

West Virginia Tax Institute 70<sup>th</sup> Annual Meeting  
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# State and Local Economic Development

## Competition and Collaboration

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Image: "Bob Evans..." by Nicholas Eckhart is licensed under CC BY-NC-SA 2.0.

# 2013: Columbus → New Albany



Image: Google Maps.

Source: "Bob Evans to Move Headquarters to New Albany," *Columbus Dispatch*, March 11, 2011.

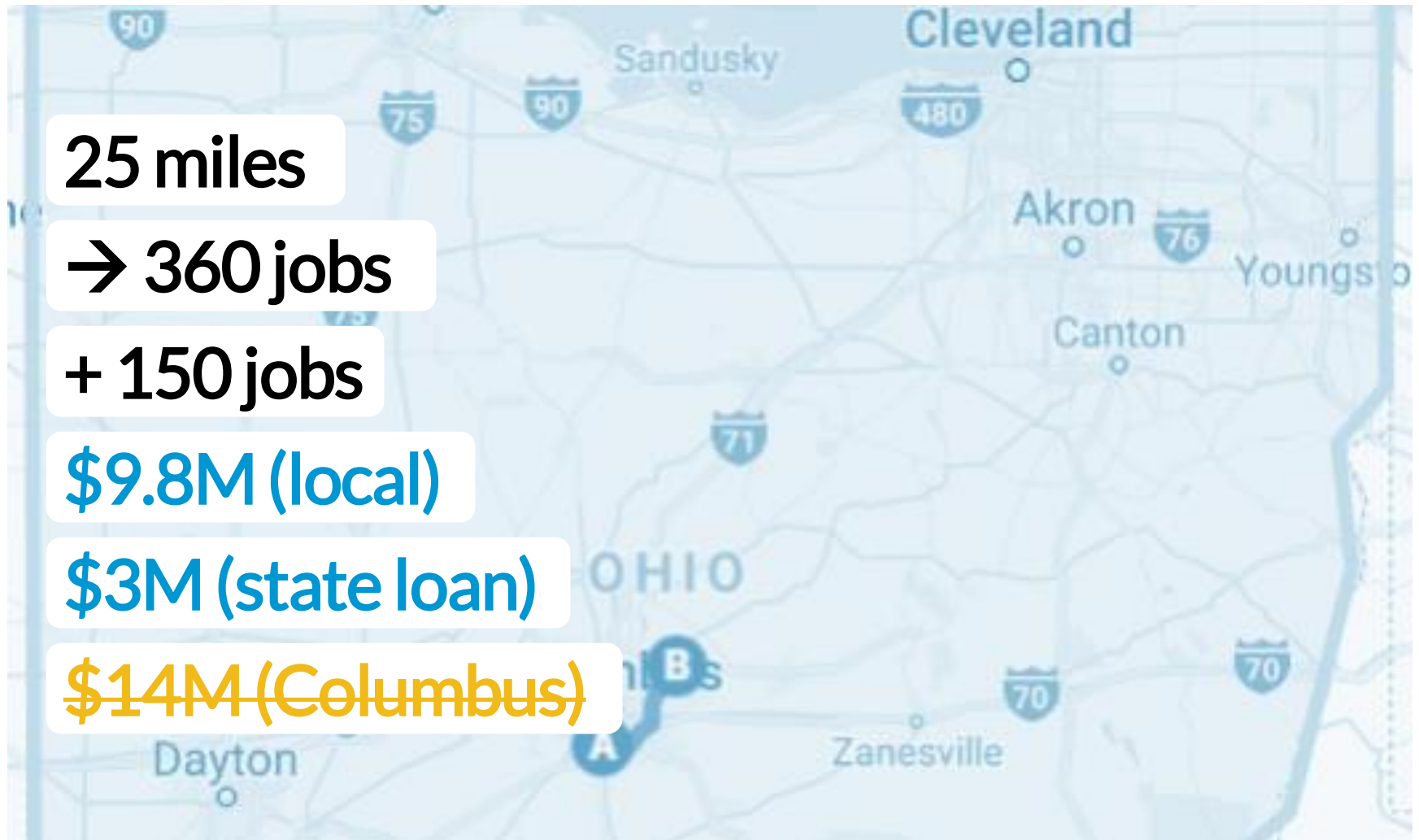


Image: Google Maps.

Source: "Bob Evans to Move Headquarters to New Albany;" and Tracy Turner, "Bob Evans Buys 40 Acres for HQ - 15 Extra for Growth," *Columbus Dispatch*, December 11, 2016.

“Everything they asked for, we delivered.  
We feel like they **used us as leverage** to  
**gain a better deal** from New Albany.”

- Spokesman for Columbus Mayor

Source: “Bob Evans to Move Headquarters to New Albany.”



What is the goal of  
economic development policy?

# Shared Prosperity and Opportunity



Image: Sky Noir, "West Virginia State Capitol."

# Defined as # of Jobs



Image: USDA.gov, "A woman in a wood pellet production facility."



What does this  
definition leave out?

# Quality of Jobs



Wages



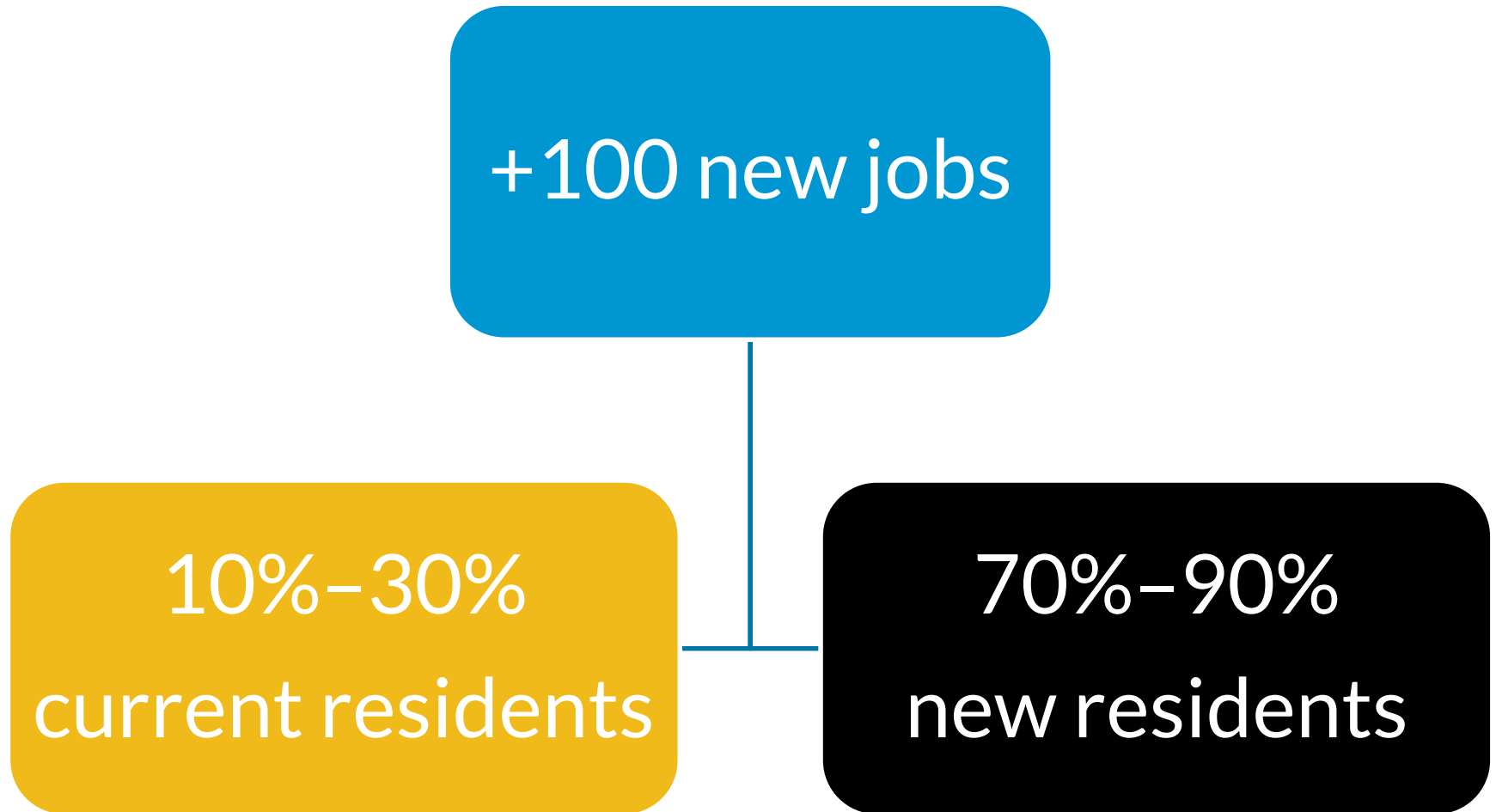
Benefits



Career pathways

Images: Mayor McGinn, "Jobs Creation 03;" Hush Naidoo, "A woman getting her blood pressure tested;" and IFA teched, "Engineers\_16."  
Source: See CREC (2017) for economic development indicators related to job quality.

# Who Benefits?



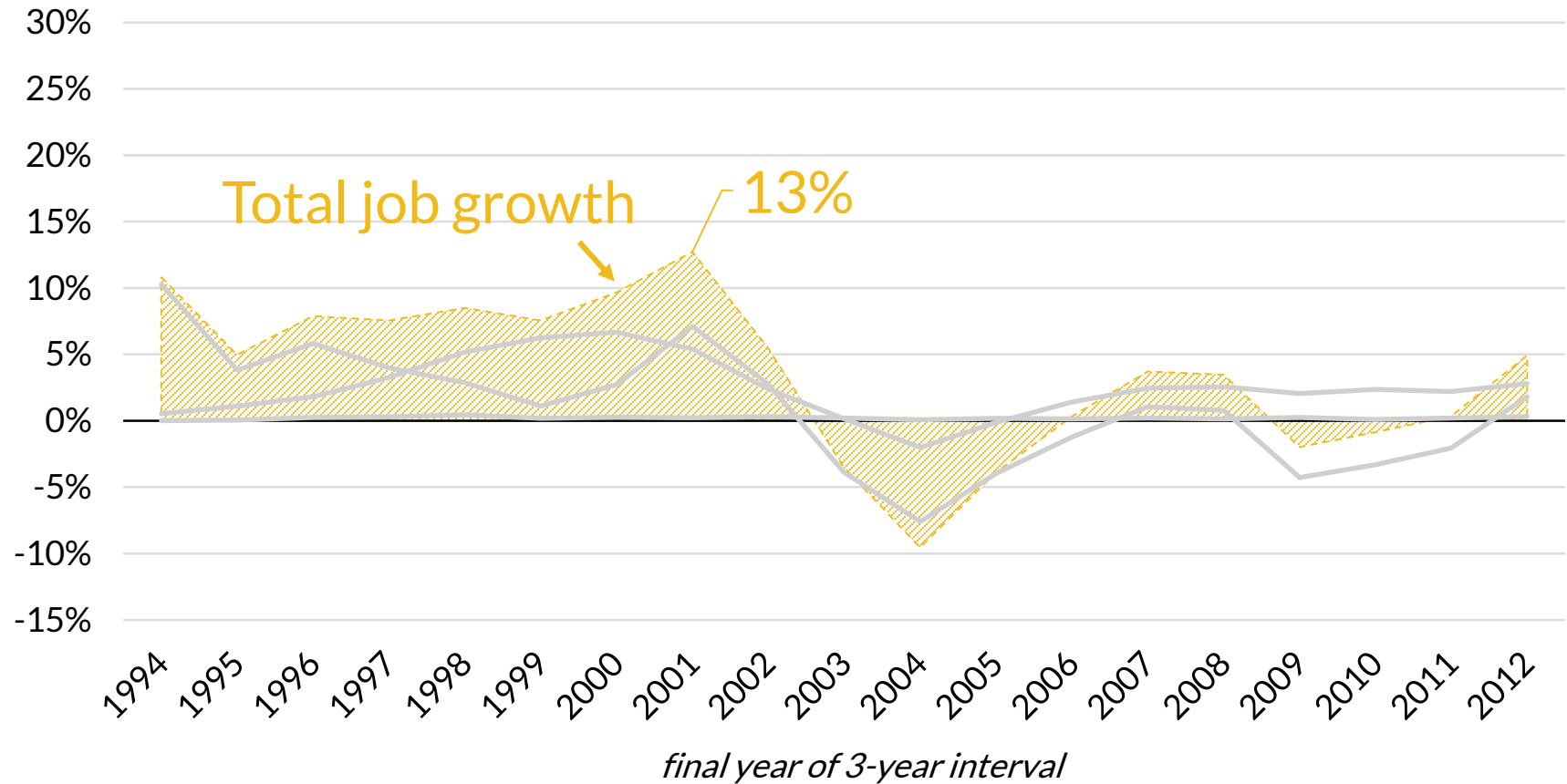
Source: Bartik (2019), 29.

Note: In long run, after five to six years.

# Components of Job Growth

Six Metropolitan Statistical Areas

*% of all jobs*



Source: Theodos, Boddupalli, and Randall (2018) analysis, National Establishment Time Series (NETS).

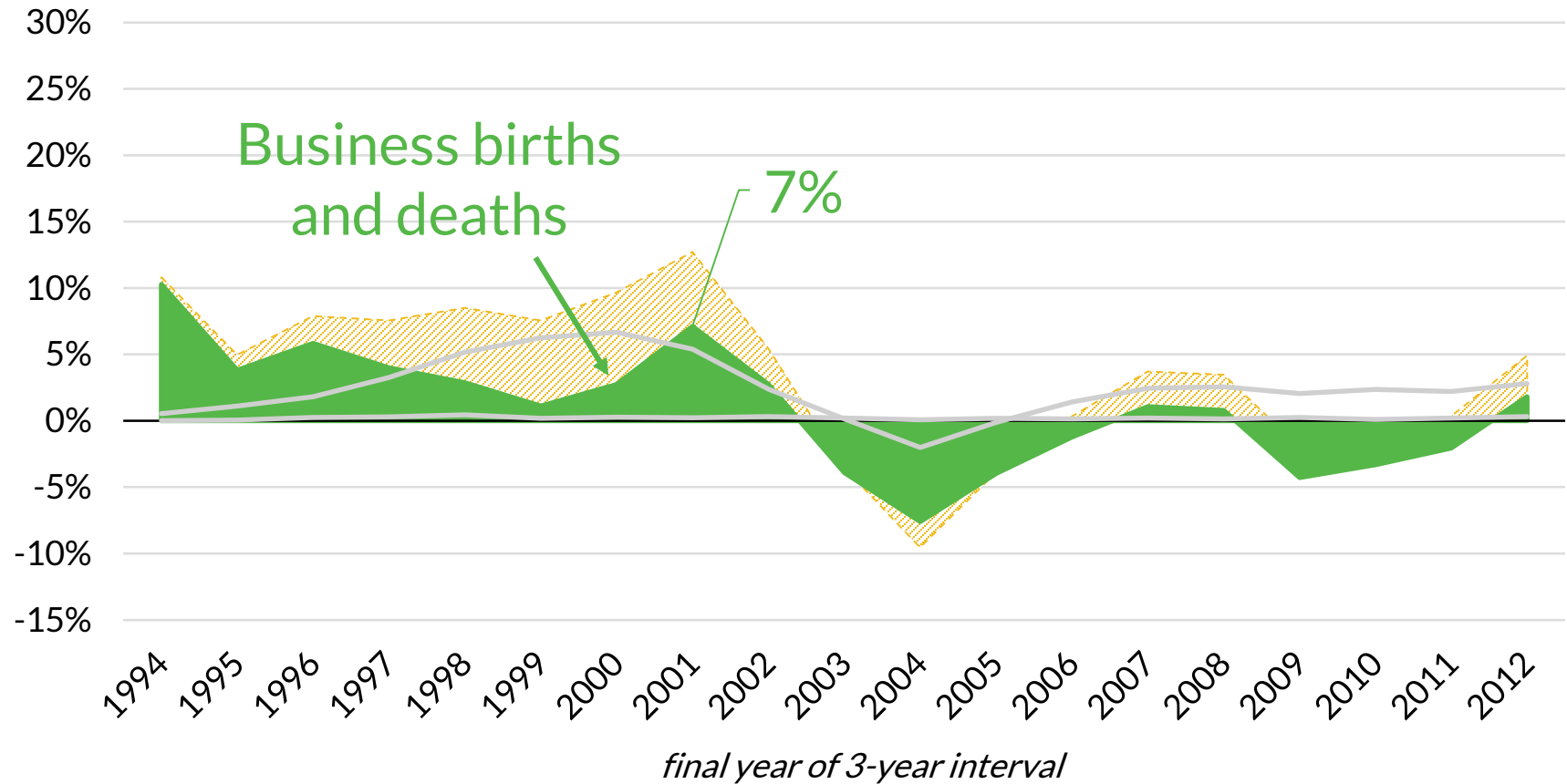
Note: Six metro areas include Baltimore, Baton Rouge, Minneapolis, Rochester, San Francisco, and Washington DC. Values reflect rolling three-year intervals.



# Components of Job Growth

Six Metropolitan Statistical Areas

*% of all jobs*



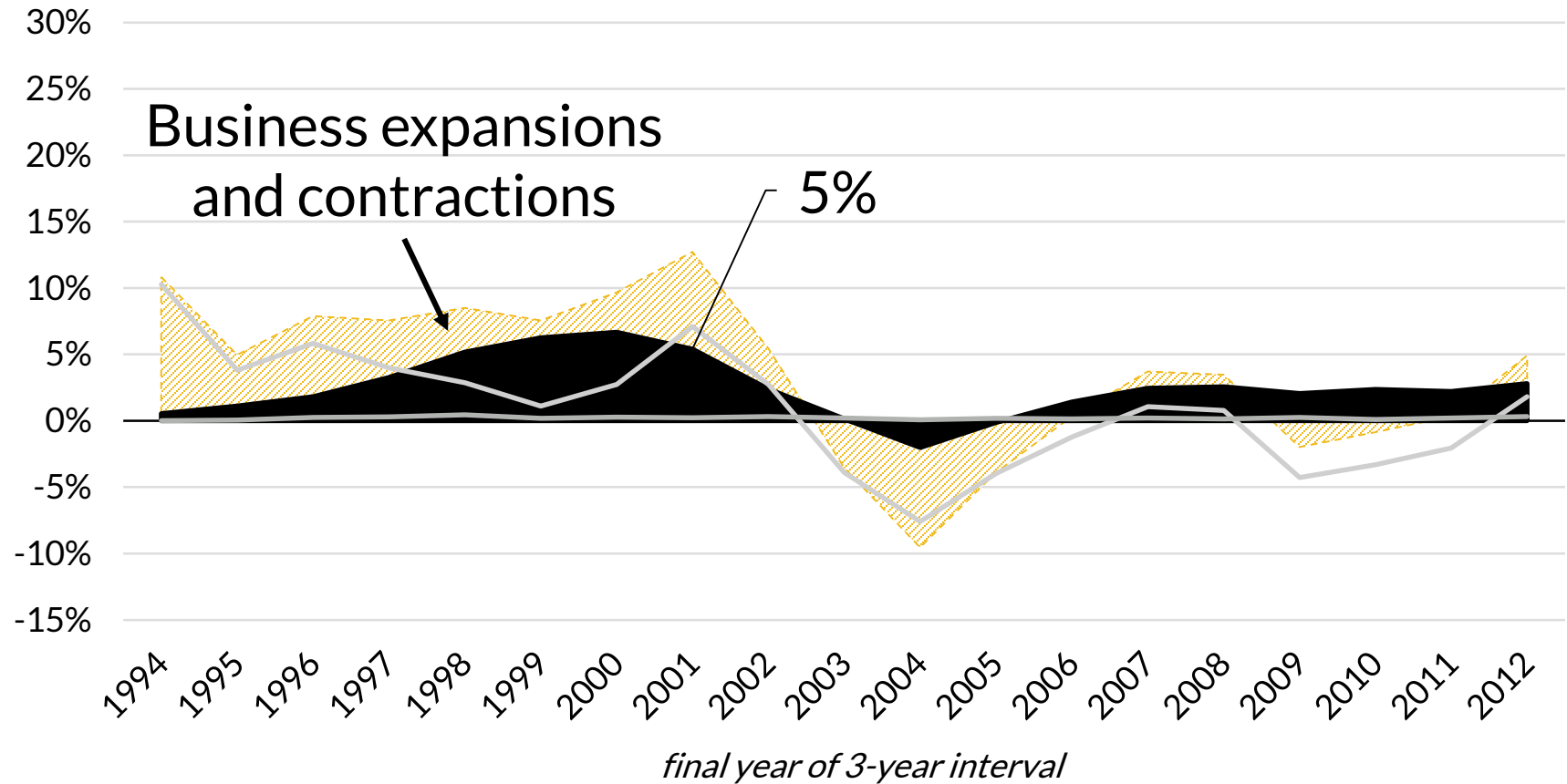
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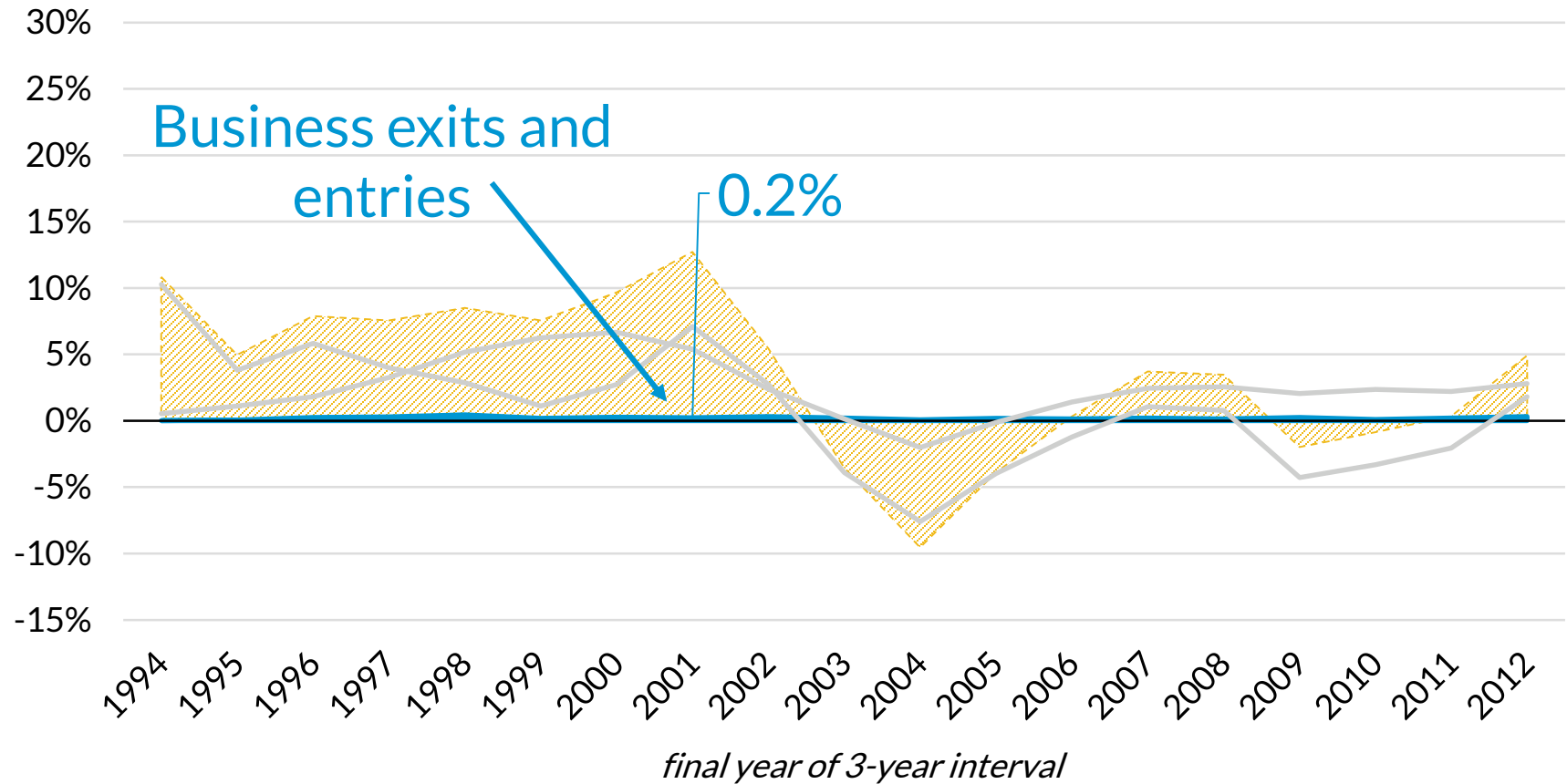
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# Components of Job Growth

Six Metropolitan Statistical Areas

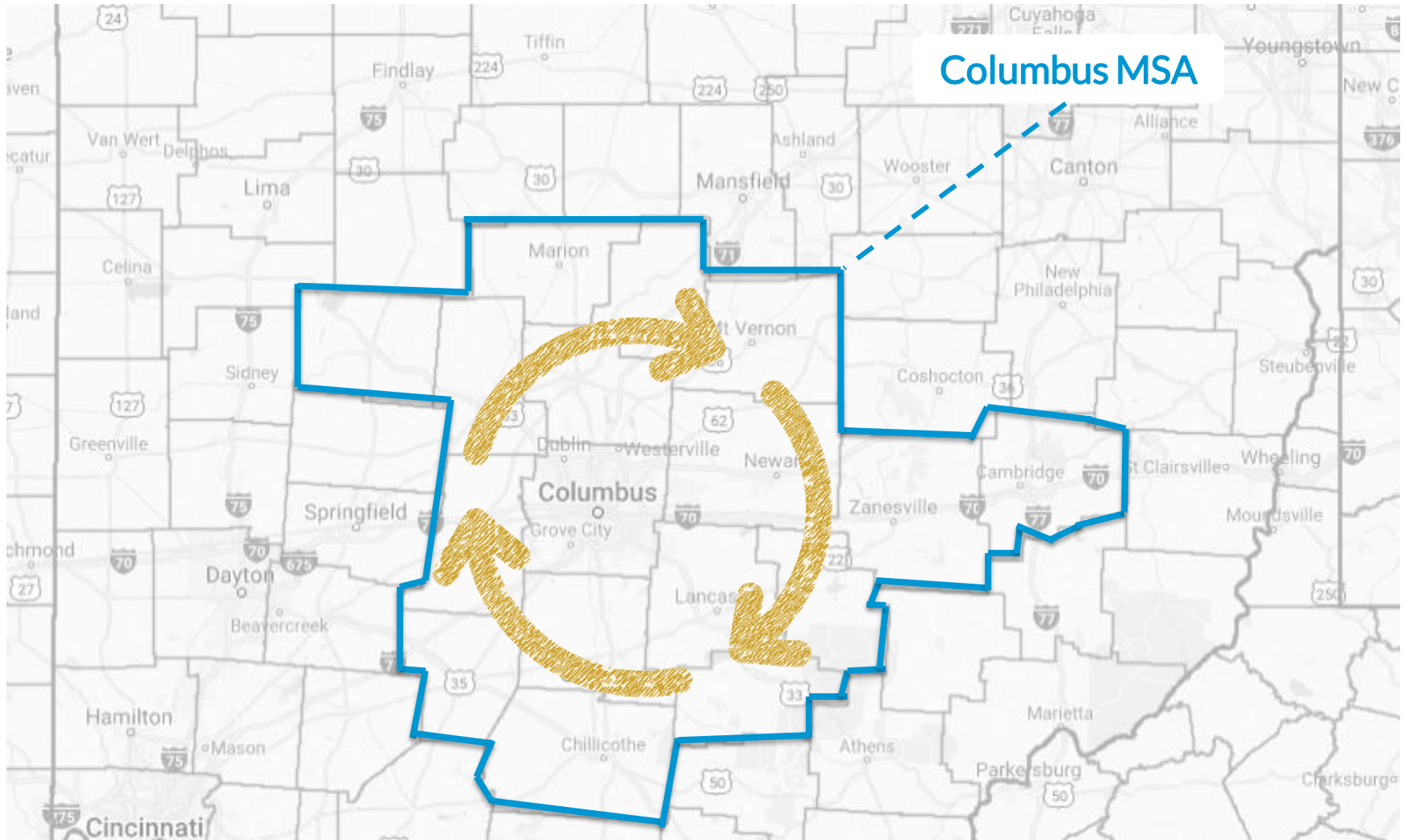
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Source: Theodos, Boddupalli, and Randall (2018) analysis, National Establishment Time Series (NETS).

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# Reshuffling Regional Jobs



Images: Randy Majors, "County Lines on Google Maps;" and Sergey Demushkin, "Recycle."

Note: MSA refers to Metropolitan Statistical Area.



# Tax Incentives for Economic Development

# Why Incentives?

Fear of losing key firm

Political credit-claiming

Greater chance of reelection

“Tournament effect” w. neighbors



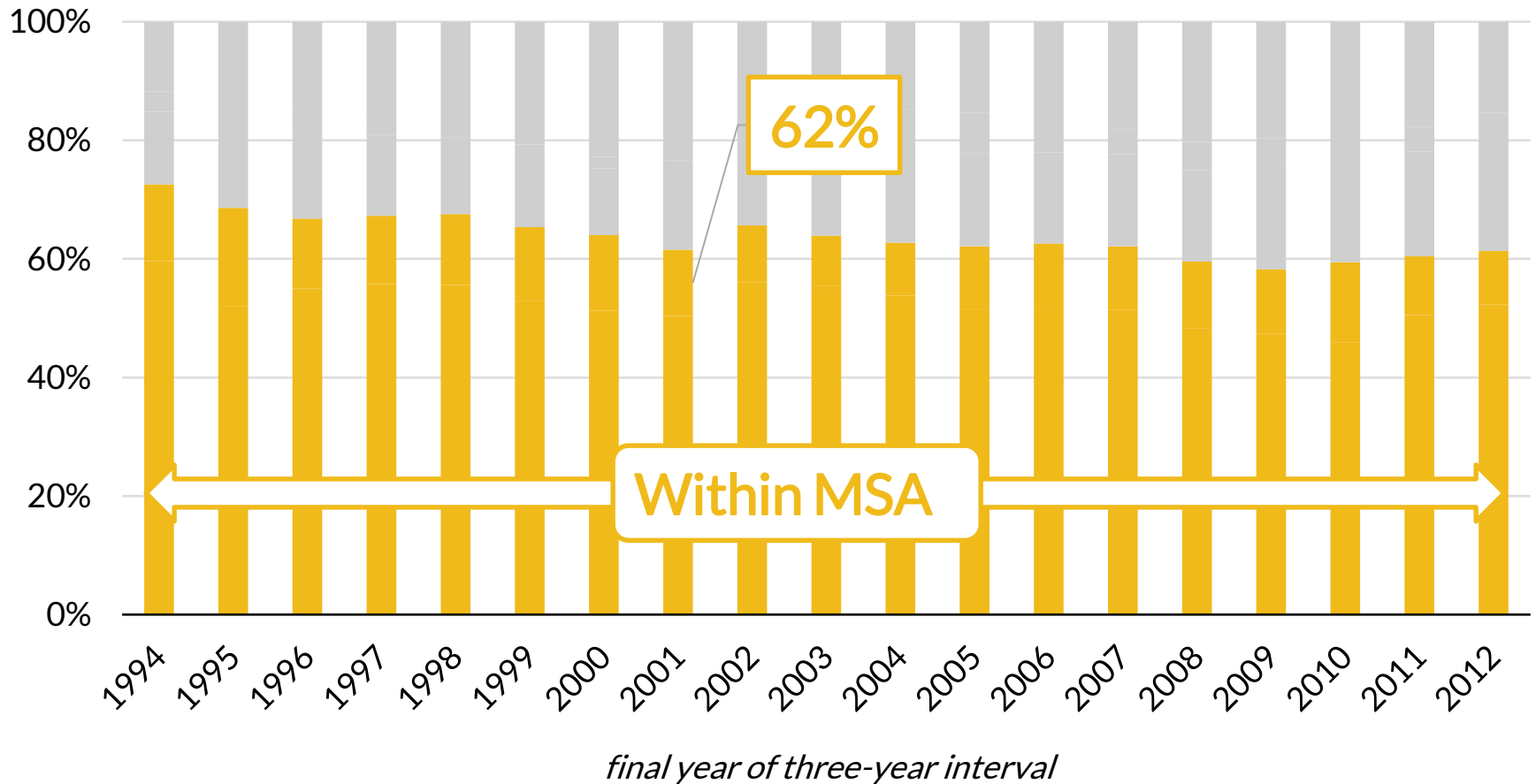
Image: Craig Powell, City of Fort Collins, Colorado, “Zipcar Launch 2016.”

Sources: See, for example, Edmiston and Turnbull (2003); Jensen and Malesky (2018); Jensen et al. (2010); and Noto (1991). For more discussion, see Randall et al. (2018).

# How far do businesses move?

## Six Metropolitan Statistical Areas

*% of all intercounty job moves*



Source: Theodos, Boddupalli, and Randall (2018) analysis, National Establishment Time Series (NETS).

Note: Six metro areas include Baltimore, Baton Rouge, Minneapolis, Rochester, San Francisco, and Washington DC. Values reflect rolling three-year intervals.

# Do Tax Incentives Achieve Goals?



# Not Primary Driver of Firm Siting

Skilled Labor

Labor costs

Highway accessibility

Corporate tax rate

Tax exemptions



Image: Clint Davis, "General Electric."

Sources: Geraldine Gambale, "33rd Annual Corporate Survey & the 15th Annual Consultants Survey," *Area Development*, Q1 2019. See also, for example, Bartik (2005); and Jensen (2018). For more discussion, see Randall et al. (2018).

“The financial stuff was the **second priority**...There were others that offered more, but we didn’t see the same **cultural fit and dynamism** that we saw in Boston.”

-Jeffrey Bornstein, CFO for GE

Source: Thomas Gryta, “What’s Behind GE’s Move From the Connecticut Suburbs to Boston,” *Wall Street Journal*, May 15, 2017.



# Loss in Regional Tax Base

“Prisoner’s dilemma”

Race-to-the-bottom

“Negative spillover”



Image: Backbone Campaign, “Backbone Campaign Agit-Pop Amazon Campaign S.A.M. 05-23-12.”

Sources: See, for example, Anderson and Wassmer (2000); Bartik 2003; Chirinko and Wilson (2008); Ellis and Rogers (2000); Mintz and Tulken 1986; Wildasin (1989); Wilson D. (2009); and Wilson J. (1999). For more discussion, see Randall et al. (2018).

# Opportunity Cost

High subsidy cost per job

Underinvestment in public goods

Other evidence-based tools



Image: Montessori toolkit, "Preschool classroom."

Sources: For more discussion, see Randall et al. (2018).



# Promoting Regional Collaboration

# Communicate Frequently, Build Trust

Frequent communication

Strong community partnerships

Clear information



Image: MDGovpics, "Maryland Mayors Conference Reception."

Sources: For more discussion, see Megan Randall, "California Moves To Curb Local Economic Development Tax Incentives. It Might Want To Try Cooperation Instead," *TaxVox* (blog), September 30, 2019; and Randall et al. (2018).

# Offer rewards for cooperation

Grants or other financing incentives

Access to information (re: local governments and firms)

Economic development or business services



Image: OZinOH, "Old Montgomery County Courthouse IMG\_5234."

Sources: For more discussion, see Megan Randall, "California Moves To Curb Local Economic Development Tax Incentives. It Might Want To Try Cooperation Instead," *TaxVox* (blog), September 30, 2019; and Randall et al. (2018).



# Make the (Local) Case for Regionalism



Image: afagen, "Red Line Departing."

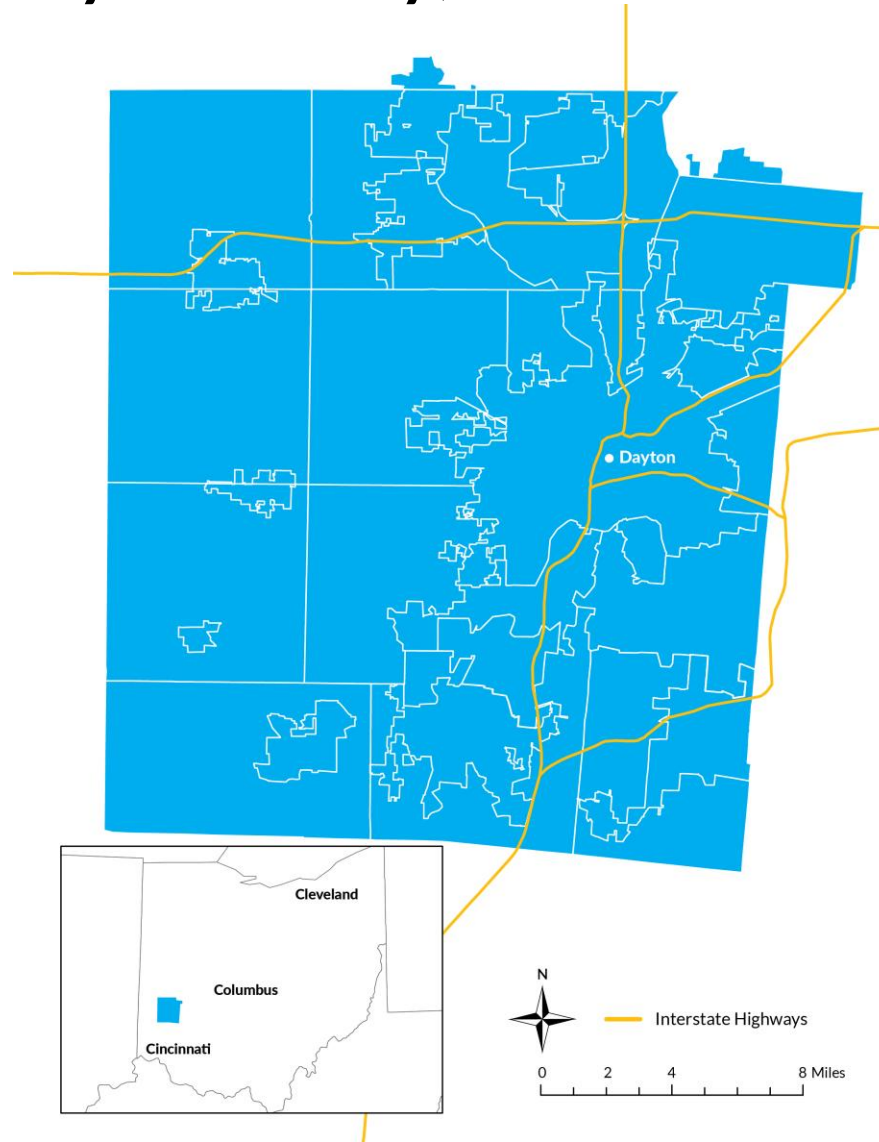
Sources: For more discussion, see Megan Randall, "California Moves To Curb Local Economic Development Tax Incentives. It Might Want To Try Cooperation Instead," *TaxVox* (blog), September 30, 2019; and Randall et al. (2018).

“It’s about demonstrating that, if a **community is going to compete** in the global environment today, there is no time for individual jurisdictions to think they can do it on their own [and] that they won’t be as successful if they don’t **work together.**”

-Erik Collins, Montgomery County

Source: Randall et al. (2018).

# Montgomery County, Ohio



Source: Randall et al. (2018).



# ED/GE Program

“Economic Development/Government Equity”

1. Economic development grant program (ED)

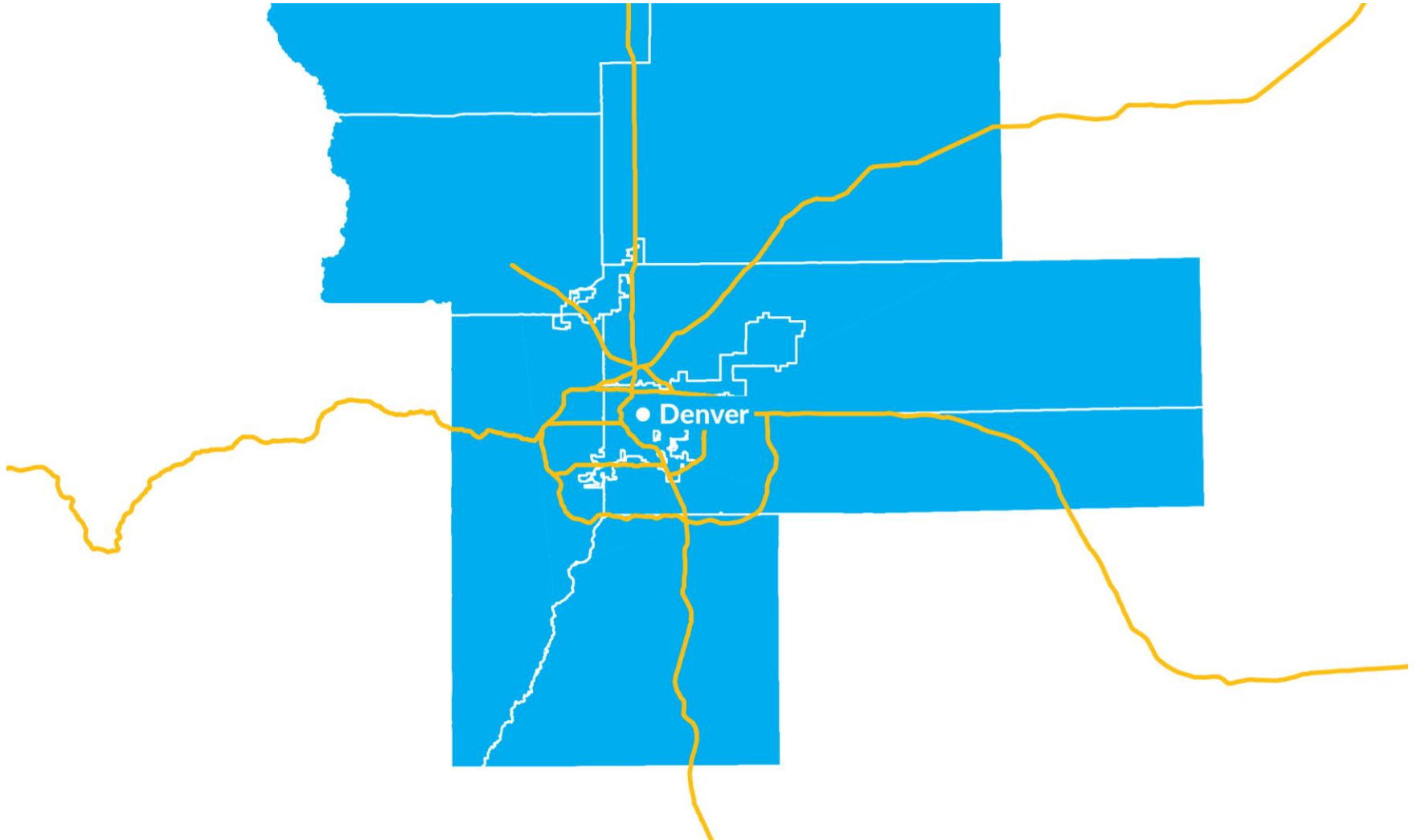
2. Local revenue sharing w. “settle-up”

3. Communication and shared governance

Image: Mr. Kaya, “Dayton, OH.”

Sources: For more discussion, see Megan Randall, “California Moves To Curb Local Economic Development Tax Incentives. It Might Want To Try Cooperation Instead,” *TaxVox* (blog), September 30, 2019; and Randall et al. (2018).

# Metro Denver EDC



Source: Randall et al. (2018).

# Metro Denver EDC

“Code of Ethics”

1. Provides “guiding principles”

2. Prohibits “selling against” partners

3. Communication and information-sharing

Image: chriscoore, “IMG\_5157.”

Sources: EDC refers to Economic Development Corporation For more discussion, see Megan Randall, “California Moves To Curb Local Economic Development Tax Incentives. It Might Want To Try Cooperation Instead,” *TaxVox* (blog), September 30, 2019; and Randall et al. (2018).

# Takeaways

1

Spend more time defining  
(and agreeing on)  
**meaningful goals.**

2

Tax incentives are unlikely to  
provide meaningful results.



3

Explore models that encourage  
local collaboration – and  
discourage firm poaching.



# Urban Institute Resources



# Economic Development Toolkit



## State Economic Development Strategies Toolkit

Link: <https://www.taxpolicycenter.org/feature/state-economic-development-strategies-toolkit>.

# Opportunity Zone Resources



The Tax Cuts and Jobs Act included a new federal incentive—Opportunity Zones—to spur investment in low-income and undercapitalized communities. Governors (and the mayor of the District of Columbia) have now selected zones, and investors, businesses, state and local governments, and philanthropy are figuring out how to turn this concept into investable deals.

The Opportunity Zone program could become the nation's largest economic development tool, but its breadth creates both opportunities and challenges for community developers and their partners. How can the program be implemented to live up to its potential?

## Read the reports

[An Opportunity Zone Guide for Governors and a Case Study of South Carolina](#)

[How Chicago and Cook County Can Leverage Opportunity Zones for Community Benefit](#)

[Did States Maximize Their Opportunity Zone Selections? Analysis of the Opportunity Zone Designations](#)

Link: <https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones>.



# Opportunity Zone Resources



Includes state-by-state data!

The Tax Cuts  
undercapital  
businesses, s

The Opportu  
opportunities  
potential?

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# State Tax Data Subscription

- **Monthly State Government Tax Revenue Data**

Data from all states from 2010 to the present (with a two-month time lag) on revenue from the individual income tax, corporate income tax, general sales tax, and total taxes *plus* 11 months of new data as they are released.

- **Monthly State Government Personal Income Tax Data**

Data from 41 states with broad-based income taxes from 2010 to the present (with a two-month time lag) for the following components of personal income taxes: withholding, estimated payments, final payments, refunds, and total net personal income taxes *plus* 11 months of new data as they are released.

- **Quarterly State Government Tax Revenue Data**

Data from all states from 2010 to the present (with a five-month time lag) on tax revenue from the individual income tax, corporate income tax, general sales tax, motor fuel tax, and total taxes *plus* three quarters of new data as they are released.

- **Annual State Government Tax Revenue Collections versus Official Forecasts**

Data from nearly all states from fiscal year 2015 onward (with a six-month time lag)

Link: <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/projects/state-tax-and-economic-review/data-subscriptions>.



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# Questions

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