

**HB 4093 Enterprise Zone Increases  
Testimony for House Revenue, February 6, 2012**



Enterprise zones have been very successful – for reducing taxation. But as we heard last session, there are no substantive studies that prove that similar properties with or without the zones behave differently over time in their growth of businesses.

If these increases in number, size and years of reduced taxes “work” and businesses locate where they’ll pay less property tax, it will constrain the ability of local jurisdictions and services to survive.

If the state stopped backfilling K-12 education for property taxes lost to enterprise zones, would counties’ economic development departments find support at home?

How many Enterprise Zones does the state need to have?

Currently we have 60 Enterprise Zones; 12 urban and 48 rural

The eligible businesses (generally non-retail) must have job growth – it’s the greater of 1 job or 10% job growth

HB 4093 uses a scatter shot method to increase zones in every way....size, number, years applicable, with no research or evidence to support any of the changes.

Just last session, the legislature extended the sunset of enterprise zones without consideration of these additions. We couldn’t then and we can’t now afford more giveaways.

Examples from the database on enterprise zones show how generous these zones can be: Since property taxes per 1000 vary from \$5 - \$15/thousand, we used \$10/1000 in the analysis of cost.

- Energ2 \$28,000,000 invested at \$10/1000 \$280,000 30 employees.....We’re essentially paying \$9,333 per employee, per year. You can be quite certain that the employees’ income taxes paid are less than that. It means we’re going in the hole as a state for 3-15 years for these jobs.
- The Synergy Data Center has only one employee. The business also made a small investment, just \$775,000. Lost property taxes is \$7,750 using the 10/1000 formula.
- T. Gerding Construction \$2 million investment. In this case the forgone property taxes equal \$20,000 for one job.

- **Sno Temp/Eugene Freezing \$15 million investment, 2 new, 20 retained jobs. Annual cost per new job \$75,000, while retained and new is considered, the subsidy is still \$6800/job.**

**The bills scatter shot method of increasing zones in every way -- size, number, years applicable – makes evident that we have no research or evidence to support any one of the changes.**

**Just last session extended without consideration of these additions because this isn't a time for more giveaways.**

**And we need to increase our jobs standards for participation from year one, not just for an extension of the years, one can participate, beyond the original three years. We should not be subsidizing jobs that lower our per capita income.**

**Recently Oregon received a grade D- from *Good Jobs First* for the inadequacy of jobs standards in the Oregon programs they examined. In their report "Money for Something" one can see how other states' job subsidies outshine ours in performance metrics.**

**Hand out: Money for Something metrics and a page from other states.**

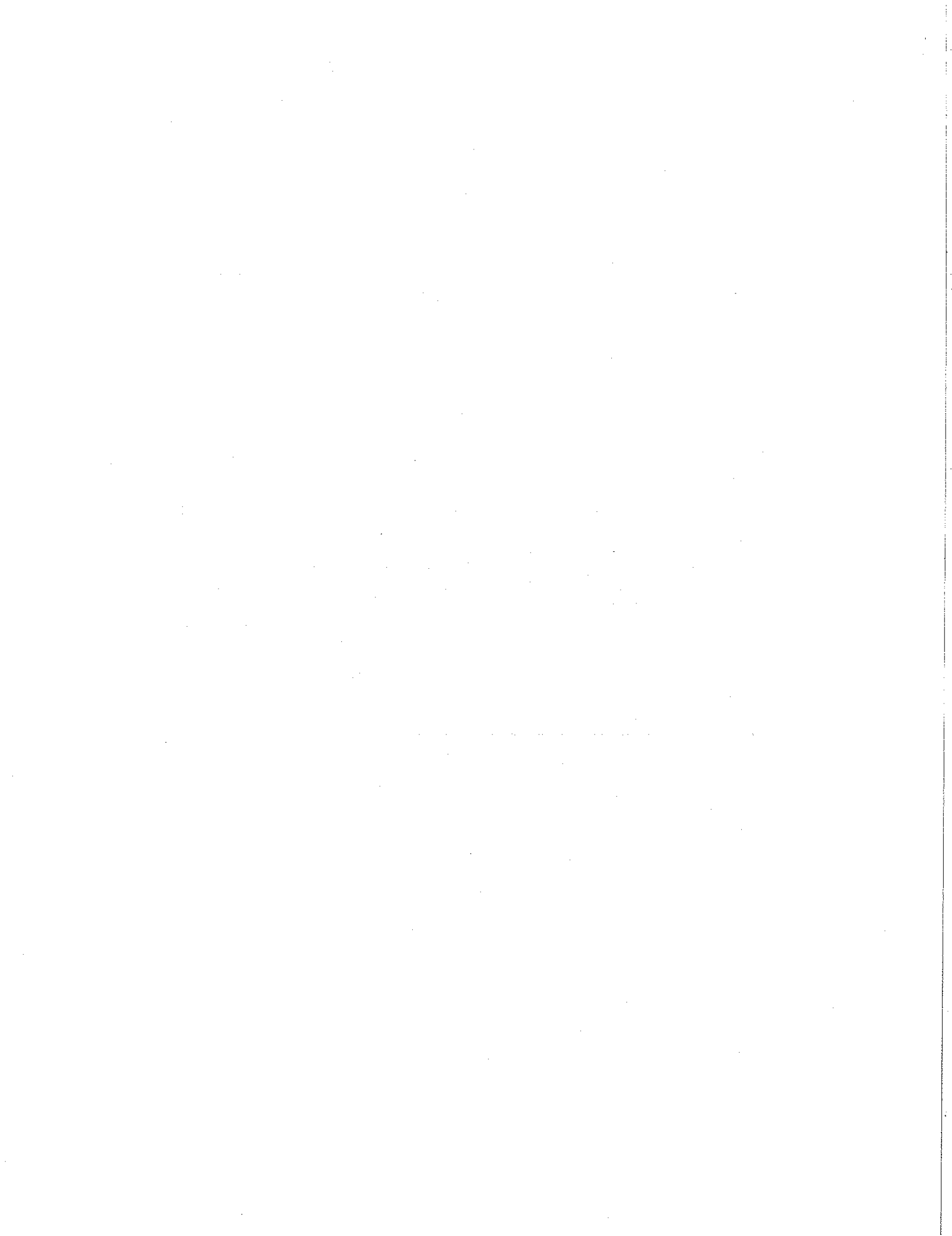
**Money for Something:**

[http://www.goodjobsfirst.org/sites/default/files/docs/pdf/moneyforsomething\\_noappdx.pdf](http://www.goodjobsfirst.org/sites/default/files/docs/pdf/moneyforsomething_noappdx.pdf)

**Appendix 1: SAMPLE SCORING RUBRIC**

<b>Money For Something. Scoring Details for a State's Programs</b>		<i>Maximum possible score for category</i>
Performance requirements	Job creation, job retention or training requirement (15 pts) Only investment and/or qualified expenditures requirements (10 pts) No performance requirements (0 pts)	15
	Rule on shifting jobs from an existing facility (10 pts)	10
	Duration requirement regarding jobs/facility (10pts)	10
Wage requirements	Market-based wage requirement (35 pts) Non-market based wage requirement (25 pts) No wage requirement (0 pts)	35
Healthcare requirements	Healthcare with employer premium obligation (30 pts) Healthcare without employer premium obligation (10 pts) No healthcare requirement (0 pts)	30
<b>Total before extra credit</b>		<b>100</b>
Extra credit categories	Has a wage requirement equal to at least 105% of average wage for the state, local area or industry sector (6 pts)	6
	Has one other benefit required beyond healthcare (5 pts); more than one other (10 pts)	10
	Wage or benefit requirements apply to part-time, temporary or contract workers, or employees of tenants in subsidized facilities (3 pts)	3
	Geographic hiring requirement (3 pts)	3
	Requirement regarding respect for labor rights (3pts)	3
<i>Total extra credit</i>		25
<b>TOTAL AFTER EXTRA CREDIT</b>		<b>125</b>

Money for Something (December 2011) <http://www.goodjobsfirst.org/moneyforsomething>



State	Program	Wage requirement	Hourly Rate	Healthcare requirement	Other benefit requirements
Indiana	Hoosier Business Investment Tax Credit (HBITC)	150% of the federal minimum wage	\$10.88		The state has a generalized requirement about benefits, but nothing specific written into rules, policy, or statute.
	Skills Enhancement Fund (SEF)	Officials stated that company wages are reported to the state and are a major evaluation criteria; however, the state has no fixed standard.			
	Enterprise Zone (Business Only)	90% of the average county or regional wage, whichever is lower but not below \$7.50/hour. In rare situations wage and benefit requirements can be waived.	\$10.29 - \$16.44	Employer must provide medical and dental insurance and pay 80% of the premiums for employee-only coverage (50% for family coverage) or pay a higher wage in place of providing benefits.	
Iowa	High Quality Job Creation Program	New jobs must pay at least 100% of the county or regional average wage, whichever is less, at the start of the project and 130% of that level by project completion. Retained jobs must pay the lesser of 130% of the county or regional average wage by project completion. Wage and benefit requirements can be waived in rare instances.	\$11.44 - \$23.75	Employer must provide medical and dental insurance and pay 80% of the premiums for employee-only coverage (50% for family coverage) or pay for some level of medical and dental coverage and provide the monetary equivalent value through other employee benefits.	

