

AMENDED IN SENATE JULY 12, 2011

AMENDED IN SENATE JUNE 28, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1411

Introduced by Assembly Member ~~V. Manuel Pérez~~ Members

V. Manuel Pérez and Alejo

(Principal coauthor: Senator DeSaulnier)

(*Coauthor: Senator Rubio*)

March 10, 2011

An act to amend Sections 7071, 7072, 7073.1, 7076, 7076.1, 7081, 7085, 7085.1, and 7085.5 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 1411, as amended, ~~V. Manuel Pérez~~ *V. Manuel Pérez*. Economic development: enterprise zones.

The Enterprise Zone Act provides for the designation and oversight by the Department of Housing and Community Development of various types of economic development areas throughout the state, including enterprise zones, targeted tax areas, local agency military base recovery areas (LAMBRAs), and ~~Manufacturing Enhancement Areas~~ *manufacturing enhancement areas*, collectively known as geographically targeted economic development areas, or G-TEDAs. Pursuant to these provisions, qualifying entities in those areas may receive certain tax and regulatory incentives.

This bill would revise various definitions for purposes of the act and modify specified requirements for designating and administering enterprise zones, LAMBRAs, and G-TEDAs collectively. The bill would

impose new requirements on the Department of Housing and Community Development with respect to the enterprise zone program and modify department and Franchise Tax Board reporting requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7071 of the Government Code is amended
2 to read:

3 7071. The Legislature finds and declares as follows:

4 (a) The health, safety, and welfare of the people of California
5 depend upon the development, stability, and expansion of private
6 business, industry, and commerce, and there are certain areas within
7 the state that are economically depressed due to a lack of
8 investment in the private sector. Therefore, it is declared to be the
9 purpose of this chapter to help stabilize local communities, alleviate
10 poverty, and enhance the state's economic prosperity through the
11 implementation of public and privately funded programs and
12 services that stimulate business and industrial growth in the
13 depressed areas of the state.

14 (b) The geographically targeted economic development area
15 (G-TEDA) programs are based on the economic principle that
16 targeting significant incentives to lower income communities
17 allows these communities to more effectively compete for new
18 businesses and retain existing businesses, which results in increased
19 tax revenues, less reliance on social services, and lower public
20 safety costs. Residents and businesses also directly benefit from
21 these more sustainable economic conditions through improved
22 neighborhoods, business expansion, and job creation.

23 (c) Therefore, it is in the economic interest of the state to have
24 one strong, combined, and ~~business-~~ *business-friendly* and
25 community development-friendly incentive program to help attract
26 business and industry to the state, to help retain and expand existing
27 state business and industry, and to create increased job
28 opportunities for all Californians.

29 (d) This chapter shall not be construed to infringe upon
30 regulations relating to the civil rights, equal employment rights,
31 equal opportunity rights, or fair housing rights of any person.

1 SEC. 2. Section 7072 of the Government Code is amended to
2 read:

3 7072. For purposes of this chapter, the following definitions
4 shall apply:

5 (a) “Department” means the Department of Housing and
6 Community Development.

7 (b) “Date of original designation” means the earlier of the
8 following:

9 (1) The date the eligible area receives designation as an
10 enterprise zone by the department pursuant to this chapter.

11 (2) In the case of an enterprise zone deemed designated pursuant
12 to subdivision (e) of Section 7073, the date the enterprise zone or
13 program area received original designation by the former Trade
14 and Commerce Agency pursuant to Chapter 12.8 (commencing
15 with Section 7070) or Chapter 12.9 (commencing with Section
16 7080), as those chapters read prior to January 1, 1997.

17 (c) “Eligible area” means any of the following:

18 (1) (A) An area designated as an enterprise zone pursuant to
19 Chapter 12.8 (commencing with Section 7070), as it read prior to
20 January 1, 1997, or as a targeted economic development area,
21 neighborhood development area, or program area pursuant to
22 Chapter 12.9 (commencing with Section 7080), as it read prior to
23 January 1, 1997.

24 (B) A geographic area within census tracts of the proposed
25 eligible area with a median household income for a family of four
26 that does not exceed 80 percent of the statewide median income
27 for the most recently available calendar year, as well as meeting
28 at least one of the following criteria:

29 (i) The census tracts within the proposed eligible area have an
30 unemployment rate not less than 3 percentage points above the
31 statewide average for the most recent calendar year as determined
32 by the Employment Development Department.

33 (ii) The census tracts for the proposed eligible area are served
34 by public schools that have more than 70 percent of the children
35 enrolled in the federal free lunch program.

36 (iii) The area within the proposed zone has experienced
37 significant distress factors, as defined by the department, including,
38 but not limited to, a history of significant gang-related activity,
39 high crime rates, or a significant number of plant or business
40 closures, or all of these.

1 (2) The amendments made to this subdivision during the 2011
2 portion of the 2011–12 Regular Session shall apply only to requests
3 for proposals issued on or after January 1, 2012.

4 (d) “Enterprise zone” means any area within a city, county, or
5 city and county that is designated as an enterprise zone by the
6 department in accordance with ~~Sections 7073 and 7073.3 that~~
7 ~~include an eligible area and a qualifying commercial or industrial~~
8 ~~area, or both, as defined by the department. Section 7073 that~~
9 *includes both of the following:*

10 (1) *An eligible area.*

11 (2) *Either or both of the following:*

12 (A) *A qualifying commercial area, as defined by the department.*

13 (B) *A qualifying industrial area, as defined by the department.*

14 (e) “Governing body” means a county board of supervisors or
15 a city council, as appropriate.

16 (f) “G-TEDA” means a geographically targeted economic
17 development area, which is an area designated as an enterprise
18 zone, *a manufacturing enhancement area, a targeted tax area,*, or
19 a local agency military base recovery area.

20 (g) “High-technology industries” includes, but is not limited to,
21 the computer, biological engineering, electronics, and
22 telecommunications industries.

23 (h) “Resident,” unless otherwise defined, means a person whose
24 principal place of residence is within a targeted employment area.

25 (i) (1) “Targeted employment area” means an area within a
26 city, county, or city and county that is composed solely of those
27 census tracts designated by the United States Department of
28 Housing and Urban Development as having at least 51 percent of
29 its residents of low- or moderate-income levels, using either the
30 most recent United States Census Bureau data available at the time
31 of the original enterprise zone application or the most recent census
32 data available at the time the targeted employment area is
33 designated to determine that eligibility. The purpose of a “targeted
34 employment area” is to encourage businesses in an enterprise zone
35 to hire eligible residents of certain geographic areas within a city,
36 county, or city and county. A targeted employment area may be,
37 but is not required to be, the same as all or part of an enterprise
38 zone. A targeted employment area’s boundaries need not be
39 contiguous. A targeted employment area does not need to
40 encompass each eligible census tract within a city, county, or city

1 and county. The governing body of each city, county, or city and
2 county that has jurisdiction of the enterprise zone shall identify
3 those census tracts whose residents are in the most need of this
4 employment targeting. Only those census tracts within the
5 jurisdiction of the city, county, or city and county that has
6 jurisdiction of the enterprise zone may be included in a targeted
7 employment area.

8 (2) At least a part of each eligible census tract within a targeted
9 employment area shall be within the territorial jurisdiction of the
10 city, county, or city and county that has jurisdiction for an
11 enterprise zone. If an eligible census tract encompasses the
12 territorial jurisdiction of two or more local governmental entities,
13 all of those entities shall be a party to the designation of a targeted
14 employment area. However, any one or more of those entities, by
15 resolution or ordinance, may specify that it shall not participate in
16 the application as an applicant, but shall agree to complete all
17 actions stated within the application that apply to its jurisdiction,
18 if the area is designated.

19 (3) Each local governmental entity of each city, county, or city
20 and county that has jurisdiction of an enterprise zone shall approve,
21 by resolution or ordinance, the boundaries of its targeted
22 employment area, regardless of whether a census tract within the
23 proposed targeted employment area is outside the jurisdiction of
24 the local governmental entity.

25 (4) (A) Within 180 days of updated United States census data
26 becoming available, each local governmental entity of each city,
27 county, or city and county that has jurisdiction of an enterprise
28 zone shall approve, by resolution or ordinance, boundaries of its
29 targeted employment area reflecting the new census data. If no
30 changes are necessary to the boundaries based on the most current
31 census data, the enterprise zone may send a letter to the department
32 stating that a review has been undertaken by the respective local
33 governmental entities and no boundary changes are required.

34 (B) A targeted employment area boundary approved prior to
35 the 2000 United States census data becoming available that has
36 not been reviewed and its boundaries revised to reflect the most
37 recent census data, shall be reviewed and updated, and a new
38 resolution or ordinance submitted by the appropriate local
39 governmental entity to the department, by July 1, 2007. However,

1 enterprise zones that expire on or prior to December 31, 2008,
2 shall be exempt from the update requirement.

3 SEC. 3. Section 7073.1 of the Government Code is amended
4 to read:

5 7073.1. (a) ~~Except as provided in subdivision (e), any~~ A city,
6 county, or city and county with an eligible area within its
7 jurisdiction may complete a preliminary application for designation
8 as an enterprise zone. The applying entity shall establish definitive
9 boundaries for the proposed enterprise zone and the targeted
10 employment area. An entity may propose zones in areas with
11 noncontiguous boundaries, and the department may designate those
12 areas as zones if the director determines both of the following:

13 (1) The noncontiguous area is needed to implement the
14 applicant's economic development strategy.

15 (2) The excluded area between the proposed zone boundaries
16 would not, based on the proposed economic strategy, also benefit
17 from the zone designation.

18 (b) (1) In designating enterprise zones, the department shall
19 select from the applications submitted those proposed enterprise
20 zones that, upon a comparison of all of the applications submitted,
21 indicate that they propose the most appropriate economic
22 development strategy and implementation plan utilizing state and
23 local programs and incentives to create jobs, attract private sector
24 investment, and improve the economic conditions within the zone
25 proposed. The department shall prescribe a format that promotes
26 succinct and focused strategies and plans, and set minimum
27 standards for the strategies and plans. For the purposes of this
28 subdivision, important elements of a strategy or plan may include,
29 but are not limited to, all of the following:

30 (A) An assessment of current financial and community
31 development strengths, needs, and opportunities.

32 (B) A framework for investment of time, action, and money.

33 (C) Clear articulation of goals.

34 (D) Measurable objectives, including targets.

35 (E) Proposed implementation activities and tasks, including
36 timeframes, and a framework for evaluating performance, including
37 qualitative and quantitative benchmarks.

38 (F) An identification of local resources, including incentives,
39 the jurisdiction will utilize to implement the strategy or plan and
40 how those resources will help to leverage or maximize the benefit

1 of state resources that become available for enterprise zone
2 communities.

3 (2) For purposes of this subdivision, local resources may include,
4 but are not limited to, all of the following:

5 (A) The suspension or relaxation of locally originated or
6 modified building codes, zoning laws, general development plans,
7 or rent controls.

8 (B) The elimination or reduction of fees for applications,
9 permits, and local government services.

10 (C) The establishment of a streamlined permit process.

11 (D) Elimination or reduction of construction taxes or business
12 license taxes.

13 (E) The provision or expansion of infrastructure.

14 (F) The targeting of federal block grant moneys, including small
15 cities, education, and health and welfare block grants.

16 (G) The targeting of economic development grants and loan
17 moneys, including grant and loan moneys provided by the United
18 States Department of Housing and Urban Development.

19 (H) The targeting of state and federal job disadvantaged and
20 vocational education grant moneys, including moneys provided
21 by the federal Workforce Investment Act of 1998 (Public Law
22 105-220), or its successor.

23 (I) The targeting of federal or state transportation grant moneys.

24 (J) The targeting of federal or state low-income housing and
25 rental assistance moneys.

26 (K) The use of tax allocation bonds, special assessment bonds,
27 bonds under the Mello-Roos Community Facilities Act of 1982
28 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
29 Division 2 of Title 5), industrial development bonds, revenue
30 bonds, private activity bonds, housing bonds, bonds issued pursuant
31 to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4
32 (commencing with Section 6584) of Chapter 5), certificates of
33 participation, hospital bonds, redevelopment bonds, school bonds,
34 and all special provisions provided for under federal tax law for
35 enterprise community or empowerment zone bonds.

36 (L) Redevelopment tax increment moneys and local financing
37 authorities.

38 (M) Federal Workforce Investment Act moneys and programs
39 funded with those moneys.

- 1 (N) Federal Community Development Block Grant Program
- 2 moneys.
- 3 (O) CalWORKs funding and other related resources.
- 4 (P) Local education entities, including K–12, adult education,
- 5 community colleges, and public and private universities.
- 6 (3) When designating new enterprise zones, the department
- 7 shall take into consideration the location of existing zones and
- 8 make every effort to locate new zones in a manner that will not
- 9 adversely affect any existing zones.
- 10 (4) When reviewing and ranking new enterprise zone
- 11 applications, the department shall give bonus points to applications
- 12 from jurisdictions that meet minimum threshold points and at least
- 13 both of the following criteria:
- 14 (A) The percentage of households within the census tracts of
- 15 the proposed enterprise zone area, the income of which is below
- 16 the poverty level, is at least 17.5 percent.
- 17 (B) The average unemployment rate for the census tracts of the
- 18 proposed enterprise zone area was not less than five percentage
- 19 points above the statewide average for the most recent calendar
- 20 year as determined by the Employment Development Department.
- 21 (5) Except as modified pursuant to paragraph (4), applications
- 22 shall be ranked by the appropriateness of the economic
- 23 development strategy and implementation plan, including all of
- 24 the following:
- 25 (A) The extent the strategy clearly identifies the local resources,
- 26 incentives, and programs that will be made available to the zone
- 27 for meeting its goals and objectives.
- 28 (B) The extent the strategy provides for attracting private sector
- 29 investment.
- 30 (C) The extent the strategy includes related regional and
- 31 community-based partnerships for achieving the goals and
- 32 objectives in the strategy.
- 33 (D) The extent the strategy fits within the jurisdiction’s overall
- 34 economic development strategy, including the extent the strategy
- 35 and implementation plan is appropriate for the local community.
- 36 (E) The extent the strategy addresses the hiring and retention
- 37 of unemployed or underemployed residents or low-income
- 38 individuals in the proposed zone and surrounding areas.
- 39 (F) The extent the strategy sets reasonable and measurable
- 40 benchmarks, goals, and objectives.

1 (G) The extent the strategy sets forth an appropriate funding
2 schedule for management, oversight, and program delivery within
3 the zone relative to the benchmarks, goals, and objectives in the
4 strategy.

5 (H) The extent that the economic development strategy has a
6 comprehensive incentive package for attracting private investment
7 to the enterprise zone.

8 (c) *For applications for enterprise zone designation submitted*
9 *on or after January 1, 2012, both of the following shall apply:*

10 (1) *If any portion of the proposed zone is within, or previously*
11 *was within, the boundaries of a previously designated enterprise*
12 *zone, the aggregate size of the proposed zone shall not exceed the*
13 *size of the previously designated and expanded enterprise zone by*
14 *more than 15 percent. For a proposed zone located in a rural city*
15 *with a total population under 75,000 or in a county with a total*
16 *population under 275,000, the proposed zone shall not exceed the*
17 *size of the previously designated and expanded enterprise zone by*
18 *more than 25 percent.*

19 (2) *If any portions of the proposed zone are within, or previously*
20 *were within, the boundaries of two or more previously designated*
21 *enterprise zones, the aggregate size of the proposed zone shall not*
22 *exceed the size of the largest single previously designated and*
23 *expanded enterprise zone by more than 15 percent.*

24 ~~(e)~~

25 (d) In evaluating applications for designation, the department
26 shall ensure that applications are not disqualified solely because
27 of technical deficiencies, and shall provide applicants with an
28 opportunity to correct the deficiencies. Applications shall be
29 disqualified if the deficiencies are not corrected within two weeks.

30 ~~(e)~~

31 (e) Except upon dedesignation pursuant to subdivision (c) of
32 Section 7076.1, Section 7076.2, or Section 7085.1, a designation
33 made by the department shall be binding for a period of 15 years
34 from the date of the original designation.

35 ~~(e)~~

36 (f) The applicant shall be required to begin implementation of
37 the enterprise zone plan contained in the final application within
38 six months after notification of final designation, or the enterprise
39 zone shall be dedesignated.

40 ~~(f)~~

1 (g) (1) This section shall apply only to enterprise zone
2 applications for which the department has issued a solicitation for
3 new enterprise zone designations on or after January 1, 2007.

4 (2) The amendments made to this section during the 2011
5 portion of the 2011–12 Regular Session shall apply only to
6 enterprise zone applications for which the department has issued
7 a solicitation for new enterprise zone designations on or after
8 January 1, 2012.

9 SEC. 4. Section 7076 of the Government Code is amended to
10 read:

11 7076. (a) The department shall serve as a liaison between the
12 state and enterprise zone residents, businesses, workers, nonprofit
13 organizations, and local governments. State agencies and
14 departments shall affirmatively support their statutory
15 responsibilities under this chapter and, consistent with their
16 statutory duties, respond to requests made by and on the behalf of
17 an enterprise zone.

18 (b) (1) The department shall provide technical assistance to the
19 enterprise zones designated pursuant to this chapter with respect
20 to all of the following activities:

21 (A) Furnish limited onsite assistance to the enterprise zones
22 when appropriate.

23 (B) Ensure that the locality has developed a method to make
24 residents, businesses, and neighborhood organizations aware of
25 the opportunities to participate in the program.

26 (C) Help the locality develop a marketing program for the
27 enterprise zone.

28 (D) Coordinate activities of other state agencies regarding the
29 enterprise zones.

30 (E) Monitor the progress of the program.

31 (F) Help businesses to participate in the program.

32 (2) Notwithstanding existing law, the provision of services in
33 subparagraphs (A) to (F), inclusive, shall be a high priority of the
34 department.

35 (3) The department may, at its discretion, undertake other
36 activities in providing management and technical assistance for
37 successful implementation of this chapter.

38 (c) The department shall assess a fee of fifteen dollars (\$15) on
39 each enterprise zone and manufacturing enhancement area for each
40 application for issuance of a certificate pursuant to subdivision (j)

1 of Section 17053.47 of, subdivision (c) of Section 17053.74 of,
2 subdivision (c) of Section 23622.7 of, or subdivision (i) of Section
3 23622.8 of, the Revenue and Taxation Code. The department shall
4 collect the fee for deposit into the Enterprise Zone Fund, pursuant
5 to Section 7072.3, for the costs of administering this chapter. The
6 enterprise zone *or manufacturing enhancement area* administrator
7 shall collect this fee at the time an application is submitted for
8 issuance of a certificate.

9 ~~(d) Certificates for hiring credits shall be processed and~~
10 ~~approved or denied based upon the regulations and administrative~~
11 ~~memoranda in effect as of the date of the application. Clarifications,~~
12 ~~interpretations, and other items contained within a memorandum~~
13 ~~shall be binding upon the department, businesses, enterprise zones,~~
14 ~~and all other applicable entities, as consistent with state and federal~~
15 ~~law, unless the memorandum is modified or repealed in writing.~~

16 (e)

17 (d) (1) (A) The department shall maintain, and post on its
18 Internet Web site, a catalog of all administrative memoranda in
19 effect that implement this chapter, including the subject matter of
20 the memoranda and the effective dates of their publication,
21 modification, or repeal, along with the text of the memoranda.

22 (B) The department shall post on its Internet Web site the
23 publication, modification, or repeal of any of those administrative
24 memoranda, within 10 business days of that publication,
25 modification, or repeal.

26 (2) The department shall post on its Internet Web site enterprise
27 zone and targeted employment area boundary approvals,
28 modifications, and repeals within 10 business days of the approval,
29 modification, or repeal becoming final.

30 SEC. 5. Section 7076.1 of the Government Code is amended
31 to read:

32 7076.1. (a) The department may audit the program of any
33 jurisdiction in any designated G-TEDA at any time during the
34 duration of the designation, as appropriate. However, the
35 department shall audit each G-TEDA at least once every five years
36 from the date of designation or the operative date of this section,
37 whichever is the latest. The matters to be examined in the course
38 of an audit shall include an examination of the progress made by
39 the G-TEDA toward meeting the goals, objectives, and

1 commitments set forth in its original application and the
2 department’s memorandum of understanding with the G-TEDA.

3 (b) The department shall, for each audit, determine a result of
4 superior, pass, or fail in accordance with subdivision (c). The
5 results of each audit shall be based upon the success of the
6 G-TEDA in making substantial and sustained efforts since the later
7 of its designation or last audit to meet the standards, criteria, and
8 conditions contained in the application and the memorandum of
9 understanding (MOU) between the department and the G-TEDA,
10 as may be amended pursuant to the agreement of the G-TEDA and
11 the department. In each audit, the department shall focus upon the
12 G-TEDA’s use of the marketing plan, local incentives, financing
13 programs, job development, and program management as described
14 in the application and the MOU. The department shall also evaluate
15 the vouchering plan, staffing levels, budget, and elements unique
16 to each application.

17 (c) For purposes of subdivision (b), an audit determination of
18 superior, pass, or fail shall be made in accordance with the
19 following:

20 (1) A G-TEDA will be determined to be superior if each
21 jurisdiction comprising the G-TEDA does all of the following:

22 (A) Meets 90 to 100 percent of its goals, objectives, and
23 commitments as defined in its application, most recent audit,
24 biennial report, and memorandum of understanding with the
25 department, and as determined by the department in consultation
26 with the G-TEDA. An equivalent or similar commitment may be
27 substituted for an existing commitment of a G-TEDA if it is
28 determined by the department that an original commitment was
29 not realistically practical or is no longer relevant.

30 (B) Demonstrates that it has reviewed and updated its goals,
31 objectives, and commitments as defined in its original application,
32 most recent audit, biennial report, and memorandum of
33 understanding with the department.

34 (C) Identifies to the department’s satisfaction that it has
35 incorporated economic development commitments in addition to
36 those commitments previously made in its application.

37 (2) (A) A G-TEDA will be determined to be passing if each
38 jurisdiction comprising the area meets 75 to 90 percent of its goals,
39 objectives, or commitments as defined in its original application,
40 most recent audit, biennial report, and memorandum of

1 understanding with the department, and as determined by the
2 department in consultation with the G-TEDA. An equivalent or
3 similar commitment may be substituted for an existing commitment
4 of a G-TEDA if it is determined by the department that an original
5 commitment was not realistically practical or is no longer relevant.

6 (B) Any G-TEDA that is determined to be passing may appeal
7 in writing to the department for a determination of superior. Only
8 one appeal may be filed pursuant to this subparagraph with respect
9 to a determination by the department, and may be filed no later
10 than 30 days after the G-TEDA's receipt of the determination to
11 which the appeal pertains. The department shall respond in writing
12 to any appeal that is properly filed pursuant to this subparagraph
13 within 60 days of the date of that filing.

14 (3) (A) A G-TEDA will be determined to be failing if any
15 jurisdiction comprising the G-TEDA fails to meet or exceed 75
16 percent of its goals, objectives, or commitments as defined in its
17 original application, most recent audit, biennial report, and
18 memorandum of understanding with the department, and as
19 determined by the department in consultation with the G-TEDA.
20 An equivalent or similar commitment may be substituted for an
21 existing commitment of a G-TEDA if it is determined by the
22 department that an original commitment was not realistically
23 practical or is no longer relevant.

24 (B) Any G-TEDA that is determined to be failing shall enter
25 into a written agreement with the department that specifies those
26 items that the G-TEDA is required to remedy or improve. Failure
27 of the G-TEDA and the department to negotiate and enter into a
28 written agreement as so described within 60 days of the last day
29 upon which the department is required to deliver a response letter
30 pursuant to subparagraph (C) of paragraph (4) shall result in the
31 dedesignation of the G-TEDA on January 1 immediately following
32 the department's written notice of dedesignation to the G-TEDA.

33 (C) A written agreement entered into pursuant to this paragraph
34 shall be for a six-month period. If, upon the expiration of the
35 agreement, the department determines that the G-TEDA has not
36 met or implemented at least 75 percent of the conditions set forth
37 in the agreement, the department shall, after immediately providing
38 written notification to each jurisdiction comprising the G-TEDA
39 that the G-TEDA is to be dedesignated. Dedesignation of the
40 G-TEDA is effective on the first day of the month next following

1 the date upon which the agreement expired. If, upon expiration of
2 the agreement, the department determines that the G-TEDA has
3 met or implemented at least 75 percent of the conditions set forth
4 in the agreement, the department shall do either of the following:

5 (i) Allow the G-TEDA an additional year, or a longer period in
6 the department's discretion, to meet or implement those conditions
7 in their entirety.

8 (ii) Pursuant to written notice provided immediately to each
9 jurisdiction that comprises the G-TEDA that the G-TEDA is to be
10 dedesignated, dedesignate the G-TEDA effective on January 1
11 immediately following the date of the department's written
12 notification of dedesignation to those jurisdictions.

13 (D) Any business, located within any jurisdiction that comprises
14 a G-TEDA that has been dedesignated, that has elected to avail
15 itself of any state tax incentive specifically applicable to a G-TEDA
16 for any taxable or income year beginning prior to the dedesignation
17 of the G-TEDA may, to the extent the business is otherwise still
18 eligible for those incentives, continue to avail itself of those
19 incentives for a period equal to the remaining life of the G-TEDA.
20 However, any business, located within any jurisdiction that
21 comprises a G-TEDA that has been dedesignated, that has not
22 availed itself of any state tax incentive in the manner described in
23 the preceding sentence may not, after dedesignation of the
24 G-TEDA, avail itself of any state incentive specifically applicable
25 to a G-TEDA.

26 (4) (A) Notwithstanding paragraphs (1) to (3), inclusive, a
27 G-TEDA shall be determined to be failing if any jurisdiction
28 comprising the G-TEDA, in the determination of the director,
29 provides funding support in at least three of the previous five years
30 at a level that is less than 75 percent of the amount committed to
31 in the G-TEDA's memorandum of understanding with the
32 department.

33 (B) In the event that a G-TEDA is determined to be failing
34 pursuant to this paragraph, subparagraph (B) of paragraph (3) shall
35 apply.

36 (C) Any G-TEDA that is determined to be failing pursuant to
37 this paragraph may appeal in writing to the department. The appeal
38 shall be filed within 30 days of the G-TEDA's receipt of the
39 determination to which the appeal pertains. The department shall

1 respond in writing to any appeal that is properly filed within 60
2 days of the date of filing.

3 (d) In undertaking its audit responsibilities pursuant to this
4 section, the department shall seek appropriate opportunities to
5 provide technical assistance and training to help G-TEDAs address
6 inadequacies identified through the audit of the program.
7 Assistance may include, but is not limited to, workshops, mentoring
8 programs, and referrals to other federal, state, and local public and
9 private entities.

10 (e) (1) For purposes of this section, “dedesignation” means that
11 a G-TEDA is no longer a G-TEDA for purposes of either Section
12 7073 or 7085.

13 (2) Upon notification by the department of the dedesignation
14 of a G-TEDA and the end of the appeal period with respect to that
15 dedesignation, the department shall initiate an application process
16 for a new designation as provided in Section 7073, 7073.8, 7085,
17 7097, or 7114.

18 (f) In addition to any other oversight activities that the
19 department determines are appropriate and necessary, the
20 department shall review the progress reports submitted by a
21 G-TEDA pursuant to Section 7085.1 and determine whether an
22 audit is warranted.

23 SEC. 6. Section 7081 of the Government Code is amended to
24 read:

25 7081. (a) Notwithstanding any other provision of state law,
26 and to the extent permitted by federal law, the Employment
27 Development Department and the State Department of Education
28 shall give high priority to the training of unemployed individuals
29 who reside in a targeted employment area or a designated enterprise
30 zone.

31 (b) When developing workforce development and training plans
32 and strategies, including, but not limited to, federal Workforce
33 Development Act funds, a state entity shall consider how the
34 G-TEDA programs could be integrated so as to maximize the
35 benefits to workers and businesses.

36 (c) The Employment Development Department shall, consistent
37 with its duties to assist unemployed workers who are registered in
38 the one-stop career centers, provide letters to unemployed
39 prospective employees that could be used to certify their eligibility
40 as a person participating in a program developed pursuant to the

1 federal Workforce Investment Act of 1998 (29 U.S.C. Sec. 2081
2 et seq.).

3 (d) The department may assist localities in designating local
4 business, labor, and education consortia to broker activities between
5 the employment community and educational and training
6 institutions. Any available discretionary funds may be used to
7 assist the creation of those consortia.

8 (e) Local education entities that administer student work permits
9 shall consider how enterprise zone program hiring credits could
10 be used to benefit lower income students who apply for work
11 permits at their offices.

12 SEC. 7. Section 7085 of the Government Code is amended to
13 read:

14 7085. (a) ~~Notwithstanding Section 7550.5~~ *In addition to the*
15 *information it makes available biennially pursuant to subdivision*
16 *(e) of Section 7085.1*, the department shall submit a report to the
17 Legislature every six years that evaluates the effect of the program
18 on retaining and increasing employment among targeted
19 populations as described in subdivision (c), public and private
20 investment, and incomes, and on state and local tax revenues in
21 designated enterprise zones. The report shall include a department
22 review of the progress and effectiveness of each enterprise zone,
23 including, but not limited to, any efforts made regarding training
24 and placement of unemployed individuals pursuant to Section
25 7081. The Employment Development Department, the State
26 Department of Social Services, and the State Department of
27 Education shall, for the purposes of the report, provide the
28 department with existing data on unemployed individuals receiving
29 training. ~~The Franchise Tax Board shall make available to the~~
30 ~~department and the Legislature aggregate information on the dollar~~
31 ~~value of enterprise zone tax credits that are claimed each year by~~
32 ~~businesses pursuant to Section 7085.5.~~ The Department of General
33 Services shall provide information on the use and outcomes that
34 the department tracks relating to the enterprise zone procurement
35 preference.

36 (b) An enterprise zone governing body shall provide information
37 at the request of the department as necessary for the department
38 to prepare the report required pursuant to subdivision (a).

39 (c) Targeted populations included within the report required
40 pursuant to subdivision (a) shall include, but not be limited to, the

1 disabled, disabled veterans, individuals formerly on forms of
2 federal and state assistance, individuals within the targeted
3 employment areas, ex-offenders, and veterans.

4 (d) The base year for the report required pursuant to subdivision
5 (a) shall be the calendar year commencing January 1, 2012.

6 SEC. 8. Section 7085.1 of the Government Code is amended
7 to read:

8 7085.1. (a) The governing board of the G-TEDA shall report
9 to the department by October 1, 2008, and by that date every other
10 year thereafter, on the activities of the G-TEDA in the previous
11 two fiscal years and its plans for the current and following fiscal
12 year. The biennial report shall include at least all of the following:

13 (1) The progress the G-TEDA has made during the period
14 covered by the report relative to its goals, objectives, and
15 commitments set forth in its original application and the
16 department's memorandum of understanding with the G-TEDA.

17 (2) Identification of the previous two years' funding, including
18 in-kind funding. The previous two years' funding levels shall be
19 compared to the funding levels identified in its original application
20 and the department's memorandum of understanding with the
21 G-TEDA, and the amount identified in the previous biennial report.
22 An explanation of any meaningful discrepancies in these amounts
23 shall be provided.

24 (3) Identification of the financial value of local incentives
25 provided during the report period, and of federal and other state
26 resources accessed to serve the residents, workers, and businesses
27 in the G-TEDA.

28 (4) The following information based on the certification
29 applications approved in the zones relating to the hiring credit:

30 (A) The number of jobs for which certifications have been
31 issued.

32 (B) The number of new employees for which certifications have
33 been issued.

34 (C) The number of employees replacing previous employees
35 for which certifications, were issued.

36 (D) The number of employees by qualified employee category
37 pursuant to Sections 17053.74 and 23622.7 of the Revenue and
38 Taxation Code.

39 (E) The total range and the average, median, and mean employee
40 wage rates that were certified.

1 (F) The number of businesses obtaining certification for
2 qualified employees.

3 (G) The industry classification, based on the North American
4 Industry Classification System, of businesses obtaining certification
5 of qualified employees.

6 (H) The distribution of employee certifications among industry
7 sectors, based on the North American Industry Classification
8 System.

9 (I) The distribution of employee certifications by the annual
10 receipts and asset value of the business obtaining qualified
11 employee certifications.

12 (J) The number of state-certified small businesses that submitted
13 qualified employee certification applications.

14 (K) The number of state-certified disabled veteran
15 owned-business enterprises that submitted applications.

16 (b) The progress of the G-TEDA in meeting the goals,
17 objectives, and commitments set forth in the original application
18 and the memorandum of understanding with the department shall
19 be reviewed at least biennially by the legislative bodies comprising
20 the G-TEDA.

21 (c) An enterprise zone governing body shall provide information
22 at the request of the department as necessary for the department
23 to prepare the report required pursuant to subdivisions (e) and (f).

24 (d) (1) G-TEDAs designated prior to January 1, 2007, shall
25 have until April 15, 2008, to update their benchmarks, goals,
26 objectives, and funding levels for administering the G-TEDA
27 program, in order to make them measurable and conducive to the
28 successful completion of the economic development strategy. The
29 local legislative body and the department shall approve the updated
30 goals and objectives. The updated goals and objectives shall be
31 included as an update to the existing memorandum of
32 understanding between the G-TEDA and the department.

33 (2) G-TEDAs that fail to obtain approved updated goals and
34 objectives by April 15, 2008, shall be dedesignated effective July
35 1, 2008. The Director of Housing and Community Development
36 shall provide notice of prospective dedesignation to the local
37 government no later than May 1, 2008. The director may authorize
38 up to two 60 calendar day extensions, if the local government and
39 G-TEDA are acting in good faith and the additional time would
40 allow them to meet the requirements of this subdivision. Businesses

1 located within a G-TEDA that have been dedesignated shall
2 continue to have access to tax incentives previously authorized
3 within the G-TEDA pursuant to Section 7082.2.

4 (3) G-TEDAs designated prior to January 1, 2007, are not
5 required to implement the biennial reporting requirements of
6 subdivisions (a) and (b) until October 1, 2009.

7 (4) G-TEDAs that expire prior to January 1, 2010, are not
8 required to meet the conditions of this subdivision.

9 (e) The department shall biennially, beginning on or before
10 December 31, 2008, make available to the Legislature information
11 related to the progress that each G-TEDA is making toward
12 implementing its goals, objectives, and commitments set forth in
13 the original application, the department's memorandum of
14 understanding with the G-TEDA, and the G-TEDA's biennial
15 report.

16 (f) G-TEDAs that fail to submit a timely biennial report to the
17 department shall be audited pursuant to Section 7076.1. This
18 subdivision shall apply to all reports due on or after October 1,
19 2012.

20 SEC. 9. Section 7085.5 of the Government Code is amended
21 to read:

22 7085.5. (a) The Franchise Tax Board shall annually make
23 available to the department and the Legislature information, by
24 enterprise zone and by city or county, on the dollar value of the
25 enterprise zone tax credits and other tax-related incentives that are
26 claimed each year by businesses and shall design and distribute
27 forms and instructions that will allow the following information
28 to be accessible:

29 (1) The total number of jobs for which the hiring credits are
30 claimed.

31 (2) The number of businesses claiming each individual tax
32 credit.

33 (3) The nature of the business claiming each individual tax
34 credit.

35 (4) The distribution of zone tax incentives among industry
36 groups.

37 (5) The distribution of zone tax incentives by the annual receipts
38 and asset value of the business claiming each individual tax credit.

1 (6) The total amount of capital investments made, as well as
2 the value of the total amount of credit claimed by businesses under
3 the sales and use tax credit.

4 (7) Any other information that the Franchise Tax Board and the
5 department deem to be important in determining the cost to, and
6 benefit derived by, the taxpayers of the state.

7 (b) In developing this information, the Franchise Tax Board
8 shall review returns from personal and corporate tax returns. The
9 totals for each tax incentive shall, at a minimum, be reported
10 separately.

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