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HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS

BILL #: CS/HB 647

RELATING TO: Counties (Grant Program to Finance MSTU/MSBU Studies)

SPONSOR(S): Committee on Community Affairs and Representative K. Smith

COMPANION BILL(S): SB 1188 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) COMMUNITY AFFAIRS YEAS 7 NAYS 0
(2) FINANCE AND TAXATION
(3) TRANSPORTATION AND ECONOMIC DEVELOPMENT APPROPRIATIONS
(4)
(5)

I. SUMMARY:

The CS creates the “Rural Economic Development Enhancement Act.”

The CS 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.

The CS 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 a review of grant applications.

The CS provides a $2 million appropriation from General Revenue to the Rural Community Development Revolving Loan Fund.

The CS authorizes the Department of Community Affairs (DCA) to establish a grant program to assist rural counties in financing studies regarding the establishment of municipal service taxing or benefit units. The bill also grants DCA rulemaking authority.

The CS provides an additional $1 million from the State General Revenue Fund for funding the grant program.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

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, although the homestead exemption reduces local government funding statewide, P2000 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. Growth Management requirements have limited job creation opportunities. 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.

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. But 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 (May, 1998) the statewide average per capita taxable 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 ½ 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. The picture is bleaker 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.

In section 125.01, Florida Statutes, counties are authorized to establish Municipal Service Taxing and Benefit Units (MSTU/MSBU) within which may be provided fire protection; law enforcement; beach erosion control; recreation service and facilities; water; alternative water supplies, including, but not limited to, reclaimed water and water from aquifer storage and recovery and desalination systems; streets; sidewalks; street lighting; garbage and trash collection and disposal; waste and sewage collection and disposal; drainage; transportation; indigent health care services; mental health care services; and other essential facilities and municipal services from funds derived from service charges, special assessments, or taxes within the boundaries of the unit.

Some rural counties do not have adequate revenue to perform feasibility studies related to establishing MSTU/MSBUs for their citizens.

Presently, the state comprehensive plan includes a future land use plan designating proposed future general distribution, location, and extent of the uses of land for residential uses, commercial uses, industry, agriculture, recreation, conservation, education, public buildings and grounds, other public facilities, and other categories of the public and private 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 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 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.

B. EFFECT OF PROPOSED CHANGES:

The CS creates the "Rural Economic Development Enhancement Act."

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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?

The bill authorizes the Department of Community Affairs to make rules related to awarding grant monies made available as a result of this bill.

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

The Department of Community Affairs will be required to administer the grants.

(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:

A new unspecified section of statute is created and sections 163.3177, 212.098, and 288.106, Florida Statutes are amended.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Creates the “Rural Economic Development Enhancement Act.”

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

Section 3. Provides requirements for the future land use element of a local government comprehensive plan with respect to rural areas. Amends s. 163.3177, F.S.

Section 4. Authorizes 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. Amends s. 212.098, F.S.

Section 5. Provides a $2 million appropriation, from the general revenue fund, to the Rural Community Development Revolving Loan Fund.

Section 6. Revises 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 bill specifies that the most recent official estimate is to be used in making a determination of county population. Amends s. 288.106, F.S.

Section 7. 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 Fish and Wildlife Conservation Committee.
11. Each water management district.
12. Enterprise Florida, Inc.
13. The Florida Commission on Tourism or VISIT FLORIDA, Inc.
14. The Florida Regional Planning Council Association.
15. The Florida State Rural Development Council.
16. Department of Education.
17. Institute of Food and Agricultural Sciences.

The bill requires REDI to submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives each year on or before February 1 on all REDI activities.

Section 8. 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, Inc. would establish criteria for reviewing grant applications. The criteria includes, but is 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 9. 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; provides definitions; grants DCA rulemaking authority.

Section 10. 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 11. Provides an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

This bill provides a $2 million appropriation to the Rural Community Development Revolving Loan Fund for fiscal year 99-2000.

In addition, this bill provides for fiscal year 1999-2000 a $1 million appropriation to DCA to carry out the purposes of the grant program for rural county municipal service taxing/benefit unit feasibility studies.

2. Recurring Effects:

Indeterminate.

3. Long Run Effects Other Than Normal Growth:

Indeterminate.

4. Total Revenues and Expenditures:

This bill provides a $2 million appropriation to the Rural Community Development Revolving Loan Fund for fiscal year 99-2000.

In addition, this bill provides a $1 million appropriation to DCA to carry out the purposes of the grant program for rural county municipal service taxing/benefit unit feasibility studies.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

   The bill would provide benefits to qualifying businesses in rural areas or Enterprise Zones.

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

   N/A

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that local governments have to raise revenues in the aggregate.

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

The bill does not reduce the percentage of state shared revenue with local governments.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Community Affairs unanimously approved a strike-everything amendment and subsequently adopted a committee substitute to the bill on March 9, 1999. The CS differs from the bill as originally filed in the following manner: the CS creates the “Rural Economic Development Enhancement Act”; provides requirements for the future land use element of a local government comprehensive plan with respect to rural areas; authorizes the Office of Tourism, Trade and Economic Development (OTTED) to recommend to the Legislature additions or deletions from the list of standard industrial classifications used to determine an eligible business for purposes of the Rural Job Tax Credit Program; provides an appropriation to the Rural Community Development Revolving Loan Fund; revises provisions relating to the tax refund program for qualified target industry businesses, authorizes the OTTED to reduce certain employment requirements for an expanding business in a rural community or enterprise zone under certain conditions; creates the rural Economic Development Initiative within OTTED and provides its duties and responsibilities; provides for an annual report; authorizes OTTED to accept and administer monies appropriated for grants to assist rural communities to develop and implement strategic economic development plans and provides for review of grant applications; clarifies rulemaking language; and adds a $1 million appropriation for Fiscal Year 1999-2000 to fund the MSTU/MSBU grant program.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by: Staff Director:

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