

STORAGE NAME: h1027a.ft

DATE: April 16, 1999

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: HB 1027

RELATING TO: Enterprise Zones/Liberty County

SPONSOR(S): Representative Kilmer

COMPANION BILL(S): CS/SB 1510 (Compare)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE YEAS 6 NAYS 0
- (2) COMMUNITY AFFAIRS YEAS 9 NAYS 0
- (3) FINANCE AND TAXATION YEAS 15 NAYS 0
- (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
- (5)

I. SUMMARY:

The bill allows Liberty County to apply for one enterprise zone.

For other significant changes, please see Amendments or Committee Substitute Changes, Section VI.

The bill will have a negative but insignificant revenue impact on General Revenue fund receipts, on state trust fund receipts, and on local government receipts.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Florida established one of the first enterprise zone programs in the country in 1980 to encourage economic growth and investment in distressed areas by offering tax advantages to businesses willing to invest within specified areas. An "enterprise zone" is a specific geographic area targeted for economic revitalization. Florida has 31 designated enterprise zones.

In 1994, the Florida Legislature passed significant revisions to the enterprise zone program. The original program became overwhelmed with the number of zones allowed. As a result, the existing zones were repealed on December 31, 1994, and parameters were established for the designation of new zones. Administrative responsibilities of the program were transferred from the Department of Community Affairs to the Department of Commerce. The jobs tax credit eligibility criteria were revised to require both the business and the employee to reside within an enterprise zone.

In 1995, 19 enterprise zones were designated in urban and rural communities throughout the state. Local governments were required to establish a community-based Enterprise Zone Development Agency (EZDA).

In 1996, 11 new enterprise zones were authorized by the Florida Legislature, 10 of which submitted acceptable plans and applications. Administrative duties were transferred to the newly created Office of Tourism, Trade and Economic Development (OTTED) upon dissolution of the Department of Commerce. In 1997, OTTED designated the City of Fort Pierce as the 30th enterprise zone. In 1998, the 31st enterprise zone was added when the Florida Legislature further amended the enterprise zone program by authorizing a new zone to be designated within a brownfield pilot project area (Clearwater).

Costs of the program have increased slowly as new areas have been added. The total cost of state and local incentives were \$11.2 million in FY 1996-97, and \$13 million in FY 1997-98.

B. EFFECT OF PROPOSED CHANGES:

The bill allows Liberty County to apply for the designation of one enterprise zone area within Liberty County (**but also see the amendments section for significant changes**).

The bill creates section 290.0069, Florida Statutes.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes. Revenue receipts from the collection of corporate and sales taxes would be reduced.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

The bill would create s. 290.0069, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1 creates s. 290.0069, F.S. to authorize the Office of Tourism, Trade, and Economic Development to designate an enterprise zone in Liberty county and to provide requirements with respect thereto.

Section 2 provides that the act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The bill will have a negative but insignificant fiscal impact on the General Revenue fund and state trust funds.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See III. 2. above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Local governments will have a negative but insignificant fiscal impact.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Businesses located in areas added to an enterprise zone boundary may be eligible for tax incentives available to businesses located in enterprise zones.

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

In FY 1997-98, the total cost of all 31 programs was \$4.5 million in state tax incentives approved by the Department of Revenue, and \$8.5 million in incentives provided by the local governing bodies. Some of the local incentives provided are federal pass-through funds.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 17, 1999, The Committee on Business Development and International Trade adopted three amendments to HB 1027 and passed the bill with a favorable vote. The first amendment allows Escambia County to apply for five enterprise zones within the following areas: the Warrington, Brownsville, Palafox Corridor, Englewood and Belmont DeVilliers community redevelopment areas.

The second amendment provides that a business purchased in February 1992 within an area of Tampa that received a designation as an enterprise zone effective July 1, 1995, and was eligible to receive enterprise zone tax incentives from July 1, 1995, to July 1 1998, may apply for those enterprise zone tax credits retroactively. The business must submit an application for the incentives by December 1, 1999. *This amendment will have a negative revenue impact on General Revenue fund receipts of (\$0.1) million, a negative but insignificant revenue impact on state trust funds, and a negative but insignificant revenue impact on local governments.*

The third amendment removes the restriction dealing with poverty levels for an enterprise zone in Liberty County.

At its meeting on March 30, 1999, the Committee on Community Affairs adopted two amendments offered by Representative Ritchie. They provide the following:

Amendment #1: Amendment to Business Development and International Trade amendment #1 allows Escambia County and the City of Pensacola to apply for the Enterprise Zone.

Amendment #2: Amendment to Business Development and International Trade amendment #1 combines the Warrington, Brownsville, Palafox Corridor and Englewood Community redevelopment areas into one enterprise zone and create one city enterprise zone in the Belmont DeVilliers community redevelopment area. *This amendment, combined with amendment #1 above will have a negative revenue impact on General Revenue fund receipts of (\$0.2) million, a negative but insignificant revenue impact on state trust funds, and a negative but insignificant revenue impact on local governments.*

On April 16, 1999, The Committee on Finance and Taxation adopted one amendment to the bill. It allows Gadsden County to apply to the Office of tourism, Trade, and Economic Development (OTTED) for designation of an enterprise zone within the county. *There is no official estimate on the revenue impact of this amendment; however, its impact is probably negative and insignificant (based on the knowledge of enterprise zones of similar size that have official estimates).*

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VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Victoria A. Minetta

J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Staff Director:

L. Clayton Roberts

Joan Highsmith-Smith

AS FURTHER REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

Carol L. Dickson-Carr

Alan Johansen