

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 61 Economic Development Incentives
SPONSOR(S): McInvale, Antone, & Kallinger
TIED BILLS: None **IDEN./SIM. BILLS:** SB 518 (I); SB 216 (S)

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Tourism (Sub)		McDonald	Billmeier
2) Commerce			
3) Finance & Tax			
4) Transportation & Econ. Dev. Apps. (Sub)			
5) Appropriations			

SUMMARY ANALYSIS

The bill provides that one-half of the sales tax collections generated by the use and operations of eligible convention centers will be remitted back to the unit of local government owning the convention center. 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 pursuant to a resolution adopted by the governing board of the unit of local government.

The screening of applicants and certification as an "eligible convention center" is required to be done by the Office of Tourism, Trade and Economic Development (OTTED) within the Office of the Governor. The criteria for eligibility are delineated in the newly created s. 288.1171, F.S.

Currently, eight convention centers meet the criteria set forth in the bill. On January 26, 2004, the Revenue Estimating Conference met and estimated that the fiscal impact of HB 61 upon General Revenue is (\$1.6) million for FY 04-05 and (\$27) million for FY 05-06. The estimated fiscal impact upon local government is \$1.6 million for FY 04-05 and \$27 million for FY 05-06. The impact was based upon nine centers being eligible under the bill; however, one center is operated by a Fair Association and does not pay taxes and would not be eligible for receipt of any money from the Department of Revenue.

The bill takes effect July 1, 2004.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0061.tu.doc
DATE: January 7, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Present Situation

Distribution of Sales Tax Proceeds

Chapter 212, F.S., imposes a state sales and use tax of 6% on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals, and motor vehicles. Tax collections are deposited by the Department of Revenue (DOR) in the General Revenue Fund of the state and into a variety of trust funds benefiting state agencies and local governments.

Section 212.20, F.S., governs the distribution by DOR of tax revenues collected under the provisions of Chapter 212, F.S. Subsection (6) of that section requires DOR to distribute funds to certain qualified sports facilities.

Sales Tax Distributions to Sports Facilities – Capped Number, Payment & Length of Time

Pursuant to s. 212.20(6)(d)7.b.-d., F.S., DOR distributes tax revenues to professional sports franchise facilities that are certified by the Office of Tourism, Trade, and Economic Development (OTTED) as meeting requirements set forth in s. 288.1162, F.S., to the Professional Golf Hall of Fame facility as certified pursuant to s. 288.1168, F.S., and to the International Game Fish Association World Center facility as certified pursuant to s. 288.1169, F.S. Each recipient receives a fixed monthly distribution that is set by statute. The law caps the number of new and retained professional sports franchise facilities eligible for funding at eight and requires that at least five facilities for retained spring training franchises be certified. No other sports-related businesses or facilities are entitled to distributions from DOR of tax revenues collected pursuant to Chapter 212, F.S.

Criteria for Certification for Tax Distribution Eligibility

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

Convention Centers

Currently, s. 212.20, F.S., does not allocate funds to be distributed to units of local government certified by OTTED as owning an eligible convention center.

At this time, there are eight convention centers in the state that contain in excess of 75,000 square feet in exhibition space and are owned by a unit of local government: Orange County Convention Center (2,053,820 sq. ft.); Miami Beach Convention Center (502,848 sq. ft.); Broward County Convention Center (199,526 sq. ft.); Tampa Convention Center (200,000 sq. ft.); Coconut Grove Expo Center (150,000 sq. ft.); Lakeland Center (100,000 sq. ft.); Palm Beach County Convention Center (100,000 sq. ft.); and Prime F. Osborn III Convention Center in Jacksonville (78,500 sq. ft.). Lee Civic Center is owned by a unit of local government and currently has 75,000 sq. ft. of space.¹ The Lee Civic Center, however, is operated by a Fair Association and does not collect nor remit taxes.²

Office of Tourism, Trade and Economic Development (OTTED)

The Florida Sports Foundation reviews all applications and makes recommendations for certification to OTTED for all sports-related distributions of funds in s. 212.20(6)(d)7., F.S. OTTED then makes the final decision on certification.

At present, there are several incentive programs available to attract and recruit businesses to the state and to retain businesses in the state. The majority of the programs are coordinated and administered by OTTED and Enterprise Florida, Inc. As the state's economic development organization, Enterprise Florida, Inc., is responsible for both the retention and recruitment of businesses.

The Qualified Targeted Industry (QTI) Tax Refund Program encourages quality job growth in targeted high, value-added businesses. Approved businesses receive refunds on taxes (corporate income, sales, and certain other taxes) for creating new jobs in specified industry categories. The High Impact Business Performance Incentive (HIPI) Grant is an incentive used to attract and grow high impact facilities. These incentive programs apply to high technology and manufacturing businesses but not necessarily tourism-related businesses.

Change in Law to Certify Convention Centers for Sales Tax Distributions

The bill tracks many of the procedures, requirements, and limitations as described above for other facilities certified by OTTED for convention centers.

The bill creates s. 212.20(6)(d)7.e., F.S., to require the Department of Revenue (DOR) to distribute monthly to qualified local governments one-half of the sales tax collections reported on the convention centers sales and use tax return as being generated by the use and operations of eligible convention centers certified pursuant to s. 288.1171, F.S. Distributions cannot exceed \$3 million per state 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 can only be used to encourage and provide economic development for the attraction, recruiting, 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.

Pursuant to s. 288.1171, F.S., created by the bill, the screening of applicants and certification as an "eligible convention center" is required to be done by OTTED. The criteria for eligibility include that the center is owned by a unit of local government, contains more than 75,000 square feet of exhibit space, has been certified by resolution as serving a public purpose, and is 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.

Finally, funds distributed to a local government as set forth in this bill are required to be used for the purposes set forth in a resolution adopted by the governing board of the local government. The Department of Revenue may audit to verify the expenditure of the distributions.

¹ According to *TradeShow Week Major Hall Directory*, August 2003.

² Conversation on March 2, 2004 with Ms. Alta Mosley of the Lee Civic Center.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.20(6)(d)7., F.S., as amended by s. 92 of ch. 2003-402, Laws of Florida, to add sub subparagraph e., providing requirements for monthly distribution of one-half of the sales tax collections reported on certain convention centers to qualified local governments and setting limitations on distributions.

Section 2. Creates s. 288.1171, F.S., providing procedures and criteria for certifying applicants for state funding under s. 212.20(6)(d)7.e., F.S.

Section 3. Provides that the bill will take effect on July 1, 2004.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The estimated fiscal impact upon General Revenue is (\$1.6) million for FY 04-05 and (\$27) million for FY 05-06.

2. Expenditures:

The Office of Tourism, Trade and Economic Development estimates the nonrecurring cost for staff time to promulgate rules and develop applications will be \$9,500 for FY 04-05. Recurring costs for staff time for application distribution, application review, facility certification, and notification of the Department of Revenue are estimated to be \$2,500.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The estimated fiscal impact upon local government is \$1.6 million for FY 04-05 and \$27 million for FY 05-06.

Expenditures currently used for recruitment or retention of industries to the local government's area would be augmented, thus bringing the possibility for additional revenue to the area and state.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

There is a potential positive impact on high technology, manufacturing, research and development, entertainment, and tourism industry sectors that are recruited and encouraged to stay in an area through the revenues remitted to the local governments.

D. FISCAL COMMENTS:

The Revenue Estimating Conference estimates were based upon nine centers being eligible for certification. This number included the Lee Civic Center.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require municipalities or counties to expend funds, does not reduce their authority to raise revenue, and does not reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill grants rule-making authority to OTTED to adopt rules regarding receipt and processing of applications for funding.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The sponsor has requested that an amendment be prepared to address concerns raised by the Revenue Estimating Conference relating to specificity of applicable sales taxes collected that could be considered as proceeds in determining the amount of distribution to local government. Additionally, the sponsor has requested that concerns also raised concerning the lack of a cap on total distribution and the amount of distribution to an eligible unit of local government for a certified convention center be addressed in the amendment.

An amendment has been drafted that does the following:

- limits the total distribution to any one eligible unit of local government to \$2 million each fiscal year for up to 30 years,
- limits the total distribution for all units of local government to \$10 million in any fiscal year, and
- further defines proceeds to include all applicable sales taxes collected by a certified convention center for parking, admission, ticket sales, food services, electrical or like services, space rentals, equipment rentals, and security services.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

N/A