Economic Development Incentives

Trends and Best Practices

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Common economic development goals

1. Job creation and retention
2. Business development and growth
3. Promoting targeted investment
4. Revitalizing urban & rural areas
5. Enhancing quality of life and place
6. Strengthening tax base

Smart incentive use is connected to an economic or community strategy...

not just about winning a deal.
Competing for development & growth

**Strategies**

- **Talent**
  - Pipeline development
  - Meeting industry demands

- **Equity**
  - Minority/Women/Veteran businesses
  - Rural areas

- **Collaboration**
  - Asset-based development
  - Regional and local initiatives

- **Targeting**
  - Industry specialization
  - Economic cluster formation

- **Innovation**
  - Entrepreneurship
  - Technology development

- **Capital**
  - Debt financing
  - Equity financing
Budgeted resources to support state economic development expenditures

Source: State Economic Development Expenditures, Council for Community and Economic Research
Allocation of resources by program type, 2017

- Community Assistance: $1,213
- Tourism: $1,045
- Special Industry Assistance: $894
- Business Finance: $776
- Technology Transfer: $737
- Business Assistance: $729
- Workforce Preparation & Dev.: $646
- Strategic Business Attraction Fund: $339
- Program Support: $276
- Administration: $232
- Domestic Recruitment: $117
- International Trade and Investment: $74
- Entrepreneurial Development: $65
- Film Promotion: $52
- Minority Business Development: $29

Total: $7.22B
Welcome to the State Business Incentives Database!
Your one stop resource for information about incentive programs in all 50 states.

Incentive Programs Currently Offered in Each State, by Number of Programs

New programs enacted since 2015:
- Alabama Jobs Act
- Alabama Veterans and Targeted Counties Act
- Utility Relief for International Operations Centers
- Commercial Historic Preservation Tax Credit
- Rural Jump Start
- Baseball and Softball Complex Tax Rebate
- Sales and Use Tax Rebate on Raceway Facilities
- Kentucky Film Incentive
- Maine Seed Capital Tax Credit Program
- Maryland E-Novation Initiative Fund (MEIF)
- plus 17 more

View All State Programs
The role of incentives in supporting economic development

Number of Incentives by Business Challenge or Need, 2016

- Capital access or formation
- Tax/Regulatory burden reduction
- Facility/site location
- Product & process improvement
- Workforce prep or development
- Tech & product development
- Infrastructure Improvement
- Business management
- Marketing & sales assistance
- Professional networking
- Other

Number of state programs

n=1805 state programs nationally (Sept. 1, 2016)
Limitations:
State tax expenditure reporting

- Not all states (46 states)
- Released sporadically
- Not comprehensive (covers some types of taxes or incentives)
- Use project expenditures
- Include suppressed data for certain expenditures
- Term definitions vary
- Different choices of what to include as an expenditure (e.g., mfg. sales tax exemption)
**Major incentive deals: rare and complex**

**5 Lessons learned**

- Incentives package will be:
  - Tailored
  - Compelling
  - Unified

- Biggest incentives don’t always “win”

- Competitive advantages may outweigh incentives

- Collaborate with local partners

- Partner with business for mutual benefit

- Align incentives with economic development strategy
State legislatures can help improve incentive use in 3 ways

1. Program Goals
   - Provide clarity and flexibility in metrics

2. Program Evaluation
   - Allocate resources, Enable data sharing

3. Collaborative Approach
   - Support culture of continuous improvement
Summary of state trends

Addressing investment gaps with
More capital access programs

Filling talent gaps
Slightly more workforce development programs

Finding “off-budget” solutions
Fewer programs focused on reducing tax burden

Reducing budgets (and staff)
Fewer business assistance programs
Questions for Consideration

• What are your state’s primary economic development goals?
• How has that changed as the recovery has taken hold?
• What investments is your state making to promote:
  – A more competitive economy
  – Development in areas or communities that are lagging behind?
• How important are direct program investments vs. tax expenditures in achieving those goals?
• What has worked well and what would you like to change?
Thank you

• For more information:
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