

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 214

SPONSOR: Commerce and Economic Opportunities Committee and Senator Silver

SUBJECT: Florida Empowerment Zone Act

DATE: March 5, 1999 REVISED: _____

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

I. Summary:

On January 13, 1999, it was announced that Miami-Dade County was awarded a "Federal Empowerment Zone" designation by the U.S. Department of Housing and Urban Development. The federal award provides a total of \$130 million in bonding authority and \$100 million in federal grants over a 10-year period. On the same day Miami-Dade County received its award, the Florida community of Immokalee received a federal "Rural Enterprise Community" award of \$250,000 a year for 10 years.

This committee substitute creates statutory authority for a Florida Empowerment Zone Program and appropriates state funds that were pledged as part of the application process under the companion Federal Empowerment Zone Program.

This committee substitute proposes \$5 million in state general revenue each year for 10 years for any Florida community that receives a federal empowerment zone designation. The committee substitute also proposes \$250,000 in state general revenue each year for 10 years for any Florida community that receives a federal rural enterprise community designation. This committee substitute allows the Department of Community Affairs to retain 2 percent of the \$5.25 million of the annual appropriation for state administrative costs associated with the program.

The committee substitute creates s. 290.0491, Florida Statutes.

II. Present Situation:

Federal Empowerment Zone Program

The Empowerment Zone/Enterprise Community (EZ/EC) program is a federal initiative designed to spur job creation and economic growth in the nation's most distressed urban and rural communities. Empowerment zones and enterprise communities receive tax incentives for

businesses to encourage private investment and receive federal grant funding to assist the communities in implementing strategic plans.

In December 1994, the federal government named nine “empowerment zones” (six urban and three rural) and nearly 100 “enterprise communities.” The selection entitled each of the six urban empowerment zones to approximately \$100 million over 10 years. Although no Florida communities were selected as empowerment zones, three Florida communities were named enterprise communities: Jackson County (Marianna), Miami-Dade County, and Tampa. Each enterprise community was entitled to receive approximately \$3 million in federal aid over 10 years.

Empowerment Zones -- Round II

In April 1998, the Clinton Administration announced a competition to designate 20 additional empowerment zones (15 urban and five rural). The Administration requested \$1.7 billion for Round II funding.

On January 13, 1999, it was announced that Miami-Dade County was awarded a federal empowerment zone by the U.S. Department of Housing and Urban Development, and will share, with 19 other community winners, \$55 million in federal grants already approved this year -- \$3 million for each urban zone and \$2 million for each rural zone. Congress has approved \$2.2 billion in tax-exempt bonding authority for the group of 20 zones announced in January, along with other tax incentives over the next 10 years.

The Administration is seeking Congressional approval for \$1.5 billion in federal grants for the group of 15 urban zones spread over 10 years, and \$100 million in such grants for the group of five rural zones for the same period. This would total \$130 million in bonding authority and \$100 million in grants for each urban zone, and \$60 million in bonding authority and \$20 million in grants for each rural zone over 10 years. On the same day Miami-Dade County received its award, the Florida community of Immokalee received a federal “Rural Enterprise Community” award of \$250,000 a year for 10 years.

In a letter written to demonstrate state support during the Round II application process, former Governor Lawton Chiles pledged to pursue legislative funding at a total of \$5 million for any Florida community with a successful application. The state pledges are not a required match and will not affect federal funding for the program.

III. Effect of Proposed Changes:

This committee substitute creates the “Florida Empowerment Zone Act,” an economic development program that provides funding to local governments that may be designated as federal empowerment zones. The committee substitute defines terms and provides legislative intent.

This committee substitute proposes \$5 million annually in state general revenue to be allocated each year for 10 years to Miami-Dade County to be used in the three areas designated as one federal empowerment zone under 26 U.S.C. s. 1391(g), with funds to be used only for the benefit

of the areas so designated. The three areas that are part of Miami-Dade County's award include East/West Corridor, Homestead/Florida City, and Liberty City. Along with the three primary areas, the federal empowerment zone application and designation include three "Developable Sites": Northside/Poinciana, Opa Locka, and Homestead/Florida City (adjacent to a primary area).

This committee substitute also proposes \$250,000 in state general revenue annually over 10 years for Immokalee as a supplement to the federal grant associated with its designation as an Enterprise Community.

The program will be administered by the Department of Community Affairs (DCA) and will be 10 years in duration. The committee substitute allows the Department of Community Affairs to retain up to 2 percent of the annual state appropriation for administrative costs to DCA associated with the program. The committee substitute grants DCA the authority to adopt and enforce rules consistent with the Florida Empowerment Zone Act in order to carry out the purposes of the program. The committee substitute provides for DCA to evaluate program performance.

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:

None.

B. Private Sector Impact:

The committee substitute recommends \$50 million in state funds over 10 years to supplement \$100 million in federal grants for Miami-Dade County. Together the funds could be spent on the following: capital access, employment training and placement, developable sites, and international trade and commerce. A one-stop employment system and a workforce training center will match and train residents. The committee substitute also recommends \$2.5 million in state funds over 10 years to supplement \$2.5 million in federal grants for Immokalee. This large federal and state expenditure will benefit companies that enter these designated areas.

C. Government Sector Impact:

Some services and economic development costs usually paid for by the State of Florida or Miami-Dade County might be provided by the new incoming infusion of state and federal funds. The Department of Community Affairs estimates that it will incur about \$107,000 in administrative costs each year.

VI. Technical Deficiencies:

None

VII. Related Issues:

It should be noted that there is not a federal requirement for state matching funds under the empowerment zone program. No federal funds would be lost by not appropriating state money to Miami-Dade County or to Immokalee. In 1994, prior to the federal government's first declaration of empowerment zones and enterprise communities, the Legislature appropriated, from the Working Capital Fund, a one-time payment of \$5 million for any empowerment zone and \$500,000 for each of up to six enterprise communities designated in Florida (see s. 81, chapter 94-136, Laws of Florida). In 1998, Governor Chiles pledged \$5 million in his letter of support for Florida's application under the "Round II" competition. The Governor also pledged to work with the Legislature in securing the \$5 million in state funding.

VIII. Amendments:

None

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