

STORAGE NAME: h1551.frc.doc
DATE: April 19, 2001

HOUSE OF REPRESENTATIVES
FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 1551
RELATING TO: Enterprise Zones
SPONSOR(S): Representative(s) Jennings

TIED BILL(S):

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

- (1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 9 NAYS 0
- (2) FISCAL POLCY AND RESOURCES YEAS 12 NAYS 0
- (3) FISCAL RESPONSIBILITY COUNCIL
- (4)
- (5)

I. SUMMARY:

This bill authorizes a municipality that is located in a county with a population of less than 225,000 to change the boundaries of an existing enterprise zone when the original enterprise zone was designated under the 50,000 to 150,000 population category in s. 290.0065(3)(a)2., F.S. The municipality must apply to the Office of Tourism, Trade, and Economic Development (OTTED) for the boundary changes prior to June 1, 2002. OTTED must approve the application if the new boundaries do not increase the overall size of the enterprise zone and if the boundaries are contiguous to the existing enterprise zone.

The bill takes effect upon becoming a law.

This bill is expected to reduce state revenues by an insignificant amount.

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:

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 (March 1, 2000, *Florida Enterprise Zone Program Annual Report* by the Office of Tourism, Trade, and Economic Development).

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 welfare transition 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.

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.

Tax incentives are offered to all types of businesses that are located within a designated Enterprise Zone and employ zone residents, rehabilitate real property or purchase business equipment to be used in the zone. Tax credits are available to businesses that pay either the Florida Corporate Income Tax or the Florida Sales and Use Tax. Sales tax refunds and sales tax exemptions are available if eligible purchases are made.

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.

Boundary Changes

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 stipulates that for communities having a total population of 20,000 persons or less, the selected enterprise zone area shall not exceed 3 square miles. This section also 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."

C. EFFECT OF PROPOSED CHANGES:

This bill authorizes a municipality that is located in a county having a population of less than 225,000 to change the boundaries of an existing enterprise zone when the original enterprise zone was designated under the 50,000 to 150,000 population category in s. 290.0065(3)(a)2., F.S. The bill authorizes the governing body of a municipality within the county to apply to the Office of Tourism, Trade, and Economic Opportunity (OTTED) before June 1, 2002. The bill requires OTTED to approve the boundary change if the new boundaries do not increase the overall size of the enterprise zone and if the new boundaries are contiguous to the existing enterprise zone.

This bill appears to be designed to allow the City of Gainesville to apply to OTTED for a change in the city's existing enterprise zone boundaries.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill is expected to reduce state revenues by an insignificant amount.

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

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 will not reduce the authority of counties and municipalities to raise total aggregate revenues.

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

This bill is not anticipated to reduce the total aggregate percent of 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:

None

VII. SIGNATURES:

COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

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