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/CS/SB's 2328 & 2252

SPONSOR: Finance and Taxation Committee, Comprehensive Planning Committee, Commerce, Economic Opportunities, Consumer Services Committee and Senators Saunders, Miller, and Siplin

SUBJECT: Economic Stimulus

DATE: April 22, 2003 REVISED:

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

I. Summary:

This committee substitute expands the availability of economic development tax incentives and revises laws relating to several of the state's economic development programs. Specifically, the committee substitute:

- renames the Urban High-Crime Area Job Tax Credit Program as the Designated Urban Job Tax Credit Area Program;
- revises the eligibility criteria for an area to be designated as an urban job tax credit area to include factors other than crime rates;
- extends the deadline for businesses in the tax refund program for qualified defense contractors that have not received an economic-stimulus exemption by the effective date of this committee substitute to apply for an economic-stimulus exemption;
- extends the deadline for businesses in the tax refund program for qualified target industry businesses that have not received an economic-stimulus exemption by the effective date of this committee substitute to apply for an economic-stimulus exemption;
- authorizes Enterprise Florida, Inc., to provide managerial, technological, scientific, and financial expertise directly to businesses without using a subcontractor; and
- limits the liability of Enterprise Florida, Inc., for loan guarantees and other investments under a technology program to funds within the Florida Technology Research Investment Fund.
- enacts modifications to the Passport to Economic Progress demonstration project, as recommended by Workforce Florida, Inc. and provides appropriations to the Department of Children and Families and the Agency for Workforce Innovation;

- creates the State Economic Stimulus Plan, which provides $200 million in credits against insurance carriers' Special Disabilities Trust Fund assessments;
- extends the Florida Technology Development Act, provides for designation of an additional center of excellence and appropriates $50,000 from General Revenue to the Executive Office of the Governor to staff and provide administrative support to the emerging Technology Commission during fiscal year 2003-2004.

This committee substitute substantially amends the following sections of the Florida Statutes: 212.097, 220.1895, 288.1045, 288.106, 288.9515, 445.048, 624.5108, 1004.225. The committee substitute repeals s. 288.9517, F.S., and s. 14, ch. 93-187, L.O.F.

II. Present Situation:

The state currently employs several economic development incentives to encourage the creation, expansion, and retention of businesses located in the state and to encourage the relocation of businesses to this state. Many of these economic development incentives take the form of a tax benefit.

Urban High-Crime Area Job Tax Credit Program

Under s. 212.097, F.S., certain businesses located in qualified high-crime areas are eligible to receive an urban high-crime area job tax credit for use against corporate or sales taxes. The amount of the tax credit depends upon the severity of the area's crime rate and the number of employees. The $5 million in annual tax credits available under the program has never been exhausted. According to Enterprise Florida, Inc., it is difficult to persuade businesses to relocate to an area labeled as a "high-crime" area.

Designation of Qualified High-Crime Areas

Eligible businesses must be located in qualified high-crime areas designated by the Office of Tourism, Trade, and Economic Development (OTTED). OTTED may designate an area as a qualified high-crime area every three years. A county or a municipality, or a county and a municipality together, may apply to OTTED for the designation of an area as a qualified high-crime area after adopting a resolution that:

> (a) Finds that a high-crime area exists in such county or municipality, or in both the county and one or more municipalities, which chronically exhibits extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
> (b) Determines that the rehabilitation, conservation, or redevelopment, or a combination thereof, of such a high-crime area is necessary in the interest of the health, safety, and welfare of the residents of such county or municipality, or such county and one or more municipalities; and

(c) Determines that the revitalization of such a high-crime area can occur if the public sector or private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.[1]

The application must also include crime statistics for the nominated area.[2]

The areas nominated for designation as a qualified high-crime area are ranked into three tiers based on their crime rates. Tier-one areas have the highest crime rates and the largest tax credit per employee. Tier-three areas have the lowest crime rates and the smallest tax credit per employee. OTTED has designated 13 areas as qualified high-crime areas.

Chart 1 – Qualified High-Crime Areas

TIER	LOCATION	SIZE
Tier I	Jacksonville	20.00 sq. mi.
	Ocala	4.92 sq. mi.
	Orlando	18.80 sq. mi.
	Palm Beach County	14.25 sq. mi.
	Tampa	16.50 sq. mi.
Tier II	Fort Lauderdale	9.40 sq. mi.
	Miami-Dade County (Carol City, Miami, and Goulds)	18.80 sq. mi.
	Miami-Dade County (Florida City, Homestead, Leisure City, and Naranja)	5.10 sq. mi.
	Pompano Beach	4.82 sq. mi.
	Tallahassee	5.64 sq. mi.
Tier III	Lakeland	3.25 sq. mi.
	Miami-Dade County (Hialeah, Miami, and Opa Locka)	19.30 sq. mi.
	St. Petersburg	16.00 sq. mi.

Source: Office of Tourism, Trade, and Economic Development.

Tax Credit Amount

The tax credit available to a new business in a qualified high-crime area depends upon the number of employees and tier ranking of the qualified high-crime area as follows:

A new eligible business in a tier-one qualified high-crime area which has at least 10 qualified employees on the date of application shall receive a $1,500 tax credit for each such employee. A new eligible business in a tier-two qualified high-crime area which has at least 20 qualified employees on the date of application shall receive a $1,000 tax credit for each such employee. A new eligible business in a tier-three qualified high-crime area which has at least 30 qualified employees on the date of application shall receive a $500 tax credit for each such employee.[3]

[1] Section 212.097(6), F.S.
[2] Section 212.097(7), F.S.
[3] Section 212.097(2), F.S.

Existing businesses in a qualified high-crime area are eligible for a tax credit in an amount that depends upon the number of new employees and the tier ranking of the qualified high-crime area as follows:

> An existing eligible business in a tier-one qualified high-crime area which on the date of application has at least 5 more qualified employees than it had 1 year prior to its date of application shall receive a $1,500 tax credit for each such additional employee. An existing eligible business in a tier-two qualified high-crime area which on the date of application has at least 10 more qualified employees than it had 1 year prior to its date of application shall receive a $1,000 credit for each such additional employee. An existing business in a tier-three qualified high-crime area which on the date of application has at least 15 more qualified employees than it had 1 year prior to its date of application shall receive a $500 tax credit for each such additional employee. An existing eligible business may apply for the credit under this subsection no more than once in any 12-month period. [4]

A business that received a tax credit under the program as a new business may apply for an additional tax credit one year after its initial application for a tax credit as an existing business. The tax credits available to new and existing businesses increase $500 for each new employee who is a welfare transition program participant.[5] The amount of tax credits that may be approved per year under the program is $5 million. The tax credits actually used in 2001 and 2002 were $2,486,500 and $2,673,500, respectively.[6]

A tax credit under the Urban High-Crime Area Jobs Tax Credit program may not be sold or transferred, but may be used on a subsequent tax return 12 months after the tax credit is approved by the Department of Revenue.[7]

Tax Refund Program for Qualified Defense Contractors

Finding that high technology jobs in the state were threatened by downsizing in the national defense budget, the Legislature during a special session in 1993 created a tax refund program designed to facilitate the employment of Florida citizens by defense contractors. The Qualified Defense Contractor Tax Refund Program (QDC Program) authorized tax refunds to a certified contractor that: (1) secured a new Department of Defense (DOD) contract; (2) consolidated an existing DOD contract in Florida; (3) converted defense production jobs to non-defense production jobs; or (4) contracted for the reuse of a defense-related facility.[8] The program was repealed effective December 1, 1994.[9]

[4] Section 212.097(3), F.S.
[5] Section 212.097(4), F.S.
[6] Office of Tourism, Trade, Economic Development, *Urban Job Tax Credit Program Summary*.
[7] Section 212.097(12), F.S.
[8] Section 288.104, F.S., (1994 Supp.).
[9] The Legislature had specified that the program would be repealed effective December 1, 1994, if no qualified applicant had entered into a valid new DOD contract or begun consolidation of an existing DOD contract, which was expected to result in

In 1996, the QDC Program was re-created and codified in s. 288.1045, F.S.[10] In order to participate in the program and be eligible to receive tax refunds, a business must apply to OTTED for certification. The statute prescribes information that must be submitted by a defense contractor in order to be certified.[11] The QDC Program features a local financial support component, under which an eligible business must secure a resolution adopted by county government which recommends the project and which indicates that the necessary commitments of local financial support for the business exist. Local financial support means funding from local sources, public or private, which is equal to 20 percent of the annual tax refund for a qualified business.[12]

Approved applicants enter into an agreement with OTTED and may receive refunds based on the payment of sales and use taxes, corporate income taxes, intangible personal property taxes, emergency excise taxes, excise taxes on documents, and ad valorem taxes. Tax refunds generally are paid to a participating business over a period of several years. A qualified applicant may not be qualified for any project to receive more than $5,000 times the number of jobs provided for in the tax refund agreement.

A QDC Program business's compliance with the terms and conditions of its tax refund agreement with OTTED is a condition precedent for the receipt of a tax refund each year.[13] The failure to comply with the terms and conditions of the tax refund agreement results in the loss of eligibility for receipt of all tax refunds previously authorized and the revocation by the director of OTTED of the certification of the business entity as a QDC Program business. However, s. 288.1045(5)(g), F.S., provides for a prorated tax refund, less a 5-percent penalty, for a QDC Program business that proves it has achieved at least 80 percent of its projected employment goal and pays at least 90 percent of the average wage specified in its tax refund agreement. Alternatively, a qualified defense contractor that fails to achieve its contractual obligations may remain in the QDC program if it receives an economic-stimulus exemption. A qualified defense contractor is eligible for an economic-stimulus exemption if its failure to comply with its contractual obligations with OTTED is the result of negative economic conditions in the defense industry or the result of terrorism. The qualified defense contractor must also submit a request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted between January 2, 2001, and June 30, 2003.

Tax Refund Program for Qualified Target Industry Businesses

The Qualified Target Industry Tax Refund Program (QTI Program), s. 288.106, F.S., is one of the state's economic development incentives. Under the program, eligible businesses may receive refunds of previously paid taxes, based upon the creation of jobs at a certain salary level.

Eligible businesses must be in an industry that meets the following criteria:

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the employment of at least 1,000 full-time employees. Because this condition was not satisfied by a single qualified applicant, the statute stood repealed.

[10] *See* s. 1, ch. 96-348, L.O.F.

[11] Section 288.1045(3), F.S.

[12] Section 288.1045(1)(o) and (3), F.S.

[13] Section 288.1045(4)(b), F.S.

1. 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.
2. 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.
3. High wage.--The industry should pay relatively high wages compared to statewide or area averages.
4. Market and resource independent.--The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
5. 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.
6. Economic benefits.--The industry should have strong positive impacts on or benefits to the state and regional economies.[14]

Businesses that may qualify as a qualified target industry business and thus be approved to receive tax refunds must be engaged in one of the following activities: manufacturing; financial and insurance services; wholesale trade; information industries; professional technical, scientific, and technical services; management services; and administrative and support services.[15]

Section 288.106(4), F.S., requires each QTI Program business to enter into a written agreement with OTTED concerning the business's participation in the program. Compliance with the terms and conditions of a tax refund agreement is a condition precedent for the receipt of a tax refund each year. The failure to comply with the terms and conditions of the tax refund agreement results in the loss of eligibility for receipt of all tax refunds previously authorized and the revocation by the director of OTTED of the certification of the business entity as a qualified target industry business. However, s. 288.106(5)(d), F.S., provides for a prorated tax refund, less a 5-percent penalty, for a QTI Program business that proves it has achieved at least 80 percent of its job creation goal and 90 percent of the average wage specified in its agreement with OTTED. Additionally, the 2002 Legislature amended s. 288.106(4)(b), F.S., to enable certain businesses to remain in the QTI Program after failing to meet their contractual obligations. Such businesses may remain in the QTI Program if they apply for an economic-stimulus exemption from their contractual obligations due to negative economic conditions or terrorism, in lieu of a tax refund claim that was scheduled to be submitted between January 2, 2001, and June 30, 2003.

[14] Section 288.106(1)(o), F.S.
[15] Enterprise Florida, Inc., *Qualified Target Industry (QTI) Tax Refund Target Industries*, revised November 25, 2002.

Section 288.106(7), F.S., provides for a repeal of s. 288.106, F.S., on June 30, 2004.

Authorized Technology Development Programs

According to a report by the Office of Program Policy and Analysis and Government Accountability,[16] the Legislature in 1993 authorized the Enterprise Florida Innovation Partnership to establish several technology commercialization and transfer programs.[17] Under the authority granted by s. 288.9515(5), F.S., the partnership created regional innovation and commercialization centers, which were intended to help entrepreneurs bring new high technology products to the market. Six innovation and commercialization centers were initially established in Gainesville, Jacksonville, Orlando, Palm Beach, Tallahassee, and Tampa.

The innovation and commercialization centers are no longer affiliated with Enterprise Florida, Inc. They were formally separated from Enterprise Florida, Inc., in 1999. During that year, the Governor vetoed state funding for these entities. A 1998 report by the Office of Program Policy Analysis and Government Accountability noted that some of the centers were on the verge of becoming financially self-supporting and these centers would continue to operate if state funding was eliminated.[18] Presently, three innovation and commercialization centers are still operating. These centers receive no state funding and no longer have contractual or funding relationships with Enterprise Florida, Inc.

Under the authority granted by s. 288.9515(1)(a)-(f), F.S., the partnership established the Florida Manufacturing Technology Center, which was created to assist small to medium-sized manufacturers in using off-the-shelf technologies and methods to improve their efficiency and operations. The center was separated from Enterprise Florida, Inc., in 1999 following the Governor's veto of state funding for this entity. The center (now operating as the Florida Manufacturing Extension Partnership) is funded by the U.S. Department of Commerce's National Institute of Standards and Technology.

Section 288.9515(3) and (4), F.S., created the Florida Technology Investment Research Fund. It was established to partner with the private sector and the state's research universities to develop marketable technologies. The fund was to invest in projects that had potential to generate marketable products beneficial to the state's economy.

Enterprise Florida, Inc., still administers the Florida Technology Research Investment Fund. It presently administers contracts with 14 entities that were disbursed a total of $2,403,871 from the fund during fiscal years 1997-98 and 1998-99. The fund's balance as of June 30, 2002, was $717,287.

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[16] Office of Program Policy and Analysis and Government Accountability, *Statutes Authorizing Technology Commercialization and Development Initiatives Should be Re-Enacted,* Report No. 02-59, November 2002.

[17] The Legislature established the Enterprise Florida Innovation Partnership in 1993 as a public-private partnership charged with fostering the growth of small and midsize high technology manufacturers and increasing the number of high technology jobs in Florida. In 1996, the Innovation Partnership was renamed the Enterprise Florida Technology Development Board and brought under the umbrella of Enterprise Florida, Inc., the state's primary economic development organization. The Technology Development Board was eliminated as a separate entity within Enterprise Florida, Inc., in 1999.

[18] Office of Program Policy Analysis and Government Accountability, *Review of the Technology Board of Enterprise Florida, Inc.,* Report No. 98-30, December 1998.

Section 288.9515, F.S., which authorizes Enterprise Florida, Inc., to establish technology commercialization and development programs, will be repealed December 31, 2003, unless reenacted by the Legislature.[19] If the Legislature allows statutory provisions creating the Florida Technology Research Investment Fund to be repealed, any rights or interests in the fund vest in the state under the control of the State Board of Administration.[20]

Passport to Economic Progress

The Passport to Economic Progress is a demonstration program created by the 2001 Legislature for the purpose of exploring alternative ways of improving the chances for a permanent transition from 100% reliance on cash assistance to full economic self-sufficiency. The program is operated by Workforce Florida, Inc., and the workforce boards. The project is funded by the Department of Children and Family Services and the Agency for Workforce Innovation. The Passport project is limited to Hillsborough and Manatee counties.

The main features of the Passport to Economic Progress Demonstration Program that differ from the statewide Temporary Cash Assistance this program are as follows:

Increase of Earned Income “Disregard” – Eligibility for the cash assistance program in Florida is limited to families whose gross income is equal to or less than 185% of the Federal Poverty Level (FPL). The actual monthly cash assistance payments are determined by additional factors, one of which is the level of the family’s gross income. Current law allows the family to disregard the first $200 dollars of earned income plus one-half of the remaining income when calculating the monthly cash assistance payment.

The Passport to Economic Progress demonstration program allows participating families to disregard the first $300 dollars of earned income plus one-half of the remaining income.

Extension of Transitional Benefits and Services – After a family exits the temporary cash assistance program due to increased earned income, current law allows for up to two years of education and training support services, transportation support services and childcare services to facilitate the family’s transition from dependence on public assistance to employment, self-reliance and, ultimately, self-sufficiency.

The Passport to Economic Progress demonstration program allows participants to receive these transitional services for up to four years.

Wage Supplementation – The average annual wage for a welfare transition client is $11,714, which, for a family of three, represents an annual income well below the FPL level of $14,630. Having incomes below the FPL makes these transitional clients particularly vulnerable to reliance on public assistance despite their best efforts to achieve economic independence through employment.

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[19] Section 14, ch. 93-187, L.O.F.
[20] OPPAGA, *supra* note 21, p. 3.

The Passport to Economic Progress demonstration program targets certain participating clients to receive a wage supplement to bring their income up to 100% of the FPL. To be eligible for the wage supplementation, a Passport participant must be a former recipient of temporary cash assistance; have received cash assistance on or after January 1, 2000; be employed full time, and have a family income for the preceding 6 months of less than 100 percent of the FPL. Wage supplementation is available for up to twelve months.

State Economic Stimulus Plan Act

Section 440.49, F.S., creates the Special Disabilities Trust Fund (SDTF). The trust fund is maintained by annual assessments on insurance companies writing compensation insurance policies, and self-insurers, in the state, and is capped at 4.52 percent of premiums. The SDTF was established to encourage the employment, reemployment, and accommodation of the physically disabled by reducing an employer's insurance premium for reemploying an injured worker, to decrease litigation between insurance carriers on apportionment issues, and to protect employers from excess liability for compensation and medical expense when an injury to a physically disabled worker merges with, aggravates, or accelerates a preexisting permanent physical impairment, or an increase in expenditures for temporary compensation or medical benefits that would have resulted from the injury alone.

At the current assessment rate of 4.52 percent, the SDTF receives enough revenue to pay the amounts currently due during the fiscal year. The fund has a large backlog of unpaid claims, and the most recent actuarial analysis of the fund estimates that this backlog will be paid down in FY 2007-08 or FY 2008-09, depending on growth in premiums. Currently the amount of unpaid approved claims is approximately $500,000,000, and the lag in payment is 41.5 months. The gross revenue assessment is estimated at $171,000,000 for FY 2002-03, and is expected to grow between 1 and 3 percent per year.

Section 440.51, F.S., provides for an assessment on net premiums of compensation insurance carriers and self-insurers to fund the administration of the workers' compensation program. The assessment rate is capped at 2.75 percent. Gross assessment revenue from this assessment is estimated at $121,000,000 for FY 2002-03.

Section 288.99, F.S., creates the Certified Capital Company (CAPCO) Act, which provides credits against the insurance premium tax for investments in certified capital companies. Total credits of $150 million were allocated in 1999, and these can be used at a rate of $15 million per year for 10 years. The purpose of this act was to stimulate a substantial increase in venture capital investments in this state.

The CAPCO program was evaluated by the Office of Tourism, Trade, and Economic Development (OTTED) for the 2001 calendar year. This report found that the investment of almost $65.5 million by three Certified Capital Companies since the programs inception has led to a net increase of 6 employees among the 28 investee companies. According to staff, the net change in employment among investee companies for 2002 was negative.

Florida Technology Development Act

Section 1004.225, F.S., creates the Florida Technology Development Act (act), which establishes a process for the State Board of Education (board) to develop, approve, and authorize expenditures for a plan for establishing one or more "centers of excellence" at or in collaboration with universities in the state. The term "center of excellence" is defined as an organization of personnel, facilities, and equipment which, among its functions, identifies and pursues opportunities for research and technology transfer, recruits and retains world-class researchers, and stimulates and supports the growth of the state's technology industry.

The process created by this section includes, subject to legislative appropriation, the creation of the Emerging Technology Commission (commission) within the Governor's Office for the purpose of recommending preliminary plans to the board for consideration. When developing these plans, the commission must consider certain input from Florida Research Consortium, Inc., and individual experts in relevant fields. The board must approve its final plan, including applicable performance and accountability measures, by March 15, 2003. Until the act expires on July 1, 2004, the commission must report quarterly to the Commissioner of Education on the progress of plan implementation. The bill appropriates $50,000 to the Governor's Office for the provision of staff support to the commission and per diem and travel expenses for commission members.

III. Effect of Proposed Changes:

Each section of the committee substitute revises laws relating to one of the state's economic development programs.

Section 1 of the committee substitute renames and revises the Urban High-Crime Area Job Tax Credit Program. The program is renamed the "Designated Urban Job Tax Credit Area Program," deleting references to high crime.

The revised program increases the types of businesses that may be eligible for tax credits by including businesses which are in an eligible industry under the state's tax refund program for qualified target industry businesses. Under the revised program, there are no more tiers in which designated high-crime areas are ranked based on their crime rates. Instead, businesses located in any area designated under the revised program will receive a tax credit based solely on the number of its employees.

Under the committee substitute, qualified new businesses within a designated urban job tax credit area with at least 10 employees may receive a tax credit in the amount of $1,000 for each employee. Existing businesses that hire at least 10 additional employees in the year prior to applying for a tax credit may receive a tax credit in the amount of $1,000 for each of its additional employees. The committee substitute retains provisions of the existing program increasing the amount of the tax credit by $500 for each new employee who is a welfare transition program participant.

The revised program in s. 212.097(1)(e), F.S., however, continues to authorize OTTED to rank areas that are nominated to be included within the program every three years. Because there are no more tiers in which areas under the program are ranked, the purpose of the provision of the committee substitute directing OTTED to rank nominated areas every three years is unclear.

Under the committee substitute, OTTED "shall" designate 30 areas as designated urban job tax credit areas. In order for an area to be eligible for designation, however, it must first be nominated by a county or a municipality, or by a county and a municipality. There is no requirement for counties or municipalities to nominate areas for designation. As such, the Legislature may wish to amend the committee substitute to provide that OTTED "may designate up to 30" areas. The areas designated by OTTED must be the 30 highest distress areas applying for designation as a designated urban job tax credit area.

Because the committee substitute in s. 212.097(1)(e), F.S., establishes new criteria for an area to be designated as a designated urban job tax credit area, it appears that areas currently designated as qualified high-crime areas will have to re-apply to OTTED to be designated as a designated urban job tax credit area. The committee substitute, however, contains no provision expressly stating whether existing qualified high-crime areas automatically become designated urban job tax credit areas.

The revised program continues to require that areas applying for designation be nominated by a resolution of a county or a municipality, or by a county and a municipality. The type of documentation that must support an application for designation, however, is revised and increased. This supporting documentation must show that the nominated area meets: specific income characteristics indicating widespread poverty; specific education characteristics; specific crime statistics indicating that the area has a higher crime rate than in the state as a whole; and residential and commercial property related statistics indicating that the area is economically distressed.

The size of a nominated area may range from up to 3 square miles to 20 square miles depending upon the population within the area. Nominated areas must be near the central business district of a city but not include the central business district unless the poverty rate for each census geographic block group in the district is 30 percent or greater.

The committee substitute, in s. 212.097(16), F.S., authorizes an eligible business to transfer unused credits. According to Enterprise Florida, Inc., this will enable a business, particularly a new business, to raise needed cash by selling its tax credits to another business.

Section 2 of the committee substitute conforms s. 220.1895, F.S., to reflect that the Urban High-Crime Area Job Tax Credit Program has been renamed as Designated Urban Job Tax Credit Area Program. Section 3 also deletes an obsolete requirement for OTTED to make a report to the Governor and Legislature by February 1, 2000.

Section 3 of the committee substitute modifies the definition of "Department of Defense contract" in the Qualified Defense Contractor Tax Refund Program to include contracts for products or services for homeland security use. Under the revised definition, eligible contracts may be made with the U.S. Department of Homeland Security.

Section 3 of the committee substitute also extends the period for which qualified defense contractors that fail to comply with their contractual obligations with OTTED may apply for an economic-stimulus exemption. To receive the exemption, the failure to comply with contractual obligations with OTTED must be the result of negative economic conditions in the defense industry or the result of terrorism. A qualified defense contractor must also submit the request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted after January 1, 2001, and before June 30, 2004. Approval of the exemption will enable a business to remain in the defense contractor tax refund program. A qualified defense contractor will be ineligible to apply for an additional exemption if it has received an economic stimulus exemption prior to the effective date of the committee substitute.

Section 4 of the committee substitute revises the criteria that OTTED and Enterprise Florida, Inc., are directed to use to identify a "target industry business" under the Qualified Target Industry Tax Refund Program, emphasizing certain defense and homeland security industries.

Section 4 of the committee substitute also extends the period for which qualified target industry businesses that fail to comply with their contractual obligations with OTTED may apply for an economic-stimulus exemption. To receive the exemption, the failure to comply with contractual obligations with OTTED must be the result of negative economic conditions in a business's industry or the result of terrorism. A qualified target industry business must also submit the request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted after January 1, 2001, and before June 30, 2004. Approval of the exemption will enable a business to remain in the Qualified Target Industry Tax Refund Program. A qualified target industry business will be ineligible to apply for an additional exemption if it has received an economic stimulus exemption prior to the effective date of the committee substitute.

Section 5 of the committee substitute authorizes Enterprise Florida, Inc., to provide managerial, technological, scientific, and financial expertise directly to businesses without using a subcontractor.

Section 5 of committee substitute also substantially revises s. 288.9515(4)(b), F.S., to provide that funds within the Florida Technology Research Investment Fund are continuously appropriated for investments in technologies that may have the potential for commercial success. These investments may take the form of loan guarantees, letter of credit guarantees, cash reserves for loan and letter of credit guarantees, payments of claims pursuant to contracts for guarantees, subordinated loans, loans with warrants, royalty investments, equity investments, and other contractual arrangements. Claims that may be made against the fund or Enterprise Florida, Inc., as the result of investments of the fund are payable solely from the fund. In addition, the committee substitute specifies that the state is not pledging its credit or taxing power.

Additionally, s. 288.9515(4)(c), F.S., authorizes the operating expenses of the Florida Technology Research Investment Fund and the Florida Small Business Technology Growth Program to be no more than $175,000 or 5 percent of the earnings on investment of moneys in the fund plus 5 percent of the revenues generated by the Florida Small Business Technology Growth Program under s. 288.95155, F.S.

Lastly, Enterprise Florida, Inc., is directed to facilitate private investment in technology start-up businesses.

Section 6 of the committee substitute repeals s. 288.9517, F.S., which authorizes the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to audit the technology development board or its programs. This audit authority is redundant with the authority of the Auditor General and OPPAGA to conduct audits codified elsewhere in Florida law.

Section 7 of the committee substitute repeals s. 14, ch. 93-187, L.O.F., which provides for the repeal of s. 288.9515, F.S., on December 31, 2003. As a result, s. 288.9515, F.S., will remain in effect until the Legislature chooses to repeal it.

Section 8 implements program design modifications to the Passport to Economic Progress demonstration program as recommended by Workforce Florida, Inc., in a report to the Legislature pursuant to the provisions of the original legislation.

The committee substitute amends s. 445.048, F. S., to accomplish the following:

It expands the scope of the demonstration program to include Sarasota county.
The Suncoast Workforce Development Board serves Manatee and Sarasota counties. It is preferable to have program consistency among all service centers in the service region.

It eliminates the wage supplementation element. The wage supplementation incentive has the inadvertent effect of providing a disincentive to increasing work hours or searching for a higher wage job in order to remain eligible for the wage supplementation.

It authorizes a performance-based program that defines specific incentives and bonus payments for achieving benchmarks in the self-sufficiency plan while the client is working full time. Payment of bonuses will be tied to specific benchmarks in the self-sufficiency plan to ensure that the client will seek higher-paid jobs.

It eliminates the Increased Earned Income Disregard. Applying the higher disregard results in a decrease in the participant's Food Stamp allocation.

It provides an appropriation for fiscal year 2003-04 from the TANF Block Grant
The committee substitute appropriates $1,785,000 from the Federal Grants Trust Fund to the Department of Children and Family Services to provide bonus payments, and $1,074,200 from the Welfare Transition Trust Fund to the Agency for Workforce Innovation to extend transitional benefits and services.

Section 9 creates the State Economic Stimulus Plan (SESP) Act. This program, which functions very similarly to the Certified Capital Company (CAPCO) Act, provides up to $200 million in credits against assessments imposed on workers' compensation insurance carriers and self-insurers to fund the Special Disabilities Trust Fund (SDTF). Under SESP, workers' compensation insurance carriers will receive a 100 percent credit against their SDTF assessments up to $20 million yearly for 10 years, for investments in SESP providers. The program also allows investor carriers to take credits against their assessments under s. 440.51, which assessments fund the Department of Insurance's administration of the Workers' Compensation program.

Section 10 of the committee substitute extends the expiration date of the Florida Technology Development Act to July 1, 2005, and removes some obsolete references. Subject to an appropriation, the committee substitute allows the establishment of one center of excellence, based on criteria established by the Emerging Technology Commission. An appropriation of $50,000 is made to the Executive Office of the Governor to provide staff and administrative support to the Emerging Technology Commission and travel and per diem expenses for the commission members.

Section 11 of the committee substitute provides that the committee substitute takes effect July 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:

One section of this committee substitute has been reviewed by the Revenue Impact Conference. The findings of the Revenue Impact Conference are shown below.

Fiscal Year 2003-2004								
	General Revenue		Trust		Local		Total	
Issue/Fund	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Urban Jobs Tax Credit	$ (0.3)	$ (0.6)	(*)	(*)	(*)	(*)	$ (0.3)	$ (0.6)

Insignificant (less than $50,000)

The State Economic Stimulus Plan will reduce revenue to the Special Disabilities Trust Fund or the Workers' Compensation Administration Trust Fund by $20 million per year for 10 years. At the current assessment rate of 4.52 percent, the SDTF receives more than enough revenue to pay the amounts currently due during a fiscal year, but the fund has a large backlog of unpaid claims, and the most recent actuarial analysis of the fund estimates that this backlog will be paid down in FY 2007-08 or FY 2008-09, depending on growth in premiums. When the fund's backlog of claims is paid down, the law provides for a reduction in the annual assessment rate. A reduction of $20 million in yearly revenue would delay paying down the backlog in this fund by approximately one year. Currently the amount of unpaid approved claims is approximately $500,000,000, and the lag in payment is 41.5 months.

The SDTF is subject to the 7.3 percent GR service charge, so this program would reduce GR by $1.46 million yearly for 20 years.

B. Private Sector Impact:

By removing the high-crime label from a program to support urban areas, urban areas may be viewed more favorably as areas suitable for economic development. By allowing tax credits under the designated urban job tax credit program to be transferred, new businesses may have additional access to cash when relocating to certain urban areas.

C. Government Sector Impact:

The Passport to Economic Progress demonstration program is expanded to Sarasota County and some provisions of the program are changed, at the recommendation of Workforce Florida, Inc. The committee substitute also appropriates $1,785,000 from the Federal Grants Trust Fund to the Department of Children and Family Services to provide bonus payments, and $1,074,200 from the Welfare Transition Trust Fund to the Agency for Workforce Innovation to extend transitional benefits and services.

An appropriation of $50,000 is made to the Executive Office of the Governor to provide staff and administrative support to the Emerging Technology Commission and travel and per diem expenses for the commission members.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.