

STORAGE NAME: h1473.fpr.doc

DATE: April 23, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FISCAL POLICY AND RESOURCES
ANALYSIS**

BILL #: HB 1473

RELATING TO: Economic Development / Programs & Policies

SPONSOR(S): Representative(s) Alexander

TIED BILL(S):

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

- (1) ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE YEAS 9 NAYS 0
 - (2) FISCAL POLICY AND RESOURCES
 - (3) COUNCIL FOR COMPETITIVE COMMERCE
 - (4)
 - (5)
-

I. SUMMARY:

The bill states that it is the public policy of this state to encourage and enhance the entry of new businesses and the growth of existing businesses to promote the economic well-being of all Floridians. To assist in achieving this policy, the bill directs each department and agency of the executive branch to review its programs and policies to determine whether they may impede efforts at recruiting and retaining business enterprises in the state.

The bill requires that the head of each executive department or agency report by January 31 of each year the results of such review conducted during the previous year. The report should also include any recommendations for changes in law or policy which may impede recruitment and retention efforts based on the review and recommendations for the creations of incentives to improve such efforts.

The bill would take effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The state's economic development efforts are fragmented, at best. At the state level, various agencies and organizations conduct a variety of economic development activities, but there seems to be little coordination between those groups as they carry out their functions. The Legislature recognized the disorderliness and sought to bring the various state entities together and coordinate their efforts in rural and in urban areas during the past two legislative sessions.

Created in 1999, the Rural Economic Development Initiative (REDI) is 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 the state's economically distressed rural communities. REDI works with local governments, community-based organizations, and private organizations which 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 is directed to review and evaluate the impact of statutes and rules on rural communities and work to minimize adverse impacts. REDI is authorized to recommend up to three rural areas of critical economic concern for communities that have been adversely affected by an extraordinary economic event or a natural disaster or that present a unique economic development opportunity of regional impact. These designated areas are priority assignments for REDI and the Governor may waive criteria, requirements, or similar provisions of any economic development initiative to allow participation by these communities.

During the 2000 legislative session, the "Toolkit for Economic Development" was created for the purpose of enabling economically distressed communities to access easily, and use effectively, federal and state tools to improve conditions in the communities, thereby helping needy families in the communities avoid public assistance, retain employment, and become self-sufficient.

Critical to the Toolkit is the appointment of liaisons from OTTED, the Office of Urban Opportunity, the Department of Community Affairs, the Department of Law Enforcement, the Department of Juvenile Justice, the Department of Transportation, the Department of Environmental Protection, the Department of Agriculture and Consumer Services, the Department of State, the Department of Health, the Department of Children and Family Services, the Department of Corrections, the Department of Labor and Employment Security, the Department of Education, the Department of Military Affairs, the Florida Housing Finance Corporation, the Institute on Urban Policy and

Commerce, the Florida Tourism Industry Marketing Corporation, Enterprise Florida, Inc., the Workforce Development Board, the Executive Office of the Governor, and any other agencies or organizations as determined by the coordinating partners.

Liaisons are to review proposals from economically distressed communities and assist those communities as ombudsmen. The liaisons work at the request of the coordinating partners to review statutes and rules for their adverse effects on economically distressed communities and to offer alternative proposals to mitigate these effects. Liaisons shall review their agencies' or organizations' evaluation and scoring procedures for grant, loan, and aid programs to ensure that economically distressed are not unfairly disadvantaged, hampered, or handicapped in competing for awards because of community economic hardship. The evaluation criteria should weigh contribution in proportion to the amount of resources available at the local level.

The coordinating partners report to the Governor and the head of each agency or organization on the work and accomplishments of the liaisons. The partners are to recommend to the head of an agency or organization, approval of a project that, in the unanimous judgement of the coordinating partners, will have an extraordinary positive impact on an economically distressed community.

Legislation originally passed in 1992, codified as s. 288.021, F.S., requires the heads of the Department of Transportation; the Department of Environmental Protection and an additional member appointed by the secretary of the department; the Department of Labor and Employment Security; the Department of Education; the Department of Community Affairs; the Department of Management Services; the Department of Revenue; the Fish and Wildlife Conservation Commission; each water management district; and each Department of Transportation District office to designate a high-level staff member from each respective agency to serve as the economic development liaison for the agency. This person is the primary point of contact with OTTED on issues and projects important to the economic development of the state. The liaisons expedite project review; ensure a prompt, effective response to problems arising with regard to permitting and regulatory functions; and work closely with the other economic development liaisons to resolve interagency conflicts.

A variety of economic development, international trade promotion, marketing, or other activities designed to promote economic opportunities for Floridians are being conducted by a variety of state agencies. Illustrative of these activities include programs under the Office of Tourism, Trade, & Economic Development, Enterprise Florida, Inc., the Department of Agriculture and Consumer Services, the Department of Citrus, The Department of Community Affairs, the Department of State, the Public Service Commission, the Spaceport Florida Authority, the Florida Space Research Institute, and the State University System.

Office of Tourism, Trade, and Economic Development

The Office of Tourism, Trade and Economic Development's mission is to assist the Governor and Lieutenant Governor in working with the Legislature, state agencies, business leaders, and economic development professionals to formulate policies and strategies designed to provide economic opportunities for all Floridians. In order to achieve its mission, OTTED works closely with Enterprise Florida Inc., VISIT FLORIDA, Florida Sports Foundation, Spaceport Florida Authority, Florida Film Commission, Black Business Investment Board, and Front Porch Florida.

OTTED reviews agency rule changes and makes recommendations to agencies on any existing rules for alleviating unnecessary or disproportionate adverse effects to business and acts as a small business advocate.

OTTED acts as an advocate and coordinator of minority business issues and projects relating to the creation, preservation, recruitment and growth of minority businesses. The goal of this program is to avoid duplication and to coordinate the various organizations and agencies providing minority business development programs and assistance.

OTTED acts as an advocate and coordinator for rural issues and projects which are important to the economic capacity of Florida's rural communities. It administers the Rural Economic Development Initiative (REDI), as well as regional rural development grants and a revolving loan program.

OTTED facilitates several state level programs related to military base retention and reuse. It is charged with the development and implementation of a variety of grant programs designed to assist defense-dependent communities and businesses with retention, diversification and transition efforts. OTTED monitors and fosters improved linkages between the Spaceport Florida Authority and Enterprise Florida, Inc.

When the Legislature placed the state's economic development functions with public/private partnerships, several related activities remained in the public sector. Although OTTED's primary mission is managing the contracts with the public/private partnerships, economic development incentive programs are jointly managed by Enterprise Florida and OTTED. Several community development and advocacy programs are housed in the Governor's Office to be administered by OTTED.

Business expansion and retention incentive programs such as the qualified target industry tax refund, the qualified defense tax refund, and high impact industry grants, bond financing programs, and defense grant programs remained within the public sector to be administered by OTTED. Applications for the financial incentives are submitted to Enterprise Florida, but the certification process is handled in OTTED. Community development programs such as the enterprise zones, the community contribution tax credits and the urban and rural job tax credit programs are all managed by OTTED.

OTTED is responsible for the designation of enterprise zones and provides information and technical assistance to communities and businesses regarding the overall enterprise zone program. The program encourages the revitalization of economically distressed areas in Florida by providing credits against Florida's sales tax or corporate income tax to businesses located in an enterprise zone for hiring zone residents. Sales tax refunds are available for the purchase of business equipment and building materials for projects locating in a zone. Local governments can provide additional incentives for an enterprise zone located within their boundaries.

OTTED administers the Community Contribution Tax Credit program which encourages private sector donations to community redevelopment projects in enterprise zones and to low-income housing projects. A tax credit of 50% of the donation is allowed.

Regulatory climate and permitting issues are high on the list of factors affecting business location decisions. In order to compete successfully for businesses that create jobs, state and local economic development professionals must be able to offer consolidated, coordinated and expedited permitting review to economic development projects.

Significant progress has been made to streamline and simplify Florida's regulatory process for businesses, while retaining environmental standards. Legislation enacted in 1996 authorized OTTED to lead a multi-agency, permitting process for projects which create jobs, offer high wages and diversify the state's economy. This process became a reality early in 1997 when it was activated by a Memorandum of Agreement (MOA) between OTTED and 22 key state partners - state and regional agencies - responsible for permitting and land use approvals. By signing this

MOA, agencies have agreed to serve on regional permit teams and to expedite the review of a certified project's applications. Key to this agreement is the concept that there is no relaxation of environmental standards, but rather an commitment to work together to improve the regulatory process and to work with the project to facilitate the issuance of the required permits.

Enterprise Florida, Inc.

Part VII of Chapter 288, F.S., establishes and provides statutory authority and the functions, duties, and responsibilities for Enterprise Florida, Inc. (EFI). EFI was created by the Legislature in 1996 to replace and assume the responsibilities of the Florida Department of Commerce. EFI was established as a corporate not-for-profit entity for the purpose of partnering with Florida's business leaders and government agencies and to be the state's principal economic development and international trade organization. EFI is responsible for increasing economic opportunities for all Floridians by supporting the creation of quality jobs and globally competitive businesses.

EFI is not a unit or entity of state government and is governed by a board of directors consisting of the Governor who serves as the chairman of the board, the Commissioner of Education, the Secretary of the Department of Labor and Employment Security (employment and workforce functions have been transferred to the newly created Agency for Workforce Innovation), a member of the Senate, a member of the House of Representatives, the chair of Workforce Florida, Inc., the Secretary of State, and twelve members from the private sector representing the diversity of Florida's business community.

Section 288.9015(1), F.S., directs EFI to be the primary economic and business development organization of the state by establishing a unified approach to the state's efforts of international trade and reverse investment, marketing the state as pro-business and receptive for new investments, and assisting in the retention and expansion of existing businesses and the creation of new ones.

EFI is responsible for marketing Florida's rural communities and retaining, recruiting, and expanding businesses and assisting in the promotion of economic development opportunities for new job creation. When first created, EFI had responsibility for what is now Workforce Florida, Inc., and, together with WFI, is still responsible for developing a comprehensive approach to workforce development.

EFI is responsible for assessing the state's economic development competitiveness, identifying the state's strengths and weaknesses, and using this information in developing a strategic plan (s. 288.9015(4) F.S.). EFI is responsible for incorporating the needs of small and minority businesses into all of EFI's responsibilities (s. 288.9015(5), F.S.). EFI is responsible for creating a business guide and checklist containing basic information on federal, state, and local requirements for starting and operating a business in the state (s. 288.9015(7)).

Section 288.904, F.S., authorizes EFI's board of directors among other things to secure funding for programs and activities of EFI from federal, state, local, and private sources and from fees charged for services and make expenditures with such funds; make and enter into contracts; acquire, use, dispose of patents, copyrights, and trademarks and any licenses, royalties, and other rights and interests obtained by EFI; and create and dissolve advisory committees, working groups, and task forces necessary to carry out the mission of EFI.

Section 288.905, F.S., prescribes the following duties of EFI's board of directors: the establishment, implementation, and management of policies, strategies, and programs; the development of a strategic plan for economic development for the state (in conjunction with OTTED and local and regional economic development partners) including strategies for the promotion of business

formation, expansion and recruitment through aggressive marketing and other activities; and the development of specific performance measures to assess the degree to which EFI is achieving its goals and expectations. Section 288.905(4)(b), F.S., provides for specific performance measures and standards including, but not limited to, the following:

- Net annual job growth and unemployment rates compared to other states;
- Wage distribution;
- Annual percentage of growth in the production of goods and services;
- Changes in jobs;
- Number of new business startups;
- Goods produced and exported to other countries; and
- Capital investment for commercial and industrial purposes, agricultural production, and international trade.

Section 288.906, F.S., requires EFI to submit an annual report to the Governor and the Legislature describing EFI's operations and accomplishments, and an evaluation of progress towards achieving goals and specific performance outcomes and methods for implementing and funding all operations of EFI.

Section 288.911, F.S., requires EFI in collaboration with the private sector to develop a marketing campaign to attract, develop, and retain information technology business in the state.

According to material prepared by EFI, 43,421 new and retained jobs were created through EFI efforts in FY 1999-00, which included 8,000 new jobs providing export sales services and about 5,400 new and retained jobs in "undervalued" rural and inner-city urban regions of the state. An independent analysis of EFI's return on investment for FY 1999-2000 showed that \$2.66 billion was added to the state's labor income, state and local tax revenues increased by \$147 million, and the state received \$4.04 for each dollar invested in EFI's activities and efforts towards enhancing economic development in the state.

EFI has developed a sector strategy for the state intended to promote Florida as a competitive state. These strategies are industry driven, and designed to retain and expand targeted industries in Florida. These targeted sectors include aviation and aerospace, simulation, health technology, information technology (silicon technology, photonics, software development, computer and communications, telecommunications, and information services), and plastics.

Three of EFI's major economic development incentive/investment programs are the Economic Development Transportation "Road Fund", the Qualified Target Industry (QTI) Tax Refund Program, and the Quick Response Training (QRT) Program. These programs are intended to attract new businesses to the state and support the expansion of existing businesses, create higher paying jobs, and enhance economic development in the state.

EFI's Strategic Plan for Economic Development, 2001-2006, sets as goals for the state to have globally competitive businesses, good paying jobs for Floridians, and a high quality of life in Florida. The plan makes the following strategic recommendations:

- Make Florida a priority location for national and international business and trade expansion.
- Develop a world class workforce.
- Enhance the competitiveness of Florida's business climate.
- Create a worldwide pro-business image.
- Establish the infrastructure for a globally competitive economy.
- Promote growth opportunities for Floridians, including urban core and rural communities.

Department of Agriculture & Consumer Services

The Division of Marketing and Development of the Department of Agriculture and Consumer Services provides foreign and domestic marketing services to Florida agricultural producers, processors, shippers, wholesalers and retailers. This assistance is designed to increase their profitability and to supply quality agricultural products to consumers at reasonable prices. The department produces a newspaper which disseminates news and information about issues affecting the agriculture industry and the agency's operations.

The Division of Marketing works to extend the distribution and sale of Florida agricultural products and services throughout the markets of the world. The division's activities are aimed at generating valuable export sales through market research and trade activities. It coordinates trade missions and events, and makes available other available information and materials. The division is committed to expanding Florida's agricultural exports and produces an exporter's guide to international trade information.

The Florida Agricultural Promotion Campaign (FAPC) is an identification and promotional program designed to boost the image of Florida agriculture and increase sales by helping consumers to easily identify Florida-grown and produced agricultural products at retail stores. The multimedia campaign also helps increase public awareness of the importance of Florida's \$6 billion agriculture industry to the state's economy.

The FAPC provides an opportunity for the agricultural industry to benefit from a multi-tiered advertising campaign coordinated by the Florida Department of Agriculture and Consumer Services. Those participating in the program are authorized to use the "Fresh from Florida" logo.

A new program, AgVenture Services, helps would-be entrepreneurs turn their agribusiness ideas into potential business enterprises. A planning kit provides insight into how to develop a basic business plan, estimate costs and revenues, and project the venture's potential for profitability. Participants are provided with information about infrastructure, marketing assistance, competitive intelligence, and other services.

Services available include:

- Lease incentives;
- Agreements for Improvement (AFI);
- Shared cost for capital improvements;
- Competitive intelligence;
- Current information on Grower and Shipper Networks, and Brokers;
- Equipment Co-op;
- Shared cost on fixed assets and machinery;
- Packaging Incentives;
- Shared cost on packaging;
- Advertising Incentives;
- Shared cost on advertising;
- Competitive Intelligence;
- Market News prices, trade leads, domestic and international marketing;
- R & D on Advertising;
- Assistance in developing advertising programs.

Department of Citrus

The Economic and Market Research Department is charged with providing decision makers pertinent information for investment decisions impacting the Florida citrus industry in general and the Florida citrus grower in particular.

The research agenda of this Department responds to industry needs as expressed by the Florida Citrus Commission, trade organizations, and individual firms of the Florida citrus industry as well as by other staff members of the Florida Department of Citrus.

Department of Community Affairs

The Community Development Block Grant Program is a federal program that provides funding for housing and community development. The program has five preliminary categories:

- Housing;
- Neighborhood Revitalization;
- Commercial Revitalization;
- Economic Development; and
- Loan Guarantee Program.

Examples of eligible activities under the program are:

- Rehabilitation and preservation of housing;
- Water and sewer improvements;
- Street improvements;
- Economic development activities;
- Downtown revitalization;
- Parks and recreation; and
- Drainage improvements.

The Community Services Block Grant program is designed to provide a range of services to assist low-income people in attaining the skills, knowledge and motivation necessary to achieve self sufficiency. Also, the program provides low-income people with immediate life necessities such as food, shelter, medicine, etc.

Community Services Block Grants to local governments and agencies provide a variety of antipoverty services such as emergency health, food, housing, day care or transportation assistance; housing counseling; financial management assistance; nutrition programs including federal surplus food distribution, community gardening projects, and food banks; job counseling, placement and training services, and homeless prevention programs.

The Urban Infill and Redevelopment Program was established to reduce urban sprawl, revitalize urban areas and keep those core urban areas fiscally strong. To assist with this effort, the 1999 legislature earmarked \$2.5 million specifically for this purpose. The legislature directed the Department of Community Affairs to set up a competitive application process to award funds to those local governments that successfully demonstrate they are actively involving area stakeholders in the holistic and collaborative planning process as well as the implementation process to revitalize the urban infill and redevelopment area.

Department of State

The Office of International Affairs offers leadership, coordination, and direction to Florida's citizens and our international counterparts interested in our state's future internationally. Responsibilities such as the Consular and Diplomatic programs, Sister City / Sister State programs, and International Liaison enable every region of the state to share involvement in new international challenges. International Affairs also serves as Florida's international contact for the state's congressional delegation and federal agencies.

The mission of the Department of State, Office of International Affairs is to serve as Florida's designated organization for the enhancement and coordination of foreign affairs and diplomacy. The Office fosters global relationships; provide a world class support system for Florida's international activities; promote international cultural and educational exchanges and encourage international economic development.

Public Service Commission

Section 288.035, F.S., provides that the commission may authorize public utilities to recover reasonable economic development expenses. These expenses include expenditures for operational assistance, including the participation in trade shows and prospecting missions with state and local entities; expenditures for assisting the state and local governments in the design of strategic plans for economic development activities; and expenditures for marketing and research services, including assisting local governments in marketing specific sites for business and industry development or recruitment, and assisting local governments in responding to inquiries from business and industry concerning the development of specific sites.

Spaceport Florida Authority

Part II of chapter 331, F.S., created the Spaceport Florida Authority (SFA) in 1989 for the purpose of providing a unified direction for space-related economic growth and education development, ensuring a stable and dynamic economy to attract and maintain space-related businesses, and to assist in the coordination of the state's economic development efforts. SFA has a board and partners with the federal government, private industry, and Florida's state and private universities and community colleges to conduct research and provide relevant and timely job training programs for the development and expansion of space-related industries.

Florida Space Research Institute

In 1999, the Legislature created the Florida Space Research Institute (s. 331.368, F.S.), an industry-driven center for research, to leverage the state's resources in a collaborative effort to support space-related industries through research and development efforts and the transfer of inventions and products to the private sector. The institute functions as the academic center for space-related research and development in collaboration with state and private universities. The institute's board of directors consists of the chairs of the Spaceport Florida Authority, Enterprise Florida, Inc., and the Florida Aviation Aerospace Alliance. As of this report, the institute's board has decided to establish the institute as a not-for-profit educational corporation.

University Offices of Technology Transfer

Each state university has an office of technology transfer whose purpose is to assist faculty, staff, and students in moving their innovative technologies into commercial use in public and private enterprises. Such activities provide benefits to the university, the economy, and improve the quality of life.

C. EFFECT OF PROPOSED CHANGES:

The bill states that it is the public policy of this state to encourage and enhance the entry of new businesses and the growth of existing businesses to promote the economic well-being of all Floridians. To assist in achieving this policy, the bill directs each department and agency of the executive branch to review its programs and policies to determine whether they may impede efforts at recruiting and retaining business enterprises in the state.

The bill requires that the head of each executive department or agency report by January 31 of each year the results of such review conducted during the previous year. The report should also include any recommendations for changes in law or policy which may impede recruitment and retention efforts based on the review and recommendations for the creations of incentives to improve such efforts. Requires submission of the report to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

The bill would take effect upon becoming a law.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill will not reduce the authority of counties and municipalities to raise total aggregate revenues.

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

This bill is not anticipated to reduce the total aggregate percent of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

J Paul Whitfield Jr

Staff Director:

J Paul Whitfield Jr

AS REVISED BY THE COMMITTEE ON FISCAL POLICY AND RESOURCES:

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