

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 121 Department of Economic Opportunity

SPONSOR(S): Local and Federal Affairs Committee, Economic Development and Tourism Subcommittee, Combee

TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|---|-----------|---------|--|
| 1) Economic Development & Tourism Subcommittee | 11 Y, 1 N | Collins | West |
| 2) Local & Federal Affairs Committee | 17 Y, 0 N | Baker | Rojas |
| 3) Transportation & Economic Development Appropriations Subcommittee | | | |
| 4) Economic Affairs Committee | | | |

SUMMARY ANALYSIS

The bill directs the Department of Economic Opportunity (DEO) to create a webpage through its existing website, the sole purpose of which is, to collect and present information pertinent to creating or expanding businesses in the state. The webpage will provide a comprehensive view of the business climate of Florida's cities and counties, and will set forth specific business-related costs and charges imposed by local governments.

The bill directs DEO to collect specified information available to it by January 1, 2014. DEO may request from relevant local governments any information that is not readily available to DEO. Local governments are not required to respond.

The bill creates an advisory council for recommending to DEO the certification of "Communities of Economic Profitability." Local governments that satisfy certain criteria may receive certification. Among other criteria, local governments must comply with DEO's business-related information requests in order to receive certification.

The fiscal impact of the bill is estimated to have a negative insignificant impact on state trust funds (no more than \$10,000).

The bill has an effective date of July 1, 2013.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Enterprise Florida

Enterprise Florida's webpage does not readily offer information on local tax rates or degree of local regulation. Enterprise Florida offers a "Tax Advantages" webpage that expresses the nature of statewide taxes, but without regard to locality.¹ Enterprise Florida's webpage presents community qualities throughout the state, such as industry types by geographic location, geographic concentration of educated labor, population, total business establishments in a locality, concentration of small businesses and venture capital, and locations of colleges, hospitals, enterprise zones, and Rural Areas of Critical Economic Concern (RACEC).²

Department of Economic Opportunity

Currently, the Department of Economic Opportunity (DEO) does not collect and disseminate information related to specific business-related costs and charges imposed by cities and counties within the State. The DEO webpage offers a link to the Florida Research and Economic Information Database Application (FREIDA)³. FREIDA does not specifically list tax rates imposed by individual local governments. Instead, FREIDA includes labor market data, and sales and use tax revenue collected according to county or metropolitan area.

Department of Revenue

The Florida Department of Revenue (DOR) webpage lists ad valorem millage rates and percentage change thereof for 2011-2012 local governments.⁴ The DOR webpage lists the fuel tax rates levied in 2012 and 2013 according to county⁵, and presents the rates imposed for communications services tax and sales tax by searching for a particular address, but not the rates applicable to an entire locality.⁶

Office of Economic and Demographic Research

The Florida Legislature's Office of Economic and Demographic Research (EDR) publishes the *Local Government Financial Information Handbook*⁷ (Handbook) as a reference for most of the revenue sources available to local governments. This Handbook is published annually with the assistance of the Office of Tax Research within DOR. In addition to describing local revenue sources, the Handbook

¹ Tax Advantages, Enterprise Florida, Department of Economic Opportunity, *available at* http://www.efflorida.com/Why_Florida.aspx?id=470 (last visited Feb. 13, 2013).

² Enterprise Florida, Florida Prospector, Explore the Interactive Map, *available at* <http://www.floridaprosector.com/interactivemap.aspx> (last visited Feb. 13, 2013).

³ *Available at* <http://freida.labormarketinfo.com> (last visited Feb. 13, 2013).

⁴ Comparison of Taxes Levied – County and Municipal Governments, Florida Department of Revenue, *available at* <http://dor.myflorida.com/dor/property/taxpayers/cmdata/table1.html> (last visited Feb. 13, 2013).

⁵ Florida Tax and Interest Rates, Florida Department of Revenue, *available at* http://dor.myflorida.com/dor/taxes/tax_interest_rates.html#sales (under "Fuel Tax Rates," click "2013" or "2012") (last visited Feb. 13, 2013).

⁶ Address/Tax Rate Lookup Page, Florida Department of Revenue, *available at* <http://dor.myflorida.com/dor/eservices/addlookup.html> (last visited Feb. 13, 2013).

⁷ Florida Legislature's Office of Economic and Demographic Research, *available at* <http://edr.state.fl.us/Content/local-government/reports/lgfih12.pdf> (last visited Jan. 29, 2013)

includes estimated distributions to counties and municipalities of state-shared revenues and local option taxes for the most recent fiscal year. This Handbook is available to the public through EDR's webpage.⁸

The Handbook does not list ad valorem millage rates for specific political subdivisions. Among other things, the Handbook includes:

- 1) Fuel tax collections and distributions.
- 2) Amounts of county revenue sharing.
- 3) Local government half-cent sales tax distributions.
- 4) Municipal revenue sharing amounts.
- 5) A forecast of communication services tax revenues and rates by city.
- 6) Local discretionary sales surtax rates by county and school district.
- 7) The Ninth-Cent fuel tax rates by county.
- 8) Local Option Fuel Taxes, including a history of tourist tax levies by county, and taxable sales by transient rental facilities.
- 9) 2011 county population estimates.
- 10) 2012 federal, state and county tax rates on fuel by county.⁹

Effect of Proposed Changes

New web page

DEO is directed to collect all the information gathered from Florida's cities and counties and publish that on DEO's existing website on a newly-created webpage dedicated solely to providing information that is relevant to creating or expanding businesses within the state. The site will provide an inclusive view of the conditions in Florida's cities and counties that are relevant and significant to business creation and expansion in the state including specific business-related charges and costs.

The bill requires DEO to collect all specified business-related information available to it by January 2014. DEO must request any otherwise unavailable business-related information from local governments. Local governments are not required to respond. However, in order for a local government to obtain certification as a Community of Economic Profitability, a local government must respond. The bill requires DEO to place all the collected information on a webpage in a timely manner.

The information DEO is required to collect includes, but is not limited to, the following:

- 1) Whether a part or all of a local government is located in a RACEC, foreign trade zone, or an enterprise zone.
- 2) Current millage rates for all relevant taxing authorities, school districts and special districts.
- 3) The rate of any local discretionary sales surtax.
- 4) A complete schedule of local business taxes and the average time to process an application.
- 5) A complete schedule and explanation of other fees or taxes that the local government may impose that would impact business, including construction licensing fees; impact fees; water and sewer connection fees; stormwater fees and permits; sign ordinance requirements, permits and fees; tree and landscape ordinances, permits and fees; local licensed necessary to perform a trade, including the competency testing requirements; and local fees charged to permit building or demolition.
- 6) The rate of any local option food and beverage tax.
- 7) The rate of any local option fuel taxes.
- 8) The rate of any local public service tax.

⁸ See *id.*

⁹ *Id.*

- 9) Whether an application and fee information for a particular fee or tax can be found on the local government's web site.

Each city and county is responsible for submitting the requested information to DEO by January 1, 2014. If any of that information changes, each local government is responsible for notifying DEO in a timely manner. In addition, each city and county has the option of submitting a summary of no more than 1,500 words describing the advantages of doing business in their community, including quality of life considerations and a link to the city's or county's web site. Each voluntarily submitted summary is to be included on this site.

Community of Economic Profitability certification

The bill creates the Community of Economic Profitability Advisory Council for the purpose of certifying local governments that exhibit commitment to economic development. The council is administratively located in the DEO, and composed of seven members.

The council reviews certification applications from local governments. The council then recommends applicants to the executive director of DEO who have demonstrated exemplary commitment to economic development, job creation, business retention and expansion, and pro-business governing policies.

Rulemaking authority

The bill requires DEO to develop and adopt rules for receiving and processing applications when certifying a Community of Economic Profitability.

Criteria

An applicant must exhibit exemplary commitment to economic development, and satisfy the following:

- 1) The applicant is a unit of local government as defined in s. 218.369, F.S.
- 2) The application serves a public purpose.
- 3) The council has voted unanimously to recommend an applicant to be certified.
- 4) The application is received before the biannual council meeting.
- 5) The applicant has complied with all requests by DEO for business-related information made in connection to the web page.

Usage and expiration of certification, procedures for unsatisfactory applicants, and procedures for appointing council members

The Department of Transportation must establish markers for a certified applicant if that applicant pays the purchase price which is not to exceed \$500.

The bill provides procedures for appointing council members, and those members' terms.

If an applicant fails to satisfy the criteria for certification, then DEO must provide that applicant a summary of the reasons for denial and measures that would improve that local government's economic development criteria noted above.

Certification expires four years after issuance, and previously certified applicants may reapply.

B. SECTION DIRECTORY:

Section 1: Creates an unnumbered provision that directs DEO to create a webpage that is accessible through DEO's Internet web page, dedicated solely to the collection and publication of data and information that is relevant and significant to the creation of new businesses within the state or the expansion of existing businesses within the state; provides requirements for DEO and optional compliance for local governments; and provides examples of required business-related information to collect.

Section 2: Creates s. 288.112, F.S., which establishes the Community of Economic Profitability Advisory Council and certification program; sets forth criteria for certification

Section 3: Provides an effective date of July 1, 2013.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The fiscal impact of the bill is estimated to have a negative insignificant impact on state trust funds (no more than \$10,000). There has been no Revenue Estimating Conference or formal agency analysis by a state government since the adoption of the amendment on March 14, 2013.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

There may be a minor cost to local governments, the impact of which may depend on the relative size of that government. *See State Government Expenditures section above.*

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds so as to violate the State Constitution. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill requires DEO to develop and adopt rules for receiving and processing applications when certifying a Community of Economic Profitability.

C. DRAFTING ISSUES OR OTHER COMMENTS:

There is currently no provision in the bill identifying which entity must upload the collected information onto DEO's web page, whether DEO or the compliant local government.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 6, 2013, the House Economic Development and Tourism Subcommittee adopted one amendment. The amendment was adopted to clarify that the utility surcharges referred to in the bill should instead refer to the rate of any local public service tax.

On March 14, 2013, the House Local and Federal Affairs Committee adopted one amendment. The amendment permits, rather than requires, local governments to comply with DEO requests for business-related information. The amendment also narrows the information that DEO may request of local governments to only that which is not otherwise available to DEO. In order for a local government to receive certification as a Community of Economic Profitability, that local government must comply with DEO's requests for business-related information.

The amendment adopted on March 14, 2013 also directs DEO to collect additional types of business information, such as local licenses required to perform a certain trade, construction permit fees, and whether the fee information can be found on the local government's web site. The amendment further requires DEO to determine whether a local government is located in certain economic zones.

The amendment creates within DEO an advisory council for certification of a "Community of Economic Profitability," which may be granted to a qualified local government. The advisory council is administratively contained in the DEO. The amendment grants DEO rulemaking authority as to the certification process. The amendment provides the criteria for certification..

The amendment provides the means by which a local government may advertise its certification, sets the maximum price for markers, and directs the Department of Transportation accordingly.

This analysis has been updated to reflect the amendment adopted in the Local and Federal Affairs Committee.