

Zoned Out:

Distribution and Benefits in Ohio's Enterprise Zone Program

In June 2004, Ohio Governor Bob Taft signed into law a bill extending Ohio's Enterprise Zone Program to allow property tax abatements for fifteen years instead of just ten. Enterprise Zones, a popular idea intended to spur economic development and job creation in depressed areas, have not actually helped poor areas compete with rich ones. In fact a careful examination finds that the opposite may have occurred.

What's an Enterprise Zone?

Ohio's Enterprise Zone Program (EZP) was enacted in 1987 with the hope that it would encourage economic development and create new jobs in economically depressed areas. Under the current program, an area becomes an enterprise zone when its local governing body declares it so and as long as it meets the minimum population requirements set by the state. Any business that locates, expands, or increases its investments within a zone is rewarded by with reduced property tax rates.

Who Benefits from Enterprise Zones?

We studied school districts in Ohio to determine whether the likelihood of participation in the program, the amounts of real property and personal property investment, and the number of new jobs created differed by income level. The Enterprise Zone Program's goals suggest that the lower income districts should be more likely to enroll in the program and should receive greater benefits from the program than wealthier neighborhoods. Low-income districts were more likely to have enterprise zones. But they did not receive their share of benefits from the costly program.

Study findings in contrast to expectations based on program goals:

- With population, race, and urbanization effects accounted for, higher-income districts are likely to have more new jobs associated with the program than lower-income districts.
- Higher-income districts are likely to have more real property investment associated with EZP than their lower-income counterparts, controlling for population, racial composition, and degree of urbanization.
- More urban districts are likely to have less personal property investment associated with the program than districts with fewer urban residents.
- 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 jobs than 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.

Benefits of EZP by Income-level of School District

	Average Household Income	New EZ-related jobs	EZ-related real property investment for every 1000 residents
Low-income School Districts	\$21,910	14.98	\$658,466
Average-income School Districts	\$43,630	21.62	\$1,219,972
High-income School Districts	\$65,340	28.20	\$1,774,436

Reality Zone

Ohio's Enterprise Zone Program was designed especially to aid communities with high minority populations and high poverty levels by providing them with incentive to attract new business firms. However, there is significant evidence to suggest that it is higher-income districts collecting most of the jobs and investments linked with the program.

Why It Matters

Property tax collections matter because property taxes are the main source of revenue for schools in Ohio. When property taxes are abated for some businesses, it means that school funding goes down, or individuals and other businesses have to pick up more of the tab. Other research has shown that reducing school funding can impede economic development, because an educated workforce is often key to productivity.

**Find the whole report on Enterprise Zones in Ohio at
http://www.policymattersohio.org/enterprise_zones.htm**

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