

STORAGE NAME: h0771.ca

DATE: March 17, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: HB 771

RELATING TO: Enterprise Zones/Boundaries

SPONSOR(S): Representative Chestnut

TIED BILL(S): None

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

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

I. SUMMARY:

The bill provides for a change in the boundaries of the enterprise zone located within the City of Gainesville and provides conditions for such a boundary change.

The Revenue Estimating Conference considered the provisions of this bill as part of its analysis of CS/SB 964, and determined that the impact on state and local revenues is insignificant.

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:

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 targeted for economic revitalization. Presently, the state has thirty-four enterprise zones.

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 As a result, the existing zones were repealed on December 31, 1994, and guidelines were established for the designation of new zones.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.

As part of the "Florida Empowerment Zone Act," the 1999 Legislature provided for any area designated as a federal empowerment zone or enterprise community to be designated as a state enterprise zone. The 1999 Legislature also amended the "Florida Enterprise Zone

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Act" to allow Liberty County, Columbia County or Columbia County and Lake City, Suwannee County or Suwannee County and Live Oak, and Gadsen County to apply to OTTED for designation of specified areas as enterprise zones.

The Florida Enterprise Zone Program includes the following financial incentives to businesses to encourage private investment and increase employment opportunities for enterprise zone residents:

- Enterprise Zone Jobs Tax Credit (Sales & Use Tax);
- Enterprise Zone Jobs Tax Credit (Corporate Income Tax);
- Enterprise Zone Property Tax Credit (Corporate Income Tax);
- Sales Tax Refund for Building Materials Used in an Enterprise Zone;
- Sales Tax Refund for Business Machinery and Equipment Used in an Enterprise Zone;
- Sales Tax Exemption for Electrical Energy Used in an Enterprise Zone;
- Community Contribution Tax Credit Program;
- Enterprise Zone Linked Deposit Program.

Costs of the program have increased as new areas have been added. The total cost of state and local incentives was \$11.2 million in FY 1996-97 and \$13 million in FY 1997-98. During the fourth full year of the revised Enterprise Zone Program, costs have increased by \$11 million such that FY 1998-99 totals \$24 million in state and local incentives (\$5.2 million in state tax incentives approved by the Department of Revenue, and \$18.8 million in incentives provided by the local governing bodies; however, some of the local incentives provided are federal pass-through funds.). This increased activity was the result of 776 new businesses moving into enterprise zones creating 5,305 new jobs.

Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone. It provides size limitations depending on the community population category and requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured pursuant to s. 290.0058, F.S. Section 290.0058(2), F.S., specifies that pervasive poverty "shall be evidenced by a showing that poverty is widespread throughout the nominated area. The poverty rate of the nominated area shall be established using the following criteria: (a) In each census geographic block group within a nominated area, the poverty rate shall be not less than 20 percent. (b) In at least 50 percent of the census geographic block groups within the nominated area, the poverty rate shall not be less than 30 percent."

Section 290.0065, F.S., outlines the process for designating an enterprise zone. It authorizes OTTED to designate a total of 20 areas as enterprise zones ranked competitively, based on pervasive poverty, unemployment, and general distress of the area. Subsection (3)(a) provides five population categories within which areas designated as an enterprise zone shall be placed.

There are currently a number of provisions in the enterprise zone statutes which relate to boundary changes. For example, s. 290.0065(9), F.S., provides for amending the boundaries of any previously designated enterprise zone if pervasive poverty, unemployment and distress are still present within the new borders. Subsection (10) provides for amending the boundaries of certain zones for the purpose of replacing areas not suitable for development if the application for such amendment is received before December 31, 1998. This subsection requires OTTED to approve the application if it does not increase the overall size of the enterprise zone and the added area is consistent with previous categories, criteria, and limitations.

The enterprise zone in Gainesville was designated on July 1, 1995, and is scheduled to expire on June 30, 2005. The zone is currently 9.99 square miles. According to the 1990 U.S. Census, the population of Alachua County was 181, 596.

C. EFFECT OF PROPOSED CHANGES:

The bill provides that the governing body of a municipality located in a county with a population of less than 200,000, and in which an enterprise zone designated under the category of communities consisting of census tract areas having a total population of 50,000 persons or more but less than 150,000 persons is located, may apply to OTTED to amend the boundaries of an enterprise zone located in that county. The change will be approved if the overall size of the enterprise zone does not increase and is contiguous to the existing zone. A municipality must submit its request before June 1, 2001.

The bill allows the City of Gainesville to request OTTED to amend the boundaries of its enterprise zone.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. A new subsection (12) is added to s. 290.0065, F.S., to provide that the governing body of a municipality located in a county with a population of less than 200,000, and in which an enterprise zone designated under the category of communities consisting of census tract areas having a total population of 50,000 persons or more but less than 150,000 persons is located, may apply to OTTED to amend the boundaries of an enterprise zone located in that county. The change will be approved if the overall size of the enterprise zone does not increase and is contiguous to the existing zone. A municipality must submit its request before June 1, 2001.

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

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference considered the provisions of this bill as part of its analysis of CS/SB 964, and determined that the impact on state revenues is insignificant.

2. Expenditures:

OTTED would be required to process the boundary change application.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference considered the provisions of this bill as part of its analysis of CS/SB 964, and determined that the impact on local government revenues is insignificant.

2. Expenditures:

The City of Gainesville may incur some costs in preparing the application for the allowed boundary change.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses and residents located in areas affected by the boundary change may be affected. Businesses located in an area added to the enterprise zone could benefit from the enterprise zone incentives. Residents of areas added to the enterprise zone could benefit from new employment opportunities. Businesses located in areas removed from the enterprise zone would no longer be able to benefit from the incentives. Similarly, residents of areas removed from the enterprise zone would no longer enjoy the benefits provided by the enterprise zone.

D. FISCAL COMMENTS:

According to OTTED, the local economy would expand by a factor greater than the specific investment due to a multiplier effect if the enterprise zone is successful in attracting new jobs and investment.

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:

The effect this bill has on the authority that municipalities or counties have to raise revenues in the aggregate depends on the effect the boundary change has on local option sales tax collections. Although the bill may reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant.

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.

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V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

This bill does not necessitate additional rulemaking authority.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

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