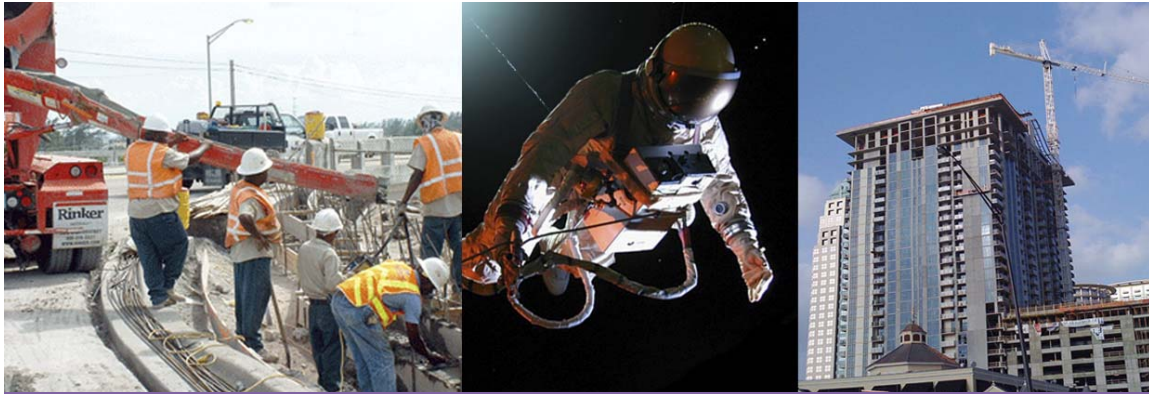


Florida Economic Stimulus



Economic Stimulus Package 2.0



There is no longer any doubt that Florida and the nation are experiencing the worst economic downturn since the Great Depression. Job losses in our state and across the country continue to grow as companies face the daunting challenge of a severe credit crunch and reduced consumer spending. Florida's revenue, which is highly dependent on sales tax receipts, has seen record decreases for an unprecedented three years in a row. Yet, these difficult times can also produce significant opportunities for policy makers and business leaders. Short-term, targeted investments in infrastructure can go a long way in stimulating Florida's ailing economy. This package is designed to present lawmakers with a list of options and recommendations, from the private sector, for investments in Florida's future.

The recommendations found in this package originate from discussions with representatives from various industry associations and other interested parties who are deeply concerned with the future of Florida. They are mainly focused on infrastructure investments with a high return on investment (ROI), but given the bleak budget picture in Tallahassee we have also included some important regulatory recommendations that can stimulate the economy without a big price tag. This package is meant to be perceived as a potential guide for positioning Florida in such a way that it can bounce back from this recession faster and in a more sustainable way.

Recognizing the direct link between investments in infrastructure and jobs, Governor Crist unveiled his "Accelerate Florida" program directing state agencies to immediately begin work on projects that have been funded by the Legislature and to remove any obstacles that may be in the way of these projects. In addition, Florida needs to position the state for revenue allocations to Florida from President Barack Obama's federal stimulus program on infrastructure improvements, which could help complement the recommendations included in this package.

Creating Jobs by Investing in Infrastructure:

Transportation

Stimulating Florida's economy by investing in "Shovel-Ready" transportation projects is one of the most appropriate ways that our state can reinvigorate the economy while addressing a critical issue for its citizenry. Thousands of jobs can be created (27,000 jobs for every \$1 billion invested) through extensive investment in Florida's infrastructure and studies have shown that the economic benefit for these projects could result in a \$5.60 yield per \$1.00 invested – an incredible return. Florida should prepare ready-to-go projects in order to obtain first-round federal matching funding once available in early 2009, and in subsequent years. Each dollar directly spent on infrastructure raises GDP by approximately \$1.59, according to Moody's Economy.com. Additional benefits include providing employment for Florida's idle construction workforce, and boosting Florida's long-term economic competitiveness. While it may take some time for the funds to flow to builders and contractors and into the broader economy, it will be important to focus on projects that can be quickly identified with expedited environmental and other permitting. The Florida Department of Transportation has identified \$7 billion in projects ready to begin within 90 to 120 days. These projects could provide \$39 billion in economic benefits and create an additional 195,000 jobs.

Resurfacing roads, for example, is a quick and easy way to increase economic activity and create jobs because there are no road right-of-way issues involved and thus work can begin almost immediately. Yet, despite the clear need for infrastructure investments - and proven economic benefits - the state chose to dip into the Transportation Trust Fund in 2008 and take about \$300 million in funding away from building roads, bridges and other infrastructure needs. In fact, since November 2006 the Florida Department of Transportation (FDOT) 5-Year work plan has been reduced by over \$7 billion. For transportation sustainability this trend cannot continue and we would implore the state Legislature to protect the Transportation Trust Fund and its funding of the FDOT 5-Year Work plan in the name of infrastructure and economic development. To this end, we would ask the Legislature to take measures towards enhancing the **Dedicated Transportation Funding** sources for roads and infrastructure through revenue increases from the transportation sector. One such proposal that should be considered is a scaled adjustment in tag and title fees over a three year period that would raise an additional \$1.5 billion in new revenue by the end of the third year. These additional funds would be dedicated solely for infrastructure. This would be a creative and bold step and something that the state is desperately in need of having.

We would also encourage the Legislature and the Department of Transportation to continue to utilize **Public Private Partnerships** (P3's) as creative and innovate ways to allow job creators in the private sector to help address FUTURE infrastructure needs of the state and create jobs while doing so. A recent occurrence that has the potential to slow these proposals down and drastically affect Florida's economy is the resurgence of local moratoriums on **Aggregate Mining**. If local jurisdictions continue to choose to enact these moratoriums, then the state would be wise to consider legislation that addresses this potentially destabilizing practice by declaring local moratoriums null and void.

Another opportunity within the transportation arena is approval of the **Central Florida Commuter Rail** project. This project not only will create jobs in the Orlando area, but throughout the state of Florida while injecting over \$1.2 billion into the economy over the next 18-24 months. This would include over \$400 million in state funds that have already been allocated and would be almost immediately invested in specific rail and road infrastructure improvements in communities throughout north and central Florida. One example is \$40 million that CSX has promised to invest in upgraded rail connections to the Jacksonville Port (JAXPORT) that can help facilitate the substantial growth in container traffic they expect in coming years. A separate, privately funded rail terminal project in Winter Haven is expected to create 900 jobs during the first year of construction and as many as 8,500 jobs over the next ten years in Polk County and surrounding areas. These projects will lay the foundation for improved passenger transportation and freight distribution in Florida, thus ensuring our state's ability to remain competitive and meet the challenges of expanded global trade. Since this project is ready to go – the economic benefit for Florida will be immediate.

With the current expansion of the Panama Canal underway, Florida's 14 deep-water **Ports** continue to be a source of great opportunity for economic stimulus. Private Sector infrastructure investments in warehouses and distribution centers around ports on state or local government-owned property could further help to stimulate the ports' economic activity.

Last year saw increases of imports at the Port of Miami, but decreased exports, which documents this important need. Further, we still have the port security issues revolving around the need for Florida to just require one federal port security credential or TWIC (Transportation Worker Identification Credential) card.

Water

Water supply is critical to the future growth and sustainability of Florida. Recognizing the importance of this issue, the Century Commission recently held Florida's first Water Congress and made recommendations for long-term water supply projects such as reservoirs, desalination plants, collection and storage of rain water, etc. **Alternative Water Supply** programs are needed and should be funded. Water infrastructure projects create jobs and stimulate economic development. For every dollar government provides for alternative water supply programs, it is matched by local and/or federal government. For every \$1 invested in watery supply projects there is a \$6 ROI.

Affordable Housing

Housing is one of our greatest economic engines – when that engine is fueled our economy thrives; when it is not our state's economy falters. According to the Sadowski Affordable Housing Coalition, for every \$1 million of state funding in housing, \$10.36 million of economic activity is generated. For 2009, investments in **Affordable Housing** will allow work on recovering, rehabilitating, and reselling foreclosed properties as well as help reduce the current glut in housing stock. According to RealtyTrac, Florida has the nation's third-highest state foreclosure rate, with 166,600 households in foreclosure as of October, 2008. Foreclosures destabilize neighborhoods, which leads to lower values for the rest of the properties in the area and decreases in tax revenue. The passage of the federal Housing and Economic Recovery Act of 2008 presents Florida with a unique opportunity to leverage over \$1 billion in federal support for our housing market to accelerate Florida's economy. To get the biggest return on this additional bond capacity (\$571 million) and Community Development Block Grant (CDBG) monies (\$541 million)¹, Florida must ensure that the monies in the state and local housing trust funds are fully appropriated for housing, so that we have adequate funds for Down Payment Assistance programs for low and moderate income homebuyers in the State Housing Initiatives Partnership (SHIP) programs to effectively leverage these federal resources. The State Apartment Incentive Loan (SAIL) program also needs additional funds so that existing rental developments can be rehabilitated and rented to working families. The cap on the Housing Trust Funds should be repealed-- restoring the Sadowski Act to its intended structure. This can be done with no fiscal impact due to the fact that actual revenues are below the cap level-- but the repeal will allow additional funding in better economic conditions to further fuel Florida's economy.

On the regulatory front, cities and counties must not be allowed to drag their feet on permitting for affordable housing projects. Jurisdictions without expedited permitting for affordable housing projects should face some type of penalty or consequence so that these local governments are encouraged to implement "fast-tracking" procedures.

Educational Facilities

A business approach to economic stimulus must absolutely include provisions for continued state investment for our K-20 education system. In addition to supporting education operating at all levels, there are numerous opportunities for creating construction jobs by continuing funding for education facilities in all sectors. Last year, in response to budget reductions, the Legislature reduced the maximum discretionary 2 mill levy that districts use for facilities construction to 1.75 mills, and shifted the remaining .25 mills to operating funds. While operating funds are crucial, this change, combined with declining property assessment values, has resulted in a substantial impact on **Facilities Funding**. Despite a slower growth in PreK -12 student population, we will still need to build schools. With a backlog of construction projects, particularly maintenance, repair and renovation of numerous old school facilities; slowing growth actually allows many districts to catch up on much needed facilities construction. The Legislature should, at a minimum, resist the temptation to make further shifts in facilities funding, and should ultimately restore the 2 mill funding for facilities. Earlier this year, we were encouraged that **Public Education Capital Outlay (PECO)** looked to be the one bright spot in an otherwise gloomy revenue forecast, but the November 2008 estimates reduced PECO by nearly half. PECO funds are shared by K-12, community colleges, and the state universities, and these funds should be used for projects that have been fully vetted through normal channels both locally and at the state level. Additionally, policymakers should consider

¹ State of Florida, Office of the Governor – Executive Order 08-210 (October 2, 2008)

revisiting the implementation of the *Class Size Amendment*. Great flexibility will ensure money is spent where it is most needed at a time when school funding is facing drastic reductions as a result of the downturn in the economy.

Space

Last year, the Legislature made space funding and space policy a priority by passing a number of space-related bills that sought to maintain Florida's leadership in commercial space activities. We must maintain this focus as a number of other states, especially Virginia, continue their efforts to overtake Florida's historical role in space. Targeted infrastructure investments for *Commercial Space* launches will provide high-wage, high-tech jobs and will position Florida as the leader for this lucrative industry. Specifically, policymakers should consider supporting:

- Creation of a Commercial Launch Zone (CLZ). A state-adopted CLZ would create a zone (similar to a foreign trade zone) that would expand throughout the state specifically for space related commerce. Economic incentives would be provided for launch, manufacturing, and research and development within the zone.
- Additional investments in workforce training to continue the transition of aerospace workers to complementary jobs in related fields.
- Diversification of the space industry through university-based research and applied technology programs across the state (STRDI Act).
- Creation of Science, Technology, Engineering and Mathematics (STEM) magnet schools around the state to feed Florida's future desire to be the home for high technology.
- The use of "operations and maintenance" dollars to preserve launch processing facilities, infrastructure and complexes no longer in use by NASA, but critically important in keeping the private sector competitive in both domestic and overseas commercial markets.
- Continued funding of Space Florida and its activities to attract and retain space related industry to our state including additional dollars for the continued rehabilitation of launch facilities to entice commercial space flight to Florida.

Home Mitigation

In addition, the state should look at ways to draw down federal resources for *home hardening*. Recently, President Barack Obama has stated that his administration will make dollars available for infrastructure improvements. What better way to get Floridians back to work and generate sales tax revenue than by putting federal and state dollars into home mitigation; thereby employing more contractors, home inspectors, tradesmen, architects, etc. We have already seen the multiplier effect of Florida's "My Safe Florida Home" program, which provided grants for home hardening for 400,000 homes across the state. Although this program is set to sunset next year, a state funding mechanism (perhaps through small increases in Citizens Insurance premiums) or a public-private partnership should be created to continue this important work.

Low Cost & Immediate Impact Alternatives:

Regulatory Relief

With very few dollars to spend, policymakers must look at reductions in regulatory red tape as a way to stimulate business activity across the state. In business "time is money;" streamlining of the permitting process is a critical first step towards increasing productivity. One proposal that has been considered for some time, but not enacted is the development of *Expedited Permitting* for targeted industries. This proposal would allow for local governments to designate companies looking to expand or locate in their areas as a "targeted industries" and require local and state permitting agencies to approve or deny businesses applications within a 45 day timeframe. In addition, policymakers should consider creating "*Shovel-Ready Zone*" designations, which would provide incentives for counties or local governments to create specific zones conducive to growth. These zones would feature special expedited permitting for local ordinances, enhanced local incentives, and the potential for county and cities to be co-applicants alongside potential businesses for state permitting purposes.

Given the difficult real estate market conditions and economic downturn, the state should look at providing reasonable extensions of state and local government approvals for projects that fall under the “**Development-of-Regional- Impact**” process. It would also be prudent for policymakers to consider establishing automatic extensions for all development permits and approvals. Again, because of the downturn in the economy many permits for approved projects will expire. Permits should be able to be reinstated once the market recovers without any re-review by local and state officials.

Policymakers should consider the effect of **Impact Fees** on Florida’s housing industry. According to a 2007 Duncan Associates study on impact fees, Florida has the second highest impact fees in the country. Only California has higher impact fees and because their impact fees are tied to inflation (Florida’s are not) Florida will soon surpass California as the highest. Additionally, from 2003 to 2007 Florida’s impact fees rose 149%. While a temporary suspension of impact fees may help stimulate the housing market, at a minimum, policymakers should consider easing the burden of proof surrounding impact fee challenges to a preponderance of the evidence. This one statutory fix will level the playing field in any court challenge so that local governments are not presumed correct in their methodology when increasing an impact fee or creating a new one.

Tourism

Recognizing the important role tourism plays in our state’s economy, the business community recommends a short-term emphasis of tourism marketing dollars on Health Care tourism and Arts & Cultural tourism. These two specific areas are just a segment of the whole tourism spectrum, which plays a vital role in Florida’s economy, yet they have the potential to bolster some of the under-performing sectors of this industry that have been negatively affected by the downturn in the economy. An emphasis should also be placed on **in-state tourism** by creating a positive image for Floridians’ helping their fellow residents by visiting Florida, buying Florida, and supporting our own economy.

Health Care Hospitality - Florida contains both world class medical facilities and a renowned tourism industry. Both should be combined in a domestic and international marketing program to promote medical tourism. This is where people who live in one country or state travel to another to receive medical, dental and surgical care, while at the same time their families can enjoy the benefits of that area’s tourism industry. According to a recent survey conducted by the Deloitte Center for Health Solutions, the practice of "medical tourism" (traveling internationally or out of state for medical care) will continue to expand over the next few years. The survey forecasts that the number of people turning to medical tourism will increase from 750,000 to 6 million by 2010. While most medical tourism is international, several US-based hospitals are marketing their medical services and their convenient location to lodging, dining and shopping facilities. Thought leaders should explore how Florida can partner its medical facilities with the tourism industry to attract those from other states and countries to have their elective medical procedures performed in Florida while their friends and family can enjoy our beaches and tourist attractions.

In addition, policy makers would be prudent to continue to invest grant dollars towards **Arts, Culture, and Historic resources** as a way to help rebuild and sustain Florida’s economy and give our state the competitive edge to attract, sustain, and advance tourism, commerce, a skilled and creative workforce, jobs, downtown and neighborhood revitalization, health and wellness, key business relocation, and substantial returns on state investment. Consider the following indicators:

- **Art Tourism Impact:** 74.9% of Florida visitors participate in cultural activities. It is important to understand the factors making Florida an attractive destination and to retain and enhance those factors (Source: Florida Tax Watch Tourism Research Report, 2006);
- **Return on Investment:** For every dollar government invests in the arts, \$7 is returned to local, state, and federal governments. (Source: Arts & Economic Prosperity III Research Report, 2007)
- **Growth Industry:** Florida’s arts and cultural industry’s statewide economic impact has grown from \$1.7 billion in 1997 to over \$2.9 billion in 2001, making it one of Florida’s fastest growing industries. (Source: The Economic Impact of the Florida Arts and Cultural Industry, 2001)
- **Jobs in Creative Industries:** In January 2008, Florida had over 40,081 arts-related businesses that employ over 168,468 people. (Source: Dun & Bradstreet January 2008)

Florida New Markets Development Program

Another area where Florida can leverage federal dollars in the area of economic development is through passage of legislation creating the “*New Markets Development Program.*” This program would provide immediate access to capital for existing and start-up small businesses in Florida’s low income communities by providing \$250 million in private sector investment in Florida within 12 months. Over the seven-year life of the incentive, \$500 million will be invested in Florida’s small businesses. It has the potential to creating over 3,000 jobs the first year, more than 30,000 jobs over seven years, \$4 Billion in economic activity and in excess of \$200 million in tax revenues². The Florida program would delay the use of state credit for two years, placing more responsibility on the private sector and increasing Florida revenue growth. Many states are active in the New Markets program, attracting large amounts of investments; but Florida has not take advantage of these federal dollars.

Building Florida’s Venture Economy

Business leaders across the state recognize the importance of growing Florida’s entrepreneurial community. Further diversification of Florida’s economy is vital for future growth. Steps can be taken in the short-term that will sow the seeds necessary to achieve this goal:

- **Create the Florida Investment & Infrastructure “Bank”:** Modeled after the Senate’s “Building Florida’s Future Revolving Loan Program, this entity would administer existing or future loans and or loan guarantees for companies, counties, businesses, etc. that need infrastructure improvement or investment.
- **Encourage creation of Angel Investment Groups:** Many states across the country are using tax credits to encourage the formation of angel investment groups, which now number more than 200 in the U.S. Angel investing is extremely important for accumulating capital for new start-up companies. The use of state tax credits offers a relatively small risk for taxpayers in return for bringing more attention to Florida for both entrepreneurs and investors.
- **Bring entrepreneurs together with the source of capital:** One of the biggest challenges to growing Florida’s Venture Economy is the lack of information or comfort large investors have with our existing start-ups. One way to bridge this gap would be through the creation of state-sponsored “trade missions” to venture capital clusters in San Francisco, Boston’s Rout 128, or North Carolina’s Research Triangle. This small investment in relationship-building would go a long way in attracting and retaining venture capital investment in Florida.

Information Technology

Florida’s state government has legacy IT equipment and a decreasing number of professionals that are able to maintain them. In a time of shrinking state budgets and economic uncertainty, technology has the potential to turn government around and save money at the same time. As legislators consider how to cut government programs without hurting the people being served, IT emerges as one solution to providing the most efficient level of service. Increasing Florida’s IT capacity is vital to economic development. Business activity is often dependent on how quickly government can act. When government operates inefficiently, it weighs down the ability of a business owner to move forward on economically productive activities. Information technology is one of the few areas where government can actually spend money to save money and stimulate the economy.

² (Source: Washington Economics Group study)

Furthermore, investing in new IT infrastructure can lead to significant cost savings, which is especially relevant at a time when Florida's revenues are shrinking. Specifically:

- Policymakers should support funding for the State Data Center System. Legislation has been passed requiring the consolidation of state data centers, but funding is currently lacking in order expedite the storing of critical information needed for government to perform basic services and mission critical processes. The establishment of secure, state-of-the-art data centers will increase productivity and protect sensitive information.
- Out of date and cost intensive legacy systems should be updated as soon as possible in order to avoid serious and economically devastating disruptions in service. Currently, state agencies like the Agency for Workforce Innovation are operating IT systems that are so out of date that not even their manufacturers can maintain. These systems perform critical operations like process unemployment applications and benefits.

Florida's Business Community Supports
Economic Stimulus Package
(as of 03/30/2009)

