

Incentives and the Growing Questioning on the Secrecy Around It

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

2019 LEADERSHIP SUMMIT

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Panelists

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Panelists

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San Marcos, TX



Panelists

The Honorable Gray Swoope

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OUR EXPERTISE

EXPERIENCE. ACTION. RESULTS.

VisionFirst is a firm that looks at today's most complex economic development challenges, listens to our client's vision, forms strategy to achieve the objectives, connects the people that can make a difference and delivers value to our clients. We have experienced economic development at every level both from the perspective of the local community as well as that of the corporate client. Utilizing innovative research and personal outreach combined with our collective team's 90 plus years of experience, VisionFirst has established itself as the go-to economic development consulting firm with a variety of clients from 22 states.



GOING BEYOND STRATEGY DEVELOPMENT

VisionFirst is a customer driven consulting firm, acting seamlessly as an extension of the client team to develop strategy, solve problems, and deliver results while mitigating risks and barriers.



Paying for jobs: How cities end up spending millions for corporate incentives

Are economic development megadeals like Foxconn and Amazon worth the price—and the risk?

By Patrick Sisson | Feb 20, 2018, 12:09pm EST

NEVADA  WATCHDOG

HOME SEARCH

The New York Times

ABOUT US STATES NATIONAL ISSUES OPINION

ECONOMY

Promising Billions to Amazon: Is It a Good Deal for Cities?

Incentives Under Attack

TOP STORY

Nevada tax incentives facing election-year scrutiny

MURPHY WANTS 'NEW CULTURE' IN ECONOMIC DEVELOPMENT AGENCY, NAMES NEW CEO

JOHN REITMEYER | JANUARY 25, 2018

Governor disdains Christie era's 'lavish' tax breaks, promises to gr economy with 'multi-faceted effort to leverage everything' NJ ha

'Tax exemptions force working poor to pay for business tax breaks'

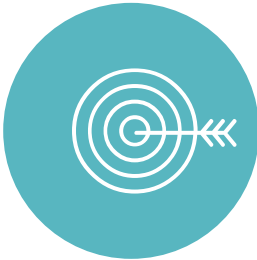
Current Realities of Economic Development



Under Attack



Corporate Welfare



Picking Winners & Losers



Special Interest Groups



“I do not like public-private partnerships. It’s corporate welfare. It’s fascism if you really want to get down to it.”

Candidate for Local County Government

Quick Scan

Does your community/organization have a standardized process for evaluating economic development incentive projects before the incentive is provided?

Does your community/organization have a process for evaluating/monitoring the economic development incentive projects during the term of the incentive?



Quick Scan

Does your community/organization analyze/measure the impact of the economic development incentive project after the incentive has ended?

Does your community/organization make this data easily accessible? If so, how?



Recent Research Recommendations

Brookings report recommendation is to ensure that incentives along with broader objectives, public transparency, and rigorous evaluation

“Examining The Local Value of Economic Development Incentives”, Brookings Institution – March 2018, Parilla & Liu

Three recommendations from **Pew Charitable Trust**.

- Develop a plan to institutionalizes the process of evaluation and monitoring
- Measure the impact of incentives on the local economy
- Inform policy choices by city and other local officials

“State Tax Incentive Evaluation Ratings” Pew Charitable Trusts – 2017, Goodman and Chapman



Recent Research Recommendations

Upjohn Institute Three recommendations.

- Put budget caps on tax incentives
- Restrict tax incentives by targeting only high-multiplier industries
- Expand customized services to locally owned, small and medium sized businesses.

“Improving Economic Development Incentives” Upjohn Institute for Employment Research – 2018, Bartik



Recent Research Recommendations

Lincoln Institute General recommendations

- Limit the length of tax abatements
- Structure the abatement that percentages decrease over time
- Establish wage and employment targets...and claw backs

“GASB 77 – Reveal the Cost of Property Tax Incentives for Business” Lincoln Institute of Land Policy, *Land Lines* – July 2017, Wagaman

Lincoln Institute Tax Increment Financing (TIF) recommendations

- States should: Track and monitor TIF, Allow Taxing Jurisdictions to “Opt Out”, Review “but for” TIF requirements
- Local governments should: Provide extensive, easily accessible information
- Researchers should: Study, document, explain outcomes of TIF use in various areas

“Improving Tax Increment Financing (TIF) for Economic Development” Lincoln Institute of Land Policy – September 2018, Merriman



Quick Scan

How knowledgeable is your community/organization about the requirements of GASB 77?

- Very knowledgeable
- Somewhat knowledgeable
- Not knowledgeable



GASB 77 Review

Government Accounting Standards Board (GASB) issued a ruling in December 2015 mandating that governments report the total amount of revenue forgone to tax incentives.

These amounts are to be reported in comprehensive annual financial reports (CAFRS)

Reporting started in 2017

The focus is on “costs”

RESOURCES

“GASB 77 – Reveal the Cost of Property Tax Incentives for Business” - Lincoln Institute of Land Policy, Land Lines – July 2017, Wagaman

“Good Jobs First Analysis” – April 2017, LeRoy
<https://www.goodjobsfirst.org/GASB77Analysis>



Before the Deal Scorecard

A scorecard system uses a quantitative methodology to determine “why” and “how much” incentives to be offered to an economic development project

Evaluation Metrics

Project Investment

Direct Jobs that will be created

Direct Jobs that will be Targeted to Disadvantaged Populations

Indirect Jobs that will be created

Wages/Payroll

Targeted Locations

Targeted Industries

Other _____



During the Deal Dashboard

A dashboard system is an ongoing comparison of the proposed impacts versus the actual impacts

- Dashboard metrics are similar to those used to qualify the project before the offering of financial incentives
- The data can be reported in aggregate form or by project
- Data can be reported/posted publicly

Examples

- San Marcos, TX
- Tallahassee, FL Office of Economic Vitality
- State of Florida - Department of Economic Opportunity
- Memphis EDGE
- Tulsa, OK
- San Antonio, TX
- Austin, TX



After the Deal Long Term Analysis

Every community has a **history of incented projects**, some that **performed well** and **those that did not**. This history provides an **opportunity to learn, evaluate and adjust policy**.

Historical Analysis

- Did it do what was expected?
- Were there any other unanticipated impacts?
- With this knowledge, can we impact future decisions? If it works, keep doing it...if it does not work, stop doing it!

Long-term Study A Challenge

- Data Availability
- Data Format
- Time to complete study



Final Thoughts

Financial incentives in economic development face intense scrutiny

Supporting data defends the attack

Challenges to overcome:

- Time, Resources & Data Availability

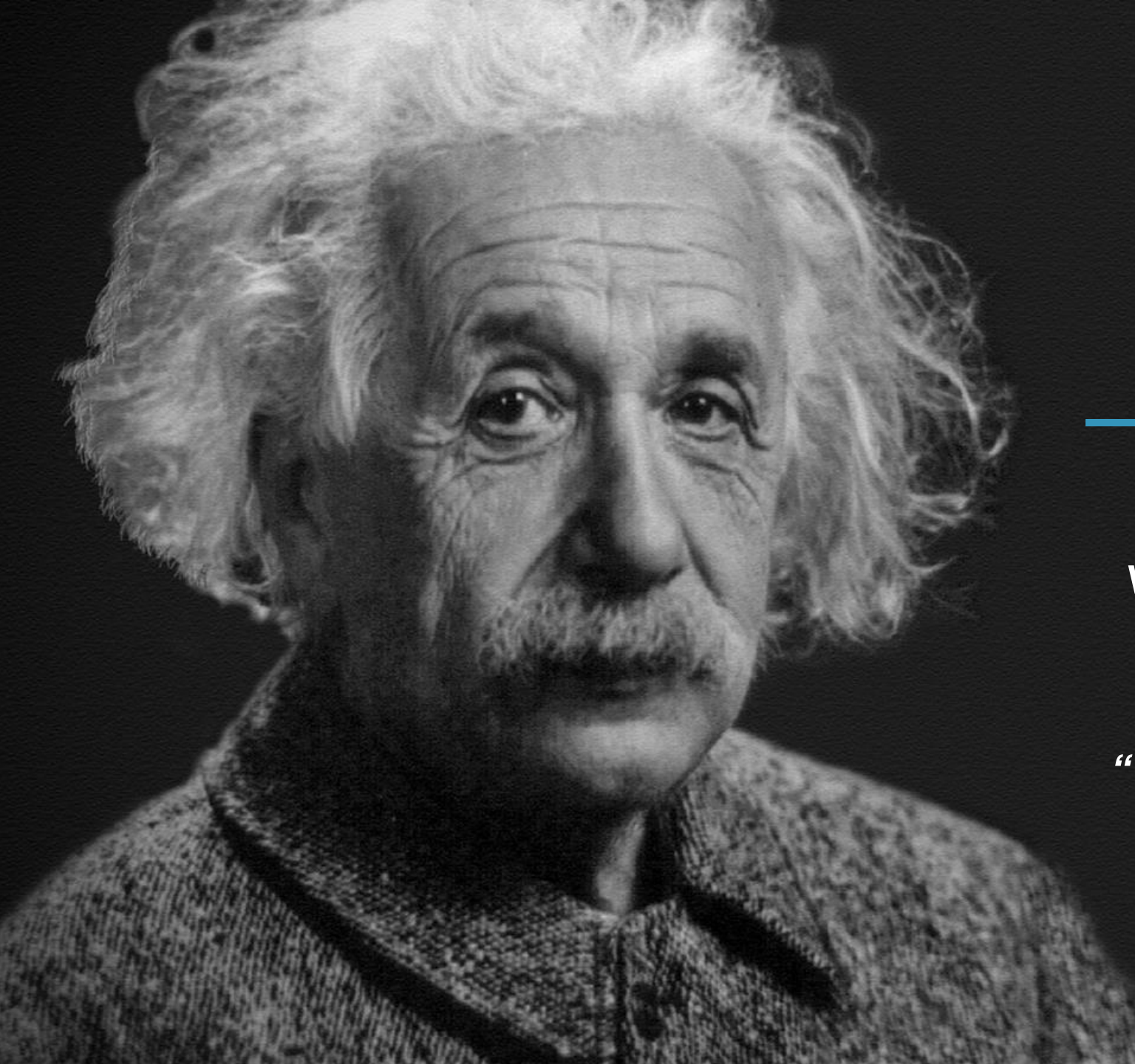
Opportunity to review, engage, expand and quantify the impact of our other incentives of economic development such as:

- Workforce/Talent Development, Infrastructure Investment, Placemaking

Transparency:

- Communicate, communicate, communicate





The Questions Remain the Same

**IN THE PERIOD THAT EINSTEIN
WAS ACTIVE AS A PROFESSOR,
ONE OF HIS STUDENTS CAME
TO HIM AND SAID:**

***“The questions of this years exam
Are the same as last years!”***

***”True,” Einstein said, “but this
Year all answers are different”***

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