

Testimony at Public Hearing on LB 918

By jd, on January 25th, 2012

Text of the testimony of Jack Dunn, Executive Director of the Progressive Research Institute of Nebraska, before the Nebraska State Legislature Committee on Urban Affairs concerning proposed LB 918:

Senators:

“Of the 37 TIFs (Tax Increment Finance plans) approved in 2008 and 2009, 30 lacked any statement or justification that the project could not proceed without TIF designation”. Of those seven that did have this statement, five were mere formalities; two stated that the project would be profitable without a TIF authorization, but would be more profitable with one. From the study: [What is Tax Increment Financing \(and Why Should Anyone Care\)?](#)

The basic points of my testimony are the following:

TIF is a useful tool as long as it is being used for public benefit. This is most easily seen when it is used for low-income housing, drug and alcohol rehabilitation facilities and other non-profit public welfare entities.

TIF can be a useful tool for economic development with private, profit-making entities as well as long as the “but-for” rule is followed. This is the rule which requires that a TIF plan produce solid evidence that this project would not be economically viable without the TIF tax expenditure. (Nebraska Revised Statutes, 18-2116)

The Senators are tasked with ensuring that the “but-for” rule is followed. Otherwise there is the suspicion that the plans simply enrich select private entities at public expense. As pointed out in numerous studies, TIF is a strategy to shift costs from a developer to the rest of the tax-paying public. When the public gain is more than the cost, the TIF authorization is worthwhile.

Too often the TIF plan does little other than provide extra profit for the developer while removing tax revenue from the city, the school system, etc.

Reducing the area of a city that can be used for TIF plans as called for in this bill is a blunt, but effective, tool to reduce the known harms of out-of-control TIF authorizations. It would seem to be the kind of nuclear option that would be reserved for use if all else failed.

I would encourage the committee to begin by exploring other options such as requiring TIF proposals to be posted on the internet as soon as they reach the planning stage, and that there also be posted the results of a mandated study by a disinterested third party of whether the project is economically viable without TIF authorization.

For a more ample review of the problems accompanying TIF, I encourage you to review the aforementioned study of Omaha TIF plans by the Progressive Research Institute of Nebraska.

In passing, I would also encourage the committee to review the conditions for blight. In Omaha, we recently had the absurdity of one of the richest neighborhoods in the city being included in a “blighted” area because their mansions were over 40 years old.

I would encourage the committee to reject the part of the amendment that eliminates the cost-benefit analysis requirement for TIF proposals. The problems with TIF are caused by lack of oversight. I do not believe that further reducing oversight is a useful solution.

The problems with TIF are not intrinsic; they are the result of a lack of oversight and accountability. I would encourage the committee to strengthen the oversight; but, if for political reasons that cannot be done at this time, I would support at least the part of this bill that reduces the area of a city that can be put to TIF use.