

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: DeSaulnier Analyst: Brian Werking Bill Number: SB 133

Related Bills: See Legislative History Telephone: 845-5103 Introduced Date: January 28, 2013

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Enterprise Zone Act/Limit Size of Specified Proposed Enterprise Zones

SUMMARY

This bill would modify the rules relating to Enterprise Zone (EZ) boundaries.

RECOMMENDATION

No position.

REASON FOR THE BILL

The reason for this bill is to prevent zone aggregations and excessive expansions. These changes seek to ensure that scarce state resources are put to good use in the most economically impacted areas.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2014, and would be specifically operative for EZ applications filed on or after that date.

ANALYSIS

STATE LAW

Under the Government Code, existing state law allows the governing body of a city or county to apply for designation as an EZ. Using specified criteria, the Department of Housing and Community Development (HOUSING) designates EZs from the applications received from the governing bodies. EZs are designated for 15 years (except EZs meeting certain criteria may be extended to 20 years), and HOUSING is authorized to designate 42 EZs under current law (40 are currently designated).¹ When an EZ expires, HOUSING is authorized, but not required, to request applications for EZ designation. HOUSING may approve the geographic expansion of EZs up to 15 percent in size and, for certain small EZs, up to 20 percent in size.

¹ The Antelope Valley EZ expired on January 31, 2012, and the Watsonville EZ expired on April 30, 2012.

Board Position:	Executive Officer	Date
_____ S		
_____ SA	Selvi Stanislaus	3/1/13
_____ N		
_____ NA		
_____ O		
_____ OUA		
___ X ___ NP		
_____ NAR		

THIS BILL

This bill would make changes to the Government Code that apply only to EZ applications filed in response to a solicitation by HOUSING for new EZ designations.

This bill would limit the size of a proposed EZ when the proposed EZ boundaries overlap the boundaries of one or more existing or expired EZs (previously designated EZs) on applications for EZ designation that are submitted on or after January 1, 2014, as follows:

If any proposed EZ's boundary overlaps a previously existing EZ, the size of the proposed EZ shall not exceed the size of the previously designated and expanded EZ by more than 15 percent.

If any proposed EZ's boundary overlaps the boundaries of two or more previously designated EZs, the aggregate size of the proposed EZ shall not exceed the size of the largest previously designated and expanded EZ by more than 15 percent.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 28 (Perez, 2013/2014) would, among other things, limit the size of specified proposed EZs in a similar way as this bill would, and would modify the FTB's reporting requirements under the EZ Act. AB 28 is currently in the Assembly Committee on Jobs, Economic Development and the Economy.

AB 231 (Perez, 2011/2012) would have, among other things, required state agencies to consider how the Geographically Targeted Economic Development Area programs could be integrated into workforce development and training plans and strategies and would have modified the FTB's reporting requirements. This bill failed to pass out of the Assembly Committee on Jobs, Economic Development and the Economy.

AB 1411 (Perez, 2011/2012) would have, among other things, limited the size of specified proposed EZs and modified the FTB's reporting requirements under the EZ Act in the same way that this bill would. AB 1411 failed to pass out of the Senate Rules Committee.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Modifying the Government Code provisions that govern EZ designation could affect the General Fund revenue impact of the program. For example, limiting the size of EZs proposed for designation in the future could affect the number of qualified taxpayers eligible for the various EZ income and franchise tax incentives. Because insufficient data exists to predict the future effect on the General Fund, the department is unable to provide an estimate of the revenue effect.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Pro: Proponents may argue that limiting the size of a proposed EZ in specified circumstances could prevent excessive expansion of, or consolidation of, EZs in contradiction to the intent of targeting EZ incentives to the areas of the state in most need of assistance.

Con: Opponents may argue that limiting the size of a proposed EZ in cases where the proposed EZ's boundaries would overlap a previously designated EZ could preclude blighted areas of the state from participating in a program intended to fight blight and poverty.

LEGISLATIVE STAFF CONTACT

Brian Werking

Legislative Analyst, FTB

(916) 845-5103

brian.werking@ftb.ca.gov

Mandy Hayes

Revenue Manager, FTB

(916) 845-5125

mandy.hayes@ftb.ca.gov

Jahna Carlson

Acting Asst. Legislative Director, FTB

(916) 845-5683

jahna.carlson@ftb.ca.gov