASAILAM: That's it, that's it.
6 CHAIRPERSON GROSS: Questions?
7 COMMISSIONER WRIGHT-JONES: I have a
8 question.
9 CHAIRPERSON GROSS: Question from Senator
10 Jones.
11 COMMISSIONER WRIGHT-JONES: Who -- on
12 whose behalf are you testifying?
13 MR. SIVASAILAM: No one actually. I just
14 came in to just listen and at a certain point I was
15 interested enough to speak.
16 COMMISSIONER WRIGHT-JONES: Are you a
17 student?
18 MR. SIVASAILAM: I am a student at
19 Mizzou, correct.
20 COMMISSIONER WRIGHT-JONES: At Mizzou.
21 MR. SIVASAILAM: Uh-huh.
22 MR. BURLISON: Can you tell me what
23 market effects the State has put into your -- to
24 your, the amount of tuition that you pay to Mizzou to
25 go there?

1 MR. SIVASAILAM: That's --
2 MR. BURLISON: And whether or not you
3 could have negotiated a better deal if -- if there
4 was no effects on the market?
5 MR. SIVASAILAM: Well, this is
6 actually --
7 MR. BURLISON: Can you -- can you answer
8 that?
9 MR. SIVASAILAM: Yeah. This is a nuanced
10 question. First of all I would argue that, you know,
11 in the -- there are huge transaction costs there that
12 would warrant, you know, government intervention,
13 one, perhaps. Number two, you could argue that
14 government has a role in subsidizing higher education
15 because education produces this Jeffersonian idea of,
16 you know, positive externalities for, you know, civic
17 code, you know, et cetera. And so there may be a
18 role for government.
19 But I would argue personally that I
20 would prefer the government, you know, not
21 interfere with higher education just because if the
22 government subsidizes my higher education, I'm
23 convinced and --
24 MR. BURLISON: But you're --
25 MR. SIVASAILAM: -- there's plenty of

1 empirical evidence --
2 MR. BURLISON: -- fine with the
3 subsidized --
4 MR. SIVASAILAM: No, I'm not. I would
5 prefer no subsidies for higher education.
6 MR. BURLISON: Well, you're enrolled and
7 you're enjoying that subsidy. But let me tell you
8 where I am.
9 MR. SIVASAILAM: Uh-huh.
10 MR. BURLISON: After I hear you talk, I
11 think I'm getting plenty of good money for your
12 education, because you are a smart kid and I hope you
13 keep -- I hope you keep talking and pursuing that
14 because I really liked what you said. That doesn't
15 have any practical effect on what we can do in the
16 next year, but I think I'm getting my bang for the
17 buck out of your education.
18 MS. HEMENWAY: That is return on
19 investment.
20 MR. BURLISON: Yeah, that's a return.
21 You are a return on our investment.
22 CHAIRPERSON GROSS: Do we have a
23 motion?
24 CHAIRPERSON STOGEL: Motion to adjourn.
25 COMMISSIONER WRIGHT-JONES: Second.

CHAIRPERSON GROSS: Jones to adjourn. All those say aye.

(All responded in the affirmative.)

CHAIRPERSON GROSS: We are adjourned.

(Off the record.)

1 CERTIFICATE

2 I, Shelley L. Mayer, a Certified Court Reporter,
3 CCR No. 679, the officer before whom the foregoing
4 hearing was taken, do hereby certify that the
5 witness whose testimony appears in the foregoing
6 proceeding was taken by me to the best of my ability
7 and thereafter reduced to typewriting under my
8 direction; that I am neither counsel for, related
9 to, nor employed by any of the parties to the action
10 in which this hearing was taken, and further, that I
11 am not a relative or employee of any attorney or
12 counsel employed by the parties thereto, nor
13 financially or otherwise interested in the outcome
14 of the action.
15
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17 _____
18 Shelley L. Mayer, CCR
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