

SUMMARY ANALYSIS OF AMENDED BILL

Author: Kelley Analyst: Jeani Brent Bill Number: SB 200

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 04/14/97

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Enterprise Zones/Authorizes Additional Designation If Specified Criteria Is Met

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced January 14, 1997.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO Neutral, If Amended.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Government Code, this bill would require the Trade and Commerce Agency (TCA) to designate up to two additional enterprise zones. This bill would specify that TCA could designate only cities that meet certain additional criteria.

This bill would provide that all tax incentives provided to existing enterprise zones under the Revenue and Taxation Code would apply to enterprise zones designated under this bill.

SUMMARY OF AMENDMENT

The April 14, 1997, amendments made the following changes.

- Reordered the criteria for designation. This change resolves one of the department's technical concerns mentioned in the analysis of the bill as introduced.
- Specifies that up to two enterprise zones shall be designated under the bill. The bill as introduced did not specify the number of designations.
- Adds a requirement that, to qualify for enterprise zone tax incentives, businesses located in these zones must hire at least 30% of their workforce from the county in which the enterprise zone is located.

~~The following discussions in the department's analysis of the bill as introduced~~

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Department Director Position: <input type="checkbox"/> S <input type="checkbox"/> O <input type="checkbox"/> SA <input type="checkbox"/> OUA <input type="checkbox"/> N <input type="checkbox"/> NP <input type="checkbox"/> NA <input type="checkbox"/> NAR <input type="checkbox"/> _____ PENDING	Agency Secretary Position: <input type="checkbox"/> S <input type="checkbox"/> O <input type="checkbox"/> SA <input type="checkbox"/> OUA <input type="checkbox"/> N <input type="checkbox"/> NP <input type="checkbox"/> NA <input type="checkbox"/> NAR <input type="checkbox"/> _____ DEFER TO _____	GOVERNOR'S OFFICE USE Position Approved ___ Position Disapproved ___ Position Noted ___
Department/Legislative Director Date	Agency Secretary Date	By: Date:

January 27, 1997, still apply: "Effective Date," "Legislative History," "Program Background," "Specific Findings," and "Fiscal Impact."

IMPLEMENTATION CONSIDERATIONS

The 30% workforce criteria provided in the April 14, 1997, amendment would raise the following concerns. The department is available to work with the author's staff to resolve these concerns.

1. If the author's intent is for the department to administer this provision, the criteria should be contained in the Revenue and Taxation Code.
2. The provision leaves unclear:
 - whether the 30% test is determined based on employees newly hired after the zone is designated or on the total existing workforce at some unspecified point in time;
 - whether "from the county" would mean the employees must be residents of the county at the time the zone is designated; and
 - whether the 30% workforce criteria must be met at year end only, on a monthly basis, or on a continual basis.
3. No requirement is provided for recapture of the tax incentives if a business fails to maintain the 30% workforce criteria.

Technical Considerations

The April 14, 1997, amendment resolved the department's technical consideration regarding the arrangement of the criteria in the bill. The remaining three technical considerations still apply:

1. The criterion regarding three times the state average unemployment refers to "the county." It is unclear whether the reference to "the county" means the county in which the applicant city is located.
2. The criterion regarding less than 5% population growth refers to the "preceding" two years. It is unclear what determines the point in time from which this time period is measured.
3. The criterion regarding a federal enterprise community or empowerment zone incorrectly refers to Chapter 120 of Title 42 of the United States Code. That chapter is the expired authority for designation of federal enterprise zones, none of which were ever designated. The correct reference should be Subchapter U (commencing with Section 1391) of Chapter 1 of Subtitle A of Title 26 of the United States Code.

POSITION

Neutral, if amended.

The staff's position would be neutral if the bill were amended to resolve the implementation concerns addressed in this analysis.