

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1311 CS Qualified Job Training Organizations
SPONSOR(S): Troutman
TIED BILLS: **IDEN./SIM. BILLS:** SB 164

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|---|------------------------|------------------|-----------------------|
| 1) <u>Economic Development, Trade & Banking Committee</u> | <u>10 Y, 0 N, w/CS</u> | <u>Olmedillo</u> | <u>Carlson</u> |
| 2) <u>Fiscal Council</u> | <u></u> | <u>McAuliffe</u> | <u>Kelly</u> |
| 3) <u>Commerce Council</u> | <u></u> | <u></u> | <u></u> |
| 4) <u></u> | <u></u> | <u></u> | <u></u> |
| 5) <u></u> | <u></u> | <u></u> | <u></u> |

SUMMARY ANALYSIS

This bill provides for the certification by the Office of Tourism, Trade and Economic Development (OTTED) of qualified job-training organizations for the purpose of receiving and distributing funds to encourage and provide economic development through capital construction, improvements, or the purchase of equipment that will expand employment opportunities.

The bill further:

- Defines the term “qualified job training organization”;
- Authorizes the Auditor General to examine a certified organization’s use of funds for compliance with this provision;
- Permits OTTED to recover any misused funds as determined by the Auditor General and pursuant to laws and rules governing tax assessment;
- Permits the revocation of certification where funds have been misused; and
- Requires that funds for qualified job training organizations be distributed through OTTED.

The bill provides a nonrecurring appropriation of \$3 million from the General Revenue Fund in fiscal year 2006-07 and for the following ten fiscal years, totaling \$30 million, to a qualified job-training organization meeting the requirements of the bill.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Limited Government: The bill provides state funding to a private non-profit organization and gives the Auditor General audit authority over said organization.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

A number of job training organizations currently exist in Florida. These organizations train individuals for a variety of jobs ranging from employment in the service industry to executive positions.

Representatives from one job-training organization, Goodwill Industries, report that 95,000 individuals annually participate in vocational programs. Last year, Goodwill helped approximately 24,000 individuals obtain jobs in Florida resulting in more than \$234 million in new salaries.

Goodwill representatives also report that the majority of the organization's revenue is invested in creating jobs for those with disabilities, developing training opportunities that lead to employment in the local communities and assisting in job placement. The primary source of revenue for Goodwill is its retail operation. It currently operates over 300 stores across Florida which generate over \$100 million dollars annually, employs about 5,700 Floridians and pays more than \$7 million to the state in sales taxes.

Effect of Proposed Changes

The bill appropriates \$3 million per year from nonrecurring general revenue for ten years to OTTED to distribute to qualified job training organizations. For fiscal year 2006-2007, funding will be provided from nonrecurring general revenue. For the following ten fiscal years, from 2007-2008 through 2016-2017, funding will be appropriated from nonrecurring general revenue or as specifically provided in the General Appropriations Act. The funds will go directly to OTTED for distribution to organizations meeting the requirements of this bill. The funds must be used to encourage economic development through capital construction, capital improvements, or the purchase of equipment.

The bill specifies criteria to become a "qualified job training organization." This section of the bill also outlines OTTED's duties regarding certification of these organizations, funding parameters and the Auditor General's responsibility regarding examining an organization's use of state funds.

The bill defines a "qualified job training organization" as an organization that:

- Is accredited by the Commission for Accreditation of Rehabilitation Facilities;
- Collects Florida state sales tax;
- Has more than 100 locations within the state;
- Is exempt from income taxation under s. 501(c)(3) or s. 501(c)(4) of the Internal Revenue Code of 1986, as amended;
- Specializes in the retail sale of donated items;
- Provides job training and employment services to individuals with workplace disadvantages and disabilities; and
- Uses a majority of its revenues for job training and placement programs that create jobs and foster economic development.

The bill also provides that, in order to receive funding, an organization must be certified as a qualified job training organization by OTTED.

The bill also requires OTTED to enter into a performance contract with the qualified job training organization that includes performance conditions and sanctions for failure to perform as well as a requirement that salaries for officers and employees of the job training organization comply with section 4958 of the Internal Revenue Code, which prohibits excessive compensation.

The bill requires that certified qualified job training organizations only use their funding to encourage and provide economic development. More specifically, the funding must be used for capital construction, capital improvements, and the purchase of equipment that will result in expanded employment opportunities.

Failure to use proceeds as required under this bill constitutes grounds for revocation of the organization's certification.

C. SECTION DIRECTORY:

Section 1. Creates s. 288.1171, F.S., to provide definitions, duties for OTTED, distribution of funds, specific uses of the funds, grant of audit authority, and revocation of certification.

Section 2. Provides for appropriations.

Section 3. Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill provides a nonrecurring appropriation of \$3 million from the General Revenue Fund in fiscal year 2006-2007. For the following ten fiscal years, from 2007-2008 through 2016-2017, the bill provides a \$3 million annual nonrecurring appropriation from the General Revenue Fund, or as specifically provided in the General Appropriations Act.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill requires the Legislature to appropriate \$3 million annually for the next ten years to qualified job-training organizations that have been certified by OTTED, therefore, providing funding for all qualified organizations.

D. FISCAL COMMENTS:

This bill requires the Legislature to appropriate \$3 million annually for the next ten years to qualified job-training organizations that have been certified by OTTED.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 30, 2006, the Economic Development, Trade and Banking Committee adopted two amendments to conform the bill to the Senate companion. The bill makes the following changes:

- It requires Office of Tourism, Trade and Economic Development to enter into a performance contract with the qualified job training organization that includes performance conditions and sanctions for failure to perform as well as a requirement that salaries for officers of the job training organizations not be excessive; and
- It removes incorrect language regarding an Auditor General audit of the qualified job training organization and the assessment of taxes owed by OTTED.