

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1572

SPONSOR: Commerce and Economic Opportunities Committee and Senator Kirkpatrick

SUBJECT: Rural Infrastructure Fund

DATE: April 7, 1999 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Joseph	Maclure	CM	Favorable/CS
2.			FP	
3.				
4.				
5.				

## I. Summary:

This committee substitute creates the Rural Infrastructure Fund as a dedicated account for funds deposited in the Economic Development Trust Fund for the purposes of developing rural infrastructure as described in the Rural Infrastructure Fund. The Economic Development Trust Fund, s. 288.095, F.S., is used to support the activities of the Office of Tourism, Trade, and Economic Development.

This committee substitute amends section 320.20, Florida Statutes, and creates section 288.0655, Florida Statutes.

## II. Present Situation:

Despite the recent period of high economic growth in Florida, rural communities have not shared in the state's prosperity. The median household income in 32 of 34 of the smallest counties is considerably less than the state's median income, according to a study by the Center on Budget and Policy Priorities. Not a single small county enjoys a per capita personal income that exceeds the state average of \$22,916.

Adding to these difficulties, recent public policy decisions have made it more difficult for these communities to maintain their residents' income levels or to generate revenues for education and critical government services. For example, Preservation 2000 and other conservation and protection programs have removed taxable land from the inventory of wealth-creating assets in rural communities. The constitutional amendment banning the use of certain types of nets for commercial fishing has cut incomes in coastal communities. Although each of these programs involves a laudable public goal, their cumulative impact has meant less wealth and has limited the fiscal capacity of the affected communities. The impact of these economic losses could be reduced if economic development or tourism infrastructure could make use of improved sport fishing or preserved land. For example, it is estimated that Americans spend \$23.3 billion annually on bird

and wildlife watching<sup>1</sup>, with Florida's share at only \$477 million in retail sales despite superior land size and winter conditions.

The following programs are available in Florida specifically for rural economic development:

*Regional Rural Development Grants Program* (or Rural Staffing Grants) was created to build the professional capacity of regional economic development organizations made up of rural counties, communities, and organizations. The funds are intended to be used for staffing assistance for regional economic development organizations. The maximum amount an organization may receive in any year is \$20,000 and must be matched each year by an equivalent amount of nonstate resources (s. 288.018, F.S.).

*Rural Job Tax Credit Program* provides tax credits to be applied toward the state's sales or corporate taxes by businesses that create jobs in a rural area. The amount of tax credit is based upon the number of individuals employed by the business and upon the ranking of the area where the business is located (ss. 212.098 and 220.1895, F.S.).

*Rural Revolving Loan Fund* provides loans to rural local governments and organizations supported by local governments. Loans may enable the client to tap other federal, state, or local resources to finance development or maintenance of economic base (s. 288.065, F.S.).

### **Trust Funds**

In 1992, the electors of the State of Florida voted to adopt Section 19 of Article III of the Florida Constitution, which relates to the state budgeting, planning, and appropriations processes and which, among other requirements, applies restrictions on the creation of new trust funds, the continuation of existing trust funds, and the duration of all trust funds not specifically exempted from that duration restriction.

Section 19(f)(1) of Article III of the Florida Constitution specifies that a trust fund may only be created in a separate bill, which must be limited to that purpose only and must pass by a three-fifths vote of the membership of each house of the Legislature. Section 215.3207, F.S., establishes criteria, based on the constitutional requirements, for the contents of a bill creating a trust fund, including that such legislation specify at least the following:

- (1) The name of the trust fund.
- (2) The agency or branch of state government responsible for administering the trust fund.
- (3) The requirements or purposes that the trust fund is established to meet.
- (4) The sources of moneys to be credited to the trust fund or specific sources of receipts to be deposited in the trust fund.

Section 19(f)(2) of Article III of the Florida Constitution requires that each trust fund in existence before the effective date of that provision (November 4, 1992) shall terminate not more than 4

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<sup>1</sup> *Economics of Public Land Acquisition*, Oct. 1, 1997, Florida Department of Environmental Protection.

years after that effective date. It also requires that subsequently created trust funds shall terminate not more than 4 years after the effective date of the act authorizing the creation of the trust fund.

Section 19(f)(3) of Article III of the Florida Constitution provides that certain trust funds are exempt from the termination requirements of Section 19(f)(2) of Article III of the Florida Constitution. Trust funds that are “established for bond covenants, indentures, or resolutions, whose revenues are legally pledged by the state or public body to meet debt service or other financial requirements of any debt obligations of the state or any public body; ... are not subject to the requirements set forth in paragraph (2) of this subsection.”

### **Existing Economic Development Trust Funds**

Currently several existing trust funds are utilized to support economic development, international trade, and tourism activities, such as:

- Economic Development Trust Fund, s. 288.095, F.S., used to support the activities of the Office of Tourism, Trade, and Economic Development.
- Florida International Trade and Promotion Trust Fund, s. 288.826, F.S., used for the operation of Enterprise Florida, Inc.
- Florida Investment Incentive Trust Fund within the Executive Office of the Governor, s. 288.711, F.S., used for investments or loans to encourage the development of financial mechanisms in the private sector to capitalize and assist in the development of black business enterprises.
- Economic Development Transportation Trust Fund (or Road Fund) within the Executive Office of the Governor, used to fund activities related to transportation.
- Tourism Promotional Trust Fund within the Executive Office of the Governor, used to promote tourism in the State of Florida.

### **Motor Vehicle Registration Revenues**

Section 320.20, F.S., governs disposition of funds generated each year through the registration of motor vehicles. The first proceeds must be deposited in the district Capital Outlay and Debt Service School Trust Fund. The next \$25 million must be deposited in the State Transportation Trust Fund, with priority use assigned to completion of the interstate highway system. Beginning on July 1, 1996, \$15 million is annually deposited in the State Transportation Trust Fund solely for the purposes of funding the Florida Seaport Transportation and Economic Development Program, in which the funds are set aside for the payment of principal or interest on bonds. Beginning on July 1, 2001, and annually thereafter, \$10 million is deposited in the State Transportation Trust Fund for funding seaport intermodal access projects. Except in certain circumstances, remaining revenues are deposited in the State Transportation Trust Fund.

### **III. Effect of Proposed Changes:**

This committee substitute creates s. 288.0655, F.S., as the Rural Infrastructure Fund within the Office of Tourism, Trade, and Economic Development. It also amends s. 320.20, F.S., to provide for \$8 million from motor vehicle registration funds to be deposited annually in the Economic Development Trust Fund in support of the Rural Infrastructure Fund. The funds may be used to

support a bond issuance (funds may be assigned, pledged, or set aside as a trust for payment of principal or interest on bonds). Bond proceeds will provide grants for infrastructure in support of specific economic development projects, including storm water systems, electrical, telecommunications, natural gas, roads, and nature-based tourism facilities. Funds will also support feasibility studies.

This committee substitute shall take effect July 1, 1999, but it shall not take effect unless it is enacted by at least a three-fifths vote of the membership of each house of the Legislature.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

This bill appears to comply with the provisions of s. 19(f)(1) of Article III of the Florida Constitution regarding creation of trust funds.

#### **V. Economic Impact and Fiscal Note:**

##### **A. Tax/Fee Issues:**

None.

##### **B. Private Sector Impact:**

None.

##### **C. Government Sector Impact:**

This committee substitute provides \$8 million a year from motor vehicle registration funds to be deposited in the Economic Development Trust Fund in support of a bond to be issued for the Rural Infrastructure Fund.

#### **VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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