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DATE: April 5, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS**

BILL #: HB 1645

RELATING TO: Florida Rural Heritage Act

SPONSOR(S): Representatives Romeo, Spratt and others

TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC) YEAS 9 NAYS 0
- (2) AGRICULTURE & CONSUMER AFFAIRS (CCC)
- (3) FISCAL RESPONSIBILITY COUNCIL
- (4) COUNCIL FOR SMARTER GOVERNMENT
- (5)

I. SUMMARY:

This bill creates the Florida Rural Heritage Act to establish several programs to assist rural communities in identifying and addressing their individual needs. The Rural Heritage Grant Program is created to assist communities in identifying and addressing rural issues and needs through a community-based process. Communities may apply for grants to fund the planning and implementation of projects. The program will be administered by the Department of Community Affairs (DCA), and will complement the urban infill and redevelopment program. The bill allows a local government with an adopted Rural Heritage Area plan to issue revenue bonds and employ tax increment financing for the purpose of financing the implementation of the plan. Such local governments also may exercise the powers of community redevelopment neighborhood improvement districts, including the authority to levy special assessments. The bill creates a micro-loan program for small businesses to encourage the development of nature and heritage-based tourism in rural communities. The Department of Environmental Protection (DEP), the Office of Tourism, Trade, and Economic Development (OTTED), Enterprise Florida Inc., (EFI), VISIT Florida, and others are to develop the program, which will be administered by EFI under its contract with OTTED. The bill directs the Department of Agriculture and Consumer Services (DOACS) to establish four pilot projects aimed at encouraging agricultural diversification throughout the state. The bill also directs the Department of Management Services (DMS) to establish two pilot projects in rural schools to utilize wireless or other technologies to provide interactive learning opportunities and Internet access. In addition, the bill increases the relevance of the Enterprise Zone Program to rural communities by expanding the area of a rural enterprise zone to up to 15 square miles, and by allowing businesses in the rural enterprise zones to receive tax credits for employing residents' county-wide, rather than for only those employees residing within the enterprise zone.

The bill appropriates \$5 million to fund several provisions of the act. The Revenue Estimating Conference has not yet considered this bill. There will be some state and local costs associated with the use of the tax incentives provided in the bill, including the changes to the Enterprise Zone Program for rural areas.

On April 5, 2001, the Committee on Local Government & Veterans Affairs considered HB 1645, adopted two amendments, and passed the bill. The amendments, which are traveling with the bill, are explained in this bill analysis. (See section V. "AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES".)

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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:

As discussed in the "Effects of Proposed Changes" section of the analysis, this bill creates a new Rural Heritage Grant Program to assist communities in identifying and addressing rural issues and needs through a community-based process.

B. PRESENT SITUATION:

The Legislative Committee on Intergovernmental Relations (LCIR) conducted an interim project and prepared a final report entitled Report on Development of a State Rural Policy, March 2000. The committee undertook this project to complement legislation it developed regarding a state urban policy, enacted in ch. 99-378, L.O.F., which created the Urban Infill and Redevelopment Assistance Program. During the course of the interim project, testimony and findings indicated that the needs of Florida's rural communities are in many ways similar to the needs of Florida's inner city communities: access to more and better jobs; workforce development; access to services; improved infrastructure; educational quality; and availability of capital.

The LCIR concluded that the state has an interest in promoting economic prosperity for residents of its rural areas while protecting the unique character and heritage of those areas. A need for the state to assist rural governments in developing and implementing strategies to address problems facing their communities would be balanced by protecting the rural character and assets of rural communities.

Problems in rural Florida can be broadly categorized as follows: limited resources; economic development needs; changing agricultural conditions and related land-use problems; reduced quality of life and access to public services; and limited capacity to address local issues in a comprehensive fashion. The problems are interrelated, and problems in one area result in problems in other areas.

Rural areas can also be characterized by their unique assets, which may include: an abundance of natural resources; beautiful scenery; clean environment; productive agricultural lands; rich history and culture; ethnic diversity; available labor pool; proximity to institutions of higher education; close-knit communities and social support systems; or place-based knowledge and skills. Many of these assets can be enhanced and marketed to become engines of economic development. The development of nature and heritage-based tourism is one such asset-based approach. Agricultural diversification and value added agricultural production are other approaches. Innovative technology is a cost-effective method for increasing rural communities' educational and workforce development opportunities.

The LCIR determined that successfully revitalizing and sustaining rural areas depends on addressing, through an integrated and coordinated community effort, a range of varied components essential to a healthy rural environment, including cultural, educational, recreational, economic, transportation, land use, information technology, and social service delivery components. A collaborative approach is needed to aid communities in defining their own common visions, goals, objectives, strategies, action plans, prioritization of objectives and strategies, and targeting of scarce resources. Because of the interrelated nature of rural issues and problems, solutions should be pursued by a broad-based representative group of stakeholders that includes community residents and the private and nonprofit sectors. The LCIR voted to introduce legislation incorporating a series of recommendations to assist rural communities.

Rural Economic Development

Numerous laws have been enacted creating policies to promote economic development in Florida. Although some of these laws include specific provisions to improve economic conditions in rural areas, the laws generally have been more effective in improving conditions in the more populated urban and urbanizing areas of the state.

During the 1999 regular session, the Legislature passed ch. 99-251, L.O.F., which contained several components designed specifically to further promote rural economic development. Among other provisions, the legislation codified the multi-agency Rural Economic Development Initiative (REDI) within the Governor's Office of Tourism, Trade, and Economic Development (OTTED). REDI is designed to coordinate and focus the efforts and resources of state and regional agencies on Florida's economically distressed rural communities (s. 288.0656, F.S.). The legislation also created a Rural Infrastructure Fund, which is designed to address infrastructure needs associated with economic development projects in rural communities (s. 288.0655, F.S.). Several of the LCIR rural policy project recommendations relating to economic development and technical assistance build on this legislation.

Examples of other rural economic development initiatives that have been established in recent years include:

- The 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 \$35,000 (\$100,000 in a rural area of critical economic concern) and must be matched each year by an equivalent amount of non-state resources (s. 288.018, F.S.).
- The 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.).
- The Rural Community Development 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.).

Selected Relevant Existing Statutes

County and Municipal Planning

Part II of chapter 163 (ss.163.3161 through 163.3244), F.S., is known as the "Local Government Comprehensive Planning and Land Development Regulation Act" (the Act), and is commonly referred to as the growth management act. The Act requires local governments to adopt a comprehensive plan, subject to review and approval by the Department of Community Affairs. The Act outlines the required and optional elements of local government comprehensive plans, provides for public participation in the local comprehensive planning process, requires local governments to follow specified procedures for adoption of the comprehensive plan and amendments thereto, and requires local governments to update their comprehensive plans at regular intervals. Section 163.3187, F.S., authorizes a local government to adopt amendments to its comprehensive plan only two times per year. However, this section contains numerous exceptions for emergencies, substantial deviations to a proposed development of regional impact, compliance agreements, locating a correctional facility, the designation of an urban infill and redevelopment area and small-scale development activities.

State Comprehensive Plan

The state comprehensive plan (SCP), ch. 187, F.S., was enacted in 1985 to provide long-range guidance for the orderly, social, economic, and physical growth of the state. Regarding rural Florida, the SCP encourages a separation of urban and rural land uses, the maintenance of agricultural and soil resources, and promotion of the economic value of land in agricultural uses, and identifies "citizens in rural areas" as a targeted group in need of affordable and available housing. However, the SCP does not reflect the state's interests in promoting economic prosperity and preserving rural heritage or the importance of asset based economic development in rural areas.

Enterprise Zones

An "enterprise zone" is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 34 enterprise zones. Florida's Enterprise Zone Program was established in 1980 (ss. 290.001-290.016, F.S.; see also s. 370.28, F.S.). Since then, several major changes have been made, most notably through the Enterprise Zone Act of 1994. The program provides tax reductions, credits and other incentives for businesses that operate within designated enterprise zones. Currently, eleven enterprise zones and nine net-ban zones are located in rural counties.

Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone. It provides size limitations depending on the community population category and stipulates that for communities having a total population of 20,000 persons or less, the selected enterprise zone area shall not exceed 3 square miles. This section also requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured pursuant to s. 290.0058, F.S. Section 290.0058(2), F.S., specifies that pervasive poverty "shall be evidenced by a showing that poverty is widespread throughout the nominated area. The poverty rate of the nominated area must be established using the following criteria: (a) In each census geographic block group within a nominated area, the poverty rate shall be not less than 20 percent. (b) In at least 50 percent of the census geographic block groups within the nominated area, the poverty rate shall not be less than 30 percent."

The effectiveness of enterprise zone tax incentives was the topic of a 1998 report issued by the Senate Committee on Ways and Means, Subcommittee E. In this report, and in testimony provided to the LCIR by OTTED staff, the overall success of the Enterprise Zone Program was discussed, as was whether rural and net-ban affected areas were sharing in that success. Rural and net-ban affected areas do not appear to be benefiting as much from the program as are urban areas; it was

reported that rural enterprise zones claim progress on only 66 percent of goals identified in their strategic plans, compared with an 87 percent rate of progress toward goals for urban areas, and net-ban affected areas report only a 44 percent rate of progress.

In the 1998 subcommittee report, the lower progress rate for rural and net-ban affected areas was largely attributed to a lack of local resources necessary to formulate, promote and market an enterprise zone, and an increase in funding to those specific areas was recommended. Another explanation for insufficient progress in rural areas is that the Enterprise Zone Program currently provides certain tax credits to businesses only for employees who reside within the enterprise zone. In rural areas, it is less likely that employees reside in the enterprise zone, as residential patterns differ from those common to densely populated urban areas. Because the Enterprise Zone Program was originally created with urban areas in mind, the structure of some of the benefits remain more suited to urban communities. Currently, because of the unique characteristics of rural communities, they are not able to fully utilize the benefits conferred by the Enterprise Zone Program under existing law.

Tourism

Research conducted by the Florida Tourism Industry Marketing Corporation (VISIT Florida) indicates that nature and heritage-based tourism are the fastest growing sectors of tourism in the country, growing at 30 percent a year. It was also found that 64 percent of all visitors to Florida include a nature-based activity in their vacation. According to staff of the DEP's Division of Recreation and Parks, Florida's state parks host almost 15 million visitors a year. In addition, because the tourism and recreation category represents the second largest contributor to Florida's sales tax revenues according to the General Revenue Consensus Estimating Conference, the upward trend in nature and heritage-based tourism takes on even greater importance for promoting economic prosperity in the state's rural areas.

In recognition of this growing trend, DEP's Division of Recreation and Parks has partnered with 1,900 public and private sector entities to provide tourism services in and near the state park system. This type of public-private partnership approach is an important component of the development of the nature and heritage-based tourism industry.

Several entities are presently examining nature and heritage-based tourism as a means to both promote economic development and preserve natural resources and rural assets. The Ecotourism/Heritage Tourism Advisory Committee, which was created by the Florida Commission on Tourism, pursuant to s. 88.1224(11), F.S. (1996), has created a strategic plan with regard to tourism.

Micro Enterprises

Although not limited to rural communities, micro enterprises are extremely small business enterprises that enable low and moderate income individuals to achieve self-sufficiency through self-employment. Micro enterprise programs are those that provide at least one of the following: small amounts of capital; business training; and technical assistance. Subject to legislative appropriations, OTTED is authorized to contract for actions the office deems necessary to foster the development of micro enterprises in Florida (s. 288.9618(1), F.S.).

In 1997, the Legislature appropriated \$1,000,000 to OTTED with the instruction to contract with a not-for-profit organization or other governmental entity to "foster the development of micro enterprises in the state." (s. 288.9618, F.S.) OTTED contracted with Enterprise Florida, Inc., and approximately \$800,000 in grants to seventeen organizations were disbursed to set up micro loan programs. Although no subsequent appropriations have been made to OTTED, loans continue to be made from revolving funds that were started by this one-time appropriation. In light of the

potential for the development of the nature and heritage-based tourism industry to improve the economic conditions of the state's rural areas, and in light of the important role played by small businesses in that industry, a need for a program to provide low interest micro loans for small businesses was identified by the Division of Recreation and Parks, VISIT Florida, Enterprise Florida, Inc., and OTTED staff.

Agricultural Economic Development

In 1991, the Legislature created the Agriculture Economic Development Program within the Department of Agriculture and Consumer Services (DOACS) to promote and coordinate efficient and beneficial agricultural economic development within agriculturally depressed areas of the state (ch. 91-268, L.O.F.). DOACS has promulgated rules that establish notification procedures on the availability of assistance, written criteria for selecting projects proposals to receive assistance, procedures for the repayment of financial assistance, and funding procedures for projects eligible for assistance. An Agriculture Economic Development Project Review Committee is created within DOACS to facilitate the project selection process and to make recommendations to the Commissioner of Agriculture and Consumer Services regarding project prioritization and selection. The program is administered by the Division of Marketing and Development within the DOACS under the auspices of "AgVenture."

Agricultural scholars and farming experts report that farming operators and suppliers will remain in business only if it remains profitable to do so. There appears to be a consensus on three methods to improve the profitability of agricultural production in order to sustain rural agricultural economies. They are: alternative crops; new growing technologies; and value-added business development practices. In addition, OTTED staff reported that aquaculture, both salt and freshwater, is currently an underutilized industry in Florida with significant economic development potential. Testimony and interviews with DOACS's Division of Marketing and Development staff indicate that legislative direction and appropriated funds for specific pilot projects to promote and demonstrate success in these objectives would enforce and strengthen the department's efforts in these areas.

Whole Farm Permitting

In 1997, the Legislature gave the Secretary of the Department of Environmental Protection (DEP) the authority to enter into voluntary ecosystem management agreements with regulated entities to better coordinate the legal requirements and time lines applicable to a regulated activity, including permit processing, project construction, operations monitoring, enforcement actions, proprietary approvals, and compliance with development orders and comprehensive plans (s. 403.0752, F.S.). Under this authority, DEP has entered into an Ecosystem Management Agreement with Sanwa Growers, Inc., of Hillsborough County to demonstrate a pilot "whole farm plan" permitting project. It is intended that the completed plan will become a binding Ecosystem Management Agreement, constituting a consolidated team permit for all activities at Sanwa.

Florida Housing Finance Corporation

Section 420.507, F.S., provides Florida's Housing Finance Corporation the powers necessary to conduct business with regard to a variety of state and federal affordable housing programs authorized under the Florida Housing Finance Corporation Act. This section allows the corporation to study housing needs in Florida and participate in federal housing assistance programs, including the Rural Housing Services of the United States Department of Agriculture.

The Growth Management Study Commission

In July of 2000, the Governor appointed a 23-member Growth Management Study Commission to review the system of growth management in Florida and to make recommendations to improve that system. The Commission organized itself into committees and one of the committees, the rural

policy committee, specifically addressed issues of rural policy. The Commission's final report contains a number of specific recommendations related to rural policy. These recommendations include Recommendation 83 that focuses on rural economic development and specifically recommends the "Rural Heritage Act."

Recommendation 83: Promotion of rural economic development

Acquire development rights or permit the transfer of those rights from lands intended to remain in agriculture in the long term, allowing landowners to reinvest payments for those development rights in the rural economy.

Ensure adequate funding for infrastructure in rural towns, and apply the Fix It First concept to establish funding priorities.

Establish a technology outreach program to support rural local governments, farmers and small businesses in taking advantage of the Internet and other technology advances.

Resubmit legislation from last year establishing a Rural Heritage Act with revisions consistent with the report of this Commission.

Amend the revenue sharing provisions of Chapter 212, Florida Statutes, to provide a disproportionate increase in the allocation of state revenue to rural counties in recognition of their inherently lower ad valorem tax base.

Consider other initiatives to assist rural communities in developing and diversifying local economies such as directing Enterprise Florida and the Office of Tourism Trade and Economic Development to include rural communities in their outreach efforts for expanded and improved economic development; supporting and further publicizing the Main Street Program (Department of State); offering technical assistance and other support services for small business development and entrepreneurial activity in rural areas; encouraging environmentally sensitive ecotourism and heritage tourism in rural areas; capitalizing on and enhancing the sustainability features of rural areas, including local food production, environmental resources and the potential for distributed energy resource technologies.

Develop an infrastructure funding program to invest in the development of infrastructure in communities that have been designated by the Governor as a "rural area of critical economic concern."

C. EFFECT OF PROPOSED CHANGES:

This bill assists rural communities through a variety of approaches: voluntary Rural Heritage Grants for rural communities; various forms of technical and financial assistance; a micro-loan program for small, nature and heritage-based, tourism businesses; pilot programs to encourage agricultural diversification; and promotion of innovative educational technologies. The bill proposes the following changes:

Rural Heritage Grant Program

The bill creates a voluntary Rural Heritage Grant Program to assist communities in addressing rural issues and needs through a community-based process. The program parallels LCIR's prior efforts in developing the Urban Infill and Redevelopment Assistance Grant Program, as established in s.

163.2523, F.S. Rural Heritage Grants would provide funding for planning and implementation of projects identified by local communities for locally designated Rural Heritage Areas.

Forty-five percent of funds appropriated for the grant program will be available for conducting the community-based planning process and completing Rural Heritage Area plans. Forty-nine percent of funds appropriated for the grant program will be available for implementing projects identified in the local government's Rural Heritage Area plan. Five percent of funds appropriated for the grant program will be used for "seed money" grants of not more than \$10,000 to assist local governments to begin the process of identifying Rural Heritage Areas, assembling community-based participants, and applying for grants. The remaining 1 percent will be used to cover DCA's administrative costs.

The bill allows a local government with an adopted Rural Heritage Area plan to issue revenue bonds and employ tax increment financing for the purpose of financing the implementation of the plan. Local governments with an adopted Rural Heritage Area plan are allowed to exercise the powers of community redevelopment neighborhood improvement districts, including the authority to levy special assessments.

State agencies that provide funding for infrastructure, cost-reimbursement, grants, or loans to local governments are required to report to the Legislature by January 1, 2002, regarding statutory and rule changes necessary to give applicants in Rural Heritage Areas elevated priority in such funding. In addition, state agencies must identify grants programs for which local government cash match requirements will be waived or replaced by in-kind match, and loan programs for which repayment will be forgiven for local governments completing the Rural Heritage Areas grant program community planning process. Agencies must report to the Legislature by September 1, 2001, on programs identified, statutory or rule changes needed, and cost of implementation.

Technical and Financial Assistance

The bill directs state agencies to identify resources available for promoting economic prosperity while preserving rural character in Florida's rural areas, as well as any existing barriers to accessing federal funds, and report to REDI by January 1 annually. The bill directs REDI to compile and distribute a semiannual publication to all rural cities and counties (as defined in s. 288.106, F.S.), which describes resources that are available to rural local governments -- including federal resources -- and how to access them. REDI is directed to provide, or work through Regional Planning Councils, the Small County Technical Assistance program, the Florida State Rural Development Council, and/or other relevant organizations to provide technical assistance to rural local governments to access resources as described in the publication, to the extent possible, with top priority given to local governments with adopted rural heritage areas that have successfully completed the Rural Heritage Grant Program community-based process. The bill also directs REDI to work with the Florida State Rural Development Council and state agencies, as appropriate, to develop a uniform grant application form for use by local government grant applicants. State agencies would be required to adopt the grant form by July 1, 2002.

Nature and Heritage-based Tourism

The bill directs the Eco/Heritage Tourism Sub-Committee of VISIT Florida, with Enterprise Florida, Inc., OTTED, and DEP's Division of Recreation and Parks to develop a micro-loan program to finance the creation and enhancement of small businesses providing nature and/or heritage tourism experiences. Enterprise Florida, Inc., under its contract with OTTED, will administer the program and will provide low-interest loans of up to \$20,000 to microenterprises. A revolving loan fund will be established to finance the loan program. Two percent of allocated funds may be used for administration of the program. The program must begin providing loans by March 1, 2002.

Educational Technology Pilot Program

The bill directs DMS, in conjunction with DOE and in consultation with regional consortium service organizations and institutions of higher education, to establish two pilot projects in rural schools that utilize wireless or other technologies to provide interactive learning opportunities and Internet access, to illustrate ways to increase access to quality educational resources in the state's rural areas. DMS is to select the rural schools or districts that will participate in the pilot projects in consultation with DOE. The pilot project selection is based on the following criteria:

- Demonstration of how the school or district will leverage additional connectivity provided through the pilot project to improve student achievement through evaluation of the school improvement plan.
- Ability of schools or districts to effectively develop wireless technology based on existing infrastructure.
- Commitment of schools or districts to use technology to improve teaching and learning.
- Potential cost saving or improved access resulting from the use of wireless technology.
- Ability to use the technology infrastructure in other local government applications within service areas.
- Ability and willingness of the community to assume ongoing costs to maintain the pilot project for a minimum 5 year period.
- Other criteria as determined by the agencies.

DMS in consultation with DOE and the Florida Distance Learning Network Advisory Council, is required to develop performance standards for the pilot projects consistent with the Sunshine State Standards and broader community based standards, and is required to evaluate the progress of the pilot projects at least annually based on such standards.

Agricultural Profitability

The bill directs DOACS, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish four pilot projects aimed at encouraging agricultural diversification throughout the state. Two of the projects would introduce alternative crops and/or alternative growing techniques. At least one of these two projects would include a tobacco farm that is being adversely impacted by reductions in tobacco quotas. A third pilot project would introduce a value-added industry or vertical development, such as produce processing or packaging, as a means of increasing profitability for local growers. The fourth pilot project would focus on aquaculture, such as development of the Florida sturgeon industry or the development or expansion of coastal shellfish enterprises.

Based on results of current "whole farm permitting" pilot projects, the bill directs DEP to expand the use of "daily operational procedures" to streamline the permitting process for agricultural land uses.

Local Comprehensive Plans

Local governments choosing to participate in the Rural Heritage Area program must adopt their Rural Heritage Area plan by ordinance and must amend their comprehensive land use plan to delineate the Rural Heritage Area within the future land use element of the plan. Such amendments are exempted from the current limit on amendments to local comprehensive land use plans.

State Comprehensive Plan

The bill amends the State Comprehensive Plan to recognize the importance of healthy and strong rural communities to the state, to reflect the state's interests in promoting economic prosperity and preserving the unique character and heritage of its rural areas, and to incorporate the state rural policy. The bill allows agricultural land use categories to be eligible for the location of public school facilities which serve predominantly rural areas.

Enterprise Zones

The bill enhances the state Enterprise Zone Program's relevance to rural communities by expanding the area of a rural enterprise zone to 15 square miles, and by allowing businesses in the rural enterprise zones to receive tax incentives for employing residents county-wide, rather than only those that live within the enterprise zone.

Housing

The bill enables the Florida Housing Finance Corporation to make rules to implement relevant elements of the Rural Heritage Act.

Review and Evaluation

The bill directs the Office of Program Policy Analysis and Government Accountability (OPPAGA) to perform a review and evaluation of the grant program and financial incentives, before the 2006 Regular Session of the Legislature. The review and evaluation must include the educational technology pilot program.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. The section creates the "Florida Rural Heritage Act" and its components as follows:

Subsection (1) provides the short title of the Act.

Subsection (2) presents legislative findings, which delineate the state rural policy.

Subsection (3) defines terms including "Rural Heritage Area" and "Rural Activity Center."

Subsection (4) authorizes local governments to designate areas within their jurisdiction as Rural Heritage Areas or Rural Activity Centers for the purpose of, among other things, targeting economic development, job creation, housing, and transportation needs.

Subsection (5) sets forth the Rural Heritage Area community-based planning process, including issue areas to be addressed, conditions under which existing plans may be used, elements to be included in the plan, and the requirement that a wide range of stakeholders -- including community-based nonprofit organizations and low income residents -- participate.

Subsection (6) provides that certain economic incentives and technical assistance are made available to rural local governments with adopted Rural Heritage Area plans that meet the statutory requirements. The subsection allows a local government with an adopted Rural Heritage Area plan or a plan employed in lieu thereof to issue revenue bonds under s. 163.385, F.S., and employ tax increment financing under s. 163.387, F.S., for the purpose of financing the implementation of the plan as appropriate, particularly within designated Rural Activity Centers. The subsection also allows a local government with an adopted Rural Heritage Area plan or a plan employed in lieu

thereof to exercise the powers granted under s. 163.514, F.S., for community redevelopment neighborhood improvement districts, including the authority to levy special assessments as appropriate, particularly within designated Rural Activity Centers.

The subsection directs state agencies that provide funding to rural communities to report to the Legislature by January 1, 2002, on statutory and rule changes necessary to give designated Rural Heritage Areas an elevated priority in infrastructure funding, loan, and grant programs. State agencies must report to the Legislature by September 1, 2001, on loan programs for which payment will be forgiven and on grant programs for which cash match requirements will be waived or replaced with an in-kind match for rural local government applicants that have successfully completed the rural heritage community planning process.

The subsection directs REDI to update, maintain, and distribute semiannually to rural governments the Rural Resource Directory, and to provide technical assistance to local governments to access these resources. REDI also is directed to work with state agencies and the Florida State Rural Development Council to develop a simple, uniform grant application form for use by local government grant applicants. The uniform grant application must be adopted for use by state agencies by July 1, 2002.

Subsection (7) creates the Rural Heritage Grant Program. The program is to be administered by DCA, and will provide funds to local governments for the purposes of conducting the community based planning process and implementing elements of the resulting plan. Small seed-money grants will be made available to local governments to initiate the process of designating Rural Heritage Areas and building a group of stakeholder participants in the planning process.

Subsection (8) creates a statewide micro-loan program within Enterprise Florida, Inc., for the purpose of financing the creation and enhancement of small businesses providing nature-based and/or heritage tourism experiences.

Subsection (9) directs DMS, in consultation with DOE, regional consortium service organizations, and institutions of higher education, to establish two pilot projects in rural schools that utilize wireless or other technologies. The purposes of the pilot projects are to showcase tools for providing interactive learning opportunities and Internet access and to leverage and better use federal and other funds in the state's rural areas. Criteria upon which DMS shall select project participants are enumerated. DMS is also required to evaluate the pilot projects.

Subsection (10) directs DOACS, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish four pilot projects aimed at encouraging agricultural diversification throughout the state. Two of the projects should introduce alternative crops and/or alternative growing techniques. At least one of these two projects shall include a tobacco farm that is being adversely impacted by reductions in tobacco quotas. A third pilot project should introduce a value-added industry or vertical development, such as produce processing or packaging, as a means of increasing profitability for local growers. The fourth pilot project should focus on aquaculture, such as development of the Florida sturgeon industry or the development or expansion of coastal shellfish enterprises. This item also encourages the state Department of Environmental Protection to apply lessons learned from current pilot "whole farm planning" projects and to streamline the permitting process for agricultural land uses.

Subsection (11) directs the Office of Program Policy Analysis and Government Accountability (OPPAGA) to perform a review and evaluation of the implementation of the grant program, the financial incentives, and the educational technology pilot program, before the 2006 Regular Session of the Legislature.

Section 2. Paragraph (i) of subsection (1) of s.163.3187, F.S., is amended to exempt local comprehensive plan amendments for the purpose of designating Rural Heritage Areas and/or Rural Activity Centers under this act from statutory limits on the frequency of amendments to the comprehensive plan.

Section 3. Subsections (5), (10), (16), (22), (23), and (24) of s. 187.201, F.S., are amended to reflect the principles and objectives of the state rural policy. The amended sections are those addressing Housing (5), Natural Systems and Recreational Lands (10), Land Use (16), Economy (22), Agriculture (23), and Tourism (24). These changes reflect the recognition of the importance of healthy and strong rural communities to the state, reflect the state's interests in promoting economic prosperity and preserving the unique character and heritage of its rural areas, and incorporate the state rural policy.

Section 4. Paragraph (b) of subsection (2) of s. 212.096, F.S., is amended to make the enterprise zone jobs credit against sales tax consistent with other provisions of the act. The section allows a business located in an enterprise zone to receive 15 percent of an employee's monthly wages as a credit, without requiring 20 percent of the employees to reside within the enterprise zone, provided that the employees are residents of the county within which the rural enterprise zone is located.

Section 5. Paragraph (a) of subsection (1) of s. 220.181, F.S., is amended to allow businesses that are located in an enterprise zone within the jurisdiction of a rural local government as defined in s. 288.106, F.S., to apply the enterprise zone job tax credit for each new employee, regardless of the percentage of employees of the business residing in the enterprise zone, provided the employees are residents of the county within which the rural enterprise zone is located.

Section 6. Subsection (4) of s. 290.0055, F.S., is amended to extend the area of enterprise zones within the jurisdiction of rural local governments as defined in s. 288.106, F.S., to up to 15 square miles, regardless of total population. This section enhances the state Enterprise Zone Program's relevance to rural communities, and enables rural areas to garner benefits from the Enterprise Zone Program not presently available due to the geographic and demographic nuances of rural area and the urban area focus of the program.

Section 7. Section 420.507, F.S., is amended to authorize the Florida Housing Finance Corporation to adopt rules necessary to carry out the purposes of the state rural policy.

Section 8. The section appropriates \$5 million from the General Revenue Fund for implementation of the Rural Heritage Act as follows: \$2.55 million to DCA to fund the Rural Heritage Grant Program; \$1 million to OTTED to create a revolving loan fund to finance the Nature and Heritage-Based Tourism Micro-Loan Program; \$800,000 to the DOACS to implement the agricultural diversification pilot projects; \$600,000 to the Department of Management Services to implement the education technology pilot projects; and \$50,000 to REDI to fund the update, maintenance, and regular distribution of the Rural Resource Directory and to provide technical assistance as required by the act.

Section 9. An effective date of July 1, 2001, is provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See "Fiscal Comments" section.

2. Expenditures:

The committee substitute appropriates a total of \$5 million from the General Revenue Fund as follows: \$2.55 million would be appropriated to the Department of Community Affairs to fund the Rural Heritage Grant Program; \$1 million would be appropriated to OTTED to contract with Enterprise Florida, Inc., to create a revolving loan fund to finance the Nature and Heritage-based Tourism Micro-Loan Program; \$800,000 would be appropriated to the Department of Agriculture and Consumer Services to administer four pilot programs in agricultural diversification; \$600,000 would be appropriated to the Department of Management Services to implement two pilot programs in rural schools for wireless technology; and \$50,000 would be appropriated to REDI to update and distribute a rural resource directory and to provide technical assistance as required by the act.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See "Fiscal Comments" section. Rural local governments would be eligible to receive grant funds under the Rural Heritage Grant Program to undertake a community-based process and implement projects resulting from the process. In addition, the bill allows a local government with an adopted Rural Heritage Area plan to issue revenue bonds and employ tax increment financing for the purpose of financing the implementation of the plan. Local governments with an adopted Rural Heritage Area plan also are allowed to exercise the powers of community redevelopment neighborhood improvement districts, including the authority to levy special assessments.

2. Expenditures:

This bill does not require local government to expend funds.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may generate positive indeterminate effects from the availability of various tax incentives to businesses as a result of the expanded enterprise zones. The pilot programs for agricultural diversification and value added production could result in positive fiscal impacts for agricultural businesses. Small businesses that engage in nature or heritage-based tourism enterprises would be eligible for monies under a micro-loan program created in the legislation. Businesses within communities awarded grants under the Rural Heritage Grant Program could experience positive fiscal impacts, depending on the purposes for which the grants were awarded.

D. FISCAL COMMENTS:

The Revenue Estimating Conference has not yet considered this bill. There will be some state and local costs associated with the use of the tax incentives provided under the Enterprise Zone Program as a result of the expanded enterprise zones in rural areas. It is not known to what extent increased commercial activity would offset such potential costs.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This committee substitute may reduce the authority of municipalities and counties to raise revenues. It is not known if the amount will be significant.

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

This committee substitute may reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties; however, it does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

The bill directs DCA, in consultation with REDI, to adopt rules establishing grant review criteria consistent with the section for the Rural Heritage Grant Program.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 5, 2001, the Committee on Local Government & Veterans Affairs considered HB 1645, adopted two amendments, and passed the bill. The amendments, which are traveling with the bill, are explained below:

Amendment #1

On page 16, line 24, through page 20, line 26, the amendment deletes said lines and inserts new language. The amendment defers the implementation date of the Nature and Heritage Based Micro-loan Program by asking that the Florida Commission on Tourism, OTTED, Division of Recreation of Parks and others to develop a loan program and make recommendations to the Legislature for its implementation by November 1, 2001. The amendment also defers implementation of the Wireless Technology Pilot Programs by asking the State Technology Office to develop recommendations for implementation of the programs and report to the Legislature by November 1, 2001. The amendment also reduces the number of agricultural diversification pilot programs from 4 to 3.

Amendment #2

On page 43, line 29, through page 44, line 12, the amendment deletes said lines and inserts new language. The effect of the amendment is to delete the appropriation of \$5 million and to provide that the state agencies in charge of implementing programs created under the bill will not be responsible for their implementation until funds are specifically appropriated, or if they have available funds. Such programs include the Rural Heritage Grant Program and the Agricultural Diversification pilot programs.

STORAGE NAME: h1645a.lgva.doc

DATE: April 5, 2001

PAGE: 15

VII. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

Thomas L. Hamby, Jr.

Joan Highsmith-Smith