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New National Report Ranks New York 45th in Taxpayer Protection for Development Dollars

Advocates Respond to New York's D+ Ranking in Accountable Economic Development

New York, Buffalo, Ithaca, NY--A new report analyzing the performance standards and enforcement policies of the states' major economic development programs was released today by Good Jobs First, a non-profit, non-partisan research center based in Washington, DC. The study, *Money-Back Guarantees for Taxpayers: Clawbacks and Other Enforcement Safeguards in State Economic Development Subsidy Programs*, shows that most states are highly inconsistent in how they monitor, verify and enforce the terms of job subsidies that cost taxpayers billions of dollars per year. New York State had one of the poorest track records, receiving a score of D+ and ranking 45th out of the 50 states plus the District of Columbia.

The report scored New York's Brownfield Cleanup Program, Empire State Film Production Credit, Empire Zone Program, Excelsior Jobs Program and Industrial Development Agencies (IDAs); programs whose annual cost in their most recent reporting year totaled nearly \$1.6 Billion. The report found that while some of New York's most expensive economic development programs may have internal reporting requirements and some accountability measures, the State fails to make these policies systematic, rigorous and transparent, leaving New Yorkers in the dark as to whether economic development dollars are being invested wisely. .

"If New York State followed the clawback and reporting policies at the New York City Industrial Development Agency, our ranking would have certainly been better," said Bettina Damiani of Good Jobs New York. "Because of the agency's clawback provisions and recent transparency reforms, we know the City recaptured \$6.75 million in 2010 and that past clawbacks were enforced on firms such as MetLife, Reuters, and Pfizer."

The New York City IDA incorporates clawback provisions in its commercial retention deals and the agency's annual report states which firms had their subsidies recaptured. The procedures at the NYCIDA show that systematic and transparent procedure on clawbacks is possible and offer an example that officials in Albany should follow.

The 115 IDAs throughout New York cost approximately half a billion dollars a year, the most expensive of New York's subsidy programs. Yet, there is no systematic reporting or clawback provisions for them. While enforcement practices vary widely among IDAs, accountability mechanisms such as clawbacks are rarely mandatory and are rarely employed on a discretionary basis when companies fail to live up to their agreements. Of the 112 IDAs that responded to the question, "Does the Authority have Claw Back agreements?" within a questionnaire provided by the State's Accounting Budget Office, only 65 have a clawback agreement on one or more projects, and 47 have no clawback provision attached to any of their subsidy deals.

Outside New York City, a notable exception is the Tompkins County IDA, which has penalties, including mandatory clawbacks with some exceptions for companies that receive subsidies and then move or close a subsidized facility. In 2011, the IDA clawed back \$370,301 from Emerson Power Transmission, which relocated out of the county after receiving tax abatements over the course of six years.

“Accountability mechanisms like clawbacks are an incredibly important tool for economic development professionals to wield when distributing tax incentives,” said Jeff Furman, a Board Member of the Tompkins County IDA. “Closer monitoring of projects and more systematic enforcement throughout the state would ensure that companies follow through on their agreements and that local communities’ interests and pocketbooks are protected.”

The most recent performance data from the Office of the New York State Comptroller shows that IDAs allocated \$141 Million in tax breaks to companies that either cut jobs or didn’t create any jobs for New Yorkers in 2009. One-half of all projects that ended in 2009 failed to create a single job. In fact the 274 completed subsidy agreements were expected to create a total of 21,113 jobs but instead, lost 4,957 jobs.

“Given our fiscal crisis, New York needs to improve the performance of tax incentives through IDAs and other programs,” said Allison Duwe, Executive Director of the Coalition for Economic Justice in Buffalo. “New Yorkers can no longer afford to pick up the tab for lavish no-strings-attached subsidies that fail to create the promised jobs.”

The new report is a companion to *Money for Something*, a Good Jobs First study issued last month on the performance standards built into subsidy programs. *Money-Back Guarantees* rates states on how well they enforce those standards.

The report contains several recommendations to improve accountability in economic development subsidy programs, including robust and verified reporting, straightforward and consistent penalties such as clawbacks, and detailed online data about program enforcement activities.

“New Yorkers should expect more from these corporate subsidy programs that come at such a large—and often hidden—cost,” said Matt Ryan, Executive Director of ALIGN. “The State needs to increase efficiency and effectiveness in economic development by making information available to impacted communities and by protecting the public interest with a money-back guarantee.”

More information about this report and subsidy accountability is available at www.goodjobsny.org and www.ALIGNny.org