

Growing Your Organization Amid Local Pressure – The Politics of Local Economic Development

Georgia Economic Developers Association

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Classic Economic Development



We Are All Part of the Problem – Recent Headlines

- “End of Tax Break Means End to 1250 jobs”
- “Illinois official calls incentives a form of cronyism”
- “Incentives: PBS vs. GE”
- “NC audit finds lack of verification in administering job creation grants”
- “Florida program gives \$423,000 incentive to cocaine dealer”
- “Despite Big Promises, Incentives Often Fail to Deliver”
- “Another day, another bad economic development deal”
- “GE says new taxes could force it out of Connecticut”

Why is economic development increasingly political?

- Decisions involve the use of public dollars
- Decisions are made by elected officials
- Tax aversion limits available funding, competing priorities
- Fear of Big Business/the 1%
- Union vs. Right to Work
- Grassroots advocacy more important in political decision making
- No established faction that is pro-economic development
- Most economic developers are public employees who cannot engage in lobbying activities
- Concept that development pays for itself
- NIMBY/BANANA/NOPE syndromes

Media Hype of Incentives

Incentives Spending by States – *New York Times*

New York	\$4.06 billion
Virginia	\$1.29 billion
Alabama	\$277 million
Michigan	\$6.65 billion
Kansas	\$1.01 billion
Arizona	\$1.47 billion
Washington	\$2.35 billion

Georgia Incentives Spending

http://www.nytimes.com/interactive/2012/12/01/us/government-in... Explore Government Subsid...

The New York Times U.S.

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POLITICS EDUCATION TEXAS

UNITED STATES OF SUBSIDIES
A series examining business incentives and their impact on jobs and local economies.

PART 1 How Taxpayers Bankroll Business
PART 2 Winners and Losers in Texas
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Georgia

Georgia spends at least **\$1.4 billion** per year on incentive programs, according to the most recent data available. That is roughly:

\$144 per capita **8¢** per dollar of state budget

Top Incentives by type

- \$1.19 billion in [Sales tax refund, exemptions or other sales tax discounts](#)
- \$158 million in [Corporate income tax credit, rebate or reduction](#)
- \$5.42 million in [Cash grant, loan or loan guarantee](#)

Top Incentives by industry

- \$363 million in [Agriculture](#)
- \$183 million in [Manufacturing](#)
- \$60 million in [Film](#)

Georgia [dropdown] Total cost Per capita

GRANTS TO COMPANIES (261) **STATE PROGRAMS (31)**

Amount	Company	No. of grants	Types	Town, city or county	Years
\$78.2 million	Caterpillar Economic Development, Growth and Expansion (EDGE) Fund	2	Corporate income tax credit, rebate or reduction, Cash grant, loan or loan guarantee	Athens	2011-2012

Turn on Suggested Sites...

99% 9:00 AM 9/20/2016

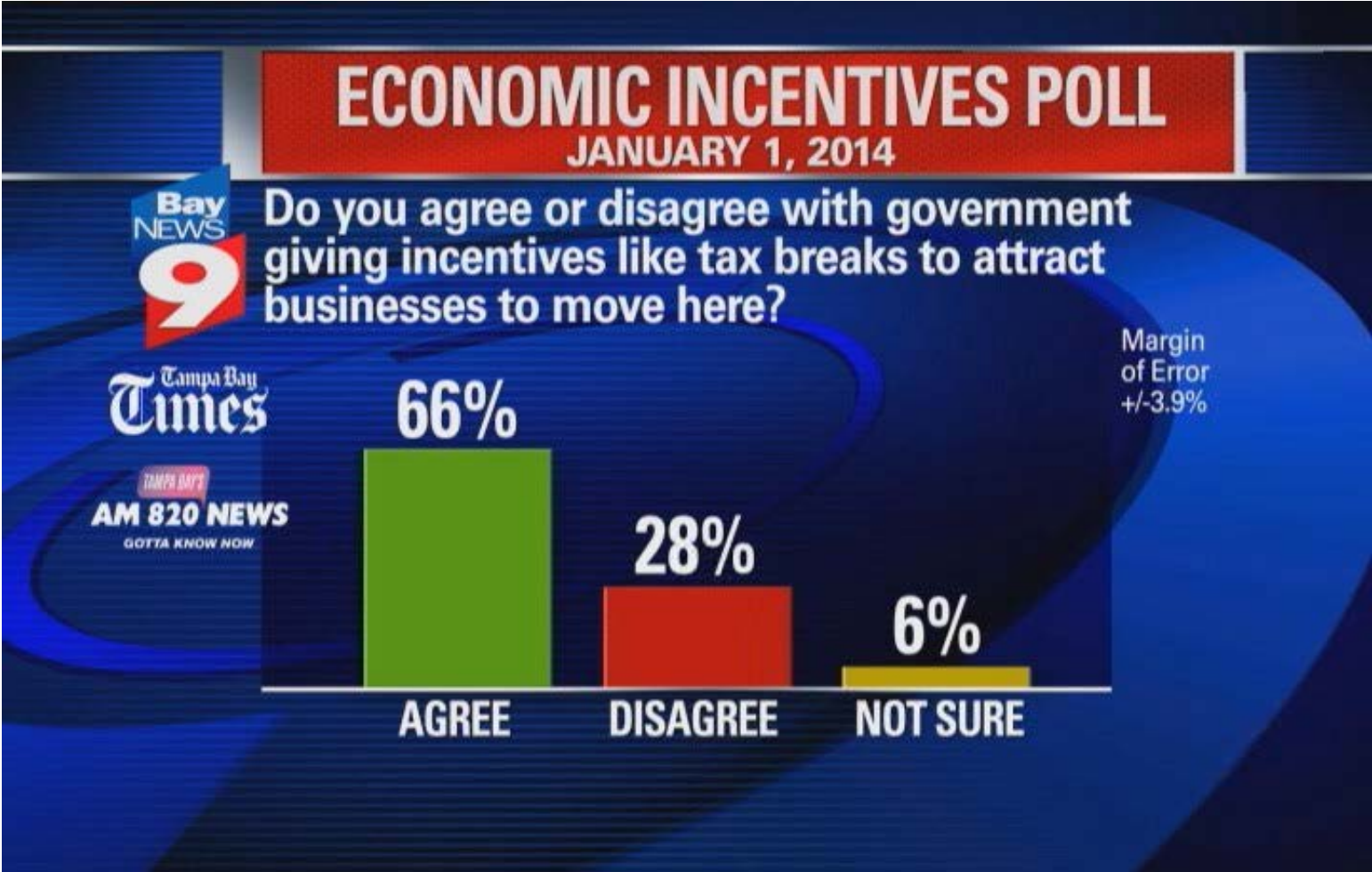
If the New York Times was correct...

- Spending on economic development incentives in Georgia would be:
 - 7 times what is spent in Alabama
 - 3 times what is spent in Mississippi
 - 50% more than what is spent in either North or South Carolina
 - Exceed by \$700 million the budget of the Georgia Department of Corrections
 - Nearly equal the budget for the entire Georgia Board of Regents
 - Double the budget of the Georgia Department of Transportation
 - Double the amount of money generated by the Georgia Lottery

Consider the Alternatives

- Since the recession started in 2007, the federal government has spent nearly \$800 BILLION on unemployment insurance payments. \$150 billion was spent in 2010 alone
- In FY 2012, we spent \$80 billion on food stamps – doubled in 4 years, FY 16 spending was \$63.4 billion

Public Opinion Supports Incentives



Sooner Poll (Oklahoma) – July 2011

DO YOU THINK THAT THE OKLAHOMA QUALITY JOBS PROGRAM HAS BEEN SUCCESSFUL OR UNSUCCESSFUL IN ITS MISSION TO CREATE JOBS IN OKLAHOMA?"

RESPONSE	PERCENTAGE
Very Successful	10.4%
Somewhat Successful	24.2%
Neutral	19.6%
Somewhat Unsuccessful	17.7%
Very Unsuccessful	19.4%
Don't Know/Refused to Answer	8.7%

51 percent — of those polled endorsed the view that some people, corporations, interest groups and associations should receive tax breaks, compared with 36 percent who opposed all state tax incentives.

Beacon Foundation Poll (Tennessee), June 2016

Browser: <http://www.beacont.org/wp-content/uploads/2016/05/Beacon-Ce> | opb.georgia.gov | beacont.org

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- Microsoft Websites
- Economic Development Databases
- Newspapers
- State Legislatures
- Virginia Local Governments
- Virginia Sites
- MW Managed File Transfer
- The NC Barbecue Society Historic Trail
- Virginia Economic Developers Association

Turn on Suggested Sites...

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Table 56-1
QUESTION 50.3:
Please indicate whether you agree or disagree with the following statements:
State government should give your tax dollars to certain businesses in the form of handouts.

BANNER 1

	AGE				GENDER	RACE	EDUCATION				CHILDREN IN HH			INCOME		PARTY ID			REGION			PREF VOTE		
	18-24	25-34	35-44	55 OR OLDER			MALE	FEMALE	WHITE	OTHER	THRU 2 YEAR COLL	4 YEAR COLL+	YES	NO	LESS THAN \$50K	\$50K OR MORE	DEM	REP	IND/OTHER	WEST	MIDDLE	EAST	CLIN-TON	TRUMP
TOTAL	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	(U)	(V)	(W)	
BASE-TOTAL SAMPLE	562	146	197	219	292	309	482	79	357	205	147	395	281	290	146	214	202	129	214	219	145	269	125	
**D/S (AGREE - DISAGREE)	-305	-45	-121	-140	-128	-178	-282	-24	-207	-99	-84	-222	-148	-127	-62	-130	-113	-66	-116	-123	-77	-166	-88	
-----	-54%	-31%	-61%	-64%	-51%	-57%	-58%	-30%	-55%	-48%	-50%	-56%	-53%	-55%	-43%	-61%	-56%	-51%	-54%	-56%	-47%	-63%	-46%	
TOTAL AGREE	84	94	24	25	45	39	66	18	48	26	32	52	45	33	39	29	22	21	29	34	31	21	20	
-----	15%	20%	12%	11%	15%	13%	14%	23%	10%	17%	19%	13%	16%	14%	24%	14%	11%	16%	14%	15%	19%	12%	16%	
TOTAL DISAGREE	289	79	145	165	179	217	247	42	255	135	115	274	199	160	95	159	125	86	146	157	108	198	78	
-----	69%	54%	74%	75%	68%	70%	72%	53%	71%	66%	69%	69%	69%	69%	65%	74%	67%	67%	68%	72%	66%	75%	62%	
AGREE - STRONGLY	21	13	5	4	9	13	16	5	10	11	8	13	11	9	8	10	9	5	5	11	8	9	4	
-----	4%	9%	2%	2%	3%	4%	3%	6%	3%	5%	5%	3%	4%	4%	5%	4%	4%	4%	4%	5%	5%	3%	3%	
AGREE - SOMEWHAT	62	21	20	21	26	26	46	12	25	23	29	24	24	25	19	19	16	14	22	23	22	16	16	
-----	11%	15%	10%	10%	14%	9%	10%	17%	11%	12%	14%	10%	12%	10%	17%	9%	9%	12%	11%	10%	14%	9%	13%	
DISAGREE - SOMEWHAT	151	34	57	60	69	88	141	10	94	57	49	102	70	70	49	88	50	31	62	58	51	67	32	
-----	27%	23%	29%	28%	25%	29%	29%	13%	26%	28%	29%	26%	29%	30%	30%	27%	25%	24%	29%	27%	31%	25%	26%	
DISAGREE - STRONGLY	228	46	88	104	110	129	206	22	140	78	67	172	123	90	52	101	85	56	84	98	58	131	45	
-----	42%	31%	45%	46%	43%	42%	43%	40%	45%	39%	40%	43%	44%	39%	35%	47%	42%	43%	39%	45%	35%	50%	38%	
UNSURE	89	32	27	29	35	53	70	19	54	25	20	69	44	37	10	26	45	22	38	29	26	24	28	
-----	16%	22%	14%	13%	14%	17%	15%	24%	16%	17%	12%	18%	15%	16%	12%	12%	17%	17%	18%	13%	16%	13%	20%	

Significance Z-testing shown at 95% in UPPERCASE and 90% in lowercase in the groupings: B/C/D E/F G/H I/J K/L M/N O/P/Q R/S/T U/V/W
I C I T E E N

CHILDREN

9 / 10

Why Economic Development Projects Go Bad

- Failure to perform a rigorous financial analysis of the company – pull a Dunn & Bradstreet, review 10-K
- Thinking your deal will be the next Google/Apple
- Deal entirely dependent upon short-term federal/state grants
- Your deal is at the tail end of the latest economic development /R&D fad
- Lack of credible information about other sites under consideration
- Deals are done for political reasons

Incentives Defense Tactics Doomed to Fail

- “But look at all the jobs incentives have created!!”
- “Everyone else is doing it!”
- Secret meetings and unwritten policies
- Surrendering control of your program to consultants
- Not learning from the mistakes of others

Policies to Avoid

- Surety bonds for incentives
- Making your economic development partner a “contractor” under state law
- Linking incentive payments to state tax payments
- Annual public hearings to request incentives
- A “we do what it takes” incentives program
- Failing to link incentives to prospect needs

Educating Your Community

- Take the secrecy out of economic development
- Economic Development 101 for your elected officials
- Business leader testimonials
- Industry Appreciation Day/business open houses
- Use your state economic development association

Business Community Buy-In

- Convene a summit of local business executives and elected officials to review incentive policies
- Bring in national experts on smart growth and corporate trends to validate your practices
- Let elected officials hear directly what motivates companies to add jobs and investments
- Develop a standing working group on business climate and incentives

Using ROI to your benefit

- Characterizes incentives and economic development spending as an investment
- Demonstrates to the public that decision to give incentives or invest in marketing are not taken lightly
- Shows that incentives are a net gain to the community
- Helps you weed out bad deals
- Guides adjustments to tax and incentives policies to meet prospect needs

Written Incentives Policies

- Outline what kind of jobs and investments a community wants
- Establish policies to guide your attraction and retention efforts
- Consider programs for retail and small businesses
- Establish guidelines for incentives amounts
- Secure political and public approval for use of incentives
- May want to consider an “audit” of your incentives practices and programs

Effective Marketing Tips

- Website with current information on labor costs and availability, tax, utility costs, sites, current news
- Quarterly newsletters focused on site selectors and corporate decision makers
- In person meetings with decision makers in major markets
- Leveraging your regional economic development entity
- Advertising for “political” reasons

Special Considerations

- Remove anti-rural bias from site databases
- Promote quick access to decision makers
- Effectively understand and use all the tools at your disposal
- Retail, small business, and entrepreneurship programs
- Outreach to tourists, conference attendees, part-time residents

Questions or Comments?

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