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JOB CREATION AND NEW YORK STATE IDAS

A RESPONSE TO THE JOBS WITH JUSTICE REPORT

FEBRUARY 2008

Prepared for:
New York State Economic Development Council

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SUMMARY

The New York State Economic Development Council (EDC), an organization representing economic development professionals, engaged CGR to examine issues raised in a May 2007 study by New York Jobs with Justice (JWJ).

The report released by JWJ was highly critical of IDA activity in New York State (NYS), arguing that Industrial Development Agency (IDA) project success rates were exaggerated and that IDA activities served principally to enrich the recipients of assistance at the expense of the communities conferring the tax breaks.

CGR's conclusions differ from JWJ findings for a number of reasons, but primarily because we made the effort necessary to fairly evaluate the record; and they did not. One simple error illustrates the point: The record JWJ received from the Office of the NYS Comptroller included a job creation target from Tioga County that is well over *twice* the entire population of this rural community. Upstate may seem rather distant to a group working out of New York City, but a fair assessment of the record would stimulate some effort to verify the information. JWJ has affiliates Upstate who might also have noted the anomaly, had they been consulted.

The summary of the record published by JWJ is demonstrably biased and incomplete. We urge them to either revise their report in accordance with our more careful analysis of the record or simply remove it from their website. JWJ brings a perspective on the use of tax expenditures for economic development that has a responsible following among New York's citizens. That perspective and the positions espoused by JWJ should be supported by a factual and accurate record of IDA activity.

The purpose of this report is not to audit individual projects financed by IDAs in the state. Criteria for investment decisions made by IDAs vary from community to community based on differing local conditions and the institutional structure governing the IDA's decisions. What is deemed appropriate in economically-depressed parts of the state might not receive support in communities that are more competitive. In any event, we did not attempt to establish criteria and judge whether individual IDAs conformed to them.

The report describes our methodology and the results of our analysis. The table on the next page provides a summary of our findings. In brief:

- CGR found 89% of projects contained sufficient data to analyze, not 52% reported by JWJ.
- JWJ assumes that, in the absence of tax-reducing incentives provided by the IDAs, the new construction or facility expansions linked to the incentives would have proceeded unaltered—at the same scale, on the same schedule, at the same location—with the only outcome of IDA involvement being a transfer from the taxpayer to the project owner. They record the entire value of the tax abatement as a loss to taxpayers, not acknowledging any incentive value to the inducements. This assumption is not realistic or accurate.
- In aggregate, the number of jobs created in 2005 from IDA-assisted projects is 309,504, 124 percent higher than projected, not 79,334 as reported by JWJ.
- IDAs exceeded their job creation goals by almost 60,000 jobs, about one quarter *more* than was estimated to be created. JWJ reported that only 37% of the aggregate target was achieved.
- CGR's analysis of the record found only a single IDA reported an overall job loss in 2005, not 13 as reported by JWJ.*

* 589 jobs were lost in 2002 when an International Paper plant in Corinth closed.

- Forty-five percent of total projects missed their job creation target (1470 projects total). About half of these projects that fell short of their goals still created almost 60,000 jobs in their communities. Had these projects not occurred, the jobs would not have been created.

- CGR found that 16% of projects posted job losses, not 25% as reported by JWJ. One-third of these involved fewer than ten jobs.

KEY FINDINGS IN REPORT

OSC Data Analyzed	**JWJ**	**CGR**
Total # of projects	3685	3687
Total # of projects for which sufficient data to analyze	1907	3276
% of projects that have sufficient data to analyze	52%	89%
Total # of IDAs	110	110
Total # of IDAs for which some sufficient data to analyze was provided	89	103
Number of IDAs that did not provide any data for analysis of job creation performance	21 (86 projects)	7 (24 projects)

Tax Exemption Statistics	**JWJ**	**CGR**
Total Tax Exemptions (millions of dollars)	$385	$385
Net loss in property taxes to local government (millions of dollars)	*$266*	not estimable--can't assume all projects would have been built without incentives
Net loss to state and local government from sales and mortgage recording tax exemptions	*$119*	not estimable--can't assume all projects would have been built without incentives

Job Creation Statistics	**JWJ**	**CGR**
Analysis below is based on those projects that have sufficient data to analyze (CGR n=3276)		
Total # of jobs estimated to be created	217,318	250,599
Total number of jobs created	*79,334*	*309,504*
Percentage of jobs created of those estimated to be created	*37%*	*124%*
Projects falling short of job creation goal	47%	45%
Projects with job loss	25%	16% (Total jobs lost:44,129)
Number of jobs under goal		*34% lost <10 jobs; 20% lost 10 to 20 jobs.*
Projects falling short of goal but adding jobs	21%	23% gained jobs; 5% created no jobs (Total Jobs Gained: 59,238)
Degree of shortfall	*not reported*	*40% missed promised target <10 jobs; 37% missed target by 10-50 jobs.*
Average job creation for projects adding jobs short of goal	*not reported*	78
IDAs with overall job loss in 2005	13	1

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ACKNOWLEDGMENTS

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INTRODUCTION

The New York State Economic Development Council (EDC), an organization representing economic development professionals, engaged CGR to examine issues raised in a May 2007 study by New York Jobs with Justice (JWJ).

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Summary of Findings

The report describes our methodology and the results of our analysis. The table on the next page provides a summary of our findings. In brief:

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The remainder of this report provides a brief overview of the purpose and power of IDAs. After discussing the data used for analysis, CGR provides details about the differences in our analysis and JWJ findings outlined in the table above. CGR also includes case studies, where appropriate, to emphasize points of differences. In addition, CGR provides results from our survey of IDAs regarding various services IDAs provide. The survey results indicate that IDAs are involved in many types of activities, for which job creation is one of them.

Powers of IDAs

Industrial Development Agencies (IDAs) were established in New York State in 1969 with the goal of easing the high tax burden and regulations faced by businesses in New York.

IDAs are public benefit corporations intended to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining and equipping of certain types of facilities. Through these services, IDAs are meant to advance the job opportunities, health, general prosperity and economic welfare of the people of New York (General Municipal Law §858). As of May 2006, there were 115 active IDAs, one in each of the state's counties, as well as a number of cities, towns, and villages. While the role of IDAs in local economic development is broad, the specific powers granted to agencies by state legislation are primarily financial. These powers allow an IDA to offer benefits to private for-profit and not-for-profit entities as incentives for them to locate, expand or otherwise invest in their particular territory.

IDAs can assist private for-profit and not-for-profit entities. In 1986, the federal government granted issuers of tax-exempt Industrial Revenue Bonds, including IDAs, the authority to finance not-for-profit 501(C)3 projects. New York extended such authorization to IDAs, but only on a temporary basis. This authority has been extended several times since 1986, including last July when the legislature extended the law for seven months until January 31, 2008. As of the publication of this report, this provision, as well as IDA prohibitions to finance retail projects, has expired. Roughly 17% of the projects in the OSC 2005 data were coded as non-profit.

Powers granted to IDAs include:

- Direct issuance of debt
- Acquisition, ownership, and disposal of property
- Real property owned by IDAs is exempt from property taxes and mortgage recording taxes
- Purchases made in support of approved projects are eligible for exemption from state and local sales taxes.

The tax incentives listed above often materialize through either an IDA bond or a lease transaction, both of which confer tax abatements. Most federally tax exempt industrial revenue bonds in New York are issued by IDAs under local discretion. In addition to federally tax exempt bonds, IDAs can also issue bonds that are taxable for federal purposes but exempt from NYS income tax.

Many projects funded with outside financing involve the IDA principally for the purpose of conferring mortgage and property tax exemptions. In such cases, IDAs instead provide tax abatements on a project through a sale-leaseback transaction. By conveying interest in the property to the IDA, the project is exempt from property taxes and mortgage recording taxes. The IDA then leases the property back to the firm. In most cases, local taxing jurisdictions recoup a portion of the property taxes forgone through Payments-In-Lieu-Of-Taxes (PILOTS), paid by the recipients of IDA benefits.

While each PILOT is negotiated individually, a typical PILOT has a tax abatement that is structured to gradually decrease over time. For example, a project might receive 60% abatement from the increased assessment that results from the project the first year, and then 5% less each year until the property is paying full property taxes in the 13th year of the project. PILOTS range in length, but tend to last 10 to 15 years, and typically require full payment of taxes at the end of the abatement period. IDAs can also provide sales tax exemptions on construction equipment or materials purchased for an approved project.

While the JWJ report focused on job creation, IDAs finance projects for a number of reasons, including job creation, the retention of jobs, and the improvement of life of residents in a community (such as a hospital emergency room, cerebral palsy treatment center, senior living facilities, group homes for the mentally and physically disabled, etc.).

DATA COLLECTION

JWJ received the 2005 Supplementary Reports from OSC in March 2007 upon which they did their analysis. These data were later found by OSC to contain multiple errors including a clerical error for entry of Tioga County data that projected a job creation number larger than the entire population of Tioga County. OSC issued a "corrected version" of the data in September 2007. CGR began its analysis on this corrected OSC data. The OSC data represents 110 IDAs.

In order to verify the OSC data, CGR independently requested the supplemental reports from each individual IDA. CGR received reports from 45 IDA's representing 89% of the total project value.[*] CGR then compared (or "audited") the job creation fields from the OSC data to the data received from the IDAs. In doing so, CGR found a number of errors that then were corroborated and also corrected by OSC. The combination of errors that CGR found and that OSC had previously corrected resulted in a more

[*] CGR recognizes that NYC accounts for a large percentage of total project value in NYS. If we exclude NYC from our calculation, 84% of project value was audited.

accurate version of the data. These errors along with CGR's more careful analysis contributed to the differences in findings between the JWJ report and CGR's following conclusions.

The following report cites statistics from OSC data for all 110 IDAs. To ensure accuracy, CGR compiled statistics based on the audited projects and compared the results with all projects (audited and non-audited) contained in the OSC data.[*] The interpretation of the results was very similar for both sets of analyses and thus, CGR reports its findings on analysis of the complete OSC data.

The section of the report titled "Methodology" details the procedure used in auditing and correcting the data as well as the types and numbers of errors CGR found.

Responding to the Jobs With Justice Report

The JWJ report makes three major claims criticizing IDAs based on its analysis of the original uncorrected OSC data.

According to the May 2007 JWJ report, these three claims are:

1) IDA tax exemptions are depriving the state of tax revenue.

2) Most IDAs do not collect the required data from more than half of the projects they subsidize.

3) Most businesses subsidized by IDAs are not creating their estimated jobs or are cutting jobs.

CGR provides a response to each of these claims in turn.

[*] Since the completion of this analysis, OSC has conducted additional study of its data and further corrected the data. We have not analyzed the newest version released by OSC on January 8, 2008.

JWJ Claim #1: IDA tax exemptions are depriving the state of tax revenue

JWJ reported $385 million in tax exemptions in 2005 that were a "net loss" to state and local governments. In addition to $119 million in sales and mortgage tax breaks, this figure also includes $266 million in "lost" property taxes. These totals are calculated after taking any Payment-in-lieu-of-tax (PILOT) into consideration.

CGR Response: Tax incentives do not necessarily equate to lost tax revenue.

In labeling the tax revenue "lost", JWJ makes the critical assumption that the amount of tax exemptions not covered by the PILOTs would be received by the government in full, were it not for IDA tax breaks. This is not necessarily the case. The tax revenue would only be realized if the project would move forward on the same timetable, at the same scale and in the same location without the incentives provided by the IDA.

No one knows what the true tax earnings in each county would be absent the economic development incentives offered by the IDAs. The competitive market makes it likely that many of the companies would move elsewhere if not offered a tax incentive package to cut their costs. Some companies do make empty threats of relocation for the sole purpose of negotiating more lucrative tax exemptions, but for others, the incentive package offered by the IDAs is the true financial dealbreaker. Realistically, the true amount lost in tax revenue would be substantially less than the $385 million cited by JWJ.

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CGR Response: The economic impact includes spillover employment

JWJ focuses on the tax exemption component of the IDA incentives. However, by examining tax incentives invested, JWJ has overlooked the potential economic impact of a project. For every job created (construction or otherwise), there is a spillover effect of that initial job creation that will ultimately create additional jobs in the community.

For example, a construction project clearly generates construction jobs. But when the construction workers eat at the local diner and help to keep that diner in business, they are indirectly creating (or retaining) jobs in the community beyond the construction jobs created. The cumulative effect of these spillover jobs can be described as a multiplier which varies by geographic region and type of construction project. Specifically, the employment multiplier for manufacturing and industrial construction projects ranges from 1.57 in the Poughkeepsie metro region to 1.68 in the Buffalo metro region. These numbers can be interpreted to mean that a manufacturing and industrial construction project in Buffalo which generates 100 construction jobs will create an additional 68 spillover jobs for a total of 168 jobs during the construction period. JWJ has not accounted for any spillover employment attributed to the projects.

Employment multipliers exist for the permanent phase of a project also. The employment an IDA-assisted business reports to the IDA does not include any spillover employment. Every community will realize additional benefits from an initial investment, provided the economic activity would otherwise not occur.

Case Study: The implications of a project that leaves the region

The case of Suffolk County's Olympus America, Inc. illustrates the consequences of the relocation of any existing company. In this case, the Suffolk County IDA tried to retain the business, but was simply unable to make up for the large difference in land costs and property taxes between Pennsylvania and Long Island.

This example demonstrates that the IDA tax incentives used by the IDA to provide tax incentives would obviously not have been returned to the state as tax revenue because the company chose to leave the region. This decision has resulted in a far greater economic loss than the simple loss of that tax revenue.

The details of the situation are as follows: In 2004 Olympus America had over 840 employees in Suffolk County with an annual payroll of $55.5 million and an average annual salary per employee of nearly $66,000. Olympus America, Inc. paid approximately $850,000 annually in local real property taxes. With the move to Pennsylvania, these direct economic benefits, as well as secondary and multiplier economic benefits, were lost. It is estimated that only 10% of Olympus' current 840 employees made the move and relocated to Pennsylvania.

Relocation of Olympus America to Pennsylvania resulted in 756 lost jobs and approximately $7.5 million in projected unemployment insurance payments for these displaced workers.

It is impossible to tell how many New York municipalities have avoided the fate of Long Island by successfully retaining companies such as Olympus with substantial IDA incentive packages. However, this example demonstrates that it is reasonable to assume that companies will follow through on threats of relocation or location to a different state.

Case Study: The community benefits of providing economic incentives

The case of Rockland County's Avon Products, Inc. illustrates the potential benefits of providing economic incentives. After losing one of Avon's manufacturing plants, Rockland County was able to provide incentives to encourage the attraction of Avon's new Research and Development (R&D) facility in the same location.

Given that Avon was considering alternative locations, it is apparent that the tax incentives given would not have returned to the state in tax revenue had the company chosen to locate elsewhere. Based on their choices for location, the tax benefits provided to Avon were a key factor in the development of the R&D facility.

The details of the case are as follows: In 2003, Rockland County was still recovering from the previous year's loss of 280 manufacturing jobs, after long-time resident Avon Products, Inc. closed its Suffern factory to consolidate with an existing factory in Ohio. However, the new year brought a reversal of fortune. Avon began negotiations to build a $100 million research and development facility—its new world headquarters—on the same 11-acre Suffern site that housed the manufacturing factory. The three-story, 225,000 square foot building project would create 280 high-level scientific jobs, adding another 70 over the next 10 years.

After considering a move to New Jersey, Avon settled on the Suffern site. The economic incentives offered by the Rockland Economic Development Corporation (EDC) were an important factor. The final deal included $3.6 million in state sales tax exemptions, and an unusual 20-year PILOT agreement, featuring a gradual decrease in benefits to be received by the project owner. The New York State Empire State Development Corporation also offered the company a $650,000 grant. Avon broke ground in August 2003, and officially opened the doors of the new R&D plant in October of 2005.

Avon R&D center chose Rockland County over New Jersey in part due to the $3.6 million in state sales tax exemptions provided to them. That tax revenue would not have existed (and thus is not "lost") without the incentives offered by the IDA.

JWJ Claim #2: Most IDAs do not collect the required data from more than half of the projects they subsidize.

In their report, JWJ provided specific calculations to support the claim that most IDAs do not collect the required data from more than half of the projects they subsidize. Though CGR did find some projects that did not have the required data, our overriding finding is that JWJ used incorrect criteria to make this claim. The table below summarizes the findings.

KEY FINDINGS IN REPORT

OSC Data Analyzed	JWJ	CGR
Total # of projects	3685	3687
Total # of projects for which sufficient data to analyze	1907	3276
% of projects that have sufficient data to analyze	52%	89%
Total # of IDAs	110	110
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CGR Response: JWJ used incorrect criteria to make this claim.

The following addresses JWJ's findings from their report.

(1) **JWJ claim:** Of the total 3,685 projects subsidized by IDAs in 2005, only 52% of the subsidized projects (1,907 projects) provided sufficient data for analysis of job creation performance.

CGR response: CGR's efforts to contact the IDAs in order to obtain a complete data set resulted in 3,270 projects, or 89% with enough data for analysis. CGR replicated JWJ methodology but was not able to verify their results of 1,907 projects. We were able to find reasons for small portions of the difference between our findings, but were unable to find reasons for the full discrepancy. Some of the possible reasons for the discrepancy between CGR's and JWJ's findings are explained in the "methodology" section of the report.

(2) **JWJ claim:** 60% of IDAs did not provide data for more than half of the projects they subsidize.

CGR response: CGR's finding was that 11 IDAs (10%) did not provide data for at least half of their projects. Out of those 11 IDAs, five had only one or two total projects.

(3) **JWJ claim:** 21 IDAs, or 19%, did not provide any data for analysis of job creation performance.

CGR response: After collecting data from OSC and individual IDAs, CGR found seven IDAs, all of which had fewer than seven total projects, had no data for analysis.

Despite CGR's efforts to verify OSC data by contacting IDAs directly, CGR was left with 411 projects, comprising 11% of the total number of projects that still did not have sufficient data for analysis. Missing data consisted of employment figures before the beginning of the project and/or the current employment as of 2005.

JWJ Claim #3: Most businesses subsidized by IDAs are not creating their estimated jobs or are actually cutting jobs.

The third claim focuses on the job creation statistics in the OSC data. There are great differences between the JWJ findings and CGR findings. These differences are somewhat reflected in the fact that CGR's anlaysis is based on 3,270 projects for which there is sufficient data for analysis, rather than the 1,907 that JWJ use. CGR is confident that our thorough examination of the data yields more accurate findings based on our efforts to contact IDAs and OSC for clarification of any issues in the data.

CGR Response: Problems with JWJ methodology

Analysis by IDA

CGR is concerned with the methodology used in the JWJ report. There are a number of specific problems outlined below.

(1) JWJ Method: JWJ chooses to report their data analysis by number of IDAS.

CGR Response: Given the wide range and size of IDAs, CGR concludes this way of reporting the statistics does not tell the full story. For example, JWJ states that 13 IDAs experienced overall job loss in 2005. CGR was only able to find one IDA that had sustained overall job loss. This was due to the loss of 589 jobs at an International Paper plant in the Corinth IDA which closed in 2002. This project is still on record in the OSC data for 2005 because the title has not transferred back to the company. The job loss actually occurred in 2002 and should not be counted every year thereafter.

Date of Inception not considered

(2) **JWJ Method:** JWJ treats all projects the same regardless of the date of inception.

CGR Response: A number of factors can influence the success of a project in meeting its job creation goals. For instance, on average, projects are typically allotted 3 years from their beginning date to create the jobs they promise. Depending on the type of project, it may take less or more time to meet job creation goals. The OSC data makes it difficult to determine the date of the project. For most projects, the year is contained within the project code, but even in this situation, the OSC data only provides the year, not the month. Moreover, the year only delineates when the title is transferred, not necessarily when the construction begins.

In addition, IDAs collect job information during different times of the year.[*] CGR conducted a survey of IDAs inquiring as to the time of year the IDA collects its job information. Of the 38

[*] It is possible a project is transferred in December of 2003, but does not complete construction until May of 2005 and might not record any job creation numbers for 2005 depending on when that data are collected.

respondents to the question, 66% begin collection of job statistics as early as January with 82% collecting some information in the first quarter. CGR believes that any job creation data for projects dated 2003-2005 do not allow time for the project to come to fruition.

Job Creation not only goal of IDAs

(3**) JWJ Method:** JWJ infers from their report that job creation is a main goal of IDAs.

CGR Response: Job creation is not the only function of IDAs—they also provide other services Though the public face of IDAs is the creation of regional investment through business attraction, retention, and project financing, IDAs do provide a number of other valuable services that often are overlooked.

CGR conducted a survey requesting information on the range of economic activity of each IDA, and 43 IDAs, comprising 74% of projects (without NYC IDA), responded. The table below summarizes the responses to the survey.

IDA Services Provided

	Number of IDAs	% of IDAs
Business Attraction	40	93%
Business Retention	39	91%
Project Financing	39	91%
Technical Assistance	22	51%
Industrial Park Management/Development	21	49%
Infrastructure Finance & Development	21	49%
Strategic Planning	19	44%
Revolving Loan Fund Management	18	42%
Business Marketing	17	40%
Empire Zone Management	14	33%
Workforce Development	11	26%
Incubator Management	5	12%
Export Assistance	4	9%

Note: IDAs could select more than one service

Almost all of the respondents indicated their participation in attracting and retaining businesses to the area. While the JWJ report focused primarily on job creation, the survey responses indicate the broad range of services that IDAs offer. The case studies below emphasize the value of some of these services.

Case Study: IDAs provide services other than job creation with long term economic benefit

The case of Mohwak Valley EDGE illustrates the potential economic benefits that can result from services IDAs provide. In particular, Oneida County's partnership with the community to create an interim response to a workforce shortage helped to retain a business in the area and create jobs.

The details of the case are as follows: Mohawk Valley EDGE, the parent organization of Oneida County IDA, partnered with a struggling local business, a workforce development organization, and Board of Cooperative Educational Services (BOCES) to set up a interim structural technician training program for local residents. Graduates of the program were immediately offered jobs as Airframe and Powerplant (A&P) technicians at Empire Aero Center in Oneida County.

Though this effort was just an interim measure until a full A&P curriculum could be developed by Mohawk Valley Community College (MVCC), it set the stage for Empire Aero Center to fill necessary positions and remain in Oneida County. Empire Aero Center has grown from about 150 people in 2004 – about half management and half direct employees working on aircraft – to more than 400 in the summer of 2007, with all but about 75 indirect employees working on aircraft. With plans to add 10 mechanics a month until they reach 1,000 workers, there is room for all of the students who graduate from the MVCC program.

Oneida County's willingness to respond to a labor shortage helped create jobs and retain a business in the County.

This case illustrates two points: (1) job creation may occur through other services IDAs provide that are not necessarily reflected in the OSC data; (2) IDAs serve a purpose in helping make the region more attractive by meeting companies' concerns and demands (in this case, by helping respond to a labor shortage). The IDA was actively involved in 2003 in recruiting Empire Aero Center and subsequently, through services other than tax incentives, helped them to remain in the community and grow their workforce.

Case Study: IDAs provide strategic planning and economic analysis

This case illustrates one example of a valuable service that may not necessarily create jobs, but helps to provide information about the economic infrastructure of the region to any interested businesses.

The Saratoga IDA partnered with a consulting firm, Economic Research Associates, to analyze the regional economic contribution of the Saratoga Race Course, in Saratoga Springs, NY. The analysis was commissioned to help elected officials, businesses, and the public understand the economic impact of thoroughbred racing and the accompanying equine industries and tourism on Saratoga Springs and the surrounding area.

The completed report measures spending, earnings, and employment linked to the Race Course, as well as economic benefits accruing to Saratoga County and the nearby counties of Albany, Columbia, Greene, Montgomery, Rensselaer, Schenectady, Warren, and Washington.

Saratoga IDA helped to provide information to potential incoming businesses about the economic infrastructure of nine nearby counties.

Services such as strategic planning and economic analysis may not directly create jobs, but they provide value to the community by highlighting the economic infrastructure of the area. By illuminating the direct and indirect value of key industries, such as the race course, the IDA can encourage businesses to consider investing in the area.

Case Study: Community Investment without job Creation

This case study demonstrates that job creation is not the only tool by which to measure an IDA's success. While this project might show an overall job loss, keeping General Motors (GM) in Erie County retained some jobs and infused capital into the economy. Ideally jobs will not be lost in a community, but the overall economic benefit of retaining GM is positive for the Erie County community and the actions of the Erie County IDA helped to minimize the job loss and retain 1,800 jobs.

Erie County's Tonawanda General Motors plant demonstrates that capital investment and job retention may be equally as worthwhile as job creation. Since 1997, GM has made a cumulative investment of almost $800 million in the Erie County area.

Though jobs have decreased from 4,000 to 1,800, the amount GM has invested for each saved job has risen to $607,000. The state of NY provided incentive packages for each of these expansions, in which incentives were not tied to job growth, only retention.

GM has invested almost $800 million in Erie County in the last ten years. As a result, 1,800 jobs have been retained.

New technologies and downsizing have resulted in a structurally leaner GM, producing more vehicles with far fewer employees. In the last four decades, vastly improved productivity, greater reliance on suppliers, and large growth in the number of competitors in GM's largest market have all had an impact. Today, manufacturing investment and modernization of processes command less workforce initially, but as efficiencies are achieved, business growth may lead to added jobs. Either way, while this particular project would show an overall job loss, the story and impact is about the retention of jobs and a key employer in the area.

CGR response: Created jobs exceed those estimated

Having noted the above methodological problems, CGR now provides its response to the specific claims by JWJ. The table below summarizes those responses.

Job Creation Statistics	**JWJ**	**CGR**
Analysis below is based on those projects that have sufficient data to analyze (CGR n=3276)		
Total # of jobs estimated to be created	217,318	250,599
Total number of jobs created	*79,334*	*309,504*
Percentage of jobs created of those estimated to be created	*37%*	*124%*
Projects falling short of job creation goal	47%	45%
Projects with job loss	25%	16% (Total jobs lost:44,129)
Number of jobs under goal		*34% lost <10 jobs; 20% lost 10 to 20 jobs.*
Projects falling short of goal but adding jobs	21%	23% gained jobs; 5% created no jobs (Total Jobs Gained: 59,238)
Degree of shortfall	*not reported*	*40% missed promised target <10 jobs; 37% missed target by 10-50 jobs.*
Average job creation for projects adding jobs short of goal	*not reported*	78

(1) **JWJ Claim:** The total number of jobs "promised" by subsidized companies was 217,000 in 2005; the total number of

jobs actually created was 79,000, or 36% of those "promised". This is a shortfall of 138,000 jobs.

CGR Response: After contacting IDAs directly and obtaining copies of their project reporting forms to the OSC, CGR was able to include in our analysis projects with a total of 250,599 projected jobs. We found 309,504 jobs were created -- 124% of the number projected. In aggregate, IDA-sponsored projects exceeded their expectations by 58,905 jobs.*

(2) **JWJ claim:** Nearly half of all IDA-subsidized projects in 2005 were "failed" projects: 481 IDA-subsidized projects experienced job loss (25%) and an additional 407 projects did not meet their job creation goals (21%).

CGR Response: JWJ classified "failed" projects as those that either lost jobs or did not create the number of jobs projected. CGR found a slightly lower percentage of projects that lost jobs (16%). The 16% of projects that have lost jobs represent a slightly lower percent of total project value (11%).Of those projects that lost jobs, 34% lost less than 10 jobs and 20% lost between 10-20 jobs.

CGR found 23% of projects did not meet their goals, but experienced job growth for a total of 59,238. Had these projects not occurred, these jobs would not have been created. Of those projects, 40% missed their estimated target by less than 10 jobs. In addition, with the multiplier, the total economic impact is much greater than the nearly 60,000 jobs created from "failed" projects.

* One reason for the difference was a data entry error in the OSC database used by JWJ regarding Tioga County. The "Projected Jobs to be Created" figure in Tioga County was calculated as 120,651. This number more than twice the population of Tioga County. CGR found that Tioga County projects created 128 more jobs than the 419 new jobs they were projected to add.

METHODOLOGY

The following section describes the methodology in more detail and discusses some of the issues with data reporting and entry that CGR found in the process of scrutinizing the data.

Data Collection

CGR obtained data from the Office of the State Comptroller (OSC) and original copies of the 2003-2006 "Supplemental Reports to the Comptroller" from individual IDAs. These reports contain information on project financial and job creation data. CGR then audited 84% of the total value of all projects, which we refer to as "Audited Projects".

In analyzing the data, CGR calculated project value using the first of these three values provided: Total Project Amount, Benefited Project Amount, and Bond/Lease Amount. Straight Lease Amount for New York City leases was used if none of the previous three had been provided. Definitions for each of these classifications can be found in the OSC Accounting and Reporting Manual. CGR calculated growth in employment as the difference between current full time employment and full time employment before initiation of the project.

Errors in the OSC Data

The Jobs With Justice study was critical of the quality of IDA reports. CGR conducted an independent audit of OSC data verifying the validity of their reported data. The data that the OSC did possess was, for the most part, reasonably accurate. Out of 2,916 audited projects, 65 errors were discovered. The types of error and their effects are as follows:

- 46 projects were duplicated in the database resulting in underreporting of 7,965 jobs.
- 17 data-entry errors were committed by the OSC resulting in underreporting of 1,521 jobs.
- 2 projects were omitted resulting in the underreporting of 101 jobs, primarily construction.

Often the number of blanks is cited as an indicator of incomplete data, though in two situations the Comptroller's Office requests IDAs to use blanks in their data entry. Blanks may indeed mean that the IDA was not able to obtain data for that project. However, the OSC also advises the IDAs to leave data blank if there are projects at the same location for multiple years. And, sometimes, a blank means that OSC has made a clerical error. Thus, it is difficult to draw any firm conclusions from a blank and blanks should not necessarily be interpreted as incomplete data on the part of the IDA.

CGR found error lies on both sides of this partnership. The OSC committed a number of simple data-entry errors, such as converting 123 jobs to 1,233, or leaving blanks in job-creation data. Such errors ultimately affect a small percentage of jobs, but do unfortunately create questions about the validity of the products of New York State's main statistical service, funded by taxpayers.

The errors reported above expose weaknesses in the IDA reporting system and OSC methodology. Furthermore, while most of the IDA records we received were very well organized and clear, CGR did have to resolve apparent inconsistencies in IDA records in a few cases. An electronic record keeping system in development at OSC will streamline IDA reporting and should resolve many of the remaining issues, however.

Other Reporting Issues

As CGR verified data with both individual IDAs and the OSC, it was clear that many IDAs were unclear on the meaning of the six different job creation statistics that they were expected to report. Furthermore, the IDAs were often confused about how to report the job statistics of multiple projects that took place at the same location, with many of the same jobs in play. This confusion often resulted in jobs from these projects being counted two, three, or four times, skewing job creation numbers.

This duplication problem was further compounded by the computer methodology of the OSC database, which automatically pulls historical job statistics from the prior year's database for each project still on the IDA books. When not carefully checked, this system can also result in job duplication.

While no database can be expected to be perfect, CGR recommends clearer communication between the OSC and the IDAs in order to eliminate reporting confusion. Improved communication between the IDAs and the OSC would result in a more useful and accurate database. Some of the current problems may be resolved by the OSC's new electronic Public Authorities Reporting Information System (PARIS), which debuted in November 2007. However, a misunderstanding of the meaning of certain job statistics is a more fundamental problem that must be specifically addressed.

CONCLUSION

CGR's analysis of OSC data on IDA project financing and job creation yielded results that counteract many of the explicit and implicit conclusions drawn by the New York Jobs With Justice report: Namely, that IDA projects are depriving local and state governments of millions of dollars in tax revenue with no corresponding community benefit.

Instead, CGR argues that the lost tax revenue is not able to be estimated since many projects would not come to fruition if it were not for the incentives the IDAs provide. In addition, IDAs provide services to local and incoming businesses that ultimately impact the local community and are not only measured by job creation. JWJ did not take into account any of these services in evaluating their performance.

In aggregate, the number of jobs created in 2005 from IDA-assisted projects is 309,504, not 79,334 as reported by JWJ. This is a significant difference which should be acknowledged by JWJ. In aggregate, IDA projects exceeded their job creation goals by almost 60,000 jobs, about one quarter more than was forecast by project owners. Over half of the projects that did not make their job creation goal still added employment that may not have happened without IDA assistance. We note, too, that projects can fail to make their forecasts for a number of reasons, some of which are beyond the control of the project owner, including a change in overall economic conditions or the competitive climate of the individual firm's industrial sector.

The electronic reporting system under development at OSC should improve the consistency of OSC recordkeeping and enhance OSC's ability to ensure accurate and timely reporting from IDAs. Industrial development agencies are obligated to report their activities fully, as they should be. Most of the records we reviewed were complete and clear.

While CGR did not find a perfect record for the IDAs, our findings indicate that the summary of the record published by JWJ is biased and incomplete. We urge JWJ to either revise their report in accordance with our more careful analysis of the record or simply remove it from their website.