

# 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: SR 3092

SPONSOR: Senator Miller

SUBJECT: SouthEast Crescent Authority

DATE: April 9, 2004

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Kruse</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>RC</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

Senate Resolution 3092 provides that the Florida Senate supports the creation of the SouthEast Crescent Authority, or a similar regional entity, as reflected in pending Congressional legislation, in order to reduce economic distress in the Southeast region.

The resolution states that the Senate pledges to strengthen efforts in sharing information and to ensure that the full participation of all residents of this region in the workforce remains a priority.

## II. Present Situation:

The southern region of the United States was the subject of a recent study, released by the Carl Vinson Institute of Government at the University of Georgia, which researched whether this region suffers economic hardship because of persistent poverty and the lack of service from existing regional economic assistance entities such as the Appalachian Regional Commission (ARC) or the Delta Regional Authority (DRA). The study concluded that this region is the poorest of all regions in the country, and should be serviced by a new federal initiative to address the problems of this region.<sup>1</sup>

The study found that there are 242 counties with persistent poverty that are not serviced by an existing federal entity, and designated this group as the Southeast Region of persistent poverty.<sup>2</sup> The study defined poverty as a single person living alone with an income less than

<sup>1</sup> Carl Vinson Institute of Government, "Dismantling Persistent Poverty in the Southeastern United States" (July 2002), at 5, available at <http://www.cviog.uga.edu/poverty/> (last visited April 7, 2004).

<sup>2</sup> Florida has 26 counties in the Southeast Region, including: Alachua, Baker, Bay, Bradford, Calhoun, Columbia, Dixie, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Holmes, Jackson, Jefferson, Lafayette, Leon, Levy, Liberty, Madison, Putnam, Suwannee, Taylor, Union, Walton, and Washington.

\$8,667 in 1999, or a family of four with a 1999 income less than \$17,029. A poor county was defined as a county in which a high percentage of residents remain in poverty over a long period of time, which for the study was from 1980 to 2000.<sup>3</sup> The study found that the 7.5 million residents of this region bear the burden of the nation's persistent poverty in areas such as education, health, employment, and housing.<sup>4</sup> The study also found that the Southeast region is in dire economic straits and lags behind the other counties served by the ARC and DRA.

Among other things, the study found that the proposed region:

- Is economically disadvantaged as compared with the other two regions in seven of nine industry sectors when measured by the production of goods and service per person in the region;
- Has a lower output of goods and services than either the ARC or DRA counties. The study found that low output per worker is correlated with lower compensation per worker;
- Relies on the service sector for the greatest employment (as is the case in the ARC and DRA) but is much less competitive than the other regions in this sector. As a result, the service sector represents a smaller portion of the economy; and
- Has an average household income that is about \$2,000 less per person than the ARC or DRA counties. Because less of this income comes from wages or self-employment, residents rely on other sources of revenue support such as transfer payments or other forms of government assistance.<sup>5</sup>

In its review of the region's economy, the study concluded that the "economy of the rural South is at risk because it lacks an able workforce and the tools with which to build wealth. This situation will continue to worsen unless and until the region gains the innate ability to produce and sustain wealth through the creation of goods and services in manufacturing, service, and/or agriculture."<sup>6</sup>

The study found that the Appalachian Regional Commission (ARC) has been successful in decreasing the number of distressed counties largely because of sustained investment in local infrastructure (non-highway) projects over several decades. The study noted that a "complement of local organizations, regional councils of government, and individuals is poised to effect comparable change in the Southeast Region."<sup>7</sup>

The study found that given the unique qualities of the Southeast Region, critical gaps remain to be addressed in education, health, housing, transportation, technology, and sewer and water infrastructure. The study concluded that a federal commission established for the Southeast Region, similar to the ARC, is critical if persistent poverty in this region is ever to be addressed effectively.<sup>8</sup>

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<sup>3</sup> Carl Vinson Institute of Government, *supra* note 1, at 5.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 8.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 11.

<sup>8</sup> *Id.* at 16.

### **SouthEast Crescent Authority**

In 2003, legislation was introduced in the U.S. House of Representatives (HR 141) by Congressman Mike McIntyre (NC) to establish the SouthEast Crescent Authority (SECA).

Provisions in HR 141 would establish the national commission comprised of governors from the seven states to be appointed by the President and confirmed by the Senate. Funding is proposed at \$40 million annually for 5-years and then subject to reauthorization. The bill is pending in House Transportation and Infrastructure Committee; it passed unanimously out of the subcommittee on Economic Development Public Buildings and Emergency Management. The bill is also referred to the House Financial Services, Subcommittee on Domestic and International Monetary Policy, Trade, and Technology. ... Similar, but not identical legislation was introduced in the U.S. Senate (S 527) by Senator Zell Miller (GA). The Senate Bill calls for funding at \$20 million annually. The bill has been read twice and referred to the Senate Environment and Public Works Committee.<sup>9</sup>

The Southern Governor's Association approved a resolution on August 19, 2003, in support of the creation of SECA.<sup>10</sup>

The Florida Legislative Committee on Intergovernmental Relations (LCIR) recommended that the state assist and promote the development of SECA, noting that five multi-state entities have been formed, leaving the southeast region the only region without such an entity. The LCIR found that revitalization "successes have occurred in areas of these regions with historically the most pervasive poverty and unemployment rates, which had previously failed to benefit from traditional economic development and revitalization policies. These efforts were achieved by directing federal aid toward projects in those regions, which enabled them to leverage significant levels of federal, state, and local funds."<sup>11</sup>

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

The resolution provides that:

- the Florida Senate supports the creation of the SouthEast Crescent Authority, or a similar regional entity, as reflected in pending Congressional legislation; and
- the Senate pledges to strengthen efforts in sharing information and to ensure that the full participation of all residents of this region in the workforce remains a priority.

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<sup>9</sup> Legislative Committee on Intergovernmental Relations (LCIR), "Summary of Interim Project on Urban Revitalization in Florida" (February 16, 2004), at 12, *available at* <http://fcn.state.fl.us/lcir/agenda/feb1604urbanrevitalization.pdf> (last visited April 8, 2004).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 15.

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

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

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

None.

## C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.