

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

COMMERCE AND TOURISM
Senator Detert, Chair
Senator Thompson, Vice Chair

MEETING DATE: Tuesday, December 1, 2015
TIME: 10:00 a.m.—12:00 noon
PLACE: *Toni Jennings Committee Room, 110 Senate Office Building*

MEMBERS: Senator Detert, Chair; Senator Thompson, Vice Chair; Senators Bean, Hutson, Latvala, Richter, and Ring

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
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Workshop - Discussion and testimony only on the following (no vote to be taken):

1	SB 226 Ring (Identical H 441)	Capital Formation for Infrastructure Projects; Modifying legislative findings and intent relating to the need for seed capital and venture equity capital to include infrastructure funding; creating the Florida Infrastructure Fund Partnership as a private, for-profit limited partnership or limited liability partnership; requiring the Florida Development Finance Corporation to issue contingent state bonds to investment partners in the partnership; providing that contingent state bonds become an obligation to the state by the partnership under certain circumstances, etc. CM 12/01/2015 Workshop-Discussed FT AP	Workshop-Discussed
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Presentation on Economic Development Program Evaluations by the Office of Program Policy Analyses and Government Accountability on the following:

2	Space and Defense Industry Financial Incentives		Presented
3	International Trade and Development Programs		Presented

Other Related Meeting Documents



FLORIDA OPPORTUNITY FUND

**COMBINING CAPABILITIES AND RESOURCES
TO DELIVER EXCEPTIONAL PERFORMANCE**

Florida Infrastructure Program
December 2015



*Harnessing Private Capital To Accelerate
Infrastructure, PPPs, and Job Creation in Florida*

Executive Summary

- The Florida Opportunity Fund (“FOF”) proposes the creation of a \$350 million Florida-focused infrastructure program (the “Fund” or “Program”) that invests in Florida infrastructure opportunities
- The Fund would secure \$350M from private investors backstopped by the issuance of a contingent state revenue bond
- The Fund would create / retain over 50,000 jobs in Florida
- The Fund is expected to attract approximately \$4B in additional capital to Florida to invest in Florida infrastructure along with the Fund
- With potentially no cost to the State, the immediate effect on Florida's economy would be a "win-win" - job creation and improved infrastructure that remains in Florida, providing a lasting benefit for all Floridians

Florida Opportunity Fund Overview

- The FOF is a Florida-focused investment program created by the Florida Legislature in 2007 for the purpose of increasing the amount of capital available to emerging Florida businesses
- FOF is administered by Enterprise Florida with investment management services provided by Florida First Partners - a joint venture between Arsenal Venture Partners and the Grovesnor Capital Management Customized Fund Investment Group
- Over **\$100M** managed through three investment vehicles:
 - Fund of Funds Program
 - Clean Energy Investment Program
 - Florida Venture Capital Program
- **Private capital leverage ratio of 60:1**
- **Florida jobs positively impacted ~ 1,000**



Florida Venture Capital Program

- Fund Size: \$42M
- Target Investment: \$1M - \$3M
- Investment Structure: Debt/Equity

Clean Energy Investment Program

- Fund Size: \$36M
- Target Investment: \$500k - \$5M
- Investment Structure: Debt/Equity

Fund of Funds Program

- Fund Size: \$30M
- Target Investment: \$1M - \$3M

Infrastructure and Investors

Why Infrastructure Matters

- Infrastructure serves as the backbone of an economy, and is critical to its long term competitive positioning.
- Infrastructure has many categories that serve a variety of public needs.

TRANSPORT	ENERGY & UTILITIES	Social/Communication
Airports	Gas pipelines	Education Facilities
Bridges	Storage facilities	Healthcare facilities
Parking systems	Electricity networks	Waste facilities
Ports	Power generation	Satellites
Toll roads	Renewable energy (wind, solar, etc.)	Fiber / Internet
Tunnels	Water & sewage	Cellular towers

Why Investors Like It

- Infrastructure investments offer:
 - **Stable Yield:** Potential to generate stable and predictable yields, current income
 - **Low Volatility:** Limited exposure to economic cycles due to essential nature of assets
 - **Long-term Assets:** Strong match to long-tail liabilities
 - **Inflation Protection:** Inflation linked revenue mechanisms
 - **Low Elasticity of Demand:** Usage pattern has lower sensitivity to cost
 - **Low Correlation:** Low return correlation to other asset classes
 - **Barriers to Entry:** Legal contracts and large capital costs

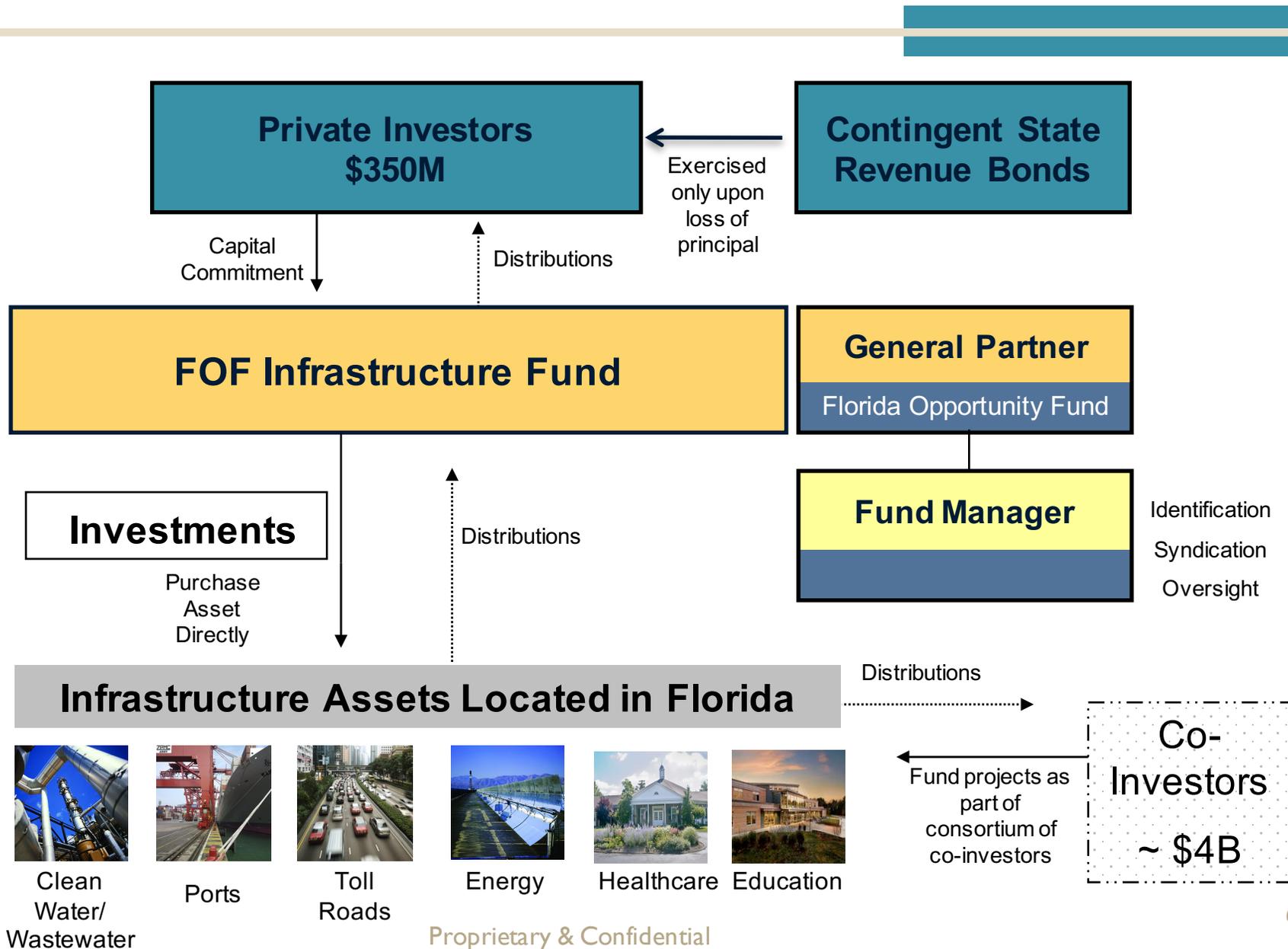
Pillars of the Proposed Program

The FOF proposes the creation of a \$350 million infrastructure program to attract private capital, accelerate build out of FL infrastructure, and create thousands of lasting jobs in the State

The 5 Pillars

Private Capital	FL Infrastructure	Balanced Portfolio	Job Creation	State Support
<ul style="list-style-type: none">• \$350M target fund• Institutional investor base• Expect > 10:1 leverage, creating ~ \$4B of investment	<ul style="list-style-type: none">• Accelerate deployment of permanent FL infrastructure• Dedicated effort to promote PPPs and infrastructure investment in Florida• Dedicated entity to manage and direct capital to infrastructure in the State	<ul style="list-style-type: none">• Diversified across infrastructure types (i.e. Aviation, Port, Roads, Water, Education, Healthcare, etc.)• Greenfield and brownfield investments• Co-invest alongside public and private investors	<ul style="list-style-type: none">• Significant job creation ~ 50k+• Diversity of jobs created – construction, management, professional and business services• Lasting jobs in the State	<ul style="list-style-type: none">• State provides contingent backstop through bond issuance• Only redeemed in 2028 if loss of principal, and only to the extent of such loss• Needed to attract private capital solely focused on FL

Program Structure



Investment Strategy

POTENTIAL SECTOR TARGETS

Aviation

Highways/Roads/Bridges

Ports

Education/Healthcare
Facilities

Other – Water, Utilities,
Pipelines, Fiber/Internet

INVESTMENT STRATEGY

- **Total Fund Size**
 - \$350M
 - 12 Year life
- **Focus on broad range of categories**
 - Greenfield – new assets
 - Brownfield – existing assets that need improvement
- **Co-invest along side other infrastructure investors**
 - Provides leverage – anticipated > 10:1
- **Invest in financially sound and strategic projects**
 - Projects must create predictable revenue stream

Florida Infrastructure Needs... Available Sources Don't Cover It

Florida's on the move

- Florida now home to 20M people and growing
 - Florida is 3rd largest state ahead of New York
- Nearly 100M people travel to Florida annually
 - Orlando sees more visitors than NYC
- Florida is attracting and becoming home to companies across sectors and sizes
- Regions within Florida are expanding creating demand for better inter-state transport and logistics needs
- Florida is a critical gateway to Latin America and global hub with unique proximity to Panama Canal

Creating strain and needs

Aviation - \$2.4B

Highways - \$82B

Rail Projects and Expansion - \$14.6B

Seaports - \$7.2B

Spaceports - \$691.3M

Transit - \$23.7B

Clean Water / Waste Water \$35B

**...Total Needs Exceed \$140B →
approx. 10X available sources**

Florida Infrastructure Opportunity – Sample Projects

*The Florida Infrastructure Fund would align and work closely with all relevant state agencies
→ FDOT, DEP, WMDs and others to help solve infrastructure challenges*

Sample Project List of Infrastructure Needs Throughout Florida

Location	Type	Project	Approx cost. (\$m)
Northwest Florida	Highway	New Road - Escambia/Santa Rose Beltway	\$840
Northeast Florida	Highway	I-95 4 special use lanes expansion	\$1,545
Northwest Florida	Highway	New Road Florida/Alabama Connector	\$950
Central Florida	Highway	Sr 408 Eastern Extension - New Road	\$1,117
Southeast Florida	Seaport	Automated People Mover / Intermodal Center - Port Everglades	\$1,377
Multiple Districts	Turnpike	New Interchange Turnpike Mainline	\$126
Broward County	Water	Palm Beach Reclaimed Water Systems	\$65
Monroe County	Water	Florida Keys Wastewater Improvement	\$50
Seminole County	Water	Alternative Water Supply Yankee Lake Surface Water Plant Phase 2	\$96
Volusia County	Water	Daytona Beach Comprehensive Water Management Project Halifax River and Nova Canal Basins	\$53
South Florida (Miami Dade)	Water Management	11 Storm Drainage Projects	\$6
Monroe County	Water Management	Waste Water, Collection, Transmission and Treatment Project	\$19
Brevard County	Water Management	Waste Water Treatment	\$30
St. Petersburg	Water Management	Water Treatment	\$63
Hollywood	Drinking Water	Distribution Project	\$21
Multiple Districts	Rail	Downtown Tampa to Bradenton - New Passenger Service	\$1,907
Southwest Florida	Transit	Bus Rapid Transit Sarasota - Brandenton	\$620



Why does the State need to be involved?

- One of the State's primary roles is providing infrastructure assets for residents and communities to facilitate commerce
 - Current budgetary realities create a large unmet infrastructure need (\$140B)
- Attracting private capital to fund the State's infrastructure needs requires the State's involvement to mitigate the geographic limitation
 - Global capital can choose to fund infrastructure projects anywhere in the world
- By backstopping the Fund, the State will enable a dedicated infrastructure team that will serve to initiate and drive strategic infrastructure projects only in Florida to fruition that would otherwise remain unfunded and unrealized
 - Engaging and catalyzing multiple stakeholders, including disparate state and regional government agencies, requires a fund solely focused on Florida
- The State's support will enable a broad-based portfolio of diversified infrastructure projects across sector, size and regions, all within the State of Florida
 - Historically, Florida infrastructure projects have typically been large in size and concentrated in sectors

Contingent Revenue Bonds

State's involvement will entice investors to invest in a Florida-focused infrastructure fund

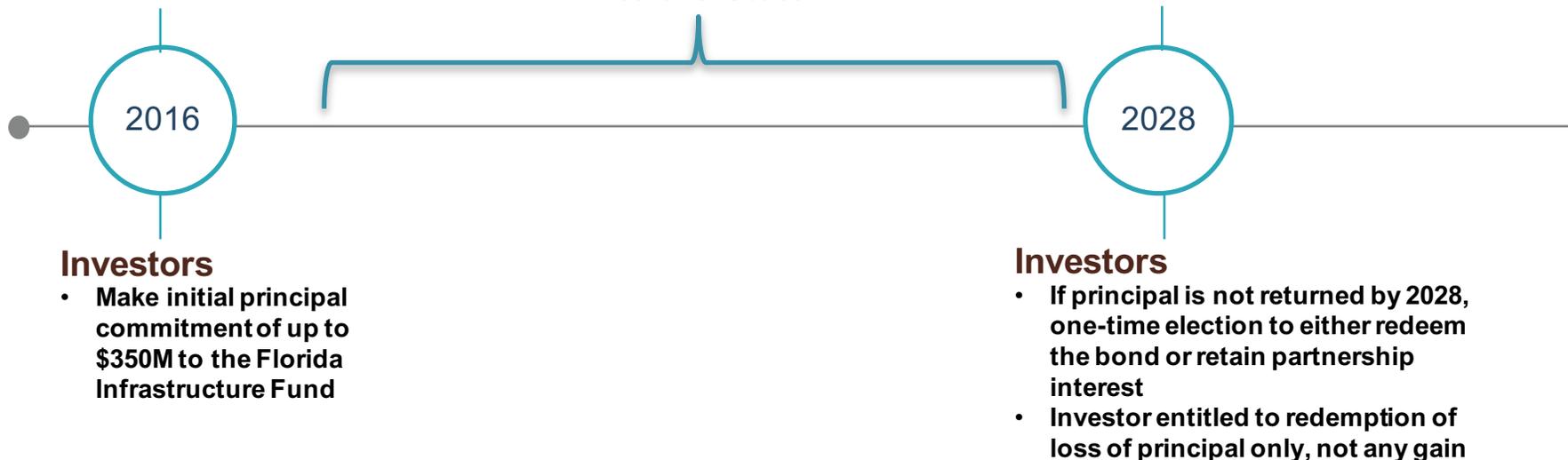
Florida Development Finance Corporation

- Issues Contingent State Revenue Bonds to investors that match initial principal commitment amount
- No impact on bonding capacity or credit rating
- Not scored on current year budget

Florida Department of Revenue

- Bonds redeemable only if loss of principal and only to the extent of such loss, if any
- Highly unlikely bonds are ever redeemed, as infrastructure is a stable asset class
- Exposure is limited to \$75M/year
- Any redemption, if at all, would be secured against general sales, use and corporate taxes

Indeterminate liability to the State



Benefits to Florida

A Florida Focused Infrastructure Program provides broad reaching benefits → private capital, new job creation, new infrastructure assets

1) ~ \$4B in Private Capital

2) Job Creation ~ +50k

3) Accelerated PPP Deployment

4) Gain Needed Infrastructure

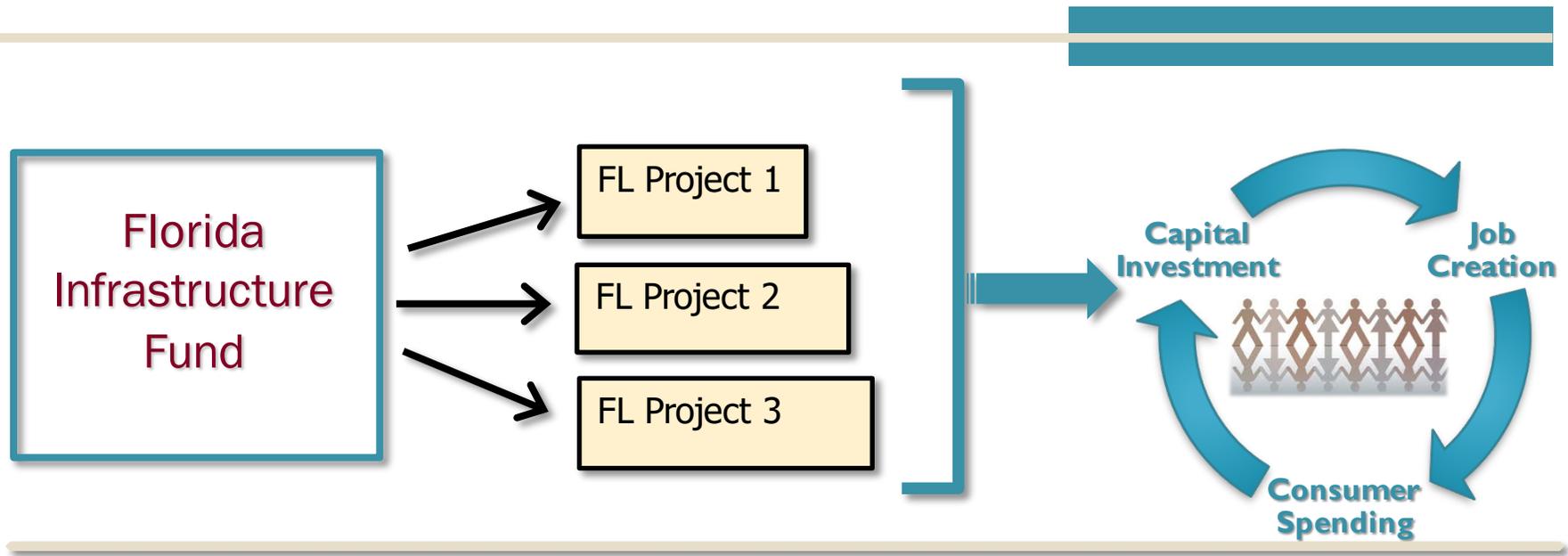
5) Alleviate Budget Pressure

6) Potentially No Costs to State

7) Reduce National Highway Fund Exposure

8) Dedicated Infrastructure Vehicle

Potential Job Impact of the Program



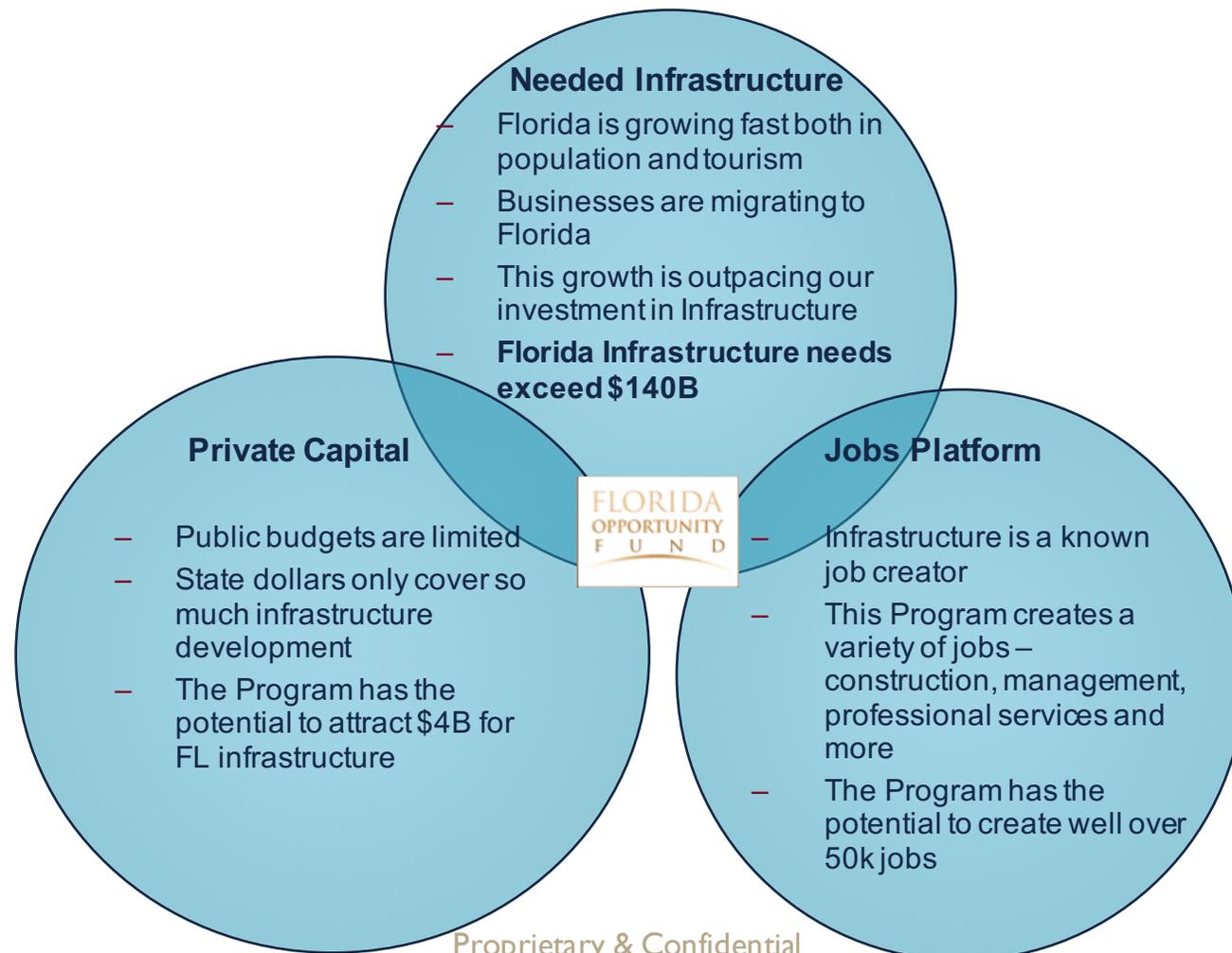
Job Impact Projections
Infrastructure Investment Statistic
\$1B invested in Infrastructure = 21k Jobs

\$350M Fund	10:1 Leverage	\$3B-\$4B Fund	Job Impact Potential	
			Fund Size	Jobs Potential
			\$3.0B	63,000
			\$3.5B	73,500
			\$4.0B	84,000



Proposed Program Provides Infrastructure Solution

There is no program in the State with the potential for this scale of private capital, infrastructure development and job creation



Summary

- The authorization for the issuance of a contingent state revenue bond to support the FOF's infrastructure program could garner billions of dollars of additional private capital to Florida, create thousands of Florida jobs and meet critical Florida infrastructure needs
- This action has NO short-term costs and could potentially have NO long-term costs to the State
- This Fund is ideal for Florida as it:
 - Attempts to establish growth, increase employment, and reduce the burden of government on its citizens
 - Addresses the capital shortage for quality infrastructure investments
 - Leverages the FOF, with the expertise, relationships and resources to successfully develop and implement such a program

This unique opportunity affords a leveraged, private capital returns-focused program to stimulate economic growth within the State of Florida, while providing permanent infrastructure for clean energy, clean water, wastewater, transportation, education and other strategic needs with little to no cost exposure to the State

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TO DELIVER EXCEPTIONAL PERFORMANCE**



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THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/11/2015
Meeting Date

226
Bill Number (if applicable)

Topic Workshop

Amendment Barcode (if applicable)

Name Brian Pitts

Job Title Trustee

Address 1119 Newton Ave S

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Email justice2jesus@yahoo.com

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing Justice-2-Jesus

Appearing at request of Chair: Yes No Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

By Senator Ring

29-00101B-16

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1 A bill to be entitled
 2 An act relating to capital formation for
 3 infrastructure projects; amending s. 288.9621, F.S.;
 4 designating the "Florida Capital Formation Act" as
 5 part XI of ch. 288, F.S.; amending s. 288.9622, F.S.;
 6 modifying legislative findings and intent relating to
 7 the need for seed capital and venture equity capital
 8 to include infrastructure funding; conforming a
 9 provision to changes made by the act; amending s.
 10 288.9623, F.S.; defining terms; conforming a provision
 11 to changes made by the act; creating s. 288.9628,
 12 F.S.; creating the Florida Infrastructure Fund
 13 Partnership as a private, for-profit limited
 14 partnership or limited liability partnership;
 15 providing that the partnership is not an
 16 instrumentality of the state; prescribing the purposes
 17 and duties of the partnership; providing for
 18 management of the partnership by the Florida
 19 Opportunity Fund; authorizing the fund to lend moneys
 20 to the partnership for specified purposes; requiring
 21 the partnership to raise funds from investment
 22 partners; providing for commitment agreements with
 23 investment partners; specifying types of
 24 infrastructure projects that the partnership is
 25 authorized to invest in or prohibited from investing
 26 in; providing evaluation requirements for
 27 infrastructure projects; requiring the partnership to
 28 submit an annual report to the Governor and the
 29 Legislature; prohibiting the partnership from making

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30 its debts payable from any money or resources other
 31 than those of the partnership; prohibiting the
 32 partnership from investing in projects with or
 33 accepting investments from certain companies; creating
 34 s. 288.9629, F.S.; requiring the Florida Development
 35 Finance Corporation to issue contingent state bonds to
 36 investment partners in the partnership; authorizing
 37 the corporation and the fund to charge fees; limiting
 38 the amount of such fees; prohibiting the total
 39 aggregate amount of all contingent state bonds from
 40 exceeding a specified amount; requiring that a
 41 specified commitment agreement be entered into
 42 concurrently with an investment commitment to the
 43 fund; requiring the partnership to provide a specified
 44 written notice to each investment partner if, on the
 45 maturity date in its commitment agreement, the partner
 46 has a net capital loss; specifying the minimum content
 47 for such notice; requiring the partner to concurrently
 48 provide a copy of the notice to the corporation;
 49 authorizing each affected investment partner to make
 50 specified one-time elections upon the receipt of the
 51 notice; requiring an investment partner to provide
 52 written notice to the partnership and the corporation
 53 of its election within a specified period; requiring
 54 the partnership to apply to the corporation on behalf
 55 of the purchaser of contingent state bonds for the
 56 issuance of contingent state bonds under certain
 57 circumstances; requiring that the partnership's
 58 application for contingent state bonds include the

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59 partnership's certification of the amount to be issued
 60 and the identity of the person to whom the bonds are
 61 to be issued; requiring the corporation to issue the
 62 contingent state bonds within a specified period after
 63 receipt of a timely and complete application;
 64 requiring the partnership to provide the investment
 65 partner with written notice in certain circumstances;
 66 authorizing the investment partner to take specified
 67 actions within a specified period after the receipt of
 68 such notice; prohibiting the corporation from issuing
 69 or approving contingent state bonds in excess of a
 70 specified amount; prohibiting the owner of contingent
 71 state bonds from claiming bonds in excess of a
 72 specified amount; providing that contingent state
 73 bonds become an obligation to the state by the
 74 partnership under certain circumstances; providing
 75 that the fund, as general partner, is not liable to
 76 the state for the repayment of used contingent state
 77 bonds; providing that contingent state bonds issued
 78 under the act are transferable in whole or in part by
 79 their owner; requiring the corporation to provide a
 80 certain written assurance to the partnership under
 81 certain circumstances; exempting contingent state
 82 bonds transferred or sold under the act from the
 83 provisions of ch. 517, F.S.; amending s. 213.053,
 84 F.S.; authorizing the Department of Revenue to
 85 disclose certain information to the partnership and
 86 the corporation relative to certain contingent state
 87 bonds; providing an effective date.

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88
 89 Be It Enacted by the Legislature of the State of Florida:
 90
 91 Section 1. Section 288.9621, Florida Statutes, is amended
 92 to read:
 93 288.9621 Short title.—This part Sections 288.9621-288.9625
 94 may be cited as the "Florida Capital Formation Act."
 95 Section 2. Subsections (1) and (2) of section 288.9622,
 96 Florida Statutes, are amended to read:
 97 288.9622 Findings and intent.—
 98 (1) The Legislature finds and declares that there is a need
 99 to increase the availability of seed capital and early stage
 100 venture equity capital for emerging companies in the state,
 101 including, without limitation, enterprises in life sciences,
 102 information technology, advanced manufacturing processes,
 103 aviation and aerospace, and homeland security and defense, as
 104 well as other strategic technologies and infrastructure funding.
 105 (2) It is the intent of the Legislature that this part ~~ss-~~
 106 ~~288.9621-288.9625~~ serve to mobilize private investment in a
 107 broad variety of venture capital partnerships in diversified
 108 industries and geographies; retain private sector investment
 109 criteria focused on rate of return; use the services of highly
 110 qualified managers in the venture capital industry regardless of
 111 location; facilitate the organization of the Florida Opportunity
 112 Fund as an investor in seed and early stage businesses,
 113 infrastructure projects, venture capital funds, infrastructure
 114 funds, and angel funds; and precipitate capital investment and
 115 extensions of credit to and in the Florida Opportunity Fund.
 116 Section 3. Section 288.9623, Florida Statutes, is amended

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117 to read:

118 288.9623 Definitions.—As used in this part, the term ~~ss.~~
 119 ~~288.9621-288.9625~~:

120 (1) "Board" means the board of directors of the Florida
 121 Opportunity Fund.

122 (2) "Commitment agreement" means a contract between the
 123 partnership and an investment partner in which the partner
 124 commits to providing a specified amount of investment capital in
 125 exchange for an ownership interest in the partnership.

126 (3) "Contingent state bonds" means any state bonds, revenue
 127 bonds, certificates, or other obligations that are contingent
 128 upon a loss of the investment capital contributed by an
 129 investment partner under s. 288.9629 and that are payable from
 130 tax revenues received by the state under chapter 212, chapter
 131 220, or ss. 624.509 and 624.5091.

132 (4) "Corporation" means the Florida Development Finance
 133 Corporation.

134 (5)~~(2)~~ "Fund" means the Florida Opportunity Fund.

135 (6) "Infrastructure project" means a capital project in
 136 this state which addresses the need for a facility or other
 137 strategic infrastructure, including a water or a wastewater
 138 system, a communication system, a power system, a transportation
 139 system, a renewable energy system, or an ancillary or support
 140 system for any such project.

141 (7) "Investment capital" means the total capital committed
 142 by the investment partner, pursuant to a commitment agreement,
 143 for an equity interest in the partnership.

144 (8) "Investment partner" or "partner" means a person other
 145 than the partnership, the fund, or the trust that purchases or

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146 is the transferee of an ownership interest in the partnership.

147 (9) "Net capital loss" means an amount equal to the
 148 difference between the actual total investment capital advanced
 149 by the investment partner to the partnership and the actual
 150 amount of the aggregate distributions received by the investment
 151 partner.

152 (10) "Partnership" means the Florida Infrastructure Fund
 153 Partnership.

154 Section 4. Section 288.9628, Florida Statutes, is created
 155 to read:

156 288.9628 Florida Infrastructure Fund Partnership; creation;
 157 duties.—

158 (1) The Florida Opportunity Fund shall facilitate the
 159 creation of the Florida Infrastructure Fund Partnership, which
 160 shall be organized and operated under chapter 620 as a private,
 161 for-profit limited partnership or limited liability partnership
 162 with the fund as a general partner. The partnership shall manage
 163 its business affairs and conduct business consistent with its
 164 organizing documents and the purposes described in this section.
 165 However, the partnership is not an instrumentality of the state.

166 (2) The primary purposes of the partnership are to raise
 167 investment capital and to invest the capital in infrastructure
 168 projects in the state which promote economic development.

169 (3) (a) As the general partner of the partnership, the fund
 170 shall manage the partnership's business affairs. At a minimum,
 171 the fund shall:

172 1. Solicit and hire one or more investment managers to
 173 assist with management of the partnership and to oversee the
 174 raising and investing of capital by the partnership. The

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175 evaluation of candidates must address their level of experience,
 176 investment philosophy and process, demonstrable success in
 177 fundraising, and prior investment results. Only candidates who
 178 have maintained an office with a full-time investment
 179 professional in this state for at least 2 years before the
 180 solicitation may be considered.

181 2. With the assistance of the investment manager or other
 182 service providers, solicit, negotiate the terms of, contract
 183 for, and receive investment capital.

184 3. Receive investment returns.

185 4. Disburse returns to investment partners.

186 5. Approve investments.

187 (b) The fund may lend up to \$750,000 to the partnership to
 188 pay the initial expenses associated with the organization of the
 189 partnership and solicitation of investment partners.

190 (4) (a) The partnership shall enter into commitment
 191 agreements with investment partners for investment in
 192 infrastructure projects under terms approved by the fund's
 193 board.

194 (b) The partnership may enter into commitment agreements
 195 with investment partners beginning July 1, 2016. The total
 196 aggregate amount of principal investment capital payable to the
 197 partnership under all commitment agreements may not exceed \$350
 198 million. If the partnership does not obtain commitment
 199 agreements totaling at least \$100 million by December 1, 2017,
 200 the partnership must cancel any executed agreement and return
 201 the investment capital of each investment partner who executed
 202 an agreement.

203 (5) (a) The partnership may invest only in an infrastructure

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204 project:

205 1. That fulfills an important infrastructure need in the
 206 state.

207 2. That raises funding from other sources so that the total
 208 amount invested in the project is at least twice the amount
 209 invested by the partnership, inclusive of the partnership's
 210 investment.

211 3. For which legal measures exist, appropriate to the
 212 individual project, to ensure that the project is not closed due
 213 to fraud, to the detriment of the residents of the state.

214 (b) The partnership may not invest more than 20 percent of
 215 its total available investment capital in any single
 216 infrastructure project.

217 (c) The partnership may not invest in any infrastructure
 218 project that involves any phase of a project authorized under
 219 the Florida Rail Enterprise Act, ss. 341.8201-341.842.

220 (6) Before investing in an infrastructure project, the
 221 partnership must assess whether the project will provide a
 222 continuing benefit for the residents of the state and evaluate
 223 the following:

224 (a) A written business plan for the project, including all
 225 expected revenue sources.

226 (b) The likelihood that the project will attract operating
 227 capital from investment partners, other lenders, or grants.

228 (c) The management team for the project.

229 (d) The project's potential for job creation in the state.

230 (e) The financial resources of the entity proposing the
 231 project.

232 (f) Other factors that are consistent with this section and

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233 that are deemed by the partnership as relevant to the likelihood
 234 of the project's success.

235 (7) Beginning December 1, 2016, and each December 1
 236 thereafter, the partnership shall submit an annual report of its
 237 activities to the Governor, the President of the Senate, and the
 238 Speaker of the House of Representatives. The annual report must
 239 include, at a minimum:

240 (a) An accounting of the amounts of investment capital
 241 raised and disbursed by the partnership and the progress of the
 242 partnership, including the progress of each infrastructure
 243 project in which the partnership has invested.

244 (b) A description of the costs and benefits to the state of
 245 the partnership's investment in infrastructure projects,
 246 including a list of such projects; the costs and benefits of
 247 such projects to the state and, if applicable, to the county or
 248 municipality in which the project is located; the number of
 249 businesses and associated industries affected; the number and
 250 types of jobs created or retained, and the average annual wages
 251 of such jobs; and the impact on the state's economy.

252 (c) Independently audited financial statements, including
 253 statements that show receipts and expenditures from the
 254 preceding fiscal year for the operational costs of the
 255 partnership.

256 (8) The partnership may not make its debts payable from any
 257 moneys or resources other than those of the partnership. An
 258 obligation of the partnership is not an obligation of the state
 259 or any political subdivision thereof, but is an obligation of
 260 the partnership, payable exclusively from the partnership's
 261 resources.

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262 (9) The partnership may not invest in an infrastructure
 263 project with, or accept investment capital from, a prohibited
 264 company described in s. 215.472 or a scrutinized company as
 265 defined in s. 215.473, and the entity owning an infrastructure
 266 project in which the partnership has invested must provide
 267 reasonable assurances to the partnership that the entity will
 268 not provide such a prohibited company or scrutinized company
 269 with an ownership interest in the infrastructure project.

270 Section 5. Section 288.9629, Florida Statutes, is created
 271 to read:

272 288.9629 Issuance of contingent state bonds for the Florida
 273 Infrastructure Fund Partnership.—

274 (1) (a) Pursuant to s. 288.9628 and this section, the
 275 corporation shall issue contingent state bonds to investment
 276 partners in the partnership in a maximum amount equal to the
 277 investment capital committed by such investment partners to the
 278 partnership.

279 (b) The corporation and the fund may seek reimbursement for
 280 their respective reasonable costs and expenses related to the
 281 partnership by charging a fee for the issuance of contingent
 282 state bonds to investment partners. The fee may be up to 0.25
 283 percent of the aggregate investment capital committed to the
 284 partnership by the investment partners who are issued
 285 certificates.

286 (c) The total aggregate amount of all contingent state
 287 bonds issued by the corporation may not exceed \$350 million.

288 (d) The investment partner and the partnership must enter
 289 into a commitment agreement at the time of the investment
 290 commitment to the fund by the investment partner. The commitment

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291 agreement must include a specific calendar-year maturity date
 292 designated by the corporation, which must be at least 12 years
 293 after the date of the agreement. Contingent state bonds may be
 294 claimed or redeemed only by an investment partner or purchaser
 295 in accordance with this section and the terms of the commitment
 296 agreement.

297 (2) (a) The partnership shall provide written notice to each
 298 investment partner if, on the maturity date in its commitment
 299 agreement, the partner has a net capital loss. At a minimum, the
 300 notice must include:

301 1. A good faith estimate of the fair market value of the
 302 partnership's assets as of the date of the notice.

303 2. The total investment capital provided by all investment
 304 partners as of the date of the notice.

305 3. The total amount of distributions received by the
 306 investment partners.

307 4. The amount of the contingent state bonds, issued by the
 308 Department of Revenue, to which the investment partner is
 309 entitled.

310 (b) The partnership shall concurrently provide a copy of
 311 each such notice to the corporation.

312 (c) Upon receipt of the notice from the partnership, each
 313 affected investment partner may make a one-time election to:

314 1. Have the partnership sell, on the partner's behalf, the
 315 contingent state bonds issued to the partner under the terms of
 316 the partner's commitment agreement, with the proceeds of the
 317 sale to be paid to the partner by the partnership; or

318 2. Maintain the partner's investment in the partnership.

319 (d) Except as provided in paragraph (4) (c), the election

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320 made by an investment partner under paragraph (c) is final and
 321 may not be revoked or modified.

322 (e) An investment partner shall provide written notice to
 323 the partnership and the corporation of its election within 30
 324 days after its receipt of the notice from the partnership. If an
 325 investment partner fails to timely provide such notice, the
 326 investment partner is deemed to have elected to maintain its
 327 investment in the partnership under subparagraph (c)2.

328 (3) If an investment partner makes the election under
 329 subparagraph (4) (c)1., the partnership shall exercise its best
 330 efforts to sell the contingent state bonds. In order to receive
 331 the proceeds from the partnership's sale of the contingent state
 332 bonds, the investment partner must agree in writing to transfer
 333 its ownership interest in the partnership to the fund. A
 334 purchaser's payment for contingent state bonds must be made to
 335 the partnership on behalf of the investment partner or, upon the
 336 partner's request, directly to the investment partner. The
 337 partnership may sell contingent state bonds in an amount not to
 338 exceed the lesser of:

339 (a) The maximum amount of the contingent state bonds issued
 340 to the investment partner; or

341 (b) The amount of contingent state bonds necessary to yield
 342 net proceeds to the investment partner equal to its net capital
 343 loss as of the date of the partnership's notice.

344 (4) (a) Within 30 days after the sale of contingent state
 345 bonds under subsection (3), the partnership shall apply to the
 346 corporation for issuance of the contingent state bonds on behalf
 347 of the purchaser of the contingent state bonds. However, the
 348 partnership's failure to timely submit an application to the

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349 corporation does not affect the purchaser's eligibility for the
350 contingent state bonds.

351 (b) The partnership's application for contingent state
352 bonds must include the partnership's certification of the amount
353 of contingent state bonds to be issued and the identity of the
354 person to whom the contingent state bonds are to be issued. The
355 corporation shall issue the contingent state bonds within 30
356 days after receipt of a timely and complete application.

357 (c) The partnership shall provide the investment partner
358 with written notice if, within 90 days after the partner's
359 election, the partnership is unable to sell enough contingent
360 state bonds to yield net proceeds to the investment partner
361 equal to its net capital loss as of the date of the
362 partnership's notice and the partner's contingent state bonds
363 remain unsold. Within 30 days after receipt of such notice, the
364 investment partner may:

365 1. Revoke its prior election and make a new election under
366 paragraph (2) (c); or

367 2. Modify the election and have the partnership continue to
368 sell contingent state bonds until the partner's net capital loss
369 is satisfied or the maximum amount of the partner's contingent
370 state bonds is reached, whichever occurs first.

371
372 Within 30 days after such modified election, the partnership
373 shall apply to the corporation in accordance with paragraph (a)
374 for issuance of contingent state bonds on behalf of the
375 purchasers in the required amounts.

376 (5) (a) The corporation may not issue more than \$350 million
377 in contingent state bonds. The corporation may not approve

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378 contingent state bonds in excess of the total capital committed
379 through commitment agreements.

380 (b) The amount of contingent state bonds which may be
381 claimed by the owner of the bonds in any given state fiscal year
382 may not exceed an amount equal to \$75 million multiplied by a
383 fraction, the numerator of which is the amount of bonds that the
384 corporation issued to such owner and the denominator of which is
385 the total amount of all bonds that the corporation issued to
386 contingent state bonds owners.

387 (c) Contingent state bonds issued by the corporation under
388 this section may be used by the owner of the bonds.

389 (d) To the extent that contingent state bonds issued under
390 this section are used by their owner to obtain payment from the
391 state, the amount of such bonds becomes an obligation to the
392 state by the partnership, secured exclusively by the ownership
393 interest transferred to the fund by the investment partner whose
394 investment generated the contingent state bonds. In such case,
395 the state's recovery is limited to such forfeited ownership
396 interest. The corporation shall account for contingent state
397 bonds used under this section and make such information
398 available to the partnership. The fund, as general partner, is
399 not liable to the state for repayment of the used contingent
400 state bonds.

401 (e) Contingent state bonds issued under this section are
402 transferable in whole or in part by their owner. An owner of
403 contingent state bonds must notify the corporation of any such
404 transfer.

405 (6) The corporation, upon the request of the partnership,
406 shall provide the partnership with a written assurance that the

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407 commitment agreements between investment partners and the
408 partnership will be honored by the corporation as provided in
409 this section.

410 (7) Chapter 517 does not apply to the contingent state
411 bonds transferred or sold under this section.

412 Section 6. Paragraph (cc) is added to subsection (8) of
413 section 213.053, Florida Statutes, to read:

414 213.053 Confidentiality and information sharing.—

415 (8) Notwithstanding any other provision of this section,
416 the department may provide:

417 (cc) Information relating to contingent state bonds under
418 ss. 288.9628 and 288.9629 to the Florida Infrastructure Fund
419 Partnership and the Florida Development Finance Corporation.

420

421 Disclosure of information under this subsection shall be
422 pursuant to a written agreement between the executive director
423 and the agency. Such agencies, governmental or nongovernmental,
424 shall be bound by the same requirements of confidentiality as
425 the Department of Revenue. Breach of confidentiality is a
426 misdemeanor of the first degree, punishable as provided by s.
427 775.082 or s. 775.083.

428 Section 7. This act shall take effect July 1, 2016.



Space and Defense Industry Financial Incentive Programs

A presentation to the Senate Committee on
Commerce and Tourism

Alex Regalado
Senior Legislative Analyst

December 1, 2015

Space and Defense Incentive Programs

Active

- **Semiconductor, Defense or Space Technology Sales Tax Exemption**

Expired

- **Qualified Defense Contractor and Space Flight Business Tax Refund**
(Expired on June 30, 2014)
- **Manufacturing and Spaceport Investment Incentive**
(Repealed on July 1, 2013)

Space and Defense Incentive Programs

- ▶ **Semiconductor, Defense or Space Technology Sales Tax Exemption (SDST)** – Sales tax exemptions for certain purchases by qualified space, defense, and semiconductor companies
- ▶ **Qualified Defense Contractor and Space Flight Business Tax Refund (QDSC)** – Tax refund for job creation and retention to certain defense and space flight contractors
- ▶ **Manufacturing and Spaceport Investment Incentive (MSII)** – Tax refund for equipment purchases for manufacturing and spaceport companies

Program Funding

- ▶ Reported sales taxes exempted for the **SDST** program were \$17.6 million for Calendar Years 2011 through 2014
- ▶ The Legislature appropriated \$2.4 million for **QDSC** projects
- ▶ The Legislature allocated \$43 million to the **MSII** program

Findings

Relatively Few Businesses Participated in Space and Defense Incentive Programs

- ▶ Three businesses accounted for 90% of reported taxes exempted under the **SDST** program
- ▶ Six **QDSC** projects received \$2.3 million in tax refunds; three are inactive
- ▶ Twenty-two businesses received \$400,878 in **MSII** tax refunds, less than 1% of funds allocated

Use of Other Incentives May Explain Low Participation

- ▶ Businesses may be using the sales tax exemption for purchases of industrial machinery and equipment rather than using the **SDST** exemption
- ▶ Some businesses may choose to participate in the Qualified Targeted Industry Tax Refund Program instead of using the **QDSC** incentive

Program Participants Created Jobs and Made Capital Investments

- ▶ **SDST** program participants reported nearly \$300 million in tax-exempted purchases and \$3 billion in capital investments
- ▶ Businesses receiving **QDSC** tax refunds created 368 jobs and retained 1,478 jobs
- ▶ Businesses receiving **MSII** tax refunds made \$10.2 million in eligible equipment purchases

Florida's Industry Employment Outperformed Other Competing States

- ▶ Several competing states offer similar space and defense incentives
- ▶ Florida's industry employment growth from 2005 to 2014 was higher than other states and the national average

State	Aerospace Products and Parts Manufacturing	Aerospace and Defense Industry
Florida	7.9%	-2.5%
Alabama	7.0%	
California	-2.4%	-18.4%
Texas	-7.5%	-13.5%
Virginia	-8.9%	
United States	7.4%	-4.2%

Stakeholders Are Satisfied with Incentives, but Suggest Improvements

- ▶ Space and defense incentives are important
 - **SDST** recipients report that operations would be reduced without the incentive
 - **QDSC** recipients value that the program provides an incentive for job retention
- ▶ Incentive programs could be enhanced
 - Reduce stringency of **QDSC** job creation requirements
 - Simplify and shorten application approval process

Conclusions

Legislature Could Consider Modifying QDSC Program Eligibility Requirements

- ▶ If the Legislature wishes to reauthorize the program, it could consider improvements
 - For example, reduce minimum amount of gross receipts from defense or space flight business contracts required of applicants
 - This could expand program eligibility, as businesses reported being increasingly reliant on commercial contracts due to declines in federal defense contracts and funding

Questions?

THE FLORIDA LEGISLATURE'S
OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations.

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THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Meeting Date 12/1/15

Bill Number (if applicable) _____

Amendment Barcode (if applicable) _____

Topic Space and Defense Financial

Name ALEX REACADO Incentive

Job Title SENIOR LEGISLATIVE ASSISTANT

Address OPPAHA

Street

Phone 717-2506

City _____

State _____

Zip _____

Email _____

Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing OPPAHA

Appearing at request of Chair: Yes No Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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International Trade and Development

A presentation to the Senate Committee on
Commerce and Tourism

Mary Alice Nye, Ph.D.
Chief Legislative Analyst

December 1, 2015

International Trade and Development

- ▶ Enterprise Florida (EFI) activities support and promote exporting and foreign direct investment
 - Trade missions
 - Trade shows
 - Grant programs
 - Export education and counseling
 - Foreign offices – 13 full service offices, 2 liaison offices

Program Funding and Expenditures

- ▶ \$4.88 million Legislative appropriation for Fiscal Year 2013-14
 - Provided through the International Trade and Promotion Trust Fund
- ▶ \$6.58 million in total funding
 - Includes event revenues and state and federal grant funds
- ▶ Largest expenditures include payroll and foreign office contracts
 - EFl staff – \$1.83 million
 - Foreign office contracts – \$1.86 million

Grant Awards During 3-Year Review Period

- ▶ 422 grants totaling \$1.2 million
 - Number of grants peaked at 164 in 2013

- ▶ Three primary types of grants
 - Export marketing plan grants to support the development of businesses' plans
 - Target Sector and Gold Key Grants help businesses pay for
 - trade mission and show expenses, or
 - one-on-one meetings with prospective foreign buyers/investors

Findings

Stakeholders Support EFI's International Trade Activities

- ▶ EFI collaborates with federal, state and local partners to promote exporting and foreign direct investment
- ▶ Business and government stakeholders expressed favorable opinions of EFI's international trade and development activities

EFI Cannot Accurately Assess Performance Using Current Export Sales Data

- ▶ Data are largely unverified and may overstate performance
 - Of \$2.1 billion in export sales, 11% reported as actual sales, though amount is unverified

Fiscal Year	EFI International Trade Development		Foreign Offices	
	Actual Export Sales	Anticipated Export Sales	Actual Export Sales	Anticipated Export Sales
2011-12	\$56,276,133	\$585,858,608	\$0	\$3,500,000
2012-13	81,046,941	613,317,039	4,915,300	28,899,000
2013-14	97,690,492	694,608,021	3,183,108	25,354,000
Total	\$235,013,566	\$1,893,783,668	\$8,098,408	\$57,753,000

Foreign Direct Investment Is Also Difficult to Assess

- ▶ Divided responsibilities, different standards, and lack of follow-up on foreign direct investment
 - Activities are split between EFI International Trade and Development and Business Development Units
 - Projects credited at different project stages
 - Foreign offices credited when leads referred to EFI
 - EFI Business Development credited when FL contact/address confirmed
 - Foreign investment leads may or may not result in completed projects

EFI Could Enhance How It Measures Efforts to Help Companies Diversify Exports

- ▶ Two types of businesses – New to exporting and expanding exports to new countries
- ▶ EFI only recently began distinguishing between these two types and has not established specific performance goals
- ▶ Grant award process may limit applicant pool, with the majority of grants awarded to a relatively small number of businesses
 - 36% of grant recipients received 63% of awards

Other States Provide Models to Enhance Assistance to Florida Exporters

Virginia and Washington appear to offer unique services

Virginia Leaders in Export Trade Program

- Two year program, 25 companies enroll each year
- Business export leaders share expertise
- Provides up to \$15,000 toward export-related expenses
- Tracks company export growth

Export Washington—China Accelerator Program

- Fee-based services include shared office space, back office administration, and market development
- To assess overall performance, the state's Department of Commerce regularly surveys businesses

Recommendations

EFI Could Consider Several Recommendations to Improve International Trade and Development Efforts

- ▶ Revise performance measures to distinguish between anticipated sales and actual sales
- ▶ Establish specific goals for increasing the number of companies new to exporting and those expanding exports to additional countries
- ▶ Consider initiatives that provide additional support to companies new to exporting

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Meeting Date 12/11/15

Bill Number (if applicable) _____

Topic International Trade & Development Amendment Barcode (if applicable) _____

Name Mary Ann Nyce

Job Title Chief Legislative Analyst

Address 111 E. Meigs St Phone 7-0567

City _____ State _____ Zip _____ Email _____

Speaking: For Against Information Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing OPERA

Appearing at request of Chair: Yes No Lobbyist registered with Legislature: Yes No

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THE FLORIDA SENATE

APPEARANCE RECORD

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12-2-15

Meeting Date

Bill Number (if applicable)

Topic ORPACA ECONOMIC DEVELOPMENT REPORT

Amendment Barcode (if applicable)

Name ^{JANET} JANET JAINARAIN ~~JANET JAINARAIN~~

Job Title VP. INTL MARKETING AND RESEARCH

Address 800 N. WATSON BLVD. #1100 Phone 407-956-5618

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Speaking: For Against Information Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing ENTERPRISE FLORIDA INC

Appearing at request of Chair: Yes No Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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APPEARANCE RECORD

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Meeting Date 12/1/2015

Bill Number (if applicable) _____

Topic OPPA Ga Report

Amendment Barcode (if applicable) _____

Name MICHAEL SCHIFFHAUER SCHIFFHAUER

Job Title V.P., International Trade & Field Operations

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Speaking: For Against Information

Waive Speaking: In Support Against
(The Chair will read this information into the record.)

Representing Enterprise Florida

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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CourtSmart Tag Report

Room: EL 110

Case No.:

Type:

Caption: Commerce and Tourism Committee

Judge:

Started: 12/1/2015 10:02:14 AM

Ends: 12/1/2015 11:09:06 AM

Length: 01:06:53

10:02:54 AM Tab 1 Workshop on SB 226 by Senator Ring
10:03:45 AM Senator Ring
10:09:08 AM Christopher Fountas, Florida Opportunity Fund
10:29:55 AM Senator Ring
10:32:15 AM Senator Richter
10:33:21 AM Senator Thompson
10:33:41 AM Senator Ring
10:34:16 AM Senator Detert
10:34:43 AM Brian Pitts
10:38:38 AM Senator Ring
10:39:33 AM Tab 2 Alex Regalado, OPPAGA
10:47:47 AM Tab 3 Mary Alice Nye, OPPAGA
11:05:06 AM Senator Richter
11:06:38 AM Mary Alice Nye
11:06:51 AM Senator Richter
11:07:52 AM Senator Detert
11:08:13 AM Ms. Nye
11:08:25 AM Senator Detert