



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Limited Government – The bill increases eligibility criteria for projects funded by the Quick Action Closing Fund and provides an increased appropriation to the fund over prior fiscal years.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Present Situation:**

The 1999 Legislature created the Quick Action Closing Fund (s. 288.1088, F.S.) within the Office of Tourism, Trade and Economic Development (OTTED) for the purpose of helping Florida to compete for high-impact business facilities, critical private infrastructure in rural areas, and key businesses in economically distressed urban or rural communities. Enterprise Florida, Inc. (EFI), evaluates proposals for the use of the Quick Action Closing Fund (QACF), makes recommendations to OTTED, and describes the nature of the business and its products or services, the number of jobs to be created and the annual average wages of the jobs, the cumulative amount of investment, the impacts of the business at the regional or state level or upon the state's universities and community colleges, and what role the incentive is expected to play in the business's decision to locate or expand in the state, or for a private investor to provide critical rural infrastructure.

Currently, eligibility criteria for projects funded by QACF are not provided in statute, but the criteria used by EFI require a project to:

- Be in a targeted industry as referenced in s. 288.106, F.S.;
- Have a positive payback ratio;
- Create 10 new jobs, and if an expansion, must expand jobs by at least 10 percent; and
- Pay an average annual wage at least 115 percent of the area or statewide private sector average wage.

Once EFI makes its evaluation and recommendation to OTTED, the director of OTTED must make a recommendation of approval or disapproval to the Governor. OTTED must also provide the Governor with proposed performance conditions that the project must meet to obtain the incentive funds.

The Governor must consult with the President of the Senate and the Speaker of the House of Representatives before giving final approval for using the QACF for the project and must recommend approval of the project and release of moneys from the QACF pursuant to legislative consultation and review requirements of s. 216.177, F.S.

Once approved by the Governor, OTTED enters into a contract with the business and establishes the conditions for the payment of moneys from the QACF. Conditions in the contract include those factors identified by EFI in its request to OTTED and also include sanctions for failure to meet performance conditions. EFI is responsible for validating the performance of the contract and reporting to the Governor and the Legislature within 6 months after contract completion.

According to EFI's 2005 Incentives Report, the QACF assisted seven businesses with locating or expanding in Florida. These businesses are creating and retaining 2,818 high quality jobs in Florida at an average expected wage of \$45,273. In fiscal year 2005-2006, the QACF was appropriated \$10 million.

### **Effect of Proposed Changes:**

This bill provides new eligibility criteria for projects funded by the Quick Action Closing Fund. The new criteria requires eligible projects to:

- Be in a targeted high-growth and high-wage industry.
- Have a positive return on investment of at least five to one.
- Be an inducement for expansion or location in Florida.
- Pay an annual wage at least 125 percent of the private sector average wage.
- Be supported by the local community.

The bill provides that EFI shall determine the eligibility of each project based on the new criteria; however, EFI, in consultation with the Office of Tourism Trade and Economic Development may waive the criteria based on extraordinary circumstances when the project would significantly benefit the local or regional economy. The bill also requires the Governor to consult directly with the House Speaker and the Senate President before giving approval for a project.

The bill provides an appropriation of \$50 million in general revenue to the QACF.

#### C. SECTION DIRECTORY:

**Section 1.** Amends s. 288.1088, F.S., providing new criteria for eligibility for the QACF.

**Section 2.** Provides a \$50 million appropriation.

**Section 3.** Provides this bill will take effect July 1, 2006.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None.

##### 2. Expenditures:

The bill provides an appropriation of \$50 million in general revenue to the QACF.

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

None.

##### 2. Expenditures:

None.

#### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Companies that qualify for funding through the QACF will benefit from state funding for locating or expanding their company in Florida.

#### D. FISCAL COMMENTS:

None.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

##### 1. Applicability of Municipality/County Mandates Provision:

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

##### 2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

Line 34 of the bill uses the term “extraordinary circumstances” to describe the condition under which OTTED and EFI may waive eligibility criteria for an award under QACF. This term is not defined and may not provide sufficient guidance as to what constitutes the proper conditions for waiver.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES