Quality Investments:

Best Practices for Business Subsidies in Illinois

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EXECUTIVE SUMMARY

Economic development subsidies should create jobs, increase wages, and promote positive economic growth, but these goals do not consistently prevail. As established in the three previous reports by the Illinois Economic Policy Institute (ILEPI), subsidies to private companies in Illinois have heavily favored a handful of companies, largely supported high-income and white communities, and the funding could have been put to better use by investing in infrastructure or education. Furthermore, as Illinois continues to grapple with financial woes in the form of unfunded pension liabilities, unpaid bills, and increased taxes, it is of the utmost importance that taxpayers know their money is going towards worthwhile programs. This report – the fourth in the series – evaluates Illinois' economic development subsidy programs and recommends best practices for corresponding policies.

Fundamentally, measures must be implemented to ensure companies are creating quality, good-paying jobs that will truly help those in need. Although Illinois took positive steps by passing the Corporate Accountability for Tax Expenditures Act in 2003, which stipulates specific reporting and enforcement requirements for several tax credit and grant programs, an analysis of Illinois' programs suggests that the state should seek additional improvements. A closer examination of five of Illinois' existing economic development programs highlights particular shortfalls in accountability measures. Exact job requirements are largely absent, often relying on a recipient stipulating their own anticipated numbers, and job quality standards are uncommon. While Illinois has marginally better enforcement measures, enforcement is only as good as the performance and quality requirements in place. If these measures are absent, the enforcement measures are monitoring inherently faulty strategies that do not ensure economic prosperity and quality job creation in communities.

More importantly, the state also needs to create and implement an economic development strategy that requires careful consideration before any subsidy deal is made. The state's overall lack of planning will continue to result in poor deals that do not help either the state on the whole or those communities most in need in the long run. As discussed in the first two reports of this series, Illinois has entered into multiple multi-million dollar deals to companies that ultimately laid off workers and even closed in some cases; in doing so, public money favored a small portion of the state's population in more affluent communities. Furthermore, Illinois continues to consider large subsidy deals despite proof that they have not succeeded in the past; currently it is competing against 11 other states for a Mazda and Toyota manufacturing plant that is projected to bring up to 4,000 jobs.

Even if tougher job quality and enforcement standards were present, these deals still represent a massive waste of taxpayer money for areas that, comparatively, do not need the aid. However, if an economic development plan was in place, which identified potential target industries or locations that will most benefit the state on the whole and its most disadvantaged residents, this waste may be avoided. Planning allows the state's policymakers to carefully consider a variety of options and identify the most beneficial strategies to equitably benefit the entire state; instead of hastily chasing after a potentially expensive deal, the state can thoughtfully pursue those industries that will have a positive long-term economic impact.

Economic development programs should assist state and local economies by promoting long-term growth, quality jobs, and increased worker wages, yet accountability and evaluation are necessities. Businesses must be held responsible to certify that taxpayer money is aiding in the betterment of citizens and the overall economy. As the state continues to grapple with financial woes and funding uncertainties, it is in its best interest to continually evaluate its subsidy practices and promote balanced policies that effectively spend taxpayer's money.

INTRODUCTION

Economic development subsidies should create jobs, increase wages, and promote positive economic growth, but these goals do not consistently prevail. As established in the three previous reports by the Illinois Economic Policy Institute (ILEPI), subsidies to private companies in Illinois have heavily favored a handful of companies, largely supported high-income and white communities, and the funding could have been put to better use by investing in infrastructure or education. Furthermore, as Illinois continues to grapple with financial woes in the form of unfunded pension liabilities, unpaid bills, and increased taxes, it is of utmost importance that taxpayers know their money is contributing to worthwhile programs. This report – the fourth in the series – evaluates Illinois' economic development subsidy programs and recommends best practices for corresponding policies.

As highlighted in *Subsidizing the Few*, Illinois has fallen prey to a select few particularly egregious subsidy deals. The Sears headquarters received over $500 million in state and local subsidies since 1989, yet minimally raised employment numbers and is now facing significant losses and doubt in its ability to remain open. Similarly, Mitsubishi Motors received over $250 billion since 1985, yet ultimately closed its manufacturing facility in Bloomington-Normal (Craighead, 2017). This issue persists nationwide, with state and local governments consistently grappling with the ideal balance between attracting development and maintaining fiscal reliability and performance. In Rhode Island, $75 million worth of bonds were issued by the state to a start-up gaming company in 2010, which went bankrupt 2 years later, eliminating over 280 jobs and putting taxpayers on the hook for that money. General Motors took more than $1.3 billion in funds from Michigan between 1975 and 1990, but relocated its production facility in 1992; today, it maintains only 115 employees, far less than the 14,000 employed at the height of production and the 4,000 employed in 2005 (Malinowski, 2014). Most recently, it was announced that Wisconsin would award Foxconn, a Taiwan Electronics Manufacturer, roughly $3 billion in taxpayer incentives to construct a factory in the southern part of the state. It is advertised to create 3,000 jobs, with the potential to reach 29,000 if every anticipated job comes to realization. However, only time will tell whether this huge investment is worthwhile; Foxconn does not have a positive reputation for following through on its promises (Culpan, 2017).

While these are obvious examples of government waste in the form of direct subsidization, state and local governments have also lost billions of dollars and placed additional strains on their budgets due to related subsidy costs. Poorly designed and targeted subsidy programs – and correspondingly flawed revenue forecasts – have forced states to cut their budgets because more companies were eligible for credits than expected or interest in the program grew years after it was originally adopted. In the case of Michigan, a deficiently designed tax credit program resulted in an unbalanced budget by hundreds of millions of dollars because the state grossly underestimated the number of jobs the companies would create (The Pew Charitable Trust, 2015a). Consequently, governments are forced to reduce spending in other crucial government programs, like education and infrastructure investment, in order to make-up for these costs. The public's frustration with this is exemplified by the results of a national poll conducted by the American Planning Association in 2012 that found that two-thirds of all respondents and 74 percent of millennials believe investment in local communities, like schools and transportation infrastructure, is a better way to grow the economy than the traditional approach of recruiting companies (APA, 2014).

A variety of measures can be implemented to ensure economic development subsidies are truly aiding a state's economy and residents on the whole. While Illinois has passed several provisions in recent years to offer appropriate economic development regulations, they are not sufficient. The state has committed over $5 billion towards subsidies since 1985 and additional investments are only expected to continue; it is in the state's best interest, especially as it continues to face financial woes and funding uncertainties, to continually evaluate its subsidy practices and promote balanced policies that effectively spend taxpayer dollars.

ECONOMIC DEVELOPMENT LEGISLATION IN ILLINOIS

Illinois took positive steps to ensure effective economic development subsidies by passing the Corporate Accountability for Tax Expenditures Act in 2003. As it currently stands, the Act stipulates specific conditions and reporting requirements for several tax credit and grant programs, in addition to general obligations for economic development programs on the whole. Most significantly, it created an online database that conveys annual progress reports from recipients as a means for review by the public (Corporate Accountability for Tax Expenditures Act).

Annually, the Illinois Department of Revenue is required to submit a Unified Economic Development Budget to the General Assembly, which summarizes all development assistance granted and identifies the total state tax revenues that were uncollected or diverted as a result. Moreover, each program identified in the Act is obligated to use an application that includes information related to the project site location, in addition to the number of jobs retained and created, a list of occupational classifications of new or retained employees, scheduled starting dates for those employees, and how the potential subsidy would reduce employment at any other site in Illinois. Each recipient is also required to submit an annual progress report addressing these same topics (Corporate Accountability for Tax Expenditures Act).

Finally, the Act includes several measures related to the recapture of state granted funds if a company does not meet job creation and quality requirements identified in the legislation or development agreements (Corporate Accountability for Tax Expenditures Act). These provisions vary by program and are summarized in the following sections.

HOW ILLINOIS COMPARES

While this legislation provides a promising foundation for Illinois to maintain accountability for economic development subsidies, some provisions can and should be strengthened. Good Jobs First, a national policy resource center and leader in economic development subsidy research, provides context for Illinois' provisions in their comprehensive analysis of statewide subsidy programs. Between 2010 and 2012, over 200 subsidy programs across all 50 states and the District of Columbia were analyzed to understand their quality and effectiveness. While the ranking is slightly dated because states have made changes to their programs, it still provides a foundation to understand how Illinois compares. The following three measures were considered:

1. **Disclosure**
   States received a higher score and ranking on average if their programs offered online recipient disclosure systems and provided specific data on subsidy dollar amounts, the location of the facility, number of jobs created, wage rates, and additional industry information (Mattera et al., 2010).

2. **Performance & Job Quality**
   States received a higher score and ranking on average if their programs stipulated the following requirements: number of jobs created and time-period to sustain them, job training, investment in facilities, wage standards, healthcare benefits, other employment benefits (retirement, vacation, sick leave, etc.), geographic hiring preferences, and labor relations provisions (Mattera et al., 2011).

3. **Enforcement**
   States received a higher score and ranking on average if their programs required recipients to report their outcomes, maintained procedures to verify the reported information, and administered penalties for non-compliance (Mattera et al., 2012).

Figure 1 summarizes the rank and grade received by Illinois and four of its neighbors for these three topics. Illinois can boast the best in the nation for its disclosure system, which details subsidy amounts, job creation and retention, and breakdowns by occupation with average salaries. It includes data for 11 programs, with the exception of the Illinois Film Tax Credit (IL DCEO, 2016), which accounts for over $200 million in subsidies since 2005 (Craighead, 2017). Illinois' neighbors similarly rank fairly high among the nation, all placing 13th or above. However, this does not necessarily equate to entirely successful disclosure systems, as only the top 5 states have a grade of C or above and 14 states do not have a disclosure system whatsoever.

Figure 1: Subsidy Accountability Measures in Illinois and Neighboring States

	Disclosure		Performance & Job Quality		Enforcement*	
	Rank	Grade	Rank	Grade	Rank	Grade
Illinois	1	B	37	D	18	C
Indiana	8	C-	27	D+	23	C-
Iowa	13	D+	4	B-	5	C+
Missouri	5	C	11	C	8	C+
Wisconsin	2	B-	12	C	8	C+

*Weighted by Performance & Job Quality score to avoid rewarding states for strong enforcement of weak requirements

Source: Good Jobs First (Mattera et al., 2010, Mattera et al., 2011, Mattera et al., 2012)

While an effective disclosure system is the first crucial step to ensure accountability, it is even more important that governments impose standards that promote quality, good-paying jobs. Unfortunately, Illinois ranks 37th with a D grade, falling well behind its Midwest neighbors. Good Jobs First found that while performance requirements were fairly common amongst programs, they were often weak, with less than half stipulating specific job creation or retention figures. Furthermore, few specified quality job standards, including wage standards and health and welfare benefits (Mattera et al., 2011).

Illinois ranks in the middle of the pack at 18th with a C grade for enforcement standards. While Iowa, Missouri, and Wisconsin all ranked more than 10 spots higher than Illinois, Indiana falls 5 spots behind. Illinois would have had a higher ranking if not for enforcement scores being weighted by the performance and job quality scores, so as to not reward states for enforcement of poor requirements.

EVALUATING ILLINOIS' PROGRAMS

Despite the ranking performed by Good Jobs First being dated by a few years, its analysis remains accurate for Illinois. To provide further detail in understanding accountability provisions employed throughout the state, this section provides a closer analysis of the most widely used existing subsidy programs.

Since 2004, Illinois has expended close to $1 billion in state subsidies (excluding large deals made to one company that include both state and local funds, also known as "megadeals"). As summarized in Figure 2, over two-thirds of business subsidies were tax credits, with over 22 percent going to the Economic Development for a Growing Economy (EDGE) program. Close behind are the Film Tax

Credit and Enterprise Zone Tax Exemption programs, which account for 21 and 20 percent of total state subsidies in Illinois, respectively.

Figure 2: Illinois State Subsidy Types and Programs, 2004-2016*

Subsidy Type	Program	Number	Total Amount	Percent of Total Amount	Years
Tax Credit	EDGE Tax Credit	384	$210,270,568	22.28%	2004-2010, 2012-2014
	Illinois Film Tax Credit	945	$200,331,967	21.23%	2005-2013
	Enterprise Zone Tax Exemption	189	$185,722,221	19.68%	2004-2010, 2012-2014
	High Impact Business Designation	27	$32,918,575	3.49%	2004-2010, 2012-2014
	TOTAL	**1,545**	**$629,243,331**	**66.68%**	
Infrastructure Assistance	IDOT Economic Development Program	**127**	**$122,414,592**	**12.97%**	2004-2010, 2012-2014
Grant	Coal Competitiveness Program	144	$80,516,277	8.53%	2006-2015
	Employee Training Investment Program	386	$56,029,435	5.94%	2004-2014
	Large Business Development Assistance Program	71	$53,992,134	5.72%	2004-2010, 2012-2014
	TOTAL	**601**	**$190,537,846**	**20.19%**	
Cost Reimbursement	Corporate Headquarters Relocation Program	**1**	**$1,442,354**	**0.15%**	2004
TOTAL		**2,274**	**$943,638,123**	**100%**	

*Excludes Megadeals, which are made up of a variety of subsidy programs, including state funds

Source(s): Good Jobs First, 2017a

Disclosure

Figure 3 provides a compilation of the significant accountability measures in effect in current legislation for the four tax credit programs and the Illinois Department of Transportation (IDOT) Infrastructure Assistance program. Consistent with the findings from Good Jobs First, Illinois has top-notch reporting provisions, posting annual reports for four of the five programs (excluding the Film Tax Program) on the Illinois Corporate Accountability website through the Department of Commerce and Economic Opportunity (DCEO). While the DCEO submits quarterly and annual reports to the Illinois General Assembly for the Film Tax Credit program, these reports are not published through the accountability website, and only provide aggregated data, as opposed to data by each recipient.

While reporting is the foundation to ensure a government has successful accountability measures, it is also crucial that the reported numbers are accurate. While the State has the authority to verify all information included in a recipient's self-report, including visiting the project site and reviewing applicable documents, the state does not report whether this verification ever occurs (Corporate Accountability for Tax Expenditures Act). The *Chicago Tribune* expresses a similar sentiment, stating that while the DCEO publishes job numbers, an analysis by state officials to truly gauge a recipient's performance has never been performed (2015).

Figure 3: Subsidy Accountability Measures for Major Illinois Programs

Subsidy Type	Program	Disclosure	Performance & Job Quality Requirements	Enforcement
Tax Credit	EDGE Tax Credit	Annual progress report by recipient Reports published on DCEO website Annual reports by Business Investment Committee to General Assembly	Job creation and investment requirements (specifics vary depending on size of company) Minimum operation time requirement (varies by each project, not to exceed 10 years) Prohibits credits for jobs relocated from another Illinois site	Credits ceased if recipient does not submit Annual Report Credits suspended if job creation/ retention drops below required levels specified in development agreement Development agreement terminated at 5-years if job creation/retention or investment is never met in that time period Clawback provision if operations suspended within first 5 years of assistance
	Film Tax Credit	Quarterly reports by DCEO to General Assembly Annual reports by DCEO to General Assembly	Diversity plan with goals for hiring females and minority persons Coordination with training programs through colleges and labor organizations Honor collective bargaining agreements	
	Enterprise Zone Tax Exemption	Annual progress report by recipient Reports published on DCEO website Annual reports by DCEO to General Assembly	Located within Enterprise Zone, which targets economically depressed areas	Credits ceased if recipient does not submit Annual Report Recipient deemed unqualified to receive assistance if job creation/ retention drops below required levels specified in development agreement
	High Impact Business Designation	Annual progress report by recipient Reports published on DCEO website Annual reports by DCEO to General Assembly	Job creation and investment requirements (specifics vary depending on type of project; some had no requirement) Recipient must certify that business would not have located in Illinois without assistance (for certain project types) Labor agreement cooperation, including wage and benefit standards (for certain project types)	Credits ceased if recipient does not submit Annual Report Recipient deemed unqualified to receive assistance if job creation/ retention drops below required levels specified in development agreement Clawback provision if company fails to create and/or retain jobs stated in Development Agreement (for certain project types) Clawback provision if it is determined business would've located in Illinois without credits
Infrastructure Assistance	IDOT Economic Development Program	Annual progress report by recipient Reports published on DCEO website	Subject to Prevailing Wage Act	Assistance ceased if recipient does not submit Annual Report Clawback provision if company defaults on commitment to create and/or retain jobs stated in Development Agreement

Note: Accountability measures vary widely based on types of projects under each program; while this table shows the major measures, it may overlook some requirements that are project type specific

Source(s): Corporate Accountability for Tax Expenditures Act; Economic Development for a Growing Economy Tax Credit Act; Film Production Services Tax Credit Act of 2008; IDOT, 2015; Illinois Enterprise Zone Act

Performance and Job Quality

Performance and job quality requirements vary widely between programs, with some indicating specific job number requirements or compliance with particular wages or training, and others requiring little. Under the EDGE program, companies must guarantee the creation of 25 new full-time jobs in Illinois for larger companies and 5 full-time employees for companies with fewer than 100 employees. With the exception of the High Impact Business Designation program, which specifies job creation requirements for certain project types, the remaining three programs do not stipulate a requisite number of jobs. It should also be noted that while the four programs that fall under the Corporate Accountability for Tax Expenditures Act– all programs listed in the table on the previous page, except the Film Tax Credit– are required to indicate the number of jobs to be created or retained on their initial application, the Act does not specify any particular minimum number of jobs created (Corporate Accountability for Tax Expenditures Act).

Looking beyond job creation, additional requirements related to wages, benefits, or training are similarly inconsistent or nonexistent. In the case of the Film Tax Credit, it is stipulated that recipients cooperate with training programs through colleges and labor organizations and honor collective bargaining agreements, indicating labor friendly practices; similarly, Infrastructure Assistance projects are subject to the Illinois Prevailing Wage Act. However, while these two programs offer blanket requirements over all projects and recipients, other programs stipulate certain requirements for only certain projects. For example, the High Impact Business Designation program requires labor agreement cooperation, yet it only applies towards the establishment of a fertilizer plant.

While Illinois employs a variety of regulations across these five economic development subsidy programs, the exact job requirements are largely absent and often rely on businesses stipulating its own anticipated numbers; many of which may not even be the creation of new jobs and focus only on retention. Furthermore, with the exception of a handful of regulations for particular project types, job quality standards are uncommon. The state should strive to strengthen its performance requirements, including specific job creation numbers and wage and benefit standards; this will promote the creation of quality jobs, thus ensuring the effective use of taxpayers' money.

Enforcement

Similarly, enforcement provisions differ extensively between programs. Of the five programs considered, the EDGE and High Impact Business Designation tax credit programs employ the widest variety of enforcement techniques, including subsidy suspension, termination, and clawback clauses for particular circumstances. The most common enforcement technique, among four of the five identified programs, is the termination of assistance if recipients fail to submit an annual report, which is identified in the Corporate Accountability for Tax Expenditures Act.

The accountability legislation contains an entire recapture section, yet it does not apply to all programs. Specifically, while language for the EDGE program clearly stipulates that credits are suspended if a company fails to create and/or retain the number of jobs specified in their development agreement, language covering the other programs (except the IDOT program) merely states that a recipient will be deemed unqualified to receive assistance and applicable recapture measures will apply; however, precise recapture provisions are only specified for five programs, including two from this analysis (High Impact Business and EDGE programs). Consequently, this leaves room for misunderstanding as to how assistance is suspended for these other programs.

Overall, Illinois should develop tougher enforcement standards that are consistent throughout all programs. At a minimum, the enforcement techniques employed under the EDGE program should be applied to all economic development programs. It is unquestionable that subsidies should be ceased if a business does not achieve its performance standards and clawback provisions must be applied to ensure taxpayer money is being used in worthwhile economic development strategies.

ACCOUNTABILITY MEASURES

While Illinois has a solid foundation to support effective subsidy programs that balance the sensible spending of taxpayer dollars and promotion of private development, additional regulations and requirements, particularly related to the creation of quality jobs, should be implemented. The following are a selection of accountability measures for economic development subsidies that state and local governments should take into consideration when developing programs.

Create Clear Objectives

States or communities planning to use economic development subsidies should have a strategic plan that identifies specific goals and priorities, allowing for the identification of priority industries and locations. Communities can identify their strengths and weaknesses and determine potential industries that will lead to the most economic success for the region overall, in addition to ensuring communities in need – including those with impoverished, minority, or other disadvantaged populations – are equally supported. More importantly, having an effective plan and strategy eliminates the likelihood of an "ad hoc" economic development policy, where a government only reacts to threats from an existing company or addresses a short-term issue (CMAP, 2014). A plan can also establish guidelines for particular situations in which subsidies are appropriate, further ensuring the avoidance of overextension for one particular deal. For example, governments may choose to only offer particular subsidies when the economy is slow or a unique economic or construction challenge arises (Rakow, 2017).

The central goal of any economic development subsidy should be the promotion of long-term growth, as opposed to one-time investments in a single company (Liu, 2016; CMAP, 2014). If an economic development plan was in place that identified potential target industries or locations that will most benefit, then the potential for wasting taxpayer dollars could be avoided. Planning allows the state's policymakers to carefully consider a variety of options and identify the most beneficial strategies to equitably benefit the entire state; instead of hastily chasing after a potentially expensive deal, the state can thoughtfully pursue those industries that will have a positive long-term economic impact.

Quality Job Creation

Economic development subsidies are only worthwhile if they are creating quality jobs that pay decent wages and provide benefits. While governments typically measure the monetary investments and jobs created by a company, it is even more important to consider job quality standards. Most notably, each subsidy deal should be bound by specific job creation requirements. Additionally, every job in a subsidized company should be subject to wage standards that are tied to a labor market average, as opposed to a flat rate, so as to protect against inflation. Lastly, healthcare and fringe benefits should be offered and required by all companies. Jobs that pay more and provide standard benefits will not only make for a more productive tax base that offers the benefit of an economic ripple effect throughout a region, they will also protect taxpayers from incurring additional costs in the form of Medicaid, food stamps, and other social programs that workers may need if they are not offered a living wage (Mattera et al. 2011).

Effective Evaluation

As previously stated, evaluation is the cornerstone of accountability, and it begins with the disclosure of information from recipients. Annual reports and online disclosure systems, much like the ones employed in Illinois, can allow for the evaluation of subsidy amounts and jobs created (Mattera et al., 2010). While disclosure is the crucial first step, governments must go even further and implement a process to regularly review and monitor the accuracy of the reported data and whether requirements are achieved (CMAP, 2014). Governments should also require the disclosure of financial data from companies seeking and receiving subsidies in order to make informed decisions on the appropriate size of an incentive and how an incentive may impact the economy (Rakow, 2017).

Furthermore, the true impact of subsidies should be measured in the context of a state or community's budget and economy. The net impact on a region's economy and a comparison to other potential economic development strategies should be measured. First, the net impact will examine potential negative impacts an incentive may have on another industry or individual; for example, in Louisiana it was found that jobs in the retail, hotel, and health care sectors that received subsidies were often at the expense of other jobs in the same sectors, thus negating the benefit. Second, comparing various economic development incentives will guarantee that the best incentive is used; in North Carolina, it was found that a $30 million film tax credit resulted in the creation of 55-70 jobs, whereas a cut in the business tax rate of an equal rate would result in 370-450 new jobs (The Pew Charitable Trusts, 2015b).

Ultimately, the results of these evaluations should inform future policy decisions and guarantee that taxpayer funds are going towards worthwhile economic development strategies that aid in the growth of the overall economy, as opposed to one solitary business.

Enforcement Measures

In order to keep companies accountable for imposed job standards, effective enforcement measures must also be used. Referencing annual reports, as previously recommended, governments should employ penalties if a company did not reach its job creation or quality requirements (Mattera et al., 2012). Penalties can come in the form of recapture, in which the government can recover either a portion or all of the awarded funding. Alternatively, annual performance-based contingency payments work similarly in that a business will only receive a subsidy payment if they have reached the required measures within a specified timeframe, as opposed to a penalty. For example, instead of a company receiving a lump-sum payment or equal annual payments, it can agree to a schedule for both specific job requirements and a corresponding funding payment on a particular date; if a company does not reach the requisite standards, it does not receive the funding (Rakow, 2017).

Anti-Piracy Provisions

Communities and states are regularly competing against each other to win a company seeking a new location; similarly, companies will often threaten to leave, leading states to offer generous subsidy deals as a means to convince them to stay. A state or locality should implement anti-piracy rules, which forbids a government from using subsidy dollars to attract a company that was previously located in a neighboring community (Good Jobs First, 2017b). While local governments have significant interests in attracting businesses to locate within their borders, doing so at the cost of their neighbor does little for the regional economy (CMAP, 2014). The location of a large company provides economic benefits to an entire region and it only makes sense for communities to strive to work together to promote an overall successful regional economy. In addition to anti-piracy rules, governments can join to create a regional economic development committee that regularly meets to discuss and plan for the region's economic needs (Rakow, 2017).

Emphasize Infrastructure

Infrastructure not only has the potential to serve more than a single company, it is a physical asset that will remain even if a company relocates or goes out of business and, consequently, serves as a better use of taxpayer dollars. An investment in a road, sewer, water line, or other utility can offer cost savings to businesses and is a preferable alternative to simply offering tax breaks to a company. In addition to its ability to serve multiple uses, infrastructure offers local governments predictability; infrastructure costs– both in terms of direct costs and financing requirements– are easier to know and plan for, compared to tax incentives (Rakow, 2017). As communities and states continue to offer economic development subsidies, they should prioritize long-term public infrastructure investment over transitory tax incentives.

CONCLUSION

While this report establishes that Illinois has made positive steps towards making economic development subsidies accountable, these measures are not sufficient. The state has been in the game of subsidizing private development since at least 1985, doling out more than $5 billion in over 4,500 state and local deals, and an overhaul of these policies is necessary.

As the three previous reports in the economic development subsidy series by ILEPI show, subsidies are not consistently fair and equitable in their distribution among companies and communities. They have heavily favored a select few corporations and have had a tendency to support majority white and wealthy communities. Furthermore, the money spent on subsidies could have been better spent on alternate policies like public infrastructure and public education, or could have contributed towards achieving balanced budgets.

While it cannot be expected for governments to entirely eliminate subsidies, measures must be implemented to ensure companies are creating quality, good-paying jobs that will truly help those in need. As described in the previous sections, job quality and enforcement standards are absolute necessities to ensure taxpayer money is going to good use. However, more importantly, the state also needs to create and implement an economic development strategy that requires careful consideration before any subsidy deal is made. The state's overall lack of planning will continue to result in poor deals that do not help either the state or those communities most in need in the long run. As discussed in the first two reports of this series, Illinois has entered into multiple multi-million dollar deals to companies that ultimately laid off workers and even closed in some cases; in doing so, public money favored a small portion of the state's population in more affluent communities (Craighead, 2017). Furthermore, Illinois continues to consider large subsidy deals despite proof that they have not succeeded in the past; currently it is competing against 11 other states for a Mazda and Toyota manufacturing plant that can bring up to 4,000 jobs (Ori and Elejalde-Ruiz, 2017).

Even if tougher job quality and enforcement standards were present, these deals still represent a massive waste of taxpayer money for areas that, comparatively, do not need the aid. However, if an economic development plan was in place, which identified potential target industries or areas that will most benefit the state on the whole and its most disadvantaged residents, this waste may be avoided. Planning allows the state's policymakers to carefully consider a variety of options and identify the most beneficial strategies to equitably benefit the entire state. Instead of hastily chasing after a potentially expensive deal, the state can thoughtfully pursue those industries that will have a positive long-term economic impact.

Economic development subsidies can assist state and local economies by promoting long-term growth, quality jobs, and increased worker wages, yet thoughtful evaluation and consideration, in addition to accountability and evaluation, are necessities. If government resources are going to be invested in private companies that promise to create jobs, taxpayers are entitled to know the costs, benefits, risks, and alternatives before any deal is inked. Taxpayer accountability measures must be included to minimize risk and ensure the best possible return on the investments. As the state continues to grapple with over $251 billion in unfunded pension liabilities and $15 billion in overdue bills (Egan, 2017), effectively using taxpayers' money is of the utmost importance. Ultimately, it is in the state's best interest to continually evaluate its subsidy practices and promote balanced policies.

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