Letter of Comment No. 162
File Reference No. 19-20E
Date Received: 12/22/2014

SPEEA IFPTE LOCAL 2001

Louisiana Budget Project

December 19, 2014

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Project No. 19-20E

Dear Mr. Bean,

We support the direction of GASB's proposed new standard on tax abatement reporting, however we are concerned about GASB's intention not to require any cost accounting of future-year costs for multi-year subsidy agreements.

Our two organizations have first-hand experience with this issue.

The Louisiana Budget Project is a non-profit research organization that is concerned with state fiscal issues and especially how they affect low- and moderate-income families. One of the areas we monitor is the use of economic development incentives. The Society of Professional Engineering Employees in Aerospace, IFPTE Local 2001 (SPEEA), is a labor union representing engineering and technical employees in aerospace, including over 23,000 workers in the Puget Sound region.

Last year, the Washington State legislature approved a tax break extension for Boeing and its suppliers that is officially projected to cost the state $8.7 billion over 16 years. SPEEA is currently working with the Machinists union and the broader community in Washington to ensure that aerospace tax incentives create and retain good aerospace jobs. Washington residents and taxpayers must have a faithful accounting of the long-term impact on state revenue as part of the state's comprehensive annual financial report. Including a multi-year projection requirement in your tax abatement standards would send a strong signal to legislatures that they should incorporate that condition when designing tax incentives.

Louisiana is known for awarding generous, multi-year subsidies to companies through programs such as the Industrial Tax Exemption, Quality Jobs and Enterprises Zones. Louisiana Economic Development does a good job in producing annual lists of awards for these three programs that

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are posted on the web, along with multi-year projections of payrolls *and* tax credit costs. This shows that it is indeed possible to estimate future year costs for large numbers of abatements.

We would, however, prefer to see these projections also disclosed in the state's CAFRs and to have them apply not only to these programs but to all types of economic development tax abatements awarded by state and local agencies. Putting these enormous obligations into full view of financial documents enables a fair accounting of subsidies alongside other spending priorities.

Taken together, the situations in our two states indicate that multi-year projections of tax abatement costs are already being generated (in these cases, as fiscal notes created for proposed legislation and as state-projected costs of previously awarded abatements), contrary to the statement in your draft that such projections are difficult to create.

As you undoubtedly know, expensive, long-term subsidy deals are occurring throughout the country. Good Jobs First has documented that since 2008, the number of very expensive "megadeals" has surged. Among the other companies receiving awards worth hundreds of millions or even billions of dollars are Intel in Oregon, Tesla in Nevada, Volkswagen in Tennessee, Nissan in Mississippi, and Royal Dutch Shell in Pennsylvania.

We urge you to revise the draft standard to require disclosure of the future-year costs of subsidy awards in CAFRs and make clear the true costs of multi-year abatements going forward.

Thank you for your consideration of these comments.

Sincerely,

Ryan Rule
President
SPEEA, IFPTE Local 2001

Jan Moller
Director
Louisiana Budget Project