

**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 Committee on Innovation, Industry, and Technology

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BILL: SB 596

INTRODUCER: Senators Albritton and Perry

SUBJECT: Regional Rural Development Grants

DATE: March 11, 2019

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

|    | ANALYST         | STAFF DIRECTOR | REFERENCE | ACTION             |
|----|-----------------|----------------|-----------|--------------------|
| 1. | <u>Anderson</u> | <u>McKay</u>   | <u>CM</u> | <b>Favorable</b>   |
| 2. | <u>Wiehle</u>   | <u>Imhof</u>   | <u>IT</u> | <b>Pre-meeting</b> |
| 3. | _____           | _____          | <u>AP</u> | _____              |

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**I. Summary:**

SB 596 makes changes to the operation of the Regional Rural Development Grant program and the Rural Infrastructure Fund.

Specifically, the bill amends the Regional Rural Development Grant Program to:

- Increase the maximum annual grant amount to \$250,000 from \$150,000 for any of the three regional economic development organizations serving the entire region of a rural area of opportunity may receive;
- Increase the amount of funds the Department of Economic Opportunity (DEO) may expend for the program (up to \$1 million annually from up to \$750,000 annually);
- Reduce the required match the regional economic development organizations must contribute in non-state resources from 100 percent to 25 percent of the state's contribution; and
- Allow the use of grant funds to build the professional capacity of regional economic development organizations.

The bill amends the Rural Infrastructure Fund program to:

- Increase the grant awards to 50 percent of infrastructure project costs (currently 30 percent);
- Clarify that eligible infrastructure projects include access to broadband Internet service, and projects that improve service and access must be through a partnership that was publicly noticed and competitively bid; and
- Require the DEO to review the grant program application and award procedures by September 1, 2020.

Contracts or agreements for the Regional Rural Development Grant Program or the Rural Infrastructure Fund that expend state grant funds must contain certain specific contract provisions and be posted online.

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 DEO 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, 2019.

## II. Present Situation:

### Relevant Entities and Rural Areas

#### *Rural Economic Development Initiative*

The primary entity providing support to rural areas is the Rural Economic Development Initiative (REDI) program within the Department of Economic Opportunity (DEO). REDI was established by the Legislature in 1997 to encourage and facilitate the location and expansion of major economic development projects of significant scale in rural communities.<sup>1</sup> It is composed of representatives from specified agencies and organizations.<sup>2</sup> 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. 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.<sup>3</sup> 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.<sup>4</sup>

The currently designated RAOs are:<sup>5</sup>

- 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); and

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<sup>1</sup> Section 288.0656, F.S.

<sup>2</sup> The agencies and organizations are listed in s. 288.0656(6)(a), F.S.

<sup>3</sup> Section 288.0656(2)(d), F.S.

<sup>4</sup> Section 288.0656(7), F.S.

<sup>5</sup> 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 18, 2019).

- North Central RAO: Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.

### ***Regional Economic Development Organizations***

A regional economic development organization is a public/private 501(c)(6) organization that provides economic development support to the local governments that represent the RAOs. There are three regional economic development organizations, each operating within one of the current RAOs:

- Opportunity Florida serves the Northwestern RAO;<sup>6</sup>
- Florida's Heartland Regional Economic Development Initiative, Inc., serves the South Central RAO;<sup>7</sup> and
- The North Florida Economic Development Partnership serves the North Central RAO.<sup>8</sup>

### **Regional Rural Development Grant Program<sup>9, 10</sup>**

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.

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.

The maximum amount any organization may 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.<sup>11</sup> 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.

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<sup>6</sup> See generally, Opportunity Florida, available at <http://www.opportunityflorida.com/> (last visited March 8, 2019).

<sup>7</sup> See generally, Florida's Heartland Regional Economic Development Initiative, Inc., available at <http://flaheartland.com/> (last visited March 8, 2019).

<sup>8</sup> See generally, North Florida Economic Development Partnership, available at <http://nflp.org/> (last visited March 8, 2019).

<sup>9</sup> Section 288.018, F.S.

<sup>10</sup> Enterprise Florida, Inc., (EFI), the principal economic development organization for the state, contracts with DEO to manage the Regional Rural Development Grant Program. Enterprise Florida, *About EFI*, available at <https://www.enterpriseflorida.com/about-efi/> (last visited March 8, 2019).

<sup>11</sup> Section 288.0656(7) and 288.018(1), F.S.

## Rural Infrastructure Fund<sup>12</sup>

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

DEO awards three grants this fund: the total project participation grant, the infrastructure feasibility grant, and the preclearance review grant.<sup>13</sup>

The total project participation grant allows for awards of 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 an RAO catalyst site.<sup>14</sup> 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.<sup>15</sup> 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 an RAO. The total project participation grant and infrastructure feasibility grant may be used together.

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.<sup>16</sup> 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 an RAO) and must be matched 50 percent with local funds (or 33 percent for a project in an 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.

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<sup>12</sup> Section 288.0655, F.S.

<sup>13</sup> 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 March 8, 2019).

<sup>14</sup> 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.

<sup>15</sup> Section 288.0655(2)(c), F.S.

<sup>16</sup> Section 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.973(18), F.S.

In Fiscal Year 2018-2019, the funding appropriated for the Rural Infrastructure Fund was \$2.7 million.<sup>17</sup>

### 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 clarify how regional economic development organizations may build their professional capacity, revise and increase the grant amount for certain organizations in RAOs, and specify certain contract requirements. It also defines a “regional economic development organization” to mean an economic development organization that is located in a rural area of opportunity, as defined in s. 288.0656, F.S.

The bill clarifies that “building the professional capacity” of a regional economic development organization 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. Under the bill, grant funds 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.

The bill increases the maximum grant amount from \$150,000 to \$250,000 for each of the three regional economic development organizations recognized by the DEO (Opportunity Florida, Florida Heartland Regional Economic Region of Opportunity, and the North Florida Economic Development Partnership). Regional economic development organizations not located in an RAO would still be eligible for a \$50,000 grant, and regional economic development organizations in an 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 of a 100 percent match (one-to-one match).

The bill increases the amount that the DEO may expend 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.

#### **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 grant funds can be used for from 30 percent to 50 percent. Accordingly, the bill eliminates the existing provision for an award of up to 40 percent of total infrastructure project costs if the project is an RAO catalyst site.

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<sup>17</sup> Specific appropriation 2245, ch. 2018-09, Laws of Fla.

The bill includes the costs associated with improving access to and the availability of broadband internet service to the types of projects that are eligible for a grant. It also designates “improvements to broadband Internet service and access in unserved or underserved rural communities” as an eligible use of funds. Such eligible use must be conducted through a partnership or partnerships with one or more dealers of communications services,<sup>18</sup> 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., 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, 2020.

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

**Sections 1 and 2** establish identical contract requirements relating to the Regional Rural Development Grant Program and the Rural Infrastructure Fund, respectively.

The bill requires the contract or agreement to be posted on the website for either the contracting regional economic development organization or the DEO for at least 14 days before execution.

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.

The bill requires specific contracts or agreements that exceed \$35,000 or that expend grant funds to be posted on the website for the contracting regional economic development organization or the DEO in a “plain language version.” This applies to a contract or agreement with a private entity, a municipality, 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, 2019.

## **IV. Constitutional Issues:**

### **A. Municipality/County Mandates Restrictions:**

None.

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<sup>18</sup> 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.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

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 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 competition for grant funds in the Rural Infrastructure Fund. Additionally, the bill increases the amount of total infrastructure project costs for which grant funds may be used to 50 percent from the current 30 percent

(or 40 percent if the project is at a catalyst site in a RAO). This change may lead to fewer grants awarded.

The cost to post contracts and “plain language” versions of contracts online is unknown. SB 596 is largely similar to SB 1646 filed in 2018, and at that time, DEO indicated that SB 1646 would have no impact on state expenditures.<sup>19</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 288.018 and 288.0655.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

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

None.

**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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<sup>19</sup> DEO, *2018 Agency Legislative Bill Analysis: SB 1646*, January 22, 2018.