

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1150

SPONSOR: Senator Clary

SUBJECT: Military Base Retention

DATE: March 8, 1999

REVISED: 03/10/99 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/1amendment</u>
2.	_____	_____	<u>CA</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill provides for a role and funding for the Florida Defense Alliance, as it assists resident military bases, missions, and its military host communities to retain or obtain competitive positions during U.S. defense realignment and downsizing activities. The bill removes the limitation on the grant amount under the Florida Military Installation Reuse Planning and Marketing Grant Program. The bill reduces the amount of the matching grant requirements of certain grant programs. The bill provides a cap on payment of administrative expenses from certain grants.

The bill appropriates \$20 million from the General Revenue Fund to the Office of Tourism, Trade, and Economic Development for grants designed to assist communities that could be affected by changes in military bases or installations. A portion of the appropriation is to be used to employ a consultant to evaluate the infrastructure needs of the military bases.

This bill substantially amends section 288.980, Florida Statutes, 1998 Supp.

II. Present Situation:

General Background¹

Strategic analysts contend that the U.S. military is entering a period of intense military transformation, in which there will be dramatic shifts in how the armed forces fight and organize themselves for combat. The rapid worldwide dissemination of sophisticated technology, which enables regional powers to greatly improve their military capabilities, poses new defense challenges. Key U.S. military competencies will include information superiority and establishing control of space. In this changing environment, a large armed force and numerous fixed land bases are arguably costly vestiges of World War II and Cold War strategies. Cuts in the federal defense budget and significant downsizing of the force structure (number of troops, aircraft carriers,

¹ Information from OTTED, the Florida Defense Alliance, and Enterprise Florida.

active fighter wings) create strong pressures to close facilities and save on operations and maintenance. Active duty personnel have been cut by a third but the support structure (bases) by only 18 percent. Further, large investments need to be made to procure new advanced information technology and weapon systems.

Defense Base Realignment and Closure Commission

Congress established the Defense Base Realignment and Closure Commission (BRAC) to ensure that the process of closing and realigning military installations within the United States would be fair, non-partisan, and open to public scrutiny. Legislation approved in 1990 called for three rounds of BRAC. The 1991 and 1993 Commission's recommendations have been enacted into law. The last year the BRAC committee held meetings was 1995; their decisions were approved by the president and are currently being implemented. The Secretary of Defense is reportedly recommending two additional base closure rounds, in 1999 and 2001.

Florida's Defense Programs

Florida is among the nation's top recipients of defense spending. The economic benefits bring a higher level of economic security to many areas than they would otherwise enjoy. However, the very size of defense spending in the state makes it more vulnerable to national cutbacks in defense spending and to pressures for base closures. A recurrence of the significant spending cutbacks and base closures experienced in the early part of this decade would have severe economic and employment repercussions on communities throughout the state.

Significant military presence can be found in every region of the state. The 23 active military bases, installations, and major commands located in Florida employ more than 100,000 civilian and military personnel and generate a total of more than 250,000 direct and indirect jobs in the state. Total wages for both military and civilian personnel in Florida exceed \$3.8 billion annually, with an average salary 25 percent higher than statewide average annual wage. The economic impact generated annually by military base and installation activities in Florida is nearly \$20 billion.

The net value of U.S. Department of Defense prime contracts awarded in Florida in FY 1997-98 reached nearly \$6.4 billion, ranking Florida fourth nationwide. These contracts were awarded in 52 of Florida's 67 counties. The largest defense contractors in Florida are technology driven--conducting R&D and manufacturing electronics, guided missiles, and communications equipment.

The Florida Defense Alliance

The Florida Defense Alliance is an Enterprise Florida organization created in 1998 to ensure Florida, its resident military bases and missions, and its military host communities, are in competitive positions as the United States continues its defense realignment and downsizing. Florida's military bases, stretching from Pensacola to Jacksonville to Key West, have long been recognized as national assets. They are, in addition, true Florida assets with a combined annual economic impact of \$20 billion. The mission of the Alliance will be to preserve and, where possible, enlarge that impact.

The Alliance serves as an overall advisory body for Enterprise Florida defense related activities. It is comprised of designated representatives from each local base retention/reuse committee, as well as a number of individuals and groups with statewide and national perspectives and experience.

Military Base Closure, Retention, Realignment, or Defense-related Readjustment and Diversification

Section 288.980(1), F.S., 1998 Supp., provides that the legislative intent is to assist communities with military installations from being adversely affected by federal base realignment or closure actions.

Section 288.980(2)(a), F.S., 1998 Supp., authorizes OTTED to award grants from any funds available to it to support activities related to the retention of military installations which may be potentially affected by federal base closure or realignment.

Section 288.980(2)(b), F.S., 1998 Supp., defines “activities” eligible for grant funds to include: studies, presentations, analyses, plans, and modeling. The term “activities” does not include: travel, costs incidental to travel, and staff salaries.

Section 288.980(2)(c), F.S., 1998 Supp., provides that grants provided to an applicant may not exceed \$250,000. Applicants for the grants are required to:

- Represent a community with a local government that could be adversely affected by federal base realignment or closure;
- Match at least 50 percent of any grant awarded;
- Prepare a coordinated program or plan which delineates how the eligible project will be administered and accomplished; and
- Provide documentation describing the potential for realignment or closure of a military installation located in the applicant’s community and the adverse impacts realignment or closure would have on the applicant’s community.

Section 288.980(2)(d), F.S., 1998 Supp., provides the factors OTTED considers, at a minimum, in making awards:

- The relative value of the particular military installation in terms of its importance to the local and state economy relative to other military installations vulnerable to closure;
- The potential job displacement within the local community if the military installation should close; and
- The potential adverse impact on industries and technologies which service the military installation.

Section 288.980(3), F.S., 1998 Supp., provides for the Florida Economic Reinvestment Initiative, to respond to the need for the state and defense-dependent communities in the state, to develop alternative economic diversification strategies to lessen reliance on national defense dollars. Three grant programs are established and are to be administered by OTTED:

- The Florida Defense Planning Grant Program (funds are to be used to analyze the extent of the state's dependency on defense infrastructure by defense-dependent communities);
- The Florida Defense Implementation Grant Program (funds are made available to defense-dependent communities to implement diversification strategies); and
- The Florida Military Installation Reuse Planning and Marketing Grant Program (funds are used to help counties, cities, and local economic development councils).

Grant awards are limited to no more than \$100,000 per eligible applicant on a competitive basis.

Applicants for the above-listed grants must include a coordinated program of work or plan of action delineating how the eligible project will be administered and accomplished. The work plan/action plan must include a plan for ensuring close cooperation between civilian and military authorities in the conduct of the funded activities and a plan for public involvement.

Section 288.980(4)(a) and (b), F.S., 1998 Supp., creates the Defense-Related Business Adjustment Program. The director of OTTED coordinates the program. Funds are made available to assist defense-related companies in creation of increased commercial technology development through investments in technology. Criteria and precedence in consideration for funding is provided. Travel and costs incidental to travel are not considered an "activity" for which grants may be awarded. The statute establishes the requirements for applicants.

Section 288.980(5), F.S., 1998 Supp., authorizes the director of OTTED to award nonfederal matching funds, specifically appropriated for construction, maintenance, and analysis of a Florida defense workforce database. The funds are to be used to match the worker needs of companies that are relocating to this state or to assist workers in relocating to other areas within the state where similar or related employment is available.

Section 288.980(6), F.S., 1998 Supp., grants rulemaking authority to OTTED for the purpose of establishing guidelines to implement and carry out the purpose and intent of this section.

III. Effect of Proposed Changes:

The bill amends s. 288.980, F.S., 1998 Supp. and makes the following changes:

- revises legislative intent for Military Base Retention programs, recognizing that the state needs to coordinate all efforts to facilitate the retention of all remaining military installations in the state;

- provides for the Florida Defense Alliance to act in an advisory capacity to ensure that Florida's resident military bases and missions, along with the host communities, are in competitive positions during any future defense realignment and downsizing initiatives;
- amends the provision governing OTTED's authority to implement the various grant programs to support activities related to the retention of military installations to expand the eligible activities of studies, presentations, analyses, plans, and modeling to also include travel costs and costs incidental to travel costs incurred by grant recipients;
- creates an exception to the current \$250,000 cap on grant awards for grants issued pursuant to the Florida Military Installation Reuse Planning and Marketing Grant Program;
- decreases the required match of grant awards from the current 50 percent to 30 percent;
- increases the Florida Defense Planning Grant Program's grant award cap (a competitive grant award program) to \$250,000 per applicant;
- deletes the Florida Military Installation Reuse Plan's grant award cap of \$100,000, deletes the requirement that the award be granted on a competitive basis, and deletes the requirement that the awards be matched on a one-to-one basis; and
- creates a new requirement of the grant programs such that payment of administrative expenses must be limited to no more than 10 percent of any grant issued.

The bill also appropriates \$20 million from General Revenue to OTTED to implement the grants programs and provides the justification and legislative intent for the appropriation. A portion of the appropriation is to be used to employ a consultant to evaluate the infrastructure needs of the military bases.

The bill provides that the act shall take effect July 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Positive, but indeterminate, direct and indirect private sector benefit.

C. Government Sector Impact:

OTTED will receive and distribute approximately \$20 million in grant awards that will cause an increase in workload from preparing guidelines as well as any follow-up or contract monitoring.

Positive effect on local government from increased expenditures and new infrastructure.

VI. Technical Deficiencies:

There is an incorrect cross-reference on p. 3, line 3. It should be “(3)(c)” instead of “(3)(b).”

VII. Related Issues:

None.

VIII. Amendments:

#1 by Commerce and Economic Opportunities:
Makes a technical correction in a cross-reference.