

**TO: Finance Committee**

**DATE: August 25, 2004**

**FROM: WIB Staff**

**For Action**

**For Information**

**For Discussion**

**SUBJECT: Merced County Ordinance – Fee for Enterprise Zone/LAMBRA Voucher Application**

**PROPOSED MOTION(S):** None. Information Only.

**DISCUSSION:** The Enterprise Zone/LAMBRA Programs target economically distressed areas throughout California. Special state and local incentives encourage business investment and promote the creation of new jobs. The purpose of the Enterprise Zone/LAMBRA Programs is to provide tax incentives to businesses and allow private sector market forces to revive the local economy. Enterprise Zone/LAMBRA companies are eligible for substantial tax credits and benefits. With Hiring Tax Credits, a business can earn up to \$31,590 in State tax credits for each qualified employee hired. Merced County has areas that have been designated Enterprise Zone/LAMBRA areas.

The Merced County Department of WI is the designated vouchering agent in Merced County that provides this service to employers. The number of Enterprise Zone/LAMBRA Voucher applications has been increasing, and is impacting Workforce Investment Act funds. To recover some of the costs incurred by WI, the Merced County Board of Supervisors has adopted a fee ordinance. The State of California also anticipates requiring a state fee of \$10. There has not yet been a start date set for that fee. Merced County Department of WI will collect the state fee in addition to the county fee and forward the state fee to the state.

This county fee is based on the estimated cost per application incurred by the Department of WI in 2003-04. There were 1,981 Enterprise Zone/LAMBRA Voucher applications processed in 2003-04 with a potential state tax credit benefit of \$62,579,790 to employers over 5 years. The Workforce Investment Act Section 195(7)(A) states, "Income under any program administered by a public or private nonprofit entity may be retained by such entity only if such income is used to continue to carry out the program." The Dept of WI will be charging a fee to pay for staff costs and overhead incurred through the Enterprise Zone/LAMBRA Voucher promotion and application process. The users will be charged a fee of \$40 per application submitted to WI, plus, when it becomes effective, a \$10 fee for the state. The estimated cost per application for FY 2004-05 was based on staff time, which was \$78 for FY 2003-04. The \$40 fee per application does not cover the full cost, and will be used to defray the increasing cost to WI. This fee does not include any state imposed fees that would have to be passed on to the business requesting this service. In FY 2005-06, and in subsequent years, the cost will be determined based on actual costs for staff providing service in the Enterprise Zone/LAMBRA application process during the preceding year.

**ATTACHMENT(S):** N/A