

HOUSE OF REPRESENTATIVES STAFF FINAL BILL ANALYSIS

BILL #: CS/CS/CS/HB 1209 Rural Development

SPONSOR(S): Commerce Committee and Ways & Means Committee and Regulatory Reform & Economic Development Subcommittee, Shoaf and others

TIED BILLS: **IDEN./SIM. BILLS:**

FINAL HOUSE FLOOR ACTION: 115 Y's 0 N's **GOVERNOR'S ACTION:** Approved

SUMMARY ANALYSIS

CS/CS/CS/HB 1209 passed the House on April 26, 2023, as amended. The bill was amended in the Senate on May 2, 2023, and was returned to the House. The House concurred in the Senate amendment and passed the bill as amended on May 4, 2023.

Current law requires an agency agreement that provide state financial assistance to a recipient or subrecipient, or that provides federal financial assistance to a subrecipient, to include certain provisions.

The Rural Infrastructure Fund is a grant program created to facilitate the planning, preparing, and financing of infrastructure projects in rural communities. The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants. 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.

Related to agency agreements providing federal or state financial assistance to a county, municipality, or rural area of opportunity, the bill requires such agreement to include a provision allowing the agency to pay the county, municipality, or rural area of opportunity for verified and eligible performance.

Related to the Rural Infrastructure Fund, the bill:

- Increases the percentage of the total infrastructure cost that DEO may award for infrastructure funding to 75 percent.
- Increases the percentage of the total infrastructure cost that DEO may award for infrastructure funding for a project located in a rural community which is also located in a fiscally constrained county or a rural area of opportunity to 100 percent.
- Removes requirement that eligible projects must be related to job creation or retention opportunities.
- Removes improvements to broadband Internet service and access in unserved or underserved rural communities as an eligible use of funds.
- Increases the amount that the department may award to all recipients in feasibility grants to \$300,000, which varies under current law based on job creation commitments.
- Removes the requirement related to infrastructure feasibility studies and other infrastructure planning activities that grants awarded be limited to 30 percent of the total project cost.
- Removes match requirement for preclearance review grants.

The bill does not impact state or local government revenues or state expenditures. The bill may decrease local government expenditures. See Fiscal Analysis & Economic Impact Statement.

The bill was approved by the Governor on June 6, 2023, ch. 2023-202, L.O.F., and will become effective on July 1, 2023.

I. SUBSTANTIVE INFORMATION

A. EFFECT OF CHANGES:

Present Situation

Agreements Funded with Federal or State Assistance

Current law requires an agency agreement that provides state financial assistance to a recipient or subrecipient,¹ or that provides federal financial assistance to a subrecipient,² to include the following:

- A provision specifying scope of work that clearly establishes the tasks the recipient or subrecipient is required to perform;
- A provision dividing the agreement into quantifiable units of deliverables that must be received and accepted in writing by the agency before payment. Each deliverable must be directly related to the scope of work and must specify the required minimum level of service to be performed and the criteria for evaluating the successful completion of each deliverable;
- A provision specifying the financial consequences that apply if the recipient or subrecipient fails to perform the minimum level of service required in the agreement. The provision can be excluded in specified situations;
- A provision specifying that a recipient or subrecipient of federal or state financial assistance may expend funds only for allowable costs resulting from obligations incurred during the specified agreement period;
- A provision specifying that any balance of unobligated funds which has been advanced or paid must be refunded to the state agency;
- A provision specifying that any funds paid in excess of the amount to which the recipient or subrecipient is entitled must be refunded to the state agency; and
- Any additional information required pursuant to the Florida Single Audit Act.³

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.⁴ 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.⁵ The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants.

The Department of Economic Opportunity (DEO) may award grants for up to 50 percent of the total infrastructure project cost.⁶ 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, and improving the access availability of broadband Internet service.

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.⁷ Infrastructure can include public or

¹ Section 215.97, F.S., defines a “subrecipient” as a nonstate entity that receives state financial assistance through another nonstate entity.

² As defined by applicable United States Office of Management and Budget circulars.

³ S. 215.971(1)(a)-(g), F.S.

⁴ See s. 288.0655, F.S.

⁵ S. 288.0655(2)(b), F.S.

⁶ *Id.*

⁷ *Id.*

public-private partnership facilities, like storm water systems, telecommunication, broadband, roads, and nature-based tourism.⁸

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.⁹ 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 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.¹⁰ 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.¹¹

Grant applications are reviewed and certified by DEO in consultation with Enterprise Florida, Inc., the Florida Tourism Industry Marketing Corporation, the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission.¹² Reviews include an evaluation of the economic benefit of the projects and their long-term viability.

A total of \$30 million in funding was made through the Rural Infrastructure Fund for Fiscal Year 2022-2023. Twenty-five million was available for eligible rural communities statewide and an additional \$5 million was available specifically for Florida Panhandle counties.¹³

Rural Areas of Opportunity

A rural area of opportunity (RAO) is a rural community,¹⁴ 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.¹⁵ 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.¹⁶

Based on recommendations of the Rural Economic Development Initiative (REDI),¹⁷ the Governor may designate up to three RAOs by executive order.¹⁸ This designation establishes these areas as priority

⁸ Broadband Internet service must be provided in partnership with one or more dealers of communications services. S. 288.0655(2)(b), F.S.

⁹ S. 288.0655(2)(c), F.S.

¹⁰ S. 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.9739(18), F.S.

¹¹ S. 288.0655(2)(e), F.S.

¹² S. 288.0655(3), F.S.

¹³ Department of Economic Opportunity, *Rural Infrastructure Fund*, <https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-infrastructure-fund> (last visited May 9, 2023).

¹⁴ Section 288.0656(2)(e), F.S., defines a "rural community" as 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.

¹⁵ S. 288.0656(2)(d), F.S.

¹⁶ S. 288.0656(7)(b), F.S.

¹⁷ S. 288.0656(1)(a), F.S. REDI was established by the Legislature to encourage and facilitate the location and expansion of major economic development projects of significant scale in rural communities.

¹⁸ S. 288.0656(7)(a), F.S.

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.¹⁹

Fiscally Constrained Counties

Fiscally Constrained Counties are counties entirely within a rural area of opportunity or where a 1 mill levy would raise no more than \$5 million in annual tax revenue.²⁰ A rural area of opportunity is a rural community²¹ or region that has been adversely affected by an extraordinary economic event, severe distress, natural disaster, or that presents a unique economic development opportunity of regional impact, as designated by the Governor.²² Florida's fiscally constrained counties are: Baker, Bradford, Calhoun, Columbia, Desoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, Wakulla, and Washington.²³

Effect of the Bill

Related to agency agreements providing federal or state financial assistance to a county, municipality, or rural area of opportunity, the bill requires such agreement to include a provision allowing the agency to pay the county, municipality, or rural area of opportunity for verified and eligible performance.

Related to the Rural Infrastructure Fund, the bill:

- Increases the percentage of the total infrastructure cost that DEO may award for infrastructure funding to 75 percent.
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- Increases the amount that the department may award to all recipients in feasibility grants to \$300,000, which varies under current law based on job creation commitments.

¹⁹ Department of Economic Opportunity, *Rural Areas of Opportunity*, <https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited May 9, 2023). 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.

²⁰ S. 218.67(1), F.S.

²¹ A "rural community" as the term relates to counties means a county with a population of 75,000 or fewer, or a county with a population of 125,000 or fewer which is contiguous to a county with a population of 75,000 or fewer. See s. 288.0656(1)(e), F.S.

²² S. 288.0656(1)(d), F.S.

²³ Florida Department of Revenue, *Fiscally Constrained Counties*, <https://floridarevenue.com/property/Documents/fcco081210.pdf> (last visited May 9, 2023).

- Removes the requirement related to infrastructure feasibility studies and other infrastructure planning activities that grants awarded be limited to 30 percent of the total project cost.
- Removes match requirement for preclearance review grants.

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:

By decreasing and removing match requirements for Rural Infrastructure Fund grants, the bill may decrease local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill could increase private sector investment in rural areas.

D. FISCAL COMMENTS:

None.