

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 964

SPONSOR: Commerce and Economic Opportunities Committee and Senator Kirkpatrick

SUBJECT: Enterprise zones

DATE: March 8, 2000 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This committee substitute authorizes a municipality that is located within a county having a population of less than 200,000 to change the boundaries of an existing enterprise zone in which the enterprise zone community has a total population between 50,000 and 150,000. The Office of Tourism, Trade, and Economic Development shall approve the application for the boundary change if the new boundaries do not increase the overall size of the enterprise zone and if any territory added to the enterprise zone as a result of the boundary change is contiguous to the remaining area of the existing enterprise zone.

This committee substitute would exempt enterprise zones in Columbia County and Suwannee County from a requirement that the areas suffer from pervasive poverty, unemployment, and general distress. This committee substitute would also allow businesses located in such enterprise zones to claim tax credits for hiring persons outside of the zone, but within the jurisdiction of the counties, and revises qualifications for businesses in such zones to claim certain maximum tax exemptions or credits.

This committee substitute would allow Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply for the designation of one enterprise zone.

This committee substitute amends sections 290.0065, 290.00691, and 290.00692, and creates section 290.00694, Florida Statutes.

## II. 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 make such an investment. An “enterprise zone” is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 34 enterprise zones.<sup>1</sup>

In 1994, the Legislature passed significant revisions to the first Enterprise Zone Program established in 1980. 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 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 the 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 Legislature of which 10 submitted acceptable plans and applications. Administrative duties were transferred to the newly created Office of Tourism, Trade, and Economic Development (OTTED) upon the 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 Legislature further amended the Enterprise Zone Program by authorizing a new zone to be designated within a brownfield pilot project area (Clearwater). Also in 1998, the Legislature provided that new employees who are WAGES Program participants or Job Training Partnership Act classroom training participants may provide a basis for employers to claim the enterprise zone job tax credit under ss. 212.096 and 220.181, F.S., regardless of whether such employees reside in the zone.

In 1999 and the first two months of 2000, enterprise zones were approved for Lake Apopka (32nd zone), Liberty County (33rd), and Hendry County (34th). In addition, Suwannee, Columbia, and Gadsden counties have submitted applications for enterprise zone designation pending approval from OTTED.

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.

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<sup>1</sup> Information from the March 1, 2000, *Florida Enterprise Zone Program Annual Report* by the Office of Tourism, Trade, and Economic Development.

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.

Sections 290.00691 and 290.00692, F.S., provide for Columbia County, or Columbia County and the municipality of Lake City jointly, and for Suwannee County, or Suwannee County and the municipality of Live Oak jointly, to apply for designation of one enterprise zone in each county. Both counties are to maximize the strategic economic development advantages resulting from the intersection of Interstate 75 and Interstate 10. The enterprise zone applications were submitted before December 31, 1999, as required in both sections, and the Office of Tourism, Trade, and Economic Development (OTTED) is to establish the initial effective date of each enterprise zone.

Section 370.28, F.S., relating to enterprise zones designated in communities affected by the net limitations, provides that if at least 20 percent of the employees of a business located in a net ban enterprise zone are residents of the county in which the zone is located, the business may claim the maximum amount of: 1) the sales tax exemption for building materials used in the rehabilitation of real property in an enterprise zone; 2) the sales tax exemption for business property used in an enterprise zone; 3) the sales tax exemption for electrical energy used in an enterprise zone; and 4) the corporate income tax credit for property taxes paid on new or improved property in an enterprise zone. This authority is provided notwithstanding the requirement in statute that at least 20 percent of the employees of a business must be residents of the enterprise zone for the business to claim the maximum exemption or credit amounts. This statute further specifies that a business located in a net ban enterprise zone may claim the job-creation tax credit based upon the employment of a person who lives within the jurisdiction of the entire county in which the enterprise zone is located, rather than living within the enterprise zone.

### III. Effect of Proposed Changes:

This committee substitute amends s. 290.0065, F.S., authorizing a municipality that is located within a county having a population of less than 200,000 to change the boundaries of an existing enterprise zone, in which the enterprise zone community has a total population between 50,000 and 150,000. The committee substitute authorizes the governing body of a municipality within the county to apply to the Office of Tourism, Trade, and Economic Development (OTTED) before June 1, 2001. The committee substitute requires OTTED to approve the boundary change if the new boundaries do not increase the overall size of the enterprise zone and if any territory added to the enterprise zone as a result of the boundary change is contiguous to the remaining area of the existing enterprise zone. This committee substitute has the effect of allowing the City of Gainesville to apply to OTTED for a change in the city's existing enterprise zone boundaries.

This committee substitute amends ss. 290.00691 and 290.00692, F.S., to provide that businesses located in the Columbia County or Suwannee County enterprise zones may claim the job tax credit for hiring persons who reside within the jurisdiction of the county in which the zone is located, rather than prescribing that such individuals must reside in the zone. In addition, this committee substitute provides that, if at least 20 percent of the employees of a business located in Columbia or Suwannee counties' enterprise zones are residents of the county, the business may claim the maximum amount of: 1) the sales tax exemption for building materials used in the rehabilitation of real property in an enterprise zone; 2) the sales tax exemption for business property used in an enterprise zone; 3) the sales tax exemption for electrical energy used in an enterprise zone; and 4) the corporate income tax credit for property taxes paid on new or improved property in an enterprise zone. This authority is provided notwithstanding the requirement in statute that at least 20 percent of the employees of a business must be residents of the enterprise zone for the business to claim the maximum exemption or credit amounts. This committee substitute also provides the Columbia County and Suwannee County enterprise zones with an exemption from s. 290.0055(4)(d), F.S., requiring that the selected area suffers from pervasive poverty, unemployment, and general distress.

This committee substitute creates s. 290.00694, F.S., to allow Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply for designation of one enterprise zone. The zone must encompass an area that is south of DeSoto Road, west of Tuttle Avenue, north of 12th Street, and east of U.S. Highway 41. The application must be submitted by December 31, 2000, and must comply with the requirements of s. 290.0055, F.S. This committee substitute authorizes the Office of Tourism, Trade, and Economic Development (OTTED) to designate one enterprise zone under this section, notwithstanding provisions found in s. 290.0065, F.S., which limit the number of enterprise zones.

This committee substitute provides that the act shall take effect upon becoming a law.

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:**

## A. Tax/Fee Issues:

This committee substitute authorizes a change in the boundaries of an existing zone and may have the effect of including some businesses and excluding others from the enterprise zone. The change in the mix of business activity, as well as the designation of new enterprise zones, under the committee substitute, may result in additional state and local costs through use of the tax incentives provided under the enterprise zone program. This committee substitute has not been reviewed by the Revenue Estimating Conference.

## B. Private Sector Impact:

This committee substitute may generate positive indeterminate effects resulting from the availability of various tax incentives to businesses in new enterprise zones or to businesses brought into the zone as a result of a boundary change.

## C. Government Sector Impact:

This committee substitute may result in increased costs for Office of Tourism, Trade, and Economic Development (OTTED) to review and approve each new application.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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