

Date of Hearing: August 23, 2011

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Pérez, Chair

AB 1278 (Hill) – As Amended: August 15, 2011

SUBJECT: G-TEDA Hiring Credits

SUMMARY: Limits the application of the new hire credit in instances where the tax payer has relocated from one area of California to a geographically targeted economic development area (G-TEDA) on or after January 1, 2011. Under this circumstance, a G-TEDA hire credit is only allowed for qualified employees who represent a net increase to the total number of California workers employed by the tax payer over the previous tax year. Further, the tax payer is required to have also made a bona fide offer of employment at the new work location to each employee at the old location that was displaced by the move.

EXISTING LAW:

- 1) Establishes the California Enterprise Zone Program, administered by California Department of Housing and Community Development (HCD), to stimulate business and industrial growth in depressed areas of the state. Legislative intent states that it is in the economic interest of the state to have one strong, combined, and business-friendly incentive program to help attract business and industry to the state, help retain and expand existing state business, and industry, and create increased job opportunities for all Californians.
- 2) Authorizes designation of up to 42 enterprise zones at any one time, each with a term of 15 years. Designations are required to be awarded through a competitive application process, whereby local governments compete for enterprise zone designation based on certain economic distress factors, the level of local financial and nonfinancial incentives committed to the proposed zone, and the appropriateness of the proposed economic development strategy in addressing the needs of the local community.
- 3) Authorizes three other geographically targeted economic development areas (G-TEDAs) in addition to the enterprise zones:
 - a) The Local Agency Military Base Recovery Areas (LAMBRA) with a maximum of eight LAMBRAs, each designated for a term of eight years.
 - b) The Manufacturing Enhancement Areas (MEAs) with a maximum of two MEAs, each designated for a term of 14 years.
 - c) The Targeted Tax Area (TTA), only one location, designated for a term of 15 years.
- 4) Authorizes an income tax credit for businesses in a G-TEDA that hire certain "qualified employees." Among other qualifying criteria, which are described in (5) and (6) below, the qualified employee must be certified by the local G-TEDA that he or she meets meet one of nearly a dozen categories of eligible individuals.
- 5) Limits the hiring credit to be awarded to only those employees that meet the following requirements:

- a) The employee provides service to an employer where at least 90% of those services within a taxable year are directly related to the conduct of a taxpayer's business or trade located in a G-TEDA;
- b) The employee performs at least 50% of his/her service for the taxpayer during the taxable year in a G-TEDA;
- c) The employee is hired after the date of the G-TEDA designation; and
- d) The employer has received a voucher for the employee that certifies that the employee, immediately preceding employment with this employer, meets one of 12 eligibility categories. The employee was or is:
 - i) A resident of a Targeted Employment Area, as specified;
 - ii) Eligible for services under the federal Job Training Partnership Act, or its successor;
 - iii) Eligible to be a voluntary or mandatory registrant under Greater Avenues for Independence Act of 1985, or its successor;
 - iv) An economically disadvantaged individual 14 years or older;
 - v) A dislocated worker, as specified;
 - vi) A disabled individual who is eligible for, enrolled in, or has completed a state rehabilitation plan;
 - vii) A service-connected disabled veteran, veteran of Vietnam, or veteran who has been recently separated from military service;
 - viii) An ex-offender, as specified;
 - ix) Eligible to receive specified social services benefits, including Federal Supplemental Security Income benefits, Aid to Families with Dependent Children, food stamps, or state and local general assistance;
 - x) A member of a federally recognized Indian tribe, band, or other group of Native American descent; or
 - xi) A member of a targeted group, as defined by the Internal Revenue Service for the purposes of the Work Opportunity Tax Credit (WOTC), which includes a qualified IV-A recipient, a qualified veteran, a qualified ex-felon, a high-risk youth, a vocational rehabilitation referral, a qualified summer youth employee, a qualified food stamp recipient, a qualified Supplemental Security Income recipient, or a long-term family assistance recipient.
- 6) Specifies the following additional hiring credit requirements:

- a) The "qualified employee" is required to be employed by the business for a minimum of 270 days (approximately 9 months) in order to qualify for hiring credit certification.
- b) The value of the hiring credit incentive totals 50% of the employee's wages in the first year, 40% in the second, 30% in the third, 20% in the fourth, and 10% in the fifth year. Although employees can be paid more, the maximum wage rate used to calculate the credit is 150% of minimum wage. Aircraft manufacturers in Long Beach may calculate the credit based on 202% of minimum wage.
- c) Application of the hiring credit is limited to only those tax liabilities attributable to activities located within the G-TEDA where the employee is primarily working. While not every employer is able to fully utilize the maximum value of the credit, it could be as high as \$37,700 over five years.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Purpose: According to the author, "AB 1278 ensures that taxpayer subsidies to companies are going to job creation in the state instead of job transferring. Under current law an employer can fire an employee in one part of the state and get a \$37,000 tax credit for replacing that employee in another part of the state. State government should instead focus its resources on true job creation. AB 1278 clarifies that prior to receiving a tax credit, the company has to show that it achieved a net increase in jobs in California. The bill also establishes a reasonable requirement that the company offer employees at the previous location a written bona fide offer of employment at the new location prior to receiving the tax credit.

California's 53 tax break zones cost California taxpayers roughly \$500 million a year. According to the Franchise Tax Board, only 15% of tax credits are filed by small businesses – businesses with gross receipts under \$10 million. Businesses with gross receipts over \$1 billion claimed approximately 57% of the total value of the credits. The biggest single benefit for businesses within the zones is a tax credit for hiring workers, worth \$37,000 per worker. In 2008, businesses claimed credits for hiring 104,000 workers. It's unknown how many of these workers were truly new hires or simply replacements for companies transferring to a new location. "

- 2) Policy Questions: This measure raises several potentially conflicting economic and workforce development policy issues:
 - a) Business Retention Incentives: To the extent that a business has decided to vacate its existing location, is it in the state's interest to prohibit lower income communities from trying to attract and retain the business within the state?
 - b) Worker Protection Incentives: To the extent that a business lays off employees at one of its facilities and hires another employee at a new location at a potentially lower wage rate, is it in the state's interest to provide that company with a tax credit?

- c) **Target Population Incentives:** To the extent that a business hires an individual from a targeted population or who lives in an economically challenged census tract, is it in the state's interest to limit the business' access to state incentives?
- 3) **Implementation issues:** AB 1278 limits new hire tax credits to only those instances where the total number of workers employed by the business (from all areas of the state) have increased from the previous year. While the measure provides a definition of how to calculate whether the employer has met the net increase in jobs requirement, there are some implementation issues about how the definition would be applied.

As an example, the bill requires the employer to identify the total number of employees in the preceding year relative to the tax year. If the employer had two employees working part-time in the previous year and one employee in the tax year, the bill would prohibit the earning of a tax credit even though a full-time employee may be eligible for benefits and is more likely earning an annual wage that could support a family.

In another instance, the measure is not clear which employees would count toward the hiring credit. If the calculation results in a net increase in the total number of employees, does the employer choose which of the qualified employees' (described under existing law) wages will be used to calculate the value of the credit? Moreover, existing law authorizes an employer to earn a credit for up to five years on a single qualified employee. The measure is unclear as to whether the employer would have to have a net increase in the total number of employees in each year that a credit is allowed for the same employee.

There are also documentation considerations. Current law requires employers to obtain certification by the local G-TEDA as to the eligibility of the worker. This is done, in part, to ensure ongoing oversight of the program requirements rather than simply relying on the possibility of a tax audit to serve as a meaningful deterrent. Would this measure expand the local certification requirements to include both net increase in jobs and that every prior employee received bona fide offers or does the tax payer self-certify on the tax return? The committee may wish to address some of these implementation issues.

- 4) **The relocation of VWR:** VWR International, LLC, (VWR) headquartered in Radnor, Pennsylvania, is a global laboratory supply and distribution company with worldwide sales in excess of \$3.6 billion in 2010. In August of 2010, the company announced it was relocating its distribution center from the City of Brisbane (San Mateo County) to a new facility it will build in Tulare County.

VWR has been at its leased industrial space in Brisbane for nearly 50 years, employing 183 staff at the facility, including warehouse workers, office staff, management and on-site delivery and trucking staff. According to a U.C. Berkeley Center on Labor Research and Education (CLRE) report on the economic impact of the VWR relocation, the closure of the warehouse will result in the loss of 266 jobs (direct and indirect) in San Mateo County, with an accompanying loss of \$60.1 million in lost economic output.

The direct economic impact on the City of Brisbane is a loss of \$2.1 million in tax revenues, representing 18.5% of its General Fund. If the economic impact analysis is expanded beyond Brisbane and San Mateo County to include San Francisco, related jobs losses are estimated at an additional 65 jobs with \$12 million in economic output.

The CLRE report raises several concerns with the relocation, including, but not limited to, the use of public subsidies to entice VWR to the County of Tulare, an area of the state designated as a TTA under the G-TEDA programs. Among other incentives, businesses located in a TTA may receive tax credits for new hires that meet certain social and demographic criteria, as described under existing law. Examples of qualifying employee categories include workers who were previously unemployed for an extended period of time, live in a certain geographic area or who were previously receiving benefits under CalWorks.

Because VWR is closing its facility in Brisbane and opening what is legally considered a new facility in Tulare County, conceptually, the company could receive a tax credit for every worker hired at the new facility even though there are potentially 330 unemployed workers left behind in the Bay Area.

VWR is reported as saying it is not moving to Tulare County because of the tax benefits, but rather because the location is better suited for serving its clients in Northern and Southern California and that there is an opportunity to expand, which is not available in its current location. The company is also reported as saying it has given employees two years notice of the closure and relocation of its facility. There are, however, conflicting reports on whether employees have been offered positions at the new facility. Given the state's historically high unemployment, finding new jobs with similar benefits is perhaps unlikely for many of the 183 current workers at the Brisbane facility. AB 1278 would require, as a condition of receiving a hire tax credit, all employees at a closed facility be given a bona fide offer of work at the new facility.

- 5) Seeking an approach to addressing relocating businesses: VWR is not unusual, however, in choosing to move from a higher-cost urban coastal area to a more moderately priced area in California's more rural central and eastern border regions. Many of these latter regions are in serious need of new economic development activity, with unemployment rates running consistently above the statewide average, high numbers of students qualifying for free public lunch programs, and large sectors of the community living in poverty that has only deepened in the last few decades. Tulare County, as an example, has been designated as one of the poorest regions in the country by the U.S. Congressional Research Service, as well as being described as being located in the "New Appalachia."

As noted in an earlier comment, AB 1278 tries to address three important but sometimes conflicting policies. Where is the line drawn where one poor region's business attraction tool becomes unfair competition to another community and its workers? And, what is the state's responsibility to mediate these types of potential conflicts. AB 1278 proposes one policy solution; there are, however, several others worth reviewing.

In looking at what other states have done, there is at least one state of the 37 states that have a G-TEDA type program that completely prohibits benefits for any relocating business. A majority of the other state G-TEDA programs are silent on relocations. Relative to California, the issue of business relocations has been on the reform agenda since 2009. Here are two examples: the first approach comes out of a work group discussion and the other approach appears in AB 231 (V. Manuel Pérez and Alejo).

- Prohibiting zone benefits to businesses that relocate within 50 mile radius. This approach presumes that businesses relocating from another area of the same town into the zone for the tax benefits is a bad public policy. While some may agree, economic developers often encourage local relocation into a zone as a means for keeping a business in town when it has decided to move out of state due to their concern that California has a relatively higher cost of doing business than a nearby state such as Nevada or Arizona.
- Limiting the new hire credit to a relocating businesses based on net new jobs per type of work being performed. Under this proposal, if the relocating business is doing the same work as that performed at the prior location there would be a net increase requirement, but if the new location conducts a different type of work, like a call center or a distribution facility, there would be no limitation on accessing the new hire credit. In addition, a relocating business would be exempted from the limitation if the relocation is triggered by a need for more space or as a result of a natural disasters and or eminent domain proceeding.

Evaluating business retention tools and determining the appropriate balance between competing communities may not be able to be fully undertaken in the absence of a larger discussion on the G-TEDA programs.

- 6) The California Enterprise Zone Program: Existing law authorizes the creation of up to 42 enterprise zones based on a statutory list of criteria related to poverty and economic dislocation. The California Enterprise Zone program is based on the economic principle that targeting significant incentives to lower income communities allows these communities to more effectively compete for new businesses and retain existing businesses, resulting in increased tax revenues, decreased reliance on social services, and lower public safety costs. Residents and businesses also directly benefit from these more sustainable economic conditions through improved neighborhoods, business expansion, and job creation.

Enterprise zones are located in portions of 54 Assembly Districts and 35 Senate Districts. Enterprise zones range in size from one square mile to 70 square miles and in geographic locations ranging from Eureka and Shasta Valley near the Oregon border to San Diego and Calexico along the Mexican border.

Under the program, businesses and other entities located within the area are eligible for a variety of local and state incentives. In its application, a prospective enterprise zone is required to identify specific local government incentives that will be made available to businesses located in the proposed zone. The local incentives can, among other things, include writing down the costs of development, funding related infrastructure improvements, providing job training to prospective employees, and/or establishing streamlined processes for obtaining permits.

The state additionally offers a number of incentives, including tax credits, special tax provisions, priority notification in the sale of state surplus lands, access to certain Brownfield clean-up programs, and preferential treatment for state contracts. In addition to enterprise zones, the state is also authorized to administer several other G-TEDAs including a TTA, MEA and LAMBRA. Below is a chart comparing the state tax incentives offered to businesses located in a G-TEDA.

Comparison of State Tax Benefits by Targeted Area					
	Hiring Credit	Longer NOL ¹ Carry- Forward Period	Sales and Use Tax Credit	Accelerated Depreciation	Lender Interest Deduction
Enterprise Zone	X	X	X	X	X
Manufacturing Enhancement Zone	X				
Targeted Tax Area	X	X	X	X	
Local Agency Military Base Recovery Area	X	X	X	X	

Source: Legislative Analyst's Office

The Franchise Tax Board (FTB) reported that in 2008 – the most current comprehensive data available – \$483.5 million in business incentives were claimed through corporate and personal income tax (PIT) returns. Additionally, FTB reported hundreds of millions in carryover credits have been earned by businesses located in G-TEDAs, but have not been claimed. Below is a chart that displays the dollar amount of G-TEDA incentives claimed through each of the tax incentives.

	2004	2005	2006	2007	2008	2009
Hiring and Sales Tax Credit	\$349,127	\$362,620	\$385,677	\$430,934	\$462,682	\$461,725
NOL Deductions	\$72,326	\$74,024	\$126,106	\$207,993	\$50,418	--
Tax Impact	\$5,171	\$5,966	\$11,351	\$15,807	3,433	--
Net Interest Deductions	\$432,867	\$490,129	\$517,310	\$520,372	\$264,547	--
Tax Impact	\$29,103	\$32,395	\$34,156	\$34,438	\$17,282	--
Business Expense Deductions	\$4,387	\$4,770	\$4,463	\$5,136	\$5,637	--
Tax Impact	\$222	\$200	\$188	\$197	\$199	--
Total Tax Impact	\$383,624	\$401,181	\$431,371	\$481,376	\$483,596	--

Data Provided by the Franchise Tax Board 7/2011

Across the U.S., 37 other states have G-TEDA type programs. Economic developers have testified that the G-TEDA programs are among the state's last remaining marketing tools for attracting new businesses and investment to California. Others, however, remain unconvinced and have suggested that this level of tax expenditure could be better spent elsewhere.

- 7) Assessments of the California Enterprise Zone Program: Measuring the success and failure of the enterprise zone and the other G-TEDA programs has been central to the debate on

¹ NOL= Net Operating Loss

whether to expand or limit, as in the case of this measure, the G-TEDA programs. Complicating the matter is that much of the discussion around the relative success or failure of the G-TEDA programs is anecdotal. The academic attempts to assess the state's G-TEDA programs have produced mixed results. Some of the variance among study findings can be attributed to the limited access to good data sets. Research generally requires development of a set of assumptions to undertake a study. The assumptions made in the case of the G-TEDAs have, however, left most, if not all, of the methodological approaches open to debate. Moreover, the problems in assessing the G-TEDA programs have been further complicated by a lack of consensus on why the programs were established and what objectives they were designed to achieve.

Responding to the differing reports, HCD commissioned its own study in 2006, which looked at the impact of the enterprise zone program on neighborhood poverty, income, rents, and vacancy rates. The report showed that, on average, within enterprise zones between 1990 and 2000:

- a) Poverty rates declined 7.35% more than the rest of the state;
- b) Unemployment rates declined 1.2% more than the rest of the state;
- c) Household incomes increased 7.1% more than the rest of the state; and
- d) Wage and salary income increased 3.5% more than the rest of the state.

Since HCD's 2006 report, two additional reports have been released. One report found favorable impacts of the enterprise zone program and another found the program lacking in its ability to stimulate jobs. In November 2008 and later revised and re-released in March 2009, economists from the University of Southern California (USC) found that federal empowerment zones, federal enterprise communities, and state enterprise zones have "positive, statistically significant impacts on local labor markets in terms of the unemployment rate, the poverty rate, the fraction with wage and salary income, and employment."

The Public Policy Institute of California (PPIC) released its study of the enterprise zone program in June 2009, examining whether the program had been successful in creating more jobs than would have otherwise been established without the enterprise zone. The main finding of this report was that, "enterprise zones have no statistically significant effect on either business creation or employment growth rates."

The PPIC report also noted that the effects of the program differed among enterprise zones, appearing to have a greater effect on job creation in zones with lesser amounts of manufacturing and those where the administrators spent a greater amount of time on marketing and outreach activities. The report further stated that PPIC encouraged a more critical evaluation of the program overall and on individual zones using both employment and other metrics such as poverty, unemployment, and property values.

It is important to note, however, that while the USC and PPIC reports discussed above were released in 2008 and 2009, the business development data used to form the statistical analyses were from 2004 and earlier. This date is significant, as both HCD and the

Legislature approved significant reforms to the program in 2006 (discussed below), and only two of the 42 current zones were subject to the study, raising the question as to whether either of the studies accurately reflect the impact of the enterprise zone program today.

- 8) The pursuit of comprehensive reforms (list of bills is under comment 7): While the G-TEDA programs have been around for decades, it was not until the winter of 2005 that the first comprehensive legislative oversight hearings were held. The impetus for these hearings, jointly held by Assembly Committee on Jobs, Economic Development and the Economy (JEDE) and the Assembly Committee on Revenue and Taxation (R&T), was the introduction of several comprehensive and controversial reform efforts in 2004. During the course of these first oversight hearings, the committees struggled to develop a framework for evaluating the state's return on investment.

Due to the lack of clear data and the state's poor administration of the program when it was overseen by the now defunct Technology, Trade and Commerce Agency, JEDE's focus shifted to improving the transparency and accountability of the G-TEDA programs as a first step toward broader reform efforts. Following the three hearings, publication of a final report, and extended work group meetings led by JEDE, legislation was negotiated and approved by the Senate and Assembly floors on 40-0 and 77-0 votes [AB 1550 (Arambula and Karnette), Chapter 718, Statutes of 2006].

The requirements of the 2006 reforms were just coming into effect when there were new calls for further G-TEDA reforms in 2009. In preparing to vote on another set of comprehensive reforms, JEDE initiated a second round of hearings, which included an examination of how the prior reforms were progressing and what additional areas were in need of improvement. During the course of its 2009 review, JEDE held three public hearings, met with a variety of stakeholder groups, and produced an updated report that detailed the structure and activities of the G-TEDA program. In addition to the authors of the USC and PPIC reports, speakers included economic development practitioners, researchers, nonprofit organizations, local governments, labor, and business leaders.

A final summary report of the proceedings was released by JEDE in January 2010; it included a comparative review of how California's program stacked up against other state's enterprise zone programs, summaries of each hearing and a list of 100 reform recommendations. The JEDE report made five key findings, including the need for more structure and accountability mechanisms within the tax incentives and the need to better link workforce development into the overall G-TEDA framework.

In March 2010 Speaker John A. Pérez asked JEDE Chairman V. Manuel Pérez to convene a working group to review the final report recommendations and develop a comprehensive set of reforms to the G-TEDA programs. The work group, comprised of representatives from local governments, labor and the business community, met extensively through the spring and summer of 2010 on the premise that they would put forward a consensus-based set of reforms. Key program revisions under discussion included:

- a) Increasing accountability of the program;
- b) Tighter targeting of tax incentives to low and moderate income households;
- c) Reforms to structure of the hiring credit; and

- d) Increased integration of the enterprise zone program with other state and local community development programs, including public programs that support workforce development and job placement.

Ultimately, one of the primary stakeholder groups withdrew from the negotiations based on their position that the overall reform package must result in a substantially smaller program and perhaps be only limited to the state's rural areas.

- 9) 2011 enterprise zone actions: In January 2011, Governor Brown released, as part of his 2011-12 proposed budget, a proposal to eliminate the G-TEDA programs, including any previously earned credits that had not yet been applied toward tax liability. His proposal was met with both support from the critics of the program, including labor, and opposition from supporters of the program, including local government and business representatives.

Responding to the Governor's proposal, Assemblyman V. Manuel Pérez, the JEDE Chairman, and Assemblyman Alejo jointly introduced a comprehensive reform bill, AB 231, which addressed many of the reform recommendations from the 2009 hearings and working group meetings, including proposals for reducing the overall cost of the program and increasing transparency and accountability. The bill remains with JEDE in anticipation of broader reform discussions through the fall of 2011. In the Governor's May 2011 budget report, his G-TEDA proposal was modified from eliminating all the G-TEDA programs to eliminating the requirement to target hire credits toward underserved populations, limiting the hire credit to only net new hires (similar to the provisions in AB 1278), and reducing the value of the individual hiring credit from \$37,400 over five years to a one-time credit of \$5,000. The Legislature did not take action on the Governor's May revision proposal as part of the 2011-12 Budget actions.

In addition to the Governor's proposal, AB 1278, and AB 231, a narrowly focused reform measure was advanced through the Senate, SB 301 (DeSaulnier), which limits the size of new enterprise zones in instances where the new zone would include areas that were previously included within a zone. In July 2011, the provisions of SB 301 were amended into AB 1411 (V. Manuel Pérez and Alejo) which is a second, although less comprehensive, reform measure sponsored by JEDE. Last week (8/15/11), AB 1411 was sidelined by the authors for the purpose of pursuing a broader G-TEDA reform measure in January.

- 10) Related legislation: The following is a list of related legislation.

- a) AB 231 (V. Manuel Pérez and Alejo) – Enterprise Zone Reforms: This bill makes a number of changes to the California Enterprise Zone Program including the following:
 - i) Reforms to reduce the cost and size of the program including, but not limited to: limiting the use of the tax credits and deductions to 50% of tax liability for the 2011 and 2012 tax years, requiring vouchering of qualified employees within 36 months of employment, reducing the five-year credit to three years, limiting the hiring credit for relocating businesses, scaling back the size of the targeted tax area, limiting the carry forward of credits to 15 years, requiring new zones to exclusively be designated based on lower income households, and limiting the merging of zones.

- ii) Reforms to increase program accountability including, but not limited to, de-designation of poor performing zones, prohibiting "bad actor" businesses from accessing tax incentives, tracking local resources dedicated to zone activities, and expanding state-level reporting.

Status: The bill is pending in JEDE.

- b) AB 1139 (John A. Pérez) – Enterprise Zone Hiring Credit: This bill proposed to make four changes to the G-TEDA programs:
 - i) Establishing a two-tier hiring credit – one funding level for jobs with health care and another for those without;
 - ii) Requiring applications for hiring credit certification to be submitted to the certifying agency within 21 days of the commencement of employment;
 - iii) Removing from the hiring credit qualified employee list, employees who reside within a targeted employment area; and
 - iv) Requiring annual reporting from tax payers who have certified an employee under the hiring credit.

Status: Held in JEDE in December 2010.

- c) AB 1159 (V. Manuel Pérez) – Enhancement of Sales and Use Credit for Cleantech Projects: This bill would have established the California Cleantech Advantage Act of 2008 providing a targeted incentive to strengthen California's competitive edge in the leading emerging clean technologies. Status: Held in Assembly Appropriations in May 2010.
- d) AB 1411 (V. Manuel Pérez and Alejo) – Accountability Reforms: This bill makes a number of changes to the enterprise zone program related to accountability and transparency including, but not limited to, limiting new zone designations to lower income census tracts, increasing reporting of the programs impact, and de-designating poor performing zones. Status: The bill is pending in Senate Appropriations Committee.
- e) AB 1550 (Arambula) – Final Enterprise Zone Reform Act from 2005-06 Session: This bill made a number of significant changes to the management and oversight of the G-TEDA programs. The bill was the result of extensive oversight hearings held by JEDE and R&T, as well as extended discussions with stakeholder groups. Status: The bill was signed by the Governor, Chapter 718, Statutes of 2006.
- f) AB 2589 (Runner) – Aggregate Credits to Offset Tax Liability within Zones: This bill would have authorized a business to use credits generated in an enterprise zone to offset taxes attributable to the business from any enterprise zone. Status: The bill was held in the R&T during the 2005-06 Session.
- g) AB 2476 (V. Manuel Pérez) – Reform of TEA: This bill would have tightened the criteria for designating a TEA for the purposes of establishing one of the thirteen worker

eligibility criteria under the enterprise zone hiring tax credit requirements. Status: The bill was held in the Assembly Committee on Appropriations in May 2010.

- h) *AB 301 (DeSaulnier) – Size of Zones*: This bill prohibits a jurisdiction which applies for an enterprise zone designation, on or after January 1, 2012, that includes area that was once within a previously designated zone from receiving a new zone designation that has a geographic area of more than 115% of the size of the previous zone. The bill also limits new zone designations in cases where the proposed zone area had been within one or more previously designated zones to 115% of the largest of those zones. Status: The bill is pending in JEDE.
- i) *SB 974 (Steinberg) – Career Pathways Credit and Hiring Credit Swap*: This bill proposed to establish a new Career Pathways Investment Credit for qualifying business entities that partner with local education agency programs to develop and support career pathway programs, as specified. Funding for the credit would be provided by limiting the eligibility criteria on the existing enterprise zone hiring credit. Status: The bill was held in JEDE in July 2010.
- j) *SB 1008 (Ducheny) – Initial Enterprise Reform Act from 2005-06 Session*: This bill would have made a number of significant changes to the G-TEDA programs including streamlining the selection criteria, authorizing noncontiguous zones, extending certain zone designations, and tightening up of the TEA. Status: The bill was held in JEDE during the 2005-06 Session.

11) Double Referral: The Assembly Committee on Rules referred this measure to JEDE and the Assembly Committee on Revenue and Taxation (R&T). Should SB 1278 pass JEDE, it will be referred to R&T for further consideration.

REGISTERED SUPPORT / OPPOSITION:

Support

California Conference Board of the Amalgamated Transit Union
 California Conference of Machinists
 California Labor Federation
 California Nurses Association
 California Professional Firefighters
 California Teamsters Public Affairs Council
 Engineers and Scientists of California
 International Longshore and Warehouse Union
 Northern California District Council – International Longshore and Warehouse Union
 Professional & Technical Engineers, Local 21
 UNITE HERE!
 United Food and Commercial Workers Union, Western States Council
 Utility Workers Union of America, Local 132

Opposition

California Association on Enterprise Zones
 California Chamber of Commerce
 County of Imperial