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 Appropriations Subcommittee on Transportation, Tourism, and Economic Development

BILL: SB 956

INTRODUCER: Senator Simpson

SUBJECT: Freight Logistics Zones

DATE: March 16, 2015 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	White	Yeatman	CA	**Favorable**
2.	Sneed	Miller	ATD	**Recommend: Favorable**
3.			FP	

I. Summary:

SB 956 allows a county or counties to designate a "freight logistics zone," which is defined as a grouping of activities and infrastructure associated with freight transportation and related services within a defined area around an intermodal logistics center. The county or counties must adopt a strategic plan that includes a map depicting the geographic area or areas of the zone and identifies existing infrastructure and resources within or near the zone.

A project within a zone may be eligible for priority funding or incentives from state economic development programs under parts I, III, and V of ch. 288, F.S. Eligibility for priority status will be based on an evaluation of the project.

The bill has an indeterminate fiscal impact on state government. The bill does not have mandatory funding requirements for freight logistics zone projects. However, projects within freight logistics zones may be eligible for priority in state incentive programs relating to zones available through the Department of Economic Opportunity (DEO) or the projects may be given priority consideration in the Florida Department of Transportation's development of the state's Five-Year Tentative Work Program. The funding of these projects is ultimately subject to meeting program eligibility requirements and the availability of funds provided through legislative appropriations in the annual General Appropriations Act. The bill also has an indeterminate fiscal impact on local governments for the costs associated with the optional designation of a freight logistics zone.

The bill provides an effective date of July 1, 2015.

II. Present Situation:

The Florida Department of Transportation

The Florida Department of Transportation (FDOT) is pursuing a goal to develop a coordinated multi-modal transportation system for freight movement in Florida. The Office of Freight, Logistics, and Passenger Operations within FDOT emphasizes freight mobility through the development and implementation of a freight planning process that maximizes the use of the existing government- and privately-owned transportation resources.[1]

Freight Mobility and Trade Plan

The Legislature, in 2012, emphasized the importance of freight mobility to the state's economic growth by directing the FDOT to develop a Freight Mobility and Trade Plan by July 1, 2013.[2] The plan will assist in making freight mobility investments that contribute to the economic growth of the state and enhance the integration of the transportation system between transportation modes throughout the state.[3] The plan must propose transportation-related policies and investments that promote:

- The flow of trade through the state's seaports and airports and recapture cargo shipped through seaports and airports in other states;
- The development of intermodal logistic centers in the state;
- The development of manufacturing industries in the state; and
- The implementation of compressed natural gas, liquefied natural gas, and propane energy policies that reduce transportation costs for businesses and residents in the state.[4]

The FDOT must also emphasize freight issues and needs in all appropriate transportation plans.[5]

Intermodal Logistics Center Infrastructure Program

Additionally, in 2012, the Legislature created the Intermodal Logistics Center Infrastructure Program[6] within the FDOT to provide funds for roads, rail facilities, or other means for the shipment of goods through a seaport.[7] The FDOT must provide up to $5 million annually for the program and must include projects the program proposes to fund in its tentative work program, which is developed to allocate state and federal funding for transportation related projects.[8] In selecting a project for funding, the FDOT must consider a number of statutory criteria and

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[1] FDOT, Office of Freight Logistics and Passenger Operations, *available at* http://www.dot.state.fl.us/multimodal/ (last visited Mar. 6, 2015).
[2] Chapter 2012-174, s. 23, L.O.F.; s. 334.044(33), F.S.
[3] Section 334.044(33), F.S.; *See also* Florida Logistics website, *available at* http://www.freightmovesflorida.com/ (last visited Mar. 6, 2015).
[4] *Id.* at (a).
[5] *Id.* at (b)
[6] Section 311.101(2), F.S., defines "intermodal logistics center" 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 whose activities and services are designed to support or be supported by conveyance of shipping through one or more [of Florida's 17 seaports]."
[7] Chapter 2012-174, s. 12, L.O.F.; s. 311.101(1), F.S.
[8] *See* s. 339.135(4), F.S.

consult with the DEO.[9] The FDOT must fund up to 50 percent of project costs for selected projects.[10]

Strategic Intermodal System

Lastly, in 2012, the Legislature required the FDOT Secretary to designate a planned facility as part of the Strategic Intermodal System (SIS) upon the request of the facility.[11] A requesting facility must meet the criteria established by the FDOT; meet the definition of "intermodal logistics center;"[12] and must have been designated in a local comprehensive plan or local government development order as an intermodal logistics center or equivalent planning term.[13] Designation as part of the SIS makes the facility eligible to receive funding for transportation capacity improvements.[14]

Moving Ahead for Progress in the 21st Century Act (MAP-21)

At the federal level, in 2012, the Moving Ahead for Progress in the 21st Century Act recommended that states develop plans for the immediate and long-range planning activities and investments of the state with respect to freight.[15] The act also provides up to 95 percent federal matching funds for certain projects that are identified in state freight plans and that improve the movement of freight.[16]

Economic Development Incentive Programs, Ch. 288, F.S.

Part I: General Provisions

Current law provides a number of economic development incentives in various forms, including tax refunds, tax credits, tax exemptions, cash grants, and infrastructure funding. The most frequently utilized incentives include the qualified target industry tax refund,[17] quick action closing fund,[18] brownfield redevelopment bonus refund,[19] high impact performance incentive grant,[20] and quick response training.[21] These incentives are administered by the DEO and are generally designed to promote job creation within certain target industries in Florida; accordingly, awards for these incentives are based on job creation, wage, and economic benefit (return on investment) projections for each entity that applies for the incentives. Additionally, recipient businesses are generally contractually required to meet specific milestones before incentive payments begin.

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[9] Section 311.101(3),(4), F.S.
[10] *Id.* at (6).
[11] Chapter 2012-174, s. 58, L.O.F.; s. 339.63(5), F.S.
[12] *Supra* note 6.
[13] Section 339.63(5), F.S.
[14] *See* s. 339.61(1), F.S.
[15] P.L. 112-141, s. 1118 (July 6, 2012).
[16] *Id.* at s. 1116.
[17] Section 288.106, F.S.
[18] Section 288.1088, F.S.
[19] Section 288.107, F.S.
[20] Section 288.108, F.S.
[21] Section 288.047, F.S. For a general description of these programs and their award and performance history *see* DEO and Enterprise Florida, Inc., *2013 Annual Incentives Report* (Dec. 30, 2013) *available at* http://www.floridajobs.org/business/EDP/EconomicDevelopmentIncentivesReport.pdf (last visited Mar. 6, 2015).

Part III: Foreign Trade Zones

Part III of ch. 288, F.S., authorizes any corporation or government agency to apply to the federal government to establish a foreign trade zone in or adjacent to a port of entry of the United States pursuant to the Foreign Trade Zones Act of 1934. A foreign trade zone is a designated location where U.S.-based companies can take advantage of special procedures that delay, avoid, or reduce duties, quotas, or certain ad valorem taxes on merchandise held in the zone.[22] These advantages are designed to lower the costs of U.S.-based businesses that are engaged in international trade.[23]

There are currently 22 foreign trade zones in Florida, each of which is managed by a local government entity.[24] Beyond the authority to establish and operate a zone in accordance with federal law, part III of ch. 288, F.S., does not contain any state-level economic development incentives specifically for projects located in a foreign trade zone.

Part V: Export Finance

Part V of ch. 288, F.S., creates the Florida Export Finance Corporation (FEFC), a not-for-profit corporation, to help small and medium-sized Florida businesses expand international trade and job opportunities for Florida's workforce. While the FEFC provides information and technical and consulting assistance to certain small and medium-sized Florida exporters, its primary service is through providing loan guarantees for exported goods. The FEFC will guarantee a loan to an exporter only after a commercial lender has denied an exporter's loan request. The maximum amount of guarantee the FEFC will provide is $500,000 and may not exceed 90 percent of the value of the loan.[25]

The FEFC is also 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 Export-Import Bank and the Small Business Administration.[26]

Beyond loan guarantees for small and medium-sized exporters and access to U.S. government export assistance programs, the FEFC does not provide any business incentives under part V of ch. 288, F.S.

III. Effect of Proposed Changes:

Section 1 creates s. 311.103, F.S., to provide for the designation of freight logistics zones in Florida. A "freight logistics zone" is defined as a grouping of activities and infrastructure associated with freight transportation and related services within a defined area around an

[22] U.S. International Trade Administration, U.S. Foreign Trade Zones, *What is a Foreign-Trade Zone?*, *available at* http://enforcement.trade.gov/ftzpage/info/zone.html (last visited Mar. 6, 2015).
[23] Seminole County, Economic Development, *Foreign Trade Zones*, *available at* http://www.seminolecountyfl.gov/ecodev/ftz.aspx (last visited Mar. 6, 2015).
[24] U.S. International Trade Administration, U.S. Foreign Trade Zones, *available at* http://ita-web.ita.doc.gov/FTZ/OFISLogin.nsf (last visited Mar. 6, 2015).
[25] DEO and Enterprise Florida, Inc., *2013 Annual Incentives Report* at 72.
[26] *Id.* at 75.

intermodal logistics center as defined in s. 311.101(2), F.S.[27] A county, or two or more contiguous counties, is authorized to designate one or more geographic areas within its jurisdiction as a zone. The bill does not limit the size, number, or scope of the geographic areas that may be designated as zones.

A strategic plan adopted by the county or counties must accompany the designation and must include a map depicting the geographic area or areas to be included within the designation. The strategic plan must also identify:

- Existing or planned freight facilities or logistics clusters within the zone;
- Existing transportation infrastructure and workforce availability within or near the zone;
- Any public workforce training providers available for a business seeking to locate or expand within the zone;
- Any local, state, or federal freight movement plans within or near the zone; and
- Local government incentives to encourage new or expanding development or redevelopment within the zone.

Lastly, the strategic plan must include documentation that it is consistent with local government comprehensive plans and, if necessary, long-range transportation plans of a metropolitan planning organization.

A project within a zone that is consistent with the FDOT Freight and Mobility Trade Plan may be eligible for priority in state funding and incentive programs relating to zones, including applicable programs identified in parts I, III, and V of ch. 288, F.S. Current incentives under part I of ch. 288, F.S., do not provide a system of priority treatment to determine incentive awards. As explained in the Present Situation above, incentive awards are determined based on job creation, wage, and economic benefit calculations for each project. Additionally, neither foreign trade zones under part III of ch. 288, F.S., nor the FEFC under part V of ch. 288, F.S., provide state-level development incentives or funding beyond the loan guarantee program for exporters by the FEFC. The priority status of a project in a zone as provided in the bill, will likely be inapplicable for any federal government funding or incentives provided through foreign trade zones or the FEFC.

To determine funding or incentive program eligibility, a project within a zone will be evaluated based on the following criteria:

- The presence of an existing or planned intermodal logistics center within the zone.
- 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 contributes to economic activity.
- 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.
- The extent to which the county or counties have commitments with private sector businesses planning to locate operations with the zone.

[27] *Supra* note 6.

- Demonstrated local financial support and commitment to the project.

It is unclear how the bill will be administered. For example, the bill does not indicate which state agency or department will evaluate projects to determine whether the project will receive priority for funding or incentives. Presumably, once a project in a zone meets eligibility requirements under any of the incentive or funding programs in parts I, III, and V of ch. 288, F.S., and also meets the criteria for evaluating projects described above, priority of that project over other projects not within a zone is authorized. However, once a pool of eligible projects within zones is identified, no process for prioritizing projects within the pool is provided in the bill.

Section 2 provides an effective date of July 1, 2015.

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:

Indeterminate.

B. Private Sector Impact:

Under SB 956 a business located in a zone may be eligible for priority in state funding and incentives programs related to zones. With respect to programs under part I of ch. 288, F.S., a business may be required to meet the evaluation criteria established under the bill in addition to the particular funding or incentive program's requirements under part I of ch. 288, F.S.

Additionally, the FDOT indicated that projects within zones may be given priority consideration for funding during the development of the Five-Year Tentative Work Program.[28]

The bill may also promote growth of the freight industry and related businesses.

[28] FDOT, *Agency Legislative Bill Analysis for HB 257* (Jan. 14, 2015).

C. Government Sector Impact:

Counties choosing to designate a freight logistics zone must develop a strategic plan adopted by the county which is consistent with the local government's comprehensive plan and consistent with the metropolitan planning organization's long-range transportation plan. Local government financial support and commitment, are to be identified in the required strategic plans.

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

The Florida Department of Highway Safety and Motor Vehicles determined that there would be no impact to the agency.[29]

The FDOT notes that the bill could result in adjustments to projects currently planned in the Five-Year Work Program to the extent that local partners reprioritize projects and seek to advance freight and logistics projects not currently funded in the Five-Year Work Program.[30]

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 311.103 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

[29] DHSMV, *Agency Legislative Bill Analysis for HB 257* (Feb. 4, 2015).
[30] FDOT, *Agency Legislative Bill Analysis for HB 257* (Jan. 14, 2015).