

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 Appropriations

BILL: PCS/CS/SB 1646 (952426)

INTRODUCER: Appropriations Committee (Recommended by Appropriations Subcommittee on Transportation, Tourism, and Economic Development); Commerce and Tourism Committee; and Senators Montford and Gainer

SUBJECT: Regional Rural Development Grants

DATE: February 26, 2018 **REVISED:** _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Swift</u>	<u>McKay</u>	<u>CM</u>	Fav/CS
2.	<u>Hrdlicka</u>	<u>Hrdlicka</u>	<u>ATD</u>	Recommend: Fav/CS
3.	<u>Hrdlicka</u>	<u>Hansen</u>	<u>AP</u>	Pre-meeting

Please see Section IX. for Additional Information:
 COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

PCS/CS/SB 1646 amends the Regional Rural Development Grant Program to:

- Increase the maximum annual grant amount to \$250,000 from \$150,000 that three regional economic development organizations that serve the entire region of a rural area of opportunity may receive.
- Increase the funds allocated for the program to up to \$1 million annually from up to \$750,000 annually.
- Reduce the required match of non-state resources for grant funds from 100 percent to 25 percent of the state’s contribution.
- Define the uses of grant funds to build the professional capacity of regional economic development organizations; and
- Allow a regional economic development organization to use these grants to provide technical assistance to local governments, local economic development organizations, and existing and prospective businesses within the rural community it serves.

The bill amends the Rural Infrastructure Fund program to increase the grant awards to 50 percent of infrastructure project costs from 30 percent of infrastructure project costs (or 40 percent of projects costs at a catalyst site in a rural area of opportunity). The bill also amends the program to clarify that eligible infrastructure projects include access to broadband Internet service and require such projects that improve service and access must be through a partnership with a dealer

of communications services that was publicly noticed and competitively bid. The bill requires the Department of Economic Opportunity to review the grant program application and award procedures by September 1, 2019.

Related to contracts or agreements for the Regional Rural Development Grant Program or the Rural Infrastructure Fund, the bill:

- Requires contracts or agreements that include the spending of these funds to be posted online at least 14 days prior to execution.
- Requires a plain language version of the contract or agreement to be posted online, if the contract agreement exceeds \$35,000, is between certain entities, or is for certain purposes.
- Specifies required provisions for contracts or agreements expending state grant funds.

The bill has no impact on state funds. Under the bill, from the \$1.6 million recurring appropriation to the Rural Community Development Revolving Loan Fund, the Department of Economic Opportunity may expend up to \$1 million on the Rural Development Grant Program; if the maximum amount is expended on the grant program, then \$600,000 would be available for the loan fund (up to \$250,000 less annually).

The bill takes effect July 1, 2018.

II. Present Situation:

Rural Economic Development Initiative

The Rural Economic Development Initiative (REDI) was established in 1997 by the Legislature to encourage and facilitate the location and expansion of major economic development projects of significant scale in rural communities.¹ The REDI is responsible for coordinating and focusing the efforts and resources of state and regional agencies on the problems that affect the fiscal, economic, and community viability of Florida's economically distressed rural communities.² 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.

Rural Areas of Opportunity

A rural area of opportunity (RAO) is a rural community, or region of rural communities, that has been adversely affected by an extraordinary economic event, severe or chronic distress, or a natural disaster or that presents a unique economic development opportunity of regional impact.³ By executive order, the Governor may designate up to three RAOs, establishing each region as a priority assignment for REDI agencies. The Governor can waive the criteria, requirements, or any similar provisions of any state economic development incentive for projects in a RAO.⁴

¹ Section 288.0656, F.S.

² Agencies required to participate in the REDI are found in s. 288.0656(6)(a), F.S.

³ Section 288.0656(1)(d), F.S.

⁴ Section 288.0656(7), F.S.

The currently designated RAOs are:⁵

- **Northwestern RAO:** Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and the City of Freeport in Walton County.
- **South Central RAO:** DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, and the cities of Pahokee, Belle Glade, South Bay (Palm Beach County), and Immokalee (Collier County).
- **North Central RAO:** Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.

Regional Economic Development Organizations

Three regional economic development organizations that operate in the state coincide with the current RAOs. These public/private 501(c)(6) organizations provide economic development support to the local governments that represent the RAOs. Opportunity Florida serves the Northwestern RAO.⁶ Florida's Heartland Regional Economic Development Initiative, Inc., serves the South Central RAO.⁷ The North Florida Economic Development Partnership serves the North Central RAO.⁸

Regional Rural Development Grant Program⁹

The Regional Rural Development Grant Program was established to provide funding, through matching grants, to build the professional capacity of regional economic development organizations in Florida. Additionally, grants from the program may be used by an economic development organization to provide technical assistance to businesses within the rural counties and communities that the organization serves. The Department of Economic Opportunity (DEO) administers the grant program through contract with Enterprise Florida, Inc.

To be approved, an applying organization must provide proof to the DEO of:

- The organization's need for the assistance;
- The official commitments of support from all the local governments represented by the organization
- Financial or in-kind commitments to the organization by each local government and the private sector;
- The organization's existence and active involvement in economic development activities in the region; and
- The manner in which the organization coordinates its efforts with those of other local and state organizations.

⁵ Department of Economic Opportunity, *Rural Areas of Opportunity*, available at <http://www.floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited February 15, 2018).

⁶ See generally, Opportunity Florida, available at <http://www.opportunityflorida.com/> (last visited February 15, 2018).

⁷ See generally, Florida's Heartland Regional Economic Development Initiative, Inc., available at <http://flaheartland.com/> (last visited February 15, 2018).

⁸ See generally, North Florida Economic Development Partnership, available at <http://nflp.org/>, (last visited February 15, 2018).

⁹ Section 288.018, F.S.

The maximum amount any organization can receive is \$50,000, or \$150,000 in a rural area of opportunity, and the grant must be matched by an equivalent amount of non-state resources. Because the Governor can waive criteria, requirements, or any similar provisions of any state economic development incentive in RAOs, the matching requirement is likely eligible to be waived.¹⁰ The DEO may expend up to \$750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund for the program.

Rural Infrastructure Fund¹¹

The Rural Infrastructure Fund was created to facilitate the planning, preparation, and financing of tourism infrastructure and economic development projects that encourage job growth and capital investment in rural communities. The DEO administers the fund and awards grants that maximize the use of federal, local, and private resources.

There are three grants that DEO awards from this fund: the total project participation grant, the infrastructure feasibility grant, and the preclearance review grant.¹²

The total project participation grant allows for awards up to 30 percent of the total infrastructure project cost for projects related to access to federal funds; and up to 40 percent if the project is a RAO catalyst site.¹³ Eligible projects must be related to specific job creation or retention opportunities, and may include improving certain inadequate infrastructure that is prohibiting economic or community growth or reducing costs to community users of proposed infrastructure improvements that exceed costs in comparable communities. Infrastructure can include public or public-private partnership facilities, like storm water systems, roads, nature-based tourism facilities, and broadband facilities.

The infrastructure feasibility grant provides awards of up to 30 percent of the total project costs for infrastructure feasibility studies, design and engineering activities, or other infrastructure planning and preparation activities.¹⁴ Maximum awards are dependent on the number of jobs that a business commits to create and may be up to \$300,000 if the project is located in a RAO. The total project participation grant and infrastructure feasibility grant may be used in conjunction.

The preclearance review grant provides awards to help a local government participate in expedited permitting processes through technical assistance in preparing permit applications and local comprehensive plan amendments.¹⁵ Grants may be used for surveys, feasibility studies, and other activities related to the identification and preclearance review of land use modifications. Grants are limited to \$75,000 (or \$300,000 for a project in a RAO) and must be matched 50

¹⁰ Section 288.0656(7) and 288.018(1), F.S.

¹¹ Section 288.0655, F.S.

¹² Department of Economic Opportunity, *Rural Infrastructure Fund*, available at <http://www.floridajobs.org/community-planning-and-development/rural-community-programs/rural-infrastructure-fund> (last visited February 15, 2018).

¹³ Section 288.0655(2)(b), F.S. A “catalyst site” is “a parcel or parcels of land within a rural area of opportunity that has been prioritized as a geographic site for economic development through partnerships with state, regional, and local organizations. The site must be reviewed by REDI and approved by the department for the purposes of locating a catalyst project.”

Section 288.0656(2)(b), F.S.

¹⁴ Section 288.0655(2)(c), F.S.

¹⁵ Section 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.973(18), F.S.

percent with local funds (or 33 percent for a project in a RAO, or waived for a project in a catalyst site).

The DEO reviews and certifies the grant applications in consultation with Enterprise Florida, Inc., the Florida Tourism Industry Marketing Corporation (VISIT Florida), the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission, as appropriate.

In Fiscal Year 2017-2018, the funding appropriated for the Rural Infrastructure Fund was \$1.6 million.¹⁶

III. Effect of Proposed Changes:

Regional Rural Development Grant Program

Section 1 amends the Regional Rural Development Grants Program in s. 288.018, F.S., to specify what the term “building the professional capacity” of regional economic development organizations includes, revise and increase the grant amount for certain organizations in RAOs, and to require certain contract requirements.

The bill specifies that “building the professional capacity” of a regional economic development organizations includes hiring professional staff to develop, facilitate, and provide economic development professional services. Economic development services include technical assistance, education and leadership development, and marketing and project recruitment. Grant funds under the bill may be used for these purposes.

Currently, grant funds may be used to provide technical assistance to businesses within the area that the regional economic development organization services. The bill expands the use of the grant funds to allow technical assistance to be provided to local governments, local economic development organizations, and existing and prospective businesses.

Related to the grant amount for organizations in RAOs, the bill increases the maximum grant amount from \$150,000 to \$250,000 specifically for each of the three regional economic development organizations recognized by the DEO that are serving the entire region of each RAO currently: Opportunity Florida; Florida Heartland Regional Economic Region of Opportunity; and the North Florida Economic Development Partnership. Regional economic development organizations not located in a RAO would still be eligible for a \$50,000 grant and regional economic development organizations in a RAO would still be eligible for a \$150,000 grant.

The bill reduces the required match for a grant under this program to 25 percent of the state contribution, instead of the current requirement for a 100 percent match (one to one match).

¹⁶ Specific appropriation 2226Q, ch. 2017-70, L.O.F.

The bill increases the amount that the DEO may expend up each fiscal year on the program from up to \$750,000 up to \$1 million. These funds are from the funds appropriated to the Rural Community Development Revolving Loan Fund.

Rural Infrastructure Fund

Section 2 amends the total project participation grant of the Rural Infrastructure Fund program in s. 288.0655, F.S., to increase the amount of the total infrastructure project costs that the grant can pay for from 30 percent to 50 percent. The bill repeals the grant award for up to 40 percent of total infrastructure project costs if the project is a RAO catalyst site.

The bill specifies that eligible projects may include improving certain inadequate infrastructure that reduces costs to community users of proposed infrastructure improvements that exceed costs in comparable communities, *including improving access to and the availability of broadband Internet service*. Further, eligible uses of funds are expanded to include “improvements to broadband Internet service and access in unserved or underserved rural communities.” Such eligible use must be conducted through a partnership or partnerships with one or more dealers of communications services,¹⁷ and the partnership must be established by a publicly noticed and competitively selected process.

The bill requires the DEO, in consultation with Enterprise Florida, Inc., the Florida Tourism Industry Marketing Corporation (VISIT Florida), the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission, to review and edit any guidelines or criteria for grant applications by September 1, 2019.

Contracts or Agreements Under the Regional Rural Development Grant Program and the Rural Infrastructure Fund

The bill amends both ss. 288.018 and 288.0655, F.S., relating to the Regional Rural Development Grant Program and the Rural Infrastructure Fund, respectively, to include the same requirements for contracts or agreements that expend grant funds.

The bill requires the contract or agreement to be posted on the contracting regional economic development organization’s or the DEO’s website for at least 14 days before execution. It is unclear from the text of the bill, but this may include the contract or agreement that the organization enters into with the DEO or Enterprise Florida, Inc., to receive the grant funds.

A contract or agreement to expend grant funds must include:

- The purpose of the contract or agreement;
- Specific performance standards and responsibilities of all involved parties;
- A detailed budget, if applicable;
- The value of services provided; and
- Estimated travel and entertainment expenses of board members and staff, if applicable.

¹⁷ A “dealer of communications services” is defined as a person registered with the Department of Revenue as a provider of communications services in this state. *See* s. 202.11, F.S.

These required contract provisions apply to any contract or agreement that expends grant funds, but the bill specifies that this include any contract or agreement between another entity and a regional economic development organization, a unit of local government, or an economic development organization substantially underwritten by a unit of local government. Again, it is unclear from the text of the bill, but this may include the contract or agreement that the organization enters into with the DEO or Enterprise Florida, Inc., to receive the grant funded.

The bill requires specific contracts or agreements that exceed \$35,000 and expend grant funds to be posted on the contracting regional economic development organization's or the DEO's website in a "plain language version." This applies to a contract or agreement with a private entity, a municipality, or a vendor of services, supplies, or programs (including marketing) or a contract or agreement for the purchase, lease, or use of lands, facilities, or properties.

Effective Date

The bill takes effect July 1, 2018.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill requires 25 percent of all disbursed Regional Rural Development Grant funds to be matched annually by a nonstate source, a reduction from the current 100 percent (one to one) match.

C. Government Sector Impact:

The Rural Community Development Revolving Loan Fund receives a recurring appropriation of \$1.6 million, of which up to \$750,000 is statutorily distributed to the Regional Rural Development Grant program. The bill increases the maximum grant

amount that three regional economic development organizations that serve the entire region of a RAO may receive, from \$150,000 to \$250,000 annually.

The bill increases the amount that the DEO may expend up each fiscal year on the program from up to \$750,000 to up to \$1 million. These funds are from the funds appropriated to the Rural Community Development Revolving Loan Fund. From the \$1.6 million recurring appropriation to the Rural Community Development Revolving Loan Fund, if the DEO expends the maximum amount on the Rural Development Grant Program (up to \$1 million annually), then at least \$600,000 would be available for the loan fund (up to \$250,000 less annually).

The Rural Infrastructure Fund receives a recurring appropriation of \$1.6 million. Specific inclusion of certain broadband Internet infrastructure projects as eligible for the total project participation grant may increase the competition for grant funds in the Rural Infrastructure Fund. Additionally, the bill increases the amount of total infrastructure project costs for which the grant will pay from 30 percent (or 40 percent if the project is at a catalyst site in a RAO) to 50 percent for all infrastructure projects, no matter the location. This change may lead to fewer grants awarded.

The cost to regional economic development organizations (Rural Development Grant Fund) to post contracts and “plain language” versions of contracts online is unknown. The DEO indicated that the bill would have no impact on state expenditures.¹⁸

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends sections 288.018 and 288.0655 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.)

Recommended CS/CS by Appropriations Subcommittee on Transportation, Tourism, and Economic Development on February 21, 2018:

The committee substitute:

- Revises the maximum grant amounts that may be awarded under the Rural Development Grant Program.

¹⁸ DEO, *2018 Agency Legislative Bill Analysis: SB 1646*, January 22, 2018.

- Increases the cap on the Rural Development Grant program from up to \$750,000 to up to \$1 million.
- Removes reference to 3 specifically named regional economic development organizations to receive grants under the Rural Development Grant program.
- Increases the amount of infrastructure project costs from 30 percent to 50 percent that a Rural Infrastructure Grant can be awarded to pay.
- Requires any infrastructure project funded for broadband Internet to be through a partnership with a communication services dealer, the partnership with which must be publicly noticed and competitively selected.

CS by Commerce and Tourism Committee on January 29, 2017:

The committee substitute made technical changes by correcting the name of a regional economic development organization.

B. Amendments:

None.