

The Politics of Economic Development

How To Use Facts to Stay Above the Fray

Council of Development Finance Agencies

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Why is economic development increasingly political?

- Decisions involve the use of public dollars
- Decisions are made by elected officials
- Tax aversion limits available funding, competing priorities
- Fear of Big Business/the 1%
- Union vs. Right to Work
- Grassroots advocacy more important in political decision making
- No established faction that is pro-economic development
- Most economic developers are public employees who cannot engage in lobbying activities
- Concept that development pays for itself
- NIMBY/BANANA/NOPE syndromes

We Are All Part of the Problem – Recent Headlines

- “End of Tax Break Means End to 1250 jobs”
- “Illinois official calls incentives a form of cronyism”
- “Incentives: PBS vs. GE”
- “NC audit finds lack of verification in administering job creation grants”
- “Florida program gives \$423,000 incentive to cocaine dealer”
- “Despite Big Promises, Incentives Often Fail to Deliver”
- “Another day, another bad economic development deal”
- “GE says new taxes could force it out of Connecticut”

Why Projects Go Bad

- Failure to perform a rigorous financial analysis of the company – pull a Dunn & Bradstreet, review 10-K
- Thinking your deal will be the next Google/Apple
- Deal entirely dependent upon short-term federal/state grants
- Your deal is at the tail end of the latest economic development /R&D fad
- Lack of credible information about other sites under consideration
- Deals are done for political reasons
- The deal never will make financial sense

Media Hype of Incentives

Incentives Spending by States – *New York Times*

Ohio	\$3.24 billion
New York	\$4.06 billion
Virginia	\$1.29 billion
Alabama	\$277 million
Michigan	\$6.65 billion
Kansas	\$1.01 billion
Arizona	\$1.47 billion
Washington	\$2.35 billion

Consider the Alternatives

- Since the recession started in 2007, the federal government has spent \$688 BILLION on unemployment insurance payments. \$150 billion was spent in 2010 alone
- In FY 2013, we spent \$80 billion on food stamps – doubled in 4 years

It's The Economy – STUPID!

How important will each of the following issues be to your vote for president next year -- will it be -- extremely important, very important, moderately important or not that important? [RANDOM ORDER]

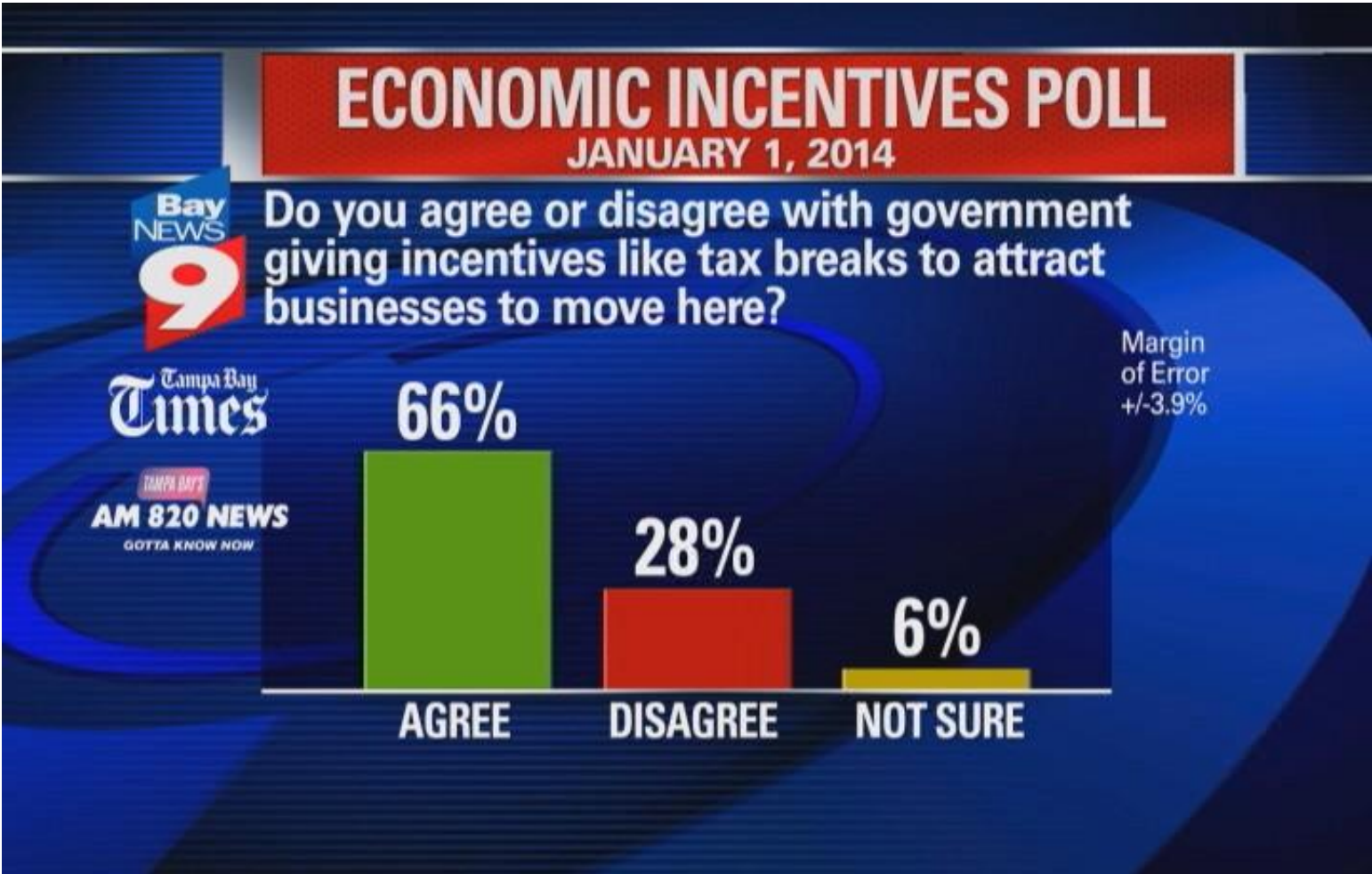
Ranked by percentage extremely/very important

	Extremely important	Extremely/ Very important
	%	%
The economy	43	86
The way government operates in Washington	43	77
Healthcare policy	38	77
Terrorism	42	74
The way income and wealth are distributed in the U.S.	35	71
Foreign affairs	28	61
Immigration	25	59
Race relations	26	55

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Public Opinion Supports Incentives



Policies to Avoid

- Surety bonds for incentives
- Making your economic development partner a “contractor” under state law
- Linking incentive payments to state tax payments - Chicago
- Annual public hearings to request incentives
- A “we do what it takes” incentives program
- Failing to link incentives to prospect needs

Educating Your Community

- Take the secrecy out of economic development
- Economic Development 101 for your elected officials
- Business leader testimonials
- Industry Appreciation Day/business open houses
- Use your state economic development association

Using ROI to your benefit

- Characterizes incentives as an investment
- Demonstrates to the public that decision to give incentives are not taken lightly
- Shows that incentives are a net gain to the community
- Helps you weed out bad deals
- Guides adjustments to tax and incentives policies to meet prospect needs

Written Incentives Policies

- Outline what kind of jobs and investments a community wants
- Establish policies to guide your attraction and retention efforts
- Establish guidelines for incentives amounts
- Secure political and public approval for use of incentives
- May want to consider an “audit” of your incentives practices and programs
- Will help with upcoming GASB mandate to include incentive deals in local financial statements (begins December 15, 2015)

Questions or Comments?

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