

STORAGE NAME: h0967a.frc.doc
DATE: April 5, 2001

HOUSE OF REPRESENTATIVES
FISCAL RESPONSIBILITY COUNCIL
ANALYSIS

BILL #: HB 967
RELATING TO: Enterprise Zones
SPONSOR(S): Representative(s) Gardiner

TIED BILL(S):

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

- (1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 10 NAYS 0
 - (2) FISCAL POLICY AND RESOURCES YEAS 13 NAYS 0
 - (3) FISCAL RESPONSIBILITY COUNCIL YEAS 15 NAYS 0
 - (4)
 - (5)
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I. SUMMARY:

This bill authorizes the governing body of an inland county with a state-designated enterprise zone and a population of more than 500,000 to apply to the Office of Tourism, Trade, and Economic Development (OTTED) to amend the boundaries of one noncontiguous area of an enterprise zone. The application must be received by OTTED by December 31, 2001.

The bill instructs OTTED to approve the application if the amended area does not exceed 4 square miles and meets the requirements imposed by s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones.

The bill takes effect upon becoming a law. This bill is expected to have a negative but insignificant impact on state and local revenues.

The Committee on Fiscal Policy and Resources adopted an amendment which is traveling with the bill. This amendment allows Sarasota County or Sarasota County and the City of Sarasota jointly to apply for an enterprise zone designation. This amendment is expected to have a negative but insignificant impact on state and local revenues.

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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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 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. The state has 34 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, 19 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 11 additional enterprise zones.

In 1997, the Legislature authorized 12 new enterprise zones. The following year, the program was amended to include a new zone and to allow businesses located within an enterprise zone to claim job 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 authorized any area designated as a federal empowerment zone (Miami-Dade County) or enterprise community (Immokalee/Hendry County) to be designated as a state enterprise zone. The 1999 Legislature also amended the Florida Enterprise Zone Act to allow Liberty County, Columbia County or

Columbia County and Lake City, Suwannee County or Suwannee County and Live Oak, and Gadsden County to apply to OTTED for designation of specified areas as enterprise zones.

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

- Enterprise Zone Jobs Tax Credit (Sales and 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

In fiscal year 1996-97, local and state incentives approved under the Enterprise Zone Program totaled \$11.2 million; in FY 1997-98, local and state incentives totaled \$13 million. Following are enterprise zone statistics for FY 1998-99 and FY 1999-00 taken from OTTED's Enterprise Zone Program Annual Report dated March 1, 2001.

CATEGORY	1999/2000	1998/1999	DIFFERENCE
New Businesses in a Zone	766	776	- 10
New Jobs Created in a Zone	5,141	5,305	- 164
State Incentives Approved	\$5,458,835	\$5,170,899	+ \$287,936
Local Incentives Provided	\$10,135,65	\$18,839,076	- \$10,255,879
Total State and Local Incentives Approved	\$15,594,492	\$24,009,975	- \$10,931,560

C. EFFECT OF PROPOSED CHANGES:

This bill provides Orange County (EZ-4801) an opportunity to apply to OTTED for approval of an enterprise zone boundary change. Orange County would be eligible since it is the only "inland county with a state designated enterprise zone and a population of greater than 500,000." Orange County would be eligible to add the four square miles since the existing Orange County Enterprise Zone is only 7.02 square miles (zones in its category can be as large as 20 square miles). The boundary amendment application must be submitted to OTTED by December 31, 2001, and must meet the requirements of s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones.

D. SECTION-BY-SECTION ANALYSIS:

See Effect of Proposed Changes above.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill is expected to have a negative but insignificant impact on state revenues.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill is expected to have a negative but insignificant impact on local revenues.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses located in an area added to an enterprise zone could benefit from the enterprise zone incentives. Residents of areas added to an enterprise zone could benefit from new employment opportunities. The boundary changes authorized by the bill may generate positive economic effects resulting from the availability of various tax incentives.

D. FISCAL COMMENTS:

None.

III. 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 revenue raising authority of cities and counties.

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

This bill does not reduce the percentage of a state tax shared with cities and counties.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Fiscal Policy and Resources adopted an amendment which is traveling with the bill. This amendment allows Sarasota County or Sarasota County and the City of Sarasota jointly to apply for an enterprise zone designation. This amendment is expected to have a negative but insignificant impact on state and local revenues.

VI. SIGNATURES:

COMMITTEE ON COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa Munroe

J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:

Staff Director:

Adam Shamy

Greg Turbeville

AS FURTHER REVISED BY THE FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

Staff Director:

Joe McVaney

David K. Coburn