



CITIZENS • BUDGET • COMMISSION

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Testimony to the New York City Council Committee on Finance

September 22, 2016

Thank you for the opportunity to submit testimony. The mission of the Citizens Budget Commission (CBC) is to achieve constructive change in the finances and services of New York State and New York City government. CBC has studied economic development efforts at the state and city level and has called for increased transparency and greater evidence of the effectiveness of these programs. CBC supports the proposed legislation to create a regular evaluation process for economic development tax expenditures.

CBC's report on economic development in New York City, [*Managing Economic Development Programs in New York City: Lessons for the Next Mayor from the Past Decade*](#), published in December 2013, found that economic development tax expenditures totaled \$1.6 billion in 2012; these costs grew to \$2.1 billion in 2016.ⁱ More scrutiny of all tax expenditures is needed as well as clearer standards for discretionary tax abatements.

The proposed legislation provides for regular evaluation of economic development tax expenditures by the Independent Budget Office based on a schedule to be determined by the City Council. It also requires city agencies to make appropriate data available for analysis. The proposal is based on the recommendations of the City Council Taskforce on Economic Development Tax Expenditures, which called for all tax expenditures to be reviewed at least once every eight years.

CBC supports a regular evaluation and review process to answer key questions, including whether the impacts of tax expenditures are in line with their goals and whether tax expenditures are inducing behavior, such as greater business investment, or subsidizing activity that would happen anyway.

Once this review process is firmly established, CBC recommends further action:

1. Establishment of a similar evaluation process for other tax expenditures, such as property tax abatements intended to induce construction of housing;
2. Use of evaluation results to inform the Council's oversight and advocacy at the State and local level when evaluation identifies changes that would improve the effectiveness and efficiency of tax expenditure programs or indicates programs are ineffective and should be terminated.

CBC supports this legislation as a step toward greater oversight of tax expenditures, which are a significant commitment of the public's limited financial resources.

ⁱ The City Council Taskforce on Economic Development Tax Expenditures Report finds \$2.8 billion in tax expenditures. This figure includes exemptions for Madison Square Garden, the business and investment capital tax limitation, single sales factor, and international banking facility deduction, which CBC's report does not include.