

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/HB 685 Rural Development  
**SPONSOR(S):** State Affairs Committee, Drake and others  
**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) State Affairs Committee	21 Y, 0 N, As CS	Darden	Williamson
2) Infrastructure & Tourism Appropriations Subcommittee	12 Y, 0 N	Hicks	Davis
3) Commerce Committee	20 Y, 0 N	Walsh	Hamon

### SUMMARY ANALYSIS

Florida has enacted a variety of economic grant and loan programs intended to aid the development of rural and otherwise economically distressed regions of the state, including the Regional Rural Development Grant Program, the Rural Community Development Revolving Loan Fund, and the Rural Infrastructure Fund. These programs are administered by the Department of Economic Opportunity (DEO).

The bill reduces the required non-state match amount for the Regional Rural Development Grants Program from 25 percent to 15 percent and allows in-kind contributions to count toward this threshold.

The bill removes the requirement that repaid funds from the Rural Community Development Revolving Loan Fund be matched in order to be retained to fund future loans.

Finally, the bill revises the uses of the Rural Infrastructure Fund to remove the requirement that grants be linked to financing specific projects. It increases the proportion of an infrastructure project that may be covered by the grant from 50 percent to 75 percent and increases the maximum grant for infrastructure feasibility studies, design and engineering activities, or other infrastructure planning and preparation activities to \$300,000 for all projects. The bill removes the local match requirement for surveys, feasibility studies, and other activities related to the identification and preclearance review of land which is suitable for preclearance review, and removes the requirement that a grant for an employment project create a minimum number of jobs.

The bill does not have a fiscal impact on state government, but may have a positive impact on local governments. See Fiscal Analysis section for details.

The bill has an effective date of July 1, 2022.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Background

##### Rural Areas of Opportunity

A rural area of opportunity (RAO) is a rural community, or region comprised 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.<sup>1</sup> An area may also be designated as an RAO if it presents a unique economic development opportunity of regional impact. The designation of an RAO must be agreed upon by the Department of Economic Opportunity (DEO), as well as the county and municipal governments to be included in the RAO.<sup>2</sup>

Based on recommendations of the Rural Economic Development Initiative (REDI),<sup>3</sup> the Governor may designate up to three RAOs by executive order.<sup>4</sup> This designation establishes these areas as priority assignments for REDI and allows the Governor, acting through REDI, to waive criteria, requirements, or similar provisions of any economic development initiative.

Currently, there are three designated RAO areas:

- Northwest RAO: Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and portions of Walton County (the City of Freeport and lands north of the Choctawhatchee Bay and intercoastal waterway).
- South Central RAO: DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, and the cities of Pahokee, Belle Glade, and South Bay in Palm Beach County and the city of Immokalee in Collier County.
- North Central RAO: Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.<sup>5</sup>

##### 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>6</sup> 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>7</sup>

Applications submitted to DEO for funding through this program 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;

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<sup>1</sup> S. 288.0656(2)(d), F.S. A "rural community" is any county with a population of 75,000 or fewer, any county with a population of 125,000 or fewer that is contiguous to a county with a population of 75,000 or fewer, a municipality in a county that meets either of the aforementioned criteria, or an unincorporated federal enterprise community or an incorporated rural city with a population of 25,000 or fewer and an employment base focused on traditional agricultural or resource-based industries, located in a county not defined as rural, which has at least three or more of the economic distress factors. S. 288.0656(2)(e), F.S.

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

<sup>3</sup> REDI is housed within DEO. S. 288.0656, F.S.

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

<sup>5</sup> Dept. of Economic Opportunity, *Rural Areas of Opportunity*, <https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited Jan. 21, 2022). The economic development organizations for these RAOs are named Opportunity Florida, Florida's Heartland Regional Economic Development Initiative, and the North Florida Economic Development Partnership, respectively.

<sup>6</sup> S. 288.018, F.S.

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

- That the regional organization is in existence and actively involved in economic development activities serving the region; and
- Of the manner in which the regional organization coordinates its efforts with those of other local and state organizations.<sup>8</sup>

An organization may receive up to \$50,000 a year or \$250,000 if located in an RAO.<sup>9</sup> Grants must be matched by an amount of non-state resources equal to 25 percent of the state contribution. 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>10</sup>

### Rural Infrastructure Fund

The Rural Infrastructure Fund is a grant program created to facilitate the planning, preparation, and financing of infrastructure projects in rural communities.<sup>11</sup> The program provides access to federal and state infrastructure funding programs, including, but not limited to, those offered by the United States Departments of Agriculture and Commerce.<sup>12</sup> The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants.

DEO may award grants for up to 50 percent of the total infrastructure project cost. 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, reducing the costs to community users of proposed infrastructure improvements that exceed such costs in comparable communities, and improving access to and availability of broadband Internet service.<sup>13</sup>

Eligible uses of funds include improvements to public infrastructure for industrial or commercial sites, upgrades to or development of public tourism infrastructure, and improvements to broadband Internet service and access in unserved or underserved rural communities.<sup>14</sup> Infrastructure can include public or public-private partnership facilities, like storm water systems, telecommunication facilities, broadband facilities, roads, and nature-based tourism.<sup>15</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. 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.<sup>16</sup>

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>17</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 an RAO may receive up to \$300,000 and must be matched 33 percent with local funds.<sup>18</sup>

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

<sup>8</sup> S. 288.018(2), F.S.

<sup>9</sup> S. 288.018(1)(c), F.S.

<sup>10</sup> S. 288.018(4), F.S.

<sup>11</sup> See s. 288.0655, F.S.

<sup>12</sup> S. 288.0655(2)(b), F.S.

<sup>13</sup> *Id.*

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

<sup>15</sup> Broadband Internet service must be provided in partnership with one or more dealers of communications services. S. 288.0655(2)(b), F.S.

<sup>16</sup> S. 288.0655(2)(c), F.S.

<sup>17</sup> S. 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.9739(18), F.S.

<sup>18</sup> S. 288.0655(2)(e), F.S.

Commission. Reviews include an evaluation of the economic benefit of the projects and their long-term viability.<sup>19</sup>

### Rural Community Development Revolving Loan Fund

The Rural Community Development Revolving Loan Fund Program is a state loan program used to finance initiatives directed toward maintaining and developing the economic base of rural communities, especially initiatives addressing employment opportunities.<sup>20</sup> The program provides long-term loans, loan guarantees, and loan loss reserves to local governments, or economic development organizations substantially underwritten by local governments, in counties with small populations or those located within an RAO.<sup>21</sup> Loan repayments are generally returned to the loan fund to be made available to other applicants, but repayments made by an applicant in an RAO may be retained by the applicant if the repayments are dedicated and matched to fund regionally based economic development organizations representing the RAO and if retention of funds is approved by DEO.<sup>22</sup>

### **Effect of Proposed Changes**

#### Regional Rural Development Grants Program

The bill reduces the required match from non-state resources from 25 percent to 15 percent and allows for in-kind contributions from all non-state contributors to count toward the match.

#### Rural Infrastructure Fund

The bill increases the maximum grant award from 50 percent to 75 percent of the total infrastructure cost and removes the requirement that projects must be linked to specific job-creation or job-retention opportunities.

The bill increases the maximum grant for infrastructure feasibility studies, design and engineering activities, or other infrastructure planning and preparation activities to \$300,000 for all projects. It removes the limitation that the grant not exceed 30 percent of the total project cost.

The bill removes the local matching funds requirement for surveys, feasibility studies, and other activities related to the identification and preclearance review of land which is suitable for preclearance review. It also removes the requirement that a grant for an employment project create or retain a minimum number of jobs.

#### Rural Community Development Revolving Loan Fund

The bill removes the requirement that funds be matched by the local government, or an economic development organization substantially underwritten by a local government, as long as the funds are retained for the purpose of funding regionally based economic development organizations representing the RAO.

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

Section 1: Amends s. 288.018, F.S., revising eligibility for the Regional Rural Development Grants Program.

Section 2: Amends s. 288.065, F.S., removing a match requirement from the Rural Community Development Revolving Loan Fund.

Section 3: Amends s. 288.0655, F.S., revising provisions relating to the Rural Infrastructure Fund.

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<sup>19</sup> S. 288.0655(3), F.S.

<sup>20</sup> S. 288.065(1), F.S.

<sup>21</sup> S. 288.065(2)(a), F.S.

<sup>22</sup> S. 288.065(2)(c), F.S.

Section 4: Provides an effective date of July 1, 2022.

## 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:

None.

2. Expenditures:

The bill may reduce local government expenditures to the extent that the match requirement has been reduced or they are no longer required to provide matching funds for certain projects.

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

Removal of the requirement that the projects must be linked to specific job-creation or job-retention opportunities may impact the local area labor market.

### D. FISCAL COMMENTS:

This bill does not affect state revenues or expenditures. However, the reduction or removal of match requirements and the increase in allowable grant awards may limit the total number of grants awarded because funding of these programs remains unchanged.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to require counties or municipalities to spend funds or take any action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

### B. RULE-MAKING AUTHORITY:

The bill does not require or authorize rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**

On January 26, 2022, the State Affairs Committee adopted a proposed committee substitute (PCS) and reported the bill favorably as a committee substitute. The PCS differed from the bill in that it removed:

- Revisions to exemptions to the sales and use tax and municipal public service tax that applied to businesses located in opportunity zones instead of enterprise zones;
- An expansion of the applicability of an exemption for electrical energy to include propane and natural gas;
- An increase in the value of the Rural Job Tax Credit and the reduction in the number of additional employees needed to qualify for the credit;
- A revision to a set aside of funds appropriated for the Quick-response Training Program that changed it from being used on businesses located in an enterprise zone or brownfield area to businesses located in rural areas of opportunity;
- Changes to reporting requirements and the responsibilities of state agencies related to the Rural Economic Development Initiative;
- A requirement that funds from the State Economic Enhancement and Development Trust Fund, when used for affordable housing, be set aside for projects in rural communities; and
- Provisions creating the Florida Microfinance Corporation.

This analysis is drafted to the committee substitute adopted by the State Affairs Committee.