November 4, 2010

Rightsizing Government to Live within its Means

This week, you elected your representatives to the 96th General Assembly and there is no doubt they will be faced with extraordinary economic times. Missouri's past two state fiscal years have seen major revenue declines of -6.9% ($585 million) in 2009 and -9.1% ($676 million) in 2010 and next year our state faces a projected budget deficit of possibly $900 million. With Missouri's economic circumstances, now is the time to take a long look at where we are, where we are going, and what must be done to ensure that your tax dollars are used effectively and efficiently.

This is an opportunity to reshape state government to behave exactly as you and other Missourians are; looking carefully at their budgets to see where their money is going and how they can balance their finances. The bottom line is, you are making less and spending less. And just as you are finding ways to live within your means, Missouri's government should do the same.

In my opinion, one area in need of reform is tax credits. Tax credits are one of Missouri's economic development and social engineering tools. The state offers many tax

credits for a diverse list of causes, including historic preservation, low-income housing, livestock breeding, job development, and on and on. If you can name it, there is probably a tax credit for it. Tax credits are an indirect appropriation of tax payer dollars to another and have grown by 266 percent in the last eleven years in large part because there is no oversight and accountability in how these tax credits are issued.

State Tax Credits

Fiscal Year	Redeemed
1999	142,953,469
2000	261,922,226
2001	297,750,752
2002	287,503,418
2003	308,720,438
2004	370,071,336
2005	426,797,418
2006	430,526,401
2007	499,543,365
2008	532,760,796
2009	584,526,191
2010	521,458,688

Last year alone, $521.5 million in tax credits were redeemed and budget experts predict that number to increase to $698.4 million this year. This explosion in tax credits has created an unfunded (issued but yet redeemed) tax credit liability to you of $2.4 billion. To put it in perspective, in SFY 2009, Missouri was first in the nation for historic preservation tax credits ($186 million) and second for low-income housing tax credits ($106 million). Yet, Missouri was 45th in per capita funding of higher education and 32nd in per capita funding for K-12.

I believe we must change our use of tax credits and I am calling for fundamental reform. All tax credits should be required to be approved like every other state expenditure of your tax dollars; through the appropriations process.

The appropriations process is where Missourians, through their elected representatives, have the ability to decide their priorities. By treating tax credits just like every other state expenditure, the General Assembly could weigh the benefit of a tax dollar spent on a credit against other state services. In this process, advocates of their tax credits will have to present their case why your tax dollars should fund tax credits over say education or access to healthcare; now they don't because tax credits come off the top as entitlements.

I believe that you put in the hard work and therefore the money you earn is yours; not the government's. Therefore, government needs to be fully accountable for taxpayer dollars and the new General Assembly needs to take this opportunity to scrutinize how state government is

spending your hard earned money. In this environment, as you are painstakingly prioritizing where you spend your limited amount of money, so too should your state government.

Contact Me

As always, I appreciate hearing your comments, opinions, and concerns. Please feel free to contact me in Jefferson City at (573) 751-2459. You may write to me at Jason Crowell; Missouri Senate; State Capitol; Jefferson City, MO 65101, or email me at: jcrowell@senate.mo.gov or visit me on the web at http://www.senate.mo.gov/crowell.

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