

STORAGE NAME: h0599.bdt

DATE: February 19, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 599 (PCB BDIT 97-001)

RELATING TO: Private Activity Bonds

SPONSOR(S): Committee on Business Development and International Trade and Rep. Putnam

STATUTE(S) AFFECTED: Section 159.804, Florida Statutes

COMPANION BILL(S):

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

(1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE YEAS 8 NAYS 0

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I. SUMMARY:

Section 146 of the federal Internal Revenue Code sets forth a ceiling on the volume of private activity bonds that can be issued in a state for any calendar year. Bonds issued for manufacturing facilities are allowable under this section.

Section 159.804, Florida Statutes provides for the first \$75 million of the state's private activity bond volume limitation to be set aside solely for use by manufacturing facilities. This provision is due to expire December 31, 1997.

This bill amends Section 159.804, Florida Statutes, by striking the language which expires the manufacturing facilities bond pool.

This bill does not increase or otherwise change the rulemaking authority of a state agency.

This bill has no fiscal impact.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 146 of the federal Internal Revenue Code sets forth a ceiling on the volume of private activity bonds that can be issued in a state for any calendar year. The volume limitation is set at \$50 multiplied by the State population. The volume limit in Florida for 1996 was \$697,650,000. Bonds issued for manufacturing facilities are allowable under this section. Section 144 (a)(12)(c) of the Internal Revenue Code defines manufacturing facility as "any facility which is used in the manufacturing or production of tangible personal property."

Chapter 159, Florida Statutes provides for a method for allocating the volume limit in Florida. The first \$75,000,000 is set aside for the Manufacturing Facilities Bond Pool. Fifty percent of the remaining volume is allocated to 16 regional allocation pools. Twenty five percent is allocated to the Florida Housing Finance Agency, five percent is reserved for a state allocation pool, and twenty percent is allocated to the Florida First Business Allocation Pool.

Section 159.804, Florida Statutes provides for the first \$75 million of the state volume limitation to be set aside in the Manufacturing Facilities Bond Pool solely for use by manufacturing facilities. This section was enacted in response to a concern that manufacturing facilities were not able to access the regional pools and therefore were unable to utilize tax-exempt financing allowable under federal law. This provision is due to expire December 31, 1997 and must be reviewed by the Legislature prior to that date.

B. EFFECT OF PROPOSED CHANGES:

This bill amends Section 159.804, Florida Statutes, by striking the language which expires the manufacturing facilities bond pool.

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?

N/A

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

N/A

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

N/A

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?

N/A

(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?

N/A

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

N/A

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

Although the bill itself does not reduce total taxes, it allows for the continuation of tax-exempt bonds to be issued for certain qualified manufacturing facilities. A reduction of taxes is realized by the investor and a lower interest rate is realized by the issuer of the bond. The revenue reduction due to the tax exemption is realized at the federal level.

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

N/A

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

N/A

3. Personal Responsibility:

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

N/A

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

N/A

4. Individual Freedom:

- 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?

N/A

5. Family Empowerment:

- 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?

N/A

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 ANALYSIS:

Section 1 amends 159.804, F.S., to remove the expiration date on the allocation of the state volume limitation to the manufacturing facilities bond pool.

Section 2 provides that the bill shall become effective upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects: N/A

2. Recurring Effects: N/A

3. Long Run Effects Other Than Normal Growth: N/A

4. Total Revenues and Expenditures: N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects: N/A

2. Recurring Effects: N/A

3. Long Run Effects Other Than Normal Growth: N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs: N/A

2. Direct Private Sector Benefits: Developers of certain qualified manufacturing facilities will realize a lower interest rate on the financing of their projects due to the ability to access tax exempt financing which has a lower interest rate than traditional financing.

3. Effects on Competition, Private Enterprise and Employment Markets: The manufacturing facilities bond pool is seen as an economic development tool. It can be utilized to encourage the location or expansion of manufacturing facilities which can lead to job creation and economic growth.

D. FISCAL COMMENTS:

N/A

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 municipalities or counties have to raise revenues in the aggregate.

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

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

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Legislative Research Director:

Stacey E. Smelser

Michael L. Rubin