

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

BILL: CS/SB 170

INTRODUCER: Agriculture Committee and Senator Grimsley

SUBJECT: Rural Economic Development Initiative

DATE: January 29, 2018

REVISED: _____

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Little</u>	<u>McKay</u>	<u>CM</u>	Favorable
2. <u>Becker</u>	<u>Becker</u>	<u>AG</u>	Fav/CS
3. <u>Caldwell</u>	<u>Caldwell</u>	<u>GO</u>	Favorable
4. _____	_____	<u>RC</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 170 makes the following changes to the Rural Economic Development Initiative (REDI):

- Removes the statutory limit of three designated rural areas of opportunity allowing for an unlimited number of designations by the Governor;
- Expands the scope of the legislative intent to include improved quality of life through improved infrastructure, education, and access to health care;
- Expands the definition and designation criteria for a rural area of opportunity (RAO);
- Reduces the number of specified agencies and organizations that are required to designate REDI representatives;
- Clarifies which individuals from specified agencies and organizations must be designated as REDI representatives;
- Provides for the appointment of five additional members from the private sector:
 - Three of the private sector members are to be appointed by the executive director of the Department of Economic Opportunity (DEO), one appointed by the President of the Senate, and one appointed by the Speaker of the House of Representatives;
- Authorizes the creation of ad hoc committees and provides guidance for the organization of ad hoc committees;
- Updates the annual reporting requirements; and
- Makes conforming changes to address cross-references in numerous sections of the Florida Statutes.

The impact of the bill has not yet been estimated by the Revenue Estimating Conference, but it appears it may have a negative fiscal impact, though not immediate, on revenues if the governor designates additional RAOs.

The bill is effective upon becoming law.

II. Present Situation:

Rural Economic Development Initiative

The Florida Legislature established the Rural Economic Development Initiative (REDI) in 1997 to encourage and facilitate the location and expansion of economic development projects of significant scale in rural communities.¹ The REDI is responsible for coordinating and focusing the efforts and resources of state and regional agencies on the problems that affect the fiscal, economic, and community viability of Florida's economically distressed rural communities.² The REDI works with local governments, community-based organizations, and private organizations that have an interest in the growth and development of these communities to find ways to balance environmental and growth management issues with local needs and economic development.³ Other responsibilities include the review and evaluation of the impact of statutes and rules on rural communities, and the facilitation of better access to state resources by promoting direct access and referrals to both state and regional agencies and statewide organizations.⁴

The REDI is administered by the Department of Economic Opportunity (DEO), but is a collaborative effort facilitated by a group of agencies and organizations. Numerous state agencies and organizations are required to participate in the REDI by designating a deputy secretary or higher-level staff person to serve as a REDI representative.⁵ The agencies and organizations that are statutorily required to designate a representative are:

- The Department of Transportation;
- The Department of Environmental Protection;
- The Department of Agriculture and Consumer Services;
- The Department of State;
- The Department of Health;
- The Department of Children and Families;
- The Department of Corrections;
- The Department of Education;
- The Department of Juvenile Justice;
- The Fish and Wildlife Conservation Commission;
- Each water management district;
- Enterprise Florida, Inc. (EFI);

¹ Ch. 97-278, Laws of Fla.

² Section 288.0656(3), F.S.

³ *Id.*

⁴ Section 288.0656(4) and (5), F.S.

⁵ Section 288.0656(6)(a), F.S.

- CareerSource Florida, Inc.;
- VISIT Florida;
- The Florida Regional Planning Council Association;
- The Agency for Health Care Administration; and
- The Institute for Food and Agricultural Sciences (IFAS).⁶

REDI representatives are required to have comprehensive knowledge of their agency's regulatory and service functions in addition to the state's economic goals, policies, and programs.⁷ The representatives are required to work with the REDI in reviewing, evaluating, and proposing impact mitigation of any statute or rule that may have an adverse effect on rural communities.⁸ Additionally, representatives must inform their agencies and organizations about the REDI and provide assistance to the REDI throughout the agency or organization.⁹

Rural Area of Opportunity

The law governing the REDI program defines a "rural area of opportunity" (RAO) as a rural community¹⁰ or a region comprised of rural communities, designated by the Governor, that have been adversely affected by an extraordinary economic event, a natural disaster, or severe or chronic distress.¹¹ An area may also be classified as a RAO if it presents a unique economic development opportunity of regional impact.¹² A designation of RAO must be agreed upon by the DEO and the local governments included in the RAO.¹³

Based on recommendations of the REDI, the Governor may designate up to three RAOs by executive order.¹⁴ This designation establishes these areas as priority assignments for REDI as well as allows the Governor, acting through REDI, to waive criteria, requirements, or similar provisions of any economic development initiative.¹⁵

⁶ *Id.*

⁷ Section 288.0656(6)(b), F.S.

⁸ Section 288.0656(6)(c), F.S.

⁹ Section 288.0656(6)(d), F.S.

¹⁰ Section 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 unincorporated federal enterprise community or an 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. For purposes of this paragraph, population is determined in accordance with the most recent official estimate pursuant to the state population census statute located in s. 186.901, F.S. The U.S. Census Bureau defines "rural" as all population, housing, and territory not included within an urban area, and identifies two types of urban areas, Urbanized Areas of 50,000 or more people; and Urban Clusters of at least 2,500 and less than 50,000 people.

¹¹ Section 288.0656(2)(d), F.S.

¹² *Id.*

¹³ Section 288.0656(7)(b), F.S. A designation of RAO is contingent upon the execution of a memorandum of agreement among the Department of Economic Opportunity, the governing body of the county, and the governing bodies of any municipalities included within a RAO.

¹⁴ Section 288.0656(7)(a), F.S.

¹⁵ *Id.*

Currently, there are three designated RAO areas:

- Northwest RAO: Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and the City of Freeport in Walton County. The name of this area's economic development organization is Opportunity Florida.¹⁶
- South Central RAO: 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). The name of this area's economic development organization is Florida's Heartland Regional Economic Development Initiative, Inc.¹⁷
- North Central RAO: Baker, Bradford, Citrus, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties. The name of this area's economic development organization is the North Florida Economic Development Partnership.¹⁸

Each RAO, by a REDI recommendation and identification by EFI, may designate catalyst projects, which must be confirmed by the DEO.¹⁹ All agencies and departments of the state are required to use all available tools and resources available to promote the creation and development of each catalyst project and the development of catalyst sites.²⁰ For purposes of the REDI program, a catalyst project is a business relocating or expanding in an RAO and serves as an economic generator of regional significance, and a catalyst site is one or more parcels of land in an RAO that is prioritized for economic development.²¹

Annual Reporting

REDI is required to submit a report to DEO on all REDI activities for the previous fiscal year as a supplement to DEO's annual report required under s. 20.60, F.S.²² This supplementary report must include:

- A status report on all projects currently being coordinated through REDI;
- The number of preferential awards and allowances made pursuant to the REDI program;
- The dollar amount of such awards, and the names of the recipients;
- A description of all waivers of program requirements granted;
- Information as to the economic impact of the projects coordinated by REDI; and
- Recommendations based on the review and evaluation of statutes and rules having an adverse impact on rural communities and proposals to mitigate such adverse impacts.

¹⁶ For additional information on Opportunity Florida, see <http://www.floridajobs.org/business-growth-and-partnerships/rural-and-economic-development-initiative/rural-areas-of-opportunity> (last viewed Nov. 2, 2017).

¹⁷ For additional information on Florida's Heartland Regional Economic Development Initiative, Inc., see <http://flaheartland.com/> (last viewed Nov. 2, 2017).

¹⁸ For additional information on the North Florida Economic Development Partnership, see <http://nflp.org/?/Home> (last viewed Nov. 2, 2017).

¹⁹ Section 288.0656(7)(c), F.S.

²⁰ *Id.*

²¹ Section 288.0656(2), F.S.

²² Section 288.0656(8), F.S.

III. Effect of Proposed Changes:

The bill:

- Modifies the goals of the REDI to include job creation, community infrastructure, the development and expansion of a skilled workforce, and improved access to healthcare;
- Authorizes the Governor to designate an unlimited number of RAOs by removing the current statutory limit of three designated RAOs;
- Expands the definition of “rural area of opportunity” to include a rural community that faces competitive disadvantages including low labor force participation, low education levels, high unemployment, a school district grade of “D” or “F” pursuant to s. 1008.34, F.S., high infant mortality rates, and high rates of diabetes and obesity;
- Requires the REDI to focus its efforts on the challenges of the state’s RAOs and economically distressed rural communities, and to work with private organizations that have an interest in the renewed prosperity and competitiveness of these communities;
- Clarifies that the REDI shall undertake outreach and capacity-building efforts in order to improve rural communities’ ability to compete in a global economy;
- Requires the REDI’s annual report to be submitted to the DEO, the President of the Senate, and the Speaker of the House of Representatives by September 1st of each year; and
- Requires the annual report to include an evaluation of organizational progress and a description of the accomplishments of the REDI.

The bill also provides for the appointment of members from the private sector to the REDI and reduces the number of agencies and organizations that are statutorily required to designate REDI representatives.

The REDI membership is required to consist of the following individuals:

- The executive director of the DEO or their designee, to serve as chair;
- The Secretary of Transportation or their designee;
- The Secretary of Environmental Protection or their designee;
- The Commissioner of Agriculture or their designee;
- The State Surgeon General or their designee;
- The Commissioner of Education or their designee;
- The President of EFI or their designee;
- The chair of the board of directors of CareerSource Florida, Inc., or their designee;
- The chair of the board of the regional economic development organization for each of the RAOs or their designee; and
- Five members from the private sector:
 - Three of the private sector members are to be appointed by the executive director of the DEO, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Representatives.

The executive director of the DEO, the President of the Senate, and the Speaker of the House of Representatives must ensure that the diversity of the state’s business community and the state’s ethnic, racial, and gender diversity are reflected in their appointments. Such appointments are for 2-year terms, beginning on July 1 and expiring on June 30, with initial appointments beginning in July 2018. The bill provides direction for appointee vacancies and removal.

The bill authorizes the chair of the REDI to create ad hoc committees to address issues or projects relating to RAOs and economically distressed rural communities. While the bill authorizes the chair to request the head of any state agency or organization to serve on an ad hoc committee, the bill requires the chair to consider the following individuals:

- The executive director of FWC or their designee;
- The Secretary of State or their designee;
- The Secretary of Children and Families or their designee;
- The Secretary of Corrections or their designee;
- The Secretary of Juvenile Justice or their designee;
- The Secretary of Health Care Administration or their designee; or
- A board member of the Florida Regional Councils Association or their designee.²³

The bill makes conforming changes to address cross-references in ss. 163.3177, 163.3187, 257.193, 288.019, 288.06561, 290.0055, 290.06561, 337.403, 339.2818, 339.2819, 339.63, 479.16, and 627.6699, F.S.

The bill is effective upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The mandate restrictions do not apply because the bill does not require counties and municipalities to spend funds, reduce counties' or municipalities' ability to raise revenue, or reduce the percentage of state tax shared with counties and municipalities.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

²³ Under existing law, these organizations and agencies are currently required to designate REDI representatives in addition to VISIT Florida and the IFAS.

B. Private Sector Impact:

Areas that are designated by the Governor as an RAO would be eligible for benefits including, but not limited to, tax credits, sales tax exemptions, higher grant amounts, longer extensions for certain permits and other programs.

C. Government Sector Impact:

The impact of the bill has not yet been estimated by the Revenue Estimating Conference, but it appears it may have a negative fiscal impact, though not immediate, on revenues if the governor designates additional RAOs.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 288.0656, 163.3177, 163.3187, 257.193, 288.019, 288.06561, 290.0055, 290.06561, 337.403, 339.2818, 339.2819, 339.63, 479.16, and 627.6699.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Agriculture on January 11, 2018:

The committee substitute clarifies that a community must meet one of the criteria to be a rural area of opportunity, not all of them.

B. Amendments:

None.