

STORAGE NAME: h0919.bdt

DATE: March 18, 1997

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

BILL #: HB 919

RELATING TO: Economic Development Areas

SPONSOR(S): Rep. Byrd

STATUTE(S) AFFECTED:

COMPANION BILL(S): SB 1204

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

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
- (2) COMMUNITY AFFAIRS
- (3) FINANCE AND TAXATION
- (4)
- (5)

I. SUMMARY:

The bill authorizes local governments to create economic development areas within which a target industry business which is new or expanding is eligible for consolidated, streamlined approval process as well as the waiver of local development costs.

The Revenue Estimating Conference has not yet reviewed this bill. The bill has negative recurring and nonrecurring fiscal impacts. To the extent the bill induces additional economic activity, the bill may also have a positive fiscal impact.

The bill may require the Department of Community Affairs to develop rules to implement the provisions of this bill.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The State of Florida has a number of economic development programs designed to improve Florida's economic climate. These programs include:

Florida's Qualified Target Industry Program -- designed to create high wage jobs in the state by providing tax credits for new jobs created which pay wages at or above 115 percent of the average wage in the area.

Florida's Enterprise Zone Program -- designed to encourage development in specific geographic areas which are targeted for economic revitalization. The program offers financial incentives for businesses to locate in the designated areas and for those businesses to hire residents of the designated area.

Other economic development efforts include a recently executed Memorandum of Agreement between state and regional permitting and growth management agencies to facilitate expedited permit processing.

B. EFFECT OF PROPOSED CHANGES:

This bill authorizes local governments to create economic development areas within which a target industry business which is new or expanding is eligible for consolidated, streamlined approval process as well as the waiver of local development costs.

"Targeted industry" is defined in this bill as:

- a company whose SIC code is on the list of targeted industries identified by Enterprise Florida which provides at least 100 new full-time equivalent employees,
- a company which adds 200 full-time equivalent jobs within two years at 100 percent of the average wage in the county, or
- a company which adds at least 500 full-time equivalent jobs within two years.

The bill specifies that the geographic characteristics of an economic development area must be as follows:

- no larger than 5 square miles for a county,
- up to 50 acres or 1 percent of the area within the municipality's boundaries, whichever is greater, for municipalities with a population of 50,000 or more, or
- up to 50 acres or 2 percent of the area within the municipality's boundaries, whichever is greater, for municipalities with a population of less than 50,000.

The bill specifies that the economic development area shall be created by ordinance of the local government presented at a public hearing before being adopted. After adoption, the ordinance is to be submitted to the local planning agency for review and

comment. The local planning agency is to transmit the ordinance to the Department of Community Affairs for review and approval.

After an economic development area has been created, target industry companies which expand or locate in the area are eligible for streamlined approval process. Additionally, the local government may invest in infrastructure necessary for the development. The local government may also waive any other costs associated with the location in the economic development area.

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?

Although the bill does not specifically grant authority to make rules or adjudicate disputes, it does create a need for a process for local governments to challenge the decision making process of the Department of Community Affairs regarding the decisions to approve or disapprove the creation of the Economic Development Areas.

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

In order to establish an economic development area, local governments must adopt an ordinance which must then be reviewed by the local planning agency and the Department of Community Affairs.

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

Target Industry businesses which locate in approved economic development areas are eligible for a streamlined approval process and waiver of certain local government development costs.

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?

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?

No.

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

Target Industry businesses which locate in approved economic development areas may receive a waiver of certain local government development costs.

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?

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?

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 ANALYSIS:

Section 1. Provides legislative findings, definitions, and specifies the creation and approval process for economic development areas.

Section 2. Provides that this act take effect upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The Department of Community Affairs (DCA) reports that staff time would have to be devoted to setting up a review procedure for the provisions of this bill. DCA estimates those costs to be:

| | |
|--------------------------|-------------------|
| | <u>FY 1997/98</u> |
| Expenses | \$5,151 |
| Operating Capital Outlay | <u>\$9,495</u> |
| Total | <u>\$14,656</u> |

2. Recurring Effects:

DCA reports the following recurring costs to administer the provisions of this bill:

| | | |
|----------|-------------------|-------------------|
| | <u>FY 1997/98</u> | <u>FY 1998/99</u> |
| | 3 FTE | 3 FTE |
| Salaries | \$129,216 | \$129,216 |
| Expenses | <u>\$24,768</u> | <u>\$24,768</u> |
| Total | <u>\$153,984</u> | <u>\$153,984</u> |

In the event that the provisions of this bill stimulate additional economic activity, there may be a positive recurring fiscal impact.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

| <u>FY 1997/98</u> | <u>FY 1998/99</u> |
|-------------------|-------------------|
| 3 FTE | 3 FTE |
| \$168,640 | \$153,984 |

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

While the provisions of this bill are optional for local governments, those that elect to establish economic development areas will incur some costs in the application and approval processes.

2. Recurring Effects:

In the event that the provisions of this bill stimulate additional economic activity, there may be a positive recurring fiscal impact.

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:

Target Industry businesses which locate in approved economic development areas are eligible to receive expedited permitting and waiver of certain local government development costs.

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

The provisions of this bill may help attract target industry businesses to economic development areas thereby increasing competition and employment opportunities in those areas.

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 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:

The Department of Community Affairs has suggested several modifications to this bill. In addition, DCA has stated some concern that the bill duplicates the expedited permitting efforts including the recently completed MOA referenced in the Present Situation section of this Bill Research.

Additionally, there are some technical concerns as follows:

The bill refers to the list of SIC codes identified by Enterprise Florida in the definition for target industry. Enterprise Florida does not define target industries by SIC code. For example, on the "list" that Enterprise Florida maintains, corporate headquarters and research and development are two types of industries which are not identified by SIC codes.

The bill does not provide a definition for "transit corridor." However, it stipulates that the economic development area must be at least partially located within a transit corridor.

The bill does not delineate what type of process would be consolidated or streamlined.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

STORAGE NAME: h0919.bdt

DATE: March 18, 1997

PAGE 9

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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