

# JOBZ Program

## Update to 2008 Evaluation Report

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### Problems Identified

- **Lack of Focus.** Although it had some value as an economic development tool, the Job Opportunity Building Zones (JOBZ) program provided tax reductions to businesses that would have expanded in Minnesota anyway, subsidized some businesses that competed with other Minnesota businesses not receiving tax breaks, and did not target economically distressed areas.
- **No Constraints on Program Entry.** Approval by the Department of Employment and Economic Development (DEED) was not required for businesses to enter the program, and there was no cap on participation. As a result, local officials could accept businesses into JOBZ without any meaningful limits. Although JOBZ businesses received significant state tax reductions, proposed projects were not evaluated from a statewide perspective.
- **Ineffective Administration.** Program administration was hampered by flawed business subsidy agreements and a slow and ineffective compliance monitoring process by DEED.

### Changes Implemented

- **No Significant Legislative Reform.** The Legislature and the Governor could not reach agreement on many suggested statutory changes to JOBZ. The 2008 Legislature did require all JOBZ businesses to annually certify to the Department of Revenue that they are still in compliance with their business subsidy agreements. The Legislature also reduced the required repayments of tax breaks by businesses that do not comply with their agreements but still perform a “substantial level of activities described in the business subsidy agreement.”
- **Procedures Tightened.** In the absence of more substantial legislative reform, DEED established a review process for new projects and adopted a standard business subsidy agreement. Businesses seeking to participate in JOBZ must now receive approval from DEED. The Department of Revenue also created a new position to coordinate its JOBZ activities.

### Action Needed

- **Clarify Statutory Language.** The Department of Revenue and DEED have broadly interpreted the 2008 law change regarding a “substantial level of activities.” Their interpretation allows businesses that stop meeting (or never met) their obligations to keep the tax breaks they have received unless they completely shut down or move out of their zones. For example, a business that added one or two jobs instead of the promised ten jobs would be removed from the program but would not be required to pay back any previously received tax breaks.
- **Verify Reported Employment.** DEED should use unemployment insurance data as a means of independently verifying whether JOBZ participants have met their hiring goals.
- **Apply Administrative Changes to All Businesses.** For new JOBZ entrants, DEED will check compliance as soon as businesses reach the deadlines listed in their subsidy agreements. This procedure should be applied to all participants that have not yet reached their deadlines.