

HOUSE OF REPRESENTATIVES ANALYSIS

BILL #: HB 809 w/CS
SPONSOR(S): Kilmer
TIED BILLS:

RELATING TO: Economic Stimulus
IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
(1) <u>Finance & Tax</u>	<u>23 Y, 0 N w/CS</u>	<u>Overton</u>	<u>Diez-Arguelles</u>
(2) _____	_____	_____	_____
(3) _____	_____	_____	_____
(4) _____	_____	_____	_____
(5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill incorporates the recommendations made by Enterprise Florida, Inc. (EFI) to enhance economic development incentives. The bill:

- Changes the name of the “Urban High Crime Area Job Tax Credit Program” to the “Designated Urban Job Tax Credit Area Program” and enhances the credit program by increasing local designation of the zones, expanding eligible industries, removing reference to high crime, and allowing transferability of unused credits.
- Extends the deadline for businesses in the tax refund program for qualified defense contractors that have not received an economic-stimulus exemption by the effective date of this bill to apply for an economic-stimulus exemption.
- Extends the deadline for businesses in the tax refund program for qualified target industry businesses that have not received an economic-stimulus exemption by the effective date of this bill to apply for an economic-stimulus exemption.
- Revises the Technology Development Program to more accurately reflect EFI’s current mission.

The estimated fiscal impact upon General Revenue is (\$0.3) million for FY 03-04. There will be a negative, but insignificant impact on State Trust Funds and local governments.

The bill shall take effect upon July 1, 2003.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0809a.ft.doc
DATE: April 22, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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

B. EFFECT OF PROPOSED CHANGES:

Enterprise Florida, Inc. (EFI) is the public-private partnership responsible for leading Florida’s statewide economic development efforts. EFI was formed in July 1996, is responsible for economic development, international trade, and statewide business marketing. EFI’s mission is to increase economic opportunities for all Floridians through the creation and retention of quality jobs and the active support of strong and growing businesses. (Enterprise Florida’s WebPage at www.myflorida.com.)

States and communities compete with one another to attract, expand, and retain high-wage industries. Florida has incentive programs designed to attract and maintain such desired industries in the state. EFI annually reports on these incentive programs and makes recommendations for changes and improvements in the programs. This bill incorporates the recommendations made by EFI in its report entitled, 2002 Incentives Report: A Progress Report on Programs Funded From the Economic Development Incentives Account.

The Urban High-Crime Area Job Tax Credit Program

The Urban High-Crime Area Job Tax Credit Program was created in 1997 to encourage the creation of jobs in urban areas of Florida. (s. 212.097, F.S.) The program provides tax credits to eligible businesses that are located within the 13 urban areas designated by OTTED and hire a specific number of employees. The credit ranges from \$500 to \$2,000 per qualified job and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax, but not both. A total of \$5 million of tax credits may be approved under the Urban Job Tax Credit Program each calendar year.

EFI reports that under the current program approved credits are less than the full \$5 million of authorized credits. Credits approved under the Urban High-Crime Area Job Tax Credit in recent years were as follows:

- \$260,500 in 1999;
- \$4,999,500 in 2000 – approximately \$3.5 million was approved fro a single applicant (Universal Studios);
- \$2,486,500 in 2001; and
- \$1,405,000 in 2002.

The bill implements EFI recommendations of enhancing the credit program by increasing local designation of the zones, expanding eligible industries, removing reference to high crime, and allowing transferability of unused credits.

- ***Name of Tax Credit Program***

The name of the credit program is changed “Urban High Crime Area Job Tax Credit Program” to “Designated Urban Job Tax Credit Area Program.”

- ***Eligible Businesses***

Current businesses eligible to receive a tax credit under the program include: agriculture, forestry, fishing manufacturing, retail, public warehousing, public storage, hotels, other lodging places, research and development, motion picture production and allied services, public golf courses, and public amusement parks.

The bill expands the businesses eligible to apply for the Designated Urban Job Tax Credit Area Program to include targeted industries eligible for the qualified target industry business tax refund under s. 288.106, F.S. Sec. 288.106(1)(m), F.S., provides that the Office of Tourism, Trade, and Economic Development (OTTED), in conjunction with EFI, develop a list of targeted industries which are eligible to apply for the tax refund. In developing the list, the following principles must be used:

1. Future growth.—Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
2. Stability.—The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
3. High wage.—The industry should pay relatively high wages compared to statewide or area averages.
4. Market and resource independent.—The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
5. Industrial base diversification and strengthening.—The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
6. Economic benefits.—The industry should have strong positive impacts on or benefits to the state and regional economies.

- ***Rankings and Credits***

In administering the credit, the top 15 high-crime areas are ranked by the Office of Tourism, Trade and Economic Development according to the following five factors:

1. Highest arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances;
2. Highest reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism;
3. Highest percentage of reported index crimes that are violent in nature;
4. Highest overall index crime volume for the area; and
5. Highest overall index crime rate for the geographic area.

Tier-one areas are ranked 1 through 5 and represent the highest crime areas according to this ranking. Tier-two areas are ranked 6 through 10. Tier-three areas are ranked 11 through 15 and represent those areas with the lowest crime rate according to this ranking.

A new eligible business may apply for a one time tax credit at any time during its first year of operation. A new company located in a tier-one crime area that has 10 or more qualified employees receives a \$1,500 tax credit for each employee. A new company located in a tier-two crime area that has 20 or more qualified employees receives a \$1,000 tax credit for each employee. A new company located in a tier-three crime area that has 30 or more qualified employees receives a \$500 tax credit for each employee.

An existing eligible business located in a tier-one crime area that has five or more qualified employees than it had one year prior to its date of application receives a \$1,500 tax credit for each additional employee. An existing company located in a tier-two crime area that has 10 or more qualified employees receives a \$1,000 tax credit for each additional employee. An existing company located in a tier-three crime area that has 15 or more qualified employees receives a \$500 tax credit for each additional employee. An existing eligible business may apply for the credit at any time but no more than once in any 12-month period. An existing eligible business that received a credit as a new eligible business may not apply for this credit sooner than 12 months after application as a new eligible business.

An additional credit of \$500 is available for new employees who are welfare transition program participants. Such employee must be employed on the application date and have been employed less than 1 year. This is for both new and existing businesses at all tier levels.

Instead of OTTED ranking areas using separate criteria, the bill directs OTTED to rank those areas nominated by a county or municipality as urban tax credit areas using the same criteria as the county and municipalities (see Designation Process below). Instead of designating the 15 highest distress profile urban areas, the bill directs OTTED to designate 30. The bill eliminates the tier system. Under the bill all eligible new businesses qualify for a \$1,000 tax credit per employee and all eligible existing businesses with 10 or more employees qualify for a \$1,000 credit per employee.

- ***Designation Process***

A county, municipality, or a county and one or more municipalities together may apply to OTTED upon the adoption of a resolution that:

- (a) Finds that a high-crime area exists in such county or municipality, or in both the county and one or more municipalities, which exhibits extreme levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- (b) Determines that the rehabilitation, conservation, or redevelopment, or a combination, of the high-crime area is necessary for the health, safety, and welfare of the residents of the local government submitting an application; and
- (c) Determines that the revitalization of the high-crime area can occur if the public or private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.

The governing body of the local government nominating the area for designation must provide OTTED with the following information:

- (a) The overall index crime rate for the geographic area;
- (b) The overall index crime volume for the area;

- (c) The percentage of reported index crimes that are violent in nature;
- (d) The reported crime volume and the rate of specific property crimes, i.e. business and residential burglary, motor vehicle theft, and vandalism; and
- (e) The arrest rates within the geographic area for violent crime and for crimes such as drug sale, prostitution, disorderly conduct, and public-order offenses.

Under the bill the county or municipality follows the same procedure, except the county or municipality no longer is required to provide OTTED the information outlined above. Instead, the county or municipality must demonstrate to OTTED that the area meets the following:

(a) Income characteristics:

- 1. Forty percent of area residents earn at or below minimum wage; or
- 2. More than 20 percent of residents or families live below the federal standard of poverty for individuals or a family of four.

(b) Education characteristics:

- 1. Has a high school dropout rate higher than the county average; or
- 2. Has a high school graduation rate lower than the state average.

(c) Workforce and employment characteristics:

- 1. Has an unemployment rate at least 3 percentage points higher than the state's unemployment rate;
- 2. Greater than 50 percent of families subject to the welfare-to-work transition time limit are either within 6 months of the time limit or are receiving cash assistance under a period of hardship extension to the time limit; or
- 3. Is identified as a labor surplus area using the criteria established by the United States Department of Labor's Employment and Training Administration.

(d) Crime characteristics:

- 1. Has an arrest rate higher than the state's average rate for such crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances, as recorded by total crime 387 index of the Department of Law Enforcement; or
- 2. Ranks in the top 30 percent of zip codes with reported crimes that are violent in nature.

(e) Residential and commercial property related characteristics:

- 1. Fifty percent or more of area residents rent;
- 2.a. Property values are within the lower 50 percent of the county's assessed property values;
- b. More than 5 percent of area homes, apartments, or buildings are abandoned, have been condemned within the previous 24 months, or have a greater number of violations of the Florida Building Code than recorded in the remainder of the county or municipality; or
- c. Tax or special assessment delinquencies which exceed the fair value of the land.

- ***Designated Area Size and Population***

Under present law, an area nominated must not exceed 20 square miles and either has a continuous boundary or consists of not more than three noncontiguous parcels. In addition, the area may not exceed the following mileage limitation:

- 1. For communities having a total population of 150,000 persons or more, the area may not exceed 20 square miles.

2. For communities having a total population of 50,000 persons or more, but fewer than 150,000 persons, the area may not exceed 10 square miles.
3. For communities having a total population of 20,000 persons or more, but fewer than 50,000 persons, the area may not exceed five square miles.
4. For communities having a total population of fewer than 20,000 persons, the area may not exceed three square miles.

The bill changes these requirements by providing:

The selected area has a continuous boundary or consists of not more than three noncontiguous parcels.

The selected area does not exceed the following mileage limitation:

- a. For areas having a total population of 421 150,000 persons or more, the selected area does not exceed 20 square miles and is within 10 miles of the central business district of a city.
 - b. For area having a total population of 50,000 persons or more, but fewer than 150,000 persons, the selected area does not exceed 10 square miles and is within 7.5 miles of the central business district of a city.
 - c. For areas having a total population of 20,000 persons or more, but fewer than 50,000 persons, the selected area does not exceed 5 square miles and is within 5 miles of the central business district of a city.
- For areas having a total population of fewer than 20,000 persons, the selected area does not exceed 3 square miles and is within 3 miles of the central business district of a city.

A designated urban core or inner city may not include any portion of a central business district, as that term is used for purposes of the most recent Census of Retail Trade, unless the poverty rate for each census geographic block group in the district is not less than 30 percent.

- ***Transfer of Unused Credits***

Presently, a corporation who receives a credit but does not have enough tax liability to fully utilize the credit may not transfer the credit to another entity.

The bill allows a corporation to transfer any unused credit in whole or in units of no less than 25% of the remaining credit. The entity acquiring the credit may use it in the same manner and the same limitations as the original recipient. The credits may not be transferred again.

Tax Refund Program for Qualified Defense Contractors

Finding that high technology jobs in the state were threatened by downsizing in the national defense budget, the Legislature during a special session in 1993 created a tax refund program designed to facilitate the employment of Florida citizens by defense contractors. The Qualified Defense Contractor Tax Refund Program (QDC Program) authorized tax refunds to a certified contractor that: (1) secured a new Department of Defense (DOD) contract; (2) consolidated an existing DOD contract in Florida; (3) converted defense production jobs to non-defense production jobs; or (4) contracted for the reuse of a defense-related facility.¹ The program was repealed effective December 1, 1994.²

In 1996, the QDC Program was re-created and codified in s. 288.1045, F.S.³ In order to participate in the program and be eligible to receive tax refunds, a business must apply to OTTED for certification. The

¹ Section 288.104, F.S., (1994 Supp.).

² The Legislature had specified that the program would be repealed effective December 1, 1994, if no qualified applicant had entered into a valid new DOD contract or begun consolidation of an existing DOD contract, which was expected to result in the employment of at least 1,000 full-time employees. Because this condition was not satisfied by a single qualified applicant, the statute stood repealed.

³ See s. 1, ch. 96-348, L.O.F.

statute prescribes information that must be submitted by a defense contractor in order to be certified.⁴ The QDC Program features a local financial support component, under which an eligible business must secure a resolution adopted by county government which recommends the project and which indicates that the necessary commitments of local financial support for the business exist. Local financial support means funding from local sources, public or private, which is equal to 20 percent of the annual tax refund for a qualified business.⁵

Approved applicants enter into an agreement with OTTED and may receive refunds based on the payment of sales and use taxes, corporate income taxes, intangible personal property taxes, emergency excise taxes, excise taxes on documents, and ad valorem taxes. Tax refunds generally are paid to a participating business over a period of several years. A qualified applicant may not be qualified for any project to receive more than \$5,000 times the number of jobs provided for in the tax refund agreement.

A QDC Program business's compliance with the terms and conditions of its tax refund agreement with OTTED is a condition precedent for the receipt of a tax refund each year.⁶ The failure to comply with the terms and conditions of the tax refund agreement results in the loss of eligibility for receipt of all tax refunds previously authorized and the revocation by the director of OTTED of the certification of the business entity as a QDC Program business. However, s. 288.1045(5)(g), F.S., provides for a prorated tax refund, less a 5-percent penalty, for a QDC Program business that proves it has achieved at least 80 percent of its projected employment goal and pays at least 90 percent of the average wage specified in its tax refund agreement. Alternatively, a qualified defense contractor that fails to achieve its contractual obligations may remain in the QDC program if it receives an economic-stimulus exemption. A qualified defense contractor is eligible for an economic-stimulus exemption if its failure to comply with its contractual obligations with OTTED is the result of negative economic conditions in the defense industry or the result of terrorism. The qualified defense contractor must also submit a request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted between January 2, 2001, and June 30, 2003.

The bill modifies the definition of "Department of Defense contract" in the Qualified Defense Contractor Tax Refund Program to include contracts for products or services for homeland security use. Under the revised definition, eligible contracts may be made with the U.S. Department of Homeland Security.

The bill also extends the period for which qualified defense contractors that fail to comply with their contractual obligations with OTTED may apply for an economic-stimulus exemption. To receive the exemption, the failure to comply with contractual obligations with OTTED must be the result of negative economic conditions in the defense industry or the result of terrorism. A qualified defense contractor must also submit the request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted after January 1, 2001, and before June 30, 2004. Approval of the exemption will enable a business to remain in the defense contractor tax refund program. A qualified defense contractor will be ineligible to apply for an additional exemption if it has received an economic stimulus exemption prior to the effective date of the bill.

Tax Refund Program for Qualified Target Industry Businesses

The Qualified Target Industry Tax Refund Program (QTI Program), s. 288.106, F.S., is one of the state's economic development incentives. Under the program, eligible businesses may receive refunds of previously paid taxes, based upon the creation of jobs at a certain salary level.

Eligible businesses must be in an industry that meets the following criteria:

⁴ Section 288.1045(3), F.S.

⁵ Section 288.1045(1)(o) and (3), F.S.

⁶ Section 288.1045(4)(b), F.S.

- 1) Future growth.--Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
- 2) Stability.--The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
- 3) High wage.--The industry should pay relatively high wages compared to statewide or area averages.
- 4) Market and resource independent.--The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
- 5) Industrial base diversification and strengthening.--The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
- 6) Economic benefits.--The industry should have strong positive impacts on or benefits to the state and regional economies.

Businesses that may qualify as a qualified target industry business and thus be approved to receive tax refunds must be engaged in one of the following activities: manufacturing; financial and insurance services; wholesale trade; information industries; professional technical, scientific, and technical services; management services; and administrative and support services.

Section 288.106(4), F.S., requires each QTI Program business to enter into a written agreement with OTTED concerning the business's participation in the program. Compliance with the terms and conditions of a tax refund agreement is a condition precedent for the receipt of a tax refund each year. The failure to comply with the terms and conditions of the tax refund agreement results in the loss of eligibility for receipt of all tax refunds previously authorized and the revocation by the director of OTTED of the certification of the business entity as a qualified target industry business. However, s. 288.106(5)(d), F.S., provides for a prorated tax refund, less a 5-percent penalty, for a QTI Program business that proves it has achieved at least 80 percent of its job creation goal and 90 percent of the average wage specified in its agreement with OTTED.

Additionally, the 2002 Legislature amended s. 288.106(4)(b), F.S., to enable certain businesses to remain in the QTI Program after failing to meet their contractual obligations. Such businesses may remain in the QTI Program if they apply for an economic-stimulus exemption from their contractual obligations due to negative economic conditions or terrorism, in lieu of a tax refund claim that was scheduled to be submitted between January 2, 2001, and June 30, 2003.

Section 288.106(7), F.S., provides for a repeal of s. 288.106, F.S., on June 30, 2004.

The bill revises the criteria that OTTED and Enterprise Florida, Inc., are directed to use to identify a "target industry business" under the Qualified Target Industry Tax Refund Program, emphasizing certain defense and homeland security industries.

The bill also extends the period for which qualified target industry businesses that fail to comply with their contractual obligations with OTTED may apply for an economic-stimulus exemption. To receive the exemption, the failure to comply with contractual obligations with OTTED must be the result of negative economic conditions in a business's industry or the result of terrorism. A qualified target industry business must also submit the request for an economic-stimulus exemption to OTTED in lieu of any tax refund claim scheduled to be submitted after January 1, 2001, and before June 30, 2004. Approval of the exemption will enable a business to remain in the Qualified Target Industry Tax Refund Program. A qualified target industry business will be ineligible to apply for an additional exemption if it has received an economic stimulus exemption prior to the effective date of the bill.

Authorized Technology Development Programs

The Technology Development Program was created in 1993. Sec. 288.9515, F.S., authorizes EFI to:

- Create technology applications services
- Create a technology development financing fund called the Florida Technology Research Investment Fund. The fund is used to increase technology development in the state by investing in technology development projects. EFI shall also invest the fund in technology research or development projects that have the potential for commercial market application.
- Create technology commercialization programs in partnership with private enterprises, educational institutions, and other institutions.

Chapter 2002-265, Laws of Florida, directs the Office Program Policy Analysis and Government Accountability (OPPAGA) to review EFI's authority to establish technology commercialization⁷ and development⁸ projects. Chapter 93-187, Laws of Florida, directs that program is repealed on December 31, 2003 unless reenacted by the Legislature.

After conducting its review, OPPAGA recommends the EFI play a central role in fostering technology commercialization and development in the state. EFI is presently implementing several initiatives to increase the number of technology-based companies and jobs in Florida.⁹

In its report, OPPAGA made the following specific recommendations concerning s. 288.9515, F.S.:

- The Legislature should re-enact s. 288.9515(5), Florida Statutes, which authorizes Enterprise Florida, Inc., to create technology commercialization programs in partnership with private enterprises, educational institutions, and other institutions. This would underscore Enterprise Florida, Inc., as having a key role in supporting technology commercialization and development in the state.
- The Legislature should amend and re-enact s. 288.9515(1)(a)–(f), Florida Statutes. These sections presently authorize Enterprise Florida, Inc., to create technology applications services, and to serve as an umbrella organization for technology applications service providers in the state. Section 288.9511(6), Florida Statutes, defines technology applications as the introduction and adaptation of off-the-shelf technologies and state-of-the-art management practices to the specific circumstances of an individual firm. Technology application services were provided by the former Florida Manufacturing Technology Center, which . . . is no longer affiliated with Enterprise Florida, Inc.
- Enterprise Florida, Inc., proposes to have s. 288.9515(1)(a)–(f), Florida Statutes, amended so as to eliminate references to technology application services, and to broaden their focus to authorizing the corporation to provide services to technology-based businesses. Enterprise Florida, Inc.'s specific recommendations for amending these and other statutory provisions are presented in their entirety in Appendix A¹⁰. We have reviewed these recommendations and conclude that they are reasonable.

The Technology Investment Research Fund was established to partner the private sector and the state's research universities to develop marketable technologies. The fund was to invest in projects that had potential to generate marketable products beneficial to the state's economy. EFI still administers the

⁷ "Technology commercialization" means the process of bringing an investment-grade technology out of an enterprise, university, or federal laboratory for first-run application in the marketplace. s. 288.9511(8), F.S.

⁸ "Technology development" means strategically focused research aimed at developing investment-grade technologies essential to market competitiveness. s. 288.9511(8), F.S.

⁹ OPPAGA Report No. 02-59, Statutes Authorizing Technology Commercialization and Technology Development Should Be Re-enacted, December 2002.

¹⁰ Appendix A contains EFI's recommended changes to s. 288.9515, F.S. Those changes are contained in the bill.

Technology Research Investment Fund. EFI presently administers contracts with 14 entities that were disbursed a total of \$2,403,871 from the fund during Fiscal Years 1997-98 and 1998-99. The fund's balance as of June 30, 2002, was \$717,287.

As of June 30, 2002, EFI had received \$52,839 in royalty payments from companies receiving financial support from the fund. The amount of royalty payments Enterprise Florida, Inc., received through June 30, 2002, is generally consistent with what would be expected for these types of programs. Technology commercialization programs are long-term in nature. A number of years is often needed before a project develops a technology that can be refined, manufactured, and marketed by a commercial business. Additional time is required for product sales to generate royalty payments.

OPPAGA recommends that:

- The Legislature should amend and re-enact s. 288.9515(3) and (4), Florida Statutes, relating to the Technology Research Investment Fund. Enterprise Florida, Inc., still administers Technology Research Investment Fund projects and has begun to receive royalty payments from projects that resulted in commercialized products. We recommend that the Legislature amend these sections to allow Enterprise Florida, Inc., to use the Technology Investment Fund as a seed capital fund to help finance the creation of new high technology businesses in the state and use moneys currently in the fund for that purpose.

The bill re-enacts s. 288.9515, F.S. and includes EFI's recommended changes. The amendments to s. 288.9515(1) & (2), F.S., delete references to technology application services. These services are no longer provided by EFI because in 1999 the Manufacturing Technology Center was separated from EFI. Technology application services were provide by the Manufacturing Technology Center, and are now provided by its successor organization, the Florida Manufacturing Extension Partnership. The amendments also more accurately reflect EFI's current activities and focus on emerging technologies.

The amendments to s. 288.9515(3) & (4), F.S., to use the Technology Investment Fund as a seed capital fund to help finance the creation of new high technology businesses in the state and use moneys currently in the fund for that purpose.

OPPAGA also recommends that the Legislature should not re-enact s. 288.9517, Florida Statutes, relating to audits and examinations by the Auditor General and OPPAGA. The Auditor General and OPPAGA already have authority under other sections of the statutes to audit and examine Enterprise Florida, Inc., and its programs.

The bill also repeals s. 288.9517, F.S. relating to audits and examinations of the technology development board by the Auditor General and OPPAGA.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.097, F.S., to change the name of the Urban High Crime Area Job Tax Credit Program" to "Designated Urban Job Tax Credit Area Program." Include targeted qualified industry businesses as eligible for the credit. Increase from 15 to 30 the numbers of areas eligible to qualify for the program. Revise the criteria for an area to qualify for the program. Allow for the transfer of unused credits.

Section 2: Amends s. 220.1895, F.S., to change the name of the Urban High Crime Area Job Tax Credit Program" to "Designated Urban Job Tax Credit Area Program." Removes an obsolete reference to a report.

Section 3: Amends 288.1045, F.S., to modify the definition of "Department of Defense contract" in the Qualified Defense Contractor Tax Refund Program to include contracts for products or services for homeland security use. Under the revised definition, eligible contracts may be made with the U.S. Department of Homeland Security.

Section 4: Amends s. 288.106, F.S., to extend under specified circumstance the period for which qualified defense contractors that fail to comply with their contractual obligations with OTTED may apply for an economic-stimulus exemption.

Section 5: Amends s. 288.9515(1) & (2), F.S., delete references to technology application services; amends to s. 288.9515(3) & (4), F.S., to allow EFI to use the Technology Investment Fund as a seed capital fund to help finance the creation of new high technology businesses in the state and use moneys currently in the fund for that purpose.

Section 6: Repeals s. 288.9517, F.S. relating to audits and examinations of the technology development board by the Auditor General and OPPAGA.

Section 7: Repeals s. 14, ch. 93-187, L.O.F., which provides for the repeal of s. 288.9515, F.S., on December 31, 2003. As a result, s. 288.9515, F.S., will remain in effect until the Legislature chooses to repeal it.

Section 8: Provides that the act shall take effect July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Issue	<u>General Revenue</u>		<u>State Trust</u>		<u>Local Trust</u>		<u>Total</u>	
	<u>Cash</u>	<u>Recurr</u>	<u>Cash</u>	<u>Recurr</u>	<u>Cash</u>	<u>Recurr</u>	<u>Cash</u>	<u>Recurr</u>
Urban job tax credits, change requirements for qualifying	-0.3	-0.6	(*)	(*)	(*)	(*)	-0.3	-0.6

2. Expenditures: None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: See table above.

2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On April 22, 2003, the Committee on Finance & Tax adopted an amendment that removed the following provisions from the original bill:

- Creation of a sales and use tax exemption for machinery and equipment used in research and development.
- Lowering the sales price threshold from \$5,000 to \$500 for the sales tax exemption for machinery and equipment purchased for use in an enterprise zone.
- Expanding the Capital Tax Credit Program to include any business certified by EFI as a qualified target industry.

The amendment also added the following provisions to the original bill:

- Extending the deadline for businesses in the tax refund program for qualified defense contractors that have not received an economic-stimulus exemption by the effective date of this bill to apply for an economic-stimulus exemption.
- Extending the deadline for businesses in the tax refund program for qualified target industry businesses that have not received an economic-stimulus exemption by the effective date of this bill to apply for an economic-stimulus exemption.