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High-Need School Districts Hurt Most by IDA Tax Abatements

New York's 107 industrial development agencies (IDAs) use tax dollars as incentives for corporations to make investments and create jobs in their localities. They cost local governments revenues while delivering overall dubious results. At least half of the foregone revenues would otherwise fund public education. **How do IDA activities impact school funding?**

Latest Evidence

Our new study shows that poor and fiscally stressed districts forego more revenues to IDA tax abatements and that the cost burden shows up as slower growth in funding for support services - the demand for which tends to be higher in poor and fiscally stressed districts. This analysis was made possible by a 2015 change in governmental accounting standards that required local jurisdictions to disclose their portions of the revenue foregone to incentives.

> ## How do IDAs work?
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> The Industrial Development Agency Act of 1969 allows local governments to create IDAs. These public benefit corporations can borrow money and acquire real property on behalf of a private entity who will claim the title after paying it off. While the IDA has ownership, the property is tax-exempt. The payments-in-lieu of taxes (PILOTs) are far less than the taxes waived. Neither the spatial nor the temporal distribution of IDAs is uniform. In 2021, the 107 IDAs supported 4,324 development projects with $1.1 billion in tax exemptions. School districts, not counting the ones in NYC, forego at least quarter of a billion in tax abatements a year without much or any say in the matter.

Methodology

We took all 659 school districts in New York (except in New York City which is a special case) and ran regression models on 1) IDA-abated tax per pupil 2) percent change in spending on support services from 2007 to 2019. Self-disclosed foregone revenue figures from 2019 was used to exclude the effects from the soon-to-follow pandemic. We wanted to see which districts lost more and how this loss affects educational funding.

Analysis

Which districts lose more revenue to tax abatements?
School districts on average forego $251 for every student. Our statistical model evaluated district characteristics in relation to per-pupil IDA tax abatements. We found that **districts with higher student poverty and fiscal stress forego more revenues per pupil to IDA tax abatements**. This speaks to the counterproductivity of targeting low-income areas.

What impacts do tax abatements have on school funding?
In assessing the impact on school funding, we found that **districts experiencing higher cost burden from IDA tax abatements saw slower growth in their spending on support services for high-need students**. In conjunction with the previous finding, this indicates IDAs' negative effect on one of the budget areas most prone to funding constraints.
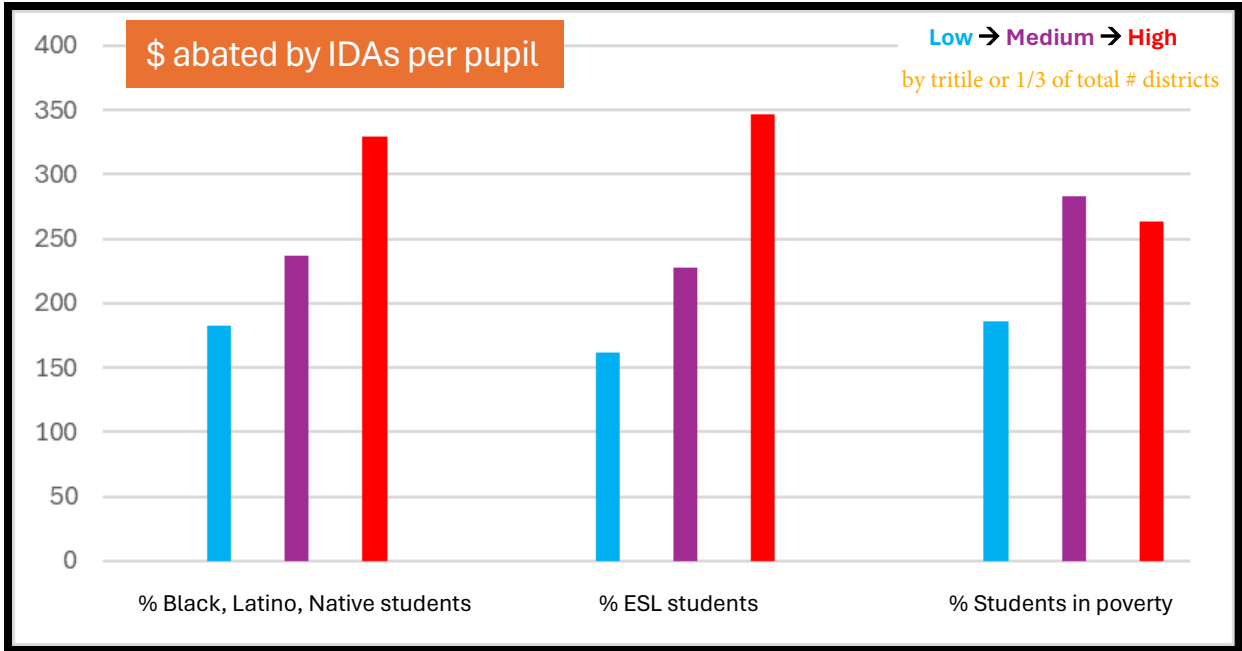
Summary statistics based on tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019
All school districts with 100+ students in New York State except New York City, N=659

Policy Implications

Economic development should balance tax incentives and preservation of community assets - like quality education - for long-term growth. School districts should at least be given a say in IDA decisions that would affect their finances. Funds earmarked to support child well-being and workforce development should be safeguarded.

which districts are more likely to have IDA activities?	which IDA-impacted districts tend to forego more?	which districts feel the burden on their funding?
bigger/more students	smaller/fewer students	smaller/fewer students
lower household income	more poor students	more ESL students
earlier IDA activities	higher fiscal stress	growing districts

Regression results based on tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019
All school districts with 100+ students in New York State except New York City, N=659

for full model results, please contact the corresponding author: Christine Wen at chrisw.ds9@gmail.com