

Congress of the United States
Washington, DC 20515

November 1, 2018

The Honorable Gene L. Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548-0001

Dear Mr. Dodaro:

As incomes for many workers have stagnated in recent decades, policymakers have looked to other tools to spur jobs and wages. Economic development has become a top policy priority. This is especially true at the state and local level, where elected officials have become increasingly willing to provide subsidies to incentivize business location or relocation as a means of job creation.

According to the Upjohn Institute, these subsidies have tripled since 1990. For example, in Wisconsin, Governor Scott Walker and the state legislature passed a law that would provide up to \$4.5 billion in public funding to subsidize Foxconn, a Taiwanese electronics manufacturer. Under even the most optimistic assumptions, the state is not expected to break even on the deal until 2043, decades after these officials will have left office.

We have a number of concerns about these deals, including the level of evidence that they effectively generate economic development, the level of vetting prior to approval, and state and local government use of federal funds. For example, in a September 2007 report GAO identified 17 large federal economic development programs that offered financial assistance and services that state and local governments can use as incentives to attract and retain jobs.¹ The report stated that monitoring by the federal agencies for compliance with nonrelocation provisions was insufficient and the studies reviewed indicated that other considerations might outweigh economic development incentives when companies decide where to locate.

To help improve the understanding of these issues, we are requesting that the Government Accountability Office (GAO) conduct a review and issue a report on the following questions:

1. Are there reliable empirical analyses of the net economic effects of these economic development subsidies? Based on any available evidence of economic development incentives affecting business location decisions, what economic impacts have such incentives generated?

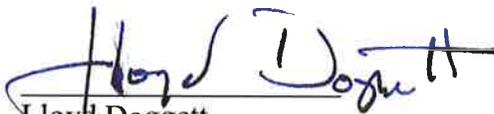
¹ GAO. Economic Development: Formal Monitoring Approaches Needed to Help Ensure Compliance with Restrictions on Funding Employer Relocations. GAO-07-1005 (Washington, D.C.: September 10, 2007).

incentives affecting business location decisions, what economic impacts have such incentives generated?

2. To what extent have large federal economic development programs been used to provide incentives impacting business location decisions and what evaluations have the federal agencies conducted to determine economic impact? How does the federal government evaluate the effectiveness of economic development policies within the federal agencies? Have such evaluations taken into account the incentives provided by state and local governments in incentive packages provided to businesses?
3. What kind of coordination takes place among federal agencies, such as the Departments of Commerce, Agriculture, Housing and Urban Development and the Small Business Administration, and state and local governments?
4. Given the apparent expansion of such activities by state and local governments, what actions have federal agencies taken to enforce relocation and other provisions intended to ensure that program purposes are met?
5. What improvements can be made to processes at the federal, state and local levels to better understand the effectiveness of economic development programs and to what extent can federal authorities encourage further transparency in economic development?

If you have any questions regarding this request, please contact Evan Giesemann in Congressman Pocan's office or Dan Smith in Congressman Doggett's office.

Sincerely,



Lloyd Doggett
Ranking Member
House Subcommittee on Tax Policy



Mark Pocan
Member of Congress