

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** CS/HB 1509 Economic Development  
**SPONSOR(S):** Economic Development Policy Committee, Weatherford and others  
**TIED BILLS:** **IDEN./SIM. BILLS:**

	<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1)	Economic Development Policy Committee	11 Y, 0 N, As CS	Kruse	Kruse
2)	Finance & Tax Council		Wilson	Langston
3)				
4)				
5)				

**SUMMARY ANALYSIS**

This bill enhances various economic development incentives, tax credits, grants, and exemptions.

The bill amends s. 196.1995, F.S, authorizing counties and municipalities to extend economic development ad valorem tax exemptions.

The bill also revises the Capital Investment Tax Credit, found in s. 220.191, F.S., by lowering the job creation and investment requirements for a “qualified project”, and redefining a “qualifying business” to include a qualified target industry as defined in s. 288.106, F.S.

The bill amends various provisions of ch. 288, F.S., by:

- Providing that Rural Regional Development Matching Grants can be used by economic development organizations for technical assistance to businesses in the rural counties and communities;
- Revising the Qualified Target Industry Tax Refund Program; allowing for additional credits for businesses in the High-Impact Business sectors, and providing an additional wage requirement waver for manufacturing projects;
- Redefining “eligible high-impact business” by lowering both job creation and investment threshold requirements;
- Revising the guidelines for High-Impact Sector Performance Grant award amounts;
- Providing a process for legislative consultation and review of Quick Action Closing (QAC) fund projects;
- Providing the Office of Tourism, Trade, and Economic Development (OTTED) the authority to renegotiate contracts with businesses, which have received QAC funds, that wish to revise their agreements due to negative market conditions;
- Providing that QAC funds will be placed in reserve and carried over into the next fiscal year instead of reverting back to General Revenue at the end of fiscal year for which it was appropriated,
- Authorizing, subject to appropriation, the Institute for the Commercialization of Public Research to make seed fund grants to business, who must raise matching funds for such grants.

This bill also amends ch. 2009-96, L.O.F., providing that various permit holders an additional one year extension, as long as the affected permit holders comply with the specified requirements.

The 2010 Revenue Estimating Conference has not reviewed the provisions of the bill.

This bill will become effective upon becoming a law.

## HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

#### **Section 1. Economic Development Ad Valorem Tax Exemption**

##### **Present Situation**

Section 3(c), Art. VII of the State Constitution authorizes any county or municipality, for the purpose of its respective tax levy and subject to the provisions of the subsection and general law, to grant community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law. Such an exemption may be granted only by ordinance of the county or municipality, and only after the electors of the county or municipality voting by referendum authorize the county or municipality to adopt such ordinances. An exemption so granted shall apply to improvements to real property made by or for the use of a new business and improvements to real property related to the expansion of an existing business and shall also apply to tangible personal property of such new business and tangible personal property related to the expansion of an existing business. The amount or limits of the amount of such exemption shall be specified by general law. The period of time for which such exemption may be granted to a new business or expansion of an existing business shall be determined by general law. The authority to grant such exemption shall expire ten years from the date of approval by the electors of the county or municipality, and may be renewable by referendum as provided by general law.

Section 196.1995, F.S., provides that such economic development ad valorem tax exemptions expire 10 years after the date such authority was approved in an election, but provides that such authority may be renewed for another 10-year period in a referendum. Some local governments have requested clarification of whether more than one 10-year renewal can be approved by referendum.

##### **Effect of Proposed Changes**

The bill revises s. 196.1995(7), F.S., clarifying that the authority to renew economic development ad valorem tax extensions may be renewed for subsequent 10-year periods provided that each ten year renewal is approved in a referendum.

## **Section 2. Capital Investment Tax Credit**

### **Present Situation**

The Capital Investment Tax Credit is used to attract and grow capital-intensive industries in Florida. It is an annual credit, provided for up to twenty years, against corporate income or premium tax liabilities generated by or arising out of the qualifying project. Eligible projects are those in designated high-impact portions of the following sectors: clean energy, biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, or be a corporate headquarters facility. The sum of all tax credits provided may not exceed 100 percent of the eligible capital costs of the project. Projects must also create a minimum of 100 jobs and invest at least \$25 million in eligible capital costs. Eligible capital costs include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations. The level of investment and the project's Florida corporate income tax liability for the 20 years following commencement of operations determines the amount of the annual credit.<sup>1</sup>

The annual tax credit may not exceed the following percentages of the annual corporate income tax liability or the premium tax liability generated by or arising out of a qualifying project:

- One hundred percent for a qualifying project which results in a cumulative capital investment of at least \$100 million.
- Seventy-five percent for a qualifying project which results in a cumulative capital investment of at least \$50 million but less than \$100 million.
- Fifty percent for a qualifying project which results in a cumulative capital investment of at least \$25 million but less than \$50 million.

### **Effect of Proposed Changes**

The bill changes the definition of a "qualifying business" to require a business to be designated a qualified target industry business under s. 288.106(1)(q), F.S., instead of a business in one of the High-Impact Business sectors identified by Enterprise Florida, Inc.(EFI). The bill changes the definition of a "qualifying project" by:

- Lowering the job creation requirement from 100 to 50;
- Establishing the wage as the average annual wage of at least 130 percent of the average private sector wage in the area; and
- Requiring a cumulative capital investment of at least \$25 million in the state.

The bill also removes a new or expanded facility, which was a qualified target industry business, which created or retained at least 1,000 jobs, provided that at least 100 of those jobs were new, paid an annual average wage of at least 130 percent of the average private sector wage in the area, and made a cumulative investment of at least \$100 million, as a qualifying project. Further, the bill removes a provision in the qualifying project section that was not utilized. The bill also allows a prorated tax credit to be awarded if the business has met the capital investment and wage requirements but has not met the employment requirements because of market conditions.

The changes made by the bill reflect that most job creation and business investments of today and the future likely are of smaller size, but not necessarily smaller in impact to a community.

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<sup>1</sup> Section 220.191, F.S. See also Enterprise Florida, Inc., <http://eflorida.com/ContentSubpage.aspx?id=472> (visited 3/14/10)

## **Section 3. Regional Rural Development Grants**

### **Present Situation**

A “rural community” is a county with a population of 75,000 or less; a county with a population of 125,000 or less that is contiguous to a county with a population of 75,000 or less; a municipality within a county with a population of 75,000 or less, or a municipality within a county with a population of 125,000 or less that is contiguous to a county with a population of 75,000 or less; or a federal enterprise community or an incorporated rural city with a population of 25,000 or less and an employment base focused on traditional agricultural or resource-based industries, located in a county not defined as rural, which has at least three or more of the economic distress factors identified by statute and verified by the Office of Trade, Tourism, and Economic Development (OTTED).<sup>2</sup>

Based on the most recent population estimates, thirty-two Florida counties are presently categorized as “rural” pursuant to the statutory definition outlined above. Most of these rural counties have been categorized into one of three Rural Areas of Critical Economic Concern (North Central, Northwest, and South Central). The Rural Areas of Critical Economic Concern (RACECs) are defined by OTTED based on measures of economic interdependence among the rural counties in each of the three geographic regions.

Section 288.018, F.S., established the Regional Rural Development Grants Program. OTTED must establish a matching grants program to provide funding to regionally based economic development organizations representing rural counties and communities for the purpose of building the professional capacity of their organizations. OTTED is authorized to approve, on an annual basis, grants to such regionally based economic development organizations. The maximum amount an organization may receive in any year is \$35,000, or \$100,000 in a rural area of critical economic concern recommended by the Rural Economic Development Initiative and designated by the Governor, and must be matched each year by an equivalent amount of nonstate resources.

In approving the participants, OTTED must consider the demonstrated need of the applicant for assistance and require the following:

- Documentation of official commitments of support from each of the units of local government represented by the regional organization.
- Demonstration that each unit of local government has made a financial or in-kind commitment to the regional organization.
- Demonstration that the private sector has made financial or in-kind commitments to the regional organization.
- Demonstration that the organization is in existence and actively involved in economic development activities serving the region.
- Demonstration of the manner in which the organization is or will coordinate its efforts with those of other local and state organizations.

### **Effect of Proposed Changes**

The bill provides that Regional Rural Development Grants may also be used by economic development organizations to provide technical assistance to businesses within the rural counties and communities. This provision will provide additional options for rural communities to attract new business and expand current infrastructure.

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<sup>2</sup> s. 288.0656, F.S.

## **Section 4. Qualified Target Industry Tax Refund Program**

### **Present Situation**

The Qualified Target Industry Tax Refund Program (QTI) was created by the Florida Legislature in 1994 to attract businesses that offer high-wage jobs, particularly headquarters, to relocate in Florida. This incentive includes refunds on corporate income, sales, ad valorem, intangible personal property, insurance premium, and certain other taxes. Businesses that locate or expand in Florida are eligible for tax refunds of \$3,000 per new job created. The tax refund increases to \$6,000 per job for businesses that locate in an enterprise zone or rural county. In addition, a business is eligible for a \$1,000 per job bonus if it pays over 150 percent of the average wage in the area, and a \$2,000 per job bonus if it exceeds 200 percent of the average wage. To qualify, the business must secure the local government's support. A local government is required to provide at least 20 percent of the amount of the state's award.

During the 2009 Legislative Session, changes were made to the QTI program to streamline the application process and provide relief for businesses struggling in a difficult economic climate. Applications must now be reviewed and certified pursuant to the standard timeline outlined in s. 288.061, F.S. Wage requirements for QTI expansion projects are now based solely on new jobs being created, rather than an average of all jobs, current and new.

### **Key definitions**

A "target industry business" is defined as either a corporate headquarters or any business that is engaged in one of the target industries identified by OTTED and EFI as meeting the statutory criteria in s. 288.106(1)(o), F.S. Those criteria are:

- Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data.
- The industry should have stability, not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather, and relatively resistant to recession, so that the demand for its products or services is not necessarily subject to decline during an economic downturn.
- The industry should pay relatively high wages compared to statewide or area salary averages.
- The industry should be both market and resource independent. In other words, the business should not be reliant on Florida consumers to purchase its products or services in order to be profitable, nor should it rely on Florida resources – which is undefined but presumably could mean natural resources such as water, solar energy, organic compounds, or ores.
- The industry should contribute toward diversifying, strengthening, or expanding the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
- The industry should have strong positive impacts on or benefits to the state and regional economies.

Within the definition of "target industry business," the statute provides that "special consideration should be given to Florida's growing access to international markets or to replacing imports," and to the "development of strong industrial clusters that include defense and homeland security businesses."

Specifically excluded as "target" industries are: any business engaged in retail activities; any electrical utility company; any phosphate or other solid-minerals severance, mining, or processing operation; any oil or gas exploration or production operation; or any business subject to regulation by the state Division of Hotels and Restaurants. Implicitly excluded is agriculture.

The "targeted industry list" actually is a list of seven industrial categories, with several business types listed under each. It is published in EFI's annual Incentives Report and is attached to OTTED's annual

legislative budget request. Originally, the list of target industries was approved by the Legislature, but since 1996 the list has been developed by OTTED, in consultation with EFI.

The seven categories are manufacturing facilities; finance and insurance services; wholesale trade; information industries; professional, scientific, and technical services; management services; and administrative and support services. For 2009, there are 36 individual types of businesses under the umbrella of the seven industrial categories, ranging from pharmaceutical manufacturing, to film production, to customer support centers.

Another key definition is “average private sector wage in the area,” which can mean one of the following, the statewide average annual private-sector wage, the average annual private-sector wage in the county, or standard metropolitan area (MSA) where the business is locating or expanding. Part of the negotiation process between EFI and the applicant business will define which one of these three is used as the basis for computing an applicant business’ average annual wage requirement. Depending on the business’ prospective location, there could be a wide variance in the average private-sector salaries paid in these three geographic areas.

Other eligibility criteria:

- Meeting the definition of “targeted industry business” is just the first step for a business interested in applying for a QTI incentive. The business also must:
- Agree to create at least 10 new jobs or, if a Florida business planning to expand its operations, agree to create a net increase in employment of at least 10 percent. OTTED may grant a waiver to the minimum 10-percent increase in new jobs by an existing business within an enterprise zone or a rural county.
- Agree to pay each new employee an annual salary that is at least 115 percent of the average private sector wage in the area. OTTED may waive the wage requirement for businesses that locate in a rural county or city, in an enterprise zone, or in a brownfield area, if requested and justified in writing by the local governmental entity and EFI.
- Receive a commitment of a 20-percent match (cash or in-kind) from the local government where the business proposes to locate or expand. The form of the commitment must be a resolution passed by the county commission. The local match can include the amount of ad valorem tax abatement or the appraised market value of publicly owned land or structures deeded to or leased by the QTI business. If a local government provides less than its 20-percent match, OTTED reduces the state award by the same amount.

No business may receive more than \$1.5 million in QTI refunds in a single fiscal year, or more than \$5 million total over the term of its agreement with OTTED. The exception is for QTI businesses located in an enterprise zone, where the 1-year cap is \$2 million and the overall cap is \$7.5 million. Also, no business may receive more than 25 percent of the total award in a single fiscal year – consequently, QTI contracts between OTTED and a business typically are for a term of 4 years.

Taxes eligible for refund under the QTI program are:

- Corporate income taxes under ch. 220, F.S.;
- Insurance premium tax under s. 624.509, F.S.;
- Taxes on the sales, use, and other transactions under ch. 212, F.S.;
- Intangible personal property taxes under ch. 199, F.S.;
- Emergency excise taxes under ch. 221, F.S.;
- Excise taxes on documents under ch. 201, F.S.;
- Ad valorem taxes paid, as defined in s. 220.03(1), F.S.; and
- Certain state communications services taxes administered under ch. 202, F.S.

In s. 288.095(3) (a), F.S., the amount of annual state funding for the QTI and Qualified Defense Contract and Space Business (commonly referred to as QDSC) tax refunds is capped at \$35 million. Historically, the majority of the funds are paid out as QTI tax refunds because QTI is the more popular of the two incentive programs. In FY 2009-2010, the Legislature appropriated a lump sum of \$21,637,000 collectively for the QTI, QDSC, and the High Impact Business Incentive Programs.

## **Effect of Proposed Changes**

The bill revises that the QTI program will allow businesses categorized as High-Impact Businesses to receive an additional bonus of \$2,000 multiplied by the number of jobs specified in the tax refund agreement with such businesses.

The bill also allows OTTED to waive QTI wage requirements for a manufacturing project located anywhere in the state so long as the jobs proposed pay an estimated annual average wage equaling at least 100 percent of the average private sector wage in the area where the business is to be located.

## **Section 5. High Impact Business**

### **Present Situation**

The High Impact Performance Incentive (HIPI) was created in 1997 and is designed to attract “high impact” sectors of the economy to Florida such as life sciences, financial services, and manufacturing industries such as transportation equipment, aviation and aerospace, automotive, and semiconductors. Section 288.108, F.S., defines “Eligible high-impact business” to mean a business in one of the high-impact sectors identified by EFI, and certified by the OTTED, which is making a cumulative investment in the state of at least \$100 million and creating at least 100 new full-time equivalent jobs in the state or a research and development facility making a cumulative investment of at least \$75 million and creating at least 75 new full-time equivalent jobs. Such investment and employment must be achieved in a period not to exceed 3 years after the date the business is certified as a qualified high-impact business.

### **Effect of Proposed Changes**

Additionally, the bill lowers the job creation and investment requirements for HIPI. The number of jobs required to be created is lowered from 100 new full-time equivalent jobs to 50, and the cumulative investment requirement is lowered from \$100 million to \$50 million. Further, for a research and development facility, the cumulative investment requirement is lowered from \$75 million to \$25 million.

## **Section 6. Quick Action Closing Fund**

### **Present Situation**

Section 288.1088, F.S., provides the requirements that OTTED and EFI must follow in order to approve a Quick Action Closing Fund project for funding:

- The company must be in an industry eligible for the Qualified Target Industry Tax Rebate program as referenced in s. 288.106, F.S. By law, the list of eligible industries is established by OTTED and EFI, and is updated annually.
- The project must have a positive payback ratio of at least 5 to 1. The project’s economic impact must be at least 5 times that of the cost of the incentive. EFI uses an economic model that in effect calculates this number based on location, jobs, capital investment, etc. There is no minimum capital investment or minimum number of jobs, but these amounts would affect this ratio.
- The incentive must be deemed an inducement to the company’s decision to locate, retain jobs, or expand in the state.
- The project must pay an average annual wage of at least 125 percent of the area-wide or statewide private sector average wage. This is the average wage of all jobs being incentivized or guaranteed to be added to or kept in the state by the company.
- The project must be supported by the local community in which the project is to be located. This is usually demonstrated through a resolution of either the county or city commission which may include local financial or in-kind support.

There are no restrictions as to what, if any, other incentive programs can be combined with the Quick Action Closing fund.

EFI reviews applications pursuant to s. 288.061, F.S., and determined eligibility of each project. Upon receipt of an application, EFI evaluates individual proposals for high-impact business facilities and forwards its recommendation regarding the use of moneys in the fund for such facilities to the director of OTTED. Within 22 calendar days after receiving the evaluation and recommendation from EFI, the director must recommend to the Governor approval or disapproval of a project for receipt of funds from the Quick Action Closing Fund. In recommending a project, the director must include proposed performance conditions that the project must meet to obtain incentive funds. The Governor must provide the evaluation of projects recommended for approval to the President of the Senate and the Speaker of the House of Representatives and consult with the President of the Senate and the Speaker of the House of Representatives before giving final approval for a project. The Executive Office of the Governor must recommend approval of a project and the release of funds pursuant to the legislative consultation and review requirements set forth in s. 216.177, F.S. The recommendation must include proposed performance conditions that the project must meet in order to obtain funds. Unused funds at the end of a fiscal year revert back to General Revenue.

After the 2004 and 2005 hurricane seasons, the Florida Legislature approved an Economic-Stimulus Exemption for QTI that allowed for projects contracted for awards the ability to be forgiven for one year if the business was unable to meet the performance requirements in the contract. This was necessary to ensure businesses were not penalized for the impacts of wide spread economic conditions beyond their control, and ensure that the business had an incentive to continue to grow in Florida after the downturn had passed.

OTTED has the ability to approve applications for an Economic Stimulus Exemption for tax refund claims submitted after January 1, 2009, but before July 1, 2011 to ensure that businesses are not penalized for the impacts of wide spread economic conditions beyond their control, and ensure that they have an incentive to continue to grow in Florida after the downturn has passed. A business must still meet job creation requirements in the future before receiving tax refunds. Under current law, OTTED may provide an economic development exemption for participants in the qualified target industry refund program, but only for that program and only through the time allowed in law.

### **Effect of Proposed Changes**

The bill revises the process for approval of Quick Action Closing Fund (QAC) projects by providing a procedure for the President of the Senate and the Speaker of the House of Representatives to notify the Governor that an action or proposed action exceeds delegated authority. Upon notification, the Governor must void the release of funds and to instruct OTTED to seek Legislative Budget Commission (LBC) approval. The bill also removes the requirement that the LBC release funds under certain circumstances. The bill also provides that QAC funds will be placed in reserve and carried over into the next fiscal year instead of reverting back to General Revenue at the end of fiscal year for which it was appropriated.

### **Section 7. Institute for the Commercialization of Public Research**

The purpose of the Institute for the Commercialization of Public Research (Institute) is to assist in the commercialization of products developed by the research and development activities of publicly supported universities and colleges, research institutes, and other publicly supported organizations within the state. The Institute must support existing commercialization efforts at Florida universities. It may not supplant, replace, or direct existing technology transfer operations or other commercialization programs, including incubators and accelerators.

To be eligible for assistance, the company or organization attempting to commercialize its product must be accepted by the institute before receiving the institute's assistance. The Institute shall receive recommendations from any publicly supported organization for any company that is

commercializing the research, technology, or patents from a qualifying publicly supported organization. The Institute reviews the business plans and technology information of each such recommended company, before making its decision whether to accept it.

For each company that is accepted, the Institute shall provide mentoring, develop marketing information, and use its resources to attract capital investment into the company. The Institute's other duties are to:

- Maintain a centralized location to showcase companies and their technologies and products;
- Develop an efficient process to inventory and publicize companies and products that have been accepted by the institute for commercialization;
- Routinely communicate with private investors and venture capital organizations regarding the investment opportunities in its showcased companies;
- Facilitate meetings between prospective investors and eligible organizations in the institute;
- Hire full-time staff who understand relevant technologies needed to market companies to the angel investors and venture capital investment community;
- Operate within an allocated annual budget of \$1 million or less; and
- Develop cooperative relationships with publicly supported organizations all of which work together to provide resources or special knowledge that is likely to be helpful to institute companies.

The Institute is prohibited from developing or accruing any ownership, royalty, or other such rights over, or interest in, companies or products in the Institute and shall maintain the secrecy of proprietary information. It also may not charge for services rendered to state universities and affiliated organizations, community colleges, or state agencies.

The Institute's board must submit a report each December 1 to the Governor, the President of the Senate, the Speaker of the House of Representatives, EFI, and the president of the university under whose aegis the Institute is placed.

### **Effect of Proposed Changes**

Subject to appropriation, the bill provides authority to the Institute to contract with a business to provide the business with seed capital if the business' technologies, products or services are developed with publicly funded research. The amount of such contract may not exceed \$250,000 and must be supported by at least an equal monetary matching contribution from private sources. The Institute must include these results in its annual report to the Governor, the President of the Senate, and the Speaker of the House.

### **Section 8. Permit Extensions.**

#### **Present Situation**

Section 14. of ch. 2009-96, L.O.F., provided extensions of permits for two years under certain conditions. Section 14 provided that:

“(1) Except as provided in subsection (4), and in recognition of 2009 real estate market conditions, any permit issued by the Department of Environmental Protection or a water management district pursuant to part IV of chapter 373, Florida Statutes, that has an expiration date of September 1, 2008, through January 1, 2012, is extended and renewed for a period of 2 years following its date of expiration. This extension includes any local government-issued development order or building permit. The 2-year extension also applies to build out dates including any build out date extension previously granted under s. 380.06(19)(c), Florida Statutes. This section shall not be construed to prohibit conversion from the construction phase to the operation phase upon completion of construction.

(2) The commencement and completion dates for any required mitigation associated with a phased construction project shall be extended such that mitigation takes place in the same timeframe relative to the phase as originally permitted.

(3) The holder of a valid permit or other authorization that is eligible for the 2-year extension shall notify the authorizing agency in writing no later than December 31, 2009, identifying the specific authorization for which the holder intends to use the extension and the anticipated timeframe for acting on the authorization.

(4) The extension provided for in subsection (1) does not apply to:

(a) A permit or other authorization under any programmatic or regional general permit issued by the Army Corps of Engineers.

(b) A permit or other authorization held by an owner or operator determined to be in significant noncompliance with the conditions of the permit or authorization as established through the issuance of a warning letter or notice of violation, the initiation of formal enforcement, or other equivalent action by the authorizing agency.

(c) A permit or other authorization, if granted an extension, that would delay or prevent compliance with a court order.

(5) Permits extended under this section shall continue to be governed by rules in effect at the time the permit was issued, except when it can be demonstrated that the rules in effect at the time the permit was issued would create an immediate threat to public safety or health. This provision shall apply to any modification of the plans, terms, and conditions of the permit that lessens the environmental impact, except that any such modification shall not extend the time limit beyond 2 additional years.

(6) Nothing in this section shall impair the authority of a county or municipality to require the owner of a property, that has notified the county or municipality of the owner's intention to receive the extension of time granted by this section, to maintain and secure the property in a safe and sanitary condition in compliance with applicable laws and ordinances."<sup>3</sup>

### **Effect of Proposed Changes**

The bill provides that permit extensions granted in Section 14 of ch. 2009-96, L.O.F., are extended an additional one year, as long as the affected permit holders comply with the specified requirements.

### **Section 9. Effective Date**

Provides this act shall take effect upon becoming a law.

#### **B. SECTION DIRECTORY:**

**Section 1:** Amends s. 196.1995, F.S., clarifying the requirements for extending economic development ad valorem tax exemptions.

**Section 2:** Amends s. 220.191, F.S., revising the Capital Investment Tax Credit.

**Section 3:** Amends s. 288.018, F.S., revising the Regional Rural Development Matching Grants Program.

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<sup>3</sup> Ch. 2009-96, L.O.F.

- Section 4:** Amends s. 288.106, F.S., revising the Tax Refund Program for Qualified Target Industry Businesses.
- Section 5:** Amends s. 288.108, F.S., revising the High-Impact Business or HIPI incentive.
- Section 6:** Amends s. 288.1088, F.S., revising the Quick Action Closing Fund.
- Section 7:** Amends s. 288.9625, F.S., relating to the Institute for Commercialization of Public Research.
- Section 8:** Extends for one year permit extensions authorized under ch. 2009-96, L.O.F.
- Section 9:** Provides this act shall take effect upon becoming a law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The changes made by the bill reflect that most job creation and business investments of today and the future likely are of smaller size, but not necessarily smaller in impact to a community. Additionally, these changes may incent bio-tech businesses, manufacturing facilities, and other research and development intensive businesses to locate or expand in the state since they may be able to take advantage of the incentives based on the lower job creation and investment requirements. These changes may also further the state's policy to induce the growth of the state's bio-industry clusters and further the diversification of the state's economy. Further, the bill's changes may provide additional options to rural communities to attract or help expand businesses in their area.

### D. FISCAL COMMENTS:

The 2010 Revenue Estimating Conference has not reviewed the provisions of this bill.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal government.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### **IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES**

On March 17, 2010, the Economic Development Policy Committee adopted a Proposed Committee Substitute to HB 1509. The Proposed Committee Substitute:

- Amends the LBC approval process for the Quick Action Closing program to provide a legislative notification procedure that the governor has exceeded his delegated authority. Allows QAC funds to be carried over two fiscal years.
- Revises the incentives in the Qualified Target Industry Business Refund Program by increasing the tax refund program for High-Impact Businesses and by providing a waiver option on wage requirements for a manufacturing project.
- Expands eligibility for the Capital Investment Tax Credit and the High-Impact Business Program by increasing targeted business sectors and lowering the job creation and investment requirements.
- Allows the Rural Regional Development Matching Grants program to be used for technical assistance for businesses in rural communities.
- Authorizes the Institute for Commercialization of Public Research to make seed fund grants to businesses, who must raise matching funds to such grants.
- Clarifies how an economic development ad valorem tax exemption may be extended by referendum.

In addition, the bill removed the following provisions from HB 1509:

- Requiring counties to report annually how funds are spent and outcome results.
- Creating a "jobs for the unemployed" tax credit.
- Increasing the annual appropriations cap for QTI and QDSC.
- Allowing the capital investment tax credit amount to diminish over a 10-year period.
- Creating the Jobs for Florida Revolving Loan Program.
- Revising administrative provisions of the film and entertainment incentive.
- Requiring Department of Revenue to adopt rules that would authorize local governments to petition the Cabinet for delegation.
- Requiring OPPAGA to evaluate the Enterprise Zone program.
- Extending certain water-related permits.
- Delaying the expiration of the Florida Homebuyer Opportunity Program.

The bill was reported favorably as a committee substitute.