

## **4. POLICY POSITION**

### **COLLABORATIVE ECONOMIC DEVELOPMENT IN THE SOUTH**

#### **BACKGROUND**

States are competing globally for jobs, not just against each other. The use of financial incentives to attract and retain businesses has escalated their use as well as the competition among states, such that states are entering into bidding wars with limited information on other states' offers. The use of incentives may lead to a non-strategic approach to economic development, misplaced spending priorities, and neglecting other needs.

#### **RECOMMENDATION**

The 16 member states of the Southern Legislative Conference of The Council of State Governments resolve to work collaboratively to establish guidelines for the use of financial incentives. Recruitment and retention activities should be shifted away from subsidizing companies and toward building infrastructure and human capital. Incentives should only be used when company accountability has been built into the project, with performance requirements, cost recovery mechanisms, and/or penalties for non-performance.

Adopted by the Southern Legislative Conference of The Council of State Governments, July 22, 1997, Charleston, West Virginia.

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