

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1826

SPONSOR: Commerce and Economic Opportunities Committee and Senators Mitchell and Klein

SUBJECT: Rural Development

DATE: April 13, 2001

REVISED: 04/18/01

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Bowman</u>	<u>Yeatman</u>	<u>CA</u>	<u>Fav/1 amendment</u>
2.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
3.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable/2 amend</u>
4.	<u>                    </u>	<u>                    </u>	<u>AGG</u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## I. Summary:

The committee substitute creates the Florida Rural Heritage Act. The committee substitute creates several programs to assist rural communities in identifying and addressing their individual needs. These programs include: a voluntary Rural Heritage Grant Program for rural communities; various forms of technical and financial assistance; a micro-loan program for small nature and heritage-based tourism businesses; and pilot programs to encourage agricultural diversification and use of innovative educational technologies.

The committee substitute creates the Rural Heritage Grant Program to assist communities in identifying and addressing rural issues and needs through a community-based process. The process would include the involvement of residents, community and faith-based organizations, financial institutions, school boards, and representatives of housing, health, safety, and other groups. Communities could apply for Rural Heritage Grants to fund the planning and implementation of projects identified through the community-based process for locally designated Rural Heritage Areas. The program would be administered by the Department of Community Affairs, and would complement the urban infill and redevelopment program enacted by ch. 99-378, L.O.F.

The committee substitute would require a report on the creation of a micro-loan program for small businesses to encourage the development of nature and heritage-based tourism in rural communities. The Department of Environmental Protection, the Office of Tourism, Trade, and Economic Development (OTTED), Enterprise Florida Inc., (EFI), VISIT FLORIDA, and others would develop the program, which would be administered by EFI under its contract with OTTED.

The committee substitute directs the Department of Agriculture, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish three pilot projects aimed at encouraging agricultural diversification throughout the state.

The State Technology Office in consultation with the Departments of Education, Health, and Community Affairs, the State Library, local governments, regional consortium service organizations, and institutions of higher education, must develop recommendations regarding the establishment of two pilot projects in rural communities that utilize wireless or other technologies. The purposes of the projects are to illustrate ways to increase access to quality educational, health-care, and other resources in the state's rural areas; to leverage federal funds available for bridging the "digital divide"; to build on existing applications to create community-based networks; and to foster opportunities for innovative distribution of existing funds.

In addition, the committee substitute would increase the relevance of the Enterprise Zone Program to rural communities by expanding the area of a rural enterprise zone to up to 15 square miles, and by allowing businesses in the rural enterprise zones to receive tax credits for employing residents county-wide, rather than for only those employees residing within the enterprise zone.

The committee substitute amends the following sections of the Florida Statutes: 163.3187, 187.201, 212.096, 220.181, 290.0055, and 420.507. The committee substitute creates an unnumbered section of the Florida Statutes.

## **II. Present Situation:**

The Legislative Committee on Intergovernmental Relations (LCIR) conducted an interim project entitled *Report on the Development of a State Rural Policy*, February 2000. The committee undertook this project to complement legislation it developed regarding a state urban policy, enacted in ch. 99-378, L.O.F., which created the Urban Infill and Redevelopment Assistance Program. During the course of the interim project, testimony and findings indicated that the needs of Florida's rural communities are in many ways similar to the needs of Florida's inner city communities: access to more and better jobs; workforce development; access to services; improved infrastructure; educational quality; and availability of capital.

The LCIR found that the state has an interest in promoting economic prosperity for residents of its rural areas while protecting the unique character and heritage of those areas. A need for the state to assist rural governments in developing and implementing strategies to address problems facing their communities would be balanced by protecting the rural character and assets of rural communities.

Problems in rural Florida can be broadly categorized as follows: limited resources; economic development needs; changing agricultural conditions and related land-use problems; reduced quality of life and access to public services; and limited capacity to address local issues in a comprehensive fashion. The problems are interrelated, and problems in one area result in problems in other areas.

Rural areas can also be characterized by their unique assets, which may include: an abundance of natural resources; beautiful scenery; clean environment; productive agricultural lands; rich history and culture; ethnic diversity; available labor pool; proximity to institutions of higher education; close-knit communities and social support systems; or place-based knowledge and skills. Many of these assets can be enhanced and marketed to become engines of economic development. The development of nature and heritage-based tourism is one such asset-based approach. Agricultural diversification and value added agricultural production are other approaches. Innovative technology is a cost-effective method for increasing rural communities' educational and workforce development opportunities.

The LCIR determined that successfully revitalizing and sustaining rural areas depends on addressing, through an integrated and coordinated community effort, a range of varied components essential to a healthy rural environment, including cultural, educational, recreational, economic, transportation, land use, information technology, and social service delivery components. A collaborative approach is needed to aid communities in defining their own common visions, goals, objectives, strategies, action plans, prioritization of objectives and strategies, and targeting of scarce resources. Because of the interrelated nature of rural issues and problems, solutions should be pursued by a broad-based representative group of stakeholders that includes community residents and the private and nonprofit sectors. The LCIR voted to introduce legislation incorporating a series of recommendations to assist rural communities.<sup>1</sup>

### **Rural Economic Development**

Numerous laws have been enacted creating statutes to promote economic development in Florida. Although some of these laws include specific provisions to improve economic conditions in rural areas, the laws generally have been more effective in improving conditions in the more populated urban and urbanizing areas of the state.

During the 1999 regular session, the Legislature passed ch. 99-251, L.O.F., which contained several components specifically to further promote rural economic development. Among other provisions, the legislation codified the multi-agency Rural Economic Development Initiative (REDI) within the Office of Tourism, Trade, and Economic Development (OTTED). REDI is designed 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.). The legislation also created a Rural Infrastructure Fund, which is designed to address infrastructure needs associated with economic development projects in rural communities (s. 288.0655, F.S.). Several of the LCIR rural policy project recommendations relating to economic development and technical assistance build on this legislation.

Examples of other rural economic development initiatives that have been established in recent years include:

The 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

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<sup>1</sup> Legislative Committee on Intergovernmental Relations, *Report on the Development of a State Rural Policy*, February 2000.

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 non-state resources (s. 288.018, F.S.).

The 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.).

The 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.).

### **Selected Relevant Existing Statutes**

*Local Government Comprehensive Planning.* Part II of ch. 163 (ss.163.3161 through 163.3244), F.S., is known as the "Local Government Comprehensive Planning and Land Development Regulation Act" (the act), and is commonly referred to as the growth management act. The act requires local governments to adopt a comprehensive plan, subject to review and approval by the Department of Community Affairs. The act outlines the required and optional elements of local government comprehensive plans, provides for public participation in the local comprehensive planning process, requires local governments to follow specified procedures for adoption of the comprehensive plan and amendments thereto, and requires local governments to update their comprehensive plans at regular intervals. Section 163.3187, F.S., authorizes a local government to adopt amendments to its comprehensive plan only two times per year. However, this section contains numerous exceptions for emergencies, substantial deviations to a proposed development of regional impact, compliance agreements, locating a correctional facility, the designation of an urban infill and redevelopment area, and small-scale development activities.

*State Comprehensive Plan.* The state comprehensive plan (SCP), ch. 187, F.S., was enacted in 1985 to provide long-range guidance for the orderly, social, economic, and physical growth of the state. Regarding rural Florida, the SCP encourages a separation of urban and rural land uses; the maintenance of agricultural and soil resources; and promotion of the economic value of land in agricultural uses; and it identifies "citizens in rural areas" as a targeted group in need of affordable and available housing. However, the SCP does not reflect the state's interests in promoting economic prosperity and preserving rural heritage or the importance of asset-based economic development in rural areas.

*Enterprise Zones.* An "enterprise zone" is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 34 enterprise zones. Florida's Enterprise Zone Program was established in 1980 (ss. 290.001-290.016, F.S.; see also s. 370.28, F.S.). Since then, several major changes have been made, most notably through the Enterprise Zone Act of 1994. The program provides tax reductions, credits, and other incentives for businesses that operate within designated enterprise zones. Currently, eleven enterprise zones

and nine net-ban zones are located in rural counties. Section 290.0055, F.S., provides requirements for nominating and selecting an enterprise zone. It provides size limitations depending on the community population category and stipulates that for communities having a total population of 20,000 persons or less, the selected enterprise zone area shall not exceed 3 square miles. This section also requires that the selected area suffer from pervasive poverty, unemployment, and general distress, as described and measured pursuant to s. 290.0058, F.S. Section 290.0058(2), F.S., specifies that pervasive poverty: “shall be evidenced by a showing that poverty is widespread throughout the nominated area. The poverty rate of the nominated area shall be established using the following criteria: (a) In each census geographic block group within a nominated area, the poverty rate shall be not less than 20 percent. (b) In at least 50 percent of the census geographic block groups within the nominated area, the poverty rate shall not be less than 30 percent.”

The effectiveness of enterprise zone tax incentives was the topic of a 1998 report issued by the Senate Committee on Ways and Means, Subcommittee E. In this report, and in testimony provided to the LCIR by OTTED staff, the overall success of the Enterprise Zone Program was discussed, as was whether rural and net-ban affected areas were sharing in that success. Rural and net-ban affected areas do not appear to be benefiting as much from the program as are urban areas. It was reported that rural enterprise zones claim progress on only 66 percent of goals identified in their strategic plans, compared with an 87 percent rate of progress toward goals for urban areas, and net-ban affected areas report only a 44 percent rate of progress.

In the 1998 subcommittee report, the lower progress rate for rural and net-ban affected areas was largely attributed to a lack of local resources necessary to formulate, promote, and market an enterprise zone, and an increase in funding to those specific areas was recommended. Another explanation for insufficient progress in rural areas is that the Enterprise Zone Program currently provides certain tax credits to businesses only for employees who reside within the enterprise zone. In rural areas, it is less likely that employees reside in the enterprise zone, as residential patterns differ from those common to densely populated urban areas. Because the Enterprise Zone Program was originally created with urban areas in mind, the structure of some of the benefits remains more suited to urban communities. Currently, because of the unique characteristics of rural communities, they are not able to fully utilize the benefits conferred by the Enterprise Zone Program under existing law.

A March 2000 Office of Program Policy Analysis and Government Accountability (OPPAGA) review of Florida’s Enterprise Zone Program concluded that to boost the use of enterprise zone incentives, the Legislature should provide state assistance for program administration and mesh zone incentives with other state and local economic development initiatives.<sup>2</sup> In its report, OPPAGA suggested that the addition of \$500,000 toward the Rural Community Development Revolving Loan Fund could help support staffing grants for use in hiring individuals on at least a part-time basis to market enterprise zones in rural counties and net-ban zones in rural or urban communities.

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<sup>2</sup> Office of Program Policy Analysis and Government Accountability, *Use of Enterprise Zone Incentives Has Increased, but Challenges Continue*, Program Review Summary 99-43, March 2000.

The law currently mandates that prior to the 2001 Regular Session of the Legislature the appropriate substantive committees of the Senate and the House of Representatives shall review and evaluate the Florida Enterprise Zone Act of 1994, together with the state incentives available in enterprise zones (s. 290.015(3), F.S.). In November 2000, the Senate Commerce and Economic Opportunities Committee issued its mandatory interim project report 2001-29, *Review and Evaluation of the Enterprise Zone Program* (hereinafter “the interim report”), which was developed out of a combination of the following: recommendations from the Rural Issues Working Group of Enterprise Florida, Inc. (EFI), and from EFI staff; recommendations from local zone coordinators and businesses; recommendations from urban and rural economic development practitioners; and recommendations from OTTED and the Department of Revenue.

The interim report suggests that the Enterprise Zone Program is failing to act as an incentive because the jobs tax credits are not directed at job creation and are too small to actually modify business behavior. A combination of raising the level of state incentives, providing zone marketing staff support for poorer counties, and modifying other incentive programs for use in rural enterprise zones could help to achieve the goal of encouraging economic development. Recommendations from the interim report are as follows:<sup>3</sup>

- Increase the jobs tax credit for both income and sales taxes. Currently employers can receive a 10-percent credit against their corporate income or sales taxes for wages paid to new employees who are residents of an enterprise zone. A 15-percent enhanced credit is provided to employers if 20 percent of their employees are zone residents. For this incentive to make a difference, it could be doubled to 20 percent base (30 percent rural, allowing for any worker living in the rural county to be counted for the base) and 30 percent enhanced (45 percent rural). To make this program improvement neutral in cost, the Enterprise Zone Program could be altered so that the incentives are for new business locations and expansions only. This change would make the program operate more like an economic incentive rather than an after-the-fact reward.
- Eliminate the jobs tax credit cap on maximum eligible wages to encourage higher-paying jobs (ss. 212.096(2)(b) and 220.181(1), F.S.).
- Allow the Qualified Target Industry incentive funds to be used for any business willing to locate in a rural enterprise zone.
- Provide a state matching grant of up to \$25,000 for a zone coordinator, with the local match level to be determined by population size.
- Increase the rural zone size to 20 square miles, including a zero population noncontiguous area.
- Increase the level of funding available in the Rural Infrastructure Fund so that the fund can be used in tandem with zone tax provisions to create a package of incentives.
- Define “rural enterprise zone,” and allow rural Champion Communities and rural areas of critical economic concern to apply as enterprise zones.
- Provide local zone coordinators with access to state funded micro-loan programs to help create small businesses in enterprise zones. The micro-loan could be available for any business willing to locate in a designated enterprise zone.

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<sup>3</sup> Florida Senate Committee on Commerce and Economic Opportunities, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, pp. 7-8.

- Create a state facade improvement matching grant program for zone businesses that own the property they operate from (to be modeled after similar programs in Gainesville and Ft. Lauderdale). The percentage of state match can be determined by county or city population to allow for varying local abilities to match.
- Improve Internet marketing of the enterprise zone program. The Governor's "MyFlorida" site, the Department of Revenue's (DOR) site, and the Enterprise Florida, Inc., site should have detailed descriptions of the Enterprise Zone Program, a map of zone locations, forms, and zone contacts.

The following recommendations are to enhance community involvement in disadvantaged areas:<sup>4</sup>

- Require the local enterprise zone administrator and the local Front Porch Florida administrator to coordinate development efforts in areas in which they coexist.
- A combination of enterprise zone coordinators, Front Porch Florida organizers, and local governments could help increase the rate of owner occupied property in a zone. With support from the state, a coordinated effort could boost home and business property ownership, which will directly aid zone improvement and mitigate the negative impacts of increasing land values that drive out residential and business renters. Façade improvement, residential painting, and neighborhood clean up efforts could be used as a property-value inducement to areas that have a high rate of owner-occupied properties.
- Create a website for each enterprise zone that includes downloadable links to state forms and information, as well as local message boards that help the businesses and residents receive information about important topics such as property ownership, micro-loan programs, and neighborhood improvement activities. This site could become a marketing tool for new business location as well as a small and micro-business service guide.

*Tourism.* Research conducted by the Florida Tourism Industry Marketing Corporation (VISIT FLORIDA) indicates that nature and heritage-based tourism are the fastest growing sectors of tourism in the country, growing at 30 percent a year. It was also found that 64 percent of all visitors to Florida include a nature-based activity in their vacation. According to staff of the Department of Environmental Protection's Division of Recreation and Parks, Florida's state parks host almost 15 million visitors a year. It is estimated that for every dollar paid to a canoe outfitter, for example, another five dollars is spent on related expenses such as food, lodging and gas. In addition, because the tourism and recreation category represents the second largest contributor to Florida's sales tax revenues according to the General Revenue Consensus Estimating Conference, the upward trend in nature and heritage-based tourism takes on even greater importance for promoting economic prosperity in the state's rural areas.

In recognition of this growing trend, the Department of Environmental Protection's Division of Recreation and Parks has partnered with 1,900 public and private sector entities to provide tourism services in and near the state park system. This type of public-private partnership

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<sup>4</sup> Florida Senate Committee on Commerce and Economic Opportunities, *Review and Evaluation of the Enterprise Zone Program*, Mandatory Interim Project Report 2001-29, November 2000, p. 8.

approach is an important component of the development of the nature and heritage-based tourism industry.

Several entities are presently examining nature and heritage-based tourism as a means to both promote economic development and preserve natural resources and rural assets. The Ecotourism/Heritage Tourism Advisory Committee, which was created by the Florida Commission on Tourism, pursuant to s. 288.1224(11), F.S. (1996), has created a strategic plan with regard to tourism.

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

In 1997, the Legislature appropriated \$1,000,000 to OTTED with the instruction to contract with a not-for-profit organization or other governmental entity to “foster the development of micro enterprises in the state” (s. 288.9618, F.S.). OTTED contracted with Enterprise Florida, Inc. (EFI), and approximately \$800,000 in grants to 17 organizations was disbursed to set up micro loan programs. Although no subsequent appropriations have been made to OTTED, loans continue to be made from revolving funds that were started by this one-time appropriation.

In light of the potential for the development of the nature and heritage-based tourism industry to improve the economic conditions of the state’s rural areas, and in light of the important role played by small businesses in that industry, a need for a program to provide low interest micro loans for small businesses was identified by the Division of Recreation and Parks, VISIT FLORIDA, EFI, and OTTED staff.

*Agricultural Economic Development.* In 1991, the Legislature created the Agriculture Economic Development Program within the Department of Agriculture and Consumer Services (DOACS) to promote and coordinate efficient and beneficial agricultural economic development within agriculturally depressed areas of the state (ch. 91-268, L.O.F.). DOACS has promulgated rules that establish notification procedures on the availability of assistance, written criteria for selecting project proposals to receive assistance, procedures for the repayment of financial assistance, and funding procedures for projects eligible for assistance. An Agriculture Economic Development Project Review Committee is created within DOACS to facilitate the project selection process and to make recommendations to the Commissioner of Agriculture and Consumer Services regarding project prioritization and selection. The program is administered by the Division of Marketing and Development within the DOACS under the auspices of “AgVenture.”

Agricultural scholars and farming experts report that farming operators and suppliers will remain in business only if it remains profitable to do so. There appears to be a consensus on three methods to improve the profitability of agricultural production in order to sustain rural agricultural economies. They are: alternative crops; new growing technologies; and value-added business development practices. In addition, OTTED staff reported that aquaculture, both salt

and freshwater, is currently an underutilized industry in Florida with significant economic development potential. Testimony and interviews with DOACS's Division of Marketing and Development staff indicate that legislative direction and appropriated funds for specific pilot projects to promote and demonstrate success in these objectives would enforce and strengthen the department's efforts in these areas.

*Whole Farm Permitting.* In 1997, the Legislature gave the Secretary of the Department of Environmental Protection (DEP) the authority to enter into voluntary ecosystem management agreements with regulated entities to better coordinate the legal requirements and time lines applicable to a regulated activity, including permit processing, project construction, operations monitoring, enforcement actions, proprietary approvals, and compliance with development orders and comprehensive plans (s. 403.0752, F.S.). Under this authority, DEP has entered into an Ecosystem Management Agreement with Sanwa Growers, Inc., of Hillsborough County to demonstrate a pilot "whole farm plan" permitting project. It is intended that the completed plan will become a binding Ecosystem Management Agreement, constituting a consolidated team permit for all activities at Sanwa.

*Florida Housing Finance Corporation.* Section 420.507, F.S., provides the Florida Housing Finance Corporation with powers necessary to conduct business relating to the Florida Housing Finance Corporation Act. This section allows the corporation to study housing needs in Florida and participate in federal housing assistance programs including the Rural Housing Services of the U.S. Department of Agriculture.

*The Growth Management Study Commission.* In July of 2000, the Governor appointed a 23-member Growth Management Study Commission (commission) to review the system of growth management in Florida and to make recommendations to improve that system. The commission organized itself into committees, and one of the committees, the rural policy committee, specifically addressed issues of rural policy. The commission's final report contains a number of specific recommendations related to rural policy. These recommendations include Recommendation 83 that focuses on rural economic development and specifically recommends the "Rural Heritage Act."

*Recommendation 83: Promotion of rural economic development.*

Acquire development rights or permit the transfer of those rights from lands intended to remain in agriculture in the long term, allowing landowners to reinvest payments for those development rights in the rural economy.

Ensure adequate funding for infrastructure in rural towns, and apply the Fix It First concept to establish funding priorities.

Establish a technology outreach program to support rural local governments, farmers and small businesses in taking advantages of the Internet and other technology advances.

Resubmit legislation from last year establishing a Rural Heritage Act with revisions consistent with the report of this Commission.

Amend the revenue sharing provisions of Chapter 212, Florida Statutes, to provide a disproportionate increase in the allocation of state revenue to rural counties in recognition of their inherently lower ad valorem tax base.

Consider other initiatives to assist rural communities in developing and diversifying local economies such as directing Enterprise Florida and the Office of Tourism Trade and Economic Development to include rural communities in their outreach efforts for expanded and improved economic development; supporting and further publicizing the Main Street Program (Department of State); offering technical assistance and other support services for small business development and entrepreneurial activity in rural areas; encouraging environmentally sensitive ecotourism and heritage tourism in rural areas; capitalizing on and enhancing the sustainability features of rural areas, including local food production, environmental resources and the potential for distributed energy resource technologies.

Develop an infrastructure funding program to invest in the development of infrastructure in communities that have been designated by the Governor as a “rural area of critical economic concern.”<sup>5</sup>

### III. Effect of Proposed Changes:

The committee substitute assists rural communities with a variety of approaches: voluntary Rural Heritage Grants for rural communities; various forms of technical and financial assistance; a micro-loan program for small, nature and heritage-based, tourism businesses; pilot programs to encourage agricultural diversification; and promotion of innovative educational technologies. The committee substitute proposes the following changes:

*Rural Heritage Grant Program.* Creates a voluntary Rural Heritage Grant Program to assist communities in addressing rural issues and needs through a community-based process. The program parallels the prior efforts of the Legislative Committee on Intergovernmental Relations (LCIR) in developing the Urban Infill and Redevelopment Assistance Grant Program, as established in s. 163.2523, F.S. Rural Heritage Grants would provide funding for planning and implementation of projects identified by local communities for locally designated Rural Heritage Areas. In addition, state agencies and the Rural Economic Development Initiative (REDI) would be required to give communities completing the Rural Heritage Grant Program process elevated priority in providing financial and technical resources.

*Technical and Financial Assistance.* Directs state agencies to identify resources available for promoting economic prosperity while preserving rural character in Florida’s rural areas, as well as any existing barriers to accessing federal funds, and report to REDI by January 1 annually.

Directs REDI to compile and distribute a semiannual publication to all rural cities and counties (as defined in s. 288.106, F.S.), which describes resources that are available to rural local governments -- including federal resources -- and how to access them. Directs REDI to work

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<sup>5</sup> The Growth Management Study Commission, Final Report: *A Livable Florida for Today and Tomorrow*, February 2001, pp. 38-41.

through Regional Planning Councils, the Small County Technical Assistance program, the Florida State Rural Development Council, and/or other relevant organizations to provide technical assistance to rural local governments and help them gain access to the resources described in the publication. Top priority is given to local governments with adopted rural heritage areas that have successfully completed the Rural Heritage Grant Program community-based process.

Directs REDI to work with the Florida State Rural Development Council and state agencies, as appropriate, to develop a uniform grant application form for use by local government grant applicants. State agencies would be required to adopt the grant form by July 1, 2002.

*Nature and Heritage-based Tourism.* Directs the Eco/Heritage Tourism Advisory Committee of VISIT FLORIDA, to work with Enterprise Florida, Inc., the Office of Tourism Trade and Economic Development, the Rural Economic Development Initiative, the Florida Fish and Wildlife Conservation Commission, the Division of Recreation and Parks and other appropriate entities to develop a micro-loan program and in a report due November 1, 2001, make recommendations to the Legislature for the programs implementation.

*Agricultural Profitability.* Directs the Department of Agriculture and Consumer Services, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish three pilot projects aimed at encouraging agricultural diversification throughout the state. At least one of the projects must include a tobacco farm that is being adversely impacted by reductions in tobacco quotas. Each project must do at least one of the following: introduce alternative crops or alternative growing techniques; or introduce a value-added activity or vertical industry, such as produce processing or packaging, as a means of increasing profitability for local growers.

Based on results of current “whole farm permitting” pilot projects, the committee substitute directs the Department of Environmental Protection to expand the use of “daily operational procedures” to streamline the permitting process for agricultural land uses.

*Enterprise Zones.* Enhances the state Enterprise Zone Program’s relevance to rural communities by expanding the area of a rural enterprise zone to 15 square miles, and by allowing businesses in the rural enterprise zones to receive tax incentives for employing residents county-wide, rather than only those that live within the enterprise zone.

*Housing.* Enables the Florida Housing Finance Corporation (FHFC) to make rules to implement relevant elements of the Rural Heritage Act.

*Education.* The State Technology Office in consultation with the Departments of Education, Health, and Community Affairs, the State Library, local governments, regional consortium service organizations, and institutions of higher education, must develop recommendations regarding the establishment of two pilot projects in rural communities that utilize wireless or other technologies. The purposes of the projects are to illustrate ways to increase access to quality educational, health-care, and other resources in the state’s rural areas; to leverage federal funds available for bridging the “digital divide”; to build on existing applications to create

community-based networks; and to foster opportunities for innovative distribution of existing funds.

*State Comprehensive Plan.* Amends the State Comprehensive Plan to recognize the importance of healthy and strong rural communities to the state, to reflect the state's interests in promoting economic prosperity and preserving the unique character and heritage of its rural areas, and to incorporate the state rural policy.

### **Section-by-Section Analysis**

**Section 1** creates the Florida Rural Heritage Act (act) and its components as follows:

- Provides the short title of the act.
- Contains legislative findings, which delineate the state rural policy.
- Defines terms including “Rural Heritage Area” and “Rural Activity Center.”
- Authorizes local governments to designate areas within their jurisdiction as Rural Heritage Areas or Rural Activity Centers for the purpose of, among other things, targeting economic development, job creation, housing, and transportation needs.
- Sets forth the Rural Heritage Area community-based planning process, including issue areas to be addressed, conditions under which existing plans may be used, elements to be included in the plan, and the requirement that a wide range of stakeholders -- including community-based nonprofit organizations and low-income residents -- participate.
- Provides that certain economic incentives and technical assistance are made available to rural local governments with adopted Rural Heritage Area plans that meet the statutory requirements.
- Directs state agencies that provide funding to rural communities to report to the Legislature by January 1, 2002, on statutory and rule changes necessary to give designated Rural Heritage Areas an elevated priority in infrastructure funding, loan, and grant programs.
- Requires state agencies to report to the Legislature by September 1, 2001, on loan programs for which payment will be forgiven and on grant programs for which cash match requirements will be waived or replaced with an in-kind match for rural local government applicants that have successfully completed the rural heritage community planning process.
- Directs the Rural Economic Development Initiative (REDI) to update, maintain, and distribute semiannually to rural governments the Rural Resource Directory, and to provide technical assistance to local governments to access these resources.

- Directs REDI to work with state agencies and the Florida State Rural Development Council to develop a simple, uniform grant application form for use by local government grant applicants; and requires state agencies to adopt the uniform grant application by July 1, 2002.
- Creates the Rural Heritage Grant Program. The program would be administered by the Department of Community Affairs, and would provide funds to local governments for the purposes of conducting the community-based planning process and implementing elements of the resulting plan. Any appropriation for the grant program would be divided as follows: 49 percent of the money available would be used for planning grants; 45 percent would be allocated toward project grants; 5 percent would be set-aside for small seed-money grants; and 1 percent would be used for administrative costs incurred by the Department of Community Affairs.
- Allows a local government with an adopted Rural Heritage Area plan, or a plan employed in lieu thereof, to issue revenue bonds under s. 163.385, F.S., and employ tax increment financing under s. 163.387, F.S., for the purpose of financing the implementation of the plan as appropriate, particularly within designated Rural Activity Centers.
- Allows a local government with an adopted Rural Heritage Area plan, or a plan employed in lieu thereof, to exercise the powers granted under s. 163.514, F.S., for community redevelopment neighborhood improvement districts, including the authority to levy special assessments as appropriate, particularly within designated Rural Activity Centers.
- Creates a statewide micro-loan program within Enterprise Florida, Inc., for the purpose of financing the creation and enhancement of small businesses providing nature and/or heritage-based tourism experiences.
- The State Technology Office in consultation with the Departments of Education, Health, and Community Affairs, the State Library, local governments, regional consortium service organizations, and institutions of higher education, must develop recommendations regarding the establishment of two pilot projects in rural communities that utilize wireless or other technologies. The purposes of the projects are to illustrate ways to increase access to quality educational, health-care, and other resources in the state's rural areas; to leverage federal funds available for bridging the "digital divide"; to build on existing applications to create community-based networks; and to foster opportunities for innovative distribution of existing funds. Criteria upon which the State Technology Office in consultation with the Departments of Education, Health, and Community Affairs, and the State Library must select project participants are provided. The State Technology Office in consultation with the Departments of Education, Health, and Community Affairs, the State Library, and local governments are also required to develop performance standards and to evaluate the progress of the pilot projects at least annually. The State Technology Office must report its recommendations to the President of the Senate, the Speaker of the House of Representatives, and the Governor by November 1, 2001. Recommendations will address the implementation and funding of the pilot programs.

- Directs the Department of Agriculture and Consumer Services, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish three pilot projects for the purposes of encouraging agricultural diversification throughout the state. At least one of the projects must include a tobacco farm that is being adversely impacted by reductions in tobacco quotas. Each project must do at least one of the following: introduce alternative crops or alternative growing techniques; or introduce a value-added activity or vertical industry, such as produce processing or packaging, as a means of increasing profitability for local growers. This item also encourages the Department of Environmental Protection to apply lessons learned from current pilot “whole farm planning” projects and to streamline the permitting process for agricultural land uses.
- Directs the Office of Program Policy Analysis and Government Accountability to perform a review and evaluation of the grant program and financial incentives, before the 2005 regular session of the Legislature.

**Section 2** amends s. 163.3187, F.S., to exempt local comprehensive plan amendments for the purpose of designating Rural Heritage Areas and/or Rural Activity Centers under this act from statutory limits on the frequency of amendments to the comprehensive plan.

**Section 3** amends six subsections of s. 187.201, F.S., to reflect the principles and objectives of the state rural policy. The amended sections are those addressing Housing (5), Natural Systems and Recreational Lands (10), Land Use (16), the Economy (22), Agriculture (23), and Tourism (24). These changes reflect the recognition of the importance of healthy and strong rural communities to the state, reflect the state’s interests in promoting economic prosperity and preserving the unique character and heritage of its rural areas, and incorporate the state rural policy.

**Section 4** amends s. 212.096, F.S., to make the enterprise zone jobs credit against sales tax consistent with other provisions of the act. Allows a business located in an enterprise zone within the jurisdiction of a rural local government as defined in s. 288.106, F.S., to receive 15 percent of an employee’s monthly wages as a credit, without requiring 20 percent of the employees to reside within the enterprise zone, provided that the employees are residents of the county within which the rural enterprise zone is located.

**Section 5** amends s. 220.181, F.S., to allow businesses that are located in an enterprise zone within the jurisdiction of a rural local government as defined in s. 288.106, F.S., to apply the enterprise zone job tax credit for each new employee, regardless of the percentage of employees of the business residing in the enterprise zone, provided the employees are residents of the county within which the rural enterprise zone is located.

**Section 6** amends s. 290.0055, F.S., to extend the area of enterprise zones within the jurisdiction of rural local governments as defined in s. 288.106, F.S., to up to 15 square miles, regardless of total population. This section enhances the state Enterprise Zone Program’s relevance to rural communities, and enables rural areas to garner benefits from the Enterprise Zone Program not presently available due to the geographic and demographic nuances of rural areas and the urban area focus of the program.

**Section 7** amends s. 420.507, F.S., to authorize the Florida Housing Finance Corporation to adopt rules necessary to carry out the purposes of the state rural policy.

**Section 8** provides that the implementation of subsections (7) and (10) of section 1 of this act are subject to specific appropriations or the availability of funds from the agency designated as responsible for implementing those subsections. Those subsections are the Rural Heritage Grant Program in the Department of Community Affairs (subsection (7)) and the three agriculture pilot projects in the Department of Agriculture and Consumer Services (subsection (10)).

**Section 9** provides that the Rural Heritage Act shall take effect July 1, 2001.

#### **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:**

There may be some state and local costs associated with the use of the tax incentives provided under the Enterprise Zone Program as a result of the expanded enterprise zones in rural areas. It is not known to what extent increased commercial activity would offset such potential costs. The Revenue Estimating Conference has not reviewed the committee substitute.

In addition, where tax increment financing is utilized by a local government with an adopted Rural Heritage Plan, the local government will, in the short term, lose an indeterminate amount of ad valorem revenue. However, this short-term loss of ad valorem revenue will be offset by redevelopment that will likely increase the value of property located within the Rural Activity Center.

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

The committee substitute may generate positive indeterminate effects from the availability of various tax incentives to businesses as a result of the expanded enterprise zones.

The pilot programs for agricultural diversification and value added production could result in positive fiscal impacts for agricultural businesses.

Small businesses that engage in nature or heritage-based tourism enterprises would be eligible for monies under a micro-loan program created in the legislation.

Businesses within communities awarded grants under the Rural Heritage Grant Program could experience positive fiscal impacts, depending on the purposes for which the grants were awarded.

### C. Government Sector Impact:

This committee substitute would:

- Allow rural local governments to be eligible to receive grant funds under the Rural Heritage Grant Program to undertake a community-based process and implement projects resulting from the process.
- Require the State Technology Office, in consultation with the Departments of Education, Health, and Community Affairs, the State Library, local governments, regional consortium service organizations, and institutions of higher education, to develop recommendations regarding the establishment of two pilot projects in rural communities that utilize wireless or other technologies. The State Technology Office must report its recommendations to the President of the Senate, the Speaker of the House of Representatives, and the Governor by November 1, 2001. Recommendations will address the implementation and funding of the pilot programs.
- Require state agencies and the Rural Economic Development Initiative (REDI) to give communities completing the Rural Heritage Grant Program process elevated priority in providing financial and technical resources, subject to specific appropriations or the availability of funds, and it directs state agencies to identify resources available for promoting economic prosperity while preserving rural character in Florida's rural areas, as well as any existing barriers to accessing federal funds, and report to REDI by January 1 annually.
- Direct REDI to compile and distribute a semiannual publication to all rural cities and counties.
- Direct REDI to work with the Florida State Rural Development Council and state agencies, as appropriate, to develop a uniform grant application form for use by local government grant applicants. State agencies would be required to adopt the grant form by July 1, 2002.
- Direct the Eco/Heritage Tourism Advisory Committee of VISIT FLORIDA to work with Enterprise Florida, Inc., the Office of Tourism Trade, and Economic Development, REDI, the Florida Fish and Wildlife Conservation Commission, the

Division of Recreation and Parks, and other appropriate entities to develop a micro-loan program and in a report due November 1, 2001, make recommendations to the Legislature for the program's implementation.

- Direct the Department of Agriculture and Consumer Services, in consultation with the University of Florida and the Florida Agricultural & Mechanical University, to establish three pilot projects aimed at encouraging agricultural diversification throughout the state subject to specific appropriations or the availability of funds from the agency.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

#1 by Finance and Taxation:

This amendment removes the designation of Wireless Community-Based pilot project participants by the State Technology Office.

#2 by Finance and Taxation:

This amendment amends s. 163.3177 (11), F.S., to allow the Department of Community Affairs to authorize up to five local governments to designate agricultural land as a rural stewardship area within which planning and economic incentives are applied to encourage implementation of innovative and flexible planning and development strategies. It allows for the use of transferable rural land use credits under certain circumstances and provides for other incentives to encourage property owners to enter rural stewardship agreements. The amount of credits assigned must correspond to the 25-year or greater population or projected build out of the rural land stewardship area. In addition, the bill states that owners of lands within rural land stewardship areas should be provided with incentives to enter into rural land stewardship agreements with state agencies, water management districts and local governments to achieve conservation objectives. These incentives could include payment for land management services, recreation leases, long-term permits for the consumptive use of water and transferable mitigation credits. (WITH TITLE AMENDMENT)