

# 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 2428

SPONSOR: Commerce and Economic Opportunities Committee and Senator Holzendorf

SUBJECT: Economically Distressed Communities

DATE: March 7, 2002                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cibula	Maclure	CM	Favorable/CS
2.	_____	_____	CA	_____
3.	_____	_____	AGG	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

The committee substitute increases the number of members on the board of directors of Enterprise Florida, Inc. (EFI), by requiring the addition of a representative from an urban economic or community development organization and a representative from a rural economic or community development organization. The additional representatives shall be appointed by the Governor. EFI is required to create a programmatic unit for economically distressed communities and to establish at least seven regions around the state to facilitate services to economically distressed communities. Each region will have a regional representative who is an EFI staff member to serve as a liaison between that region and EFI.

This committee substitute substantially amends the following sections of the Florida Statutes: 288.901 and 288.9015. The committee substitute also creates an unnumbered section of the Florida Statutes.

## II. Present Situation:

### Enterprise Florida, Inc.

Enterprise Florida, Inc., (EFI) is a public-private partnership and is the principal economic development organization for the state. EFI is responsible to provide leadership for business development in Florida by aggressively establishing a unified approach to Florida's efforts of international trade and reverse investment; by aggressively marketing the state as a probusiness location for potential new investment; and by aggressively assisting in the retention and expansion of existing businesses and the creation of new businesses. s. 288.9015(1), F.S. It is also EFI's responsibility to aggressively market Florida's rural communities and distressed urban communities as locations for potential new investment, to aggressively assist in the retention and

expansion of existing businesses in these communities, and to aggressively assist these communities in the identification and development of new economic development opportunities for job creation, fully marketing state incentive programs such as the Qualified Target Industry Tax Refund Program and the Quick Action Closing Fund. s. 288.9015(2), F.S. EFI is funded under a performance-based contract with the Office of Tourism, Trade, and Economic Development. s. 288.90151(6), F.S.,

### **EFI Board of Directors**

The EFI board of directors is comprised of the following members:

- the Governor or the Governor's designee;
- the Commissioner of Education or the commissioner's designee;
- the Secretary of Labor and Employment or the secretary's designee;
- a member of the Senate;
- a member of the House of Representatives;
- the chairperson of the board of Workforce Florida, Inc.;
- six private sector members appointed by the Governor;
- three private sector members appointed by the President of the Senate;
- three private sector members appointed by the Speaker of the House of Representatives;
- the Secretary of State or the secretary's designee; and
- an unspecified number of at-large members appointed by the members of the EFI board.

Section 288.901(3) and (11), F.S.

The private sector members must include seven individuals experienced in international business with expertise in finance, law, and manufacturing. *Id.* Under the current structure of the board of directors, the board may also include representatives from urban or rural economic or community development organizations; however, there are no dedicated positions. According to EFI, it has 36 members on its board of directors. (See [http://www.eflorida.com/all\\_about.html](http://www.eflorida.com/all_about.html).)

The EFI board is responsible for annually developing a strategic plan containing measurable performance standards for the economic development of the state. s. 288.905, F.S. The board is also required to coordinate with local and regional economic development organizations. s. 288.905(5), F.S.

### **OPPAGA Report**

The Office of Program Policy Analysis and Government Accountability (OPPAGA) recently issued a report of its review and evaluation of Enterprise Florida, Inc.<sup>1</sup> The report concluded that EFI has met its standards for helping to create and retain jobs in urban distressed areas, but the link between its strategies and job creation in these areas is questionable.<sup>2</sup> The report also

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<sup>1</sup> Office of Program Policy Analysis and Government Accountability, *Concerns Over Enterprise Florida's Performance, Services to Distressed Areas Point to a Need to Consider Several Alternatives for its Future Role*, "Profile No. 01-62," December 2001.

<sup>2</sup> *Supra*, Note 1, at p.6

concluded that EFI met its standards for helping to create and retain jobs in rural distressed areas, but some rural economic development organizations want certain types of assistance not provided by EFI.<sup>3</sup>

### **Customer Satisfaction Survey**

Annually, EFI is required to report on the results of a customer-satisfaction survey of businesses served, and of local economic development organizations. s. 288.90151(7) and (8), F.S. The most recent survey results from local economic development organizations found that 81.6 percent were aware of EFI's services for urban core areas and 83.8 percent were aware of EFI's services for rural areas. Of the local economic development organizations that used EFI's services for urban core areas, 54.5 percent felt that the service was useful or very useful. One hundred percent of the local economic development organizations using EFI's services for rural areas felt that the service was useful or very useful. Survey results from businesses served by EFI found that 21.3 percent were aware of EFI's services for urban core areas and 24.4 percent were aware of EFI's services for rural areas. Of the businesses using EFI's services for urban core areas, 33.3 percent felt that the service was useful or very useful. One hundred percent of the businesses using EFI's services for rural areas felt that the services were useful or very useful. Ernst & Young, LLP, *2001 Customer Satisfaction Survey Results for Enterprise Florida, Inc.*, pp. 6-7, August 10, 2001.

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

The committee substitute increases the number of members on the board of directors of Enterprise Florida, Inc. (EFI), by requiring the addition of a representative from an urban economic or community development organization and a representative from a rural economic or community development organization. The additional representatives shall be appointed by the Governor. EFI is required to create a programmatic unit for economically distressed communities and to establish at least seven regions around the state to facilitate services to economically distressed communities. Each region will have a regional representative who is an EFI staff member to serve as a liaison between that region and EFI.

**Section 1** of the committee substitute increases the number of members on the Enterprise Florida, Inc., board of directors by requiring the addition of a local or regional economic development or community development organization serving urban economically distressed communities and a representative of a local or regional economic development or community development organization serving rural economically distressed areas. The additional representatives shall be appointed by the Governor.

**Section 2** clarifies that EFI should target economically distressed urban communities. EFI is also directed not only to market, but also to facilitate the use of incentives for economic development offered by the state, including the high-impact performance grants and contracts for transportation projects.

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<sup>3</sup> *Supra*, Note 1, at p. 8

**Section 3** of the committee substitute directs EFI to implement a comprehensive program of activities designed specifically to facilitate economic development in economically distressed areas. In accordance with that instruction, criteria for economically distressed communities is provided, and EFI is required to create a programmatic unit for economically distressed communities and to establish at least seven regions around the state to facilitate services to economically distressed communities.

Economically Distressed Communities Programmatic Unit. The committee substitute requires EFI to establish a programmatic unit, dedicated to facilitating business formation and business expansion in, as well as business relocation to, economically distressed communities.

Economically Distressed Community Regions. The committee substitute requires EFI to establish at least seven regions around the state assigned to a regional representative who is a member of EFI's staff to serve as liaison between EFI and a region. The duties of regional representatives include: coordinating with economic development and community development organizations serving economically distressed communities; providing information about potential locations for business development within economically distressed communities; and assisting existing businesses in economically distressed communities to sustain or expand their operations.

Indicia of Economically Distressed Communities. The committee substitute provides that the indicia of an economically distressed community include: few state economic development projects; relatively slow job growth; many abandoned business properties; relatively high rate of unemployment or underemployment; and the area is not targeted for revitalization under a state or federal program or the area has not experienced marked revitalization under such a program.

EFI Responsibilities. To improve economically distressed communities, this committee substitute requires EFI to:

- promote the services offered by regional representatives;
- identify and market properties suitable for economic development;
- work with Workforce Florida, Inc., and the Agency for Workforce Innovation to enhance labor skills;
- market and use all economic development incentives available; and
- coordinate with other agencies to maximize the availability of economic opportunities.

*Reporting and Feedback to Legislature.* EFI is required to include in its annual report feedback on the success or failure of its use of regional representative and recommend whether the use of regional representatives should be expanded. EFI must include in its annual report a discussion of whether it achieved the performance measures directed to be created in this committee substitute. EFI is further required to recommend revisions to existing incentive programs, but these recommendations are not required to be in EFI's annual report.

*Performance Measures.* EFI is required to consult with OPPAGA to develop performance measures to assess the changes in economic activity in economically distressed areas as the result of EFI's activities required by this committee substitute.

**Section 4** provides that the committee substitute takes effect on July 1, 2002.

**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:

EFI's regional representatives may be a single point of contact for businesses in economically distressed communities. More information may be available regarding economic development incentives and properties suitable for economic development to businesses considering relocating to, or expanding in, economically distressed communities.

C. Government Sector Impact:

EFI may incur expenses to restructure itself in compliance with the committee substitute. Since this committee substitute requires EFI to devote more of its efforts toward economically distressed communities, EFI may have to focus less on economic development in other areas of the state without additional resources.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.