



Economic Development in S.C. – Let’s Allow the Sun to Shine

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By Richard Eckstrom

It seems like state and local governments across the country are pursuing an old mission with a new eagerness these days.

Their priorities seem to concentrate on just three things – jobs, jobs, jobs.

Don’t get me wrong; I’m all for a booming economy with full employment just as much as the next person. And, with serious problems in Washington and with global economic pressures challenging our comfortable way of life, job creation definitely should be a high priority.

There’s no doubt the U.S. economy is changing, requiring our workforce to develop higher-level, technical skills; and our businesses to quickly react to a fast changing, ever-more-competitive landscape.

All of this helps explain why we’re seeing state and local governments rush headlong into economic development with more gusto (and dollars) than ever.

Setting aside the larger policy questions about this activity, which I believe center on whether government ought to give economic incentives to some businesses and not to others, if governments insist on doing it they ought to be as transparent with it as possible.

The problem is, in South Carolina we're not very transparent in this area.

But just as governments and their programs are always expanding so is the transparency movement, and economic development is the latest place where open government advocates seek more sunshine.

Yet I don't bring this up just because public policy advocates might think it's a good idea. I bring this up because it's serious business that consumes surprising amounts of public money – your money.

This past August, the S.C. Board of Economic Advisors released a report showing the cost of state incentives awarded in fiscal 2011 for economic development. The total – almost \$390 million.

Mind you, that's just for one year, and it doesn't include what cities and counties provided that year in tax breaks and other enticements for companies to locate or expand in their areas.

Here's one way to put the \$390 million into perspective:

If you added up this year's budgets for the State Law Enforcement Division, the S.C. Department of Public Safety, the state Attorney General's Office and the S.C. Judicial Department, you'd still have about \$40 million left to spend before equaling the amount the state gave to businesses for economic development in 2011.

Surprising, isn't it?

But here's the rub: While we have access to a few summarized totals, we don't know much else about this public spending on economic development incentives on our behalf.

We don't know specific amounts that individual companies are receiving in job development tax credits and many other kinds of tax incentives. We don't know how many jobs are ultimately created and how much capital investment is ultimately made by firms receiving our

incentives compared to the job and investment totals those companies committed they would meet.

At least, most South Carolinians don't know those important details – and cannot find them out – because almost all of this information is “privileged” under state law, including the S.C. Freedom of Information Act.

The argument for this secrecy: It's considered to be either confidential taxpayer information or company trade secrets.

As a certified public accountant and South Carolina's comptroller general overseeing the state's accounting system, I understand the sensitive nature of this information.

But isn't that really the whole point here? We're talking about public dollars for a public purpose going into bank accounts of private companies. And in my opinion if you're reaching into the public purse you ought to disclose what you pull out just like everybody else has to and what you give back in return.

I mean, how else can we know whether we're getting our money's worth with all of this economic development spending?

Several states, including Indiana and Arizona, require much greater transparency in their economic development expenditures. They're able to deal with the sensitivity issues. It's time that South Carolina did, too.

Richard Eckstrom, a CPA, is the comptroller general of South Carolina and commander of the S.C. State Guard.

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