

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 1560

SPONSOR: Commerce and Economic Opportunities Committee and Senator Kirkpatrick

SUBJECT: Rural Economic Development

DATE: March 31, 1999 REVISED: _____

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

I. Summary:

This committee substitute creates the “Rural Economic Development Enhancement Act” or the “Backyard Florida Act of 1999.” Through its principal provisions, the committee substitute:

- Allows for job creation and economic development to be considered as factors in future land use plans and in designation of industrial use, notwithstanding existing population or low-density population.
- Provides that regional planning councils shall have a duty to assist local governments with economic development activities, and it provides for regional planning council membership to include a representative designated jointly by Enterprise Florida, Inc., and the Office of Tourism, Trade, and Economic Development. This committee substitute also authorizes regional planning councils to use their personnel, consultants, or other assistants to help local governments with economic development activities.
- Authorizes the Office of Tourism, Trade, and Economic Development (OTTED) to recommend to the Legislature additions to or deletions from the list of standard industrial classifications used to determine an eligible business for purposes of the Rural Job Tax Credit Program.
- Increases the maximum grant amount under the Regional Rural Development Grant Program to \$35,000, or \$100,000 in a rural area of critical economic concern.
- Authorizes OTTED to allow a rural area of critical economic concern to retain repayments of principal and interest under the Rural Community Development Revolving Loan Fund if certain conditions are met.
- Provides a \$2 million appropriation from General Revenue to the Rural Community Development Revolving Loan Fund.
- Creates the Rural Infrastructure Fund within the OTTED. Provides for \$8 million from motor vehicle registration funds to be deposited annually in the Economic Development Trust Fund in support of the Rural Infrastructure Fund. Proceeds will provide grants for infrastructure in support of specific economic development projects, including storm water systems, electrical,

telecommunications, natural gas, roads, and nature based tourism facilities. Funds will also support feasibility studies.

- Revises provisions relating to the tax refund program for Qualified Target Industry (QTI) businesses by allowing OTTED to approve for tax refund an expansion of an existing business in a rural community or an enterprise zone that results in a net increase in employment of less than 10 percent. This committee substitute defines “rural community,” for the purposes of the QTI program, as a county with a population of 75,000 or less; a county with a population of 100,000 or less that is contiguous to a county with a population of 75,000 or less; and a city within a county as described above.
- Creates the Rural Economic Development Initiative (REDI) within OTTED and provides its duties and responsibilities. REDI would be responsible for coordinating and focusing the efforts and resources of state and regional agencies on the problems which affect the fiscal, economic, and community viability of Florida’s economically distressed rural communities.
- Authorizes the provision of grants to rural communities to develop and implement strategic economic development plans.
- Authorizes the Department of Community Affairs (DCA), subject to legislative appropriations, to establish a grant program to assist rural counties in financing studies to determine the feasibility of establishing municipal service taxing/benefit units. This committee substitute provides for an appropriation of \$1 million to DCA to carry out the purposes of the grant program.
- Provides an exclusion related to the district required local effort when there is a nonpayment of property taxes in a community designated as a “rural area of critical economic concern.”
- Creates the Northwest Florida Seaport Transportation and Economic Development Council as a not-for-profit corporation to enhance economic development in Northwest Florida.
- Expands circumstances under which certain heavy mineral mining operations may not be required to undergo a development of regional impact (DRI) review.
- Directs the Florida Fish and Wildlife Conservation Commission to provide assistance, including marketing and product development, related to nature-based recreation for rural communities. Provides a definition for “nature-based recreation.” Provides a General Revenue appropriation of \$277,143.
- Specifies that at least 40 percent of funds under the Small Cities Community Development Block Grant Program shall be allocated to economic development.

This committee substitute amends the following sections of the Florida Statutes: 163.3177, 186.502, 186.504, 186.505, 212.098, 236.081, 288.018, 288.065, 288.106, 320.20, and 378.601; and creates the following sections of the Florida Statutes: 288.0655 and 311.20.

II. Present Situation:

Rural Economic Conditions

Despite the recent period of high economic growth in Florida, rural communities have not shared in the state’s prosperity. The median household income in 32 of 34 of the smallest counties is considerably less than the state’s median income, according to a study by the Center on Budget and Policy Priorities. Not a single small county enjoys a per capita personal income that exceeds the state average of \$22,916.

Adding to these difficulties, recent public policy decisions have made it more difficult for these communities to maintain their residents' income levels or to generate revenues for education and critical government services. For example, Preservation 2000 and other conservation and protection programs have removed taxable land from the inventory of wealth-creating assets in rural communities. The constitutional amendment banning the use of certain types of nets for commercial fishing has cut incomes in coastal communities. Although each of these programs involves a laudable public goal, their cumulative impact has meant less wealth and has limited the fiscal capacity of the affected communities. The impact of these economic losses could be reduced if economic development or tourism infrastructure could make use of improved sport fishing or preserved land. For example, it is estimated that Americans spend \$23.3 billion annually on bird and wildlife watching¹, with Florida's share at only \$477 million in retail sales despite superior land size and winter conditions.

Fiscal capacity may be defined as the financial resources available to local government, enabling it to both maintain existing infrastructure, to ensure an acceptable quality of life, and to make investments in its future to ensure the continued existence of that quality. A community's allowable millage is capped by Florida's Constitution at 10 mills and is a mechanism used by the local government to generate revenue. However, even if a community is at or near the maximum (15 rural counties have reached the 10 mill cap), if the value of the property being taxed is low or declining, the amount of revenue soon becomes inadequate.

The Legislative Committee on Intergovernmental Relations reports (September 1998)² that the statewide average per capita taxable land value for 398 reporting municipalities was \$43,785. Of the 104 municipalities in the 34 smallest counties, 84 reported a per capita taxable value of less than half of the statewide average. Only six reported a value in excess of the statewide average, and all six of these could be considered "beach destination" communities. If county averages are examined, the statewide average per capita ad valorem tax levied by counties was \$874.93. The average for the 34 smallest counties was \$517.25.

Land-Use Planning

Presently, the state comprehensive plan includes a future land use plan designating proposed future general distribution, location, and extent of the uses of land. The future land use plan includes standards to be followed in the control and distribution of population densities and building and structure intensities. The proposed distribution, location, and extent of the various categories of land is required to be shown on a land use map or map series and to be supplemented by goals, policies, and measurable objectives. Each land use category is to be defined in terms of the types of uses included and specific standards for the density or intensity of use.

The future land use plan is based upon surveys, studies, and data regarding the area, including the amount of land required to accommodate anticipated growth; the projected population of the

¹ *Economics of Public Land Acquisition*, Oct. 1, 1997, Florida Department of Environmental Protection.

² From a table entitled "Ad Valorem Tax Profile By Municipality," *Local Government Financial Information Handbook*, September 1998, Legislative Committee on Intergovernmental Relations.

area; the character of undeveloped land; the availability of public services; and the need for redevelopment, including the renewal of blighted areas and the elimination of nonconforming uses which are inconsistent with the character of the community. The future land use plan of a county may also designate areas for possible future municipal incorporation. The land use maps or map series generally identify and depict historic district boundaries and designate historically significant properties meriting protection.

Economic Development Programs

The Qualified Target Industry (QTI) Tax Refund Program, s. 288.106, F.S., is a performance-based incentive to encourage businesses to locate or expand in Florida. Certification for the program is based on a number of criteria specified in statute, including the number of new Florida jobs created, proposed average wages, total capital investment, the importance of the incentive in the business' location/expansion decision, local economic conditions, community support for the project, and the expected return on the public investment. To be considered for QTI, a business must, at a minimum, create 10 new Florida jobs; pay an average wage equal to 115 percent of either the area average wage, the county average wage, or the state average wage; and receive a pledge of local financial support by resolution. The definition of an "expansion of an existing business" requires a net increase in employment of not less than 10 percent at such business.

Section 290.044, F.S., governs the distribution of funds under the Florida Small Cities Community Development Block Grant Program. The program features the following grant program categories: housing, economic development, neighborhood revitalization, and commercial revitalization. The percentage of funds distributed in each of the grant program categories shall be established annually in the appropriations process (s. 290.044(4), F.S.) Proviso language in the Fiscal Year 1998-99 General Appropriations Act allocated 30 percent of such funds for economic development.

The following additional programs are available in Florida specifically for rural economic development:

Regional Rural Development Grants Program (or Rural Staffing Grants) was created to build the professional capacity of regional economic development organizations made up of rural counties, communities and organizations. The funds are intended to be used for staffing assistance for regional economic development organizations. The maximum amount an organization may receive in any year is \$20,000 and must be matched each year by an equivalent amount of nonstate resources (s. 288.018, F.S.).

Rural Job Tax Credit Program provides tax credits to be applied toward the state's sales or corporate taxes by businesses that create jobs in a rural area. The amount of tax credit is based upon the number of individuals employed by the business and upon the ranking of the area where the business is located (ss. 212.098 and 220.1895, F.S.).

Rural Revolving Loan Fund provides loans to rural local governments and organizations supported by local governments. Loans may enable the client to tap other federal, state, or local resources to finance development or maintenance of economic base (s. 288.065, F.S.).

III. Effect of Proposed Changes:

This committee substitute contains a number of provisions designed to effectuate the expressed intent of the Legislature to provide for the most efficient and effective delivery of programs of assistance and support to rural communities. Following is a section-by-section analysis of the committee substitute:

Section 1 provides that the act may be cited as the “Rural Economic Development Enhancement Act” or the “Backyard Florida Act of 1999.”

Section 2 states legislative intent to provide means to offset certain disadvantages rural areas face in the area of competitive economic development.

Section 3 amends s. 163.3177, F.S., to provide requirements for the future land use element of a local government comprehensive plan with respect to rural areas. Allows need for job creation and economic development to be considered as factors in future land use plans and in designation of industrial use, notwithstanding existing population or low density population.

Section 4 amends s. 186.502, F.S., to provide that regional planning councils shall have a duty to assist local governments with economic development activities.

Section 5 amends s. 186.504, F.S., to provide for regional planning council membership to include a representative designated jointly by Enterprise Florida, Inc., and the Office of Tourism, Trade, and Economic Development.

Section 6 amends s. 186.505, F.S., to authorize regional planning councils to use their personnel, consultants, or other assistants to help local governments with economic development activities.

Section 7 amends s. 212.098, F.S., to authorize OTTED to recommend to the Legislature additions to or deletions from the list of standard industrial classifications used to determine an eligible business for purposes of the Rural Job Tax Credit Program.

Section 8 amends s. 288.018, F.S., to authorize OTTED to approve regional rural development grants on an annual basis; increases the maximum amount of each grant to \$35,000 (\$1000,000 in a rural area of critical concern); increases the total amount of such grants to \$600,000.

Section 9 amends s. 288.065, F.S., to provide that in a rural area of critical economic concern designated by the Governor, repayments of principal and interest may be retained by a unit of local government if the repayments are dedicated and matched to fund regionally based economic development organizations representing the rural area of concern.

Section 10 provides a \$2 million appropriation, from the general revenue fund, to the Rural Community Development Revolving Loan Fund.

Section 11 creates s. 288.0655, F.S., and **Section 12** amends s. 320.20, F.S., to create the Rural Infrastructure Fund within the Office of Tourism, Trade, and Economic Development. Provides

for \$8 million from motor vehicle registration funds to be deposited annually in the Economic Development Trust Fund in support of the Rural Infrastructure Fund. The funds may be used to support a bond issuance (funds may be assigned, pledged, or set aside as a trust for payment of principal or interest on bonds). Bond proceeds will provide grants for infrastructure in support of specific economic development projects, including storm water systems, electrical, telecommunications, natural gas, roads, and nature based tourism facilities. Funds will also support feasibility studies.

Section 13 amends s. 288.106, F.S., to revise provisions relating to the tax refund program for Qualified Target Industry (QTI) businesses as follows: OTTED may approve as eligible for QTI incentives an expansion of an existing business in a rural community or an enterprise zone that results in a net increase in employment of less than 10 percent, if the merits of the individual project or the specific circumstances in the community in relation to the project warrant the action. The recommendation must be transmitted in writing and the specific justification for the request must be explained.

Defines “rural community” as a county with a population of 75,000 or less; a county with a population of 100,000 or less that is contiguous to a county with a population of 75,000 or less; and a city within a county as described above. The committee substitute specifies that the most recent official estimate pursuant to s. 186.901, F.S., shall be used in making a determination of county population.

Section 14 creates the Rural Economic Development Initiative (REDI) within OTTED and provides its duties and responsibilities. REDI would be responsible for coordinating and focusing the efforts and resources of state and regional agencies on the problems which affect the fiscal, economic, and community viability of Florida’s economically distressed rural communities, working with local governments, community-based organizations, and private organizations that have an interest in the growth and development of these communities to find ways to balance environmental and growth management issues with local needs.

REDI would review and evaluate the impact of statutes and rules on rural communities and would work to minimize any adverse impacts. REDI would facilitate better access to state resources by promoting direct access and referrals to appropriate state and regional agencies and statewide organizations. REDI would undertake outreach, capacity-building, and other advocacy efforts to improve conditions in rural communities. These activities may include sponsorship of conferences and achievement awards.

The following agencies and organizations would designate, no later than August 1, 1999, a high-level staff person and an alternate designee, to serve as the REDI representative for the agency or organization:

1. The Department of Community Affairs.
2. The Department of Transportation.
3. The Department of Environmental Protection.
4. The Department of Agriculture and Consumer Services.
5. The Department of State.
6. The Department of Health.

7. The Department of Children and Family Services.
8. The Department of Corrections.
9. The Department of Labor and Employment Security.
10. The Department of Education
11. The Fish and Wildlife Conservation Committee.
12. Each water management district.
13. Enterprise Florida, Inc.
14. The Florida Commission on Tourism or VISIT FLORIDA.
15. The Florida Regional Planning Council Association.
16. The Florida State Rural Development Council.
17. The Institute of Food and Agricultural Sciences (IFAS)

Authorizes REDI to recommend, and the Governor to designate, three rural areas of critical economic concern. Authorizes the Governor, acting through REDI, to waive all agency rules to empower the agency to commit and coordinate their resources, staff, or assistance to these rural communities, as well as to suspend procedural requirements of the law that do not compromise the public's health, safety, or welfare. Also allows the Governor acting through REDI to waive criteria, requirements, or similar provisions of any economic development incentive on behalf of such areas. Also allows the Governor to commit the resources or benefits of the Rural Community Development Revolving Loan Fund, the Regional Rural Grants Program, the rural job tax credit program, and the federal Community Development Block Grant Program.

Section 15 authorizes OTTED to accept and administer funds appropriated for grants to assist rural communities to develop and implement economic development strategic plans and provides for review of grant applications. Enterprise Florida, Inc., and VISIT Florida, would establish criteria for reviewing grant applications. The criteria include, but are not limited to, the degree of participation and commitment by the local community, and the application's consistency with local comprehensive plans or the application's proposal to ensure such consistency.

Section 16 authorizes the Department of Community Affairs (DCA), subject to legislative appropriations, to establish a grant program to assist rural counties in financing studies to determine the feasibility of establishing municipal service taxing/benefit units.

Section 17 provides for fiscal year 1999-2000 an appropriation of \$1 million to DCA to carry out the purposes of the grant program for rural county municipal service taxing/benefit unit feasibility studies.

Section 18 amends s. 236.081, F.S., to provide an exclusion related to the district required local effort when there is a nonpayment of property taxes in a community designated as a "rural area of critical economic concern" that exceeds 6 percent of the total non-exempt assessment roll. In these instances, the assessed value of the property that is the subject of the nonpayment shall be excluded from the taxable value for purposes of computing the district required local effort.

Section 19 creates s. 311.20, F.S., to authorize the Northwest Florida Seaport Transportation and Economic Development Council (NW Seaport Council) as a not-for-profit corporation, with membership comprised of directors from the ports of Port St. Joe, Panama City, and Pensacola, as well as the director of the Office of Tourism, Trade, and Economic Development and a

representative from Enterprise Florida, Inc. The NW Seaport Council's purpose is to enhance economic development in Northwest Florida. Among other functions, the NW Seaport Council is to develop a marketing strategy for development at the three ports.

Section 20 amends s. 378.601, F.S., to expand the circumstances under which a heavy mineral mining operation that annually mines less than 500 acres and whose proposed consumption of water is 3 million gallons of water per day or less may not be required to undergo a development of regional impact (DRI) review. The committee substitute broadens the scope of this DRI exemption to include certain cases in which the operator has received a development order under s. 380.06(15), F.S.

Section 21 directs the Florida Fish and Wildlife Conservation Commission to provide assistance, including marketing and product development, related to nature-based recreation to Visit Florida and other tourism organizations. Emphasizes nature-based recreation in rural communities. Provides definition for "nature-based recreation." Provides General Revenue appropriation of \$277,143.

Section 22 specifies that, notwithstanding the annual process for allocation under s. 290.044(4), F.S., no less than 40 percent of funds under the Florida Small Cities Community Development Block Grant Program shall be allocated for economic development.

Section 23 provides for a July 1, 1999, effective date.

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:

This committee substitute assists rural counties in financing studies to determine the feasibility of establishing municipal service taxing/benefit units.

This committee substitute also provides an exclusion related to the district required local effort when there is a nonpayment of property taxes in a community designated as a "rural

area of critical economic concern” that exceeds 6 percent of the total non-exempt assessment roll.

B. Private Sector Impact:

The committee substitute contains a number of provisions designed to stimulate economic activity in rural communities. The exact impact on the private sector, however, is not known.

C. Government Sector Impact:

The committee substitute:

- Provides \$8 million a year from motor vehicle registration funds to be deposited in the Economic Development Trust Fund in support of a bond to be issued for the Rural Infrastructure Fund.
- Provides a \$2 million appropriation from the general revenue fund to be deposited in the Rural Community Development Revolving Loan Fund.
- Provides a \$1 million appropriation from the general revenue fund to allow the Department of Community Affairs to carry out a grant program for rural county municipal service taxing/benefit unit feasibility studies.
- Provides a \$277,143 appropriation from the general revenue fund to the Florida Fish and Wildlife Conservation Commission to provide assistance in marketing and product development for nature-based recreation in rural communities.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.