Executive Summary

In 2005, Ohio lawmakers will likely consider whether or not to renew the law authorizing Ohio's Enterprise Zone Program (EZP), a popular program initially created to spur economic development and job creation in depressed areas. Enterprise zones provide property tax abatements to firms that locate, expand, or increase investment within zone borders. Discussion and debate will likely center on whether the program increases investment or simply subsidizes firms for investment they would have made anyway. These are valid questions well worth answering.

This study explores a different question: Which communities in the state benefit most from the jobs and investment attributed to the enterprise zone program? In contrast to other states, Ohio's enterprise zone program is older, more expansive and has stricter reporting requirements. All of these features make it a particularly good place to examine these distributive questions.

This paper examines information compiled through a cooperative effort between firms who participate in the program, local economic development directors, Tax Incentive Review Councils and the Ohio Department of Development. The information is cumulative and does not include agreements that expired or were terminated prior to 2001. The data were supplemented with data from the National Center for Education Statistics. The information concerns benefits attributed to enterprise zone agreements.

The paper examines school districts in Ohio to determine whether likelihood of participating in the program, amount of real property investment, amount of personal property investment and number of jobs attributed to the program differ by income of the school district. Given program goals, we expected to find that lower income districts more likely to take part in the program, and that benefits of all three kinds would be more likely to accrue to lower income districts, controlling for population, racial composition and degree of urbanization.

Only one finding was in keeping with expectations based on goals of the program. We found that lower-income districts were slightly more likely to have an enterprise zone agreement than higher-income districts, controlling for population and other factors. When we did not control for those factors, low- and high-income communities were equally likely to have an enterprise zone.

All other findings were in contrast to expectations based on program goals. These included:

- Higher-income districts are likely to have more new jobs associated with the program than lower-income districts, controlling for population, racial composition and degree of urbanization.
- Higher-income districts are likely to have more real property investment associated

with the program than lower-income districts, controlling for the same factors.

- Districts with a higher percentage of urban residents are likely to have less personal property investment associated with the program than districts with lower urban percentages.
- Racial composition of a district was not related to any of the EZ-related benefits.
- Very high-income districts were likely to receive twice as many new EZ-related positions as very low-income school districts.
- Very high-income districts were likely to receive nearly five times as much EZ-related real property investment as very low-income school districts.

Controlling for race and level of urbanization, a very low-income Ohio school district, with an average household income of $21,910, is expected to have 14.98 new EZ-related jobs and $658,466 in EZ-related real property investment for every 1000 residents. An average-income district, with household income of $43,630, is expected to have 21.62 new EZ-related jobs and $1,219,972 in EZ-related real property investment for every 1000 residents. Finally, a very high-income district, with household income of $65,340, is expected to have 28.20 new EZ-related jobs and $1,774,436 in EZ-related real property investment for every 1000 residents.

Ohio's Enterprise Zone Program was designed to help urban communities with high poverty and large numbers of minorities. Created to give lower-income districts a tool to encourage firms to locate within their boundaries, the program was assumed to make distressed communities more appealing places to locate jobs, personal property investment and real property investment. This study finds that lower-income districts are slightly more likely to participate in the program, but higher-income districts reap most of the jobs and investment associated with the program. These findings should be considered when the program is reevaluated.