

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Commerce Committee

BILL: CS/SB 2714

INTRODUCER: Commerce Committee and Senator Fasano

SUBJECT: Economic Development/Building Florida’s Future Revolving Loan Guarantee Program

DATE: March 25, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pugh	Cooper	CM	Fav/CS
2.	_____	_____	TA	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

CS/SB 2714 creates the “Building Florida’s Future Revolving Loan Guarantee Program” within the Office of Tourism, Trade and Economic Development (OTTED).

The program’s purpose is to provide loan guarantees or other credit enhancements to local governments or private entities for the purpose of building or modernizing facilities or infrastructure needed to attract or expand targeted industries, generally defined in s. 288.106(1)(o), F.S., as stable, high-wage businesses with tremendous potential for growth.

OTTED and Enterprise Florida, Inc., the state’s business recruitment arm, would evaluate applications for the loan guarantees on such factors as credit-worthiness and the extent to which the assistance will foster an innovative public-private partnership or attract private investment to the project. OTTED must transmit to the Legislature and the Governor an annual report, beginning January 5, 2009, about the program’s activity.

CS/SB 2714 does not include an appropriation, nor does it establish an unencumbered balance to be maintained in the program’s trust fund.

The bill has a companion, CS/SB 2712, which creates the Building Florida’s Future Revolving Trust Fund to hold the funds used as loan guarantees.

CS/SB 2714 creates s. 288.097, F.S.

II. Present Situation:

A “revolving fund” is generally defined as a fund established for a certain purpose, such as making loans, with the stipulation that repayments to the fund may be used anew for the same purpose.¹ It typically takes the form of a revolving low-or-no-interest loan fund, but also can include funds that act as loan guarantees, collateral, or other types of credit enhancement, that increase an applicant’s chances at obtaining traditional financing.

Revolving loan fund programs are as versatile as they are widespread: their purposes can range from protecting conservation lands in Australia,² to providing micro-loans for poor women starting their own businesses in India,³ to capitalizing Colorado painters, potters, weavers, and other artists.⁴

The U.S. government has several different revolving loan programs administered by a number of agencies.⁵ There are federal revolving loan programs that help finance water and wastewater system improvements, environmental cleanup, economic development, agricultural operations, housing, and public education. Many of these programs are in partnership with states or local governments.

Florida’s Department of Environmental Regulation and the Department of Transportation (DOT) are among the state agencies that have revolving loan programs using state funds, that piggyback onto federal programs. For example, DOT has two state infrastructure bank (SIB) programs – one using federal funds and the other state funds – that provide financing assistance for public transportation projects. The state SIB was created pursuant to s. 339.55, F.S., and provides loans and credit enhancements to local governments and private entities for specified categories of road projects.

III. Effect of Proposed Changes:

Section 1 creates s. 288.097, F.S., the Building Florida’s Future Revolving Loan Guarantee Program. The program would provide loan guarantees to local governments and private entities that would support their plans to:

- Buy land, buildings, or fixed equipment;

¹ See <http://www.answers.com/topic/revolving-funds?cat=biz-fin>.

² “A Revolving Fund for Biodiversity Conservation in Australia.” Trust for Nature (based in Victoria, Australia). Published in 1997. Retrieval at www.cbd.int/doc/case-studies/inc/cs-inc-oecd-16-en.doc. Last visited March 20, 2008.

³ “The Investment Climate for Female Informal Businesses: A Case Study from Urban and Rural India.” Background Paper for the 2005 World Development Report. Drafted by M. Chen, R. Jhabvala & R. Nanavaty. Published September 4, 2003. Retrieval at: www.wiego.org/papers/2005/unifem/12_chen_jhabvala_nanavaty_investment_climate_female_informal_firms.pdf. Last visited Feb. 9, 2008.

⁴ Denver, Colo. “Creative Enterprises Revolving Loan Fund (CERLF).” Retrieval at: <http://www.denvergov.org/homepage/creativeenterprisesrevolvingloanfund/tabid/425153/www.microbusiness.org/creative/default.aspx>. Last visited Feb. 9, 2008.

⁵ General website for Office of Management & Budget is <http://www.whitehouse.gov/omb/>.

- Prepare a site for construction or reconstruction; or
- Install or provide access to telecommunications, energy sources, or other utilities.

The intent of the bill is to help attract or expand targeted industries, as defined in s. 288.106(1)(o), F.S., as part of an economic development project.

OTTED and EFI must consider, but not be limited to, the following criteria when evaluating projects for the credit assistance:

- A demonstration that the project would create or enhance economic benefits.
- The likelihood that the loan guarantee or credit enhancement would enable the project to proceed.
- The extent to which assistance would foster innovative public-private partnerships and attract private debt or equity investment.
- The credit worthiness of the entity or entities applying for the loan assistance.
- Whether the project is consistent, to the maximum extent feasible, with local government comprehensive plans.

All monies in the program's trust fund, including any interest earnings, will be available to carry out the program's purposes. Also, OTTED is directed to maintain an unencumbered balance in the accompanying trust fund (created in CS/SB 2712), but that amount is not specified. However, any funds that are not needed on an immediate basis for loan guarantees or other types of credit enhancements may be invested by the State Board of Administration, pursuant to s. 215.49, F.S.

Finally, this section directs OTTED to adopt rules for the development of application forms, deadlines for submitting applications, requirements of the selection process, and audit requirements.

Section 2 authorizes an FY 2008-2009 appropriation from the state's General Revenue Fund for the program, but leaves blank the amount of the appropriation. This section also provides that notwithstanding s. 216.301, F.S., the unexpended balance of the appropriations does not revert.

Section 3 provides an effective date of July 1, 2008, contingent upon the passage of SB 2712 or similar legislation during the 2008 regular session or any special sessions of the same year.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The availability of loan guarantees and other types of credit enhancements, as created in CS/SB 2714, could benefit entities who either want to locate or expand in Florida, or otherwise partner with local governments on economic development projects.

C. Government Sector Impact:

The availability of loan guarantees and other types of credit enhancements, as created in CS/SB 2714, could benefit local governments who want to engage in economic development projects, either alone or in partnership with private companies.

CS/SB 2714's impact of the bill on the state's finances is indeterminate, because the bill does not include an appropriation.

VI. Technical Deficiencies:

CS/SB 2714 contains two technical deficiencies: it leaves blank the amount of funds to be maintained in the program's trust fund, and it leaves blank the amount of the appropriation for the program. The bill sponsor has indicated he will address the funding levels for the bill when it is considered by the Senate Transportation and Economic Development Appropriations Committee.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Commerce Committee on March 25, 2008:

- Removed the verbiage that gave the Office of Tourism, Trade, and Economic Development substantial leeway to adopt rules addressing more loan guarantee program implementation issues than specified in the bill.
- Amended the contingent effective date by adding the number of the companion bill that also must pass, SB 2712.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
