

Economic Stimulus—What You Haven't Heard So Far

By José Gonzalez

Echoing throughout board rooms and kitchen tables across the state are the buzz words “economic stimulus.”

The nation’s attention has turned to Washington D.C., first to witness the historic inauguration of President Obama and then to watch as lawmakers debate a national economic stimulus package of epic proportions (\$787 billion). All indicators continue to point to a deep national and state recession. In late January of this year, the Census Bureau reported that housing starts fell from 651,000 units in November 2008 to 550,000 just one month later in December, a 15.5 percent decline. December’s report is the lowest monthly reading since the Census Bureau began collecting data in 1959. Unemployment levels are the highest in 30 years with national jobless claims at 589,000 for the week ending on January 17. In Florida, our unemployment rate of 8.1 percent is the highest it has been in nearly 16 years. According to Florida’s Chief Economist Amy Baker, if conditions continue to deteriorate, Florida could face a 10 percent unemployment rate, joining the ranks of states like California and Michigan.

In response to this grim economic reality, states across the country have put “pen to paper” to come up with plans to stimulate their economies. In Florida, legislative leaders from both chambers and the executive branch consider fixing the state’s economic woes a top priority. In fact, Senate President Jeff Atwater (R-North Palm Beach) created a powerful Select Committee on Florida’s Economy to travel

The Business Community’s Recommendation for a Revival of Florida’s Economy.

the state and gather information and testimony on ways to kick start the economy.

Last year, AIF alongside 19 other business groups put together an *Economic Stimulus Package* or *ESP*. Designed to nourish Florida’s economy, the *ESP* recommended government spending in key areas and the enactment of incentives to attract new business and spur more job creation in home-grown corporations. On the heels of this first package and with Florida’s economy still sputtering, AIF once again consulted with its corporate and association members to develop a follow-up to this landmark set of recommendations. Known as the *Economic Stimulus Package 2.0* or *ESP 2.0* for short, this package picks up where the business community left off last year and provides legislators with a series of recommendations in 10 targeted areas. Once more, the bulk of the recommendations are centered on investments in infrastructure. Given the bleak budget picture in Tallahassee, we have also highlighted some important regulatory recommendations that can stimulate the economy without a big price tag.

Economic Stimulus Package 2.0

Creating Jobs by Investing in Infrastructure

1. Transportation – Stimulating Florida’s economy by investing in “shovel-ready” transportation projects is one of the most appropriate ways 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. Studies have shown that the economic benefit of these projects could result in a \$5.60 yield per \$1 invested – an incredible return. 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. Specifically, the *ESP 2.0* proposes:

- Establishing a Dedicated Transportation Funding Source through a scaled adjustment of vehicle tag and title fees – this proposal alone has the potential to raise an additional \$1.5 billion for transportation projects at the end of a three-year period.
- Focusing on road resurfacing as a quick way to get “boots on the ground.”
- Approving the “Central FIA Commuter Rail” project.
- Banning local moratoriums on aggregate mining.
- Making infrastructure investments in warehouses and distribution centers around Florida’s 14 deep water ports, as well as solving Florida’s dual security credentialing problem.

2. 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. State funding for alter-

“For the second year in a row, AIF has highlighted the importance of funding alternative water supply projects as an economic stimulus for the state. The availability of alternative water supplies is essential for a strong business climate and protects the environment. Infrastructure construction programs in this area creates both short term and long term jobs and improves our quality of life.” – Doug Mann, Chairman, Florida Water Alliance

“AIF continues to be a leader for the business community in the transportation arena. Their endorsement of a practical adjustment of tag and title fees as a source of additional transportation dollars shows the type of forward thinking needed for our state to meet its transportation challenges.” – Robert Bureson, President, Florida Transportation

native water supply programs is matched by local and/or federal governments. For every \$1 invested in water supply projects, there is a \$6 return on investment.

3. 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, every \$1 million the state invests in housing generates \$10.36 million of economic activity. In the area of affordable housing, AIF and the business community recommend:

- Investing in housing, which will allow work on recovering, rehabilitating and reselling foreclosed properties through down payment assistance programs. These investments will go a long way to reducing Florida’s current glut in housing stock.
- Repealing the cap on the Sadowski Affordable Housing Trust Fund. This repeal will allow for additional housing funding once the economy improves.

4. Educational Facilities – A business approach to economic stimulus must include provisions for continued state investment in our K-20 education system. In addition to supporting education operations at all levels, continued funding for education facilities in all sectors will create construction jobs. Despite a slower growth in PreK-12 student population, we still need to build schools. Additionally, policymakers should consider revisiting the implementation of the Class Size Amendment. Greater flexibility will ensure money is spent where it is most needed at a time when school funding is facing drastic reductions.

5. Space – Last year, the Legislature made space funding and policy a priority by passing a number of bills intended to maintain Florida’s leadership in commercial space activities. We must sustain this focus as a number of other states, especially Virginia, continue their efforts to eclipse 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. Among some of the

The recommendations contained in the *ESP 2.0* reflect the work product of a cadre of top Florida business associations on the front lines of our state's economy. They represent a list of ideas that you have not heard thus far in the halls or committee rooms of the Florida Capitol.

ESP 2.0 recommendations on space, policymakers should consider supporting:

- A continued emphasis on investments for the rehabilitation of launch facilities to entice commercial space flight to Florida.
- Creation of a Commercial Launch Zone (CLZ) — 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 aero-space workers to complementary jobs in related fields.
- A targeted approach toward university-based research programs across the state coupled with an emphasis on Science, Technology, Engineering and Mathematics (STEM) education in Florida's K-12 schools.
- Use "operations and maintenance" funding to preserve launch processing facilities no longer in use by NASA, but important in keeping the private sector competitive in the commercial markets.

6. Home Mitigation — The state should look at ways to draw down federal resources for home hardening. President Obama recently stated that his administration will make funds available for infrastructure improvements. Putting federal and state dollars into home mitigation is an ideal way to generate sales tax revenue and get Florida contractors, home inspectors, tradesmen, architects and others back to work.

Low Cost & Immediate Impact Alternatives

7. Regulatory Relief — With very limited financial resources at their disposal, policymakers must look at reductions in regulatory red tape as a way to stimulate business activity throughout the state. In business "time is money." Streamlining the permitting process is a critical first step

"Economic Stimulus" is the new buzz term in Tallahassee and Washington. Many plans and ideas have been discussed on the subject. Below are some ideas that AIF and the business community are presenting that are unique to ESP 2.0 and not covered by other plans.

TRANSPORTATION — Florida's tag and title fees have not been increased in 25 years! A scaled adjustment of these fees over a three-year period has the potential to raise an additional \$1.5 billion for transportation projects. These projects could provide \$39 billion in economic benefits. For every \$1 billion spent on transportation, 27,000 new jobs are created. Florida's Department of Transportation has identified \$7 billion in projects ready to begin within 90 to 120 days. The fees would be adjusted between \$10 to \$22 depending on a vehicle's weight — that's a maximum of less than \$2 per month.

AFFORDABLE HOUSING — The passage of the federal Housing and Economic Recovery Act presents Florida with a unique opportunity to leverage over \$1 billion in federal support for our housing market and to accelerate Florida's economy. To get the biggest return on this investment, we must ensure that the monies in the state and local housing trust funds are fully appropriated for housing and that we have adequate down payment assistance funds to get families into the existing stock; thereby reducing the current glut of housing. Remember, for every \$1 million of state funding in housing, \$10.36 million of economic activity is generated.

REGULATORY RELIEF — "Shovel-Ready Zones" would provide incentives for counties and local governments to create specific zones conducive to growth. These designated zones would feature special expedited permitting for local ordinances, enhanced local incentives, and the potential for county and cities to be co-applicants alongside targeted businesses for state permitting purposes.

TOURISM — Florida is blessed with 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 travel from across the country and world to receive medical, dental, and surgical care, while at the same time their families can enjoy the benefits of that area's tourism industry.

NEW MARKETS DEVELOPMENT PROGRAM — Many states are active in the New Markets program, attracting large amounts of investments; but Florida has not taken advantage of these federal dollars. Over the seven-year life of the incentive, \$500 million will be invested in Florida's small businesses. It has the potential to create 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 revenues.

FLORIDA'S VENTURE ECONOMY — 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 Route 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.

Economic Stimulus Package 2.0

“Associated Industries has been a major partner in the fight to protect affordable housing programs in Florida. More than most other organizations, AIF realizes the economic stimulus potential of investments in housing.” – John Sebree, Vice President of Public Policy, Florida Association of Realtors

toward increasing productivity. Therefore, the business community recommends:

- Passage of legislation implementing the development of expedited permitting for targeted industries.
- Creation of a “Shovel-Ready Zone” designation, which would provide incentives for counties or local governments to create zones with special expedited permitting for local ordinances, enhanced local incentives and assistance with state permitting.
- Providing extension of state and local government approvals for projects that fall under the Development of Regional Impact (DRI) process and automatic extensions for all development permits and approvals.
- Easing the burden of proof for impact fee challenges to a “preponderance of the evidence.”

8. Tourism – While we should preserve current tourism marketing dollars, the business community recommends a short-term emphasis on marketing healthcare tourism and arts and cultural tourism. Florida boasts 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 their families enjoy the benefits of that area’s tourism industry. In addition, it is prudent for policymakers to continue investing grant dollars toward arts, culture and historic resources. By doing so, we 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.

9. Florida 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 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 create more than 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 revenues. Many states are active in the New Markets program and are attracting large amounts of investments; however, Florida has not taken advantage of these federal dollars.

10. 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. Short-term steps can be taken that will sow the seeds necessary to achieve this goal:

- Create the Florida Investment & Infrastructure “Bank” – 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 by providing state tax credits for investors that join together to help Florida entrepreneurs.
- Bring together entrepreneurs with the source of capital through state-sponsored “trade missions” to capital clusters across the U.S.

11. 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

“In a very short time, AIF has become one of the strongest advocates of leveraging Florida’s existing space infrastructure for commercial purposes. Their powerful voice in Tallahassee and tireless efforts for Florida are exactly what the industry needs at this critical time in our state.” – Steve Kohler, President, Space Florida

AIF's ESP 2.0 does not pretend to be an exhaustive "to-do" list. Rather, it outlines strategic policy decisions that will stimulate the private sector and place Florida in a favorable position for when the economy turns around.

money to save money and stimulate the economy.

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.

AIF's *ESP 2.0* does not pretend to be an exhaustive "to-do" list. Rather, it outlines strategic policy decisions that will stimulate the private sector and place Florida in a favorable position for when the economy turns around. By investing in Florida's future now, we ensure we are prepared to sustain our economy for years to come. ■

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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.

Asphalt Contractors Association of Florida

Associated Builders & Contractors of Florida, Inc.

Associated Industries of Florida

Association of Florida Community Developers

Florida Association of Broadcasters

Florida Association of Homes and Services
for the Aging

Florida Association of Realtors

Floridians for Better Transportation

Florida Cultural Alliance

Florida Credit Union League

Florida Engineering Society

Florida Farm Bureau

Florida Fertilizer & Agrichemical Association

Florida Home Builders Association

Florida Institute of Consulting Engineers

Florida Natural Gas Association

Florida Pest Management Association

Florida Petroleum Council

Florida Retail Federation

Florida Roofing, Sheet Metal & Air Conditioning
Contractors Association

Florida Transportation Builders Association

Florida Trucking Association

Florida United Business Association