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MISSOURI SENATE

Majority Caucus Whip

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District 23

Capitol Report – June 16, 2010

It was again apparent that we needed to do more to provide an environment where businesses want to grow and invest in our state after witnessing Missouri-based companies like Confluence Solar, Cerner Corporation and others make decisions to grow outside of our state recently. This past session, I led efforts on economic development legislation. I listened and conferred with Senators on what aspects to include in a bill for it to have reasonable hope for passage in the Senate. Of course, the House of Representatives might have had very different ideas, but conference committees are there to work out differences between the House and Senate. Unfortunately, we never got a bill to conference, because we never passed an economic development bill out of the Senate.

Passing a balanced budget was our top priority this year and any change in policy needed to help in that goal. Based on early discussions, I thought it possible to move a bill which would allow for new incentives while paring existing tax credit programs. The pot of resources directed toward economic developments would need to be significantly smaller. A small part of that savings would be used to provide new tools to spur small business growth, aid in recruitment of companies, and support retention of existing manufacturers. My first draft included ideas to aid entrepreneurs with access to capital through MOSIRA, a program modeled after one in Kansas which has been very successful. It modified existing programs to provide upfront financing for large-scale projects similar to a tool used by South Carolina to land manufacturing for the Dreamliner. It was labeled the Show Me Fund by Governor Nixon. When the Governor announced in mid-March that the budget presented in his State of the State Address was overstated by $500 million, it was clear everyone would need to make sacrifices. For economic development, the tax credit reform package needed to be more sweeping and greater savings achieved for any new incentives to have hope for passage.

Compromise proved to be elusive. On one side, there were several Senators who wanted tax credits to go through the same appropriations process that all other programs go through. On the other side, there were many Senators like myself who supported cap reductions but believe that uncertainty damages the value and use of tax credits. Many of those programs provide both tangible and intangible benefits beyond the dollar amount attribute. Making the credits subject to appropriations gives the Governor line item veto power over programs like the Pregnancy Resource Center tax credit, the Youth Opportunity Program and many other worthy efforts.

After attempts to build consensus failed, several Senators from both sides of the aisle worked with me to offer a proposal that would have reduced Missouri's tax credit liability by $150 million annually by lowering caps on 60 tax credit programs with the Historic Preservation and the Low Income Housing tax credits taking the biggest reductions. We greatly exceed the investment other states make in those areas and that would have continued even after our reductions. Other credits took a 10 percent cut in line with other reductions in state spending, a so called "Share the Pain" concept.

By the time the Governor became fully engaged in the tax credit debate in late April, a handful of Senators had staked out a position with two options: make all credits subject to appropriations or place a sunset date of December 2011 on programs without a current sunset. House Leadership preferred further study of the benefits and costs, instead of making reductions. With many unwilling to budge, tax credit reform died. With it, so did efforts to aid manufacturers and help small business startups at a time when job recruitment and retention is critical.

There are many factors that relate to creating a healthy business climate. A skilled workforce, tax policy, a favorable regulatory environment, and infrastructure are a few of the variables people consider when deciding where to locate and grow their operations. With a fierce, global competition for high-wage, benefit-providing jobs, there is a place for effective, targeted incentives. A $1 billion shortfall has been projected for next year's budget. For the betterment of Missouri, legislators need to work together to enact comprehensive economic development policy sensitive to budget limitations, while focusing on the return on the state's investment. The times we live in demand it.