

**Presented to the Tax Reform Commission  
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Chairman Frazier and other members of the Commission, my name is Pat Topping and today I represent two groups. My day job is Senior Vice President of the Macon Economic Development Commission and I also teach part time here at Macon State College. So welcome to Macon and Bibb County and welcome to Macon State College.

My other day and night job is Chairman of the Georgia Economic Developers Association. For nearly 50 years, the Georgia Economic Developers Association has been the leading professional association dedicated to enhancing Georgia's economic vitality. Our membership is diverse and represents chambers of commerce and economic development professionals and volunteers from throughout Georgia...from the smallest communities in the state, to the Georgia Department of Economic Development.

As economic development practitioners, our nearly 700 members work daily with our statewide economic development partners to attract new jobs and investment to our communities and to retain those jobs currently in our communities.

Let me share some numbers with you:

Over the past 12 months, the Georgia Department of Economic Development reports approximately 350 announcements (either expansions or new operations)

- \$3.7 billion investment
- 20,600 new full-time job
- Property taxes alone from these investments equal roughly \$125 million for this year alone!!

We help create wealth by creating new job opportunities for our citizens and new revenue for our communities and the state. But I think if you asked any of us the most important contribution we make to our communities and our state is playing a role in providing the opportunity for someone to get a job to help support themselves or their families.

But, competition for those industry expansions and relocations has never been more fierce than today. As Gov. Perdue recently commented at a new company announcement in Macon, I'm paraphrasing "We didn't start this bargaining battle, but we will be smart and win our share."

The investment communities and the state make through tax credits, tax exemptions, and tax abatements are leveraged to attract private investment in new buildings, new equipment and new jobs.

Why is it important to have a vital robust industrial recruitment and retention program? We have known for years that having a balanced tax digest, balanced with a mix of residential, commercial and industrial properties is healthy for governments.

A study conducted by Jeffrey Dorfman – UGA; Professor, Dept. of Agricultural & Applied Economics on costs to deliver services – fire protection, police service, water, sewer and other government services required by citizens in a community – revealed the following:

- 12 counties in Georgia (various sizes/levels of development)
- Average cost to the city/county to deliver municipal services is \$1.53 for every dollar paid in residential property taxes. (\$0.53 loss for every dollar paid in taxes!!)
- Average cost for commercial/industrial - \$0.39/\$1. (\$0.61 SAVINGS for the city/county.)

Without a healthy mixture of residential and industrial properties a larger portion of the cost to provide services in a city/county will be borne by the residential community.

The state and the local communities have two methods we use to calculate the net impact on government revenues on every project that has public investment, state and local.

The LOCI study is an economic impact model developed by Georgia Tech that measures the effect on government revenues from a project's proposed private investment after taking into account any investment made by the state and the local community.

In other words – are the investments made by the state in tax credits and discretionary funds and the local community in tax abatements and infrastructure improvements still producing positive revenue for the governments. Positive revenue means more tax revenue collected than public investment made.

In the 19 years I have been in this economic development business I have seen one case where the investment made by the state and community did not produce a positive ROI to the governments and it was close and a very special circumstance.

GEDA is compiling a report on projects and the LOCI results that we will provide the Commission. From our experience we believe the report will show that public investments produce a positive ROI to our governments.

A study completed by the One Georgia Authority in 2009 reported that since the One GA Authority program was developed for every \$1 of public investment made to recruit and retain new jobs and new investment in Georgia over \$18 was generated in private investment. In fact we are proud that in Macon and Bibb County those numbers are \$54 private investment for every \$1 public investment. A very positive ROI.

So public investments produce positive results for our communities and our state.

The state and the communities also include clawback provisions in our incentive packages to insure that the investments and new jobs proposed by companies recruited to Georgia are met, and if they are not met then the company who receives a benefit must pay back a portion of the public investment or that investment is reduced going forward.

In Macon we do follow up reports to see if companies have met their proposed numbers in new jobs and new investment. We have found that companies have met or exceeded their projections in every case.

While there are 159 counties in Georgia, there are more than 15,000 economic development organizations nationally – and literally hundreds of other nations – that are aggressively

competing for the very small universe of corporate expansions and relocations that occur annually. Never in our history has there been a more compelling need to remain competitive.

Georgia has been very successful throughout the years in attracting new jobs. Our strategic location in the heart of the fast-growing American South – with outstanding transportation infrastructure, the world's busiest airport and the fastest-growing seaports in the country and a large, diverse and skilled workforce – have made us the envy of our sister states. And our history of solid, fiscally-conservative stewardship of our resources has resonated with companies looking for a solid place to stake their claim to the future.

We have long maintained that the best incentive that anyone can offer prospective businesses is providing a good place to do business and this is still a critical factor however, the playing field has changed. Neighboring states are developing newer and better programs as enticements to generate those new jobs and capital investment. At a bare minimum, we MUST fight to maintain the current funding levels for some of our most effective incentive programs, such as OneGeorgia, REBA, Quick Start, our technical colleges and others. These are the main tools that the state has available to offer to prospective employers.

This Tax Council has a very difficult but important mission ahead of you and we applaud your willingness to serve and your efforts to this point and in the future. I attended your first session and was heartened and encouraged to hear many of your members use phrases like “the tax structure should encourage business not dissuade” “tax structure should encourage businesses to make decisions for Georgia as opposed to against Georgia”.

This historic occasion is a tremendous opportunity to shape our tax codes into one that will push Georgia to the forefront of the economic development arena. The citizens of Georgia will all be better off once we set ourselves on the correct course.