Follow the money: Databases help track use, effectiveness of states’ tax subsidy programs

By Laura Tomaka [1]
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Policymakers are increasingly demanding more accountability and transparency with the tax breaks and incentives being used to lure businesses and create jobs, and few states have more robust systems in place than Illinois, Ohio and Wisconsin.

Those three states are singled out as models for the rest of the nation in “Show Us the Subsidies [3],” a recent report of the national policy resource center Good Jobs First. Authors of the study (available at www.goodjobsfirst.org [4]) say states vary considerably in how well they disseminate information (via their websites or other online resources) on various economic subsidy programs to the public.

Here is what the authors found about the programs and policies in place in the region’s three highest-performing states.

- Illinois’ searchable online database, the result of legislation passed in 2003, provides reports submitted by companies that have received public subsidies. The state’s major economic development incentive programs are part of the database, which includes the names of recipients, job creation and retention data, and salary information.
- Wisconsin passed legislation in 2008 requiring a disclosure system, which is maintained by the state’s Commerce Department. The database discloses the subsidy amount for each recipient, as well as a comparison of the number of jobs promised and the number of jobs actually created.
- Ohio’s disclosure system is composed of two parts: a database of grant and loan recipients (created by legislation in 2008), and a database of tax-incentive recipients (created by legislation in 2009). Both searchable databases are housed on the Department of Development’s website; they include information on recipients, amounts received, location of the subsidized facility, and job creation data.

Two other Midwestern states — Indiana and Michigan — ranked among the top 10 states in the study’s evaluation of online accountability and transparency systems. One state in the region, Kansas, did not provide online disclosure of subsidy recipients, the report found.

Each state was rated on how and if it reports information such as company-specific dollar amounts, job creation numbers, wage rates, and the geographic location of subsidized facilities. The report also evaluates how easy it is to find and use subsidy-related information.

“The accountability movement has made great advances but still has a long way to go before job
subsidies are as transparent as other categories of state spending, such as procurement,” says Greg LeRoy, executive director of Good Jobs First.

In addition to providing information on recipients, subsidy amounts and wages, the report’s authors say, states should employ other transparency practices as well. For example:

- include information on accountability measures, such as clawbacks, taken by the state when a recipient fails to meet program targets or requirements.
- map the geographic location of recipient facilities to show whether the subsidies are bringing economic and employment activity to areas with the most need;
- link recipient data to information on campaign contributions and procurement; and
- disclose records that show subsidy recipients’ record of compliance with state regulations.

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