

# 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: SB 1166

SPONSOR: Commerce and Economic Opportunities Committee

SUBJECT: Rural Economic Development Trust Fund

DATE: April 21, 2000 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	<u>Hayes</u>	<u>Hadi</u>	<u>FP</u>	<u>Favorable</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This bill creates a trust fund to provide a dedicated source of financial support for certain rural economic development activities that foster employment opportunities and other economic opportunities.

This bill creates a yet numbered section of the Florida Statutes.

## II. Present Situation:

### Rural Economic Development

During the 1999 session, the Legislature adopted Senate Bill 1566 (ch. 99-251, L.O.F.), which included a provision creating the Rural Infrastructure Fund. Although the fund was not capitalized, the program provides a statutory framework designed to address infrastructure needs associated with specific economic development projects in rural communities. Eligible uses of funds include improvements to public infrastructure for industrial or commercial sites, and upgrades to or development of public tourism infrastructure. (*See s. 288.0655, F.S.*)

The Commerce and Economic Opportunities Committee's interim project report titled *Rural Infrastructure II: Next Steps in Infrastructure & Nature-Based Tourism* (Interim Project Report 2000-20) found that rural tourism presents an opportunity to improve rural services and directly raise rural income. The report noted that rural nature-based tourism requires a coordinated implementation strategy that needs to develop rural tourism assets by improving tourist access to nature and then create hundreds of microenterprises to operate new and existing access points supported by regional marketing. If tourism causes service industries to expand, then the Rural Infrastructure Fund can more successfully refocus on completing other business location infrastructure.

The interim report recommended that if the Legislature elects to explore funding options for the Rural Infrastructure Fund, consideration should be given to using a portion of corporate income tax revenues in light of the nexus between business location and infrastructure demand. (*Rural Infrastructure II*, pp. 7-8.)

In addition to the Rural Infrastructure Fund, the following programs are among those available in Florida specifically for rural economic development:

*Rural Economic Development Initiative* (REDI) was created to coordinate and focus the efforts and resources of state and regional agencies on Florida's economically distressed rural communities (s. 288.0656, F.S.).

*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 \$35,000 (\$100,000 in a rural area of critical economic concern) 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 Community Development 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.).

*Microenterprises*, although not limited to rural communities, are extremely small business enterprises which enable low and moderate income individuals to achieve self-sufficiency through self-employment. Microenterprise programs are those which provide at least one of the following: small amounts of capital, business training, and technical assistance. Subject to legislative appropriations, the Office of Tourism, Trade, and Economic Development is authorized to contract for actions the office deems necessary to foster the development of microenterprises in Florida (s. 288.9618(1), F.S.).

### **Trust Funds**

In 1992, the electors of the State of Florida voted to adopt Section 19 of Article III of the State 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 State 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; and
- (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 State Constitution requires that each trust fund in existence before the effective date of that provision (November 4, 1992) shall terminate not more than four years after that effective date. It also requires that subsequently created trust funds shall terminate not more than four years after the effective date of the act authorizing the creation of the trust fund. Section 19(f)(3) of Article III of the State Constitution provides that certain trust funds are exempt from the termination requirements of Section 19(f)(2) of Article III of the State Constitution.

### **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., and for the operation of the foreign offices under s. 288.012, F.S.;
- 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 under s. 288.063, F.S.; and
- Tourism Promotional Trust Fund, s. 288.122, F.S., used to promote tourism in Florida through the activities of the Florida Commission on Tourism.

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

This bill creates a trust fund in support of certain rural economic development activities. Specifically, the bill:

- Creates the Rural Economic Development Trust Fund to be administered by the Office of Tourism, Trade, and Economic Development (OTTED);
- Specifies that moneys deposited in the trust fund may be used only to support:

- The activities of the Rural Infrastructure Fund;
  - Microenterprise activities that are for the benefit of rural communities;
  - Activities of OTTED, Enterprise Florida, Inc., the Florida Tourism Industry Marketing Corporation, and the Rural Economic Development Initiative which are designed specifically to enhance economic conditions in rural communities.
- Provides for review and termination or recreation of the trust fund.

The bill specifies that the trust fund shall take effect July 1, 2000, but shall not take effect unless it is enacted by 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 specifies that the trust fund shall take effect July 1, 2000, but it shall not take effect unless it is enacted by a three-fifths vote of the membership of each house of the Legislature. Therefore this bill appears to comply with the provisions of Section 19(f)(1) of Article III of the State Constitution regarding creation of trust funds.

In accordance with Section 19(f)(2) of Article III of the State Constitution, the Rural Economic Development Trust Fund shall, unless terminated sooner, be terminated on July 1, 2004. Before its scheduled termination, the trust fund shall be reviewed as provided in ss. 215.3206(1) and (2), F.S.

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

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

The proposed funding source for the Rural Economic Development Trust Fund is a percentage of the corporate income tax revenues. This funding source is addressed in a separate bill. (*See* SB 1172 by the Committee on Commerce and Economic Opportunities.)

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

None.

C. Government Sector Impact:

None.

**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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