

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 Commerce and Tourism

BILL: CS/SB 1646

INTRODUCER: Commerce and Tourism Committee and Senators Montford and Gainer

SUBJECT: Regional Rural Development Grants

DATE: January 30, 2018

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------|----------------|-----------|---------------|
| 1. | Swift | McKay | CM | Fav/CS |
| 2. | | | ATD | |
| 3. | | | AP | |

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Technical Changes

I. Summary:

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

- Set a maximum annual grant amount that an organization can receive at \$250,000 for each regional economic development organization, an increase of \$100,000 from current statute;
- Provide that grant funds must be matched by non-state sources at a rate of 25 percent of the state's contribution;
- Clarify that state grant funds may be used to build professional capacity of regional economic development organizations; and
- Allow regional economic development organizations 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 also amends the Rural Infrastructure Fund program to clarify that eligible projects include improving access to broadband Internet service. The bill extends a deadline by which the Department of Economic Opportunity must evaluate criteria for grant applications, and deletes a provision to an expired program.

The bill implements increased transparency requirements for grants that expend Regional Rural Development Grant funds or Rural Infrastructure funds. The bill:

- Mandates that contract agreements that includes the spending of these funds must be posted on the ROA's website at least 14 days prior to its execution and if the contract agreement exceeds \$35,000, a plain language version of the contract must also be posted on their website; and

- Details what needs to be included in contract agreements expending state grant funds.

The bill takes effect July 1, 2018.

II. Present Situation:

Regional Rural Development Grant Program

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) may approve annual grants to regionally based economic development organizations for the purposes of the grant program. The maximum amount any organization can receive is \$50,000, or \$150,000 in a rural area of opportunity, and it must be matched by an equivalent amount of non-state resources. The DEO may expend up to \$750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund for the matching grant program. The DEO is authorized to contract with Enterprise Florida, Inc., to administer this program.

To be approved, an applying organization must need assistance and provide to the DEO:

- Documentation of official commitments of support from all the local governments represented by the organization;
- Proof that each local government has made financial or in-kind commitment to the organization;
- Proof that private sector financial or in-kind commitments have been made to the organization;
- Proof that the organization is in existence and actively involved in economic development activities in the region; and
- Documentation of the manner in which the organization coordinates its efforts with those of other local and state organizations.

Additionally, the program authorizes the DEO to contact for the development of an enterprise zone web portal or websites for each enterprise zone to market the program for job creation in disadvantaged urban and rural enterprise zones.¹

Rural Areas of Opportunity

A Rural Area of Opportunity (RAO) is a rural community, or region of rural communities, designated by the Governor 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.² By executive order, the Governor may designate up to three RAOs, establishing each region as a priority assignment for Rural Economic Development

¹ Section 288.018, F.S.

² Section 288.0656(1)(d), F.S.

Initiative agencies. This allows the Governor to waive criteria of any economic development incentive including the Qualified Target Industry Tax Refund Program,³ the Quick Response Training Program and the Quick Response Training Program for participants in the welfare transition program,⁴ transportation projects,⁵ the Brownfield Redevelopment Bonus Refund,⁶ and the Rural Job Tax Credit program.⁷

The currently designated RAOs are:

- **Northwestern RAO:** consisting of Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and the City of Freeport in Walton County;
- **South Central RAO:** consisting of DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, and the cities of Pahokee, Belle Glade, South Bay (Palm Beach County), and Immokalee (Collier County); and
- **North Central RAO:** consisting of 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 501c(6) organizations provide economic development support to the local governments that represent the RAOs. Opportunity Florida⁸ serves the Northwestern RAO, Florida's Heartland Economic Region of Opportunity,⁹ serves the South Central RAO, and the North Florida Economic Development Partnership¹⁰ serves the North Central RAO.

Rural Infrastructure Fund

The Rural Infrastructure Fund was created in order to facilitate the planning, preparation, and financing of tourism infrastructure and economic development projects, that encourage job growth and capital investment, in rural communities. There are three grants awarded from this fund, namely the Total Project Participation Grant, Infrastructure Feasibility Grant, and Preclearance Review Grant. The Total Project Participation Grant and Infrastructure Feasibility Grant can be used in conjunction. Both the Infrastructure Feasibility Grant and Preclearance Review Grant have a \$300,000 maximum limit for projects in an RAO.¹¹

³ Section 288.106, F.S.

⁴ Section 288.047, F.S.

⁵ Section 339.2821, F.S.

⁶ Section 288.107, F.S.

⁷ Sections 212.098 and 220.1895, F.S.

⁸ See generally, Opportunity Florida, available at <http://www.opportunityflorida.com/>, (last visited January 26, 2018).

⁹ See generally, Florida's Heartland REDI, Inc., available at <http://flaheartland.com/>, (last visited January 26, 2018). This organization is not directly related to the REDI program administered by the DEO pursuant to s. 288.0656, F.S.

¹⁰ See generally, North Florida Economic Development Partnership, available at <http://nflp.org/>, (last visited January 26, 2018).

¹¹ Florida Department of Economic Opportunity, *Rural Infrastructure Fund*, available at www.floridajobs.org/RIF, (last visited January 26, 2018).

Rural Community Development Revolving Loan Fund Program

The Rural Community Development Revolving Loan Fund Program was created to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to further promote the economic viability of rural communities.¹² The program has received an annual appropriation of \$1.17 million for several consecutive fiscal years.¹³ These funds may be used to finance initiatives directed toward maintaining or developing the economic base of rural communities, especially initiatives addressing employment opportunities for residents of these communities. The program requires all repayments of principal and interest to be returned to the loan fund and made available for loans to other applicants. Up to \$750,000 of the annual allocation may be expended for the Regional Rural Development Grant Program.¹⁴

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.¹⁵ 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.¹⁶ 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.

The Governor, acting through the REDI, can waive criteria, requirements, or any similar provisions of any state economic development incentive in RAOs. While not explicitly listed in statute, the matching requirement in the Regional Rural Development Grants Program is likely able to be waived.¹⁷

Florida Enterprise Zones

The Florida Enterprise Zone Program offered a variety of sales tax credits, refunds, exemptions, and corporate income tax credits to businesses within certain geographic regions to encourage economic growth and investment in distressed areas. The program was administered by the DEO and sunset on December 31, 2015.¹⁸

¹² Section 288.065, F.S.

¹³ Chapters 2016-66, 2015-232, 2014-51, and 2013-40, Laws of Fla.

¹⁴ Section 288.018(4), F.S.

¹⁵ Section 288.0656, F.S.

¹⁶ Agencies required to participate in the REDI are found in s. 288.0656(6)(a), F.S.

¹⁷ Section 288.018(1), F.S.

¹⁸ Florida Department of Economic Opportunity, *Florida Enterprise Zone Program*, available at <http://www.floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resources/florida-enterprise-zone-program>, (last visited January 26, 2018).

Enterprise Florida, Inc.

Enterprise Florida, Inc., (EFI) serves as the principal economic development organization for the state. Among its numerous duties, EFI markets the state for business creation, expansion, and retention.¹⁹ Additionally, EFI contracts with DEO to manage some of the various programs housed in the Division of Strategic Business Development, including the Regional Rural Development Grants Program.²⁰

III. Effect of Proposed Changes:

Regional Rural Development Grants Program

CS/SB 1646 changes the Regional Rural Development Grants Program in s. 288.018, F.S. The bill:

- Sets a maximum annual grant amount of \$250,000 per year for each regional economic development organization designated pursuant to s. 288.0656, F.S.;
- Provides that grant funds must be matched by non-state sources at a rate of 25 percent of the state's contribution;
- Allows regional economic development organizations to use these grants to provide technical assistance to local governments, local economic development organizations, and existing and prospective businesses within the rural community they serve;
- Clarifies that state grant funds may be used for:
 - Hiring professional staff; and
 - Facilitating and delivering needed economic development professional services, such as: technical assistance, education, leadership development, marketing and project recruitment, and other services important to rural economic development.
- Provides that contract agreements that include the spending of state grant funds must be posted on the regional economic development organization's website at least 14 days prior to execution;
- If the contract agreement exceeds \$35,000, requires that a plain language version of the contract must also be posted on their website;
- Provides that contract agreements expending state grant funds must include:
 - The purpose of the agreement;
 - 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;and
- Removes language related to an expired program.

¹⁹ Enterprise Florida, *About EFI*, available at <https://www.enterpriseflorida.com/about-efi/>, (last visited January 26, 2018).

²⁰ Section 288.018(3), F.S.

Rural Infrastructure Fund

The bill also makes changes to the Rural Infrastructure Fund program in s. 288.0655, F.S. Specifically, the bill:

- Clarifies that access to and availability of broadband Internet is an infrastructure improvement for which state grant funds may be used;
- Provides that contract agreements that includes the spending of these funds must be posted on the regional economic development organization's website at least 14 days prior to execution;
- If the contract agreement exceeds \$35,000, requires that a plain language version of the contract must also be posted on their website;
- Provides that contract agreements expending these funds must include:
 - The purpose of the agreement;
 - 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.

The bill also gives the DEO until September 1, 2019 to review and edit any guidelines or criteria for grant applications.

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 one to one match.

C. Government Sector Impact:

The fiscal impact is indeterminate. While the bill increases the amount each regional economic development organization can receive from the state, the overall funding of the program is not addressed in the bill.

The Rural Infrastructure Fund has a recurring budget of \$1.6 million.²¹

The bill allows Regional Rural Development Grant funds to be used to provide technical assistance to local governments. The fiscal impact on local governments is indeterminate.

VI. Technical Deficiencies:

None.

VII. Related Issues:

SB 1646 specifies by name which regional economic development organizations serving RAOs may receive the larger maximum grant amount. Several situations could arise requiring statutory change, including if one or more of the organizations changed name, or another organization began to be the primary economic development representative for one of the regions.

It is not clear if the term “organization” is synonymous with “regional economic development organization” in the bill. If these terms are used interchangeably, there could be confusion regarding annual funding caps for regional economic development organizations.

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 Changes:**

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

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.

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

²¹ Chapter 2017-70, Laws of Florida