

STORAGE NAME: h0945.tr.doc

DATE: February 2, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
TRANSPORTATION
ANALYSIS – LOCAL LEGISLATION**

BILL #: HB 945

RELATING TO: the Jacksonville Seaport Authority

SPONSOR(S): Representative(s) Lee and others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) TRANSPORTATION
- (2) LOCAL GOVERNMENT & VETERANS AFFAIRS
- (3) COUNCIL FOR READY INFRASTRUCTURE
- (4)
- (5)

I. SUMMARY:

The Port of Jacksonville has one of 16 foreign trade zones (FTZs) in Florida, which allows duty-free transport of materials, under specific circumstances, used by U.S. businesses. The FTZ is located within the territorial boundaries of Jacksonville and Duval County.

HB 945 amends the Jacksonville Seaport Authority's charter to allow it to seek expansion of the FTZ outside of Duval County. The actual decision on FTZ expansion would be made by the U.S. Department of Treasury and U.S. Department of Commerce.

The bill has no fiscal impact on state agencies.

HB 945 takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | 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. PRESENT SITUATION:

Background on the Jacksonville Seaport Authority

The Jacksonville Seaport Authority was created by special act in 2001 (chapter 2001-319, Laws of Florida), to operate as a local, public, and independent authority of the City of Jacksonville. Until last year, it was part of the Jacksonville Port Authority, created by special act in 1963, which owned and regulated the three marine terminals that make up the Port of Jacksonville, as well as the four airports in Jacksonville. The Legislature agreed with local officials that the city's maritime and aviation infrastructure had matured and prospered to an extent that they needed their separate authorities.

"JAXPORT" is along a 30-mile stretch of the St. Johns River from the Atlantic Ocean south to downtown Jacksonville. Three terminals comprise the port infrastructure: the Blount Island Marine Terminal, which handles shipments of automobiles, other recreational vehicles, paper products, steel, and consumer goods packed in containers; the Talleyrand Marine Terminal, which also handles automobiles as well as agricultural goods, and liquid cargoes such as turpentine; and the Dames Point Marine Terminal, the newest of the three with the lowest cargo volume, but which the Port Authority is planning to develop into a more modern port facility. Combined, these facilities move about 7 million tons of cargo a year.

Also, 20 other maritime facilities, not managed by the Port Authority, move about 10 million tons of additional cargo in and out of the St. Johns River.

In terms of total tonnage, the Port of Jacksonville ranks about No. 40 in the nation and is third behind only Tampa and Port Everglades of Florida's 14 deepwater ports. In automobile handling, Jacksonville is No. 2 in the nation, behind only the Port of New York/New Jersey.

JAXPORT has a federally designated foreign-trade zone (FTZ) that gives its business clients a break on U.S. Customs duties. It is one of 16 FTZs in Florida. Each of the 16 FTZs are within a county or a city.

Background on Foreign Trade Zones (FTZs)

FTZs were created in the United States to provide special customs procedures to U.S. plants engaged in international trade-related activities. Duty-free treatment is accorded items that are processed in FTZs and then re-exported, and duty payment is deferred on items until they are brought out of the FTZ for sale in the U.S. market. This helps to offset customs advantages available to overseas producers who compete with domestic industry.

There are 233 FTZs within the United States. Most of them are affiliated with ports and airports, but some are associated with economic development zones. FTZs in Savannah, Ga., New Orleans, Boston, and Mobile, Ala. are among several nationally that include cities or counties outside of the original designated area.

FTZs are considered to be outside of U.S. Customs Territory for the purpose of customs duty payment. Therefore, goods entering FTZs are not subject to customs tariffs until the goods leave the zone and are formally entered into U.S. Customs Territory. Merchandise that is shipped to foreign countries from FTZs is exempt from duty payments. This provision is especially useful to firms that import components in order to manufacture finished products for export.

There is no time limit on goods stored inside a FTZ and certain foreign and domestic merchandise held in FTZs may be exempted from state and local inventory taxes. This allows firms to minimize their costs while their products are waiting to be shipped. In addition, quota restrictions are in some cases waived for items entering an FTZ; however, the restrictions would apply if the items were to enter the U.S. market.

A variety of activities can be conducted in a zone, including assembling, packaging, destroying, storing, cleaning, exhibiting, re-packing, distributing, sorting, grading, testing, labeling, repairing, combining with foreign or domestic content, or processing.

An FTZ board composed of representatives from the U.S. Departments of Commerce and Treasury governs activities within FTZs, including adjustment of FTZ territorial boundaries.

C. EFFECT OF PROPOSED CHANGES:

HB 945 amends the special act creating the Jacksonville Seaport Authority to allow it to make application to the appropriate federal agencies for FTZ activities outside of the Jacksonville/Duval County jurisdictional territory, and provided there is a fiscal benefit to Duval County, to enter into agreements pertaining to the establishment of bonded warehouses outside of Duval County.

Supporters of the legislation say there are businesses located in Clay, Baker, Nassau and Columbia counties that have expressed interest in the benefits afforded by an FTZ designation. One such inquiry was from a shoe manufacturer in Clay County, who could save the costs of paying duties on materials imported to make his product. Paying duties on the finished product – shoes – is projected to be less.

A spokesman for JAXPORT said it might take up to a year, after the application is filed, to receive approval from the appropriate federal agencies to extend the port's FTZ.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends subsection (3) of section (1) of chapter 2001-319, Laws of Florida, to allow the Jacksonville Seaport Authority to apply for foreign trade zone status outside of Duval County, as long as Duval County benefits financially.

Section 2: Specifies this act shall take effect upon becoming a law.

III. NOTICE/REFERENDUM AND OTHER REQUIREMENTS:

A. NOTICE PUBLISHED? Yes No

IF YES, WHEN?

November 1, 2001.

WHERE?

In the Financial News and Daily Record, a daily newspaper published in Jacksonville, Florida.

B. REFERENDUM(S) REQUIRED? Yes No

IF YES, WHEN?

C. LOCAL BILL CERTIFICATION FILED? Yes, attached No

D. ECONOMIC IMPACT STATEMENT FILED? Yes, attached No

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

HB 945 raises no apparent constitutional issues.

B. RULE-MAKING AUTHORITY:

Not applicable.

C. OTHER COMMENTS:

The fiscal impact analysis attached to the Local Bill Certification indicated minimal revenues and expenditures arising from the passage of HB 945. For example, Expenditures related to administering, enforcing and implementing the legislation were estimated at \$42,000 in FY 02-03 and \$46,000 in FY 03-04. Revenue to JAXPORT was estimated at \$10,000 in FY 02-03 and \$22,000 in FY 03-04. And, the estimated economic benefit to businesses and to governments was \$60,000 each.

A representative of JAXPORT's planning office said economic impact numbers are difficult to quantify this early in the process. He added that the economic benefits and savings on paying U.S. Customs duties would vary, depending on the business. He said the real impact of HB 945 is as an economic development tool that keeps it competitive with other ports, including the Port of Savannah, Ga.

Supporters of HB 945 say they know of no opposition to the bill from officials or residents of surrounding counties. Any application to expand JAXPORT's FTZ into another county must include documentation from the appropriate county commission in support of the request.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Not applicable.

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VI. SIGNATURES:

COMMITTEE ON TRANSPORTATION :

Prepared by:

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