HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 3 Freight Logistics Zones
SPONSOR(S): Transportation & Highway Safety Subcommittee; Ray and others
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 136

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Transportation & Highway Safety Subcommittee	13 Y, 0 N, As CS	Johnson	Miller
2) Transportation & Economic Development Appropriations Subcommittee		Proctor	Davis
3) Economic Affairs Committee			

SUMMARY ANALYSIS

The bill creates s. 311.103, F.S., defining a freight logistics zone as a grouping of activities and infrastructure dealing with freight transportation and related services within a defined area, and allows a county, or two or more contiguous counties to designate a freight logistics zone. Projects within freight logistics zones, which are consistent with the Department of Transportation's (DOT) Freight Logistics and Trade plan, may be eligible for priority in state funding for certain incentive programs. Currently, freight logistics zones are not defined or designated.

The bill has an indeterminate fiscal impact on both state and local governments.

The bill has an effective date of July 1, 2014.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Freight

The U.S. economy's success depends on a complex, interconnected transportation network comprised of highways, railways, seaports, and airports. The growing importance of freight movement in the overall economy is reflected in the recently enacted federal transportation authorization legislation, Moving Ahead for Progress in the 21st Century (MAP-21).[1] MAP 21 creates a streamlined, performance-based, and multimodal program to address the many challenges facing all modes of U.S. transportation. In terms of freight, MAP-21 policies and provisions outline the requirements for developing a 27,000 mile National Freight Network that is critical to the nation's long-term economic growth. Additionally, MAP-21 provides a number of new funding opportunities, including up to 95 percent match for certain freight-related projects.

In recent years, Florida has taken a number of steps to address freight mobility needs and diversify the state's economy. The Department of Transportation (DOT) is pursuing a goal to develop a coordinated multi-modal transportation system for freight movement in Florida. In furthering that goal, DOT established the Office of Freight Mobility and Passenger Operations.

In 2012, the Legislature enacted HB 599,[2] which created the Florida Freight Mobility and Trade Plan (FMTP).[3] The FMTP will play an important role in transforming the state's economy to become a global hub of trade, logistics, and export oriented manufacturing activities. The four main objectives of the FMTP include:

- Increasing the flow of domestic and international trade through the state's seaports and airports, including specific policies and investments that will recapture cargo currently shipped through seaports and airports located outside the state;
- Increasing the development of intermodal logistic centers in the state, including specific strategies, policies, and investments that capitalize on the state's empty backhaul trucking and rail market;
- Increasing the development of manufacturing industries in the state, including specific policies and investments in transportation facilities that will promote the successful development and expansion of manufacturing facilities; and
- Increasing the implementation of compressed natural gas (CNG), liquefied natural gas (LNG), and propane energy policies that reduce transportation costs for businesses and residents located in the state.[4]

The FMTP is being developed in two phases. The Policy Element was adopted on June 19, 2013, and lays out the policy framework through the development of objectives, strategies, and action items.[5] The Implementation Element will develop a collaborative and transparent project prioritization process to match funding for short-term and long-term investment.

Another key element of Florida's freight mobility strategy is the establishment of intermodal logistics centers (ILCs). Section 311.101(2), F.S., defines an ILC as a facility or group of facilities serving as a point of intermodal transfer of freight in a specific area physically separated from a seaport where

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[1] P.L. 112-141

[2] Ch. 2012-174, L.O.F.

[3] Information on the development of the FMTP is available at http://www.freightmovesflorida.com/freight-mobility-and-trade-plan/freight-mobility-and-trade-plan-overview (Last visited October 28, 2013).

[4] S. 334.044(4)(a), F.S.

[5] A copy of the Policy Element of the FMTP is available at http://www.freightmovesflorida.com/freight-mobility-and-trade-plan/policy-element (Last visited October 28, 2013).

activities related to the transport, logistics, goods distribution, consolidation, or value-added activities are carried out and whose activities and services are designed to support or be supported by conveyance or shipping through one or more seaports listed in s. 311.09, F.S.[6]

Section 311.101, F.S., also establishes the ILC Infrastructure Support Program which provides $5 million in funds annually to support projects that create or improve the movement of freight goods along all modes of transportation. This program is open to state, local, or private entities that have obtained local support and funding for their project. The eligibility of a project is determined by DOT and the Department of Economic Opportunity (DEO). Eligible projects must show a benefit to the community as well as demonstrate the improvement of freight movement within the affected region.

Finally in 2012, ILCs were added to the list of transportation facilities eligible to receive funding for transportation capacity improvements under the Strategic Intermodal System (SIS).[7] Designation as part of the SIS requires review and approval by DOT. DOT is currently finalizing updated SIS eligibility criteria for ILCs.

Currently, freight logistics zones are not defined or designated.

Incentive Programs: Parts I, III, and V of ch. 288, F.S.
Current law provides a number of economic development incentives in various forms, including tax credits, tax refunds, tax exemptions, infrastructure funding, and cash grants.[8]

With respect to part I of ch. 288, F.S., the Quick Response Training Program is intended to meet the short-term, immediate, workforce-skill needs of certain "business and industries that support the state's economic development goals, particularly high value-added businesses or businesses that locate in and provide jobs the state's distressed urban areas."[9]

The Rural Infrastructure Fund facilitates "the planning, preparing, and financing of infrastructure projects in rural communities that will encourage job creation, capital investment, and the strengthening and diversification of rural economies by promoting tourism, trade, and economic development."[10]

Section 288.106, F.S., establishes a tax refund program for qualified, eligible target industry businesses for projects that create a new business or expand an existing business.

Part III of ch. 288, F.S., authorizes any corporation or government agency to apply to federal authorities for a grant of privilege of establishing, operating, and maintaining foreign trade zones and subzones in or adjacent to ports of entry of the United States pursuant to the Foreign Trade Zone Act of 1934. A grant includes authority to select and describe the location of zones or subzones and to make rules as may be necessary to comply with the rules and regulations made in accordance with the Act.

Part V of ch. 288, F.S., creates the Florida Export Finance Corporation as a not-for-profit corporation. The corporation's intended purpose is to assist small and medium-sized Florida businesses in the expansion of international trade and to expand job opportunities for Florida's workforce.

Each of the various programs under parts I, III, and V of ch. 288, F.S., has its own set of eligibility criteria and related requirements.

Proposed Changes
The bill creates s. 311.103, F.S., defining a freight logistics zone as a grouping of activities and infrastructure associated with freight transportation and related services around an ILC. The bill allows a county, or two or more contiguous counties, to designate a geographic area or areas within its

[6] Section 311.09(1), F.S. lists the following seaports: Jacksonville, Port Canaveral, Port Citrus, Fort Pierce, Palm Beach, Port Everglades, Miami, Port Manatee, St. Petersburg, Tampa, Port St. Joe, Panama City, Pensacola, Key West, and Fernandina.
[7] The SIS is created pursuant to ss. 339.61 through 339.65, F.S.
[8] See ch. 288, F.S., relating to Commercial Development and Capital Improvements.
[9] S. 288.047, F.S.
[10] S. 288.0655, F.S.

jurisdiction as a freight logistics zone. The plan must be accompanied by a strategic plan adopted by the county or counties. At a minimum, the strategic plan must include, but is not limited to:

- A map depicting the geographic area or areas to be included within the designation.
- Identification of existing or planned freight facilities or logistics clusters located within the zone.
- Identification of existing transportation infrastructure, such as roads, rail, airports, and seaports, within or in close proximity to the proposed freight logistics zone.
- Identification of existing workforce availability within or in close proximity to the proposed zone.
- Identification of any existing or planned local, state, or federal workforce training capabilities available for a business seeking to expand or locate within the proposed zone.
- Identification of any local, state, or federal plans, including transportation, seaport, or airport plans, concerning the movement of freight within or in close proximity to the proposed zone.
- Identification of financial or other local government incentives to encourage new development, expansion of existing development, or redevelopment within the proposed zone.
- Documentation that the plan is consistent with applicable local government comprehensive plans and adopted long range transportation plans of a Metropolitan Planning Organization, where applicable.

The bill provides that projects within freight logistics zones, which are consistent with DOT's Freight Mobility and Trade Plan,[11] may be eligible for priority in state funding and incentive programs relating to freight logistics zones under applicable programs in parts I, III, and V of ch. 288, F.S.

The bill provides criteria for evaluating projects within a designated freight logistics zone to determine funding or incentive program eligibility, consideration must be given to:

- The presence of an existing or planned intermodal logistics center within the freight logistics zone.
- The ability of the project to serve a strategic state interest.
- The ability of the project to facilitate the cost-effective and efficient movement of goods.
- The extent to which the project contributes to economic activity, including job creation, increased wages, and revenues.
- The extent to which the project efficiently interacts with and supports the existing or planned transportation network.
- The amount of investment or commitments made by the owner or developer of the existing or proposed facility.
- The extent to which the county or counties have commitments with private sector businesses planning to locate operations within the freight logistics zone.
- Demonstrated local financial support and commitment to the project, including in-kind contributions.

The bill has an effective date of July 1, 2014.

B. SECTION DIRECTORY:

Section 1 Creates s. 311.103, F.S., relating to the designation of state freight logistics zones.

Section 2 Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

[11] DOT's Freight Mobility and Trade Plan is developed pursuant to s. 334.044(33), F.S.

None.

2. Expenditures:

   Indeterminate. Creating new freight logistics zones that are eligible for priority incentive funding under applicable programs in parts I, III, and V of ch. 288, F.S., may promote more use of the state's economic incentive programs. The extent to which any projects are deemed viable for utilizing state incentive programs, however, would still be determined by the Department of Economic Opportunity, and subject to the availability of funding through legislative appropriation in the annual General Appropriations Act.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   Indeterminate. The growth of the freight industry and related businesses in the freight logistics zones may have a positive impact on revenues generated from local taxes and fees.

2. Expenditures:

   Indeterminate. Financial or other local government incentives are to be identified in the strategic plan for a designated freight logistics zone and will vary from project to project.

   Counties that choose to designate freight logistics zones will incur expenses, in unknown amounts, associated with creating strategic plans and designating freight logistics zones.

   Local government financial support and commitment, in unknown amounts, are to be identified in the required strategic plans.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may promote the growth of the freight industry and related businesses in freight logistics zones.

D. FISCAL COMMENTS:

There is no direct impact to DOT. Projects within freight logistic zones may be given priority consideration for funding during the development of the Five-Year Tentative Work Program, but there are no requirements placed on the department.[12] The eligibility incentivizes coordination of local, regional and state planning of, and investment in, intermodal infrastructure.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

None.

[12] DOT's work program is developed pursuant to s. 339.135, F.S.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On January 9, 2014, the Transportation & Highway Safety Subcommittee adopted a strike-all amendment and reported the bill favorably as a committee substitute. The strike-all amendment:

- Corrects bill drafting errors.
- Provides for the identification of existing or planned workforce training capabilities.
- Clarifies that projects within freight logistics zones are being evaluated for incentive programs.
- Provides that a project may support an existing or planned transportation network.
- Allows for the consideration of in-kind contributions as it relates to financial support at commitment.

The analysis is drafted to the committee substitute.