

# 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: SB 484

SPONSOR: Commerce & Economic Opportunities Committee

SUBJECT: Public Records Exemption

DATE: April 1, 2001                      REVISED: 04/05/01 \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Maclure</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	<u>Rhea</u>	<u>Wilson</u>	<u>GO</u>	<u>Fav/2 amendments</u>
3.	_____	_____	<u>RC</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

This bill saves from repeal a public records exemption for records of an economic development agency that contain or would provide information on the plans of a business to locate, relocate, or expand its activities in this state. The bill also revises the exemption to:

- include the records of a county or a municipal economic development office within the coverage of the exemption;
- allow confidentiality to be maintained for longer than 24 months in the case of trade secrets, or in the case of other information if it can be shown that a business is still engaged in the site-selection process for its economic development project; and
- clarify a prohibition against entering into an agreement with a business that has requested confidentiality, by allowing such agreements if they are executed in the official capacity of a public officer or employee, do not accrue to the personal benefit of that officer or employee, and are necessary to effectuate the economic development project.

This bill substantially amends section 288.075, Florida Statutes.

**II. Present Situation:**

**Government in the Sunshine**

Florida has a long history of providing public access to the records of governmental and other public entities. The first law affording access to public records was enacted by the Florida Legislature in 1909. In 1992, Floridians voted to adopt an amendment to the Florida Constitution that raised the statutory right of public access to public records to a constitutional level. Article I, s. 24 of the Florida Constitution provides:

- (a) Every person has the right to inspect or copy any public record made or received in connection with the official business of any public body, officer, or employee of the state, or persons acting on their behalf, except with respect to records exempted pursuant to this section or specifically made confidential by this Constitution. This section specifically includes the legislative, executive, and judicial branches of government and each agency or department created thereunder; counties, municipalities, and districts; and each constitutional officer, board, and commission, or entity created pursuant to law or this Constitution.

In addition to the Florida Constitution, the Public Records Law<sup>1</sup> specifies conditions under which public access must be provided to governmental records of the executive branch and other governmental agencies. The term “public records” has been defined by the Legislature in s. 119.011(1), F.S., to include:

all documents, papers, letters, maps, books, tapes, photographs, films, noise recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of the official business by any agency.

This definition of “public records” has been interpreted by the Florida Supreme Court to include all materials made or received by an agency in connection with official business which are used to perpetuate, communicate, or formalize knowledge<sup>2</sup>. Unless these materials have been made exempt by the Legislature, they are open for public inspection, regardless of whether they are in final form<sup>3</sup>.

The State Constitution permits exemptions to open government requirements and establishes the means by which these exemptions are to be established. Under Article I, s. 24(c) of the State Constitution, the Legislature may provide by general law for the exemption of records provided that: (1) the law creating the exemption states with specificity the public necessity justifying the exemption; and (2) the exemption is no broader than necessary to accomplish the stated purpose of the law. A law creating an exemption is permitted to contain only exemptions to public records or meetings requirements and must relate to one subject.

### **Open Government Sunset Review Act**

The Open Government Sunset Review Act of 1995, s. 119.15, F.S., establishes a review and repeal process for exemptions to public records or meetings requirements. In the fifth year after enactment of a new exemption or the substantial amendment of an existing exemption, the exemption is repealed on October 2 of the fifth year, unless the Legislature acts to re-enact the exemption. Section 119.15(3)(a), F.S., requires a law that enacts a new exemption or substantially amends an existing exemption to state that the exemption is repealed at the end of five years and that the exemption must be reviewed by the Legislature before the scheduled

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<sup>1</sup>Chapter 119, F.S.

<sup>2</sup>(*Shevin v. Byron, Harless, Schaffer, Reid, and Associates, Inc.*, 379 So.2d 633, 640 (Fla. 1980))

<sup>3</sup>(*Wait v. Florida Power & Light Co.*, 372 So.2d 420 (Fla. 1979)).

repeal date. An “exemption is substantially amended if the amendment expands the scope of the exemption to include more records or information or to include meetings as well as records. An exemption is not substantially amended if the amendment narrows the scope of the exemption”.<sup>4</sup>

In the year before the repeal of an exemption, the Division of Statutory Revision is required to certify to the President of the Senate and the Speaker of the House of Representatives each exemption scheduled for repeal the following year which meets the criteria of an exemption as defined in the section. Any exemption that is not identified and certified is not subject to legislative review and repeal under the Open Government Sunset Review Act. If the division fails to certify an exemption that it subsequently determines should have been certified, it must include the exemption in the following year’s certification after that determination.

Section 119.15(2), F.S., states that an exemption is to be maintained only if:

- The exempted record or meeting is of a sensitive, personal nature concerning individuals;
- The exemption is necessary for the effective and efficient administration of a governmental program; or
- The exemption affects confidential information concerning an entity.

Section 119.15(4)(a), F.S., requires, as part of the review process, the consideration of the following specific questions:

- What specific records or meetings are affected by the exemption?
- Whom does the exemption uniquely affect, as opposed to the general public?
- What is the identifiable public purpose or goal of the exemption?
- Can the information contained in the records or discussed in the meeting be readily obtained by alternative means? If so, how?

Section 119.15(4)(b), F.S., provides that an exemption may be created or maintained only if it serves an identifiable public purpose and may be no broader than is necessary to meet the public purpose it serves. An identifiable public purpose is served if the exemption meets one of the following purposes and the Legislature finds that the purpose is sufficiently compelling to override the strong public policy of open government and cannot be accomplished without the exemption:

- The exemption allows the state or its political subdivisions to effectively and efficiently administer a governmental program, which administration would be significantly impaired without the exemption;
- The exemption protects information of a sensitive personal nature concerning individuals, the release of which information would be defamatory to such individuals or cause unwarranted damage to the good name or reputation of such individuals or would jeopardize the safety of such individuals. However, in exemptions under this provision, only information that would identify the individuals may be exempted; or

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<sup>4</sup>Section 119.15(3)(b), F.S.

- The exemption protects information of a confidential nature concerning entities, including, but not limited to, a formula, pattern, device, combination of devices, or compilation of information which is used to protect or further a business advantage over those who do not know or use it, the disclosure of which information would injure the affected entity in the marketplace.

Under s. 119.15(4)(e), F.S., notwithstanding s. 768.28, F.S., or any other law, neither the state or its political subdivisions nor any other public body shall be made party to any suit in any court or incur any liability for the repeal or revival and re-enactment of an exemption under the section. The failure of the Legislature to comply strictly with the section does not invalidate an otherwise valid re-enactment. Further, one session of the Legislature may not bind a future Legislature. As a result, a new session of the Legislature could preserve an exemption that does not meet the explicit standards set forth in the Open Government Sunset Review Act of 1995, so long as the requirements of Art. I, s. 24 of the State Constitution are not violated.

## **Confidentiality of Economic Development Records**

### **Economic Development Agencies**

In 1977, the Legislature provided a public records exemption for records of the Division of Economic Development of the Florida Department of Commerce<sup>5</sup> which contain information concerning the plans of a corporation to locate, relocate, or expand any of its business activities in this state (s. 1, ch. 77-75, L.O.F.). Since enacting the exemption, which was codified in s. 288.075, F.S., the Legislature has made a number of substantive and technical revisions to its wording while retaining the basic concept of affording confidentiality to certain economic development records. Today, s. 288.075, F.S., provides that:

Upon written request from a private corporation, partnership, or person, records of an economic development agency which contain or would provide information concerning plans, intentions, or interests of such private corporation, partnership, or person to locate, relocate, or expand any of its business activities in this state are confidential and exempt from s. 119.07(1) and s. 24(a), Art. I of the State Constitution for 24 months after the date an economic development agency receives a request for confidentiality or until disclosed by an economic development agency pursuant to subsection (4) or by the party requesting confidentiality under this section.<sup>6</sup>

The public records exemption rests with an “economic development agency,” which is defined under s. 288.075(1), F.S., as including:

- the Office of Tourism, Trade, and Economic Development (OTTED);
- any industrial development authority created in accordance with part III of ch. 159, F.S., or by special law;

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<sup>5</sup> The Department of Commerce was dissolved in 1996, and comparable functions performed by the department were assigned to public-private partnerships, including Enterprise Florida, Inc., and the Florida Commission on Tourism (ch. 96-320, L.O.F.).

<sup>6</sup>Section 288.075(2), F.S.

- the public economic development agency that advises the county commission on issuance of industrial revenue bonds of a county that does not have an industrial development authority;
- any research and development authority created under part V of ch. 159, F.S.;
- the Spaceport Florida Authority; or
- any private agency, person, partnership, corporation, or business entity when authorized by the state, a municipality, or a county to promote the general business interests or industrial interests of the state or that municipality or county.

Under s. 288.075(4), F.S., a “public officer or employee may not enter into a binding agreement with any corporation, partnership, or person who has requested confidentiality of information pursuant to this section, until 90 days after such information is made public.” In addition, the confidentiality provided by this public records exemption does not apply if a party petitions a court and proves the need for access to the documents.<sup>7</sup>

### **Confidentiality Important to Businesses**

The public records exemption provided under s. 288.075, F.S., was reviewed by the Legislature during the 2000-2001 interim.<sup>8</sup> The report found that in working with and assisting a company that is considering relocating or expanding in a Florida community, an economic development agency is exposed to a wide variety of information related to the company’s plans and needs, such as, for example, the company’s facility or real estate requirements, the anticipated number of employees and the likely salaries for such employees, the projected capital investment associated with the expansion or relocation, and, in some cases, details relating to product information or business processes. Economic development professionals responding to surveys associated with the Open Government Sunset Review of s. 288.075(2), F.S., report that businesses engaged in site-selection processes place a premium on confidentiality for their plans. Among the explanations respondents provided for why such confidentiality is important to a relocating or expanding business are that:

- competitor businesses could use the information to their advantage in the marketplace and at a minimum would be exposed to the strategic plans of the business;
- release of relocation plans could cause employees of the business to leave the organization in the face of uncertainty, making it difficult for the business to meet existing workforce needs;
- the business could experience inflated real estate prices as a result of speculation by those hoping to sell property to the business;
- firms in the prospect community may inundate the company with inquiries and information in hopes of securing business with it;
- corporate officers may wish to explore and analyze options before presenting them to the board of directors, and premature release of information could resonate in the financial markets; and

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<sup>7</sup>Section 288.075(2), F.S.

<sup>8</sup>See Florida Senate Interim Project Report No. 2001-030, *Review of Public Records Exemption Relating to Economic Development Agencies*, November 2000.

- the business ultimately may elect not to expand or relocate, and the release of information concerning its exploration of sites could create false expectations.

Economic development professionals maintained that, because confidentiality during the site-selection process is important to relocating or expanding businesses, Florida would be at a competitive disadvantage vis-à-vis other states if it did not have a public records exemption for information held by economic development agencies. One respondent suggested that lack of an exemption might not cause a business to disregard Florida as a potential site, but it could cause such a business to minimize contact with state or local economic development organizations for assistance and information that ultimately might be influential in the site-selection decision.<sup>9</sup>

### **Analysis of Public Purpose**

The Open Government Sunset Review Act prescribes that a public records exemption may be maintained only if it serves an identifiable public purpose, and the statute provides conditions supporting a public-purpose finding. Based upon the input from economic development professionals, the report found that the exemption contained in s. 288.075(2), F.S., satisfies two of these conditions.

First, the exemption allows the state and its political subdivisions to effectively and efficiently administer a governmental program, which administration would be hampered without the exemption.<sup>10</sup> The majority of state and local economic development organizations responding to a survey associated with this Open Government Sunset Review reported that their ability to conduct business recruitment and expansion activities on behalf of the state and its localities would be significantly impaired without the exemption. The exemption contributes to the exchange of information between a business and the economic development agency as the business evaluates alternative sites for its activities and as the agency markets a community's attractiveness as a site.

Secondly, the exemption protects confidential information concerning entities, disclosure of which would result in injury to the entity in the marketplace.<sup>11</sup> During the site-selection process, a prospect company may share with an economic development agency not only information on general business plans, such as interest in moving from one state to another, but also detailed information relating to employment and salaries, capital investment, marketing strategies, product lines, and business processes that may have a bearing on its particular location needs. Release of such details would create an information advantage for competitor businesses in the marketplace, which could use the information, for example, to alter their own business strategies.

When the Legislature substantially revised the public records exemption in 1995, it included a statement of public necessity consistent with these two public purposes. Specifically, the Legislature found that:

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<sup>9</sup>Florida Senate Interim Project Report No. 2001-030, p. 4.

<sup>10</sup>Section 119.15(4)(b)1., F.S.

<sup>11</sup>Section 119.15(4)(b)3., F.S.

[p]rotection of such information is necessary to prevent harm to the competitive position of companies that are contemplating a relocation or expansion into this state by the release of sensitive information concerning their operations or finances. The fear of untimely release of such information could make such companies reluctant to contact representatives of economic development agencies and, consequently, impair the public benefits from economic development activities.<sup>12</sup>

## Concerns Raised on Elements of Exemption

### Definition of “Economic Development Agency”

In 1995, the definition of “economic development agency” under s. 288.075(1), F.S., was broadened to include private entities authorized by the state, a municipality, or a county to promote the business interests of such governmental unit.<sup>13</sup> The revision reflected the reliance by many local governments on private economic development organizations, such as not-for-profit chambers of commerce or similar corporations, to carry out marketing and recruitment efforts on behalf of the communities. Questions had arisen over whether a private organization was acting on behalf of the public agency in such a manner that its records and information pertaining to company locations and expansions would be subject to disclosure.<sup>14</sup> With the revised definition, the confidentiality provided under s. 288.075, F.S., applies, among other organizations, to Enterprise Florida, Inc., which is the statutorily authorized not-for-profit corporation that serves as the state’s principal economic development organization, to OTTED, and to local not-for-profit economic development organizations serving as the principal business development entity for their respective communities.

Some survey respondents noted that, although the public records exemption applies to the statewide economic development organizations and certain private economic development organizations, the exemption does not cover local government employees carrying out similar activities (except the public agency that provides advice on industrial revenue bonds in certain counties). Consequently, the business location or expansion records of an economic development office in a city or county that conducts its own business expansion and recruitment activities – rather than utilizing a private economic development organization – are subject to disclosure, potentially placing such community at a disadvantage in dealing with business prospects. In addition, for a local government economic development office that does partner with a private economic development organization, the lack of coverage by the exemption could complicate the exchange of information between the two organizations. It was suggested by some survey respondents that the Legislature consider broadening the definition of “economic development

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<sup>12</sup>Section 2, ch. 95-378, L.O.F.; Florida Senate Interim Project Report No. 2001-030, p. 5.

<sup>13</sup>Section 1, ch. 95-378, L.O.F.

<sup>14</sup>Florida laws relating to Government in the Sunshine have “been held to apply to private entities created by law or by public agencies, and also to private entities providing services to governmental agencies and acting on behalf of those agencies in the performance of their public duties” (Office of the Attorney General/First Amendment Foundation, *Government-In-The-Sunshine Manual*, 2000 Edition, p. 4.). For purposes of Florida’s public records law, an agency includes a private corporation or entity that is “acting on behalf of” a public agency (s. 119.011(2), F.S.). In interpreting this definition, the Florida Supreme Court has adopted a totality of factors approach, which considers a variety of factors, including, but not limited to, how much public money the private organization receives and the degree of control the government has over the organization. (*See, e.g., News and Sun-Sentinel v. Schwab, et al.*, 596 So.2d 1029 (Fla. 1992)).

agency” under s. 288.075(1), F.S., to include local government employees directly involved in economic development activities.<sup>15</sup>

### **Prohibition on Binding Agreements**

The Office of Tourism, Trade, and Economic Development, as well as some other economic development organizations responding to a survey for this Open Government Sunset Review, raised concerns about the portion of the public records exemption which prohibits a public officer or employee from entering into a binding agreement with a business that has requested confidentiality under the statute – until 90 days after the confidential information is made public.<sup>16</sup>

Prior to 1995, this prohibition applied to a public officer or employee “*acting in his individual capacity . . . when such public officer or employee has knowledge*” that information concerning such business is confidential (*emphasis added*).<sup>17</sup> When the revisions to the definition of “economic development agency” were adopted in 1995, the Legislature also revised this provision regarding a public officer’s ability to enter into an agreement with a locating business in his individual capacity. Among other changes, the Legislature deleted from the statute the language “acting in his individual capacity” and “when such public officer or employee has knowledge.”<sup>18</sup> As a result, under the provision as currently written, a public officer is prohibited from entering into any binding agreement with a corporation that is considering relocating to Florida until 90 days after the disclosure of any information relative to the relocation that is being kept confidential by an economic development agency.

The Office of Tourism, Trade, and Economic Development has noted that there may be circumstances, however, in which the state or a local government needs to enter into an agreement with a relocating business that has requested confidentiality and still maintain the confidentiality. For example, prior to the formal announcement of that company’s decision to locate in Florida, the business may need to enter into an agreement with a local government establishing performance standards as a condition for the award of local incentives. The report concluded that the Legislature may wish to consider statutory language that would give governments flexibility to work with businesses while also ensuring that public officers do not benefit personally from such information, and that would establish limited circumstances under which a public officer or employee could enter into an agreement with a prospective business.<sup>19</sup>

### **Time Period of Confidentiality**

Currently, the confidentiality for economic development records under s. 288.075(2), F.S., exists for 24 months or until the information is disclosed by the economic development agency or the business requesting confidentiality. The Office of Tourism, Trade, and Economic Development reports that there may be circumstances in which a business’s site-selection process continues for

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<sup>15</sup>Florida Senate Interim Project Report No. 2001-030, p. 6.

<sup>16</sup>Section 288.075(4), F.S.

<sup>17</sup>Section 288.075(4), F.S. (1993).

<sup>18</sup>Section 1, ch. 95-378, L.O.F. It appears that the pre-1995 language – by referring to the individual capacity of a public officer – may have been designed to prevent a public official from benefiting personally from an agreement entered into on the basis of “inside” or confidential information about an expanding or relocating company.

<sup>19</sup>Florida Senate Interim Project Report No. 2001-030, p. 7.



a period longer than 24 months. Consequently, an economic development agency may exchange information with a business for a longer period as well. The Office of Tourism, Trade, and Economic Development has recommended that the exemption be revised to allow for renewal or extension of the 24-month period if the business has not made a location decision and the economic development project remains in an active status.

A few economic development professionals responding to surveys also noted that the Legislature may wish to consider providing a longer period of confidentiality in the case of trade secret or proprietary information. Currently s. 288.1066, F.S., protects certain trade secrets shared by businesses as part of the Qualified Defense Contractor (QDC) and Qualified Target Industry (QTI) tax refund programs for up to 10 years. However, if a business provided trade secret information as part of its initial inquiries about locating or expanding in Florida and did not apply for the QDC or QTI programs, the period of confidentiality under s. 288.075, F.S., would be 24 months. The QDC and QTI public records exemption uses the definition provided in s. 812.081(1)(c), F.S., which describes a trade secret as “the whole or any portion or phase of any formula, pattern, device, combination of devices, or compilation of information which is for use, or is used, in the operation of a business and which provides the business an advantage, or an opportunity to obtain an advantage, over those who do not know or use it.”<sup>20</sup>

### **Conclusion**

The report recommended re-enactment of the public records exemption under s. 288.075, F.S. In addition, the report recommended that the Legislature revise the exemption: to include local government employees who are directly involved in business recruitment and expansion activities within the definition of the term “economic development agency”; to allow confidentiality to be maintained for a period longer than 24 months in the case of trade secret information, or in the case of other information if it can be shown that a business legitimately is still considering locating, relocating, or expanding activities in this state; and to clarify the prohibition against a public officer or employee entering into a binding agreement with a business until 90 days after disclosure of the exempt information, by allowing such agreements under specified conditions.<sup>21</sup>

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

This bill abrogates the October 2, 2001, repeal of a public records exemption for the records of an economic development agency that contain or would provide information on the plans or intentions of a business to locate, relocate, or expand its activities in this state. The bill also amends the confidentiality provisions of s. 288.075, F.S., in several respects:

- The bills broadens the definition of “economic development agency” to include any county or municipal economic development office, rather than being limited to a public economic development agency that advises the county commission on the issuance of industrial revenue bonds. With the broader definition, confidentiality would apply to the

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<sup>20</sup> See Florida Senate Interim Project Report No. 2001-030, pp. 7-8.

<sup>21</sup> Florida Senate Interim Project Report No. 2001-030, p. 8.

records of a local government economic development office that works with businesses as they evaluate site-selection options in the community.

- The bill creates an exception to the current prohibition against a public officer or employee entering into a binding agreement with a business that has requested confidentiality, until 90 days after the information is made public. Under the bill, such an agreement would be permissible if the agreement is executed in the officer's or employee's official capacity, does not accrue to the personal benefit of the officer or employee, and is necessary to effectuate an economic development project.
- The bill authorizes an economic development agency to extend the 24-month period of confidentiality for up to an additional 12 months if it finds that the business is still engaged in its site-selection process.
- The bill provides a 10-year period of confidentiality for trade secret information, as defined in s. 812.081, F.S., that an economic development agency obtains while working with a locating, relocating, or expanding business.
- Because the public records exemption is expanded, the bill specifies that the exemption is repealed on October 2, 2006, unless re-enacted after review by the Legislature under the Open Government Sunset Review Act. In addition, under current law, the 24-month confidentiality provided under s. 288.075(2), F.S., does not apply if a party successfully petitions a court that the documents are needed. This bill clarifies that this exception applies to any confidentiality provided by s. 288.075, F.S., thus capturing the expanded confidentiality addressed by the bill.
- The bill includes a legislative statement of public necessity for the changes to the public records exemption.

The bill provides an effective date of October 1, 2001.

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

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

None.

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

The Florida Constitution does not require the repeal, review, or reenactment of exemptions; the Open Government Sunset Review Act does. As the act is a statutory provision created by the Legislature, and as one Legislature cannot bind another, the requirements of s. 119.15, F.S., do not have to be met. Nevertheless, because the exemption contains language that repeals the exemption as of October 2, 2001, the exemption will repeal unless the Legislature reenacts the exemption.

If in reenacting the exemption, the exemption is expanded (thereby essentially creating a new exemption), then a statement of public necessity is required as a result of s. 24(a), Art. I of the State Constitution.

This bill abrogates the scheduled repeal of an existing public records exemption. It also expands the exemption to make other information confidential and exempt. A statement of public necessity is provided in the bill due to the expansion of the exemption.

**C. Trust Funds Restrictions:**

None.

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

**A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

By protecting sensitive business information, the public records exemption addressed by this bill may help prevent private firms that are working with state and local economic development organizations from being injured in the marketplace through the disclosure of insights about the businesses' strategies and finances to competitors. In addition, to the extent the public records exemption makes business prospects more willing to interact with economic development organizations, it may help facilitate the site-selection process to the potential benefit of the business and the community in which the business ultimately locates.

**C. Government Sector Impact:**

State and local economic development organizations are responsible for maintaining the security of records generated through their work with businesses that are considering locating, relocating, or expanding their activities in Florida and that request confidentiality of information about their plans under s. 288.075, F.S. The administrative costs associated with maintaining such confidentiality are estimated to be insignificant.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

For related information on the public records exemption addressed by this bill, see Florida Senate Interim Project Report No. 2001-030, November 2000.

**VIII. Amendments:**

Amendment #1 by Governmental Oversight & Productivity:  
Includes Florida Commercial Space Finance Corporation within the definition of "economic development agency."

Amendment #2 by Governmental Oversight & Productivity:

Modifies the statement of public necessity to state why financial records received by the Florida Commercial Space Finance Corporation should be made exempt from public records requirements.

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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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