



Fast Facts

South Carolina Policy Council

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Opening closed doors: *Bringing sunlight and fairness to state-driven economic development*

THE PROBLEM. For years, the General Assembly has shut the door, cut deals with lobbyists and given away billions of dollars in incentives.

- Deals are hatched and **negotiated by a few powerful legislators** – in many cases not even their legislative colleagues know what they’re doing.
- Once the deals are negotiated, legislation is **rammed through the legislature** – often buried in unrelated legislation.
- These deals involve millions, sometimes billions, of taxpayer dollars – and yet they’re passed with **no meaningful analysis, no debate, no discussion of returns on investment.** Often legislators don’t even know what they’re voting on.
- Taxpayers see celebratory headlines when a company relocates to South Carolina. But they don’t hear about the **billions of taxpayer dollars spent**, they don’t hear about the risks, and they don’t hear about it when these investments fail to meet expectations.

THE CONSEQUENCES. Our state has put billions into economic development incentives. Each investment comes with the promise of more jobs and higher incomes. But have these billions paid off?

- Higher spending on incentives hasn’t led to job gains. If anything, the opposite is true: In the last 15 years the **worst job losses** have come directly *after* the highest spending on incentives.
- There has been **no positive effect on personal income levels** after handing out nearly \$2 billion in economic incentives over the last decade.
- There’s **no reporting requirement** for companies receiving incentives – so taxpayers and politicians are left with no report on the billions of dollars invested.

WHAT WE CAN DO ABOUT IT. If taxpayers are going to invest in economic development deals, they deserve to know what they're investing in – analysis, potential return on investment, and cost per number of jobs.

Hold the politicians accountable

- Require recorded votes on economic development plans.
- No more special legislation for specific companies.
- Mandate that incentive bills pass or fail on their own merits in separate legislation – not hidden away in unrelated bills.
- Impose a waiting period so the public can review the proposed investment, and end the practice of ramming incentives deals through the legislature.
- End costly and unproductive “recruitment” processes whereby state officials use taxpayer dollars to tempt companies to invest.
- Require that all economic development policies be subject to independent cost-benefit analysis – not superficial statements of short term gains.

If companies want special deals from the state, make them apply for it – openly

- Applications should include specific job-creation goals, and explain exactly why the project has failed to attract private investment.
- A company should be required to file annual statements explaining progress in meeting goals, for as long as it receives aid.
- Require independent economic analysis for each project – taking into account whether and how subsidies/exemptions would affect competing firms. This analysis would be paid for by the company seeking assistance and made available to the public.
- The state should issue an annual report explaining how much has been spent on economic development and whether there has been any return on investment (jobs created versus loss of revenue due to tax exemptions, etc.).

Hold companies accountable

- When companies that get taxpayer-funded incentives fail to meet their side of the bargain, they should be required to pay back the money.
- All targeted incentives and legislation should expire, or “sunset,” after 5 years.
- Cap the costs of all economic incentive programs.