



The Florida House of Representatives

August 31, 2010

The Honorable Larry Cretul
Speaker, Florida House of Representatives
Suite 420, The Capitol
Tallahassee, Florida 32399-1300

RE: Final Report – Deepwater Horizon Workgroup 5 – Identify regional long-term economic recovery opportunities

Dear Mr. Speaker:

It is an honor to present to you the findings and recommendations of Workgroup 5 tasked with identifying regional long-term economic recovery opportunities. In July, you appointed Workgroup 5 to explore ways to diversify the region's economy as a way to alleviate vulnerability to economic shocks, and to evaluate the region's comparative economic advantages, aside from tourism and recreation, that may offer opportunities for further development and establish expectations as to the magnitude of any possible development initiatives compared to the regional economy in total. The Workgroup operated within your guiding principal of assuring any recommended legislative action brings meaningful relief while preserving fiscal responsibility and transparency, and sought for ways the Legislature may want to assist the impacted Gulf Coast counties during the 2011 Regular Session.

It is with satisfaction that I can report that the Workgroup worked attentively to meet this charge and received valuable input from stakeholders across Escambia, Santa Rosa, Okaloosa, Walton, Gulf and Franklin counties. The Workgroup reached out to all regional and local economic development organizations and chambers in the affected area, and the university and college system. To prevent unnecessary duplication and distraction from other efforts, the Workgroup attended ten days of federal meetings on economic development recovery needs with key stakeholders in these counties. These local workshops were hosted by the U.S. National Incident Command Economic Solutions Team and the International Economic Development Council. The assessment team worked three days in each county, listening to local stakeholders in an effort to provide an economic recovery needs assessment. Numerous federal officials were in attendance to assist with ideas and recommendations for recovery including members from the: U.S. Department of Commerce; U.S. Department of Agriculture; U.S. Department of Homeland Security; U.S. Department of Housing and Urban Development; U.S. Department of Labor; and

the U.S. Small Business Administration. The final report, including recommendations from these meetings, is expected to be complete September 15, 2010.

The Workgroup met via conference calls in August to discuss issues on the economic advantages of the region and ideas for economic recovery. All of the calls were available for the public to listen to live or by podcast at a later time. In addition, the Workgroup reached out to key state organizations, including Enterprise Florida, Inc., Workforce Florida, Inc., and state agencies to gather information on current programs that may be available to assist with economic recovery in this region.

CONDITIONS OF THE ECONOMY OF THE REGION

At this time the effect of the oil spill on the economy of Northwest Florida is unknown. It is expected that lower levels of economic activity in the region will cause negative economic impacts, however the economic cost associated with the disaster cannot be predicted at this time. The most visible economic impact to date is the loss of tourism in the coastal counties. The Santa Rosa Island Authority showed a marked decrease in the number of cars traversing to Pensacola Beach each month—down roughly 80,000 cars in August 2010 from last year's numbers. However, other coastal counties are seeing economic activity from oil spill clean-up and crews, and even from visitors. In addition to the fear of the unknown, there is concern that long-term negative economic impacts could be devastating to the tax base of local county and city governments.

Prior to the Deepwater Horizon disaster, economic diversification was needed in the Northwest Florida region. The area touts beautiful beaches attracting tourists and a heavy military/defense presence, but other industry sectors could be improved. The 2009 average annual wage of all industries in the seven coastal counties impacted by the spill ranges from \$29,039 in Franklin County to \$37,830 in Okaloosa County—lower than the statewide average annual wage of \$40,973. These counties also tend to have lower graduation rates, a low percentage of individuals with college degrees, and spotty access to broadband and other high-tech services.

Northwest Florida is home to many rural counties. The state has several initiatives to assist rural and small counties, including the Rural Economic Development Initiative and Rural Areas of Critical Economic Concern. In addition this area consists of several state enterprise zones and brownfield redevelopment sites.

Rural Economic Development Initiative

Walton, Gulf and Franklin counties are part of the Rural Economic Development Initiative (REDI). REDI was created by the Florida Legislature in recognition of the extraordinary challenges rural communities and regions face in their efforts to significantly improve their economies, specifically in terms of personal income, job creation, average wages, and strong tax bases. Legislative intent in creating this initiative was to encourage and facilitate the location and expansion of major economic development projects of significant scale in such rural communities. The program is operated by the Office of Tourism, Trade, and Economic

Development and involves the participation of all state and regional agencies to assist in meeting the needs of the rural areas. The ability to waive or reduce match requirements for numerous state grants is one example of the advantages provided to these areas included in REDI.

Rural Areas of Critical Economic Concern

Franklin and Gulf counties are part of the Northwest Rural Area of Critical Economic Concern (RACEC). The Governor may designate up to three RACECs, which establishes each region as a priority assignment for REDI agencies and allows the Governor to waive criteria of any economic development incentive including, but not limited to: the Qualified Target Industry Tax Refund Program, and the Quick Response Training Program for participants in the welfare transition program, transportation projects, projects that would fall under the Brownfield Redevelopment Bonus Refund, and the Rural Job Tax Credit program.

The three established RACECs support a regional approach to economic and target industry research, share research processes, make shared decisions about the target industries that would make the best possible impact on the region and long-term economic ripple effects, and partner in creating catalyst sites that would attract key businesses.

The Northwest RACEC was first designated by former Governor Jeb Bush in 1999. The designation was reflective of two major events that imperiled the economic health of the region. First, passage of a constitutional amendment to ban the usage of certain fishing nets had a significant effect on local fisheries. Second, the closure of a paper mill in Port St. Joe resulted in the loss of an estimated 800 direct jobs. The subsequent ripple effects spread through the rest of the RACEC where the mill's suppliers and service providers were negatively impacted causing additional job loss.

Fiscally Constrained Counties

Two of the seven counties examined by the Workgroup—Franklin and Gulf—are also fiscally constrained counties. A fiscally constrained county is defined in Florida Statute as a county that is entirely within a rural area of critical economic concern or each county for which the value of a mill will raise no more than \$5 million in revenue annually.

Florida Statutes provide for two distributions to fiscally constrained counties based on reductions in taxable value caused by recent constitutional amendments. First, statute provides for a distribution to offset reductions in property tax revenue occurring as a result of the constitutional amendment approved on January 29, 2008 (Amendment 1). The provisions of this amendment include the \$25,000 additional homestead exemption, the \$25,000 tangible personal property exemption, homestead portability, and the 10 percent assessment increase limitation on non-homestead property. Second, statute provides a distribution to offset reductions in property tax revenue occurring as a direct result of the constitutional amendments allowing an exemption for real property dedicated in perpetuity for conservation purposes and a classified use assessment for certain land used for conservation purposes.

For fiscal year 2010-11, the Legislature appropriated \$25.1 million for distribution to fiscally constrained counties to offset reductions in property tax resulting from the Amendment 1 revisions to Article VII of the State Constitution and \$2.79 million for the impact of conservation lands.

State Enterprise Zones

Several areas in these communities are economically distressed and currently designated an enterprise zone. Currently, Escambia has three enterprise zones, and Okaloosa and Santa Rosa each have one enterprise zone. Florida's Enterprise Zone Program was created to provide incentives to induce private investments in economically distressed areas of the state. The program is intended to accomplish several goals, including revitalizing and rehabilitating distressed areas, encouraging businesses to locate and expand in these areas, stimulating the hiring of area residents, and enhancing the general social and economic well-being of the areas. To encourage investment in enterprise zones, the state provides various tax incentives to businesses that are located or investing in these areas. In addition, local governments may offer additional tax benefits and regulatory relief to encourage private investment in zones.

Brownfield Redevelopment Bonus Refund

Brownfield sites are defined in Florida statute as a site that is generally abandoned, idled, or underused where expansion or redevelopment is complicated by actual or perceived environmental contamination. Local governments have the responsibility to officially designate a tract of land as a brownfield site or area. Currently, Escambia has 16 Brownfield sites, Okaloosa has two Brownfield sites, and Santa Rosa has three Brownfield sites.

The Brownfield Redevelopment Bonus Refund provides a tax refund to eligible businesses of up to \$2,500 for each new job created in that area. To qualify a business must demonstrate it will diversify the economy, create at least 10 full-time jobs, and provide at least \$2 million in capital investment. The state pays 80 percent of the award and the local government must pay the remaining 20 percent of the incentive. Other Brownfield incentives include low-interest loans, expedited permitting, and tax credits.

Diversifying the Economy

Over the last month, stakeholders reported varying measures of effect of the Deepwater Horizon disaster on their communities, however there was unified voice that diversifying the economy was critical for community growth and development.

Florida's Great Northwest, the region's economic development organization, has identified that any successful economic development strategy must include efforts to build key linkages between the community, the education system, and target industry businesses. In a workforce study, the organization identified four target industries that build on their current regional development and linkages with business sectors. These are: 1) Aviation, Aerospace, Defense and National Security; 2) Health Sciences and Human Performance Enhancement; 3) Renewable Energy and the Environment; and 4) Transportation and Logistic Services.

The region has strong linkages with these sectors that make these industries prime for further development. The Northwest Florida region is home to one naval and six aviation-related military installations; two world class research centers (Andrews Institute and the Institute for Human and Machine Cognition); GE Wind Energy, GE's national manufacturing center for wind-powered generators and hubs; and four commercial airports, 14 public airports, and three deepwater ports, two of which are designated Foreign Trade Zones. In addition, the University of West Florida is strongly involved in projects concerning these industries and houses the Haas Center for Business Research and Economic Development and the Technology Transfer Office.

DISCUSSIONS WITH STAKEHOLDERS

The local economic development organizations, chambers, elected officials, businesses, and other entities have been very engaged in efforts to improve the region's economic base. Below is a list of some of the ideas the Workgroup heard in our meetings from local stakeholders.

Federal Initiatives

A number of federal initiatives rose to the forefront through conversations with key stakeholders. These ideas were heard across the Gulf Coast counties as important to long-term economic diversification. These include:

GO ZONE LEGISLATION – The Workgroup heard continued support for the creation of a new Gulf Opportunity Zone for those counties impacted by the oil spill. The legislation, filed by U.S. Representative Jeff Miller, would provide numerous federal tax incentives including: tax exempt bonds; a low-income housing tax credit; depreciation deductions; retirement plan distributions; mortgage revenue bonds; and others.

TIGER II GRANTS – The Gulf Coast counties mentioned numerous infrastructure projects for both roads and seaports that were needed for economic growth. Funding for many of these projects has been sought through federal TIGER II grants. Awards for the grants are to be decided no later than September 15, 2010.

WIRED INITIATIVE – Through a competitive bid process, Northwest Florida received a \$15 million federal grant from the U.S. Department of Labor that provides for a combined investment of \$50 million (including local match resources) in workforce training and training program development for the region. Federal funding for this program ends September 30, 2010. The counties in this region would like to see this funding continued to further accelerate workforce development efforts.

FEDERAL SUBSIDIZED EMPLOYMENT PROGRAM: FL BACK TO WORK – Florida has approximately \$150 million remaining in the federal subsidized employment program that is set to expire on September 30, 2010. Reauthorization of these funds would be helpful for continued job training. The Florida Agency for Workforce Innovation reports that extension of these funds would expedite the agency's efforts in the Gulf Coast counties to help local employers create new jobs.

PRIORITY, WAIVERS and SET-ASIDES – The Gulf Coast counties each expressed interest in priority rankings or waivers for federal grants and other programs that would provide the region with additional funds without having to meet a local match requirement.

In addition to the federal programs mentioned above, the local communities expressed a desire to request a stop to national advertisements by BP that indicated to the nation that there may be a continuing problem in the region. The BP slogan “we’ll be here as long as it takes” was felt to cause a continued perception that the area was slathered with oil, when in fact this is not the case. The stakeholders in these communities felt that this message was having an immediate and potential long-term impact on the economic recovery of the region.

State Initiatives

A number of state initiatives rose to the forefront through conversations with key stakeholders. These ideas were heard across the Gulf Coast counties as important to long-term economic diversification. These include:

STREAMLINE STATE PROCESSES FOR PERMITTING – While there were not any concrete examples given of areas of improvement, there were some remarks from stakeholders that the timing associated with state permitting processes could be improved, especially those permits associated with the Department of Environmental Protection. However, there were also comments from stakeholders that the state processes for permitting are efficient, and that most of the delay occurred at the federal level. The Department of Environmental Protection has voiced they are very willing to work with applicants to expedite the permit process without reducing environmental protection, and strongly recommends that applicants take advantage of pre-application meetings with agency staff.

SEAPORT INFRASTRUCTURE – Due to the expansion of the Panama Canal in 2014, Florida’s ports are expecting strong increases in freight movement and increased coordination and development of ports could assist in ensuring freight is handled at the most appropriate location. As such, seaport development is a critical concern for the economic diversification of this region and further infrastructure development of these ports would be useful to support the logistics of the expected expansion. A few stakeholders suggested the state provide tax incentives for the development of port infrastructure. Other recommendations focused on a steady source of state financial resources for port infrastructure needs.

CURRENT BUSINESS GROWTH - While economic diversification is important, there was clear support from stakeholders in sustaining the current economic base and businesses in the area. The region’s long-term economic recovery is largely dependent on maintaining its current resources at a minimum.

PRIORITY, WAIVERS and SET-ASIDES – Similar to the request for funding from federal programs, the Gulf Coast counties each expressed interest in priority rankings or waivers for state grants and other programs that would provide the region with additional funds without

having to meet a local match requirement. In addition, suggestions were given to lessen criteria for several of the economic development programs.

TECHNOLOGY COUNCIL OF NORTHWEST FLORIDA – The counties of Bay, Escambia, Okaloosa, Santa Rosa, and Walton are developing a proposal to create a Technology Council of Northwest Florida that will attract, retain and grow high-tech industry and develop a high-skilled workforce to support targeted industries in these five counties. The council will partner with local and regional economic development organizations, the University of West Florida, the three state colleges, the Florida Institute for Human & Machine Cognition, military partners, along with other public and private enterprises to diversify the local economy.

ENTERPRISE ZONES – Stakeholders in Bay County and other areas of the region expressed interest in designating an area in their county as an enterprise zone.

WORKGROUP RECOMMENDATIONS

The federal economic assessment report is expected September 15, 2010. This report will provide strategies and resources for the economic recovery of these coastal counties that should help the state further define its possibilities for assistance. Due to the upcoming release of these recommendations, and the unknown impact of the disaster on the local economies, it is premature to make specific recommendations regarding long-term recovery at this time.

The Workgroup recommends further research over the next several months, in preparation for the 2011 Legislative Session, to determine:

- ❖ Whether state permitting processes could be improved, and if there are any unnecessary duplications or delays that significantly lengthen project timelines and increase costs.
- ❖ The extent to which state program requirements could be waived to benefit the region's economic recovery.

Further, the Workgroup encourages:

- ❖ State agencies to process applications for grants and other programs for these coastal counties on an expedited basis.
- ❖ Businesses in the region to take advantage of the state's economic gardening pilot program – GrowFL. This program has identified as many as 150 businesses across these seven counties that may be eligible for the program based on preliminary information.

In addition to the recommendations provided above, the Workgroup recommends that the federal report be evaluated after its release in September to determine other ways the state could provide meaningful assistance to the region's long-term economy while maintaining fiscal responsibility.

The Honorable Larry Cretul

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Mr. Speaker, it has been an honor and privilege to lead Workgroup 5 on long-term economic recovery.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paige Kreegel". The signature is fluid and cursive, with the first name "Paige" written in a larger, more prominent script than the last name "Kreegel".

Representative Paige Kreegel, Lead Member

Representative Charles Chestnut, IV

Representative Marti Coley

Representative Alan Hayes

Representative Bill Heller

Representative Lake Ray