HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1143 CS Economic Development Incentives
SPONSOR(S): McInvale
TIED BILLS: **IDEN./SIM. BILLS:** SB 350

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Economic Development, Trade & Banking Committee	15 Y, 0 N, w/CS	Olmedillo	Carlson
2) Finance & Tax Committee		Rice	Diez-Arguelles
3) Commerce Council			
4)			
5)			

SUMMARY ANALYSIS

The bill requires the Department of Revenue 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. Program distributions cannot exceed $5 million per state fiscal year and no local government may receive more than $1 million per state fiscal year.

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 and to assist the eligible convention centers to attract more business and expand their offerings, including developing their own events and shows.

The bill creates s. 288.1171, F.S., which sets the criteria for eligible convention centers, which include that they:

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

The bill is estimated to result in a ($3.4) million reduction in state revenues and a $3.4 million increase in local revenues for FY2006-2007. It will also cause a ($4.5) million reduction in state revenues and a $4.5 million increase to local revenues in FY 2007-2008.

The provisions of this bill will be repealed on June 30, 2009.

The bill will take effect on July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government-- The bill provides the Office of Tourism, Trade, and Economic Development the authority to adopt rules for the receipt and processing of applications for funding.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Economic Incentives in Florida

The Florida Legislature encourages economic development through the enactment of several programs and tax incentives enumerated in the Florida Statutes.

The majority of the programs and incentives are coordinated and administered by the Office of Tourism, Trade, and Economic Development (OTTED) in conjunction with several public-private organizations such as Enterprise Florida, Inc. and The Sports Foundation. OTTED and associated groups are charged with the attraction, recruitment, and retention of high-technology, research and development, entertainment, and tourism industries.

The following are some of the types of programs currently available in the state.

The Qualified Targeted Industry Tax Refund Program

The Qualified Targeted Industry Tax Refund (QTI) Program (s.288.106, F.S.) 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. This program defines a “target industry business” as a corporate headquarters business or any business that is engaged in a stable industry with high job growth, output, and wages, with strong economic benefits.

The High-Impact Business Performance Incentive Grant

The High-Impact Business Performance Incentive (HIPI) Grant (s. 288.108, F.S.) is an incentive used to attract and grow high-impact facilities. These incentive programs apply to high technology and manufacturing businesses operating in one of the following sectors: biomedical technology, financial services, silicon technology, or transportation equipment. The business must also create at least 100 new full time equivalent jobs (75 for a research and development facility) in Florida for a three year period and invest $100 million cumulatively in the state.

Florida Small Business Technology Growth Program

Florida Small Business Technology Growth Program (s. 288.95155, F.S.) is designated to provide financial assistance to businesses in this state having high job growth and emerging technology potential and fewer than 100 employees. Successful applicants receive funding in the form of loans and grants from state appropriations and Enterprise Florida. Funding priority is given to moderate and high risk ventures that offer the greatest opportunity for compelling economic development impact.

Convention Centers in Florida

Section 212.0305, F.S., is the “Convention Development Tax Act” and s. 125.0104, F.S., is the “Local Option Tourist Development Act”. As listed under s. 212.0305(2), “[o]ne of the principal purposes of the convention development tax is to promote tourism and the use of hotel facilities by facilitating the improvement and construction of convention centers”. Both ss. 212.0305, and 125.0104 F.S., authorize counties to impose a tax on transient rentals through ordinance. The proceeds of these taxes are to be used to build, acquire, remodel, maintain, expand, improve, and enlarge publicly owned convention centers in the county or to pay debts created for those purposes.[1]

There are ten publicly owned convention centers that currently contain at least 60,000 square feet of exhibit space[2]:

- Orange County Convention Center (2,100,000 sq. ft.)
- Miami Beach Convention Center (502,848 sq. ft.)
- Palm Beach County Convention Center (100,000 sq. ft.)
- Broward County Convention Center (199,526 sq. ft.)
- Tampa Convention Center (200,000 sq. ft.)
- Coconut Grove Convention Center in Miami(150,000 sq. ft.)
- Lakeland Center (100,000 sq. ft.)
- Prime F. Osborn III Convention Center in Jacksonville (100,000 sq. ft.)
- Expo Centre in Orlando (65,200)
- Ocean Center in Volusia (60,000)

Effect of Proposed Changes:

The bill 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. Proceeds eligible for partial reimbursement include standard services provided by convention center staff to users of the center. Some examples include parking, admission, ticket sales, and food and utility services. The eligible convention centers must be certified pursuant to s. 288.1171, F.S. Distributions cannot exceed $5 million per fiscal year and no local government may receive more than $1 million per state fiscal year. Such distributions are required to begin 60 days following notification of certification. The bill provides for the apportionment of sales tax proceeds in the case where the fiscal year cap of $5 million is exceeded.

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 and to assist the eligible convention centers to attract more business and expand their offerings, including developing their own events and shows. The bill provides for the repeal of the incentive on June 30, 2009.

The bill creates s. 288.1171, F.S., which requires the Office of Tourism, Trade, and Economic Development (OTTED) to adopt rules to screen applicants and certify those meeting the criteria as an “eligible convention center.” As provided in the bill, a center must do the following in order to be eligible:

- must be owned by a unit of local government,
- must contain more than 60,000 square feet of exhibit space,

[1] The funds received under s. 212.0305, F.S., may also be used for the improvement of stadiums, auditoriums, coliseums and exhibition centers in the county. The funds under that section may also be used for advertising if the municipality has a population of at least 10,000. Funds under s. 125.0104, F.S., may also be used for a professional sport franchise facility or a spring training facility.

[2] Source: 2006 REC Impact Conference

- 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.[3]

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. The bill provides that failure to use the funds pursuant to the bill is grounds for revoking certification. The bill provides for the repeal of s. 288.1171, F.S., on June 30, 2009.

C. SECTION DIRECTORY:

Section 1: Creates s. 212.20(6)(d)7.e., F.S., relating to the distribution of proceeds from tax on sales, use, and other transactions; requiring monthly distributions to eligible units of local government; providing definitions; providing limits and methods for distributions; establishing provisions for use of funding; providing a repeal date of June 30, 2009.

Section 2: Creates s. 288.1171, F.S., providing a certification process for a local government applicant owning a convention center; providing the Office of Tourism, Trade, and Economic Development rule making authority for the receipt and processing of applications for funding; providing definitions; establishing conditions; establishing provisions for use of funding; providing a repeal date of June 30, 2009.

Section 3: Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	FY 2006-2007	FY 2007-2008
General Revenue	($3.4)m	($4.5)m
State Trust	(Insignificant)	(Insignificant)
Total	($3.4)m	($4.5)m

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

	FY 2006-2007	FY 2007-2008
Sales and Use Tax Refund	$3.4m	$4.5m
Total	$3.4m	$4.5m

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

[3] Currently, 58 counties charge a local tourist development tax.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

2. Other:

None

B. RULE-MAKING AUTHORITY:

The bill provides the Office of Tourism, Trade, and Economic Development the authority to adopt rules for the receipt and processing of applications for funding.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

The Economic Development, Trade and Banking Committee adopted one amendment to the bill on March 16, 2005. The amendment removed language permitting the Auditor General to conduct an audit of a convention center receiving a distribution authorized by the bill.