

STORAGE NAME: h1437s1.bdt

DATE: March 21, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
ANALYSIS**

BILL #: CS/HB 1437

RELATING TO: Enterprise Zones

SPONSOR(S): Committee on Business Development & International Trade
and Representative K. Smith

TIED BILL(S):

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

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE YEAS 9 NAYS 0
 - (2) COMMUNITY AFFAIRS
 - (3) FINANCE & TAXATION
 - (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

The bill would provide a definition of a "rural enterprise zone." It authorizes the Office of Tourism, Trade, and Economic Development to amend the boundaries of a rural enterprise zone and provides requirements. It modifies the employee residency requirements for the enterprise zone jobs credits, if the business is located in a rural enterprise zone. For those businesses located within a rural enterprise zone, it provides maximum exemptions or credits with respect to the sales tax credits for building materials used in the rehabilitation of real property in an enterprise zone; for electrical energy used in an enterprise zone; and for the corporate income tax enterprise zone property tax credit, if no less than 20 percent of its employees reside in the county. It authorizes the Office of Tourism, Trade, and Economic Development to designate rural champion communities as enterprise zones and provides requirements.

The bill does not address the issue of rulemaking.

The Revenue Estimating Conference has yet to review this bill.

The bill provides an effective date upon becoming law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Florida Enterprise Zone Program

Established in 1980, the Florida Enterprise Zone program targets areas for economic revitalization and provides incentives to businesses located in designated areas found in urban and rural communities. An "enterprise zone" is a specific geographic area chosen for economic revitalization. The incentives encourage businesses located within an enterprise zone to hire employees who are residents of that zone and award them with a 20 percent enhanced incentive.

By the early nineties, the program had become overwhelmed with the number of zones allowed. To remedy the situation, the legislature passed the Florida Enterprise Zone Act in 1994. As a result, the existing zones were repealed on December 31, 1994, and guidelines were established for the designation of new zones. The act transferred administrative duties from the Department of Community Affairs to the Department of Commerce.

In 1995, nineteen enterprise zones were designated throughout the state. Local governments were required to establish a community based Enterprise Zone Development Agency (EZDA). Each EZDA is responsible for overseeing the implementation of its individual plan and reducing local barriers to revitalization efforts. The agencies are required to market their zones to interested parties and assist local business owners with state and local incentives.

With the dissolution of the Department of Commerce in 1996, the legislature amended the program and transferred the administrative responsibilities to the newly created Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor. In addition, the revision added Work and Gain Economic Self-Sufficiency (WAGES) Program participants (residing in a zone) as eligible employees for a 15 percent jobs tax credit. The legislature also authorized the designation of eleven additional enterprise zones.

In 1997, the legislature authorized twelve new zones. The following year, the program was amended to include a new zone and to allow businesses located within an enterprise zone to claim jobs tax credits for hiring WAGES or Job Training Partnership Act (JTPA) program participants regardless of where they live.

Presently, the state has thirty-four enterprise zones. 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.

Florida's Rural Counties

Despite Florida's recent rapid growth and urbanization, much of the state remains rural in character. Florida has 33 counties with populations under 75,000 and more than 50 percent of the state's 400 municipalities have populations of less than 5,000. Many rural communities lag behind their non-rural counterparts as measured by such indicators as per capita income, employment opportunities, local service provisions, access to health care, and educational achievement and quality. Compared with other states, Florida is unique in that many of its rural areas are located in close proximity to its urban centers. Densely developed urban centers are defined by surrounding open space, while the viability of rural areas depends on healthy, prosperous and contained urban areas with well-defined boundaries.

The Florida Legislature recognized the need to encourage economic development in the state's rural communities with the passage of Senate Bill 1566, codified as Chapter 99-251, Laws of Florida. It created the Rural Economic Development Initiative (REDI), administered by OTTED, to coordinate the efforts and resources of state and regional agencies on the problems which affect the fiscal, economic, and community viability of Florida's rural communities. Further, SB 1566 created the Rural Infrastructure Fund within OTTED to provide grants for infrastructure in support of specific economic development.

Federal Rural Incentives

Through the Community Empowerment Program, the Federal government recognizes the need to bolster economic development in rural communities. Enacted into law in August 1993, the program provides economic incentives to communities which have high rates of poverty. To receive these incentives, a community must present a comprehensive strategic plan developed with the active participation of low-income community residents. For those communities that applied for designation under the Empowerment Zone/Enterprise Community Initiative but did not receive designations as such, the Federal government designates these areas as Champion Communities. The designation strives to recognize the significant local investment of these communities through a variety of resources and assistance.

C. EFFECT OF PROPOSED CHANGES:

The bill would provide a definition of a "rural enterprise zone," to mean an enterprise zone that is nominated by a county with a population of 75,000 or fewer, or a county with a population of 100,000 or fewer which is contiguous to a county with a population of 75,000 or fewer, or by a municipality in such a county. An enterprise zone designated in s. 370.28, F.S., would also meet this definition. Based on this definition, the following enterprise zones would be classified as "rural enterprise zones:"

- Chipley/Washington County
- Defuniak Springs
- Dixie County
- Everglades City
- Franklin County
- Freeport

- Gulf County
- Hendry County
- Jackson County
- Liberty County
- Oak Hill
- St. Marks
- Sebring/Highlands County
- Taylor County
- Wakulla County

The bill authorizes OTTED to amend the boundaries of a rural enterprise zone to include up to 15 square miles and to include one additional non-contiguous area. A local enterprise zone development agency must request this amendment prior to December 30, 2000.

The bill would modify the employee residency requirements for the enterprise zone jobs tax credit incentive to include county residents, as well as zone residents. Further, it would modify the 20 percent enhancement clause to count county residents when calculating the percentage of employees residing within in an enterprise zone in a "rural enterprise zone" for four enterprise zone incentives (building materials sales tax refunds, business equipment sales tax refunds, electrical energy sales tax exemption and enterprise zone property tax credit).

The bill would provide Champion Communities with an the opportunity to apply for designation as an enterprise zone.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 Renumbers subsections (8) and (9) of section 290.004, F.S., as subsections (9) and (10), respectively. Creates a new subsection (8), which provides a definition of a "rural enterprise zone."

Section 2 Creates s. 290.00676, F.S., to provide the "rural enterprise zones" with an opportunity to amend their enterprise zone boundaries to include up to 15 square miles and include one additional noncontiguous area. Requires the local enterprise zone development agency to request the amendment prior to December 30, 2000. The request must contain maps and sufficient information to allow OTTED to determine the number of noncontiguous areas and the total size of the rural enterprise zone.

Section 3 Creates s. 290.00677, F.S. Modifies the employee residency requirements for the enterprise zone job credit for a business located within a rural enterprise zone. For rural enterprise zones, the business is eligible for the maximum exemptions or credits with respect to the sales tax credits for building materials used in the rehabilitation of real property in an enterprise zone, for electrical energy used in an enterprise zone; and for the corporate income tax enterprise zone property tax credit, if no less than 20 percent of its employees reside in the county. Provides application time limits.

Section 4 Creates s. 290.00694, F.S., to allow OTTED to designate rural champion communities as enterprise zones.

Section 5 Provides an effective date upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

According to Enterprise Florida, Inc., the fiscal impact of this bill is indeterminate at this time.

The Revenue Estimating Conference has not addressed this bill.

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.

STORAGE NAME: h1437s1.bdt

DATE: March 21, 2000

PAGE 6

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:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 21, 2000, the Committee on Business Development and International Trade adopted three amendments. The first inserted the word "square," allowing rural enterprise zones to be up to 15 square miles; the second added enterprise zone tax exemptions which were not included in the original bill; and the third provided an exception for rural enterprise zones from a statutory size limit, as well as specified poverty and unemployment conditions, to allow champion communities to be eligible for enterprise zone designation.

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

James Marshall Cox

J. Paul Whitfield, Jr.