



LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION



February 4, 2011

Assembly Member Joan Buchanan  
Chair, California State Assembly Budget Subcommittee  
State Capitol  
Sacramento, CA 95814

**Re: Repealing Enterprise Zones - OPPOSE**

Dear Assembly Member Buchanan:

On behalf of the Los Angeles County Economic Development Corporation (LAEDC), an organization dedicated to promoting job growth, economic expansion, and preserving the overall global competitiveness of Los Angeles County, I am writing to express our strong opposition to repealing California's Enterprise Zone program ("EZ Program") – a proven tool to foster economic development and promote much-needed job growth.

By helping to level the playing field and reduce the cost of doing business here in California, Enterprise Zones remain one of the only dependable statewide economic development tools that local communities and economic developers can use to encourage businesses to stay or locate in-state. The EZ Program plays a key role in revitalizing economically-challenged areas of the state, encourages development in blighted neighborhoods and creates economically-stable communities by embracing entrepreneurship and private sector market forces to stimulate local economies.

Contrary to Governor Brown's interpretation (in his recently proposed budget), the EZ Program's success rate has been well-documented, demonstrating that Enterprise Zones perform dramatically better than their surrounding areas after designation. A 2006 Department of Housing and Community Development report confirmed that California Enterprise Zones have outperformed the rest of the state in several key economic areas: poverty decreased by 7.35 percent more than in the rest of the state, unemployment rates fell by 1.2 percent more than the rest of the state, household incomes grew 7.1 percent faster, and wages and salary levels increased 3.5 percent more than the rest of the state.<sup>1</sup>

Specifically, these zones provide tax incentives for businesses in economically-distressed areas to hire disadvantaged workers who face barriers to employment. Returning veterans, laid-off workers, government assistance recipients and other physically, mentally and economically-challenged job seekers are all eligible for preferred hiring in Enterprise Zone regions. What's more, the working poor (single taxpayers making less than \$16,334 or joint filers making less than

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<sup>1</sup> Enterprise Zone data from: "Report to the California Department of Housing and Community Development on Enterprise Zones", Nonprofit Management Solutions and Tax Technology Research, LLC, California Department of Housing and Community Development (HCD), dated: 2006.



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\$32,668) employed at an Enterprise Zone business can obtain a state tax credit of up to \$525 per year.

Eliminating this program at a time when our economy needs further economic stimulus, more economic development tools and when so many of our state and local residents desperately need jobs will not advance – but impede – California’s economic recovery. This is not a program that should be purged to help manage our state’s budget crisis; just the opposite. To solve California’s budget crisis the smartest thing we can do is to grow tax revenues by growing our economy *through the EZ Program.*

In his proposed budget, the Governor wrongly assumes that by eliminating the program the state will automatically generate an additional \$924 billion dollars. But this is not true when one factors in the lost tax revenue from businesses and jobs that will leave the state – *but for* the benefits offered in these zones – and not return. Not to mention the annual savings the state would accrue in reduced public assistance program outlays, e.g., Calworks childcare assistance, food stamps, Medi-Cal, etc.

Here in Los Angeles County, we have eight Enterprise Zones that deliver numerous benefits for employees and employers and create economic growth and stability. These zones have been instrumental in helping attract and retain scores of businesses in areas that would not ordinarily have the capacity to do so. Los Angeles County’s zones range from economically-depressed urban environments in the cities of Los Angeles and Long Beach to the more rural locales of the Antelope Valley and Santa Clarita. Without an Enterprise Zone designation in these once neglected communities, opportunities for local residents to achieve financial security and self-sufficiency would vanish. That’s not to mention the social benefits that would be lost to these communities; indeed, I don’t know of a more beneficial social program than providing someone with a well-paying job.

Terminating the Enterprise Zone Program in the mistaken belief it would help balance the state’s budget would be exactly the wrong prescription for fixing our ailing economy. Eliminating these zones would almost certainly make things worse in already stressed areas, which would suffer further job losses, economic decline and diminished quality of life. If anything, the Governor and State Legislature should strengthen their commitment to the Enterprise Zone Program in these difficult economic times as a key mechanism to revitalize economically challenged areas by providing incentives that promote investment in these communities.

Too many of our state and local residents desperately need jobs. Until such time when this is no longer the case, there will always be a critical role for Enterprise Zones to strengthen local economies, create jobs and bolster the state’s long-term economic foundation as well. Simply put, this is one program we cannot afford to eliminate.

For all of the above reasons, the LAEDC urges you to oppose any effort to repeal California’s EZ Program. Instead, we respectfully ask you to support a fully operational and maximally effective Enterprise Zone Program and ensure that other important job growth initiatives are considered,



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*Celebrating Economic Development Leadership*

adopted and implemented in a way where jobs are created, the state's economy is strengthened, and our overall quality of life is preserved.

Sincerely,

William C. Allen

cc: Members of the Assembly Jobs, Economic Development and the Economy Committee  
Members of the Assembly Revenue and Taxation Committee