

85TH ANNUAL
IAAO
CONFERENCE
& EXPOSITION

GASB Statement 77: New Municipal Finance Safeguard

Greg LeRoy ~ Good Jobs First

*International Association of Assessing Officers
September 11, 2019
Niagara Falls, Ontario*

SEPTEMBER 8-11, 2019 / NIAGARA FALLS, ONTARIO, CANADA



Celebrating 60 Years of International Partnerships

Good Jobs First:

Since 1998, a Fiscal-Policy Resource for
Policymakers, Grassroots, Journalists



- Independent, non-partisan, non-profit
- Model Research and Publications
- 50-state “report card” studies
- Subsidy Tracker & Violation Tracker
- Testimony, Training and Speaking



~\$70 Billion per Year!

- **Property Tax Abatements**
- **Tax Increment Financing (TIF) Districts**
- **Corporate Income Tax Credits**
- **Personal Income Tax Diversions**
- **Sales Tax Exemptions & Diversions**
- **Tax-free Loans**
- **Enterprise Zones**
- **Training Grants**
- **Dedicated Infrastructure**



Duck Dynasty
\$330,000
per episode



FRACKING
\$1.2 BILLION
IN FIVE YEARS



\$7.5 million
per job

GAS LIQUEFACTION PLANT



\$700,000 for 2 stores
in New Orleans area's
richest parish



HOLLYWOOD SOUTH

\$251 Million
last year



Giving away

LOUISIANA

How our
taxpayers
subsidize the
rich and famous



Born in the South, Now Affecting Budgets Everywhere



Boeing \$8.7B **Washington State**

Tesla \$1.3B + Faraday \$334M/**Nevada**

Intel \$2 billion/**Oregon**

Foxconn \$3 billion/**Wisconsin**

Cerner Corp \$1.6 billion/**Missouri**

Sempra Energy \$2.2 billion/**Louisiana**

14 megadeals in 8 years/**New Jersey**

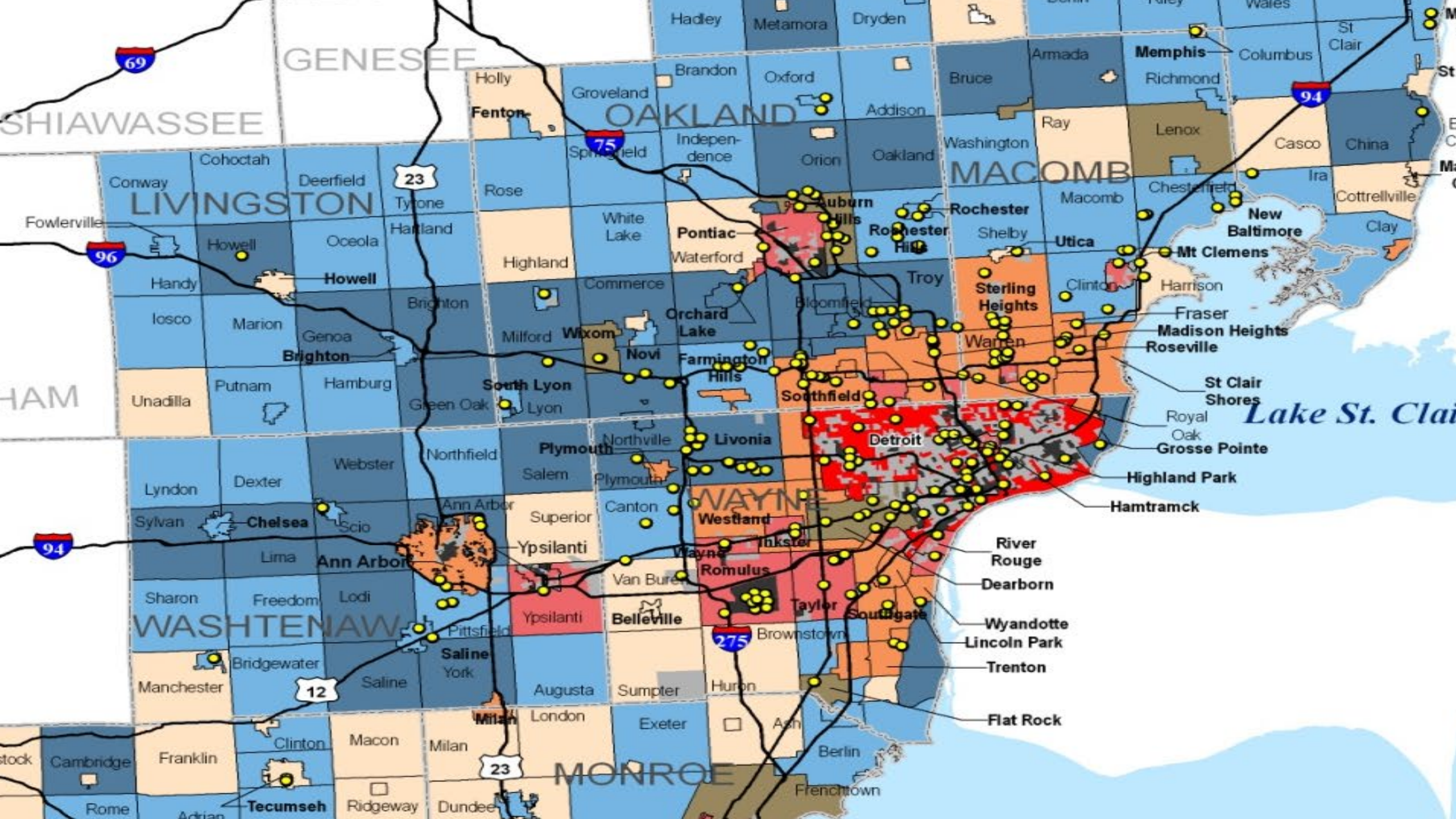


Memphis Budget Erosion



TIF vs. Chicago Schools





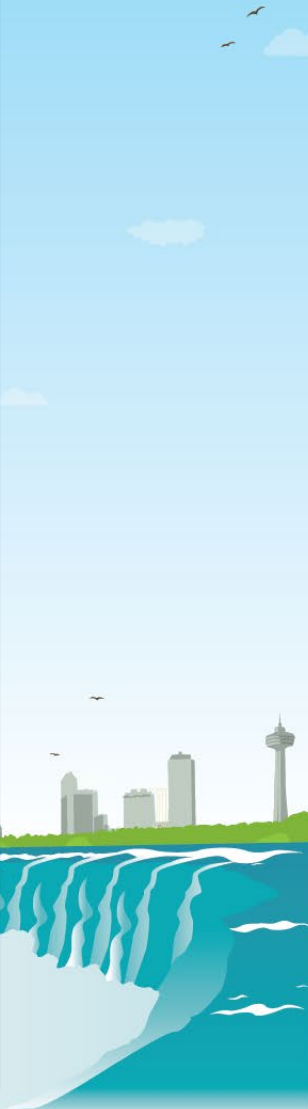
Intergovernmental Free Lunch

School boards usually powerless against abatements, TIFs, EZs



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\$2.7 Billion and Counting ...



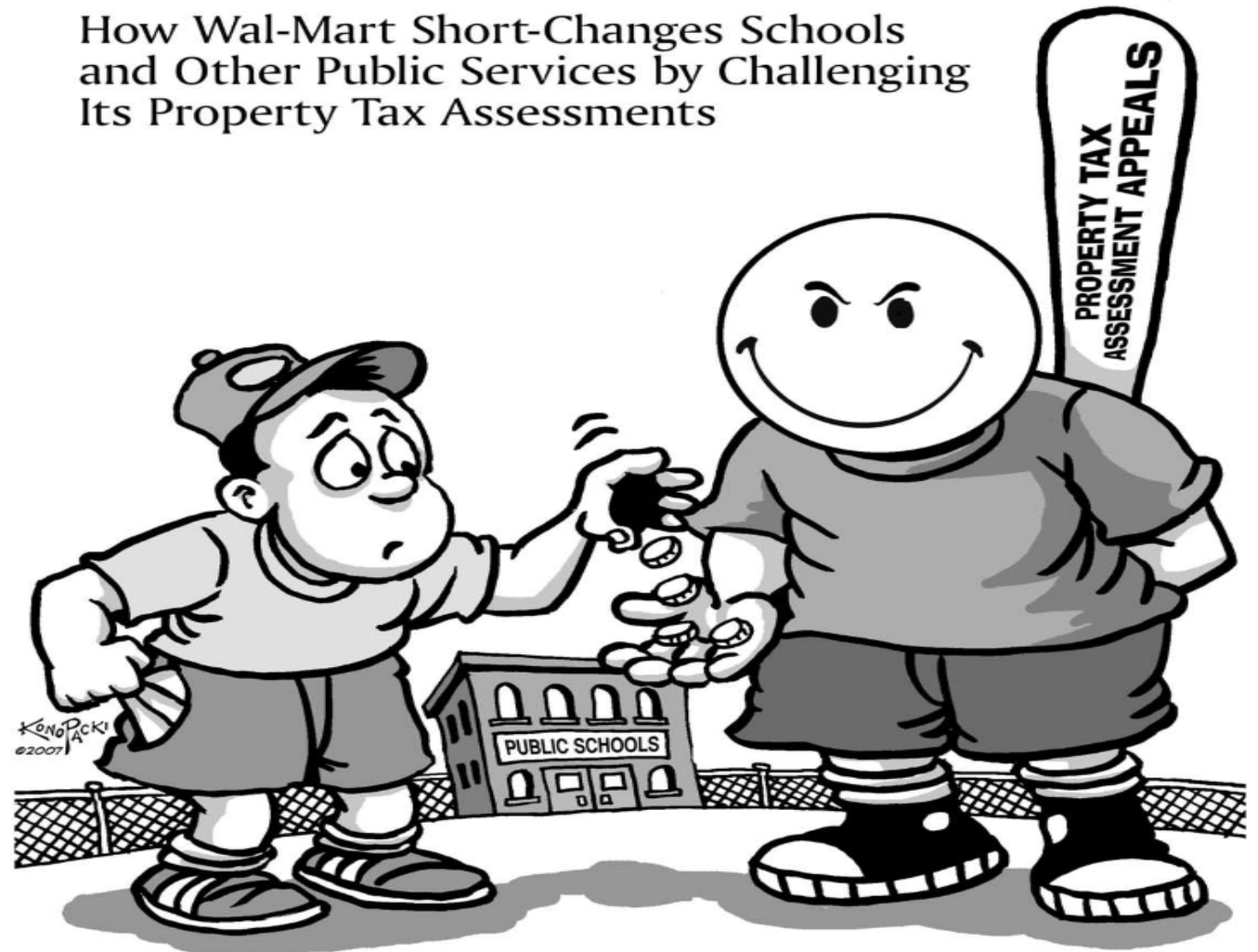
amazon
fulfillment



Will
Amazon
emulate
Walmart's
assessment
behavior?

Rolling Back Property Tax Payments:

How Wal-Mart Short-Changes Schools
and Other Public Services by Challenging
Its Property Tax Assessments



363 Megadeals

\$658,000/job



Subsidy Tracker



Company-specific and searchable 50 states + DC + localities
+ federal deals



But What's the *Total Cost*?

~\$70 BIL per Year =
Educated Estimate



Enter GASB! (Governmental Accounting Standards Board)



- 2010-2014: Determines that tax abatements are of sufficient “prevalence and magnitude” to merit a Statement
- Nov 2014-Jan 2015: Exposure Draft draws ~300 comments from non-profit, tax & budget, academic, labor, public officials
- 120 substantive, >2/3rds pro-disclosure



August 2015:

Statement No. 77 on Tax Abatement Disclosures



Statement 77

- Covers GAAP-compliant budgets calendar 2016 and beyond
- ~50,000 state & local government bodies will newly report
- CAFR Note: how much revenue was lost to each tax abatement program



“Tax Abatement” 3 Elements

- 1) Agreement between government and taxpayer (not as-of-right)
- 2) Government agrees to less revenue
- 3) Taxpayer agrees to perform quid pro quo



Data is Crude

- For abating governments, one dollar figure per program per year
- For passive income losers (e.g., school districts), one dollar figure per tax, per source
- Missing: # of deals, names of recipients, future-year losses



But Data is Broad

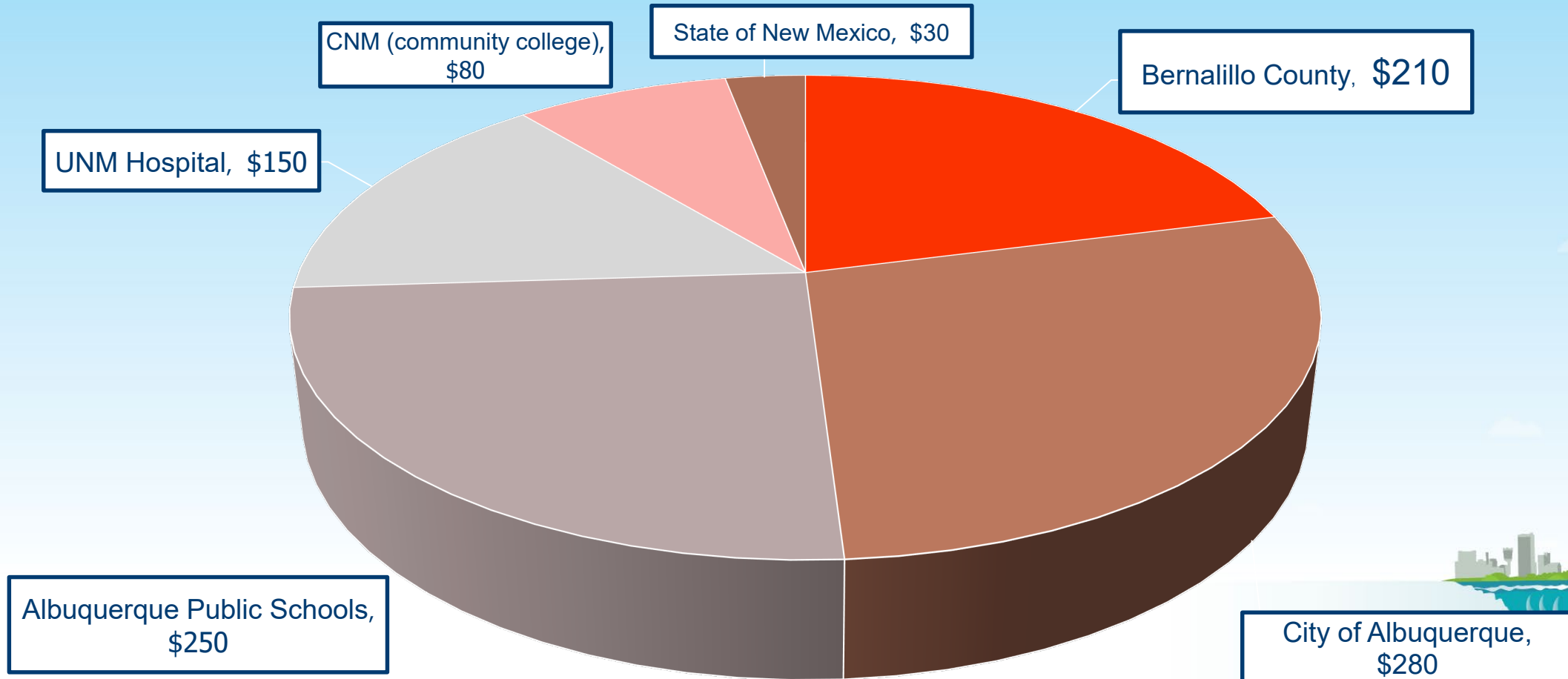
GASB study finds GAAP usage by:

- ~80% of counties
- ~71% of school districts
- ~76% of cities and towns



Intergovernmental Disclosures

Hypothetical \$1,000 Bernalillo County property tax abatement



Compliance Yrs 1 & 2: One Hot Mess

- Some localities missed the memo
- Some go above and beyond
- Some post evasive boilerplate
- Oversight very state-specific



Compliance?

contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.



School Compliance FY18 (share of school districts disclosing)



NONE (0%)

Tennessee 0/26

Indiana 0/78

Arkansas 0/187

LOW (< 20%)

Utah 1/31

Wisconsin 8/207

California 6/1,090

Colorado 8/73

Minnesota 19/132

Pennsylvania
73/446



School Compliance 2018 (share of school districts disclosing)



GOOD (> 70%)

S. Carolina 54/59

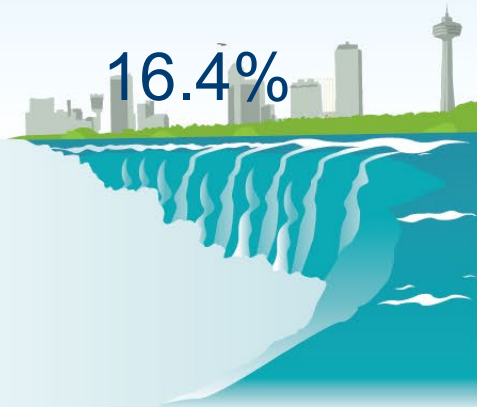
Iowa 77/84

Michigan 303/387



School Compliance Declines

	2017		2018
GEORGIA	90.2%	→	49.4%
OHIO	88.4%	→	48.0%
MASSACHUSETTS	33.3%	→	0.0%
CALIFORNIA	18.7%	→	0.5%
PENNSYLVANIA	31.2%	→	16.4%



States, FY17 vs FY18

FY17: 41 states disclosed \$6.6 BIL

FY18: 42 states disclosed \$8.6 BIL

	2017		2018
SOUTH DAKOTA	\$4 million	→	\$11 million
NEVADA	\$47 million	→	\$85 million
TEXAS	\$769 million	→	\$1.3 billion
NEW JERSEY	\$209 million	→	\$359 million
UTAH	\$25 million	→	\$43 million

TIF: 77's Biggest Flaw

- Many 2014-2015 commenters urged its inclusion
- Revisited in 2016-2017 Implementation Guide comments
- Debt service TIF – NOT covered
- TIF for infrastructure – NOT covered



Tax Break Tracker

- Captures GASB 77 data
- Searchable
- Downloadable
- At goodjobsfirst.org



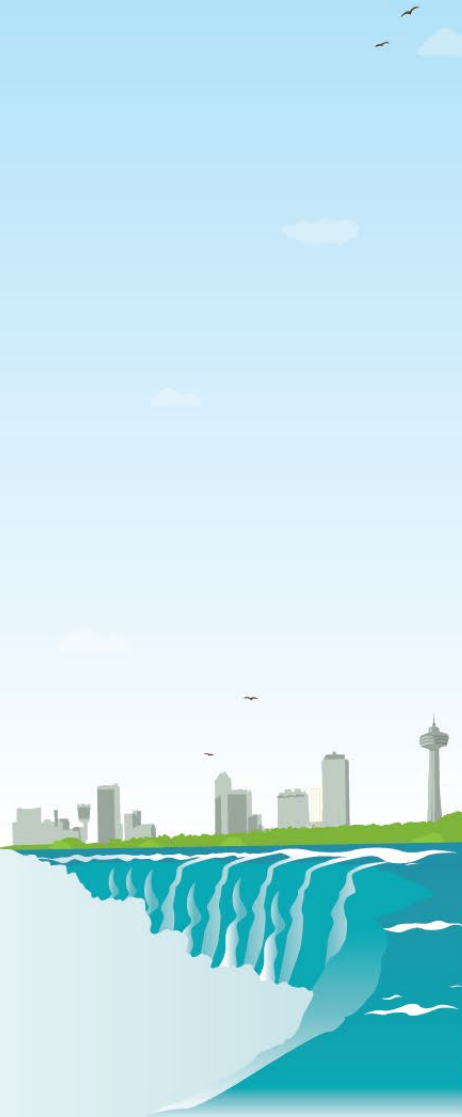
51 State “Roadmaps” Available

- Who collects CAFRs?
- Are CAFRs posted online?
- Are CAFRs stress-tested?
- Who commented for or against what became Statement 77?
- See also cafrs.municipalfinance.org





The New Math on School Finance



VIOLATION TRACKER



Learn More @



www.goodjobsfirst.org/GASB



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