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.)

Prepared By: Commerce and Consumer Services Committee

BILL: SB 1644

SPONSOR: Senator Campbell

SUBJECT: Economic Development Incentives

DATE: March 22, 2005 REVISED: 03/29/05

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Barrett	Cooper	CM	**Fav/1 amendment**
2.			CA	
3.			GE	
4.			WM	
5.				
6.				

Please see last section for Summary of Amendments

- [ ] Technical amendments were recommended
- [ ] Amendments were recommended
- [x] Significant amendments were recommended

I. Summary:

This bill provides that 50 percent of the sales tax collections generated by the use and operations of an eligible convention center will be remitted back to the unit of local government owning the convention center. This bill prescribes the convention center standard services that are eligible for the sales tax rebate. The remitted tax collections must be used for economic development. Distributions may not exceed $2 million per fiscal year for each eligible local government and may not exceed $10 million in the aggregate per fiscal year.

This bill also allows OTTED to certify up to five additional spring training facilities, provides evaluation criteria for certification, and increases the aggregate monthly distribution to all spring training facilities.

This bill substantially amends sections 212.20 and 288.1162 of the Florida Statutes.

II. Present Situation:

Economic Development Incentives

Several incentive programs are available to attract, recruit, and retain businesses in Florida. The majority of the programs are coordinated and administered by the Office of Tourism, Trade, and Economic Development (OTTED) and Enterprise Florida, Inc. Enterprise Florida has overall responsibility for the retention and recruitment of businesses to the state. The Legislature has expressed its intent in s. 288.90151(2), F.S., for Enterprise Florida to work with local economic development entities to maximize the state and local return-on-investment to create jobs for Floridians.

Examples of Business Development Incentives

The Qualified Targeted Industry (QTI) Tax Refund Program is one of the state's key economic development incentives. The QTI program encourages quality job growth in targeted high-wage, value-added businesses. Approved businesses receive refunds on taxes paid (corporate income, sales, and certain other taxes) for creating new jobs in specified industry categories.[1] This program defines a "target industry business" as a corporate headquarters business or any business that is engaged in one of the target industries identified pursuant to the following criteria developed by OTTED in consultation with Enterprise Florida:

- 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.
- 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.
- High wage. – The industry should pay relatively high wages compared to statewide or area averages.
- Market and resource independent. – The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
- 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.
- Economic benefits. – The industry should have strong positive impacts on or benefits to the state and regional economies.[2]

The High-Impact Performance Incentive (HIPI) Grant is an incentive used to attract and grow high-impact facilities.[3] To qualify, a business must make a cumulative investment in the state of

[1] Section 288.106, F.S.
[2] Section 288.106(1)(o), F.S.

at least $100 million and create at least 100 new full-time equivalent jobs in the state. If the business is a research and development facility, it must make a cumulative investment of at least $75 million and create at least 75 new full-time equivalent jobs. The investment and employment targets must be achieved within three years after the date the business is certified as a qualified high-impact business.[4] The QTI and HIPI programs apply to high technology and manufacturing businesses but not necessarily to tourism-related businesses.

Distribution of Sales Tax Collections

Chapter 212, F.S., governs taxes on sales, use, and other transactions. Section 212.20, F.S., governs the distribution of some of those funds collected by the Department of Revenue (DOR). Several provisions within s. 212.20, F.S., provide economic assistance to certain economic sectors. For example, facilities designated as new professional sports franchises or facilities for a retained professional sports franchise receive funding distributions from DOR after certification by OTTED.[5] OTTED grants or denies certification using criteria set out in s. 288.1162, F.S. Other examples include the Professional Golf Hall of Fame facility,[6] certified under s. 288.1168, F.S., and the International Game Fish Association World Center facility,[7] certified under s. 288.1169, F.S. Recipients receive a fixed monthly distribution of sales tax revenues set by statute for a fixed number of years:

- Facility for a new/retained professional sports franchise: $166,667 monthly for no more than 30 years;
- Facility for a retained spring training franchise: up to $41,667 monthly for not more than 30 years, but not more than $208,335 may be distributed monthly in the aggregate to all such facilities;
- Professional Golf Hall of Fame: $167,667 monthly for up to 300 months; and
- International Game Fish Association World Center facility: $83,333 monthly for up to 168 months.

The criteria used by OTTED for certification include items such as the relationship with and support of a local unit of government, projections for paid attendance, and demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility. Other requirements generally include reviews, recertification, sanctions, audits, and a prohibition of additional certifications for the same facility.

Convention Centers

At this time, there are nine convention centers in the state that contain at least 75,000 square feet of exhibit space:

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[3] Section 288.108, F.S.
[4] *Id.* at (2)(a).
[5] Section 212.20(6)(d)7.b., F.S.
[6] Section 212.20(6)(d)7.c., F.S.
[7] Section 212.20(6)(d)7.d., F.S.

- Orange County Convention Center (2,053,820 sq. ft.);
- Miami Beach Convention Center (502,848 sq. ft.);
- Tampa Convention Center (200,000 sq. ft.);
- Broward County Convention Center (199,526 sq. ft.);
- Coconut Grove Convention Center, Miami (150,000 sq. ft.);
- Palm Beach County Convention Center (100,000 sq. ft.);
- Lakeland Center (100,000 sq. ft.); and
- Prime F. Osborn III Convention Center, Jacksonville (78,500 sq. ft.).
- Tallahassee Leon County Civic Center (78,000 sq. ft.)[8]

Local Option Tourist Development Taxes

Section 125.0104, F.S., authorizes counties to levy five separate tourist development taxes on transient rental transactions: The Tourist Development Tax, the Additional Tourist Development Tax, the Professional Sports Franchise Facility Tax, the Additional Professional Sports Franchise Facility Tax, and the High Tourism Impact Tax. (See TABLE 1) Depending on the particular tax, the levy may be authorized by vote of the governing body or referendum approval. Tax rates vary by county depending on a county's eligibility to levy particular taxes. The maximum tax rate for most counties is 3 or 4 percent; the maximum rate is 6 percent for several counties.

Generally, the revenues may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy.

TABLE 1: Tourist Development Taxes

TAX	AUTHORIZED LEVY (%)	# OF COUNTIES AUTHORIZED TO LEVY TAX	# OF COUNTIES LEVYING TAX
TOURIST DEVELOPMENT			
Original Tax (s. 125.0104(3)(b), F.S.)	1 or 2%	67	53
Additional Tax (s. 125.0104(3)(d), F.S.)	1%	45	33
Professional Sports Franchise Facility Tax (s. 125.0104(3)(l), F.S.)	up to 1%	67	17
Additional Professional Sports Franchise Facility Tax (s. 125.0104(3)(n), F.S.)	1%	15	4
High Tourism Impact Tax (s. 125.0104(3)(m), F.S.)	1%	Monroe, Orange & Osceola	Orange & Osceola

(Source: Legislative Committee on Intergovernmental Relations, 3/2005)

[8] Revenue Estimating Conference, February 14, 2005.

Spring Training Facilities

For a retained spring training facility to receive funding, they must be certified by OTTED. In order to be certified as a "facility for a retained spring training franchise" the following criteria must be met:

- a unit of local government must own the property, or be responsible for acquisition, construction, management, or operation of the facility;
- the applicant must have an agreement to use the facility for at least 15 years;
- the applicant has a commitment to provide at least 50 percent of the funds needed;
- the applicant has verified projections that the facility will attract attendance of at least 50,000 annually; and
- the facility is located in a county levying a tourist development tax[9]

Currently, there are five certified spring training facilities.[10] The aggregate funding cap for certified retained spring training facilities is $208,335 per month.

III. Effect of Proposed Changes:

Section 1 amends s. 212.20(6)(d)7., F.S., to require the Department of Revenue (DOR) to distribute monthly, to qualified local governments, 50 percent of the sales tax collections generated by the use and operations of eligible convention centers and reported on the convention center's sales and use tax return. The sales taxes eligible for rebate must come from the following convention center standard services provided by center staff: parking; admission; ticket sales; food services; electrical or like services; space rentals; equipment rentals; and security services. Distributions may not exceed $2 million per fiscal year for each eligible local government and total distributions to all units of local governments may not exceed $10 million each fiscal year. The distributions are limited to the taxes collected and remitted under ch. 212, F.S. Such distributions are required to begin 60 days following certification and may not continue for longer than 30 years. Distributions may only be used to encourage and provide economic development for the attraction, recruitment, 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.

This bill also amends s. 212.20(6)(d)7.b., F.S., to increase the monthly statewide funding cap for spring training facilities from $208,335 to $416, 667. The cap is increased to allow funding for additional spring training facilities certified by OTTED, as authorized by section 2 of this bill.

Section 2 amends s. 288.1162(5)(c), F.S., to allow OTTED to certify up to five additional spring training facilities. The aggregate funding may not exceed $208,335 per month. Applications are due by October 1 of each year, and certifications will be made by January 1 of the following

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[9] Section 288.1162(5), F.S.
[10] The certified spring training facilities include: Philadelphia Phillies - Clearwater; Toronto Blue Jays - Dunedin, L.A. Dodgers - Indian River County; Detroit Tigers - Lakeland; Houston Astros - Osceola County; OTTED.

year. OTTED is required to rank applications according to evaluation criteria in the following order:

- The intended use of the funds by the applicant for acquisition or construction of a new facility.
- The intended use of the funds by the applicant to renovate a facility.
- The length of time that a facility to be used by a retained spring training franchise has been used by one or more spring training franchises, with priority given to a facility that has been in continuous use as a facility for spring training the longest.
- For those teams leasing a spring training facility from a unit of local government, the remaining time on the lease for facilities used by the spring training franchise, with priority given to the shortest time period remaining on the lease. For consideration the remaining time on the lease may not exceed 4 years.
- The duration of the future-use agreement with the retained spring training franchise, with priority given to the future-use agreement having the longest duration.
- The amount of the local match, with priority given to the largest percentage of local match proposed.
- The net increase of total active recreation space owned by the applying unit of local government following the acquisition of land for the spring training facility, with priority given to the largest percentage increase of total active recreation space.
- The location of the facility in a brownfield area, an enterprise zone, a community redevelopment area, or another area of targeted development or revitalization included in an urban infill redevelopment plan, with priority given to facilities located in those areas.
- The projections on paid attendance attracted by the facility and the proposed effect on the economy of the local community, with priority given to the highest projected paid attendance.

These criteria mirror, to a large extent, the criteria in current law for the current funding recipients.

Section 288.1162(7), F.S., is amended to require the number of spring training facility certifications to be governed by s. 288.1162(5), F.S.

Section 3 provides an effective date of July 1, 2005.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill does not require cities and counties to expend funds or limit their authority to raise revenue or receive state-shared revenues as specified by s.18, Art. VII, State Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

On February 14, 2005, the Revenue Estimating Conference adopted the revenue impact estimate for SB 66. SB 1644 will have an identical fiscal impact. This bill will result in lost revenue to the state. However, any negative impact on local governments that own the eligible convention centers will be more than offset by the remittance of 50 percent of state and local sales taxes collected in the convention centers. Local governments that own newly certified spring training facilities will benefit from monthly distributions of state funds for qualified facilities.

Fiscal Impact (millions of dollars)

	Cash	Recurring
General Revenue	(4.30)	(5.70)
Local Impact	4.30	5.70
Total Impact	0.00	0.00

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 743900 by Commerce and Consumer Services:
This amendment deletes the section that remits 50 percent of the sales tax collections generated by the use and operations of an eligible convention center to the unit of local government owning the convention center.