The Florida Senate

PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Commerce Committee

BILL: SB 2124

INTRODUCER: Senator Constantine

SUBJECT: Economic Development Incentives

DATE: March 21, 2007 REVISED: 03/27/07

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pugh	Cooper	CM	**Fav/2 amendments**
2.			CA	
3.			FT	
4.			GA	
5.				
6.				

Please see last section for Summary of Amendments

- [x] Technical amendments were recommended
- [ ] Amendments were recommended
- [ ] Significant amendments were recommended

I. Summary:

SB 2124 requires the Department of Revenue (DOR) to make monthly payments of one-half of the sales tax generated by certified convention centers to the local governments that own the convention centers. The funds are generated by the sales taxes collected by a qualified convention center through normal use of the building, such as: admission, parking, concessions, utility services, and other such services.

Under the bill, the sales tax refunds may be used: for economic development activities within the counties where the convention centers are located; to assist the convention centers in attracting more business; and to fund the installation of renewable energy technologies at the convention centers.

An eligible convention center is publicly owned, has exhibition space in excess of 30,000 square feet, and has a primary function of hosting meetings, conventions, or trade shows. Fifteen convention centers meet the square footage requirement in SB 2124.

This bill requires convention centers to be certified through the Office of Tourism, Trade, and Economic Development (OTTED) to be eligible for the tax refund. A local government may not receive more than $1 million per fiscal year, and total distributions are capped at $5 million

statewide each fiscal year. If the fiscal cap of $5 million is exceeded, this bill provides for an apportionment process.

SB 2124 creates s. 288.1172, F.S., and amends s. 212.20, F.S.

II. Present Situation:

Current Economic Incentives in Florida

The Florida Legislature has enacted numerous programs designed to encourage economic development throughout the state. Most programs are administered by OTTED. One of OTTED's primary responsibilities is attracting high-technology and research and development industries to Florida. Three reimbursement programs currently are available in the state: for professional sports franchises (s. 288.1162, F.S.), for the entertainment industry (s. 288.1254, F.S.), and the Qualified Target Industry Program (s. 299.106, F.S.).

Funding for Convention Centers

Currently, Florida allows local governments to use tax reimbursements to construct, acquire, maintain, or expand convention centers in order to stimulate tourism or economic development. The Convention Development Tax Act created in s. 212.0305, F.S., stimulates tourism by allowing certain, authorized counties to use sales tax reimbursements to improve and construct convention centers. Those counties are Duval, Miami-Dade, and Volusia. Pursuant to the statute, "[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." This tax is levied against any person renting or leasing a dwelling for less than 6 months. The tax is 2 percent on every dollar for Duval County, and 3 percent on every dollar for Miami-Dade and Volusia counties. The full amount of taxes, less administrative costs, is remitted back monthly to the participating county for use in promoting tourism, improving an existing convention center, or construction of a new convention center.

Additionally, s. 125.0104, F.S., authorizes counties to levy five separate tourist development taxes on transient rental transactions: the Tourist Development Tax, the Additional Tourist Development Tax, the Professional Sports Franchise Facility Tax, the Additional Professional Sports Franchise Facility Tax, and the High Tourism Impact Tax. (**See TABLE 1 below.**)

Depending on the particular tax, the levy may be authorized by vote of the governing body or referendum approval. Tax rates vary by county depending on a county's eligibility to levy particular taxes. The maximum tax rate for most counties is 3 percent or 4 percent; however, the maximum rate is 6 percent for several counties. Generally, the revenues may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance. Another eligible use of the Tourist Development tax revenues is to pay debt service on bonds to build, reconstruct, and renovate convention centers, and to pay certain operating and maintenance costs for convention centers for a period of time specified in statute.[1] How each county uses its Tourist Development tax revenues varies according to the particular levy.

[1] Section 125.0104(3)(l)2. and 3, F.S.

TABLE 1

TAX	AUTHORIZED LEVY (%)	# OF COUNTIES AUTHORIZED TO LEVY TAX	# OF COUNTIES LEVYING TAX
TOURIST DEVELOPMENT			
Original Tax (s. 125.0104(3)(b), F.S.)	1 or 2%	67	57
Additional Tax (s. 125.0104(3)(d), F.S.)	1%	45	37
Professional Sports Franchise Facility Tax (s. 125.0104(3)(l), F.S.)	up to 1%	67	21
Additional Professional Sports Franchise Facility Tax (s. 125.0104(3)(n), F.S.)	1%	15	7
High Tourism Impact Tax (s. 125.0104(3)(m), F.S.)	1%	Monroe, Orange & Osceola	Orange & Osceola

(Source: Legislative Committee on Intergovernmental Relations, March 2006)

Convention Centers in Florida

There are 15 convention centers in the state that contain more than 30,000 square feet of exhibit space: [2]

- Orange County Convention Center (2,053,820 sq. ft.);
- Miami Beach Convention Center (502,848 sq. ft.);
- Tampa Convention Center (200,000 sq. ft.);
- Broward County Convention Center (199,526 sq. ft.);
- Coconut Grove Convention Center, Miami (150,000 sq. ft.);
- Palm Beach County Convention Center (100,000 sq. ft.);
- Lakeland Center (100,000 sq. ft.);
- Prime F. Osborn III Convention Center, Jacksonville (78,500 sq. ft.);
- Expo Center, Orlando (65,200 sq. ft.);
- Ocean Center, Volusia (60,000 sq. ft.);
- Tallahassee Leon County Civic Center (58,000 sq. ft.);
- Osceola Heritage Park Exhibition Building (49,000 sq. ft.);
- St. Johns County Convention Center (36,150 sq. ft.);
- Emerald Coast Conference Center, Okaloosa County (35,000 sq. ft.);
- Manatee Convention & Civic Center (32,400 sq. ft.);

[2] Revenue Estimating Conference, February 26, 2007.

III. Effect of Proposed Changes:

Section 1 amends s. 212.20(6)(d), F.S., to require the Department of Revenue (DOR) to distribute monthly to qualified local governments, 50 percent of the sales tax collections generated by the use and operations of eligible convention centers. The eligible convention centers must be certified by OTTED pursuant to s. 288.1171, F.S., which is created in **Section 2** of this bill.

Distributions may not exceed $1 million per fiscal year for each eligible local government, and total distributions to all units of local governments may not exceed $5 million each fiscal year. If eligible collections exceed $5 million, the DOR will make distributions based on an apportionment factor provided in this section.

The sales taxes available for distribution under this section must be generated from the following convention center standard services and provided by center staff:

- Parking;
- Admissions and ticket sales;
- Space and equipment rentals;
- Exhibit supply sales and rentals;
- Sales of gifts and food; and
- Utilities, security, decorating, business, advertising, communication, and locksmith services.

Distributions are required to begin 60 days following certification. Distributions may only be used to encourage and provide economic development as designated by the unit of local government by resolution of its governing body. For purposes of this section, economic development includes the attraction, recruitment, and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries. Distributions may also be used to assist an eligible convention center in attracting new business and events.

Not included as an allowable use of the funds is the installation of renewable energy technologies in the qualifying convention center.

SB 2124 prohibits distributions from being used to encourage, or otherwise provide incentives or payments to, existing businesses with offices within the state to relocate elsewhere in Florida. This exemption will be repealed June 30, 2010.

Section 2 creates s. 288.1172, F.S., which directs OTTED to adopt rules to screen applicants and certify those meeting the criteria as “eligible convention centers.” The eligibility criteria for each convention center include:

- It must be owned by a unit of local government;
- It must contain more than 30,000 square feet of exhibit space;

- Its application for funding must be certified by resolution as serving a public purpose; and
- It must be located in a county levying a local option tourist development tax under s. 125.0104, F.S.[3]

OTTED must notify DOR of the certification of each eligible convention center. DOR will begin distribution of funds 60 days after receiving notification of certification. Previously certified applicants are not eligible for additional certifications.

Funds distributed to a local government owning an eligible convention center may be used for economic development as designated in a resolution adopted by the governing body of the local government. For purposes of this section, economic development includes the attraction, recruitment, and retention of corporate headquarters, and of high-tech, manufacturing, research and development, entertainment, and tourism industries. Funds also may be used by the local government to install renewable energy recovery technology in the qualifying convention center, and to assist the eligible convention center in attracting new business and events. Failure to use the funds as provided in the bill is grounds for revoking certification.

Not mentioned in this section is the prohibition against using the funds to attract the relocation of businesses and offices from other areas in Florida.

This section provides that s. 288.1172, F.S., is repealed on June 30, 2010.

Section 3 provides that this act shall take effect on July 1, 2007.

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:

SB 2124 will have a negative fiscal impact of up to $5 million annually on the General Revenue Fund. Earlier this year, the Florida Revenue Estimating Conference determined

[3] All of the convention centers with at least 60,000 square feet are located in counties that levy at least one local option tourist development tax.

this bill will have a negative fiscal impact of $4.3 million on the General Revenue Fund in fiscal year 2007-2008, and a corresponding positive impact of $4.3 million on local governments.

Under the bill, Orange County would receive a capped $1 million sales tax refund, even though its two convention centers generate more than $4 million in sales tax revenue, according to information provided to the Revenue Estimating Conference.

B. Private Sector Impact:

None.

C. Government Sector Impact:

OTTED may incur administrative costs associated with the certification of eligible convention centers. DOR may incur administrative costs associated with implementation of the sales tax distribution to the eligible convention centers.

VI. Technical Deficiencies:

SB 2124 has two internal inconsistencies between its two substantive sections. **Section 1**, which amends s. 212.20, F.S., does not mention as an allowable use of the sales tax rebates the installation of renewable energy technologies in the qualifying convention center, which is expressed in **Section 2**, which creates s. 288.1712, F.S. Nor does **Section** 2 include the prohibition in **Section 1** against using tax funds to attract the relocation of businesses and offices from other areas in Florida.

VII. Related Issues:

None.

VIII. Summary of Amendments:

<u>Barcode # 612786:</u> Places in s. 212.20, F.S., where the proposed sales tax refund would be located, permission for qualifying convention centers to use the refund to install renewal energy technologies in those facilities. This corrects an internal inconsistency in the bill.

<u>Barcode # 914662</u>: Places in the proposed s.288.1172, F.S., the same prohibition earlier in the bill against the sale tax refunds being used to lure existing businesses to relocate from one part of the state to another. This corrects an internal inconsistency in the bill.