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**Testimony of Michael Jacobs
Supervising Analyst of Economics and Taxes Unit
At the New York City Independent Budget Office
To the New York City Council Small Business Committee
On Intro. 256-2010, a Local Law to Amend the City Charter
Regarding EDC's Annual Reporting Requirements**

November 4, 2010

Good afternoon, Chairwoman Reyna and members of the City Council's Small Business Committee. My name is Michael Jacobs, and I'm the Supervising Analyst of the Economics and Taxes Unit of the Independent Budget Office (IBO). Thank you for the opportunity to speak at today's hearing on Intro. 256-2010, a Local Law which would address two major deficiencies in the New York City Economic Development Corporation's (EDC's) Annual Report on projects providing discretionary economic benefits to employers in exchange for agreements to preserve, expand, or relocate jobs to New York City.

As you know, IBO's mission is to provide information and increase public participation with respect to budgetary decisions facing the city. While IBO does not typically make policy recommendations, we do make an exception on proposals which affect the budget process or access to information. With this in mind, IBO supports Intro. 256, for it would greatly increase the usefulness and quantity of information available to elected officials, researchers, and the public regarding an important use of the city's resources—the provision of discretionary benefits as part of business incentive packages.

The city commits significant resources to these discretionary benefits. The total projected cost to the city (in present value terms) of the benefits provided to the 644 projects covered in the EDC Annual Report for fiscal year 2009 (the most recent report), is \$852 million—but that figure excludes the cost of benefits provided to a number of ongoing projects that EDC is not currently required to include in the report.

Intro. 256 would end the exclusion just mentioned as well as make the annual reports easier to use.

The reports would become easier to use because the proposed amendment to the City Charter would explicitly require EDC to issue its reports in an accessible database format, such as Excel or some other spreadsheet or database program. This would greatly enhance the ability of

researchers and others to work with and analyze the data. Currently, the reports are available on the EDC Web site only in *.pdf* format. To analyze the data, researchers must convert it to a database format, either by typing it in or going through a lengthy process of transferring it electronically (not a simple cut-and-paste process).

We know the amount of work involved from personal experience. Over the years IBO staff and interns have spent countless hours typing in data from the EDC Annual Reports, and in the interest of time we have limited the amount of data we've entered. In sum, if the Annual Reports are made available in a database format, IBO and other researchers would be able to make more extensive use of the reports' data as well as spend far less time merely inputting data.

The other important change in Intro. 256 would require EDC to report on all projects from when they begin to receive tax or other benefits to when those benefits end. Under current law, only projects begun as of July 1, 2005 (the start of fiscal year 2006) must be included in the Annual Reports for as long as benefits are received. For projects that began prior to fiscal year 2006 and involve land sales, current rules require that they be included in the annual reports for only seven years. Under Intro. 256, projects involving land sales would have to be included in the Annual Reports for a minimum of 15 years.

By requiring that data be provided for the duration of projects, Intro. 256 would increase the number of projects included in future EDC Annual Reports and thus provide a more complete picture of the fiscal cost and benefits of all on-going EDC projects involving discretionary economic benefits. This change is warranted because there are many projects begun prior to fiscal year 2006 that are scheduled to receive benefits for well more than seven years—many for 30, 40, and even 50 years.

From the EDC Annual Reports themselves, it is not possible to obtain a complete count of how many pre-2006 projects are still receiving benefits because until the 2005 annual report, the reports did not include the end date of projects' benefits. But a cursory scan of the 465 projects in the 2005 volume indicates that as many as 310 projects may not be included in the upcoming 2010 report though they may still be receiving benefits—some scheduled to receive benefits as late as fiscal year 2050—while some other projects may be dropped for noncompliance. In brief, any analysis of ongoing projects should include projects still receiving benefits, even if they were begun before 2006.

Thank you for the opportunity to speak in favor of Intro. 256. I would be pleased to answer any questions you may have.