

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 1139 Regional Rural Development Grants

**SPONSOR(S):** Transportation & Tourism Appropriations Subcommittee, Clemons, Polsky & others

**TIED BILLS:** **IDEN./SIM. BILLS:** CS/SB 426

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Workforce Development & Tourism Subcommittee	12 Y, 1 N	Willson	Barry
2) Transportation & Tourism Appropriations Subcommittee	11 Y, 0 N, As CS	Cobb	Davis
3) Commerce Committee			

### SUMMARY ANALYSIS

Florida has enacted a number of economic development programs for rural areas. Two such programs are the Regional Rural Development Grants Program and the Rural Infrastructure Fund. The Regional Rural Development Grants Program is a state matching grant program established to provide funding to build the professional capacity of regional economic development organizations. The Rural Infrastructure Fund assists units of local government with the planning, preparing, and financing of infrastructure projects that encourage job creation and capital investment. Both programs are administered by the Department of Economic Opportunity (DEO).

The bill amends the Regional Rural Development Grants Program to clarify how regional economic development organizations may build their professional capacity and to expand grant use for technical assistance. It also defines a "regional economic development organization" to mean an economic development organization located in or contracted to serve a rural area of opportunity (RAO).

The bill increases the total annual grant award available to the three regional economic development organizations recognized by DEO as serving an entire RAO, decreases the annual grant award available to other organizations located in or contracted to serve a RAO, and eliminates grant eligibility for organizations representing rural counties or communities that are not located in a RAO. The bill reduces the percentage of grant funds that must be matched with non-state funds from 100 percent to 25 percent of the state's contribution.

The bill amends the Rural Infrastructure Fund by increasing the percentage of total infrastructure costs that may be funded by a grant award, expanding eligible projects and uses to include broadband internet service, and requiring a review of the grant program and procedures by September 1, 2021.

In addition, the bill requires contracts or agreements for both the Regional Rural Development Grants Program and the Rural Infrastructure Fund to contain certain specific provisions and be posted online at least 14 days before execution.

The bill has no fiscal impact on state funds. The bill may have a positive fiscal impact on local governments and the private sector. See Fiscal Comments.

The effective date of the bill is July 1, 2020.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Present Situation**

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

Three regional economic development organizations operate in Florida. Each coincides respectively with one of the state's three Rural Areas of Opportunity (RAO). A RAO is a rural community, or a region comprised of rural communities, which 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>1</sup> The Governor may designate up to three RAOs, establishing each region as a priority assignment for Rural Economic Development Initiative agencies. The Governor can waive the criteria, requirements, or similar provisions of any economic development incentive for projects in a RAO.<sup>2</sup>

The three designated RAOs are:<sup>3</sup>

- Northwest 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, and 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.

Coinciding with the RAOs are three regional economic development organizations which are public/private 501(c)(6) organizations that provide economic development support to the local governments represented in the RAOs. Opportunity Florida serves the Northwest RAO; Florida's Heartland Regional Economic Development Initiative, Inc. serves the South Central RAO; and North Florida Economic Development Partnership serves the North Central RAO.

#### **Regional Rural Development Grants Program**

The Regional Rural Development Grants Program is a state matching grant program established to provide funding to build the professional capacity of regional economic development organizations.<sup>4</sup> Additionally, grants may be used by an economic development organization to provide technical assistance to businesses within the rural counties and communities that it serves.<sup>5</sup>

Applications submitted to DEO must provide proof:

- of official commitments of support from each local government represented by the regional organization;
- that each local government has made a financial or in-kind commitment to the regional organization;
- that the private sector has made financial or in-kind commitments to the regional organization;
- that the regional organization is in existence and actively involved in economic development activities serving the region; and

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<sup>1</sup> S. 288.0656(2)(d), F.S.

<sup>2</sup> S. 288.0656(7)(a), F.S.

<sup>3</sup> Department of Economic Opportunity, *Rural Areas of Opportunity*, <http://www.floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited Jan. 27, 2020).

<sup>4</sup> S. 288.018, F.S.

<sup>5</sup> S. 288.018(1), F.S.

- the manner in which the regional organization coordinates its efforts with those of other local and state organizations.<sup>6</sup>

An organization may receive up to \$50,000 a year or \$150,000 if located in a RAO.<sup>7</sup> Grants must be matched by an equivalent amount of non-state resources.<sup>8</sup> DEO is authorized to spend up to \$750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund to carry out this program.<sup>9</sup>

### Rural Infrastructure Fund

The Rural Infrastructure Fund is a grant program created to facilitate the planning, preparing, and financing of infrastructure projects in rural communities.<sup>10</sup> The program provides access to federal and state infrastructure funding programs, including, but not limited to, those offered by the U.S. Departments of Agriculture, and Commerce.<sup>11</sup> The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants.

DEO may award grants for up to 30 percent of the total infrastructure project cost. If an application is for a catalyst site,<sup>12</sup> up to 40 percent of the total infrastructure project cost may be awarded.<sup>13</sup> Projects must be related to specific job-creation or job-retention opportunities. Additionally, projects may include improving any inadequate infrastructure that has resulted in regulatory action that prohibits economic or community growth or reducing the costs to community users of proposed infrastructure improvements that exceed such costs in comparable communities.<sup>14</sup>

Eligible uses of funds include improvements to public infrastructure for industrial or commercial sites and upgrades to or development of public tourism infrastructure.<sup>15</sup> Infrastructure can include public or public-private partnership facilities, like storm water systems, telecommunication, broadband, roads, and nature-based tourism.<sup>16</sup>

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>17</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 a RAO. The total project participation grant may be used in conjunction with the infrastructure feasibility grant.

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>18</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 and must be matched 50 percent with local funds. However, projects in a RAO may receive up to \$300,000 and must be matched 33 percent with local funds.<sup>19</sup>

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<sup>6</sup> S. 288.018(2), F.S.

<sup>7</sup> S. 288.018(1), F.S.

<sup>8</sup> *Id.*

<sup>9</sup> S. 288.018(4), F.S.

<sup>10</sup> *See s.* 288.0655, F.S.

<sup>11</sup> S. 288.0655(2)(b), F.S.

<sup>12</sup> S. 288.0656(2)(b), F.S., defines “catalyst site” as 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 the rural economic development initiative and approved by DEO for the purposes of locating a catalyst project.

<sup>13</sup> S. 288.0655(2)(b), F.S.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> S. 288.0655(2)(c), F.S.

<sup>18</sup> S. 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.9739(18), F.S.

<sup>19</sup> S. 288.0655(2)(e), F.S.

Grant applications are reviewed and certified by DEO in consultation with: Enterprise Florida, Inc., VISIT Florida, the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission. Reviews include an evaluation of the economic benefit of the projects and their long-term viability.<sup>20</sup>

## **Effect of Proposed Changes**

### **Regional Rural Development Grants Program**

The bill amends the Regional Rural Development Grants Program to clarify how regional economic development organizations may build their professional capacity, expand grant use for technical assistance, increase the annual grant awards for regional economic development organizations, and reduce match requirements. It also defines a “regional economic development organization” to mean an economic development organization that is located in, or contracted to serve, a RAO.

One authorized use of the matching grant program is to build the professional capacity of regional economic development organizations. The bill specifies that efforts to build professional capacity hiring professional staff to develop, deliver, and provide needed economic development professional services, including technical assistance, education and leadership development, marketing, and project recruitment.

Regional economic development organizations may currently use grant funds to provide technical assistance to businesses within the rural counties and communities it serves. The bill expands this by allowing technical assistance to local governments, local economic development organizations, and existing and prospective businesses.

The bill increases the maximum annual grant award from \$150,000 to \$250,000 for any three regional economic development organizations recognized by DEO as serving an entire region of a RAO. These organizations are: Opportunity Florida, Florida’s Heartland Regional Economic Development Initiative, Inc., and North Florida Economic Development Partnership.

For organizations located in or contracted to serve a RAO, but not recognized as serving the entire RAO, the bill reduces the maximum annual grant amount from \$150,000 to \$50,000.

Under the bill, any organizations that represent rural counties and communities, but are not located in or serve a RAO, would not meet the definition of “regional economic development organizations” and therefore would no longer be eligible to receive any grant funds.

The bill reduces the required match for a grant under this program to a 25% match of the state contribution, instead of the current one-to-one match requirement.

### **Rural Infrastructure Fund**

The bill amends the Rural Infrastructure Fund by revising grant award percentages, expanding eligible projects and uses to include broadband internet service, and requiring a review of the grant program and procedures by a specific date.

Currently, grants awarded under the Rural Infrastructure Fund program are limited to 30 percent of the total infrastructure project cost, or up to 40 percent if funding is for a catalyst site. The bill increases the percentage for all grants awarded, including catalyst sites, to 50 percent of the total infrastructure project cost.

The bill specifies that eligible projects may include improving certain inadequate infrastructure that reduces costs to community users of proposed infrastructure improvements that exceeds costs in

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<sup>20</sup> S. 288.0655(3), F.S.  
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comparable communities, and improving access to and the availability of broadband Internet service. Further, eligible uses are expanded to include improvements to broadband Internet service and access in unserved or underserved rural communities. These projects must be conducted through a partnership or partnerships with one or more dealers of communications services<sup>21</sup>, established by a publicly noticed and competitive selected process.

The bill requires DEO to reevaluate the Rural Infrastructure Fund application guidelines and criteria by September 1, 2021. The review is to be done in consultation with Enterprise Florida, Inc., VISIT Florida, the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission and must include specific factors such as:

- the project's potential for enhanced job creation or increased capital investment;
- the demonstration and level of local public and private commitment;
- whether the project is located in a community development corporation service area or in an urban high-crime area;
- the unemployment rate of the county the project would be located; and
- the poverty rate of the community.

### **Contracts or Agreements - Regional Rural Development Grants Program and Rural Infrastructure Fund**

The bill amends both the Regional Rural Development Grant Program and the Rural Infrastructure Fund to include the same requirements for contracts or agreements that expend grant funds.

A contract or agreement that involves the expenditure of grant funds must include:

- The purpose of the contract or agreement.
- Specific performance standards and responsibilities for each entity under the agreement.
- A detailed project or contract budget, if applicable.
- The value of any services provided.
- The projected travel expenses for employees and board members, if applicable.

These required contract provisions apply to any contract or agreement that expends grant funds, including 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.

All contracts and agreements are required to be posted on the contracting regional economic development organization's website at least 14 days before execution. However, specific contracts or agreements that exceed \$35,000 must be posted in "plain-language." This applies to a contract or agreement with a private entity, a municipality, or a vendor of services, supplies, or programs, including marketing, or for the purchase or lease or use of lands, facilities, or properties.

Additionally, the bill repeals obsolete language relating to enterprise zones.

#### **B. SECTION DIRECTORY:**

**Section 1:** Amends subsections (1) and (3) of s. 288.018, F.S., relating to the Regional Rural Development Grants Program.

**Section 2:** Amends s. 288.0655, F.S., relating to the Rural Infrastructure Fund.

**Section 3:** Provides an effective date of July 1, 2020.

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<sup>21</sup> S. 202.11(2), F.S., defines a "dealer" as a person registered with the Florida Department of Revenue as a provider of communications services in this state.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

None.

#### 2. Expenditures:

None.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

See Fiscal Comments.

#### 2. Expenditures:

See Fiscal Comments.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

See Fiscal Comments.

### D. FISCAL COMMENTS:

The bill reduces the required match under the Regional Rural Development Grant Program to a 25 percent match of the state contribution, instead of the current one-to-one match requirement.

The bill also increases the allowable grant award for Rural Infrastructure Fund projects from 30 percent to 50 percent of the total infrastructure project cost.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

#### 1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

#### 2. Other:

None.

### B. RULE-MAKING AUTHORITY:

This bill does not provide rulemaking authority or require executive branch rulemaking.

### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

## IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 10, 2020, the Transportation & Tourism Appropriations Subcommittee adopted two amendments. The first amendment removed the provision that increased the amount DEO may expend on

Regional Rural Development Grants from \$750,000 to \$1 million. The second amendment removed the provision which conflicted with current-year implementing bill language relating to the Rural Infrastructure Fund for inland panhandle counties.

The analysis is written to the committee substitute as reported favorably by the Transportation & Tourism Appropriations Subcommittee.