The District's Dime
Going Beyond the Budget Book

The DC Fiscal Policy Institute blog
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November 2, 2015

How to Ensure DC Gets the Most Out of The Advisory Board Tax Subsidy Deal

By Wes Rivers

The DC Council should reject the proposal to offer $60 million in tax breaks to the Advisory Board Company – or at least modify the deal to ensure DC gets the best bang for its buck. In particular, the Advisory Board could get a large share of the tax breaks even if it falls far short of its commitment to add 1,000 DC residents to its payroll over 10 years. Any tax breaks should be tied to the actual share of the hiring goal that is met.

As the District's Dime has noted, it is not clear that the Advisory Board needs a large tax break to stay and succeed in the District. And it would be a bad precedent to offer tax breaks to companies simply because office space is expensive to rent in DC, as the Advisory Board has argued. DC is an attractive place for young, highly skilled professionals, and that in turn is attracting businesses and helping the economy grow. Given that, and the research showing that companies locate where it makes the most sense in the long-term, tax breaks shouldn't be necessary to attract or keep businesses like the Advisory Board in the city. Instead, the better long-term approach to keeping and attracting companies is to continue city investments that make DC an attractive place to live, such as in DC Public Schools and public charter schools, transportation, and libraries and recreation spaces.

If the Council feels that a tax subsidy is needed to keep the Advisory Board in the city when it takes a vote on the tax subsidy deal next week, it should take the steps to get a better deal for the city. Here are a couple of ways to improve the deal:

- **Tax breaks should be more closely tied to jobs created.** The tax break formula would allow the Advisory Board to collect a large share of the tax breaks even if it falls short of resident hiring goals. For example, if the Advisory Board increases DC resident employment by 500 in 5 years, and then stops growing, the company could still claim 82 percent of the tax-break package – even though it only met half of the 1,000 hiring goal. Instead, the formula should be adjusted so that the share of the $60 million received matches the share of the 1,000-job goal met. For example, if the company only hires 500 new DC residents, it should only get $30 million in tax breaks.

- **Require good paying jobs:** While the deal calls for new DC resident hires, it says nothing about the annual salaries of those hires. The Advisory Board could staff most of the DC resident positions at levels below their average pay. DCFPI believes the DC Council should apply the Living Wage requirements for government contractors and grantees to the Advisory Board. This will ensure that residents who are hired by the Advisory Board and the company's subcontractors (like food and janitorial workers) can continue to live here and afford the cost of living.