

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

BILL ANALYSIS



Date: 2010 JUN 24 PM 4:23
July 8, 2010

Bill Number: SB 974

Bill Author: Darrell Steinberg; (D)

DEPARTMENT INFORMATION

Contact: Susana Villarreal

Department: Economic Development

Telephone: 238-7794 **FAX #** 238-2230 **E-mail:** svillarreal@oaklandnet.com

RECOMMENDED POSITION: OPOUSE

Summary of the Bill:

SB 974 proposes to create a "career pathways" tax credit, in an effort to enhance career technical education efforts in the state. However, this new tax credit is paid for by eliminating the Targeted Employment Area (TEA) from the list of eligible criteria for the Enterprise Zone (EZ) hiring credit and retroactive vouchering for all employees hired after January 1, 2011. The elimination of the TEA will specifically target neighborhoods with some of the highest levels of unemployment, poverty rates and crime in California and eliminate an important incentive for businesses to remain in those communities and hire local residents. Additionally, by eliminating an important hiring incentive, the cost of doing business increases significantly.

Voucher retroactivity is effectively eliminated by the requirement that all hiring credit vouchers be completed within 28 days of the date of hire; an unrealistic expectation at best. This provision effectively eliminates small business owners from participating in the program, as they will find this arbitrary and impractical deadline an impediment that makes participation in the program almost impossible. As a result, those businesses with the greatest growth potential and therefore California's best hope for reducing our historic unemployment rate will be left out of the program.

The bill also caps the amount of tax credits available to EZ businesses. This will launch an unprecedented scramble among EZ businesses to compete against each other to get their voucher applications submitted as quickly as possible.

Positive Factors for Oakland: NONE

Negative Factors for Oakland:

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SB 974 would eliminate TEA eligibility. Taking advantage of the TEA hiring credit gives employers an incentive to hire workers who live in low income areas and who might otherwise have a difficult time finding employment. Abolishing the TEA criteria will have a devastating impact on the Enterprise Zone program by drastically reducing the number of hiring credit vouchers that are issued, affecting thousands of employers and employees and undermining the ability of the program to eliminate barriers to employment for disadvantaged individuals. The requirement to submit vouchers within a 28 day deadline is unrealistic for small business owners who will not be able to obtain the credits. Retroactive vouchering will not be allowed decreasing the amount of a tax refund to companies who have hired eligible employees in the past. Further an annual cap of the credit will restrict the credit amount to participating businesses.

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

- Critical** (top priority for City lobbyist, city position required ASAP)
 Very Important (priority for City lobbyist, city position necessary)
 Somewhat Important (City position desirable if time and resources are available)
 Minimal or **None** (do not review with City Council, position not required)

Known support:

Association of CA School Administrators
CA Association of School Business Officials
California Association of Regional Occupational Centers and Programs
California Association of School Business Officials
California Catholic Conference
California Regional Occupational Centers and Programs
California State Parent Teachers Association
Clovis Unified School District
Elk Grove Unified School District
Los Angeles Unified School District
Metropolitan Education District
San Diego Unified School District
The Ranger Group

Known Opposition:

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7-Eleven Franchise Owners of San Diego
ACE Parking
All American Plastics, Inc.
Aloha Restaurants, Inc.
Amazon Consultants
American National Investments, Inc.
Atlas Transportation, LLC
Baja Mex Currency Services, Inc.
Barbosa Cabinets, Inc.
Basic Urban Kitchen
Blum and Clark Accounting Firm
Brawley Chamber of Commerce
C&I Tax Consultants
C&M Motors, Inc.
Cafe 222
Cafe Sevilla, Inc.
Cal Tax Group, Inc.
California Aerospace Technology Association
California Association of Enterprise Zones
California Bankers Association
California Business Properties Association
California Chamber of Commerce
California Employment Opportunity Network
California Grocers Association
California Independent Grocers Association
California Manufacturers and Technology Association
California Retailers Association
California Space Authority
California Taxpayers Association
Caterpillar Inc.
Chambers of Commerce Alliance of Ventura & Santa Barbara
Counties
Chung and Company, LLC
Cinder Block, Inc.
Citymark Development, LLC
Clovis Chamber of Commerce
Commercial Transport Concepts, Inc.
Community Bank of the Bay
Compete Consulting, LLC
Contractors Wardrobe, Inc.

Courtney Tires, Inc.
Cowboy Star
Cozad Trailer Sales, LLC
Custom Woodworking Products
CustomEyes Optometry
Dairy Institute of California
Dallo Enterprises, Inc.
Dana Point Chamber of Commerce
Del Monte Foods
Dos Amigos Distribution, Inc.
Easy Cash Community Pawn Centers
Economic Development Corporation of Oxnard
Edgewater Grill
El Centro Chamber of Commerce & Visitors Bureau
Evapco West
EZ Tax Credits, LLC
Gatto, Pope & Walwick, LLP
Golden Image Window Coverings
Greater Fresno Area Chamber of Commerce
Grocery Outlet
Harbor House Restaurant
HP Hood LLC
Integrated Marine Services, Inc.
Interactivate, Inc.
International Paper
International Surf Ventures, Inc.
Jillson & Roberts
Kieran Label Corp.
Long Beach Area Chamber of Commerce
Los Angeles Area Chamber of Commerce.
Los Angeles Cold Storage Company
Marcus & Millichap
Marine Service Commercial Diving
Marza Consulting
MD&CD, Inc.
Means and Associates
Merced County
Metal Supply Inc.
Michael L. Dworkin and Associates
MIRA California USA Center, LLC
Mission Cafe

Modesto Chamber of Commerce
Multimodal Esquer
National City Chamber of Commerce
National Federation of Independent Business
National Mechanical Services
O'Brothers Restaurant
Oakland Metropolitan Chamber of Commerce
Orange County Business Council
Otay Mesa Chamber of Commerce
Oxnard Chamber of Commerce
Pacific Gas & Electric
Pacific Lift and Equipment
Pacific Real Estate
Palm Desert Chamber of Commerce
Paramount Windows and Doors
Paul Mitchell Partner Schools
Peppertree Distributors, Inc.
Pier Cafe
Porterville Chamber of Commerce
Portfolio Realty Management, Inc.
Professional Solutions Group LLC
Proper Gastropub
Rainbow Mart
Riverview Systems Group Inc
San Diego Desserts
San Diego Pretzel Co.
San Diego Regional Chamber of Commerce
San Francisco Center for Economic Development
San Ysidro Chamber of Commerce
Sandicast
SC Design, Inc.
Seat Advisors, Inc.
Sempra Energy
sfparty
Side Bar
Sixth Avenue Bistro
Southwest Airlines
Stingaree San Diego
Summit Bank
Tactical Assault Gear
Targeted Management Company, Inc.

Tenacore Holdings Inc.
The Enterprise Zone Co.
The Fleetwood
The Kebab Shop
The Tin Fish
The Walt Disney Company
Tilted Kilt
Tittle & Company, LLP
Tooth Fairy Dental Group
Troll Systems Corporation
TUFF Acoustical and Thermal
Unity Forest Products
Urban Industries Embroidery
Valley Industry & Commerce Association
Vermont Outlet, Inc.
Walton Management Services, Inc.
Waterfront Bar and Grill
Western Growers Association
Wincentive Corporation
Windsor Mortgage and Capital
Wine Institute
Wine Steals
World Wide Petroleum
WW Wholesale
Yreka Chamber of Commerce

Attach bill text and state/federal legislative committee analysis, if available.

BILL ANALYSIS

SENATE RULES COMMITTEE		SB 974
Office of Senate Floor Analyses		
1020 N Street, Suite 524		
(916) 651-1520	Fax: (916)	
327-4478		

THIRD READING

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Bill No: SB 974
Author: Steinberg (D), et al
Amended: 4/5/10
Vote: 21

SENATE EDUCATION COMMITTEE : 8-0, 4/21/10
AYES: Romero, Huff, Alquist, Hancock, Liu, Price,
Simitian, Wyland
NO VOTE RECORDED: Maldonado

SENATE REVENUE & TAXATION COMMITTEE : 3-1, 5/12/10
AYES: Wolk, Alquist, Padilla
NOES: Ashburn
NO VOTE RECORDED: Walters

SENATE APPROPRIATIONS COMMITTEE : 7-3, 5/27/10
AYES: Kehoe, Alquist, Corbett, Leno, Price, Wolk, Yee
NOES: Denham, Walters, Wyland
NO VOTE RECORDED: Cox

SUBJECT : Career Pathways Investment Credit

SOURCE : Author

DIGEST : This bill eliminates an existing Enterprise Zone hiring tax credit and establishes a new Career Pathways Investment Credit administered by the California Department of Education to business entities that partner with local education agency programs to develop and support career pathways, as specified.

ANALYSIS : The California Tax Credit Allocation Committee (CTAC) administers two low-income housing tax credit programs, a federal program and a state program. Both programs were authorized to encourage private investment in affordable rental housing for households meeting certain income requirements.

Responsibility for administering the federal program was assigned to CTAC which has seven members, including three

voting members and four advisors. The voting members include the State Treasurer, the State Controller, and the Governor, who may choose to designate the Director of the Department of Finance as his representative. The non-voting members are the Executive Director of the California Housing Finance Agency, the Director of the Department of Housing and Community Development, and two representatives of local governments. One local representative must be associated with a city and is appointed by the Speaker of the Assembly. The other member is a county representative appointed by the Senate Rules Committee.

This bill:

1. Requires, on or after an unspecified date, CTAC to administer the Career Pathways Investment Credit, applicable to taxable years on or after January 1, 2011. More specifically it requires CTAC to:

- A. Determine and allocate the investment credit ceiling, as specified.
- B. Establish application filing deadlines, and give priority in allocating the credits to local education agencies (LEAs) meeting specified criteria including, among other things, specified unemployment and high school graduation rates, or serving of socioeconomically diverse student populations.
- C. Allocate the credits to LEAs that enter into enforceable contracts or memorandums of understanding, as specified, with CTAC and meet any additional requirements the CTAC deems necessary or appropriate.
- D. Adopt allocation criteria that award credits to LEAs that demonstrate specified elements in their application.
- E. Develop and provide forms to inform LEAs and taxpayers of the purpose of the credit and certify to an LEA (which must provide a copy to the business

entity receiving the credits) the amount of the allocated tax credits.

F. Consult with the California Department of Education to develop forms, procedures for submission and review of applications, and to require the application to include, but not be limited to, specified components.

2. Authorizes CTAC to:

A. Contract with other entities to process and review applications.

B. Charge fees of applicants, as specified, and authorizes the borrowing of money to cover administrative costs, to be repayable solely from these fees.

3. Authorizes a business entity that partners with an LEA to provide career technical education, as specified, to claim a career pathways investment credit against qualified state sales and use taxes, as specified, and imposes a number of related administering duties on the Franchise Tax Board and the State Board of Equalization.

4. Changes a definition within enterprise zone tax credit provisions within the Revenue and Taxation Code.

5. Defines various terms for purposes of the bill.

6. Makes a number of technical and clarifying changes to Revenue and Taxation Code provisions.

7. Makes a number of related declarations and findings.

FISCAL EFFECT : Appropriation: No Fiscal Com.: Yes
Local: No

According to the Senate Appropriations Committee:

Fiscal Impact (in thousands)

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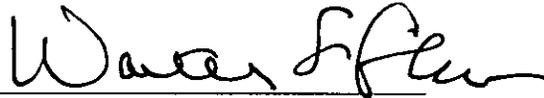
<u>Major Provisions</u>	<u>2010-11</u>	<u>2011-12</u>
<u>2012-13 Fund</u>		
Hiring credit changes	(\$20,000)	
(\$75,000)(\$100,000)		General
New CPIC credit	\$20,000	\$75,000
\$100,000General		
CDE regs & startup		\$150
to \$225, repaid in future fiscal year		
General		
		by CPIC applicant fees
FTB administration		Initial
costs unknown, ongoing costs		General
		covered by CPIC applicant fees

Appropriations staff notes that the bill authorizes CDE to charge a fee on CPIC applicants that is reasonably sufficient to cover CDE and FTB administrative costs. It is unclear whether an appropriate fee level can be established to fully offset costs to develop and administer the CPIC program. Initial costs would be paid from the General Fund until sufficient fees are collected to reimburse CDE for startup costs.

ARGUMENTS IN SUPPORT : According to the author's office, new research by the Public Policy Institute of California raises serious questions about the effectiveness of the enterprise zone tax credit in contributing to economic and job development. At a time when California's General Fund is shrinking, it is more important than ever to prioritize investments and ensure that tax credits are producing a beneficial return on the state's investment. California suffers from too many high school dropouts, too little meaningful career pathway programs at the middle and high school levels, and shortages of skilled workers to fuel high-need sectors of our economy. Investments in high quality career pathway programs at the secondary school level would bring a greater return on the state's tax expenditure investment.

ARGUMENTS IN OPPOSITION : Opponents argue that this bill does not improve the Enterprise Zone program; it does not encourage business growth; it does not encourage the creation of jobs; it does not provide the means for some of our most disadvantaged citizens to get the hand up they need to enter the job market. They state it does just the opposite and will ensure that California remains the least business friendly state in the union.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by:
Gregory Hunter, Deputy Director
Economic Development and Redevelopment

Prepared by:
Susana Villarreal, Enterprise Zone Coordinator
Economic Development

APPROVED AND FORWARDED TO
THE RULES COMMITTEE:



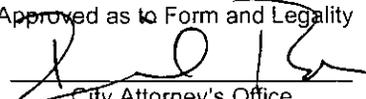
Office of City Administrator

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OAKLAND

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Approved as to Form and Legality


City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

RESOLUTION IN OPPOSITION TO SENATE BILL 974 (D. STIENBERG) AMENDING THE ENTERPRISE ZONE PROGRAM

WHEREAS, the City of Oakland opposes Senate Bill 974 which would roll back many of the benefits of the Enterprise Zone program by imposing costly and onerous requirements on employers; and

WHEREAS, SB 974 eliminates the Targeted Employment Area from the list of eligible criteria for the Enterprise Zone hiring credit and retroactive vouchering; and

WHEREAS, the elimination of the Targeted Employment Area will specifically target neighborhoods with some of the highest levels of unemployment, poverty rates and crime in California and eliminate an important incentive for businesses to remain in those communities and hire local residents; and

WHEREAS, the Oakland Enterprise Zone has greatly contributed to the revitalization of our community, creating jobs for local residents; and attracting and retaining businesses; and

WHEREAS, the negative impact of SB 974 would be catastrophic to economic opportunity and job growth at a time when our economy needs stimulus and more support of economic tools; now, therefore, be it

RESOLVED: That the best interests of the City of Oakland would be served by opposing SB 974; and be it

FURTHER RESOLVED: That the City Council declares that the City of Oakland opposes SB 974, an act to amend the Enterprise Zone Program, and authorizes the City Administrator to submit a letter to the State Legislature affirming its opposition to SB 974.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID,
AND PRESIDENT BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California