

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 1103 Regional Rural Development Grants

SPONSOR(S): Commerce Committee; Transportation & Tourism Appropriations Subcommittee; Albritton

TIED BILLS: IDEN./SIM. **BILLS:** CS/SB 1646

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Agriculture & Property Rights Subcommittee	12 Y, 0 N	Thompson	Smith
2) Transportation & Tourism Appropriations Subcommittee	12 Y, 0 N, As CS	Banner	Davis
3) Commerce Committee	24 Y, 0 N, As CS	Thompson	Hamon

SUMMARY ANALYSIS

Florida has enacted a number of economic development programs in rural areas. Two such programs include the Regional Rural Development Grants Program and the Rural Infrastructure Fund. The Regional Rural Development Grants Program is a state matching grant program established to provide funding to build the professional capacity of regional economic development organizations. The Rural Infrastructure Fund assists units of local government with the planning, preparing, and financing of infrastructure projects that encourage job creation and capital investment.

The bill makes the following modifications to the Regional Rural Development Grants Program:

- Increases the maximum grant amount that can be received by a regional economic development organization serving a rural area of opportunity from \$150,000 to \$250,000;
- Revises the match requirement from an equal amount to a 25 percent annual match;
- Clarifies how grants may be used to build the professional capacity of regional economic development organizations;
- Authorizes grants to be used by an organization to provide technical assistance to local governments;
- Removes the authorization that the Department of Economic Opportunity (DEO) contract for the development of an enterprise zone web portal or website; and
- Authorizes DEO to establish a "Florida Site Readiness Program" or "ReadySites."

The bill makes the following modifications to the Rural Infrastructure Fund:

- Removes the requirement that total project grants be up to 40 percent of the total cost for catalyst site projects;
- Increases the maximum amount that DEO may award for projects that are not located on designated catalyst sites from 30 percent to 50 percent;
- Expands eligible projects and uses to include broadband Internet service and requires they be conducted through partnerships with dealers of communication services, established by a publicly noticed and competitively selected process; and
- Removes a reference to projects located in an enterprise zone as it relates to DEO's application and funding reevaluation and review requirements.

In addition, the bill creates contract/agreement requirements for both the Regional Rural Development Grants Program and the Rural Infrastructure Fund. Contracts/agreements involving the expenditure of grant funds are to be placed on the regional economic development organization's or DEO's website, respectively, for review 14 days before execution. The bill requires the contracts/agreements to include the purpose, performance standards, budget, value of services, and travel and entertainment expenses.

The fiscal impact of the bill is indeterminate but likely insignificant on DEO's workload and can be absorbed within existing department resources. See the Fiscal Analysis and Economic Impact Statement for discussion.

The effective date of the bill is July 1, 2018.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Regional Rural Development Grants Program

The Regional Rural Development Grants Program is a state matching grant program established to provide funding to build the professional capacity of regional economic development organizations.¹ Grants may also be used by an economic development organization to provide technical assistance to businesses within the rural counties and communities that it serves.²

The Department of Economic Opportunity (DEO) is authorized to approve, on an annual basis, grants to regionally based economic development organizations.³ To be approved, the applying organization must need assistance and provide to DEO:

- Documentation of official commitments of support from each local government represented by the regional organization;
- Demonstration that each local government has made a financial or in-kind commitment to the regional organization;
- Demonstration that the private sector has made financial or in-kind commitments to the regional organization;
- Demonstration that the regional organization is in existence and actively involved in economic development activities serving the region; and
- Demonstration of the manner in which the regional organization coordinates its efforts with those of other local and state organizations.⁴

An organization may receive up to \$50,000 a year, or \$150,000, if located in a rural area of opportunity (RAO).⁵ Grants must be matched by an equivalent amount of nonstate resources.⁶ DEO is authorized to spend up to \$750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund to carry out this program.⁷

DEO is also authorized to contract for the development of an enterprise zone web portal or websites for each enterprise zone which will be used to market the Regional Rural Development Grants Program for job creation in disadvantaged urban and rural enterprise zones.⁸ However, the Florida Enterprise Zone Program expired on December 31, 2015.⁹

Regional Economic Development Organizations

Three regional economic development organizations operate in the state. Each of the three organizations coincides respectively with each of the state's three RAOs. An RAO is a rural community,¹⁰ or a region comprised of rural communities, designated by the Governor, which has been

¹ s. 288.018, F.S.

² s. 288.018(1), F.S.

³ *Id.*

⁴ s. 288.018(2), F.S.

⁵ s. 288.018(1), F.S.

⁶ *Id.*

⁷ s. 288.018(4), F.S.

⁸ s. 288.018(3), F.S.

⁹ s. 290.016, F.S.

¹⁰ s. 288.0656(2)(e), F.S., defines a "rural community" as a county with a population of 75,000 or fewer, a county with a population of 125,000 or fewer, which is contiguous to a county with a population of 75,000 or fewer, a municipality within such a county, or an

adversely affected by an extraordinary economic event, severe or chronic distress, or a natural disaster, or that presents a unique economic development opportunity of regional impact.¹¹ The Governor by executive order is authorized to designate up to three RAOs as a priority assignment for Rural Economic Development Initiative agencies. This allows the Governor to waive criteria, requirements, or similar provisions of any economic development incentive.¹²

The three designated RAOs are the:

- Northwest RAO, including Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and the City of Freeport in Walton County.¹³
- South Central RAO, including DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, and the cities of Pahokee, Belle Glade, and South Bay (Palm Beach County), and Immokalee (Collier County).¹⁴
- North Central RAO, including Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.¹⁵

There are three regional economic development organizations that operate in the state that coincide with the current RAOs. They are public/private 501c(6) organizations that provide economic development support to the local governments that represent the RAOs. The organizations are:

- Opportunity Florida serving the Northwestern RAO;¹⁶
- Florida's Heartland Rural Economic Development Initiative, Inc. serving the South Central RAO;¹⁷ and
- North Florida Economic Development Partnership serving the North Central RAO.¹⁸

Rural Infrastructure Fund

The Rural Infrastructure Fund is a grant program created to facilitate the planning, preparing, and financing of infrastructure projects in rural communities.¹⁹ The program provides access to federal and state infrastructure funding programs, including, but not limited to, those offered by the U.S. Departments of Agriculture, and Commerce.²⁰ The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants.

DEO is authorized to award grants for up to 30 percent of the total infrastructure project cost. If an application for funding is for a catalyst site,²¹ DEO may award grants for up to 40 percent of the total infrastructure project cost.²² Eligible projects must be related to specific job-creation or job-retention opportunities, and may also include:

unincorporated federal enterprise community or incorporated rural city with a population of 25,000 or fewer and an employment base focused on traditional agricultural or resource-based industries, located in a county not defined as rural, which has at least three or more of the economic distress factors identified in s. 288.0656(2)(c), F.S., and verified by DEO.

¹¹ s. 288.0656(2)(d), F.S.

¹² s. 288.0656(7)(a), F.S.

¹³ For additional information on Opportunity Florida, see: <http://www.opportunityflorida.com/> (last visited Jan. 17, 2018).

¹⁴ For additional information on Florida's Heartland Regional Economic Development Initiative, Inc., see: <http://flaheartland.com/> (last visited Jan. 17, 2018).

¹⁵ For additional information on the North Florida Economic Development Partnership, see: <http://nflp.org/?/Home> (last visited Jan. 17, 2018).

¹⁶ See generally, Opportunity Florida, available at <http://www.opportunityflorida.com/>, (last visited Jan. 17, 2018).

¹⁷ See generally, Florida's Heartland REDI, Inc., available at <http://flaheartland.com/>, (last visited Jan. 17, 2018). This organization is not directly related to the REDI program administered by the DEO pursuant to s. 288.0656, F.S.

¹⁸ See generally, North Florida Economic Development Partnership, available at <http://nflp.org/>, (last visited Jan. 17, 2018).

¹⁹ See s. 288.0655, F.S.

²⁰ s. 288.0655(2)(b), F.S.

²¹ s. 288.0656(2)(b), F.S., defines "catalyst site" as a parcel or parcels of land within a rural area of opportunity that has been prioritized as a geographic site for economic development through partnerships with state, regional, and local organizations. The site must be reviewed by the rural economic development initiative and approved by DEO for the purposes of locating a catalyst project.

²² s. 288.0655(2)(b), F.S.

- Improving any inadequate infrastructure that has resulted in regulatory action that prohibits economic or community growth; or
- Reducing the costs to community users of proposed infrastructure improvements that exceed such costs in comparable communities.²³

Eligible uses of funds include improvements to public infrastructure for industrial or commercial sites and upgrades to or development of public tourism infrastructure.²⁴ Authorized infrastructure projects include, but are not limited to, the following public or public-private partnership facilities:

- Storm water systems;
- Telecommunications facilities;
- Broadband facilities;
- Roads;
- Nature-based tourism facilities;
- Other physical requirements necessary to facilitate tourism, trade, and economic development activities in the community; and
- Additions to certain electric utility and water and wastewater facilities.²⁵

Effect of Proposed Changes

Regional Rural Development Grants Program

The bill makes several revisions to the Regional Rural Development Grants Program. Specifically, the bill:

- Increases the maximum grant amount that can be received by each of the three regional economic development organizations serving a rural area of opportunity from \$150,000 to \$250,000;
- Revises the match requirement from an equal amount to a 25 percent annual match;
- Clarifies that grants may be used to build the professional capacity of regional economic development organizations for hiring professional staff to develop, facilitate the delivery of, and directly provide needed economic development professional services, including technical assistance, education and leadership development, marketing and project recruitment, and other services that are important for rural economic development; and
- Specifies that grants may be used by an organization to provide technical assistance to local governments, local economic development organizations, and existing and prospective businesses within the communities the organization serves.

The bill requires a contract or agreement that involves the expenditure of grant funds to be placed on the contracting regional economic development organization's website for review at least 14 days before execution. The contract or agreement, including those entered into between another entity and a regional economic development organization, a unit of local government, or an economic development organization substantially underwritten by a unit of local government, must include the following:

- The purpose of the contract or agreement;
- Specific performance standards and responsibilities for each entity;
- A detailed project or contract budget, if applicable;
- The value of any services provided; and
- The projected travel and entertainment expenses for employees and board members, if applicable.

The bill requires a plain language version of the following contracts or agreements to be posted on the contracting regional economic development organization's website:

²³ *Id.*

²⁴ *Id.*

²⁵ s. 288.0655(2)(b)1.&2., F.S.

- With a private entity, municipality, city, town, or vendor of services, supplies, or programs, including marketing; or
- For the purchase, lease, or use of lands, facilities, or properties which involves the expenditure of grant funds which is estimated to exceed \$35,000.

The bill removes the provision authorizing DEO to contract for the development of an enterprise zone web portal or websites for each enterprise zone, which are used to market the Regional Rural Development Grants Program for job creation in disadvantaged urban and rural enterprise zones.

In addition, the bill provides that in an effort to enhance and fortify Florida rural communities' competitiveness and job creation, DEO is authorized to establish a "Florida Site Readiness Program" or "ReadySites." Should DEO decide to establish the program, the department will be responsible for the implementation and management of the program including the identification of technical requirements and quality control standards. Definitions for the terms "Florida Site Readiness Program" or "Ready Sites" are not provided nor are parameters or criteria for establishing the program. Due to this lack of specificity and guidance, the full effect of this provision is unknown.

Rural Infrastructure Fund

The bill makes several changes to the Rural Infrastructure Fund. The bill removes the requirement that total project grants be equal to at least 40 percent of the total cost for catalyst site projects, and increases from 30 percent to 50 percent, the percentage of the total cost for projects in rural counties that are not located on designated catalyst sites.

The bill expands the types of authorized eligible projects to include those that improve access to, and the availability of, broadband Internet service. The bill expands the eligible uses of fund requirements to include improvements to broadband Internet service and access in unserved or underserved rural communities, and requires the improvements and access to be conducted through partnerships with dealers of communications services, as defined in s. 202.11(2),²⁶ established by a publicly noticed and competitively selected process.

The bill removes the reference to projects located in an enterprise zone as it relates to factors DEO is required to consider in its Rural Infrastructure Fund application and funding reevaluation and review requirements.

The bill creates contract and agreement posting and review requirements that are similar to those created for the Regional Rural Development Grants Program. The only difference is that a Rural Infrastructure Fund contract or agreement must be placed on DEO's website. The Regional Rural Development Grants Program contract and agreement review requires they be placed on the regional economic development organization's website.

B. SECTION DIRECTORY:

Section 1 Amends s. 288.018, F.S.; relating to the Regional Rural Development Grants Program.

Section 2 Amends s. 288.0655, F.S.; relating to the Rural Infrastructure Fund.

Section 3 Provides an effective date of July 1, 2018.

²⁶ s. 202.11(2), F.S., defines a "dealer" as a person registered with the Florida Department of Revenue as a provider of communications services in this state.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill has a negative, though likely insignificant workload impact on DEO related to the posting of certain Rural Infrastructure Fund contracts on its website. Existing, recurring appropriations for both the Regional Rural Development Grant and Rural Infrastructure Fund programs remain unchanged. The bill requires no additional funding.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The fiscal impact on local government revenues is indeterminate. The bill specifies that Regional Rural Development Grant funds may be used to provide technical assistance to local governments.

2. Expenditures:

The bill has a positive fiscal impact on local government expenditures by reducing the amount of non-state matching funds local entities must contribute under both the Regional Rural Development Grant and the Rural Infrastructure Fund.

Currently, the Regional Rural Development Grant requires a one-to-one match of state funds. The bill reduces this match to 25 percent of the total state funds provided.

The bill increases the amount DEO may provide for projects under the Rural Infrastructure Fund effectively reducing the amount of local government funds required.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill has a positive indeterminate impact on the private sector by increasing the maximum amount that may be awarded to regional economic development organizations and decreasing the amount of non-state matching funds required for each award.

The bill has a negative, though likely insignificant workload impact on the regional economic development organizations related to the posting of certain Regional Rural Development Grant contracts online.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill authorizes DEO to establish a “Florida Site Readiness Program” or “Ready Sites”; however, these terms are not defined nor are parameters or criteria for such a program provided. Additional specificity and guidance would assist DEO in its implementation of the program.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 6, 2018, the Transportation and Tourism Appropriations Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment removed language specifying the names of the three rural economic development organizations.

On February 13, 2018, the Commerce Committee adopted two amendments and reported the bill favorably as a committee substitute. Amendment 1 required improvements and access to broadband Internet service to be conducted in partnership with dealers of communications services and established by a publicly noticed and competitive selection process. Amendment 2 authorized DEO to establish, implement, and manage a “Florida Site Readiness Program” or “ReadySites.”

This analysis is drafted to the committee substitute as reported favorably by the Commerce Committee.