

The Indiana Enterprise Zone Fiscal Impact Project

Generating an Economic Census of Indiana EZs
with GIS Technology and ES-202 Return Data.

Jim Landers, Indiana Legislative Services
September 20, 2004

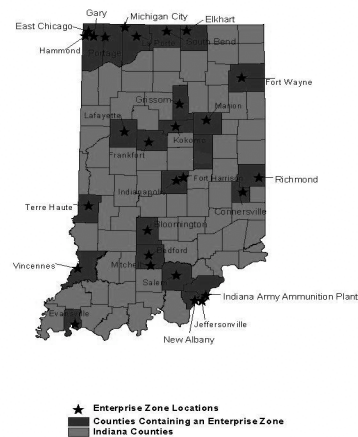
Indiana EZ Program

- Established in 1983.
- State EZ Board designates & approves EZs.
- Maximum operating period = 20 years.
 - Initial designation period = 10 years.
 - Potential for two 5-year renewals after EZ Board review.
- EZ Board can designate two new EZs per year.
- No new EZs can be designated after 2015.

Current EZs

- 28 EZs
 - 25 in cities.
 - 3 on closed military bases.

Indiana Enterprise Zones



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EZ Administration

- Urban Enterprise Association (UEA).
 - Nonprofit entity.
 - 12 member UEA Board.
- UEA Functions:
 - Promote and coordinate EZ development efforts.
 - Initiate community development activities in the EZ.
 - Act as liaison for the EZ to the community and governmental entities.

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EZ Tax Incentives

- 5 tax incentives used as EZ recruitment tools.
 - Inventory Tax Credit.
 - Gross Income Tax Exemption.
 - Investment Cost (Income Tax) Credit.
 - Employment Cost (Income Tax) Credit.
 - Loan Interest (Income Tax) Credit.

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UEA Funding

- Tax incentives are also UEA funding source.
- Business Participation Fee:
 - Imposed on businesses receiving tax incentives.
 - In practice, a fixed percentage fee.
 - $\text{Fee} = \% * (\text{tax savings from incentives})$.
- Businesses are disqualified from the EZ Program for nonpayment.

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Participation Fees

- Range from 20% - 49%.
- \$7 M - \$8 M annually.
- 92% of fees attributable to the Inventory Tax Credit.

Urban Enterprise Association Participation Fees	
<i>Municipal EZs</i>	<i>Participation Fee</i>
Bedford	24%
Bloomington	20%
Connersville	25%
East Chicago	25%
Elkhart	25%
Evansville	25%
Fort Wayne	20%
Frankfort	25%
Gary	30%
Hammond	25%
Indianapolis	20%
Jeffersonville	49%
Kokomo	25%
La Porte	35%
Lafayette	35%
Marion	35%
Michigan City	20%
Mitchell	30%
New Albany	48%
Portage	25%
Richmond	25%
Salem	Not established
South Bend	25%
Terre Haute	24%
Vincennes	24%
<i>Military Base EZs</i>	<i>Participation Fee</i>
Clark Co. Indiana Army Ammo.	49%
Grissom Aeroplex	20%
Fort Harrison	Not established

Source: Indiana Enterprise Zone Handbook, Indiana Department of Commerce, June 2003.

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Tax Restructuring & EZs

- **Gross Income Tax** eliminated beginning 2003.
- **Inventory Tax** elimination ongoing.
 - “Work in process” exemption beginning in 2004.
 - County option inventory deduction in 2004-06.
 - Statewide inventory deduction beginning in 2007.
- 18 UEAs report a decline in revenue in 2004 averaging about 54%.

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Reason for Project

- 2003 legislation proposed new and significant property tax, sales tax, and income tax incentives.
- LSA concluded the fiscal impact was “indeterminable.”
 - Census of EZ businesses did not exist.
 - Data on current EZ incentive recipients not applicable.
 - County & city economic data not valid because:
 - EZs are not coterminous with these units.
 - EZs are small relative to these units.

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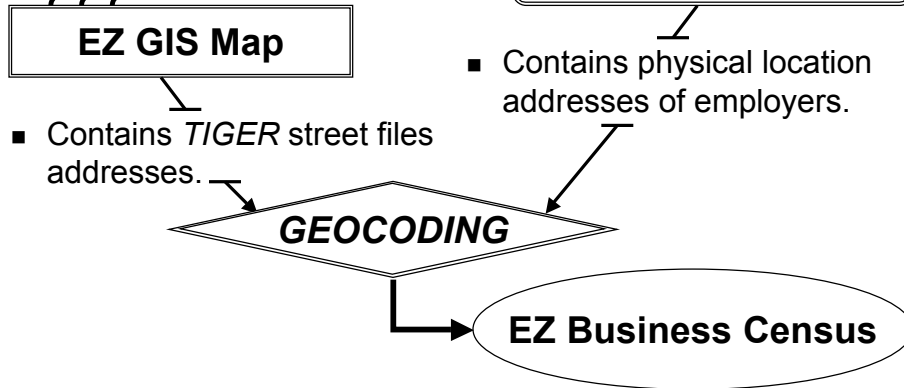
Project Purpose

- Develop a census of EZ businesses.
- Build a database of EZ business information:
 - Types of businesses.
 - Employment levels.
 - Wage levels.
 - Other business activity – i.e. sales, income, and investment.

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How???????

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- Contains *TIGER* street files addresses.

- Contains physical location addresses of employers.

- **Geocoding** = converting information about a geographic location into a readable computer database.

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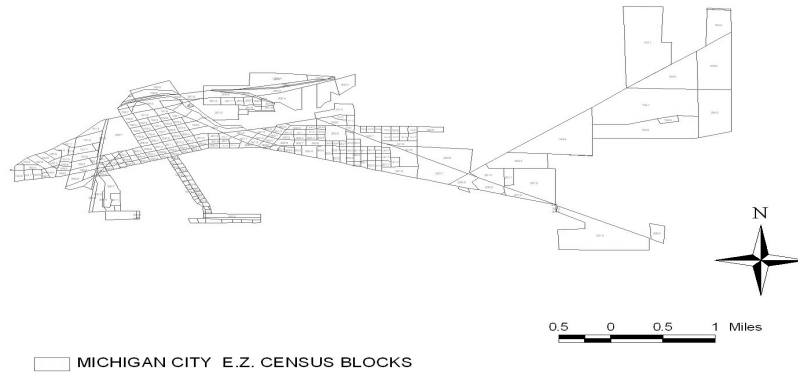
Mapping Software and Data

- **Mapping Work:** LSA staff after minimal in-house training.
- **Software:** *ArcView* GIS software
- **Data:** 2002 *TIGER* street files database.
 - Containing interstate highways, U.S. & state highways, roads, streets, railroads, rivers, streams, & lakes.

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Completed Map – Census

MICHIGAN CITY E.Z. BY CENSUS BLOCK



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Our Geocoding Process

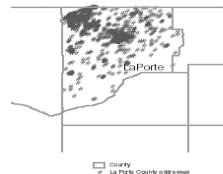
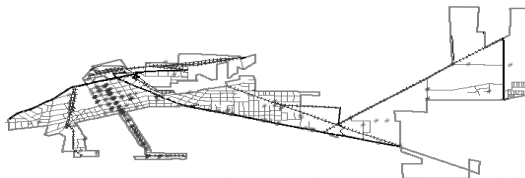
- Create a database of *TIGER* street files addresses in an EZ.
 - Completed using the GIS map of the EZ.
- Create a database of ES 202 addresses in each city containing an EZ.
- Match the city ES 202 addresses to the EZ *TIGER* street files addresses.

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Geocoded EZ Map

LSA Indiana Employer Database
Michigan City, La Porte County

- Blue dots = address matches for LaPorte County employers.



- Red dots = address matches for employers in the Michigan City EZ.

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Cleaning ES 202 Address Data

- Physical location addresses in ES 202 database “cleaned”.
 - Misspellings corrected.
 - Address formats made consistent w/format used in *TIGER* street files.
- Missing addresses and P.O. Box’s obtained via *Online Yellow Pages*.

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Excluded ES 202 Records

- Excluded entities:
 - Federal, state, and local government entities.
 - Non-profit organizations.
- Performed by:
 - Review of records.
 - Review of NAICs 2- and 3-digit codes.

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Cleaning TIGER Address Data

- Geocoding Results - 1st Round:
 - 50% - 70% address match rate.
- Cleaning unmatched *TIGER* addresses.
 - Misspellings corrected.
 - Address formats cleaned.
 - Missing addresses added via *Online Yellow Pages*.
- Geocoding Results - 2nd Round:
 - 80% address match rate.

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Project Results

- GIS Map of each EZ.
- Census of businesses in each EZ.
- Employment, wage, and industry sector information relating to EZ businesses.
- Census 2000 information describing the EZs.
 - EZ population and household composition
 - EZ housing stock
 - EZ labor force information
 - Educational attainment and poverty status of EZ population

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EZ Businesses by Industry Sector

Distribution of Businesses by Industry Sector*		
EZ Businesses	Frequency	Share
Agriculture & Mining	7	0.11%
Construction	521	8.17%
Manufacturing	673	10.56%
Service	3,621	56.79%
Trade	1,554	24.37%
Total	6,376	

Indiana Businesses	Frequency	Share
Agriculture & Mining	1,598	1.07%
Construction	17,098	11.48%
Manufacturing	9,710	6.52%
Service	85,907	57.66%
Trade	34,664	23.27%
Total	148,977	

*October 2002 Data

Prepared by the Legislative Services Agency, June 2004.

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EZ Business Employment &

Employment Statistics*		
Wages	EZ Businesses	Indiana Businesses
Total Employment	134,915	3,709,790
Firm Level Employment		
Mean	21.2	25.0
1st Quartile	2.0	1.0
Median	6.0	5.0
3rd Quartile	15.0	13.0

Wage Statistics*		
	EZ Businesses	Indiana Businesses
Total Wages	\$4,731,048,692	\$119,156,349,324
Mean Employee Wage	\$35,067	\$32,119
Firm Level Wage		
Mean	\$24,685	\$29,402
1st Quartile	\$10,880	\$13,006
Median	\$20,391	\$22,466
3rd Quartile	\$31,273	\$35,286

*October 2002 Data

Prepared by the Legislative Services Agency, June 2004.

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EZ Demographics

Population, Households, & Housing*		
Population	Indiana EZs	Indiana
Total Population	199,521	6,080,485
% White Alone, Not Hispanic	63.5%	87.5%
% Black alone	22.5%	8.4%
% Hispanic (of any race)	11.1%	3.5%
% 18 to 64	61.5%	61.7%
Households	Indiana EZs	Indiana
Total Households	78,496	2,336,306
Average Household Size	2.42	2.53
Family Households	44,757	1,602,501
Average Family Size	3.16	3.05
% Married Couples	32.4%	53.6%
% Single Mothers	12.5%	6.9%
Housing	Indiana EZs	Indiana
Total Housing Units	90,432	2,532,319
Occupied Housing Units	78,496	2,336,306
% Occupied	86.8%	92.3%
Owner Occupied	35,548	1,669,162
% Owner Occupied	45.3%	71.4%

*US Census Bureau, Census 2000 Summary Files 1 and 3

Source : STATS Indiana ; U.S. Census Bureau .

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More EZ Demographics

Labor Force, Education, & Poverty Status*		
Labor Force	Indiana EZs	Indiana
Civilian Labor Force	77,081	3,117,897
Unemployed	7,966	152,753
Rate	10.3%	4.9%
Education	Indiana EZs	Indiana
Population 25 and older	98,352	3,893,278
% w/High School Diploma Only	36.6%	37.2%
% w/Some College or More	30.5%	44.9%
Poverty Status	Indiana EZs	Indiana
Persons Living Below Poverty	37,956	559,484
% Persons Living Below Poverty	23.8%	9.5%

*US Census Bureau, Census 2000 Summary Files 1 and 3
Source : STATS Indiana ; U.S. Census Bureau .

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Cautionary Notes

- Snapshot of EZs.
 - Useful for fiscal impacts.
 - Not useful for evaluation.
- Let's Geocode everything!!!
 - Time and personnel.
 - Applicability, utility of other databases.

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Question????????

- Can other measures of business activity
 - Gross receipts
 - Net income
 - Capital assets
 - Capital Investment
- be estimated or imputed from the wage, employment, and industry sector information that has been obtained??????

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