

# Getting Our Money's Worth: The Case for IDA Reform in New York State

## Key Findings

Industrial Development Agencies (IDAs) provide financial assistance to companies seeking to locate within their jurisdictions through a variety of means including tax exemptions and tax-exempt bond financing. In exchange for aid, companies make a commitment to create a certain number of jobs within the period in which they receive assistance from the IDA.

An analysis of data released in March, 2007 by the New York State Comptroller reveals that a majority of IDAs statewide are subsidizing projects that are not delivering on their commitments. Key findings from our analysis include:<sup>3</sup>

### **IDAs provided \$385 million in tax exemptions in 2005, and a total of \$1.1 billion in tax exemptions between 2003 and 2005.<sup>4</sup>**

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- ◆ **The \$385 million in tax exemptions resulted in a net loss of \$266 million in property taxes to local governments**, including \$136 million in lost revenue to school boards statewide. This is a 12% increase in lost revenue to local governments, up from \$238 million in 2004.
- ◆ **An additional \$119 million was lost to the state government and local governments through sales and mortgage recording tax breaks.**

*continued on reverse*

## **Most businesses subsidized by IDAs are not creating the jobs they promised—and many are actually cutting jobs.**

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- ◆ **The total number of jobs promised by subsidized companies was 217,000 in 2005; the total number of jobs actually created was 79,000**, or 36% of those promised. This is a shortfall of 138,000 jobs.<sup>6</sup>
- ◆ **62 IDAs, or 69%, subsidized companies that actually cut jobs, up from 63% in 2004.**
- ◆ **13 IDAs experienced overall job loss in 2005.**
- ◆ **Nearly half of all IDA-subsidized projects in 2005 were failed projects:** 481 IDA-subsidized projects experienced job loss (25%) and an additional 407 projects did not meet their job creation goals (21%).

## **And that's only counting the ones we know about—most IDAs do not collect the required reporting data from more than half of the projects they subsidize.**

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- ◆ Of the total 3,685 projects subsidized by IDAs in 2005, **only 52% of the subsidized projects (1,907 projects) provided sufficient data** for analysis of job creation performance.
- ◆ **60% of IDAs did not provide data for more than half of the projects they subsidize.**
- ◆ **21 IDAs, or 19%, did not provide any data for analysis of job creation performance.**

Industrial Development Agencies are the main source of local economic development subsidies in New York. Our analysis of the data provided the New York State Comptroller clearly reveals a pattern of poor performance and unfulfilled job creation promises by Industrial Development Agencies and the projects they assist across the state, suggesting that statewide action is required to ensure effective use of our local economic development subsidies.