

**STORAGE NAME:** h1963a.ca  
**DATE:** April 15, 1999

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
COMMUNITY AFFAIRS  
ANALYSIS**

**BILL #:** HB 1963  
**RELATING TO:** Enterprise Zones  
**SPONSOR(S):** Representative Dennis  
**COMPANION BILL(S):** SB 2548 (l), CS/SB 260 (c)

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

- (1) COMMUNITY AFFAIRS YEAS 8 NAYS 0
  - (2) GOVERNMENTAL RULES & REGULATIONS
  - (3) FINANCE AND TAXATION
  - (4) TRANSPORTATION AND ECONOMIC DEVELOPMENT APPROPRIATIONS
  - (5)
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I. SUMMARY:

This bill directs the Office of Tourism, Trade and Economic Development to designate a pilot project area within an enterprise zone and specifies qualifications such area must meet. Furthermore, the bill provides for sales tax and corporate income tax credits for \$1 million annually.

This bill does not appropriate general revenue funds.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Florida established one of the first enterprise zone programs in the country in 1980 to encourage economic growth and investment in distressed areas by offering tax advantages to businesses willing to invest within specified areas. An "enterprise zone" is a specific geographic area targeted for economic revitalization. The state has 31 designated enterprise zones in Florida.

In 1994, the Florida Legislature passed significant revisions to the enterprise zone program. The original program became overwhelmed with the number of zones allowed. As a result, the existing zones were repealed on December 31, 1994, and parameters were established for the designation of new zones. Administrative responsibilities of the program were transferred from the Department of Community Affairs to the Department of Commerce. The jobs tax credit eligibility criteria were revised to require both the business and employee to reside within an enterprise zone.

In 1995, 19 enterprise zones were designated in urban and rural communities throughout the state. Local governments were required to establish a community-based Enterprise Zone Development Agency (EZDA).

In 1996, 11 new enterprise zones were authorized by the Florida Legislature, 10 of which submitted acceptable plans and applications. Administrative duties were transferred to the newly created Office of Tourism, Trade and Economic Development (OTTED) upon dissolution of the Department of Commerce. In 1997, OTTED designated the City of Fort Pierce as the 30th enterprise zone. In 1998, the 31st enterprise zone was added when the Florida Legislature further amended the enterprise zone program by authorizing a new zone to be designated within a brownfield pilot project area (Clearwater).

Costs of the program have increased slowly as new areas have been added. The total cost of state and local incentives were \$11.2 million in FY 1996-97, and \$13 million in FY 1997-98.

B. EFFECT OF PROPOSED CHANGES:

This bill directs the Office of Tourism, Trade and Economic Development to designate, by July 1, 1999, a pilot project area within an enterprise zone and specifies qualifications such area must meet. Furthermore, the bill provides for a total sales tax and corporate income tax credit amounting to \$1 million annually.

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?

OPPAGA must review and evaluate the pilot project area created in this bill using certain criteria and report its findings to the Legislature no later than January 15, 2001.

(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?

The bill provides a sales tax and corporate income tax credit of \$1 million annually.

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. STATUTE(S) AFFECTED:

Creates new section 220.02(10), Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

Section 1: Creates section 290.0069, to direct the Office of Tourism, Trade, and Economic Development to designate a pilot project area within one enterprise zone by July 1, 1999. The area so designated must be an enterprise zone and meet other criteria specified in the bill.

Beginning December 1, 1999, up to four businesses in the designated pilot project area may receive a credit against sales and use tax and corporate income tax equal to \$5,000 per full-time employee and \$2,500 per part-time employee.

OTTED is authorized to grant \$1,000,000 in tax credits annually. If applications submitted exceed the amount, OTTED must prorate the credit granted, such that all eligible applicants receive a credit.

Eligible businesses must meet the criteria established by this section, and receive prior approval of OTTED, which will establish a date for annual submission of applications.

Applications must include information specified in the bill. OTTED is to forward a copy of each credit approval to the Director of the Department of Revenue. Additionally, OTTED and the Department of Revenue are authorized to promulgate rules for administering this section.

Credit not used in a taxable year due to an insufficient tax liability may be carried forward for up to five years. OPPAGA must review and evaluate the pilot project area created in this bill using certain criteria and report its findings to the Legislature no later than January 15, 2001.

This section is repealed on June 30, 2015, and the pilot project designation is revoked as of that date.

Section 2: This act takes effect 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:

The bill grants a \$1 million, annually, in tax credits through the year 2015. Applicants are limited to four businesses within the pilot project area beginning December 1, 1999.

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:

The pilot project provides economic incentives for up to four businesses that are major employers, to move into an enterprise zone.

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

N/A

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to expend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

The bill does not reduce the amount of state tax shared with counties or municipalities.

V. COMMENTS:

The City of Jacksonville enterprise zone is currently the only area which meets the specified criteria in the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Community Affairs approved the bill, with one amendment, at their meeting on April 14, 1999. The amendment changes the date that OPPAGA must review and evaluate the pilot project from 2001 to 2004.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Staff Director:

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Lisa C. Cervenka

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Joan Highsmith-Smith