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Report: States Spend Billions on Economic Development Subsidies that Don't Require Job Creation or Decent Wages

December 14, 2011--States are spending billions of dollars per year on corporate tax credits, cash grants and other economic development subsidies that often require little if any job creation and lack wage and benefit standards covering workers at subsidized companies. These are the key findings of *Money for Something: Job Creation and Job Quality Standards in State Economic Development Subsidy Programs*, a 51-state “report card” study published today by Good Jobs First, a non-profit, non-partisan research center based in Washington, DC. It is available at www.goodjobsfirst.org.

“With unemployment still so high, taxpayers have a right to expect that economic development investments create significant numbers of quality jobs,” said Good Jobs First Executive Director Greg LeRoy. “The days of ‘no strings attached’ are largely gone, but the fine print in many states is still full of gaps and loopholes.”

Nevada, North Carolina and Vermont were found to do the best job in applying job standards to their major subsidy programs. The District of Columbia, Alaska and Wyoming rated worst.

“If subsidies do not result in real public benefits, they are no better than corporate giveaways,” said Good Jobs First Research Director Philip Mattera, principal author of the report. “States should be using these programs to reduce unemployment and raise living standards, not simply to increase corporate profits.”

Money for Something rates the performance standards and job quality requirements of 238 key subsidy programs from the 50 states and the District of Columbia that together cost more than \$11 billion a year. Each program is rated on a scale of 0 to 100 (with extra credit for advanced features). The scores for the programs in each state are averaged to derive a state score. The report’s key findings are as follows:

- Nearly all the programs (222 of 238) have some kind of quantifiable performance requirement, but only 135 relate to job creation, job retention or training of a certain number of workers. Those programs without a job-related requirement cost taxpayers more than \$7 billion per year.
- Many programs promote job security and prevent shell games: 98 of the programs with job-related standards require that new jobs remain in existence for a minimum period and/or that a

subsidized facility remain open for a designated period, and 92 bar companies from counting existing jobs that are simply moved from another facility.

- Fewer than half (98) of the 238 programs impose a wage requirement, and only 53 of those are tied to labor market rates—a more effective benchmark than stagnant fixed amounts. Only 11 of the wage requirements raise wage levels by mandating rates that are somewhat above existing market averages for the geographic area or industry sector.
- Wage requirements vary enormously—from just above the federal minimum to more than \$40 an hour in certain cases for a handful of programs.
- Only 51 programs require that a subsidized employer make available healthcare coverage of some kind, and only 31 of these require that the employer contribute to premium costs.
- The states with the best average scores are: Nevada (82), North Carolina (79) and Vermont (77). The worst are: the District of Columbia (4), Alaska (5) and Wyoming (10). Twenty-three states score above 40, the average for all states. See below for a table with all state scores and ranks.
- There is greater variation in the scores by program, with 12 scoring 100 or above (due to extra credit) and 13 getting a zero.
- While nearly every state has more than one program with job-creation and/or job quality standards, some states are erratic: 13 have divergences of more than 80 points among programs. States build in strong safeguards but often fail to do so uniformly.
- State economic development policies typically evolve over many years, so current administrations do not deserve all the credit or blame.

The report offers these policy recommendations:

- Every subsidy should contain job creation, job retention or training requirements. Those should be strengthened by provisions barring employers from shifting existing jobs from other facilities and mandating that the jobs be kept in place for a minimum period.
- Every job or training position in a subsidized facility should be covered by a wage standard, preferably tied to labor market averages and structured in a way that raises pay above market levels. They should also offer health coverage in which the employer contributes to the cost of the premium. These rules should also apply to part-time, temporary and contract workers.
- Decent job standards do not guarantee that a program's benefits will outweigh its costs. Sometimes the only sensible course of action is to eliminate a program altogether.

Note: Standards such as those rated here mean little if they are not enforced. In a companion report to be issued soon, Good Jobs First will grade the states on their enforcement practices.

Money for Something State Performance and Job Quality Scoring by Rank and Alphabetically

Rank	State	Average	Grade	State	Average	Grade	Rank
1	Nevada	82	B	Alabama	34	D+	31
2	North Carolina	79	B-	Alaska	5	D-	50
3	Vermont	77	B-	Arizona	46	C-	17 (tie)
4	Iowa	70	B-	Arkansas	41	C-	23
5	Maryland	68	C+	California	23	D	42
6	Oklahoma	66	C+	Colorado	51	C	13 (tie)
7	Virginia	62	C+	Connecticut	30	D+	36
8 (tie)	Florida	58	C	Delaware	46	C-	17 (tie)
8 (tie)	Rhode Island	58	C	D.C.	4	D-	51
10	Tennessee	54	C	Florida	58	C	8 (tie)
11	Missouri	53	C	Georgia	51	C	13 (tie)
12	Wisconsin	52	C	Hawaii	19	D-	45 (tie)
13 (tie)	Colorado	51	C	Idaho	26	D	40 (tie)
13 (tie)	Georgia	51	C	Illinois	29	D	37
13 (tie)	Kansas	51	C	Indiana	36	D+	27 (tie)
16	Nebraska	48	C-	Iowa	70	B-	4
17 (tie)	Arizona	46	C-	Kansas	51	C	13 (tie)
17 (tie)	Delaware	46	C-	Kentucky	36	D+	27 (tie)
17 (tie)	Mississippi	46	C-	Louisiana	35	D+	30
20	South Carolina	45	C-	Maine	43	C-	21
21	Maine	43	C-	Maryland	68	C+	5
22	Texas	42	C-	Massachusetts	20	D	43 (tie)
23	Arkansas	41	C-	Michigan	31	D+	33 (tie)
24	New Jersey	39	D+	Minnesota	38	D+	25
25	Minnesota	38	D+	Mississippi	46	C-	17 (tie)
26	West Virginia	37	D+	Missouri	53	C	11
27 (tie)	Indiana	36	D+	Montana	31	D+	33 (tie)
27 (tie)	Kentucky	36	D+	Nebraska	48	C-	16
27 (tie)	New Hampshire	36	D+	Nevada	82	B	1
30	Louisiana	35	D+	New Hampshire	36	D+	27 (tie)
31	Alabama	34	D+	New Jersey	39	D+	24
32	Utah	32	D+	New Mexico	27	D	39
33 (tie)	Michigan	31	D+	New York	20	D	43 (tie)
33 (tie)	Montana	31	D+	North Carolina	79	B-	2
33 (tie)	Ohio	31	D+	North Dakota	19	D-	45 (tie)
36	Connecticut	30	D+	Ohio	31	D+	33 (tie)
37	Illinois	29	D	Oklahoma	66	C+	6
38	South Dakota	28	D	Oregon	13	D-	48
39	New Mexico	27	D	Pennsylvania	26	D	40 (tie)
40 (tie)	Idaho	26	D	Rhode Island	58	C	8 (tie)
40 (tie)	Pennsylvania	26	D	South Carolina	45	C-	20
42	California	23	D	South Dakota	28	D	38
43 (tie)	Massachusetts	20	D	Tennessee	54	C	10
43 (tie)	New York	20	D	Texas	42	C-	22
45 (tie)	Hawaii	19	D-	Utah	32	D+	32
45 (tie)	North Dakota	19	D-	Vermont	77	B-	3
47	Washington	18	D-	Virginia	62	C+	7
48	Oregon	13	D-	Washington	18	D-	47
49	Wyoming	10	D-	West Virginia	37	D+	26
50	Alaska	5	D-	Wisconsin	52	C	12
51	D.C.	4	D-	Wyoming	10	D-	49

Letter grading system: A+ (97 and above); A (93-96); A- (89-92); B+ (83-86); B (80-83); B- (70-79); C+ (60-69); C (50-59); C- (40-49); D+ (30-39); D (20-29); D- (1-19); F (0)