

The logo for Good Jobs First, featuring the words "GOOD", "JOBS", and "FIRST" stacked vertically in white, bold, sans-serif capital letters on a dark green square background.

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The Keystone Research Center

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Report: States Spend Billions on Economic Development Subsidies that Don't Require Job Creation or Decent Wages

Pennsylvania scored a D, tied for 40th place among the states

HARRISBURG, PA (December 14, 2011) — Pennsylvania is spending millions of dollars per year on corporate tax credits, cash grants and other economic development subsidies that lack wage and benefit standards for workers at subsidized companies and sometimes don't require job creation, according to a new national report card issued by Good Jobs First.

The five Pennsylvania economic development subsidy programs reviewed by the study scored a D, tying for 40th place among the 50 states and Washington, D.C. on job creation and job quality performance standards.

The study, *Money for Something: Job Creation and Job Quality Standards in State Economic Development Subsidy Programs*, is available at www.goodjobsfirst.org. View [all 50 states' performance and job quality scores](#) (by rank and alphabetically).

“With unemployment still so high, taxpayers have a right to expect that economic development investments create significant numbers of quality jobs,” said Good Jobs First Executive Director Greg LeRoy. “The days of ‘no strings attached’ are largely gone, but the fine print in Pennsylvania and many other states is still full of gaps and loopholes.”

Nevada, North Carolina and Vermont were found to do the best job in applying job standards to their major subsidy programs. The District of Columbia, Alaska and Wyoming rated worst.

Money for Something rates the performance standards and job quality requirements of 238 key subsidy programs from the 50 states and the District of Columbia that together cost more than \$11 billion a year. Each program is rated on a scale of 0 to 100 (with extra credit for advanced features). The scores for the programs in each state are averaged to derive a state score.

In Pennsylvania, researchers looked at five programs — the Film Production Tax Credit, the Job Creation Tax Credit, the Keystone Opportunity Zone (KOZ) Program, the Opportunity Grant Program and the Research and Development Tax Credit. Combined, these programs cost state taxpayers \$181 million a year.

The key Pennsylvania findings are as follows:

- Overall, Pennsylvania scored just 26 on a scale of 100, tying for 40th place with Idaho.
- The Keystone Opportunity Zone Program scored the worst, with a grade of zero out of a maximum possible score of 125 (with extra credit). The Job Creation Tax Credit scored the highest, with a

grade of 60. In between were the Opportunity Grant Program (50), the Film Tax Credit (10) and the Research and Development Tax Credit (10).

- **Performance Requirements:** The Job Creation Tax Credit received a perfect score (35) on performance requirements, signaling that it promotes job security and prevents shell games. The Opportunity Grant Program also scored well (25 out of 35), losing some points for not having a rule that prevents companies from counting existing jobs that are simply moved from another facility. The Film Tax Credit and Research and Development Tax Credit scored only 10 out of 35 each on performance requirements.
- **Wage Requirements:** Both the Job Creation Tax Credit and the Opportunity Grant Program scored a 25 out of 35 on wage requirements. Both programs lost some points because their wage requirements are not tied to labor market rates. The Film Tax Credit and Research and Development Tax Credit do not have wage requirements.
- **Healthcare Requirements:** None of the programs include health care requirements for employees.
- Twenty-three states received average scores above 40, the average for all states. Pennsylvania's average score was 26.
- State economic development policies typically evolve over many years, so current administrations do not deserve all the credit or blame.

“This national study confirms the Keystone Research Center’s 2010 study which found that nine major Pennsylvania business subsidy programs had low or no job quality standards,” said Stephen Herzenberg, economist and executive director of the Keystone Research Center.

In Pennsylvania, Senator Pat Browne has sponsored legislation in past sessions that establish a wage standard and reporting requirements on job creation.

“The Commonwealth has actively worked to promote economic development and job retention and creation through efforts such as public-private partnerships, infrastructure improvement initiatives and various grant and loan programs. We have seen varying degrees of success among those initiatives and programs,” Senator Browne said. “Certainly, the overall process would be improved by setting clearly defined accountability standards for all of the various economic development programs in Pennsylvania.”

The Good Jobs First study offers these policy recommendations:

- Every subsidy should contain job creation, job retention or training requirements.
- Every job or training position in a subsidized facility should be covered by a wage standard, preferably tied to labor market averages and structured in a way that raises pay above market levels. They should also offer health coverage in which the employer contributes to the cost of the premium. These rules should also apply to part-time, temporary and contract workers.
- Decent job standards do not guarantee that a program’s benefits will outweigh its costs. Sometimes the only sensible course of action is to eliminate a program altogether.

*Good Jobs First is a non-profit, non-partisan resource center promoting government and corporate accountability in economic development. Founded in 1998, it is headquartered in Washington, DC. **Keystone Research Center** is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy.*

Money for Something State Performance and Job Quality Scoring by Rank and Alphabetically

Rank	State	Average	Grade	State	Average	Grade	Rank
1	Nevada	82	B	Alabama	34	D+	31
2	North Carolina	79	B-	Alaska	5	D-	50
3	Vermont	77	B-	Arizona	46	C-	17 (tie)
4	Iowa	70	B-	Arkansas	41	C-	23
5	Maryland	68	C+	California	23	D	42
6	Oklahoma	66	C+	Colorado	51	C	13 (tie)
7	Virginia	62	C+	Connecticut	30	D+	36
8 (tie)	Florida	58	C	Delaware	46	C-	17 (tie)
8 (tie)	Rhode Island	58	C	D.C.	4	D-	51
10	Tennessee	54	C	Florida	58	C	8 (tie)
11	Missouri	53	C	Georgia	51	C	13 (tie)
12	Wisconsin	52	C	Hawaii	19	D-	45 (tie)
13 (tie)	Colorado	51	C	Idaho	26	D	40 (tie)
13 (tie)	Georgia	51	C	Illinois	29	D	37
13 (tie)	Kansas	51	C	Indiana	36	D+	27 (tie)
16	Nebraska	48	C-	Iowa	70	B-	4
17 (tie)	Arizona	46	C-	Kansas	51	C	13 (tie)
17 (tie)	Delaware	46	C-	Kentucky	36	D+	27 (tie)
17 (tie)	Mississippi	46	C-	Louisiana	35	D+	30
20	South Carolina	45	C-	Maine	43	C-	21
21	Maine	43	C-	Maryland	68	C+	5
22	Texas	42	C-	Massachusetts	20	D	43 (tie)
23	Arkansas	41	C-	Michigan	31	D+	33 (tie)
24	New Jersey	39	D+	Minnesota	38	D+	25
25	Minnesota	38	D+	Mississippi	46	C-	17 (tie)
26	West Virginia	37	D+	Missouri	53	C	11
27 (tie)	Indiana	36	D+	Montana	31	D+	33 (tie)
27 (tie)	Kentucky	36	D+	Nebraska	48	C-	16
27 (tie)	New Hampshire	36	D+	Nevada	82	B	1
30	Louisiana	35	D+	New Hampshire	36	D+	27 (tie)
31	Alabama	34	D+	New Jersey	39	D+	24
32	Utah	32	D+	New Mexico	27	D	39
33 (tie)	Michigan	31	D+	New York	20	D	43 (tie)
33 (tie)	Montana	31	D+	North Carolina	79	B-	2
33 (tie)	Ohio	31	D+	North Dakota	19	D-	45 (tie)
36	Connecticut	30	D+	Ohio	31	D+	33 (tie)
37	Illinois	29	D	Oklahoma	66	C+	6
38	South Dakota	28	D	Oregon	13	D-	48
39	New Mexico	27	D	Pennsylvania	26	D	40 (tie)
40 (tie)	Idaho	26	D	Rhode Island	58	C	8 (tie)
40 (tie)	Pennsylvania	26	D	South Carolina	45	C-	20
42	California	23	D	South Dakota	28	D	38
43 (tie)	Massachusetts	20	D	Tennessee	54	C	10
43 (tie)	New York	20	D	Texas	42	C-	22
45 (tie)	Hawaii	19	D-	Utah	32	D+	32
45 (tie)	North Dakota	19	D-	Vermont	77	B-	3
47	Washington	18	D-	Virginia	62	C+	7
48	Oregon	13	D-	Washington	18	D-	47
49	Wyoming	10	D-	West Virginia	37	D+	26
50	Alaska	5	D-	Wisconsin	52	C	12
51	D.C.	4	D-	Wyoming	10	D-	49

Letter grading system: A+ (97 and above); A (93-96); A- (89-92); B+ (83-86); B (80-83); B- (70-79); C+ (60-69); C (50-59); C- (40-49); D+ (30-39); D (20-29); D- (1-19); F (0)