February 16, 2018

Director of Research and Technical Activities
Governmental Accounting Standards Board
Norwalk, Connecticut

Submitted via email: director@gasb.org

In re: Project No. 24-16ED

Dear GASB Members:

Please accept these comments submitted by the Service Employees International Union (SEIU) in response to the Governmental Accounting Standards Board’s Implementation Guide Exposure Draft, regarding two questions and answers on Statement No. 77 on Tax Abatement Disclosures.

SEIU represents 2 million women and men throughout the United States, more than half of whom work for local and state governments in services such as public health, home health care, K-12 and higher education, mental health, transportation, public safety, and planning. Our local and state bodies, together with our International research staff, routinely use Comprehensive Annual Financial Reports for purposes of collective bargaining and for policy advocacy around budget and revenue issues. Our members depend on CAFRs to accurately reflect their employers’ financial condition, and the public we serve needs to know how all tax revenues are spent, including tax abatements for economic development.

In 2015, SEIU supported the Exposure Draft that became GASB Statement No. 77 and we are just now beginning to enjoy the fruits of that Statement as the first year of compliant data is being published. For that reason, we are dismayed at GASB’s proposed Implementation Guide Questions 4.6 and 4.8 that would make Statement No. 77 far less effective because it would significantly reduce the amount of tax abatement data disclosed.

Specifically: Question 4.6 as proposed would rule that Tax Increment Financing (TIF) funds used to pay for public infrastructure do not need to be disclosed in the Statement No. 77 Note in CAFRs. This would greatly degrade the quality of tax abatement disclosures in many states where SEIU has large number of public-sector bargaining units in states such as New Hampshire, Washington, Maine, Maryland, Massachusetts, Pennsylvania, Michigan, California, Illinois, Oregon, Minnesota, and Ohio. In some of these states, we know that TIF is the largest form of tax expenditure for economic development and that infrastructure is the largest, or among the very largest, uses of TIF monies. We also know that in some states, such as Illinois, the “pay as you go” form of TIF spending is a growing share of TIF (and TIF captures about $1.2 billion per year in that state alone), so Question 4.6 threatens to make an increasing number of tax abatements invisible.
That such TIF expenditures meet GASB’s definition of a tax abatement is abundantly clear to us: local governments enter an agreement to receive less revenue that would otherwise support vital public services (many of them provided by our members), and a developer or corporation effectively receives its taxes back from the government by agreeing to perform a community benefit. Just because that community benefit, when it is infrastructure, will not end up on the tax rolls, seems to us a meaningless distinction. Indeed, that is all the more reason such expenditures should be clearly disclosed as tax abatements because what they build will never directly result in new tax revenues when the TIF district expires. By contrast, they absolutely will benefit the company in question by reducing its redevelopment costs and enhancing its property value.

TIFs, even when they pay for things that become public assets, restrain a government’s ability to raise revenue and thereby reduce a government’s ability to make other investments that will benefit the public. If the purpose of Statement No. 77 is to provide a full and uniform picture of state and local tax abatements, TIF monies used to pay for public infrastructure should always be included in the Statement No. 77 disclosure Notes.

We also write to object to GASB’s proposed answer to Question 4.8, concerning workplaces that are financed by private-activity bonds and leased to private employers by development agencies to grant a property tax abatement (or possibly other tax abatements). The Implementation Guide Exposure Draft would exempt the disclosure of such abatements under Statement No. 77.

In that minority of states where this device is common, it is evident to us that it is merely a method to evade those states’ constitutional bans on gifts or gratuities. These are not tax-exempt non-profit organizations (like many hospitals where our members work); these are private, for-profit corporate workplaces that are clearly understood to be receiving what is their states’ variation of a property tax abatement, as they would in other states without constitutional bans that require such an evasion. Excluding these types of deals from Statement No. 77’s coverage would mean that abatements given at the expense of the largest local source of revenue in many localities would not be disclosed.

While we welcome the new data just beginning to flow, we also note that its quality is uneven, apparently reflecting a lack of consistent compliance. This is no time to move backwards, yet left uncorrected, Questions 4.6 and 4.8 would seriously degrade all future years’ data and Statement No. 77 would fail to realize its potential as a tool for better oversight and management of public finances. SEIU urges GASB to change its answers to Questions 4.6 and 4.8 so that the abatements in both kinds of cases are clearly disclosed as such.

Sincerely,

Mary Kay Henry
International President

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