Calculating Economic and Fiscal Return on Incentives

Center for Governmental Research
CGR Overview and Introduction

• Founded in 1915
• Non-profit, Independent & Non-partisan
• Serve the public interest
• Inform and Empower
• Model for municipal research bureaus across US

George Eastman (Kodak)
Public Sector Context

• Tremendous sensitivity in use of public dollars
  o Call for more evaluation and transparency
  o Media attention and controversy

• Lots of changes – Lackluster statewide economies contributing to cash poor local governments
  o Incentives, tax structures, policy changes at all levels of government

• Efforts to improve public/private partnerships
What might we like to know?

- How do I evaluate projects and the incentives I want to give away?
- What’s the time horizon?
- What are some key metrics?
  - Big Four: Jobs, Income/Wages, Capital Investment, Tax Base
- What’s the ROI for this investment?
WWW.INFORMANALYTICS.ORG

- User friendly, web-based and fully customizable for any region of the country
- Measures Big Four & Local Fiscal Impact
  - Tracks and stores data in one place
- Calculates ROI
- Prints reports for boards, public officials or media
Applicant: Location, Description

- Applicant name
- Applicant address
- Project location
- Is it a multi-phased project
Industry

NAICS Codes to 3 Digit Level
Employment

- Jobs created
- Jobs retained
- Salary
- Share of jobs new to the state and region
Investment

- Real estate
- Capital/Construction
- Other Spending
  - Sales Taxable
  - Not Sales Taxable
Property & Abatement

- Abatement Program
- Property Tax Jurisdiction
- Current Assessed Value
- Mortgage Amount
3 Reports – Internal, Board/Council, Client

- Economic Impact (Jobs/Income)
- Fiscal Impact
  - Costs to State & Region
  - Benefits to State
  - Benefits to Region
  - Benefits/Costs
- Property Tax Impact
- Total Incentives

<table>
<thead>
<tr>
<th>Indirect***</th>
<th>$23,081</th>
</tr>
</thead>
<tbody>
<tr>
<td>Induced****</td>
<td>$46,754</td>
</tr>
<tr>
<td>Construction (Direct and Indirect, 1 year)</td>
<td>$50,160</td>
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</tbody>
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Town of Islip IDA – Current User

William G. Mannix
Executive Director
Town of Islip Industrial Development Agency
40 Nassau Ave.
Islip, NY 11751
Measuring economic impact

B/E Aerospace expansion in Bohemia, NY
Start with construction impact

- $1 million to be spent in labor & materials in Islip, NY area
- 10 Temporary jobs – but real money
Economic impact of B/E

- Permanent jobs – approximately 80
  - Direct: 31 New & Retained
  - Spillover: 52
    - Indirect: 26
    - Induced: 26
- Income
  - Approximately $5.7 million
  - Average Salary $62,400
Return on Investment

Costs to State & Region = $128,000
Benefits to State = $6,000,000
Benefits to Region = $2,000,000
Benefits/Costs = 62.5
Economic impact of American Tire

- Permanent jobs – approximately 40
  - Direct: 25
  - Spillover: 11
    - Indirect: 3
    - Induced: 8
- Temporary construction jobs – about 60
- Income
  - Approximately $5.7 million
Return on Investment

Costs to State & Region = $807,000
Benefits to State = $1,000,000
Benefits to Region = $800,000
Benefits/Costs = 2.2
Questions

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