

**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.)

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Prepared By: The Professional Staff of the Committee on Appropriations

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BILL: SB 426

INTRODUCER: Senators Montford, Albritton, and Stewart

SUBJECT: Regional Rural Development Grants Program

DATE: January 22, 2020      REVISED: 1/23/2020

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|    | ANALYST         | STAFF DIRECTOR | REFERENCE | ACTION             |
|----|-----------------|----------------|-----------|--------------------|
| 1. | <u>Reeve</u>    | <u>McKay</u>   | <u>CM</u> | <b>Favorable</b>   |
| 2. | <u>Kraemer</u>  | <u>Imhof</u>   | <u>IT</u> | <b>Favorable</b>   |
| 3. | <u>Hrdlicka</u> | <u>Kynoch</u>  | <u>AP</u> | <b>Pre-meeting</b> |

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**I. Summary:**

SB 426 modifies the operations and funding requirements of the Regional Rural Development Grants Program (grants program). Specifically, the bill:

- Requires grant recipients to serve or be located in a rural area of opportunity;
- Authorizes organizations recognized by the Department of Economic Opportunity (DEO) that serve an entire rural area of opportunity to receive grants of up to \$250,000 annually;
- Increases the maximum amount of funds the DEO may expend for the program from \$750,000 to \$1 million annually;
- Reduces the percentage of grant funds that must be matched with non-state funds from 100 percent to 25 percent of the state's contribution;
- Specifies that a regional economic development organization may use grant funds to build its professional capacity and provide technical assistance; and
- Establishes certain contract and public notice requirements.

According to the DEO, additional state expenditures for the grants program may increase by up to \$250,000. See Section V., Fiscal Impact Statement.

The bill provides an effective date of July 1, 2020.

**II. Present Situation:**

**Rural Economic Development Initiative**

The Rural Economic Development Initiative (REDI) was established by the 1999 Legislature to encourage and facilitate the location and expansion of major economic development projects of significant scale in rural communities.<sup>1</sup> The REDI is responsible for coordinating and focusing

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<sup>1</sup> Section 288.0656, F.S.

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.<sup>2</sup> 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.

### **Rural Areas of Opportunity**

A rural area of opportunity (RAO) is a rural community, or a region of rural communities, that has been 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.<sup>3</sup> The Governor may designate by executive order up to three RAOs, establishing the areas as priority assignments for the REDI. The Governor may waive criteria, requirements, or similar provisions of any economic development incentive for projects located in an RAO.<sup>4</sup> The designated RAOs are:<sup>5</sup>

- The Northwest RAO, comprised of Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, and Washington counties, and that part of Walton County north of the Intracoastal Waterway, including the cities of DeFuniak Springs, Freeport, and Paxton;
- The South Central RAO, comprised of DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee counties, the cities of Pahokee, Belle Glade, and South Bay in Palm Beach County, and the city of Immokalee in Collier County; and
- The North Central RAO, comprised of Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union counties.

There are currently three regional economic development organizations operating in areas that coincide with the areas designated as RAOs. Opportunity Florida serves the Northwest RAO, Florida's Heartland Regional Economic Development Initiative, Inc., serves the South Central RAO, and the North Florida Economic Development Partnership, Inc. serves the North Central RAO.<sup>6</sup> These public/private 501(c)(6) organizations provide economic development support to local governments within the RAOs.

### **Regional Rural Development Grants Program**

The grants program was established to provide funding, through matching grants, to build the professional capacity of regionally based economic development organizations. These grants may also be used by economic development organizations to provide technical assistance to businesses within the rural counties and communities they serve.<sup>7</sup>

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<sup>2</sup> Agencies required to participate in the REDI are listed in s. 288.0656(6)(a), F.S.

<sup>3</sup> Section 288.0656(1)(d), F.S.

<sup>4</sup> Section 288.0656(7)(a), F.S.

<sup>5</sup> Florida Department of Economic Opportunity, *Rural Areas of Opportunity*, <http://www.floridajobs.org/community-planning-and-development/rural-community-programs/rural-areas-of-opportunity> (last visited Jan. 18, 2020).

<sup>6</sup> *Id.* See also generally websites for each organization at <http://www.opportunityflorida.com/> (last visited Jan. 18, 2020), <http://flaheartland.com/> (last visited Jan. 18, 2020), and <http://www.nflp.org/Home.aspx> (last visited Jan. 18, 2020).

<sup>7</sup> Section 288.018(1), F.S.

To be approved for a matching grant an applicant must provide the DEO with proof of:<sup>8</sup>

- A demonstrated need for assistance;
- Official commitments of support from each of the units of local government represented by the organization;
- Financial or in-kind commitments from the private sector and each of the units of local government represented by the organization;
- Documentation of the organization's existence and active involvement in economic development activities in the region; and
- The manner in which the organization coordinates its efforts with those of other local or state organizations.

The maximum amount any organization may receive annually is \$50,000, or \$150,000 if an organization is located in a rural area of opportunity, and the grant funds must be matched by an equivalent amount of non-state resources.<sup>9</sup> The DEO may expend up to \$750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund for the program.<sup>10</sup> The DEO may also contract with Enterprise Florida, Inc., the state's principal economic development organization, to administer the program.<sup>11</sup>

### III. Effect of Proposed Changes:

The bill makes changes to how the grants program in s. 288.018, F.S., operates. The bill clarifies that the concept of building the "professional capacity" of an economic development organization includes hiring professional staff to develop, facilitate the delivery of, and directly provide economic development professional services. Professional services include technical assistance, education and leadership development, marketing, and project recruitment.

Currently, grant funds may be used to provide technical assistance to businesses within the rural counties and communities a regional economic development organization serves.<sup>12</sup> Under the bill, grant funds may also be used to provide technical assistance to local governments, local economic development organizations, and existing and prospective businesses. Regional economic development organizations that provide taxpayer-funded incentives to local or prospective businesses are not eligible to participate in the grants program under the bill.

The bill defines a "regional economic development organization" as an economic development organization located in or contracted to serve a RAO. It also removes references to "regionally based economic development organizations" and "economic development organizations," and replaces them with "regional economic development organizations."

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<sup>8</sup> Section 288.018(2), F.S.

<sup>9</sup> Section 288.018(1), F.S.

<sup>10</sup> Section 288.018(4), F.S. Section 288.065, F.S., establishes the Rural Community Development Revolving Loan Fund to facilitate the use of existing federal, state, and local financial resources by providing local governments with financial assistance to further promote the economic vitality of rural communities.

<sup>11</sup> *Id.* Enterprise Florida, Inc., is a nonprofit corporation, not a unit of state government, established under s. 288.901, F.S.

<sup>12</sup> Section 288.018(1), F.S.

The grants program currently authorizes the DEO to approve grants of up to \$50,000 for economic development organizations not located in an RAO and grants of up to \$150,000 for certain eligible organizations located in an RAO.<sup>13</sup>

Under the bill, organizations that represent rural counties and communities, but are not located in or serve an RAO, would not meet the definition of “regional economic development organizations” and therefore would no longer be eligible to receive grant funds; however, the bill maintains the maximum annual grant amount for organizations located in or contracted to serve an RAO at \$150,000.

Additionally, the bill authorizes the three regional economic development organizations recognized by the DEO as serving an entire RAO (currently Opportunity Florida, Florida’s Heartland Regional Economic Development Initiative, Inc., and the North Florida Economic Development Partnership, Inc.) to receive grants of up to \$250,000 per year.

The percentage of grant funds received by a regional economic development organization that must be matched with non-state funds is reduced from 100 percent (a one to one match) to 25 percent of the state’s contribution.

The amount the DEO may expend on the program each fiscal year is increased from \$750,000 to up to \$1 million. These funds are from the funds appropriated to the Rural Community Development Revolving Loan Fund.

The bill also provides new requirements for contracts entered into for the purpose of expending grant funds. Under the bill, contracts and agreements must include:

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

The bill requires a contracting regional economic development organization to post any contract or agreement involving the expenditure of grant funds on its website at least 14 days before execution.

Specific contracts and agreements involving the expenditure of grant funds estimated to exceed \$35,000 must also be posted on the contracting regional economic development organization’s website in a “plain-language version.” This applies to contracts or agreements with private entities, municipalities, and vendors of services, supplies, or programs, including marketing, as well as contracts or agreements for the purchase, lease, or use of lands, facilities, or properties.

The bill is effective July 1, 2020.

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<sup>13</sup> *Id.*

**IV. Constitutional Issues:**

## A. Municipality/County Mandates Restrictions:

None.

## B. Public Records/Open Meetings Issues:

None.

## C. Trust Funds Restrictions:

None.

## D. State Tax or Fee Increases:

None.

## E. Other Constitutional Issues:

None.

**V. Fiscal Impact Statement:**

## A. Tax/Fee Issues:

None.

## B. Private Sector Impact:

The percentage of funds disbursed through the grants program that must be matched with non-state funds is reduced from 100 percent (a one to one match) to 25 percent of the state's contribution.

## C. Government Sector Impact:

According to the DEO, additional state expenditures for the grants program (from funds appropriated to the Rural Community Development Revolving Loan Fund) may increase by up to \$250,000, as authorized in the bill.<sup>14</sup>

The Rural Community Development Revolving Loan Fund receives a recurring appropriation of \$1.17 million (\$360,000 from the State Economic Enhancement and Development Trust Fund and \$810,000 from the Economic Development Trust Fund), of which the DEO is statutorily authorized to expend \$750,000 on the grants program. The bill increases the amount the DEO may expend on the grants program to up to \$1 million annually. If the DEO expends the maximum amount allowable on the program each year,

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<sup>14</sup> See 2020 Agency Legislative Bill Analysis (Department of Economic Opportunity) for SB 426, Oct. 3, 2019 (on file with Senate Committee on Innovation, Industries, and Technology) at page 3.

the amount remaining in the Rural Community Development Revolving Loan Fund would decrease by up to \$250,000 per year. Based upon the existing \$1.17 million recurring appropriation to the Rural Community Development Revolving Loan Fund, the difference between funds available for the loan program and the grant program under current law and under the bill would be:

|                       | <b>Rural Community Development Revolving Loan Fund</b> | <b>Rural Development Grant Program</b> |
|-----------------------|--|--|
| <b>Current law</b>    | Minimum of \$420,000                                   | Maximum of \$750,000                   |
| <b>Under the bill</b> | Minimum of \$170,000                                   | Maximum of \$1,000,000                 |

Under the bill, an organization located in or contracted to serve a RAO may receive up to \$150,000 and the three regional economic development organizations recognized by the DEO that serve the entire region of a RAO may receive up to \$250,000 annually.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 288.018 of the Florida Statutes.

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

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

None.

**B. Amendments:**

None.