

January 13, 2015

Sent via email to: director@gasb.org

RE: Project No. 19-20E

Director
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear GASB Director:

We write in support of GASB's Exposure Draft on Tax Abatement Disclosures.

We also write to suggest several improvements in the scope and quality of disclosure data that your final standard will call for, and to suggest that certain kinds of economic development tax expenditures be clearly included in your definition of "tax abatements."

We bring to this comment our diverse academic disciplines: economics, law, urban planning, public policy, business, labor education, political science, journalism and sociology. As noted in our signature lines, we have taught, published and/or consulted in economic development. We believe that government has a legitimate role in economic development and that tax expenditures can sometimes be effective tools, but we also believe that such expenditures should be transparent to taxpayers, policymakers and investors.

Regarding the specific improvements we recommend in the Exposure Draft:

Future-Year Disclosures: We recommend that GASB require tax abatement future-year obligations to also be disclosed. We believe that such information often already exists: in fiscal notes, development agreements, and/or legislative authorizations. We know that some jurisdictions have made enormous long-term tax abatement obligations that will affect their fiscal capacity for decades. Given that GASB has set out standards for long-term infrastructure depreciation and public employee pensions and other benefits, it is only consistent that tax abatement disclosures also enable an accurate analysis of future spending on economic development.

Recipient-Specific Disclosures: We recommend that GASB require recipient-specific disclosures of tax abatements. This is desirable for several reasons. If a jurisdiction has allocated the bulk of its abatements to a concentrated and small number of recipients, that is a salient fact for risk analysis. If a jurisdiction has invested heavily in low-impact projects (e.g., call centers or retailing), that is a salient fact. If a jurisdiction has made a disproportionate set of abatements to a narrow segment of employers, that is a salient fact.

Tax Increment Financing: We know from our own research and talking with local community organizations, administrators and elected officials that TIF is a costly tax expenditure that can have a major direct or indirect impact on the financial condition of cities, counties and school districts. For this reason, it would be a grave oversight if TIF were not explicitly covered by GASB's tax abatement standard. Simply because TIF is not facially a tax reduction does not mean it should elude your definition of tax abatements.

Personal Income and Personal Sales Tax Diversions: In some states, recipients are allowed to effectively keep taxes that would otherwise be remitted by the recipients on behalf of other parties, such as employees or consumers. We recommend that GASB include such diversions in its standard tax abatement definition. They reduce government revenue for an economic development purpose, pursuant to an agreement with a taxpayer; it just so happens that a third party (another taxpayer) is the original source of the lost tax revenue. That is no reason to exclude such expenditures.

We look forward to researching and teaching about the data that your new standard will generate. Indeed, the GASB's new standard will enable a new wave of scholarship about public finance and economic development that will greatly enrich learning and benefit the American public. This is truly a historic development, and we applaud your undertaking it.

Sincerely,

(Names listed alphabetically. Employers and other affiliations listed for identification only; the views expressed here should not be construed as views of such institutions and are attributable only to the signatories.)

Thomas Angotti

Professor of Urban Affairs and Planning at Hunter College and the Graduate Center, City University of New York, and Director of the Hunter College Center for Community Planning and Development.

(His recent books include The New Century of the Metropolis, New York for Sale: Community Planning Confronts Global Real Estate, which won the Davidoff Book Award. Co-editor of Progressive Planning magazine, and Participating Editor for Latin American Perspectives and Local Environment.)

Philip Ashton

Associate Professor of Urban Planning & Policy, University of Illinois at Chicago

(Author of numerous scholarly works on infrastructure financing, mortgage lending, and consumer credit regulations.)

Tim Bartik

Senior Economist, W.E. Upjohn Institute for Employment Research

Co-Editor, *Economic Development Quarterly*

(Author of numerous scholarly works on economic development policies, including Who Benefits from State and Local Economic Development Policies?)

Chris Benner

Professor of Community and Regional Development

Human Ecology Department, University of California Davis

(Author of Just Growth: Inclusion and Prosperity in America's Metropolitan Regions (with Manuel Pastor) and numerous other articles and books examining economic restructuring, community economic development, labor market dynamics, and the relationship between social equity and economic growth).

Annette Bernhardt

Visiting Professor, UC Berkeley Sociology Department

Visiting Researcher, UC Berkeley Institute for Research on Labor and Employment

(Author of numerous peer-reviewed journal articles and several books on public policy strategies, including economic development, to improve job quality in low-wage industries.)

Professor Mark K. Cassell

Department of Political Science, Kent State University

(Author of numerous peer-reviewed journal articles on state enterprise zones, an awarding winning book on the Resolution Trust Corporation, and a recent book on the role of community economic development in the Federal Home Loan Bank System.)

Hector R. Cordero-Guzman, Ph.D.

Professor, School of Public Affairs, Baruch College of the City University of New York

(Author of journal articles, book chapters and reports on community economic development, and former program officer in the Economic Development Unit at the Ford Foundation)

Orlando E. Delogu, Emeritus Professor of Law

University of Maine School of Law

(Taught State/Local Government Law (with emphasis on State-Local Tax Policy) litigated cases in Maine courts on TIF's, whether state subsidies meet Maine's "public purpose" requirements, published countless pieces on Corporate Welfare.)

Margaret Dewar

Professor, Urban and Regional Planning Program, Taubman College, University of Michigan

(author of numerous articles on the effects of incentives on economic development and on redevelopment in disinvested cities, past associate editor of Economic Development Quarterly)

Peter Eisinger

Henry Cohen Emeritus Professor, The New School

(Author: The Rise of the Entrepreneurial State and many articles on state and local economic development)

Peter Enrich

Professor, Northeastern University School of Law

(Author of numerous journal articles and book chapters on economic development tax incentives. Lead plaintiff's counsel in Cuno v. DaimlerChrysler Corp., a lawsuit challenging state investment tax credits as violating the U.S. constitution's commerce clause, argued on appeal as DaimlerChrysler Corp. v. Cuno in 2006 before the U.S. Supreme Court.)

Susan S. Fainstein

Senior Research Fellow, Harvard Graduate School of Design, formerly professor of urban planning

(Author of The Just City and numerous other books and articles on urban redevelopment. Recipient of the Distinguished Educator Award of the American Association of Collegiate Schools of Planning (ACSP) and its Davidoff Book Award.)

Edward Feser

Professor, Department of Urban and Regional Planning

Dean, College of Fine and Applied Arts, University of Illinois at Urbana-Champaign

(Author of scholarly works and professional reports on regional economic productivity, innovation, industry clusters, and public policy and co-author of Understanding Local Economic Development. Consultant to state and local governments on economic policy, strategy and management.)

Joan Fitzgerald

Professor, School of Public Policy and Urban Affairs, Northeastern University

(author of Urban Revitalization: Strategies and Cases for City and Suburb (Sage, 2002); Moving Up in the New Economy (Cornell, Century Foundation 2006); and Emerald Cities: Linking Sustainability and Economic Development (Oxford, 2010) and numerous articles on urban economic development).

Richard Florida

Director of the Martin Prosperity Institute at the University of Toronto
and Global Research Professor at NYU

(Senior Editor with The Atlantic where he cofounded and serves as Editor-at-Large for City Lab. Author of the bestselling The Rise of the Creative Class)

Teresa Ghilarducci

Bernard L. and Irene Schwartz Professor of Economic Policy Analysis

New School for Social Research

(Author of numerous peer-reviewed journal articles and books about labor markets and pension investing in regions.)

William W. Goldsmith

Professor Emeritus of City and Regional Planning, Cornell University

(Author of two editions of Separate Societies: Poverty and Inequality in U.S. Cities, editor of Urban and Regional Planning in an Age of Austerity, author of numerous scholarly papers on regional economic development, member of the City of Ithaca's Board of Public Works, and member of the Governing Board of the Association of Collegiate Schools of Planning.)

Robert Goodman

Emeritus Professor of Environmental Design, Hampshire College

(Author of The Last Entrepreneurs: America's Regional Wars for Jobs and Dollars and other books and articles on government, economic development, and urban planning; testified on these issues at numerous congressional, state, and city government hearings.)

Colin Gordon

Professor of History, University of Iowa

(Author of four monographs on the history of American public policy, and numerous peer-reviewed articles and policy white papers on state and local economic development policies)

Dan Immergluck

Professor, School of City and Regional Planning, Georgia Institute of Technology

(Teaches and conducts research on issues of development financing, real estate and mortgage markets, and other community and economic development topics. Author of three sole-authored books, more than 45 scholarly articles, numerous book chapters and encyclopedia entries, and scores of applied research and policy reports. Testimony several times before Congress, including on the wise use of business financing subsidies, before the Federal Reserve Board and various state and local legislative bodies. Visiting scholar at the Federal Reserve Bank of Atlanta; senior fellow with the Center for Community Progress; on the Academic Research Council of the Housing Finance Policy Center at the Urban Institute; an Associate Editor of the Journal of the American Planning Association; member of the editorial boards of four journals.)

Ken Jacobs

Chair, UC Berkeley Center for Labor Research and Education

Institute for Research on Labor and Employment (IRLE)

Associate Prof. Nathan M. Jensen

Department of International Business, the George Washington School of Business

(Author of numerous peer-reviewed journal articles and two books on the relationship between politics and economic development. His recent work examines the impact of incentives on job creation in the Kansas City region.)

T. William Lester

Assistant Professor of City and Regional Planning, UNC-Chapel Hill

(He has published 18 peer-reviewed articles in economic development, planning and public policy. Recently, he conducted a comprehensive analysis of incentive use in North Carolina (with Nichola Lowe) indicating they are no substitute for long-range strategic planning. In addition, he recently published an evaluation of Chicago's Tax Increment Financing (TIF) program, finding that TIF designation has little impact on local job creation. He is also an expert on the impact of minimum and living wage policies on urban economic development.)

Charles Lewis

Professor, The American University School of Communication

(Founder, The Center for Public Integrity. Co-founder of Global Integrity. Founding executive editor of the Investigative Reporting Workshop at American University. Author of The Buying of the President, The Buying of the Congress, The Buying of the President 2000, The Cheating of America, The Buying of the President (2004), and 935 Lies: The Future of Truth and the Decline of America's Moral Integrity (2014). Producer of investigative segments for CBS News 60 Minutes, and ABC News. Published in New York Times, Washington Post, Los Angeles Times, Politico Magazine, Harvard University's Nieman Reports and the Shorenstein Center on the Media, Politics and Public Policy, and University of Oxford Reuters Institute for the Study of Journalism.)

Nichola J. Lowe

Associate Professor, Department of City and Regional Planning, University of North Carolina, Chapel Hill

(Author of numerous peer-reviewed journal articles on economic and workforce development. Conducted extensive research on strategic industrial recruitment and performance-based business subsidies, including local hiring provisions. Project lead on website designed to improve state and local subsidy granting practices in North Carolina: <http://www.ncgrowth.unc.edu/index.php/incentives-policy/>).

Robert Lynch

Professor of Economics, Washington College

(Author of numerous scholarly works on economic development policies, including Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development)

Ann Markusen

Professor Emerita of Economic Development and Public Policy

Humphrey School of Public Affairs, University of Minnesota

(Principal, Markusen Economic Research. Editor of Reining in the Competition for Capital, 2006)

Associate Professor Nicole Marwell

Baruch College and Graduate Center, City University of New York

(Author of numerous peer-reviewed journal articles and a book on how government contracting impacts low-income communities, their residents, and the nonprofit organizations that serve them).

Professor Richard McGahey

Milano School of International Affairs, Management, and Urban Policy, The New School

(former executive director of the Joint Economic Committee, U.S. Congress, assistant secretary for pension and welfare benefits, U.S. Department of Labor, and Deputy Commissioner for Policy and Research, New York State Department of Economic Development. His current research is on how cities can use policy for both economic development and fighting inequality.)

Professor David Merriman

University of Illinois at Chicago, Department of Public Administration and

University of Illinois, Institute of Government and Public Affairs

(Visiting Fellow, Lincoln Institute of Land Policy, Visiting Scholar Federal Reserve Bank of Boston)

Arthur C. Nelson

Professor of Planning and Real Estate Development, and Associate Dean for Research

College of Architecture, Planning and Landscape Architecture; University of Arizona

(National expert in public facility and economic development finance. Author of more than 20 books including recently Reshaping Metropolitan America and Foundations of Real Estate Development Financing - A Guide for Public-Private Partnerships.)

Michael Oden

Associate Professor of Community and Regional Planning, University of Texas at Austin

(Author of numerous scholarly works on economic development planning and policies, including refereed journal articles on evaluating costs and benefits of tax incentives and an examination of tax incentives and economic development policies in Austin, Texas)

Manuel Pastor

Professor, Sociology and Director, Program for Environmental and Regional Equity
at the University of Southern California (USC)

(Author of several books and a number of peer-reviewed journal articles as well as PI on many grants looking at regional and local economic development)

Richard Pomp

University of Connecticut Alva P. Loisel Professor of Law

(Author of State and Local Taxation, 7th ed. 2011 and more than 100 articles and monographs.

Consultant to the Internal Revenue Service, Congress, and numerous states and foreign countries.

Selected by State Tax Notes as State Tax Person of the Year for 2013. Selected by the Council on State Taxation for its 2014 Excellence in State Tax Award.)

Joel Rogers

Sewell Bascom Professor of Law, Political Science, Public Policy, and Sociology at the
University of Wisconsin

(Founding Director of COWS, Mayors Innovation Project, State Smart Transportation, Emerald Cities Collaborative, State Innovation Exchange. Contributing Editor of The Nation and Boston Review. Author, co-author, or co-editor of hundreds of articles and books, many on economic development, including Metro Futures and Cities at Work)

Arthur J. Rolnick

Former Director of Research, Federal Reserve Bank of Minneapolis

Senior Fellow and Co-Director of the Human Capital Research Collaborative

Hubert H. Humphrey School of Public Affairs, University of Minnesota

(Co-Author of the essay "Congress Should End the Economic War Among the States," Annual Report, Federal Reserve Bank of Minneapolis, 1994.)

Associate Professor Julia Sass Rubin

Edward J. Bloustein School of Planning and Public Policy, Rutgers University

(Author of numerous peer-reviewed journal articles and an edited book on domestic developmental finance. Advised US Small Business Administration; Appalachian Regional Commission; Overseas Private Investment Corporation; and NJ Redevelopment Authority on developmental finance).

Professor Heywood Sanders

Department of Public Administration, University of Texas at San Antonio

(Author of Convention Center Follies, University of Pennsylvania Press, 2014, "Space Available: The Realities of Convention Centers as Economic Development Strategy," Brookings Institution, 2005, and numerous articles on urban politics and economic development).

Ron Shiffman, FAICP, NYS Hon. AIA

Professor Emeritus at Pratt Institute, Graduate Center for Planning, founder in 1964 of the public interest entity Pratt Center for Community Development

(Recipient, 2012 Rockefeller Foundation's Jane Jacobs Lifetime Achievement Award and 2013 American Planning Association's National Planning Pioneer Award. New York City Planning Commission member 1991-1996.)

Gregory D. Squires

Department of Sociology and Trachtenberg School of Public Policy and Public Administration,
George Washington University

(Author of several scholarly books and journal articles as well as op-eds in major daily newspapers and industry trade publications on economic development, financial services, housing, and the racial effects of uneven metropolitan development.)

Todd Swanstrom

Des Lee Professor of Community Collaboration and Public Policy Administration
University of Missouri-St. Louis

(Co-author of Place Matters: Metropolitcs for the Twenty-First Century)

Kenneth P. Thomas

Professor of Political Science, University of Missouri-St. Louis

(Author of Competing for Capital: Europe and North America in a Global Era, Investment Incentives and the Global Competition for Capital, and numerous other academic works on tax incentives and other subsidies to investment. Author of reports on investment incentives for the Organization for Economic Cooperation and Development, North Carolina Budget & Tax Center, and the Global Subsidies Initiative.)

Mildred E. Warner

Professor, City and Regional Planning, Cornell University

(Author of numerous academic articles on tax abatements and local economic development policy. Designer of national survey on local government economic development policy conducted by the International City/County Management Association: 2004, 2009, 2014.)

Associate Professor Rachel Weber

University of Illinois at Chicago, Department of Urban Planning and Policy

(Author of numerous peer-reviewed journal articles investigating the effect of TIF on property values and school finance. Author of reports on contractual design to increase effectiveness and accountability of tax-based incentives. Appointed by Chicago Mayor Rahm Emanuel to the TIF Reform Task Force)

Bernard L. Weinstein

Adjunct Professor, Cox School of Business, Southern Methodist University

(Former director of the Center for Economic Development and Research at the University of North Texas. Author of numerous articles on state/local tax policy and consultant to dozens of state and local economic development agencies).

Laura Wolf-Powers

Assistant Professor of City and Regional Planning, School of Design, University of Pennsylvania

(Author of numerous peer-reviewed articles on urban industrial development policy, Community Benefits Agreements, human-capital centered economic development policy, and other aspects of subsidized development; author of "Economic Development Policy: Resolving the Parallel Universe Dilemma," an investigation of incentive programs and job creation policies under the Bloomberg administration; Appointed by the New York City Economic Development Corporation to the de Blasio Administration's Incentives Reform Task Force)

Marty Wolfson

Professor of Economics, Emeritus, University of Notre Dame

(Former Director of the Higgins Labor Studies Program, Notre Dame. Member of the Board of Directors of the Community Forum for Economic Development, South Bend, Indiana)

Hal Wolman

Professor Emeritus of Political Science and Research Professor, George Washington Institute of Public Policy, The George Washington University

(Author of numerous peer-reviewed articles on local and regional economic development.)