

1989

## Session Law 89-352

Florida Senate & House of Representatives

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**H 1679 GENERAL BILL/CS/1ST ENG by Small Business & Economic Development; Logan (Similar S 1439, Compare CS/1ST ENG/H 1707, CS/S 798)**

Economic Development Programs; amends provisions re community contribution tax credit against corporate income tax & provisions re contracts for economic development transportation projects; provides for access to funding by small & minority businesses; provides criteria for selection of transportation projects for state funding & provides for a committee; revises provisions re establishment of guarantor funds by Fla. Black Business Investment Board, etc. Amends Chs. 220,288,290. Effective Date: 07/05/89.

04/05/89 HOUSE Filed  
04/06/89 HOUSE Proposed, referred to Small Business & Economic Development; Finance & Taxation; Appropriations -HJ 168  
04/12/89 HOUSE Subreferred to Subcommittee on Economic Development  
04/13/89 HOUSE On subcommittee agenda—Small Business & Economic Development, 04/17/89, 8:30 am, 212-HOB  
04/17/89 HOUSE Subcommittee Recommendation: Favorable as a proposed CS; On Committee agenda, pending subcommittee action—Small Business & Economic Development, 04/18/89, 10:40 am, 212-HOB  
04/18/89 HOUSE Preliminary Committee Action by Small Business & Economic Development: Favorable as a CS  
04/24/89 HOUSE Comm. Report: CS by Small Business & Economic Development -HJ 259; CS read first time -HJ 257; Now in Finance & Taxation -HJ 259  
05/03/89 HOUSE On Committee agenda—Finance & Taxation, 05/05/89, 8:30 am, 413-C—For ratification to subcommittee  
05/09/89 HOUSE Withdrawn from Finance & Taxation -HJ 432; Now in Appropriations  
05/16/89 HOUSE On Committee agenda—Appropriations, 05/18/89, 1:00 pm, 21-HOB  
05/18/89 HOUSE Preliminary Committee Action by Appropriations: Favorable  
05/22/89 HOUSE Comm. Report: Favorable by Appropriations, placed on Calendar -HJ 567  
05/31/89 HOUSE Placed on Special Order Calendar; Read second time; Amendments adopted; Read third time; CS passed as amended; YEAS 111 NAYS 0 -HJ 970  
06/01/89 SENATE In Messages  
06/02/89 SENATE Received; CS passed; YEAS 36 NAYS 0 -SJ 1305  
06/03/89 Ordered enrolled  
06/20/89 Signed by Officers and presented to Governor  
07/05/89 Approved by Governor; Chapter No. 89-352

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**NOTES:** Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

STORAGE NAME: H1679-F.SBE  
DATE: June 6, 1989

HOUSE OF REPRESENTATIVES  
SMALL BUSINESS AND ECONOMIC DEVELOPMENT  
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: CS/HB 1679

RELATING TO: Economic Development Programs

SPONSOR(S): Representative Logan

EFFECTIVE DATE: Upon Becoming a Law

DATE BECAME LAW: July 5, 1989

CHAPTER #: 89-352, Laws of Florida

COMPANION BILL(S): SB 1430

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation (withdrawn)  
(2) Appropriations

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I. SUMMARY:

A. PRESENT SITUATION:

Section 288.063, F.S., authorizes the Department of Commerce to enter into contracts for the construction of transportation projects. Local governments may request a grant from the Department to fund transportation projects which serve as the inducement for the location or expansion of a business in their jurisdiction. The business must create at least 100 new jobs if requesting more than \$200,000. (This requirement does not apply to projects located in a state approved enterprise zone.) No grant may exceed \$2 million.

The Economic Development Transportation Fund (EDTF) was created in 1980 when the Legislature permitted the Division of Economic Development to enter into contracts for transportation projects with the Department of Transportation. Each year the Appropriations Bill fixes the amount of state transportation funds which could be spent on economic development.

In 1983, the Legislature passed a bill which prohibited the use of state transportation funds for the purpose of economic development beginning on June 30, 1985. However, annual appropriations bills since 1985 have contained implementing language which authorizes the expenditure of funds for economic development transportation projects. In 1983, the Legislature statutorily restored the Division's ability to grant economic development transportation projects without an annual authorization. Since 1983, \$48,350,449 have been granted through the EDTF.

**STORAGE NAME:** h1616-f.sbe

**DATE:** June 6, 1989

**PAGE:** 2

Each project is reviewed to ensure that the application is submitted for one and only one company, that a transportation problem exists which is an impediment to the location or expansion of a firm, and that the transportation project is not currently in the plans of the appropriate transportation planning organization. Following this review, applications are placed in a pool for consideration by a committee composed of the Secretary of Commerce, Secretary of Transportation, and Chairperson of the Economic Development Advisory Council.

Rule 8-6.053, Florida Administrative Code, states that construction contracts must be awarded to the lowest and best bidder "in accordance with applicable state and federal rules and regulations if the construction costs will exceed \$50,000." Upon completion, the project must meet the requirements listed in section 336.045, F.S., which outlines minimum standards for design, construction, and maintenance.

Grants are provided under contract with local governments. The contract contains various compliance requirements which must be followed in the local government's administration of the project.

A preliminary site visit is conducted for each project to ensure that a logical justification exists for the project. However, the written opinions now produced as a result of site visits are not based on standardized evaluative methods and contain very little information for review by the committee. The department does not possess a written monitoring instrument or checklists for use by staff when conducting preliminary site reviews and staff do not conduct follow-up visits to ensure that construction is being performed in the manner contained in the application. Quarterly reports submitted by applicants do not contain sufficient information to monitor compliance with contractual requirements.

The release of funds in a "lump-sum" manner eliminates the department's leverage for ensuring compliance with contractual requirements.

The department does not possess a mechanism to ensure that recipient businesses actually create the number of jobs presented in their application. This may lead to applicants inflating job creation estimates to improve their rankings in the selection system.

The Department requires recipients to produce audits but does not collect or review the audits in-house.

Applicants must certify that the proposed construction project is not in the plans of the appropriate transportation planning organization which may circumvent the planning process established by the State of Florida in Chapter 163, Florida Statutes.

The Black Business Investment Board was established in 1985 to

**STORAGE NAME:** hl616-f.sbe

**DATE:** June 6, 1989

**PAGE:** 3

promote the creation and growth of black businesses. Program funds are managed through the provision of funds to six regional black business investment corporations and one state-wide corporation. The submittal date for the Black Business Investment Board annual report is currently January 1.

Enterprise zones are deteriorated areas in which specific development incentives are available following approval by the Department of Community Affairs. Currently, there are 30 operative zones in Florida in which businesses may receive state benefits. Section 290.015, F.S., requires the Auditor General to perform an evaluation of enterprise zones prior to the 1990 Regular Session of the Legislature.

Section 290.032, F.S., states that "it is the policy of this state to provide the necessary means to preserve and improve the health and vitality of its established communities". The means noted for fulfilling this policy is assistance to community development corporations "in undertaking projects, in concert with private enterprise, designed to create and maintain a sound industrial base, to revitalize the health of established commercial areas, and to preserve and rehabilitate existing residential neighborhoods." Chapter 290 authorizes the Legislature to provide administrative grants and loans to community development corporations through the Community Development Corporation Support and Assistance Program administered by the Department of Community Affairs. Section 290.036(3), as amended, restricts community development corporations from receiving more than one administrative grant per year for up to six years.

Chapter 88-201, Laws of Florida created a 1-year Joint Committee on Community Development Corporations to examine the effectiveness of the Community Development Corporation Support and Assistance Program and recommend action to the Legislature.

**B. EFFECT OF PROPOSED CHANGES:**

This bill includes the number of jobs to be created by an Economic Development Transportation Fund project as a contractual requirement which must be fulfilled. Local governments are authorized to construct transportation projects with existing local government employees providing the contract can be completed within the period specified by the Division. Additional information is required for inclusion in grant recipient quarterly reports. The bill establishes a distribution system which permits state investment of funds until such time as funds are needed by local governments. Upon request, local governments will be provided with funds sufficient to cover a 45-day period. The Division is directed to institute procedures to ensure that small and minority businesses have equal access to these transportation funds. Criteria for the selection of projects is identified, including distress, and the committee utilized to select projects is expanded to include the Chairman of the Small and Minority Business Advisory Council and the

**STORAGE NAME:** h1616-f.sbe  
**DATE:** June 6, 1989  
**PAGE:** 4

Secretary of Community Affairs. The Division is instructed to develop procedures to ensure that audits are received and reviewed in a timely manner and that deficiencies or questioned costs noted in audits are resolved. The Division is also instructed to monitor recipients on site to ensure compliance with contractual requirements.

The submittal date for the Black Business Investment Board annual report is amended to March 31 of each year. Also, the Board is authorized to utilize funds in the Black Contractors Bond Trust Fund to invest in a private entity to handle all or part of a black contractors bonding program and/or credit program.

Local governments are authorized to request an amendment to their enterprise zone boundaries. Requests approved by the Department of Community Affairs shall take effect January 1, 1990 and shall remain in effect until the expiration of the program in 1994. The Auditor General's evaluation of the program is delayed from 1990 to 1993 to permit the use of 1990 census data. An obsolete reference to the old enterprise zones is deleted from consideration of projects in the Community Contribution Tax Incentive Program.

Section 290.036, F.S., is amended to permit community development corporations to receive administrative grants for up to seven consecutive years. In addition, the Joint Committee on Community Development Corporations is reauthorized for an additional year.

**C. SECTION-BY-SECTION ANALYSIS:**

Section 1 deletes an obsolete reference to old enterprise zones appearing in the legislation for the community contribution tax incentive program.

Section 2 amends the requirements for administration of the Economic Development Transportation Fund. Provisions are included to ensure that grant recipients comply with contractual requirements and that funds are used as intended. Procedures for the distribution of funds are amended and additional criteria are provided for consideration in selecting projects for funding.

Section 3 permits the Black Business Investment Board to utilize a private entity for the administration of the Black Contractors Bond Trust Fund to provide bonding and other necessary credit to black businesses.

Section 4 amends the submittal date for the Black Business Investment Board annual report.

Sections 5 and 6 permit a one-time amendment to enterprise zone boundaries.

Section 7 delays the Auditor General's evaluation of the enterprise zone program to 1993 to permit the use of 1990 census data.

Section 8 extends the number of years in which a community development corporation may receive an administrative grant to seven years.

Section 9 reauthorizes the Joint Committee on Community Development Corporations for an additional year.

Section 10 provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT: FY 89-90 FY 90-91

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

Department of Commerce		
Operating Capital Outlay	\$ 3,357	

2. Recurring or Annualized Continuation Effects:

Department of Commerce		
Salaries and Benefits (1 FTE)	\$ 31,000	\$31,000
Expenses	<u>14,000</u>	<u>14,000</u>
Total	\$ 45,000	\$45,000

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

EXPENDITURES:		
Economic Development		
Transportation Fund	\$48,357	\$45,000

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

This bill is consistent with the state comprehensive plan as contained in s. 187.201(22), F.S., related to the economy. Specifically, the bill furthers the policies established in subparagraph (b)2. which directs the state to "promote entrepreneurship and small and minority-owned business startup by ...removing regulatory restraints which are unnecessary for the protection of consumers and society" and subparagraph (b)14. which directs the state to "encourage the full utilization by businesses of the economic development enhancement programs implemented by the Legislature ...through the utilization of enterprise zones, community development corporations, and other programs designed to enhance economic employment opportunities".

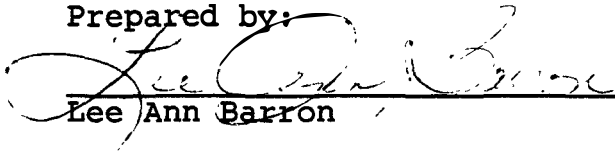
IV. COMMENTS:

This bill is consistent with the Legislative Issues Conference document as it implements an interim study conducted by the committee and Auditor General's reports. Government Efficiency and Effectiveness recommendations state that "legislative staff or outside consultants" may be used to "conduct evaluations of state programs" and "heighten the Legislature's ability to oversee state programs".

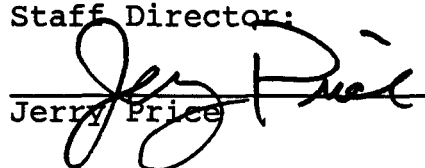
V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

  
\_\_\_\_\_  
Lee Ann Barron

Staff Director:

  
\_\_\_\_\_  
Jerry Price

APPROPRIATIONS:

Prepared by:

Frank Morgan

Staff Director:

Dr. James Zingale