Citizens for a Better NASSAU COUNTY

Economic Incentives 101

The Key to Financial Sustainability or Corporate Welfare?

What are economic incentives?

An economic incentive is one of the strategic tools that states and local communities can use to address business or economic needs in a competitive environment by promoting large private capital investments and job creation. Economic incentives benefit businesses by improving the cost-effectiveness of investing in a particular location and are advantageous to governments and residential taxpayers, as new businesses create jobs and broaden the tax base to help defray the total cost of providing government services that would otherwise be borne by only the existing taxpayers.

While these incentives are temporary, they establish a strategic, long-term partnership between new businesses and the community and its taxpayers, where both sides benefit and can work together for the betterment of the community now and in the future.

Why do we need economic incentives?

Economic incentives can help a state or local community achieve its economic development goals, such as creating high-wage, high-quality jobs; generating a high quality of life for residents; and strengthening and broadening the tax base, and is usually part of a larger strategy to improve the economic conditions of an area.

By no means is Nassau County the only one employing economic incentives to attract new capital investment and businesses to the area. The State of Florida, virtually every state in the nation, and thousands of counties across the country use economic incentives to compete for the highly coveted private capital investments and high-wage jobs that their target industries bring. This ensures a healthy business sector, which is essential for a community or government to thrive and prosper in the long-term.

Why are economic incentives important to Nassau County?

It is no longer a matter of debate whether Nassau County needs to broaden and diversify its tax base and attract private capital investment and high-wage jobs. This is the only way the county can pave and maintain our roads, and preserve our buildings, parks and other infrastructure, as well as sustain our A-rated school system, and continue to provide adequate services to residents without further burdening residential taxpayers.

By providing economic incentives that encourage new businesses in target industries to locate and/or grow in Nassau County, we are actually reducing the burden on existing taxpayers, not putting more strain on them. New businesses of this nature will ease the county's overreliance on residential property taxes to fund all government services, as they pay more into the tax base than they consume in government services, which is the exact opposite of residential development that, at most price points, consumes more in government services than they pay into the tax base.

Additionally, ripple or multiplier effects occur when new businesses open up in the area. Not only will they create jobs and diversify the tax base, but the construction of the new facility means more money is spent in the local economy helping sustain other businesses. Often new businesses are formed to serve the needs of the new members of the business community. And, these effects can be seen long after construction is complete, as the new businesses' employees spend money on local goods and services.

How does the Economic Development Grant Program work?

The Economic Development Grant Program is designed to be an incentive based on the incremental increase in property taxes resulting from a new investment in the county. It is important to note that the incentive is a rebate of a portion of future taxes paid. It is available to businesses in Nassau County's targeted industries that add to the tax base, project new employment of at least 10 direct, full-time equivalent positions and/or make a significant investment in the community.[1]

It is a self-generating incentive; meaning, the tax dollars in question are those that are being generated by this new business coming to the area, and only a portion of the new taxes being generated are granted back to the business entity over the course of the Economic Development Grant Program. All of the taxing authorities outside of the board of county commissioners' portion will receive 100 percent of their share.[2]

What will the proposed changes to the Economic Development Grant Program mean for Nassau County?

Several amendments were offered up by Commissioner Steve Kelley at a Nassau County Board of County Commissioners meeting on Monday, April 25, 2016, that would make sweeping changes the Economic Development Grant Program. These changes would essentially send a message that Nassau County is not open for business and jeopardize the county's ability to attract the private capital investments and high-wage jobs that it so desperately needs.

Are economic incentives the key to achieving financial sustainability in Nassau County or are they just corporate welfare?

Economic development is an integral component of getting Nassau County on a more fiscally sustainable path. We should not be putting a roadblock in front of prospective businesses looking to locate to the Nassau County area; rather, we should be looking to show them all that our area has to offer to them. We have a unique location and infrastructure and logistical advantages that can go a long way toward helping us attract the high-wage, high-quality jobs that we need and that will benefit the county as a whole.

Economic incentives are a mutually beneficial partnership, but they are also much more than that, as they are key to achieving financial sustainability in Nassau County. They are part of the tangible solution that we need to turn things around in the county. However, it can only be successful if we don't forget how important businesses are to ensuring a high quality of life for everyone in the county and creating a healthy and prosperous local community, now and in the future.

[1] Nassau County Economic Development Board
[2] Laura DiBella, Nassau County Economic Development Board