MAKING JOB SUBSIDIES TRANSPARENT TO ENABLE PARTICIPATORY ECONOMIC DEVELOPMENT

BY GOOD JOBS FIRST

Local and state governments spend tens of billions of dollars per year on programs intended to promote job growth. Yet in many jurisdictions, the effectiveness of those programs, the companies that benefit from them, and the number of jobs attributable to them is either unavailable or not easily accessible to the general public.

This lack of transparency is particularly acute at the local level, where fewer than one-third of the nation's biggest cities and counties disclose deal-specific costs or benefits for incentive programs.[1] Without access to information to determine the success of such programs, it is difficult to hold policymakers and agencies accountable for those that fall short. Even programs that perform well are undermined by a secrecy that can foster skepticism among citizens wary of government corruption or incompetence.

Both before deals are approved and as they play out over time, the public has a right to full disclosure of program expenditures and performance outcomes. In order to ensure that this disclosure is meaningful, this information must be made available online and as quickly as it becomes available. Disclosures should include project applications; any cost-benefit studies or other vetting records; and proposed additional assistance such as infrastructure commitments, land parceling, or displacement of businesses or residents. There should also be public hearings during non-working hours, in the project neighborhood, with advance notice, childcare, simultaneous translation services, and encouragement for public attendance.

EXISTING MODELS

A few cities and private actors offer models of what robust transparency can and should look like. Ironically, some of these examples include some of the most controversial programs, as ineffective or wasteful policies are most likely to invite calls for transparency. However, the protocols described below can do as much to promote effective policies as expose problematic ones.

New York City's Industrial Development Agency (IDA), in response to years of advocacy by Good Jobs New York, has developed a comprehensive and accessible disclosure process.[2] What had been a meeting attended only by staff and publicized by a Legal Notice in tiny print in one newspaper became a monthly hearing announced via email to anyone who chose to sign up for notifications and pertinent information posted 12 days in advance. While it is recommended to have even more lead time for organizers and members of the general public to review and analyze meeting materials, the 12-day notice period is a step in the right direction.

The IDA also embraced robust disclosure of outcomes over time, publishing deal-specific data online in a form that could be downloaded and mapped. As a result of these reforms, the IDA meetings became well-attended, with community groups, environmentalists and unions regularly providing input on proposed subsidies. As public participation became commonplace, IDA staff found their work strengthened rather than threatened.

Other cities with robust disclosure protocols include **Memphis, TN; Chicago, IL; and Austin, TX**. In each case, it was citizen activism that led to greater transparency. In Chicago, for example, tax increment financing (TIF) has long been a controversial issue, with many arguing the program should not exist at all. TIF captures one tenth of the city's property taxes, and one TIF district alone cost public services almost $1 billion.

Civic Lab, a local community group, uses this data to develop workshops for Chicagoans to understand the local impacts of the program and decide for themselves whether it is beneficial.

A BREAKTHROUGH IN TRANSPARENCY: MANDATING TAX ABATEMENT DISCLOSURE

While state and local action on this issue is critical, the Governmental Accounting Standards Board, a private organization that develops the Generally Accepted Accounting Principles (GAAP) used by local and state governments, has published a policy requiring mandatory tax abatement disclosures. Issued in 2015, Statement 77 requires most local governments—cities, counties, school districts and other taxing bodies—to report how much revenue they lost to tax abatement programs.[3]

Because GASB Statement 77 applies uniformly to localities in any given state, it will not only allow for the analysis of a particular jurisdiction's policies but comparisons across jurisdictions. This will allow for a review of the level of investment in job creation applied to low income, immigrant and communities of color.

THE ECONOMIC DEVELOPMENT ACCOUNTABILITY ACT

In order to promote greater transparency in subsidy programs, **Good Jobs First** has drafted model legislation for accountability in economic development. Under this model legislation, economic development programs would be required to disclose the businesses they invest in and provide annual reports on their progress. The legislation also sets standards for the quality of the jobs created, and provides for clawbacks where companies fail to meet the promised targets.[4]

LANDSCAPE AND RESOURCES

RESOURCES

Good Jobs First's Subsidy Tracker contains more than 580,000 deal-specific records and can be searched by more than 10,000 localities. The GASB 77 resource page and Subsidy Tracker 2 that captures the GASB 77 data, as well as the model legislation are all available online at www.goodjobsfirst.org.

Co-authored by Good Jobs First.

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