For more information: Deirdre Cummings,
dcummings@masspirg.org, 617-747-4319

An Act to Promote Efficiency and Transparency in Economic Development, S.153, H.2565

Lead Sponsors: Senator James Eldridge and Representative Carl Sciortino

Cosponsors: Senators Chang-Diaz, Clark, Creem, DiDomenico, Fargo, Jehlen, Montigny, Pacheco, Wolf and Representatives Andrews, Arciero, Atkins, Balser, Benson, Brady, Brownsberger, Cabral, Canavan, Creedon, Diehl, DiNatale, Dwyer, Dykema, Ehrlich, Harrington, Hecht, Hogan, Khan, Kocot, Koczera, Kulik, Kuros, Lewis, Linsky, Malia, K.Murphy, Provost, Ross, Scaccia, Sciotino, Smizik, T.Stanley, Story, Sullivan, Swan, Timilty, Toomey, Turner, Walz, Wolf.

Last year the state approved almost $200 million in state and local tax breaks for 37 companies that collectively promised to create 2,475 jobs through the Economic Development Incentive Program. Since the start of the program in 1994 the state has approved an estimated $3-4 billion worth of tax breaks for area businesses.

Currently, transparency and accountability of the economic development tax subsidies are poor, and or non-existent in some cases. As a result, while many of the subsidies may be worthwhile investments, others are not. And worse, there is not enough publicly accessible information to identify which subsidies are in fact benefiting the state most efficiently. We can't measure or evaluate what we can't see, and currently the lack of transparency results in a lack of accountability and efficiency in spending taxpayer revenue.

> "The bottom line is when public dollars are being invested in private enterprises, we ought to provide the highest level of transparency," said Deirdre Cummings, MASSPIRG, *Putting Money Where Jobs Are,* Todd Wallack, Boston Globe, 12.29.2010

An Act to Promote Efficiency and Transparency in Economic Development will require that all economic development tax breaks on both the state and local level be transparent and posted on the state budget website; require improved reporting data to evaluate the success of the investments; set standards for successful economic development programs and hold companies accountable to their job creation commitments by requiring companies to pay back the value of the tax break if they fail to meet their promised commitments.

The strong disclosure requirements will bring Massachusetts more in line with states such as Connecticut, Maine, Maryland, Ohio, Pennsylvania, New Jersey, New York, and Rhode Island that already have similar provisions in place.

This bill would:

Require uniform data collection

Uniform reporting requirements would mean that every economic development program funded by the state or a municipality would have the same data reporting requirements. Applicants would have to document their current in-state employment levels, salary and benefit structure to establish an objective benchmark from which to measure gains. Under this amendment:

- All proposals for assistance must include benchmark summaries of
  - The number of jobs prior to receiving assistance
  - Benefit levels (e.g. health insurance) provided current employees
  - Salary scale of current employees
- Also required is a summary of proposed benefits to the Commonwealth
  - Number of new jobs to be created
  - Benefit levels for these new jobs
  - Wages scale for new jobs
- Requires recipients to report on results annually for the life of the subsidy.
  .

Provide transparency

- Requires the DOR to produce an annual unified economic development budget
  - Detailing tax reductions, tax credits and subsidies for economic development
  - Including all line item expenditures for any state-funded entity including quasi-public authorities
  - Local property tax abatements and reductions also included
- Requires EOEHD to make all applications and reporting materials available to the public.
- DOR and EOEHD reports and supporting materials (applications, etc.) must be posted on the web in a searchable, easy to use format.

Establishes standards and requires claw-backs when benefits are not met

- If a company fails to meet its job creation commitments within two years, the state will be required to recapture (“claw-back”) a pro-rated portion of the subsidy.
- Wages must remain at or above 85% of average wage for the industry and region (75% for small businesses). If taxpayers are going to subsidize jobs with public dollars, they shouldn’t be eroding community standards through those investments.
- The subsidy per permanent, full-time job may not exceed $35,000, which is the limit set for job creation when applying for federal Community Development Block Grants.
- Section 12 empowers the Executive Office of Economic Development to waive the subsidy limit and job standards upon finding that there exist significant public policy goals apart from job creation. The policy goals would have to be explicitly stated and become the basis of annual progress reports.