Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 648 - Enterprise Zone, Significant Lay-Offs (LSB 1895 HV.1)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version – Revised
Requested by Representative McKinley Bailey

Description

House File 648 relates to distress criteria for enterprise zones. The Bill changes the business closure requirement, to a business closure or a permanent layoff requirement. The permanent layoff must occur on or after February 1, 2007.

Background

Currently, a city or county may designate an enterprise zone at any time prior to July 1, 2010, when a business closure occurs, involving the loss of full-time employees, not including retail employees, at one place of business, totaling at least 1,000 employees, or 4.0% or more of the county's resident labor force, based on the most recent annual resident labor force statistics from the Department of Workforce Development (IWD), whichever is lower. A permanent layoff is defined by the IWD as displacement of 50 or more workers from employment with no planned rehiring scheduled. Zone awards can continue for ten years after a zone has been designated. Over the past two-years, five counties would qualify under the expanded requirements for enterprise zones.

Assumptions

- The change in criteria will not prohibit any current counties from designating enterprise zones.
- 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. The Credits are not transferable and are only refundable if the given criteria are satisfied.
- 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.
- 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.
- Each year, FY 2007 through FY 2010, a new county will become eligible to designate enterprise zones due to significant lay-offs, as defined by HF 648.
- A project does not take place in every enterprise zone.
- All awards will be exercised.

Fiscal Impact

Sufficient information is not available to determine how many additional enterprise zones would be created by future unknown layoffs. However, should a county be added each year, FY 2007 through FY 2010, State General Fund revenue would be reduced as follows:

- $1.2 million in FY 2009
- $2.9 million in FY 2010
- $5.1 million in FY 2011
- $7.7 million in FY 2012
- $9.1 million in FY 2013
- $10.0 million in FY 2014
- The reduced revenue will be the greatest at $10.5 million annually in FY 2015 through FY 2017.

Sufficient information is not available to determine if any specific project would have a fiscal impact in FY 2008. For a project to have a fiscal impact, in 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.

Sources

Iowa Department of Economic Development
Iowa Department of Workforce Development

/s/ Holly M. Lyons

March 14, 2007

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.