February 16, 2018

Director of Research and Technical Activities  
Governmental Accounting Standards Board  
director@gasb.org

Response to Project No. 24-16ED

Dear Director,

I am writing to express concerns regarding Question 4.6, which would exempt from Statement 77 disclosure all uses of Tax Increment Financing for public infrastructure. The Maine Center for Economic Policy (MECEP) is a nonpartisan, nonprofit research and policy organization. We have researched tax expenditures for more than a decade and advocated for more accountability and transparency for tax expenditures of all types, but especially those explicitly created to promote economic development.

Transparency and accountability are paramount for informed decisions on the part of citizens and investors. Without it, TIFs become a “black box” into which public moneys flow but the return on that investment is uncertain. Excluding public infrastructure from the Statement 77 disclosure rules would gut the provision’s intent to bring greater transparency and accountability to public finances.

TIFs should not be a vehicle for making off the record decisions that impact the finances of an entire community. Municipalities embarking on direct infrastructure investments do so in a way that is transparent and public. These localities proactively approve a specific project, open a bid process, and approve bonds or direct appropriations—all through an open and democratic process that includes public record. Without a disclosure requirement on TIFs used for infrastructure, communities and their investors have no way of evaluating the benefits brought about through their TIF projects or whether they are investing resources wisely.

Additionally, we are concerned about the potential for “public infrastructure” to be interpreted broadly and create a loophole through which municipalities could revert to non-disclosure for nearly all TIFs. TIF projects that finance a road to a private development or a large water main to a single business could potentially be concealed under this rule even though the beneficiary is a single developer or business. Under this scenario, the tax base for priorities such as schools would be compromised but there would be no record of the tradeoff of the TIF project to better inform public finance decisions.

We appreciate the opportunity to submit comment on Question 4.6 and hope the measure is rejected to preserve transparency in municipal finances as Statement 77 intended.

Sarah Austin  
Policy Analyst, Maine Center for Economic Policy