

Model Legislation for Accountability in Economic Development: Unified Economic Development Budget

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BACKGROUND

The purpose of a Unified Economic Development Budget (UEDB) is to provide policymakers and taxpayers with a comprehensive accounting of all economic development spending—all in one place.

This is critical for two reasons. First, because different agencies handle different programs, the records are not combined, and they may be reported in non-uniform ways that make comparisons difficult. Second, some forms of tax expenditures—especially corporate income tax credits—have historically been far less transparent in some states than other kinds of tax breaks (such as property tax abatements available at county tax assessors' offices).

That's a big problem, because for many states, tax spending for economic development dwarfs appropriated spending, by ratios of 4-to-1, 6-to-1 or even higher. In times of fiscal stress, that causes some states to make distorted decisions. For example, they may cut appropriations (such as worker retraining programs) while not touching tax breaks (such as enterprise zone credits).

When public officials have to make tough budget decisions, they should be able to see all forms of spending for economic development so they can make fully informed and balanced decisions based on a complete picture of the whole development budget.

Although several states have enacted something called a Unified Economic Development Budget (UEDBs), some are too incomplete to be considered as models (such as Texas and Illinois) and others are still falling short of their potential as enacted. The language here draws upon the best UEDBs enacted so far. It also reflects several "do it yourself" UEDBs published by state tax and budget watchdog groups.

Economic Development Full Accounting Act (Unified Economic Development Budget)

I. Definitions

- **“Corporate parent”** means any person, association, corporation, joint venture, partnership, or other entity that owns or controls 50 percent or more of a recipient corporation.
- **“Date of subsidy”** means the date that a granting body provides the initial monetary value of a development subsidy to a recipient corporation provided, however, that where the subsidy is for the installation of new equipment, such date shall be the date the corporation puts the equipment into service and provided, further, that where the subsidy is for improvements to property, such date shall be the date the improvements are finished, or the date the corporation occupies the property, whichever is earlier.
- **“Development subsidy”** means any expenditure of public funds with a value of at least \$25,000.00 for the purpose of stimulating economic development within the State, including but not limited to bonds, grants, loans, loan guarantees, enterprise zones, empowerment zones, tax increment financing, grants, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, and tax credits.
- **“Full-time job”** means a job in which an individual is employed by a recipient corporation for at least 35 hours per week.
- **“Granting body”** means any agency, board, office, public-private partnership, public benefit corporation or authority of the State or a local government unit that provides a development subsidy.
- **“Local government unit”** means an agency, board, commission, office, public benefit corporation, or public authority of a political subdivision of the State.
- **“New Employee”** means a full-time employee who represents a net increase in the number of individuals employed by the recipient corporation in the state. “New employee” does not include an employee who performs a job that was previously performed by another employee of the recipient corporation if that job existed for at least 6 months before hiring the employee.

- **“Part-time job”** means a job in which an individual is employed by a recipient corporation for less than 35 hours per week.
- **“Project site”** means the site of a project for which any development subsidy is provided, as specified by street address, name of locality and ZIP code.
- **“Property-taxing entity”** means any entity which levies taxes upon real or personal property.
- **“Recipient corporation”** means any person, association, corporation, joint venture, partnership or other entity that receives a development subsidy.
- **“Small business”** means a corporation whose corporate parent, and all subsidiaries thereof, that employed fewer than twenty full-time employees or had total gross receipts of less than one million dollars during the calendar year.
- **“State”** means an agency, board, commission, office, public benefit corporation or public benefit authority of the State.
- **“Subsidy value”** means the face value of any and all development subsidies provided to a recipient corporation. The face value of a loan means the amount of the loan.
- **“Temporary job”** means a job in which an individual is hired for a season or for a limited period of time.
- **“Duration of subsidy”** means as many years as a subsidy benefits a recipient corporation, such as the number of years a tax credit may be claimed and/or carried forward, the number of years a loan is for, or the number of years a property tax reduction applies.

II. Annual Performance Reports

- A. The state Department of Revenue shall submit an annual Unified Economic Development Budget to the legislature no later than three months after the end of the state’s fiscal year. The report shall be posted publicly on the Revenue Department’s website, with specified portions available as spreadsheets that can be downloaded. The report shall include all types of expenditures for economic development during the prior fiscal year, including but not limited to:

1. **Company-Specific Tax Expenditures:** The amount of uncollected, forgiven, credited or rebated state tax revenue, line itemized by program, resulting from the following programs: [**SPECIFY HERE THE NAMES OF TAX-BASED ECONOMIC DEVELOPMENT PROGRAMS**] resulting from every corporate tax credit, abatement, exemption, and reduction provided by the state or a local governmental unit for the purpose of job creation and/or retention including but not limited to: gross receipts, income, sales, use, raw materials, excise, property, utility, and inventory taxes.
2. **Program-Specific Appropriated Expenditures:** All State appropriated program expenditures for economic development, line itemized for the following programs: [**SPECIFY HERE NAMES OF STATE-FUNDED ECONOMIC DEVELOPMENT PROGRAMS**] for every State-funded entity with an economic development mission, including but not limited to: state Department of Commerce, state Department of Employment and Training, vocational education programs, state university research programs, Manufacturing Extension Program, Workforce Investment Boards, Economic Development Commissions, Industrial Development Authorities, Regional Development Authorities, and Finance Authorities.
3. **Agency-Specific Appropriated Expenditures:** All state-appropriated expenditures for the administration of economic development agencies, line itemized for the following agencies: [**SPECIFY HERE NAMES OF STATE-FUNDED ECONOMIC DEVELOPMENT AGENCIES**] for every state-funded agency with an economic development mission, including but not limited: to state Department of Commerce, state Department of Employment and Training, vocational education programs, state university research programs, Manufacturing Extension Program, Workforce Investment Boards, Economic Development Commissions, Industrial Development Authorities, Regional Development Authorities, and Finance Authorities.
4. A three-year cost-trend analysis for each reported program and agency, describing the rate of growth or decline in spending over time, and including the number of corporations assisted each year.
5. For each tax year, the name of each corporate taxpayer which claimed any tax credit, abatement, exemption or reduction under subdivision (1) of any value equal to or greater than \$5,000, together with the dollar amount received by each such corporate taxpayer.

6. All information in subdivision (1), (2), (3), (4), and 5 shall be posted in a spreadsheet form that can be downloaded from the Revenue Department website.
7. Any tax credit, abatement, exemption, or reduction received by a corporation of less than \$5,000 each shall not be itemized. For each tax year, the Department of Revenue shall report an aggregate dollar amount of such expenditures and the number of companies so aggregated for each tax expenditure.

III. Severability

If any provision of this Act is determined to be unenforceable in a court of law, such determination shall not affect the validity or enforceability of any other provision of this Act