



Why No State Reports on the TIF Program?

“The Department of Commerce, in cooperation with other State agencies and local governments, shall make a comprehensive report to the Governor and the General Assembly every two years commencing January 1, 1992, as to the social, economic, and financial effects and impact of tax increment financing projects.” –53 PS 6930.10, *Tax Increment Financing Act*

Back in 1990 the state Legislature, troubled by the continuing presence of blighted areas and declining tax base in some of Pennsylvania’s localities, authorized the use of tax increment financing (TIF) to reverse those trends. To determine if it was working, the law included a section, cited above, to provide for an evaluation of the projects using TIF borrowing.

A lot has changed since 1990. For one thing, there is no longer a Department of Commerce: in 1996 it was merged with the Department of Community Affairs to become what is now known as the Department of Community and Economic Development (DCED). Gubernatorial administrations have come and gone as have DCED secretaries and members of both houses of the General Assembly. But one thing has not changed: there is still no state report evaluating the TIF program as directed by statute.

Not in 1992, 2012 or any year in between. That’s not to say there have not been evaluations done on specific projects or areas by other organizations or governments. For example, in 1999, the Allegheny Institute completed an analysis of TIF projects in Pittsburgh undertaken up to that time. And for the last several years Allegheny County’s Department of Economic Development has evaluated the TIF projects in the County outside of the City.

So what is the explanation for the absence of state TIF reporting? After making inquiries of DCED officials, economic development association officials, and legislative staffers, the answer seems to be that nothing in the statute compels anyone involved with a TIF to submit the necessary information to DCED. An official of the Department conveyed the following:

“...[DCED] is supposed to issue a report on TIFs that have been done in Pennsylvania...[DCED does] not issue such a report. Reason: while the TIF law

says [DCED is] to issue such a report [DCED has] no mechanism for forcing TIF bond issuers to file that information with [DCED]. Hence, since they are not required to file anything with [DCED] - and since another law specifically exempts IDAs and other issuers from filing TIF information with [DCED] – [DCED has] no mechanism for collecting the information.”

Since there has never been a report issued, including the initial one mentioned in the law, it is reasonable to assume that the legislative shortcomings in the TIF law and the provisions of the other state law cited by the official have been in place for two decades without correction. That does not sound like good public policy. The Legislature could have made the fix a long time ago. If the law referred to exempting entities from reporting to DCED came after the 1990 law that makes the situation even more egregious and frustrating. Why have a law calling for a study and then circumvent the ability to get the study done?

After all, there are very important policy considerations with a TIF that require examination. This includes determining if the projects truly warranted the TIF, if blight is being eradicated, and if the projects are creating new jobs or shifting activity around.

First, the project is supposed to prove that without the TIF it would not go forward. This is called the “but for” criterion and while this can be quite subjective it would be valuable for state officials to have a look at the history of projects around the state that may have gone forward even after they were denied a TIF. For instance, the Galleria Mall in Mt. Lebanon requested a TIF in 2002 and that request was rejected, yet today the mall is quite successful and remains the top taxpaying entity in the municipality. There could be other cases like this around the Commonwealth that legislators should be aware of.

Second, the purpose of the TIF is to alleviate blight, which had a very loose definition but was revised as a result of the U.S. Supreme Court *Kelo* decision. Are truly blighted areas getting alleviated? We know that TIFs have been used in so-called “greenfield” areas to build massive retailing centers like Pittsburgh Mills, Victory Center, Mt. Nebo Pointe, and the Mall at Robinson that no reasonable person would think blighted.

Third, it is quite common in economic development projects of all stripes to claim that new jobs will be created. An evaluation of TIF projects statewide would allow for a measurement of performance. For instance, in Allegheny County’s 2010 report it was shown that five of the seven TIF projects had actual job counts that were lower than projected in the TIF proposals. If that is a common thread legislators could think about clawbacks related to job creation promises in TIF projects.

The state created the ability for local governments to use TIF, so it has an important role to play in determining where the districts are, if they have met promised goals, and whether the legislation ought to be reformed. There are case studies done by other organizations that can inform discussions of the value of TIFs.

In short, state law precluding the ability of DCED to collect the information necessary to compile reports that can accurately judge the performance of the TIF plan should be repealed and language inserted into the *Tax Increment Financing Act* requiring TIF bond issuers to provide needed information about the projects so the Commonwealth can evaluate the efficacy of the TIF program. Moreover, a report on all TIFs since 1990 should be undertaken immediately after these amendments and a full report issued as soon as possible. Lawmakers and taxpayers need to have this information in order to evaluate the 20 year history of the program. Some tweaking of the law might well be in order, or possibly even ending of the program.

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