

FISCAL RESEARCH CENTER

ACCOUNTABILITY FOR ECONOMIC DEVELOPMENT INCENTIVES IN GEORGIA

Jeanie Thomas

Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
Atlanta, GA

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Accountability for Economic Development Incentives in Georgia

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Executive Summary

In Georgia, as in most states, we continuously struggle to identify and utilize the most effective and successful economic development incentives. We do this because we believe that new, well-paying jobs and investments in companies that have many induced effects will continue to improve not only the economic health of our communities but also the economic vitality of the state. More and better jobs and investment will allow us to broaden individual and family prosperity, to sustain a strong revenue base for financing public services such as education, transportation, public safety, et cetera, and thus to improve our quality of life. Tax incentives and other types of public financial support are offered to prospective firms with the hope that they will select a Georgia community to bring in new jobs and investment. Many of these same programs are offered to existing industries that are expanding in Georgia.

Georgia offers various types of economic development incentives at the both the state and local levels. These are modified regularly for perceived competitive improvements. In addition to tax and financial support, there are numerous state agencies programs and services that can be justifiably defined as important for community and economic development. Some state efforts assist and support communities in building and improving facilities and infrastructure in their towns and rural areas. Other programs focus specifically on business and industry needs.

While any list of such programs will likely be incomplete, nonetheless, we have focused on the best-known initiatives and programs.¹ The primary set of tax incentives is called “BEST” for the Business Expansion Support Act of 1994.² BEST includes the tax credits for the following: new jobs, new investment, retraining, provision of child care, research and development, small business rapid growth, port traffic and headquarters’ location. In addition there are major state investments in the Georgia Research Alliance, a public-private partnership that attracts innovative university research in order to build a technology-rich economy. Specialized training and education are available through the Quick Start program at Department of Technical and Adult Education and the Intellectual Capital Partnership Program (ICAPP) in the University System. Georgia Tech provides a network of technical

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and business services through its regional offices. The One Georgia Authority makes tobacco settlement monies available through its EDGE and Equity Funds on behalf of rural economic development. The Department of Community Affairs offers an array of financing and loan programs, some of which are state funded. These programs and services provide support for building communities that are attractive to outside investment as well as for expanding local business and industry. And, significantly, there are local economic incentives in the form of tax abatements and other forms of financial assistance or improved infrastructure to attract new firms.

This wide array of programs is provided by multiple entities within state government in addition to the investments of local governments and numerous private sector partners throughout the state. Yet, an integrated evaluation of all of these state investments does not exist. So we look to other states to identify ways in which they assess their economic development programs. Many states are in this process but we chose to focus on Minnesota, Maine and North Carolina.

Our three selected states followed similar paths as they increased their attention to accountability for economic development programs and incentives. Minnesota began with a requirement for a net increase in jobs within two years and a clawback provision for companies that failed to do so. In addition they required an annual reporting procedure regarding the state's subsidies. After several evaluations, the legislature enhanced its requirements to include stricter job and wage requirements, and expanded the accountability and enforcement mechanisms to ensure that specific public purposes were accomplished. In Maine there was attention to documenting the public purpose being served by incentives exceeding \$10,000 a year. Several state agencies were involved in collecting information and reporting. The analysis of this information yielded disappointing results and the report urged stricter wage requirements for new jobs as well as compliance to the environmental, occupational health and safety and labor law on the part of companies receiving state benefits. In North Carolina there seems to have been more churning of changes and additions to the original William S. Lee Act as well as numerous studies, attention from the press, and conflict within and between the two political parties in the legislature. The required reporting focused on equity, effectiveness and itemized

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reporting of the number of jobs and investments. Yet, one study stated that most of these investments would have occurred without state subsidies. Another report suggested that any incentive analysis should include an evaluation of the alternative use of the same amount of state funds.

These sample states, and numerous others are using four methodologies to increase their knowledge and understanding of the workings of their incentives and to assess the effectiveness of these state investments. They are (1) setting standards for extending tax credits to prospects; (2) using performance audits to determine the effectiveness of public spending; (3) developing a tax expenditure report to identify the amount of revenues forgone annually because of tax credits; and/or (4) the use of a “unified development budget” to pull together data on the wide variety of publicly-funded programs for assessment.

It is time in Georgia to provide accountability for the wide array of state investments in the name of economic development. There is much exemplary work being conducted to attract and expand new business in the state. Nonetheless, an integrated assessment of state economic development expenditures will result in greater value for Georgia’s economic development investments.

NOTES:

1. Several websites describe Georgia’s incentives: www.georgia.org; www.dca.state.ga.us; www.gatax.org; www.dtae.org; and www.edi.gatech.edu.
2. Ga Code § 48-7-40 to 48-7-42

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I. Introduction

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In addition to tax and financial support, there are numerous state agencies programs and services that can be justifiably defined as important for community and economic development. While any list of such programs will likely be incomplete, nonetheless, we have focused this report on the best-known initiatives and programs.¹ Some state efforts assist and support communities in building and improving facilities and infrastructure in their towns and rural areas. Other programs focus specifically on business and industry needs. In the next section of this report, we identify Georgia's major economic development incentives and programs. In Section III we look at the processes and tools several other states have used to evaluate their incentives. In the final section of the report, we examine several techniques that may be used to get at the "big picture" for economic development spending, i.e. to look at our programs collectively and evaluate their effectiveness in an integrated manner.

¹Several websites describe Georgia's incentives: www.georgia.org; www.dca.state.ga.us; www.gatax.org; www.dtae.org; and www.edi.gatech.edu.

II. Economic Development Incentives in Georgia

Georgia's State Economic Development Incentives

Georgia offers various types of economic development incentives at the both the state and local levels. These are modified regularly for perceived competitive improvements. Following are brief descriptions of Georgia's major economic development incentives.

The primary set of incentives is called "BEST" or the *Business Expansion Support Act of 1994*.² *BEST* includes the following:

Job tax credit. This credit provides for a statewide job tax credit for any business or headquarters engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism or research and development industries. The amount of the credit is between \$3,500 and \$750 depending on the tier of the county in which the business is locating. There are four tiers based on the level of development that is measured by four criteria. Any new job must offer above the average wage of the county that has the lowest average wage of any county in the state. Health insurance must be offered if the employer offers such insurance for existing employees. The credit is taken against the corporate income tax. If the business locates in Tier 1 (least developed), the credit may be taken against the company's income tax withholding. Additional credits are available for a business locating within the jurisdiction of joint development authority of two or more contiguous counties.

Investment tax credit. Based on the same tiers, this incentive allows a business that has operated an existing manufacturing or telecommunications facility (or a support facility for such business) in the state for the previous three years to obtain a credit (based on a sliding scale from 3 percent to 8 percent) against income tax liability.

Retraining tax credit. This credit allows some employers to claim certain costs of retraining employees to use new equipment, new technology, or new operating systems. The credit is 50 percent of the direct costs of retraining full-time employees up to \$500 per employee per approved retraining program per year.

² Ga Code § 48-7-40 to 48-7-42.

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Child care tax credit. Employers who provide or sponsor child care for employees are eligible for a tax credit of up to 75 percent of the employers' direct costs, with specified limitations.

Research and development tax credit. A credit for research expenses for research conducted within Georgia for the same industries that are eligible for the job tax credit. The credit is 10 percent of the additional research expense over the "base amount," provided that the business claims and is allowed a research credit under the federal code.

Small business rapid growth tax credit. This incentive is for companies with a tax liability that does not exceed \$1.5 million and are in the same industries that are eligible for the job tax credit. A company's net taxable income in the current year must be 20 percent or more for three consecutive years. The credit is the excess over 20 percent of the percentage growth and shall not exceed 50 percent of the business's remaining net Georgia income tax liability after all other credits have been applied for the current year.

Port traffic tax credit. Businesses or the headquarters of businesses engaged in the same industries that are eligible for the job tax credit are qualified for increased job tax credits or investment credits if they increased their port traffic tonnage through Georgia ports during a 12-month period by specified amounts.

Headquarters credit. Companies establishing their headquarters or relocating their headquarters to Georgia may be entitled to a tax credit if the following criteria are met: (1) headquarters is defined as the principal central administrative offices of a company; (2) new jobs created at a new headquarters must be full-time and must pay above average wages specified by county tier designation. The credit is \$2,500 per job [or \$5,000 per job if the job pays 200 percent or more of the average wage of the county of the headquarters' location] to be applied against Georgia income tax liability.

The Georgia Research Alliance. GRA was established in the early 1990s as a partnership of business, research universities and state government coming together to build a technology-driven economy fueled by innovative university research. The work of the partnership is to attract the world's pre-eminent scientists to Georgia's universities to lead programs of research and development in areas with the most potential for generating new companies, helping established companies to grow and creating new high-tech jobs. With an initial investment by state government, private money was added to compete successfully for eminent scholars and a larger share of federal and foundation research funds. This in turn attracts other talented faculty and

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graduate students to Georgia. Their synergy not only fosters new companies but also creates new relationships with industry to commercialize technologies developed through their research, so that more jobs and economic opportunities could be created for Georgia's citizens.

The Alliance's affiliated universities are the University of Georgia, Medical College of Georgia, Emory University, Clark Atlanta University, the Georgia Institute of Technology and Georgia State University. GRA achieves its goals through strategic investments at the state's leading research universities in four programs: eminent scholars, research laboratories and equipment, centers for research and innovation and technology transfer.

Quick Start. Many community leaders and development professionals find that Quick Start is our most popular economic development incentive. Quick Start is a program within the Department of Technical and Adult Education (DTAE) and serves new business and industry as well as promoting the expansion of existing businesses. Quick Start helps industries start up and expand their operations in Georgia by creating customized training programs. Quick Start will conduct an in-depth analysis of the training needs for a business, develop a training plan and schedule that is custom-designed to meet a company's needs. Training covers two comprehensive areas: manufacturing and service training offered at no cost to the company. Most types of companies are eligible; specifically included are manufacturing operations, warehouse and distribution centers, national international corporate headquarters, information technologies, and customer service operations.

In addition to Quick Start, DTAE offers certified specialist programs in customer service, manufacturing, construction, and warehousing and distribution. In each program, individuals are trained and certified to provide world-class customer service. Upon successful completion of the program, they are guaranteed an employment interview with one of the participating companies. The participating companies provide competitive salaries, career advancement opportunities and some additional benefits such as health, retirement and child care benefits.

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ICAPP (Intellectual Capital Partnership Program). This is the umbrella for the economic development programs of the University System of Georgia. It helps companies meet human resources needs and secures new investment in knowledge for the state. ICAPP provides customized, accelerated education for knowledge workers in high demand but short supply. ICAPP Advantage meets a company's hiring needs through an expedited curriculum that a company designs with a college or university.

One Georgia. Cities, counties and development authorities are eligible for One Georgia funds. This fund consists of a portion of the state's tobacco settlement monies and are used to assist the state's most economically challenged areas. Two of the component funds are: the *EDGE* (Economic Development, Growth and Expansion) fund that may be utilized when one rural Georgia community (usually in Tier 1 and Tier 2 counties) competes for business location and/or expansion with another community from outside the state. The *Equity Fund* will provide financial assistance to rural communities to help build the necessary infrastructure for economic development. Equity funds are also available as loans for several different types of projects, such as constructing speculative buildings in order to attract additional industries to these regions.

Financing and Loans. the Department of Community Affairs manages numerous financing and loan programs that promote economic development goals. Many of these are federally funded and thereby are required to meet federal guidelines and accountability measures. There are several state programs as well. These include the following:

The Office of Regional Services serves as DCA's first point of local government/community contact for brokering, supporting and implementing departmental programs and services. This includes downtown development, affordable housing, leadership development, and rural development, all of which build the economic capacities of Georgia's communities.

Regional Economic Business Assistance Program (REBA) generally funds public land acquisition and site development, infrastructure improvements, and publicly-owned fixed assets and machinery for regional or multi-county projects.

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Local Economic Development Incentives in Georgia

Although intangible, the quality of local leadership is the most important asset for local economic development. If civic, nonprofit and local government leaders work together actively, the strengths of the community will be apparent. Strong leadership usually means good schools and community amenities that result in a high quality of life and a good business climate. This is the most effective long term economic development tool. But of course, because communities compete with each other, tax incentives and other subsidies are utilized as well.

Local incentives offered by Georgia communities vary widely. Perhaps the most attractive local incentive is “free land” and/or the abatement of property taxes. Since abating property taxes for a single taxpayer (in this case a company) directly is not constitutionally permissible, the tax abatement is offered to a prospective company by utilizing the local development authority as a mechanism or conduit. A local development authority may purchase land and/or a building and lease it back to the company. Authority ownership secures a tax-free status itself and thus for the company. Development authorities have the bonding capacity to secure land for a client at no-cost or low cost to the company. Frequently the location of available land and or a “spec” building are made available prior to the identification of a specific prospect or client. These marketable assets are financed by payments from the client company. Sometimes these payments include a fee to replace (at least partially) the loss of revenue for local schools that is forgone due to the abatement.

Reviewing the local economic development package is a responsibility of public officials as well as economic developers. Some local governments have evaluation criteria for selecting attractive businesses and do not offer local incentives unless the prospective business meets these criteria. For example, a community might require a minimum investment of \$10 million and 100 new jobs in order for a business to receive a tax abatement.

A commonly used ex-ante evaluation tool for local leaders is LOCI, a fiscal and economic model for city and county governments to use in assessing the impact of new business locating in their area. This software program was developed by the

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Economic Development Institute at Georgia Tech. Benefits are calculated as the new revenue stream into the jurisdiction as a result of the new development. Costs are calculated as the increase in government outlays needed to meet the new demand for services resulting from the new development. Other measures of impact are also provided, such as employment, household formation, retail sales and increases to local income.³ No analytical method can incorporate all of the issues related to an investment decision. LOCI is a tool to help leaders make a more informed decision; it is not intended to make the decision itself.

Infrastructure improvements such as water and sewer lines, water treatment services, new or improved roads and improved traffic management may be critical factors for new business locations. Sometimes state funds are accessed to address these particular local needs. But local government may be able to finance some infrastructure needs itself or it may establish tax increment financing to provide the necessary development support. Tax increment financing is a mechanism for capturing the incremental tax dollars within a defined area for a specific purpose within that area.⁴

Other local development incentives are often state financed services, programs or grants that are offered through a local government. Financing (loans, grants, bonds) may be accomplished through federal or state funds available through the Department of Community Affairs or One Georgia and intended for local use. Quick Start and other training services are offered at local technical colleges (34 colleges plus 31 branches) that are located throughout the state. Technical and business services are offered through Georgia Tech's Economic Development Institute's network of regional offices. These support programs are available at no-cost or low-cost to existing and expanding companies to improve their technical and managerial processes and improve their competitiveness. In addition, Georgia Tech provides assistance to communities to help them improve their economic development practices and fiscal sustainability. This may include entrepreneur and

³From the introduction to LOCI software.

⁴ See Bourdeaux and Matthews (2005) for a discussion of tax increment financing.

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business development, environmental planning, fiscal planning, marketing, technology deployment and tourism development.

Georgia's business incentives and development support are multi-faceted and their management is widely dispersed throughout state government. This makes incentives quite difficult to evaluate in a comprehensive manner. What are we getting for our public investments in economic development? It is easier to trace transportation or education funding even though each of those funding categories is much larger. All other states face this same challenge. We turn to the experiences in three states to get an idea of what is going on around the country regarding the evaluation of economic subsidies.

III. Reporting Requirements in Three States

In this section of the report we describe the statutory economic development incentive reporting requirements in three states -- Minnesota, Maine and North Carolina. In each instance the purpose of the required reports is for taxpayers to know what they are getting for the investment of their tax dollars. For each of these states the requirements have resulted in reports, recommendations and changes to the states' laws. The state sagas have common features that may be instructive for Georgia.

Minnesota

In July 1995 the nation's first economic development incentive disclosure law took effect in Minnesota. It included the following features:

- Any business receiving state or local government assistance for economic development or job growth must create a net increase in jobs in the state within two years;
- The Act applies to "assistance," which is defined as loans or grants of more than \$25,000 and tax increment financing;
- A clawback or recapture provision requiring any business that fails to meet the agreed-upon job creation and wage level goals must repay the assistance to the government agency; and
- The Department of Trade and Economic Development (DTED) is required to establish an annual reporting procedure for tracking the deals, directing each local, regional, or state agency that grants subsidies to report goals and results to DTED.

Utilizing the information gathered from these DTED disclosures reports, Greg LeRoy and Tyson Slocum (1999) reported that more than 550 Minnesota economic development disclosure reports were filed that were tracking more than \$176 million in loans, grants, and tax increment financing by cities, regional bodies and state agencies. One hundred and twenty-three deals were approved at a cost of more than \$35,000 per job; thirty-eight deals were approved at \$100,000 a job.

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Wages promised and paid by the subsidized corporations are surprisingly low, compared both with the state's existing wage distribution and to wages paid by other companies in the same industries in the same local markets... More than three fourths of the deals were approved despite wages that would qualify a family of three for Medicaid, and almost two-thirds report actual wages below that level... This job-quality gap indicates the additional, hidden taxpayer costs associated with low-wage jobs. It also underscores the need for more attention to job quality in economic development.⁵

LeRoy and Slocum wrote that a cost-benefit analysis finds no relationship between subsidies and wages. "Subsidies are so high and wages so low that the deals as projected and as reported show no discernible relationship between assistance per job and wage level. That is, government agencies granting subsidies to corporations did not, as a group, require higher wages for higher subsidies, so that many deals involve high assistance but low wages."⁶ Their major conclusion was that the state should set wage and benefit standards to ensure that the state's subsidy is a wise investment. In addition, each local, regional or state agency granting subsidies should report both the goals and results of the deals to the state Department of Trade and Economic Development. This agency should publish an annual report of the results of this information.

The Minnesota legislature appointed a Corporate Subsidy Reform Commission in 1997 that was established to evaluate selected subsidy programs and tax laws for the following:

1. public purpose; including jobs, wages, and other economic development benefits;
2. criteria for award; and
3. accountability and enforcement mechanisms used to facilitate the achievement of the public purpose.

⁵ LeRoy and Slocum (1999, p. 1233-4).

⁶ LeRoy and Slocum (1999, p. 1234).

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The Commission was also directed to evaluate whether these subsidies and tax laws impede competition or provide preferential treatment to private enterprises.

For purposes of the study, the Commission (1998) used the following definition:

“Business subsidy” is any grant contribution of property, infrastructure or services, and loan at rates below those commercially available to the taxpayer, and reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease or other obligation, or any preferential use of government facilities given to a business. “Business subsidy” applies to any business irrespective of legal ownership, including a for-profit corporation or a partnership, a limited liability company, or sole proprietorship. A business subsidy does *not* include:

- a subsidy generally available to all businesses or to a general class of businesses;
- public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business;
- redevelopment of blighted buildings or brownfields when the property is sold at 80 percent or more of appraised market value;
- assistance provided for the sole purpose of renovating or bringing up to code old or decaying building stock when the assistance is matched by the business using private sources; and
- assistance provided to organizations whose primary mission is to provide job readiness and training services.

The Commission recommended that business subsidies should be awarded through a public process that includes meeting a public purpose with clear criteria for the award and the establishment of accountability measures. The public purposes should include at least two of the following:

- enhancing economic diversity;
- creating high quality job growth;
- providing for job retention, where loss is imminent and demonstrable;
- stabilizing the community; and/or
- increasing the tax base.

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The Commission's report stated that the criteria for awarding subsidies should determine why a project is in the public interest and why a subsidy is needed. State and local units of government should require a written statement designed to address those questions.

Accountability for the subsidy must include public notice and disclosure hearings. Notices of proposed subsidies should be published in local newspapers. The Commission recommended that state and local agencies hold a public hearing before awarding a subsidy of more than \$100,000 for local projects and \$500,000 for state agency projects. Businesses that receive subsidies should report at least annually to the unit of government providing the subsidy. The reports should compare goals to results in each of the following categories:

- the type, purpose and amount of subsidies;
- the jobs created by job title;
- the hours worked and hourly wage;
- the number of jobs in each of these wage category; and
- a description of benefits provided.

The Commission also strengthened the reporting requirements. The Minnesota Department of Trade and Economic Development must include in its summary reports:

- the total amount of subsidies awarded in each region of the state;
- the distribution of subsidy amounts by size of subsidy;
- the distribution of subsidy amounts by month or quarter;
- the distribution of subsidies by type and by public purpose;
- the percent of subsidies that did not meet its goals;
- the total dollar amount of subsidies that did not meet its goals and of those, the percent that were not enforced;
- the number of full and part-time jobs within a separate bands of wages; and
- the benefits paid by separate bands of wages.

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The Commission's recommendations were subsequently encompassed in Minnesota's 1999 Subsidy Reform Law. Again in 2000, the law was strengthened. This time higher standards were established for the awarding of business subsidies. The new criteria includes a specific wage floor for the wages to be paid for the jobs created, and subsidy agreements that do not entail the creation of jobs must include measurable, specific and tangible goals. Corporations receiving these subsidies have to pay the money back if they do not meet their commitments. Accountability procedures were also enhanced, including company reporting requirements and more specific clawback provisions.

Maine

In 1998, Maine became the second state to establish statutory requirements for disclosure of information on economic development costs. The "Act to Encourage Accountability and Return on Investment for Maine Taxpayers from Economic Development Initiatives"⁷ requires several types of reports. Each applicant (employer) for an economic development incentive must identify in writing the public purpose that will be served by the employer through use of the incentive and the specific uses to which the benefits will be put. In addition the employer must report the goals for the number, type and wage levels of jobs to be created or retained as a result of the incentive received. Upon receiving an incentive exceeding \$10,000 in one year, the employer must annually report to the Department of Economic and Community Development the following:

- The amount of assistance received and the uses to which that assistance was put;
- The total amount of assistance received from all economic assistance programs;
- The number, type and wage level of jobs created or retained;
- Current employment levels for all operations within the state and the number of employees in each job classification and the average wages and benefits by classification;

⁷ 5 MRSA §13070-J.

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- Any changes in employment levels that have occurred over the preceding year; and
- An assessment of how the employer has performed with respect to the public purpose identified.

Four state agencies are required to submit reports to the legislature regarding state programs or tax incentives for which they are responsible. The State Tax Assessor reports on incentives under the jurisdiction of the Bureau of Revenue Services; the Commissioner of Labor and the Maine Technical College System report on workforce development and training programs directly benefiting businesses in the state. The agencies must identify the amount of the incentives and the public benefit resulting from those incentives. The Department of Economic and Community Development (DECD) reports on municipal tax increment financing, employment tax increment financing and the Governor's training initiative. DECD also reports on employers that have failed to submit their required reports. Failure to submit the report results in forfeiture of the tax reimbursement. In addition to the required reporting, an oversight group, the Economic Development Incentive Commission, was created. Members were appointed by the Governor and by the legislature. Because of internal political conflicts, the Commission was soon abolished.

Marc Breslow (2001) analyzed the 1998-99 information on subsidy amounts and employment changes. Of the \$94 million of taxpayer funds that went into seven state economic development subsidy programs, the Business Equipment Tax Reimbursement (BETR) program dominated the spending with 65 percent of the total. Another 23 percent went to the Tax Increment Financing (TIF) program. The other five programs contributed five percent or less each to the total. They were the Jobs and Investment Tax Credit, the Employment Tax Increment Financing, and the Research Expense Tax Credit. The final two were job training programs: the Governor's Training Initiative and Maine Quality Centers. BETR and TIF created 443 new full time jobs at a cost to taxpayers of \$144,000 per job. The job training

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programs created 835 new jobs and cost only \$1,400 per job added.⁸ As subsidies rose, job gains did not; there was no relationship between the size of subsidies received and the amount of job gain or loss. Furthermore, while overall employment in Maine increased 5.6 percent in 1998-99, employment at firms whose subsidies came primarily from tax credits rose only 2 percent. The author adds: “While it is often assumed that the subsidies are responsible for job gains, this is an invalid assumption. In reality, all we know is that in some cases businesses both increase their employment levels and obtain public assistance. We do not know whether the subsidies have caused the job gains.”⁹

Breslow (2001, p. 11) concludes with policy options that may improve the accountability of the subsidies:

1. *Cost-per-job caps.* Both the Department of Housing and Urban Development and the Small Business Administration have a limit of \$35,000 per job for the life of the subsidy, averaged over the economic development programs run by a particular jurisdiction or agency.
2. Job goals should be adopted for BETR as is true in the other incentive programs (Maine Quality Centers, Governor’s Training Initiative, Tax Increment Financing, Jobs and Investment Tax Credit, and Employment Tax Increment Financing).
3. *Job creation requirements.* Minnesota statutes require employers receiving assistance to create a net increase in jobs within two years, and to demonstrate that the subsidy meets “a public purpose other than expanding the tax base.” Maine should adopt this requirement.
4. *Recapture provisions.* This is a clawback provision in case company goals commitments are not achieved.
5. *Needs testing.* Tax incentive programs could require a showing of financial need before subsidies are awarded.

Subsequent research by Breslow (2000) also revealed that many employees at companies receiving incentives are not paid well. In 1998, 27 percent of full-time employees at Maine’s subsidized companies received a wage lower than the average per capita income in the counties in which they worked in 1998. Of the companies

⁸ Breslow (2001, p. 3).

⁹ Breslow (2001, p. 10).

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that are subject to Maine's disclosure law, at least 35, or one out of seven, have violated environmental, occupational health & safety, and labor laws during the past five years. These companies have been fined \$3 million for at least 900 violations of state and federal laws. His findings indicate the need for carefully constructed accountability features to be included in all subsidy statutes.

In addition to the state agency reports and the Breslow analyses, there was a review by the Maine Citizen Leadership Fund, a progressive citizens group, and the Maine State Chamber of Commerce. The Citizen group found that 58 percent of the benefits were going to the city of Portland. This was alarming to some rural legislators in particular. A state agency spokesman expressed disappointment with the reporting process stating that insufficient funding by the legislature for the state agencies meant that they could not counter the reports of others.

In 2000, the legislature passed a living wage standard for subsidized corporations. The Governor vetoed the bill.

North Carolina

In North Carolina, the core business tax incentives are found in the William S. Lee Act or “Tax Incentives for New and Expanding Businesses” originally passed in 1996 and revised several times since then.¹⁰ It is similar to Georgia’s BEST legislation in that it offers varying levels of tax credits to several categories of businesses. In North Carolina these are:

- manufacturing and processing;
- manufacturing, warehousing and wholesale trade;
- data processing;
- air courier services; and
- central administrative functions or aircraft facilities.

Tax credits are given for:

- the creation of jobs;
- investment in machinery and equipment;

¹⁰ N.C. §105-129.2 to §105-129.14.

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- expenditures on research and development;
- outlays for worker training;
- investing in central administrative offices;
- enhancements for businesses in development zones as defined;
- technology commercialization;¹¹ or
- substantial investment in property in Tier One or Tier Two after January 1, 2002.

A key feature of the program is the different tax treatment of activity in more-distressed counties. All North Carolina counties were divided into 5 “tiers”, with Tier 1 signifying the “most distressed.” Also, to make sure that the program would not encourage the creation of low-paying jobs, the credits are available only when the wages paid in those businesses are equal to the prevailing average weekly wage in Tier 1 or 10 percent higher than the average weekly wage in the other tiers. Effective in 2003, the law was changed to eliminate the wage standard for taxpayers qualifying for the worker training credit in Tiers 1 and 2.

Eligible taxpayers wishing to claim credits must request certification from the Department of Commerce and must document their activity when they file their tax return with the North Carolina Department of Revenue. They may receive up to 50 percent of their taxes owed and may carryover any excess for four years following the one in which the credits were generated.

The intent of the law was to create widely shared prosperity in the state and help it compete better with other states for new and expanding jobs. The North Carolina General Assembly expected the law to increase investment, employment and wages in the state, particularly in more distressed areas. In order to keep track of the status of the program, the law requires that biennially by April 1, the Department of Commerce must produce two reports. First is an equity study of the effect of the tax incentives including:

¹¹ Effective in 2001.

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1. A reexamination for the formula used to define the tiers;
2. Consideration of assignment of tiers and applicable thresholds for counties under 50,000; and
3. Compilation of available data on whether expanding North Carolina businesses receive fewer benefits than out-of-state businesses that locate in North Carolina.

The second study is an impact study to assess the effectiveness of the tax incentives, to include:

1. A distribution of tax incentives across new and expanding industries;
2. An examination of data on economic recruitment for the period from 1994 through the most recent year, by industry type, by size of investment and by number of jobs, and other relevant information to determine the pattern of business locations and expansions before and after the enactment of the Act;
3. Measuring the direct costs and benefits of the tax incentives; and
4. Compiling available information on the current use of incentives by other states and whether that use is increasing or declining.

In addition, the North Carolina Department of Revenue must publish each year a report itemizing by credit and by taxpayer:

1. The number of claims for each credit;
2. The number and enterprise tier area of new jobs with respect to which credits were generated and to which credits were claimed;
3. The cost and enterprise tier area of machinery and equipment with respect to which credits were generated and to which credits were claimed;
4. The number of new jobs created by businesses located in development zones, and the percentage of jobs at those locations that were filled by residents of the zones;
5. The amount and enterprise tier area of worker training expenditures with respect to which credits were generated and to which credits were claimed;

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6. The amount and enterprise tier area of new research and development expenditures with respect to which credits were generated and to which credits were claimed; and
7. The cost and enterprise tier area of real property investment with respect to which credits were generated and to which credits were claimed.

The Commerce Department reported that from 1996 through 2001, the value of credits generated was \$1,155,813,000 and of that 18 percent or \$208,368,000 of credits were utilized. This leaves a balance of \$947,448 in credits available to be claimed in future tax years. The companies claiming these credits created an estimated 121,000 new jobs; trained 30,300 workers; installed over \$12.3 billion in additional machinery and equipment; conducted \$1.1 billion in new research and development and created \$164 million in chief administrative office investment.

“[U]ndoubtedly, some of that activity would have occurred anyway. Even in that case, however, the Act has an economic effect, by making the recipient businesses more profitable after taxes. That may enable them to attract more capital, compete better in global markets, and ultimately, hire more North Carolina workers than they otherwise would have. Of course, that effect depends on the use of after-tax profits” (Luger 2003, p. 19).

The assessment of the Department of Revenue (Sampson 2001) focused on North Carolina’s business climate and the comparative stature of the North Carolina economy including employment growth and unemployment. The author had six specific comments/criticisms of the Lee Act in practice:

1. The strategy of attempting to reduce production costs in areas of the state that already have among the lowest production costs of any in the nation does not address more serious deficiencies in the economic development infrastructure.
2. There is little evidence that the tax incentives provided are large enough to affect decision-making by the firms.
3. A focus on job creation is misplaced. Both theory and evidence suggest that there are serious questions as to whether the credits for job creation have worked as planned. Credits that reduce the price of capital dominate.

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4. The costs of the tax credits cannot be effectively determined without some reasonable assumptions about what the alternative uses of these resources would have been.
5. It is impossible to assign any reasonable value to the indirect effects of the Act.
6. There is little evidence that the Lee Act has worked to bridge the economic gaps among the lower- and higher-tier counties.

The Revenue Department report stated that an analysis of net costs of the Lee Act should include an evaluation of the alternative use of that same money, i.e., of investing these dollars in other areas or simply returning them to taxpayers. For example, officials in South Carolina decided to fund a major public health campaign to reduce birth defects, which they did by 50 percent over a five year period, saving the state an estimated \$26 million in medical costs. The initial investment in the program was \$1 million. If North Carolina had adopted the same approach to birth defects, the benefits would not only dwarf the initial cost but compare quite favorably to the alleged outcomes of the Lee Act. When a state selects a tax incentive, this same amount of money could be spent instead on other state responsibilities. The outcomes of the tax incentive expenditure should be weighed against the outcome of alternative allocations of the money. This “opportunity cost” applies in any instance of tax comparison and should not be overlooked by policymakers.

Supplementing the Lee Act, the legislature created the Job Development Incentive Grant program (JDIG) in 2002 and expanded it in 2004 to bring in large development projects. The Department of Commerce was authorized to enter into 25 agreements totaling up to \$15 million annually. The program has been criticized for favoring the most developed areas of the state; only three of the 23 grants awarded since the program began have gone to businesses in Tier One counties.

Both the Lee Act and JDIG are set to expire at the end of 2005. The North Carolina legislature is seeking to strengthen and consolidate incentives to improve their effectiveness. Both political parties are divided on their support for tax incentives. There is ongoing press coverage on this issue.

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In “A Blueprint for Reform,” the North Carolina Budget and Tax Center (Cameron and Schweke 2005) recommends strengthening the proposed merger of incentive programs in the following way:

1. Safeguard the public’s investment through the use of clawback and recapture provisions. The state should have legal authority to seek reimbursement from any company that receives a subsidy and fails to meet its contractual obligations.
2. Protect workers with provisions for family health insurance coverage and payment of living wages. No company that receiving a state subsidy should pay wages that require an employee to be dependent upon government programs.
3. Ensure that the state’s unemployed workers are given first consideration for jobs created by companies that receive a state subsidy for creating new jobs.
4. Provide greater transparency of tax expenditures so that lawmakers and citizens may better assess how the tax code affects the tax burden of individuals and businesses.

IV. Accountability Methodologies

What we know about the effectiveness of state and local incentives in Georgia comes for the most part from the various state departments that manage them: primarily the Department of Economic Development, the Department of Community Affairs, the Department of Technical and Adult Education, the Department of Revenue, the University System (ICAPP) and the Georgia Research Alliance. Information is collected on application forms or on tax statements associated with tax incentives. This captures some basic data but it does not provide sufficient information to help us assess these various programs in an integrated way. The Office of Planning and Budget requirements include an articulation of an annual business plan that “...delineates the reason each program was created, the impact each is to have on its customers, program results and performance, identified workforce needs, program expenditure history and funding.”¹² Periodically the Department of Audits provides performance reviews of individual state programs. Job and investment totals periodically appear in news releases from the Governor’s office. However, there are no statutory requirements for standardized reporting regarding the outcomes of these incentives and programs that evaluate them in a comprehensive, interconnected manner.

We have seen from the experiences of the three states discussed above that there is serious exploration of an open and understandable process for evaluating economic development incentives and for improving their effectiveness and accountability to the public and to the economic development community. In a growing number of states throughout the country, there have been concerted efforts to provide evaluations of what incentives cost taxpayers and if these investments are prudent and successful. States have gone through their individual processes and politics to reach a new level of effectiveness and transparency. Legislative committees, legislative or gubernatorial commissions, think tanks and advocacy groups have a focused agenda on these issues and numerous reports and articles have

¹² Governor’s Budget Report AFY2005 and FY 2006, p. 6.

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been written. We will describe several types of accountability methodologies to document recent activity.

Standards

“...The question about whether job quality standards are a good idea has been answered with a resounding yes. Interviews with development officials show that, far from being job-killers, standards are valuable tools for creating quality jobs and effectively targeting public money” (Purinton 2003, p. 15).

Setting standards for eligibility for tax incentives in its most elementary sense involves collecting job and investment level information. But in addition to that information, standards may include a specified wage level for new jobs, a specified percentage of the new jobs must pay over a defined wage level (by industry, by local labor market, or by county, state average, percentage above federal poverty level) and offer health insurance benefits, proximity to public transportation, child care, retirement benefits and/or preference for local hires.

Targeting subsidies to companies creating high-quality jobs saves cities and states money by reducing “hidden taxpayer costs” – the double subsidies governments pay when employees of subsidized businesses earn wages so low that they still qualify for public assistance programs such as food stamps, Medicaid, the Earned Income Tax Credit (EITC), and housing and utility subsidies. Officials were particularly concerned about the impact of large numbers of uninsured workers on state and local governments already strapped for cash.

Methods of monitoring compliance are as varied as the job quality standards they enforce. The most common approaches include periodic reports by employers, spot checks of payrolls or unemployment insurance records, audits, agency interviews, and on-site inspections. Most jurisdictions use a combination of these devices.¹³

The author found that there is no correlation between more subsidies and higher quality jobs. She endorses the premise that job quality should be the core purpose of state incentives. States should assist all segments and sizes of targeted

¹³ Purinton (2003, p. 12).

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industries, not just large firms. Finally, a broader range of stakeholders should be involved in incentives evaluations, not only the marketers and project managers.

David Brunori (2001) confirms these activities in the states:

[T]here is a growing movement in the state to hold recipients of incentives, whether tax or non-tax, accountable to the public. The state can enact laws that require recipients to meet certain performance standards regarding investment levels job creation, and wages and benefits, and impose penalties on companies that fail to comply. If the corporation does not meet the standards, the money provided by the incentive program must be returned...

The virtues of performance standards and public disclosure in a system that grants tax dollars to corporations are (or should be) obvious. The public can evaluate how its money is being spent. This is a notion that should appeal to conservatives and liberals alike.

Audits

“Auditors play a critical role in the monitoring of state agencies and programs. They have access to information that is not readily available to the public, and many state’s auditors are capable of conducting sophisticated budget and program analysis. Auditors are also usually viewed as credible and objective...Many auditing agencies are independent from both the executive and legislative branches and can choose both the subject and content of their performance audits” (Hinkley and Hsu 2000, p. 6).

The Institute on Taxation and Economic Policy (2005) conducted a survey of state auditors nationwide to determine economic development outcomes of incentives policies. There are several kinds of audits that are common in the states; in this survey the two categories of audits reviewed were (1) financial and compliance audits and (2) performance audits. Financial and compliance audits may contain valuable information about expenditures and revenues for state agencies and are conducted most often. Financial statements assess whether the financial statements of an entity present the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles or standards. The compliance feature of an audit determines whether the entity is complying with the laws and procedures that govern it.

The performance audit is performed much less frequently and involves more evaluation. It determines the extent to which the desired results or benefits are being

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achieved and the effectiveness of organizations, programs and functions. Performance measures are used to evaluate an agency's progress against such measures.

The audit survey report was based on a review of over 200 documents of which 133 were included for this evaluation. These were primarily performance audits conducted by 59 agencies representing 44 states over the previous ten years. The scope of the audits ranged from a single development deal to all of a state's economic development activities.

Among the report's key findings are:

- *Audit scope and timing.* State oversight of subsidized corporations is infrequent and not thorough enough to determine the effectiveness of the dollars spent. Few audits are comprehensive of all economic development programs; piecemeal program evaluations do not offer meaningful guidance for policymakers. Furthermore, audits miss a big part of the incentive picture: tax spending. Since it is not related to any specific agency, it is not a part of the auditing processes;
- *Quality of data.* Development agencies often lack program goals or benchmarks, so there is no yardstick against which to measure them. It is impossible to produce a good audit with insufficient information. Agencies should collect data that speaks to the results of their programs, beyond simple inputs and outputs. Data from companies that self-report should be independently verified;
- *Effectiveness of incentives.* Most audits fail to assess effectiveness. Even when they do evaluate the effectiveness of programs, they often report that subsidies are being given away to projects that don't need them and the programs are not affecting the economic conditions of targeted areas. Most importantly, audits should include economic development efforts overall;
- *Need for follow-through.* Agencies must comply with statutory requirements and standard accounting and financial management practices. Standards should be applied consistently. Deficiencies should be identified and corrected by the agencies and policymakers. Without this action, audits lose their value.

The purpose of economic development is to improve economic conditions in the state. The importance of audits is that they provide a mechanism for accountability regarding public incentives to the public. If improvement is not

evident from the audit evaluations or its consequences, then a change in policies and public investment is called for.

Tax Expenditure Reporting

“Direct spending usually requires a government agency to weigh the worthiness of an application from any potential beneficiary. In contrast, most tax expenditures require no action other than the filing of a tax return – which means that the benefits of these tax breaks may inadvertently be extended to beneficiaries who might otherwise be deemed unworthy or ineligible” (Institute on Taxation and Economic Policy 2005).

Another tool for understanding the scope and cost of economic development incentives is tax expenditure reporting. Tax expenditures are tax dollars that are foregone through deductions, exemptions, exclusions, deferrals, credits, and preferential rates in tax laws.¹⁴ They are “deviations for the norm” and are generally designed to encourage certain activities or to help taxpayers in special circumstances. Tax expenditures are comparable to direct expenditures in that they each incur a cost to the treasury in order to accomplish public goals. Unlike direct expenditures, tax expenditures do not require periodic appropriations. They generally remain in effect indefinitely, with no ongoing scrutiny. Tax statutes that provide exemptions, etc. develop incrementally and there is little understanding of how the expenditures are multiplying and they escape routine rigorous inspection.

Some state tax expenditure reporting consists of listing the expenditures with the corresponding revenue losses enacted in the tax code. A more comprehensive report might include the revenue loss estimates for current and future budgets, a description and statement of purpose of each expenditure, a list of the primary beneficiaries and whether the expenditure conflicts with another state tax or budget program (Benker 1986). In 1986 there were 17 states that had statutory requirements for tax expenditure reporting; the range of revenue lost from tax expenditures in the FY 1984 was from \$9 billion in California (40 percent of the General Fund budget) to \$514 million in Maine (68 percent of the General Fund). There are varying statutory

¹⁴ Fiscal notes are estimates of tax expenditures, but are conducted at the time the legislation is considered.

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definitions of “tax expenditure” so state-by-state comparisons are not particularly instructive. Nonetheless, the range is impressive. Benker (1986, p. 416) recommends the following questions when determining the worthiness of tax expenditures:

1. Has the expenditure been effective in achieving its original purpose?
2. Has its benefits reached those persons for whom they were originally intended?
3. Does the expenditure conceal unintended effects and are these effects beneficial?
4. What is the revenue cost to the state and to localities?
5. Is the expenditure the most fiscally efficient means for achieving its stated goal?
6. Does the expenditure distribute the tax burden in an equitable manner with regard to ability to pay?
7. Does the expenditure add to the simplicity or complexity of the tax?

More recently the Center on Budget and Policy Priorities (Zahradnik 2002) reported that California was the first state to prepare a tax expenditure report (in 1976) and that 38 states currently do some form of tax expenditure reporting; thirty of these states do regular reporting of all major taxes. There are some common features to these reports: (1) a description of each tax expenditure; (2) an estimate of the revenue forgone; (3) legislative citation; and (4) the year in which the provision was enacted. To make the report more valuable, some states include:

- The rationale behind the tax expenditure;
- The number and description of the beneficiaries;
- An evaluation or comment on its effectiveness;
- Benefits by income level; and
- Impact over time; historical and projected.

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In Georgia, the Georgia Budget and Policy Institute in a special report (Richie 2004) identifies model state tax expenditure statutes and methods. They recommend that Georgia law should require the inclusion of a tax expenditure report in the Governor's annual budget. They estimate that in FY 2005 tax expenditures were nearly \$2 billion in forgone revenues in a \$16 billion budget, or a revenue loss of 11 percent of the total dollars available for appropriations. A tax expenditure report is a significant accountability tool and may lead to reduced cost and increased fairness in state tax and budget decisions. This process may be applied to all major taxes or may be focused on particular tax categories such as economic development. In the latter case, an expenditure report would be particularly valuable because it can encompass the various preferential tax and program expenditures for economic development that are scattered throughout the budget documents and are therefore difficult to evaluate in an integrated manner.

Unified Development Budget

"Being serious about jobs and business climate means investing scarce public funds wisely...This requires, at a minimum, a clear understanding of how the state currently spends its economic development dollars. Unfortunately, policy makers in most states do not have this knowledge. The reason for this is that investments in economic development include both line-item expenditures and off-budget tax incentives, as well as a range of interest subsidies, public agency commitments, financings by quasi-public corporations, and other activities.

In order to address the information gap, state policymakers can conduct a unified development budget. The idea behind such a budget is to allow policymakers, state opinion leaders, and policy advocates to better see what is presently being spent on development" (Hull, Schweke and Rist 2001 p. 9).

Policymakers seek to provide effective incentives and support services that attract good jobs and long-term investment in Georgia. Some incentives are designed to target businesses that will locate or expand in rural areas or small towns; other incentives are designed to target specific strategic industries of growth that will expand Georgia's capabilities and tax base. It is difficult to document and evaluate the myriad of offerings in an integrated fashion. Some incentive costs are clear line-items in the state budget; many others are ongoing services through DTAE or DCA that reach not only potential businesses but also current establishments while others

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are offered by local governments or development authorities. Still other incentives are designed to be "deal closers" and are determined near the end of a process of attracting a new business to the state. The difficulty in documenting these various forms of incentives is that they are not all in one place in the budget, nor are they necessarily *in* the budget. As mentioned, tax incentives offered as tax credits do not show up in the budget as income or expense. They are revenue-not-realized and are essentially off-the-books expenditures. The concept of a unified development budget (UDB) is to collect in one document the disparate forms of budget data on incentives, inducements and support that are offered in the name of economic development.

A UDB may at first be just a report, like a tax expenditure report, including on-and off-budget spending written up on one page. This should evolve into changes in the budgetary and program evaluation processes. Eventually a more complete "...UDB is part of a full-blown performance-based budgeting process, including thorough sunset reviews, clear and measurable performance milestones, and real accountability for meeting performance targets" (Hull, et al. 2001, p. 12). A UDB offers greater transparency and is an evaluation tool. But "...a UDB is not a panacea. The mere compilation and analysis of data will do nothing by itself. It must fit within the budgeting process, it must link with hearings, it must meet the needs of policymakers and advocates, and it must be shaped by a political calculus" (Hull, et al. 2001, p. 11).

V. Conclusion

Our three selected states followed similar paths as they increased their attention to accountability for economic development programs and incentives. Minnesota began with a requirement for a net increase in jobs within two years and a clawback provision for companies that failed to do so. In addition they required an annual reporting procedure regarding the state's subsidies. After several evaluations, the legislature enhanced its requirements to include stricter job and wage requirements, and expanded the accountability and enforcement mechanisms to ensure that specific public purposes were accomplished. In Maine there was attention to documenting the public purpose being served by incentives exceeding \$10,000 a year. Several state agencies were involved in collecting information and reporting. The analysis of this information yielded disappointing results and the author (Breslow 2000) urged stricter wage requirements for new jobs as well as compliance to the environmental, occupational health and safety and labor law on the part of companies receiving state benefits. In North Carolina there seems to have been more churning resulting in changes and additions to the original William S. Lee Act, as well as numerous studies, attention from the press, and conflict within and between the two political parties in the legislature. The required reporting focused on equity, effectiveness and itemized reporting of the number of jobs and investments. Yet, one study (Luger 2003) stated that most of these investments would have occurred without state subsidies. Another report (Sampson 2001) suggested that any incentive analysis should include an evaluation of the alternative use of the same amount of state funds.

These sample states and numerous others are finding that reporting on standards is necessary but not sufficient in order to know if economic development dollars are being spent effectively. For example, a review of California (California Budget Project 2002) programs found that on-and off-budget economic development programs cost California \$7.8 billion during FY 2000-01. This was 9.7 percent of General Fund expenditures. Of that \$7.8 billion, 71 percent was off-budget! As in

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other states, fragmented administration of efforts are quite expensive. The budget report advised:

At a minimum the state should require disclosure of the identity of firms receiving tax preferences and the amount of benefit received. A more accountable process would link identified policy objectives with a measurement of the progress made toward achieving these goals and ensure that adequate data is available to assess the cost effectiveness and efficiency of the tax policy as an economic development strategy...

The state should also evaluate whether existing tax expenditures support current state policy priorities, taking into account the need for sufficient revenues to support broader policy goals such as improving the state's schools and investing in California's infrastructure.

The dollar amounts for economic development expenditures in Georgia are not as stunning as those in California, but Georgia decision-makers would do well to heed this same advice.

VI. Recommendations

In June 1999, the Department of Audits and the Office of Planning and Budget (1999) released a program evaluation report of economic development programs in the state. Their first 'Finding' was as follows:

Additional steps should be taken to formally monitor the total cost and the resulting benefits of the financial incentives provided companies as an inducement to locate or expand their operations in the state...In addition formal benchmarks have not been established for evaluating the appropriateness of the dollar amount of assistance that is provided per job created/retained.

There have been some improvements since that time. The current budget process requires that each state agency develop an annual business plan that supports the agency's strategic plan and the state's strategic plan. Agencies must identify program results and performance measures. Much of this work will be valuable in identifying the cross-agency programs to be included in an integrated assessment. The relevant state agencies together with OPB have much of the core information necessary to create an expenditure report and/or a unified development budget. The first challenge is to identify what programs and expenditure items scattered throughout state government agencies should rightfully be included in an integrated review of the state's economic development efforts. A second task would be to identify missing information and begin to build a regular integrated process for review and assessment of economic development efforts.

The initial effort could take the form of: an executive working group headed by OPB and/or the Chief Financial Officer; a Governor's Task Force; a legislative study committee; a product of the legislative budget offices; or some hybrid arrangement. Through such an effort, Georgia can begin to determine if its investments are cost effective. Any final project assessment should include the costs and benefits at the local level, for significant taxpayer dollars are expended by local governmental entities for some of the same projects. Only an integrated, regular, thorough assessment of dollars spent will provide the necessary accountability. And it will result in greater value for Georgia's economic development investments.

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About the Author

Jeanie Thomas is recently retired and a former Senior Research Associate in the Fiscal Research Center of the Andrew Young School of Policy Studies. She also has experience as a Research Analyst in the Senate Research Office, Senior Research Manager with the Governor's Development Council, and most recently as a Policy Advisor in the Governor's office.

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***What Georgian's are Thinking About Taxes I* (Peter Bluestone and Sally Wallace)**

This brief is the first of three briefs reporting on telephone surveys of Georgians. [FRC Brief 101](#) (March 2005)

***A Historical Perspective of Georgia's Economy* (Mary Mathewes Kassis and David Boldt)**

This report chronicles the history of Georgia's economy from the 1950s to the present and provides an outlook for the future growth areas in Georgia. [FRC Report/Brief 100](#) (February 2005)

Accountability for Economic Development Incentives in Georgia

How Different are Sales Tax Rates Along Georgia's Border? (Lakshmi Pandey and David L. Sjoquist)

This brief provides a comparison of sales tax rates in counties on Georgia's borders. FRC Brief 99 (January 2005)

An Initial Evaluation of a Proposed Statewide Education Sales Tax (David L. Sjoquist, John W. Matthews and William J. Smith)

This report provides a preliminary analysis of a proposal to replace education property taxes with a statewide sales tax. FRC Report 98 (December 2004)

Financing Georgia's Future (Peter Bluestone, David L. Sjoquist, William J. Smith and Sally Wallace)

This report explores how Georgia finances its expenditures through various revenue sources and compares Georgia's taxes across states and over time on multiple dimensions. FRC Report 97 (December 2004)

The Advantage of Accessibility to Goods and People: Transportation and Georgia's Economic Development (Amy Helling)

This report describes how transportation affects Georgia's economic development at present and what is likely in the future, and makes a set of recommendations for the direction of state transportation policy. FRC Report/Brief 96 (November 2004)

Distribution of Per Capita Income in Georgia: 1969-2000 (Robert L. Collins and William J. Smith)

This paper examines major changes in the county-level distribution of per capita income between 1969 and 2000. The analysis focuses on income convergence and geographic shifts in per capita income over the 31-year period. FRC Report/Brief 95 (September 2004)

Alternative Formulas for Allocating LOST Revenue To Counties and Municipalities (David L. Sjoquist and Laura Wheeler)

This study explores the procedure for allocating LOST revenue and suggests alternatives. FRC Report/Brief 94 (April 2004)

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