

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 Appropriations Committee on Transportation, Tourism, and Economic Development

BILL: SB 1482

INTRODUCER: Senator Simon

SUBJECT: Rural Development

DATE: April 17, 2023

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|-----------------|----------------|------------|--------------------|
| 1. | <u>Renner</u> | <u>McKay</u> | <u>CM</u> | <u>Favorable</u> |
| 2. | <u>Nortelus</u> | <u>Jerrett</u> | <u>ATD</u> | <u>Pre-meeting</u> |
| 3. | _____ | _____ | <u>FP</u> | _____ |

I. Summary:

SB 1482 modifies economic initiatives relating to rural development including certain agreements funded with federal or state assistance, the Regional Rural Development Grants Program, the Rural Community Development Revolving Loan Fund, and the Rural Infrastructure Fund.

The bill prohibits an agency agreement that provides state or federal financial assistance to local government entities within a rural area of opportunity (RAO) from requiring the local government entity to expend funds in order to be reimbursed.

The bill amends the Regional Rural Development Grants Program to:

- Eliminate the rural matching requirement;
- Eliminate the requirement that grant funds received by a regional economic development organization must be matched each year by nonstate resources in an amount equal to 25 percent of the state contributions; and
- Remove the requirement that an applicant must show proof that each local government and the private sector made a financial or in-kind commitment to the regional organization in order to receive funding.

The bill amends the Rural Community Development Revolving Loan Fund to remove 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.

The bill amends the Rural Infrastructure Fund to:

- Increase the maximum grant award from 50 percent to 75 percent of the total infrastructure cost, or up to 100 percent of the total infrastructure project cost for a project that is located in a rural community or a RAO and that is also located in a fiscally constrained county;
- Remove the requirement that projects must be linked to specific job-creation or job-retention opportunities;
- Increase the maximum grant for infrastructure feasibility studies, design and engineering activities, or other infrastructure planning and preparation activities to \$300,000 for all projects and removes the limitation that the grant not exceed 30 percent of the total project cost; and
- Remove the local matching fund 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 or retain a minimum number of jobs.

The bill takes effect July 1, 2023.

II. 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

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 Section 215.971(1)(a)-(g), F.S.

Rural Area of Opportunity

A rural area of opportunity (RAO) is a rural community,⁴ 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.⁵ 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.⁶

Based on recommendations of the Rural Economic Development Initiative (REDI),⁷ the Governor may designate up to three RAOs by executive order.⁸ 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.⁹

Regional Rural Development Grants Program

The Regional Rural Development Grants Program was established to provide funding, through matching grants, to build the professional capacity of regionally based economic development organizations located in rural communities. 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 includes technical assistance, education and leadership development, marketing, and project recruitment.¹⁰

⁴ 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.

⁵ Section 288.0656(2)(d), F.S.

⁶ Section 288.0656(7)(b), F.S.

⁷ Section 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.

⁸ Section 288.0656(7)(a), F.S.

⁹ Department of Economic Opportunity, *Rural Areas of Opportunity*, available at <https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited March 17, 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.

¹⁰ Section 288.018(1)(b), F.S.

Applications submitted to the DEO for funding through this program must provide proof:¹¹

- Of official commitments of support from each of the units of local government represented by the regional organization;
- That each local government has made a financial or in-kind commitments to the regional organization;
- That the private sector has made financial or in-kind commitment to the regional organization;
- That the regional organization is in existence and actively involved in economic development activities serving the region; and
- Of the manner in which the organization coordinates its efforts with those other local and state organizations.

An organization may receive up to \$50,000 a year or \$250,000 if located in an RAO.¹² Grants must be matched by an amount of non-state resources equal to 25 percent of the state contribution. The 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.¹³

Rural Community Development Revolving Loan Fund

The Rural Community Development Revolving Loan Fund Program was created to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to further promote the economic viability of rural communities.¹⁴

The program provides term loans to local governments, or economic development organizations substantially underwritten by a unit of local government, within counties with populations of 75,000 or fewer or a contiguous county of 125,000 or fewer.¹⁵

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 the DEO.¹⁶

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.¹⁷ The program provides access to federal and state infrastructure funding programs, including, but not limited to, those offered by

¹¹ Section 288.018(2), F.S.

¹² Section 288.018(1)(c), F.S.

¹³ Section 288.018(4), F.S.

¹⁴ Section 288.065(1), F.S.

¹⁵ Section 288.065(2)(a), F.S.

¹⁶ Section 288.065(2)(c), F.S.

¹⁷ See s. 288.0655, F.S.

the United States Departments of Agriculture and Commerce.¹⁸ The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants.

The DEO may award grants for up to 50 percent of the total infrastructure project cost.¹⁹ 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.²⁰ Infrastructure can include public or public-private partnership facilities, like storm water systems, telecommunication, broadband, roads, and nature-based tourism.²¹

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.²² 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.²³ 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.²⁴

Grant applications are reviewed and certified by the DEO in consultation with Enterprise Florida, Inc., VISIT Florida, the Department of Environmental Protection, and the Florida Fish and Wildlife Conservation Commission.²⁵ Reviews include an evaluation of the economic benefit of the projects and their long-term viability.

¹⁸ Section 288.0655(2)(b), F.S.

¹⁹ *Id.*

²⁰ *Id.*

²¹ Broadband Internet service must be provided in partnership with one or more dealers of communications services. Section 288.0655(2)(b), F.S.

²² Section 288.0655(2)(c), F.S.

²³ Section 288.0655(2)(e), F.S. Expedited permitting is pursuant to s. 403.9739(18), F.S.

²⁴ Section 288.0655(2)(e), F.S.

²⁵ Section 288.0655(3), F.S.

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.²⁶

III. Effect of Proposed Changes:

Agreements Funded with Federal or State Assistance

Section 1 amends s. 215.971, F.S., to prohibit an agency agreement that provides state or federal financial assistance to local government entities within an RAO from requiring the local government entity to expend funds in order to be reimbursed. For these local government entities, an agency is authorized to advance funding based on an analysis of estimated costs, to pay service providers and vendors directly, or to undertake other options to meet the requirements of the agreement.

Regional Rural Development Grants Program

Section 2 amends s. 288.018, F.S., to specify that funding provided under the program are not matching grants. The bill eliminates the requirement that grant funds received by a regional economic development organization must be matched each year by nonstate resources in an amount equal to 25 percent of the state contributions. The bill also removes the requirement that an applicant must show proof that each local government and the private sector made a financial or in-kind commitment to the regional organization in order to receive funding.

Rural Community Development Revolving Loan Fund

Section 3 amends s. 288.065, F.S., to remove 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.

Rural Infrastructure Fund

Section 4 amends s. 288.0655, F.S., to increase the maximum grant award from 50 percent to 75 percent of the total infrastructure cost, or up to 100 percent of the total infrastructure project cost for a project that is located in a rural community or a RAO and that is also located in a fiscally constrained county.²⁷ The bill 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

²⁶ Department of Economic Opportunity, *Rural Infrastructure Fund*, available at <https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-infrastructure-fund> (last visited March 17, 2023).

²⁷ A fiscally constrained county is any county that is entirely within a rural area of opportunity as designated by the Governor pursuant to s. 288.0656, F.S., or each county for which the value of a mill will raise no more than \$5 million in revenue, based on the taxable value certified pursuant to s. 1011.62(4)(a)1.a., F.S., from the previous July 1. Section 218.67(1), F.S.

all projects. It removes the limitation that the grant not exceed 30 percent of the total project cost.

The bill removes the local matching fund 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.

The bill takes effect July 1, 2023.

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 identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill does not affect state revenues or expenditures. However, the removal of match requirements and the increase in allowable grant awards under the Rural Infrastructure Fund may limit the total number of grants awarded if funding of these programs remains unchanged.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends sections 215.971, 288.018, 288.065, and 288.0655 of the Florida Statutes.

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.