

STORAGE NAME: h0145a.edit.doc
DATE: February 27, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 145
RELATING TO: Enterprise Zones
SPONSOR(S): Representative(s) Clarke and others

TIED BILL(S):

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

- (1) ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 11 NAYS 0
 - (2) FISCAL POLICY & RESOURCES
 - (3) COUNCIL FOR COMPETITIVE COMMERCE
 - (4)
 - (5)
-

I. SUMMARY:

The bill allows Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply for the designation of one enterprise zone

The bill takes effect upon becoming a law.

The Revenue Estimating Conference estimates the annualized, negative impact on the state's General Revenue Fund to be \$100,000 in FY 2001-02 and \$100,000 in FY 2002-03.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Established in 1980, the Florida Enterprise Zone program targets areas for economic revitalization and provides incentives to businesses located in designated areas found in urban and rural communities. An enterprise zone is a specific geographic area targeted for economic revitalization. Presently, the state has thirty-four enterprise zones.

By the early nineties, the program had become overwhelmed with the number of zones allowed. To remedy the situation, the Legislature passed the Florida Enterprise Zone Act in 1994. As a result, the existing zones were repealed on December 31, 1994, and guidelines were established for the designation of new zones. The Act transferred administrative duties from the Department of Community Affairs to the Department of Commerce.

In 1995, nineteen enterprise zones were designated throughout the state. Local governments were required to establish a community based Enterprise Zone Development Agency (EZDA). Each EZDA is responsible for overseeing the implementation of its individual plan and reducing local barriers to revitalization efforts. The agencies are required to market their zones to interested parties and assist local business owners with state and local incentives.

With the dissolution of the Department of Commerce in 1996, the Legislature amended the program and transferred the administrative responsibilities to the newly created Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor. In addition, the revision added Work and Gain Economic Self-Sufficiency (WAGES) Program participants (residing in a zone) as eligible employees for a 15 percent jobs tax credit. The Legislature also authorized the designation of eleven additional enterprise zones.

In 1997, the Legislature authorized twelve new zones. The following year, the program was amended to include a new zone and to allow businesses located within an enterprise zone to claim jobs tax credits for hiring WAGES or Job Training Partnership Act (JTPA) program participants regardless of where they live.

As part of the Florida Empowerment Zone Act, the 1999 Legislature provided for any area designated as a federal empowerment zone (Miami-Dade County) or enterprise community (Immokalee/Hendry County) to be designated as a state enterprise zone. The 1999 Legislature also amended the Florida Enterprise Zone Act to allow Liberty County, Columbia County or

Columbia County and Lake City, Suwannee County or Suwannee County and Live Oak, and Gadsden County to apply to OTTED for designation of specified areas as enterprise zones.

The Florida Enterprise Zone Program includes the following financial incentives to businesses to encourage private investment and increase employment opportunities for enterprise zone residents:

- ! Enterprise Zone Jobs Tax Credit (Sales & Use Tax)
- ! Enterprise Zone Jobs Tax Credit (Corporate Income Tax)
- ! Enterprise Zone Property Tax Credit (Corporate Income Tax)
- ! Sales Tax Refund for Building Materials Used in an Enterprise Zone
- ! Sales Tax Refund for Business Machinery and Equipment Used in an Enterprise Zone
- ! Sales Tax Exemption for Electrical Energy Used in an Enterprise Zone
- ! Community Contribution Tax Credit Program
- ! Enterprise Zone Linked Deposit Program

Costs of the program have increased as new areas have been added. The total cost of state and local incentives was \$11.2 million in FY 1996-97 and \$13 million in FY 1997-98. During the fourth full year of the revised Enterprise Zone Program, costs have increased by \$11 million. In FY 1998-99, the program costs were \$24 million in state and local incentives (\$5.2 million in state tax incentives approved by the Department of Revenue and \$18.8 million in incentives provided by the local governing bodies; however, some of the local incentives provided are federal pass-through funds.) This increased activity during the fourth full year of operation was the result of 776 new businesses moving into or being created in Enterprise Zones and 5,305 new jobs being created

C. EFFECT OF PROPOSED CHANGES:

The bill authorizes Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply to OTTED for designation of one enterprise zone in the area.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference estimates the annualized, negative impact on the state's General Revenue Fund to be \$100,000 in FY 2001-02 and \$100,000 in FY 2002-03.

2. Expenditures:

The Office of Tourism, Trade, and Economic Development, the agency responsible for administering the Enterprise Zone Program, advises that the addition of the proposed enterprise zone would not require additional staff or financial resources.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses and residents located in areas affected by the boundary changes may be affected. Businesses located in an area added to an enterprise zone could benefit from the enterprise zone incentives. Residents of areas added to an enterprise zone could benefit from new employment opportunities. The new enterprise zone authorized by the bill may generate positive economic effects resulting from the availability of various tax incentives.

D. FISCAL COMMENTS:

N/A

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 effect on municipality or county revenues in the aggregate depends on the effect the boundary changes and new enterprise zones have on local option sales tax collections. Any reduction of municipality and county revenues is expected to be insignificant. The bill does not mandate the reduction of municipally or county revenues; rather, it allows the municipality or county the option to participate in the Enterprise Zone program.

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

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VII. SIGNATURES:

COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

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