

STORAGE NAME: h1147a.edit.doc
DATE: February 13, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 1147
RELATING TO: Enterprise Zones
SPONSOR(S): Representative Brutus

TIED BILL(S):

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

- (1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 8 NAYS 0
 - (2) FISCAL POLICY AND RESOURCES
 - (3) COUNCIL FOR COMPETITIVE COMMERCE
 - (4)
 - (5)
-

I. SUMMARY:

This bill authorizes Miami-Dade County to apply to the Office of Tourism, Trade, and Economic Development (OTTED) to amend the boundaries of its enterprise zone.

The proposed boundary changes must:

- Comprise no more than 3 square miles;
- Be contiguous to a portion of the existing Miami-Dade County Enterprise Zone;
- Be a part of a revitalization area; and
- Contain a high concentration of Haitian immigrants.

The bill instructs OTTED to approve the application if it meets the requirements of s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones, and meets the pervasive poverty, unemployment, and general distress standard. If approved by OTTED, the boundary changes would take effect January 1, 2003.

The Revenue Impact Conference has not reviewed this bill.

The act takes effect upon becoming a 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:

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 1990s, 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 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, which already was an enterprise zone) 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 application for Liberty County has since been approved.

Pursuant to authorization provided in ch. 2001-201, L.O.F., OTTED anticipates an additional 12 enterprise zones will be approved in 2002.

Section 290.007, F.S., enumerates the majority of incentives provided by the state to “encourage revitalization of enterprise zones:”

- Enterprise zone jobs credit provided in s. 220.181, F.S.
- Enterprise zone property tax credit provided in s. 220.182, F.S.
- Community contribution tax credits provided in ss. 212.08, 220.183, and 624.5105, F.S.
- Sales tax exemption for building materials used in the rehabilitation of real property in enterprise zones provided in s. 212.08(5)(g).
- Sales tax exemption for business property used in an enterprise zone provided in s. 212.08(5)(h), F.S.
- Sales tax exemption for electrical energy used in an enterprise zone provided in s. 212.08(15), F.S.
- Enterprise zone jobs credit against the sales tax provided in s. 212.096, F.S.
- Discounts on tariffed rates for telecommunications and utilities.

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, 2001.¹

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:

HB 1147 provides Miami-Dade County an opportunity to apply to OTTED for approval of an enterprise zone boundary change. Miami-Dade County is eligible because it is the only county meeting the definition under s. 125.011(1), F.S.

Miami-Dade County would be eligible to add up to three square miles to its existing enterprise zone. The added area must be contiguous to a portion of the existing enterprise zone and be part of a revitalization area that has been targeted for assistance by the county or by a municipality within the county. The area must also contain a high concentration of individuals who have immigrated to Florida from Haiti.

¹ The next enterprise zone annual report, compiled by OTTED in conjunction with the Department of Revenue, is scheduled for release March 1, 2002.

The boundary amendment application must be submitted to OTTED by October 1, 2002, and must meet the requirements of s. 290.0055, F.S., relating to the local nominating procedure for enterprise zones. The proposed addition must meet the "pervasive poverty, unemployment, and general distress" standard that is a statutory requirement for enterprise zone designation.

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:

The Revenue Impact Conference has not reviewed this bill. The Office of Tourism, Trade, and Economic Development (OTTED) reports the bill would have a negligible impact on General Revenue.

2. Expenditures:

The Office of Tourism, Trade, and Economic Development reports the bill will not have a fiscal impact on the office.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

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:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

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B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

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