Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 97 - Enterprise Zone (LSB 1525 HH)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 97 provides that counties qualify for an enterprise zone without satisfying the current distress criteria, if the county has one of the 15 highest family poverty rates for counties in the State, based on the 2000 census, and has a population of less than 20,000, based on the 2000 census.

Background

An enterprise zone may be designated by a county (County Zone) 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.

A county or city may apply to the Department of Economic Development for an area to be certified as an enterprise zone at any time prior to July 1, 2010. An enterprise zone designation will remain in effect for ten-years following the date of certification by the Department. Therefore, awards could be made through FY 2020 and the benefits will extend through the life of the contract.

As of December 31, 2006, there were 1,256 designated enterprise zones in 40 counties and 23 counties with City Metropolitan Zones. Of the 40 counties, 28 qualify under the current distress criteria. There have been 542 awards including 206 business awards and 336 housing awards.

Assumptions

- The change in criteria will not prohibit any current counties from designating enterprise zones.
- The Bill will qualify an additional four counties, Appanoose, Davis, Lucas, and Page.
- There are currently 28 counties that qualify for a County Zone.
- The average award for an enterprise zone business project is $713,000 and 89.0% of that amount is for Investment Tax Credits and is to be amortized over five-years.
- Projects will average the same annual business awards for a new eligible county as the current County Zones. Currently, County Zones represent approximately $73.4 million in business awards annually for 28 eligible counties. Average annual county awards per county total $2.6 million.

- The average cost of an enterprise zone housing project award is $183,000.
- There will be approximately two new housing project awards annually for each new county.
- Awards will be issued during the year that a zone is certified.
- Due to the time needed to establish new zones, approve projects, and begin operations, the first project awards would not be exercised until FY 2009.
- The average award for an enterprise zone business project is $713,000 and 89.0% of that amount is for Investment Tax Credits and is to be amortized over five-years.
- A project does not take place in every enterprise zone.
- All awards will be exercised.
- No specific project was used in the estimate.

Fiscal Impact

House File 97 is estimated to reduce State General Fund revenue as follows:

- $6.4 million in FY 2009
- $8.2 million in FY 2010
- $10.1 million in FY 2011
- $12.0 million in FY 2012
- $12.0 million in FY 2013

Sufficient information is not available to determine if any specific project would have a fiscal impact in FY 2008. In order for a project to have fiscal impact on FY 2008, a zone would have to be applied for, certified by the DED, the eligible business would have to have the project approved, begin construction, and apply for and receive a sales and use tax refund during FY 2008.

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

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