

**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.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Transportation, Tourism, and Economic Development

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BILL: CS/SB 1634

INTRODUCER: Military and Veterans Affairs, Space, and Domestic Security Committee; and Commerce and Tourism Committee

SUBJECT: Department of Economic Opportunity

DATE: April 21, 2014

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Siples</u>	<u>Hrdlicka</u>		<b>CM SPB 7058 as introduced</b>
2.	<u>Stearns</u>	<u>Yeatman</u>	<u>CA</u>	<b>Favorable</b>
3.	<u>Ryon</u>	<u>Ryon</u>	<u>MS</u>	<b>Fav/CS</b>
4.	<u>Pingree</u>	<u>Kynoch</u>	<u>AP</u>	<b>Pre-meeting</b>

**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1634 modifies several activities under the jurisdiction of the Department of Economic Opportunity (DEO). The bill establishes requirements for the operation of all loan programs administered by the DEO to increase accountability and performance.

The bill revises the Florida Small Cities Community Development Block Grant Act to streamline application procedures and competitive grant scoring criteria, provide rulemaking authority to the DEO, and streamline public hearing requirements.

The bill requires Space Florida to consult with the Florida Tourism Industry Marketing Corporation rather than Enterprise Florida, Inc., in developing a space marketing plan. The requirement that Space Florida develop a proposal to establish a Center for Excellence for Aerospace is repealed, and is instead made permissive. Space Florida is required to provide support to universities in Florida that are members of the Federal Aviation Administration's Center of Excellence for Commercial Space Transportation.

The bill repeals the requirement for reemployment assistance claimants to complete an initial skills review and requires the DEO to develop a voluntary online assessment to identify an individual's skills, abilities, and career aptitude. The DEO, through the regional workforce

boards and CareerSource Centers, must offer services and training to individuals that are consistent with the results of the online assessment.

The bill implements changes to the Short Time Compensation program to conform to federal law, including requiring an employer to describe how its plan will be implemented, requiring an employer to treat the fringe benefits of participants the same as if he or she was not a participant, and prohibiting the DEO from denying benefits due to an individual's participation in certain training programs.

The bill extends the ability of employers to make quarterly contributions to the Unemployment Compensation Trust Fund, rather than a single, annual payment. This provision was scheduled to sunset in 2014.

The bill rebrands "rural areas of critical economic concern" as "rural areas of opportunity."

The fiscal impact of the bill on the DEO is expected to be minimal and will be absorbed within existing resources. The Auditor General could incur additional indeterminate staffing costs. The bill could have a positive indeterminate fiscal impact on the private sector. See Section V.

## **II. Present Situation:**

### **Economic Development Programs Evaluation**

In 2013, the Legislature created the Economic Development Programs Evaluation to require the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to jointly evaluate economic development programs in a three year cycle.<sup>1</sup> Based on the findings, a report to the Governor and the Legislature is generated that details, among other things, economic benefits (return on investment) and the effectiveness and value for Florida taxpayers. The report must also provide recommendations based on the evaluation.

Section 288.0001, F.S., provides a schedule for reviewing economic development programs on a three-year cycle. The first report was presented by January 1, 2014, and included a detailed analysis of the following:

- Capital Investment Tax Credits
- Qualified Target Industry Tax Refunds
- Brownfield Redevelopment Bonus Refunds
- High-Impact Business Performance Grants
- Quick Action Closing Fund
- Innovation Incentive Program
- Enterprise Zone Program Incentives

The programs listed above will be reviewed again by January 1, 2017.

By January 1, 2015, and every 3 years thereafter, EDR and the OPPAGA will prepare a detailed analysis of the following:

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<sup>1</sup> Chapter 2013-39, L.O.F.

- Entertainment Industry Financial Incentive Program
- Entertainment Industry Sales Tax Exemption Program
- VISIT Florida, and all related programs
- Florida Sports Foundation, and all related programs

By January 1, 2016, and every 3 years thereafter, EDR and OPPAGA will prepare a detailed analysis of the following:

- Qualified Defense Contractor and Space Flight Business Tax Refunds
- Semiconductor, Defense, or Space Technology Sales Tax Exemptions
- Military Base Protection Program
- Manufacturing and Spaceport Investment Incentive Program
- Quick Response Training Program
- Incumbent Worker Training Program
- International Trade and Business Development Programs

### **Loan Programs Administered by the Department of Economic Opportunity**

The Department of Economic Opportunity (DEO) administers the following loan programs under ch. 288, F.S.:

- Rural Development Revolving Loan Program;
- Economic Gardening Business Loan Pilot Program; and
- Black Business Loan Program.

#### ***Rural Community Development Revolving Loan Program***

The Rural Community Development Revolving Loan Program<sup>2</sup> provides long-term loans, loan guarantees, and loan loss reserves to units of local governments or economic development organizations substantially underwritten by a unit of local government. Applicants must be within a county with a population of 75,000 or fewer; a county with a population of 125,000 or fewer that is contiguous to a county with a population of 75,000 or fewer, including those residing in incorporated areas and those residing in unincorporated areas of the county; or within a rural area of critical economic concern.<sup>3</sup>

Requests for loans must be made by application to the DEO and are made pursuant to agreements specifying the terms and conditions agreed to between the applicant and the DEO. All repayments of principal and interest must be returned to the loan fund and made available for loans to other applicants. However, upon approval by the DEO and in a rural area of critical economic concern, repayments of principal and interest may be retained by the applicant if such repayments are dedicated and matched to fund regionally-based economic development organizations representing the rural area of critical economic concern.<sup>4</sup>

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<sup>2</sup> Section 288.065, F.S. *See also* DEO, Rural Revolving Loan Program, available at <http://www.floridajobs.org/business-growth-and-partnerships/rural-and-economic-development-initiative/economic-development/rural-revolving-loan-program> (last visited March 10, 2014).

<sup>3</sup> Section 288.065(2)(a), F.S. The term “rural area of critical economic concern” is defined in s. 288.0656(2)(d), F.S.

<sup>4</sup> Sections 288.065(2)(b) and (c), F.S.

The DEO is directed to manage the fund and establish loan practices that include procedures for establishing loan interest rates, uses of funding, application procedures, and application review procedures. The DEO is granted the authority for the final approval for any loan under the program.<sup>5</sup>

### ***Economic Gardening Business Loan Pilot Program***

The Economic Gardening Business Loan Pilot Program<sup>6</sup> provides low-interest, short-term loans to second-stage, high growth businesses. For eligibility in the loan program, a business must:<sup>7</sup>

- Be a for-profit, privately-held, investment-grade business that employs between 10 and 50 persons;
- Have maintained its principal place of business in Florida for at least the last two years;
- Generate between \$1 million and \$25 million in annual revenue;
- Be eligible for the Qualified Targeted Industry tax refund program pursuant to s. 288.106, F.S.;<sup>8</sup> and
- Have experienced steady growth in its gross revenues and employment in at least three of the preceding five years.

The maximum amount of the loan available for receipt under the pilot program is \$250,000. The proceeds of the loan may be used for working capital purchases, employee training, or salaries for newly created jobs in the state. The loan period is 4 years.<sup>9</sup>

The DEO is authorized to designate one or more qualified entities to serve as loan administrators for the program. A loan administrator must be a Florida not-for-profit corporation that has its principal place of business in this state, and have at least 5 years of verifiable experience of lending to businesses in this state.<sup>10</sup>

The DEO, upon selection of a loan administrator, must enter into a grant agreement with the administrator to issue the available loans to eligible applicants. The grant agreement must specify the aggregate amount of the loans authorized for award by the loan administrator. The term of the grant agreement must be at least 4 years, except that the DEO may terminate the agreement earlier if the loan administrator fails to meet minimum performance standards set by the DEO. The grant agreement may be amended by mutual consent of both parties.<sup>11</sup>

A loan administrator is entitled to receive a loan origination fee, payable at closing, of 1 percent of each loan issued by the loan administrator and a servicing fee of 0.625 percent per annum of the loan's outstanding principal balance, payable monthly. During the first 12 months of the loan, the servicing fee must be paid from the disbursement from the Economic Development

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<sup>5</sup> Section 288.065(3), F.S.

<sup>6</sup> Section 288.1081, F.S. See the DEO's website for more information about the pilot program and loans made, *available at* <http://floridajobs.org/news-center/reports-and-legislative-presentations> (last visited March 10, 2014).

<sup>7</sup> Sections 288.1081(3)(a), F.S., and 288.1082(4)(a), F.S.

<sup>8</sup> The qualified targeted industries are clean technology, life sciences, information technology, aviation/aerospace, homeland security/defense, and financial/professional services.

<sup>9</sup> Section 288.1081(4), F.S.

<sup>10</sup> Section 288.1081(5), F.S.

<sup>11</sup> Section 288.1081(5)(b), F.S.

Trust Fund, and thereafter the loan administrator must collect the servicing fee from the payments made by the borrower, charging the fee against repayments of principal.<sup>12</sup>

The loan administrator, after collecting the servicing fee, must remit the borrower's collected interest, principal payments, and charges for late payments to the DEO on a quarterly basis. If the borrower defaults on the loan, the loan administrator must initiate collection efforts to seek repayment of the loan. Upon collecting payments for a defaulted loan, the loan administrator, must remit the payments to the DEO; but, to the extent authorized in the grant agreement, may deduct the costs of the administrator's collection efforts. The DEO must deposit all funds received under this provision into the General Revenue Fund.<sup>13</sup>

The loan administrator is required to submit quarterly reports to the DEO, which must include the information required in the grant agreement, including the number of full-time equivalent jobs created as a result of the loans, the amount of wages paid to employees in the newly created jobs, and the locations and types of economic activity undertaken by the borrowers.<sup>14</sup>

The DEO contracted with the Black Business Investment Fund to administer the pilot program in 2009, and received an initial appropriation of \$8.5 million.<sup>15</sup> No additional funds have been appropriated to the program.

The program expires July 1, 2016.<sup>16</sup>

### ***Black Business Loan Program***

Under the Black Business Loan Program,<sup>17</sup> the DEO annually certifies entities to provide loans, loan guarantees, or investments to black business enterprises that cannot obtain capital through conventional lending institutions but could otherwise compete successfully in the private sector.<sup>18</sup>

The program is subject to annual legislative appropriation. If the Black Business Loan Program is appropriated any funding in a fiscal year, the DEO must distribute an equal amount of the appropriation to each eligible entity, calculated as the total annual appropriation divided by the total number of eligible entities certified on or before July 31 of that fiscal year.<sup>19</sup>

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<sup>12</sup> Section 288.1081(5)(d), F.S.

<sup>13</sup> Section 288.1081(5)(e), F.S.

<sup>14</sup> Section 288.1081(5)(f), F.S.

<sup>15</sup> Chapter 2009-1, L.O.F.

<sup>16</sup> Section 288.1081(10), F.S.

<sup>17</sup> Section 288.7102, F.S. *See also* DEO, Minority-Owned Business Assistance, Black Business Loan Program, available at <http://www.floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resources/minority-owned-business-assistance> (last visited March 10, 2014).

<sup>18</sup> Section 288.7102(1), F.S.

<sup>19</sup> Section 288.7102(3), F.S.

An entity submitting an initial application for certification must demonstrate that it has:<sup>20</sup>

- A board of directors that includes citizens of the state experienced in the development of black business enterprises.
- A business plan that allows the recipient to operate in a manner consistent with the law and the DEO's rules for the program.
- The technical skills to analyze and evaluate applications by black business enterprises for loans, loan guarantees, or investments.
- Established viable partnerships with public and private funding sources, economic development agencies, and workforce development and job referral networks.
- The ability to provide a private match equal to 20 percent of the amount of funds provided by the DEO.

An eligible entity must be a corporation registered in this state. Existing certified entities must annually submit to the DEO a financial audit performed by an independent certified public accountant for the most recently completed fiscal year. The audit must not reveal any material weaknesses or instances of material noncompliance.<sup>21</sup>

Both existing and new entities must agree to maintain the books and records relating to funds received by the DEO according to generally accepted accounting principles and in accordance with the requirements of the Single Audit Act.<sup>22</sup> The entities must also agree to make those books and records available to the DEO for inspection upon reasonable notice.<sup>23</sup>

Each eligible entity must meet the requirements of the loan program, the terms of the contract between the entity and the DEO, and any other applicable state or federal laws. An entity may not receive funds unless the entity meets annual certification requirements.<sup>24</sup>

For Fiscal Year 2013-14, there are 6 certified entities and the amount appropriated was \$2.225 million.<sup>25</sup>

### **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. The Federal CDBG regulations set forth eligible activities and the three national objectives that each activity must meet.<sup>26</sup> Every CDBG-funded activity must meet one of the following three national program objectives:

- Benefiting low-and moderate-income persons,
- Preventing or eliminating slums or blight, or

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<sup>20</sup> Section 288.7102(4)(c), F.S.

<sup>21</sup> Section 288.7102(4), F.S.

<sup>22</sup> See s. 215.97, F.S.

<sup>23</sup> Section 288.7102(4)(d), F.S.

<sup>24</sup> Section 288.7102(5), F.S.

<sup>25</sup> Chapter 2012-118, L.O.F.

<sup>26</sup> The regulations implementing the CDBG Program are found at 24 C.F.R. Part 570.

- Meeting urgent needs (other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs).

As recipients of CDBG funds, grantees are charged with ensuring that these requirements are met. States are given “maximum feasible deference” in the administration of the program.<sup>27</sup> Eligible program activities include housing rehabilitation and preservation, special economic development activities, and water and sewer facilities construction.

Local governments in urban areas apply for and receive funds directly from HUD.<sup>28</sup> 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 the DEO. The Small Cities CDBG program grants assistance to non-entitlement communities within the state (i.e., cities with fewer than 50,000 residents and counties with fewer than 200,000 residents). The state annually develops funding priorities and criteria for selecting projects.<sup>29</sup>

Established in 1983, the intent of Florida’s Small Cities CDBG program, outlined in s. 290.0411, F.S., is consistent with the federal CDBG legislation. The primary purposes of the program 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.

Communities in the state with populations below the entitlement thresholds must compete for funding by submitting applications through the Small Cities CDBG programs. There are 246 communities eligible to participate in the program for the Federal Fiscal Year 2013 funding cycle.<sup>30</sup> The DEO annually develops funding priorities and criteria for selecting Small Cities CDBG projects subject to statutory provisions and applicable rules.<sup>31</sup>

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<sup>27</sup> U.S. Department of Housing and Urban Development, Office of Block Grant Assistance, “Basically CDBG Guide,” (July 2012), available at [https://www.onecpd.info/resources/documents/BasicallyCDBG\\_Guidebook.pdf](https://www.onecpd.info/resources/documents/BasicallyCDBG_Guidebook.pdf) (last visited March 10, 2014). “Maximum feasible deference” provides for minimal regulation beyond the statute; and states can adopt more restrictive requirements, but may not contradict or be inconsistent with the Housing and Community Development Act of 1974.

<sup>28</sup> *Id.* This is referred to as the “Entitlement Program” and to be eligible an entity must be 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.

<sup>29</sup> 24 C.F.R. Part 91 requires states to submit a consolidated plan 45 days before the start of its program year. The plan must include the objectives and outcomes identified in the plan, as well as an evaluation of past performance. The plan must also include a housing and homeless needs assessment, housing market analysis, a strategic plan for addressing identified needs and how the allocation of funds will resolve needs across income categories, an action plan, certain certifications, and a plan for monitoring the activities carried out under the program.

<sup>30</sup> The DEO, “State of Florida Annual Action Plan for Programs Funded by the U.S. Department of Housing and Urban Development, Federal Fiscal Year 2013,” 10-12, available at <http://www.floridajobs.org/fhcd/cdbg/Files/ConsolidatedPlan/FINALAnnualActionPlan2013.pdf> (last visited March 10, 2014).

<sup>31</sup> Small Cities CDBG is administered in accordance with ss. 290.0401-290.048, F.S., ch. 73C-23, F.A.C., (formerly 9B-43), and 24 C.F.R. 570, Subpart I.

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.<sup>32</sup>

### ***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.<sup>33</sup> Each year since 1983, Florida has received between \$18 and \$35 million from HUD for the program.<sup>34</sup> Florida’s Federal Fiscal Year 2013 allocation is \$22,887,374.<sup>35</sup>

### ***Categories of Funding***

Section 290.044, F.S., specifies certain grant program categories for the Small Cities CDBG and allows the DEO to define the broad community objectives served by each category. Major grant categories and the DEO’s defined objectives are:<sup>36</sup>

- Commercial Revitalization – The objective of this 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 installing or reconstructing necessary public improvements, and repairing and rehabilitating building facades.
- Economic Development – Economic development 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 acquiring, constructing, or rehabilitating commercial and industrial buildings, and activities designed to provide job training and job placement. Eligible local governments may apply up to three times in any annual funding cycle for an Economic Development grant. Applicants may have up to two open Economic Development grants.<sup>37</sup>
- Housing Rehabilitation – The objective of this category is to improve housing conditions and expand housing opportunities for very low-, low- and moderate-income persons. Activities that achieve this objective include rehabilitating housing or publicly owned or acquired properties, and weatherization and energy-efficiency improvements.
- Neighborhood Revitalization – The objective of this category is to revitalize declining neighborhoods and improve infrastructure. Activities that may achieve this objective may

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<sup>32</sup> 24 C.F.R. s. 570.480(c).

<sup>33</sup> HUD, “Community Development Block Grant – CDBG,” *available at* [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs) (last visited March 10, 2014).

<sup>34</sup> DEO, “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 March 10, 2013).

<sup>35</sup> The DEO, “State of Florida Annual Action Plan” at 5. Pending Congressional action on funding for federal fiscal year 2013, the Plan uses the federal fiscal year 2012 funding levels.

<sup>36</sup> The DEO, “State of Florida Annual Action Plan.”

<sup>37</sup> Rule 73C-23.0041(6)(f), F.A.C., stipulates that an economic development 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.



involve street paving, construction, or rehabilitation of neighborhood facilities that provide health, social, or recreational services.

Beyond the major funding categories, s. 290.044, F.S., also permits the DEO to annually set aside a portion of Small Cities CDBG funding for use in emergencies or natural disasters that have been declared by executive order. 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).

### ***Grant Selection Criteria and Process***

Upon receipt of an application, an initial review is conducted by the DEO to determine if threshold criteria have been met. This review is used as a screening method to ensure compliance with minimum application requirements. Specific criteria established by s. 290.0475, F.S., govern whether the 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.

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.<sup>38</sup>
- Project impact (65 percent) measures the direct benefit received by persons of low and 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.<sup>39</sup>
- Equal opportunity employment and housing performance (10 percent) measures outstanding efforts in this area.

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<sup>38</sup> 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.

<sup>39</sup> 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.

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.

The DEO may not award a 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.<sup>40</sup>

### ***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 Housing and Community Development Act of 1974, and the DEO's rules. To ensure compliance, these provisions are incorporated in grant applications, the scoring system and award agreements.<sup>41</sup> Prior to submitting an application for funding, a local government 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 the application's location and notifying them that it is available for inspection and comment.
- Publicly state its plans to assist displaced persons should displacement occur.
- Hold at least one public hearing on the proposed application prior to its submission to the state.
- If appropriate, modify the proposed application to respond to citizens' comments.<sup>42</sup>

In addition, a Citizen's Advisory Task Force must be established to provide input throughout the project process.<sup>43</sup> 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.<sup>44</sup> 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.

### ***DEO Recommendation on Small Cities CDBG: January 2012***

Chapter 2011-142 L.O.F., directed the DEO to provide recommendations for further reorganization and streamlining that improve the effectiveness and operation of economic development and workforce programs. In January of 2012, the DEO released the "Report on Further Streamlining & Reorganization of Florida's Economic Development & Workforce

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<sup>40</sup> Section 290.046(2)(d), F.S.

<sup>41</sup> The DEO, "State of Florida Annual Action Plan" at 22-23.

<sup>42</sup> Section 290.046(5), F.S.

<sup>43</sup> Section 290.046(6), F.S.

<sup>44</sup> See Rule 73C-23.0041(3)(b), F.A.C.

Functions.”<sup>45</sup> As one of its recommendations, the DEO suggested revisions to the Florida Small Cities Community Development Block Grant Act set forth in ch. 290, F.S.

The DEO’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.

### **Space Florida**

Space Florida<sup>46</sup> was created as an independent special district to “foster the growth and development of a sustainable and world-leading aerospace industry in this state.” Space Florida is required to promote aerospace business development by facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs.

Space Florida’s duties, among other things, include developing a business plan to stimulate the growth and development of the aerospace industry, creating a marketing campaign to help attract, develop, and retain aerospace research and technology, as well as other related activities. It is also charged with developing a space tourism marketing plan in consultation with Enterprise Florida, Inc.<sup>47</sup>

### **FAA Center of Excellence for Commercial Space Transportation**

In 2010, the Federal Aviation Administration (FAA) established the Air Transportation Center of Excellence for Commercial Space Transportation (Center of Excellence for CST). The Center of Excellence for CST is a partnership of academia, industry, and government, developed for the purpose of creating a world-class consortium that will address current and future challenges for commercial space transportation. There are nine member universities representing the entire commercial space transportation industry that bring in over 50 other government, industry and

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<sup>45</sup> This report is available at <http://www.floridajobs.org/about%20awi/12.31.2011%20-%20DEO%20Streamlining%20Report%20Jan%202012.pdf> (last visited March 10, 2014).

<sup>46</sup> Space Florida was created by ch. 2006-60, L.O.F., and codified in part II, ch. 331, F.S.

<sup>47</sup> Section 331.3051, F.S.

academic organizations as research partners.<sup>48</sup> Florida's representation in the Center of Excellence for CST is significant in that 4 of the 9 university members are Florida universities – Florida Institute of Technology, Florida State University, University of Central Florida, and University of Florida.<sup>49</sup>

### **Background on Reemployment Assistance**

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.<sup>50</sup> 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).<sup>51</sup> FUTA collections go to the states for costs related to the administration of state unemployment insurance and job service programs. In addition, the FUTA pays one-half the cost of extended unemployment benefits (during periods of high unemployment) and provides a fund from which states may borrow, if necessary, to pay benefits.<sup>52</sup>

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 the FUTA or the Social Security Act requirements. Florida's unemployment insurance program was created by the Legislature in 1937.<sup>53</sup> The program was rebranded as the "reemployment assistance program" in 2012.<sup>54</sup> The DEO is responsible for administering Florida's reemployment assistance (RA) laws, primarily through its Division for Workforce Services. The DEO contracts with the Florida Department of Revenue (DOR) to provide unemployment tax collection services.<sup>55</sup>

A qualified claimant may receive RA benefits equal to 25 percent of wages, not to exceed \$6,325 in a benefit year.<sup>56</sup> Benefits range from a minimum of \$32 per week to a maximum weekly benefit amount of \$275 for up to 23 weeks, depending on the claimant's length of prior employment and wages earned, and the unemployment rate.<sup>57</sup>

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<sup>48</sup> FAA. "Overview of the Federal Aviation Administration Center of Excellence for Commercial Space Transportation." October 2011. Available at: [http://www.coe-cst.org/publication/overview\\_of\\_the\\_federal\\_aviation\\_administration\\_center\\_of\\_excellence\\_for\\_commercial\\_space\\_transportation/index.html](http://www.coe-cst.org/publication/overview_of_the_federal_aviation_administration_center_of_excellence_for_commercial_space_transportation/index.html) (last visited March 26, 2014).

<sup>49</sup> The other member universities of the Center of Excellence for CST include New Mexico Institute of Mining and Technology, New Mexico State University, Stanford University, University of Colorado at Boulder, and University of Texas Medical Branch at Galveston.

<sup>50</sup> USDOL, Employment and Training Administration, State Unemployment Insurance Benefits, available at <http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp> (last visited March 10, 2014).

<sup>51</sup> FUTA is codified at 26 U.S.C.

<sup>52</sup> USDOL, Employment and Training Administration, Unemployment Insurance Tax Topic, available at <http://workforcesecurity.doleta.gov/unemploy/uitaxtopic.asp> (last visited March 10, 2014).

<sup>53</sup> Chapter 18402, L.O.F.

<sup>54</sup> Chapter 2012-30, L.O.F.

<sup>55</sup> Section 443.1316, F.S.

<sup>56</sup> Section 443.111(5), F.S. The maximum amount of benefits available is calculated by multiplying an individual's weekly benefit amount by the number of available benefit weeks.

<sup>57</sup> Section 443.111(3), F.S. A benefit week begins on Sunday and ends on Saturday. If the average unemployment rate for the 3 months in the most recent third calendar year quarter is at or below 5 percent, then the maximum number of weeks of

To receive RA benefits, a claimant must meet certain monetary and non-monetary eligibility requirements. Key eligibility requirements involve a claimant's earnings during a certain period of time, the manner in which the claimant became unemployed, and the claimant's efforts to find new employment.

### ***Initial Skills Review***

Florida requires claimants to participate in an initial skills review (ISR) in order to be eligible to receive RA benefits.<sup>58</sup> The initial skills review must be completed within 14 days of filing of a benefits claim; if it is not completed during that time, benefits may be denied. The initial skills review is an online training program that is approved by the DEO and is designed to measure an individual's mastery level of workplace skills.<sup>59</sup> The program takes approximately 30-45 minutes to complete. The administrator or operator of the online education or training program is required to report to the DEO that an individual has taken the initial skills test for benefit eligibility purposes, and to the regional workforce board or CareerSource Center, the results of the initial skills review for purposes of reemployment services. The regional workforce board is required to develop a plan to use the initial skills review to refer individuals to training and employment opportunities.<sup>60</sup>

An individual may take the initial skills review at the assessment center or online at any location with Internet access. The assessment measures general skills necessary for most jobs in three areas: locating information, reading, and applied math. All the questions are based on workplace scenarios. After taking the initial skills review, an individual may take additional course material to try to improve his or her skills.<sup>61</sup> In Fiscal Year 2012-13, 424,886 individuals completed the initial skills review, and 61,676 individuals were denied for failure to timely complete the initial skills review.<sup>62</sup>

In 2012, the USDOL Civil Rights Center issued an initial determination as a result of a discrimination complaint filed by the Miami Workers Center that found that the initial skills review might violate federal disability law in one of two ways.<sup>63</sup> It opined that the initial skills review, as implemented, had the tendency to screen out persons with disabilities from fully and

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benefits available is 12; for each 0.5 percent that the unemployment rate is above 5 percent, an additional week of benefits becomes available up to 23 weeks at an unemployment rate of 10.5 percent.

<sup>58</sup> Individuals who are not Florida residents, temporarily laid off, union members who customarily obtain employment through a union hiring hall, claiming benefits under a short-time compensation plan, or unable to complete the ISR due to illiteracy, physical or mental impairment, a legal prohibition from using a computer, or language impediment are exempt from the ISR requirement.

<sup>59</sup> Section 443.036(26), F.S.

<sup>60</sup> Section 443.091(1)(c), F.S.

<sup>61</sup> Florida Department of Economic Opportunity, Division of Workforce Services, "Report on the Use, Effectiveness and Costs Associated with Training Opportunities and Related Services Provided to Reemployment Assistance Claimants As Required by Chapter 2012-30, Laws of Florida," 6-7 (Dec. 28, 2012), available at [http://www.floridajobs.org/about%20awi/open\\_government/2013\\_Chapter2012-30LawsofFloridareportReemploymentAssistanceProgram.pdf](http://www.floridajobs.org/about%20awi/open_government/2013_Chapter2012-30LawsofFloridareportReemploymentAssistanceProgram.pdf) (last visited March 10, 2014).

<sup>62</sup> E-mail from Audra Wiggins, Operations Manager, Reemployment Assistance Program, Division of Workforce Services, Department of Economic Opportunity (Aug. 16, 2013) (on file with the Senate Commerce and Tourism Committee).

<sup>63</sup> USDOL, Civil Rights Center, "Initial Determination," (Apr. 5, 2013), available at [http://www.floridajobs.org/about%20awi/docs/media\\_InitialDetermination.pdf](http://www.floridajobs.org/about%20awi/docs/media_InitialDetermination.pdf) (last visited March 10, 2014).

equally enjoying the benefits of the RA program. Specifically, it was noted that the website required use of certain technology that could not easily be made accessible to persons with disabilities and no alternative method for completing the initial skills assessment was offered. Second, it found that the DEO did not effectively communicate to applicants that exemptions to the ISR were available to those with disabilities.

The DEO objected to the findings and there has been no resolution to date.

### ***Installment Plans***

In Florida, RA benefits are financed solely through taxes paid by employers on the first \$8,000 of each employee's wages.<sup>64</sup> The calculation for determining each employer's tax rate is statutorily set, and takes into consideration an employer's unemployment "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.

Since 2010, state law has allowed employers to elect to make quarterly contributions to the UC Trust Fund, instead of making a single, annual contribution.<sup>65</sup> Employers electing to pay quarterly are assessed an annual administrative fee of \$5. This fee is deposited into the DOR's Operating Trust Fund. This option is currently set to expire in 2014.<sup>66</sup>

### ***Short Time Compensation Program***

Short Time Compensation<sup>67</sup> (STC) is a voluntary program that allows employers to retain trained employees during a slow down or disruption to regular business activity by reducing the hours of work for an entire group of affected employees rather than laying off some while continuing others in full-time employment. An employer wishing to participate in the STC program must submit a signed, written short time compensation plan to the DEO for approval.<sup>68</sup> The DEO must approve the plan if:

- The plan applies to and identifies each specific unit affected;
- The individuals in the affected unit are identified by name and social security number;
- The normal weekly hours of work for individuals in the affected unit are reduced by at least 10 percent but not more than 40 percent;
- The plan includes a certified statement by the employer that the aggregate reduction in work hours is in lieu of temporary layoffs that would affect at least 10 percent of the employees in the affected unit and that would have resulted in an equivalent reduction in work hours;
- The plan applies to at least 10 percent of the employees in the affected unit;
- The plan has written approval of all collective bargaining groups covering individuals in the affected unit;

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<sup>64</sup> 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.

<sup>65</sup> Section 443.141(1)(d), F.S.

<sup>66</sup> Section 443.141(1)(f), F.S.

<sup>67</sup> Section 443.1116, F.S.

<sup>68</sup> Section 443.1116(2), F.S.

- The plan does not serve to subsidize seasonal employees during the off-season or subsidize employers who traditionally use part-time employees; and
- The plan certifies the manner in which the employer will treat fringe benefits<sup>69</sup> of the individuals in the affected unit if the hours of the individuals are reduced to less than their normal weekly hours.

To be eligible to receive benefits under an approved STC plan, an employee must:

- Be employed as a member of an affected unit in an approved plan;
- Be able to work and available to work additional hours or full-time with the short-time employer; and
- Have had work hours reduced by at least 10 percent but no more than 40 percent, with a corresponding reduction in wages.

In 2012, the Middle Class Tax Relief and Job Creation Act of 2012, passed by the U.S. Congress, made several changes to the STC program.<sup>70</sup> States are not required to enact an STC program, but must conform to the new law in order to continue to offer an STC program.<sup>71</sup>

### **Rural Areas of Critical Economic Concern**

The Rural Economic Development Initiative (REDI), housed within the DEO, is a multi-agency endeavor that coordinates the efforts of state and regional agencies to address the problems that affect the fiscal, economic, and community viability of Florida's economically distressed rural communities.<sup>72</sup> The REDI works with local governments, community-based organizations, and private organizations that have an interest in the growth and development of these communities to find ways to balance environmental and growth management issues with local needs and economic development.

A rural area of critical economic concern (RACEC) is a community, or a region composed of rural communities, designated by the Governor, that has been adversely affected by an extraordinary economic event, severe or chronic distress, a natural disaster, or that presents a unique economic development opportunity of regional impact.<sup>73</sup>

Upon a recommendation from the REDI, the Governor may designate up to three RACEC areas. This designation allows these areas to receive priority assignments for the REDI, and allows the Governor, acting through the REDI, to waive criteria, requirements, or similar provisions of any economic development incentive. Currently, there are three designated RACEC areas consisting of the following counties and communities:

- Northwest RACEC - Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and the City of Freeport in Walton County.

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<sup>69</sup> Fringe benefits include, but are not limited to, health insurance, retirement benefits under defined benefit pension plans, paid vacation and holidays, and sick leave.

<sup>70</sup> Pub. Law No. 112-96, H.R. 3630, 112th Cong. (Feb. 22, 2012).

<sup>71</sup> USDOL, Employment and Training Administration, UIPL No. 22-12 (Jun. 18, 2012), *available at* [http://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_22\\_12\\_Acc.pdf](http://wdr.doleta.gov/directives/attach/UIPL/UIPL_22_12_Acc.pdf) (last visited March 10, 2014).

<sup>72</sup> Section 288.0656(3), F.S.

<sup>73</sup> Section 288.0656(2)(d), F.S.

- South Central RACEC – DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, and the Cities of Pahokee, Belle Glade, and South Bay (Palm Beach County), and Immokalee (Collier County).
- North Central RACEC – Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.<sup>74</sup>

In 2012, Enterprise Florida, Inc., commissioned a study to help develop an economic development strategic plan for rural Florida.<sup>75</sup> The study found that:

- Florida has a fragmented framework for addressing rural economic development;
- Although rural Florida is perceived to be distressed and an “an area of critical economic concern,” it has greater assets than its potential competition in other southeastern states; and
- The name “Rural Areas of Critical Economic Concern,” may be counterproductive when seeking positive attention from economic development interests. One of the strategic recommendations is to change the RACEC name.

### III. Effect of Proposed Changes:

**Section 1** amends s. 163.3202, F.S., to correct a cross-reference that inadvertently left newly-created cities out of the requirement to update their land development regulations.

**Section 2** amends s. 288.0001, F.S., to require the Office of Economic and Demographic Research and the Office of Program Policy Analysis and Government Accountability to include the New Markets Development Program established under ss. 288.991-288.9922, F.S., as part of the Economic Development Programs Evaluation that will be conducted by January 1, 2017.

#### Loan Programs

**Section 3** amends s. 288.005, F.S., to provide definitions for loan administrator and loan program. The bill defines “loan administrator” as a statutorily eligible recipient of state funds authorized by the Department of Economic Opportunity (DEO) to make loans under a loan program. “Loan program” is defined as a program established under ch. 288, F.S., that provides appropriated funds to an eligible entity to further a specific state purpose for a limited time with a requirement that the funds be returned to the state. The term loan program also includes “loan fund” or “loan pilot program.”

**Section 4** creates s. 288.006, F.S., which outlines the procedure and requirements for operating all loan programs under ch. 288, F.S.

The bill provides that state funds appropriated for loan programs may only be used by an eligible recipient or loan administrator and these funds may only be used to carry out the specific state purpose of the loan program, subject to any compensation due to a loan administrator. The DEO

<sup>74</sup> The DEO, Annual Report 2012-2013 (October 2013), 37, available at [http://sitefinity.floridajobs.org/about%20awi/open\\_government/2013\\_DEOAnnualReport.pdf](http://sitefinity.floridajobs.org/about%20awi/open_government/2013_DEOAnnualReport.pdf) (last visited March 10, 2014).

<sup>75</sup> Enterprise Florida, Inc., “Florida Rural Economic Development Study,” (December 2012), available at <http://www.enterpriseflorida.com/wp-content/uploads/12.31.2012-Rural-Strategy-Deliverable-Presentation.pdf> (last visited March 10, 2014).



may award state funds directly to an eligible recipient or to a loan administrator. All state funds, including any accrued interest, remain state funds unless statutory requirements of the loan program state otherwise.

Upon termination of a loan program, all appropriated funds will revert to the General Revenue Fund, minus any outstanding administrative expenses due. Upon termination of a contract between the DEO and an eligible recipient or loan administrator, any remaining funds will revert to the fund from which the appropriation was made. The DEO will become the successor entity for any outstanding loans and is directed to pay the former loan administrator for any allowable administrative expenses due to the loan administrator. However, this does not apply when the contract is terminated for fraud or a finding that the recipient or loan administrator was not meeting the terms of the program. The former loan administrator or recipient must execute all appropriate instruments to reconcile any remaining accounts associated with the terminated loan program or contract.

An eligible recipient or loan administrator must avoid any potential conflicts of interest regarding the use of loan program funds. Loan administrators, as well as their board members, employees, agents, or any immediate family members thereof, are not allowed to have a financial interest in an entity that is an eligible recipient of the loan program. "Immediate family" includes a parent, spouse, child, sibling, grandparent, or grandchild related by blood or marriage. The bill prohibits loans from being awarded to a person or entity if there is a conflict of interest between the parties involved.

To determine eligibility as a recipient or as a loan administrator for a loan program, an applicant must submit an application to the DEO. The DEO must evaluate the applicant's business practices, financial stability, past performance in other state programs, and ability to meet the statutory requirements of the loan program. An applicant's eligibility may be conditionally granted or denied if the DEO determines that the entity is not compliant with any law, rule, or program requirement.

Revolving loans or new negotiable instruments using appropriated state funds that have been repaid to a loan administrator may be entered into when a loan program's statutory structure permits. However, all revolving loans or new negotiable instruments made by a loan administrator remain subject to the loan program requirements and compensation to a recipient or administrator is prohibited from exceeding the provisions that are permitted under ch. 288, F.S.

The bill authorizes the Auditor General to perform audits to verify that loan funds are expended by eligible recipients and loan administrators as required for each loan program. If the Auditor General determines that the funds are not expended as required, DEO must be notified so that it may pursue recovery of the funds. However, this authority will not prevent DEO from pursuing recovery of program funds to protect the funds or as permitted by law. DEO is authorized to adopt rules to implement the provisions of the bill.

## **Florida Small Cities Community Development Block Grant Program**

**Section 5** amends s. 290.411, F.S., to reflect that the legislative intent and purpose of the Small Cities Community Development Block Grant Program Act also includes economic need as one of the factors to make a Florida community eligible to participate in the program and economic development programs as an activity for such communities to undertake.

**Section 6** amends s. 290.044, F.S., to provide the DEO rule-making authority to establish guidelines to distribute the Small Cities Community Development Block Grant (Small Cities CDBG) Program funds through a competitive selection process. Applicants will compete against each other in four grant program categories: housing rehabilitation, economic development, neighborhood revitalization, and commercial revitalization. The amendment deletes one program category: project planning and design. The DEO is directed to define broad community development objectives for the distribution of Community Development Block Grant funds that are consistent with the national objectives, as established by federal law.

**Section 7** amends s. 290.046, F.S., to substantially revise the 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 annual funding cycle but may only receive one such grant per annual funding cycle. A local government is permitted to have more than one open economic development grant.

A grant may not be awarded until the DEO has completed a site visit to verify the information contained in the award application.

The DEO must rank each application received based on criteria established by rule. The rankings must incorporate a procedure intended to reduce or eliminate any population-related bias that places exceptionally small communities at a competitive disadvantage. The bill repeals some specific criteria and procedures for scoring applications that currently exist in statute.

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 application's program impact score, equal employment opportunity and fair housing score, and the communitywide needs score may take into consideration scoring factors that include: unemployment, poverty levels, benefits to low- and moderate-income residents, use of minority-owned or woman-owned businesses in previous grants, health and safety issues, and the condition of physical structures.

The bill makes the requirement that a local government establish a Citizen's Advisory Task Force permissive. Local government citizen participation requirements are also substantially revised. An applicant must make information about the amount of funds available for various activities and the range of activities that may be undertaken available to the public. An applicant is also required to hold a minimum of two public meetings to solicit public input before

submitting the final application. The applicant must conduct an initial hearing to solicit public input about community needs, to inform the public about funding opportunities to address those needs, and to discuss activities that may be undertaken. Prior to the second public hearing, the local government must publish a summary of the proposed application to give citizens the opportunity to review the contents of the application. A second public hearing must be held to obtain public comment about the proposed application and make appropriate modifications.

**Section 8** amends s. 290.047, F.S., to provide that the maximum amount of block grant funds that may be spent on administrative costs under the economic development program category is \$120,000.<sup>76</sup> The maximum amount of block grant funds that may be spent on engineering and architectural costs for any grant must be in accordance with a method adopted by the DEO by rule.

**Section 9** amends s. 290.0475, F.S., to update references to statutes and department rules.

**Section 10** repeals s. 290.048(5), F.S., which grants the DEO the power to adopt and enforce requirements concerning an applicant's written description of a service area and required the inclusion of maps illustrating the proposed service area. This repeal is related to the substantial revisions to the application process.

### **Space Florida**

**Section 11** amends s. 331.3051, F.S., to require Space Florida to consult with the Florida Tourism Industry Marketing Corporation (VISIT Florida) in developing a space tourism marketing plan, and allows Space Florida and VISIT Florida to enter into a mutually beneficial agreement to implement the plan. VISIT Florida replaces Enterprise Florida, Inc., as Space Florida's partner in developing a space tourism marketing plan.

The bill repeals the requirement that Space Florida develop a proposal to establish a Center of Excellence for Aerospace and instead makes this task permissive. The bill also requires Space Florida to provide support to universities in Florida that are members of the FAA's Center of Excellence for Commercial Space Transportation.

### **Reemployment Assistance**

#### Initial Skills Review

**Section 12** repeals s. 443.036(26), F.S., which provides a definition for "initial skills review."

**Section 13** amends s. 443.091, F.S., to repeal the requirement that applicants for reemployment assistance must complete an initial skills review to receive benefits. The bill directs the DEO to offer a voluntary online assessment that will identify an individual's skills, abilities, and career aptitude. The assessment must be made available to any person seeking services from a regional

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<sup>76</sup> Under current law, the maximum Small Cities CDBG administration costs are capped at 15 percent for housing grants and 8 percent for all other program category grants. A schedule of maximum percentages used for engineering costs is adopted by the DEO consistent with the schedule used by the U.S. Farmers Home Administration or another comparable schedule. See s. 290.047, F.S.

workforce board or CareerSource Center. The results of the online assessment must be made available to the claimant, the regional workforce board, and the CareerSource Center. The individual must be informed of and encouraged to participate in services, including career counseling, provision of skill match and job market information, skills upgrade, and other training opportunities offered at no cost to the individual through the CareerSource Center delivery service.

Aggregate data on the assessment outcomes may also be made available to Workforce Florida, Inc., also known as CareerSource Florida, and Enterprise Florida, Inc., for use in developing policies related to education and training programs to ensure that businesses in this state have access to a skilled and competent workforce.

The bill authorizes the DEO to competitively procure an online assessment system that will work seamlessly with the CONNECT system.<sup>77</sup>

#### Short Time Compensation (STC)

**Section 14** amends s. 443.1116, F.S., to bring Florida in conformity with federal law. As a part of its STC plan, the employer must certify that if fringe benefits are provided to an employee whose workweek is reduced under the program, the employer will continue to provide the fringe benefits while the employee is participating in the STC program under the same terms and conditions as if the employee were not a participant or to the same extent as other employees not participating in the STC program.

The STC plan must also describe the manner in which it will be implemented, including the provision of notice and an estimate of layoffs that would have occurred in the absence of the ability to participate in the STC program. The employer's written plan and its implementation must be consistent with the employer's obligations under applicable state and federal law.

The bill prohibits the DEO from denying STC benefits to an individual who is otherwise eligible due to her or his participation in employer-sponsored training or a training program under the Workforce Investment Act to improve job skills when the training is approved by the DEO. The bill defines "employer-sponsored training" as training sponsored by an employer to improve the skills of the employer's workers.

#### Installment Plans

**Section 15** amends s. 443.141, F.S., to make the reemployment assistance contribution installment plans a permanent option. Employers will continue to have the option of making quarterly contributions to the Unemployment Compensation Trust Fund for an annual administrative fee of \$5.

**Sections 37 and 38** amend ss. 215.425 and 443.1216, F.S., to update statutory citations to conform to changes made by this bill.

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<sup>77</sup> The CONNECT system is DEO's Reemployment Assistance Claims and Benefits Information System.

**Rural Areas of Critical Economic Concern**

**Sections 16 through 36** amend ss. 125.271, 163.3177, 163.3187, 163.3246, 211.3103, 212.098, 218.67, 288.018, 288.065, 288.0655, 288.0656, 288.1088, 288.1089, 290.0055, 339.2819, 339.63, 373.4595, 380.06, 380.0651, 985.686, and 1011.76, F.S., to replace the phrase rural area of “critical economic concern” with rural area of “opportunity.”

**Section 39** provides an effective date of July 1, 2014.

**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:**

Continuing the installment plan option for reemployment assistance (RA) contributions may have an indeterminate negative impact on the balance of the Unemployment Compensation Trust Fund that could increase RA contribution rates assessed against employers.

**B. Private Sector Impact:**

The availability of the Short Time Compensation program allows employers to avoid layoffs while retaining skilled employees.

For those employers that may experience difficulty in remitting an annual lump sum payment of RA contributions, continuing the installment plan option will provide an alternative means of payment and possibly reduce the risk of delinquency.

The rebranding of “rural areas of critical economic concern” to “rural areas of opportunity” may have a positive economic effect on these communities.

**C. Government Sector Impact:**

DEO anticipates that any administrative costs resulting from the bill will be absorbed through current resources.<sup>78</sup>

The Auditor General could incur additional indeterminate staffing costs if the Auditor General exercises the new authority to audit DEO loan programs when necessary.<sup>79</sup>

**VI. Technical Deficiencies:**

Section 290.0475(6), F.S., (line 559 of the bill) references the Housing and Community Development Act of 1984; however, the correct reference is the Housing and Community Development Act of 1974.

**VII. Related Issues:**

The bill authorizes the DEO to adopt rules relating to the general operation of loan programs and the Small Cities CDBG program.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 125.271, 163.3177, 163.3187, 163.3202, 163.3246, 211.3103, 212.098, 215.425, 218.67, 288.0001, 288.005, 288.06, 288.018, 288.065, 288.0655, 288.0656, 288.1088, 288.1089, 290.0055, 290.0411, 290.044, 290.046, 290.047, 290.0475, 290.048, 331.3051, 339.2819, 339.63, 373.4595, 380.06, 380.0651, 443.091, 443.1116, 443.1216, 443.141, 985.686, and 1011.76.

This bill creates section 288.006 of the Florida Statutes.

This bill repeals section 443.036(26) of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

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

**CS by Military and Veterans Affairs, Space, and Domestic Security on March 25, 2014:**

The committee substitute:

- Requires the Office of Economic and Demographic Research and the Office of Program Policy Analysis and Government Accountability to evaluate the New Markets Development Program as part of the Economic Development Programs Evaluation;

<sup>78</sup> DEO Agency Analysis. SB 1634. March 14, 2014. (On file with the Senate Military and Veterans Affairs, Space, and Domestic Security Committee.)

<sup>79</sup> Florida Auditor General Analysis. SB 1634. March 12, 2014. (On file with the Senate Military and Veterans Affairs, Space, and Domestic Security Committee.)

- Further clarifies prohibited conflicts of interest regarding the use of loan program funds;
- Provides that provisions in the bill will not prevent DEO from pursuing recovery of loan program funds when necessary.
- Provides Space Florida the option to develop a proposal to establish a Center of Excellence for Aerospace; and
- Requires Space Florida to provide support to universities in Florida that are members of the FAA's Center of Excellence for Commercial Space Transportation.

**B. Amendments:**

None.

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

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