STORAGE NAME: h01483.bdt
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HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 1483

RELATING TO: Enterprise Zones

SPONSOR(S): Representative Sindler

STATUTE(S) AFFECTED: new language

COMPANION BILL(S): HB 1733 (compare), SB 1914 (identical), CS/SB 1486 (compare)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
(2) FINANCE AND TAXATION
(3)
(4)
(5)

I. SUMMARY:

This bill creates two enterprise zones in the areas impacted by the acquisition of Lake Apopka farm lands.

This bill has not yet been reviewed by the Revenue Estimating Conference, therefore the fiscal impact is indeterminate at this time. See Fiscal Research Section.

The Office of Tourism, Trade, and Economic Development has reviewed this bill and determined that estimates of anticipated revenue reductions could vary significantly based on a number of factors.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

The Florida Enterprise Zone Act was originally enacted by the Legislature in 1980 as a means of encouraging private enterprise to locate in and employ residents of slum and blighted areas through the use of tax incentives. Enterprise zones are economically distressed areas in Florida which are eligible for certain corporate and sales tax exemptions from the state and various local incentives. The Act was scheduled for repeal on December 31, 1994. The Legislature substantially modified the Act during the 1994 Regular Session and created the Florida Enterprise Zone Act of 1994 (chapter 94-136, Laws of Florida). The 1994 Act took effect on July 1, 1995.

Application and Designation of State Enterprise Zones

The 1994 Act allowed the existing 30 enterprise zones to expire and provided for a new competitive process to designate up to 20 enterprise zones in the state. Under this new competitive process, the Department of Commerce (now OTTED) was authorized to designate up to 5 enterprise zones within five population categories. Applications from local governments for designation of areas as enterprise zones are to be ranked competitively within these population categories based on the pervasiveness of poverty, unemployment and general distress, strategic plan, including local fiscal and regulatory incentives, and prospects for new investment and economic development in the area.

Section 290.0055, F.S., provides procedures and requirements for local governments in applying for designation of areas as enterprise zones. Subsection (3) of section 290.0055, F.S., provides that a county or municipality, or a county and one or more municipalities together, may not nominate more than one enterprise zone. However, Dade County is exempted from this restriction. Subsection (4) of section 290.0055, F.S., provides criteria that must be met by all areas nominated for designation as an enterprise zone. These criteria are:

1. The selected area does not exceed 20 square miles. The selected area must have a continuous boundary, or consist of not more than 3 noncontiguous parcels.

2. The selected area does not exceed certain size limitations based on the population of the local government nominating the area.

3. The selected area does not include any portion of a central business district, unless the poverty rate for each block numbering area in such district is not less than 30 percent. This provision does not apply to any area nominated in a county that has a population which is less than 50,000.

4. The selected area suffers from pervasive poverty, unemployment and general distress as defined in section 290.0058, F.S.

Subsection (5) of section 290.0055, F.S., provides that to the greatest extent possible, the boundary of an area nominated must coincide with the boundaries of census geographic block groups.

In addition, prior to submitting an application to OTTED for designation of an area as an enterprise zone, the local government must create an enterprise zone development agency, and create and adopt a strategic plan for developing the enterprise zone. The strategic plan must contain commitments from the local government to enact and maintain local fiscal and regulatory incentives.

Following passage of the Florida Enterprise Zone Act of 1994, the Department of Commerce (now OTTED) approved 19 state enterprise zones.

Section 370.28, F.S., allows OTTED to designate up to eight enterprise zones within communities that suffered adverse impacts from the adoption of the constitutional amendment limiting the use of nets to harvest marine species. The communities are limited to those with a population less than 7,500 residents or such communities in rural and coastal counties with a county population of less than 20,000. The designation of these zones must meet all the requirements set out in sections 290.0055 and 290.0058, F.S., pertaining to poverty and size requirements.

The following are incentives businesses are eligible for in enterprise zones:

* Enterprise Zone Jobs Tax Credit (Corporate Income Tax)
* Enterprise Zone Jobs Tax Credit (Sales Tax)
* Enterprise Zone Property Tax Credit
* Sales tax refund for building materials used in rehabilitation of real property
* Sales tax refund for business machinery and equipment
* Sales tax exemption for electrical energy
* Community Contribution Tax Incentive Program (CIT and Insurance Premium)

B. EFFECT OF PROPOSED CHANGES:

The bill provides that the counties of Lake or Orange, or the municipalities of Zellwood or Apopka may apply to the Office of Tourism, Trade, and Economic Development for enterprise zone designations. The enterprise zones would be for certain areas suffering adverse economic impacts due to governmental acquisition of Lake Apopka farm lands.

The bill provides that the application must be submitted by December 31, 1998 and must comply with all statutory requirements. The bill authorizes OTTED to designate two enterprise zones under this section.

The bill requires OTTED to establish the initial effective date of any of these enterprise zones based upon when unemployment will occur due to the cessation of farming on lands acquired in the Lake Apopka land acquisition.

The bill provides that any zone designated under this section will terminate 5 years following the established effective date.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

The bill authorizes the Office of Tourism, Trade and Economic Development to designate two new enterprise zones.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

Businesses in the areas designated as enterprise zones would be eligible for benefits, both local and state, associated with the enterprise zone program.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

None.

(2) what is the cost of such responsibility at the new level/agency?

N/A.

(3) how is the new agency accountable to the people governed?

N/A.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes, the bill would allow businesses in the newly created enterprise zones to be eligible for certain tax incentives.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. <u>Personal Responsibility:</u>

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. <u>Individual Freedom:</u>

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. <u>Family Empowerment:</u>

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A.

(2) Who makes the decisions?

N/A.

(3) Are private alternatives permitted?

N/A.

(4) Are families required to participate in a program?

N/A.

(5) Are families penalized for not participating in a program?

N/A.

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A.

(2) service providers?

N/A.

(3) government employees/agencies?

N/A.

D. SECTION-BY-SECTION RESEARCH:

Section 1. creates s. 290.0067, F.S., enterprise zone designation for communities impacted by Lake Apopka land acquisition.

Section 2. provides the act shall take effect upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

This bill has not yet been reviewed by the Revenue Estimating Conference. However, OTTED has reviewed the bill and notes the following non-recurring fiscal effects:

Agency requirements to administer the bill provisions for each of the next three years, to include personnel and financial, and sources of funds:

FY 97-98 40-80 hours to provide technical assistance during the application process.

FY 98-99 80-160 hours to review the application package(s) and to provide technical assistance to the new EZDA(s).

FY 99-00 Not applicable (On-going program responsibilities.)

2. Recurring Effects:

OTTED estimates the following recurring fiscal effects:

Amount and origin of any anticipated revenue reductions for each of the next three fiscal years:

FY 97-98 Not Applicable: application would be due in FY 98/99 (12/31/98).

FY 98-99 Very limited; if any. Earliest designation date would be: 1/1/99 (possibly 6/30/99).

FY 99-00 Up to approximately $5,000.** (Corporate and sales tax credits; sales tax refunds.)

**Estimated amount of revenue reductions could vary significantly depending on several factors; number of zones designated (1 or 2); size of designated area(s) (3 square miles or 20 square miles-depending on whether Apopka or Orange County is nominating governing body); number of existing businesses as well as number of businesses locating into the designated area(s) (according to local officials, the land surrounding

2. Long Run Effects Other Than Normal Growth:

   None.

3. Total Revenues and Expenditures:

   See A1. and A2.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   Lake County, Orange County, Zellwood, or Apopka may incur costs associated with applying for an enterprise zone.

2. Recurring Effects:

   Lake County, Orange County, Zellwood, or Apopka may incur costs associated with administering an enterprise zone.

3. Long Run Effects Other Than Normal Growth:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   None.

2. Direct Private Sector Benefits:

   Businesses located in areas added to an enterprise zone boundary may be eligible for tax incentives available to businesses located in enterprise zones.

3. Effects on Competition, Private Enterprise and Employment Markets:

   As noted above, this bill may result in new enterprise zones. Businesses located within enterprise zone areas may be eligible for several tax benefits intended to promote economic development and the creation of jobs.

D. FISCAL COMMENTS:

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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