SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/CS/SB 460

SPONSOR: Finance and Taxation Committee and Commerce and Economic Opportunities Committee, Senator Clary and others

SUBJECT: Rural Economic Development

DATE: April 18, 2001 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Joseph	Maclure	CM	Favorable/CS
2.	Fournier	Johansen	FT	Favorable/CS
3.			AGG	
4.			AP	
5.				
6.				

I. Summary:

This committee substitute has been developed, in part, out of recommendations from the Senate's interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program*, November 2000. The law currently mandates that prior to the 2001 regular session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). The overall finding of that report is that the Enterprise Zone Program has largely failed to achieve the primary goal of encouraging economic growth and investment in distressed areas by offering tax advantages to businesses.

This committee substitute creates a sales tax version of the community contribution tax credit program, under which a taxpayer may receive a credit of 50 percent of a community contribution against taxes remitted under ch. 212, F.S. This committee substitute provides a community contribution sales tax credit as an alternative to the present corporate income tax or insurance premium tax credit available under ss. 220.183 and 624.5105 F.S. The taxpayer may take the credit against only one of the taxes specified.

This committee substitute proposes a significant change to the enterprise zone program that will affect rural and urban zones by making the job tax credits dependent upon the creation of new full-time jobs rather than being based upon the hiring of new individuals into existing jobs. The committee substitute tailors certain provisions to the circumstances of rural disadvantaged areas, defines rural zones, and expands the size of rural zones to reflect rural land usage patterns and population densities. In addition, the committee substitute revises some existing rural economic development programs, such as an existing loan program, a staffing grant program, and a rural

job tax credit program in order to duplicate the package-of-incentives approach that appears to be successful in urban areas. The committee substitute also directs state agencies to review other existing programs to see if they can be made more accessible to rural communities.

This committee substitute allows Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply to the Office of Tourism, Trade, and Economic Development for designation of one enterprise zone. The committee substitute also revises the existing statute relating to satellite enterprise zones, deleting the specified date by which an eligible municipality must create a satellite enterprise zone. The committee substitute provides that a satellite enterprise zone may be created retroactively to December 31, 1999. In addition the committee substitute allows for businesses in a newly created satellite zone to receive retroactively a refund of certain sales taxes paid back to that date.

This committee substitute authorizes the Department of Community Affairs to establish advisory committees and repeals an advisory council related to the Florida Small Cities Community Development Block Grant Loan Guarantee Program.

This committee substitute contains various provisions related to affordable housing issues. It provides that local governments may enact ordinances to increase affordable housing using land use mechanisms, and it amends the Florida Affordable Guarantee Program to expand the types of projects that qualify for the program.

The committee substitute provides that local option gas tax revenue may be used to pave existing graded roads when compatible with the local comprehensive plan.

This committee substitute amends the following sections of the Florida Statutes: 212.08, 212.096, 212.098, 220.03, 220.181, 220.183, 288.018, 288.065, 288.0656, 288.1088, 288.9015, 290.004, 290.00555, 290.0065, 290.007, 290.048, 380.06, 420.503, 420.507, 420.5088, 420.5092, 624.5105, 125.0103, 166.043, and 336.025. This committee substitute repeals ss. 290.049 and 370.28(4), F.S.

This committee substitute creates the following sections of the Florida Statutes: 288.019, 290.00676, 290.00677, and 290.00694.

II. Present Situation:

Enterprise Zone Program

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 34 enterprise zones.[1]

[1] Office of Tourism, Trade, and Economic Development (OTTED), Executive Office of the Governor, *Florida Enterprise Zone Program: Annual Report*, March 1, 2000.

In 1994, the Legislature passed significant revisions to the Enterprise Zone Program. 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 the employee to reside within an enterprise zone. (*See* ch. 94-136, L.O.F.)

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 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 the dissolution of the Department of Commerce. In 1997, OTTED designated the City of Fort Pierce as the 30th enterprise zone.

In 1998, the 31st enterprise zone was added when the 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 Work and Gain Economic Self-sufficiency (WAGES) program participants or Job Training Partnership Act classroom training participants may provide a basis for employers to claim the enterprise zone job tax credit under ss. 212.096 and 220.181, F.S., regardless of whether such employees reside in the zone.

In 1999, an enterprise zone was approved for Lake Apopka (32nd). In addition, Suwannee, Columbia, and Gadsden counties submitted applications for enterprise zone designation pending approval from OTTED. The city of Bradenton and Miami-Dade County were provided an opportunity to create satellite enterprise zones.

In 2000, there were no legislative changes made to the Florida Enterprise Zone Program. OTTED approved enterprise zones in Liberty County (33rd) and Hendry County (34th), and satellite zone boundary amendments were approved in Bradenton and Miami-Dade County.

Enterprise Zone Designation Process and Criteria

Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone and provides size limitations depending on the community population category. This section also requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured under s. 290.0058, F.S.

Section 290.0058(2), F.S., specifies that pervasive poverty must be evidenced by 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 not be less than 20 percent; and (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.

Section 290.0065, F.S., outlines the process for designating an enterprise zone. It authorizes OTTED to designate no more than a total of 20 zones to be placed in five population categories. Each application is to be ranked competitively within the appropriate category based on the pervasive poverty, unemployment, and general distress of the area. Areas are to develop a strategic plan and be evaluated on the following key principles: 1) economic opportunity, including job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility; 2) sustainable community development that advances the creation of livable and vibrant communities through comprehensive approaches that coordinate economic, physical, community, and human development; 3) community-based partnerships involving the participation of all segments of the community; 4) strategic vision for change that identifies how the community will be revitalized; and 5) local incentives should induce economic revitalization, including job creation and small business expansion.

Section 290.0066, F.S., provides the director of OTTED with the ability to revoke the designation of an enterprise zone if the governing bodies: 1) have failed to make progress in achieving the benchmarks set forth in the strategic plan; or 2) have not complied substantially with the strategic plan. Failure to enact and maintain the local fiscal and regulatory incentives committed to by the governing bodies for two consecutive calendar years is to result in the automatic termination of enterprise zone designation.

Satellite Enterprise Zones

Section 290.00555, F.S., provides that before December 31, 1999, an eligible municipality may create a satellite enterprise zone not exceeding 1.5 square miles. To be eligible to create a satellite zone, the municipality must have an area that has previously received designation as an enterprise zone in the zone category for communities with a population of 20,000 but less than 50,000 persons. The satellite zone may be outside of and in addition to the previously designated zone boundaries. The Office of Tourism, Trade, and Economic Development is required to amend the boundaries of the previously designated enterprise zone, upon receiving a resolution adopted by the municipality describing the satellite zone area.

Program Incentives and Costs

Costs of the Enterprise Zone Program have increased as new areas have been added. The total cost of state and local incentives was $11.2 million in fiscal year (FY) 1996-97 and $13 million in FY 1997-98. Costs increased by $11 million in FY 1998-99, totaling $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). In FY 1999-00 the total program cost dropped back down to $15 million despite an increase of $300,000 in state program spending. The drop was due to local government incentives declining $8.7 million.

The financial incentives available to businesses located within a designated zone and the fiscal year 1999-00 incentive costs are as follows:[2]

- Enterprise Zone Jobs Tax Credit (Corporate Income Tax and Sales Tax): Businesses located in a zone are allowed a credit against their corporate income and sales taxes for 10 percent of the wages paid to new employees who have been employed for at least three months and are residents of an enterprise zone. A 15-percent enhanced credit is provided to employers if 20 percent of their employees are zone residents (s. 212.096 and s. 220.181, F.S.); $2,058,538.
- Enterprise Zone Property Tax Credit (Corporate Income Tax): New or expanded businesses located in a zone are allowed a credit on their Florida Corporate Income Tax equal to 96 percent of ad valorem taxes paid on the new or improved property (the assessment rate varies by county) (s. 220.182, F.S.); $545,409.
- Sales Tax Refund for Building Materials Used in an Enterprise Zone: A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in a zone (s. 212.08(5)(g), F.S.); $334,668.
- Sales Tax Refund for Business Property Used in an Enterprise Zone: A refund is available for sales taxes paid on the purchase of certain business property, which is used exclusively in a zone for at least three years (s. 212.08(5)(h), F.S.); $2,188,606.
- Sales Tax Exemption for Electrical Energy Used in an Enterprise Zone: A 50-percent sales tax exemption is available to qualified businesses located in a zone on the purchase of electrical energy (s. 212.08(15), F.S.); $331,614.
- Community Contribution Tax Credit Program: Businesses located anywhere in Florida are allowed a 50-percent credit on Florida Corporate Income Tax or Insurance Premium Tax for donations made to approved local community development projects located in an enterprise zone (or a low income housing project located anywhere) (s. 220.183 and s. 624.5105, F.S.); $4,041,271.
- Enterprise Zone Linked Deposit Program: Financial institutions in certain enterprise zones are selected to receive matching funds to provide loans or lines of credit to individuals for small business startup, expansion, working capital, or inventory financing. This part of the enterprise zone program was repealed on June 30, 2000 (s. 290.0075, F.S.).

State Research on Florida's Enterprise Zone Program

The effectiveness of enterprise zone tax incentives was the topic of a 1998 report issued by the Senate Committee on Ways and Means, Subcommittee E. In this report, and in testimony provided to the Legislative Committee on Intergovernmental Relations (LCIR) by the Office of Tourism, Trade, and Economic Development, the overall success of the Enterprise Zone Program was discussed, as was whether rural and net-ban affected areas were sharing in that success. Net-ban enterprise zones were authorized in s. 370.28, F.S., in the aftermath of the constitutional limitation on the use of certain fishing nets to aid communities suffering negative economic consequences related to restrictions on fishing nets. Rural and net-ban affected areas and many urban areas do not appear to be benefiting much from the program compared to a few

[2] Office of Tourism, Trade, and Economic Development (OTTED), Executive Office of the Governor, *Florida Enterprise Zone Program: Annual Report*, March 1, 2001.

urban areas. It was reported that rural enterprise zones claim progress on only 66 percent of goals identified in their strategic plans, compared with an 87-percent rate of progress toward goals for urban areas, and net-ban affected areas report only a 44-percent rate of progress.

In the 1998 report, the lower progress rate for rural and net-ban affected areas was largely attributed to a lack of local resources necessary to formulate, promote, and market an enterprise zone, and an increase in funding to those specific areas was recommended. Another explanation for insufficient progress in rural areas is that the Enterprise Zone Program currently provides certain tax credits to businesses only for employees who reside within the enterprise zone. In rural areas it is less likely that employees reside in the enterprise zone, as residential patterns differ from those common to densely populated urban areas. Because the Enterprise Zone Program was originally created with urban areas in mind, the structure of some of the benefits remains more suited to urban communities. Currently, because of the unique characteristics of rural communities, they are not able to fully utilize the benefits conferred by the enterprise zone program under existing law.[3]

A March 2000 Office of Program Policy Analysis and Government Accountability (OPPAGA) review of Florida's Enterprise Zone Program concluded that to boost the use of enterprise zone incentives, the Legislature should provide state assistance for program administration, and mesh zone incentives with other state and local economic development initiatives.[4] In its report, OPPAGA suggested that the addition of $500,000 toward the Rural Community Development Revolving Loan Fund could help support staffing grants for use in hiring individuals on at least a part-time basis to market enterprise zones in rural counties and net-ban zones in rural or urban communities.

Mandatory Review of the Enterprise Zone Program and Recommendations

The law currently mandates that prior to the 2001 Regular Session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). In November 2000, the Senate Commerce and Economic Opportunities Committee issued its mandatory interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program* (hereinafter "the interim report"), which was developed out of a combination of the following: recommendations from the Rural Issues Working Group of Enterprise Florida, Inc. (EFI), and from EFI staff; recommendations from local zone coordinators and businesses; recommendations from urban and rural economic development practitioners; and recommendations from OTTED and the Department of Revenue.

The interim report suggests that the Enterprise Zone Program is failing to act as an incentive because the jobs tax credits are not directed at job creation and are too small to actually modify business behavior. A combination of raising the level of state incentives, providing zone

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[3] Florida Senate Committee on Ways and Means, Subcommittee E, *The Effectiveness of Enterprise Zone Tax Incentives: Florida's Enterprise Zone Program Since 1994*, Interim Project Summary 98-63, October 1998.

[4] Office of Program Policy Analysis and Government Accountability, *Use of Enterprise Zone Incentives Has Increased, but Challenges Continue*, Program Review Summary 99-43, March 2000.

marketing staff support for poorer counties, and modifying other incentive programs for use in rural enterprise zones could help to achieve the goal of encouraging economic development. Recommendations from the interim report are as follows:[5]

- Increase the jobs tax credit for both income and sales taxes. Currently employers can receive a 10-percent credit against their corporate income or sales taxes for wages paid to new employees who are residents of an enterprise zone. A 15-percent enhanced credit is provided to employers if 20 percent of their employees are zone residents. For this incentive to make a difference, it could be doubled to 20 percent base (30 percent rural, allowing for any worker living in the rural county to be counted for the base) and 30 percent enhanced (45 percent rural). To make this program improvement neutral in cost, the Enterprise Zone Program could be altered so that the incentives are for new business locations and expansions only. This change would make the program operate more like an economic incentive rather than an after-the-fact reward.
- Eliminate the jobs tax credit cap on maximum eligible wages to encourage higher-paying jobs (ss. 212.096(2)(b) and 220.181(1), F.S.).
- Allow the Qualified Target Industry incentive funds to be used for any business willing to locate in a rural enterprise zone.
- Provide a state matching grant of up to $25,000 for a zone coordinator, with the local match level to be determined by population size.
- Increase the rural zone size to 20 square miles, including a zero population noncontiguous area.
- Increase the level of funding available in the Rural Infrastructure Fund so that the fund can be used in tandem with zone tax provisions to create a package of incentives.
- Define “rural enterprise zone,” and allow rural Champion Communities and rural areas of critical economic concern to apply as enterprise zones.
- Provide local zone coordinators with access to state funded micro-loan programs to help create small businesses in enterprise zones. The micro-loan could be available for any business willing to locate in a designated enterprise zone.
- Create a state facade improvement matching grant program for zone businesses that own the property they operate from (to be modeled after similar programs in Gainesville and Ft. Lauderdale). The percentage of state match can be determined by county or city population to allow for varying local abilities to match.
- Improve Internet marketing of the enterprise zone program. The Governor’s “MyFlorida” site, the Department of Revenue’s (DOR) site, and the Enterprise Florida, Inc., site should have detailed descriptions of the Enterprise Zone Program, a map of zone locations, forms, and zone contacts.

The following are administrative recommendations from the interim report:[6]

[5] Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, pp. 7-8.

[6] Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, p. 8.

Jobs Tax Credit (Sales Tax)

- Replace "the department within 4 months" to "enterprise zone development agency within 6 months" (s. 212.096(3)(h), F.S.), to clarify the correct agency and extend the submission deadline to aid small business access.
- Remove the word "full" from "3 full calendar months" in s. 212.096(5)(b), F.S., to simplify eligibility criteria for new employees.
- Require DOR to notify the business when the sales tax credit may begin to be taken or specify the date a denial will be sent (s. 212.096(4), F.S.).

Sales Tax Refund for Building Materials

- Request that DOR create general guidelines on what types of building materials are eligible.

Sales Tax Refund for Business Property

- Clarify that the purchase date is defined as the payment of sales tax date (s. 212.08(5)(h), F.S.).
- Request that DOR suggest an updated definition of eligible business property (s. 212.08(5)(h)9., F.S.) since the current definition refers to an obsolete section in the Internal Revenue Code. In addition, DOR could help many businesses by creating general guidelines that list some characteristics of what eligible business property tends to be.

The following recommendations are to enhance community involvement in disadvantaged areas:[7]

- Require the local enterprise zone administrator and the local Front Porch Florida administrator to coordinate development efforts in areas in which they coexist.
- A combination of enterprise zone coordinators, Front Porch Florida organizers, and local governments could help increase the rate of owner occupied property in a zone. With support from the state, a coordinated effort could boost home and business property ownership, which will directly aid zone improvement and mitigate the negative impacts of increasing land values that drive out residential and business renters. Façade improvement, residential painting, and neighborhood clean up efforts could be used as a property-value inducement to areas that have a high rate of owner-occupied properties.
- Create a website for each enterprise zone that includes downloadable links to state forms and information, as well as local message boards that help the businesses and residents receive information about important topics such as property ownership, micro-loan programs, and neighborhood improvement activities. This site could become a marketing tool for new business location as well as a small and micro-business service guide.

Related Programs and Organizations

Rural Job Tax Credit Program - Section 212.098, F.S., establishes the Rural Job Tax Credit Program to encourage economic expansion of new and existing businesses in rural areas of the

[7] Florida Senate Commerce and Economic Opportunities Committee, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, p. 8.

state. Eligible businesses must be located in a qualified county and be predominantly engaged in activities that are classified within specific standard industrial classifications (SIC).

Regional Rural Development Grants - Section 288.018, F.S., authorizes the Office of Tourism, Trade, and Economic Development (OTTED) to spend up to $600,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund for the purpose of establishing a matching grant 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.

Rural Community Development Revolving Loan Fund - Section 288.065, F.S., provides that the fund is established within OTTED to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to promote the economic viability of rural communities. The funds may be used to finance initiatives directed toward maintaining or developing the economic base of rural communities, especially initiatives addressing employment opportunities for residents of these communities. The program provides for long-term loans, loan guarantees, and loan-loss reserves to units of local governments. All repayments of principal and interest are to be returned to the loan fund and made available for loans to other applicants. However, in a rural area of critical economic concern, repayments of principal and interest may be retained by a unit of local government if such repayments are dedicated and matched to fund regionally based economic development organizations representing the rural area of critical economic concern.

Rural Economic Development Initiative (REDI) - Section 288.0656, F.S., creates REDI within OTTED to coordinate and focus the efforts and resources of state and regional agencies on the problems which affect the fiscal, economic, and community viability of Florida's economically distressed rural communities. The statute requires the leaders of specified agencies and organizations to designate high-level staff persons to serve as representatives to REDI.

Quick Action Closing Fund - Section 288.1088, F.S., creates the Quick Action Closing Fund within OTTED to provide resources to respond to extraordinary economic opportunities and to compete effectively for high-impact business facilities. The statute provides a process for reviewing facility projects and awarding funds under a performance contract.

Enterprise Florida, Inc. - Sections 288.901-288.9415, F.S., create and provide for the duties of a not-for-profit corporation to be known as Enterprise Florida, Inc. (EFI), which is the principal economic development organization for the state. Section 288.9015, F.S., lists the purpose and duties of EFI, which include the responsibility to aggressively market Florida's rural communities and distressed urban communities as locations for potential new investment, to aggressively assist in the retention and expansion of existing businesses in these communities, and to aggressively assist these communities in the identification and development of new economic development opportunities for job creation.

Florida Housing Finance Corporation - Sections 420.501-420.530, F.S., empower the Florida Housing Finance Corporation to carry out and effectuate the promotion of the public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida. Section 420.507, F.S., provides the powers of the corporation, which include the borrowing of money through the issuance of bonds or from the Federal Home Loan Bank or Rural Housing Services of the U.S. Department of Agriculture. The powers of the corporation also include the development and administration of the Florida Homeownership Assistance Program, under which the corporation may make loans to borrowers for down payments or closing costs related to the purchase of the borrower's primary residence; may establish a loan-loss insurance reserve; and may geographically and demographically target the use of loans.

Department of Community Affairs' Florida Small Cities Community Development Block Grant Loan Guarantee Program - Section 290.048, F.S., empowers the Department of Community Affairs to carry out the purposes and provisions of the Florida Small Cities Community Development Block Grant Loan Guarantee Program, including the power to: make contracts and agreements; seek and accept funding; adopt and enforce rules; assist in training employees; adopt and enforce requirements; and pledge community development block grant revenues from the federal government. Section 290.049, F.S., provides for an advisory council for the purpose of advising the department in planning, developing, implementing, and performing evaluation activities related to the Florida Small Cities Community Development Block Grant Loan Guarantee Program. The council is composed of 13 members appointed by the Secretary of Community Affairs.

Rural Economic Conditions[8]

Thirty-four counties meet a legislatively prescribed definition of rural community as meaning a county with a population of 75,000 or less, or a county with a population of 100,000 or less, that is adjacent to a county with a population of 75,000 or less. (See, e.g., s. 288.0656(2)(b), F.S.)

Despite the recent period of high economic growth in Florida, rural communities have not shared in the state's prosperity. Rural Florida makes up 7 percent of the state's population with a growth rate that is out-pacing the state average; however, the income gap is growing. According to data provided by Enterprise Florida, Inc. (EFI), between 1990 and 1997, rural Florida's population has increased by 20 percent compared to the state average of 13.4 percent. The median household income in 32 of 34 of the smallest counties is approximately 30 percent less than the state's median income, according to a study by the Center on Budget and Policy Priorities. Not a single small county enjoys a per capita personal income that exceeds the state average of $27,806.

Also of concern are low rates of pay by captured businesses in rural communities. According to 1997 data reported by EFI, manufacturing businesses throughout rural Florida pay lower than average sector wages. In northwest Florida, for example, manufacturing pays on average about 38 percent less per hour than the average manufacturing sector wages for all of Florida. In rural south Florida, manufacturing pays closer to the state manufacturing sector wage average; however, the manufacturing sector employs only 3.6 percent of the rural south Florida population. Prison construction has been a growth industry in rural north Florida counties; however, these jobs contribute to a dependence on government as the largest high-wage

[8] Florida Senate Committee on Commerce and Economic Opportunities, *Rural Economic Development II: Next Steps in Infrastructure & Nature-Based Tourism,* Interim Project Report 2000-20, September 1999, p. 1.

employer, and this source of development adds less to the tax base than other engines of development.

Sections 125.0103 and 166.043, F.S., prohibit county and city governments, respectively, from adopting any price control ordinance upon a lawful business activity which is not franchised by, owned by, or under contract with, the government agency, unless specifically provided by general law.

Section 336.025, F.S., authorizes counties to levy up to 5 cent local option fuel tax on every gallon of motor fuel sold in the county and taxed under the provisions of part I of chapter 206. Use of tax revenue is limited to construction of new roads, the reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads *when taken in part to relieve or mitigate existing or potential adverse environmental impacts*. (Emphasis added.)

III. Effect of Proposed Changes:

This committee substitute has been developed, in part, out of recommendations from the Senate's interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program*, November 2000. The law currently mandates that prior to the 2001 regular session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). The overall finding of that report is that the Enterprise Zone Program has largely failed to achieve the primary goal of encouraging economic growth and investment in distressed areas by offering tax advantages to businesses.

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This committee substitute allows Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply to the Office of Tourism, Trade, and Economic Development for designation of one enterprise zone. The committee substitute also revises the existing statute relating to satellite enterprise zones, deleting the specified date by which an eligible municipality must create a satellite enterprise zone. The committee substitute provides that a satellite enterprise zone may be created retroactively to December 31, 1999. In addition the committee substitute allows for businesses in a newly created satellite zone to receive retroactively a refund of certain sales taxes paid back to that date.

This committee substitute authorizes the Department of Community Affairs to establish advisory committees and repeals an advisory council related to the Florida Small Cities Community Development Block Grant Loan Guarantee Program.

The committee substitute amends provisions of the Florida Housing Finance Corporation Act (HFCA). Specifically, it allows the Mortgage Revenue Bond Program under the HFCA to be included in the definition for elderly housing and allows funds from the Homeowner's Assistance Program to be used for certain programs other than those sponsored by the Corporation. It also increases the Corporation's bonding capacity from $200 to $400 million under the Florida Affordable Housing Guarantee Program

The committee substitute amends the statutes which prohibit local price control ordinances, to clarify that such ordinances do not prohibit local governments from adopting ordinances for the purpose of increasing the supply of affordable housing using land use mechanisms such as inclusionary housing ordinances.

This committee substitute also broadens the use of local option gas tax to allow it to be used to pave existing graded roads.

Section 1: Section 212.08, F.S., is amended to extend the community contribution tax credit provisions of the Enterprise Zone Program to the state sales tax. Currently, the community contribution tax credit provisions exist in the corporate income tax under s. 220.183, F.S., and the insurance premium tax under s. 624.5105, F.S. The committee substitute provides for a credit against sales taxes equal to 50 percent of a contribution made to an eligible sponsor for an eligible project. This section modifies the community contribution tax program by updating, clarifying, and expanding its current housing role. The following revisions or additions are made to the "eligible sponsor" list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;
- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and
- Units of state government.

The committee substitute specifies that, with respect to housing, contributions may be used to pay for the following activities:

- Project development, impact, and management fees for low-income housing projects;
- Down payment and closing costs for low income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

This section allows the Office of Tourism, Trade, and Economic Development (OTTED) to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households for the first six months of the fiscal year. “Very-low-income” is defined in s. 420.9071(28), F.S., as having a total annual gross household income that does not exceed 50 percent of the median annual income. This section directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

This section adds broadband communications investments to the “eligible project” list if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

This section also revises a number of provisions for enterprise zone sales tax credits:

- The provision for building materials used in the rehabilitation of real property located in an enterprise zone is revised to allow a refund applicant to submit the application within 90 days after rehabilitated property is first subject to assessment. This will solve application problems for a taxpayer that has contracted the project and does not hold tax receipts, and must wait for an assessor to estimate the value of the project. This section adds nonprofit community-based organizations to the building materials sales tax exemption created for governmental organizations and adds the State Housing Initiatives Partnership Program to the list of funds with which the building materials can be purchased.
- The provision for business property used in an enterprise zone is clarified by providing that an application for a refund must be submitted to the Department of Revenue within six months after the “tax is due on the” business property that is purchased, and this section creates a minimum sales price of $5,000 per unit on property to be claimed for tax refund.

Section 2: Section 212.096, F.S., is amended to raise the enterprise zone jobs sales tax credit from 10 percent to 20 percent for urban areas and to 30 percent for rural areas, for new employees hired when a new job is created by a business located in the zone. If at least 20 percent of the employees live within the zone, the tax credit increases to 30 percent in an urban enterprise zone and to 45 percent in a rural enterprise zone. The credit is provided for 24 months instead of the existing 12 months, and the current wage level cap is removed. The credit is calculated as a percentage of the monthly wages. Higher credits are provided for participants in the welfare transition program.

This section defines the term “jobs” for use in calculating the enterprise zone jobs credit against sales tax. The tax credit would be for new full-time jobs. The existing statute does not require job creation but rather allows the credit to be claimed based on new hires for existing positions. In this section the definition of “jobs” now includes leased employees who average at least 36 hours per week for more than 6 months. This section also creates an incentive for a business to upgrade an employee’s status by allowing a former part-time employee to be hired as full-time and allowing the business to get the full credit even if the business is not creating 36 new hours, provided that at least one new full-time job has been created compared to the previous year. The definition of “eligible business” is revised to explain that the number of full-time jobs created is calculated using an average of the previous 12 months and to grandfather in businesses that expanded or located in an enterprise zone between July 1, 2000, and December 31, 2001, and created at least five jobs.

This section requires the Department of Revenue to notify businesses within 10 working days of receipt of a complete application that the jobs tax credit has been approved and can be taken on the next return due.

This section has an effective date of January 1, 2002, to allow time for the Department of Revenue to modify procedures and update tax forms for the refund.

Section 3: Section 212.098, F.S., is amended to add Qualified Target Industry (QTI) eligible businesses to the list of businesses eligible to receive the Rural Jobs Tax Credit. The Rural Jobs Tax Credit Program provides tax credits to eligible businesses in distressed rural areas, including federally designated enterprise communities that are permitted to apply as state enterprise zones in this committee substitute. This committee substitute eliminates the multi-tier system in the rural job tax credit program and allows the credit to be used for smaller employers who may have increased the number of employees by 20 percent in comparison to prior years but not by 10 employees as required under current law. The tax credit becomes $1,000 for each qualified employee instead of a range from $1,500 to $500 depending on the tier level. This committee substitute allows leased employees from an employee leasing company to be considered new employees for the rural job tax credit provided they average at least 36 hours per week for more than 6 months.

Section 4: A new section of the Florida Statutes is created to reduce or waive financial match requirements for rural counties. The committee substitute allows the Office of Tourism, Trade, and Economic Development (OTTED) and the Rural Economic Development Initiative (REDI) to review rules for consistency with the potential impact the rules have on rural counties. The interim report concluded that rural areas frequently have difficulty in providing local incentives due to comparatively less capital. This difficulty includes accessing state resources because of match requirements, especially when the required match is cash. This section requires the state agencies participating in REDI to review program requirements and develop proposals to modify (use other cash match), waive, or reduce match requirements for rural communities experiencing fiscal hardship.

Section 5: Section 220.03, F.S., is amended to create and redefine terms used in the enterprise zone community contribution and jobs tax credit provisions of the state corporate income tax. The definition of “new employee” is updated to include a reference to welfare transition program participants, to eliminate reference to part-time employees, to include leased employees who average at least 36 hours per week for more than six months, and to create an incentive for a business to upgrade an employee’s status by allowing a former part-time employee to be hired as full-time and allowing the business to get the full credit even if the business is not creating 36 new hours. This section creates two new definitions: “New job has been created” is defined as an increase in full-time jobs by a business located in an enterprise zone from the average of the previous 12 months; and “jobs” is defined as full-time positions consistent with U.S. Department of Labor standards.

This section adds broadband communications investments to the “eligible project” list, for purposes of the community contribution tax credit program, if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. The types of eligible housing “projects” have not changed, but the following are clarifications and expansions to the housing project-related activities that may receive a charitable contribution:

- Project development, impact, and management fees for low-income housing projects;
- Down payment and closing costs for low income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government, and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

Section 6: Section 220.181, F.S., is amended to raise the enterprise zone jobs corporate tax credit from 10 percent to 20 percent for urban zones, and to 30 percent for rural zones, for new employees hired when a new job is created by a business located in the zone. If at least 20 percent of the employees live within the zone, the tax credit increases to 30 percent in an urban enterprise zone and to 45 percent in a rural enterprise zone. The credit is provided for 24 months instead of the existing 12 months, and the current wage level cap is removed. The credit is calculated as a percentage of the monthly wages, and the number of full-time jobs created is calculated using an average of the previous 12 months. The tax credit would be for new full-time jobs. Higher credits are provided for participants in the welfare transition program.
The existing statute does not require job creation but rather allows the credit to be claimed based on new hires for existing positions. This section grandfathers in businesses that expanded or located in an enterprise zone between July 1, 2000, and December 31, 2001, and created at least five jobs.

This section has an effective date of January 1, 2002, to allow time for the Department of Revenue to modify procedures and update tax forms for the refund.

Section 7: Section 220.183, F.S., is amended to modify the community contribution tax program for corporate income tax by updating, clarifying, and expanding its current housing role. The following are revisions or additions to the "eligible sponsor" list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;
- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and
- Units of state government.

This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

This section also allows OTTED to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households for the first six months of the fiscal year. "Very-low-income" is defined in s. 420.9071(28), F.S., as having a total annual gross household income that does not exceed 50 percent of the median annual income. The committee substitute directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

Section 8: Section 288.018, F.S., relating to the Regional Rural Development Grants Program, is amended to allow OTTED to contract for the administration and development of an enterprise zone web portal or websites for marketing the Enterprise Zone Program for job creation in disadvantaged urban and rural enterprise zones. The interim report identified staffing for the purposes of marketing the zone as a serious problem that prevents the program from becoming a job creation tool, especially in rural areas. The interim report also identified the lack of enterprise zone marketing on state websites, including Enterprise Florida, Inc., as a solvable problem. This section allows OTTED the flexibility to use an additional $150,000 in the rural staffing grants program to either contribute toward marketing staff or contract with Enterprise Florida, Inc., to develop and administer an enterprise zone web portal or website for each zone. Funds are to be released on a quarterly basis determined by need. The rural staffing grants program was created in 1996 to help rural economic development organizations build their professional capacity; however, the web portal or websites will aid in the marketing of all enterprise zones.

Section 9: Section 288.019, F.S., is created to require state agencies to review how grant and loan applications are currently scored. Scoring procedures are to be modified to best reflect the impact of the project, and need for the project, in rural areas. Competitive grants frequently do not recognize or take into consideration fundamental financial differences between rural and urban counties or communities. The interim report identified this financial difference as a critical problem that prevents rural zones from adding local incentives to enterprise zone incentives so that a larger package of incentives can be offered for job creation. This section would require the state agencies participating in the Rural Economic Development Initiative (REDI) to review their programs and develop review and evaluation criteria that take such differences into account.

Section 10: Section 288.065, F.S., is amended to allow economic development organizations that are financially supported by a unit of local government to be the recipient of a rural revolving loan. The interim report discussed the need to include other resources to facilitate the location or expansion of job-creating opportunities into rural enterprise zones. Although the report mentions the rural infrastructure fund, it fails to mention other programs that could be utilized, such as the Rural Revolving Loan Fund. The interim report also mentions the possibility of micro-loan programs, and the loan fund has been and can be used for this purpose. This section solves an inconsistency in the statute that would prevent areas of critical economic concern from using this program even if such communities obtain enterprise zone designation.

Section 11: Section 288.0656, F.S., is amended to require the Rural Economic Development Initiative (REDI) agencies to annually designate a high-level staff person to serve as the REDI representative and to update the REDI list of agencies to include the Agency for Workforce Innovation, Workforce Florida, Inc., and the Department of Juvenile Justice.

Section 12: Section 288.1088, F.S., is amended to revise the Quick Action Closing Fund by allowing the fund to be used in distressed rural and urban communities. This section expands the program from high-impact business facilities that are more common in advantaged areas to allow for "privately developed critical rural infrastructure, or key facilities in economically distressed urban or rural communities." Fund criteria are expanded to allow for privately developed infrastructure that can be evaluated by the types of business activities and jobs that are stimulated by the investment. The conditions for a contract between OTTED and a business are expanded to allow a demonstration that a baseline of current service can be enhanced and that the business can measure enhanced capability.

Section 13: Section 288.9015, F.S., is amended to clarify the responsibilities of Enterprise Florida, Inc., to aggressively market Florida's rural communities and distressed urban communities by adding specific mention of the need to market enterprise zones and to fully utilize state incentive programs such as the Qualified Target Industry Tax Refund Program and the Quick Action Closing Fund in distressed areas. The interim report recommended increased usage of other incentive programs to create a package of incentives to make the smaller enterprise zone incentives more attractive for job creation in distressed communities.

Section 14: Section 290.004, F.S., is amended to provide a definition of the term rural enterprise zone, to include an enterprise zone within a county with a population of 75,000 or less, or a county with a population of 100,000 or less, that is contiguous to a county with a population of 75,000 or less. This section designates "net-ban enterprise zones" as rural enterprise zones. Net-ban enterprise zones were authorized in s. 370.28, F.S., in the aftermath of the constitutional limitation on the use of certain fishing nets.

Section 15: This committee substitute allows Sarasota County, or Sarasota County and the City of Sarasota jointly, to apply to the Office of Tourism, Trade, and Economic Development (OTTED) for designation of one enterprise zone, notwithstanding the provisions of s. 290.0065, F.S., limiting the total number of enterprise zones designated and the number of zones within a given population category.

Section 16: Section. 290.00555, F.S., is amended to revise the statute related to satellite enterprise zones, deleting the specific date by which an eligible municipality must create a satellite enterprise zone. To be eligible to create a satellite zone, the municipality must have an area that has previously received designation as an enterprise zone in the zone category for communities with a population of 20,000 but less than 50,000 persons. Deletion of the December 31, 1999, date would allow the cities of Bradenton and Ft. Pierce each to create a 1.5 square mile satellite zone. The city of Bradenton applied for a satellite zone prior to December 31, 1999, and received approval to add the satellite zone to its existing enterprise zone program in 2000. This committee substitute allows by August 1, 2001, the city of Bradenton to apply for an additional satellite zone and the city of Ft. Pierce to apply for its first satellite zone, and requires OTTED to amend the boundaries by September 1, 2001.

Section 17: This committee substitute also allows businesses in any newly created satellite zone created pursuant to s. 290.00555, F.S., to receive retroactively a refund of certain sales taxes paid back to December 31, 1999, from the date the satellite zone is approved. The refund applies to sales taxes paid within the satellite zone and which would have been eligible for exemption or credit had the satellite zone actually been in existence. The enterprise zone sales tax components approved for refund include:

- The sales tax exemption for building materials used in an enterprise zone (s. 212.08(5)(g), F.S.);
- The sales tax exemption for business property used in an enterprise zone (s. 212.08(5)(h), F.S.); and
- The enterprise zone jobs tax credit against sales tax (s. 212.096 F.S.).

The incentives described above inure to the eligible business in the form of a refund of previously paid taxes or in the form of a sales tax credit by statutory requirement.

Section 18: Section 290.0065, F.S., is amended to allow designated federal rural empowerment zones and federal rural enterprise communities to be included in the boundaries of the state rural enterprise zones without any limitation as to size. This section changes “department” to “office,” reflecting the change of administration from the Department of Commerce to the Office of Tourism, Trade, and Economic Development and changes “rules” to “guidelines.” This section also eliminates the ability to amend boundaries at any time.

Section 19: Section 290.00676, F.S., is created to allow rural enterprise zones to change their boundaries and increase zone size up to 20 square miles upon submission of an application by December 30, 2001. This section allows rural enterprise zones to add a noncontiguous area that has zero population and sets aside the pervasive poverty criteria for that noncontiguous parcel.

Section 20: Section 290.00677, F.S., is created to allow a business located in a rural enterprise zone access to the rural enterprise zone jobs tax credit for creating a new job and employing a resident of any rural county. Under current law, the individual hired must reside in the zone itself unless the zone is in an area affected by net-ban limitations, which are primarily in rural areas. In other sections of this committee substitute, net-ban enterprise zones are designated as rural enterprise zones. This section conforms all rural areas, including net-ban zones, to the same standard.

Section 21: Section 290.00694, F.S., is created to allow three Rural Champion Communities to apply for designation as enterprise zones, affecting Hamilton, Madison, and Putnam counties. This section would allow three of the eight champion communities that do not yet have enterprise zones but do have champion community designation under federal law, to apply provided that the areas have met the enterprise zone eligibility criteria. This section also allows one community in each county within a rural area of critical economic concern that does not already have a zone designation, to apply for designation as an enterprise zone through December 31, 2001. This would allow Calhoun, Holmes, Desoto, Glades, Hardee, and Okeechobee counties to apply for designation as an enterprise zone. This section allows for nine new applications for enterprise zone designation; if all apply and are accepted, and use zone incentives at about the same average rate of similar zones, this section can be estimated to cost approximately $100,000 a year in state tax credits.

Section 22: Section 290.007, F.S., is amended to revise the list of tax credits provided in the Community Contribution Tax Credit Program to include a sales tax credit.

Section 23: Section 290.048, F.S., is amended to add subsection (7), which authorizes the Department of Community Affairs to establish advisory committees and solicit participation in designing, administering, and evaluating the Florida Small Cities Community Development Block Grant Loan Guarantee Program and in linking the program with other housing and community development resources. The Department of Community Affairs believes that the ability to merge various advisory councils into one advisory committee would provide a more comprehensive approach to addressing community needs and allowing for a broad and more diversified membership.

Section 24: Section 290.049, F.S., is repealed to eliminate an advisory council related to the department's administration of the Florida Small Cities Community Development Block Grant Loan Guarantee Program.

Section 25: Section 370.28, F.S., is amended to repeal subsection (4) of the section of the statutes related to the net-ban limitation enterprise zones. The subsection, which established conditions for use of incentives in net-ban zones, would not be compatible with other sections of this committee substitute that define net-ban zones as rural zones and establish new conditions applicable to incentives for rural zones.

Section 26: Section 380.06, F.S., is amended to triple the applicable guidelines and standards for development in a designated rural area of critical economic concern.

Section 27: amends s. 420.503, F.S., relating to definitions applicable to the Florida Housing Finance Corporation Act in Part V of chapter 420, F.S. The definition for "elderly" in subsection (15) is amended to provide that this definition is not intended to disqualify housing otherwise qualifying as "housing for the elderly" as it is defined in subsection (19). "Housing for the elderly" is further defined to add "housing developed under multi-family and single family revenue bond programs under s. 420.508, F.S., to the list of housing that may qualify as "housing for the elderly" provided it qualifies as "housing for older persons" as defined in the Fair Housing Act (s. 760.29(4)), F.S.).

Section 28: Section 420.507, F.S., is amended to allow the Governor or his representative to award certificates of recognition to honor individuals and organizations who have demonstrated the ideals of community stewardship and increased access to affordable housing. Enterprise zone or front porch program administrators can use the recognition program to encourage the sale of housing by the current owners to low- or very-low-income persons.

Section 29 amends section 420.5088, F.S., relating to the Florida Homeownership Assistance Program, to allow funds from this program to be used for qualifying persons or families other than just those sponsored by the Florida Housing Finance Corporation single family mortgage revenue bond programs.

Section 30 amends section 420.5092, F.S., relating to the Florida Affordable Housing Guarantee Program, to redefine "eligible housing" to include "housing for the homeless" to the types of affordable housing the Corporation may assist pursuant to this program and to increase the program's bonding capacity from $200 million to $400 million.

Section 31: Section 624.5105, F.S., is amended to conform the community contribution tax credit provisions for insurance premium taxes with changes made to the corporate income tax provisions and with the creation of a tax credit for sales taxes. This section modifies the community contribution tax credit program by updating, clarifying, and expanding its current housing role. The following are revisions or additions to the "eligible sponsor" list:

- Community development corporation has been changed to a nonprofit community-based development organization whose mission is the provision of housing or entrepreneurial and job-development opportunities for low-income households;
- Private industry council has been changed to a regional workforce board;
- Community-based organizations recognized as educational, charitable, or scientific pursuant to s. 501(c)(3) of the Internal Revenue Code, and whose by-laws and articles of incorporation include affordable housing, economic development, or community development as their primary mission;
- Units of local government; and
- Units of state government.

This section adds broadband communications investments to the "eligible project" list if a project is the investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communications assets that are owned by a business. The types of eligible housing "projects" have not changed but the following are clarifications and expansions to the housing project-related activities that may receive a charitable contribution:

- Project development, impact, and management fees for low-income housing projects;

- Down payment and closing costs for low income households;
- Administrative costs, including housing counseling and marketing fees not to exceed 10 percent of the community contribution for low-income housing projects; and
- Contributions received from a non-related third party for the removal of liens recorded against residential property if the lien is recorded by government, and removal of the lien is necessary for property transfer and is for the purpose of promoting home ownership for low-income households.

This section directs OTTED to consult with the Department of Community Affairs, the Florida Housing Finance Corporation, and statewide and regional housing and financial intermediaries in the marketing of the community contribution tax credit program.

This section allows a community with Front Porch Florida designation to use the community contribution tax credits.

Sections 32 and 33 amend ss 125.0103 and 166.043, F.S., which prohibit local price control ordinances, to provide that this prohibition does not prohibit local governments from adopting ordinances for the purpose of increasing the supply of affordable housing using land use mechanisms such as inclusionary housing ordinances.

Section 34 amends s. 366.025, F.S., to allow local option gas tax revenue to be used to pave existing graded roads when such projects are included in the capital improvements element of an adopted comprehensive plan.

Section 28: Except as otherwise provided, this act shall take effect July 1, 2001.

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:

The Revenue Estimating Conference has determined that several provisions of this bill have significant fiscal impacts. these are listed below:
Allow Community Contributions Tax Credits to apply to Sales Tax ($1.9 million)
Changes in Jobs Credits $1.5 million

Change in Definition of Rural Enterprise Zones ($0.2 million)
The impact of raising the threshold for business equipment eligible for tax credit under the enterprise zone program has not been estimated but it is anticipated to be a significant positive amount. The net impact of all changes to the program is expected to be insignificant.

B. Private Sector Impact:

This committee substitute changes the structure of the jobs tax credit provisions of the Enterprise Zone Program to double the value of the incentive and provide the incentive for two years, for new full-time job creation. These provisions are in response to concerns by zone coordinators and zone businesses that the incentive was too small to stimulate economic activity, that the incentive was not for job creation, and that inclusion of part-time employment created too much paperwork and uncertainty for businesses relative to the value of the incentive. Clarifications have been made in the sales tax refund for both the building materials component and the business property component of the Enterprise Zone Program. Businesses will experience less paperwork and have more certainty that an application will be accepted, which will potentially reduce business costs and frustration with the state program. Newly locating or expanding businesses that create new jobs are targeted by changes in the jobs tax credit incentive. These changes may provide an improved business climate for job creation and an incentive for better quality jobs in urban core and rural enterprise zones.

To the extent that the bill facilitates the availability and promotion of affordable housing, the bill should benefit the homeless, low-income and elderly persons and families as well potentially benefit the construction industry involved in building affordable and benefit the constructing and construction-related industries that provide construction of affordable housing.

C. Government Sector Impact:

Changes to the jobs tax credit provisions of the Enterprise Zone Program should reduce the number of jobs tax credit applications processed each year by the Department of Revenue (DOR) and the Office of Tourism, Trade, and Economic Development (OTTED), based on reports by zone coordinators that only a small fraction of the new hires under the current program were for new full-time job creation. Adding a sales tax credit to the existing community contribution corporate tax credit provisions of the program will increase the number of community donations processed by OTTED and refunded by DOR since smaller businesses will have an opportunity to contribute and receive the 50-percent sales tax refund. Changes to the sales tax refund for business property used in an enterprise zone should reduce refund processing difficulties and the number of business reapplications for the Department of Revenue. The committee substitute provides $150,000 for a zone website to be used in marketing all enterprise zones with unused portions remaining in a staffing grant program for use in zones that have no enterprise zone marketing staff. The $150,000 is being made available in the Regional Rural Development Grants Program by increasing the program's funding from $600,000 to $750,000 each fiscal year with funds appropriated to the Rural Community Development Revolving Loan Fund.

This committee substitute authorizes the Department of Community Affairs to establish advisory committees and repeals an advisory council related to the Florida Small Cities Community Development Block Grant Loan Guarantee Program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.