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Facts Show Enterprise Zones Fail To Deliver Return on Investment

SACRAMENTO – An analysis released today by the California Budget Project (CBP), a nonpartisan public policy research group, shows that California's Enterprise Zone (EZ) Program places an increasing strain on the state budget and that large corporations are by far the biggest beneficiaries of the program's tax breaks. As policymakers review budget-balancing options with an eye toward protecting the state's fragile economic recovery, the CBP's review also recaps the best independent research on the EZ Program, which shows that the tax breaks fail to create jobs or stimulate new business development.

"Our review of the most up-to-date data on the Enterprise Zone Program finds its cost has soared, but our communities haven't seen the jobs and economic growth they were promised," said Jean Ross, executive director of the CBP. "If state policymakers want to preserve the core services Californians value, we can't afford a program that doesn't use scarce resources effectively."

Among the key findings from the CBP's analysis, *California's Enterprise Zone Program: No Bang for the Buck*, are:

- EZs come at a steep and sharply escalating cost to California taxpayers. From 1986 to 2008 – the latest year for which data are available – the cost of EZ tax credits and deductions increased from just \$675,000 to \$465.5 million. The cost of the program has increased by 35 percent per year, on average, since the program's inception, for a total cost to the state of \$3.6 billion. The average cost per zone has also increased substantially, from approximately \$48,000 in 1986 to \$11.1 million in 2008, reflecting increased use of EZ tax breaks.
- Seven out of 10 EZ tax break dollars are claimed by corporations with assets of \$1 billion or more. In 2008, these corporate giants claimed 70.3 percent of the total dollar value of corporate EZ credits, even though they represent less than half of 1 percent of California's corporate taxpayers.
- Because the EZ Program is so large and not well targeted to the communities most in need of assistance, the program has failed to focus growth to distressed communities. Moreover, researchers find that the program, on average, has no impact on job or business creation.

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The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's website at www.cbp.org.