

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1510

SPONSOR: Commerce and Economic Opportunities Committee and Senator Thomas

SUBJECT: Enterprise Zones

DATE: March 18, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute allows Liberty, Suwannee, and Columbia counties to apply to the Office of Tourism, Trade, and Economic Development for designation of one enterprise zone within each county. This committee substitute also allows a business that is located in a Tampa enterprise zone and that meets specified conditions to apply for enterprise zone tax incentives dating back to July 1, 1995, if it applies by December 1, 1999.

This committee substitute creates section 290.0069, Florida Statutes.

II. 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 make such an investment. An "Enterprise Zone" is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 31 enterprise zones in Florida.

Background Information¹

In 1994, the Florida Legislature passed the Florida Enterprise Zone Act of 1994, which significantly revised the first Enterprise Zone Program established in 1980. 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 As a result, the existing zones were repealed on December 31, 1994, and parameters were established for designation of new zones.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 employee to reside within an enterprise zone.

¹ Information from the March 1, 1999, Florida Enterprise Zone Program Annual Report by the Office of Tourism, Trade, and Economic Development.

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 of which 10 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.

On June 6, 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). Also in 1998, the Legislature provided that new employees who are WAGES Program participants or Job Training Partnership Act classroom training participants may provide a basis for employers to claim the enterprise zone job tax credits under ss. 212.096 and 220.181, F.S., regardless of whether such employees reside in the zone.

Costs of the program have increased slowly 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.

III. Effect of Proposed Changes:

This committee substitute creates s. 290.0069, F.S., to allow Liberty, Suwannee, and Columbia counties to apply to the Office of Tourism, Trade, and Economic Development (OTTED) for designation of one enterprise zone within each county.

This committee substitute requires Liberty, Suwannee, and Columbia counties to submit applications by December 31, 1999, and it allows OTTED to determine the initial effective date of each enterprise zone designation.

The committee substitute also provides that a business that is located in a Tampa enterprise zone and that meets specified criteria may apply for enterprise zone tax incentives dating back to July 1, 1995, notwithstanding that the statutory time periods for applying for such incentives may have expired. Under the measure, the business must apply for the tax incentives by December 1, 1999.

This committee substitute provides that the act shall take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

In FY 1997-98, the total cost of all 31 enterprise zones 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; however, some of the local incentives provided are federal pass-through funds. This committee substitute has not been reviewed by the Revenue Estimating Conference.

B. Private Sector Impact:

The committee substitute may generate positive indeterminate effects resulting from the availability of various tax incentives to businesses in the enterprise zones.

C. Government Sector Impact:

The committee substitute may result in increased costs for OTTED to review and approve each county's application.

VI. Technical Deficiencies:

None.

VII. Related Issues:

This committee substitute requires Liberty, Suwannee, and Columbia, in applying for enterprise zone designation, to comply with the provisions of s. 290.0055, F.S., which require a successful application to meet certain criteria. Under subsection (4) of that section, one of the criteria is that the "selected area suffers from pervasive poverty, unemployment, and general distress, as described and measured pursuant to s. 290.0058." Section. 290.0058(2), F.S., declares that pervasive poverty "shall be evidenced by a showing that poverty is widespread throughout the nominated area. The poverty rate of the nominated area shall be established using the following criteria: (a) In each census geographic block group within a nominated area, the poverty rate shall be not less than 20 percent. (b) In at least 50 percent of the census geographic block groups within the nominated area, the poverty rate shall not be less than 30 percent." Some rural communities may experience difficulty satisfying this criteria because the sparsity of population can result in a few households within a given area lowering the overall poverty rate for the area. In addition, block groups with no population are treated under the statute as having a poverty rate that satisfies paragraph (a) but as having a zero poverty rate for purposes of paragraph (b).

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
