

Fiscal Services Division

Legislative Services Agency

Fiscal Note

SF 2183 - Distribution Center Enterprise Zone (LSB 6466 SV)

Analyst: Ron Robinson (Phone: [515] 281-6256) (ron.robinson@legis.state.ia.us)

Fiscal Note Version - NEW

Description

Senate File 2183 creates a new type of enterprise zone of up to four miles that a city of 24,000 or more, or a county, can designate for blighted areas located within one mile of at least three of the following:

- A commercial service airport.
- A barge terminal or a navigable waterway.
- Entry to a rail line.
- Entry to an interstate highway.
- Entry to a commercial and industrial highway network.

Background

The Department of Economic Development certifies eligible enterprise zones for ten years that meet the designated requirements upon the request of a county or city. Currently, a city with a population of 24,000 or more is eligible to designate an enterprise zone if the zone meets two of the following distress criteria:

- The area has a per capita income of \$25,648 or less based on the 2000 census.
- The area has a family poverty rate of 12.0% or higher based on the 2000 census.
- Ten percent or more of the housing units are vacant in the area.
- The valuations of each class of property in the designated area is 75.0% or less of the citywide average for that classification based upon the most recent valuations for property tax purposes.
- The area is a blighted area.

An enterprise zone may be designated by a county which meets at least two of the following distress criteria:

- The county has an average weekly wage that ranks among the bottom 25 counties in the State based on the 2000 annual average weekly wage for employees in private business.
- The county has a family poverty rate that ranks among the top 25 counties in the State based on the 2000 census.
- The county has experienced a percentage population loss that ranks among the top 25 counties in the State between 1995 and 2000.
- The county has a percentage of persons 65 years of age or older that ranks among the top 25 counties in the state based on the 2000 census.

There are currently 784 designated enterprise zones in 40 counties and 17 cities. There have been 437 awards, 161 business awards and 276 housing awards.

Section 15E.192(3)(b), Code of Iowa, provides that an enterprise zone must be applied for before March 1, 2006, and the zone, excluding any business closure areas, must not exceed 1.0% of the total county area.

Assumptions

1. If the date to establish a zone is extended and the new type of zone is created, 26 new counties will be eligible for the Enterprise Zone Program.

The counties include: Allamakee, Cedar, Clay, Dallas, Des Moines, Dubuque, Fremont, Hamilton, Harrison, Jasper, Johnson, Lee, Linn, Louisa, Madison, Mills, Muscatine, Plymouth, Pottawattamie, Scott, Sioux, Story, Wapello, Warren, Webster, and Woodbury.

2. Each new county will create an average of 20 new enterprise zones.
3. The new counties will average a combined 18 projects annually, 10 business awards and 18 housing awards.
4. Due to the time needed to establish new zones, approve projects, and begin operations, the first project awards would not be exercised until FY 2008.
5. The average award for an enterprise zone business project is \$1.4 million.
6. The average cost of an enterprise zone housing project award is \$183,000.
7. A project does not take place in every enterprise zone.
8. All awards will be exercised.

Fiscal Impact

Senate File 2183 will have no fiscal impact to the State General Fund. The deadline for applying for enterprise zones was March 1, 2006.

However, if the date to apply for a zone was extended sufficiently to permit the 26 additional counties to establish new zones, the Bill would reduce State General Fund revenue an estimated \$9.0 million in FY 2008 and \$17.9 million annually beginning with FY 2009.

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending salary dollars within the State and growth in other businesses created and expanded to meet the needs of the new business. Negative indirect impacts may include the effect of the new business on other Iowa businesses when competing for labor, capital, and sales, as well as the additional demand for schools, roads, police and fire protection, and other government services that necessarily result from higher levels of employment and population.

Source

Department of Economic Development

/s/ Holly M. Lyons

March 10, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
