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Report: Pennsylvania Improves Incentive Targeting, Needs More Transparency

by John Buhl

Summary by taxanalysts®

Pennsylvania has improved its geographical distribution of economic development subsidies but still needs to increase the transparency of the process, according to a new report by the Keystone Research Center.

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Pennsylvania has improved its targeting of economic development subsidies but still needs to increase the transparency of that process, according to a June 9 report by the Keystone Research Center.

An analysis of three of the state's major economic development programs found that older communities in the state received $1.25 per capita in economic development subsidies for every $1 provided to newer communities from 2003 to 2008. During the prior five-year period, subsidies were distributed evenly between newer and older localities.

Focusing a larger portion of the state's $300 million in subsidies on older communities with an existing infrastructure can improve the state's economy and help achieve smart growth, said Stephen Herzenberg, executive director of the center. He coauthored the study with Dennis Bellafiore and Maria Cristina Herrera.

"To make that happen, we need to target our scarce economic development assets smartly," Herzenberg said during a June 9 conference call.

(As of June 9, the report, "Making Smarter State Investments: The Geographic Distribution of Business Subsidies in Pennsylvania," could be accessed at http://keystoneresearch.org/sites/keystoneresearch.org/files/MakingSmarterStateInvestments10.pdf.)

But the report also says that Pennsylvania needs to improve the disclosure and transparency of tax breaks and other economic development subsidies.

"Routine public release of comprehensive spatial data and its uploading to an online map would substantially enrich dialogue among economic developers, planners, other civic leaders, and the public about where funds should go," the study says. "Over time, it should support wiser use of public funds."

Asked about the importance of geographical distribution of economic development funds, Good Jobs First Executive Director Greg LeRoy said such decisions can affect property taxes. Investing economic development dollars in a newer community, rather than a locality with an existing infrastructure, could require additional road construction and other resources that would drive up property taxes, LeRoy said.

Herzenberg said that companion bills introduced by Rep. David Levdansky (D) and Sen. Pat Browne (R) would improve transparency and accountability. HB 2340 and SB 1279 both call for the Department of Community and Economic Development to annually submit a unified development budget.

"The measures will help reassure the citizens of Pennsylvania that they are getting the best return on the investment of their tax dollars by providing for transparent reporting, quality jobs, and recapture of state funds when an economic development project fails to produce the number of jobs promised," Levdansky said in a March 25 press release.

Herzenberg said he was guardedly optimistic that lawmakers would act on the legislation, noting that economic development subsidy transparency is not a partisan issue.

"There is a lot of support for transparency and accountability across the political spectrum," Herzenberg said. Especially in the current fiscal climate, the state cannot afford to spend its economic development dollars unwisely, he said.

John Buhl

jbuhl@tax.org

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