

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Parra Analyst: Darrine Distefano Bill Number: AB 2245

Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: 02-19-2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Interagency Task Force on Excellence in Economic Development Within the State/May Include Representative From FTB

SUMMARY

This bill would establish the Interagency Task Force on Excellence in Economic Development.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to identify the state's expenditures for economic development areas and develop strategies to ensure that investments are used effectively to meet those areas' needs.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2005, and repealed January 1, 2006, unless otherwise extended.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

There is no federal taskforce that oversees the development strategy of the empowerment zones, renewal communities, and enterprise communities. State law provides for designation of economic development areas from the applications received from the governing bodies.

Existing state law provides for the designation of 42 enterprise zones (EZ), eight Local Agency Military Base Recovery Areas (LAMBRA's), one Targeted Tax Area (TTA), and two Manufacturing Enhancement Areas (MEA's).

The California Franchise Tax Board (FTB) administers the sections of the Revenue and Taxation Code (R&TC) that provide special tax incentives for taxpayers conducting business activities within economic development areas. These incentives include a sales or use tax credit, hiring credit, business expense deduction, and special net operating loss treatment. Two additional incentives include net interest deduction for businesses that make loans to businesses within the economic development areas and a tax credit for employees working in an enterprise zone.

Board Position:

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Department Director

Date

Gerald H. Goldberg

4/22/04

THIS BILL

This bill would express the Legislature's findings and intent regarding the state's current economic downturn and future economic development.

This bill would require the Governor to establish an Interagency Task Force on Excellence in Economic Development. The task force would make recommendations regarding a unified state economic development strategy.

The task force would include representatives of departments and agencies including the State Department of Education, the Secretary of Education, the University of California, the California State University, the California Community Colleges, the State Energy Resources Conservation and Development Commission, the Department of Food and Agriculture, the Office of the Treasurer, the Employment Development Department, the California Workforce Investment Board, the State Board of Equalization (BOE), and FTB.

This bill would require, to the extent feasible, the task force to do the following:

- ❖ Inventory current investments in economic development programs.
- ❖ Consult with academic experts and economists to design an evaluation strategy that would provide outcome-based assessment tools to guide current and future investments.
- ❖ Consult with the Economic Strategy Panel for current data on region-by-region economic trends and private sector needs.
- ❖ Recommend to the Governor and the Legislature before September 1, 2005, the following:
 1. Goals and objectives to guide the economic development investments and guidelines to be used to identify and allocate what is to be included in a full inventory of the state's economic development programs.
 2. Standards for collecting data for program evaluation and assessment, in addition to recommendations for program consolidation and restructuring.
 3. Strategies for coordination between state and local economic development programs, including, but not limited to, small business financial development corporations.

LEGISLATIVE HISTORY

AB 251 (Parra, 2003/04) was identical to this bill. This bill failed to pass out of the first house by January 31 of the second year of the session.

OTHER STATES' INFORMATION

Florida has developed a 2003-2008 strategic plan on economic development through a collaborative effort of business, education, government, and economic development leaders at both statewide and regional levels.

Massachusetts has a report that provides economic development guidelines to promote regional economic strength over the next ten years. This report was developed as a statewide effort with issue experts, policy, and research analysis.

Michigan has a partnership between its private and public universities and its Economic Development Corporation to assess progress and set goals for the Michigan economy and its economic development programs.

Illinois, Minnesota, and New York do not currently have a strategic plan or taskforce researching its economic development programs.

FISCAL IMPACT

Since it is unclear what would be required of FTB personnel participating in the task force, departmental costs cannot be determined at this time. FTB may require additional personnel years (PYs) to participate in the task force, depending on the assigned duties and responsibilities. The bill presently lacks a funding source for PYs the department may require to implement such duties and responsibilities.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

Darrine Distefano
Franchise Tax Board
845-6458
Darrine.Distefano2@ftb.ca.gov

Brian Putler
Franchise Tax Board
845-6333
Brian.Putler@ftb.ca.gov