

Hearing II

Summary October 8, 2009 Legislative Hearing

This is the second in a series of hearings being held by the Assembly Committee on Jobs, Economic Development, and the Economy on the California Enterprise Zone Program and other geographically- targeted economic development area (G-TEDA) programs. Collectively, the G-TEDA programs represent one of the state's primary economic and workforce development initiatives. Members in attendance included Chairman V. Manuel Pérez and Assembly Members Jim Beall, Paul Fong, and John Pérez.

At the Committee's first hearing in August 2009, witnesses provided a general overview of the G-TEDA programs. The focus of this hearing was to learn more about how the G-TEDA programs help the state's innovation-based industries – especially those in the manufacturing area.

In his opening remarks, the Chairman quoted John F. Kennedy, who said that "the New Frontier is not a set of promises, but a set of challenges." In advancing a state-level policy on innovation, the Chairman said, it will require public policy makers to review and restructure programs, services, and even missions of current state activities.

During the course of the hearing, the Committee heard from two panels of witnesses including one on re-establishing the state's innovation edge and another that more closely focused on the state's manufacturing competitiveness.

Mr. Irvin, Vice President for International Business Development at Lockheed Martin Space Systems Company explained how the G-TEDA programs assisted his company in reinvesting in their workers and keeping costs down. From a workers' perspective, Ms. Auerhahn with Working Partnerships, testified that the current G-TEDA program had value, more could be done to support jobs that paid living wages and providing real opportunities for advancement of lower income workers.

In opening the second panel, the City of San Jose provided an overview of their economic development program and how the G-TEDA programs played an integral part by allowing the city to offer key tax incentives to businesses that agreed to locate within their enterprise zone.

The Committee heard from several small business owners and managers including Ms. Gemignani, Riverview Systems Group; Mr. Chrisman, Borgata Recycling; and, Mr. Farano, SA Recycling, who explained that the G-TEDA programs provided important financial incentives which they used to fund basic operational needs, such as worker training. Ms. Gemignani said the G-TEDA program wasn't the single reason the company was located in the zone, but it was helpful, especially in these times, in supporting the company's bottom line. Mr. Farano, whose company employs former felons, shared with the Committee the challenges he faced in trying to permit and establish his recycling

company and how helpful the City of San Jose was in helping him work through the difficult mass of state regulations.

The Committee also heard an extended technical discussion by Mr. Chrisman, CPA with Holthouse, Carlin, and VanTrigt, on how large and small businesses use the different tax incentives in the G-TEDA programs. Mr. Struthers, Santa Clara and San Benito Building and Construction Trades, and Mr. Brennan, Silicon Valley Leadership Group discussed how difficult the recession has been on the workers and businesses they represent, local activities that have been supporting the recovery, and how the state needs to be more present in supporting these types of local economic development efforts.

The hearing concluded with an extended public comment period that included testimony from the Salinas Enterprise Zone on how they are using the program to combat gang activities through targeted hiring programs for former gang members.

Presenters made a number of proposals for improving the programs. The list below contains a few highlights. For a full list, refer to *Appendix N* of the enterprise zone white paper.

- Prohibit businesses that relocate within the same region to receive G-TEDA benefit.
- Revise the hiring credit to only provide credits for jobs that pay living wages.
- Require businesses to report on which incentives that are actually using.
- Establish a process for better understanding the impact of the program on workers.
- Equalize the value of the sales and use credit between differing types of businesses.

The next hearing on the G-TEDA programs is scheduled for October 19, 2009 in San Diego. This hearing will focus on the G-TEDAs relationship to workforce training and small business development, as well as reviewing different models for measuring success. This will be the Committee's only hearing in Southern California and all stakeholders in the region are encouraged to attend.

Based on these three hearings, it is the Committee's intention to set forth a meaningful set of reform recommendations. The committee produced a report which provides extensive detail for the hearing's subject matter. This report can be found on the State Assembly's website at www.assembly.ca.gov.