SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/CS/SB 2266

SPONSOR: Comprehensive Planning Committee, Commerce, Economic Opportunities, and Consumer Services Committee, Senator Siplin, and others

SUBJECT: Sales Tax/Convention Centers

DATE: April 7, 2003 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Kruse	Maclure	CM	Fav/CS
2.	Cooper	Yeatman	CP	Fav/CS
3.			FT	
4.			ATD	
5.			AP	
6.				

I. Summary:

The committee substitute provides that one-half of the sales tax collections generated by the use and operations of an eligible convention center will be remitted back to the unit of local government owning the convention center. The criteria for eligibility are delineated in newly created s. 288.1171, F.S. The Governor's Office of Tourism, Trade, and Economic Development is responsible for screening and certifying eligible convention centers. Tax proceeds are required to be used to encourage and provide economic development for the attraction, recruitment, and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries, and must be used pursuant to a resolution adopted by the governing board of the unit of local government.

This committee substitute substantially amends section 212.20, Florida Statutes, and creates section 288.1171, Florida Statutes.

II. Present Situation:

Economic Incentives in Florida

Several incentive programs are available to attract, recruit, and retain businesses in Florida. The majority of the programs are coordinated and administered by the Office of Tourism, Trade, and Economic Development (OTTED) and Enterprise Florida, Inc. Enterprise Florida has overall responsibility for the retention and recruitment of businesses to the state. The Legislature has expressed its intent in s. 288.90151(2), F.S., for Enterprise Florida to work with local economic development entities to maximize the state and local return-on-investment to create jobs for Floridians.

The Qualified Targeted Industry (QTI) Tax Refund Program is one of the state's key economic development incentives. The QTI program encourages quality job growth in targeted high-wage, value-added businesses. Approved businesses receive refunds on taxes paid (corporate income, sales, and certain other taxes) for creating new jobs in specified industry categories.[1] This program defines a "target industry business" as a corporate headquarters business or any business that is engaged in one of the target industries identified pursuant to the following criteria developed by OTTED in consultation with Enterprise Florida, Inc.:

- Future growth. – Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
- Stability. – The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
- High wage. – The industry should pay relatively high wages compared to statewide or area averages.
- Market and resource independent. – The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
- Industrial base diversification and strengthening. – The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
- Economic benefits. – The industry should have strong positive impacts on or benefits to the state and regional economies.[2]

The High-Impact Business Performance Incentive (HIPI) Grant is an incentive used to attract and grow high-impact facilities.[3] These incentive programs apply to high technology and manufacturing businesses but not necessarily to tourism-related businesses.

Chapter 212, F.S., governs taxes on sales, use, and other transactions. Section 212.20, F.S., governs the distribution of some of those funds collected by the Department of Revenue (DOR). Several provisions within s. 212.20, F.S., provide economic assistance to certain industries. For example, facilities designated as new professional sports franchises or facilities for a retained professional sports franchise receive funding distributions from DOR after certification by OTTED.[4] OTTED grants or denies certification using criteria set out in s. 288.1162, F.S. Other examples include the Professional Golf Hall of Fame facility,[5] certified pursuant to s. 288.1168, F.S., and the International Game Fish Association World Center facility,[6] certified

[1] Section 288.106, F.S.
[2] Section 288.106(1)(o), F.S.
[3] Section 288.108, F.S.
[4] Section 212.20(6)(d)7.b., F.S.
[5] Section 212.20(6)(d)7.c., F.S.
[6] Section 212.20(6)(d)7.d., F.S.

pursuant to s. 288.1169, F.S. Recipients receive a fixed monthly distribution of sales tax revenues set by statute for a fixed number of years.

The criteria used by OTTED for certification include items such as the relationship with and support of a local unit of government, projections for paid attendance, and demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility. Other requirements generally include reviews, recertification, sanctions, audits, and a prohibition of additional certifications for the same facility.

Technology Business Promotion in Florida

Enterprise Florida is required to create programs for the attraction, development, and retention of information technology businesses to the state.[7] Regarding the marketing of the state for information technology businesses, s. 288.911(2)(b), F.S., states that "[e]fforts to promote this state as a high-technology business leader must include identification and coordination of existing business technology resources, partnerships with economic development organizations and private sector businesses, continued retention and growth of businesses based in this state that produce high-technology products or use high-technology skills for manufacturing, and recruitment of new business in such area."

Convention Centers in Florida

At this time, there are eleven convention centers in the state that contain at least 60,000 square feet of exhibit space:

- Orange County Convention Center (1,103,538 sq. ft.)
- Miami Beach Convention Center (502,848 sq. ft.)
- Broward County Convention Center (200,000 sq. ft.)
- Tampa Convention Center (200,000 sq. ft.)
- Coconut Grove Convention Center (150,000 sq. ft.)
- Lakeland Center (82,582 sq. ft.)
- Prime F. Osborn III Convention Center in Jacksonville (78,500 sq. ft.)
- Ft. Myers Harborside Convention Hall (75,000 sq. ft.).
- Expo Center in Orlando (65,126).
- Lee Civic Center, Lee County (63,000).
- Ocean Center, Daytona Beach (60,000).

The Orange County Convention Center, Tampa Convention Center, Coconut Grove Convention Center, Lakeland Center, Ft. Myers Harborside Convention Hall, Expo Center in Orlando, and the Ocean Center in Daytona Beach are publicly owned and managed.[8]

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[7] Section 288.911, F.S.

[8] Revenue Impact Conference, March 21 Meeting, Report on SB 2266 and HB 349, *available at* http://www.state.fl.us/edr/Conferences/Revenue_Impact/impact.htm (last visited March 29, 2003), and *Florida Official Meeting Planners Guide,* FLAUSA Visit Florida, Fall/Winter 2002-2003. The Palm Beach County Convention Center is scheduled to open in the fall of 2003 with 330,000 square feet of exhibit space.

Tourist Development Taxes

Florida has four local option tourist-related "bed taxes": the municipal resort tax, the tourist impact tax, the local option tourist development tax, and the convention development tax. Each of these taxes have a number of common elements, one of which is the transient rental trade which forms the primary base on which they are levied. A "transient rental transaction" is defined in ss. 125.0104 and 212.0305, F.S.

The local option tourist development tax, s. 125.0104, F.S., may be levied on transient rental transactions in any county of the state. The base levy is set at 1% or 2%. The initial rate must be approved by the electorate in a referendum. Under certain conditions, the county governing board may increase the rate to 6%. Revenues from this tax may be used, under varying conditions, for certain types of capital construction, tourism promotion, beach and shoreline maintenance, beach park facilities, and athletic, museum, zoo, and nature center facilities.

III. Effect of Proposed Changes:

Section 1 of the committee substitute amends s. 212.20(6)(d)7., F.S., to require the Department of Revenue (DOR) to distribute monthly, to qualified local governments, one-half of the proceeds of the sales tax collections generated by the use and operations of eligible convention centers and reported on the convention center's sales and use tax return. The eligible convention centers must be certified pursuant to new s. 288.1171, F.S. Distributions cannot exceed $3 million per fiscal year for each eligible local government. Such distributions are required to begin 60 days following certification and may not continue for longer than 30 years. Distributions may only be used to encourage and provide economic development for the attraction, recruitment, and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries as designated by the unit of local government by resolution of its governing body.

Section 2 of the committee substitute creates s. 288.1171, F.S., which states that the Office of Tourism, Trade, and Economic Development (OTTED) shall adopt rules to screen applicants and certify those meeting the criteria as an "eligible convention center." The criteria for eligibility for each center include that it:

- must be owned by a unit of local government,
- must contain more than 60,000 square feet of exhibit space,
- must be certified by resolution as serving a public purpose, and
- must be located in a county levying a local option tourist development tax under s. 125.0104, F.S.

Previously certified applicants are ineligible for additional certifications.

Funds distributed to a local government are required to be used for the economic development purposes set forth above as designated in a resolution adopted by the governing board of the local government. DOR may audit to verify the expenditure of the distributions, and failure to use the funds as provided in the committee substitute is grounds for revoking certification.

Section 3 provides that the committee substitute takes effect October 1, 2003.

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:

On March 21, 2003, the Revenue Impact Conference determined that this legislation would have a recurring $2.7 million negative impact on state revenues and a recurring $600,000 negative impact on local revenues. However, this estimate did not consider the impact of the Expo Center in Orlando.[9]

Fiscal Year 2003-2004

Issue/Fund	General Revenue 1st Year	General Revenue Recurring	Trust 1st Year	Trust Recurring	Local 1st Year	Local Recurring	Total 1st Year	Total Recurring
SB 2266	$ (0.7)	$ (2.7)	(*)	(*)	$ (0.2)	$ (0.6)	$ (0.9)	$ (3.3)

* Insignificant (less than $50,000)

B. Private Sector Impact:

Additional corporate headquarters and high-technology, manufacturing, research and development, entertainment, and tourism industries may be brought to or retained in communities with eligible convention centers.

C. Government Sector Impact:

This committee substitute may result in higher costs for the Office of Tourism, Trade, and Economic Development (OTTED) in carrying out activities related to the screening

[9] The bill as filed required convention centers to have in excess of 75,000 square feet of exhibit space. The CS/CS lowered this exhibit space threshold to 60,000. Consequently, the fiscal impact should be updated to account for the lower threshold.

and certification of eligible convention centers. The Department of Revenue reports that the committee substitute will have no fiscal impact on the department.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.