

HB 4093 Enterprise Zone Increases
Testimony for Senate Finance and Revenue
Jody Wiser, February 28, 2012



Enterprise zones have been very successful – for reducing taxation. But as we heard last session, there are no substantive studies that prove that similar properties with or without the zones behave differently over time in their growth of businesses.

If these increases in number of urban and rural and the size of rural enterprise zones “work” and businesses locate where they’ll pay less property tax, it will constrain the ability of local jurisdictions and services to survive.

If the state stopped backfilling K-12 education for property taxes lost to enterprise zones, would counties’ and city’s economic development departments find support at home?

How many Enterprise Zones does the state need to have? Where is the substitutive evidence? Will the new industrial land in Redmond now get enterprise zone designation?

- Currently we have 60 Enterprise Zones; 12 urban and 48 rural.
- The eligible businesses (generally non-retail) must have job growth – it’s the greater of 1 job or 10% job growth; however that requirement is sometimes waved.
- The years of reduced property taxes can be 3, 5 or 15 years, in addition to up to 2 years when the facilities are being built.

Just last session, the legislature extended the sunset of enterprise zones without consideration of these additions. We couldn’t then and we can’t now afford more unexamined giveaways.

Examples from the database on enterprise zones which I sent to you earlier, show how generous these zones can be: Since property taxes per 1000 vary from \$5 - \$15/thousand, we used \$10/1000 in this analysis of cost, since any of these businesses might have located in any zone.

- ENER2 invested \$28,000,000. The avoided property taxes at our hypothetical \$10/\$1000 are \$280,000 a year. With 30 new employees, the tax subsidy is \$9,333 per employee, per year. The typical Oregonian’s income taxes are barely over ½ of that. This means we’re going in the hole as a state for 3-15 years for these 30 jobs.
- The Synergy Data Center made a small investment, just \$775,000. It has only one employee. The lost property tax income is \$7,750 using the 10/1000 formula.

- T. Gerding Construction made a \$2 million investment. In this case the forgone property taxes equal \$20,000 for their one job.
- SnoTemp/Eugene Freezing made a \$15 million investment, 2 new, 20 retained jobs. Annual cost per new job \$75,000, while retained and new is considered, the subsidy is still \$6800/job.

The bill's original scatter shot method of increasing zones in every way -- size, number, years applicable -- makes evident that we have no research or evidence to support any one of the changes. The current version of the bill removes the additional years of applicability, but remember in the rural enterprise zones that is 15 years, and this legislation could increase the number of rural zones from 48 to 56.

Just last session you extended the sunset for enterprise zones without consideration of these additions because this isn't a time for more giveaways.

We need to follow the example of other states with enterprise zones by increasing our jobs standards for participation from year one. We should not be subsidizing jobs that lower our per capita income. We should not give away in property taxes more than we'll collect in new income taxes.

Recently Oregon received a grade D- from *Good Jobs First* for the inadequacy of jobs standards in the Oregon programs they examined. In their report "Money for Something" one can see how other states' job subsidies outshine ours in performance metrics.

Hand out: Money for Something score

Emailed separately: Data base for Enterprise Zones

Money for Something:

http://www.goodjobsfirst.org/sites/default/files/docs/pdf/moneyforsomething_noappdx.pdf