

# Economic Development Incentives

Testimony for the Senate Joint Policy Hearing on  
Economic Development and Jobs in Pennsylvania

April 11, 2016

Mark J. Ryan, Deputy Director  
Independent Fiscal Office



## Background

- Some states publish comprehensive reports detailing spending on economic development incentives (e.g., Indiana, Maryland, Washington).
- For PA, information on economic development incentives is dispersed across multiple sources.
- IFO research brief compiles this information into a single document.

## Definition

Economic development incentives were selected based on these criteria:

- 1. Economic development is the main goal.**
  - Primary objectives include job creation, business growth or industry promotion.
- 2. Intended to influence business decisions.**
  - Encourage businesses to engage in activity that they may not otherwise have done.
- 3. Only includes state-funded programs.**
  - Funded by state government, including those in which local government serves an administrative role.

11.Apr.2016



3

## Tax Incentives

- Encourage certain economic activity by reducing tax liabilities (indirect spending).
- May take the form of credits, deductions, exemptions or exclusions.

	FY 2013-14	FY 2014-15
Tax Incentives Total	\$275,547	\$279,094

Note: Dollar amounts are in thousands.

11.Apr.2016



4

## General and Special Fund Expenditures

- Direct spending through:
  - General Fund appropriations – subject to change annually.
  - Special fund expenditures – fixed by statute or formula.
- May take the form of grants, loans or loan guarantees, general funding or a combination.

	FY 2013-14	FY 2014-15
General Fund Total	\$117,174	\$97,333
Special Fund Total	\$311,006	\$309,082

Note: Dollar amounts are in thousands.

## Off-Budget Expenditures

- Direct spending made through authorities or expenditures financed exclusively through debt.
  - Commonwealth Financing Authority (CFA)
  - PA Industrial Development Authority (PIDA)
  - PA Energy Development Authority (PEDA)
  - PA Gaming Economic Development and Tourism Fund (GEDTF)

	FY 2013-14	FY 2014-15
Off-Budget Total	\$49,252	\$46,892

Note: Dollar amounts are in thousands.

## Debt Service Payments

- CFA debt service is paid through a General Fund appropriation to DCED.
- Current GEDTF revenues are dedicated to debt service for projects approved in a capital budget.
- Represents spending for previously-issued bonds. Not included as economic development incentives.

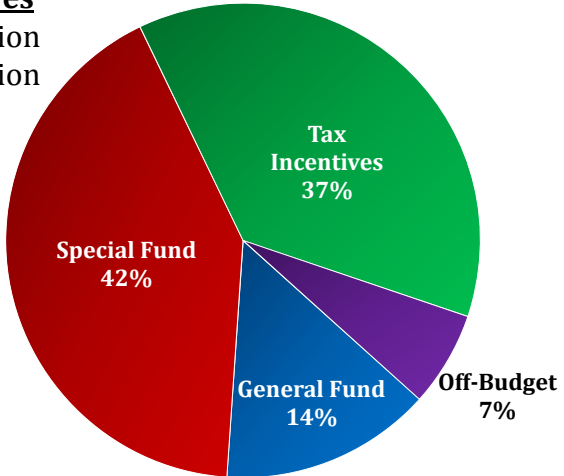
	FY 2013-14	FY 2014-15
Debt Service Total	\$149,070	\$130,775

Note: Dollar amounts are in thousands.

11.Apr.2016
7

## Wrap-Up

**Total Economic Incentives**  
 FY 2013-14 = \$753.0 million  
 FY 2014-15 = \$732.4 million



Category	Percentage
Special Fund	42%
Tax Incentives	37%
General Fund	14%
Off-Budget	7%

11.Apr.2016
8

## Questions / Discussion

Full Report and Presentation posted on  
IFO website: [www.ifo.state.pa.us](http://www.ifo.state.pa.us).