

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: CS/SB 426

INTRODUCER: Appropriations Committee; and Senators Montford, Albritton, and Stewart

SUBJECT: Regional Rural Development Grants Program

DATE: January 27, 2020

REVISED: 2/6/2020

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Reeve</u>	<u>McKay</u>	<u>CM</u>	Favorable
2.	<u>Kraemer</u>	<u>Imhof</u>	<u>IT</u>	Favorable
3.	<u>Hrdlicka</u>	<u>Kynoch</u>	<u>AP</u>	Fav/CS

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 426 amends the Regional Rural Development Grant Program and the Rural Infrastructure Fund.

The bill modifies the operations and funding requirements of the Regional Rural Development Grants Program (grants program) to:

- Require grant recipients to serve or be located in a rural area of opportunity;
- Revises the entities eligible to receive grants and the annual maximum grant amounts available;
- Increase the maximum amount of funds the Department of Economic Opportunity (DEO) may expend for the program from \$750,000 to \$1 million annually;
- Reduce the percentage of grant funds that must be matched with non-state funds from 100 percent to 25 percent of the state's contribution; and
- Specify that a regional economic development organization may use grant funds to build its professional capacity and provide technical assistance.

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 require such projects that improve service and access to be through a partnership that was publicly noticed and competitively bid.

- Require the DEO to review the grant program application and award procedures by September 1, 2021.

The bill requires contracts or agreements for the Regional Rural Development Grant Program or the Rural Infrastructure Fund program that expend state grant funds to contain certain specific contract provisions and be posted online.

The bill does not alter existing, recurring appropriations for the Rural Community Development Revolving Loan Fund, the Regional Rural Development Grant Program, and the Rural Infrastructure Fund. However, the bill changes how those appropriations may be used and may reduce the number of eligible organizations and increase competition for the funds available. See Section V., Fiscal Impact Statement.

The bill is effective July 1, 2020.

II. Present Situation:

Rural Economic Development Initiative

The Rural Economic Development Initiative (REDI) was established by the 1999 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 a 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 The Governor may designate by executive order up to three RAOs, establishing the areas as priority assignments for the REDI. The Governor may waive criteria, requirements, or similar provisions of any economic development incentive for projects located in an RAO.⁴ The designated RAOs are:⁵

- The Northwest RAO, comprised of Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and that part of Walton County north of the Intracoastal Waterway, including the cities of DeFuniak Springs, Freeport, and Paxton;

¹ Section 288.0656, F.S.

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

³ Section 288.0656(1)(d), F.S.

⁴ Section 288.0656(7)(a), F.S.

⁵ Florida 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. 18, 2020).

- The South Central RAO, comprised of DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, the cities of Pahokee, Belle Glade, and South Bay in Palm Beach County, and the city of Immokalee in Collier County; and
- The North Central RAO, comprised of Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.

There are currently three regional economic development organizations operating in areas that coincide with the areas designated as RAOs. Opportunity Florida serves the Northwest RAO, Florida's Heartland Regional Economic Development Initiative, Inc., serves the South Central RAO, and the North Florida Economic Development Partnership, Inc. serves the North Central RAO.⁶ These public/private 501(c)(6) organizations provide economic development support to local governments within the RAOs.

Regional Rural Development Grants Program

The grants program was established to provide funding, through matching grants, to build the professional capacity of regionally based economic development organizations. These grants may also be used by economic development organizations to provide technical assistance to businesses within the rural counties and communities they serve.⁷

To be approved for a matching grant an applicant must provide the DEO with proof of:⁸

- A demonstrated need for assistance;
- Official commitments of support from each of the units of local government represented by the organization;
- Financial or in-kind commitments from the private sector and each of the units of local government represented by the organization;
- Documentation of 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 or state organizations.

The maximum amount any organization may receive annually is \$50,000, or \$150,000 if an organization is located in a rural area of opportunity, and the grant funds must be matched by an equivalent amount of non-state resources.⁹ 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.¹⁰ The DEO may also contract with Enterprise Florida, Inc., the state's principal economic development organization, to administer the program.¹¹

⁶ *Id.* See also generally websites for each organization at <http://www.opportunityflorida.com/> (last visited Jan. 18, 2020), <http://flaheartland.com/> (last visited Jan. 18, 2020), and <http://www.nflp.org/Home.aspx> (last visited Jan. 18, 2020).

⁷ Section 288.018(1), F.S.

⁸ Section 288.018(2), F.S.

⁹ Section 288.018(1), F.S.

¹⁰ Section 288.018(4), F.S. Section 288.065, F.S., establishes the Rural Community Development Revolving Loan Fund to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to further promote the economic vitality of rural communities.

¹¹ *Id.* Enterprise Florida, Inc., is a nonprofit corporation, not a unit of state government, established under s. 288.901, F.S.

Rural Infrastructure Fund¹²

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 to local governments to maximize the use of federal, local, and private resources.

The DEO awards three grants from this fund: the total project participation grant, the infrastructure feasibility grant, and the preclearance review grant.¹³

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.¹⁴ 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.¹⁵ 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.¹⁶ 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.

¹² Section 288.0655, F.S.

¹³ 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 Jan. 24, 2020).

¹⁴ 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 [DEO] for the purposes of locating a catalyst project.”

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

¹⁵ Section 288.0655(2)(c), F.S.

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

III. Effect of Proposed Changes:

Regional Rural Development Grant Program

Section 1 makes changes to how the grants program in s. 288.018, F.S., operates. The bill clarifies that the concept of building the “professional capacity” of an economic development organization includes hiring professional staff to develop, deliver, and provide economic development professional services. Professional services include technical assistance, education and leadership development, marketing, and project recruitment.

Currently, grant funds may be used to provide technical assistance to businesses within the rural counties and communities a regional economic development organization serves.¹⁷ Under the bill, grant funds may also be used to provide technical assistance to local governments, local economic development organizations, and existing and prospective businesses.

The bill defines a “regional economic development organization” as an economic development organization located in or contracted to serve a RAO. It also removes references to “regionally based economic development organizations” and “economic development organizations,” and replaces them with “regional economic development organizations.”

The grants program currently authorizes the DEO to approve grants of up to \$50,000 for economic development organizations not located in an RAO and grants of up to \$150,000 for certain eligible organizations located in an RAO.¹⁸

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

The bill reduces the maximum annual grant amount for organizations located in or contracted to serve an RAO from a maximum grant of up to \$150,000 to a maximum grant of up to \$50,000.

Additionally, the bill authorizes the three regional economic development organizations recognized by the DEO as serving an entire RAO (currently Opportunity Florida, Florida’s Heartland Regional Economic Development Initiative, Inc., and the North Florida Economic Development Partnership, Inc.) to receive grants of up to \$250,000 per year. See Related Issues below.

The percentage of grant funds received by a regional economic development organization that must be matched with non-state funds is reduced from 100 percent (a one to one match) to 25 percent of the state’s contribution.

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

¹⁷ Section 288.018(1), F.S.

¹⁸ *Id.*

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 repeals the existing provision for a grant award of 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 the costs associated with 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.” Eligible uses related to broadband Internet service and access must be conducted through a partnership or partnerships with one or more dealers of communications services,¹⁹ 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, 2021.

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

Sections 1 and 2 amend both ss. 288.018 and 288.0655, F.S., relating to the Regional Rural Development Grant Program and the Rural Infrastructure Fund, respectively, to establish the same requirements for contracts or agreements that expend grant funds in each program.

The bill provides new requirements for contracts entered into for the purpose of expending grant funds. Under the bill, contracts and agreements must include:

- The purpose of the contract or agreement;
- Specific performance standards and responsibilities for all parties involved;
- A detailed project or contract budget, if applicable;
- The value of any services provided; and
- 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.

¹⁹ 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.

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

The bill also 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.

Specific contracts and agreements estimated to exceed \$35,000 must also 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 is effective July 1, 2020.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

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 percentage of funds disbursed through the grants program that must be matched with non-state funds is reduced from 100 percent (a one to one match) to 25 percent of the state’s contribution.

C. Government Sector Impact:

Regional Rural Development Grant Program

According to the DEO, additional state expenditures for the grants program (from funds appropriated to the Rural Community Development Revolving Loan Fund) may increase by up to \$250,000, as authorized in the bill.²⁰

The Rural Community Development Revolving Loan Fund receives a recurring appropriation of \$1.17 million (\$360,000 from the State Economic Enhancement and Development Trust Fund and \$810,000 from the Economic Development Trust Fund), of which the DEO is statutorily authorized to expend \$750,000 on the grants program. The bill increases the amount the DEO may expend on the grants program to up to \$1 million annually. If the DEO expends the maximum amount allowable on the program each year, the amount remaining in the Rural Community Development Revolving Loan Fund would decrease by up to \$250,000 per year. Based upon the existing \$1.17 million recurring appropriation to the Rural Community Development Revolving Loan Fund, the difference between funds available for the loan program and the grant program under current law and under the bill would be:

	Rural Community Development Revolving Loan Fund	Rural Development Grant Program
Current law	Minimum of \$420,000	Maximum of \$750,000
Under the bill	Minimum of \$170,000	Maximum of \$1,000,000

Under the bill, an organization located in or contracted to serve a RAO may receive up to \$50,000 and the three regional economic development organizations recognized by the DEO that serve the entire region of a RAO may receive up to \$250,000 annually.

Rural Infrastructure Fund

The Rural Infrastructure Fund receives a recurring appropriation of \$1.6 million from the State Economic Enhancement and Development Trust Fund. 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). If the amount of the existing appropriation for the

²⁰ See 2020 Agency Legislative Bill Analysis (Department of Economic Opportunity) for SB 426, Oct. 3, 2019 (on file with Senate Committee on Innovation, Industries, and Technology) at page 3.

Rural Infrastructure Fund remains \$1.6 million, then this change may lead to fewer grants being awarded.

VI. Technical Deficiencies:

On lines 73-74, the bill provides for annual maximum grants of “\$250,000 for any three regional economic development organizations” serving an entire RAO if they are recognized by the DEO as serving such a region. The phrasing of “any three” could be read two different ways: that a total of \$750,000, or up to \$250,000 each, is available to be granted to each recognized organization separately; or that a total of up to \$250,000 is available to be granted to all three recognized organizations collectively. If the former is intended, replacement of the phrase “any three” with the words “up to three” should be considered to provide clarity. If the latter is intended, replacement of the phrase “for any three” with “to each of the three” should be considered to provide clarity.

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

CS by Appropriations on January 23, 2020:

Related to the grants program, the committee substitute:

- Removes the prohibition that the bill was adding for organizations that provide taxpayer-funded incentives from receiving grants under the program.
- Reduces the maximum grant amount for organizations that are located in or serve an RAO from \$150,000 to \$50,000 per year.
- Makes other nonsubstantive edits to the amendatory provisions.

The committee substitute also amends the Rural Infrastructure Fund to:

- Increase the grant awards to 50 percent of infrastructure project costs (currently 30 percent).
- Add as an eligible project one that improves access to and availability of broadband Internet service.
- Add as eligible use of funds upgrades to or development of public tourism infrastructure (this is undefined); and improvements to broadband Internet service and access in unserved and underserved rural communities.
- Require projects that improve service and access to be through a partnership that was publicly noticed and competitively bid.

- Require the DEO to review the grant program application and award procedures by September 1, 2020.
- Require contracts or agreements for the Rural Infrastructure Fund program that expend state grant funds to contain certain specific contract provisions and be posted online.

B. Amendments:

None.

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