

STORAGE NAME: h0639.bdt

DATE: March 11, 1999

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 639

RELATING TO: Military Base Retention

SPONSOR(S): Representatives Ritchie, J. Miller, and others

COMPANION BILL(S): SB 1150 (s)

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

- (1) COMMUNITY AFFAIRS YEAS 7 NAYS 0
 - (2) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
 - (3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

The bill provides direction 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 & Marketing Grant Program; reduces the amount of the matching grant requirements of certain grant programs; and provides a cap on payment of administrative expenses from certain grants.

The bill appropriates \$20m to the Office of Tourism, Trade, and Economic Development from the General Revenue Fund.

This bill would take effect July 1, 1999.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

General Background: According to strategic analysts, the U.S. military is entering a period of intense 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 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 bases by only 18 percent. Large investments are needed 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 Commissions' recommendations have become law. The last year the BRAC committee held meetings was 1995. The Commission's 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 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 through the state.

Significant military presence can be found in regions of the state. The 23 active military bases, installations, and major commands located in Florida employ over 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% 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 reached nearly \$6.4 billion, ranking Florida 4th nationwide. These contracts were awarded in 52 of Florida's 67 counties. The largest defense contractors in Florida relate to technology and include conducting Research and Development and manufacturing electronics, guided missiles, and communications equipment.

Enterprise Florida: Enterprise Florida, Inc., is a not-for-profit, government-business partnership established to guide the development of Florida's economy. Its mission is to maintain a business-friendly climate conducive to the creation and retention of jobs. While not a state agency, Enterprise Florida receives funds from the Legislature and is one of several public-private partnerships that reports to the Office of Tourism, Trade and Economic Development (OTTED) within the Office of the Governor. The role of OTTED is to ensure that the efforts of Enterprise Florida and other related organizations improve the economic quality of life for all Floridians and consistently demonstrate a unity of purpose, the full coordination of strategies and programs, a true partnership between business and government, and a continued focus on accountability for results.

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.

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.

Office of Tourism, Trade and Economic Development: The Department of Commerce was dissolved by the Legislature effective December 31, 1998. (Section 3, Chapter 96-320, Laws of Florida). The Department's responsibilities were assigned to the Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor and to several public-private partnerships such as Enterprise Florida, Inc., the Florida Commission on Tourism, the Florida Sports Foundation, and the Florida Entertainment Industry Council. OTTED contracts with each of these entities to provide certain services.

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

Section 288.980(1), Florida Statutes, 1998 Supplement: Declares that providing assistance to communities with military installations to keep them from being adversely affected by federal base realignment or closure actions is a public purpose for which public money may be used.

Section 288.980(2)(a), Florida Statutes, 1998 Supplement: 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), Florida Statutes, 1998 Supplement : Defines "activities" eligible for grant funds to include studies, presentations, analyses, plans, and modeling. "Activities" do not include travel, costs incidental to travel, and staff salaries.

Section 288.980(2)(c), Florida Statutes, 1998 Supplement: 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;
- 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), Florida Statutes, 1998 Supplement: Provides the factors OTTED must consider, 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), Florida Statutes, 1998 Supplement: Provides 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. The following grant programs are to be administered by OTTED:

- The *Florida Defense Planning Grant Program*. Funds are 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.
- 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), Florida Statutes, 1998 Supplement: Creates the Defense-Related Business Adjustment Program. This program is designed to assist defense-related companies in the creation of increased commercial technology development. 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.

Section 288.980(5), Florida Statutes, 1998 Supplement: 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 to be used to match the workforce 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), Florida Statutes, 1998 Supplement: Grants rulemaking authority to OTTED for the purpose of establishing guidelines to implement and carry out the purpose and intent of this section.

B. EFFECT OF PROPOSED CHANGES:

The bill revises a provision of the Legislative intent of Military Base Retention program recognizing that the state needs to coordinate all efforts to facilitate the retention of all remaining military installations in the state;

The Florida Defense Alliance acts in an advisory capacity to ensure that Florida resident military bases and missions, along with the host communities, are in competitive positions during any future defense realignment and downsizing initiatives.

OTTED is authorized to award grants to implement the various grant programs to support *activities* related to the retention of military installations potentially affected by federal base closure or realignment. The bill expands the currently eligible *activities* of studies, presentations, analyses, plans, and modeling to also include travel costs and costs incidental to travel costs incurred by a grant recipient.

The bill 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.

The bill decreases the required match of grant awards from the current 50 percent to 30 percent.

The bill increases the Florida Defense Planning Grant Program's grant award cap to \$250,000 per applicant.

The bill 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.

The bill creates a requirement for all of the programs that payment of administrative expenses must be limited to no more than 10 percent of any grants issue.

The bill appropriates \$20,000,000 from General Revenue to OTTED to implement the grants programs and provides 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.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Yes.

The Florida Defense Alliance, an organization within Enterprise Florida, is directed as the organization to ensure Florida, its resident military bases and missions, and its military host communities are in competitive positions to prepare for future defense realignment and downsizing.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes.

The Florida Defense Alliance, an organization within Enterprise Florida, is directed as the organization to ensure Florida, its resident military bases and missions, and its military host communities are in competitive positions to prepare for future defense realignment and downsizing.

OTTED will also experience increased workload of preparing guidelines for implementation of the \$20 million in grants as well as any follow-up or contract monitoring.

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 288.980, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends section 288.980, Florida Statutes, 1998 Supplement, as follows:

- Amending subsection 288.980(1), Florida Statutes, 1998 Supplement, by:
 - Providing additional legislative intent to include recognition that the state needs to coordinate all efforts that can facilitate the retention of all remaining military installations in the state;
 - Authorizing the Florida Defense Alliance, as the organization responsible for ensuring that 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. The Florida Defense Alliance is to serve as an advisory body for Enterprise Florida defense-related activity. The Florida Defense Alliance is to receive funding from appropriations for that purpose, administered by OTTED.
- Amending subsection 288.980(2), Florida Statutes, 1998 Supplement, by:
 - Redefining the term “activities” as used in this section to include travel costs and costs incidental to travel incurred by a grant recipient.
 - Creating an exception from the current \$250,000 limit on grants for grants issued pursuant to the Florida Military Installation Reuse Planning and Marketing Grant Program.
 - Decreasing the matching requirement of the grant to 30 percent.
- Amending subsection 288.980(3), Florida Statutes, 1998 Supplement, by:
 - Increasing the Florida Defense Planning Grant award limit to \$250,000 from the current \$100,000 limit.

- Amending the requirements for the Florida Military Installation Reuse Planning and Marketing Grant Program by deleting the grant awards limit of \$100,000 per eligible applicant, deleting the competitive process requirement, and deleting the requirement that the awards be matched on a one-to-one basis.
- Creating new subsection 288.980(6), F.S., limiting the payment of administrative expenses of any grant issued under this section to 10 percent of the grant amount.

Section 2: Appropriates \$20m to OTTED from the General Revenue Fund to implement the grants programs as described in section 288.980, Florida Statutes. Provides 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.

Section 3: Provides that this act will take effect July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

GENERAL REVENUE	1999-2000
OTTED	
Grant Awards	\$20,000,000

EXPENSES

OTTED Consultant	Amount undetermined
Grant Awards	Amount undetermined

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

The bill would appropriate \$20m in General Revenue for FY 1999-2000.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

Indeterminate. Depending on the number and amount of grants awarded, there should be positive, but indeterminate, non-recurring fiscal impacts on local governments.

2. Recurring Effects:

Indeterminate. Depending on the number and amount of grants awarded, there should be positive, but indeterminate, recurring fiscal impacts on local governments.

3. Long Run Effects Other Than Normal Growth:

Indeterminate. Depending on the number and amount of grants awarded, there should be positive, but indeterminate, long run effects of the fiscal growth on local governments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

Indeterminate. Depending on the number and amount of grants awarded, there should be positive, but indeterminate, direct private sector benefits.

3. Effects on Competition, Private Enterprise and Employment Markets:

Indeterminate. Depending on the number and amount of grants awarded, there should be positive, but indeterminate, effects on competition, private enterprise, and employment markets.

D. FISCAL COMMENTS:

According to the Office of Tourism, Trade, and Economic Development, the fiscal impacts of this bill include increased workload in preparing guidelines for the implementation of the \$20,000,000 in infrastructure grants as well as any follow-up or grant monitoring. This may impact some state agencies.

The fiscal impacts to communities would generally be a gain of additional funding.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require municipalities or counties to spend money or to take action that requires a significant expenditure of money.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not anticipate to reduce the authority of municipalities to counties to raise total aggregate revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the total aggregate municipality/county percentage share of a state tax.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 8, 1999, the House Committee on Community Affairs adopted one technical amendment to correct a citation error.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

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