

Alabama Enterprise Zone Program

2018 Annual Report



Kay Ivey, Governor

Kenneth W. Boswell, Director
Alabama Department of Economic and
Community Affairs

OFFICE OF THE GOVERNOR

KAY IVEY
GOVERNOR



ALABAMA DEPARTMENT OF ECONOMIC
AND COMMUNITY AFFAIRS

KENNETH W. BOSWELL
DIRECTOR

STATE OF ALABAMA

MEMORANDUM

TO: The Honorable Kay Ivey
Governor

FROM: Kenneth W. Boswell
Director

A handwritten signature in blue ink, appearing to read "Kenneth W. Boswell".

DATE: February 8, 2019

RE: Alabama Enterprise Zone Program 2018 Annual Report

Please find attached the 2018 Alabama Enterprise Zone Annual Report for your review. The Alabama Enterprise Zone Act (No. 87-573) was signed into law on July 22, 1987. The purpose of this act is to stimulate business and industrial growth in depressed areas of the state. In accordance with legislative requirements, this report shows the response of the business communities regarding the program benefits during the 2018 calendar year, as well as cumulative and administrative activities.

Should you have any questions pertaining to this report or the Alabama Enterprise Zone Program, do not hesitate to contact Shabbir Olia, Division Chief, Community and Economic Development at (334) 242-5468.

KWB:SR:km

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I. Introduction

From 1987 to September 2016, the Alabama Enterprise Zone Program (Act No. 87-573) had been an economic development/jobs creation program made available to three (3) cities, and twenty-five (25) counties located throughout the State. The program provides for either State tax credits or tax exemptions to eligible businesses located within these zones. The available credit/exemption is dependent upon the company's capital investments, individuals employed, or training provided by the company to its employees. The Alabama Department of Economic and Community Affairs (ADECA) coordinates administration and certification for the program. Additionally, the ADECA is required to provide a detailed annual report to the Alabama Legislature. This report provides an analysis of the program and information about job creation, capital investment within the zones, amount of tax dollars forfeited, and costs to the State per job created within the zones during the program year. Alabama's Enterprise Zones were located in the following cities and counties through September 30, 2016:

City of Birmingham	Lawrence County
City of Montgomery	Lowndes County
City of Prichard	Macon County
Barbour County	Mobile County
Bullock County	Monroe County
Butler County	Perry County
Cherokee County	Pickens County
Clarke County	Pike County
Clay County	Randolph County
Covington County	Russell County
Dallas County	Sumter County
Escambia County	Talladega County
Etowah County	Tallapoosa County
Jackson County	Wilcox County

As of October 1, 2016, the definition of an Enterprise Zone changed. The Alabama Jobs Act (The Act), #2016-321, states the definition of an Enterprise Zone should be that as described by Section 40-18-376.1(a), Code of Alabama, 1975. Per this Section, an Enterprise Zone means any Alabama county that has a population of 25,000 or less. The population is determined by the Commissioner of Labor as of each January 1, using the most current data available from the United States Departments of Labor or Commerce, the United States Bureau of the Census, or any other federal or state agency or department. Notwithstanding any other agreement or law to the contrary, any eligible businesses that received an approved application from the ADECA prior to October 1, 2016, shall continue to receive those exemptions for the period of time specified in those agreements (The Act).

As determined by The Act, the following twenty-six (26) counties qualified as Enterprise Zones:

Bibb County	Henry County
Bullock County	Lamar County
Butler County	Lowndes County
Choctaw County	Macon County
Clarke County	Marengo County
Clay County	Monroe County
Cleburne County	Perry County
Conecuh County	Pickens County
Coosa County	Randolph County
Crenshaw County	Sumter County
Fayette County	Washington County
Greene County	Wilcox County
Hale County	Winston County

There are no longer designated areas within the counties that qualify as an Enterprise Zone. With the passage of The Act, the entire county is an Enterprise Zone. As of October 1, 2016, the Enterprise Zone Program lost 16 Enterprise Zones, retained 12, and gained 14 new Enterprise Zones. See lists on pages 3 and 4.

II. 2018 Alabama Enterprise Zone Program Activities

In 2018, the ADECA received 163 requests for information about the program and tax incentives. However, none of these requests translated to applications or endorsements. Therefore, there was no new activity in the Enterprise Zones for 2018. Most of these requests were from tax firms seeking location verification to claim tax credits for industries located within the Enterprise Zones.

A number of county/city officials and program coordinators requested technical assistance and information regarding the new Enterprise Zones.

III. Cumulative Enterprise Zone Data (Calendar Years 1988-2018)

The following chart depicts the number of companies that have received endorsement by local governing authorities for participation in Alabama's Enterprise Zone Program since 1988. The figures also reflect cumulative program activities that include the total jobs created and capital investments. It should be noted that these figures are based on information received from the Alabama Department of Revenue, participant companies, and local zone coordinators. In certain cases, the figures may be estimates.

CITY/COUNTY	NUMBER OF COMPANIES	NUMBER OF JOBS CREATED	CAPITAL INVESTMENTS
Birmingham	67	4,601	213,151,920
Montgomery	9	2,270	145,400,000
Butler	13	1,356	47,160,000
Cherokee	1	136	20,113,190
Covington	8	1,245	41,000,000
Dallas	28	1,042	352,907,000
Escambia	1	500	10,000,000
Etowah	18	2,308	162,156,589
Jackson	9	1,202	430,675,592
Lowndes	1	129	561,760
Mobile	4	1,183	21,321,000
Monroe	2	63	3,002,312
Pickens	3	100	12,246,630
Pike	10	1,639	17,869,067
Randolph	5	548	20,028,910
Russell	7	478	108,770,000
Sumter	5	164	22,200,000
Talladega	16	1,144	49,000,300
Tallapoosa	2	50	524,900,000
TOTALS (SINCE PROGRAM'S INCEPTION)	209	20,158	\$2,202,464,270

IV. Economic Impact of Alabama's Enterprise Zone Program

Companies located in Alabama's Enterprise Zones have produced the following economic impacts because of their business activities during the 2018 calendar year.

Total Capital Investment in 2018: 0
Number of Tax Payers Claiming the Credit: Less Than Ten
Taxes Exempted Through the Program in 2018: \$11,001

Based on records to date, there have been \$11,001 of tax-exempted benefits claimed through Section 5 during the 2018 calendar year. Note that this is pass through money from companies located in the Enterprise Zones from previous years.

V. Conclusion

Participation in the Alabama Enterprise Zone Program decreased during the 2018 calendar year, thus limiting progress toward achieving the legislative goals of revitalizing distressed areas and increasing employment of area residents. It was expected that the recent changes in legislation together with ADECA's assistance would help to improve the economic growth in these counties. However, it may take more time for these counties to utilize the Enterprise Zone Program as an economic development tool.