

Reforms should make IDAs more accountable

By Adrienne Shropshire and James Parrott
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Things are changing for the better in Albany. Already this year, we've seen the long-overdue reform of the workers' compensation system, a state budget that makes giant strides in revamping school aid and renewed focus on government reform and accountability. The state economy has gotten needed attention too, with Gov. Eliot Spitzer's appointment of both an upstate and a downstate economic czar.

Now, the governor and the Legislature have the opportunity to enact real reform of the state's 115 local industrial development agencies. The existing law sunsets on June 30.

Will our political leaders rise to the occasion? We hope so. We can't afford to waste the hundreds of millions of dollars in tax breaks that are handed out annually by IDAs.

Starting now, IDAs must be held accountable for the tax breaks they dispense. We need safeguards in place to assure that these investments create quality jobs and help revitalize those parts of the state whose economies are lagging behind.

Real reform of the way economic development is done in New York won't be possible without changing the way IDAs work. New York began establishing local IDAs in 1969 to issue tax-exempt bonds on behalf of manufacturers that were locating or expanding in the state. Eligibility has expanded beyond manufacturing, and IDA-authorized tax breaks now total about \$400 million a year. The bulk of IDA tax breaks involve property taxes (particularly school property taxes), but also can include the state and local portions of the sales tax.

Unfortunately, not all IDA projects provide the economic boost or quality jobs that most of New York desperately needs. A report to be released Tuesday by New York Jobs with Justice documents why. For example, five upstate IDAs granted Wal-Mart more than \$12 million in tax breaks between 2002 and 2005, draining school taxes from these areas in exchange for low-wage retail jobs. Despite the desperate need in upstate areas for good-paying jobs for local residents, some upstate IDAs have subsidized projects that get built with out-of-state workers. If taxpayer-subsidized IDA projects create poverty-wage jobs or just move jobs from one county to the next, honest taxpayers get fleeced. And "economic revitalization" remains out of reach.

There's a better way. In parts of New York and around the country, economic developers are coming around to the view that quality jobs and good wages are the foundation for local economic growth. Some New York IDAs have been among the leaders on this score; all IDAs should be required to follow this sound principle.

How can we make sure that taxpayers are not subsidizing substandard, minimum-wage or nonexistent jobs? Three basic reforms are needed to improve the returns from IDA-sponsored investments.

First, all IDAs should adhere to meaningful wage and benefit standards for companies receiving assistance. All affected jobs should pay living wages, and construction jobs should have prevailing wages and apprenticeships. New York's Empire Zones program is that it requires wages to be at least 135 percent of the minimum wage as a condition for receiving wage-related tax breaks. That's not enough—but it is a good start.

Second, IDAs should operate with much greater transparency. IDAs should notify the public much sooner about pending deals and public hearings should provide real opportunities for community input and consideration of impacts on the community.

Third, IDAs must be held accountable for the tax dollars they give away. IDA boards should include representation from local stakeholders. There should be protections against IDAs attracting businesses away from other areas of New York, and there should be subsidy-recapture provisions for companies that fail to live up to their commitments. According to the New York Jobs with Justice report, data from the state comptroller indicate that IDA-subsidized projects around the state have generated only 36 percent of the jobs promised.

Accountability also means that IDAs should encourage smart growth and stop subsidizing sprawl, which adds to public costs while subtracting from the regional tax base. In defiance of common sense—and 1993 legislative reforms—a number of IDAs continue to subsidize retail projects despite the fact that these principally occur where consumer markets exist and don't need subsidies.

IDA reform is the place where New York's pressing job needs and accountability to taxpayers come together. It is also the place where we have to strike the proper balance between local control and beneficial, uniform job development standards.

With the right IDA reforms, we'll have stronger local governments, more effective state-local partnerships, a brighter economic future and restored faith in government.

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