

NEWS

from ^{MISSY}
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U.S. SENATOR FROM MASSACHUSETTS

TSONGAS : INDUSTRIAL DEVELOPMENT BONDS - CRUCIAL TO JOBS AND INVESTMENT IN MASS.

Senator Paul Tsongas, testifying today before the Senate Finance Committee, called the Industrial Development Bond Program a crucial element " in business and economic development during times of economic uncertainty and record borrowing costs. " Tsongas, citing the success of the program in Massachusetts, criticized the Administration's proposed restrictions on the program as a crippling rather than a reform action.

The Massachusetts Senator, a member of the Senate Small Business Committee, spoke of the importance of the program to small businesses in his home state. " In Massachusetts, three-fourths of the companies that have received IDBs had sales under \$20 million and one half had sales under \$5 million. " Tsongas also pointed out that Massachusetts' innovative approach of " targeting bonds for commercial real estate projects to the downtowns of our older communities " had " resulted in \$140 million in new private investment in 92 commercial revitalization projects in the downtowns of our older communities. " " IDBs combined in many cases with Urban Development Action Grants, have proved effective in revitalizing our distressed areas " Tsongas said.

Senator Tsongas challenged some of the criticism of the program as rhetoric. He assured Chairman Robert Dole and the members of the committee that he was ready to offer any assistance in working to reform those areas of the program where some abuses do exist. Tsongas went on to point out that the program has " been used overwhelmingly by small businesses and not by large national corporations. "

Tsongas citing a 1980 opinion by Dr. Norman Ture, Under Secretary of the Treasury for Tax and Economic Affairs and a leading supply side economist, insisted that rather than resulting in a massive revenue loss to the Federal Government, " private investment stimulated by IDBs actually increases tax revenues. " Finally, the Senator pointed out that " high interest rates not overly generous eligibility criteria has caused the increase in Industrial Development Bond financing in recent years. "

" There is no question, " Tsongas said, " that the lower interest rates from IDBs stimulate new investments and jobs. " 85 percent of Massachusetts IDB recipients have said that they would reduce or cancel plant expansions without the interest rate reductions from IDBs. Recent University of Massachusetts studies show that \$100 million in new manufacturing investment produces a net reduction in unemployment of over 4800 jobs and an increase in personal income of \$139 million--- in the first year alone.

Finally, Tsongas took issue with the Administration's proposal to make business choose between IDBs and accelerated cost recovery and to require a strict capital expenditure test for all small issue IDBs. The former would " result in a chilling of small business expansions at the very time we should be stimulating this type of activity. " The latter would have a severe negative impact on the high technology industry, an industry crucial to Massachusetts' and the nation's economic future. " Such a move doesn't make sense, " Tsongas said, " especially in the light of the severe challenge we face from Japan in the high technology area. "

Senator Tsongas urged the Committee to approach IDB reform in terms of the real abuses and to look at the success of the Massachusetts strategy of targeting IDBs to distressed areas. " With unemployment growing and small company failures rising at an alarming rate, we should be certain that any restrictions are designed to make this program more effective and less subject to abuses. To cripple the program-- with the resulting impact on small business investments, job creation and urban revitalization -- would damage our economy now and in years to come. " Tsongas concluded.