



FACT SHEET

South Carolina Policy Council

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Economic Incentives Could Cost Taxpayers for Years to Come

Imagine a business plan based on overly optimistic results, an underreporting of costs and a desire to conceal essential data from key stakeholders. If the result does not sound promising, then it should come as no surprise that the state's long experiment with economic incentive deals is failing. Consider the following:

- In 1994 SC spent \$32 million on economic incentives. In 2007 that number jumped to \$250 million. Between FY94-1995 and FY06-2007, South Carolina handed out \$1.35 billion in economic incentives. Economists found no corresponding increase in employment or personal income.

As detailed in [Unleashing Capitalism](#), numerous academic studies have determined economic incentives do not work and that true costs can be easily concealed from the public. This latter problem is illustrated in a breaking [story](#) running January 11 on *The Nerve*. According to the story by Rick Brundrett, the \$450 million Boeing incentives package could cost far more than many taxpayers may have realized. From *The Nerve*:

- The 170 million price tag for economic development bonds for Boeing's expansion could double, for a total of \$330 million in debt over 14 years (or \$86,842 per promised job). These payments will add an estimated \$80 million to \$160 million to a deal already thought to be costing taxpayers \$450 million.
- Boeing faces no liability for the economic development bonds if it does not fulfill its commitment to create 3,800 jobs and invest \$750 million over seven years.
- Taxpayers will never know the specifics of the incentives package because certain breaks, including sales tax exemptions, are considered private tax records under state law.

These additional costs were not initially disclosed to the public when the deal was announced, but such high interest payments are not unusual. Two other multimillion incentive deals – for BMW and Vought – are likewise costing taxpayers millions in additional interest payments, as much as \$332 million, with interest payments equaling nearly 50 percent of the bond principal.

Even as costs for such economic development deals as that extended to Boeing are underreported, the benefits of such packages are difficult to quantify. The [academic evidence suggests](#) net new job creation is unlikely. Moreover, legislators who support the project seem to be presuming every new job will be filled by an unemployed state resident, but *The Nerve* reports that as many as half of the workers at the new Boeing plant could be out-of-state contractors.

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