SUBMITTAL DATE:
June 29, 2010

FROM: Supervisor John J. Benoit

SUBJECT: Opposition to Senate Bill 974 (Steinberg)

RECOMMENDED MOTION: That the Board of Supervisors oppose SB 974 as amended May 3, 2010.

BACKGROUND:

The Coachella Valley Enterprise Zone (EZ) has been extremely beneficial to businesses that have invested in our community and provided jobs to disadvantaged individuals in some of Riverside County's most distressed communities (Coachella, Thermal, Mecca). In 2009, 3,000 hiring credit vouchers were issued to businesses located inside the Coachella Valley EZ, approximately 75 percent using the TEA criteria. A business may reduce its state income tax by a portion of wages paid to qualified employees, for over $37,000 over a five year period. With 3,000 issued vouchers, the first-year value of this credit to businesses in the Coachella Valley is approximately $37.4 million.

SB 974 proposes to eliminate the Targeted Employment Area (TEA) from the list of eligibility criteria for the EZ hiring tax credit. Since a large number of hiring credit vouchers are issued under the TEA criterion, the practical effect of this provision will be to eliminate the most widely used benefit of the EZ Program. The TEA criterion is appropriate because it focuses on hiring individuals from certain low-income neighborhoods with historically high levels of unemployment and poverty.

While the new career pathways tax credit would provide a beneficial incentive to bolster education, it comes at the expense of eliminating a key provision in California's successful Enterprise Zone Program.

The County of Riverside opposes the elimination of the TEA criterion from the EZ hiring tax credit because it will harm efforts to induce businesses looking to make an investment in our communities. The State of California cannot continue to lose jobs to other states that provide a more business friendly environment.

John J. Benoit, Fourth District

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