

News from Good Jobs First!

For Release Wednesday February 10, 1998

10:30 a.m. Central Time

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Study Finds Minnesota Job Subsidies Have High Costs, Low Wages, and Lack Standards

St. Paul, Minn. – A study released today reveals that many Minnesota corporations benefitting from economic development incentives pay very low wages. The corporations also benefit from very high dollar subsidies, including 38 deals valued at \$100,000 or more per job.

The study, by Good Jobs First, a new project of the Institute on Taxation and Economic Policy, was released at a St. Paul press conference today.

“Minnesota’s subsidy programs lack basic standards,” said Greg LeRoy, the study’s primary author. “We found surprisingly high costs and low wages, and many of the deals are simply subsidizing corporate relocations within the state.”

The subsidies include loans, grants and tax increment financing (TIF). Comparing wages paid by subsidized corporations to wages paid by other corporations in the same industries and the same geographic areas, the study finds that:

- # More than three fourths of the deals in the Metro area were approved despite projecting very low wages (defined as 20% or more below local market average),
- # Wage discrepancies were less severe in Greater Minnesota, where about half the deals projected very low wages.
- # The deals overall show much lower wage levels than the state’s existing workforce.
- # The wage disparities are especially surprising because almost two thirds of the jobs projected are in the high-wage manufacturing sector, while only a fifth of the state’s private-sector workforce is in factories. This suggests that the subsidized jobs ought to pay more than the state overall.

- # Wages are so low that in more than three fourths of the projected deals and in more than two thirds of the deals reporting jobs, a family of three would qualify for Medicaid.
- # Subsidies are so high and wages are so low that there is no discernible cost-benefit relationship between subsidy per job and wage levels.
- # Tax Increment Financing (TIF) dominates the list of deals providing \$100,000 or more subsidy per job.
- # TIF figures in almost every case found of taxpayer-subsidized corporate migration (or job piracy) within the state.

“The problems we found in Minnesota can be fixed with standards such as wage floors, subsidy caps, and anti-piracy safeguards, to insure that taxpayers get a return on their investment,” said LeRoy.

The study is based upon more than 550 subsidy disclosure reports collected by the state under Minnesota’s 1995 subsidy reform law. It is believed to be the most-detailed analysis of this type ever performed, because the quality of Minnesota’s disclosure is the best in the nation. The data analysis was augmented by more than 100 interviews and numerous data enhancements.

Subsidized Minnesota Jobs vs. Local Markets: Summary

	Statewide Deals %	Metro Deals %	Rural Deals %
Projected Wages			
20% or More Below	64.6	78.5	55
0.1% to 19.9% Below	19.6	12.1	24.8
Above	15.8	9.4	20.2
Actual Wages			
20% or More Below	47.9	67.5	37.7
0.1% to 19.9% Below	26.2	20	29.4
Above	25.9	12.5	32.9