

# 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: CS/SB 1150

SPONSOR: Comprehensive Planning, Local and Military Affairs Committee and Senators Clary and Kurth

SUBJECT: Military Base Retention

DATE: March 29, 1999

REVISED: 03/31/99

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/1 amendment</u>
2.	<u>Bowman</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable/CS</u>
3.	<u>Hayes</u>	<u>Hadi</u>	<u>FP</u>	<u>Fav/2 amendments</u>
4.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## 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 creates the Retention of Military Installations Program to provide up to \$2 million dollars to assist certain military installations within the state that provide war simulation experimentation, testing and training, in covering operating costs.

The bill appropriates \$20 million from the General Revenue Fund to the Office of Tourism, Trade, and Economic Development (OTTED) 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 Background<sup>1</sup>

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

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<sup>1</sup> Information from OTTED, the Florida Defense Alliance, and Enterprise Florida.

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, 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 research and development 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 available funds, 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 and 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;
- expands the list of "activities" related to the retention of military installations to include travel costs and costs incidental to travel, in addition to the existing list of eligible activities, which includes, studies, presentations, analyses, plans, and modeling.
- 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;
- creates the Retention of Military Installations Program to provide up to \$2 million dollars to assist existing military installations which provide war simulation experimentation, testing and training located in a county with a population greater than \$824,000, which employs civilian and military employees and which has been operating in the state for more than 10 years;
- 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
- limits the payment of administrative expenses in the grant programs authorized by s. 288.980, F.S., 1988 Supp., 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:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

#1 by Fiscal Policy:

Reduces from \$2 million to \$1.2 million the funding level for projects associated with military installations that include simulation solutions for warfare experimentation, testing and training that employ at least 500 persons.

#2 by Fiscal Policy:

Reduces from \$20 million to \$800,000 the funding level for all activities associated with this bill other than those related to the projects for which \$1.2 million was provided by my previous amendment. This amendment is necessary to reduce the fiscal impact of this bill to a level that can be accommodated within the bill pot.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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