

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 Appropriations Subcommittee on Transportation, Tourism, and Economic Development

BILL: CS/SB 292

INTRODUCER: Military and Veterans Affairs, Space, and Domestic Security Committee and Senator Garcia and others

SUBJECT: Small Business Financial Assistance

DATE: February 12, 2015 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Sanders/Ryon</u>	<u>Ryon</u>	<u>MS</u>	<u>Fav/CS</u>
2.	<u>Gusky</u>	<u>Miller</u>	<u>ATD</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 292 creates the Veterans Employment Small Business Grant Program to encourage small businesses in Florida to hire veterans. The program is created within the Department of Veterans' Affairs (FDVA) and is to be administered by Florida Is For Veterans, Inc. (FIFV). Under the program, a small business in Florida that hires a veteran as an employee may receive a one-time grant of \$3,000 for each veteran hired, or \$5,000 for each disabled veteran hired by the small business. These awards may not exceed \$25,000 per fiscal year.

To qualify for a grant under the program, a small business must agree to:

- Employ a qualifying veteran for at least 6 months;
- Provide a report with information on the employment status of each qualifying veteran upon the request of the FIFV;
- Pay each qualifying veteran an amount equal to at least 80 percent of the annual median income for veterans in Florida based on the most recent federal census or the most recent American Community Survey 5-year estimated published by the U.S. Census Bureau;
- Reinvest any awarded grant moneys in the small business to facilitate further job creation; and
- Not receive an additional award for hiring a veteran previously claimed as an employee within the same small business for purposes of obtaining funds under the program.

A small business may be eligible for an additional one-time grant of \$1,000 for each qualifying veteran whose employment continues beyond an initial 12-month period and an additional one-time grant of \$1,000 for each qualifying veteran if the business used the services of a regional workforce board when hiring the veteran.

The bill appropriates \$10 million in nonrecurring funds from the General Revenue Fund to the Department of Veterans’ Affairs for transfer to FIFV to implement and administer the program. FIFV may award grant moneys up to a maximum of \$800,000 per fiscal year; FIFV’s administrative costs are capped at \$150,000 per fiscal year.

II. Present Situation:

Florida Veterans

A veteran is defined as a person who served in the active military, naval, or air service and who was honorably discharged or released from active duty under honorable conditions.¹ In the United States there are over 21 million veterans, of which, over 1.5 million reside in Florida.² This makes Florida the state with the third largest veteran population, behind California and Texas.³ The chart below shows veterans residing in Florida by age range. More than half of Florida’s veterans are age 60 or older.

Veterans in Florida by Age Range ⁴						
Under 40	40-49	50-59	60-69	70-79	80+	TOTAL
186,238	187,599	280,743	352,029	312,702	264,385	1,583,696

Florida also has the third largest population of disabled veterans in the nation with more than 249,000.⁵ The U.S. Department of Veterans Affairs (USDVA) is the federal agency tasked with making the official determination of the existence of a service-connected disability. The term “disabled veteran” is defined in the U.S. Code as an individual who has served on active duty in the armed forces, has been separated under honorable conditions, and has established the existence of a service-connected disability. Generally, a disabled veteran receives compensation, disability retirement benefits, or a pension pursuant to public statute administered by the USDVA or a military department.⁶

The term “service-connected” is further defined in the U.S. Code to mean that the disability or death suffered by the veteran was incurred or aggravated in the line of duty in active military, naval, or air service.⁷ Veterans who have been determined by the USDVA to have a service-connected disability are eligible for monthly disability compensation. Disability compensation is a monetary benefit paid directly to the veteran by the USDVA. The amount of compensation varies with the degree of disability and the number of dependents the veteran has. After a

¹ Section 1.01(14), F.S.

² U.S. Census Bureau, A Snapshot of Our Nation’s Veterans, <http://www.census.gov/library/infographics/veterans.html>, last viewed January 30, 2015.

³ Florida Department of Veterans’ Affairs. *Fast Facts*, http://floridavets.org/?page_id=50 (last visited January 30, 2015).

⁴ Office of the Actuary, Office of Policy and Planning. Department of Veterans Affairs. October 2014.

⁵ Florida Department of Veterans’ Affairs. *Fast Facts*, http://floridavets.org/?page_id=50 (last visited January 30, 2015).

⁶ 5 USC § 2108(2).

⁷ 38 USC § 101(16).

medical examination, the USDVA assigns the veteran a disability rating in ten percent increments from 0 percent⁸-100 percent. This starts the process for which a disabled veteran is eligible to receive monthly disability compensation and certain USDVA medical benefits.⁹

There are instances in which a veteran's service-connected disability is not determined by the USDVA. In this instance, the Department of Defense (DoD) would determine the existence of a disability and provide compensation to the veteran. This is the case when a service member acquires a medical condition or physical disability that renders him or her unfit to perform his or her required duties while on active duty. The service member may be separated or retired from the military for medical reasons. The secretaries of the military departments have the authority to make the final determination of disability in each case.¹⁰ When the determination has been made that a service member must retire due to medical reasons related to the member's service in the military, the member may decide whether to receive military retirement benefits from the DoD or disability compensation from the USDVA.

Employment Assistance for Veterans in Florida

The CareerSource Florida network connects employers with qualified, skilled talent and Floridians with employment and career development opportunities. The workforce network is comprised of CareerSource Florida, which is the statewide board of business and government leaders charged with setting state workforce policy; the Department of Economic Opportunity (DEO), the state agency responsible for administrative and fiscal affairs and policy implementation; and 24 Regional Workforce Boards, which oversee the local design and delivery of workforce services to businesses, job seekers and workers at nearly 100 One-Stop Career Centers statewide.

Each One-Stop Career Center is equipped to help job seekers connect with businesses in their field, locate training opportunities, and teach skills such as resume writing and interview techniques. Within each career center are Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representatives (LVER).¹¹ DVOP specialists focus on intensive case management services for veterans with barriers to employment, particularly disabled veterans.¹² LVERs build relationships with employers and engage in advocacy efforts with hiring executives and managers to increase employment opportunities for veterans.¹³ They are also responsible for ensuring that veterans receive the full range of priority workforce services in the One-Stop Career Centers.

⁸ A 0 percent disability rating means the USDVA has acknowledged a disability, but the disability is not severe enough to rate a monetary benefit. The disability can be reevaluated in the future if the disability worsens.

⁹ Federal Benefits for Veterans, Dependents and Survivors, Chapter 1 Health Care Benefits, http://www.va.gov/opa/publications/benefits_book/benefits_chap01.asp (last visited January 17, 2014); Federal Benefits for Veterans, Dependents and Survivors, Chapter 2 Service-Connected Disabilities, Disability Compensation, http://www.va.gov/opa/publications/benefits_book/benefits_chap02.asp (last visited January 17, 2014).

¹⁰ 10 USC § 1201.

¹¹ In FY 2013-2014, the Florida Department of Economic Opportunity was awarded approximately \$11.4 million in federal funding from the U.S. Department of Labor through the Jobs for Veterans' Grant to fund 104 DVOP and 72 LVER positions.

¹² DEO. Quick Facts Workforce Services: Services for Veterans, <http://www.floridajobs.org/docs/default-source/office-of-workforce-services/services-for-vets.pdf?sfvrsn=2> (last visited on February 2, 2015).

¹³ Id.

Veterans may also utilize the Employ Florida Vets website, an online job search engine and portal administered by CareerSource Florida and the DEO and tailored to veterans.¹⁴ Developed through a series of focus groups with Florida veterans, the Employ Florida Vets Portal translates a veteran's Military Occupational Specialty Code (a code that represents the employment classification for the specialty/job that the military veteran performed while on active duty) into an equivalent civilian job title.¹⁵ In 2013-2014, there were approximately 40,000 visits to the portal.¹⁶

Florida's overall unemployment rate for the calendar year 2013 was 7.2 percent.¹⁷ Unemployment rate among Florida veterans was 6.1 percent.¹⁸ The national unemployment rate among Post-9/11 era veterans averaged 9 percent.

Florida Is For Veterans, Inc.

During the 2014 Regular Session, the Legislature created Florida Is For Veterans, Inc. (FIFV), a non-profit corporation created within the FDVA.¹⁹ The purpose of the FIFV is to promote Florida as a veteran-friendly state, encourage retired and recently separated military personnel to keep or make Florida their permanent residence, help equip veterans for employment opportunities, and promote the hiring of veterans.²⁰ The FIFV is governed by a nine-member board of directors in which the Governor, the President of the Senate, and the Speaker of the House of Representatives each appoint three members.

The FIFV is responsible for administering the Veterans Employment and Training Services (VETS) program for the purpose of connecting veterans and employers.²¹ Under the VETS program, the FIFV will create a grant program for businesses to train veterans to meet a business's workforce-skill needs and will set up a veteran-specific entrepreneur initiative program through a contract with one or more universities in Florida.²² Additionally, as part of the VETS program, the FIFV is directed to provide one-on-one assistance to veterans seeking employment which may include skills assessments, resume creation, identification of employment goals, and referrals to One-Stop Career Centers. FIFV must also connect with employers in the state to educate them on the value of a veteran's military experience in the workplace.

Employment Initiatives for Small Businesses in Florida

Enterprise Florida, Inc. (EFI) markets the state's favorable business climate, infrastructure, workforce, trade, and quality of life to attract and retain businesses. For small businesses that choose Florida as a base of operations, EFI can connect them to a program offered in partnership with the DEO named the State Small Business Credit Initiative (SSBCI). The SSBCI is a

¹⁴ Employ Florida Vets website, <http://www.employflorida.com/portals/veteran/> (last visited February 11, 2015).

¹⁵ Id at p. 47.

¹⁶ Id.

¹⁷ DEO. Local Area Unemployment Statistics. Annual Averages 2013.

¹⁸ U.S. Department of Labor. Bureau of Labor Statistics. Employment Situation of Veterans – 2013.

¹⁹ Chapter 2014-1, L.O.F.

²⁰ Section 295.21, F.S.

²¹ Section 295.22, F.S.

²² During the 2014 Regular Session, the FIFV was allocated \$2 million for the veterans training grant program and \$1 million for the entrepreneur initiative program. See HB 5001 (2014 Reg. Session).

federally funded program created to support state-run small business lending programs and increase access to private capital.²³ It is designed to assist small businesses in obtaining loan approvals and leverage private capital for use in startup costs, working capital, business procurement, franchise fees, equipment, inventory, or the purchase of owner-occupied commercial real estate.

The Florida Small Business Development Center (SBDC) Network is another resource available to small business owners seeking assistance. The SBDC is designated as the principal business assistance organization for small businesses in the state.²⁴ Initially funded by the U.S. Small Business Administration (SBA) in 1976, the Florida SBDC Network links the state's education system with community outreach to aid in the development and education of the state's entrepreneurs and small business community. The network provides entrepreneurs and small business owners with one-on-one business development consulting; entrepreneurial, business, and management development training; and business information and research.²⁵

There are currently no state incentive programs that specifically encourage Florida small businesses to hire veterans.

III. Effect of Proposed Changes:

The bill creates s. 295.24, F.S., to establish the Veterans Employment Small Business Grant Program (program). The program is created within the FDVA and is to be administered by FIFV. This program is an incentive based program created to stimulate investment in the state's economy by providing grants to small businesses that hire honorably discharged veterans or veterans with a service-connected disability.

The bill defines a "small business" as a business that:

- Is independently owned and operated;
- Is for-profit and privately held;
- Employs fewer than 200 persons;
- Generates \$2 million or less in annual revenue; and
- Has maintained its principal place of business in this state for at least the previous 4 calendar years.

A qualifying small business may receive up to \$25,000 per fiscal year for hiring honorably discharged veterans and veterans with service-connected disabilities. A qualifying small business that hires a veteran as an employee may be eligible to receive a one-time grant of:

- \$3,000 for each veteran as defined in s. 1.01(14), F.S.; and
- \$5,000 for each disabled veteran, as described in s. 295.07(1)(a)1, F.S.

²³Florida has received \$97,662,349 to date in SSBCI funding from the U.S. Department of Treasury. As a result, the state is expected to leverage nearly \$1 billion in private lending to Florida small businesses.

²⁴ Section 288.001, F.S.

²⁵ *America's SBDC FLORIDA Fact Sheet*, <http://floridasbdc.org/wp-content/uploads/2014/10/Fact-Sheet.pdf>, (last visited February 10, 2015).

A small business may receive an additional \$1,000 for each qualifying veteran whose employment is continued beyond an initial 12-month period and an additional \$1,000 for each veteran hired using the services of a regional workforce board. These additional awards are not restricted by the \$25,000 cap noted above.

In order to qualify for grant funding, a small business must enter into an agreement with FIFV that requires the small business to:

- Employ a qualifying veteran for at least 6 months in order to become eligible for grant funding;
- Provide a report with information on the employment status of each qualifying veteran upon the request of FIFV;
- Pay each qualifying veteran an amount equal to at least 80 percent of the annual median income for veterans in Florida based on the most recent federal census or the most recent American Community Survey 5-year estimated published by the U.S. Census Bureau;
- Reinvest any awarded grant moneys in the small business to facilitate further job creation; and
- Not receive an additional award for hiring a veteran previously claimed as an employee within the same small business for purposes of obtaining funds under the program.

FIFV must notify the appropriate regional small business center of a small business' participation in the grant program in order to facilitate improved access to the resources of the Florida Small Business Development Center.

The bill authorizes the FDVA to develop rules to implement the program to include, but not limited to, specifying requirements for the application and approval process and the documentation necessary to claim the moneys available through the grant program.

The bill appropriates \$10 million in nonrecurring funds from the General Revenue Fund to FDVA for transfer to FIFV to implement and administer the program. FIFV may award grant moneys up to a maximum of \$800,000 per fiscal year to small businesses and is authorized to expend no more than \$150,000 annually for staffing and administrative costs. Upon the termination of the program, all remaining funds return to the General Revenue Fund.

The bill provides an effective date of July 1, 2015.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Businesses that choose to participate in the program may be eligible to receive up to \$25,000 per fiscal year for hiring honorably discharged veterans and veterans with service-connected disabilities. Small businesses may apply to receive:

- \$3,000 for hiring an honorably discharged veteran; and
- \$5,000 for hiring a veteran with a service-connected disability

Small businesses may also apply for additional awards that are not restricted by the \$25,000 limit:

- \$1,000 for each qualifying veteran whose employment extends beyond the initial 12-month period; and
- \$1,000 for each qualifying veteran hired through a regional workforce board.

C. Government Sector Impact:

The bill appropriates \$10 million in nonrecurring funds from the General Revenue Fund to FDVA for transfer to FIFV to implement and administer the program. FIFV may award grant moneys up to a maximum of \$800,000 per fiscal year to small businesses and FIFV is authorized to expend no more than \$150,000 annually for staffing and administrative costs.

The CS/SB 292 provides that: "Upon termination of the program, all remaining appropriated funds shall revert to the General Revenue Fund". The bill does not provide a termination date for the program so it is unclear when unspent funds would be subject to reversion.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 295.24 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 February 3, 2015:

The committee substitute makes the following changes:

- Changes the administering agency of the grant program from the Department of Economic Opportunity to the Florida Department of Veterans' Affairs (FDVA) and directs Florida Is For Veterans, Inc. (FIFV) to manage the program.
- Directs FDVA to transfer the \$10 million appropriation to FIFV for implementation and administration of the program.
- Authorizes FIFV to spend no more than \$150,000 per year for staffing and administrative costs to implement and administer the program.
- Stipulates that a small business may not receive grant funding until the qualifying veteran has been employed by the business for at least 6 months.

- B. **Amendments:**

None.