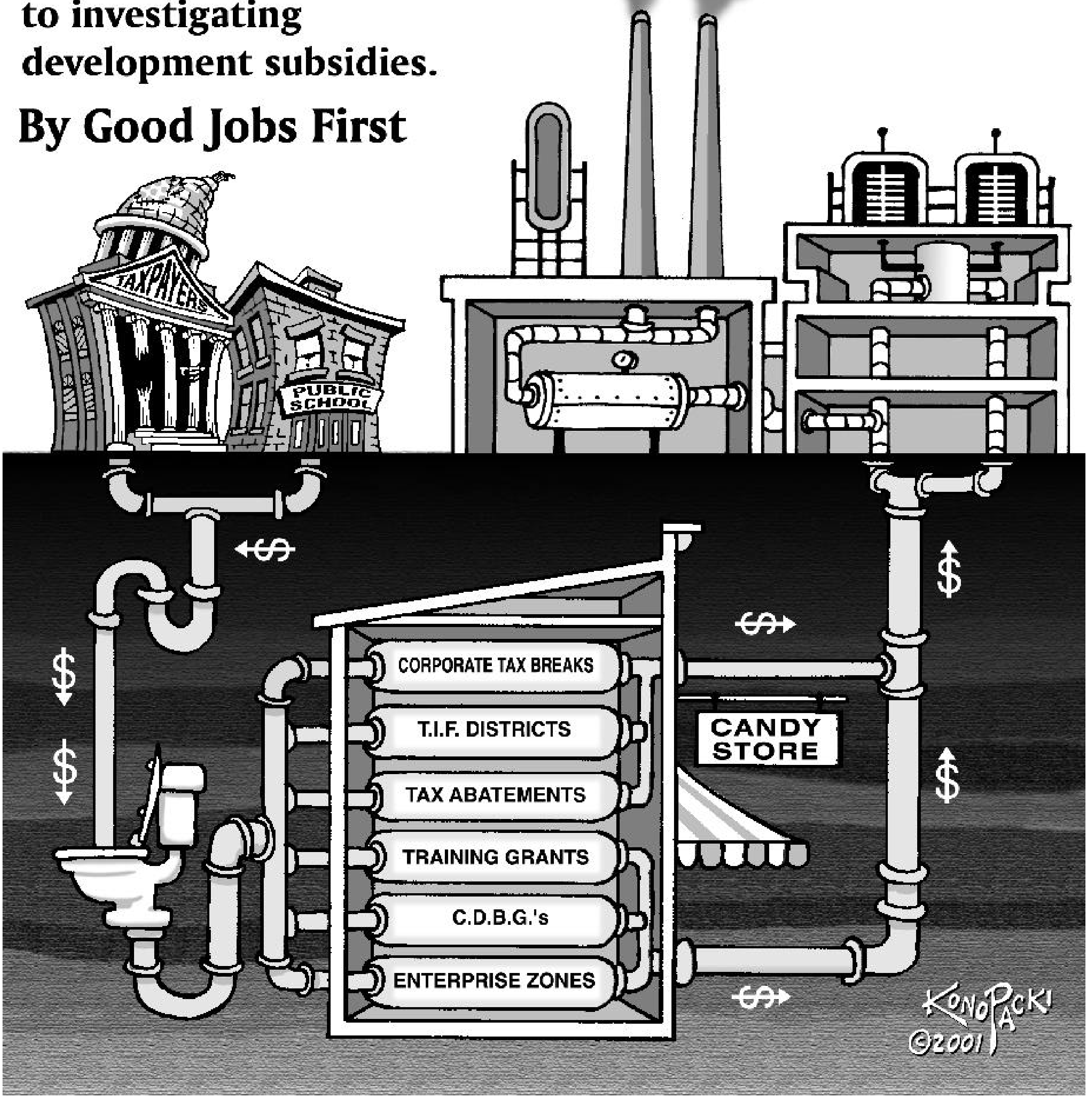
NO MORE SECRET Candy Store

A grassroots guide to investigating development subsidies.

By Good Jobs First



No More *Secret* Candy Store

A Grassroots Guide to Investigating Development Subsidies

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Foreword: These Are Exciting Times

Since *No More Candy Store* was published in 1994, the grassroots movement to reform economic development has continued to surge.

Seeded in the mid-1980s by activists fighting plant closings, the movement has grown enormously to include tax and budget watchdogs, living wage campaigns, labor unions, community groups, smart growth activists, environmentalists, good-government projects, and advocates of alternative development strategies.

Why has the campaign to stop the abuse of development subsidies blossomed? Because the state-eat-state civil war for jobs has continued, making subsidies ubiquitous. Any company that has been awake the last 15 years and has built a new facility has probably gotten tax breaks – even companies merely moving jobs from one place to another. And the corporate practice of demanding subsidies for an existing facility by threatening to leave or expand elsewhere – commonly dubbed “job blackmail” – has become a fine art.

Subsidies have become such an automatic “gimmee,” they have changed the whole rationale public officials use to justify them. No longer do public officials speak of “leveraging” private investment with public dollars; that is, bringing jobs to areas that have been redlined by banks or polluted. Now, officials simply speak of being “competitive;” in other words, they justify offering subsidies simply because other places do.

The costs per job boggle the mind. Many states now have dozens of deals on the books in excess of $100,000 per job. We once interviewed a plastics company that had been offered subsidies totaling $469,000 per job. The company spokesman basically shrugged and said it was just an “off-the-shelf” deal.

And the total costs are enormous. In his new book, *Competing for Capital*, Professor Kenneth Thomas estimates that as of 1996, states, counties and cities were already spending $48.8 *billion* a year on economic development! Most significantly, he finds that grassroots organizing by non-profit groups is leading the way to reform. Comparing the United States to Canada and Europe, Professor Thomas concludes that “...the real story of attempts to control subsidies to investment in the United States is one about non-governmental organizations and their organizing efforts.”

For a detailed article about the groups at the forefront of this upsurge in organizing, go to:

www.cfed.org/sustainable_economies/business_incentives/BI_newsletters/12_99_2.htm

Grassroots Research: the Key to Reform

Research is central to these reform efforts because development programs are complicated and poorly understood, and because public officials often seek to limit public knowledge about deals. Grassroots groups have pioneered this research to empower taxpayer involvement.

Consider how far we have come: 13 years ago, researchers for the Calumet Project for Industrial Jobs in Northwest Indiana tediously gathered data from city council minutes and the tax assessor's office. They sought to determine which companies had received property tax abatements, how many jobs they had pledged to create, and how many jobs they had actually gained (or lost). They found that most of the companies had fallen far short of their pledges; some had actually laid workers off. The disclosures led to several reforms, including the first "living wage" ordinance: Gary, Indiana in 1989.

Three years ago, thanks to the Minnesota Alliance for Progressive Action's landmark disclosure victory, we received a computer disc from that state's development department; it had detailed data in spreadsheet form for 525 deals, including the value of each subsidy, the number of jobs pledged and created, plus wages pledged and actually paid. Although we had to clean the data up, add context, and conduct dozens of follow-up interviews, the jump-start of disclosure enabled us to produce a highly-detailed study that spotlighted many problematic deals. The state acted on those findings, adding health care disclosure and mandating that every deal have wage standards.

Today, the research continues. In some places, conditions remain as primitive as ever, with activists forced to pore over records and cobble stories together like a big jigsaw puzzle. In other places, public agencies are beginning to collect and release data to enable research; some data is even becoming available via the Internet.

Consider what a rich and varied landscape of grassroots research activity has emerged:

- Our nation's three largest cities each have subsidy accountability projects – the L.A. Alliance for a New Economy (www.laane.org), Good Jobs New York (www.goodjobsny.org), and the Neighborhood Capital Budget Group in Chicago (www.ncbg.org). Each of these groups has published studies or databases that are strengthening citizens' ability to participate in and influence the development debate.

- Two statewide networks have won landmark disclosure laws that are generating better data than has ever been available before – the Minnesota Alliance for Progressive Action (www.mapa-mn.org) and the Maine Citizens Leadership Fund.

- Several other networks have issued studies, prompting reform debates, including the Kentucky Economic Justice Alliance (www.kydrc.org), Citizens for Economic Opportunity in Connecticut (www.ceo-ct.org), Northeast Action, (www.neaction.org) and Montana People's Action (www.mtpaction.org).

- Several state tax and budget groups – such as the Fiscal Policy Institute in New York and the Center for Public Policy Priorities in Texas – have begun making the link between economic development spending and other priorities such as education and health care. They point out that less-visible tax spending – i.e., revenues not collected in the name of economic development – far exceeds appropriated spending.

- Two major environmental organizations – the Sierra Club and Friends of the Earth – have published studies (echoing our own at www.goodjobsfirst.org/anoka.htm) that link development subsidies to suburban sprawl. See the reports at www.foe.org/act/sba2pr.html and www.sierraclub.org/sprawl/whitepaper.asp

News Media and Auditors: Research Allies

The news media has also contributed to public awareness of the subsidy abuse problem. Besides the landmark 1998 series in *Time* magazine by Donald Barlett and James Steele and the outstanding investigative series by Jay Hancock of the Baltimore *Sun* in 1999, there have been terrific articles in major dailies such as the Kansas City *Star*, the Milwaukee *Journal-Sentinel*, the *Oregonian*, the *Chicago Tribune*, the *Arkansas Democrat-Gazette*, the *New York Times*, the San Antonio *News-Express*, and the Toledo *Blade*, and in business publications such as *Barron's*. Business columnist Bill Bishop wrote prolifically on the issue while at the Lexington *Herald-Leader*, and nationally-syndicated columnist Neal Peirce has covered many aspects of the issue.

Activists and journalists aren't the only ones who consistently find problems with job subsidies. State auditors do, too. Indeed, our summary of 122 state performance audits of economic development since 1990 finds shocking patterns: state development programs lack clear goals (making success or failure hard to measure); they fail to monitor subsidized companies to verify they are keeping their promises; they use "garbage in, garbage out" data about costs and benefits; and some even face criminal allegations of embezzlement and kickbacks. For the whole story, go to: www.goodjobsfirst.org/audit.htm.

An Upsurge in Organizing

Revelations by grassroots groups, the media and auditors are arousing more public interest and outrage. Over and over again, the research reveals subsidized companies that didn't really need the subsidy, or fail to deliver promised jobs or investment, or take the subsidy but then pay poverty-level wages, or take a subsidy to simply relocate from one city to another – in the same metro area!

The results of this surge in organizing are visible everywhere.

- In 1994, only six jurisdictions are known to have required job quality standards on subsidies, such as wages or health care. Today, at least 66 do – 37 states, 25 cities and 4 counties – and the numbers continue to climb. Good Jobs First maintains an updated database of these standards at www.goodjobsfirst.org/jobquality.htm.

- In 1994, only 8 jurisdictions were known to have "clawbacks," or money-back guarantees, in their development contracts. Today, at least 19 states and many dozens of cities use them. In professional development circles, clawbacks have gone from being an exotic experiment to widely-accepted best practice.

- As of early 2001, 53 cities or counties have enacted "living wage" ordinances. About a third of them go beyond covering only workers at companies doing work under a public contract to cover workers at companies that receive development subsidies.

- Every major *federal* development program – including Community Development Block Grants, the Workforce Investment Act, and the Economic Development Administration – has an "anti-piracy" rule, so that federal taxpayers cannot "pay Peter to rob Paul." That is, those programs may no longer be used by one state or city to subsidize the relocation of jobs from another place. Such rules have resulted from specific local disputes over subsidy abuse.

Redefining Economic Development: Back to Basics

The grassroots reform movement is challenging the way economic development is defined. Politicians and corporations have used their domination of the process and news media to define economic development as a complex, secretive process often involving large deals for specific companies. This dominant definition serves to discourage people from getting involved. To everyday taxpayers, it says: "this is too complicated for you to understand," and "we have to keep this secret."

But if we were talking about the economic development of Sri Lanka, we wouldn't be talking about secret corporate deals. Instead, we would be talking about gross domestic product and more: infant mortality, literacy, water quality, life expectancy and per capita income. Instead of secret deals, we'd be talking about public goods, such as education, infrastructure, and health care systems that enable people to achieve better living standards.

By challenging the dominant definition, grassroots activists are moving the policy debate back to basics, back to human well-being. That's why so many states and cities have begun to attach wage and health care requirements to their development subsidies. While they often can't avoid doing company-specific deals, they are beginning to see the contradiction: if a deal doesn't raise average people's living standards, it's hard to call it economic development.

Prying the Candy Store Open

These are exciting times because of our movement's research breakthroughs. Today's subsidy activists are like community reinvestment advocates before the Home Mortgage Disclosure Act made it much easier to document bank redlining. Or like environmentalists and workplace safety campaigners before Toxic Right-to-Know disclosed chemical exposure hazards.

We are prying open the candy store, shining sunlight on secretive processes and huge taxpayer expenses that have been hidden far too long. If you have suggestions or sources to improve this guide, we want to hear from you.

Greg LeRoy

Director

Chapter 1. Ten Rules About Subsidy Research

Rule #1: Your Mission is to Support Organizing

Subsidies are complicated, and subsidy paperwork can be daunting. Chances are, at some point you will find it overwhelming and lose your focus. Many activists are used to thinking of "research" as abstract, a luxury, something that people do *instead* of organizing. Good research is just the opposite: it is concrete, a critical part of a campaign, and something that actively supports the organizing.

There should be one or two basic questions that drive your research strategy. Those basic questions should be driven by your campaign goals. So be sure your campaign goals are clear first, then let them drive the core research questions. Always ask yourself: will this research advance the campaign?

The Western Organization of Resource Councils said it well:

> *Ironically, your organization may decide to go ahead and collect all of this information and then find yourself frozen in place, paralyzed by the enormity of trying to absorb and process all this data. Worse, you might find yourself addicted to the process of collecting information and using research as a substitute for action ("let's make sure we've got all the information before we make a plan or stick our necks out in an action.") These are two major pitfalls in the process of researching for organizing.*
>
> *One of the best ways to avoid these traps is to make research part of the organizing process: involve members in the collection and use of that information as soon as possible in some kind of action.*
>
> *Remember, information is not, in itself, power. It's how you use information that counts. We have all had experiences where we really believed that getting the truth "out" would win the issue, only to discover that nothing really happened until lots of people took the information and moved on it.*

Rule #2: Know Your Campaign Goal

Most campaigns necessarily start with relatively narrow goals. But because subsidy campaigns involve a lot of taxpayer money, and because they often bring new coalition partners together, activists sometimes find that subsidies are a terrific "wedge" issue to raise broader policy issues. The trick is to stay focused on the campaign at hand and build one step at a time.

Typical first-campaign goals include:

- to stop a particular subsidy deal from being finalized, or to attach "strings" to a deal, such as wage rules or money-back guarantee "clawbacks;"
- to gain leverage in a dispute with a company that has gotten or is getting subsidies, such as a toxic waste emission, a plant closing, a union organizing drive, or a project causing neighborhood displacement.

Down the road, groups often find that subsidy campaigns serve other goals:

- to support your broader policy work, such as providing data to support reform demands;
- to strengthen your organization by developing leadership, attracting new members, and improving your power analysis of development deals, agencies and players; or
- to increase civic participation by clarifying the process of granting subsidies so that people learn about their rights to intervene and shape the process.

Rule #3: Think Ahead About How Your Research Will Be Presented

Once you are clear about your goal, think ahead to the finished products. How will the campaign disseminate your findings? For example, your research may become:

- graphics for signs at a rally;
- a report to circulate to other groups and the media;
- testimony for a public hearing;
- position papers for negotiations with a company; or
- a press release;
- A two-page handout for activists or policymakers;
- An "op-ed" article or letter to the editor for a local newspaper; or

- A slogan that boils the issue down to a bumper sticker.

Keeping these ends in mind will help keep you from getting lost researching tangents that will not ultimately result in a usable product.

Rule #4: Use the Power of Graphics

How many reports have you seen that included only one kind of graphic, such as bar charts, even though that graphic device really didn't tell the story?

How many reports have you seen that were printed in a small typeface? That had few subheads? That included little white space?

Despite the fact that readership studies show that people are far more likely to look at pictures, cartoons, maps and other graphics than they are to wade into dense batches of small print, some groups continue to issue reports with little visual appeal.

Using graphics is an art, but there is some basic science to them as well. We recommend two excellent books on the subject: *The Visual Display of Quantitative Information* by Edward Tufte (1983, Graphics Press), and *Say it With Charts* by Gene Zelazny (1985, Dow Jones-Irwin).

Because subsidies are complicated, eye appeal matters.

Rule #5: Start Learning the Lingo

A staffer at the county tax assessor's office gets two phone calls. The first says:

> "Hello, I wanted to find out about tax abatements and how the records are kept so I can find out if Acme Widget got any. Can you tell me about that?"

The second says:

> "Hello, I need to know where to get the Property Identification Numbers for Acme Widget's plant at 683 South Sycamore Street, so I can look at the PILOT agreement there. Do you have that PIN?

Whom is the tax-office staffer most likely to take seriously?

The second caller is much more likely to get the information she needs, get it more quickly, and get it on the phone, because she has sent signals to the staffer taking her call. Those signals say: “I know the specific information I need,” and “I know something about the terms and systems there.”

Unless you have made a conscious decision to “play dumb” to increase your chances of gaining access to information – and sometimes that makes sense – we recommend being prepared before you make contact.

Learning the lingo of economic development usually makes your research much easier. And in the long run, if your organization hopes to achieve a dialog with development officials, learning the terms, acronyms, and slang will help you build power. It will strengthen your ability to inquire, and increase the chance that your questions will be taken seriously.

That is why we have included a chapter with detailed information on each major subsidy program as well as a glossary of common terms. Of course you can’t digest all this information at once, but we do suggest that when you start to look at a particular kind of subsidy, you review the sub-chapter about that subsidy. In each sub-chapter, we include a list of the terms in the glossary related to that subsidy.

Rule #6: Don’t Reinvent the Wheel

Before charging headlong into your research, take time to survey the landscape and identify other groups and people in your area who may have already investigated the subjects you are looking at. Once you know the focus of your research, take some time to look for groups in other cities or states that have done research on the same programs or kinds of deals.

We include checklists of possible sources in each section, such as:

- other non-profit groups such as living wage campaigns, tax and budget groups, or subsidy accountability projects;
- journalists;
- university researchers in economic development, urban planning or labor education; and

- state auditors and legislative review committees.

Many times, these people can greatly expedite your work. Take advantage of their history to get a running start.

Rule #7: Identify the Players and Do a Power Analysis

Tracking development subsidies is complicated, because money often flows through several different pipelines. A major deal may involve half a dozen or more subsidies, each of them flowing through a different bureaucracy.

Those bureaucracies may include the city council and/or the county board, the county development authority, the workforce investment board, the state development board, the tax assessor's office, and the community college or state university.

In some cases, the money originates from a federal or state source, and is then controlled by a local or regional agency. For example, federal training money from the Workforce Investment Act flows through regional Workforce Investment Boards.

In other cases, a subsidy may be creating friction between different levels of government. For example, a city council may divert property tax revenue into a tax increment financing (TIF) district, even though that means less money for the school district and for the county.

Although this is complicated, don't be intimidated. If you are looking at a specific program, you only have to figure out one agency. If you are looking at a deal that involves multiple subsidies, usually one or two agencies are the "lead dogs" in a deal. Once you determine which agency is key, you can focus on that one first.

Although development agencies all have formal structures on paper, power analysis of public agencies usually reveals that there is an informal, unwritten system that really explains how decisions are made. Your challenge is to get at questions such as:

- Who appoints or elects the people who actually grant the subsidies?
- Who are the dominant agency board members and who are the passive members?
- What is the power dynamic between the board members and the staff?
- Who pays the closest attention to the board's decisions?

Your research will inevitably become like investigative journalism. It may lead you into other issues such as campaign contributions from developers to elected officials. As the saying goes: Follow the Money. To which we add: Follow the Power to Give Away the Money.

Rule #8: Learn the Policy Intentions

Taxpayer spending for economic development is special. It is money explicitly intended to *develop the economy*. That means it usually has *policy intent language* about things like creating jobs, reducing poverty and unemployment, reducing blight, and enhancing the tax base.

But most development agencies do a poor job monitoring the performance of subsidized companies. That's why researchers find so many companies doing things that contradict the policy intentions of the programs – such as laying workers off or shutting down, polluting the environment, paying poverty-level wages, denying workers their right to organize a union, discriminating, or relocating jobs in a way that fuels urban sprawl and concentrates poverty.

So the *intent language* in a program's enabling legislation or regulations is incredibly important. Taxpayers get angry when they learn that their dollars are being wasted by companies not obeying a subsidy's purpose.

When we keep our eyes on the prize – raising average working people's living standards – we keep our focus on the right issues to make subsidies accountable.

Rule #9: Make the Budget Connection (And Broaden Your Coalition)

Very few people – including most politicians – have any idea how much money actually gets spent on economic development. One reason for this low awareness: most of the dollars – usually more than three fourths – are *tax expenditures* – that is, taxes not collected in the name of economic development.

Because most of the spending is hidden in tax cuts, people don't realize that development subsidies can have a big impact on public services such as education. The big-dollar tax cuts are property tax abatements (which affect local services) and corporate income tax credits (which affect state-funded services).

Appropriations may be more visible than tax cuts, but again, most people overlook a lot. Appropriations such as training grants or infrastructure projects are most visible, but there are many others, such as manufacturing extension services, vocational training, community colleges, and agricultural research.

When you outline the big picture – tax expenditures as well as appropriations – you make the issue far more compelling. You can also build coalitions with constituencies concerned about other budget priorities such as education, health care, training, or housing. You may also be able to show that subsidies cause a tax-burden shift – away from corporations and onto wage earners, homeowners, and small businesses.

Rule #10: Always Remember: It's *Your* Money!

You will very likely get frustrated by discovering that certain records are not public, or do not exist. For example, no state discloses corporate income tax records, and only a few disclose any company-specific data about income tax credits. You may encounter public officials who will try to mislead you or obstruct your access to records. You may find records, such as minutes of meetings, that are so sketchy and vague as to obscure what really happened. You may even face officials who violate your state's open records law.

On the other hand, you will probably find some records are quite accessible. For example, local property tax abatements are often fairly easy to research – and in sheer dollar terms, they are usually one of the biggest subsidies a company gets.

We'll provide tips on how to deal with such situations. But always keep in mind: it's *your* money. You have a right to know how it was invested and how that investment is paying off.

Chapter 2. Development Subsidies 101

Chapter 6 provides detailed information about specific subsidy programs. But first, we outline the main kinds of subsidies and some important distinctions among them.

A. The Main Kinds of Development Subsidies

General Kind of Subsidy	Examples
Reducing the cost of owning property, real and personal	**Property tax abatements, exemptions and reductions.** For capital-intensive companies such as manufacturers, property tax abatements can be one of the most lucrative subsidies.
Reducing the cost of capital for borrowing	**Industrial revenue bonds** (a.k.a. industrial development bonds) are bonds whose interest is tax-free and therefore the interest rates are lower than taxable bonds. **Other kinds of low-interest loans** (e.g., industry-specific). **Loan guarantees** (e.g., Small Business Administration).
Reducing corporate income taxes	**Tax credits** allow a company to deduct a certain percent of a specific kind of expense *dollar for dollar* from its income taxes. These include investment tax credits (e.g., for new equipment), research and development tax credits (lucrative for high tech & pharmaceuticals), and job creation tax credits. **Tax-formula changes** (such as the single-sales factor formula which is so lucrative for manufacturers).
Reducing the cost of new construction	**Sales tax exemptions** on new equipment and on materials used in new construction.
Reducing the cost of land acquisition and site preparation	**Land-price write-downs**, sometimes using eminent domain. **Infrastructure subsidies** (e.g., roads, sewers, utility hook-ups).
Reducing the cost of labor	**Training grants.**
Reducing the cost of operating	**Utility rate reductions** (e.g., "economic development rates"). **Utility tax reductions or exemptions.** **Inventory tax reductions or exemptions.**

B. Distinctions Among Subsidies

Besides reducing different kinds of corporate costs, there are some other important distinctions among subsidies. One way to distinguish subsidies is from the viewpoint of the company. That distinction has to do with whether the company has to compete for the subsidy or whether it gets the subsidy automatically.

Another way to group subsidies is from the viewpoint of the government and public budgeting. The issue here is whether the subsidy involves an appropriation (i.e., the government writes a check), or the subsidy is foregone revenue, i.e., a tax not collected in the name of economic development.

Learning these differences will help you understand why some subsidies are more or less transparent. It will also help you appreciate the many different data sources, which will affect your research strategies.

Discretionary Versus Entitlement Subsidies

One distinction is whether a company has to compete for a subsidy or claim it automatically. Or, put another way, subsidies differ based on how much discretion government agencies have in awarding them:

Discretionary subsidies (a.k.a. company-specific or individually-negotiated subsidies) are those for which companies compete, and state or local officials have latitude in awarding. There may be no specific criteria that a company must meet, or very broad, loose criteria that give officials a lot of discretion on whether a company gets a subsidy, or how large a subsidy. Examples include property tax abatements (controlled by tax assessors or tax boards), tax increment financing projects (controlled by local authorities that designate TIF district boundaries), infrastructure (which may benefit a small number of landowners), and training grants (controlled by Workforce Investment Boards).

Discretionary subsidies can be very political, because they involve favoritism for one company over another, because politicians are often involved in awarding them, and because companies often exert political clout to get them.

Entitlement subsidies are automatically available to any company that meets the program's criteria. Generally, entitlement subsidies are tax breaks other than property tax abatements (such as corporate income tax credits, new construction tax breaks, or operating-cost tax cuts). For example, if a job training tax credit specifies that a manufacturing company qualifies for a $2,000 tax credit for each new employee it trains, then any manufacturer that meets that requirement is entitled to that subsidy when it files its income tax return.

Just because entitlements are automatic doesn't mean they aren't political. Indeed, entitlements are always the result of corporate lobbying, usually by large groups of corporations such as chambers of commerce or manufacturers' associations. They are the tax-code monuments to specific kinds of corporate clout.

And not all companies get all of their entitlements. Not every company has the tax expertise to claim every credit. And some entitlements programs come in different forms than tax breaks, such as technical assistance. Those can involve some negotiation and discretion by the relevant government agency. Agencies are usually charged with evaluating applications and choosing which companies to assist, and they often use their own criteria to make those decisions.

Bottom Line: whenever you are looking at a subsidy program, you should determine whether the subsidy is entitlement or discretionary. If it is discretionary, that means you need to research the agency that granted the subsidy, including how much discretion agency officials have and who has informal power to influence them in that discretion. That, in turn, may mean you need to do a power analysis of the agency.

Tax Spending Versus Direct Spending

Governments spend money for economic development in two different ways: through tax spending (also called "off-budget" spending) and appropriations or direct spending (also called "on-budget" spending).

It's an important distinction, because in most states, tax spending for economic development far exceeds direct spending, by ratios of 5 to 1 or even 10 to 1. But few people know that, because tax spending is so poorly understood.

A **tax expenditure** is tax revenue that the state (or city or county) does not collect as a result of a tax break in the name of economic development. Tax expenditures are not even reported in 15 state budgets, and they are reported incompletely in many others. Cities and counties track even less.

A **direct expenditure** is money that the government (whether a city, county, or state) allocates in its budget, for anything from printing stamps to buying land to enable a hospital to expand. The budget must be passed by the city council or state legislature every one or two years, and is available to the public. That spending must be re-authorized each year, and it is relatively easy to track (although obviously some budgets are not as detailed as taxpayers would like).

Here's an example of the difference. Let's say a state wants to train workers. The government has two options: it can appropriate money to improve its vocational education and community college systems. That would be a **direct expenditure**. Or, it can pass a tax credit that allows any company that gives an employee a certain level of training to deduct $2,000 from its income tax bill. That would be a **tax expenditure**. Either way, the government will spend money training workers, but *how* it spends that money has important implications for public and legislative oversight of the spending.

The big problem with tax expenditures is that they are far less accountable than direct spending. Unlike most spending programs, tax expenditures are open-ended; that is, they are not capped at any set dollar limit. Any company that meets the statutory criteria for eligibility can get the subsidy. This makes it nearly impossible to estimate how much the tax expenditure will cost each year. Generally, tax expenditures require no annual appropriations or oversight process.

And because tax returns are confidential, it's impossible for taxpayers or even legislators to find out which companies benefit from tax expenditures or what they do with the money.

Tax expenditures are generally administered by tax agencies, which have little expertise or interest in assuring the tax-expenditure programs are working as the legislature and taxpayers hoped. On-budget programs are more often discretionary, so at least there is agency staff seeking to determine if a deal is sound or a subsidy is needed.

Unlike on-budget spending, tax expenditures are not revisited by the legislature every year when it decides how to spend taxpayer money. On-budget spending is also more frequently audited, evaluated and sunsetted (adopted with a built-in expiration date). If a recession comes and a state needs to tighten its belt, direct spending programs are usually the only things on the cutting block. Politically, it is easier to cut appropriations than it is to reduce a tax break – that would be attacked as a "tax hike."

Bottom line: tax spending is already the biggest share of economic development spending, though few people realize that. Probably due to the accountability problems cited here, tax expenditures make up a growing share of the total amount that is spent on economic development, evidence suggests. Corporate tax cuts shrewdly hover "below the radar" of annual budget politics.

Chapter 3: Subsidy Disclosure 101

Besides the broad distinctions among subsidies, there are many additional factors that affect how much information you can get and when you can get it. This chapter explains those differences, including Freedom of Information laws, timing issues, statutes, budgets, and audits.

And for lucky folks in a few states, we reveal centralized subsidy databases!

In this chapter:

A. Differences in Subsidy Transparency

The list on the next page breaks subsidies into three categories, based on the typical quality of their disclosure. There are a few exceptions where disclosure is better, and those states are detailed below.

Generally, discretionary subsidies are more transparent than entitlements. That's because discretionary subsidies usually require a public body to receive an application and to deliberate on that application. Entitlements almost always remain secret because no state discloses corporate income tax returns.

So, for example, as the chart shows, property tax abatements tend to be accessible because they are recorded at county tax assessors' offices. Companies have to apply for them, tax boards have to rule on the applications, and the resulting changes remain in the public file.

Most Transparent (usually open records) • Non-income tax subsidy applications (after approval) • Property tax abatements (though seldom centralized above the county level) • Job training agreements • Revenue bond loan agreements • Other loan agreements • Tax increment financing (TIF) development agreements
Transparency Varies (data may not exist, may be incomplete or unreliable, are occasionally closed) • Overall tax expenditures budgets for economic development (about 35 states publish one, but only about a dozen are solid) • Job creation or job retention data (often not required, and even those agencies that claim to track jobs often use unreliable methods such as corporate self-reporting) • Agency outcome-monitoring reports (quality varies a great deal) • Community Development Block Grant expenditures for things such as infrastructure (report formats often make it hard to tell how much got spent where) • Recruitment records (especially if private-sector entities, such as chamber of commerce are involved) • Minutes of development agency board meetings (are often perfunctory and fail to record meaningful details)
Least Transparent (generally, these are tax entitlements claimed by individual companies, whose tax returns are not disclosed) • Corporate income tax credits, such as those for capital investment, research & development, job creation, or meeting enterprise zone criteria • Other corporate tax exemptions, such as those on raw materials and inventory, sales tax exemptions on new equipment, or utility tax cuts • Corporate income tax-formula savings. (The most controversial current one is the “single-sales factor formula,” which is very lucrative for manufacturers in states where they produce a lot.)

On the other end of the spectrum are entitlements such as investment tax credits. Since no company's income tax return is made public, it is not possible to know how much a particular credit was worth to a company.

In the middle are many important kinds of records, such as tax expenditure budgets, job-creation data, and the minutes of agency board meetings. In many cases, such records are incomplete or unreliable, and sometimes they either don't exist or are deemed not "FOIAble" (i.e., available under a state Freedom of Information Act, see below).

A final word about estimating the value of an entitlement: just because you cannot see a company's income tax return doesn't mean you cannot make a good faith estimate about the value of an income tax credit. For example, suppose a company builds a $100 million plant, and the state has an investment tax credit which allows the company to deduct 5% of that investment each year for 20 years. It also allows the company to "carry forward" any unused tax credits from one year to the next if the credit exceeds its total income tax bill in any given year. Then, at the very least, you can say with certainty that the company has a *tax credit entitlement* of $100 million. Whether or not the company will be able to use all of that credit will depend on the plant's future profits and the state's tax rate.

B. Timing of Subsidy Disclosure in a Deal

There are four different periods of time when information about subsidies in a deal is created:

1. Pre-application Negotiations

When a company is considering a major new project, perhaps pitting several locations against each other, it usually demands secrecy during the negotiations. Although there may be general public awareness that negotiations are occurring (such as Boeing's unusually public bidding process between Chicago, Dallas and Denver), there is rarely any kind of disclosure about the subsidies being offered. Usually, only discretionary subsidies are on the table (and those can be large, if, for example, the company wants a lot of land assembled or the site prepared). But if the deal is big enough, the company may negotiate for whole new entitlements. Mercedes-Benz, for example, won major tax-law changes from the State of Alabama in 1993.

Although records from this period can normally be obtained only after the application is filed, they are often quite revealing. It is based on pre-application records, for example, that the San Jose *Mercury News* reported that Intel had a 104-point wish list of subsidies and assistance when it asked several states to bid on a Pentium chip plant. And the Baltimore *Sun* looked at Virginia state records after Marriott announced a headquarters "retention" deal with Maryland after the company had said it might relocate from that state to Virginia. The *Sun* headline: "Marriott used Va. as ruse to raise Md. bid."

Records from this period are also critical to a power analysis. They should indicate who the company met with, how many times and for what purpose, and make it evident which agency was the "lead dog" in the deal.

2. After the Application is Filed, But Before it is Approved

Because most discretionary subsidies have mandatory procedures such as public notice and public hearings, there is usually a brief period of time when information is available, but the deal has not yet been approved. If the purpose of your campaign is to either block a deal or win improvements to it, this is a critical research moment.

Obviously, you want all of the records from the pre-application negotiations if you can get them. You may encounter rules that keep the negotiation records secret until the deal is approved. You may also encounter claims that one or more of the organizations involved in the negotiations is exempt from your state's Freedom of Information Act; see more details on state FOIA laws below.

The one set of records that you will definitely have access to is the application materials; again, you may encounter claims that some parts of the application are not subject to FOIA. Normally, that only applies to detailed financial data that would be filed with a loan application, or other proprietary information about a company that would cause it harm if a competitor got it.

So the critical issue here is the quality of the application form. Although a few jurisdictions are known to ask companies a lot of questions, most do not. For example, almost no city or state requires a company to list the subsidies it has gotten from other places, or to certify that it has met its obligations under those subsidies. Because the application is unlikely to tell you anything about the company's history, you will need to research the company (see Chapter 6).

The other problem with applications is that when it comes to specific *benefits* -- such as how many jobs they will create or what wages and benefits they will provide – they usually only require companies to make "projections." Of course, the applications are very specific about taxpayer *costs* – those are the subsidies!

Based on your analysis of the subsidy application, you may propose enhanced disclosure, to give taxpayers and public officials more details in advance about a deal in order to better evaluate its potential benefits as well as its likely costs. A few jurisdictions require companies to state how many jobs will be created (and/or retained), how many of those jobs will be full-time, whether they will include health care, and what wage levels they will have. Some jurisdictions require the company to meet these numbers or pay back some or all of the money. (This is known as a "clawback" or "recapture" provision.) Companies may also be asked to provide data on subsidies they have received from other jurisdictions and their compliance with previous subsidy contracts.

3. After the Deal is Approved

After a deal is approved, in most states all of the records relating to the deal are available to the public under the state's open records laws. Again, proprietary financial information about the company is typically exempt from such rules (more information about open records laws below).

4. The Duration of the Subsidy

Some subsidies last for a very long time. Tax abatements can run for 10 or 20 years; so can industrial revenue bonds. But few development agencies even try to maintain data on outcomes – such as the actual number of jobs created – in the years after the subsidy is awarded. Tax boards and revenue departments are even less likely to track outcomes; that's not what tax collectors do.

As many state auditors have found, those few agencies that claim to track results use methods that create highly unreliable data. For example, agencies may phone companies to check employment levels, instead of using unemployment insurance records, a far more reliable source. And as some newspaper reporters have found, agencies are prone to incredibly flimsy methods, such as adding up job creation figures from their own press releases, which were derived from corporate "projections" on subsidy applications.

Whatever internal data is collected by development agencies is unlikely to be published, and may or may not be FOIAble. There are occasional government evaluations of subsidy programs that collect data on outcomes, and this information is often public (although not always company-specific). Examples include legislative oversight reports, sunset evaluations, and performance audits.

Of course, there are non-governmental sources on outcomes, such as news reports, company financial filings, business directories, and corporate databases, and labor unions. See chapter 6 on researching a company for more details.

C. A Few States Have Some Centralized Disclosure

When we say "disclosure," we mean data that:

- names the company that got the subsidy and the agency and/or program that was the source of the subsidy;
- provides the dollar amount the company received and the date;
- reports the number of jobs created and/or retained;
- reports on the quality of those jobs, including wages, healthcare, and full-time vs. part-time;
- is collected in a central place, covered by the Freedom of Information Act, and published (preferably on the Web) in a form that enables citizens to readily analyze deals or programs; and
- is updated and released at least annually.

Only two states – Minnesota and Maine – have enacted laws that basically meet these criteria, thanks to the Minnesota Alliance for Progressive Action and the Maine Citizens Leadership Fund. In each case, these state laws cover both state and local subsidies. We consider these laws to be the "Cadillacs" of subsidy disclosure in America.

There are also a few "Chevy" states.

- Connecticut collects and publishes data on subsidy costs and job creation for its major state programs.

- North Carolina and West Virginia publish company-specific data on corporate income tax credits; North Carolina's new law will apparently produce job quality, enterprise zone hiring, and regional data as well.

- Texas and Louisiana have statewide databases on property tax abatements.

- Ohio also publishes extensive data about companies that claim enterprise zone tax credits.

- Nebraska requires an annual list of deals to be reported to the legislature, but meaningful data is aggregated by industry and subsidy instead of company-specific.

The details about these laws and databases are charted below:

Subsidy Disclosure in the States (as of March 2002)

State	Program	Statute
Connecticut	Economic development assistance to a business with 25+ full-time employees in the state. For $250,000 or more, annual reporting includes company-specific data on actual jobs created, projected jobs created, number of jobs at initial application, and amount of assistance.	94 PA 231 - §32-450 through 32-457 (2000 statutes)
Louisiana	Industrial property tax exemptions: company-specific information including jobs created (both permanent and construction), 10-year value of exemption, company's investment amount, and taxes paid.	Records of the state's tax exemption board
Maine	Company-specific information for all deals over $10,000; includes number of jobs by occupational type, wage and benefit levels of jobs created or retained, any changes in employment levels, total amount of assistance and details about type and purpose of each form of assistance. Also includes disclosure on whether the deal was a relocation within the state.	5 §13070-L and K
Minnesota	Company-specific information for all deals over $25,000: includes number of jobs, amount of subsidy, hourly wage of each job created (listed in dollar ranges), sum of hourly wages and cost of health insurance broken down by wage level, statement of goals identified in subsidy agreement, date by which job and wage goals will be met, reason for relocating from within in Minnesota if applicable, and list of all financial assistance received. On the Web at www.dted.state.mn.us/01x00f.asp, go to "Publications," then "Business and Economic Development," then look in the "General" section for 2000 Business Assistance Report.	§116J.994

Nebraska	Detailed disclosure of incentives under the Employment and Investment Growth Act (various property, sales, and income tax breaks). The State Tax Commissioner must make an annual report to Legislature listing agreements signed that year, agreements still in effect, identity of each taxpayer, and location of each project; and report by industry group with incentives applied for under Employment and Investment Growth Act, refunds allowed, credits earned, credits used for individual and corporate income tax, credits used to obtain sales and use tax refunds, number of jobs created, total employees at reporting dates, capital investment, wage levels of new jobs, tax credits outstanding, and value of personal property exempted in each county.	Employment and Investment Growth Act: §§77-4101 – 77-4112). Reporting requirement: §77-4110.
Nebraska (cont.)	Aggregated disclosure: For incentives under the Employment Expansion and Investment Incentive Act, the State Tax Commissioner must prepare a report identifying the amount of investment, number of equivalent jobs created, including amount of credits claimed in aggregate. If companies claiming credits under this act are in an enterprise zone, the Commissioner must report the amount of such companies' investment, number of jobs created, and average hourly wage or average salary of new jobs created in each zone.	Employment Expansion and Investment Incentive Act: §§77-27,187 – 77-27,196. Reporting requirement: §77-27,195.
North Carolina	Starting March 31 2002, the Department of Revenue must publish annual, company-specific disclosure of tax credits for training, research and development, and machinery and equipment. The data is also to be broken down geographically for those three activities by "enterprise tier area," a system the state uses for ranking regions by level of economic need. The Department's data must also show the number of new jobs created in development zones (enterprise zones), and how many of those new jobs went to zone residents.	§105-129.6.(b)
Ohio	Company-specific disclosure: Cities and counties must submit all enterprise zone agreements to the department of development, including number of employees at site before agreement, number of employees at end of reporting year, property value, relocation information, new payroll, property taxes paid, property taxes exempted, and total employment. State tax commissioner must submit an annual enterprise zone report with this information to the governor and legislature. Ohio's enterprise zone reports online: www.odod.state.oh.us/ez/	§5709.68

Ohio, cont.	Aggregate disclosure: property tax abatement agreements must be submitted to state development and local school districts, reporting number of employees, number of agreements in effect, compliance reviews, compliance status, and change in employment. Department of Revenue maintains data on property tax abatements and tax increment financing by county. Publications: www.state.oh.us/tax/publications_tds_property.html	§5709.88.2
Texas	Comptroller must maintain centralized registry for reinvestment zones and tax abatement agreements, with description of zone and copy of tax abatement agreements. The forms used by the comptroller are available on the web. Data can be obtained by contacting the comptroller's office.	Tax Code §312.005
West Virginia	Tax credits must be reported in State Register. Reports include company, address, type of credit, and dollar value of credit, though only in quarter-million and half-million dollar ranges. This reporting started in 1991, and applies to several types of tax credits (mostly related to economic development). Codes for covered tax credits: 13-C through 13-H and 5E.	§11-10-5s(b)(1)

/24/98 13:44 FAX 612 218 3841 DTED/IAD

received
APR 24 1998

Trade & Economic Development

1998 Minnesota Business Assistance Form*

(Please return by April 15, 1998)

97-592

Please type or print in dark ink.

1. Funding government agency name: EDA
2. Contact name: Troy Bonkowske
3. Agency street address: 231 E. Main St.
4. City: Caledonia
5. Zip code: 55921
6. Phone number (area code): 507-724-3632
7. Fax number (area code): 507-724-5258
8. Type of government agency: ✓ City __ County __ Regional __ State __ Other (Please indicate)
9. Name of business receiving assistance: Alco Discount Stores, Dairy Queen
10. Industry of recipient (SIC code): Alco Discount Stores - 2299, Dairy Queen - 5812
11. Type of assistance (e.g. loan, TIF, grant, infrastructure, etc.): TIF
12. Name of TIF district (if applicable): 1-3 Alco - Dairy Qu
13. Date of business assistance agreement: 11/20/95
14. Date assistance first provided: pending
15. Date project (building/machinery/etc.) was placed in service: 1996
16. Dollar value of business assistance: $275,515

For assistance agreements signed between July 1, 1995 and December 31, 1997, complete boxes 17 through 20 or boxes 21 through 24. For all agreements signed during 1998 and future years, the information in boxes 21 through 24 will be required.

17. Job creation goals for business receiving assistance: 1 new job
18. Average hourly wage level goals for business receiving assistance: $4.50/hr.
19. Actual jobs created since business received assistance: Dairy Queen/Alco PT-3 FT-19 / PT 4 FT 17
20. Actual average hourly wage paid to employees hired since business received assistance: Alco $5.85, Dairy Queen $5.15

Goals of business receiving assistance: (Please indicate number of employees at each wage level and indicate the corresponding benefit level.)

21. Job Creation Full-time	Part-time	Hourly Wage Level (excl. benefits)	22. Hourly Value of Voluntary Benefits (3)
1		less than $7.00	$4.50
		$7.00 to $7.99	
		$8.00 to $9.99	
		$10.00 to $11.99	
		$12.00 and higher	

Actual performance since project placed in service: (Please indicate number of employees at each wage level and indicate the corresponding benefit level.)

23. Job Creation DQ/Alco Full-time	Part-time	Hourly Wage Level (excl. benefits)	24. Hourly Value of Voluntary Benefits (3)
3, 4	19, 17	less than $7.00	5.15, 5.[illegible]
		$7.00 to $7.99	
		$8.00 to $9.99	
		$10.00 to $11.99	
		$12.00 and higher	

If necessary, please attach additional documentation.

26. Date this Minnesota Business Assistance Form completed: 4/24/98

☑ Yes — do not submit future forms for this project.
☐ No — please submit this form in 1999.

[...]se complete one form for each business assistance agreement your [...]ecember 31, 1997 which provided $25,000 or more in public funds. [...]ach assistance agreement until a submitted form indicates that all [...]ieved. Do not submit this form if your agency has not agreed to [...]1, 1995.

Originally rec'd 10/30/97 on old form ✓

☞ An actual disclosure form from Minnesota: a company got a TIF (box 11) worth $275,515 (16) to create 1 new job (17) at Dairy Queen (12) paying $4.50 an hour (18)

Funding Agency	Business Receiving Assistance	Type of Assistance	Dollar Value of Assistance	Projected Jobs	Projected Wage	Assistance per projected job
Blue Earth EDA	Seneca Foods	TIF	$4,690,000	6	$9.62	$781,667
Richfield HRA	Meridian Real Estate (TOLD Dev.)	TIF	$6,478,303	15	$15.69	$431,887
New Ulm, City of	Kraft Foods, Inc.	TIF	$390,000	1	$8.99	$390,000
Saint Paul, Port Authority of	Harris Contracting Company	land sale, loan	$1,848,480	5	$10.00	$369,696
Owatonna Economic Devt Authority & City of Owatonna	Owatonna Incubator, Inc	TIF, building, infrastructure	$1,808,450	5	$7.00	$361,690
Lino Lakes, City of	F & G Inc.	TIF	$325,000	1	$5.15	$325,000
Anoka, City of	Pioneer Packaging & Printing	TIF	$304,469	1	$10.00	$304,469
Caledonia EDA	Aco Discount Stores - Dairy Queen	TIF	$275,515	1	$4.50	$275,515
Roseville, City of	Ryan Twin Lakes	TIF	$5,000,000	20	$12.00	$250,000
Anoka, City of	International Building Concepts	TIF	$222,377	1	$7.00	$222,377
Rosemount Port Authority	Cannon Equipment Company	TIF	$217,800	1	$13.50	$217,800
Saint Paul, Port Authority of	National Checking Company	land sale, loan	$2,918,176	14	$9.00	$208,441
Prior Lake, City of	Award Printing, Inc.	TIF	$200,000	1	$10.50	$200,000
Cloquet, City of	Cloquet Community Hospital	loan	$200,000	1	$14.50	$200,000
Lino Lakes, City of	Northern Development, LLC	TIF	$197,737	1	$5.15	$197,737
Burnsville EDA	Quality Ingredients Corp	TIF	$376,684	2	$19.23	$188,342
Pipestone, City of	Pipestone Beverage Property	TIF	$365,000	2	$9.38	$182,500
Caledonia, City of	Macal Developers	TIF	$179,525	1	$5.00	$179,525
Inver Grove Heights, City of	Kerasotes Theatres, Inc.	TIF	$1,749,060	10	$7.00	$174,906
Anoka, City of	Arrowhead Tool & Design, Inc.	TIF	$166,298	1	$7.00	$166,298
Anoka, City of	Mentor Urology	TIF	$166,239	1	$7.00	$166,239
Anoka, City of	E Street Makers, Inc	TIF	$153,208	1	$7.00	$153,208
Burnsville EDA	Skyservice Investments	TIF	$297,859	2	$16.80	$148,930
Saint Paul, City of	Bethesda Family Clinic	loan	$442,000	3	$8.00	$147,333
Mpls. Comm. Devlp. Agency	Malcolm Properties LLC	TIF	$1,000,000	7	$8.25	$142,857
Murdock, City of	United Farmers Elevator	TIF	$131,527	1	$7.50	$131,527
MN DTED	Sparta Foods	Small Bus. Develop. Loan	$1,950,000	15	$10.00	$130,000
Anoka, City of	S&S Tool, Inc.	TIF	$129,308	1	$7.00	$129,308
Rochester, City of	Western Digital Corporation	TIF	$3,200,000	25	$30.00	$128,000
Lino Lakes, City of	Rice Industries Inc.	TIF	$122,830	1	$5.15	$122,830
Montgomery, City of	Seneca Foods Corp.	TIF	$1,188,198	10	$10.00	$118,820
Fridley, City of HRA	American Excelsior	TIF	$117,623	1	$8.00	$117,623
Anoka, City of			$110,826	1	$7.00	$110,826
Anoka, City of			$218,943	2	$9.00	$109,472
Waseca HRA			$107,314	1	not provided	$107,314
Warroad Port Auth			$100,000	1	$18.27	$100,000
South St. Paul HRA			$400,000	4	$7.00	$100,000
Saint Paul, Port Au			$2,000,000	20	$9.00	$100,000

More Minnesota data: having subsidies, jobs, companies and sources all on a computer diskette in a spreadsheet makes it *easy* to surface the expensive deals.

☛Maine's disclosure law has generated data since 1999. National Semiconductor, one of the state's biggest subsidy recipients, reporting $5.85 million under a Business Equipment Tax Reimbursement (Line 1 mid-page) and another $3.385 million from TIF (Line 7).

MAINE

1998 ECONOMIC DEVELOPMENT INCENTIVE

(PLEASE RETURN BY APRIL 16, 1999)

A. EMPLOYER INFORMATION

1. Employer Name: National Semiconductor	2. Contact Person:		
3. Street Address: 5 Foden Road		4. Municipali	
5. County: Cumberland	6. State: ME	7. Zip Co	
8. SIC Code: 3674	9. Phone: 541-8739	10. Fax: 541-3302	11.
12. Relocation: Yes ☐ No ☒	13. Previous Address:		
14. Parent Company Name & State: National Semiconductor, California			

B. TYPE AND AMOUNT OF ASSISTANCE (PLUS TOTAL INVESTMENT)

Program	Rank	Amount	Uses
1. ☒ Business Equipment Tax Reimbursement		$ 5,850k	RE,ME,TR,DS,OT
2. ☐ Employment Tax Increment Financing		$	RE,ME,TR,DS,OT
3. ☐ Governor's Training Initiative		$	RE,ME,TR,DS,OT
4. ☐ Jobs Investment Tax Credit		$	RE,ME,TR,DS,OT
5. ☒ Maine Quality Centers		$ 150k	RE,ME,TR,DS,OT
6. ☒ Research Expense Tax Credit		$ 479k	RE,ME,TR,DS,OT
7. ☒ Tax Increment Financing		$ 3,385k	RE,ME,TR,DS,OT
8. Total Intentives		$	RE,ME,TR,DS,OT
9. Total Capital Investment: $ 158.5M		10. Total Training Investment: $ 666.7k	

C. JOBS CREATED

Occupational Cluster	Full-time	Part-time	Wage Level
1. Executive, Administrative & Managerial	35	0	$ 120,000
2. Professional Specialty	104	1	$ 80,000
3. Technicians & Related Support	141	0	$ 42,000
4. Marketing & Sales	0	0	$
5. Administrative Support, Including Clerical	4	0	$ 30,000
6. Service	0	0	$
7. Agriculture, Forestry & Fishing	0	0	$
8. Mechanics, Installers & Repairers	0	0	$
9. Construction Trades & Extractive	0	0	$
10. Production	148	0	$ 28,000
11. Transportation & Material Moving	0	0	$
12. Handlers, Equip. Cleaners, Helpers & Lab'rs	0	0	$

Page 1 of 3

☞Maine's data is also strong on job details. In Section E, Line 10, note that NS production workers are paid an average of $28,000 a year, with Dental, Health and Retirement benefits equal to 32% of pay.

1998 ECONOMIC DEVELOPMENT INCENTIVE

(PLEASE RETURN BY APRIL 16, 1999)

D. JOBS RETAINED

Occupational Cluster	Full-time		
1 Executive, Administrative & Managerial	30	0	$ 95,000
2. Professional Specialty	48	0	$ 65,000
3. Technicians & Related Support	40	0	$ 35,000
4. Marketing & Sales	0	0	$
5. Administrative Support, including Clerical	7	0	$ 30,000
6. Service	0	0	$
7. Agriculture, Forestry & Fishing	0	0	$
8. Mechanics, Installers & Repairers	0	0	$
9. Construction Trades & Extractive	0	0	$
10. Production	30	0	$ 25,000
11. Transportation & Material Moving	0	0	$
12. Handlers, Equip. Cleaners, Helpers & Lab'rs	0	0	$

E. CURRENT EMPLOYER (NOT JUST INCENTIVE RELATED, BUT ALL MAINE EMPLOYEES)

Occupational Cluster	FT	PT	Wage Level	Benefits	Avg Pct
1. Exec., Admin. & Managerial	65	0	$120,000	CDHR	23 %
2. Professional Specialty	152	1	$ 80,000	CDHR	25 %
3. Technicians & Related Support	181	0	$ 42,000	CDHR	28 %
4. Marketing & Sales	0	0	$	CDHR	%
5. Admin. Support, incl. Clerical	6	0	$ 30,000	CDHR	32 %
6. Service	0	0	$	CDHR	%
7. Agriculture, Forestry & Fishing	0	0	$	CDHR	%
8. Mech., Installers & Repairers	0	0	$	CDHR	%
9. Construction Trades & Extractive	0	0	$	CDHR	%
10. Production	178	0	$ 28,000	CDHR	32 %
11. Transportation & Mater'l Moving	0	0	$	CDHR	%
12. Handlers, E/C, Helpers & Lab'rs	0	0	$	CDHR	%

F. EMPLOYMENT CHANGES

Year	Total	Full-time	Part-time
1. Number of Employees on December 31, 1998	582	581	1
2. Number of Employees on December 31, 1997	508	508	0
3. Employment Level Change	+74	73	1

Page 2 of 3

FORD MOTOR CO.
Agreement #164-94-01
Zone 164

Agreement Information

Community:	MARGARETTA TOWNSHIP	**ODOD Status:**	ACTIVE
County:	ERIE	**Agrmt Date:**	2/28/94
Local School District:	MARGARETTA LOCAL S.D.	**Amend. Date:**	2/28/94
Nature of Business:	MANUFACTURING	**Expiration Date:**	12/31/02
School Comp Agreement:	No	**Revenue Sharing:**	No
Estimated Annual School Compensation Amount:	0	**SIC Code:**	3710

Real Property

	Acquisition	Improvements	New Construction	Total
Investments	$0.00	$0.00	$0.00	$0.00
Exemptions		$0.00	$0.00	$0.00

Personal Property

	M & E	F & F	Inventory	Total
Investments	$55,000,000.00	$0.00	$0.00	$55,000,000.00
Exemptions	$55,000,000.00	$0.00	$0.00	$55,000,000.00

Incentives

	Variable Rate	Rate	Term
Real	No	0%	0 yrs
Personal	No	50%	5 yrs

Relocations

From Out of State:	No	State:	Jobs:	0
In State:	No	Community:	Jobs:	0
Waiver Issued by ODOD:	None			

Employment

Existing Employment		Job and Payroll Commitments	Number	Payroll
Employment at site:	1223			
Employment in Ohio:	1223	Retained	120	$0.00
		Fulltime Permanent	130	$4,900,000.00
		Fulltime Temporary	0	$0.00
		Parttime Permanent	0	$0.00
		Parttime Temporary	0	$0.00
		Job Creation Period:		36 months

Performance/Compliance

Total full time equivalents at Site:	1,460	**Cumulative Taxes**	
Jobs Created:	223	Real Property Taxes Paid:	$0.00
Jobs Retained:	120	Real Property Taxes Forgone:	$0.00
Total FTE in Ohio:	0	Personal Property Taxes Paid:	$1,396,112.00
New Payroll:	$11,800,000.00	Personal Prop. Taxes Forgone:	$1,396,112.00
Project Investment		Local Corp Income Taxes Paid:	$0.00
Real Property:	$0.00	**Other Tax Incentives:**	$0.00
Personal Property:	$76,700,000.00	**TIRC Date:**	3/23/99
1998 Taxes		**TIRC Recommendation:**	Continue
Real Property Taxes Paid:	$0.00	**Local Gvnmt. Action/Status:**	Pending
Real Property Taxes Forgone:	$0.00		
Personal Property Taxes Paid:	$497,167.00		
Personal Prop. Taxes Forgone:	$0.00		
Local Corp Income Taxes Paid:	$0.00		

☞Ohio's enterprise zone database is on the Web. Here are details about a Ford plant's property tax abatement: 50% for five years, on $55 million worth of machinery and equipment (first page), saving the company $1,396,112 (second page).

Back to Enterprise Zone Search

WEST VIRGINIA

☛West Virginia names names on corporate income tax credits, but fudges the money in brackets.

CREDIT LISTING - 1996

INDUSTRIAL EXPANSION/REVITALIZATION CREDIT WV CODE SECTION: 11-13D-4
BUSINESS FRANCHISE TAX
(E) MORE THAN $500,000, BUT NOT MORE THAN $1,000,000

NAME	ADDRESS
UNION CARBIDE CORPORATION ATTN TAX DEPT	39 OLD RIDGEBURY RD DANBURY CT 06817

CREDIT LISTING - 1996

INDUSTRIAL EXPANSION/REVITALIZATION CREDIT WV CODE SECTION: 11-13D-4
BUSINESS FRANCHISE TAX
(D) MORE THAN $250,000, BUT NOT MORE THAN $500,000

NAME	ADDRESS
BAYER CORPORATION ATTN TAX DEPARTMENT	100 BAYER RD PITTSBURGH PA 15205
GENERAL ELECTRIC COMPANY C/O M E BUCHANAN	P O BOX 2216 SCHENECTADY NY 12301
MYLAN PHARMACEUTICALS INC	PO BOX 4310 MORGANTOWN WV 26505
PPG INDUSTRIES INC C/O PAYROLL TAX DEPT	ONE PPG PLACE 4 PITTSBURGH PA 15272
WEIRTON STEEL CORPORATION C/O CORP TAX DEPT	400 THREE SPRINGS DRIVE WEIRTON WV 26062
WHX CORPORATION & SUBSIDIARIES	1134 MARKET ST WHEELING WV 26003

TEXAS

Comptroller of Public Accounts

1998 Tax Abatement Log

County Number	County	Taxing Unit Name	Property Owner	Date Agreement Executed	Agreement Effective Date	Abatement Duration	Percent Abated Each Year	Property Type	Nature of Project	Business Type	Business Size Based on Number of Employees	Type of Improvement	Type of Property Abated	Appraised Value of Property Before Execution of Agreement	Enterprise Zone
29	Calhoun	Calhoun County, Calhoun County Navigational District	Alcoa Alumnia & Chemical, LLC	10/09/95	1/1/1996	7	100 100 80 55 50 25 5	Business	Expanded	Manufacturing	Large	Current Facility Renovation/Remodeling	Real	40,729,597	No
29	Calhoun	Calhoun County, County Navigational District	Formosa Plastics Corp., Formosa Plastics America, Formosa Utility Venture, LTD	01/13/97	1/1/1998	7	100 100 85 85 85 85 85	Business	Expanded	Manufacturing	Large	Current Facility Renovation/Remodeling	Real	1,402,152,704	No
29	Calhoun	County Navigational District, Calhoun County	For mosa Plastics Corporation, Texas	01/13/97	1/1/1998	7	100 100 85 85 85 85 85	Business	Expanded	Manufacturing	Large	Current Facility Renovation/Remodeling	Real	1,402,152,704	No
36	Chambers	City of Mont Belvieu, County of Chambers	Enterprise Prod Company								arge	Current Facility Retooling/Upgrading; New Machinery/Equipment Purchase	Real and Personal	39,444,160	No
36	Chambers	City of Mont Belvieu, County of Chambers	Belvieu Fraction Partners, Ltd.								mall	New Construction	Real and Personal	2,616	No
43	Collin	City of Mckinney, Collin County, Collin County Community College	United America Insurance Com								arge	New Construction	Real and Personal	544,282	No
57	Dallas	City of Dallas	Texas Instrumen incorporated D8 5 & R&D1 (KILBEE)	03/13/96	1/1/1998	10	100	Business	Expanded	Manufacturing	Large	New Construction, Furniture/Fixture Purchase; New Machinery/Equipment Purchase	Personal	0	No

All agreements reported in 1998 report year that were executed in previous years.

12/31/1999

Page 1

Texas' tax abatement log is also on the Web. Note line 3: Formosa Plastics has a 7-year abatement, phasing from 100% to 85%, on $1.4 *billion* worth of property. If you had Calhoun County's millage rate, you could estimate the revenue loss.

Job creation and 16 selected recipients of the Louisiana 10 year industrial property tax exemption, 1988-97

Company	Total property taxes abated, 1988-97	Permanent Jobs *	$/job
Exxon	$213,000,000	305	$ 698,000
Shell Chemical/Refining	$140,000,000	167	$ 838,000
International Paper	$103,000,000	172	$ 599,000
Dow Chemical	$ 96,000,000	9	$10,666,000
Union Carbide	$ 53,000,000	140	$ 379,000
Boise Cascade	$ 53,000,000	74	$ 716,000
BASF	$ 49,000,000	207	$ 237,000
Georgia Pacific	$ 46,000,000	200	$ 230,000
Willamette Industries	$ 45,000,000	384	$ 117,000
Monsanto	$ 45,000,000	138	$ 326,000
Procter & Gamble	$ 44,000,000	14	$ 3,143,000
Westlake Petrochemical	$ 43,000,000	150	$ 287,000
Montell USA	$ 37,000,000	31	$ 1,200,000
BP Exploration	$ 32,000,000	8	$ 4,000,000
Olin	$ 31,000,000	5	$ 6,300,000
Mobil Oil	$ 29,000,000	1	$29,000,000
TOTAL	$ 1,029,000,000	2,005	$ 513,000

Job creation and the top 10 parishes for the Louisiana 10 year industrial property tax exemption program, 1988-97

Parish	Total property taxes abated, 1991-2000	Perm. Jobs *	Const. Jobs *	$/Perm. Job
Calcasieu	$ 708,038,703	3,570	42,633	$ 198,330
East Baton Rouge	$ 385,508,847	1,045	30,578	$ 368,908
St. Charles	$ 367,663,660	809	14,653	$ 454,467
Ascension	$ 224,844,523	554	22,119	$ 405,857
Iberville	198,818,737	455	13,109	$ 436,965
Caddo	129,536,546			
St. James	129,136,881			
Jefferson	87,363,018			
Ouachita	86,423,704			
Desoto	69,985,391			
TOTAL TOP 10				
TOTAL FOR 64 PARISHES	**$ 3,131,385,39**			

* NOTE: Job creation figures are self-re
has no requirement that companies docu

☛Louisiana has one state board that controls property tax abatements. That enabled Louisiana Citizens for Tax Justice to compile data by company and by parish. So here are 16 paper and petrochemical companies getting abatements worth $1.029 *billion* to create only 2,005 permanent jobs, or $513,000 per job!

Just because your state is not listed here does not mean that your state has no data. Virtually every state or county development board, for example, keeps a list of every revenue bond deal it does. And every Workforce Investment Board should keep a list of its training contracts. But if your state does not provide for some centralized collection of data about different kinds of subsidies, it means you will probably have to go to several different sources, reflecting each subsidy "silo."

D. Budgets and CAFRs as Subsidy-Data Sources

All state legislatures pass a budget every year or every other year. The budget details how the government's money will be spent every year. The level of detail given for each program and agency varies by state. As we said before, the budget includes *appropriations*, but does not include *tax expenditures*; those may be available in tax expenditure reports, which are described below.

You can get a copy of your state's budget through the governor's office or department of finance. Get a city or county budget from the city council or county commissioners. Agencies will also have their own budgets, which contain greater detail about how they will spend the money allocated by the legislature. You can obtain agency budgets directly from the agency or from state legislative offices. You may have to pay a copying fee for government or agency budgets, but they are public documents.

Many states also post their most recent budget on their website. FinanceNet at www.financenet.gov/financenet/state/stbudget.htm has links to state budget information for most states.

Tax Expenditure Reports / Budgets

Thirty-five states publish documents that tell the amount of revenue not collected for each tax break. (The other 15 states have no idea how much their tax breaks are costing them each year). These documents are referred to as tax expenditure reports or tax expenditure budgets. Unfortunately, these 35 state' documents vary greatly in their completeness and there is no standardized reporting format. You can expect to find some of the following information:

- name of the tax break;
- number of the statute that authorizes the tax expenditure;

Here is a page from California's tax expenditure budget. Trouble is, it doesn't say how much revenue was lost. (and in a later page, it admits that a state study could not determine if the subsidy is effective.)

Exclusion/Exemption:

INCOME FROM INVESTMENTS IN ECONOMICALLY DEPRESSED AREAS

Program Characteristics	
Tax Type:	*Personal Income Tax (PIT). Bank and Corporation Tax (BCT).*
Authorization:	*California Revenue and Taxation Code Sections 17231, 17233, 24384.5, and 24385.*

Estimated Revenue Reduction (In Millions)		
Fiscal Year	**PIT**	**BCT**
1996-97	NA	NA
1997-98	NA	NA
1998-99	NA	NA

DESCRIPTION

This program exempts from gross income the interest received from investments made in state-designated economically depressed areas, including Enterprise Zones and the Los Angeles Revitalization Zone (LARZ). For example, the interest income from a loan to a business that expands its operations in an Enterprise Zone area is tax-exempt. The loan must be used solely in connection with activities within an Enterprise Zone or LARZ, and the taxpayer must have no equity or ownership interest in the business(es) involved.

RATIONALE

This program provides an incentive for investments to be made in economically depressed areas of the state, by increasing the after-tax investment return that taxpayers can earn on loans to businesses which are located in such areas. Proponents argue that this increased rate of return may be necessary to induce investments in areas where such investments are perceived to face higher-than-average financial risks.

COMMENTS

In recent years, over two-thirds of all states have enacted some form of tax incentives for businesses operating in economically depressed areas. These incentives differ widely in their purpose and coverage. Some of the tax incentives currently made available by states include tax exemptions for businesses investing capital within a designated geographic area or zone, income tax credits based on the number of eligible employees hired by businesses in these locales, and property tax abatement programs for land and structures in such areas.

The problems of economically disadvantaged areas can take many forms, including a declining or stagnant base of economic activities, an inadequately trained or skilled labor force, a dilapidated public infrastructure involving poor-quality educational and transportation facilities, and a depressed private infrastructure involving run-down business and residential structures.

Arguments in Support. Supporters of this program argue that, given such factors, these geographic areas are worthy of financial subsidies, at least to "put them on track" to eliminate these adverse conditions. In addition, supporters argue that there often is evidence of some type of "market failure" that makes it especially difficult for these areas to deal

By contrast, here is a page from Oregon's tax spending report. It clearly states how much revenue was lost. And instead of a lot of generalities, it provides far more specifics about the subsidy.

2.009 ENTERPRISE ZONE BUSINESSE

Oregon Statute: 285B.698
Sunset Date: 6-30-09
Year Enacted: 1985

1997–98 Assessed Value of Property Exempted: $1.4 Billion

	Less	Shift	Total
1997–99 Revenue Impact:	$38,000,000	$7,100,000	$45,100,000
1999–01 Revenue Impact:	$28,500,000	$5,300,000	$33,800,000

DESCRIPTION: Qualified property owned or leased by a qualified business firm in an enterprise zone is exempt from property tax for three years. The exemption period may be increased to four or five years by a city or county zone sponsor if specified employment, wage requirements or other sponsor conditions are met. The qualified property must be used to produce income and an application has to be for more than $25,000 of investment.

Cities and counties apply for enterprise zones and the Director of the Economic Development Department approves designated zones. Zone designations cannot exceed 37 in number. There are urban and nonurban zones. An enterprise zone designation terminates after ten years. A firm may continue to qualify subsequent expansions up to ten years after the zone terminates if certain criteria are met. New zones shall be designated by the Director of the Economic Development Department as existing zones are terminated.

The following property of a qualified firm qualifies: a) a new building costing $25,000 or more; b) an existing building addition or modification costing $25,000 or more; c) real or personal machinery and equipment moved into a zone from outside the county; and d) a building leased from a governmental body.

A business firm is qualified if the firm:

- Receives at least 75 percent of its annual gross receipts within the zone from activities which provide products or services (assembly, fabrication, storage, etc.) for other businesses;
- Owns or leases property within a zone that is part of the business operation;
- Increases employment by ten percent if an existing firm or hires one or more employees if a new firm;
- Does not substantially decrease employment outside the zone and does not decrease employment inside the zone in years two and three of the exemption period.

In certain zones, hotels, motels, and destination resorts qualify. Retail operations located at the same site and owned or operated by the same firms as the hotel, motel or resort also qualify as long as their primary function is to serve the hotel and motel guests.

Property is disqualified if it is moved outside the zone or the firm curtails operations or closes. When property is disqualified, all prior exempt taxes must be repaid.

PURPOSE: The purpose of enterprise zone exemptions is to "stimulate employment, business and industrial growth" in areas "that need the particular attention of government to help attract private business investment ... by providing tax incentives in those areas" (ORS 285B.665).

WHO BENEFITS: There are 37 enterprise zones in 26 counties. In 1997–98, about 170 businesses in these zones benefited from the exemption. Ten businesses accounted for over 80 percent of the total tax benefit. The majority of the exempt value consisted of manufacturing facilities, ranging from electronics to wood products to food processing, as well as a number of other types. There were about 15 hotels or motel exempt, but they comprise a small proportion of the total value. Beneficiaries include the companies' owners, employees, customers, suppliers and the communities in which they reside.

- estimated dollar amount of foregone revenue for the fiscal year (also called a "revenue impact");
- description of the tax break;
- purpose of the tax break, usually drawn from the statute;
- breakdown of who benefits from the tax break, either a general description or a detailed itemization of the types of people or corporations that use the tax break (i.e. their income levels or size); and
- evaluation of whether the tax expenditure is achieving its purpose.

To find out if your state publishes a tax expenditure report, go to www.goodjobsfirst.org/taxexpend.htm. If the report is available on the Web, you can reach them from our website. If you cannot access the report on the Web, contact the state department of revenue or the comptroller.

A Common-Sense Solution: Unified Economic Development Budgets

A few states, such as Texas, have begun to debate ways to make it easier for taxpayers and legislators to see the big picture. A *unified economic development budget***,** also called an integrated economic development budget, would combine all forms of development spending – both direct and tax expenditures – in one place.

Consolidated Annual Financial Report (CAFR)

A CAFR ("Kay-fer") is the state's consolidated financial statement, which includes a schedule of federal financial assistance, sorted by federal agency and state agency. CAFRs report summary information about obligations, expenditures, and revenues. There may be some useful information about specific agencies, and also historical trends of spending on various areas of government. CAFRs also include detailed lists of debt obligations, but don't often include private activity bonds (including industrial revenue bonds) because those do not represent government debt.

E. Audits

There are several different kinds of audits, including single audits required by federal programs when federal dollars flow through state or local agencies, and compliance or technical audits of programs required every year or two by states. Both of these kinds of audits may provide useful financial data.

Performance audits are less common and less uniform but potentially more helpful, because they often try to make more substantive judgments about a subsidy's effectiveness.

Single Audits

These are required by the federal government for all state and local governments that receive more than $100,000 of federal funds, and must cover all of that government's financial operations, with a separate schedule of federal funds received. These audits review the accounting and management controls of each department in the state, so there may be specific information about the department of economic development. Single audits also include the total expenditures of federal money for the Community Development Block Grant program (from the Department of Housing and Urban Development) as well as a compliance audit to determine whether funds have been used appropriately, national objectives have been met, and required procedures have been followed. Single audits may be released for each agency or as a single document for the state.

Both Single Audits and CAFRs are done annually. They are done by either the state auditor or state comptroller; CAFRs are more likely to be performed by a state's comptroller.

Financial audits

Governments must conduct financial audits of all agencies, typically every year or every other year. These documents may be very thin – a simple review of financial accounting practices to affirm compliance with accounting principles – or they may review financial reporting, oversight over expenditures, and other useful information. In either case, you will find information about an agency's budget and at least some detailed information about how the money is spent.

Performance Audits

Performance audits are potentially the most useful kind of audit for your research. These are not technical compliance audits. Instead, they are supposed to measure a subsidy's effectiveness, to determine if the outcomes of the deals really meet the program's intentions. They usually make recommendations for improvements based on their findings, which may or may not be accepted.

In short, a performance audit may have found problems with a subsidy similar to those you have with it. Or, if the problem you find is significant enough, it may prompt a legislator to call for a performance audit.

Unfortunately, few states do performance audits regularly, and even those that do are hampered by data that can only be described as "garbage in, garbage out." Good Jobs First published a report entitled *Minding the Candy Store: State Audits of Economic Development* (on our Website at www.goodjobsifrst.audit.htm). Among our findings:

- Only 17 states require regular performance audits of their development agencies. In the other 33 states, we estimate that development subsidies only get audited about once every 15 years.

- Even when states do audit subsidies, they often fail to really measure their effectiveness. That's because the agencies have bad data, or because the agencies fail to establish clear goals and criteria against which to evaluate outcomes.

- Those audits that are able to reach conclusions overwhelmingly support the findings of grassroots investigators: subsidies are poorly targeted, insufficiently monitored, and often wasteful if not corrupt.

Our report includes a complete listing of all 122 audits, by state; we strongly recommend you look at your state's audits. We also recommend that if you are investigating a certain kind of program, such as enterprise zones, that you look at other states' audits of zones. Despite what we said about the quality of many audits, auditors are generally pro-accountability. And their status as impartial watchdogs means they can lend highly credible support during reform debates.

F. Statutes

You will need to read statutes for several purposes:

- to obtain the *intent* language for an economic development subsidy;
- to look at eligibility and default provisions, that is, to see what a company must do to qualify, and what it could do to lose a subsidy
- to see if the subsidy has clawbacks or recapture provisions; and
- To find performance obligations, enforcement provisions, and other information about how programs are run.

In later sections, we talk about what to look for when you read this language. This section covers the basics of doing legal research.

The laws that create economic development agencies and programs can only tell you part of the story. Much of the administrative behavior in this field is based more on norms and protocols rather than on legal requirements or even agency policies. Decisions about who gets subsidies are largely based on things that won't appear in any statutes.

How a Bill Becomes Law

When a legislator proposes a law, she writes and introduces a *bill*, which is a document that proposes a new law or amendments to an existing law. That bill is given a number corresponding to when it was introduced and whether it was introduced in the house or senate chambers – for example, House Bill 150. Most states renumber their bills starting from "1" every year, so looking for "House Bill 150" without knowing what year it was introduced can be time-consuming.

Bills are introduced and then referred to a committee. The committee will then consider the bill, possibly hold hearings where people can testify about why the bill should pass or fail, and may request documentation of costs or effects of the proposed law. Committee hearings are a good opportunity to identify key players in your power analysis, and an opportunity to get your voice heard in the process.

The committee can vote to endorse the bill and send it for a vote by the full house or senate, can vote not to endorse the bill (thereby killing it unless someone can push it for a floor vote, which is sometimes possible), or can simply table the bill and not hold a vote, thereby usually quashing it.

If the bill passes both houses, it goes to the governor, who may sign it or veto it. If she vetoes it, the legislature may attempt to override the veto. Usually, the state constitution requires a super-majority (e.g., two thirds) vote to override.

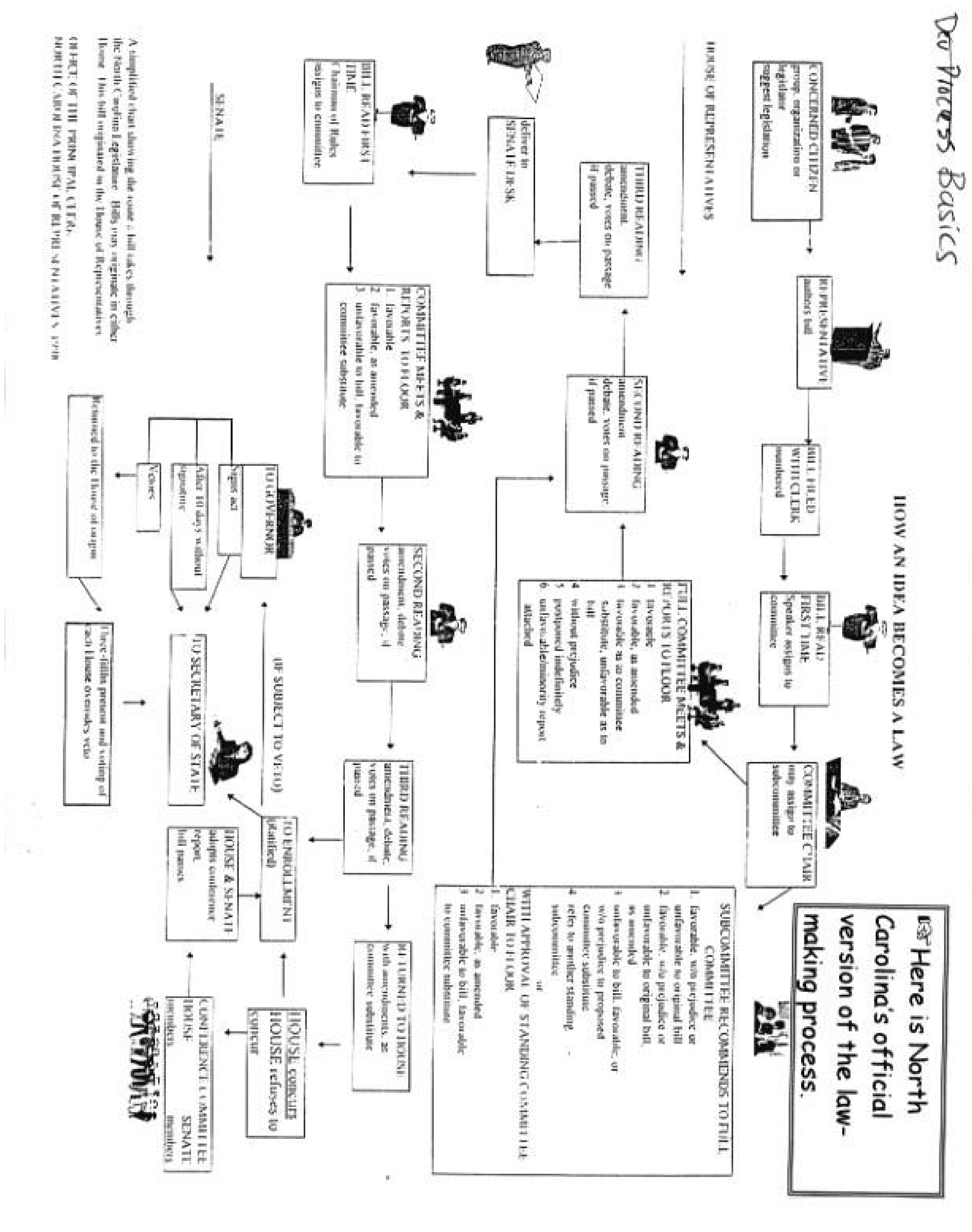
After a bill is passed and signed by the governor, it becomes a law and is added to the state's existing body of laws, called *statutes*. Those statutes have their own numbering system, and each bill will either create a new statute section or change some existing sections. You can tell by reading a bill what part(s) of the statutes it is modifying. And if you are looking at the state code you can find out when amendments were made to it, and look back at those bills to find out what the changes were.

The best way to look for and cite a law is by its statute number(s).

Finding Laws

Nearly every state posts its statutes on the Internet. You can get to those links from www.law.cornell.edu/statutes.html. Every state's Website is organized differently, but most will let you search either by the law number, bill number, or words and phrases that appear in the text of the law.

The process of enacting county and city laws parallels state legislative processes. Most city and county laws are not available on the web, but you can see them by going to the city or county clerk's office, or by calling to request copies of the laws if you already know the particular law you are looking for.


Do Process Basics
HOW AN IDEA BECOMES A LAW
Here is North Carolina's official version of the law-making process.
CONCERNED CITIZEN group, organization or legislator suggest legislation
REPRESENTATIVE authors bill
BILL FILED WITH CLERK numbered
BILL READ FIRST TIME Speaker assigns to committee
COMMITTEE CHAIR may assign to subcommittee
SUBCOMMITTEE RECOMMENDS TO FULL COMMITTEE
1. favorable, w/o prejudice or unfavorable to original bill
2. favorable, w/o prejudice or unfavorable to original bill, as amended
3. unfavorable to bill, favorable, or w/o prejudice to proposed committee substitute
4. refer to another standing subcommittee
or
WITH APPROVAL OF STANDING COMMITTEE CHAIR TO FLOOR
1. favorable
2. favorable, as amended
3. unfavorable to bill, favorable to committee substitute
FULL COMMITTEE MEETS & REPORTS TO FLOOR
1. favorable
2. favorable, as amended
3. favorable as to committee substitute, unfavorable as to bill
4. without prejudice
5. postponed indefinitely
6. unfavorable/minority report attached
HOUSE OF REPRESENTATIVES
SECOND READING amendment debate, votes on passage if passed
THIRD READING amendment debate, votes on passage if passed
deliver to SENATE DESK
BILL READ FIRST TIME Chairman of Rules assigns to committee
COMMITTEE MEETS & REPORTS TO FLOOR
1. favorable
2. favorable, as amended
3. unfavorable to bill, favorable to committee substitute
SECOND READING amendment, debate votes on passage, if passed
THIRD READING amendment, debate, votes on passage, if passed
RETURNED TO HOUSE with amendments, as committee substitute
HOUSE concurs
HOUSE refuses to concur
CONFERENCE COMMITTEE HOUSE members SENATE members
HOUSE & SENATE adopts conference report, bill passes
TO ENROLLMENT (Ratified)
(IF SUBJECT TO VETO)
TO GOVERNOR
Signs act
After 10 days without signature
Vetoes
Returned to the House of origin
Three-fifths present and voting of each House overrides veto
TO SECRETARY OF STATE
SENATE
A simplified chart showing the route a bill takes through the North Carolina Legislature. Bills may originate in either House. This bill originated in the House of Representatives.
OFFICE OF THE PRINCIPAL CLERK
NORTH CAROLINA HOUSE OF REPRESENTATIVES 1998

G. Administrative Regulations, Rules and Operating Procedures

States and cities pass laws requiring *that* certain things be done, and charging government agencies with doing them. But most laws do not tell agencies *how* to implement the law – that information is contained in *regulations,* also called administrative rules or operating procedures. For example, the federal government is governed by the Federal Rules, which have a section for every agency.

These regulations may be critical to your research because they may contain rules that prohibit undesirable corporate behavior. For example, federal job training regulations say that a company cannot use such funds to subsidize the movement of jobs from one place to another. Similarly, federal small business loan guarantee procedures say basically the same thing.

State and city subsidies may have regulations that require companies to pay a certain wage or to give hiring preferences to local residents. They may also include reporting requirements or other rules that will lead you to information you were not yet aware of.

Finally, subsidy regulations often include "boilerplate" language to the effect that the subsidized company must remain in compliance with all federal, state and local laws, and that failure to do so constitutes an event of default. These regulations may prove to be very important if a subsidized company violates a fair employment law, a labor law, an environmental law, or a consumer law.

H. Freedom of Information and Open Records Acts

Since the Vietnam War and Watergate, when government secrecy created so much popular anger, Americans have insisted on having the right to know what public officials and agencies are doing. Because so few states have full subsidy disclosure, there could be no economic development accountability – of corporations or governments – without open records laws.

Every state has a law, modeled on the federal Freedom of Information Act, that affirms the public's right to see government documents. These laws – typically called *Open Records Acts* or *Freedom of Information Acts* (FOIA, pronounced "Foy-ya") – give you the right to access public documents, which means anything in possession of a public agency.

What is Covered Under Open Records Laws?

Each state sets its own rules, but generally the open records act applies to any government agency, which also means any part of an organization that spends or is supported in whole or in part by public funds.

Some states grant money to a private non-profit organization to administer economic development, including recruitment work. Many open records laws would still cover information in the hands of such agencies because they are funded with public money, so don't hesitate to submit an open records request to such an entity.

Every state FOIA has some exemptions. For example, states typically deem personal income tax records and adoption records closed.

The federal FOIA permits "any person" to request access to agency records, including citizens and non-citizens, corporations, universities, and state and local governments. Most state laws have similarly broad definitions.

What Kind of Information Can I Get?

"Public information" is generally construed to mean information collected, assembled, or maintained by a government body, or collected, assembled, or maintained for a governmental body if it owns or has rights of access to that information. As you can see, this covers a very broad range of information. But that is exactly the intent: taxpayers should be able to see any information that is used by people acting on the public's behalf, unless their elected representatives have voted to restrict access to a specific type of document.

You should be able to get any information that the law does not specifically exempt. If portions of a document you requested *are* exempt, the federal FOIA requires that the agency provide you with an excerpted portion of the record – that is, it can't withhold an entire document just because some portions of it are exempt. This rule holds true in the states as well.

The primary exemption that will concern you is business information, which falls into two categories: *trade secrets* and *privileged* or *confidential information*. Every state's law has an exemption for this type of information, but these exemptions are not uniform. More importantly, these exemptions are so broad that they should always be appealed to the state's attorney general for an interpretation of how they apply to any specific request.

On economic development records, states may also have a more generic exemption. Every state has an exemption in its open records act for something called "proprietary financials" or "trade secrets" information. The intent here is to protect a company from the release of information that, in the hands of a competitor, would harm the company.

As outlined in Section B above, your ability to see information about economic development deals may also depend on *when* you ask for it. In many states, information about a deal is not available until after it has been negotiated. However, because most deals involve discretionary subsidies that require public hearings and board votes, there is usually a brief period between when a deal is announced and it is formally enacted.

Companies (and some public officials) offer several justifications for such secrecy. If a company is playing three places against each other, it may not want each city to know the identity of its competitors. If the deal is large and will require a substantial land purchase, the company may want to quietly secure the land before news of the deal drives land prices up.

However, other observers point out other corporate motives. They note that secrecy puts each competing city in a "prisoners' dilemma." That is, like the suspect who is told by police that his co-conspirator has confessed, a city being held in the dark has no way to know how many subsidies the competing places are offering. Since it is not an "open auction," secrecy makes it easier for companies to get more subsidies. They also note that secrecy serves the company's interests if it expects there will public opposition to the deal, because of toxic emissions or other controversial results of the deal.

How to Make a FOIA Request

In many cases, you can get information just by asking an agency to give it to you. But sometimes you will have to make what is called a *FOIA request* (or *"FOIL"* – Freedom of Information Letter), which simply means that you write a letter requesting the documents under the Freedom of Information Act.

We suggest these ways to improve your chances of getting what you want:

- Cite as many applicable freedom of information laws as possible in your letter, and describe your rights in order to demonstrate your familiarity with the law.

- Be specific in your request. Don't ask for broad categories of information, because it might delay the agency's response. Be specific enough so that an employee can figure out what documents you want.

- On the other hand, avoid being so specific that you preclude useful information you are not aware of. Unless you are very confident of the exact documents you need, ask for "any and all documents related to economic development assistance to X company, including but not limited to [list specifics]." This way you may receive documents you didn't know existed.

- Cite newspaper articles, legislative reports, or other publicly-available documents to demonstrate that the records you are requesting actually exist.

What Will Happen After I Send My Letter?

The agency has to respond to your letter within a certain number of days, a time frame set by each state's law. Under the federal law, the agency has 10 working days to decide whether to comply and to inform the person of the decision and right to appeal. The agency has 20 days to respond to an appeal, and must inform the person of the right to appeal its decision to a federal court.

Will I Have to Pay Anything?

An agency may charge fees for the following: the costs of searching for the documents; the costs of reviewing the documents to decide if they should be included; and the costs of duplicating the documents. You cannot be charged the reviewing costs if your request states that the information is not for "commercial use." If your request is on behalf of "an educational or non-commercial scientific institution" or as a "representative of the news media," you will pay only duplication costs. Many public service organizations, which distribute information to the public, can be considered "representatives of news media." You should state this in your letter. Before you make your request, ask the agency what its fee schedule is, and also ask that the fee be waived.

Here is a good FOIA letter. It names a specific grant, uses a press release to confirm the existence of the subsidy, and names the documents the author wants.

November 2, 2000

Ken Carroll, Executive Director
Bluegrass State Skills Corporation
500 Mero Street, Capital Plaza Tower 21st Floor
Frankfort, Kentucky 40601-2121

Dear Mr. Carroll

Pursuant to the Kentucky Open Records and Open Meetings Act, I am writing to request the following:

Copies of any and all records, including exhibits and attachments to any records, in any format, related to the $46,066 training grant awarded to Amazon.com in 1999. A press release announcing this grant is attached.

This request includes, but is not limited to:

1) **the Needs Assessment application submitted by Amazon.com**
2) **the Request for Proposal issued to training providers by the BSSC**
3) **the completed application for BSSC funding by the chosen training provider**
4) **any and all records related to the BSSC Board's approval of the application, including hearing minutes/notes**
5) **any and all records relating to BSSC reimbursements to Amazon.com, including but not limited to invoices and cancelled checks.**

Should any individual document be found to be exempt from disclosure under the Open Records Act, I would like to receive any portions of exempt documents that are releasable under the Act.

I agree to pay applicable fees for this request. If this request will cost more than $200, please contact me with a cost estimate before proceeding. Please note that this request is made by a non-profit public interest research organization for non-commercial purposes.

Thank you for your assistance with this request.

Kind of Response Should I Expect?

If your request is granted, you will be told the charge for copying the information (if any) and instructions for obtaining it. If your request is denied, you will receive a letter indicating why. The major reasons for denial are:

- your description of the requested document is inadequate;
- the requested material does not exist; or
- some or all the materials are exempt from disclosure.

If your request is denied because the documents you want fall under one of the exemptions to the open records act, the letter must state which exemption that is (usually with a statutory cite for the exemption). It must also explain your right to appeal.

Appealing a Refusal

The agency you to which write is not the final arbiter of what is or is not public. There are two avenues for deciding that: one is the attorney general, who can issue an opinion on how the act should be construed; the other is the state courts, which can hear litigation brought by citizens seeking access to public documents. Your letter will explain the appeal process.

When all else fails, call an attorney! Try the American Civil Liberties Union or the National Lawyer's Guild in your area. Once an attorney is involved – even if you simply "cc:" her on your information request – officials will move more cautiously. If they don't think you are likely to sue, they may ignore your request. You can also try contacting a friendly local official to put some pressure on the agency, or having someone else make the request, if you believe that the agency is biased against you or your organization.

Additional Resources:

- American Civil Liberties Union provides a step-by-step guide to using the Freedom of Information Act and how to appeal federal agency FOIA responses, at www.aclu.org/library/foia.html.

- Reporter's Committee for Freedom of the Press maintains information on "Tapping Official Secrets" at www.rcfp.org/tapping/index.cgi. They provide on-line support for filing FOIA requests, and information about all 50 states and D.C. open records and meetings laws.

I. Additional Research Hints

Keep Scrupulous Records

- Research your legal rights to information first, and then keep very close track of all of your research interactions, both written and oral.
- Make thorough notes of key conversations either while you are having them or immediately afterwards.
- Try to have witnesses participate with you. If disputes arise, be sure to create verifiable records, such as follow-up letters sent Certified Mail/Return Receipt Requested, recording what was said.
- Photocopy documents when possible, rather than relying on notes.

Use the Web Wisely

Understand the limits of the Web. Much, if not most, of the information you need is not available on the Web (despite the impression you might get from this manual!) Don't stop looking for something just because you can't find it online! Local governments in particular seldom have much information on the Web.

General search engines are handy, but not always efficient or thorough. Augment your searches with library and government resources described throughout this manual.

Verify, record, and cite Web sources. When you find information on the Web, make sure you print it out and note the page's address and the date that you printed it (if that information doesn't automatically print on the page). And remember that, whenever possible, information you get from the Web should be verified with another written source.

For some general advice on doing Web research see the following resources:

- www.slu.edu/departments/english/research/ (general advice for Web research)
- www.bockinfo.com./docs/biz9.htm (about using search engines)

- www.lib.berkeley.edu/TeachingLib/Guides/Internet/Strategies.html (good advice for searching for information on the Web)

Evaluate the Quality of Information

When you do find information about subsidies, be skeptical. For example, many states' data on job creation and wages at subsidized companies are self-reported. And reporting is often voluntary – or "mandatory" with no real penalties for non-compliance. That means companies that don't have good results may not be reporting. If only companies with good numbers send in reports, the numbers are invalid.

Many cities and states also don't verify company data. For example, agencies can verify job creation and wage claims by looking at payroll or unemployment insurance records. But our survey of state audits revealed that many agencies never check whether company-reported information is accurate. When auditors themselves verified the data, they found numerous discrepancies. The same is generally true when journalists investigate claims.

When you get information, make sure you ask how it was collected, who compiled it, and what the penalties are for reporting incomplete or inaccurate information. No source is completely reliable or complete; if the information is important, try to find a second source.

Learn to Be a Good Interviewer

Your approach to each interview will be driven by how much you already know and by whom you are interviewing. In some cases, it will serve you well to know as much as possible beforehand. Other times, it is best to openly acknowledge you are new to a subject. We also suggest:

- Be on time, and be considerate of support staff.
- Recognize time limits and try to pace the interview; try to avoid getting into lengthy sidebars.
- Keep questions crisp; it helps produce crisp answers.
- Go in a team with one note-taker and go over the notes together immediately afterwards.

- If the person uses a term or makes a reference you don't understand, stop and ask for clarification. Don't guess what someone means or try to remember numbers or names later. Ask if you can check back later to clarify any details.

- Ask for referrals for additional information, and if you may use the person's name as an introduction.

- Thank the interviewee, and offer to send them a copy of your report if you are planning a published document.

Ask for help

As any activist knows, it's important to know when you need help. Seek help both in finding information and in understanding what you find. For example, the Citizens Research Council in Michigan has published a terrific summary of that state's economic development subsidies, including a chronology of the major legislative changes. See the report at www.crcmich.org/EDSurvey/.

Here are some other sources:

- Professors and graduate students in labor education, urban and regional planning, economics, business, public finance
- Human service professionals
- Sympathetic elected officials, their staff, and civil servants
- Local unions, central labor councils, state labor federations and labor-sponsored training projects
- State labor departments, especially labor statisticians
- Librarians
- Journalists
- Community organizations
- Living wage campaigns
- Environmental groups
- Universities: Get a list from the Economic Development Administration (see chapter on Programs or go to www.commerce.gov/eda/) of the university centers that received funding from EDA. Some of these centers do subsidy research.

J. Funding Research

Grassroots groups find support for research many ways. Try these strategies:

- Identify foundations that support civic engagement, grassroots participation, community development, coalition-building, or corporate and government accountability.
- Apply to foundations' technical assistance programs, which sometimes support skill-building or capacity-building such as research.
- Find free labor: students, academics, or union researchers.
- Ask outside research services how their clients find the money.
- Have coalition partners provide research assistance or pool resources with coalition partners.
- Pressure public agencies to investigate using their own research arms and oversight resources, such as auditors and comptrollers.

For researching funding sources, we also suggest that your organization subscribe to the Foundation Center's Foundation Directory Online service, at www.fconline.fdncenter.org/index.html. This database makes it very easy to search for foundations and the kinds of support they offer.

Chapter 4. Power Analysis: Agencies and Players

This chapter covers power analysis of the agencies that grant subsidies and the players who control those agencies. For more about public-sector development agencies, see Chapter 5. For more on researching individuals, see Chapter 9.

A. Who Are the Economic Development Power Players in Your Community? What Are Their Self-Interests?

Chances are, many people, companies and organizations exercise influence in economic development decisions in your community. Their self-interests are probably financial or political. Here are the groups most often involved and their self-interests:

Private Sector Players

- Chambers of commerce and other corporate associations promoting the political and financial interests of business, and their lobbyists
- Real estate developers seeking to profit from land sales and rising land prices
- Construction contractors seeking to get work
- Downtown business associations seeking to stabilize and improve central business districts
- Site location consultants seeking fees and commissions by helping companies obtain sites and get subsidies
- Employers with large, concentrated land holdings, such as universities and hospitals
- Utility companies that want to preserve and grow their customer base; utilities often maintain the best databases of information about vacant commercial and industrial properties
- Banks that make loans to subsidized companies and may have deeper ties such as inter-locking board members, or that benefit when land values rise (thereby making loan collateral more secure)
- Law firms that get business from bond and real estate transactions

Public Sector Players: Executive Branch

- Mayors and their economic development departments, hoping to promote growth and gain political credit for good economic news
- Governors and their departments of commerce and economic development, doing the same as mayors
- County tax assessors who usually control decisions about property tax abatements if the city council doesn't
- County executives and their industrial development authorities with the same interests as mayors and governors (but usually much smaller roles)

Public Sector Players: Legislative Branch

- City councils, who often act as a check on mayors and tend to be more mindful of how subsidies may harm government revenues and thereby affect public services
- State legislatures often act as a check on governors, tend to be more mindful of revenues, and often have a formal duty to oversee and evaluate development agencies and programs
- County boards and commissions are much the same as city councils but usually have less power

Public Sector Players: Multi-City/Multi-County Agencies

- Regional planning commissions who work on land use issues but are seldom involved up front in company-specific deals
- Workforce investment boards that control federal Workforce Investment Act training funds

Non-Profit Sector

- Community development corporations seeking to revitalize specific neighborhoods, usually by organizing retailers' associations, the construction of housing, or providing services to local business
- Neighborhood groups that organize to stabilize and improve their areas and often, as they mature, create community development corporations

- Unions and union federations such as the central labor council and the state labor federation

Don't be overwhelmed by this long list. You don't need to research every agency and corporate interest group. Instead, you need to identify which players are the "lead dogs" in the particular deal or program you are researching.

Resources:
Website: www.ecodevdirectory.com provides a directory of economic development agencies, both local and state, for all 50 states and the District of Columbia.

B. Formal and Informal Power in Economic Development

As with all public matters, there are both formal and informal types of power in economic development. Understanding both will enable you to identify the key players. For example:

- A major new state subsidy program designed to attract steel mini-mills was lobbied for by an electric utility company that wanted to attract a major new customer (mini-mills use a *lot* of juice).

- A controversial industrial park deal that gave free land to dozens of companies was driven by a city manager and his consultant who wanted to get a large vacant lot redeveloped.

- A huge "retention" package was given by a state to a company after the company threatened to relocate its headquarters out of the state.

In each of these cases, the formal power is different from the informal power. The state legislature formally created the new subsidy for mini-mills, but the utility company had the informal power to win it. The city council authorized the park's free land, but the city manager and consultant really drove the deal. And the state legislature granted the "retention" package, but the company actually had the power to demand and get it.

If you were researching an agency instead of a deal, consider this example. Say the board of a state development authority has the formal power to decide which companies get tax-free bonds (low-interest loans). But if you find out that the governor appoints all of the board members, or a majority of them, and the board chairman was the governor's campaign manager, you would have to conclude that the governor informally controls the board and its decisions.

You need to understand the formal power structure of an organization because that will tell you who is technically and legally in charge. That is critical information if you get into a dispute with an agency because you believe it is not obeying its own regulations (such as those on public hearings) or otherwise misbehaving.

However, you also need to understand the informal power structure to get at the underlying political reality of economic development. This is where you can find out the history of a deal and who made it happen. This is also where you can "follow the money" and look for the *quid pro quos* or trade-offs involving money and influence.

Examples of formal power include the authority to:

- enact the laws that create or govern a subsidy program or agency;
- write regulations and procedures to implement subsidies;
- administer those regulations and procedures;
- review proposed deals and control which ones get heard;
- vote to authorize or reject a proposed deal;
- write contracts to codify deals;
- monitor the outcomes of a program or deal, including the collection of data from subsidized companies
- officially evaluate a program or deal; and
- handle disputes concerning regulations or contracts.

Examples of informal power include the ability to:

- Appoint the people who exercise the formal powers;
- Influence the people who exercise the formal powers;
- Use or leak advance knowledge of a deal for personal financial benefit; and
- Shape a deal and its "spin" before it becomes public knowledge.

Who has the power in TIFs?

The Neighborhood Capital Budget Group's TIF Handbook for community groups clearly distinguishes formal and informal powers.

	Formal Powers	Informal Powers
State	***Passes the laws that give local governments the authority to create TIFs.*** • Strengths: All cities and towns must comply with changes to the State law. • Weaknesses: Winning changes to the State law can be slow and time-consuming.	***Collects information on every TIF in the State.*** In general, the State's power over individual TIFs is limited to passing legislation that affects all districts. However, the recent TIF reform law requires municipalities to submit data on their TIFs to the Comptroller's office. This could allow the State to become a "whistleblower" on TIF abuses.
County	***Assesses property value, collects taxes, and administers property tax relief programs.*** County government has virtually no say over whether TIFs are created or how the money is spent. Because the County is in charge of the property tax system, however, it does have some authority over who gets tax relief in a TIF. • Case-By-Case: Taxpayers can appeal their property tax bills to the Assessor • Policy Reform: The Assessor can develop systematic tax relief proposals that must be reviewed and approved by the ***County Board***	***Collects detailed information on property taxes and TIF performance.*** Like the State, the County is a gold mine of information about how well TIFs are working and what is happening to property values within each TIF.
Local	***Department of Planning & Development Staff/City Consultants:*** Drafts the eligibility study and redevelopment plan, performs the housing impact study, negotiates subsidies with private developers, manages project budget. ***Community Development Commission/Chicago Plan Commission:*** Must review TIF proposals and submit them to the City Council with a positive or negative recommendation. ***Individual Alderman:*** Except for their role as a voting member of the City Council, the individual Alderman has no formal powers under the TIF law. ***City Council:*** Each TIF plan, redevelopment agreement, or amendment must pass through the City Council Finance Committee and the full Council. On a broader level, the City Council can pass into law TIF policies and procedures that go beyond the requirements of the State law, as long as they don't contradict it. ***Mayor:*** The Mayor can sign or veto TIF proposals that pass through the City Council, and can issue "executive orders" that guide DPD in implementing the TIF program. These executive orders are not as strong as legislation that passes the City Council, and do not outlast the tenure of the Mayor who issued them.	***Department of Planning & Development Staff/City Consultants:*** Because DPD manages additional public hearings, it often controls who knows about the formation of the TIF or which TIF-funded deals may be in the pipeline, and controls access to the planning and budgeting process. ***Community Development Commission/Chicago Plan Commission:*** While these bodies rarely say no to a proposal, they do preside over the formal public hearings on TIF redevelopment plans, subsidies, property acquisition, and land use. They can shape a proposal by asking DPD and developers tough questions based on their own concerns or public testimony. ***Individual Alderman:*** It is well-known that City Hall and the City Council is unlikely to establish a TIF or approve a TIF subsidy unless the Alderman supports the project. This gives the individual Alderman a significant role in both the creation and implementation processes. ***City Council:*** The City Council as a whole has not developed significant informal powers on the TIF issue. ***Mayor:*** In Chicago's current political climate, the Mayor's preference and priorities have a strong influence over the actions of City Council Members, appointed bodies like the CDC, private developers, and other governmental bodies. The ***Planning Commissioner (Christopher Hill)*** the Mayor's eyes and ears on TIF issues.

Examples of informal citizen power include:

- attending board meetings (that are usually poorly attended) to change business as usual;
- issuing studies or raising points that question the judgment or ethics of those with formal authority;
- grassroots mobilization to directly challenge deals that could harm a neighborhood;
- doing any of the above, getting media coverage for your criticisms, and encouraging greater media scrutiny generally; and
- holding public officials accountable for bad decisions by making subsidy disputes into high-profile political campaign issues.

C. Power Analysis Pointers

Local power analysis is especially important when researching *discretionary* subsidies like TIF, property tax abatements, loans and bonds, and infrastructure, where agencies usually have a lot of leeway in deciding whether a company gets a subsidy. State power analysis is usually more useful on entitlements, since most of those are state tax breaks that require legislative action.

Use Participatory Exercises To Develop Your Analysis

Because so much knowledge about informal power is not in the newspaper, because it is often "gossip," you must involve your members to get a full analysis. This is true whether you are asking shop-floor workers about a corporation's plans or neighborhood residents about a city council member.

Take the list of power players above and adapt it to your own situation. Then meet with as many members as you can and ask them what they know about each set of players. Ask them to:

- rate each player's power and effectiveness;
- identify friends and enemies;
- identify relatives, spouses and partners;
- identify appointers and appointees;
- name the "power behind the throne;" and

- Add other people and organizations you didn't already know about.

Many groups use community-mapping exercises to survey members of churches, unions and community groups about homes, jobs, shopping and political power. The exercise develops a pretty sophisticated picture of the local political economy. Since everyone helps develop the analysis, it also strengthens people's buy-in to the campaign and that helps coalition-building.

Popular education sources:

If you do choose to use popular education in your economic development research, there are a number of excellent resources. In addition to adapting the examples in this section, you may want to contact us or one of the following groups for other ideas:

Highlander Center: www.highlandercenter.org, 865/933-3443 (especially the Popular Economics Education Sampler)
Project South: www.projectsouth.org,
United for A Fair Economy: www.ufenet.org, 617/423-2148
Just Economics: 510-526-1530
Economic Literacy Action Network (ELAN): c/o Carol Barton, Alternative Women in Development (AltWID), cbarton@nyc.rr.com, 212-304-9106.
Center for Popular Education and Participatory Research, University of California, Berkeley: www-gse.Berkeley.edu/research/pepr/sitelist.htm
Women of Color Resource Center: www.coloredgirls.org, 510-848-9272
Project EAR (Economics of the Appalachian Region): 853/584-6133, x 22

Attend Board Meetings; Take Members and Leaders Along

For an up-close and personal look at how the official development process happens, we strongly suggest you attend the meetings of the local or regional development board, city council committee, or other bodies.

We realize that the meeting probably takes place during business hours at a downtown location far from the neighborhoods or workplaces that will be most affected by the board's actions. But if you have members or leaders who can attend – perhaps they work a late shift, have a part-time job, or are willing to take personal time – we urge you to take them along.

Of course, as we point out in Chapter 3, you should be sure to take notes and get copies of all available paperwork. But the greatest research value of the meeting will probably be in the drama: the power dynamics among the board members and staff. After the meeting, go for coffee and debrief, asking yourselves:

- Did the board members really debate the deal in the meeting, or had everything been “greased” ahead of time?
- Was this meeting accessible – in terms of time and place – to the people who will be affected by it the most?
- Who seemed to have control of the information? Staff? Only the chair?
- Who talked the most? The least?
- Who was absent?
- Did anyone even pretend to disagree on anything?
- Who else was there besides board and staff? Developers and lawyers?
- Was there any evidence that the board is really encouraging public participation in its deliberations? Or discouraging it? How?
- How did the board members react to your presence? How many other members of the public were there?

Use Visual Devices

For both research and popular education, visual devices are effective tools in power analysis. For example:

- The Los Angeles Alliance for a New Economy uses maps to identify the city’s largest development deals, and a money-flow chart to show how subsidies flow (see examples here)
- The Kentucky Economic Justice Alliance uses a blank wall and color-coded signs with adhesive on the back for each player in an exercise for leaders to rate the players’ powers and develop action priorities


12
7
North Hollywood
2
Valley Plaza
North Hollywood Mixed-Use
3
Universal Studios Expansion
5
11
Taylor Yards
Crown Coach Brownfields / LA Tech Campus
4
1
Cornfields
Adams/La Brea Center
13
Pico/San Vicente plaza
Downtown
Sears Site
Samitaur Industrial Park: retail & creative office
10
Crenshaw
14
Sci-Arc
Goodyear Tract Industrial Park and Retail Plaza
9
Metropolis Mixed Use
8
Vermont/Slauson
6
Playa Vista
Vermont/Manchester Shopping Ctr
Santa Barbara Plaza
LA Sports & Entertainment District
Broadway/Manchester Shopping Ctr
Chesterfield Square
KEY
retail/commercial
hotel
industrial/manufacturing
office
housing
telecom
film studios
hot projects
The Los Angeles Alliance for a New Economy monitors pending deals and maps them for organizing andeducation.

Create a Chronology

Whenever you enter a campaign, we strongly recommend that you create a chronology of major events related to the subsidy issues. This is especially important if you are trying to understand a complex series of events such as a land deal or a plant closing.

By major events, we mean times such as:

- when recruitment takes place and applications are filed;
- when deals are announced and when they are officially enacted;
- when land sales occur at and near the site;
- when a company demands subsidies by threatening to relocate;
- when a company lets it be known it is looking at other places;
- when legislative debate occurs in response to a subsidy demand;
- when campaign contributions and elections occur;
- when agency appointments occur;
- when a facility opens and hiring begins;
- when a plant closing or mass layoff is announced;
- when equipment is brought in or taken out, or other events suggesting that the company is either reinvesting or disinvesting;
- when a company applies for a property tax reassessment (and why!);
- when a labor dispute occurs;
- when a toxic emission occurs;
- when the company is cited for regulatory violations; and
- when major management changes take place at the company.

Chronologies have several advantages:

- They may reveal a sequence of events that was not obvious until you list many different transactions.
- They allow you to find relationships between very different events such as the sale of a piece of land and the filing of a subsidy application.
- They enable you to better understand how events looked from the viewpoint of the company or the agency.
- They are essential backgrounders for reporters if you are trying to arouse media interest.

Read the Real Estate and Business Sections; Subscribe to the Business Paper

Getting quoted in the newspaper is itself one measure of power. By monitoring more specialized business publications, you will learn who is most active in real estate development and in business associations. By tracking coverage of your local economy, you can learn who is considered to have power on various issues.

Of course, if you are watching for news about a specific company or piece of land, you will want to monitor such publications as well. If you can't get each issue, look at the publication's website and see if it enables you to search back issues by key word (or see if your local library has an online subscription service that would enable you to periodically search the publication).

Getting to know how local publications cover the issue – and the names of the reporters on the beat – will help you down the road when you seek to gain media coverage for your own work.

If your staff does not have enough time to monitor these publications, this could be a great way for a member to participate in the research team!

Use Hot, Specific Disputes to Move Leadership to Larger Issues

Many of the most significant reforms of economic development won by grassroots groups in the United States over the last 30 years began with single, outrageous abuses. At first, groups organized against the specific crisis: a plant closing, a toxic spill, or a threatened neighborhood dislocation.

In the process of fighting the immediate fight, people inevitably begin to ask: if a subsidy program is so loose that a company can do *this* and still get subsidies, what the heck is going on with this program?

If the specific abuse you are fighting is indeed the symptom of a larger problem with a program or an agency, then you should consider tooling your power analysis for a broader fight. As you and your members go through this process, keep your eyes on the larger prize with questions such as:

- What is our city/county/state trying to accomplish with our economic development dollars? Have they ever asked us for our ideas?
- Are the people who control the subsidies focused on raising the living standards of low- and moderate-income residents? Or do they think of economic development in terms of land parcels, doing deals, or getting more tax revenues?
- Do average people have any way of getting heard in the development process? Where are the soft spots in the system where we can butt our way in?
- What kinds of companies are getting subsidies? What kinds of companies are being recruited?
- Are the companies related to each other; are they an industrial “cluster”? Does one of them being here make it more likely another will stay? Are the development agencies doing things to help root them here? (For example, are they building ties to the vocational education system?)
- Do the new companies offer family-wage jobs with healthcare? Do they offer jobs that enable people to gain new skills that will help them gain better long-term living standards?
- What kind of labor relations and employment fairness records do the companies have?

- Who is getting the construction work on the new facilities? Are the contractors and subcontractors local or out-of-state? Union or non-union? Who are they hiring? Are there any local hiring preferences?

- Who is getting the permanent jobs at the subsidized companies? Have subsidized companies transferred people in for any of the jobs?

- What is the long-term outlook for the product or service created at the new companies? Are they branch plants with products that have short life cycles? Or are they key or hub operations with good long-term outlooks?

- Are the facilities "runaway shops" from someplace else or truly new jobs? Why did they leave their former locations?

- Do the new companies release toxic emissions? Use a lot of water? Require costly new water treatment capacity?

- Will they generate a lot of new truck or auto traffic? How will that affect specific neighborhoods?

- Will the new facilities create a lot of new population growth? How will local governments handle the need for more school classrooms? More roads? More water mains and sewer lines? Will government have enough tax revenue or will it have to borrow more money or raise taxes?

- Will the subsidies granted to these new facilities – such as property tax abatements – undermine the necessary tax base to pay for these growth-related costs? Will other businesses and homeowners get stuck with higher property or sales tax bills because the new facilities aren't paying their fair share?

- How old are the biggest subsidy programs? Do they still make sense given how much the economy has changed? Is it really clear that they help raise average people's living standards?

Chapter 5. Researching Key Individuals

While doing your power analysis of a deal, company or agency, you will likely identify a few key individuals who either drove the deal or greatly benefited from it. Therefore, you may need additional information to understand their self-interests.

These may be company executives or board members, land owners or realtors, politicians, site location consultants, or other players involved in orchestrating a deal.

Researching individuals with formal or informal power usually has two purposes. First, you are looking for webs of influence such as friendships, marriages, co-investors, job appointments, and campaign donations. Second, you are seeking to understand the temperament and ideology of the person. What is their operating style? What kind of public image do they maintain and how does that compare to the private reality? How do they respond to conflict? To whom do they listen?

Usually, if a company seeks subsidies on multiple occasions, it will develop an internal expertise to monger subsidies. This function will often be in either the real estate or finance department, and one or two individuals will be designated as representatives of the company in both private and public dealings. If the company you are dealing with has such a person, he or she definitely merits additional research.

A. Basic Questions to Ask

Corporate Executives, Board Members and Developers

- Do they have a strong personal self-interest in this deal, such as a personal profit or a promotion?

- Have they been associated with personal or corporate behavior that would cause people to question their character, credibility, or truthfulness? Do they have a criminal record?

- Have they made campaign contributions or given other favors to public officials who have the power to influence the company's receipt of subsidies? (Consider this case and others.)

- To whom does the executive and the company give campaign contributions?

- Have they exercised other forms of political influence, such as contributions to political parties or fundraising work for candidates or parties)?

- Has this person or this company ever hired public officials through the "revolving door" after those public officials helped the company get subsidies elsewhere?

- Have they played states or cities against each other for deals elsewhere?

- What other corporate, civic or charitable boards do they sit on or have they sat on?

- What other groups do they belong to, such as country clubs?

- Do they belong to industry groups such as chambers of commerce or manufacturers associations? Do they have leadership roles in those groups?

- Do they or their company lobby directly, or only indirectly through business groups?

Public Officials

- Do they stand to gain personally as a result of the deal – through campaign contributions, political profile, land transactions, relatives or business associates' profits?

- If they are elected, who contributed to their campaign (including in-kind contributions and loans)?

- If they are appointed, who appointed them? And who contributed to the campaign of the person who appointed them?

- Do they have any ties to the deal or the company – such as land, relatives, or stock ownership – that could suggest a conflict of interest?

- Have they fully disclosed all conflicts of interest and improper appearances? Have they ever recused themselves from a vote, and if so why?

- Is there a chance that they would leave public office through the “revolving door” and go to work for the company?
- Are they full-time or part-time in public office? If they are part-time, what else do they do? What past jobs have they held?
- When are they up for re-election?
- What is their voting record?
- Who are their allies in office? Are they part of a regular voting bloc? Who usually opposes them?
- On which committees (or commissions or task forces, etc.) do they serve? Do they hold any leadership positions?
- Do they have a senior or longtime staff person/gatekeeper? If so, what do you know about that person?

Industry Associations

- Who are their members?
- Who are their dominant corporate members? Who are their dominant personalities?
- What are their top legislative priorities?
- What kinds of subsidies have they lobbied for in the past?
- Does this deal, program or dispute play to those top priorities, or to subsidies they have lobbied for?
- Who are their most frequent opponents?

B. Checking Out an Individual's Business Connections

If a person figures prominently in a subsidy deal, you may want to research that person's business affiliations. The following is a guide to some of the main sources.

General Biographical Information

If your person is sufficiently prominent, he or she may be included in *Who's Who in America* or one of the regional or industry-specific *Who's Who* volumes. Check out the reference section of a good library. Much of the *Who's Who* information is also available online via services such as Lexis-Nexis or Dialog. *Who's Who* entries will generally include business affiliations as well as links to charities and other non-profit organizations. Club memberships are often included as well. Also check the D&B *Reference Book of Corporate Management*.

If the person you are investigating is socially prominent or quite wealthy, you should also check the *Social Register* or the Forbes 400, the annual listing of the super rich by *Forbes* magazine. Articles about well-known business people would be indexed in the *Wilson Biographical Index*, found in most libraries.

Also look for records in your state through the BRB Publications website <www.brbpub.com/pubrecsites.asp> or KnowX <www.knowx.com>. For many states, you can search for information about birth, marriage, divorce, death, and property ownership.

Publicly-Traded Companies

We provide much more detail about researching companies – both public and private – in Chapter 9; this section focuses on corporate data sources about executives.

To determine whether someone is an officer or director of a publicly-traded company (i.e. one whose shares trade in a stock market) you can search EDGAR – the online archive of filings submitted to the U.S. Securities and Exchange Commission – for mentions of the person's name. Free-text searches of EDGAR can be done via websites such as Free Edgar www.freedgar.com or 10-K Wizard www.tenkwizard.com.

The proxy statement (also called DEF 14A) contains biographical information about directors and data on the compensation and stock ownership of top executives as well as directors. The proxy also describes business relationships between directors and the company.

You can also consult biographical directories such as the *Standard & Poor's Register of Corporations, Directors and Executives*, which is available in print form at many libraries or in electronic form on Lexis-Nexis. In a good business library you will also find specialized volumes such as *Who's Who in Canadian Business* or the *Directory of Directors in the City of New York*.

Privately-Held Companies

(Again, see Chapter 9 for much more detail about researching companies.)

The *Standard & Poor's Register* includes larger privately-held companies, but to do a thorough search, the best approach is to consult the database of Dun & Bradstreet, which collects information on millions of companies, even very small ones. D&B information is available via direct online subscriptions with the company or via vendors such as Lexis-Nexis.

D&B also distributes what it calls Business Background Reports via the web www.dnbsearch.com at a cost of about $25 each. Apart from information about companies, these reports often include some biographical information about the officers and directors.

State corporate records

Every corporation – public or private, for-profit or non-profit – must be chartered by a state government, and some states require companies to disclose the names of their officers and directors. Services such as Lexis-Nexis collect this information and put it in one big database that can be searched for the names of individuals.

Non-profit affiliations

Philanthropic and other non-profit affiliations can be found in a person's *Who's Who* entry or sometimes in the biographical information provided on directors in the proxy statements of publicly-traded companies. If these sources aren't available for the person you are investigating, you can try the index of the *Nonprofit Sector Yellow Book* published by Leadership Directories Inc., which lists the names of trustees of larger foundations, universities, hospitals and cultural institutions. Leadership Directories also publishes other volumes such as *Corporate Yellow Book* and *Financial Yellow Book.*

C. Legal Records

We provide more details on legal research in Chapter 9.

If you want to know whether an individual has had legal problems of one sort or another, there are several places to go. To find out if the person is a party in a current federal criminal or civil action, or if the person has been involved in a bankruptcy case, you can search the dockets of federal courts via the PACER service www.pacer.psc.uscourts.gov for a modest fee. If you have access to a legal database such as Westlaw or Lexis-Nexis, you can find out if the person was involved in a federal or state case in which there was a published legal opinion.

Finding out if someone has a criminal record is a bit more complicated. If you're just interested in your local jurisdiction you can go to the courthouse and check the criminal index. If you want a wider search, you may have to pay a public records search service. A small number of jurisdictions have put their court dockets on the Internet. To find a list of links to those dockets (and other public records on the web), go to the website maintained by BRB Publications: www.brbpub.com/pubrecsites.asp.

When searching local court records, also keep an eye out for divorce cases. During these proceedings, valuable information is often made public about a person's business dealings.

To find out if someone is on the list of parties barred from doing business with the federal government, go to http://epls.arnet.gov/. (Note: this address has no "www" and does not work by hot-linking; it must be manually entered).

It's also worth doing a general news search on an online service such as Dow Jones Interactive or Lexis-Nexis to look for articles that might mention a person's brushes with the law or other useful information.

D. Campaign contributions

At the federal level, campaign contributions by corporate executives and their company's political action committee may be tracked via a database compiled by the Federal Election Commission. This database is available via the FEC itself www.fec.gov, but several private groups have enhanced the information in very useful ways. See, especially, the website of the Center for Responsive Politics at www.opensecrets.org and FECInfo at www.tray.com/fecinfo. These sites have information on both hard money and soft money (non-candidate-specific) contributions.

State campaign contribution data is now easily available on the web thanks to the National Institute on Money in State Politics. The Institute's website www.followthemoney.org allows for searching by individual or corporate name. Keep in mind that some states, unlike the federal government, allow corporations to contribute directly to candidates.

For more links to data resources and organizations that research money in politics see www.enviroweb.org/issues/campaign$$/.

E. Additional resources

- *The Almanac of American Politics*
- Members of your organization and allies
- Journalists and past news clippings
- State and local campaign finance reform groups
- The company's past opponents, such as environmentalists, labor unions, consumer groups, community groups near its facilities, senior citizens advocates, or healthcare activists
- Anyone who has sued the company in the past or their attorneys

Tax Increment Financing (TIF)

Tax increment financing (TIF) is a subsidy originally intended to help redevelop areas that are deemed "blighted" or "distressed." TIF has become very common; it is now authorized in 47 states[1] and is most frequently used in California, Colorado, Florida, Wisconsin, Minnesota, Illinois and Indiana.

Although TIF is regulated by the state, it is controlled by the city. Here is how it works: a city designates a TIF district for redevelopment. Usually a TIF district is smaller than an enterprise zone, even as small as several blocks. The area has to meet some state-mandated criteria for distress or blight such as property abandonment, building code violations, age of housing stock, or other measures. In some states, it's sufficient to say that the proposed development will encourage development, create jobs or increase the tax base.[2]

Since the area in the district is going to be redeveloped, that means property values will probably go up, and therefore property tax revenues will go up, based on higher assessments. When that increase happens, the property tax revenue from the TIF district gets split into two streams. The first stream is pegged to the original property values before the redevelopment; that amount of tax continues to go to the city, county, school district and other taxing bodies as before.

The second stream consists of the increase in taxes resulting from the new development and higher property values – the "tax increment." That stream gets paid into a special fund used to subsidize some portion of the redevelopment in the TIF district. This diversion of tax payments continues until the TIF district expires – usually somewhere between 7 to 30 years, depending on state rules.

TIF is versatile. Usually, TIF subsidies pay for new infrastructure (such as streets, sewers or parking facilities) or for land acquisition and parceling (including eminent domain). Other common uses include planning expenses (such as legal fees, studies, surveys, and engineering), job training and career education, and demolition or rehabilitation of buildings. TIF has also been used by some cities to clean up contaminated areas ("brownfields"). Some cities have even used TIF to pay for private development expenses.

Because the city receives the tax increment in annual payments (rather than a lump sum up front), it is often used to support the annual debt service on special TIF bonds – hence the phrase "tax increment financing." Sale of the bonds generates the necessary capital up front.[3] Or, TIF revenue can be used to reimburse a developer on a "pay as you go" basis, a more conservative approach. In some states, TIF districts can also capture incremental increases in sales taxes (especially in retail projects) and/or utility taxes.

It is this wide flexibility in how TIF revenue can be obtained and used that makes TIF so very popular with local economic development officials. Indeed, because federal assistance to cities has declined substantially over the last 20 years, local officials often claim that TIF is the last tool they have. Chicago's Mayor Richard M. Daley likes to call TIF "the only game in town."[4] So despite the fact that TIF has become a very problematic subsidy (as we explain below), most local development officials defend TIF vigorously.

Accountability Issues: TIF Strays from Intent

TIF was originally justified the same way enterprise zones were: to help revitalize distressed areas. Aging downtowns, older neighborhoods, and rusting factory areas were intended to benefit.

But state TIF definitions of "distress" and "blight" have grown so loose, it's hard to say TIF is reducing poverty. In Maine, any area that is 70% zoned commercial-industrial can be TIF'ed, no matter how wealthy or stable it is. In Missouri, residents of rural Hazelwood were shocked to learn that their community had been labeled "blighted" and therefore TIF-able, apparently because most of the local farm homes were more than 35 years old. It is not unusual to read of TIF revenues subsidizing "big box" retail projects in suburbs that are far away from core-area pockets of poverty.

Another problem is how to determine if a TIF is necessary. State TIF rules typically require developers to certify that the project would not occur "but for" the TIF. This requirement was originally enacted to make sure a TIF subsidy is actually "leveraging" private reinvestment that would not occur otherwise. But like so many other development subsidies that are captured by special interests, TIF has grown so loose that the "but for" test often means little. One state auditor asked local officials what they meant by the phrase; the officials gave six different answers.[5] Some officials felt the "but for" test was satisfied if the subsidy meant the project would occur on one block rather than the next.

Another big problem is that TIF is basically a shell game between different levels of government. When the city creates a TIF district, it gets to divert revenue that would otherwise go to the county and/or the school district. A few states do not allow the school increment to be TIF'ed, or they allow only the operating budget to be TIF'ed, not the capital budget. But more commonly, the state reimburses the school district for at least some of the diverted revenue. That all boils down to the city's diverting tax revenue from the county and the state. No wonder local officials like TIF so much!

Diverting sales tax revenue can also be problematic. In states such as California, the local sales tax increment is a very important source of revenue for local services (because Proposition 13 has depressed property tax revenues so severely). Indeed, since “fringe” suburbs have the most land available for “big box” retail projects, some groups now believe that TIF is a contributing factor to suburban sprawl. Studies on Minnesota and Wisconsin have made this link.[6]

In addition, some have questioned whether TIFs necessarily result in accelerated growth. For example, two professors from the University of Illinois/Chicago have stated that "in contrast to the conventional wisdom, we find evidence that cities that adopt TIF grow more slowly than those that do not."[7]

Others have suggested that development stimulated by TIFs may not always benefit low-income residents of distressed areas because the workers are not prepared or properly trained for the new jobs. "Without job training, TIFs are a real estate deal and an investment in the transfer of jobs."[8] Illinois' TIF enabling-legislation allows funds to be allocated toward "job training, advanced vocational education and career education including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment in the TIF district."[9]

A TIF deal can also involve political favoritism. Owing land in a TIF district can be a windfall, since the area will get special treatment from diverted tax revenues. Developing a new mall that gets a TIF subsidy can be a big advantage over a neighboring, existing mall that did not get a subsidy. Indeed, there have been several TIF lawsuits alleging such “piracy.”[10]

Research and Disclosure

There are several documents that will be key to researching a TIF deal:

- *TIF agreement or redevelopment agreement***:** this is a contract between a city agency and the developer. This should be a public document, available from the city development agency that negotiated it. It should say what the TIF proceeds are to be used for, and what obligations the developer has agreed to in exchange.

- *Eligibility study:* the state may require an eligibility study when a TIF district is proposed, to determine if the proposed area qualifies as a TIF district according to the state's criteria.

- *TIF district plan or redevelopment plan:* the city or county will likely have a plan specific to the TIF district, which contains information about the goals and planned projects within the district. This information may also be in a redevelopment plan for the area. Contact your city council or local planning agency for these plans.

- *Bond documents:* if bonds were sold for the TIF district, you can view the prospectus (known as an Official Statement.) prepared for potential investors. If you cannot obtain a copy from a city official, you can purchase it (at a cost of about $25) from one of several commercial services. Two of these services have websites that allow you to search to see whether TIF bonds have been issued for a given jurisdiction. One of these is DPC Data <www.dpcdata.com>. Click on the link for ordering municipal bond prospectuses. Then enter your state and choose "Tax Allocation" in the Security Type field. You will then see a list that includes tax increment bonds. The other service, Munistatements <www.munistatements.com>, does not allow you to sort out tax allocation bonds, but once you find one from among the longer list of municipal bonds, you can view the cover page at no cost.

- *State TIF statute*. You may wish to review the law, or interview someone who knows it, depending on your needs. Obviously, if there is a concern that a TIF project is ineligible, you should focus on both the rules and the law's intent language. If a TIF-subsidized company is doing something that contradicts that intent, you may have basis for a protest.

- *State surveys***.** Some states produce annual reports on all their TIF districts. For example, Minnesota's Office of the State Auditor puts its annual TIF report on the web at <www.osa.state.mn.us> (look in the Reports section of the website).

Strategic Issues

⇒ Which body created and oversees the TIF district? (such as the city council and/or city development department)
⇒ Does any other body, such as school district or the county, have any authority over the diversion of tax revenue into the TIF?
⇒ Does the state reimburse any of the losses to the school district? Are those reimbursements adequate?
⇒ Do voters have to approve a TIF district? Do voters have a right to petition to have a vote on a TIF district?
⇒ Were bonds issued?
⇒ What is the money being used for? How much money is allocated for things that primarily benefit developers and property owners vs. things that benefit community residents?
⇒ Were particular developers, consultants or companies the main movers pushing to create the TIF district with an "eligibility study" and "redevelopment area plan?"
⇒ Is the developer's "but for" certification credible? Or would the development have occurred anyway?
⇒ If the TIF is being justified by the promise of new jobs, will they pay a living/family supporting wage and good benefits? Will the jobs be permanent and full-time? Will the jobs offer opportunities for advancement? Will the employer make efforts to hire and train local workers from distressed areas?
⇒ Are non-profit Community Development Corporations or other development organizations involved?
⇒ Does the project conform to the intent of your state's TIF statute? That is, does it really help areas of high unemployment? Is it really reversing blight, etc.?
⇒ Or is the project contrary to the law's intent? Is it being used to develop "greenfields", such as agricultural or previously undeveloped land?
⇒ Are annual reports or evaluations required? Does the state law, the local TIF agreement or plan require them?
⇒ How well is the TIF district performing? (this information may be available from annual reports, such as: how much property values have increased, how many jobs have been created or retained, how much private investment has been attracted, how much new tax revenue has been captured, etc.)

Additional Resources

Neighborhood Capital Budget Group (Chicago):

- General TIF info: www.ncbg.org/tifs/tifs.htm.
- *TIF Almanac:* www.ncbg.org/documents/TIF%20ALMANAC%206%2002.doc
- *Who Pays for the Only Game in Town:* www.ncbg.org/tifs/game.htm.

Craig Johnson and Joyce Mann (editors.) *Tax Increment Financing and Economic Development.* SUNY Series in Public Administration. SUNY Press 2001.

Good Jobs First. *Protecting Public Education from Tax Giveaways to Corporations.* Prepared for the National Education Association. 2003. www.goodjobsfirst.org/pdf/edu.pdf A 50-state analysis of how TIF and property tax abatements affects school revenues.

Civic Federation, *Assessing the Impact of Tax Increment Financing in Northeastern Illinois*, Chicago, 1997.

Statewide Housing Action Coalition, *Tax Increment Financing: An Organizer's Guide*, Chicago, n.d.

[1] The states where it is not authorized are Arizona, Delaware and North Carolina.
[2] See, for example: Vermont Statutes Annotated, Title 24, Chapter 53, §1893.
[3] TIF bonds are usually backed only by the increment, not the full taxing power of the government.
[4] Neighborhood Capital Budget Group, *Who Pays for the Only Game in Town?* Chicago, 2002, p.2.
[5] Cited in LeRoy, Greg and Slocum, Tyson, *Economic Development in Minnesota: High Subsidies, Low Wages, Absent Standards*, Good Jobs First: Washington, DC, 1999, p.31; available online at http://www.goodjobsfirst.org/mn_study.htm.
[6] See Leroy, Greg and Hinkley, Sara, *Another Way Sprawl Happens: Economic Development in a Twin Cities Suburb*, Good Jobs First: Washington, DC, 2000, available online at http://www.goodjobsfirst.org/anoka.htm; and Rinard, Amy, "Tougher Tax District Standards Proposed," *Milwaukee Journal Sentinel*, July 18, 2000, available online at http://www.jsonline.com/news/wauk/jul00/tif28bs1r072800a.asp.
[7] Dye, Richard and Merriman, David, The Effects of Tax Increment Financing on Economic Development, Institute of Government and Public Affairs, University of Illinois, Working Paper No. 75, September 1999.
[8] Holzer, Mike, Industrial Development Director of the LEED Council, as quoted in *Tax Increment Financing: A Theoretical Inquiry* by Jan Brueckner, Department of Economics and Institute of Government and Public Affairs University of Illinois at Urbana-Champaign, September 1999.
[9] Illinois Revenue Statute, ch. 65, S 5/11-74.4-3; as cited in *Making Tax Increment Financing (TIF) Work for Workforce Development: The Case of Chicago*, by Rachel Weber, Urban Planning and Policy Program, University of Illinois at Chicago, September 1999.
[10] See John Gibeaut, "The Money Chase," ABA Journal, March 1999.

Industrial Revenue Bonds

Industrial Revenue Bonds (IRBs; also known as Industrial Development Bonds) are a method by which government entities give companies access to low-cost funds for constructing new facilities. The bonds are a form of conduit financing. A government body issues the securities and immediately re-lends the proceeds to the company, which is responsible for repaying the principal and interest. IRBs are, in effect, corporate bonds laundered through public agencies to make them tax-free in the name of economic development.

The appeal of IRBs for companies is that they get to borrow money at interest rates that are well below (at times 50 percent below) those on corporate bonds or bank loans. This is made possible by the fact that the interest earned on the bonds is exempt from federal taxation. Since affluent investors typically purchase IRBs, they amount to a subsidy for upper-income individuals as well as for corporations. The cost of the subsidy is the lost tax revenue.

There are two forms of IRBs. **Small Issue IRBs** -- which are restricted to the construction, expansion or renovation of manufacturing facilities – are limited to $1 million, but that amount can under certain circumstances go up to $10 million.[1] **Exempt Facility IRBs** have no size limits, but they can be used only for specific types of projects, such as airports, docks, parking garages, water & sewer facilities, and certain rental housing. There is a $40 million aggregate limit (nationwide) on the total amount of IRBs that can be outstanding for the same company.

Both Small Issue and Exempt Facility IRBs are categories of what are known as Private-Activity Bonds, which also encompasses similar conduit financing done by governments on behalf of non-profit institutions such as hospitals and universities. There has been a long-running policy debate on whether it makes sense for the federal government to subsidize the capital costs of corporations and non-profits. Over the years, Congress has placed restrictions on the use of private activity bonds (see below for more details) and has put a ceiling on the volume of such bonds that can be issued by each state.

According to the most recent compilation of state business incentives by the Council of State Governments, 45 states provide IRB financing at the state level, and in 49 states there is IRB financing at the city and/or county level. Although IRBs are in effect a federal subsidy, state and local regulations also govern them.

Some states have taken advantage of this opportunity to impose accountability requirements on IRB recipients. These include public benefit requirements – such as the creation of a certain number of jobs or location of the project in an economically distressed area – and “clawback” provisions, which allow states to cancel the loan if certain criteria are not met by the company.

Unfortunately, those regulations are not very strict in most places. A 1993 report by the General Accounting Office found that only 13 states imposed public benefit requirements – such as creation of a certain number of jobs or location of the project in an economically distressed area – on companies receiving IRB financing.[2] The authors of that same report interviewed IRB recipients in three states and found that 60 percent of the projects would have proceeded even if IRB financing had not been available.[3]

Some large companies have arranged for governments to go extraordinary lengths to supply them with cheap financing. For example, in 1995 semiconductor giant Intel Corp. got Sandoval County, New Mexico to agree to issue a whopping $8 billion in IRBs over a period of years to finance the construction of computer chip plants. The plan, which was linked to large property tax abatements, got around the federal ceilings by making these IRBs taxable.

History

The practice of government issuance of debt securities on behalf of private interests in the United States dates back at least as far as the early 19th Century, when state governments floated bonds to assist private builders of canals and turnpikes. Modern private-activity bonds originated in Mississippi in the late 1930s, when the state authorized cities and counties to incur general-obligation debt to construct industrial facilities that would be leased to manufacturing companies. The lease payments made by the companies were used to satisfy debt service requirements on the bonds. The use of these development bonds grew slowly over the next few decades, mainly in Southern states seeking to lure Northern manufacturers.

During the 1960s private-activity bonds became a popular form of financing, especially when they were structured as a form of revenue bond -- i.e., securities that are backed by a particular revenue stream (the company’s lease payments) -- rather than general-obligation bonds ultimately backed by tax revenues. As IRB use accelerated, the federal government began to worry about the amount of tax revenues it was losing. Congress passed legislation -- the Revenue and Expenditure Control Act of 1968 -- that began what would become a long-term process of controlling the growth of IRBs in terms of the purposes for which they could be issued and the size of the issues.

The 1968 law modified the Internal Revenue Code to provide for two kinds of IRBs. One type had no limits on size but was restricted to projects such as convention centers, airports, docks, sewage plants, and water pollution facilities – in other words, projects that were more public in nature even though they were privately operated.

The other category, designated as Small Issue, had limits on the size of the bond offering, but the proceeds could be used for a much wider range of business projects. The size of the issue was limited to $1 million, though the ceiling was increased to $5 million (later $10 million) if the company getting the proceeds did not spend more than the amount of the bond offering in its capital expenditures over a six-year period beginning three years prior to the issuance of the bonds. This helped to assure that this category of IRB was limited to smaller businesses.

Despite these restrictions, IRB use continued to climb, and some large companies (those with numerous facilities) made frequent use of them. A 1981 report by the Congressional Budget Office found that between 1975 and 1980 one of the country's largest retailers, K Mart, had obtained more than $220 million in IRB financing to open 96 stores in 19 states.[4] There were also reports of IRBs being used for dubious purposes such as country clubs and massage parlors. Some local officials also raised concerns that the proliferation of IRBs was forcing them to pay higher interest rates on conventional municipal bonds for purposes such as roads and schools.

Factors such as these prompted Congress to impose a series of additional restrictions on IRB use:

- The Tax Equity and Fiscal Responsibility Act of 1982 set a requirement for public hearings on IRB proposals and called for the repeal of Small Issue IRBs after 1986 (but they were subsequently extended for short periods and then permanently authorized in 1993).

- The Deficit Reduction Act of 1984 eliminated tax-exempt financing altogether for projects such as health clubs and casinos. Small issue IRBs were restricted to manufacturing facilities and were extended through 1988.

- The Tax Reform Act of 1986 barred IRBs for other categories of projects (including sports facilities and convention centers) and established limits on the volume of private activity bonds that could be issued in each state. The volume cap was set at the greater of $50 per state resident or $150 million.

That ceiling remained in effect until December 2000, when Congress approved a two-step increase. As of January 1, 2002 the volume cap for each state is the greater of $75 per capita or $225 million. Starting in 2003, the cap will be adjusted for inflation.

Small Issue IRBs were extended for short periods until 1993, when they were permanently authorized.

Note: According to Friends of the Earth, tax-exempt bonds for incinerators and a few other private-activity bonds escaped reform in 1986. "While tax-exempt bonds continue to help state and local government finance important public projects, construction of environmentally harmful projects for private profit do not merit such special tax treatment. Further, this kind of tax break violates the 'polluter pays' principle. [Furthermore,] although called 'renewable' energy facilities by the 1980 tax bill, incinerators as currently used are not environmentally friendly. They emit harmful levels of highly toxic substances into the air such as cadmium, lead, and dioxins. The EPA has not yet issued regulations regarding safe emission levels for incinerators. Providing tax benefits for construction of incinerators before incinerators have met environmental standards is ludicrous." [5]

Statistics and Disclosure

Information on the volume of private-activity bonds is available from the Statistics of Income office of the Internal Revenue Service. According to the IRS, the volume of long-term private-activity bonds as a whole issued in 1995 (the most recent year available) was $51.4 billion, almost half of which was for refinancing existing bonds. Of the $27.9 billion in new money issues, $2.4 billion represented Small Issue IRBs.

Long-Term Private Activity Bonds by Purpose, 1995	
New Money Issues	$27.943 billion
Bond purpose as a percent of total	
Section 501 (c)(3) [non-profit hospitals*]	35.3%
Mortgage [usually state housing finance agencies]	19.4%
Airport	8.7%
Small Issue	8.6%
Solid waste disposal [may include incinerators]	8.3%
Residential rental	6.2%
Student loan (state loan/guarantee programs)	6.0%
All other	7.5%
Total	100.0%

Nutter, Sarah, "Tax-Exempt Private Activity Bonds, 1988-1995," IRS Statistics of Income Bulletin, Summer 1999, pp.152-167.
* Some of these funds have been used to help finance private non-profit facilities that are not really for use by the entire community as a hospital would be (e.g., high-end retirement homes that provide some medical services on-site).

There are several ways to get information on the IRBs issued for specific companies. The first source are the announcements issued by economic development agencies on hearings that have to be held to review planned offerings. These hearings are usually pro forma matters, but they are opportunities to gather information and perhaps question dubious projects.

To learn about IRB issues that are already in the works or have been completed, the key source is the prospectus--known as the Official Statement (OS)--that is published by the issuing agency and distributed to investors. These documents have a great deal of information on the project being financed and the terms of the deal.

The Official Statements are not as easy to obtain as Securities and Exchange Commission filings on publicly traded companies. Unless you can get the OS from the government agency or the company, there are only two choices. If you are in the Washington, DC area, you can view and copy OS documents at the public reference room of the Municipal Securities Rulemaking Board in Alexandria, VA. The MSRB <www.msrb.org> is an entity by which the municipal bond industry regulates itself. The MSRB was created by Congress is subject to oversight by the SEC.

The other way to get OS filings is through one of a handful of authorized private document retrieval services, several of which have websites that allow you to search for particular issues. The most useful of these websites is Munistatements <www.munistatements.com>, which permits free searching and free viewing of the cover pages of OS filings (downloading the whole document costs $25).

Keep in mind that both MSRB and Munistatements index their databases mainly in terms of the government agency issuing the bonds, rather than the company that will make use of the proceeds. At the MSRB reference room it is not possible to search by company name. The Munistatements search engine does have a field called Corporation, but it is not a reliable way of searching, since many entries have left that field blank.

Summary information on IRBs and other municipal bond issues is available from several publications that should be accessible in any good business library. Mergent Inc. (formerly Moody's Financial Information Services) publishes the annual Mergent Municipal & Government Manual. Volume 3 of the Manual has a section that lists IRBs (and pollution control revenue bonds) for each state issued by development agencies with at least $25 million of debt outstanding. The entries include basic information such as the name of the company receiving the proceeds of the bonds, the size of the issue, the interest rate, the nature of the project and the name of the lead underwriter. The same company publishes the Mergent Bond Record, a monthly compilation of outstanding IRBs (as well other kinds of bonds). Similar listings can be found in the monthly Standard & Poor's Municipal Ratings Handbook.

Some economic development agencies also make lists of IRB deals available on their websites. For example, the Virginia Small Business Financing Authority's website contains a list of the 18 companies that have received IRB financing in 2001. <www.dba.state.va.us/financing/bondallocation/industrial/indbond01.htm>.

Publicly traded companies will often describe IRB financing in their 10-K annual reports.

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[1] Amounts beyond $1 million (up to $10 million) are permissible when the company's capital expenditures over a six-year period (beginning three years before the IRB is issued) do not exceed $10 million. Any previous Small Issue IRBs that are outstanding also count toward the limit.

[2] U.S. General Accounting Office, Industrial Development Bonds: Achievement of Public Benefits is Unclear (RCED-93-106), Washington, DC, April 1993, pp.16-17. Those states were California, Colorado, Georgia, Maine, Massachusetts, Minnesota, Missouri, New York, North Carolina, Oregon, Pennsylvania, Vermont & Washington.

[3] Op cit., U.S. GAO, Industrial Development Bonds: Achievement of Public Benefits is Unclear, p.18.

[4] U.S. Congressional Budget Office, Small Issue Industrial Revenue Bonds, Washington, DC, 1981, p.23.

[5] Friend of the Earth, *Dirty Little Secrets: 1998 Update.*

Work Opportunity Tax Credit and Welfare-To-Work Tax Credit

The Work Opportunity Tax Credit (WOTC or "WAHT-see") is a federal corporate income tax credit that encourages employers to hire specific kinds of workers who are considered disadvantaged. Like other tax credits, it is especially appealing to companies because it gives a firm a dollar-for-dollar reduction in its tax bill, rather than a deduction from taxable income. WOTC is widely used by employers of low-wage, low-skill workers, especially in the fast food and retail sectors.

The Welfare-to-Work Tax Credit (WtW) is a similar federal income tax credit that encourages employers to hire long-term recipients of public assistance.

Work Opportunity Tax Credit

Currently, WOTC provides employers a credit of up to $2,400 per qualified worker hired. The credit equals 25% of the wages earned by qualified hires who are on the job at least 120 hours but less than 400 hours. For 400 hours and more, the credit increases to 40 percent of the wages. This 40% credit applies to the first $6,000 of wages during the first year of employment. Hence the $2,400 cap, since 40% of $6,000 is $2,400. There is no limit to the number of qualified workers for which an employer can claim the credit. The program has been authorized through the end of 2003.

Qualified hires are workers in the following categories:

- a worker who is a member of a family that received Temporary Assistance for Needy Families (TANF, the successor to AFDC) for a total of at least 9 of the 18 months before the date of hire;

- a veteran of the armed forces who is a member of a family that received food stamps for at least a three-month period during the 15 months ending before the date of hire;

- a worker between the ages of 18 and 24 who is a member of a family that received food stamps for at least the last six months ending on the hiring date, or for at least 3 of the 5 months before the date of hire in the case of a family member who ceases to be eligible for such public assistance;

- a worker between the ages of 18 and 24 who is a resident of one of the federally designated Empowerment Zones or Enterprise Communities (or a 16- or 17-year-old resident of such areas hired as a summer youth employee);

- a disabled worker who completed or is completing rehabilitative services approved by a state or the U.S. Department of Veteran Affairs;

- an ex-felon who is a member of a low-income family;

- someone who received Supplemental Security Income benefits for any month during the 60 days before the date of hire.

- someone who is employed by a New York Liberty Zone business (see below).

In order to claim the credit, an employer must fill out IRS Form 8850 and then receive certification for each worker hired from the relevant state employment agency. IRS Form 5884 is used in claiming the credit when the company files its tax return. Many employers make use of consultants to handle the paperwork and to screen potential hires.

Welfare-to-Work

The WtW program provides employers with credits up to $3,500 for a qualified worker's first year of employment and $5,000 for the second year. The credit is equal to 35 percent of the first $10,000 in qualified wages for new hires who work 400 or more hours (or 180 days) the first year. The credit increases to 50 percent of the first $10,000 in qualified wages the second year.

Qualified hires are workers who are a member of a family that received Temporary Assistance to Needy Families for a least the 18 consecutive months before the date of hire, or a family whose TANF eligibility had expired up to 24 months before the date of hire.

Employers receive the WtW credit through the same process as that used for WOTC, but an employer cannot claim both kinds of credits for the same worker in a given tax year.

The program is currently authorized through the end of 2003.

Program History and Background

The Work Opportunity Tax Credit was created by the Small Business Job Protection Act of 1996 (P.L. 104-188), but in large measure it was a continuation of the Targeted Jobs Tax Credit (TJTC), which was enacted in 1978 and expired at the end of 1994. WOTC has never been permanently authorized. Congress has extended its life for a year or so at a time, and has often let the program expire for months before reviving it.

This has been a source of great frustration for employers that make use of the credit, and trade associations such as the National Restaurant Association (NRA) have long lobbied for permanent extension of the program. A bill that would do that was introduced in the House by Reps. Amo Houghton (R-NY) and Charles Rangel (D-NY), and in the Senate by Senators Jim Jeffords (I-VT) and Max Baucus (D-MT). The NRA's website, which has a section devoted to WOTC states that one in four restaurants nationwide have made use of WOTC.
www.restaurant.org/government/wotc.htm

Both WOTC and its predecessor TJTC have been the subject of criticism. In 1994 the Inspector General of the U.S. Department of Labor urged Congress to discontinue TJTC after his research found that employers would have hired 92% of the of the workers even without the tax credits. In addition, the jobs were "unremarkable."

- one in three employees was paid the minimum wage allowed by law;
- two of three employees worked part-time;
- two of three employees received no fringe benefits; and
- three of four employees were no longer employed by the TJTC employer five quarters after being hired.

The Inspector General "concluded that the TJTC program is not an effective means of helping target group members find employment [and] cost three times the amount that it returned in economic benefits."
http://www.oig.dol.gov/public/reports/oa/pre_1998/04-94-021-03-320s.htm

The Clinton Administration, however, strongly supported the credits and eventually persuaded Congress to continue them, with some tightening of rules and a change of name to WOTC. As part of its "welfare reform" initiative, the Administration also pushed for further measures to encourage hiring of former recipients of public assistance. The result was the Welfare-to-Work Tax Credit provision of the Taxpayer Relief Act of 1997.

A recurring criticism of both TJTC and WOTC is that the programs create an incentive for employers to "churn" - to dismiss workers whose tax credits have run out, so they can replace them with new credit-eligible employees. Concern about churning was expressed, for example, by Carlos Espinosa of the Center for Community Change in testimony before a House Ways and Means subcommittee in July 1999. Espinosa called on the Labor Department to collect data on retention rates among WOTC workers. He also called for disclosure of all companies receiving WOTC credits in excess of $100,000. His recommendations were not adopted.

Recent research by the General Accounting Office (GAO) found no evidence of churning, but they relied exclusively on interviews with employers and never spoke with workers - a fatal methodological flaw. Employers claimed "churning" would not be cost effective due to the costs of recruiting and training employees. Employers stated that these costs averaged almost $4,000 per employee - a questionable claim for low-wage jobs that require only "short-term on-the-job training." The GAO stated without comment that "67% of certified employees separated from their employers after earning less than $3,000." Even if this isn't churning, it raises questions about the benefits to needy workers. See GAO-01-329 at http://www.gao.gov/

It is disturbing that the GAO "did not evaluate the effectiveness or efficiency of the WOTC in promoting the hiring of disadvantaged individuals." Moreover, GAO admitted that it "did not determine the extent to which employers may have received 'windfall' credits for employees whom they would have hired anyway."

The most recent extension of WOTC (through the end of 2003) came in the economic stimulus bill passed by Congress in March 2002. That bill also included a group of benefits for New York City to help in the recovery from the 9/11 attacks. Among these was a provision that extends WOTC eligibility to <u>any</u> workers employed <u>or retained</u> by businesses located in the portion of lower Manhattan known as the Liberty Zone, or by businesses that were forced by the attacks to relocate from the zone to another part of the city. Companies with more than 200 employees are not eligible for designation as New York Liberty Zone businesses.

Research and Disclosure

According to the Internal Revenue Service statistics office, during the most recent tax-filing period for which information is available (July 1998-June 1999), 2,000 companies filed returns that included WOTC credits. The total dollar value of the credits was $232.7 million. During the same period a total of 538 companies filed returns claiming Welfare-to-Work Credits with a total dollar value of $18.2 million.

According to the U.S. Department of Labor, 370,835 workers were certified for WOTC and 154,608 workers were certified for WtW in fiscal year 2000.

Large companies dominate the use of WOTC credits. According to the GAO report cited above, in 1997 companies with gross receipts of $1 billion or more claimed 66% of WOTC credits. The same report found that the business sectors receiving the largest portion of WOTC credits were retail trade (56% of total WOTC dollars), nonfinancial services (25%) and manufacturing (12%).

Getting company-specific information is more difficult. The U.S. Department of Labor says it does not have such information, and the IRS will not disclose information about an individual firm's tax return. Publicly-traded companies that receive WOTC and WtW credits will sometimes mention this fact in their 10-K filings with the Securities and Exchange Commission, but they tend not to give much detail (and the dollar amounts are often lumped together with other kinds of tax credits).

The only other sources are the state labor agencies that must certify qualified workers before a company can claim the credits. There is a lot of variation among the WOTC/WtW coordinators in those agencies in terms of their willingness to disclose company-specific information. Some of the agencies will readily provide the information on the phone; others require a written request. Yet other agencies will not provide the information at all, claiming that it is "confidential" or "proprietary."

Disclosure is complicated by the fact that the WOTC/WtW coordinators often deal with consultants rather than the employers themselves, and they file the applications by the name of the consultant. Some coordinators are willing to go through the files to look for applications relating to a specific employer.

Coordinators also caution that they have no way of knowing to what extent a particular company actually collects credits after new hires are certified, since some workers will not remain on the job long enough to allow the employer to receive the full credit. As a result, what you can expect to get from cooperative coordinators is simply the number of new hires at a particular workplace that have been certified, but not a dollar amount for credits.

A list of state WOTC/WtW coordinators can be found on the web at: www.workforcesecurity.doleta.gov/employ/updates.asp (click on the link for document 102 to get the PDF document).

For general information on the programs, see:
www.workforcesecurity.doleta.gov/employ/wotcdata.asp
www.workforcesecurity.doleta.gov/employ/wtw.asp

Chapter 7. Researching a Development Agency

Researching an agency requires investigating the programs it administers (Chapter 6), the deals it has approved (Chapter 8), and the people (Chapter 9) who have power (Chapter 4) within it and over it. This chapter identifies the main kinds of agencies you will encounter, describes some of the main money-flows, and outlines the key issues in targeting an agency and getting basic information about it.

In this chapter:

A. Key Issues

As you identify and target agencies, you need to answer these key questions:

Money

- Where does the agency get its money? (There may be more than one source.)

- What share of the agency's money is used for operations and what share is actually spent in the form of subsidies?

- Does the agency act formally or informally as a conduit or broker for subsidies that are either entitlements or that technically flow through different agencies? That is, is the agency a "gatekeeper" or "lead dog" in relationship to various subsidies or agencies?

- Who controls the agency's budget? Does the body that controls the money have the ability to punish the agency with a budget cut if it is displeased by the agency's actions? Or reward it with more money?

- Does any of the money come from another level of government (e.g., federal or state), which places restrictions or requirements on the money?

Governance

- Who officially controls the agency's decisions? A board or a staff? Are the board members and board chair of the agency appointed or elected? Is the director appointed or elected? If he/she is appointed, who appointed him/her?
- If board members are elected, who supported their campaign financially and organizationally? If they are appointed, who appointed them? Are some seats automatically filled by certain public officeholders or by representatives of corporate associations?
- Who controls the agency's bylaws? Have the bylaws been amended in recent years? What was the effect of the changes? What was the scuttlebutt then?
- Is the agency public or private? Or "quasi-public," or a "public-private partnership"? If it is private or only partly public, how does this affect access to meetings and records?
- What is the official organizational structure? Does the informal power structure match the official structure? (Not likely.)
- If not the board, to whom is the agency accountable? Who can order an audit or investigation of a dispute? Who can fire the director?
- Can anyone override the agency's decisions?
- What mechanisms exist, if any, to make the agency's board and staff accountable or sensitive to the public? Or is the agency so insulated by layers and distance that it feels little need to heed public opinion?
- Does the agency hold public meetings? Does it issue publications to which you can subscribe?
- Is the agency complying with the regulations that govern it, especially regarding public disclosure and holding subsidized corporations accountable for their promises?
- Do other sources, such as an audit or media reports or a legislative hearing, suggest the agency has performance problems or improprieties?

Meetings, Reports and Disclosure

- Does the agency have to hold public meetings on regular business or conduct public hearings on specific deals?
- Are any aspects of the agency's meetings closed (except for personnel, which are almost always closed)?
- Does the agency notify the public of upcoming meetings? Or does it do minimal things such as advertisements in the newspaper's legal section? How much advance notice is given? What time of day are the meetings? Where are they held? Are they accessible to community residents who will be affected by the deal?
- How complete are the minutes?
- What kind of public input is allowed or required?
- What reports does the agency have to prepare and make public? Does it issue an annual report or other report that is likely to list deals?

Mission and Jurisdiction

- What is the official mission of this agency? What does the *intent language* in the legislation creating the agency say it is supposed to be doing?
- What is the agency's geographic jurisdiction? Does it cover a city, a county, a multi-county region, a metropolitan area, a state, a multi-state region or the entire country?

Personalities

- What is the background of the agency chair and agency director? Where did they work before? What are their reputations? What was said publicly when they took office?
- Are there consultants or lawyers who have developed a specialty in representing clients before the agency? Who have their clients been? What is their track record? What connections do they have to the agency's power structure through partnerships, marriages, friendships and political ties?
- What is the agency's staff culture? Does it have modern computer systems? Or is it still using antiquated methods of tracking information? Is it on a short political leash? Or does it have some independence? Is it available and

forthcoming to your inquiries? Or is it obstructionist and misleading? Does it even talk about progressive values as guiding its work? Or does it simply spout the letter of the law?

B. Identify the Economic Development Agencies in Your Area

Most states have one umbrella agency that has the primary responsibility for economic development. The same is true of cities and counties. There are typically several smaller (usually more specialized) agencies at both the state and local level that also administer development programs, but you should start by researching the largest economic development agency.

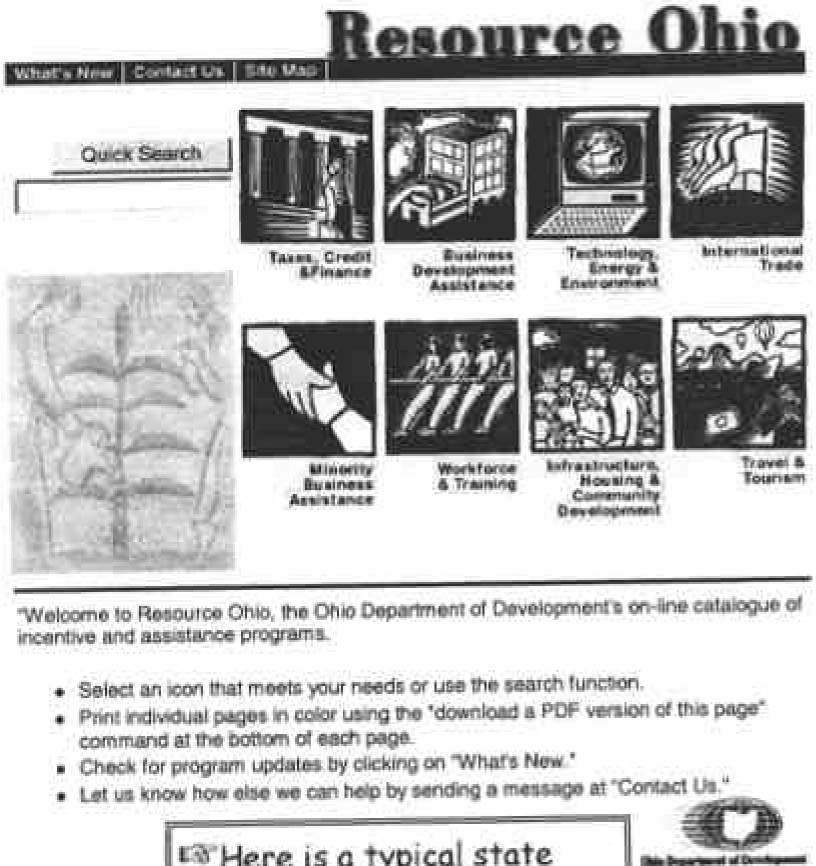
Federal Agencies

Because the emphasis of this manual is on state and local work, we do not outline the federal agencies in detail here. In Chapter 6, on development programs, we do provide more information on federal agencies. But the emphasis is on how money from federal agencies flows through state, regional and local entities. We also discuss how some federal rules can benefit local organizing.

State Agencies

Commerce Department: the main state agency is usually called the Department of Commerce or the Department of Community and Economic Development or the Department of Trade and Economic Development. This is an executive-branch department under the control of the governor.

The trend in recent years has been to make these agencies more powerful by combining multiple functions in them, which in turn imply multiple budget streams from both federal and state sources, such as export promotion (money from the U.S. Department of Agriculture), community development (U.S. Department of Housing and Urban Development or HUD), workforce development (U.S. Department of Labor), and economic development (HUD as well as U.S. Department of Commerce).



☞ Here is a typical state development department's Website, which readily catalogs the state's subsidy menu.

To identify your state's main agency, go to the state's Website and then seek links to the state office of business or economic development. Or you can go to www.ecodevdirectory.com for a listing of state and local economic development agencies. Also try www.piperinfo.com, which maintains information about and links to state and local governments. Such Websites are increasingly rich sources of information geared to companies looking for incentives.

Besides the Web, an agency's printed promotional literature is a good place to start identifying the subsidies offered by the state. Call and ask for the materials they send to companies thinking of locating there (you can even pretend to represent such a company).

Employment and Training: some states continue to keep this function separate as a distinct executive-branch cabinet agency. This agency oversees the state's own training budget, as well as the state's use of federal Workforce Investment Act monies from the U.S. Department of Labor (a fraction of which is retained for discretionary use by the state). Depending on the state's systems, it may also oversee vocational education programs or community college systems.

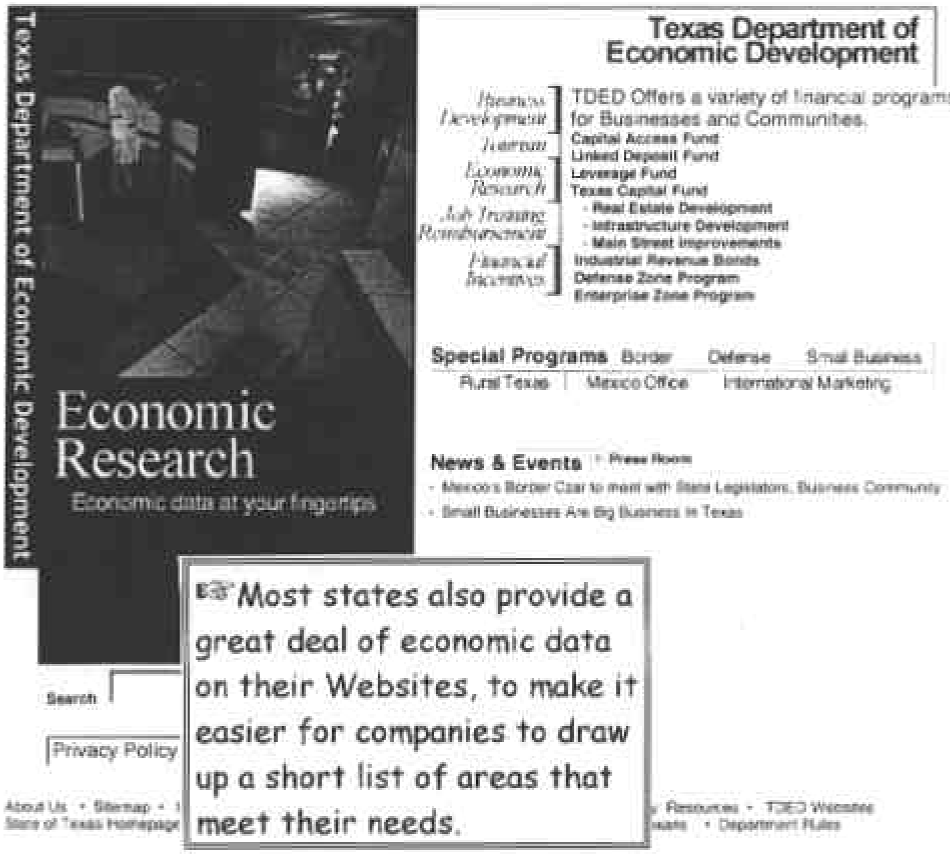
State Development Authorities: these are normally separate from the commerce department. They are typically governed by an appointed board. They issue low-interest loans known as tax-free industrial revenue bonds (sometimes called industrial development bonds). Sometimes there will be one primary state development authority and additional authorities, such as one that issues bonds to the health-care companies. We refer here to *private-activity bonds* (which are backed by the private company doing the borrowing, not the state) not school bonds or sewer bonds, where the borrower is a government entity.

State Department of Revenue: most of these have information about corporate income tax and sales tax breaks, including the rules that entitle a company to claim a credit, and how much revenue is lost. The information may not be well organized; that is, it probably isn't grouped according to "economic development," so you'll have to determine if a particular tax break meets that definition.

For help with such questions, find out if your state has a non-profit tax and budget-fairness group. For links to many of them, go to the Website of the Center on Budget and Policy Priorities, www.cbpp.org and click on the State Fiscal Analysis Initiative section.

State Board of Tax Commissioners: Most states have a state board of tax commissioners that collects information about local taxing districts, such as assessments, appeals, and possibly abatement information. The state board will also have information about sales disclosures (the data used to calculate sales taxes).

Texas Department of Economic Development



☞Most states also provide a great deal of economic data on their Websites, to make it easier for companies to draw up a short list of areas that meet their needs.

http://www.tded.state.tx.us/

State legislature: usually several committees will have some jurisdiction over economic development issues, including commerce, tax/finance, labor, budget/appropriations, oversight and/or operations. Depending on how committee lines are drawn, different bodies may have control over policy, entitlements, discretionary budgeting, and program evaluation.

Auditors: depending on the state's structure, the auditor may reside in the legislative or executive branch or be independent. Some state legislatures have their own auditor. (For more details about audits, see Chapter 3.)

Regional Agencies

County Tax Assessor/Collector: property taxes are most often assessed and collected by a county office whose duties include estimating the value of all property in its jurisdiction, maintaining records of ownership and sale information and property characteristics, and collecting and distributing tax revenue to the various taxing districts. There may be an assessor for other property-taxing authorities, i.e., school board, state, city, township, or special districts, such as water. The number of assessors' offices will depend on your state's tax structure.

This is where property tax abatements are granted; for capital-intensive manufacturers, abatements can be the largest dollar subsidy. The assessor's office may have a governing board or an appeals board to rule on applications for reassessments and abatements. Or that may be the decision of the county board of supervisors or the city council, depending on the property tax system's structure.

County Industrial Development Authorities: these are the most common sources of industrial revenue bonds. In most cases, they are not the key agency, although in rural areas they may take the lead.

Workforce Investment Boards (WIBs): these are the multi-county bodies that oversee the use of U.S. Department of Labor Workforce Investment Act (WIA) training monies. WIA is the successor of the Jobs Training Partnership Act (JTPA). WIA monies serve numerous populations including dislocated workers, new trainees, and so-called "hard to employ" workers. They were formerly known as Private Industry Councils (a.k.a. "PIC Councils") and Service Delivery Areas.

Federal rules require that a majority of WIB seats be filled by private-sector representatives. But they also mandate a small number of community representatives on WIB boards. Effectively, this means that in some cases, community or labor activists get a seat at the WIB table. See more in Chapter 6.

Local Agencies

Department of Economic Development: local (city and county) governments are also likely to have one executive-branch agency that takes the lead in packaging deals. This agency typically oversees recruitment and retention efforts, and provides technical assistance to companies, including help with subsidy applications. It also oversees the development of enterprise zones and tax increment financing (TIF) districts (though the formal authority to create zones and districts is normally held by a city council or county board). This agency may also control or influence infrastructure spending.

Generally, city development departments represent the executive branch to the legislative branch, especially when legislative action is required for a deal. For cities, the largest source of operating money for their development departments comes from U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) program.

City council/County board: as explained above, in many cases, a city council or county board has the formal authority to approve or deny major economic development decisions, such as property tax abatements, industrial revenue bonds, or TIF districts. As at the state level, jurisdiction may reside in more than one committee, such as community and/or economic development, budget, or oversight. In some cases, legislative leaders have automatic ("ex officio") seats on boards such as development authority boards.

Enterprise/Empowerment Zone Associations: there are now both state and federally-authorized enterprise zones. They continue to grow many names, such as "Empire Zones" (New York), and "Renaissance Zones" (Michigan). The credibility and power of zone associations varies. They promote zone benefits to companies already inside them, and may help recruit companies to migrate into a zone. They may track the zone's progress as a way of justifying the tax breaks (although claiming credit for everything good that happens in a zone is not a credible measure of the zone's impact).

Company-specific value of state tax breaks claimed by zone companies is not public information, although the state's tax expenditure budget hopefully breaks out revenue lost, at least statewide if not by zone. The state often has an enterprise zone office, or at least a zone information staffer, within the commerce department as well.

Multi-State Regional Agencies

Especially in rural areas, regional agencies may play a significant role in local development policy.

Appalachian Regional Commission: the ARC is a federal agency whose board is composed of the governors of the 13 Appalachian states and one presidential appointee. It works through a network of Local Development Districts, which are multi-county planning and development organizations. The LDDs essentially determine the development plans for the counties involved since poor rural counties often don't employ planners. Their website is www.ddaa.org (Development District Association of Appalachia); the ARC's website is www.arc.gov.

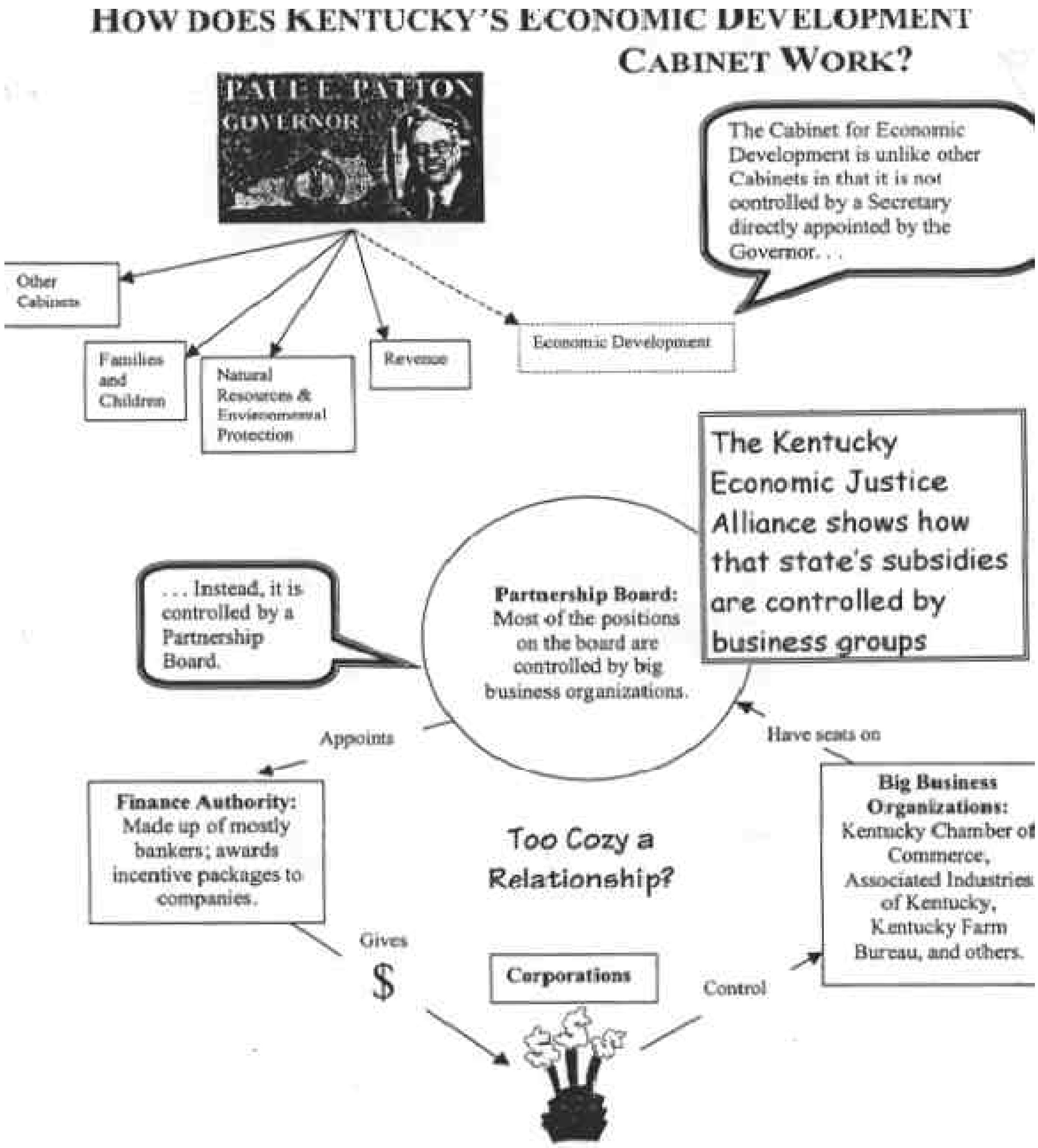
Tennessee Valley Authority: there are eight Regional Industrial Development Associations (RIDAs); combined with TVA, they compose the Tennessee Valley Industrial Development Association (TVIDA), which offers incentive packages in conjunction with local economic development agencies. TVA covers East Tennessee, North Mississippi, Middle Tennessee, Southeast, South Kentucky, North Alabama, Northeast Tennessee, and West Tennessee. Find out more at www.tva.gov.

C. The Growing Role of the Private Sector

As stated before, some states have created "quasi-public" or "public-private partnership" entities to lead recruitment activity. At the local level, some cities and counties literally contract out much of their economic development work to the chamber of commerce. Go to www.online-chamber.com to find the chambers in your area.

This is a troubling trend for several reasons. First, it is akin to putting the fox in charge of the hen house. That is, if the net effect of development subsidies is to lower the cost of doing business, is it appropriate to allow a chamber which regularly lobbies for more subsidies to oversee how they are used? Put another way, would the chamber of commerce approve if the Sierra Club were hired by the county to direct environmental enforcement?

Second, it retards and discourages public participation in the development process. It reinforces the message that economic development is a secretive process that necessarily is controlled by business interests. Other voices – neighbors, taxpayers, unions, environmentalists – get shoved aside.


HOW DOES KENTUCKY'S ECONOMIC DEVELOPMENT CABINET WORK?
PAUL E. PATTON GOVERNOR
The Cabinet for Economic Development is unlike other Cabinets in that it is not controlled by a Secretary directly appointed by the Governor. . .
Other Cabinets
Families and Children
Natural Resources & Environmental Protection
Revenue
Economic Development
The Kentucky Economic Justice Alliance shows how that state's subsidies are controlled by business groups
. . . Instead, it is controlled by a Partnership Board.
Partnership Board: Most of the positions on the board are controlled by big business organizations.
Appoints
Have seats on
Finance Authority: Made up of mostly bankers; awards incentive packages to companies.
Too Cozy a Relationship?
Big Business Organizations: Kentucky Chamber of Commerce, Associated Industries of Kentucky, Kentucky Farm Bureau, and others.
Gives
$
Corporations
Control

Third, it fuels the "revolving door" problem. Most development directors already have strong ties to their local chamber of commerce. But having a chamber control recruitment – creating a system in which business captures a government function – blurs the proper distinction between the two and creates greater possibilities for improprieties and conflicts of interest.

Fourth, as previously noted, it may reduce the amount of information available under a state's FOIA.

Besides chambers of commerce, other business groups – such as state manufacturers' associations -- seek to influence development agencies. Other state examples include North Carolina Citizens for Business and Industry, and the Tennessee Business Roundtable.

In some cases, *business groups even sit on agencies' governing boards!* As the accompanying chart from Kentucky explains, the majority of that state's development cabinet board is actually composed of officers of business groups!

D. Researching an Agency

Talk with economic development staff. Once you've identified the key agency or agencies, go talk with their staff. If you have the time, keep the first conversation general: ask about their priorities, their successes, and their sense of the future. Ask for an annual report and budget, and samples of the materials they use in recruitment. Save more specific, critical questions for later interviews when you have gathered more information.

Document the agency's decision-making process. Using the list of questions at the beginning of this chapter, determine the agency's governance structure, how it awards subsidies, and what procedures it must follow on public participation.

Map the players inside (and outside) the agency. Using pointers from Chapter 4, try to map where power actually resides. Find out the dominant players in the agency board and staff, as well as outside people with informal power over them.

Analyze agency budgets and annual reports. Typical expenditures include administrative costs, money actually paid as subsidies (e.g., cash grants to a company or infrastructure spending) and money spent on trips and events to recruit companies to an area. A budget should break down spending by all of these areas, as well as sources of funds.

Agency 72 - Department Of Economic Development
Program 603 - Industry Recruitment

'rogram Objectives:

Business Recruitment/Development, Program 603, encompasses the business development initiatives--busine recruitment, international trade and investment, existing business assistance, and workforce developmen Business Recruitment includes efforts to attract new employers to Nebraska, assisting existing business expansions, and communities with development efforts. International Trade and Investment works with bu to expand international marketing, as well as foster international investments in the state. The Exist Business Assistance Division encourages the startup of new businesses and the retention and expansion o existing businesses. The Work Nebraska efforts are focused on a statewide program to connect qualified with high quality jobs.

'inancial Data:

	Actual FY98	Approp FY99	Request FY00	Recom FY00	Request FY01	Recc
General Fund	2,076,817	3,688,510	6,267,976	3,731,067	7,018,420	
Cash Fund	20,690	150,000	150,000	150,865	150,000	
Federal Fund	4,924,873	5,481,718	1,391,394	1,399,008	549,772	
Revolving Fund	0	0	0	0	0	
Other Fund	0	0	0	0	0	
Total Agency	7,022,380	9,320,228	7,809,370	5,280,930	7,718,192	

'erformance Measures:

Description	FY98 Actual	FY99 Current	FY00 Request	FY01
EBAD clients served	1,800	1,800	1,800	1,800
Students served by STC partners	224,978	250,000	250,000	250,0
MEP client reported cost savings	$1,057,000	$1,500,000	$1,750,000	$2,00
Jobs created through Fin. Pkgr. effort	1,020	900	900	900
Jobs saved through Fin. Pkgr. efforts	230	400	400	400
EPSCOR private support	$797,000	$797,000	$797,000	$797,
$'s of EPSCOR awards	$8,000,000	$8,500,000	$8,500,000	Unkno
New EZ investments	$5,000,000	$7,000,000	$8,000,000	$8,00
Average wages in EZ	$8.37	$8.50	$8.75	$9.00
Surety bond participants	68	120	150	180
Worker wages trained via job trng.	$8.60	$8.75	$9.00	$9.25
Annual media advertising campaign	Ongoing	w/new Governor	Ongoing	Revis
Contacts during staff marketing trips	22	25	30	30
Marketing trips with local partners	2	2	2	2
Targeted trade shows	3	2	2	2
Responses to interested companies	125	125	125	125
In-state prospect visits	35	35	35	35
Industry location announcements	25	25	25	25
Assistance to communities	6	6	6	6
Community profiles produced	60	60	60	60
Assistance to companies exporting	30	30	50	50

☞Here is the Business Recuitement/Development budget for Nebraska. Besides showing an increase in spending, it reports that wages in enterprise zones average $8.37 an hour and that 125 companies inquire per year. What other details jump out at you?

Chapter 8. Researching a Deal

A deal today, especially a large one, may involve more than a dozen subsidies from several levels of government – city, county, regional, state, and federal. There may be a mix of discretionary subsidies and entitlements– you may need to investigate a lot of subsidy "silos" to estimate the total value of a deal.

In this chapter:

A. Key Questions to Ask

Deals have many different aspects that can be researched; you should focus on those issues that serve your research goal. For example, you may want to investigate the negotiation process, or find out what kinds of promises the company made. You may be trying to list all of the subsidies and compute their value. Here are key questions:

Negotiations and Key Players:

- Who was involved in the negotiation process on both the company and government sides?
- What was the sequence of events? (Again, we recommend a chronology.)
- Did the company use a site location consultant or other bargaining representative?
- If more than one government agency was involved, who took the lead? Did business interests such as the Chamber of Commerce have a role?
- Who had the formal power to approve the deal? Who had the informal power to win it or to stop it?
- Who publicly supported or opposed the deal and what is their self-interest? If it can be learned, did anyone *privately* oppose or support the deal, and why?

- Was any aspect of the negotiation process open to the public? What was the quality of publicly-accessible information before the deal was finalized?

- What did the company say or do in order to persuade the government that it needed subsidies? Did it threaten to relocate or expand elsewhere? Was the company's threat/claim credible? Did the company identify competing sites (either publicly or in private negotiations), or did it keep their identify secret?

- Which parts of the deal, if any, are not finalized and are therefore more susceptible to public scrutiny? For example, sometimes deals are contingent upon final subsidy approvals from agencies whose boards only meet once a month. Sometimes a deal will require an extraordinary act by an agency board that cannot be done so quickly; occasionally, big deals even require special actions by state legislatures.

Questions About the Company's Motives and Business Basics:

- Why did your community make it to the company's "short list" in the first place? In other words, what is it about the company's basic needs – such as proximity to customers, proximity to suppliers, access to skilled labor, and access to other key inputs such as a university or a port or an airport, that brought your community to the company's attention?

- What are the circumstances of the company's arrival? Is this facility a "runaway shop" from another community? If so, what can you learn about why the company is leaving that community? What kind of a neighbor was the company there, in terms of labor relations, environmental compliance and keeping its promises on past subsidies?

- Are the jobs really "new," or just new to your community? Is this the result of a consolidation, merger, acquisition or other event that may indicate turmoil within the company or the industry?

Questions About The Deal's True Benefits:

- If the company or government has made "ripple effect" claims, where did that data come from? If a cost-benefit study was done, are the underlying assumptions credible? Usually such claims come from the company or its consultant and are therefore not impartial or reliable.

- How many of the "new" jobs will actually be filled by people whom the company will transfer in from other locations? Especially in the top-paid executive and management positions, it is common that most jobs will not go to local residents.

- For the jobs that will actually go to local residents, how do wages and benefits compare to average levels in the area? If the pay is going to be below the industry or regional average, can this deal really be called "economic development?"

Totaling Up the Cost:

- What are all of the subsidies in the deal? (See the checklist below.) Has anyone besides you tried to add up all the subsidies?

- Have government officials made public statements citing dollar amounts or specific subsidies? (Often, when a deal is announced, a press release is issued that will list at least some dollars and subsidies.) Can you determine if those statements are complete and accurate?

Geographic Issues:

- Is the deal in a tax increment financing district, or in an enterprise zone?

- Did government officials steer the facility to a politically-favored Congressional district, state representative or senatorial district, or city council district? In other words, did government officials treat the deal like political "pork?"

- Or, if the facility emits toxics or has other undesirable aspects such as heavy truck traffic, was the project steered to low-income areas or neighborhoods of people of color?

- Will the jobs be accessible by regular-service public transit to low-income workers who do not have cars, but need the jobs the most?

- Will the facility contribute to urban sprawl by promoting growth at the fringe or by causing more people to commute by car? Could the facility have been located in an already-developed area that would make efficient use of already-existing infrastructure and promote core-area redevelopment?

Accountability Standards:

- Does the development agreement, or do any of the subsidy regulations, legally bind the company to any specific obligations, such as creating or retaining a certain number of jobs, paying a certain wage or providing specific benefits, investing a certain amount of capital, maintaining jobs or investments for a duration of time, training a certain number of employees, hiring a number or percentage of workers from "hard to employ" populations, or paying a certain level of property taxes?

- Does the agreement, or do any of the subsidy regulations, provide for any penalty, such as the loss of the subsidy, if the company fails to meet its obligations? (See clawback in the glossary.) Are the penalties hard and fast, or do they grant government agencies a lot of discretion?

Monitoring of Outcomes:

- Which agency, if any, will be responsible for monitoring the deal's outcomes? Does this agency have a track record of carefully watching previous deals?

- What kind of data will be collected (e.g., numbers of jobs created, increase in property tax revenue)?

- Will the company be allowed to self-report, or will the agency use independent data such as Unemployment Insurance records or spot-check of payroll records?

- How often will such information be gathered? Where will it be reported? Will it be publicly accessible?

- Is any kind of long-term evaluation required? Who is charged with evaluating the deal, if anyone? How often are evaluations conducted? Are they publicly accessible?

Other Community Issues:

- What else could the subsidies have been used for? What neighborhoods or businesses could have benefited from loans, grants or new infrastructure?

- Does the project fit in with other formal community goals, such as a comprehensive plan, a community development plan, neighborhood plans?

B. A Subsidy Checklist

A deal may involve a dozen or more subsidies, so here is a beginning checklist. The names of state and local programs vary greatly; these are basic names here:

Land/Site Subsidies

- Road and traffic improvements, sewer lines, water-treatment plants, utility hook-ups and other infrastructure
- Use of eminent domain, land price subsidies
- Brownfield remediation assistance, legal liability avoidance
- Tax increment financing for infrastructure or other site assistance
- Agreements to hold a company harmless for damages to public property during construction

Technical Assistance and Fee Waivers

- Expedited handling of permits
- Agreement to lobby other levels of government for additional subsidies
- Fee waivers of many kinds associated with construction and land transactions

Corporate Tax Breaks

- Property tax abatements
- Corporate income tax credits for capital investment, research and development, job creation, or other activities
- Sales tax waivers on materials for new construction
- Utility tax breaks
- Enterprise zone-associated tax breaks such as inventory tax exemptions and employment tax credits

Loans and Loan Guarantees

- Industrial revenue (or development) bonds for low-interest loans
- Other state and/or local loan programs at subsidized rates
- "Gap" financing, sometimes including TIF
- Small Business Administration loan guarantees

Training/Workforce Subsidies

- Training grants to pay for instructors, curriculum or other customized training, on site or at a community college or other public facility
- Wage subsidies paid to the company for "on the job training" periods
- Federal Work Opportunity Tax Credits

Other Subsidies

- "Economic development" utility rates

- Consulting on modernization, automation, energy efficiency and other issues

C. Which Agency Leads A Deal

Both local and state agencies may be the main drivers of a deal; typically, big deals are negotiated by a state agency. If a company is relocating or expanding into a new state, it will often deal with the state commerce department, because that department will have the most information about many different sites within the state. Companies also prefer to deal with state officials if the area under consideration is rural or in a small city; state officials are more likely to be responsive and to know more about the subsidies that are available.

If a company is moving from one city to another within the same state, the “winning” city will likely be the main driver. Incredibly, such a deal may qualify for some state subsidies, especially if the company is moving into an enterprise zone (unfortunately, most state programs do not contain anti-piracy provisions).

The larger the city a company is looking at, the more likely that city is to have its own development department with staff who specialize in packaging subsidies and otherwise assisting new companies. County governments are less often the lead agencies in deals, although when deals are sited outside city limits, counties are usually involved in subsidies such as roads and revenue bonds.

The federal government does not negotiate individual deals with companies, although federal money is often involved in large deals, especially Community Development Block Grants (which flow through cities and states), Workforce Investment Act training monies, and the federal tax breaks available in empowerment zones.

You should review Chapter 6 on subsidy programs to familiarize yourself with the possible components of a deal. That chapter also includes details on getting information for each program.

D. Getting Information

Chapter 3 on the basics of subsidy disclosure and Chapter 6 on major programs provide much information about subsidy transparency, Freedom of Information laws, and program-specific sources. This section emphasizes research to help if you are trying to influence a deal as it is happening, or to reconstruct one.

Getting much information about a company-specific deal can be difficult until after the deal has been finalized. However, there is often a small amount of time between when the deal is negotiated and when it is legally approved by a city council or county board or state legislature. This small time window – often less than a month –

may be the only time when citizens have the ability to scrutinize and question a deal before it becomes final.

Step #1: Do a news media search.

Look in particular for the press release issued by the lead agency (or by the company) when the deal is announced. While the quality of press releases varies a lot, they should always be examined closely for details about subsidies. Usually, the agency that issues the release is the lead agency.

Step #2: Identify the lead agency or agencies in the deal.

If this is not evident from press releases or media reports, ask the development agencies.

Step #3: Get a copy (by FOIA if necessary) of the development agreement between the company and the lead agency.

Typically, the development agreement will outline the major subsidies that were negotiated by the local players. While an agreement may not legally cover all of the subsidies, it will often refer to them, thus providing a road-map for you. You may need to file a Freedom of Information Act request to get the agreement; see Chapter 3.

Step #4: Get a copy (by FOIA necessary) of recruitment and negotiations records.

Use these records to start your chronology and to begin answering basic questions about the deal's players.

Step #5: Call the agency and interview the people who negotiated the deal.

Ask for the person named in the press release or other media about the deal. Seek an interview in person if possible, and if records have not been provided to you yet, try to use the visit as a deadline for them to be provided. If there is a delay on your FOIA request, you may have to conduct the interview without some records. In any case, use the key questions listed at the beginning of this chapter as the basis for the interview.

Step #6: Research the company.

See Chapter 9 on Researching a Company. After you have obtained basic information about the deal, including any promises the company made, get more information about the company's history in other communities and about its history and officers. This information will help you evaluate the company's claims and trustworthiness.

Step #7: After you have found out what subsidies are involved, research the programs.

See Chapter 6 on programs; in particular, look at the regulations and requirements for the programs that compose the deal. These may reveal that the company has legal requirements that are not obvious in the development agreement. For example, some so-called "high impact" subsidy programs require companies to create or retain large numbers of jobs.

E. A Sample Development Agreement

Reproduced below are fragments of a development agreement between the city of Harrisonville, Missouri and Wal-Mart for a new distribution center. As you can see, the deal involves a remarkable array of subsidies.

THIS AGREEMENT is made as of the 17th day of July, 2000, by an between the City of Harrisonville, Missouri, with a mailing address of 300 East Pearl Street, Harrisonville, Missouri 64701, (the "City") and Wal-Mart Stores East, Inc., (the "Company").

NOW THEREFORE, for and in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration hereinafter specified of which is hereby acknowledged, the parties agree as follows:

I. <u>UTILITY SERVICES</u>

A. Sanitary Sewer Main Extension: Subject to Article VI herein, the City agrees to provide a wastewater treatment plan adjacent to the Property to be designated by the Company. Said plant shall have the capacity to receive an average of 15.000 gallons per day of outfall sewer flow from the proposed facility. The City agrees to provide this service, including but not limited to, gravity mains, engineering design, force mains, lift stations, and other . . .

II. **INFRASTRUCTURE IMMPROVEMENTS AND SERVICE GUARANTEES**

A. Roads and Signals: Subject to Article VI herein, as an incentive to the Company to locate a distribution center south of Harrisonville, the City shall, by the dates indicated below, provide at its own expense, or SHALL HAVE PROVIDED AT THE EXPENSE OF SOME PARTY OTHER THAN THE COMPANY, the following road work not later than February 28, 2001, or such later date as mutually agreed by parties:

The City agrees to make all improvements to 275th Street and SW Outer Road and the construction of an access road from SW Outer Road. The upgrades to 275th Street and SW Outer Road will provide two 15-foot lanes with curbs and gutters.

II. **PLAN REVIEWS, PERMITTING, AND FEES**

D. **Fees:**

1. Review and Permit Fees: The City and the Company acknowledge that there are various plan review and construction building permit fees required by the City; including site plan review, mechanical permit, building and sign permit, electrical permit, and plumbing permit. For this project, the City agrees that the above listed local plan review and construction and building permit fees, as well as any other local fees associated with these functions, shall be waived.

V. **TEMPORARY OFFICE SPACE**

The City will provide temporary office space of approximately 5,000 square feet (3,000 square feet of office and 2,000 square feet of storage) for a period of approximately 140 days. The location of such space shall be determined by the City. The Company shall pay all utilities for such space and shall maintain insurance. The City shall not charge rent to the Company. The space shall be available beginning January 1, 2001.

VI. **FINANCIAL ASSISTANCE**

Notwithstanding anything to the contrary herein, the parties hereto acknowledge and agree that this Agreement, and the City's obligation to install and construct the sanitary sewer system and the roads and signals as described herein is subject to the city obtaining a CDBG grant from the State of Missouri in the amount o f$1 million for such work. The Company and the City will each pay 50% of the total cost exceeding $1 million for the sewer plant and roads. The City agrees to apply for CDBG funding from the State. If the City does not receive CDBG funding, the City has no obligation to construct the sewer plant and roads at its own cost, the City agrees to adjust the PILOT discussed in Article VII to reimburse the Company over the term of the Agreement

VII. **IRB'S**

The City and the Company acknowledge that the Project is expected to be exempt from ad valorem property taxes while owned by the City. The Company agrees to make a payment in lieu of taxes (PILOT) to the City of $456,000 each year for a period of twenty (20) years. Allocation of this payment to the various taxing authorities shall be in the sole discretion of the city and shall be the sole responsibility of the City.

VIII. TAXES

After the property is transferred to the City and until the end of the assessment year in which facility construction is complete and the distribution center is ready for operation, there will be no taxes levied on the incomplete facility or on the any improvements to the Property. For assessment years ending between purchase time of the Property by the Company and the facility's operational readiness, the land will be taxed at the "current us" rate which will be that rate which was in effect at the time the land was acquired by the Company.

Chapter 9. Researching a Company

This chapter covers the basics about researching a company's officers and board members, financial information, environmental record, and other information that can be useful in a subsidy reform campaign. This chapter also covers corporate sources for finding out whether a company has received development subsidies. Chapter 5 has more information about researching key individuals.

In this chapter:

A. Questions to Ask About Subsidized Companies

- Has the company done things that would cause people to question its character, credibility, or truthfulness?
- Has the company exercised political influence, such as campaign contributions to political leaders or political parties, or fundraising work for candidates or parties?
- Has the company ever hired public officials through the "revolving door" after those public officials helped the company get subsidies elsewhere?
- Has the company ever played states or cities against each other for deals elsewhere?
- Does the company belong to industry groups such as chambers of commerce or manufacturers associations? Does it have leadership roles in those groups?

- Do they or their company lobby directly, or only indirectly through business groups?
- Has the company or the developer made concessions in other cities, such as job quality commitments or living wage standards, first-source hiring agreements, or development fees? Has it funded public benefits like affordable housing, open-space, day-care facilities, or public transit fees?
- Has the company always honored its job-creation commitment in other communities? Has it honored its other commitments?
- Is the company asking your community to “pay Peter to rob Paul” by simply relocating jobs from someplace else? What are people in the other city doing about it?
- If the company is relocating jobs from other locations, did it promise employees at those other locations that it would relocate them to the new worksite, while at the same time promising to “create” “new” jobs in your community?
- Has the company been a good corporate citizen – for example, has it polluted in other communities? Does the company have labor disputes or employment discrimination disputes at other locations??
- Has Is the company telling Wall Street that it plans to downsize its operations at the same time that it is promising to create jobs in the community?
- Is there evidence that the company or its consultant has exaggerated the benefits or understated the costs of the deal?
- Is there evidence that the company would have done what it did (e.g. build or expand) without the subsidy?
- Did the local or state development agency answer all of these questions about the company as it weighed the subsidy? (Agencies often don’t, even on big deals.)

B. Basic Company Information

1. Basic Research Steps

Step 1: Find out the company's full legal name

If there is a question about the company's formal name, you can check it by looking at various public documents that the firm must file with local or state agencies. At the local level the key agencies to check are the Tax Assessor and Recorder of Deeds; at the state level it is the office of the Secretary of State. When you look at these documents take down the names of any individuals that appear, in case you want to get more information about them later (see Chapter 5 on researching individuals).

If the company name you have does not show up in these places, it may be a fictitious name that differs from the legal name. Most counties have a Fictitious Business Names Index at the Recorder of Deeds office, which lists the companies that are "doing business as" ("DBA") another name in the county. Many counties also require that business licenses include both the legal and DBA name.

The W-2 tax-reporting forms that employees get include the employer's Federal Taxpayer ID Number (also called the Employer Identification Number) which is also useful to have.

Step 2: Find out if the company is public or private.

When researching a company, one of the first things to find out is whether it is publicly traded; this significantly affects the amount of information you will be able to obtain. Public companies (those whose shares are bought and sold by the public on stock exchanges) must divulge a lot more information about their activities than private companies (those owned by a small number of people). See below for more information on researching private companies.

To find out if a company is public, search for its name on one of the following resources:

> Hoover's Online www.hoovers.com offers short profiles of some 14,000 companies. In addition to indicating whether a firm is publicly or privately held, Hoover's provides a brief sketch of the company's operations, the names

of its top officers, and contact information such as address, phone number and website.

If the company is not covered by Hoover's, go to one of the websites that contain the EDGAR database of Securities and Exchange Commission filings that publicly traded companies must submit to the SEC and which then become public documents. (For more on SEC filings, see Section B.5 below.) For example, go to www.freedgar.com and plug in the company name. If nothing turns up, the company is not publicly traded.

Also try the firm's website. If there is a section called Investor Relations, then the company is publicly traded.

The *Directory of Companies Filing Annual Reports with the Securities and Exchange Commission*, available at many libraries, lists the name of every company required to file reports with the SEC.

If your company is not listed in these sources, it may be a subsidiary of a public company. See Step 4 below.

Step 3: Find out the names of people associated with the company

Your Secretary of State's office has business registration documents for corporations based in your state and for foreign (out-of-state) corporations doing business in your state. In some states, these filings include the names and addresses of the key people in the company, such as the officers and directors. In other states, the only name listed may be that of the registered agent. This is the person who can be served with legal papers if the company is sued. Note that registered agents are often outside services that have no direct relationship to the operation of the company.

You can also find out names of corporate executives from the company's website or from directories such as the *Standard & Poor's Register*, which is available on Lexis-Nexis, or in hard-copy form in reference libraries.

Step 4: Find out if the company is a subsidiary or has facilities in other locations.

If a company doesn't show up in Hoover's or EDGAR or have its own website, the reason may be that it is a subsidiary of another corporation. One way to check if this is the case is to search under the company name in the *Directory of Corporate Affiliations* (DCA), which is available in hard-copy form in larger libraries (which may also have it on CD-ROM) or online via Lexis-Nexis. If the company is a subsidiary, DCA will tell you the name of its parent. You can also plug in the name of a parent company and get a list of its subsidiaries. DCA covers both public and larger private companies.

If you want a list of subsidiaries of a publicly traded company, look at its 10-K filing to the SEC (described in more detail below). Some companies also include complete lists of facilities and their locations in the 10-K, though larger companies with many facilities may provide summaries only.

Step 5: Read the company's website, annual report and 10-K.

To find the company's website, first try connecting to www.[insert the company's name].com. If that doesn't work, try a service called Companies Online at www.companiesonline.com**,** which is provided by Dun & Bradstreet and claims to have links to more than 100,000 public and private companies. If the company still doesn't turn up, try using a general web search engine.
Once you've reached the website, there are other things to look for besides an Investor Relations section. There is usually a brief company profile and contact information. Many companies include an archive of press releases, which often include information that did not make it into the press. The bigger public companies usually put their entire annual report online, usually in PDF format (which requires a reader available at www.adobe.com). Some firms include biographies of top executives, product descriptions, and other information. Although much of the content of these websites is essentially corporate public relations, within that is a great deal of useful information for research purposes.

If the annual report is not available on the website, you can request a printed copy from the company's investor relations department or via the Annual Reports Library at www.annualreportslibrary.com. In most cases, all of the financial information in the glossy annual report is also found in the 10-K (described below). If not, the 10-K will refer to sections of the annual report.

2. Privately-Held Corporations

Private companies are typically corporations in which the stock is held by fewer than 500 people, often many fewer. Private companies themselves are not necessarily small; there are some huge private companies in the U.S., such as Cargill and Koch Industries. Private companies tend to be more stingy with the amount of information they put on the Web, and only the larger ones are profiled by Hoover's.

The most valuable source of information on most private companies – from the billion-dollar giants down to mom-and-pop operations – is Dun & Bradstreet. The primary business of D&B is to formulate credit ratings for companies by finding out how promptly they pay their bills. In the course of doing this, D&B also collects basic data on millions of firms.

At one time, the only way to gain access to D&B's descriptive information was to subscribe to its credit rating service. D&B now has a website www.dnbsearch.com that sells access to what it calls Business Background Reports. These reports, which currently cost about $25 each, payable by credit card, include a brief company history; whether the company is public or private; basic financial data (usually an estimate of annual revenues and net worth); the names of directors and top officers, with some biographical information; a description of the company's operations, including an indication of how many customers it has and the geographical scope of its markets; the number of employees; and a summary of recent developments.

One caveat about D&B information: it is not as reliable as the information a public company puts in its SEC filings. It is against the law to deceive the SEC; there is no legal penalty for embellishing the truth when filling out a D&B questionnaire. Companies will not lie with abandon, since they don't want to damage their credibility, yet it is always worth taking D&B data with "a grain of salt."

D&B also publishes directories with limited information on private as well as public companies. These works, which may be found at major libraries, include the *Million Dollar Directory* and CD-ROMs such as the D&B Business Locator and the D&B Million Dollar Disc Plus.

3. Nonprofit Corporations

The only detailed disclosure document that non-profits must file is called IRS Form 990, which includes financial statements and lists of officers and directors (with some salary information). You can also obtain a 990 directly from the company. It must provide you with the form but can charge you for photocopying and mailing the document. You can also request the forms from the IRS, but that is a slow process. Some 990s are now being put on the web. Two sites to check are www.guidestar.org and www.nccs.urban.org.

C. Key Sources

1. State Corporation Records from the Secretary of State's Office

Every U.S. corporation, whether public or private, must be chartered at the state level. Being incorporated requires the firm to provide state officials with basic information about the corporation. These requirements vary from state to state, but at a minimum you should find the precise name of the company and its address. In some states corporations have to report the names of their officers and directors, the number of shares of stock which have been issued, the date of original incorporation, and possibly the Federal Tax ID number. U.S. subsidiaries of foreign corporations must also file.

These filings are available to the public and can usually be obtained from the state's Secretary of State office. They are also available electronically via expensive database services such as Lexis-Nexis. Another option is to use a website called KnowX at www.knowx.com. Once you open an account on KnowX (which is free, but you have to provide credit card information), you can search corporate records by company name or officer's name. Once you know that a Secretary of State's office has the records you are seeking for a company, you can print out the detailed record from KnowX for $6.95 each, but you should also request a copy of the original documents from the Secretary of State.

Some states have begun to make corporate filings available for free on the Internet. For a list of links to the websites of such states, see the BRB Publications website, www.brbpub.com/pubrecsites.asp.

2. Securities and Exchange Commission (SEC) Documents

All companies that are publicly traded (i.e., whose shares trade on stock exchanges) must file financial reports with the U.S. Securities and Exchange Commission (SEC). These documents are then made public at no cost through an electronic distribution system called EDGAR (short for Electronic Data Gathering and Retrieval).

You can access EDGAR via the SEC website www.sec.gov, but the search and navigation tools on the site aren't great. You can get the same documents more conveniently from one of the advertiser-supported commercial sites such as Free Edgar www.freedgar.com or 10K Wizard www.tenkwizard.com.

Note: If your target company is not publicly traded, do not assume that SEC documents will not be available. Some companies whose shares are not traded publicly are still required to file certain reports with the SEC (particularly the 10-K) if their bonds or other debt securities trade publicly. Unless the company is a mom-and-pop operation, it is worth plugging its name into one of the websites containing the EDGAR database to see if anything appears.

Main SEC Documents

10-K report – annual report on the company's activities. Includes full legal name, headquarters address, total market value of stock, total number of shares outstanding, products and/or services, principal markets, significant competitors, number of employees, number of unionized employees and information about upcoming contract negotiations (sometimes), large customers, list of company locations, names of officers, major lawsuits that could affect the company's financial conditions and three years of detailed financial statements. The list of exhibits is important to read, because it may mention documents like employment contracts for company executives, major loan agreements, and stock option plans.

10-Q reports – quarterly updates of the company's financial condition.

8-K report – filed within 15 days of any major event that could affect the value of stock (for example, changes in control of the company, acquisition or sale of assets, changes in directors, etc.).

Proxy statement (also known as Schedule DEF 14A) – sent to all stockholders prior to the company's annual meeting, giving a run-down on the meeting agenda, and providing information on executive compensation and other data on officers and directors. It includes a fairly complete run-down on the Board of Directors, including each director's professional background, other affiliations, compensation and ownership of the company's stock. It also has information on the compensation paid to the five highest-paid executives, including stock options, pensions, insurance policies, etc. The proxy statement also discloses information about transactions between officers or directors and the company. For example, a company president owns buildings he is leasing to the company.

Prospectus (or Registration) statements – these are issued when a company goes public for the first time (called the "Initial Public Offering" or "IPO") or sells new stock to the public; they contain information similar to that in a 10-K.

Forms 3, 4 and 5 – these detail stock transactions involving directors and executives (known as insiders). Form 3 is filed after the initial transaction; Form 4 reflects changes in the holdings; and Form 5 is an annual summary. These forms are not included as part of the online EDGAR system. They can be obtained directly from the SEC. Alternatively, insider transaction information can be obtained via http://biz.yahoo.com (no "www"). Plug in a stock ticker symbol and then click on Insider.

Summary of key information that public companies must disclose

Type of information	**Source**
Detailed financial statements	10-K
Detailed description of operations	10-K
Competitive environment	10-K
List of subsidiaries	10-K
Regulatory issues	10-K
Significant legal proceedings	10-K
Significant environmental problems	10-K
Names of officers and directors	10-K or Secretary of State
Background of officers and directors	Proxy Statement. Also see Ch. 5
Interlocks with other corporate boards	Proxy statement
Officer and director compensation	Proxy statement
Stockholdings by officers and directors	Proxy statement
Shareholder resolutions	Proxy statement

3. Uniform Commercial Code (UCC) Filings

UCC filings are documents that are filed by companies when they borrow money and use equipment as collateral. The UCCs, which are usually available via the Recorder of Deeds officer or online via a service such as KnowX or Lexis-Nexis, provide clues as to which banks a company is doing business with. They may also give a clue as to a company's expansion plans, since the lenders listed are often equipment suppliers extending credit.

4. Land Records at the Tax Assessor's Office

Go to the county where the headquarters of the target company is located, or where your target facility is located. You want to determine all the land in the county which is owned by the company and by company officials individually. The Tax Assessor can show you who is paying the taxes on the property, which is only an indication of ownership.

Most Tax Assessor offices have computerized indexes, which you can search for company names and people. If you cannot find the company name in the index, search for the address of the location. The records will include the full name of the owner, the parcel number of the property, the exact address of the property, a legal property description, the address to which the tax bill is mailed, the date the property was purchased, the amount of the yearly tax and whether it was paid, and the assessed value of the property, which is usually divided between the land and improvements.

Taxpayer Subsidies to Avondale

(Exclusive of Direct Subsidies Through Navy Shipbuilding Contracts)

Type of Subsidy	Source of Subsidy	Year Awarded	Description	Amount
Enterprise Zone	Louisiana	1986 and 1989	$2,500 tax credit for every job created during project and rebate of state sales or use taxes to expand business. *(Source: Louisiana Dept. of Economic Development)*	$9.7 million
Industrial Tax Abatement	Louisiana	10 year period.	Estimated tax abatements for 10 year period. Abatements linked to capital improvements. *(Source: Louisiana Dept. of Economic Development)*	$21 million
IRB Refinancing	Port of New Orleans	1993	Port voted to allow Avondale to refinance $36 million in IRBs that were to come due in June 1993. Allowed payment of IRB debt for floating drydock facility. *(Source: Avondale 1997 10-K and Times Picayune, May 12, 1992)*	Estimated savings from refinancing is $1.5 million per year.
Grant to Build Avondale/Uno Maritime Technology Center	Louisiana Dept. of Economic Develop. & approved by Legislature and Bond Commission	1997	State of Louisiana spending $40 million to establish a marine technology center for Avondale Industries to design the LPD-17 class of amphibious assault ships for the Navy. Avondale makes two contributions -- it will donate 4 ½ acres at the Shipyard and pay the Center's operating costs. *(Source: Avondale 1997 10-K)*	$40 million
Infrastructure Investment	Louisiana	1998	Louisiana Legislature included approximately $1.5 million in its capital construction budget to make improvements to the Madison Parish Port in Tallulah for Avondale's new fabrication yard. *(Source: Times-Picayune,* May 30, 1998*)*	$1.4 to $1.5 million
Job Training Funds through JPTA	Federal	1998	In 1998, the DOL has provided $3 million in training funds to the State of Louisiana for training workers in the shipbuilding industry. A significant portion of these funds will subsidize training costs for workers who will be placed at Avondale. *(Department of Labor, National Reserve Fund, U.S. Employment and Training Administration)*	$3 million

Title XI Guarantee, Merchant Marine Act	Federal	1995	Bonds issued to finance a $20 million capital improvement program. Bonds were issued utilizing Federal government guarantee under Title XI of the Merchant Marine Act. *(Source: MARAD, Office of Ship Financing)*	$17.8 million
Title XI Guarantee, Merchant Marine Act	Federal	1995	Guarantee financing from MARAD for $139,364,475 for reconstruction of four American Heavy Lift Tankers. *(Source: MARAD, Office of Ship Financing)*	Guaranteed financing
Shipbuilding Preservation Agreement	U.S. Navy Federal	1998	Interim rule promulgated by the U.S. Navy allows Avondale and other large shipbuilders to charge certain commercial construction overhead costs to the Navy. Mid-sized shipbuilders have attacked the Navy rule as an anti-competitive subsidy. *(Source: Lloyd's List International, May 13, 1998)*	Amount is negotiated between Navy and ship-builders.
Navy construction cost overruns	Navy	1994	Reports that Avondale received in excess of $91 million to settle a series of disputes with the Navy over cost overruns. *(Source: Times Picayune, December 21, 1993)*	$91 million negotiated between Navy & Avondale

☞The AFL-CIO Metal Trades Department used local, state and federal sources to assemble this summary of subsidies to an anti-union employer, Avondale. The research was used in a state senate hearing and received media coverage.

5. Land Records at the Recorder of Deeds

The Recorder of Deeds office (other names: County Recorder, Registrar of Deeds, County Registrar) possesses key documents associated with the ownership of land, such as mortgages, deeds, and tax liens.
Information about mortgages and deeds can also illustrate relationships between the company and banks that lend it money.

6. Media Coverage

It is always worth checking media coverage to see what has been reported about a company and its practices. The fact that the full texts of thousands of newspapers, newswires, magazines, trade publications and broadcast transcripts are available online makes it possible to search through a large portion of the published material on a company in a matter of minutes. Some, but far from all, of these sources can be found on the free Internet and can be retrieved using search engines such as Google www.google.com and Altavista www.altavista.com.

It is much more efficient to search fee-based information services such as Lexis-Nexis www.nexis.com or Dow Jones Interactive www.djnr.com. A subscription to Lexis-Nexis may be too expensive for smaller organizations, but you can try to gain access through a university library or a larger public library. You can subscribe to Dow Jones Interactive for an annual subscription of about $69 a year. This allows unlimited searching and viewing of articles in abbreviated form. Downloading the full text of articles costs $2.95 each.

Both Lexis-Nexis and Dow Jones Interactive allow you to simultaneously search thousands of publications using a company name or other keywords. In addition to published materials, they include the text of company press releases. Although these releases are, strictly speaking, corporate public relations, they often turn out to be the best source of information on aspects of the company that the media did not consider newsworthy but which tell you what you need to know.

Since smaller publications may not turn up on Lexis-Nexis or Dow Jones, it is worth looking through the archives of a local paper on the web or at a local library. You can also ask the newspaper if you can use its “morgue,” the term for where the back clippings are kept.

To find the local papers in your target area, go to American Journalism Review News Link www.newslink.org/news.html, which links to local newspapers grouped by state, and national and major metro papers. To determine where the archives of a particular publication may be available online, consult a reference book called *Fulltext Sources Online* (published by Information Today Inc.), which should be available in larger libraries.

D. Finding Out If a Company Has Received Subsidies

As described in Chapter 3, the quality of disclosure about subsidies is uneven. You may have to check numerous sources to determine if the company you are researching has received economic development subsidies. First look at the description of data sources in Chapter 3, then at Chapter 8 about deals. If you have identified a specific subsidy, use Chapter 6.

Once you've exhausted those resources, the corporate sources described here may also help.

1. Media Sources

Doing a Lexis-Nexis or Dow Jones Interactive search is a good way to start. If you don't want to search all available publications, make sure your list at least includes the key trade publication for the relevant industry and the main newspapers in the city where the company has its headquarters or the facilities you are concerned about. These are the media outlets most likely to cover the company in detail. Also include a specialized publication called the *Bond Buyer*, which reports on industrial revenue bonds as well as other forms of debt financing.

Keywords to use in your searches include: "revenue bond," "development bond," "abatement," "tax credit," "training grant," "enterprise zone," "economic development," "community development," "tax increment financing," "empowerment zone," and "enterprise zone" along with the company name.

2. SEC Documents

Look especially at the sections in the 10-K headed Long-term Debt and Contingencies in the notes to the financial statements for references to industrial revenue bonds and tax increment financing.

[graphic: page 2 of APAC 10-k]

Deferred tax assets:		
Vacation accrual	$1,047	$ 906
Self-insurance related costs	791	460
Acquisition-related costs	1,883	4,703
Restructuring charge	1,202	1,699
Revenue recognition	1,230	1,230
Allowance for doubtful accounts	1,261	1,146
Purchased intangibles	380	2,665
Tax loss carryforwards	4,471	8,560
Other	757	431
Total deferred tax assets	13,022	21,800
Deferred tax liabilities:		
Excess depreciation	5,002	5,130
Change in accounting methods	303	461
Other	358	529
Total deferred tax liabilities	5,663	6,120
Gross deferred tax assets	7,359	15,680
Valuation allowance	(4,471)	(8,560)
Net deferred tax assets	$2,888	$7,120

At January 2, 2000, the Company had net operating
purposes of $12.8 million acquired in connection with
expire in fiscal years 2010 through 2013. For financi
valuation allowance in the amount of approximately $4
recorded as an offset to these deferred tax assets th
the extent that ITI generates sufficient future book
is no assurance that ITI will generate any specific l
taxable income. Management believes that sufficient b
be available to realize the benefit of the remaining

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APAC CUSTOMER SERVICES, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMEN

(DOLLARS IN THOUSANDS, EXCEPT AS OTHERWI

> On this page from a company's 10-K, we can see at least two tax-free loans, an IRB and a "County Development Note." Unfortunately, the locations are not specified; often, the county development authority is named.

9. LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	JANUARY 2, 2000	JANUARY 3, 1999
Term Loan, effective fixed interest rate of 9% and 7%, final payment due June 2003. See note (1) below	$130,000	$144,000
Industrial Revenue Bonds, payable monthly at 7%, final payment due June 2008	1,147	1,239
County Development Note, payable monthly at 4%, final payment due January 2004	612	748
Promissory Note, payable monthly at 9%, final payment due July 2002	236	342
Capital leases, payable monthly at 8.9% average rate, final payment due January 2003	800	2,220
Total long-term debt	132,795	148,549
Less--current maturities	16,808	16,122

To give an example of what you might find, here is an excerpt from the 1999 10-K filed by the Lady Luck Gaming Corp., in which the company discusses plans for the expansion of a casino in Bettendorf, Iowa in which tax increment financing is involved (underlining added):

> The expansion project financing is non-recourse to the Company and includes a $17.5 million bank first mortgage note, allowing for up to a $5.0 million second mortgage from an affiliated company of the Company's joint venture partner ($1.25 million was actually used), and including $7.5 million in <u>tax increment financing</u> from the City of Bettendorf to be repaid from property taxes in exchange for deeding the overpass to the City of Bettendorf. During 1998, the Company repaid the balance of the second mortgage to the affiliated company of the Company's joint venture partner. As of December 31, 1998, the Bettendorf joint venture had outstanding the full amount of the bank first mortgage note and the <u>tax increment financing</u>. The balance of the expansion project's costs was paid from the Bettendorf joint venture's cash on hand and from operations.

3. Government Bonds: Official Statements

One of the most commonly overlooked sources of information on subsidies are documents known as Official Statements. These are detailed prospectuses issued by government entities when they float bonds, including industrial revenue bonds (also called industrial development bonds) issued on behalf of corporations. The Official Statements are public documents, but they are not as readily available as SEC filings. For more details about revenue bonds, see Chapter 6.

4. Tax Information

Corporations pay several kinds of taxes, including federal income taxes, state income taxes, state and/or local property taxes, and state sales taxes. See Chapter 6 for more details about taxes and tax credits. The availability of information depends on the type of tax.

Income tax. The income tax returns of for-profit corporations, like those of individuals, are not public documents. The only circumstances in which returns might be disclosed are in the course of lawsuits or if the company is involved in a dispute in U.S. Tax Court. Documents that are made part of the record in a lawsuit may be viewed in the clerk's office at the court in which the case was filed. To check the Tax Court docket to find out if a company is a party in a case, call (202) 606-8764.

Short of getting a full tax return, it is possible to learn some details of the taxes paid by a company. Publicly-traded corporations provide summary information on taxes in the notes to the financial statements provided in the 10-K or annual report. Three figures are usually given: total federal income tax, total state tax, and total foreign income tax. No breakdown of states or countries is provided. And the aggregate state number may be withheld if is less than five percent of the federal amount, per SEC rulings.

Property tax. While income tax records are considered confidential, property tax information is a matter of public record. You can go to the local tax assessor's office (usually at the county level) and find out the assessed value of the company's property, the tax due and whether it has been paid.
Before going, be sure to have the street address of all the company's parcels. Call ahead to the assessor's office to find out the procedure for getting the Property Identification Number (PIN) of all of the company's parcels.
Many local governments now make their property tax records available to commercial information vendors such as Lexis-Nexis, which allows for online searching. Some jurisdictions are starting to put this information on the Internet for free public use. For a list of which states and localities have put property tax data or other public records on the Internet, see the website compiled by BRB Publications www.brbpub.com/pubrecsites.asp.

Property tax records are useful for many reasons. They show whether the company has received an abatement, and that is important because property tax abatements are often the largest dollar-amount subsidy a company gets. This is especially true for capital-intensive manufacturing facilities such as steel mills, chemical plants and paper mills.

Property tax records are also important because they may be a barometer of a company's attitude towards the facility and the community. Plant closing activists have also observed that when a company is disinvesting in a plant in anticipation of closing it, it is not unusual for the company to become delinquent on its property tax payments and/or to appeal its assessment, sometimes claiming that the plant is obsolete or otherwise deserving of a lower assessment. Because property taxes support local services such as schools, police, and fire, when a company seeks to avoid paying its fair share, the burden is shifted onto other property owners, especially smaller businesses and homeowners.

E. Social Responsibility Record

If you are organizing around a particular deal or company, it's useful to know about the company's general reputation and track record. If the company has a history of violating environmental regulations, mistreating workers or otherwise operating contrary to the public interest, those may be relevant issues in a subsidy debate.

Step 1: Do a news search.

For any aspect of a company's social responsibility record, it is always useful to start with an online news search of the type described above. Search under the name of the parent company as well as the subsidiary. This will provide leads on legal problems, labor issues, environmental controversies, etc. that can then be investigated in more depth using sources such as the following:

Step 2: Interview activists in cities where the company has other facilities.

If the news search identifies organizations – such as community groups or unions – that have had a conflict with the company, find their phone number and call them. If the news reports do not cite any specific critics, you will need to make some exploratory calls.

Depending on the issues you are researching, you may need labor organizations such as:

- Jobs with Justice (labor-community coalitions) – to see if the city has a chapter, go to www.jwj.org.

- Labor Educators – go to www.uale.org for a directory of the United Association of Labor Educators.

- Central Labor Councils (CLCs are metro/regional labor federations) – ask the operator to look under "labor organizations" for the central labor council, often named by the major city or by the county. A few CLCs have Websites, go to www.aflcio.org/unionand/statefed.htm to check for yours.

Or community-based groups, such as the many who participate in:

- the National Campaign for Jobs and Income Support. www.nationalcampaign.org/organizations.asp is the Campaign's member list.

Or environmental organizations, such as:

- Environmental Background Information Center www.ebic.org
- Environmental Support Center www.envsc.org
- Environmental Research Foundation www.rachel.org
- Center for Health and Environmental Justice www.chej.org
- Sierra Club www.sierraclub.org
- Citizens Coal Council www.citizenscoalcouncil.org
- Friends of the Earth www.foe.org – especially their community health and environment program
- Indigenous Environmental Network www.ienearth.org
- Environmental Justice Resource Center at Clark Atlanta University, www.ejrc.cau.edu
- Environmental and Economic Justice Project 323-789-7920
- Asian Pacific Environmental Network www.apen4ej.org
- Greenpeace USA www.greenpeaceusa.org
- Southwest Network for Environmental and Economic Justice 505-242-0416

Or other research centers, such as:

- Data Center www.igc.org/datacenter

CEO

CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

Support "Standards for Economic Development" Amendment

CASE STUDY: RAND WHITNEY

Should Connecticut Be Giving Taxpayers' Money to Companies Like Rand Whitney?

MILLIONS OF DOLLARS IN STATE & LOCAL SUBSIDIES

The Kraft Group's Montville plant has received repeated subsidies from state and local taxpayers:

- In 1992 Montville authorized $2.75 million in bonds for a water line and pre-treatment facility to serve a proposed new manufacturing facility adjacent to the two existing plants.
- In 1994 the Connecticut Development Authority (CDA) gave Kraft permission to sell tax-exempt bonds, and the Connecticut Department of Public Utility Control gave Kraft p[…] contracts with Yankee Gas and Connecticut Light & Power.

☞CEO paired info about subsidies with info on unpopular corporate behavior to argue for reforms

165 JOBS ELIMINATED...

Yet in 1994 the Krafts sold their Montville packaging facility to Inland Corporatio[…] Inland. In October 1995 Inland shut the plant, eliminating 120 jobs. Then in November Rand Whitney Paperboard closed, eliminating 45 jobs.

What would be different under the proposed legislation?

Analysis of Connecticut's quasi-public development authorities shows Rand Whitney is just one of many companies that have violated the law or otherwise gone back on their promises -- yet stil been handed millions of taxpayer dollars.*

Investing in economic development is an important aspect to revitalizing our urban areas and encouraging new or expanding businesses. ***AAC Standards for Economic Development*** **establishes criteria for disbursing these funds. State assistance would be reserved for companies that:**

- obey the law, including workplace safety
- pay at least standard wages and benefits
- pay part-time and temporary workers the same rate as as regular employees

The bill would affect only companies receiving $250,000 or more in state assistance. Companies in substantial violation would have six months to come into compliance.

...FOLLOWED BY ANOTHER $1.25 MILLION IN TAXPAYER SUBSIDIES

Despite this, in 1997 the Connecticut Dept. of Economic and Community Development (DECD) granted $1,250,000 to Rand Whitney for its Montville operation.

At the same time that Rand Whitney has laid off workers in the United States, it is planning to expand its operations in other countries. According to an April 1, 1998 report, Rand was planning to buy and complete construction on a paper mill in Guyana, possibly turning Guyana into a regional center for processing wastepaper.[1]

UNSAFE WORKING CONDITIONS - 57 WORKPLACE SAFETY VIOLATIONS

From 1990 through 1997, the Montville plant was cited for 57 safety violations by the United States Occupational Safety and Health Administration (OSHA), and has been fined more than $40,000, an unusually large amount for one plant. In one accident in 1991, a worker died from falling into an unprotected vat containing beater blades that shred paper into pulp.

[1] Lexis-Nexis, April 1, 1998, Luxner News Inc., from the Guyana Chronicle.

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Court records – Lawsuits

When a company—whether publicly-traded or privately-held—gets embroiled in a lawsuit, it often has to disclose documents that would otherwise never see the light of day. Moreover, the existence of multiple lawsuits in an area such as racial discrimination is by itself a clue about corporate culture. For this reason, you should check court dockets for significant cases. All civil court records are public unless they have been officially sealed by a judge. Civil court records include contract disputes, wrongful discharge cases, failure to pay, personal injury, property rights, divorces, and probating of wills, as well as lawsuits.

The traditional way to check for cases is to go to the relevant county courthouse and look through the paper or electronic index. This is fine for a small, local company, but it is impractical for a major corporation that has far-flung operations and may thus be involved in litigation in many different jurisdictions.
The solution, at least as far as federal courts are concerned, is a system called PACER (Public Access to Court Electronic Records) that was established by the Administrative Office of the U.S. Courts to provide online access to the dockets of individual federal district and bankruptcy courts. All bankruptcy courts and nearly all district courts participate. By setting up an account with the PACER office, you can tap into the various court dockets using a more or less standardized interface, and your online costs (60 cents a minute) are combined into one bill. For now, most of the courts still use dial-up connections, but they are beginning to appear on the web as well. One attractive feature is the U.S. Party/Case Index, which allows you to search nearly all the available dockets at once. For more information on PACER, see their website at www.pacer.psc.uscourts.gov.

Note that some federal courts have also introduced a system called RACER (Remote Access to Court Electronic Records), which allows users to view not only court dockets but images of certain case documents as well. PACER account holders can use RACER also.

Since PACER is not always the most reliable and efficient online product, many legal researchers turn to a commercial vendor called CourtLink, which provides access to roughly the same group of federal courts with more sophisticated software. Courts can be searched individually or all at once. CourtLink, which costs about $2 a minute, also provides access to state court dockets in about half a dozen states. For more information about CourtLink, see www.courtlink.com. Check to see if law firms you work with have a subscription.

State court dockets are beginning to go online as well. CourtLink has several and promises to obtain more. See the BRB Publications website cited above for links to those localities that have put their docket on the Internet.

Also keep in mind that publicly-traded companies are required to report on any pending lawsuits that might have a "material effect" on the firm's finances. See the section of the 10-K (Item 3) entitled Legal Proceedings.

If you have access to a full-service legal database such as Lexis or Westlaw, you can also search for the full text of written court rulings involving a particular company.

Key documents: Note that the docket databases listed above provide only an outline of the case and a chronology of legal proceedings. If the court you are dealing with is not on the RACER system, you will need to go to Clerk's office at the courthouse to look at the actual filings, which are usually available only in paper form. A typical case file will include many documents, many of which deal only with procedural matters. The more substantive filings to check out are:

- Complaint (the first filing in the case)
- Interrogatories (questions and answers from one side to the other)
- Exhibits (often including internal company documents)
- Depositions (pre-trial questions under oath)
- Affidavits (written statements made under oath
- Rulings by the court.

1. Labor Record

Unfortunately, the SEC does not require public companies to disclose very much about their labor practices. In the 10-K section titled Employees, companies often report nothing more than their head count. Companies with a significant level of unionization will often indicate the percentage of the workforce covered by collective bargaining agreements. Only when there is a major labor dispute that is having an impact on the company's finances will there be more details on labor relations.

To find out more about a company's labor record, check the archives of specialized labor publications, particularly BNA's *Labor Daily* or *Labor Relations Week* www.web.bna.com, which are available on a subscription basis. The price is high, but many unions subscribe to these publications in paper or electronic form.

To learn more about a company's compliance record with regard to employment laws, the most convenient source is a CD-ROM compiled by the Food and Allied Service Trades (FAST) Department of the AFL-CIO www.fastaflcio.org. FAST has assembled federal government databases on union representation elections, unfair labor practices, EEOC employment discrimination cases, workers dislocated by imports receiving Trade Adjustment Assistance (e.g., NAFTA) and compliance with laws covering overtime, child labor, and family medical leave. All of the databases on the CD-ROM can be searched by company name.

Information about a company's occupational safety and health record can be found on the website of the Occupational Safety and Health Administration www.osha.gov. This site includes the results of all workplace inspections conducted by OSHA since the agency was created, including information on all violations and fines.
To learn more about the employee benefit plans offered by a publicly-traded or privately-held company (whether it is defined benefit or defined contribution, etc.), obtain a copy of IRS Form 5500, which each plan sponsor must file annually with the U.S. Department of Labor. Complete copies of the 5500s can only be obtained from the Labor Department, but a website called Free ERISA www.freeERISA.com provides summaries of the key information in the forms.

To find out if the company has been sanctioned by the U.S. Immigration and Naturalization Service (INS), search for the company's name at the Center for Immigration Studies INS Sanctions Database: www.cis.org/sanctions/.

2. Environmental Record

The single best source for information on a company's environmental record is the U.S. Environmental Protection Agency at www.epa.gov. There are two main types of EPA information sources to check. First, there is the material on enforcement actions taken against companies for failure to comply with environmental laws and regulations. Be sure to consult the EPA's Civil Enforcement Docket (available online via the Environment Library of Lexis-Nexis). The litigation sources listed above will cover both EPA civil and criminal cases that have made it to the courts. Also check the archive of EPA press releases, which are available on the website according to EPA region, for announcements of enforcement actions.

The other category of EPA information consists of data about toxic chemical releases, air emissions, and the status of Superfund sites. An easy way to get this is via the Envirofacts portion of the EPA website www.epa.gov/enviro/html/multisystem_query_java.html. This feature allows you to search by facility name, geographical location or standard industrial classification (SIC).

One of the best non-governmental websites is the Environmental Defense Fund's Scorecard website www.scorecard.org, which provides a wide range of information about the environmental condition of any location in the United States.

Right to Know Net at www.rtk.net provides free access to several databases, mostly environmental: the Toxic Release Inventory, CERCLA (which gives information about Superfund sites), and many others.

3. Government Contracts

Government subsidies can become even more controversial when the recipient company is also the beneficiary of government contracts. At the federal level, the General Services Administration (GSA) assembles information on every procurement contract above $25,000. This database, which can be searched by contractor name, is available on CD-ROM and now on the web www.fpds.gsa.gov/fpds/fpds.htm. Be sure to search by subsidiary name as well as parent.

You can also determine whether an individual or company has been barred from doing business with the federal government. Search the GSA's Excluded Parties List at http://epls.arnet.gov/. (Note: this address has no "www" and does not work by hot-linking; it must be manually entered).

4. Campaign contributions

In many instances campaign contributions may be the *quid pro quo* (or trade-off) for subsidies – they are what a company pays to get tax breaks and other incentives. Thanks to federal and state disclosure laws, it is more difficult to hide what some observers have called legal bribery.

At the federal level, campaign contributions by corporate executives and their company's political action committee may be tracked using a database compiled by the Federal Election Commission. This database is available via the FEC itself www.fec.gov, but several private groups have enhanced the information in very useful ways. See, especially, the website of the Center for Responsive Politics www.opensecrets.org and FECInfo www.tray.com/fecinfo. These sites have information on both hard money and soft money (non-candidate-specific) contributions.

State campaign contribution data is now easily available on the web thanks to the National Institute on Money in State Politics. The Institute's website www.followthemoney.org allows for searching by individual or corporate name. Keep in mind that some states, unlike the federal government, allow corporations to contribute directly to candidates.

For more links to data resources and organizations that research money in politics see www.enviroweb.org/issues/campaign$$/.

5. Executive Compensation

The outrageously inflated compensation paid to top executives of large companies is a familiar story, but it is an issue still worth raising in any corporate-related campaign. For publicly-held companies, documenting this aspect of corporate greed is made easy by the extensive disclosure requirements imposed by the SEC. There is no public source for information on executive compensation in private companies.

A detailed account of pay and benefits to a company's top executives can be found in the proxy statement (also known as Schedule DEF 14A) that is issued in preparation for each annual stockholder's meeting and that is available on the EDGAR database (see above). The proxy includes a summary compensation table listing salary, bonus, other forms of incentive pay and other types of compensation that were given to the five highest-paid executives. Following that are tables showing the number of stock options (the right to purchase shares at an advantageous price) awarded to executives and the value realized by executives in the exercise of previously awarded options. The proxy statement also lists the number of shares owned by each officer and director.

We also recommend the following Web sites:

- Executive Pay Watch at www.paywatch.org has some background information on executive pay and the role it plays in campaigns.

- CEO Information from Proxy Statements: www.people.edgar-online.com/people lets you search by a person's name, and see which proxy statements they appear in.
- United for a Fair Economy www.ufenet.org for popular education on executive pay and the rising gaps in both income and wealth.

F. Additional resources

The website of the Corporate Research Project of Good Jobs First has a guide to corporate research and back issues of its monthly Corporate Research E-Letter www.corp-research.org.

The Food and Allied Services Trades (FAST) department of the AFL-CIO has a comprehensive guide to corporate research on its website, available for a modest fee to unions and community groups www.fastaflcio.org or 202-737-7200. FAST also produces the multi-database CD-rom (as described above), available for $100 to non-FAST unions and community groups.

A useful business research tutorial can be found online at home.sprintmail.com/~debflanagan/index.html and a good jump-off pages for business webs sites can be found at www.libraryspot.com/businessinfo.htm.

Corporate Watch www.corpwatch.org has a guide to business information sources www.corpwatch.org/trac/resrch/#co as well as feature articles on current trends in corporate behavior.

Organizations that work on investor/shareholder activism also have useful information: try the links page of Institutional Shareholder Services, www.isstf.com/sites/links.htm and the Interfaith Center on Corporate Responsibility www.iccr.org. Also see the Shareholder Action Network at www.shareholderaction.org.

Chapter 10. The Candy Store Glossary

A

abatement - see tax abatement and Chapter 6.

accelerated depreciation - depreciation is an accounting device that allows a company to write off decreases in the value of its physical assets (such as machinery, computers or vehicles) as business expenses. The effect is to both reduce corporate income taxes by reducing taxable profits and to reduce the value of property that is assessed for determining property taxes. Businesses take depreciation charges according to prescribed schedules, depending on the kind of asset. Accelerated depreciation is a tax-law change that allows a company to write down the value of an asset in fewer years than before. By giving the company a larger write-off sooner, accelerated depreciation gives the company lower taxes in early years and therefore higher profits.

anti-piracy - see Piracy.

appropriation - a government expenditure involving a transfer of money from one public agency to another or from an agency to a private party. Distinct from a *tax expenditure*, which is tax revenue not collected in the name of economic development (due to subsidies such as a property tax abatement or a corporate income tax credit).

as of right - a phrase used to describe a subsidy, usually a tax break, to which a company is automatically entitled. For more detail, see Entitlement.

assessed rate - the officially-estimated value of a property for the purpose of assigning a property tax to it. The assessed value times the milage rate equals the tax. For example, if a factory is assessed at $10 million, and the milage rate is 20 mils (or 20/1,000ths of the assessment), the tax due would be $200,000. The assessed rate may or may not be the approximate market value of the property; jurisdictions have different formulas for assigning assessed rates.

assessment - see assessed rate.

audit - a review of a program, deal or agency, usually by a state auditor or an outside accounting firm. Compliance audits are simply financial reviews to ensure that monies have been spent properly; they are annual or bi-annual and are of little interest except for budget data (unless, of course, they uncover embezzlement of other major problems). Performance evaluations try to make qualitative judgments about outcomes and are therefore of greater interest. Unfortunately, they are also infrequent. See more on audits in Chapter 3.

B

bidding war - an episode in which two or more jurisdictions compete – much like an auction – for a deal, by offering ever-higher subsidies. Although high-profile bidding wars for auto assembly plants are the best known, bidding wars for smaller deals happen every day. Site location consultants are often involved as middle men in the process, and public officials often describe their situation as a "prisoner's dilemma." That is, government officials only communicate with the company during the bidding process, not with officials in the other jurisdiction(s), so they have no way of knowing if the company (or consultant) is telling the truth about the competing bids.

blight - a term (sometimes paired with "distressed," see that term also) used to describe an area that has a high percentage of buildings that are dilapidated, deteriorated or substandard. Therefore, it may qualify for a geographically targeted subsidy such as an enterprise zone or a tax increment financing (TIF) district to encourage redevelopment. Blight is a classic case of good intentions gone awry. While some states have kept it defined honestly so that subsidies really get targeted to needy areas, others have loosened the definition so that even healthy areas can qualify for the subsidy. For example, the states of Louisiana, Arkansas and Ohio have a total of 2,380 enterprise zones. Citizens of a rural town near St. Louis were horrified to learn that officials, in a quick drive-by, had estimated that most of their farm houses were more than 35 years old, so their neighborhood was "blighted." Rules in the State of Maine now effectively make every Central Business District eligible for TIF, even those that are healthy and vibrant.

block grant - A block of federal dollars sent to the states for a general purpose, allowing the states a lot of flexibility on how to use it. This practice has become increasingly common as federal "devolution" has reduced the role of uniform national procedures for running many programs. The U.S. Department of Housing and Urban Development has given cities and states Community Development Block Grants for decades; CDBG is the most common block grant used for economic development purposes. More recent examples of other types of block grants include Temporary Assistance to Needy Families, the Child Care Development Block Grant and the Social Services Block Grant. Critics argue that without uniform federal safeguards, cities and states are prone to using the funds in ways that reward more affluent citizens or other favored constituencies, instead of helping the truly needy. For more on HUD CDBGs, see Chapter 6.

bond - a certificate of debt that bears interest, issued by a government body or a private corporation to finance infrastructure, construction, new equipment or other improvements. "General obligation bonds" are bonds issued by governments that are backed by the full faith, credit and future tax revenue of that government; examples include school bonds and sewer bonds. "Private activity bonds" may include industrial revenue bonds (see that entry and Chapter 6 for more), and they are backed by revenues from the project and not by a government or its general tax base. Private activity bonds are typically private transactions (both the borrower and lender are private parties) laundered through an economic development authority so that the interest becomes tax-free. This funding vehicle is allowed because the loan's use is deemed to meet the public purpose of economic development, such as job creation or retention.

brownfield - a property that has environmental pollution left from a previous occupant. Brownfields are a major cause of urban abandonment and tax-base loss. They range from major sites which are designated EPA Superfund sites, to lesser sites that fall under different federal or state laws. Until the pollution is cleaned up and the legal liability is thereby eliminated, it is usually impossible to redevelop a brownfield site because banks will not make a loan for fear of becoming entangled with clean-up liabilities. Because the pollution sometimes happened decades ago, it can be difficult to find the responsible party or to get money from that party for the clean-up. In recent years, many states and the federal government have recently debated or enacted changes in their brownfield-liability laws to encourage redevelopment; many have also created new subsidy programs to help finance clean-ups, especially when the polluting party cannot be compelled to pay. (Some cities use TIF or Section 108 monies.) Brownfields are a source of political tension between environmentalists and urban developers. Developers advocate for less stringent clean-up standards, especially if the land is going to be used for non-residential purposes. Environmentalists advocate for strict clean-ups, arguing that city residents are already exposed to disproportionate levels of toxic hazards.

business inventory exemption - a corporate tax exemption that is commonly included in state enterprise zones. "Inventory" means goods and supplies held by a company before they get used or sold. Therefore, it is a corporate asset, and many states tax it as such. Manufacturers and warehousing companies have the most inventory and therefore benefit most from inventory exemptions. Indeed, some enterprise zones studies find that the zones simply cause existing warehouses to relocate into the zone to avoid the inventory tax, creating no new jobs. Honest observers admit that in some states, the proliferation of enterprise zones is a de facto rewriting of the corporate tax code to reduce or eliminate the inventory tax.

business climate - a highly subjective and hotly-debated term referring to how favorably businesses view an area, especially as they consider a relocation or expansion. This is the heart of the whole "Candy Store" debate: public goods vs. private deals. On one side are those who argue that the most important factors in companies' location decisions are business basics, such as proximity to customers, proximity to suppliers, the availability of skilled labor, the quality of infrastructure, and the supply of other key inputs depending on the particular business (such as water, air transport, or a university research and development center). In other words, they argue that *public goods* that benefit all employers are the key to a good business climate, and therefore spending for economic development is best directed to education, skills and infrastructure. On the other side are state and local chambers of commerce and manufacturers associations, companies that are playing jurisdictions against each other and/or their site location consultants, and other people who have financial self-interests in winning new subsidies. They argue that a good business climate is determined by more tax breaks and other subsidies that usually benefit only certain kinds of companies or newly arriving companies. In other words, they argue that private deals for specific companies or favored groups of companies creates a good business climate. A dramatic moment in the history of this debate involved the Chicago accounting firm of Grant Thornton. During the 1980s, this firm released an annual 50-state "business climate" rating. Typically, it gave top ratings to states such as North Dakota, that had lax regulatory standards, low wages and low taxes even though its top-rated states often ranked very low in actual performance. Grant Thornton's rating system was demolished by a 1986 publication from the Corporation for Enterprise Development, *Taken for Granted: How Grant Thornton Leads the States Astray*, which exposed massive flaws in the accounting firm's methodology. For example, it revealed the fact that each year, Grant Thornton allowed each state's manufacturers' association to subjectively weight its state's rating factors. That allowed politics to taint the results, because the manufacturers would overweight the issue of the day, such as worker compensation tax rates, making the results invalid. The CFED study also provided a terrific summary of the academic literature on how companies actually decide where to locate or expand (i.e., business basics, as outlined above). Within several years, Grant Thornton abandoned the field and CFED's annual *Development Report Card of the States* became the standard. *Inc.* magazine also entered the field.

"but for" test - a requirement common to tax increment financing as well as "gap financing" programs that call for a discretionary decision by government officials. Typically, the company must certify – or the government agency must find – that the project would not occur in the foreseeable future "but for" the subsidy. This is a frequently-abused rule that is almost impossible to verify and has more to do with covering politicians' backsides than preventing needless giveaways. One state audit found that local officials had six different definitions for the term.

C

cash register-chasing - (see also fiscalization of land use) a phrase we coined in 1994 to describe some cities' granting massive subsidies to shopping malls and "big box" retail projects such as Wal-Mart and Home Depot. This practice is rampant in states such as California and Utah, where laws such as Proposition 13 have depressed property tax rates, making cities desperate to find other sources of revenue. Most states allow cities to add on a local sales tax if the sale occurs in that city. Cities may rebate some or all of their sales tax to the developer as a subsidy, or divert sales tax revenue into a tax increment financing (TIF) district that benefits the development. Because outlying suburbs have the most undeveloped land available for such projects, they often have an advantage competing under such rules. Hence, critics now argue that Proposition 13 and its ilk are a major cause of suburban sprawl. Critics also point out that retail has very low "ripple effects" and very low job quality, and is therefore a dumb activity to subsidize. But because they need the revenue, cities do it every day.

Chamber of Commerce **-** an association of businesses at the local or state level. Chambers lobby for subsidies and deals, and in many areas, they are the privatized industrial recruitment agency, paid for by taxpayers under a public contract. Chambers sometimes also have seats on the boards of state development authorities that grant subsidy deals.

CDFI - see community development financial institutions; see also micro-loan.

clawback (also known as recapture) - money-back guarantee language. Canceling, reducing and/or recovering a subsidy when a company fails to deliver. An enforceable penalty in a development subsidy contract, saying that if a company fails to deliver a specified public benefit in a specified period of time, it must repay some or all of the subsidy already received and/or lose some or all future benefits of the subsidy. (This is identical to the "penalty provision," which is standard in civil contract law.) A prorated clawback would say, for example, that if a company falls 10% of its job-creation goal, it would have to refund 10% of the subsidy. Some clawbacks set a steeper penalty, even including interest penalties. Clawbacks may also apply to other goals, such as capital investment. Clawbacks are the ultimate taxpayer protection against a company failing to deliver. They also strike most people as common sense. What state would contract for 100 miles of highway and then allow a contractor to build only 50 miles and keep the money? Trouble is, cities and states fail to make job "projections" binding, so such shortfalls are routinely allowed in economic development. However, clawbacks are finally catching on: at least 19 states now apply a clawback of some sort against at least one development subsidy, and more than 100 cities do the same.

cluster strategy - an economic development strategy based on the fact that many industries tend to cluster together geographically. The high-tech cluster around San Jose, California is the best-known; other examples include the medical-instruments cluster around the Twin Cities and the furniture cluster in North Carolina. Since the early 1980s, American scholars have studied a number of European clusters, such as those in the northern Italian province of Emilia-Romagna, where dozens of small companies have clustered to become highly successful in ceramics and textiles production. A cluster strategy seeks to stabilize and strengthen such companies, usually by helping them cooperate on "pre-competitive" issues such as export promotion, quality control, or recruitment and training. Cluster strategies can be very cost-effective. They also have the benefit of helping many companies and creating enduring skills and relationships for the community. That means less taxpayer risk if one subsidized company fails.

collateral - (also known as security) an asset used by a borrower as security for a loan; if the borrower defaults, the lender gets title to the collateral. In some cases, development subsidy programs have less stringent collateral requirements than a private bank would have, or are willing to take a subordinated position on collateral behind private lenders.

community benefit agreements – a project-specific contract between a developer and one or more community groups and/or labor unions, in which the developer agrees to provide various benefits as part of a redevelopment project. Such agreements are usually tied to the developer receiving economic development subsidies; community-labor coalitions use the subsidies as leverage. Benefits may include first-source hiring, living wages, relocation assistance, access to affordable housing, parks or other public-space improvements, and traffic or parking improvements.

Community Development Block Grants - large, multi-purpose annual grants to cities and states from the U.S. Department of Housing and Urban Development. “CDBGs” are the largest federal pot of money used in state and local economic development deals. For more information, see Chapter 6.

community development corporations (CDCs) - local non-profit organizations promoting neighborhood revitalization. Most CDCs focus on affordable housing rehabilitation and construction; some also work on the retail and industrial sectors. Many CDCs were created by grassroots community organizations seeking to save their neighborhoods against redlining and disinvestment. See also Local Initiatives Support Corporation, redlining, Community Reinvestment Act, disinvestment, and industrial retention.

community development financial institutions (CDFIs) - make loans to individuals, small businesses, affordable housing and vital neighborhood services such as day care, health and education, targeted to benefit disadvantaged people and communities. CDFIs seek to counteract redlining and other discriminatory practices that reduce the flow of credit to the neediest communities. For more information, go to the Website of the National Community Capital Association at www.communitycapital.org. See also micro-loan.

Community Reinvestment Act (CRA) - the main federal law to discourage redlining (when lending institutions discriminate geographically against certain neighborhoods based on race or the age of the housing stock, instead of the creditworthiness of borrowers). A federal banking-regulation law which since 1979 has required banks and savings and loan associations to meet the credit needs of low- and moderate-income neighborhoods in their service areas. Combined with geographic lending data mandated under the 1975 Home Mortgage Disclosure Act, CRA enables community groups to get banks and S & Ls to the bargaining table and is responsible for billions of dollars in neighborhood victories over the last two decades. For more on the status of CRA and related issues, visit the Website of the National Community Reinvestment Coalition: www.ncrc.org. See also redlining and predatory lending.

Consumer Price Index (CPI) - the most widely-used measure of inflation, a monthly statistical series issued by the Bureau of Labor Statistics (BLS) that estimates the changes in the price of a fixed “basket” of goods and services typically purchased by concumers. The CPI is used by many government agencies (such as Social Security) as well as private entities (such as union contracts) to adjust benefit payments or wages so that people do not suffer a declining standard of living due to inflation. To see CPI data, go to www.bls.gov.

CPI - see Consumer Price Index.

cost-benefit analysis - a comparison between the costs of a deal or program and the benefits it creates. Cost-benefit analysis in economic development is a hotly-contested issue with a very problematic history. Project supporters such as companies, Chambers of Commerce and their consultants often exaggerate the benefits of a subsidized deal to help justify massive costs. Mayors and governors are also prone to repeating the exaggerations for their own political benefit. But very few states have invested in the technical capacity to really determine when or if taxpayers will break even. For a detailed analysis of state practices and the various cost-benefit methodologies, see a publication entitled "Evaluating Business Development Incentives" at http://www.doc.gov/eda/pdf/1G3_EBDI_report.pdf by the Economic Development Administration of the U.S. Department of Commerce (www.eda.gov or 202-482-4085).

creaming - a recurring problem in training programs, especially with private training contractors. Creaming occurs because a contractor wants to report great-looking results, such as rapid placements and/or high wages on the new job, so it "skims the cream" of the population that needs help. That usually means taking disproportionately high numbers of younger, more educated and/or more skilled workers and fewer older, less-skilled workers. Creaming is a recurring issue whenever services are privatized. For example, it has been alleged in Ohio that private prison operators "creamed" the prisoner population by taking those prisoners who were least violent and most healthy. The net effect of creaming is to make private contractors look artificially good and government agencies look artificially bad.

credit (noun) - a dollar amount applied against a liability, such as a tax credit applied against a tax liability. See tax credit entry and Chapter 6.

credit (verb) - to apply a dollar amount for a specific purpose, such as crediting a share of company's new capital investment against its state income tax liability.

credit rating - a judgment about the financial strength of a government body or a corporation that is used to determine the interest rate it must pay when borrowing money by issuing bonds. Governments or companies with strong ratings pay lower interest rates (because they are considered to be at lower risk of defaulting); those with weaker ratings must pay higher rates. Three private rating agencies dominate the credit rating business: Moody's, Standard & Poors, and Fitch.

D

dba - "doing business as," the least formal form of business registration, used to register the fact that one company or person is doing business in another name.

depreciation - an accounting device in which a company charges, as a business expense, some percentage of an asset's value each year until the end of the asset's depreciable life (examples include machinery, computers or vehicles). The effect is to reduce the company's officially-reported profit and therefore its tax burden. Since depreciation is an accounting charge, not a cash expense, it is excluded when a company's cash flow is computed.

development authority - a government body authorized to exercise development powers such as TIF, issuing revenue bonds or eminent domain. These include cities, industrial development authorities (which are usually county or state bodies), port authorities, housing and redevelopment authorities, and rural development finance authorities.

discretionary subsidy - a subsidy granted to a specific company or project based on a decision made by a government body. The opposite of an entitlement. For more on the distinction, see Chapter 2.

disinvestment (also known as "bleeding" and "milking") - letting something run down by failing to reinvest in it. Disinvestment may occur within a company when it lets an individual facility run down. Or it may occur to an entire neighborhood when banks and insurance companies "redline" it, or when the local government fails to provide a fair share of public services and physical maintenance. Corporate disinvestment of a facility takes many forms, including cutbacks in maintenance, lack of support for new products, demands for wage and benefit concessions, and transfer of top managers. See also early warning systems. Public disinvestment of a neighborhood also takes many forms, including failure to maintain infrastructure such as roads and schools, and unjust distribution of critical services such as health care and emergency response. See also redlining and Community Reinvestment Act.

distressed - A term (sometimes paired with "blight," see that term also) used to describe an area that has a high rate of low-income households, or of households receiving public assistance, or of unemployment, and therefore may deserve a geographically-targeted subsidy such as an enterprise zone or a tax increment financing (TIF) district.

E

early warning system - a system used by some cities and states to try to identify workplaces that are at risk of closing, so that government officials can intervene to either save the jobs or better assist the dislocated workers. The first early warning systems were developed by plant-closing activists in the mid-1980s and taught to public officials in the late 1980s. By the late 1980s, the Job Training Partnership Act (predecessor to the current Workforce Investment Act) required Private Industry Councils (now Workforce Investment Boards) to look for workplaces showing early warning signals. See also disinvestment.

economic development - multiple choice:

a. a simple process in which businesses get a lot of money from government, politicians get to take credit for creating jobs, the details aren’t discussed, and folks hope everything works out all right.

b. a very complicated process involving lawyers, bankers, planners, studies, agreements, and reams of paper that no average citizen could ever hope to understand.

c. raising the living standards of average working people.

Economic Development Administration - an agency of the U.S. Department of Commerce that focuses mostly on building infrastructure, such as industrial parks, to encourage rural development. See Chapter 6.

enterprise zones - (also known as “empowerment zones,” and by state-specific names such as Michigan’s “Renaissance Zones” or New York’s “Empire Zones”) geographically designated areas in which companies can get multiple subsidies (usually property tax abatements, inventory tax exemptions, and various corporate income tax breaks, including employment tax credits). EZs are located in economically-depressed areas, the theory being that poverty can be alleviated by encouraging companies to locate in them. However, there are many problems with this theory, especially the fact that it is very hard to ensure that poor zone residents will actually benefit from corporations moving into a zone. As well, EZs are premised on piracy. That is, they raise the classic “zero-sum” criticism of subsidies: that no net new economic activity is being created; jobs are merely being shuffled around. For more, see Chapter 6.

Empowerment Zones - the first name for federal enterprise zones. See enterprise zones and Chapter 6.

Employee Stock Ownership Plan (ESOP) - a form of employee ownership that is encouraged by the federal tax code and by federal pension rules. First enacted in the late 1970s and amended by Congress many times since, ESOPs create powerful financial incentives for companies to sell some or most of the company stock to employees. ESOPs are especially attractive for family-owned companies when the founder is approaching retirement. They are also used by larger corporations that are spinning off subsidiaries. Some unions, such as the United Steelworkers of America, have used ESOPs as a job-retention strategy for their members. For more information, go to the National Center for Employee Ownership Website, www.nceo.org.

Entitlement - a subsidy to which a company is automatically entitled by virtue of meeting some criteria or performing some specific activity. The opposite of a discretionary subsidy. For more on the distinction, see Chapter 2.

ESOP - see Employee Stock Ownership Plan.

F

first source hiring - a program that requires employers to use qualified workers referred from a certain source as their "first source" of applicants to fill available jobs. That source is usually a government-sponsored workforce development program that helps place needy workers, such as former welfare recipients or chronically underemployed. First source hiring rules are typically attached as a condition for private contractors doing public work, or for business receiving economic development subsidies. Similar programs – sometimes called "targeted hiring programs" – require that employers make efforts to hire certain workers (e.g. workers from certain neighborhoods, or low-income workers).

fiscalization of land use - when cities or counties encourage development that will maximize tax revenues and minimize new demand for public services. For example, another strip mall might generate a lot of sales tax for a city. So the retail project will get the subsidy, even though people may need affordable housing much more than they need another place to shop. But because more housing means more school children, and that means more classrooms and more teachers, a city may shun such a project. See also cash-register chasing.

franchise tax - taxes paid by companies for the privilege of doing business in a state. More than half of the states have such taxes, which are typically calculated as a percentage of a company's capital or net worth. Some states, such as California and New Jersey, use the term franchise tax to refer to a tax on a company's net income, making it very similar to a corporate income tax.

Freedom of Information Act (**FOIA**, or "FOY-ya") **-** a federal law enacted in 1974 that requires Federal agencies to provide, to the public, access to and copies of existing agency records. States have enacted similar laws, often called Open Records Acts. Both federal and state FOIAs allow government agencies to exclude some materials from public review. See more on FOIA in Chapter 3.

FTE - see full-time equivalent.

full-time equivalent - the sum total of full and part-time employees, expressed as how many full-time employees they are equivalent to.

G

gap financing - a government-sponsored loan or other subsidy that fills the gap between what a developer needs to finance a project and what private lenders are willing to lend. Often, gap financing serves to give a private lender or a private investor more confidence in a deal, or to increase the rate of return for an investor to satisfy his or her perception of the deal's risk.

general obligation (GO or "GEE-oh") bonds - government-sponsored bonds, such as school bonds, the proceeds of which go to a public entity. The opposite of a private activity bond such as an industrial revenue bond (IRB), proceeds of which go to a private entity. GO bonds are backed by tax revenues and are rated by credit rating agencies depending on the financial health of the government body that is selling them. GO bonds are not usually considered economic development subsidies, because they do not go to specific deals. IRBs, which do go to individual companies, are called private activity bonds, because they are essentially private transactions between private lenders and private borrowers which are laundered through a public agency.

Geographic Information System (GIS) - a database system about the earth's surface. Originally created as a military tool, GIS has in recent years been commercialized in software programs such as ArcView and is increasingly popular as a tool for mapping issues as varied as crime locations, dislocated workers or urban sprawl.

GIS - see Geographic Information System.

GO bonds - see general obligation bonds.

grant - a subsidy which simply consists of cash or another asset given from a government agency to a company for use in a development project. In some cases, the grant may have a narrow purpose such as training new workers. In other instances, it may simply be applied to the construction costs of a new facility or for land acquisition.

greenfield - a term intended as the opposite of "brownfield." A greenfield is a site being considered for development that has not been built upon before. In a positive sense, that implies it has no environmental contamination. In a negative sense, it implies that the development is contributing to urban sprawl, since such a site is likely on the fringe of an urban area. In manufacturing projects, the term also implies moving to a labor market where workers have not worked in a factory before; such a workforce suggests cost advantages in terms of non-unionization, lower wages, lower healthcare costs and lower pension obligations.

gross receipts tax - levies on the revenues taken in by a company, i.e., its overall level of business activity rather than its profit (which is what corporate income taxes are based on). Only a small number of states, such as Delaware and Washington (which calls it a Business & Occupations Tax), impose this tax on all companies, but a larger number of states apply it to certain sectors, most commonly public utilities.

H

hotel tax - see transient occupancy tax.

I

IDA - see either industrial development agency or individual development accounts.

incentive - something provided to encourage somebody to do something they would not do otherwise. Because there is so much recurring evidence that monies spent for economic development are given to companies that would have done what they did anyway, we seldom say "incentive," preferring "subsidy" to be honest. Subsidy is also the word used by the World Trade Organization and other international bodies to describe economic development programs. See also subsidy.

incubator - a subsidy program to support very small businesses as they get started. Typically, incubators provide start-up companies with affordable space, low overhead, and shared office services. They are usually accompanied by other small-business help, such as management advice and loans.

in-migration - when business facilities migrate into an area. The opposite of out-migration. Economic development officials monitor in-migration and out-migration as a measure of economic health, and to look for clusters, or industry groups.

individual development accounts - an increasingly popular anti-poverty strategy based on the theory that the best way to enable people to escape poverty is to help them save enough money for major investments such as homes, college or small businesses. IDA programs encourage poor people to save by matching personal savings with donations from foundations or governments; the matches range from 1 to 1 to 6 to 1. Two references are "IDA State Policy Guide: Advancing Public Policies in Support of Individual Development Accounts" by Carl Rist and Karen Edwards, and "Individual Development Account Program Design Handbook: A Step by Step Guide to Designing an IDA Program" by Tim Facke, Brian Grossman, Coleen Daily and Stephanie Jennings, available from the Corporation for Enterprise Development, which works nationally on IDAs: www.cfed.org.

industrial development authority (IDA) - a state, local or regional entity that has the powers to give development subsidies such as industrial revenue bonds. For more on development agencies, see Chapter 7.

industrial development bonds (IDBs) - see industrial revenue bonds and Chapter 6.

industrial revenue bond (IRBs) - also known as Industrial Development Bonds; the most common form of economic development loan given to companies. The interest rate on IRBs is low because the interest paid on them is tax-free. That means the wealthy individuals or corporations who buy the bonds will accept a lower rate of interest. IRBs are essentially a private transaction (a corporation borrows money from a private lender, the bond buyer) laundered through a public authority to become tax free. IRBs are enabled and allocated under the federal tax code and regulated by each state. States may attach accountability standards to IRBs, such as wage rules and clawbacks. IRBs are private activity bonds, not general obligation bonds (like school bonds or sewer bonds), so they don't affect the credit rating of the state or local government. See general obligation bonds and Chapter 6.

industrial retention - an economic development strategy that focuses on retaining and growing the businesses that are already in an area, instead of spending resources to recruit new businesses from outside. This strategy is based on two facts. One, job retention is usually much cheaper on a per-job basis than recruitment; and two, most new jobs are created by growth in existing businesses, so it is usually more cost-effective to focus on them instead of recruitment. See also clusters and early warning systems.

infrastructure - publicly-owned physical systems that benefit all businesses and workers, such as schools, roads, sewer systems, libraries and publicly-owned utilities. The term now also often applies to cell-phone towers and fiber-optic networks. Subsidy critics often argue in favor of public goods such as infrastructure and against company-specific deals. See also business climate.

inventory tax - see business inventory exemption.

Italian model - see cluster strategy .

J

job creation tax credits - corporate income tax credits granted by state governments or the federal government for hiring workers. In some cases, the credits are granted only for hiring disadvantaged workers, such as the federal Work Opportunity Tax Credit or some state enterprise zone programs. However, some states give the credits for hiring any new workers. These credits typically range from $1,000 to $5,000 per worker – that is, a dollar for dollar reduction in the company's income tax payment.

job piracy - the use of development subsidies to lure a company and its jobs from one labor market to another. All of the major federal subsidy programs – including Community Development Block Grants, Workforce Investment Act, and Economic Development Administration – have anti-piracy rules. Some states also have anti-piracy rules that apply to companies relocating within their own borders.

Job Training Partnership Act (JTPA) - the predecessor law to the Workforce Investment Act; see Chapter 6.

JTPA - see Workforce Investment Act in Chapter 6.

L

**land acquisition and assembly - **see land write-down.

land write-down - a subsidy in which a development authority acquires property and transfers it to a private developer for a price below the authority's acquisition cost. Sometimes the deal involves assembling contiguous parcels together. Besides the cost of the land purchases, the authority's expenses may include administrative costs for the exercise of eminent domain, demolition and clearance, and/or environmental clean-up. Land write-downs may be subsidized from numerous sources, including a city's general fund, TIF, a brownfields program, and/or CDBG.

LBO - see leveraged buyout.

leveraged buyout (LBO) - a purchase of a company often made possible by taking on huge amounts of debt (leverage). LBOs are often led by management. Usually, the company does not keep the debt for a long time; instead, the managers sell off parts of the company and use the proceeds to retire the debt. LBOs can be very profitable because some companies are more valuable broken up than left together. LBOs were especially popular in the 1980s when companies used high-interest/high-risk "junk bonds" to finance the break-up of corporate conglomerates that were so popular in the 1970s.

leverage - (noun) debt. A company that has a lot of leverage or is highly-leveraged is a company that has a lot of debt.

leverage - (verb) in economic development, using public money to secure private investment. Like the "but for" rule, this is a frequently-abused term that is notoriously hard to verify. That is, if a public official claims that a $1 million subsidy has "leveraged" a $7 million private investment, how do taxpayers really know that the private investment would not have happened anyway? In far too many cases, auditors and journalists have found evidence that leverage claims were dubious or false. See also but for.

line of credit - an agreement between a borrower and a bank that allows the borrower access to money, at a prescribed interest rate, up to a maximum dollar amount for a set period of time.

linkage requirement - a rule attached to a development subsidy requiring the company to provide a public benefit – usually hiring local workers first – in return for the subsidy. Linkage requirements are especially common in training programs and enterprise zones.
LISC - see Local Initiatives Support Corporation.

loan - when one party lends money to another. In economic development, the issue is the terms of the loan. Government-sponsored loans often have easier terms for borrowers than private loans; that is, they often have lower interest rates, they may have longer terms and therefore require smaller monthly payments, and they may have less strict collateral requirements. Especially for capital-intensive manufacturing facilities, economic development loans can be an enormous subsidy. Since government-sponsored loans benefit only certain selected firms, they have the effect of discriminating against companies that use conventional (private) financing. See also industrial revenue bonds, loan guarantee, gap financing, leverage and collateral.

loan fund - government monies dedicated to making loans, usually targeted to a specific size of company, such as small businesses, or a specific industry, such as high tech.

loan guarantee - a government insurance policy given to a bank to secure a loan, usually to a small business. The U.S. Small Business Administration (SBA) is the largest source of loan guarantees; for more information on SBA loan guarantees, go to www.sba.gov. See also Chapter 6.

Local Initiatives Support Corporation (LISC) - a national non-profit corporation that provides support to Community Development Corporations (CDCs); www.liscnet.org.

Loophole - see tax loophole.

M

mean - the mathematical average; see per capita income and median income. For reasons explained in median income below, mean income is a poor measure in economic development and is therefore seldom used. If mean income were used to refer to the average income of all workers earning a paycheck, it would be different than per capita income, which would include all residents of an area, including children, retirees, the disabled and other people without payroll incomes.

median income - the income level in the middle of a ranked list of incomes. That is, if 99 people were listed in order of their incomes, the median income of the group would be that of person #50. Median income is used as a measure of an area's income instead of the mathematical average (the mean) because it is more reliable at describing the typical income. That's because a few high-income people can skew an average. If you averaged the income levels of 98 Nike shoe-makers in Indonesia with the income of Bill Gates, the average (or mean) would be far higher than the median and would hardly describe the typical living standard of members of the group.

metropolitan planning organization (MPO) - A metro-regional governmental unit that has legal jurisdiction over a geographic area for government service planning such as transportation or land use zoning. MPOs oversee implementation of the Transportation Equity Act of the 21st Century ("TEA-21") and are therefore the organizing targets of transit activists.

metropolitan statistical area (MSA) - a discrete population center, as designated by the federal Office of Management and Budget. While OMB designates MSAs for statistical use by federal agencies, the designations can be very useful for advocates researching income and other demographic trends. An MSA is an urban area that has at least 50,000 people and is predominantly surrounded by non-urbanized areas. MSAs are defined by county, except in New England, where the definition varies in some cases. The 2000 census uses new regional designations that broaden MSAs to include outlying counties from which a substantial number of workers commute into an urban area. A Consolidated Metropolitan Statistical Area (CMSA) is an MSA that has more than a million people. CMSAs are broken down into smaller units called Primary Metropolitan Statistical Areas; a PMSA is a large urban county, or set of socially and economically linked counties, located within a CMSA. Thus New York City is one of many PMSAs within the "New York - Northern New Jersey - Long Island" CMSA. The most recent list of MSA designations can be found by searching the "OMB Bulletins" at the OMB website (http://www.whitehouse.gov/omb/).

micro-credit - see micro-loan.

microenterprise - a very small business of five or fewer employees. Microenterprises often lack access to conventional loans and may benefit from community development financial institutions or other non-traditional lenders. For more on microenterprises, see the Website of the Association for Enterprise Opportunity at www.microenterpriseworks.org. See also micro-loan and community development financial institutions.

micro-loan - a very small loan (usually between $500 and $3,000) to an individual starting a small business but who lacks access to credit. The loan may be unsecured (that is, the borrower puts up no collateral). Micro-loans have proven to be very effective ways to help low-income people, especially women in developing nations, get basic tools they need to improve their incomes. The Grameen Bank in Bangladesh is the most famous example of this. In the U.S., there are many local microloan programs, usually sponsored by non-profit groups known collectively as community development financial institutions (CDFIs). See also community development financial institutions.

mil - one thousandth, as in a property tax milage rate of 10 mils, or 10/1,000 or effectively one percent of the assessed rate.

milage - see mil.

minority-owned/women-owned business enterprises (MWBE) - Some states and cities have subsidy programs targeted to MWBEs; they are usually similar to small-business programs (loan guarantees and management advice). To redress historical discrimination and promote diversity in business development, many cities and states also seek to procure a percentage of their goods and services from MWBEs.

MPO - see metropolitan planning organization.

MSA - see metropolitan statistical area

multiplier or multiplier effect - a way to express the economic benefits of a deal; the number of jobs and/or amount of tax revenues that will result *indirectly* from a subsidized project (above and beyond the *direct* new jobs and tax revenues). The multiplier effect is a number that is frequently misunderstood, often overstated, and seldom analyzed by the news media. Yet it is a critical device used by companies and their consultants to justify massive subsidies. The most common problem with the number is this: when a company claims a multiplier of, say, 2.5 jobs, that number almost always includes the original 1.0 subsidized job, so in fact the indirect jobs are only 1.5. A figure of 1.5 indirect jobs is a high number that would be generated by a high-input manufacturing facility such as an auto assembly plant. Yet companies often claim multipliers higher than 2.5. The methodologies used to derive multiplier numbers are irregular and often indefensible, but journalists seldom question the numbers, so that misunderstood and overstated numbers dominate public debate and help companies win more subsidies. Multiplier jobs are divided into "upstream" jobs (such as those at supplier firms) and "downstream" jobs (such as those at local retailers where workers shop). So, for example, because manufacturing plants usually require many suppliers (some of which will be local), and because they have mostly full-time jobs with better than average wages, they generate much bigger multipliers (but seldom higher than 2.5) than low-wage retail projects (with typical multipliers of 1.6).

MWBE - see Minority-owned/Women-owned Business Enterprises.

N

Neighborhood Housing Services (NHS) - a national program NEED MORE DETAILS AND A WEBSITE

North American Industry Classification System (NAICS or "nakes") - the official federal classification system for business establishments that replaced the Standard Industrial Classification (SIC) for statistical purposes in 1997. States use NAICS classifications when reporting wage data, so understanding this system is critical if you are studying wages. The numbers range from two digits to six, with more digits needed to indicate more-specific activity. For example, NAICS starting with 22 indicate construction companies. Those starting with 31, 32 or 33 indicate manufacturing establishments. So, NAICS 311 is food manufacturing, 3118 is bakeries and tortilla manufacturing, and 311813 is frozen cakes and pies. If you were seeking to create a market-based wage standard by industry, two or three digits will be all the detail you will need. The U.S. Department of Commerce Website with frequently-asked questions about NAICS is http://www.census.gov/epcd/www/drnaics.htm#q2.

NHS - see Neighborhood Housing Services.

no wrong door - a term used by those who advocate for "one stop" training centers that house all major programs, a major thrust of the Workforce Investment Act. The idea is that no matter what a worker needs, or what program she qualifies for, once she arrives at the one-stop, she will receive the correct information and be encouraged to enroll there.

O

one-stop center (training) - employment and training facilities that house numerous programs for workers with different needs, such as welfare to work, dislocated worker assistance, and customized training for incumbent workers. A major thrust of the Workforce Investment Act, one-stops have been pushed since Labor Secretary Robert Reich publicized the fact that the federal government sponsors more than 50 different training programs, making it hard for workers to navigate the system to get the help they need. See also no wrong door, and the Workforce Investment Act section of Chapter 6.

one-stop center (business assistance) - a state or local government office that coordinates many forms of assistance to business seeking subsidies, such as loan applications, training programs, zoning applications, and site preparation. Since subsidies come from several sources, companies often find it confusing and time-consuming to assemble all of the data they need; states and cities have responded by creating one-stop centers to expedite the process.

open records act - state laws that provide for the public release of most government documents, including those in economic development. See Freedom of Information Act and more in Chapter 3.

P

payment in lieu of taxes (PILOT) - payments negotiated between companies and local governments to cushion the blow to public services caused by property tax abatements. Sometimes PILOTs are pegged to cover a specific portion of a company's normal property tax liability, such as the school increment. See also tax abatements in Chapter 6.

PCI - see per capita income.

per capita income (PCI) - the mathematical average income of all people in an area, computed by dividing total income by total population. Per capita income is an inferior wage standard for development subsidies because it does not reflect typical wages, since it includes non-workers as well as workers. Therefore, if it is used as a wage standard, it will set artificially low standards, and be especially unfair to workers in areas with lots of kids or retirees. For that reason, we recommend against it.

performance-based incentives - a phrase used to describe subsidies that can only be collected if a company meets specified targets or requirements. An example would be a job-creation tax credit that a company could only collect by proving (through payroll records) that it has hired new workers.

performance measurement - the criteria used by auditors or evaluators to determine if a subsidy program is working. Examples include job creation or capital investment. The problem with measuring economic development programs is that it is often impossible to definitely determine cause and effect, that the subsidy actually caused the benefits.

PIC council - the predecessor regional training agency to the current Workforce Investment Boards. See Workforce Investment Act in Chapter 6.

piracy - see job piracy.

predatory lending - when lending institutions offer inferior home loans, with higher interest rates, needless insurance policies and/or other high-risk provisions that increase the likelihood that the homeowner will default and lose the home. Also known as "asset stripping," predatory lending is the latest variation on redlining, in which lenders used to deny credit outright to lower-income and/or minority neighborhoods. Now, seeking to "comply" with the Community Reinvestment Act, many lenders have subsidiaries that lend in previously-redlined neighborhoods, but on very inferior terms. See also redlining and Community Reinvestment Act.

private activity bonds - government-sponsored bonds, such as industrial revenue bonds, the proceeds of which go to a private entity (for a public purpose). The opposite of a general obligation bond, the proceeds of which go to a public entity. Private activity bonds are essentially private transactions laundered through a public authority, such as an industrial development authority, to become tax-free and therefore low-interest. Private activity bonds do not affect a government's credit rating, since all of the risk is borne by the private lender who buys the bonds. See industrial revenue bonds and general obligation bonds.

private industry council (PIC council) - see PIC council and the Workforce Investment Act section of Chapter 6.

property tax abatement - when a local government exempts a company from paying all or some of its property taxes. In dollar terms, tax abatements are often the largest subsidy a company receives, especially property-intensive companies such as manufacturers. See Chapter 6.

public-private partnership - a vague, slippery term. In its best sense, it refers to projects in which government and business play their respective roles properly, such as a regional training program in which both parties add to a region's skills base and thereby raise incomes. In its worst sense, it is used by business interests as a euphemism and a public stroke when in fact business has taken taxpayers to the cleaners.

Q

quasi-public - a phrase sometimes used to describe privatized economic development agencies. Such organizations rely heavily on public funds and may or may not be subject to open records acts. The term "quasi-public" does not appear in state constitutions and may be of dubious legal standing.

R

recapture - another word for clawback; a clause in an economic development contract in which a company agrees that if it fails to deliver on the terms of the agreement (such as job creation or dollars invested), it will pay some or all of the money back.

redlining - a discriminatory practice in which banks (or other lending institutions) deny credit or insurance companies deny insurance – or provide inferior products at higher prices – in certain neighborhoods based on the race of the residents, or the age of the housing stock, instead of the creditworthiness of borrowers. Redlining can be very subtle, involving appraisal and underwriting standards that have a discriminatory effect without appearing bad on their face. See also Community Reinvestment Act and predatory lending.

research and development (R&D) tax credits - dollar-for-dollar reductions in a company's corporate income tax bill in return for spending on research and development. States allow R & D credits usually between 1% and 13%. This subsidy is especially lucrative for industries such as pharmaceuticals and microchips that have to spend large sums on research. A major concern is that the definition of what exactly "R & D" constitutes is often quite vague and may be stretched to include many activities that appear to be routine functions and not a search for new knowledge, products or processes. Even with true R & D, there is no assurance that the credited activity would not have been made in the absence of the credit.

ripple effect - see multiplier.

S

sales tax - a state tax, which often has a local increment added to it, imposed on retail sales or on sales to a corporate end user (such as when a company buys building materials for a new facility). Many states now exempt new-facility construction or expansion from sales taxes. Others divert sales tax revenues into TIF, or rebate a portion of sales tax revenues to developers as a subsidy.

SBA - see Small Business Administration and Chapter 6.

SEC - see Securities and Exchange Commission.

Section 108 - a loan-guarantee program used by cities, backed by future Community Development Block Grant revenues. See Chapter 6.

Securities and Exchange Commission (SEC) - the federal regulatory agency intended to protect shareholders by enforcing laws and rules governing publicly-traded corporations (that is, those whose stocks trade in public exchanges). Companies must file various disclosure reports with the SEC, including the annual report, the 10-K and the proxy statement. These reports are vital tools for researchers and are published on the Internet at the SEC's EDGAR Website, at www.sec.gov. We also recommend www.freedgar.com. See more in Chapter 9.

Service Delivery Area (SDA) - the geographic area served by a Workforce Investment Board under the Workforce Investment Act. See Workforce Investment Act in Chapter 6.

SIC code - see Standard Industrial Classification.
single-sales factor formula (SSFF) - a formula used by a small number states to determine a corporation's state income tax liability. SSFF is a costly and controversial tax formula being pushed aggressively by manufacturing companies because it drastically

reduces their state income tax bills. Traditionally, states use three factors to determine how much of a company's profits are taxable in a given state: 1) the share of its employees that work in the state; 2) the share of its physical assets that are in the state; and 3) the share of its sales that occur in the state. Most manufacturers have their assets and employees in a small number of states, but sell regionally or nationally, so if the states in which they manufacture switch to SSFF, their tax bills go way down. Corporate lobbyists have been pushing SSFF as an economic development boon, but the emerging evidence shows no such benefits, just declining state revenues, and a burden shift onto other businesses and families. For more on SSFF, look for the research of Michael Mazerov at the Website of the Center on Budget and Policy Priorities at www.cbpp.org.

site location consultants - consultants who often represent companies during subsidy negotiations. Controversial and little-known "middle men" who play both sides of the street – working for companies looking for places and for places looking for companies – who wield enormous influence in the subsidy debate. The oldest and best-known is Fantus, which is now a division of the Big 5 accounting form Deloitte Touche; there are hundreds of others. See Chapter 11 for more information.

small business - the incredibly convoluted definition of this term, under the Small Business Act, varies according to what a business does, as well as by number of employees and by annual sales. For example, a children's clothing store is "small" if it sells $5 million or less; but women's or men's shops can sell up to $6.5 million. Water bottlers are "small" up to 500 employees, but a tobacco manufacturer can go to 1,000. Go to www.sba.gov/regulations/sbaact/sbaact.html if you just must know.

Small Business Administration (SBA) - a federal agency that assists small businesses. The SBA provides many kinds of help (such as counseling and mentoring, and help with contracting and procurement awards). Its subsidy program consists of loan guarantees for businesses that are unable to get loans through normal lending channels. For more, see Chapter 6.

smart growth - a term coined in 1997 by Maryland Governor Parris Glendening. This is a broad term encompassing many kinds of policies. For example, the law Glendening won says, in essence, that people can build anywhere they like, but if they build outside designated "Priority Funding Areas," (areas that already have infrastructure or are planned to get it) the state will not subsidize it. Other examples include: 1) State land-use laws that encourage development (and redevelopment) in areas that already have infrastructure, encourage adherence to long-term planning goals, and/or encourage cities to cooperate through regional strategies. Twelve states have adopted some version. 2) Regional tax-base sharing among cities to deter job piracy and other tax-base competition and encourage regional cooperation. 3) Metropolitan or "Unigov" systems to merge counties with cities and thereby deter regional in-fighting. 4) New criteria for state investment funds to give preference to projects that revitalize blighted areas, promote public transit, or involve mixed-use structures. 5) Open-space preservation, including bond referenda to pay for the public purchase of open space, incentives to encourage private donations of land; and state land preservation programs. 6) "Urban growth boundaries" or "greenbelts" around metro areas to set geographic limits on new development and encourage more intensive use of core areas and suburbs inside. 7) "In-fill" development projects on vacant or underutilized parcels of land in areas that already have infrastructure. Think Urban Rogaine. 8) Reclamation and re-use of "brownfields," or contaminated land sites left behind by previous industrial users. 9) Affordable housing programs in the suburbs so that lower-income workers can have greater access to jobs. 10) "Transit-oriented development," (TOD) in which cities use subway and commuter rail stations as hubs for mixed-use developments within a half-mile radius, including retail, housing and day care, etc.

smokestack-chasing - an informal and usually negative phrase referring to states and cities "chasing" factory investment by offering ever-higher subsidies. The phrase came into common use by the mid-1980s because factory deals – such as General Motors' first Saturn plant, which prompted 30 states to compete in 1985 – got so much media attention. Today, the practice has spread to many other sectors, such as corporate headquarters, financial services, warehousing and distribution, call centers and back offices. See also cash register-chasing.

sprawl - development patterns that have: low density and a lack of mixed-use projects (for example, no apartments above stores); a lack of transportation options (forcing everyone to drive to work); strict separation of residential from non-residential property; and job growth in newer suburbs with job decline in core areas (including both the core city and older suburbs). These trends result in increased dependence on automobiles and longer average commuting times, deteriorating air quality, and rapid consumption of open space in outlying areas. They also cause disinvestment of central city infrastructure and services, and strain city budgets at the core (caused by a declining tax base) and in the suburbs (caused by overly-rapid growth at the edge). The decentralization of entry-level jobs makes work less accessible to low-skilled, unemployed workers. Since the suburbs lack affordable housing and public transit fails to reach many suburban jobs, sprawl effectively cuts central city residents off from regional labor markets. That means greater concentrations of poverty in core areas. See also smart growth.

SSFF - see single-sales factor formula.
Standard Industrial Classification (SIC or "S-I-C code") - the U.S. Department of Commerce system of classifying business establishment for statistical reporting purposes. In January 1997, the SIC was replaced by the North American Industry Classification System (NAICS). See North American Industry Classification System.

startup - a newly-formed business. Startups are fragile and usually need equity (cash) and loan guarantees; they also need management advice.

subsidy - any form of government support that lowers a company's cost of doing business.

sunset or sunset review - a tool used in state budgeting. When a government program is "sunsetted," that means it expires after a set number of years, unless it is reviewed and found to be effective enough to justify re-authorization. Most economic development subsidy programs are not sunsetted, especially tax credits, and that is another reason so many have become ineffective.

sunshine or sunshine law - disclosure or a law requiring disclosure. As the saying goes: "sunshine is the best antiseptic."

T

10-K - a detailed disclosure form every publicly-traded company must file annually with the Securities and Exchange Commission. The 10-K is the most detailed report a company must file explaining its financial results and disclosing major events that have affected or may affect those results. See Securities and Exchange Commission and Chapter 9.

Targeted Jobs Tax Credit - see Work Opportunity Tax Credit.

tax abatement - see property tax abatement and Chapter 6.

tax base - the amount of assets or economic activity from which a government generates some of its tax revenue. To a city government, the most important tax base is usually the amount of taxable local property. For state and local governments, retail sales form the base for sales tax revenues. For the federal government, personal income is one large tax base.

tax-base sharing - a practice in some metropolitan areas in which cities share some of their tax revenues – such as commercial property tax or sales tax – reflecting the fact that, for example, most of the people who work in a factory in an industrial suburb probably don't live in the same city as the factory, and most of the people who shop in a suburban mall probably don't live in the same city as the mall. Advocates of tax-base sharing believe that it reduces the incentive for cities to use subsidies to simply pirate companies or sales from each other, stabilizing all cities' tax base and thereby reducing sprawl.

tax breaks - a broad term that includes many different kinds of subsidies, including property tax abatements, many kinds of corporate income tax credits and reductions, sales tax cuts, and utility tax cuts.

tax credit - one of the most aggressive subsidies a state can grant. Tax credits reduce state corporate income taxes. They are usually granted for specified kinds of corporate activities (such as spending for new plant and equipment or for research and development). Normally, a company would account for such expenses like any other business expense; higher expenses mean lower profits and therefore less taxable income (profits). But if the investment is eligible for a tax credit, a company is allowed to take a percentage of the expense – dollar for dollar – from its corporate income tax bill. If a company incurs a large expense eligible for a tax credit, some states's credits are so generous that the credit can actually wipe out the company's entire state income tax bill. And if a company's credit exceeds its tax bill for the year, states usually allow the company to carry the unused credit forward against its next year's tax bill. This is called a "tax-loss carryforward." Some states also grant tax credits for hiring disadvantaged workers or for hiring any new workers – see job creation tax credits and Chapter 6.

tax expenditure - tax revenue not collected in the name of economic development (due to subsidies such as a property tax abatement or a corporate income tax credit). Distinct from an *appropriated expenditure* for development, which is a transfer of money from one public agency to another or from an agency to a private party. See also entitlement and Chapter 2.

tax-exempt bonds or tax-exempt financing - low-interest loans made to companies in the name of economic development. See industrial development bonds and industrial revenue bonds here and in n Chapter 6.

tax exemption - a broad, general term that may refer to many kinds of tax cuts, including property tax abatements or enterprise zone tax credits.

tax increment - see tax increment financing and Chapter 6.

tax increment district (TIF District) - see tax increment financing and Chapter 6.

tax increment financing (TIF) - an economic development subsidy program usually paid for by the diversion of property taxes, and sometimes by the diversion of sales taxes. TIF is regulated by the states and locally-controlled. A city designates a TIF district for redevelopment. Based on the expectation that property values in the district will rise as a result of that redevelopment, the city splits the property tax revenues from the district into two streams: the first consisting of revenues based on the current assessed value; the second based on the increase in property values – the "tax increment." The tax increment is diverted away from normal property tax uses, such as schools, police and fire, and into the TIF district. There, the money can be used to back bonds or otherwise finance many different activities that subsidize the redevelopment. TIF is very popular with local officials because of its flexibility, but controversial with many other parties. See Chapter 6.

tax-loss carryforward - see tax credit.

tax loophole - a popular (negative) term for special language in a tax code that favors a particular industry or small group of companies. For example, the oil depletion allowance in the federal tax code gives oil companies a special tax favor.

tax rate - the percentage of the value of a private economic asset or activity used by government to fund public services. For example, a city may tax property at 10 mils, or 10/1000ths (or 1%) of its value. A state government may tax personal income at a rate of 3%.

Temporary Assistance to Needy Families (TANF or "TAN-if") - the new name given to federal welfare for families in the 1996 welfare reform act. Formerly Aid to Families with Dependent Children (AFDC). TANF represents a major shift in welfare policy. Among its most important provisions is a five-year lifetime limit on assistance, a great deal of state control on program design and delivery, and a heavy emphasis on steering welfare recipients into job-search activities ("work first"). TANF's emphasis on work first has caused some state welfare agencies to get much more involved with local economic development efforts, sometimes reducing the long-standing problem of poor coordination between welfare and development programs. But it has also led to numerous abuses, in which welfare agencies aggressively shuffle people into a job – any job, even with a temp agency – to declare that work first has been successful in breaking the welfare "dependency" cycle. TANF's changes have also increased the amount of privatization in welfare to work, with all the usual problems – such as creaming – seen when human services are contracted out. See also creaming.

TIF - see tax increment financing and Chapter 6.

TIF district - see tax increment financing and Chapter 6.
transient occupancy tax (TOT), also known as the hotel tax - a tax imposed on hotel and motel customers. Because travelers – not local residents – bear the brunt of a hotel tax, some cities have enacted TOTs in excess of 10%. Traditionally, TOTs were justified with the understanding that some of the revenue would be used to promote tourism (thus helping to fill up the hotels and restaurants), with the rest going to the general fund to support local public services. But increasingly, TOTs are getting diverted into special projects such as sports stadium deals. For example, a stadium deal may call for the incremental growth in TOT revenues to be dedicated to paying off stadium bonds. That means that even if tourism grows, and more people patronize hotels, taxpayers won't get any new TOT revenue for public services.

trophy project - a high-profile deal that will get a lot of media coverage. When public officials feel they might land a trophy project, they are very prone to spending too much for it, because they are prey to the argument that such a deal will have enormous "intangible" benefits and send positive "business climate" signals. Examples include auto assembly plants, micro-chip fabrication plants, and large-company headquarters facilities (such as the competition between Dallas, Denver and Chicago for Boeing's headquarters).

U

Urban Development Action Grants (UDAG) - a now-discontinued federal loan program that was run by the U.S. Department of Housing and Urban Development. Although the program is discontinued, many cities have revolving loans funds created by the re-use of UDAG loan proceeds as they get paid off. See Chapter 6.

urban sprawl - see sprawl.

V

venture capital (or "VC") - a high-risk investment, usually in a young company, in which the investor may seek very high rates of return (30% to 40% or more) through interest and/or equity in the company to offset the risk that the company will fail and the investment will be lost. Some states have created publicly-sponsored VC funds, sometimes using tax credits to attract capital. Not surprisingly, since they involve small numbers of people seeking to get rich quick, some have dubious histories.

W

welfare to work - a phrase referring to the increased emphasis, under the 1996 welfare reform act, in steering welfare recipients into work. The phrase also refers to a federal subsidy program created to encourage companies to hire former welfare recipients. See also Temporary Assistance to Needy Families.

workforce development - a broad term used to describe education and training programs that raise the skill levels of a workforce. At its best, workforce development can be integral to a sectoral program that raises people's lifelong skills and living standards. At its worst, it may refer to a program that forces people into meaningless training for dead-end jobs.

work first - see Temporary Assistance to Needy Families.

Work Opportunity Tax Credit (WOTC, or "WATT-see") - a federal corporate income tax credit program to encourage companies to hire "hard to employ" workers such as ex-offenders, workers leaving welfare, recent food stamp recipients, low-income veterans or the disabled. See more details in Chapter 6.

Workforce Investment Act (WIA or “WE-uh”) - the largest federal training program. A multi-purpose program administered by the U.S. Department of Labor that sends money to regional Workforce Investment Boards and to the states. WIA is usually the largest source of training money involved in major subsidy deals. The predecessor law was the Job Training Partnership Act (JTPA) and the predecessor regional bodies were Private Industry Councils, or “PIC Councils.” See Chapter 6.

Workforce Investment Board (WIB or “wib”) - see Workforce Investment Act and Chapter 6.

Z

zoning - when local governments designate land for various kinds of uses, including commercial and industrial. Control over zoning can be highly politicized, because changes in land use can greatly affect land prices.