HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 349 w/CS Sales Tax/Convention Centers
SPONSOR(S): McInvale
TIED BILLS: None **IDEN./SIM. BILLS:** SB 2266

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Tourism (Sub)	5 Y, 0 N	McDonald	Whitfield
2) Commerce	15 Y, 0 N w/CS	McDonald	Whitfield
3) Finance & Tax		Overton	Diez-Arguelles
4) Transportation & Econ. Dev. Apps. (Sub)			
5) Appropriations			

SUMMARY ANALYSIS

The bill provides that one-half of the sales tax collections generated by the use and operations of eligible convention centers will be remitted back to the unit of local government owning the convention center. Tax proceeds are required to be used to encourage and provide economic development for the attraction, recruiting and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries and must be pursuant to a resolution adopted by the governing board of the unit of local government.

The screening of applicants and certification as an "eligible convention center" is required to be done by the Office of Tourism, Trade and Economic Development (OTTED) within the Office of the Governor. The criteria for eligibility are delineated in the newly created s. 288.1171, F.S.

Currently, eight convention centers meet the criteria set forth in the bill. The estimated fiscal impact upon General Revenue is ($0.9) million for FY 03-04 and ($3.3) million for FY 04-05. The estimated fiscal impact upon local government is $0.9 million for FY 03-04 and $3.3 million for FY 04-05.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

1. Reduce government?	Yes[]	No[]	N/A[x]
2. Lower taxes?	Yes[]	No[]	N/A[x]
3. Expand individual freedom?	Yes[]	No[]	N/A[x]
4. Increase personal responsibility?	Yes[]	No[]	N/A[x]
5. Empower families?	Yes[]	No[]	N/A[x]

For any principle that received a “no” above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Distribution of Sales Tax Proceeds

Chapter 212, F.S., imposes a state sales and use tax of 6% on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals, and motor vehicles. Tax collections are deposited by the Department of Revenue (DOR) in the General Revenue Fund of the state and into a variety of trust funds benefiting state agencies and local governments.

Section 212.20, F.S., governs the distribution by DOR of tax revenues collected under the provisions of Chapter 212, F.S. Subsection (6) of that section requires DOR to distribute funds to certain qualified sports facilities.

Sales Tax Distributions to Sports Facilities – Capped Number, Payment & Length of Time

Pursuant to s. 212.20(6)(d)7.b.–d., F.S., DOR distributes tax revenues to professional sports franchise facilities that are certified by the Office of Tourism, Trade, and Economic Development (OTTED) as meeting requirements set forth in s. 288.1162, F.S., to the Professional Golf Hall of Fame facilities as certified pursuant to s. 288.1168, F.S., and to the International Game Fish Association World Center facility as certified pursuant to s. 288.1169, F.S. Each recipient receives a fixed monthly distribution that is set by statute. The law caps the number of new and retained professional sports franchise facilities eligible for funding at eight and requires that at least five facilities for retained spring training franchises be certified. No other sports-related businesses or facilities are entitled to distributions from DOR of tax revenues collected pursuant to Chapter 212, F.S.

Criteria for Certification for Tax Distribution Eligibility

The criteria generally include such things as relationship with and support of a local unit of government, projects for paid attendance, and demonstration of being able to provide or having financial or other commitments to provide more than one-half of the costs incurred or related to the improvement or development of the facility. Other requirements include reviews, recertification, sanctions, audits, and a prohibition of additional certifications for the same facility.

Convention Centers

Currently, s. 212.20, F.S., does not allocate funds to be distributed to units of local government certified by OTTED as owning, operating, and managing a convention center.

At this time, there are eight convention centers in the state that contain more than 75,000 square feet in exhibit space: Orange County Convention Center (1,103,538 sq. ft.); Miami Beach Convention Center (502,848 sq. ft.); Broward County Convention Center (200,000 sq. ft.); Tampa Convention Center (200,000 sq. ft.); Coconut Grove Convention Center (150,000 sq. ft.); Lakeland Center (82,582 sq. ft.); Prime F. Osborn III Convention Center in Jacksonville (78,500 sq. ft.); and Lee Civic Center (75,000 sq. ft.). Of those, five are publicly owned and managed: Orange County Convention Center, Tampa Convention Center, Coconut Grove Convention Center, Lakeland Center, and Lee Civic Center.

Office of Tourism, Trade and Economic Development (OTTED)

The Florida Sports Foundation reviews all applications and makes recommendations for certification to OTTED for all sports related distributions of funds in s. 212.20(6)(d)7., F.S. OTTED then makes the final decision on certification.

At present, there are several incentive programs available to attract, recruit, and retain businesses to the state. The majority of the programs are coordinated and administered by OTTED and Enterprise Florida, Inc. As the state's economic development organization, Enterprise Florida, Inc., is responsible for the retention and recruitment of businesses to Florida.

The Qualified Targeted Industry (QTI) Tax Refund Program encourages quality job growth in targeted high, value-added businesses. Approved businesses receive refunds on taxes (corporate income, sales, and certain other taxes) for creating new jobs in specified industry categories. The High Impact Business Performance Incentive (HIPI) Grant is an incentive used to attract and grow high impact facilities. These incentive programs apply to high technology and manufacturing businesses but not necessarily tourism-related businesses.

Change in Law to Certify Convention Centers for Sales Tax Distributions

The bill tracks many of the procedures, requirements, and limitations as described above for other facilities certified by OTTED for convention centers.

The bill creates s. 212.20(6)(d)7.e., F.S., to require the Department of Revenue (DOR) to distribute monthly to qualified local governments one-half of the sales tax collections reported on the convention centers' sales and use tax return as being generated by the use and operations of eligible convention centers certified pursuant to s. 288.1171, F.S. Distributions cannot exceed $3 million per state fiscal year for each eligible local government. Such distributions are required to begin 60 days following certification and may not continue for longer than 30 years. Distributions can only be used to encourage and provide economic development for the attraction, recruiting, and retention of corporate headquarters and of high-technology, manufacturing, research and development, entertainment, and tourism industries as designated by the unit of local government by resolution of its governing body.

Pursuant to s. 288.1171, F.S., created by the bill, the screening of applicants and certification as an "eligible convention center" is required to be done by OTTED. The criteria for eligibility include that the center is owned by a unit of local government, contains more than 75,000 square feet of exhibit space, has been certified by resolution as serving a public purpose, and is located in a county levying a local option tourist development tax under s. 125.0104, F.S. Previously certified applicants are ineligible for additional certifications.

Finally, funds distributed to a local government as set forth in this bill are required to be used for the purposes set forth in a resolution adopted by the governing board of the local government. The Department of Revenue may audit to verify the expenditure of the distributions.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.20(6)(d)7., F.S., as amended by section 1 of chapter 2002-291, Laws of Florida, to add sub subparagraph e., providing requirements for monthly distribution of one-half of the sales tax collections reported on certain convention centers to qualified local governments and setting limitations on distributions.

Section 2. Creates s. 288.1171, F.S., providing procedures and criteria for certifying applicants for state funding under s. 212.20(6)(d)7.e., F.S.

Section 3. Provides that the bill will take effect on October 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The estimated fiscal impact upon General Revenue is ($0.9) million for FY 03-04 and ($3.3) million for FY 04-05.

2. Expenditures:

   Indeterminate at this time. However, there will be some cost to OTTED for rule promulgation, review of applications, and certification. Information obtained from OTTED indicated that there would be a “significant” impact but noted that the impact was indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The estimated fiscal impact upon local government is $0.9 million for FY 03-04 and $3.3 million for FY 04-05.

2. Expenditures:

   None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

There is a potential positive impact on high technology, manufacturing, research and development, entertainment, and tourism industry sectors that are recruited and encouraged to stay in an area through the revenues remitted to the local governments.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   This bill does not require municipalities or counties to expend funds, does not reduce their authority to raise revenue, and does not reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill grants rule-making authority to OTTED to adopt rules regarding receipt and processing of applications for funding.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 17, 2003, the Committee on Commerce passed HB 349 with CS. The changes between the original bill and the committee substitute include the amendments approved by the Subcommittee on Tourism discussed below and the expansion of the available uses of the funds to be received by the local governments to include attraction, recruiting, and retention of corporate headquarters and of entertainment industries.

On March 10, 2003, the Subcommittee on Tourism approved the following amendments for consideration by the Commerce Committee:

Amendment 1: Lines 136 – 137 are amended to clarify that the tax returns are those of the eligible convention center and not the unit of local government owning the center. This change was suggested by the Department of Revenue.

Amendment 2: Lines 12 – 13 are amended to remove duplicative language relating to adoption of rules contained on lines 10 – 11.