Green strings

Let's make *all* jobs greener with 'climate quality standards'

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This is a guest post by Greg LeRoy, executive director of Good Jobs First,

As I track the emerging "green jobs" debate about renewable energy, energy independence, and green pathways out of poverty, I am struck by how disconnected it seems from progressive tax policy. There are some large "policy forks in the road" being taken, although environmentalists seem unaware they are making choices. As an antidote, I offer two observations and a trial balloon.

Observation #1: Some new energy proposals are corporate copycat

Some green-jobs policy proposals call for new economic development subsidies to promote the construction of manufacturing facilities for making renewable energy products. However, the average state already has more than 30 different economic development subsidy programs, and companies routinely get 8 or 10 subsidies in a single deal.

Manufacturing has long been the most coveted kind of jobs investment. Build a windmill gearbox factory in a major industrial state in America today and it will be showered with so many corporate income tax credits, it will generate a *negative* income tax bill (i.e., net loss carry-forwards) for years. It will pay $0 or sharply reduced property taxes for 10 to 20 years. It will not pay any inventory tax or sales taxes on its building materials or machinery and equipment. It will receive tax-free loans that will greatly reduce its cost of capital. It will be offered subsidies on its land price, new-hire wages, and training. Ironically, it may even receive discounted electricity.

This is the cumulative, accreted result of waves of corporate lobbyists winning tax breaks in the name of "jobs, jobs, jobs" and exploiting the zero-sum "economic war among the states" for the past several decades. I urge progressives to consider this history; I assume you don't want to be corporate copycats. Besides, all these existing layers of "corporate welfare" make any new tax breaks ever less effective.

(I realize there are other kinds of subsidies for renewable energy that don't fit this description.)

Observation #2: Public treasuries are going to be strapped

The recession of 2008 is shaping up to be severe, and its breadth suggests that the recovery will be slow. This means that most states and cities -- some with progressive coalitions that have assembled considerable political clout -- are going to be hard-pressed to spend large new sums on energy policy. That is true of high union-density states with the worst manufacturing crises like Michigan and Ohio and states with especially severe housing crises like California and Nevada.

The federal government will have more flexibility because of its ability to incur lots of debt, but it is also going to suffer revenue losses driven by the recession, which will exacerbate projected deficits.

The bottom line: America's public sector is going to be fiscally stressed, so enacting new tax breaks for energy policy is going to be very difficult. That means new policies that make smarter use of *existing* programs and revenues are going to be very attractive.

Trial balloon: "Climate quality standards"

I'd like to suggest the other fork in the road: let's use some of those existing 30-odd job subsidies per state as leverage to get companies to reduce their carbon footprints. Let's use the winning frames honed by progressives as they have won other economic development reforms.

These reforms include *job quality standards* (requiring companies that receive subsidies to pay good wages and health-care benefits), *clawbacks* (enabling government to recapture some or all of the money spent on subsidies if a company falls short on job creation), and *disclosure* (requiring government to disclose on the web company-specific costs and benefits). Half or more of the states and lots of cities and counties now have such safeguards.

Shorthand, let's say: "Every office building that wants a property tax abatement must go LEED or LEED-EB first," or, "Any factory or warehouse seeking an investment tax credit must meet best-practice emissions and workplace safety standards." You get the idea.

If rules such as these were phased in for existing recipients and required of new ones, I believe two things would happen. Most companies would move to clean up their act, creating millions of new green jobs. And a minority of companies (the low-roaders) would refuse and start losing some tax breaks. That would be a win-win for taxpayers: more tax revenue from the new paychecks and new revenue from the polluters.

There is an outstanding historical example of how this can work. In the late 1980s, then-governor of Louisiana Buddy Roemer hired a visionary professor as his commissioner of the Department of Environmental Quality. Paul Templet created an ingenious "environmental scorecard" that said to the state's highly polluting petrochemical and paper industries: reduce your toxic emissions, use recycled materials, and resolve your disputes with the DEQ -- or lose as much as half of your lucrative property tax abatement, a big hit for those capital-intensive facilities.

The scorecards resulted in the creation of thousands of new jobs as the companies scrambled to install and operate new pollution-abatement equipment. It also reduced toxic emissions, a real boon for the state's notorious "Cancer Alley." (Tragically, the system was dismantled by incoming Gov. Edwin Edwards as his first act in office.)

Climate quality standards can also be designed to promote more efficient land use, aka smart growth. For instance, three states already have geographic-targeting rules attached to at least one of their economic development subsidies so that they favor putting jobs in places where people can commute to work via public transit. That means more job opportunities for low-income workers who cannot afford a car. It also means more commuters gain the choice to get out of their car, cutting air pollution.

As one progressive developer puts it: we need public policies that make it easy for companies to do the right thing. Harvard University now reports that its program to retrofit its existing buildings is generating a return on investment (ROI) of 35 percent -- more than twice its very profitable endowment! As a result, it has doubled its green building revolving loan fund. Adobe retrofitted its San Jose headquarters and the energy savings paid the cost back in just 10 months.

Given these phenomenal payback rates, why would any city in America allow commercial real estate owners to keep getting tax breaks while polluting at below-LEED standards?

Green for all (companies, too)

I agree with Van Jones and Majora Carter that the environmental push for energy independence has been dominated by white, suburban advocates, and that people of color and urban residents should be the intentional beneficiaries of new energy policies and jobs because they have borne disproportionate harm from the old carbon economy's pollution (and from its land use byproduct, suburban sprawl).

Yes, we need to democratize green jobs to be all-inclusive. But we also need to use economic development subsidies to make *all companies* green. Instead of a few new tax-break gimmicks targeted for a few favored green industries, let's make every job greener by attaching environmental strings to existing subsidies, so that all employers will gain an incentive to adopt new technologies, retrofit existing facilities, and reduce energy consumption -- creating huge new demand for the skills, technologies and industries we favor.

"Strings" on job subsidies: A winning frame

The idea of attaching "green strings" to economic development subsidies borrows a proven, winning frame. For 15 years, the accountable-development movement has been winning such safeguards: we know the research, the arguments, and the organizing.

So now, almost every state and lots of big cities attach wage and health-care *job quality standards* to some subsidies. Nearly half the states and many cities use *clawbacks* to recapture money when companies fail to deliver. And by the end of this year, at least 26 states will have online *disclosure* of company-specific costs and benefits.

Without asking cash-strapped taxpayers for an additional dime, we can get more jobs -- more green jobs and more transit-accessible jobs -- and a lot less CO_2.

State and local governments have the power to make this happen -- right now. What are we waiting for?