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January 30, 2015

RE: Project No. 19-20E

Director
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted to: director@gasb.org

Dear GASB Director:

We write to comment in support of GASB's Exposure Draft on Tax Abatement Disclosures. We also offer suggested improvements in your draft standard, and to urge you to not inadvertently miss certain kinds of economic development tax expenditures in your definition of "tax abatements."

As background on our perspective, Smart Growth America is a national non-profit dedicated to creating more economically robust, environmentally friendly, inclusive communities. As such we are deeply interested in how and where public entities expend public funds and the impacts of those expenditures on transportation and development outcomes. We are regular users of public budgeting data. Our transportation programs monitor conditions and spending on bridges, bike paths, sidewalks and transit systems. In our work with Governors we track and analyze development incentives including tax expenditures, direct grants, and financing mechanisms. In these and other programs like it we find data availability and accessibility to be a significant challenge making it difficult for the public and sometimes for governments themselves to understand the full scope of their incentives and the degree to which they align with priorities and mission.

Economic development tax expenditures have everything to do with how communities develop, whether they thrive, and whether citizens are empowered to participate meaningfully in shaping their built environment. For that reason, we look forward to the issuance of new GASB-compliant disclosure data that will enable local, regional and state policymakers to better see where and how their economic development tax expenditures are made.

It is axiomatic in smart growth and regionalism policy debates that fractured governance, or the devolution of taxing authority to many small units of government, is a root cause of unsustainable sprawl. It is commonly observed in such places that tax base competition for jobs and tax base fuels "job sprawl," which leads to unbalanced development patterns often characterized by concentrated unemployment in urban cores and thin, auto-dependent development on suburban fringes.

To have uniform data from each locality about the amount of tax expenditures for each economic development tax abatement program (typically pursuant to state authority) would be an enormously

useful analytical tool. For anyone seeking to foster regional cooperation, better alignment between jobs and housing, or greater commuter transportation choices, such data would provide a powerful new empirical tool to help shape regional policies that are more environmentally efficient and economically equitable.

Regarding improvements we recommend in the Exposure Draft:

Tax Increment Financing defined as an abatement: Because TIF is not technically a tax reduction but rather a tax diversion, we fear it could elude the GASB's draft definition of tax abatements, per paragraph B12 of the Exposure Draft. Besides the fact that TIF is in many states one of the very largest forms of economic development tax expenditures, it is also a controversial expenditure in some states for its use in sprawling development. At the very least, communities deserve a unified disclosure system for TIF expenditures so that they can be examined alongside other economic development tax abatements.

Recipient Disclosures: We note that the GASB debated whether to call for recipient disclosures of tax abatements. We recommend such disclosure because different kinds of tax abatement projects have different land-use and transportation implications. That is, big-box retailing projects with auto-oriented footprints differ substantially from mixed-use, transit-oriented projects. Those distinctions, in turn, can bring very different tax-base outcomes that are salient for fiscal analysis.

Long-Term Abatement Disclosures: When we work with state and local public officials, we emphasize the long-term impact of their actions in designing the built environment and therefore the need to be intentional about long-term planning. Long-term budget planning goes hand in hand with effective land use and transportation investments. For this reason, we recommend that the GASB amend the Exposure Draft to include long-term reporting of economic development tax abatement obligations, to reinforce smarter planning with better-aligned accounting.

We note that some of the nation's most accomplished planning scholars have already filed a comment with the GASB and we hope you will also adopt their recommendations. We agree that GASB's new standard, by bringing new light to economic development spending, will empower policymakers to make communities more vibrant and prosperous.

Sincerely,

A handwritten signature in black ink that reads "Geoff Anderson". The signature is written in a cursive, flowing style. The signature is contained within a thin black rectangular border.

Geoff Anderson
President and CEO