The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Transportation

BILL: SB 136

INTRODUCER: Senator Ring

SUBJECT: Freight Logistics Zones

DATE: October 22, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Price	Eichin	TR	**Pre-meeting**
2.			CA	
3.			ATD	
4.			AP	
5.				
6.				

I. Summary:

SB 136 defines a "freight logistics zone" (FLZ) as a grouping of activities and infrastructure associated with freight transportation and related services within a defined area around an intermodal logistics center. The bill authorizes a county, or two or more contiguous counties, to designate a geographic area or areas within its jurisdiction as an FLZ.

The bill provides a project within a designated FLZ that is consistent with the Florida Department of Transportation's Freight Mobility and Trade Plan may be eligible for priority funding from applicable economic development programs under parts I, III, and V of chapter 288, F.S. The bill also:

- requires that an FLZ designation be accompanied by a strategic plan that includes specified information;
- provides criteria to be used when evaluating projects; and
- provides an effective date.

FLZs are not defined or designated under current law.

This bill creates the following section of the Florida Statutes: 311.103.

II. Present Situation:

Focus on Freight

The Florida Department of Transportation (FDOT) is pursuing a goal to develop a coordinated multi-modal transportation system for freight movement in Florida. In furthering that goal, the FDOT recently established a new office with a particular emphasis on freight mobility:

> "In recognition of the significant role that freight mobility plays as an economic driver for the state, an Office of Freight, Logistics and Passenger Operations has been created. The office will act as a tool to better connect, develop, and implement a freight planning process that will maximize the use of the existing facilities and integrate and coordinate the various modes of transportation, including the combined utilization of both government-owned and privately-owned resources."[1]

The Legislature in 2012 also emphasized the importance of freight mobility to the state's economic growth in HB 599,[2] in which the FDOT was directed to develop a Freight Mobility and Trade Plan to assist in making freight mobility investments that contribute to the economic growth of the state. The bill specified that the plan should enhance the integration and connectivity of the transportation system across and between transportation modes throughout the state. The bill directed that the plan propose policies and investments that promote:

- increasing the flow of domestic and international trade through the State's seaports and airports, including specific policies and investments that will recapture cargo currently shipped through seaports and airports located outside the state;
- increasing the development of intermodal logistic centers in the state, including specific strategies, policies, and investments that capitalize on the empty backhaul trucking and rail market in the state;
- increasing the development of manufacturing industries in the state, including specific policies and investments in transportation facilities that will promote the successful development and expansion of manufacturing facilities; and
- increasing the implementation of compressed natural gas, liquefied natural gas, and propane energy policies that reduce transportation costs for businesses and residents located in the state.

The FDOT was additionally directed to give emphasis to freight issues and needs in all appropriate transportation plans.

Further, in the same bill, the Legislature created the Intermodal Logistics Center[3] Infrastructure Program within the FDOT to "provide funds for roads, rail facilities, or other means for the

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[1] FDOT Office of Freight Logistics and Passenger Operations Website: http://www.dot.state.fl.us/multimodal/ (Last visited October 22, 2013.)

[2] Ch. 2012-174, L.O.F.

[3] Section 311.101(2), F.S., defines "intermodal logistics center, including, but not limited to, an "inland port," as a facility or group of facilities serving as a point of intermodal transfer of freight in a specific area physically separated from a seaport where activities relating to transport, logistics, goods distribution, consolidation, or value-added activities are carried out and

conveyance or shipment of goods through a seaport, thereby enabling the state to respond to private sector demands and meet the state's economic development goal of becoming a hub for trade, logistics, and export-oriented activities."[4] The FDOT is required to provide up to $5 million annually for the program and to include projects proposed to be funded in its tentative work program developed pursuant to s. 339.135(4), F.S. The FDOT:

- consults with the FDEO in selecting projects to be funded;
- is authorized to administer contracts on behalf of the entity selected to receive project funding; and
- provides up to 50 percent of project costs for eligible projects.

Additionally, HB 599 created s. 339.63(5), F.S., to require the FDOT Secretary to designate a planned facility as part of the Strategic Intermodal System (SIS) upon the request of the facility if it:

- meets the criteria and thresholds of a planned facility to be added to the SIS;
- meets the definition of "intermodal logistics center," and
- had been designated in a local comprehensive plan or local government development order as an intermodal logistics center or equivalent planning term.

Such designation makes the facility eligible to receive funding for transportation capacity improvements.

Similarly, at the Federal level, the Moving Ahead for Progress in the 21st Century Act (P.L. 112-141, s. 1118) recommended that states develop state freight plans for the immediate and long-range planning activities and investments of the state with respect to freight. The Act includes provision for up to 95 percent federal matching funds for certain projects that are identified in state freight plans developed pursuant to s. 1118 and that improve the movement of freight.[5]

Incentive Programs: Parts I, III, and V of ch. 288

Current law provides a number of economic development incentives in various forms, including tax credits, tax refunds, tax exemptions, infrastructure funding, and cash grants.[6] For example, with respect to part I of ch. 288, the Quick-Response Training Program is created in s. 288.047, F.S., and is intended to meet the short-term, immediate, workforce-skill needs of certain "businesses and industries that support the state's economic development goals, particularly high value-added businesses or businesses that locate in and provide jobs in the state's distressed urban and rural areas."

As another example, the Rural Infrastructure Fund is created in s. 288.0655, F.S., "to facilitate the planning, preparing, and financing of infrastructure projects in rural communities that will encourage job creation, capital investment, and the strengthening and diversification of rural

whose activities and services are designed to support or be supported by conveyance of shipping through one or more seaports listed in s. 311.09."

[4] s. 311.101(1), F.S.

[5] P.L. 112-141, s. 1116.

[6] See ch. 288, F.S., *Commercial Development and Capital Improvements.*

economies by promoting tourism, trade, and economic development." And s. 288.106, F.S., sets up a tax refund program for qualified, eligible target industry businesses for projects that create a new business or expand an existing business.

Part III of ch. 288, F.S., authorizes any corporation or government agency to apply to federal authorities for a grant of the privilege of establishing, operating, and maintaining foreign trade zones and subzones in or adjacent to ports of entry of the United States pursuant to the Foreign Trade Zones Act of 1934. A grant includes authority to select and describe the location of zones or subzones and to make rules as may be necessary to comply with the rules and regulations made in accordance with the Act.

> "Foreign trade zones are secure areas under U.S. Customs and Border Protection (CBP) supervision that are generally considered outside CBP territory upon activation."
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> "Under zone procedures, the usual formal CBP entry procedures and payments of duties are not required on the foreign merchandise unless and until it enters CBP territory for domestic consumption, at which point the importer generally has the choice of paying duties at the rate of either the original foreign materials or the finished product. Domestic goods moved into the zone for export may be considered exported upon admission to the zone for purposes of excise tax rebates and drawbacks."[7]

Part V of ch. 288, F.S., creates the Florida Export Finance Corporation as a not-for-profit corporation. The corporation's intended purpose is to assist small and medium-sized Florida businesses in the expansion of international trade and to expand job opportunities for Florida's workforce.

> "The FEFC offers information, technical and consulting assistance to exporters throughout the State of Florida. Financial assistance, though, is our chief service. The FEFC will guarantee a lender's revolving line up to a maximum of $500,000. Applicants for a loan guarantee must be exporters based in Florida who have been turned down by at last one potential lender.
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> "The FEFC is a member of the City/State program of the Export-Import Bank of the United States and offers Florida exporters access to U.S. Government export assistance programs offered by the Ex-Im Bank and the SBA. Services include packaging for the loan, insurance and guarantee programs offered by these agencies. The FEFC has delegated authority for Ex-Im Bank working capital loan guarantees up to $1,000,000 and SBA loans for up to $1,500,000."[8]

Of course, each of the various programs under parts I, III, and V of ch. 288, F.S., has its own set of eligibility criteria and related requirements.

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[7] U.S. Department of Homeland Security website, *About Foreign-Trade Zones & Contact Info:* http://www.cbp.gov/xp/cgov/trade/cargo_security/cargo_control/ftz/about_ftz.xml (Last visited October 22, 2013.)
[8] Enterprise Florida, *2012 Annual Incentives Report*. On file in the Senate Transportation Committee.

III. Effect of Proposed Changes:

The bill creates s. 311.103, F.S., to define an FLZ as a grouping of activities and infrastructure associated with freight transportation and related services within a defined area around an intermodal logistics center as defined in s. 311.101(2), F.S. The bill authorizes a county, or two or more contiguous counties, to designate a geographic area or areas within its jurisdiction as an FLZ.

A strategic plan adopted by the county or counties must accompany the designation and must include, without limitation:

- a map depicting the geographic area or areas to be included within the designation;
- identification of existing or planned freight facilities or logistics clusters located within the proposed FLZ;
- identification of existing transportation infrastructure, such as roads, rail, airports, and seaports, within or in close proximity to the proposed FLZ;
- identification of existing workforce availability within or in close proximity to the proposed FLZ;
- identification of any local, state, or federal workforce training capabilities available for a business seeking to locate or expand within the proposed FLZ;
- identification of any local, state, or federal plans, including transportation, seaport, or airport plans, concerning the movement of freight within or in close proximity to the proposed FLZ;
- identification of financial or other local government incentives to encourage new development, expansion of existing development, or redevelopment within the proposed FLZ; and
- documentation that the plan is consistent with applicable local government comprehensive plans and adopted long-range transportation plans of a metropolitan planning organization, where applicable.

The bill provides a project within a designated FLZ that is consistent with the FDOT's Freight and Mobility Trade Plan may be eligible for priority in state funding and incentive programs relating to FLZs under applicable programs identified in parts I, III, and V of chapter 288, F.S.

The bill also provides criteria for evaluating projects for designation as a freight logistics zone,[9] or for determining funding or incentive program eligibility, as follows:

- The presence of an existing or planned intermodal logistics center within the FLZ.
- Whether the project serves a strategic state interest.
- Whether the project facilitates the cost-effective and efficient movement of goods.
- The extent to which the project efficiently interacts with and supports the transportation network.
- The amount of investment or commitments made by the owner or developer of the existing or proposed facility.

[9] Please see *Technical Deficiencies* below.

- The extent to which the county or counties have commitments with private sector businesses planning to locate operations with the FLZ.
- Demonstrated local financial support and commitment to the project.

Presumably, once a given project in an FLZ meets existing eligibility requirements under any of the identified incentive programs and also meets the criteria for evaluating projects in an FLZ, priority of that project over other projects not within an FLZ is authorized. However, once a pool of eligible projects within FLZs is identified, no process for prioritizing projects within the pool is provided in the bill.

The bill has an effective date of July 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

Potential tax refunds or credits, depending upon the incentive program under which a given eligible project is approved, may result in a reduction of tax revenues in unknown amounts. However, any reduction may be offset by the potential growth of the freight industry and related businesses, resulting in a positive impact on tax revenues.

B. Private Sector Impact:

Potential tax advantages, infrastructure funding, cash grants, and loan assistance, depending upon the incentive program under which a given eligible project is approved, may be realized by private sector businesses. The bill may also promote growth of the freight industry and related businesses.

C. Government Sector Impact:

The bill may further development of a coordinated multi-modal transportation system for freight movement in Florida, thereby facilitating statewide economic development.

Counties that choose to designate freight logistics zones will incur expenses, in unknown amounts, associated with creating strategic plans and designating freight logistics zones.

Local government financial support and commitment, in unknown amounts, are to be identified in the required strategic plans.

VI. Technical Deficiencies:

Line 63 of the bill begins, "When evaluating projects for designation as a freight logistics zone,…" The bill does not authorize designation of projects as a freight logistics zone; rather, it authorizes the designation of a geographic area or areas within the jurisdiction of a county, or two or more contiguous counties, as a freight logistics zone. Consideration of a technical amendment may be in order.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.