

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 Committee on Community Affairs

BILL: CS/SB 1024

INTRODUCER: Community Affairs Committee and Commerce and Tourism Committee

SUBJECT: Department of Economic Opportunity

DATE: March 7, 2013 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------|----------------|-----------|----------------------------------|
| 1. | Siples | Hrdlicka | | cm SPB 7016 as introduced |
| 2. | Anderson | Yeatman | CA | Fav/CS |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/SB 1024 proposes to consolidate reports and reporting dates for various required economic development program reports by the Department of Economic Opportunity (DEO or department), Enterprise Florida, Inc. (EFI), the Office of Film and Entertainment, and Space Florida.

The bill grants rulemaking authority to DEO to develop guidelines for the administration of the Florida Small Cities Community Development Block Grant program and revises provisions to give DEO greater flexibility in administering the program.

In order to comply with federal requirements, the bill assesses a 15 percent penalty on individuals who fraudulently collect unemployment benefits and reenacts language providing penalties for disclosure of confidential information that was inadvertently repealed in 2012. It extends the operational deadline for the Reemployment Assistance Claims and Benefits Information System to June 30, 2014. The bill also provides that any excess assessments on deposit in the Audit and Warrant Clearing Trust Fund for the payment of interest on federal advances are transferred to the Unemployment Compensation Trust Fund 4 months after all federal advances and associated interest are paid.

The bill specifies that the Governor will serve ex officio as a nonvoting member of the Florida Tourism Industry Marketing Corporation (Visit Florida) board of directors.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 20.60, 220.194, 288.012, 288.061, 288.0656, 288.095, 288.106, 288.1081, 288.1082, 288.1088, 288.1089, 288.1226, 288.1253, 288.1254, 288.1258, 288.714, 288.7771, 288.903, 288.906, 288.907, 288.92, 288.95155, 290.0056, 290.014, 290.0411, 290.042, 290.044, 290.0455, 290.046, 290.047, 290.0475, 290.048, 331.3051, 331.310, 443.091, 443.131, 443.151, 443.191, 443.1113, 443.1715, and 446.50.

II. Present Situation:

Department of Economic Opportunity Reports

Presently, there are multiple reporting requirements for the state's various economic development programs and activities. Some entities are required to submit reports to the Governor, Legislature, and/or DEO and the report due dates lack uniformity.

DEO is required to produce an annual report by January 1 of each year to the Governor, the President of the Senate, and the Speaker of the House of Representatives that includes information on the state's business climate and economic development, as well as an identification of problems and recommendations.¹

Section 288.906, F.S., requires EFI to produce an annual report, as well as a separate Annual Incentives Report. The annual report includes broad organizational information including:

- A description of EFI's operations and accomplishments, including its divisions and the interactions with local and private economic development organizations.
- An evaluation of progress toward achieving organizational goals and specific performance outcomes.
- Methods for implementing and funding EFI's operations.
- An assessment of direct job creation benefits for welfare transition program participants or other programs designed to assist the long-term unemployed in finding work.
- The results of a customer satisfaction survey of businesses served.
- Annual compliance and financial audit information.

EFI is also required to produce an Annual Incentives Report² that requires, among other things, an analysis of the economic benefits that actually occurred based on actual private investment, jobs created, and wages paid over the previous 3 years. The Annual Incentives Report compares the projected impacts of each incentive program over the previous 3 years to the confirmed, realized results. The Division of Strategic Business Development within DEO is required to assist EFI in the preparation of the Annual Incentives Report.³

¹ Section 20.60(10), F.S.

² Section 288.907, F.S.

³ Section 288.907(2), F.S.

Florida has multiple reporting requirements for its economic development programs. These reports are required to be submitted separately from the EFI annual report, the Annual Incentives report, and the DEO annual report. The list of statutorily required reports and their due dates are as follows:

| Date | Report |
|-------------|---|
| January 1 | <ul style="list-style-type: none"> • DEO Annual Report submitted to the Governor and Legislature (s. 20.60, F.S.) • Displaced Homemaker plan and report submitted to the Governor and Legislature (s. 446.50, F.S.) |
| February 1 | <ul style="list-style-type: none"> • Annual reports on enterprise zones submitted to DEO (s. 290.014(1), F.S.) |
| March 1 | <ul style="list-style-type: none"> • Report encompassing annual reports on enterprise zones, as well as an analysis of activities and accomplishments of each enterprise zone submitted to the Governor and Legislature (s. 290.014(2), F.S.) |
| August 31 | <ul style="list-style-type: none"> • Black Business Loan Program Annual Report submitted to Governor and Legislature (s. 288.714, F.S.) |
| September 1 | <ul style="list-style-type: none"> • Rural Economic Development Initiative submitted to Governor or Legislature (s. 288.0656, F.S.) • Space Florida annual performance report submitted to the Governor and Legislature (s. 331.3051, F.S.) |
| October 1 | <ul style="list-style-type: none"> • State of Florida International Offices submitted to DEO (s. 288.012, F.S.) • Entertainment Financial Incentive Annual Report submitted to Governor and Legislature (s. 288.1254, F.S.) |
| October 15 | <ul style="list-style-type: none"> • Reports on each division of EFI (s. 288.92, F.S.) |

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|--------------------|---|
| <p>November 30</p> | <ul style="list-style-type: none"> • Florida Space Business Incentive Act annual report submitted to the Governor and Legislature, beginning in 2014 (s. 220.194, F.S.) • Space Florida annual operations report submitted to the Governor and Legislature (s. 331.310, F.S.) |
| <p>December 1</p> | <ul style="list-style-type: none"> • Report on information on the causes of a business’s failure to complete its qualified target industry tax refund program agreement submitted to the Governor and Legislature (s. 288.106, F.S.) • Report detailing the relationship between tax exemptions and film industry growth submitted to the Legislature (s. 288.1258, F.S.) • Enterprise Zone Development Agency report submitted to DEO (s. 290.0056, F.S.) • EFI Annual Report, due <i>before</i> this date, submitted to the Governor and Legislature (s. 288.906, F.S.) |
| <p>December 30</p> | <ul style="list-style-type: none"> • EFI Annual Incentives Report submitted to the Governor and Legislature (s. 288.907, F.S.) • Annual report on the Economic Development Trust Fund submitted to the Governor and Legislature (s. 288.095, F.S.) • Office of Film and Entertainment annual travel and expenses report submitted to the Legislature (s. 288.1253, F.S.) |
| <p>December 31</p> | <ul style="list-style-type: none"> • Economic Gardening Technical Assistance Pilot Program submitted to the Governor and the Legislature (s. 288.1082, F.S.) |

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| <p>Miscellaneous or multiple dates</p> | <ul style="list-style-type: none"> • Quick Action Closing Fund, reported within 6 months of validation of contract performance submitted to Governor and Legislature (s. 288.1088, F.S.) • Innovation Incentive Fund, reported within 90 days of the conclusion or termination of an award submitted to the Governor and Legislature and a report summarizing the activities and accomplishments of grant recipients during the previous 12 months due as part of the DEO annual report (s. 288.1089, F.S.) • Economic Gardening Business Loan Pilot Program, reports are due June 30 and December 31 submitted to the Governor and Legislature (s. 288.1081, F.S.) • Florida Export Finance Corporation, report due as part of DEO report on the Economic Development Trust Fund (s. 288.7771, F.S.) • Florida Small Business Technology Growth Program report on the financial status of the program due as part of the DEO annual report (s. 288.95155, F.S.) |
|--|---|

Florida Small Cities Community Development Block Grant Program

The Community Development Block Grant (CDBG) Program is a federally funded housing and community development program that targets assistance to low and moderate income populations. Administered by the U.S. Department of Housing and Urban Development (HUD), the program provides annual grants on a formula basis to units of local government and states. Eligible program activities include housing rehabilitation and preservation, economic development, and water and sewer facilities construction. Local governments in urban areas apply and receive funds directly from HUD. Rural or smaller area governments also receive grants but these funds are first funneled through the state. In Florida, this competitive rural distribution mechanism is known as the Florida Small Cities Community Block Grant Program (Small Cities CDBG) which is administered by DEO.

Background

The CDBG program is authorized under Title I of the Housing and Community Development Act of 1974, as amended (Title I). The program was enacted in 1974 under the Housing and Community Development Act (HCDA). Prior to this point in time, numerous federal programs addressed community development issues.⁴

The primary objective of HCDA is the development of viable urban communities.⁵ These viable communities are achieved by providing persons of low and moderate income with decent housing, a suitable living environment, and expanded economic opportunities.

To achieve these goals, federal CDBG regulations set forth eligible activities and the national objectives that each activity must meet.⁶ As recipients of CDBG funds, grantees are charged with ensuring that these requirements are met. According to HUD, recent regulation changes represent a trend toward greater flexibility in the CDBG program. These changes include providing:

- greater flexibility regarding new construction;
- enhanced flexibility in the area of economic development; and
- increasingly manageable administrative requirements.⁷

Federal CDBG Program Areas

While there is a range of eligible CDBG funding programs,⁸ three of the principal ones are the Entitlement Program, the State Administered Small Cities Program, and the Section 108 Loan Guarantee Program.

- Entitlement Program

The Entitlement Program provides formula grants to metropolitan cities and urban counties and is the largest component of the CDBG Program receiving 70 percent of CDBG appropriations.⁹ HUD is the administrator; there is no state involvement. An entitlement entity is defined as a city in a metropolitan area with a population of 50,000 or more, a principal city of a metropolitan area, or an urban county with a population of at least 200,000 (excluding the population of metropolitan cities located therein). Participating entitlement governments automatically receive an annual allocation of CDBG funds directly from HUD. The grant amounts are determined by the higher of two formulas: 1) data based on overcrowded housing, population, and poverty; or 2) data based on age of housing, population growth lag, and poverty.¹⁰

⁴ U.S. Department of Housing and Urban Development, “*Basically CDBG*” *Course Training Manual: Overview of the Program* (November 2007), available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/training/basicallycdbg (last visited February 5, 2013).

⁵ *Ibid.*

⁶ The regulations implementing the CDBG Program are found at 24 C.F.R. Part 570.

⁷ HUD, “*Basically CDBG*.”

⁸ These include Disaster Recovery Assistance from Presidentially-declared disasters, Neighborhood Stabilization aimed at home foreclosures, and a Brownfields Economic Development Initiative used to spur the return of brownfields to productive economic reuse.

⁹ HUD, “*Basically CDBG*.”

¹⁰ *Ibid.*

- State Administered Small Cities Program
The State Administered Small Cities Program provides CDBG grants to state governments who then provide CDBG assistance to non-entitlement communities within their jurisdiction (i.e., cities with fewer than 50,000 residents and counties with fewer than 200,000 residents). Each state annually develops funding priorities and criteria for selecting projects. DEO administers Florida's Small Cities CDBG.
- Section 108 Loan Guarantee Program
Section 108 is the loan guarantee provision of the CDBG program. CDBG entitlement communities are eligible to apply directly for assistance through the program while CDBG non-entitlement communities apply through their state administered small cities program. Section 108 loans are not risk-free. The principal security for the loan guarantee is a pledge by the entitlement community or a pledge by the state in the case of a non-entitlement community of its current and future CDBG funds.¹¹

Florida Small Cities Community Development Block Grant Program

Communities in the state with populations below the entitlement thresholds must compete for funding by submitting applications through the Small Cities CDBG. For federal fiscal year 2012, there are more than 240 communities eligible to participate in the program for the federal fiscal year 2012 funding cycle.¹² DEO annually develops funding priorities and criteria for selecting Small Cities CDBG projects subject to statutory provisions and applicable rules.¹³

Established in 1983, the intent of Florida's Small Cities CDBG resonates with the federal CDBG legislation. The primary purposes of the program outlined in s. 290.0411, F.S., include community development and project planning activities to maintain viable communities, revitalize existing communities, expand economic development and employment opportunities, and improve housing conditions and expand housing opportunities, providing direct benefit to persons of low or moderate income.

While federal regulations "give maximum feasible deference to the state's interpretation of the statutory requirements" of CDBG, Florida's Small Cities CDBG is bound by the national objectives and eligible activities of the federal act.¹⁴

¹¹ U.S. Department of Housing and Urban Development, *Section 108 Loan Guarantee Program*, available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108 (last visited February 5, 2013). In federal fiscal year 2010, nationwide, HUD approved thirty-five Section 108 guaranteed loan commitments, in the aggregate amount of \$165,880,000.

¹² For a list of eligible communities, see <http://www.floridajobs.org/fhcd/cdbg/Files/Misc/EligibleCommunities.pdf> (last visited February 5, 2013).

¹³ Small Cities CDBG is administered in accordance with ss. 290.0401-290.049, F.S., ch. 73C-23, F.A.C., (formerly 9B-43), and 24 C.F.R. 570, Subpart I.

¹⁴ 24 C.F.R. s. 570.480(c).

Small Cities CDBG HUD Allocation

HUD determines the amount of the Small Cities CDBG funding allocation using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other states.¹⁵ Each year since 1983, Florida has received between \$18 and \$35 million from HUD for the program.¹⁶ Florida's federal fiscal year 2012 allocation is \$22,887,374.

Categories of Funding

Section 290.044, F.S., specifies certain grant program categories for the Small Cities CDBG and allows DEO to define the broad community objectives served by each category. Major grant categories and DEO's defined objectives are:¹⁷

- Commercial Revitalization (CR) – The objective of the CR category is to revitalize commercial areas that are showing signs of decline by addressing problems causing deterioration or decline. Activities that achieve this objective include installation or reconstruction of streets, utilities, parks, and other necessary public improvements, selling or leasing land in commercial areas for public use, correction of architectural barriers to handicap access, and repair and rehabilitation of building facades. CR grants are submitted annually.
- Economic Development (ED) - ED objectives include promoting investment of private capital, retaining local economic enterprises, and providing long-term jobs with growth potential primarily for very low-, low-, and moderate-income persons. Activities that achieve this objective include acquisition of real property, construction, or rehabilitation of commercial and industrial buildings, the purchase of capitalized machinery and equipment, and activities designed to provide job training and job placement. ED grants may be submitted at any time. Applicants may have up to two open ED grants.¹⁸
- Housing (H) - The objective of the H category is to improve housing conditions and expand housing opportunities for very low-, low- and moderate-income persons. Activities that achieve this objective include rehabilitation of housing or publicly owned or acquired properties, demolition of dilapidated housing, code enforcement, and weatherization and

¹⁵ U.S. Department of Housing and Urban Development, *Community Development Block Grant – CDBG*, available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs (last visited February 5, 2013).

¹⁶ Florida Department of Economic Opportunity, *Florida Small Cities Community Development Block Grant Program*, available at <http://www.floridajobs.org/community-planning-and-development/assistance-for-governments-and-organizations/florida-small-cities-community-development-block-grant-program> (last visited February 5, 2013).

¹⁷ Florida Department of Economic Opportunity, *State of Florida Annual Action Plan for Programs Funded by the U.S. Department of Housing and Urban Development, Federal Fiscal Year 2012 (Draft)*, available at <http://www.floridajobs.org/fhcd/cdbg/Files/ConsolidatedPlan/DRAFT2012AnnualActionPlan.pdf> (last visited February 5, 2013). Local governments may also apply for a Planning and Design Specifications grant for architectural and engineering plans and specifications associated with Commercial or Neighborhood Revitalization projects. The maximum award is \$70,000.

¹⁸ Rule 73C-23.0041(6)(f), F.A.C., stipulates that an ED project must meet a national objective through the creation or retention of jobs, of which 51 percent must be jobs for persons from low to moderate-income households and must provide a public benefit by creating or retaining a number of full time equivalent jobs that divided into the subgrant amount results in a cost per job of under \$35,000.

energy-efficiency improvements. Sewer and water hookups are complimentary housing category activities. H grants are submitted annually.

- Neighborhood Revitalization (NR) – The objective of the NR category is to revitalize declining neighborhoods. An NR project may involve street paving, improvements to deteriorating infrastructure, or construction, or rehabilitation of neighborhood facilities that provide health, social, or recreational services. NR grants are submitted annually.¹⁹

Beyond the major funding categories, s. 290.044, F.S., also permits DEO to annually set aside a portion of Small Cities CDBG funding for use in executive order declared emergencies or natural disasters. Funds not allocated under the emergency-related set-aside by the last quarter of the state fiscal year are distributed to unfunded applications from the other categories.

Local governments applying for Small Cities CDBG funds must consider national and state goals and objectives when developing applications for funding. Applications may reflect more than one activity, but each eligible activity must meet at least one of the three national objectives (i.e., benefit low- and moderate-income persons, eliminate slum or blight, or meet an urgent need). Examples of *ineligible* Small Cities CDBG activities include buildings for the general conduct of government, general government expenses, purchase of equipment with a useful life of less than five years, and operating and maintenance expenses.²⁰

Funding Allocation Priorities

The State of Florida Annual Action Plan for programs funded by HUD delineates the distribution, allocation, priorities, and specific objectives for the Small Cities CDBG program. The following chart reflects the planned distribution of federal fiscal year 2012 Small Cities CDBG funds.²¹

| | |
|---|---------------------|
| 2012 Allocation | \$22,887,374 |
| State Administration (unmatched) | \$100,000 |
| 2% State Administration (matched with GR) | \$457,747 |
| 2.5% Emergency Set-Aside | \$572,184 |
| 1% Training/TA | \$228,874 |
| Total Pass Through | \$21,528,569 |
| Neighborhood Revitalization (41%) | \$8,826,713 |
| Housing Rehabilitation (16%) | \$3,444,571 |
| Economic Development (40%) | \$8,611,428 |
| Commercial Revitalization (3%) | \$645,857 |

¹⁹ While grant requests for Housing, Neighborhood Revitalization, and Commercial Revitalization, are submitted annually, communities may only apply if they have no open grants in one of these three categories.

²⁰ Florida Department of Economic Opportunity, *Small Cities CDBG Application Process, FFY 2012*, available at <http://www.floridajobs.org/fhcd/cdbg/Files/Application/SmallCitiesCDBGApplicationProcess.pdf> (last visited February 5, 2013).

²¹ DEO, *State of Florida Annual Action Plan for Programs Funded by HUD*. Amounts in the table are rounded to the nearest dollar.

Should eligible requests for funds be insufficient to fully utilize all funds allocated to a category, the balance of the funds in that category may be reallocated to the category receiving the greatest number of applications or to economic development activities.²²

Grant Ceilings

Section 290.047(2), F.S., directs DEO to establish Small Cities CDBG ceilings by rule.²³ The local government’s low- and moderate-income (LMI) population determines the maximum amount of funds for which they can apply. Population groupings are based on HUD modified census figures summarizing low- and moderate-income. The population groupings and grant ceilings are shown below.

| LMI Population | Grant Ceiling |
|-----------------------|----------------------|
| 1-499 | \$600,000 |
| 500-1,249 | \$650,000 |
| 1,250-3,999 | \$700,000 |
| 4,000-10,549 | \$750,000 |
| 10,550 and above | \$750,000 |

Maximum Small Cities CDBG administration costs are statutorily capped at 15 percent for housing grants and 8 percent for all other program category grants.²⁴ A schedule of maximum engineering costs is adopted by DEO consistent with the schedule used by the U.S. Farmers Home Administration or another comparable schedule.²⁵

Grant Selection Criteria and Process

Upon receipt of an application, an initial review is conducted by the department to determine if threshold criteria have been met.²⁶ This review is used as a screening method to ensure compliance with minimum application requirements. Specific criteria established by s. 290.0475, F.S., governs the basis upon which DEO may reject an application without regard to scoring. These criteria are:

- the application is not received by the specified deadline date;
- the proposed project activities fail to meet one of the three national objectives;
- the proposed activities are not eligible;
- the proposed activities are not in compliance with the adopted local comprehensive plan;
- the applicant has an open Housing, Neighborhood or Commercial Revitalization CDBG;
- the local government is not in compliance with citizen participation requirements; or
- information provided in the application that affects eligibility or scoring is misrepresented.

²² *Ibid.*

²³ See Rule 73C-23.0041, F.A.C.

²⁴ Section 290.047 (3), F.S. These requirements do not preclude a local government from contributing their own funds to cover administrative costs.

²⁵ Section 290.047(6), F.S.

²⁶ *Ibid.*

Section 290.046(3), F.S., establishes grant application ranking components and their respective score weighting:

- Community need (25 percent) measures the extent of poverty in the community and the condition of physical structures. Each application, regardless of program category is scored on the same community need criteria.²⁷
- Project impact (65 percent) measures the direct benefit received by persons of low income and persons of moderate income, the extent to which the problem identified is addressed by the proposed activities, and the extent to which resources other than the funds being applied for are being used to carry out the proposed activities. Project impact criteria are unique to each program category.²⁸
- Equal opportunity employment and housing performance (10 percent) measures outstanding efforts in this area.

While the Small Cities CDBG Program does not require local governments to provide matching funds, the competitive scoring criteria do favor applications that leverage other funds. Local government general revenue, as well as other loan and grant funds, may be counted as leveraged funds.

DEO awards no grant until it has determined, based upon a site visit, that a project or activities are eligible, in accordance with the description contained in the application, and that any open Economic Development grant is on schedule.²⁹

Local Government Citizen Participation Requirements

Section 290.046, F.S., and federal regulations, set out the requirements local governments must follow to obtain citizen input for Small Cities CDBGs. Local governments submitting a CDBG application must comply with citizen participation requirements as provided in the HCDA of 1974, as amended. To ensure compliance, these provisions are incorporated in grant applications, the scoring system and award agreements.³⁰ Prior to the submission of an application for funding, local governments must:

- publicize information concerning the amount of funds available to the local government and the range of activities that may be undertaken,
- hold at least one public hearing to obtain citizens' views on community development needs,
- publish a notice concerning the proposed application advising citizens of its location and notifying them that it is available for inspection and comment,
- consider any comments and views expressed by citizens on the proposed application and, if appropriate, modify the proposed application, and

²⁷ Rule 73C-23.0041(10)(b)4., F.A.C., specifies three factors to determine community need: 1) the number of low and moderate income persons, 2) the number of persons below poverty level, and 3) the number of year-round housing units with 1.01 or more persons per room.

²⁸ Section 290.046(3)(d), F.S., further provides that the criteria used to measure the direct benefit to persons of low income and persons of moderate income shall represent no less than 42 percent of the points assigned to the program impact factor.

²⁹ Section 290.046(2)(d), F.S. For final rankings for federal fiscal year 2012 applications, see <http://floridajobs.org/fhcd/cdbg/Files/Misc/FinalScoresFFY2012Applications.pdf> (last visited February 6, 2013).

³⁰ DEO, *State of Florida Annual Action Plan for Programs Funded by HUD*.

- hold at least one public hearing on the proposed application prior to its submission to the state.³¹

In addition, a Citizen's Advisory Task Force must be established to provide input throughout the project process.³² At least three of the task force members are required to be residents of the jurisdiction where the proposed project or activities are to be implemented. No task force members may be elected officials and only one may be an employee of the local government.³³ Failure to meet these or any other citizen participation requirements will result in the rejection of an application pursuant to s. 290.0475(6), F.S.

Section 108 Loan Guarantee Program

The Section 108 Loan Guarantee Program is authorized under Section 108 of the HCDA of 1974, as part of the CDBG Program.³⁴ In 1997, the Florida Legislature passed changes to the Small Cities CDBG Program which currently allows statewide Section 108 Loans of up to five times Florida's most recent HUD allocation.³⁵

HUD sells bonds on the private market and uses the proceeds to fund Section 108 loans through the state to local governments. The local government may loan the funds to third parties to undertake eligible CDBG activities, typically economic development, or use the funds for other eligible CDBG activities. As part of the process, the state pledges future CDBG allocations as secondary collateral to secure the loan.³⁶ Section 290.0455, F.S., provides that the maximum amount of loan guarantee commitment that any eligible local government may receive may be limited to \$7,000,000.³⁷

HUD has approved three section 108 loans since the inception of Florida's Small Cities CDBG.³⁸ In 2001, HUD approved the first Section 108 Loan for a major economic development project in the City of Alachua (Alachua County). This loan of \$2,250,000 provided infrastructure for the development of a Dollar General Distribution Center that created 448 new jobs for low- and moderate-income citizens. The City of Key West addressed critical housing needs with a \$16 million loan that was approved in 2003. The project funded the rehabilitation of 144 housing units at Poinciana Plaza, a former military base housing area.

In 2004, the City of Sebring received a loan for \$5,250,000 to restore a hotel, the historic Harder Hall. In late 2006, the developer for the project, Joran Realty, experienced financial shortfalls, filed bankruptcy, and ceased work on the project. The city, which now holds possession of the property, foreclosed on the loan. The value of the property is reported to exceed the loan amount

³¹ Section 290.046(5), F.S.

³² Section 290.046(6), F.S.

³³ See Rule 73C-23.0041(3)(b), F.A.C.

³⁴ 42 U.S.C. s. 5308.

³⁵ Chapter 97-278, s. 45, Laws of Fla. (creating s. 290.0455, F.S., effective July 1, 1997). The current maximum loan amount is approximately \$115 million.

³⁶ DEO, *State of Florida Annual Action Plan for Programs Funded by HUD*.

³⁷ 24 C.F.R. s. 570.705.

³⁸ Florida Department of Economic Opportunity, *Florida Small Cities Community Development Block Grant (CDBG) Program, Performance and Evaluation Report for FFY 2000-2010* (June 30, 2011) (on file with the Senate Commerce and Tourism Committee). Information from this and the next paragraph are drawn from the report.

owed. The hotel and accompanying property are currently being marketed for sale and proceeds will be used to pay back the loan. The city reports that it is current with interest payments to HUD.

DEO Recommendation on Small Cities CDBG: January 2012

Chapter 2011-142 L.O.F., directed the department to provide recommendations for further reorganization and streamlining of economic development and workforce functions that improve the effectiveness and operation of economic development and workforce programs. In January of 2012, DEO released a Report on Further Streamlining & Reorganization of Florida's Economic Development & Workforce Functions. As one of its recommendations, DEO suggested revisions to the Florida Small Cities Community Development Block Grant Act in ch. 290, F.S.

The department's explanation for this recommendation included the following:

The Florida Small Cities Community Development Block Grant Act currently contains a number of provisions that restrict the program's ability to be flexible, agile or foster DEO's economic development emphasis. Revisions to the Act would allow DEO greater latitude to craft the program toward a more effective economic development outcome and would remove burdensome and unnecessary requirements beyond those required in the Code of Federal Regulations.

The desired outcome is to remove unnecessary regulation and competitive CDBG grant scoring criteria from statute and to put more of the framework of the CDBG grant scoring criteria in rule so that DEO has more agility and flexibility to work with our stakeholders to put more of an economic development focus on the Small Cities CDBG program and streamline the process for the other grant categories as well.³⁹

Reemployment Assistance

Background

According to the U.S. Department of Labor (USDOL), the Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under state law) and who meet the requirements of state law.⁴⁰ Individual states collect payroll taxes on a quarterly basis, which are used to pay benefits, while the Internal Revenue Service collects an annual federal payroll tax under the Federal Unemployment Tax Act (FUTA)⁴¹ FUTA collections go to the states for costs related to

³⁹ Florida Department of Economic Opportunity, *Report on Further Streamlining & Reorganization of Florida's Economic Development & Workforce Functions* (January 1, 2012) available at <http://www.floridajobs.org/about%20awi/12.31.2011%20-%20DEO%20Streamlining%20Report%20Jan%202012.pdf> (last visited February 6, 2013).

⁴⁰ USDOL, Employment and Training Administration, *State Unemployment Insurance Benefits*, available at <http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp> (last visited February 6, 2013).

⁴¹ FUTA is codified at 26 U.S.C.

the administration of state unemployment insurance and job service programs. In addition, FUTA pays one-half the cost of extended unemployment benefits (during periods of high unemployment) and provides for a fund from which states may borrow, if necessary, to pay benefits.⁴²

States are permitted to set benefit eligibility requirements, the amount and duration of benefits and the state tax structure, as long as state law does not conflict with FUTA or Social Security Act requirements. Florida's unemployment insurance program was created by the Legislature in 1937.⁴³ The program was rebranded as the "reemployment assistance program" in 2012.⁴⁴ The Department of Economic Opportunity (DEO) is the current agency responsible for administering Florida's reemployment assistance (RA) laws, primarily through its Division for Workforce Services. DEO contracts with the Florida Department of Revenue (DOR) to provide unemployment tax collection services.⁴⁵

In Florida, Reemployment Assistance (RA) benefits are financed solely through contributions by employers – employers pay taxes on the first \$8,000 of each employee's wages.⁴⁶ The calculation for determining each employer's tax rate is statutorily set, and takes into consideration an employer's "experience" (as former employees collect RA benefits, these benefits are charged to the employer), the balance of the Unemployment Compensation Trust Fund, and other factors.

The Internal Revenue Service charges each liable employer a federal unemployment tax of 6.0 percent of employees' annual wages.⁴⁷ If, however, a state program meets the federal requirements and has no delinquent federal loans, employers are eligible for up to a 5.4 percent tax credit, making the net tax rate 0.6 percent. Employers file an annual return with the Internal Revenue Service each January for taxes on the first \$7,000 of employee's annual wages during the previous year.

The USDOL provides DEO with administrative resource grants from the taxes collected from employers pursuant to FUTA. These grants are used to fund the operations of the state's program, including the processing of claims for benefits by DEO, state unemployment tax collections performed by DOR, appeals conducted by DEO and the Reemployment Assistance Appeals Commission, and related administrative functions.

Unfortunately, due to the past few years of high unemployment in Florida, more funds have been paid out of the Unemployment Compensation Trust Fund than have been collected. The trust fund fell into deficit in August 2009, and since that time, the state has requested over \$2 billion

⁴² USDOL, Employment and Training Administration, [Unemployment Insurance Tax Topic](http://workforcsecurity.doleta.gov/unemploy/uitaxtopic.asp), available at <http://workforcsecurity.doleta.gov/unemploy/uitaxtopic.asp> (last visited February 6, 2013).

⁴³ Chapter 18402, L.O.F.

⁴⁴ Chapter 2012-30, L.O.F.

⁴⁵ Section 443.1316, F.S.

⁴⁶ Nonprofit employers may choose to finance compensation through either the contributory method or the reimbursement method. A reimbursing employer is one who must pay the Unemployment Compensation Trust Fund on a dollar-for-dollar basis for the benefits paid to its former employees. The employer is otherwise not required to make payments to the trust fund. See s. 443.1312, F.S. State and local governments are reimbursing employers. Most employers are contributory employers. In January 2015, the "wage base" will be reduced to \$7,000. See s. 443.1217(2)(a), F.S.

⁴⁷ 26 U.S.C. s. 3301.

in federal advances in order to continue to fund unemployment compensation claims. Through voluntary repayment and partial loss of the federal tax credit, Florida has substantially paid down its debt.⁴⁸ It is estimated that all federal advances should be repaid by mid-2013.⁴⁹

Federal advances accrue interest on a federal fiscal year basis (October to September), and such interest is due no later than September 30 each year. The interest rate for 2013 is 2.5765 percent.⁵⁰ The Revenue Estimating Conference estimated on January 15, 2013, that the interest due for 2013 would be \$9.6 million.⁵¹

The interest due on advances cannot be paid from funds from the Unemployment Compensation Trust Fund. In order to repay the interest, a state may make an appropriation from general revenue, issue bonds, or impose an assessment on employers.⁵² In 2010, the Legislature imposed an additional assessment on employers to pay interest on federal advances.⁵³

Section 443.131(5)(b), F.S., sets forth the calculations for the assessment. To determine the additional rate for the assessment, the formula divides the estimated amount of interest owed by 95 percent of total wages paid by employers for the previous year ending June 30. To determine an employer's payment amount, the formula multiplies an employer's taxable wages by the additional rate. DOR is required to calculate and bill the assessment prior to February 1 of the year, based upon the interest estimated by the Revenue Estimating Conference. An employer has 5 months to pay the assessment, by June 30. The assessments are paid into the Audit and Warrant Clearing Trust Fund and may earn interest; any interest earned is part of the balance available to pay the interest due to the federal government.

Reemployment Assistance Claims and Benefits Information System

In 2009, the Legislature authorized the Department of Economic Opportunity to upgrade and enhance its Unemployment Compensation Claims and Benefits Information System.⁵⁴ The statute provides a project completion date of no later than June 30, 2013.

In early 2012, the vendor indicated that an extension of the timeline would be required. The vendor paid \$1,965,000 in liquidated damages and provided a credit of \$2,500,000 to cover the

⁴⁸ As of February 4, 2013, Florida had an outstanding advance balance of slightly less than \$685 million. See U.S. Department of Treasury, Bureau of Public Debt, Treasury Direct's Title XII Advance Activities Schedule at http://treasurydirect.gov/govt/reports/tfmp/tfmp_advactivitiesched.htm (last visited February 6, 2013).

⁴⁹ The most recent forecast by the Revenue Estimating Conference shows repayment of all federal advances by June 2013. On file with the Senate Commerce and Tourism Committee.

⁵⁰ The interest rate charged is equal to the fourth calendar quarter yield on the Unemployment Trust Fund for the previous year, capped at 10 percent. See U.S. Department of Treasury, Bureau of Public Debt, Treasury Direct's Unemployment Trust Fund Quarterly Yields at http://treasurydirect.gov/govt/rates/rates_tfr.htm (last visited on February 6, 2013).

⁵¹ Revenue Estimating Conference forecast, available at <http://edr.state.fl.us/content/revenues/reports/unemployment-compensation-trust-fund/UnemploymentCompensationTax2013InterestDueonFederalAdvancesRevised.pdf> (last visited February 6, 2013).

⁵² The option of issuing bonds to repay the interest may be unavailable to Florida, See Art. VII, s. 11, Fla. Const.

⁵³ Section 443.131(5), F.S. Section 4, ch. 2010-1, L.O.F.

⁵⁴ Chapter 2009-73, L.O.F. At the time, the Unemployment Compensation program was housed in the Agency for Workforce Innovation, whose functions were transferred to the Department of Economic Opportunity in 2011.

costs incurred by DEO caused by the delay. After negotiations and a corrective action plan, the revised project schedule calls for an October 28, 2013, implementation date.⁵⁵

Fraudulent Claims

A fraudulent claim is one that knowingly contains a false or fraudulent statement or fails to disclose a material fact for the purpose of obtaining or increasing reemployment benefits.⁵⁶ A claimant found to be collecting benefits fraudulently is disqualified from received benefits beginning the week that the fraudulent claim was made. The disqualification will continue for a period not to exceed 1 year after DEO discovered the fraud and until any resulting overpayment of benefits has been recouped. Reemployment Assistance fraud can also be prosecuted as a third degree felony.

Federal law requires states to assess a penalty, of at least 15 percent of the amount of the erroneous payment, on any claimant who fraudulently obtained benefits.⁵⁷ Florida does not currently assess a penalty for fraudulent overpayments.

Confidentiality

Information received from an employing unit or individual that reveals an employing unit's or individual's identity under the administration of the RA program is confidential and exempt from disclosure.⁵⁸

In 2012, the statute was amended and the language that made disclosure of such confidential information a second-degree misdemeanor was inadvertently repealed.⁵⁹ Federal regulations require Florida to provide penalties for the unlawful disclosure of confidential information related to reemployment assistance.⁶⁰

Florida Tourism Industry Marketing Corporation

The Florida Tourism Industry Marketing Corporation, also known as Visit Florida, is the not for profit corporation that acts as the direct support organization for EFI.⁶¹ Visit Florida is

⁵⁵ See Project Connect, Executive Steering Committee Meeting Minutes for August 8, 2012, http://sitefinity.floridajobs.org/Unemployment/UC_ModernizationProject/documents/MinutesAgendas/20120808%20RA%20ESC%20Meeting%20Minutes%20%20FINAL.pdf (last visited February 7, 2013).

⁵⁶ Sections 443.071 and 443.101(6), F.S., discuss fraud and associated penalties.

⁵⁷ 42 U.S.C. s. 503(a)(11).

⁵⁸ Section 443.1715, F.S. This subsection authorizes a number of exceptions for disclosure. Information may be released to the extent necessary for presentation of a claim or upon written authorization of a claimant who has a workers' compensation claim pending or is receiving compensation benefits. Public employees may receive this information in the performance of their public duties but must maintain the confidentiality of the information. A claimant or his or her legal representative is entitled to this information, to the extent necessary, to present a claim at a hearing before an appeals referee or the commission. DEO or DOR may provide a copy of any report submitted by an employer to the employer or a copy of any report submitted by the claimant to the claimant, upon request. Confidential information may also be released pursuant to 20 C.F.R. part 603.

⁵⁹ Chapter 2012-30, L.O.F.

⁶⁰ 20 C.F.R. part 603.

⁶¹ Section 288.1216, F.S. Chapter 2011-142, L.O.F.

responsible for the execution of tourism promotion and marketing services, functions, and programs for the state.

The Visit Florida board of directors consists of 31 tourist industry-related members, appointed by EFI, in conjunction with DEO. Sixteen of its members are appointed to represent all geographic areas of the state in an equitable manner, with at least two members from each region.⁶² An additional 15 members are prescribed as follows: one from the statewide rental car industry, seven from tourist-related statewide associations, three from county destination marketing organizations, one from the cruise industry, one from an automobile and travel services membership organization that has at least 2.8 million members in Florida, one representative from the airline industry, and one representative from the space tourism industry, who will each serve for a term of 2 years.

III. Effect of Proposed Changes:

Agency Reporting Consolidation

SB 1024 consolidates several independent program reports and reporting dates.

DEO Annual Report

The bill makes several changes to the DEO annual report. (**Section 1, amends s. 20.60, F.S.**) The report's due date is changed from January 1 to November 1. The department is directed to include supplements to its annual report on several programs. As a result, the independent due dates for each of the reports are removed. The programs to be included in the DEO annual report are:

- Displaced Homemaker program. (**Section 41, amends s. 446.50, F.S.**)
- Enterprise Zone program. (**Sections 23 and 24**).
 - Changes the due date of each enterprise zone development agency's report to DEO from December 1 to October 1. (**Section 23, amends s. 290.0056, F.S.**)
 - Changes the due date of the Department of Revenue's report on the usage and revenue impacts, by county, of state incentives relating to enterprise zones from February 1 to October 1. (**Section 24, amends s. 290.014, F.S.**)
- Economic Gardening Business Loan Pilot Program. (**Section 10, amends s. 288.1081, F.S.**)
- Economic Gardening Technical Assistance Pilot Program. (**Section 11, amends s. 288.1082, F.S.**)
- Black business loan program. (**Section 18, amends s. 288.714, F.S.**)
- Rural Economic Development Initiative. (**Section 7, amends s. 288.0656, F.S.**)

EFI Annual Report

The bill requires EFI to include, as a supplement in its annual report, information on: (**Section 2, amends s. 288.906, F.S.**)

- State of Florida International Offices. (**Section 5, amends s. 288.012, F.S.**)
- Florida Export Finance Corporation annual report. (**Section 19, amends s. 288.7771, F.S.**)

⁶² Section 288.1216(4)(a), F.S., prescribes six regions of the state and the counties encompassed in those regions.

Additionally, under current law EFI division reports are due independently on October 1, for inclusion in the EFI annual report. The bill repeals this independent due date. (**Section 21, amends s. 288.92, F.S.**)

Annual Incentives Report

The bill revises the duties of EFI to require the Annual Incentives Report to be a joint report by EFI and DEO. (**Section 20, amends s. 288.903, F.S.**) The report is currently produced by EFI alone using data supplied by DEO.

Information on the Economic Development Trust Fund is required to be included in the Annual Incentives Report. The information is currently required under s. 288.095(3)(c), F.S. The bill repeals this paragraph (**Section 8**) and incorporates the information into the Annual Incentives Report. (**Section 3, amends s. 288.907, F.S.**) The information includes:

- The types of projects supported;
- Tax refunds or other payments made out of the Economic Development Incentives Account for each project supported;
- A separate analysis of the impact of tax refunds on Enterprise Zones, rural communities, brownfield areas, and distressed urban communities; and
- The name and tax refund amounts for each business receiving a qualified target industry or qualified defense space contractor and space flight business tax refund.

Several other stand-alone program reports are incorporated as supplements to the Annual Incentives Report. As a result, the independent due dates for the reports are removed. The reports required to be included as supplements to the Annual Incentives Report include:

- Florida Space Business Incentives Act annual report (**Section 4, amends s. 220.194, F.S.**), beginning in 2014.
- Information on the causes of a business's failure to complete its qualified target industry incentive agreement. (**Section 9, amends s. 288.106, F.S.**)
- Information relating to Innovation Incentive Program recipients, including the evaluation as to whether the recipients were catalysts for additional economic development. (**Section 13, amends s. 288.1089, F.S.**)
- Florida Small Business Technology Growth Program annual report. (**Section 22, amends s. 288.95155, F.S.**)

Validation of contractor performance for all incentive programs is currently required as part of the Annual Incentives Report. The bill adds a cross-reference to s. 288.061, F.S., clarifying that validation of contractor performance is to be included in the Annual Incentives Report. (**Section 3, amends s. 288.907, F.S.**)

The bill clarifies that DEO, rather than EFI, is responsible for validating contractor performance for the Quick Action Closing Fund incentives and that such information is to be included in the Annual Incentives Report. Current law requires the contractor performance validation to be reported within 6 months of completion. This requirement is deleted by the bill. (**Section 12, amends s. 288.1088, F.S.**)

Validation of contractor performance for the Innovation Incentive Program recipients is required to be included in the Annual Incentives Report. The current law requirement that a report on contractor performance be submitted within 90 days of an agreement's conclusion is repealed. **(Section 13, amends s. 288.1089, F.S.)**

Office of Film and Entertainment Annual Report

The bill changes the due date of the Office of Film and Entertainment's (OFE) Annual Report on the entertainment industry financial incentive program from October 1 to November 1. **(Section 16, amends s. 288.1254, F.S.)** The OFE Annual Report is also required to include the OFE expenditures report **(Section 15, amends s. 288.1253, F.S.)** and the report detailing the relationship between tax exemptions and incentives to industry. **(Section 17, amends s. 288.1258, F.S.)**

Space Florida Annual Report

The bill changes the due date for the Space Florida annual performance report from September 1 to November 30 **(Section 33, amends s. 331.3051, F.S.)**, and requires the Space Florida annual operations report to be included in the performance report. **(Section 34, amends s. 331.310, F.S.)**

Florida Small Cities Community Development Block Grant Programs

Section 25 amends the legislative intent and purpose of the Small Cities Community Development Block Grant Program Act to include economic need as one of the factors to make a Florida community eligible to participate in the program and includes economic development programs as an activity for such communities to undertake. **(amends s. 290.0411, F.S.)**

Section 26 amends s. 290.042, F.S., to clarify the definitions of "administrative closeout" and "person of low or moderate income" by including a reference to the definition used in the Code of Federal Regulations.

Program Funding and Distribution of Funds (Section 27)

The bill amends s. 290.044, F.S., to provide DEO rule-making authority to establish guidelines for the distribution of the Small Cities CDBG program funds through a competitive selection process. DEO is directed to define broad community development objectives for the distribution of CDBG funds that are consistent with the national objectives, as established by federal law. Current provisions requiring applicants to compete against each other in grant program categories and the categories themselves are repealed. SB 1024 provides that emergency set-aside funds are to only be used when no other federal, state, or local disaster funds are available.

Section 108 Loan Guarantee Program (Section 28)

The bill focuses on reducing risks associated with the Section 108 loan guarantee program by amending s. 290.0455, F.S. Specifically, it requires an applicant approved by HUD to receive a

Section 108 loan to enter into an agreement with DEO which requires the applicant to pledge half the amount necessary to guarantee the loan in the event of default. DEO must review all Section 108 loan applications in the order received, provided the applications meet all eligibility requirements and have been deemed financially feasible by a DEO-approved loan underwriter. If the statewide maximum available for loan guarantees has not been met, DEO may submit the application to HUD with a recommendation that the loan be approved, with or without conditions, or denied.

The bill reduces the maximum amount of an individual loan guarantee commitment from \$7 million to \$5 million and decreases the maximum statewide amount of loan guarantees from five times to two times the amount the most recent grant received by DEO under the Florida Small Cities CDBG program. The \$5 million loan guarantee limit does not apply to loans guaranteed prior to July 1, 2013, that may be refinanced.

If a local government defaults on a Section 108 loan requiring DEO to reduce its annual grant award to pay the annual debt service on the loan, any future CDBG program funds that the local government receives must be reduced in the amount equal to the amount of the state's grant award used in payment of debt service on the loan.

If a local government, who has received a Section 108 loan through the Florida Small Cities CDBG program, is granted entitlement community status by HUD, then the local government must pledge its entitlement allocation as a guarantee of its previous loan and request HUD to release DEO as guarantor of the loan.

Grant Application Procedures and Requirements (Section 29)

Section 290.046, F.S., is amended to grant DEO rule-making authority to establish application procedures for the Florida Small Cities CDBG program. Eligible local governments may only submit one application for a noneconomic development project during an application cycle. An eligible local government may apply for an economic development grant up to three times each funding cycle and is permitted to have more than one open economic development grant.

DEO is directed to establish minimum criteria pertaining to the number of jobs created for low- or moderate-income persons, the degree of private sector financial commitment, the economic feasibility of the proposed project, and any other criteria it deems appropriate. A grant may not be awarded until DEO has completed a site visit to verify the information contained in the award application.

DEO must rank each application received based on criteria established by rule. The rule must allow DEO to consider factors such as community need, unemployment, poverty levels, low and moderate income populations, health and safety, and the condition of physical structures. The rankings must incorporate a procedure intended to reduce or eliminate any existing population-related bias that places exceptionally small communities at a competitive disadvantage. Project funding must be determined by the rankings established in each application cycle. If, at the conclusion of a funding cycle, economic development funding remains, those funds will be awarded to eligible projects on a first-come, first-served basis until funding for this category is fully obligated.

The bill repeals the requirement that a local government establish a citizen advisory board to provide input relative to all phases of the project process. However, current law citizen participation provisions required by HUD are retained. Those provisions include conducting an initial public hearing to inform the public of the available funding opportunities and eliciting input on community needs; publishing a summary of the proposed application so that the public can examine the contents of the application and submit comments; and conducting a second public hearing to obtain public comment about the proposed application and make appropriate modifications.

Establishment of Grant Ceilings (Section 30)

The bill amends s. 290.047, F.S., to provide that DEO must promulgate rules to establish grant ceilings, the maximum percentage of block grants funds that may be spent on administrative costs, and the grant administration procurement procedures for eligible local governments.

An eligible local government is prohibited from contracting with the same individual or business entity for more than one service to be performed in connection with a Small Cities CDBG, unless it can demonstrate that the individual or business entity is the sole source of the service or is the responsive proposer whose proposal is determined, in writing from a competitive process, to be the most advantageous to the local government. DEO must adopt a rule that provides a methodology to determine the maximum amount of block grant funds that an eligible local government may spend on architectural and engineering costs.

Rejection of Applications (Section 31)

The bill amends s. 290.0475, F.S., to update references to statutes and department rule. It repeals a provision that an application is deemed ineligible if it is found to contain a misrepresentation of information that is not attributable to a mathematical error that may be readily corrected by computation of numbers or formulas provided in the application.

General Powers of the Department (Section 32)

Section 290.048(5), F.S., which grants DEO the power to adopt and enforce requirements concerning an applicant's written description of a service area, is repealed. Also repealed is s. 290.048(7), F.S., which grants DEO the power to establish an advisory committee to solicit participation in the design, administration, and evaluation of the program.

Reemployment Assistance

The bill amends s. 443.091, F.S., to provide an exemption for those people unable to complete the online work registration due to illiteracy, physical or mental impairment, a legal prohibition from using a computer, or a language impediment from the online work registration. (Section 35)

The bill amends s. 443.1113, F.S., to extend the operational deadline for the Reemployment Assistance Claims and Benefits Information System to June 30, 2014. (Section 36)

The bill amends s. 443.131, F.S., to provide that no assessment will be levied against contributing employers if the amount of assessments on deposit, plus any earned interest, is at least 80 percent of the estimated amount of interest. The bill further provides that any assessments that remain on deposit, including associated interest, four months after all federal advances and associated interest have been repaid are to be transferred to the Unemployment Compensation Trust Fund. The provisions relating to interest assessments on federal advances will expire on July 1, 2014. (**Section 37**)

The bill amends s. 443.151, F.S., to impose a penalty equal to 15 percent of the amount overpaid, on any claimant who fraudulently receives reemployment benefits. (**Section 38**) This provision will bring Florida into compliance with federal law. Any amounts collected for penalties are to be deposited into the Unemployment Compensation Trust Fund. (**Section 39, amends s. 443.191, F.S.**)

Section 443.1715, F.S., is amended to restore penalties for the disclosure of confidential information that were inadvertently repealed in 2012. This provision will bring Florida into compliance with federal law. (**Section 40**)

Florida Tourism and Industry Marketing Corporation

Section 14 amends s. 288.1226, F.S., to provide that the Governor will serve as an ex-officio, non-voting member of the Board of Directors of the Florida Tourism and Industry Marketing Corporation (Visit Florida).

Section 42 provides an effective date of July 1, 2013.

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:

The transfer of any remaining funds after the final federal interest payment is made to the Unemployment Compensation Trust Fund may have a positive minimal impact on employer contribution rates.

The collection of penalties related to fraudulent claims may have a positive impact on the balance of the Unemployment Compensation Trust fund.

B. Private Sector Impact:

To the extent that more eligible local governments apply for and receive funding for eligible activities under the Florida Small Cities CDBG Program, the private sector will benefit.

Also, see Tax/Fee Issues.

C. Government Sector Impact:

Reemployment Assistance

Failure to implement the federal requirement for fraud penalties by October 2013 may lead to sanctions against the state that could include the loss of federal administrative grants to DEO.

The transfer of remaining funds after the final payment federal interest payment is made to the Unemployment Compensation Trust Fund would reduce the amount of administrative costs for the Department of Revenue associated with crediting employers who paid assessments in the previous year.

Department of Economic Opportunity Reports

In regards to the streamlining of reports, the bill is not expected to impact the resource demands of the Department of Economic Opportunity, Enterprise Florida, Inc., the Office of Film and Entertainment, or Space Florida, and may improve efficiency by streamlining reporting requirements, deleting duplicative reports, and consolidating reporting due dates.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill authorizes DEO to adopt rules relating to the guidelines for the distribution of Small Cities CDBG Program grants; application procedures; grant ceilings; the maximum percentage of funds which can be spent on administrative costs by a local government; and the methodology used to determine the maximum amount of funding that may be spent on architectural and engineering costs by an eligible local government.

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 Community Affairs on March 7, 2013:

The CS provides the \$5 million loan guarantee limit for the Florida Small Cities Community Development Block Grant Program does not apply to loans guaranteed prior to July 1, 2013, that may be refinanced. The CS creates an exemption for people who are unable to complete the online work registration due to various stated reasons from having to complete the department's online work registration.

- B. **Amendments:**

None.