

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 2064

SPONSOR: Commerce and Economic Opportunities Committee and Senator Hargrett

SUBJECT: International Trade

DATE: April 13, 2000 REVISED: _____

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

I. Summary:

This committee substitute requires Enterprise Florida, Inc., to establish the Florida-Africa Market Expansion Program. The purpose of this program is expand trade opportunities between Florida and Africa, through the use of a strategic alliance, Team Florida Mission, a Certified Trade Events Program, support of local business development programs, export counseling, and representation in South Africa.

The committee substitute would also create the Florida-Caribbean Basin Trade Initiative under the Seaport Employment Training Grant Program to assist small and medium-sized businesses to become involved in international trade activities in the Caribbean Basin.

The establishment of the program and initiative is contingent upon the legislative appropriation of funds.

This committee substitute creates yet unnumbered sections of the Florida Statutes.

II. Present Situation:

Port Development/Funding

Section 311.07, F.S., creates the Florida Seaport Transportation and Economic Development Program within the Department of Transportation to finance port transportation or port facilities projects that will improve the movement and intermodal transportation of cargo or passengers in commerce and trade and that will support the interests, purposes, and requirements of ports located in the state. This statute specifies that the program must receive at least \$8 million a year from the State Transportation Trust Fund.

Section 311.09, F.S., creates the Florida Seaport Transportation and Economic Development Council within the Department of Transportation. The council is required to prepare a 5-year

Florida Seaport Mission Plan defining the goals and objectives of the council concerning the development of port facilities and an intermodal transportation system consistent with the goals of the Florida Transportation Plan developed pursuant to s. 339.155, F.S. The Florida Seaport Mission Plan must include specific recommendations for the construction of transportation facilities connecting any port to another transportation mode and for the efficient, cost-effective development of transportation facilities or port facilities for the purpose of enhancing international trade, promoting cargo flow, increasing cruise passenger movements, increasing port revenues, and providing economic benefits to the state. The council must update the plan annually for presentation to the President of the Senate, the Speaker of the House of Representatives, the Office of Tourism, Trade, and Economic Development (OTTED), the Department of Transportation, and the Department of Community Affairs. The council is required to develop programs, based on an examination of existing programs in Florida and other states, for the training of minorities and secondary school students in job skills associated with employment opportunities in the maritime industry, and report annually on progress and recommendations for further action to the President of the Senate and the Speaker of the House of Representatives.

Section 311.11, F.S., requires OTTED, in cooperation with the Florida Seaport Transportation and Economic Development Council, to establish the Seaport Employment Training Grant Program (STEP), for the purpose of stimulating and supporting seaport training and employment programs. The program currently contracts for an international trade program which provides export assistance to export capable and export ready businesses, and primarily focuses on international business opportunities in the Caribbean region. Since July 1999, this international trade program has provided one-on-one export assistance to 63 small, minority, and women-owned businesses.

International Activities

A number of organizations are involved with providing information and assistance to current or potential exporters in Florida. These organizations include Enterprise Florida, Inc. (EFI), the U.S. Department of Commerce, U.S. overseas embassies and consulates, foreign-based American chambers of commerce, Florida's foreign offices, the Florida Trade Data Center, the Florida Export Finance Corporation, the World Trade Centers, regional and local economic development organizations, and specialized consulting firms.

Chapter 96-320, L.O.F., provided for the dissolution of the Florida Department of Commerce and the Florida International Affairs Commission effective December 31, 1996, and the assumption of comparable economic development and trade development activities by EFI. Section 288.9015, F.S., designates EFI as the principal economic development organization for the state, responsible for leading business development by establishing a unified approach to Florida's international trade and reverse investment efforts; marketing the state as a pro-business location for potential new investment; and assisting in the creation, retention, and expansion of existing businesses. This statutory section also requires EFI to incorporate the needs of small businesses into its international trade and reverse investment responsibilities. EFI estimates that 95 percent of the businesses served by its international trade programs are small businesses with fewer than 100 employees, and that 80 to 85 percent of the businesses served by these programs have total annual sales of less than \$20 million. Furthermore, of the \$381.1 million documented export sales

attributable to EFI programs and activities in FY 1998-99, EFI estimates that approximately 60 percent of this value is attributable to businesses with fewer than 100 employees.

EFI's programs to promote international trade include export counseling, trade leads, participation in trade exhibitions and missions, the "Made in Florida" marketing campaign, in-state matching of Florida manufacturers with trading companies, and export assistance through foreign offices. EFI provides basic information relating to export market identification, while, due to limited resources, in-depth research to identify markets with product demand is usually performed by private entities on a fee basis.

Section 288.773, F.S., creates the Florida Export Finance Corporation (corporation) as a nonprofit corporation to expand employment and income opportunities for residents of this state through increased exports of goods and services. The corporation provides businesses domiciled in this state information and technical assistance on export opportunities, exporting techniques, and financial assistance through guarantees and direct loan originations for sale in support of export transactions. The corporation has the authority to carry out the following:

- Coordinate the efforts of the corporation with programs and goals of the United States Export-Import Bank, the International Trade Administration of the United States Department of Commerce, the Foreign Credit Insurance Association, EFI, and other private and public programs and organizations, domestic and foreign, designed to provide export assistance and export-related financing;
- Establish a network of contacts among those domestic and foreign public and private organizations which provide information, technical assistance, and financial support of exporting;
- Assemble, publish, and disseminate information on export opportunities, techniques of exporting, sources of public and private export assistance, and sources of export-related financing;
- Organize, host, and participate in seminars and other forums designed to disseminate information and technical assistance on exporting and export-related financing; and
- Insure, coinsure, lend, and guarantee loans, and to originate for sale direct export-related loans, extended to small and medium-sized businesses in this state pursuant to criteria, bylaws, rules, and policies adopted by the board.

In 1998-99, the corporation made direct loans to 15 exporters, supporting \$6,055,000 in exports, and made loan guarantees to 45 exporters, supporting \$26,832,000 in exports.

Florida-Caribbean Trade

Florida trade with the Caribbean Basin exceeded \$9.4 billion last year with Florida holding a market share of 50.6 percent of all U.S. trade with the Caribbean. EFI reported several initiatives which focus on the Caribbean Basin:

- EFI maintains a full time Manager of Caribbean Basin Development charged with coordinating Florida's trade development efforts with the region, with emphasis on minority business development;

- During the past two calendar years, EFI has organized or co-organized international trade development events in the Caribbean: Jamaica, 3 mission visits; Trinidad and Tobago, 3 mission visits; Barbados, 2 mission visits; Dominican Republic, 2 mission visits; and Haiti, 1 mission visit; and St. Vincent, 1 mission visit. Eighty-nine Florida companies participated in these trade events to the Caribbean. These companies reported actual and expected sales of \$29,265,138. Over 66 percent of the participating companies were minority companies and over 90 percent met the definition of small business. Trade missions to Curacao, Aruba, and to the Bahamas are scheduled for fiscal year 2000-01;
- EFI has provided counseling to over 300 companies in the last two years interested in expanding trade with the Caribbean. It has participated and supported the annual Miami Conference on the Caribbean and sponsored a collateral event at the 1999 conference; and
- EFI works closely with the Florida Association for Volunteer Agencies for Caribbean Action (FAVA/CA), Florida's not-for-profit Caribbean Basin development agency which has been a participant in many of EFI's Caribbean initiatives. A senior staff member of the EFI trade unit sits on the board of FAVA/CA to coordinate efforts. EFI also works closely with the Florida Export Finance Corporation to provide the necessary trade finance tools to small business constituents.

(These initiatives were reported by EFI and have not been independently verified by Senate committee staff.)

Florida-Africa Trade

EFI has proposed a Florida-Africa Trade initiative which is estimated to cost \$500,000 annually. The initiative includes the following:

- Opening a Florida office in the Republic of South Africa in the year 2000;
- Conducting a Team Florida Mission to South Africa in the winter of fiscal year 2000-01;
- Providing funding to support regional trade development efforts to Africa with priority consideration given to Florida's minority organizations; and
- Creating a new staff position to serve as the Director for the African Region in the Division of International Trade of EFI.

III. Effect of Proposed Changes:

Contingent upon a specific appropriation, this committee substitute requires Enterprise Florida, Inc. (EFI), to establish the Florida-Africa Market Expansion Program to increase trade between Florida and Africa. The program would establish and maintain an alliance between EFI and the United States Agency for International Development (USAID) to focus on identifying business opportunities in Africa and matching trade leads with Florida companies. The program would require a Team Florida Mission to South Africa, and establish a Certified Trade Events Program to provide financial and technical support and other services provided by EFI for business development initiatives geared toward trade with Africa. EFI would be required to establish

representation in South Africa to create cultural and infrastructure ties between Florida and Africa and would coordinate with other organizations and educational institutions to maximize the resources and information services for the expansion of trade. EFI is required to report on the activities and accomplishments of the program annually.

Contingent upon a specific appropriation, the committee substitute also requires the creation of the Florida-Caribbean Basin Trade Initiative by the Seaport Employment Training Grant Program (STEP) to assist small and medium sized businesses to become involved in international trade activities in the Caribbean Basin. The initiative must focus assistance to businesses in urban communities, and must offer these businesses export readiness, assistance and referral services, internships, seminars, workshops, conferences, e-commerce, mentoring, and matchmaking services, but must coordinate with, and not duplicate those services offered by EFI. STEP is required to administer the initiative pursuant to a performance-based contract with the Office of Tourism, Trade, and Economic Development.

The committee substitute provides that this act shall take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Enterprise Florida, Inc., has estimated the cost to establish the Florida-Africa Market Expansion Program at approximately \$500,000 for fiscal year 2000-2001.

The Florida Seaport Training and Employment Program has estimated the cost to implement the Florida-Caribbean Basin Trade Program at \$1,055,000 for fiscal year 2000-2001.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

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