

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

DATE: February 20, 1996 Revised: _____
SUBJECT: Economic Development

<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1. <u>Krasovsky</u>	<u>Krasovsky</u>	<u>CM</u>	<u>Favorable/CS</u>
2. _____	_____	<u>WM</u>	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____

I. Summary:

This committee substitute reorganizes Florida’s economic development structure by providing for the dissolution of the Florida Department of Commerce and the Florida International Affairs Commission and the assumption of comparable economic development, international trade, and tourism functions by Enterprise Florida, Inc., and the new Florida Commission on Tourism, Inc.

Enterprise Florida, Inc., is recognized as the principal economic development organization for the state and is charged with developing policies and implementing strategies to support Florida’s existing businesses, recruit new businesses worldwide, seize international trade opportunities, develop a comprehensive approach to workforce development, and support the economic capacity of rural communities and small and minority businesses. The existing Enterprise Florida, Inc., partnerships are designated as “boards” and brought within the nonprofit corporate structure of Enterprise Florida, Inc., and an additional board is created to focus on economic development and trade issues.

The Florida Commission on Tourism, Inc., is created as a not-for-profit corporation to serve as the principal tourism development and marketing organization for the state and is charged with developing policies and implementing strategies designed to encourage travelers worldwide to visit Florida.

Functions that are governmental in nature and cannot effectively be transferred to public private partnerships are retained in a newly created Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor. OTTED is also charged with promoting involvement of the Governor in economic development activities and ensuring accountability of the public-private partnerships with which it contracts.

In addition to structural or organizational changes in Florida's economic development framework, the committee substitute provides for the creation of the Rural Job Tax Credit Program, the Rural Community Development Revolving Loan Fund Program, and the Regional Rural Development Grants Program to encourage employment opportunities in specified rural counties. The Urban High Crime Job Tax Credit Program is created to encourage employment opportunities in inner cities. The committee substitute also revises the following incentives to make them more user friendly and to further encourage economic development: the Economic Development Transportation Fund, the Quick Response Training Program, the Qualified Targeted Industry Tax Refund Program, and the Enterprise Zone Program.

Issues pertaining to the Florida seaport industry are included in this committee substitute. The committee substitute provides for the creation of Florida Seaport Environmental Management Committee and addresses permitting and enforcement of dredged-material management. The committee substitute also provides for the consolidation of dredged-material management and other related activities to be consolidated within the Department of Environmental Protection (DEP). A supplemental permitting process is also addressed in this committee substitute.

This committee substitute substantially amends, creates, or repeals various sections of the Florida Statutes contained in chapters 14, 20, 120, 159, 212, 216, 220, 239, 272, 286, 287, 288, 289, 290, 311, 320, 374, 380, 403, and 624.

II. Present Situation:

The Florida Department of Commerce (department) is the state agency with primary responsibility for promoting and developing the general business, trade, and tourism components of the state economy. Organized under s. 20.17, F.S., the department is led by the Secretary of Commerce, who is appointed by the Governor and confirmed by the Senate. In addition to the Office of the Secretary, the department includes three statutorily created divisions -- Division of Economic Development, Division of Tourism, and Division of International Trade and Development -- each of which has powers and duties related to accomplishment of the department's overall mission. Section 20.17, F.S., also authorizes the department to establish direct-support organizations (DSOs) to assist with the development and promotion of the entertainment and sports industries in Florida, and it creates a 26-member Economic Development Advisory Council to offer guidance on economic policy for the state.

Part I of chapter 288 of the Florida Statutes contains the majority of the department's specific duties, powers, and programs. The Division of International Trade and Development helps Florida businesses enter overseas markets and assists foreign firms that wish to invest in this state. (See s. 288.025, F.S.) It supervises operation of the state's eight foreign offices and promotes trade and investment opportunities through a staff of development representatives. The Division of Economic Development seeks to create high-wage employment opportunities for Floridians through the diversification of the state economy. (See 288.03, F.S.) It compiles research on economic conditions in the state, offers assistance to businesses locating or relocating in Florida, and operates programs to address problems facing small firms and distressed urban and rural communities. The division administers some of Florida's primary

incentive programs, including the Economic Development Transportation Fund (“Road Fund”), the tax refund program for qualified target industry businesses, the Quick Response Training Program, and the Enterprise Zone Program. The Division of Tourism markets Florida as a travel destination for visitors from the United States and abroad. (See s. 288.121, F.S.) Funded by a portion of the rental-car surcharge dedicated to the Tourism Promotional Trust Fund, this division supervises five foreign field offices, oversees the state’s tourism advertising campaigns, operates welcome centers, and disseminates information to visitors, travel operators, and the media.

In carrying out these responsibilities, the department also works in cooperation with several organizations, many of which are public-private in nature, that the Legislature has created in recent years in furtherance of the state’s economic development goals. Some of these include: 1) Enterprise Florida, Inc, and its affiliate partnerships, which are structured as not-for-profit corporations and charged with addressing the capital-formation, technology-development, and job-training needs of the state; 2) the Florida Commission on Tourism, which is comprised of industry representatives and assists the state’s tourism-promotion efforts; 3) the Florida International Affairs Commission, which is created within the Executive Office of the Governor and is charged with coordinating the state’s international activities; 4) the Florida Black Business Investment Board, which oversees programs providing black business enterprises with access to capital; and 5) the Commission on Minority Economic and Business Development, which is comprised of the Governor and the Cabinet and seeks to ensure participation of minority businesses in the state economy. Established within the Commission on Minority Economic and Business Development is the Minority Business Advocacy and Assistance office, which has primary responsibility for assisting minority business enterprises in becoming suppliers of commodities, services, and construction to state government.

The Department of Commerce is also statutorily assigned a wide variety of auxiliary functions that are related to the tourism, trade, and economic development mission of the department. Some of these responsibilities include: certifications under the professional sports franchise facility program; certification and supervision of the professional golf hall of fame; coordination on behalf of the Recycling Markets Advisory Committee; assistance to a statewide certified development corporation; staff support related to the Florida Defense Conversion and Transition Commission, military base reuse plans, and the base closure grant program; administration of the Seaport Employment Training Grant Program.

The department’s fiscal year 1995-96 budget includes 310 full-time equivalent positions, general revenue funds of \$27.4 million, and trust funds of \$68.5 million. Its operating budget is approximately \$36.7 million.

The Florida International Affairs Commission (FIAC) is a 27-member commission chaired by the Governor and charged with overseeing and coordinating state policies and activities in the international affairs arena. Some of FIAC’s responsibilities include preparing and updating Florida’s strategic plan for international economic development; representing Florida’s interests in the enforcement of national and international trade laws; and working to influence state, federal, and international trade policies that affect Florida’s ability to compete in world markets.

One of FIAC's principal activities is assisting with the administration of the state's international business promotion grant program, through which not-for-profit, private organizations are eligible to compete for state funds to conduct trade promotion activities. FIAC also oversees Florida's international linkage institutes, which are cooperative agreements between universities and community colleges in Florida and similar postsecondary education institutions in foreign countries. FIAC's fiscal year 1995-96 operating budget is \$539,736. In addition, the department's budget includes \$1 million for the international business promotion grant program and \$500,000 for the international education linkage institutes program coordinated by FIAC.

Supporting the trade activities of FIAC and the department is the Florida Export Finance Corporation (FEFC), which is a not-for-profit entity created to provide information, technical assistance, and financial support to small and medium-sized Florida businesses. The FEFC is authorized to insure, coinsure, lend, and guarantee loans, and to originate for sale direct export-related loans.

During the 1995 Session, the Legislature considered, but did not ultimately adopt, proposals providing for the dissolution of the department and the assumption of its responsibilities by public-private partnerships and by other state agencies. Following the legislative session, the President of the Senate assigned to the Committee on Commerce and Economic Opportunities an interim project to develop a comprehensive economic development package. In carrying out that interim project, the committee contacted a wide variety of business leaders and economic development professionals to solicit input on making Florida more competitive vis-a-vis other states for the recruitment, retention, and expansion of high-wage employers. Also during the interim, leaders in business, government, and economic development joined for a unique series of "summits" and working-group meetings in an effort to reach consensus on methods for improving the state's business climate. A common theme voiced during these interim activities was a desire to more significantly involve the private sector in Florida's economic development efforts.

In addition to addressing Florida's economic development structure, the interim activities focused on the wide range of public policies that can affect the business climate in Florida, including, for example, policies addressing rural and urban communities, financial incentives, job training, and transportation infrastructure.

According to the Rural Economic Development Initiative (REDI), a multi-agency effort focused on rural issues, there are currently 31 rural counties in Florida -- primarily in Northwest and Southwest Florida. REDI submitted a rural economic development agenda for improving economic conditions in these counties to the Legislature for consideration during the 1995 Regular Session.

In their agenda, REDI noted that rural counties have not benefited from the economic growth and development of major urban areas and mid-sized communities. The agenda noted that a major hurdle for economic development initiatives in rural counties is the lack of physical infrastructure. Rural counties do not have the local fiscal capacity or resources to use existing

federal and state financial resources to complete a financial package. Of the 31 counties under 50,000 in population, 14 of them levy the constitutional maximum 10 mills ad valorem tax.

The State of Florida currently offers a number of financial incentives to businesses located in Florida and to those relocating to Florida. These incentives include:

- Sales and use tax exemption and refunds i.e., exemptions for new and expanding businesses, enterprise zone exemptions and refunds, raw materials, research and development, co-generation of electricity, boiler fuels, packaging and industrial materials, as well as industry specific exemptions for agriculture, commercial space activities, motion picture and recording industry, and refunds for new professional sports franchises and spring training franchises.
- Corporate tax credits i.e., credits for new and expanding businesses, enterprise zone credits, gasohol development credits, and hazardous waste facility development credits.
- Targeted Tax Refunds The Department of Commerce may grant tax refunds to new or expanding businesses engaged in an industry identified as a “target industry” by the Department of Commerce.
- Private Activity Bonds Private activity bonds are bonds issued by the Division of Bond Finance of the State Board of Administration to finance certain types of “non-governmental” activities and are exempt from federal taxation. The volume of private activity bonds that may be issued in Florida is limited by federal law. This volume is allocated by state law to the following allocation pools:
 1. First \$75 million to the manufacturing facility bond pool;
 2. 60 percent among the 16 regional pools based on population in each region;
 3. 25 percent to the Florida Housing Finance Authority; and
 4. 15 percent to the state allocation pool to be used for priority projects.

Florida has 14 deepwater ports spanning its coast from Jacksonville to Pensacola. These ports handle a variety of domestic and foreign products and provide significant economic benefits to the state and to their particular locations. In 1990, the Legislature created the Florida Seaport Transportation and Economic Development Trust Fund within the Department of Transportation (DOT) to finance port transportation or port facilities projects that will improve the movement and intermodal transportation of cargo and passengers in commerce and trade in Florida.

At the same time the trust fund was created, the Legislature also created the Florida Seaport Transportation and Economic Development Council within the Department of Transportation. The council consists of the port directors or their designees of the ports of Jacksonville, Port Canaveral, Fort Pierce, Palm Beach, Port Everglades, Miami, Port Manatee, St. Petersburg,

Tampa, Port St. Joe, Panama City, Pensacola, Key West, and Fernandina. The secretary of the DOT, or his designee, and the secretary of the Department of Commerce, or his designee, serve as ex officio nonvoting members. The secretary of the Department of Community Affairs, or his designee, also serves as an ex officio nonvoting member of the council.

The council was charged with preparing a 5-year Florida Seaport Mission Plan defining the goals and objectives of the council concerning the development of port facilities and an intermodal transportation system. The plan was directed to include recommendations for the construction of transportation facilities connecting ports to other modes of transportation and for the efficient, cost-effective development of transportation facilities aimed at enhancing international trade, promoting cargo flow, increasing cruise passenger movements and providing economic benefits to the state. The plan must be updated annually and submitted each year to the President of the Senate, the Speaker of the House of Representatives, the Department of Commerce, the Department of Transportation, and the Department of Community Affairs.

To receive federal funds under the Jobs and Training Partnership Act (JTPA), states can establish either a State Job Training Coordinating Council or a Human Resource Investment Council. Currently, Florida has a State Job Coordinating Council to carry out the provisions of the JTPA. In an Executive Order, signed by the Governor on December 20, 1995, the Jobs and Education Partnership (JEP) was designated as the Human Resource Investment Council (HRIC). To qualify as the state's HRIC, the Jobs and Education Partnership's membership composition must comply with the JTPA. Because the current JEP membership does not include the head of each state agency which administers federal human resource programs, it is not in compliance with the JTPA, and therefore, does not qualify as the HRIC.

III. Effect of Proposed Changes:

The committee substitute provides both for structural and public policy changes in Florida's economic development arena.

ECONOMIC DEVELOPMENT STRUCTURAL CHANGES

The committee substitute repeals the Department of Commerce and the Florida International Affairs Commission (FIAC). In doing so, comparable global business development, international trade, and tourism responsibilities are transferred to Enterprise Florida, Inc., and a new tourism public-private partnership. Functions that are governmental in nature and cannot be transferred to public-private partnerships are retained in a newly created Office of Tourism, Trade, and Economic Development within the Executive Office of the Governor.

The organizational structure of Enterprise Florida, Inc., is significantly modified by the committee substitute. Enterprise Florida, Inc., is recognized as the principal economic development organization for the state. Its existing nonprofit corporate status is unchanged; however, it is specifically stated that Enterprise Florida, Inc., is not a unit or entity of state government. A legislative determination is made that public policy dictates that it should operate in the most open and accessible manner consistent with its public purpose. Therefore, Enterprise

Florida Inc., and its boards are subject to the public records provisions of chapter 119, and the public meeting and public records provisions of chapter 286.

The membership of the board of directors of Enterprise Florida, Inc., and of all its partnerships, called boards in the committee substitute, is changed. This change was made to allow more for private sector participation. The membership of the Board of Directors of Enterprise Florida, Inc., is kept at twenty-one. However, the twelve members from the private sector currently appointed by the Governor are reduced to six, with the President of the Senate now appointing three members and the Speaker of the House of Representatives now appointing three members. The corporate structure of the organization is significantly strengthened by bringing the independent partnerships within the nonprofit corporate structure of Enterprise Florida, Inc. A new board is created as recommended during the "summits" that were held by the business community during the interim. The responsibilities of the new board are the creation, expansion, and retention of Florida business, the development of import/export trade, and the recruitment of worldwide business.

The authority granted Enterprise Florida, Inc., is broad and general so that it will have the flexibility to develop its own programs and strategies. The duties given to Enterprise Florida are:

- (1) to provide leadership for business development by aggressively establishing a unified approach to international trade and reverse investment,
- (2) to aggressively market the state as a pro-business location for potential new investment,
- (3) to aggressively assist in the creation, retention, and expansion of existing business,
- (4) to develop a comprehensive approach to workforce development,
- (5) to promote and strengthen the creation and growth of small and minority businesses,
and
- (6) to increase the opportunities for short and long term rural economic development.

Enterprise Florida, Inc., in conjunction with the Office of Tourism, Trade and Economic Development, is required to submit a strategic plan for economic development for the state to the Legislature no later than January 1, 1997.

The president of Enterprise Florida, Inc., is recognized as the chief spokesperson for Enterprise Florida, Inc., regarding economic development efforts in the state. He is also, among other responsibilities, to direct and supervise the administrative affairs of all the boards, administer the finances of Enterprise Florida, Inc., and its boards to ensure appropriate accountability and the prudent use of public and private funds, and coordinate and advocate the interests of rural communities and minority and small businesses in all of the economic development activities of Enterprise Florida, Inc.

The purpose of the workforce development board is clarified. The board's comprehensive approach to workforce development not only includes creating and maintaining a highly skilled workforce, but also includes training, educating and assisting target populations, such as those who are economically disadvantaged or receive public assistance, to become independent, self-reliant and self sufficient. This approach must ensure the effective use of federal, state, local, and private resources in reducing the need for public assistance.

With statutory changes adding the Secretaries of the Department of Elder Affairs, the Department of Health and Rehabilitative Services and the Department of Labor and Employment Security to the Jobs and Education Partnership, the partnership, called the workforce development board under the bill, would qualify as the Human Resource Investment Council under the Jobs and Training Partnership Act. The President of the Florida Association of Post Secondary Schools and Colleges is also statutorily added to the board.

The committee substitute establishes various fiscal and performance accountability measures including:

- specifically assigning financial responsibility to the board of directors and officers of Enterprise Florida, Inc.,
- requiring adherence to all laws, by-laws, or contractual requirements, creating an inspector general within the Governor's new economic development office to specifically review the operations of public-private partnerships,
- requiring the establishment of performance measures and requiring periodic reporting on whether the measures are being met,
- requiring independent annual fiscal and compliance audits, and
- requiring annual reports to the Legislature.

With respect to international affairs issues, the committee substitute repeals the statutory authority in chapter 288 for the Florida International Affairs Commission (FIAC), and its related advisory councils. The measure also repeals the international business promotion grant program, which was administered by FIAC. The postsecondary education linkage institutes program is reassigned from FIAC to the Department of Education. The sister city, sister state, and consular corps activities are reassigned to the Secretary of State.

The Florida Export Finance Corporation (FEFC) maintains its current not-for-profit corporate status. The membership of the corporation's board is changed, however, to replace FIAC and Department of Commerce representatives with representatives from Enterprise Florida, Inc., and the Enterprise Florida business and economic development board. OTTED replaces FIAC as the entity charged with appointing members for the FEFC board.

The authority currently vested with the department and FIAC to establish a trade data center is reassigned to Enterprise Florida, Inc. OTTED is given the authority previously vested with the department to contract for the implementation of Florida's international volunteer corps to provide technical assistance activities in Latin America and the Caribbean Basin.

In the tourism arena, the committee substitute restructures Florida's marketing efforts by providing for the assumption and performance of such functions by a public-private partnership. The partnership is created by replacing the Florida Commission on Tourism, which is an advisory body of industry representatives, with a not-for-profit corporation to be known as the Florida Commission on Tourism, Inc., (commission). The commission, which is designated as the principal tourism-marketing organization for the state, is to be operated as a not-for-profit corporation under chapter 617 and led by a board of directors that includes the Governor, who shall serve as chair; a member of the Senate; a member of the House of Representatives; 11 representatives from specific sectors of the tourism industry, including county tourism marketing organizations; and 17 additional industry representatives from geographic regions throughout the state, who initially shall be the members of the current advisory tourism commission as of the end of the 1995-96 fiscal year.

It is specifically stated that the Florida Commission on Tourism, Inc., is not a unit or entity of state government. A legislative determination is made, however, that public policy dictates that it should operate in the most open and accessible manner consistent with its public purpose. Therefore, the commission is subject to the public records provisions of chapter 119, and the public meeting and public records provisions of chapter 286.

The commission is given broad duties and powers, comparable to those currently vested with the department, for promoting Florida's attributes to travelers worldwide. It is authorized to develop policies and implement specific tourism programs or strategies. The commission's board of directors is charged with responsibility for recommending by January 1, 1997, the tenets of a four-year tourism marketing plan and for developing an organizational structure to implement the plan. The plan is to include an emergency response component. In addition, it is to include provisions for the commission to reach a one-to-one match of private to public contributions within four years of implementation of the plan. Public financial support for the partnership will be provided by authorizing moneys in the Tourism Promotional Trust Fund to be used for a contract between the Office of Tourism, Trade, and Economic Development and the commission. The board of directors is required to establish a membership plan as a means of generating private funding for tourism marketing. The board is assigned responsibility for ensuring prudent use of public and private funds.

In consultation with the Office of Program Policy Analysis and Government Accountability (OPPAGA), the commission is to develop performance measures by July 1, 1997, and a plan for monitoring its operations to ensure that performance data is maintained. OPPAGA is required to conduct a review of the commission prior to the 2000 Regular Session of the Legislature and then prior to the 2003 Regular Session. The commission is to report annually to the executive and legislative branches on its operations and accomplishments, including a copy of financial and compliance audit performed by an independent certified public accountant. In addition, the

Auditor General is authorized to audit the commission at his or her own initiative or at the direction of the Joint Legislative Auditing Committee. (A separate proposed committee bill will provided for confidentiality in such audit reports of information identifying donors and prospective donors who desire to remain anonymous.)

The Office of Tourism, Trade, and Economic Development (OTTED or office) is created within the Executive Office of the Governor to support the new economic development structure proposed in the committee substitute and to provide a link to the activities of state agencies. Specifically, OTTED is responsible for facilitating the direct participation of the Governor in economic development activities; assisting in the formation and implementation of consistent policies; contracting with public-private partnerships, including Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc.; serving as a conduit for public funds appropriated to those entities; and administering and approving grants under several economic incentive programs previously administered by the department. OTTED is to be led by a director appointed by the Governor.

A position of inspector general is established within OTTED to help ensure accountability in the public-private partnerships for which the office has administrative or contractual responsibilities. The inspector general has authority to monitor public-private partnerships for contract compliance, conduct or supervise audits relating to their programs and operations, assist public-private partnerships in the development of internal fiscal controls, investigate complaints of fraud and similar abuses, and advise public-private partnerships in the development and use of performance measures.

Positions are also specifically designated within OTTED to advocate and coordinate the interests of Florida's minority business and rural communities. OTTED also is assigned a regulatory assistance role, which includes working with state agencies to assess the impact of proposed actions on businesses and to identify means of reducing disproportionate impacts. In this capacity, OTTED is also charged with serving as a one-stop clearinghouse for information on permit applications and other requirements and recommending to the Legislature methods for simplifying the permitting process.

OTTED is assigned the department's authority to establish and operate foreign offices, but is specifically authorized to contract with Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc., for such functions. The cooperative advertising matching grants program and the convention grants program currently administered by the department shall be administered by OTTED in cooperation with Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc. The convention grants program is amended to clarify that preference shall be given to local governments and nonprofit corporations or organizations seeking to attract minority conventions to Florida.

In other structural changes, the committee substitute transfers -- from the department to OTTED -- the statutory authority to establish direct-support organizations for the promotion and development of the entertainment industry and sports-related industries. Further, the administrative assignment for the Black Business Investment Board (BBIB) is changed from the

department to OTTED. The individual black business investment corporations, which are certified according to criteria developed by the BBIB, are directed under the committee substitute to coordinate with Enterprise Florida, Inc., and OTTED to avoid duplication and to develop local business and the necessary infrastructure to support it.

The committee substitute transfers to the Department of Labor and Employment Security (DLES) state activities under chapter 287, F.S., relating to the certification of minority business enterprises (MBEs), by repealing the Commission on Minority Economic and Business Development and by reassigning the commission's Minority Business Advocacy and Assistance Office to DLES. The assistance office maintains its existing responsibilities for certifying minority businesses to become suppliers of commodities, services and construction to the state. The Secretary of Labor assumes the commission's responsibility for executing a statewide and interlocal agreement on certification of MBEs, under s. 287.09431, F.S. The secretary is also authorized, on or after October 1, 1996, to create a Florida Advisory Council on Small and Minority Business Development to assist the secretary in carrying out duties related to minority businesses. The committee substitute also directs the Small Business Development Center, under s. 288.705, F.S., to report annually to DLES on the utilization of the statewide contracts register.

The committee substitute also provides -- by changing references from the department to OTTED -- for the reassignment of multiple other programs or activities currently carried out by the department, some of which include: certification under the professional sports franchise facility program; supervision of the professional golf hall of fame; coordination on behalf of the Recycling Markets Advisory Committee; assistance to a statewide certified development corporation; staff support related to the Florida Defense Conversion and Transition Commission, military base reuse plans, and the base closure grant program; and administration of the Seaport Employment Training Grant Program.

In effectuating the reorganization of Florida's economic development structure, the committee substitute also contains a section repealing multiple sections of the Florida Statutes.

TRANSITION PERIOD

In order to provide that the transfer of responsibilities be accomplished with minimal disruption, the committee substitute establishes a transition period from July 1, 1996, to January 1, 1997. During this period the activities of the department and FIAC will be reduced, and the activities of Enterprise Florida and the Florida Commission on Tourism, Inc., will be increased. Two appropriations of \$500,000 are made to allow Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc., to take the necessary initial steps in preparation for their new responsibilities. Such preparation may include hiring additional staff and securing additional work space. Statutory authority for the department and for FIAC is repealed on January 1, 1997.

Enterprise Florida, Inc., is required to establish one or more corporate offices, at least one of which will be located in Leon County. Persons who are employed by the Department of Commerce on the day prior to the effective date of this legislation whose jobs are privatized shall

be given preference, if qualified, for similar jobs at Enterprise Florida, Inc. When practical, those jobs are to be located in Leon County. Commerce Department employees will also be given a hiring preference for employment at the Florida Commission on Tourism, any state agency, or any agency of a political subdivision of the state.

ECONOMIC DEVELOPMENT PROGRAM/POLICY CHANGES

The committee substitute also proposes several changes in public policies affecting Florida's business climate and economic development efforts.

This committee substitute creates the Rural Job Tax Credit Program to be administered by the Office of Tourism, Trade, and Economic Development for businesses engaged in agribusiness, manufacturing, warehousing and distribution, processing, tourism and research and development. In administering the credit, the state's counties are ranked according to the following four factors:

1. Highest unemployment rate for the most recent 36 month period,
2. Lowest per capita income for the most recent 36 month period,
3. Highest percentage of residents whose incomes are below the poverty level based upon the most recent data available, and
4. Average weekly manufacturing wage based upon the most recent data available.

According to the committee substitute, tier-one counties are ranked 1 through 5 and represent the state's least developed counties according to this ranking. Tier two counties are ranked 6 through 10. Tier-three counties are ranked 11 through 15 and represent the more developed counties according to this ranking.

A new company that hires 10 or more new employees in a tier one county receives a one-time \$1,500 tax credit per employee hired. A new company that hires 20 or more new employees in a tier two county receives a one time \$1,000 tax credit per employee hired. A new company that hires 30 or more new employees in a tier three county receives a one time \$500 tax credit per employee hired.

Further, the committee substitute provides that an existing company that hires five or more new employees in a tier one county receives a one time \$1,500 tax credit per employee hired. An existing company that hires 10 or more new employees in a tier two county receives a one time \$1,000 tax credit per employee hired. An existing company that hires 15 or more new employees in a tier three county receives a one time \$500 tax credit per employee hired.

The committee substitute provides other eligibility criteria for businesses to receive the credit. The committee substitute also declares that a company may use its rural job tax credit for taxes

under chapter 220, regarding corporate income taxes, or chapter 212, regarding tax on sales and other transactions, but not both.

The committee substitute also creates the Urban High Crime Job Tax Credit Program to be administered by the Office of Tourism, Trade, and Economic Development for businesses engaged in manufacturing, warehouse and distribution, processing, tourism, and research and development industries. In administering the credit, the top 30 high crime areas are ranked according to the following five factors:

1. Overall index crime rate for the geographic area.
2. Overall index crime volume for the area.
3. Percentage of reported index crimes that are violent in nature.
4. Reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism.
5. Arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, disorderly conduct, vandalism and other public order offenses.

According to the committee substitute tier one areas are ranked 1 through 10 and represent the highest crime areas according to this ranking. Tier two areas are ranked 11 through 20 according to this ranking. Tier three areas are ranked 21 through 30 and represent those areas with the lowest crime rate according to this ranking.

A new company that hires 10 or more new employees in a tier one crime area receives a one time \$2,500 tax credit for the fiscal year per employee hired. A new company that hires 20 or more new employees in a tier two crime area receives a one time \$2,000 tax credit for the fiscal year per employee hired. A new company that hires 30 or more new employees in a tier three crime area receives a one time \$1,500 tax credit for the fiscal year per employee hired.

An existing company that hires five or more new employees in a tier one crime area receives a one time \$2,500 tax credit for the fiscal year per employee hired. An existing company that hires 10 or more new employees in a tier two crime area receives a one time \$2,000 tax credit for the fiscal year per employee hired. An existing company that hires 15 or more employees in a tier three crime area receives a one time \$1,500 tax credit for the fiscal year per employee hired.

The committee substitute provides other eligibility criteria for businesses to receive the credit. The committee substitute also declares that a company may use its High Crime Area Job Tax Credit for taxes under chapter 220, regarding corporate income taxes, or chapter 212, regarding tax on sales and other transactions, but not both.

The Rural Community Development Revolving Loan Fund Program is established in the Office of Tourism, Trade, and Economic Development. The purpose of the program is to facilitate the use of existing state or federal public financial resources by providing additional financial assistance to communities. This program is available to counties with a population of 50,000 or less or in any county with a population of 100,000 or less which is contiguous to a county with a population of 50,000 or less. Any loan received pursuant to this program shall be a legal obligation of the recipient county. All funds for repayments shall be deposited back into the program for use by other applicants. All repaid loans are exempt from reversion in order to ensure availability of funds in succeeding years. The committee substitute requires that loans be made pursuant to agreements specifying the terms and conditions agreed to between the local government and the Office of Tourism, Trade, and Economic Development. The sum of \$3 million is appropriated from the General Revenue Fund to the Office of Tourism, Trade, and Economic Development to fund the provisions of this program. The Rural Community Development Revolving Loan Fund Program Committee is established and provides that the committee shall consist of representatives from the Office of Tourism, Trade, and Economic Development, the Department of Transportation, the Department of Community Affairs, Enterprise Florida, Inc., and three representatives from the Florida State Rural Development Council. The committee is to assist the Office of Tourism, Trade, and Economic Development in developing and implementing the Revolving Loan Fund Program. The committee shall also serve as the application review committee for purposes of reviewing loan applications.

This committee substitute also establishes within the Office of Tourism, Trade, and Economic Development a matching grant program to provide funding for regionally based economic development organizations that represent rural counties that are in financial distress. No regional organization may receive more than \$20,000 in any year of the program. These funds must be equally matched each year by non-state resources. The Office of Tourism, Trade, and Economic Development may expend up to \$100,000 per fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund to fund this matching grant program.

This committee substitute transfers the administration of the Quick Response Training Program from the Department of Commerce to Enterprise Florida, Inc. The cost and expenditures for the program are to be documented and separated from those incurred by the training provider.

Under the committee substitute, the administration of the Economic Development Transportation Fund, commonly referred to as the road fund is transferred to OTTED. The authorization for approval of direct costs of transportation projects is made by the Office of Tourism, Trade, and Economic Development and is based on a recommendation from Enterprise Florida, Inc. The Economic Development Transportation Fund provides local communities with matching funds to pay for qualified transportation projects and infrastructure improvements. The committee substitute also requires that program funds be used only on transportation projects that have been properly reviewed in accordance with certain criteria.

The Qualified Target Industry Tax Refund Program is transferred from the Department of Commerce to the Office of Tourism, Trade, and Economic Development. The committee substitute also revises the program to encourage further economic growth. Provisions are

modified to eliminate the required annual legislative approval of the list of target industries and the list of specific industries that may not be identified as target industries. To that end, broad guidelines as to what constitutes a target industry are provided for and include the following:

1. Future growth;
2. Stability;
3. High wage;
4. Market and resource independence;
5. Industrial base diversification; and
6. Economic benefits.

The addition of the insurance premium tax to the list of taxes eligible for refund is provided for in this committee substitute. Some of the more burdensome and unnecessary specific application requirements like the submission of payment information for 5 years of specified taxes are deleted. Requirements related to the local government resolution supporting a project are amended to allow a city, as well as a county, to submit a resolution and to allow local governments to pass a resolution supporting certain types of industries generally, rather than a specific resolution for each project. The Office of Tourism, Trade, and Economic Development may also issue nonbinding opinion letters upon the request of perspective applicants concerning whether they would be eligible for refunds and the potential amount of such refunds. The committee substitute amends requirements to allow use of the statewide private sector average wage as an alternative to the use of the current area average wage to determine if a project meets the required threshold of 115 percent of average wages. A prorated refund is provided for if a business achieves at least 80 percent of its projected employment. Currently, if a business falls short of the agreed job creation level by one job, it loses its refund for that year and any future year refunds.

The Florida Enterprise Zone Program is amended to provide that the credits against sales and income taxes for employing zone residents may not be claimed on more than \$18,000 of the new employee's salary -- replacing the present limitations in the statutes that new employees who provide the basis for the tax credits may not earn more than \$18,000. The Enterprise Zone linked deposit program is also amended to provide for a method for fully allocating state short-term treasury funds available for deposit under the program. Primary administration of the Enterprise Zone Program and the related community contribution tax credit program is changed from the department to OTTED. Provisions are also added which would allow for a change in the boundary of an approved enterprise zone provided certain original statutory requirements are still met.

The committee substitute creates s. 311.105, F.S., which provides for the Florida Seaport Dredged Material Management Committee under the direction of the Florida Seaport

Transportation and Economic Development Council. The committee is composed of five port directors appointed by the chairperson of the Florida Seaport Transportation and Economic Development Council, who shall also designate one of the five port directors as chairperson of the committee. The secretary of the Department of Environmental Protection (DEP), secretary of the Department of Community Affairs, or their designees, shall serve as ex officio nonvoting members of the committee. A designee from the United States Army Corps of Engineers and a designee from the Florida Inland Navigation District shall also serve as ex officio nonvoting members. The committee is to provide a forum for discussion of environmental issues, including, but not limited to, those relating to maintenance dredging and dredged-material management, environmental mitigation, air and water quality permitting, and the maintenance of navigation channels, port harbors, turning basins, harbor berths, and associated facilities. The committee is required to work closely with the Department of Environmental Protection, U.S. Army Corps of Engineers and ports to ensure that suitable dredged material is deposited on Florida's beaches pursuant to the committee's determination and criteria of DEP.

The committee substitute also provides for mitigation credits and limits, required mitigation relating to dredged materials, and related activities. Mitigation is not required for port maintenance dredged material management for a harbor or channel if all conditions of a prior permit for construction of the harbor or channel issued by the DEP or its predecessor agency have been met. Furthermore, DEP is required to provide mitigation credits to those deepwater ports that provide for innovative approaches to the on-shore and near-shore placement of suitable dredged material consistent with beach restoration criteria of the DEP.

A legislative declaration of public policy is provided relating to the maintenance of navigation channels, harbors, turning basins and berths of the state. Specifically, the committee substitute adds language declaring that maintenance of authorized water depths is in the public interest. The committee substitute also adds language declaring legislative intent that the permitting activities within Florida's deepwater ports under chs. 161, 253, and 373 be consolidated within the department.

The department is authorized to enter into an agreement with the Florida Ports Council to establish a supplemental permitting process for the issuance of a joint coastal permit to a port for maintenance dredging and the management of dredged materials from maintenance dredging of all navigation channels, port harbors, turning basins, and harbor berths. Such a permit shall be granted for a period of 5 years and be annually extended for an additional year, provided that at the time of extension, the port is in compliance with all necessary permits. The department is further authorized to enter into an agreement with the Florida Ports Council which provides for a supplemental permitting process for the issuance of a conceptual joint coastal permit to a port for dredging and the management of materials from dredging and for other related activities necessary for development, including the expansion of navigation channels, port harbors, turning basins, harbor berths, and associated facilities. Such a permit shall be granted for a period of up to 15 years.

MISCELLANEOUS ISSUES

Under the committee substitute, the Department of Community Affairs in conjunction with Enterprise Florida, Inc., shall assist in the expansion of the solar energy industry in the state. This activity is currently being carried out by the Division of Economic Development of the Department of Commerce in cooperation with the Department of Community Affairs. The expansion efforts are to be undertaken in cooperation with the Florida Solar Energy Center and the Florida Solar Energy Industries Association. Several new expansion activities are added to existing ones including; attracting more photovoltaic product manufacturers to the state, taking full advantage of the export market potential of solar technologies, and informing the business sector about the cost effective commercial applications of solar technologies. The annual report to the legislature in 1997 shall specifically address the job creation and export potential of an expanded solar energy industry in Florida.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

Both Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc., are made subject to the state's public records and open meetings law. A separate proposed committee bill will be presented to the Committee to address public-records exemptions relating to Enterprise Florida, Inc., and the Florida Commission on Tourism, Inc. With the additional responsibilities that Enterprise Florida, Inc., assumes under the committee substitute, a similar exemption to the public record law that other local economic development organizations have should also be created for Enterprise Florida, Inc. The constitutional requirements regarding creating such an exemption require a separate bill.

A separate proposed committee bill will be presented to the committee to address public records confidentiality issues relating to the Qualified Target Industries Tax Refund Program.

C. Trust Funds Restrictions:

The administration of trust funds relating to economic development and tourism currently in the Department of Commerce is transferred to the new Office of Tourism, Trade, and Economic Development. The trust funds in question are:

- Economic Development Transportation Trust Fund
- Florida Film and Television Investment Trust Fund
- Economic Development Trust Fund
- Florida Investment Incentive Trust Fund
- Professional Sports Development Trust Fund, and
- Tourism Promotional Trust Fund

These trust funds are also subject to review this year based on the constitutional requirement that all trust funds terminate within a four year period of time. The Governor has recommended that the above trust funds all be re-created within the Office of Tourism, Trade and Economic Development. The Governor has also recommended that the Florida International Trade and Promotion Trust Fund be abolished.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This committee substitute creates the Rural Job Tax Credit Program, creates the Urban High Crime Job Tax Credit program, revises the Qualified Targeted Industry Tax Refund Program to include the addition of the Insurance Premium Tax to the list of taxes eligible for a refund, and revises the Enterprise Zone job-creation tax credits. These provisions will reduce the amount of general revenue that will be collected. The exact amount of the reduction cannot be determined at this time.

B. Private Sector Impact:

Part of the rationale for creating a public-private partnership is that the private sector can contribute time and additional funds to the effort. In recognition of this, the committee substitute requires that a portion of the money appropriated to Enterprise Florida be withheld until that amount is matched with funds from the private sector. The percentage of funds withheld in fiscal year 1996-97 is 10 percentage, in fiscal year 1997-98 the percentage is 20 percentage, and in fiscal year 1998-99 the percentage is 30 percentage.

The Florida Commission on Tourism, Inc., is required, within a four year time frame, to match with private funds the amount appropriated to it by the state.

C. Government Sector Impact:

Enterprise Florida's current budget is approximately \$10 million. In addition to this amount, the Governor has proposed for fiscal year 1996-97 that Enterprise Florida be appropriated approximately \$44.6 million. This money would come from several trust funds and general revenue currently appropriated to the Department of Commerce. The cost savings associated with the transfer of these responsibilities to the private sector cannot be determined at this time.

In addition, the committee substitute provides for a \$3 million appropriation for the Rural Community Development Revolving Loan Fund from General Revenue.

The committee substitute transfers the administration of the newly created Rural Job Tax Credit Program, the Urban High Crime Job Tax Program, the Regional Rural Development Grants Program, and the Rural Community Development Revolving Loan Fund to the newly

created Office of Tourism, Trade, and Economic Development. The committee substitute also transfers existing programs such as the Economic Development Transportation Fund, and the Qualified Targeted Industry Tax Refund Program to the newly created Office of Tourism, Trade, and Economic Development. The transfer of the administration of these programs from the Department of Commerce to the Office of Tourism, Trade, and Economic Development will necessitate the addition of an appropriately sized staff. The actual number of staff positions needed for these functions is not known at this time. However, the Governor, in his recommended budget, has included 10 positions and \$465,264 for this office.

VI. Technical Deficiencies:

None, although not all the statutory references to the Department of Commerce have been addressed in this bill.

VII. Related Issues:

The House Commerce Committee has adopted a comparable bill, HB 1177, that restructures Florida's domestic and international economic development operations.

In January, the House Tourism Committee adopted a comparable bill (House Bill 707) that provides for the assumption of tourism marketing functions by the Florida Commission on Tourism through use of a direct-support organization. The measure has been referred to the House appropriations and rules committees.

A related bill (SB 476) has been prefiled by Senator Jenne and referred to the Senate Commerce and Economic Opportunities Committee regarding the Rural County Development Revolving Loan Trust Fund.

A similar bill (SB 614) has been prefiled by Senator Williams and referred to the Senate Commerce and Economic Opportunities Committee creating the Rural Community Development Revolving Loan Fund Program.

VIII. Amendments:

None.