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Testimony of George Sweeting
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To the New York City Council Finance Committee
On Evaluating Economic Development Tax Expenditures
September 22, 2016

Good afternoon Chair Ferreras-Copeland and members of the Finance Committee. I am George Sweeting, deputy director of the Independent Budget Office. I am joined by IBO's general counsel, Lisa Neary. Thank you for the opportunity to testify before you regarding this important legislation.

The legislation before you today builds on the recommendations of a task force made up of New Yorkers with deep experience in economic development policy—IBO was a formal observer at the task force meetings. I would like to take this opportunity to compliment the Chair, the Council Finance staff and the members of the task force for their work over the last year and a half to review the current status of tax expenditure oversight and to develop recommendations to create a new structure for on-going evaluation of the city's economic development tax expenditures. A regular review of these programs to test whether the goals of the programs are still being met, whether the goals are still relevant, and determining what is the cost of meeting those goals, will provide policymakers with critical information when determining whether to extend existing programs or create new ones.

IBO Director Ronnie Lowenstein and the rest of us at IBO are greatly appreciative of the confidence in the quality and independence of our work demonstrated by the decision to propose that our office take on the role of economic development tax expenditure evaluator. It would bring interesting analytic challenges and the opportunity to contribute to the Council's important oversight role.

IBO has worked with Council staff in drafting the language regarding the additional responsibilities IBO would assume under the proposed legislation. Providing independent, nonpartisan fiscal and economic analysis is the core of what IBO does. Staff from IBO and the Council have worked out a collaborative process that is spelled out in the legislation to identify the economic development tax expenditures to be evaluated each year, the schedule for the evaluations, and the criteria that will be used in the evaluations, in a way that respects IBO's independence in setting its overall research agenda and priorities.

To do these evaluations well requires access to tax and other city data, ideally at the individual taxpayer level. While IBO currently receives some taxpayer data under existing law, including property tax, commercial rent tax, and hotel tax, as well as employment data, access to business income tax and sales tax data remains elusive. Language has been added to the bill that strengthens IBO's existing authority

under the City Charter to access tax data but even if the de Blasio Administration is fully cooperative, it will probably be necessary to seek state legislation to fully resolve the tax data issue.

As this will be on-going work, IBO will need to ensure that resources will be available in the future as we make commitments of staff and other support to carry out this work. Our concern is motivated by the need to ensure that IBO can continue to fulfill its City Charter mandates to provide budget reports, information, and fiscal analysis to various elected officials and the public, while also taking on this new responsibility.

The current plan would be to hire one senior researcher to direct the evaluation work supplemented with existing IBO staff and support. It was noted during the task force meetings that the quality and utility of tax expenditure evaluations is likely to take time to develop, with improvement coming through practice. Thus, stability and continuity in staffing are important to the success of the effort.

As I indicated earlier, we are excited by the prospect of taking on the new role of evaluating economic development tax expenditures in support of the Council's oversight responsibilities.

Once again, thank for the opportunity to testify and I would be happy to answer any questions you may have.