

STORAGE NAME: h1623a.ca
DATE: April 15, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1623
RELATING TO: Enterprise Zones
SPONSOR(S): Representative Bullard
STATUTE(S) AFFECTED: Section 290.0055, Florida Statutes
COMPANION BILL(S): SB 2342 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 5 NAYS 0
- (2) FINANCE & TAXATION
- (3)
- (4)
- (5)

I. SUMMARY:

This bill allows Dade County to apply to the Office of Tourism, Trade, and Economic Development to change the boundaries of an enterprise zone. The purpose is to increase the noncontiguous area of the enterprise zone located closest to the path where the center of the storm known as Hurricane Andrew made landfall on August 24, 1992. The county must make such application before June 30, 1998. The bill also provides that the Office of Tourism, Trade and Economic Development must approve an application made under the provisions of this bill if it is consistent with the categories, criteria, and limitations imposed by statutory provisions upon the establishment of such an enterprise zone.

The bill will reduce corporate income tax collections by an indeterminate amount. The bill will have an insignificant impact on sales tax collections.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

The "Florida Enterprise Zone Act of 1994" was adopted by the Legislature following an in-depth review by the Legislature and the Office of the Auditor General. Chapter 94-136, Laws of Florida, authorized the Department of Commerce to designate 20 new enterprise zones: up to five enterprise zones within five population categories. Applications from local governments for designation of areas as enterprise zones were ranked competitively within these population categories based on the pervasive poverty, unemployment and general stress of the area; an enterprise zone development plan (strategic plan), including local fiscal and regulatory incentives; and prospects for new investment and economic development in the area.

Section 290.0055, F.S., 1996 Supplement, establishes the procedures and requirements for local governments to follow when nominating areas to be designated as enterprise zones. Any county or municipality, or a county and one or more municipalities may apply to the Office of Tourism, Trade and Economic Development for the designation of an area as an enterprise zone upon adopting a resolution making certain findings and determinations, creating an enterprise zone development agency, and creating and adopting a strategic plan. Local governments, except Dade County, are prohibited from nominating more than one enterprise zone.

Subsection (4) of section 290.0055, F.S., 1996 Supplement, provides that an area nominated for designation as an enterprise zone must meet the following criteria:

- (a) The selected area does not exceed 20 square miles; and has a continuous boundary or consists of not more than three noncontiguous parcels.
- (b) The selected area does not exceed certain mileage limitation based on the population of the local government nominating the area.
- (c) The selected area does not include any portion of a central business district, unless the poverty rate for each census geographic block in the 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.
- (d) The selected area suffers from pervasive poverty, unemployment, and general distress, as described and measured pursuant to section 290.0058, F.S.

Enterprise Zone Boundary Changes

In 1993, the Office of the Auditor General conducted an evaluation and review of Florida's Enterprise Zone Program (Report No. 12003). The report stated that since 1987, the Department of Community Affairs approved boundary changes for 20 of the 30 enterprise zones. As a result, zone coordinators, staff of the Florida Department of Labor and Employment Security, and businesses indicated that it is sometimes difficult to know where the boundaries are and what streets are included in the enterprise zone.

The report recommended that the Legislature consider keeping the boundaries of the enterprise zone constant. Keeping boundaries constant would allow accurate maps of

STORAGE NAME: h1623a.ca

DATE: April 15, 1997

PAGE 3

the zones to be prepared and used to facilitate marketing efforts for new businesses; keeping boundaries constant over the next period of review would also facilitate an analysis of outcomes and census data. However, it may be necessary at times to add new areas to a zone in order to incorporate additional distressed areas. In these cases, the zones should be required to make new maps available and to publish boundary changes in local newspapers so that affected businesses are aware of the changes.

Chapter 95-309, Laws of Florida, amended section 290.0065, F.S., relating to state designation of enterprise zones, to redesignate as enterprise zones those zones which were in existence in Dade County prior to December 31, 1994. Dade County is permitted to incorporate an area designated as a federal enterprise community into the boundaries of a state enterprise zone without any limitation as to the size.

Chapter 95-309, Laws of Florida, also modified the boundaries of the state enterprise zone in Jackson County to coincide with the boundaries of the federal enterprise community in Jackson County. Santa Rosa County is also authorized to modify its state enterprise zone boundaries.

Florida's Enterprise Zones

The following is a list of the 19 enterprise zones designated by the Department of Commerce. These zones became effective July 1, 1995.

- City of Bradenton
- City of Century
- City of Daytona Beach
- City of DeFuniak Springs
- Fort Lauderdale/Broward County
- Fort Myers/Lee County
- City of Gainesville
- Jackson County
- City of Jacksonville
- Metropolitan Dade County
- Milton/Santa Rosa County
- Orange County
- City of Pahokee
- Palm Beach County
- Palmetto/Manatee County
- Sebring/Highlands County
- City of St. Petersburg
- City of Tampa

In 1996, the Florida Legislature amended the Enterprise Zone Program and transferred the administrative responsibilities from the Department of Commerce to the newly created Office of Tourism, Trade, and Economic Development.

During the 12 months ending on September 30, 1996, the Office of Tourism, Trade, and Economic Development designated ten additional zones, commonly referred to as "net ban zones," pursuant to section 370.28, F.S. These zones became effective on January 1, 1997.

These newly designated zones are located within the jurisdictional boundaries of following governing bodies.

- Dixie County
- Everglades City (located in Collier County)
- Franklin County
- City of Freeport (located in Walton County)
- Gulf County
- Immokalee (located in Collier County)
- City of St. Marks (located in Wakulla County)
- Taylor County
- Wakulla County

In addition to these recently designated zones, the Office of Tourism, Trade and Economic Development will conduct an application process to designate one more zone which will have an effective date of July 1, 1997. Communities in the population range between 7,501 and 50,000 will be eligible to apply. The application deadline is scheduled for May 6, 1997.

B. EFFECT OF PROPOSED CHANGES:

This bill allows Dade County to apply to the Office of Tourism, Trade, and Economic Development to change the boundaries of an enterprise zone. The purpose is to increase the noncontiguous area of the enterprise zone located closest to the path where the center of the storm known as Hurricane Andrew made landfall on August 24, 1992. The county must make such application before June 30, 1998. The bill also provides that the Office of Tourism, Trade and Economic Development must approve an application made under the provisions of this bill if it is consistent with the categories, criteria, and limitations imposed by section 290.0055 F.S., relating to local nominating procedures, upon the establishment of such an enterprise zone.

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?

No.

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

The Office of Tourism, Trade and Economic Development can implement the required boundary changes using current available resources.

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

Businesses who locate in areas within the boundaries of newly amended enterprise zones would be eligible to receive the state tax incentives available under 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?

Not applicable.

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

Not applicable.

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

Not applicable.

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?

Businesses who locate in areas within the boundaries of newly amended enterprise zones would be eligible to receive the state tax incentives available under the enterprise zone program.

- 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. Personal Responsibility:

- 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. Individual Freedom:

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

No.

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

No.

5. Family Empowerment:

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

- (1) Who evaluates the family's needs?

Not applicable.

- (2) Who makes the decisions?

Not applicable.

- (3) Are private alternatives permitted?

Not applicable.

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

Not applicable.

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

Not applicable.

- 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?

Not applicable.

- (2) service providers?

Not applicable.

- (3) government employees/agencies?

Not applicable.

D. SECTION-BY-SECTION RESEARCH:

Section 1. Subsection (7) is added to section 290.0055, F.S., 1996 Supplement, relating to the local nominating procedure. The section authorizes the governing body of any county operating under home rule charter adopted pursuant to sections 10, 11, or 24 of Article VIII of the Constitution of 1885, as preserved by section 6(e) of Article VIII of the Constitution of 1968, with a population of at least 2 million persons to apply to the Office of Tourism, Trade, and Economic Development to amend the boundary lines of an enterprise zone within the county for the purpose of increasing the noncontiguous area of the zone located closest to the path where the center of Hurricane Andrew crossed land. Only Dade County would qualify under these conditions. The application must be made before June 30, 1998.

The Office of Tourism, Trade, and Economic Development must approve an application made pursuant to this subsection if it is consistent with the categories, criteria, and limitations imposed by this section upon the establishment of such enterprise zone.

Section 2. An effective date of upon becoming a law is provided.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The bill will require the Office of Tourism, Trade and Economic Development to review the application to amend the enterprise zone boundary. This review will require approximately 10 hours of staff time.

2. Recurring Effects:

The fiscal impact on corporate income tax collections is indeterminate. Assuming the enterprise zone is expanded by no more than 80 acres, the estimated impact on corporate income taxes is \$0.1 million in fiscal year 1997-98 and \$0.1 million in fiscal year 1998-99. The estimated fiscal impact on sales tax collections is insignificant.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The estimated impact on sales tax collections is insignificant.

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 who locate in areas within the boundaries of newly amended enterprise zones would be eligible to receive the state tax incentives available under the enterprise zone program.

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

Businesses who locate in areas within the boundaries of newly amended enterprise zones would be eligible to receive the state tax incentives available under the enterprise zone program. The Office of Tourism, Trade and Economic Development indicates it is anticipated 165 jobs will be created within the first twelve months of the zone expansion, and 465 jobs will be created within six years of the expansion. A total capital investment of \$26 million over the next six years is anticipated.

D. FISCAL COMMENTS:

The fiscal estimates are based on information provided to the Impact Conference by the Office of Tourism, Trade and Economic Development.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require expenditures by counties and municipalities.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties and municipalities.

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

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

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Community Affairs passed HB 1623 with one amendment on April 15, 1997.

Amendment 1

On page 1, line 22, after the word "increasing" insert: by no more than 80 acres

The amendment limits the ability to expand the affected enterprise zone to no more than 80 acres. The amendment also limits the bill's fiscal impact to \$0.1 million in fiscal years 1997-98 and 1998-99.

STORAGE NAME: h1623a.ca

DATE: April 15, 1997

PAGE 10

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Legislative Research Director:

Thomas L. Hamby, Jr.

Jenny Underwood Dietzel