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The fiscal impact of tax abatements on New York's school districts

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Abstract
The fiscal impact of economic development tax incentives is not well-understood due mainly to the hitherto lack of jurisdiction-specific revenue cost data. We use relatively new government disclosure data from 2019 to assess the cost burden of property tax exemptions by New York's 106 industrial development agencies on its 664 school districts (New York City excluded). Regression analyses show that district per-pupil foregone revenue is higher in districts with a higher percentage of historically disadvantaged races but lower percentage of poor students—defined as those eligible for free or reduced-price lunch. Greater abatement cost burden is associated with slower growth in per-pupil spending on support services post-recession. These results suggest that school districts should be given greater consideration in development projects that affect their revenues.

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Keywords: economic development; tax abatement; school district; New York

1. Introduction

Although economic development and educational equity are complementary policy goals (Bartik, 2018a; Fisher, 1997), resource allocation between them has long been a fierce tug-of-war in U.S. local budgets (National Education Association, 2003; Nunn, 1994). The contention stems from competing priorities for property tax to fund public schools *and* private economic development investments (Moore & Squires, 1988). The latter—using tax incentives to stimulate and compete for growth—is ubiquitously practiced by local governments (Kenyon et al., 2012; Wassmer, 2009; Zheng & Warner, 2010). Yet, abating corporate taxes means foregoing educational revenues

(Bartik, 2018a). Reliance on tax abatements to attract or retain businesses can therefore compromise the fiscal health of school districts and add stress on state governments which help fund local public schools (Reece & Abou-Ghalioum, 2023; Weber, 2003; Wendling, 1981; Wen, 2024).

Local governments in New York State have access to a somewhat complicated and very costly version of tax abatements (Lynch et al., 1996). In the late 1960s, the state, in an effort to address its flagging economy, established a number of public authorities—both statewide and local—aimed at boosting employment and economic growth (Marcello, 2023). One such effort was the Industrial Development Agency Act of 1969, which authorized cities and counties to create Industrial Development Agencies (IDAs) as public benefit corporations for promoting economic activities and creating jobs through the provision of financial incentives (NYCL, General Municipal Law, §850). The distribution of IDAs throughout the state is not uniform, and the number of IDAs has fluctuated over time; some counties contain several IDAs, while others share one (e.g., Warren and Washington Counties). In 2021, 107 IDAs (including that of New York City) supported 4,324 active projects with a total of $1.1 billion in tax exemptions granted (OSC, 2023). IDAs are, according to the state comptroller, "among the largest and most active local authorities" (OSC, 2015, p. 18), with broad sweeping powers to make investment decisions.

Despite the relative impact of their actions, IDAs were not set up to be the most accountable of organizations. The governing body of the municipality or county that creates an IDA appoints its board of directors (NYCL, General Municipal Law, §856). Tasked with only a vague mission of promoting economic development, directors can: acquire, hold, and dispose of personal property for its corporate purposes; use eminent domain to acquire property; acquire, construct, reconstruct, lease, improve, maintain projects; borrow money and issue bonds; and collect payment-in-lieu-of-

taxes or PILOTs from businesses that they have incentive agreements with (Ibid., §858). IDA boards can approach businesses with deals and offers; other times, businesses approach the boards. To enter into any agreement, a business must submit a formal application to the IDA board that provides details about the proposed project and what kind of tax incentive they are seeking. The problem is—the statute creating IDAs and giving them such vast authority did not provide commensurate oversight and accountability (Pordum, 1993). A 2015 reform did help by requiring that each IDA adopt a standard application form that includes questions about the proposed project, including the number and types of jobs the business proposes to create (Ibid., §859-a) and, most importantly, proof by applicants if a tax incentive is required for the project to move forward (Saunders & Rock, 2024). Despite this improvement, central oversight remains limited, leading to great variation in IDA practices throughout the state. Projects can last anywhere from 10-30 years, and the allocation of PILOT payments between the city, county, and school district also depends on the project and what is negotiated between the business and the IDA.

The power to exempt private properties from taxation enables IDAs to divert property tax revenues that would otherwise go to school districts, and the lack of statutory accountability lets them do so without the need to seek approval from affected school boards, further increasing the likelihood of over-abating. As the proliferation of IDA subsidies weighs more on school budgets, the political debate has shifted toward controlling abatements, with a 2023 New York State Senate bill—first introduced in 2013—to prevent IDAs from abating school taxes altogether. Specifically, the bill would amend the empowering legislation to say that IDAs are not allowed to "enter into agreements requiring payment in lieu of taxes or waive any other tax where such tax would be received by a school district" (Senate Bill 89, 2023-2024, NY 2023). While the bill did not advance

out of committee, it reflects growing awareness of the social costs of business tax incentives, when administered without proof or evidence that their benefits outweigh costs.

In contribution to the ongoing policy debate as well as the small but growing scholarship in this area (see Reece & Abou-Ghalioum, 2023; Weber, 2003; Weber et al., 2008; Nguyen-Hoang, 2014; 2021a, b; Wen & LeRoy, 2023; Wen, 2024), we analyze the effects of IDA tax exemptions on New York public schools. Our research questions are 1) which districts are the most affected? and 2) what is the impact on educational spending? Findings show positive association between proportion of Black, Hispanic, and Native students and per-pupil foregone revenue, and negative association between revenue cost burden and spending on support services (libraries, counselors, and accommodations for students with special needs). As the type of bond-lease arrangement that makes up the core mechanism of IDA subsidies is also used in other states, our findings can inform broadly a more balanced approach to economic development.

2. Tax incentives and school finances

The central problem with New York's IDAs—given the key role of property tax in funding *both* public services *and* business incentives—lies in prioritizing tax incentives for businesses over social investments, as evident in the steep power imbalance. It is no surprise that IDA exemptions skyrocketed in the 1990s with the increasing nationwide dominance of market-based strategies in state and local economic development, which already tend to favor those with capital (Warner & Zheng, 2013). Diverting public resources to finance private subsidies without guaranteed returns in government revenues further upsets the balance and polarizes communities with apparently

conflicting needs for local services. While there are plenty of circumstances where incentives make economic sense (Wassmer, 2009), the actual practice of issuing incentives deserves closer scrutiny.

2.1 Neoliberalization of education: Growth versus equity

While quality public education is important for any economy, the infusion of market logic into urban development and governance in a decentralized system such as the U.S. obscures this complementarity and sidelines debate over funding adequacy, equity, and progressivity as antithetical to growth. Scholars have documented the neoliberalization of public education manifesting as "school choice, market discipline, standardized testing, high-stakes evaluation, privatized management, and the reframing of public education as a site for capital investment" (Rubin et al., 2020). Charter schools are established to attract well-to-do residents, displacing both public schools and low-income students from prime urban real estate (Makris & Brown, 2020). Subsidizing such developments with public school revenues further kicks dispossession into high gear (Reece & Abou-Ghalioum, 2023). Fiscal decentralization intensifies local competition for resources. Despite the ample research showing incentives to be generally cost-inefficient/-ineffective (e.g., Krumholz, 1991; Bartik, 2018b; Peters & Fisher, 2004; Zheng et al., 2024), there is a political rationality for using them, like the desired publicity of ribbon-cutting, ground-breaking, and triumph over competing jurisdictions (Cassell & Turner, 2010; Jensen & Malesky, 2018). Corporate dominance ensures participation by local governments in this "race to the bottom" that often involves sacrificing community assets to create a profitable environment (Reese, 2012; Reece & Abou-Ghalioum, 2023). This is made possible by a setup that disguises intergovernmental revenue capture as growth. Property tax abatements are typically awarded by cities and counties which, compared with school districts, are generally less reliant on property

taxes and get a smaller share of the total property taxes levied. School districts, on the other hand, derive about 30% of their revenues on average from property taxes and generally get the largest share of the property tax levy compared to all overlapping jurisdictions. In New York's case, IDAs exercise power and discretion to shift what could be educational revenues toward corporate tax abatements. While state governments help equalize education funding, reliance on state aid makes school districts more vulnerable to economic downturns (Kenyon et al., 2022; Gist, 1998).

Over the last several decades, decentralization and jurisdictional competition have created an environment that can cause local governments to under-invest in social spending, especially education, and this is exacerbated in times of recession (Xu & Warner, 2015; 2024). Tax and expenditure limitations have constrained local governments and school districts (Wen et al., 2020). In New York State, the combination of reductions in state aid to local governments after the Great Recession, and the tax cap (implemented in 2012) have further constrained local spending (Aldag et al., 2018; 2019). Narratives of austerity and local government inefficiency have been used by the state to justify these austerity measures (Kim, 2019). Nationally, reductions in state aid, especially for social expenditures, reflect a process of corporate capture (Kim & Warner, 2018) and these undermine local economic growth (Xu & Warner, 2016). In summary, neoliberalization and decentralization in growth management, economic planning, and service provision have created an environment that promotes the damaging use of incentives.

2.2 Fiscal integrity: Tax abatement and school finance

The relationship between tax incentives and school revenues is not a straightforwardly inverse one. Not only are there intervening factors in the existing fiscal conditions and policy responses to any immediate effects on revenues, but there is also the question of attributing changes in the tax base

to particular incentives (Wen, 2024). Calculating the fiscal impact of tax incentives would require accounting for initial values of and subsequent changes in tax rate, assessed value, state aid, revenue distribution, as well as the extent to which incentives have contributed to the expansion of the tax base over time—those awarded to companies that would have invested regardless versus those resulting in new investments that would otherwise not have existed ("but-for"). If, as Bartik (2018b) and Jensen (2018) estimated, most investments did not *require* incentives to materialize, it could be decades—according to a handful of impact projections that we have come across—before *those* subsidies are offset by any revenue gains from the but-for incentives. These intervening factors and the complex interactions among them do not yield themselves to simple measures or models.

Existing efforts to pin down this relationship have so far returned mixed findings. For Chicago and Cook County, Illinois, where a risky form of abatement known as tax increment financing (TIF) has been on overdrive for decades, Weber (2003) found slower revenue growth and increased dependence on state aid for schools in TIF districts, while Weber et al. (2008) found overall small effects with high intra-regional variations. For Iowa, Nguyen-Hoang (2014) found a negative relationship between TIF use and per-pupil expenditure, but Nguyen-Hoang (2021a) and (2021b) found TIFs to be beneficial to school finances in certain areas due to certain positive side-effects, like revenues gained from debt service. In Ohio where two other area-targeted tax abatement programs coexist with TIFs, Kenyon et al. (2020) found, for one of them, a negative association of tax abatement with tax rate and a positive association with market value and concluded that the relative success of this program is due to accountable management of those incentive awards. However, for the same region, Reece and Abou-Ghalioum (2023) documented how growth machines in the county seat Columbus have been drawing resources away from its

own already-underfunded school district and noted what seems to be a disproportionate negative impact on disadvantaged groups. Looking at all districts that had lost revenues in 2019 in nine states, which did not include New York, Wen (2024) found an overall negative association between tax abatements and school finances. In New York, Lynch et al. (1996) show the relative lack of growth associated with IDA projects. There are no other relevant studies on New York of which we are aware.

The potential harm of tax incentives for school finances can also be implied from studies on either of the two alone: 1) Economically depressed places are more driven to use tax incentives, but this compounds existing fiscal stress (Felix & Hines, 2013; Lewis, 2002; Warner & Zheng, 2013); 2) Low tax jurisdictions are less able to capitalize on their own incentives than their wealthier neighbors within the benefit spillover zone (Kang et al., 2013; Reese & Sands, 2006; Henderson & Wheeler, 1998); 3) Financing urban services and educating high-need children in particular are already challenging and require at least adequate resources (Bowman et al., 1992; Raffel et al., 1992), as budgetary deficiencies and uncertainties can result in long-term negative consequences (Kornbluh, 2020; Lavertu & Claire, 2018), and school districts respond to fiscal stress by raising funds, which is difficult, and cutting costs, which is easier (Nelson & Balu, 2014). These findings suggest possible counterproductivity with using incentives.

2.3 Developmental accountability: Revealing cost to schools

With concerns about tax incentives growing over the years, there has been a slight increase in accountability among local governments regarding them (Zheng & Warner, 2010). Perhaps the single greatest milestone in the transparency of incentives' costs is the adoption of Statement No. 77 on tax abatement disclosures in 2015 by the Governmental Accounting Standards Board

(GASB). The new rule mandates all local governments that use its standards in preparation of financial statements report their own portions of foregone revenue due to any economic development tax abatements to which they are subject (Propheter, 2017). The widespread implementation of Statement No. 77 starting in 2017 has produced unprecedented insight into the impact of city- or county-administered incentives on school districts. And although transparency does not automatically confer accountability (Reece et al., 2024), it can enable economic and political power (Florini & Stiglitz, 2007) and allow for meaningful participation in democratic governing processes (Stiglitz, 1999). With transparency in place, citizens and watchdog entities both within and outside the government can identify and punish wrongdoing, assess policy and program effectiveness, and evaluate governmental performance. In effect, transparency allows the pursuit of accountability. Further, accountability should be viewed as a process rather than a steady state, as it is constantly negotiated, created, and recreated over time and across actors.

3. Data and methodology

The research design focuses on 1) district characteristics that predict higher per-pupil foregone revenue and 2) the relationship between cost burden and funding for support services. Our data includes all school districts in upstate New York and Long Island that have at least 100 students, including the four embedded districts in Buffalo, Rochester, Syracuse, and Yonkers city governments. Of the 664 district observations, 325 lost revenues in 2019 (from here on, “lost” or “loss” refers to the amount of foregone revenue or the gross cost of IDA agreements), while the others either lost $0 from active agreements, recouped their losses from tax levy increases, or did

not have agreements at all. These cost figures were extracted from the school districts' annual financial statements and represent the net foregone revenue after accounting for offsets from PILOTs or tax increases. Even though newer data was available at the time of writing, we chose 2019 to exclude systemic effects from the soon-to-follow COVID-19 pandemic. For the four non-independent school districts, we multiply their respective cities' tax abatement figures by what the cities spent on education as a percentage of total expenditures. All our other data came from the National Center for Educational Statistics (NCES) surveys, except for fiscal stress which comes from the state comptroller. Table 1 shows the variables used in both the descriptive and inferential parts of the study. All indicators are at the district level and dated 2019 unless otherwise indicated.

Table 1 - variables and measurements

Name	Definition
IDA$perpupil	Amount of taxes abated/foregone per pupil due to IDA agreements
Support$perpupil	Per-pupil spending on support services
Support%13-19	Percent change from 2013 to 2019 in per-pupil spending on support services
Race%	Percentage of Black, Latino, and Native students
ESL%	Percentage of students with English as a Second Language
FRPL%	Percentage of students eligible for Free or Reduced-Price Lunch program
IEP%	Percentage of students enrolled in Individualized Education Plans
Size#Students	Total number of students enrolled
Growth/Decline	Five-year (2015-2019) average annual rate of change in enrollment
FiscalStress	Index measure of fiscal stress by the NYS comptroller
StateAid%	State formula aid as a percentage of total revenues
PTax$perpupil	Property tax revenue per pupil
Length	Years elapsed since first IDA agreement (city-level)
IDAburden	Abatement as percentage of total possible revenues (abated + collected)

Source: tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019
Geography: all school districts with 100+ students in New York State except New York City.

For predicting per-pupil revenue loss (MODEL#1: **IDA$perpupil**), we choose the zero-inflated negative binomial regression which requires first specifying, for a logit model, to account for over half of the school districts which lost $0. We expect small, well-to-do districts in stable areas and a shorter history of IDA involvement to be in the no-abatement group. This logit model is then combined with a negative binomial model for districts that lost revenue through active agreements. For this part, our main explanatory variables are race, poverty (measured by FRPL), and English proficiency among students as well as district size, 5-year enrollment change, and dependence on state aid. We control for property tax per pupil because it caps the amount that can be foregone.

For predicting change over time in per-pupil spending on support services (MODEL#2: **Support%13-19**), we use linear regression. Of all school finance indicators, we choose this particular one because it tends to be more "flexible" and "discretionary" (but no less important) than instructional funding, so that any limiting effects of tax abatements would more likely show up here. Our main explanatory variable is **IDAburden** which measures foregone revenue relative to district total revenue capacity (computed as revenues from all sources plus the foregone segment). Essentially measuring the "percentage" of total possible revenues abated, a high value indicates greater cost burden. We select the time period 2013 to 2019 for the outcome variable to see whether IDAs have a suppressive effect on school spending post-recession, regardless of funding level, though we include funding level in our descriptive analyses.

Table 2 – Descriptive statistics: NYS School Districts, 2019 (1=lost revenue; 0=didn't lose revenue)

	ALL (N=663)				DID lose $ (N=325)		DIDN'T lose $ (N=338)		T (p)
	Mean	SD	Max	Min	Mean	SD	Mean	SD	μ(0)-μ(1)
IDA$perpupil	$224	$802	$10,634	$0	$457	$1,098	$0	$0	
Support$perpupil	$8,309	$3,458	$68,103	$4,385	$7,749	$2,001	$8,848	$4,364	4.2 (0.00)
Support%13-19	23.4%	14.7	145.3%	-26.1%	22.3%	13.4	24.5%	15.8	1.9 (0.03)
Race%	16.6%	20.6	99.8%	0.0%	20.9%	23.5	12.5%	16.5	-5.3 (0.00)
FRPL% (Free & Reduced Price Lunch)	38.7%	17.8	100.0%	0.0%	39.1%	18.2	38.2%	17.3	-0.6 (0.26)
ESL% (English as Second Language)	3.1%	6.0	76.9%	0.0%	3.8%	5.9	2.6%	5.8	-2.4 (0.00)
IEP% (Individual Education Plan)	16.8%	4.7	97.4%	4.6%	16.9%	3.7	16.8%	5.5	-0.2 (0.41)
Size#Students	2,397	3,011	33,756	101	3,307	3,631	1,524	1,891	-7.9 (0.00)
Growth/Decline	-0.9%	1.6	6.5%	-14.2%	-0.8%	1.3	-1.0%	1.9	-2.1 (0.02)
FiscalStress	6.4	10.6	83.3	0	7.6	12.2	5.4	8.6	-2.7 (0.00)
StateAid%	29.7%	15.4	61.7%	1.4%	29.0%	14.8	30.4%	16.0	1.2 (0.12)
PTax$perpupil	$13,163	$10,263	$89,881	$149	$12,306	$8,091	$13,987	$11,940	2.1 (0.02)
IDAburden(E-3)	7.5	24.3	293.5	0.0	15.4	3.3	0	0	

Source: tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019
Geography: all school districts with 100+ students in New York State except New York City

Even though the time period of **Support%13-19** predates the tax abatement data, agreements typically last years or even decades, and it is not possible to determine the distribution of the 'age' of incented projects at the district level from existing datasets. We control for factors that could potentially affect student expenditures like student need and fiscal conditions.

We also examine between-group differences of districts that lost revenues versus those that didn't, and growing versus shrinking districts, as well as within-group variations among districts that lost revenues. We then present two case studies for added texture.

4. Analysis of findings

Table 2 shows the descriptive statistics for all 664 school districts as well as separately for those that lost revenue and those that did not. The between-group differences are clear: the former group appears to be low-tax, large, diverse, growing, and fiscally stressed. This is not so much a surprise, given the geography of incentives, as a confirmation of the challenges for school districts. Notably, districts that lost revenues to IDA abatements have not only lower per-pupil spending on support services in 2019 but also less increase from 2013 to 2019.

As mentioned previously, the zero-inflated negative binomial (ZINB) regression used for MODEL#1 is a two-step process that first predicts with a logit model the likelihood for a district to have no tax abatement agreements at all in 2019. This first part of the model shows that larger and poorer districts are less likely to have no agreements, as expected (Table 3). The second step, the full negative binomial model, shows that **RACE%** is positively associated with per-pupil tax abatement, which is expected, while **FRPL%** and **Size#Students** are negatively associated with

per-pupil tax abatement, same as the logit model. The coefficients mean that if the percentage of Black, Hispanic, and Native students is raised by one percentage point, log(**IDA$perpupil**) would increase by 2.1, and per-pupil tax abatement would increase by 8.1 times; if the percentage of students eligible for free or reduced price lunch is reduced by one percentage point, per-pupil tax abatement would increase by 6.4 times; and the effect of district size is barely perceptible. The Likelihood Ratio Chi-Square statistic is 23, computed as -2 times the difference between the log likelihoods of the logit and the full model, and is statistically significant. That the dispersion parameter ln(α) contains zero in its confidence interval indicates that the model is appropriate and superior to similar alternatives, such as the zero-inflated Poisson regression.

Table 3 - Model Results: Impact of Tax Abatements on NYS School Districts, 2019

	MODEL#1 (IDA$perpupil)		MODEL#2 (Support%13-19)
Log(IDAburden) MODEL#2 only			-8.74E-3 (-2.15) *
	Logit (zero-inflated)	Negative Binomial (full model)	
RACE%		+2.10E+1 (+2.06) *	-6.31E-2 (-0.94)
FRPL%	-2.02E+1 (-2.78) *	-1.85E+1 (-2.02) *	+6.00E-2 (+0.88)
ESL%		-1.45E+1 (-0.37)	-4.87E-1 (-1.96) *
IEP%		+7.54E-1 (+0.23)	+5.44E-1 (+2.68) *
Size#Students	-1.00E-3 (-5.65) *	-8.95E-5 (-3.61) *	
Growth/Decline	-5.55E-1 (-0.08)	+1.09E+2 (+1.51)	
FiscalStress	-1.39E-2 (-1.26)	-1.11E-2 (-1.16)	+1.25E-4 (+0.21)
StateAid%		+1.75E+1 (+1.46)	-1.10E-1 (-1.10)
PTax$perpupil		-6.50E-6 (-0.39)	-1.43E-6 (-1.12)

Length	+1.21E-2 (+0.90) *		
numbers in parentheses are Z- and T-scores for MODEL#1 and MODEL#2, respectively			
* indicates p <=0.05			
Source: tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019 *Geography: all school districts with 100+ students in New York State except New York City*			

For MODEL#2, IDA tax abatement cost burden has a negative association with percent growth in per-pupil spending on support services from 2013 to 2019, but the effect is minute. Doubling the burden would result in – 0.0087 * ln(2) = -0.006 percentage point in the outcome variable. Log transformation means only districts that lost revenues are included.

For comparison, we divide the 325 districts that lost revenues into three groups (given the large within group dispersion), based on the abatement and per-pupil abatement, and compare the average values across our model variables. The highest-loss group has the slowest growth in funding for support services and the highest percentage of disadvantaged students in terms of race and income and students with special needs, but not the lowest funding level in 2019. (The figures for **IDAburden** are similar to those of **IDA$perpupil**.)

Table 4 – Descriptive statistics by abatement, for districts with abatement value > $0

	Total loss			Per-pupil loss		
	Under $100k	**$100-$1 million**	**Over $1 million**	**Lowest 1/3**	**Middle 1/3**	**Highest 1/3**
Support2019	$7,967	$7,548	$7,778	$7,721	$7,474	$8,045
Support%13-19	24.7%	24.1%	17.1%	23.4%	23.9%	19.7%
Race%	13.5%	16.1%	35.8%	15.3%	16.6%	30.5%
FRPL%	38.5%	36.8%	43.0%	36.0%	39.3%	41.9%
ESL%	2.3%	2.3%	7.2%	2.7%	2.7%	5.7%

IEP%	16.6%	16.8%	17.3%	16.5%	17.1%	17.1%
Size#Students	1,793	3,046	5,397	2,504	3,783	3,620
Growth/Decline	-1.15%	-0.78%	-0.26%	-0.99%	-0.85%	-0.41%
FiscalStress	6.62	8.86	6.84	7.7	9.0	16.0
StateAid%	31.6%	28.9%	26.1%	30.0%	30.9%	27.2%
PTax$perpupil	$11,878	$12,215	$12,992	$12,265	$11,169	$13,463
IDAburden(e-3)	1.2	7.1	43.1	0.0	5.1	39.6
Source: tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019 *Geography: all school districts with 100+ students in New York State except New York City*						

The descriptive statistics show clear differentiation for school districts that lost revenues to IDA agreements, and for those that lost a lot. The models reveal potential implications for racial equity and resilience against economic downturns. The most burdened districts tend to be less White and have more students on free and reduced price lunch. They also have the highest per-pupil property tax revenue and lowest dependence on state aid. Table 5 shows a breakdown by districts that are growing versus shrinking. We find tax abatements are larger in growing areas, and in districts with more minority and ESL students, Thus, it appears tax abatements are more linked to diversity along racial and ethnic lines than socioeconomic lines. This may be because, in general, New York's public schools, including many small ones in rural areas, are adequately funded, and most are not growing.

Table 5 - Growing vs. shrinking districts

	IDA$perpupil	IDAburden	Support%chng	Stress	RACE%	ESL%	FRPL%
Growing (N=170)	$365	1.30%	39.7%	7.0	23.6%	5.2%	42.8%
Shrinking (N=488)	$212	0.77%	61.1%	6.4	14.4%	2.4%	41.4%
Source: tax abatement disclosures 2019; NCES Common Core of Data 2007, 2015-2019 *Geography: all school districts with 100+ students in New York State except New York City*							

One thing to note concerns the role of state funding. Both tax abatements and state aid aim to level the playing field through redistribution of resources toward low-wealth, high-cost areas but do so in contradictory yet interactive ways (Dalehite, 2004). State aid is based on local property tax level and special student needs. Property tax abatements could result in adjustments to state aid, but only for districts that are "on-formula" or dependent on state aid to make up for a deficit in local educational revenues. Because property tax per pupil is on average higher and dependence on state aid is lower for districts that abate more, it stands to reason that in New York's case, school districts mostly absorb the cost of tax abatements themselves rather than pass them onto the state. But local districts are beginning to raise concerns.

In Riverhead, a town on Long Island, there is increasing concern about the implications of IDA tax exemptions for the local school district. In that town, net school tax exemptions granted by the local IDA totaled $17.29 million from 2010-2022. And the number is rising; net school property tax exemptions granted annually nearly tripled over that period, from $958,191 in 2013 to more than $2.66 million in 2022. Meanwhile the school district is facing "increasing demands with respect to enrollment, space, and need," according to the Riverhead School Superintendent (Civiletti, 2023). School officials began advocating for "tightened criteria" (Ibid.) that would ensure that a project would not be feasible without the assistance of an IDA, in addition to clawback provisions. Unfortunately, the latter is more difficult to do, as job creation numbers are self-reported by companies and not verified by the state comptroller nor audited by any other party (OSC, 2024). In October 2023, school district officials in Riverhead took things further and began calling for the local IDA to be shut down altogether.

Riverhead is not alone. In Dunkirk, located in Western New York, the school district loses an average of $5 million in revenue every year due to tax breaks granted by the Chautauqua County IDA (Shoemaker, 2023). During the 2021-2022 school year, the losses amounted to 10% of the school district's general fund budget, while PILOT payments paid only $279,685 of those losses. In Dunkirk, parents have turned their attention to fundraising to make up the losses, especially for things like uniforms, sports, and field trips (Ibid.). In addition, districts with high cost burdens (e.g., Rensselaer, Chateaugay, Peekskill, etc.) are of special concern.

5. Conclusion and future directions

This study has revealed that nearly half of New York's school districts are affected by IDA incentive agreements, and there is wide variation among them in terms of demographics and finances. Race is an important factor to consider when assessing costs. There also seems to be a link between IDA agreements and growth: given the higher overall property tax among districts with large tax abatements, state aid may not be as effective of a solution as more comprehensive limits placed on IDA deals.

What is needed for future studies is longitudinal analysis, qualitative analysis, and cost-benefit analysis. While some places see intense conflicts, for others, the costs more subtly pile up and may go unnoticed until they force a budget decision or priority shift that shows up as some measurable indicator. Investigation through stakeholder interviews could unpack the politics of incentive negotiations. More importantly, the role of IDAs in promoting growth (i.e., increases in student enrollment, employment, and land value) should be accounted for when assessing the

connection to school finance and educational outcomes–as should adjustments to state aid and tax rate. In the future, when more data becomes available, scenario models could be constructed from panel data, combined with business profitability analysis, to simulate the impacts of various reforms.

Reforms could result from expanding transparency and coalition building. There have been developments at the state level to reign in the power of IDAs. A law enacted in 1989 required every IDA to file an annual financial statement with the Office of the State Comptroller (OSC), the state Commissioner of Economic Development, and the governing board of the municipality for whose benefit the IDA was created (NYCL, General Municipal Law, §859 "Financial Records"). A further reform occurred in 1993, which created General Municipal Law §874 (Section 4), which required IDAs to adopt a uniform tax exemption policy "with input from affected tax jurisdictions" such as school districts (Subsection (4)(a)). However, this has not affected abatement intensity in vulnerable districts: as of 2006, nearly 3,500 projects received IDA subsidies, but recipients did not provide IDAs with the data they needed to complete state reporting requirements (OSC, 2006). Thus, this legislation is not working. Compliance aside, the comptroller's data still lacks information about the job benefits and revenue costs for specific jurisdictions. Clearer views of the net impact and its distribution across space and time would not only enable more sophisticated research but also empower community leaders to discover new interest-based alliances and political pressure points. Schools can be important economic development actors, but only if economic development does not sacrifice children's education to the growth machine (Warner et al., 2025). Balancing economic development objectives with local needs for social investment in education is a priority for economic development policy reform.

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