

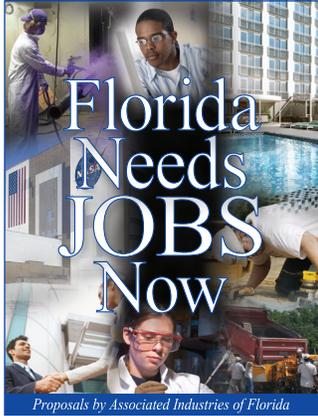
Florida Needs JOBS Now

Proposals by Associated Industries of Florida

ASSOCIATED INDUSTRIES OF FLORIDA



The Voice of Florida Business Since 1920



FROM PINK SLIPS TO PAY CHECKS: *Putting Floridians to Work Now*

Agriculture, construction and tourism have been the traditional underpinnings of Florida's 20th Century economy and they continue to be today. While globalization and technology have set the tone for the 21st Century and it is important to think in the long term about transitioning to a Knowledge Economy, we cannot accomplish that in the short term. As we cast a vision for the future, we must keep our focus on the here and now to ensure we have the stable economic foundation needed to move forward.

The Sunshine State is facing historic, record-breaking unemployment claims, and Florida is in the top three states nationally in mortgage foreclosures. Unfortunately, many economic indicators have signaled that this is not the end to Florida's fiscal woes and we have yet to hit the bottom. ***Our citizens need help now — today and tomorrow — not in the distant future.***

In these challenging times, it is imperative that our elected leaders take this opportunity to explore every avenue possible to put our citizens back to work. To that end, AIF recommends legislative action in the following five areas:

- 1. Small and Medium-Sized Business:** Increase access to capital through the creation of state loan guarantees and emergency "bridge" or revolving loan programs for small and medium-sized businesses. Ensuring access to capital will help small businesses expand their operations; therefore, leading to job creation.
- 2. Space:** Encourage the development of commercial space activities in Florida through the leveraging of existing infrastructure. Providing incentives to the aerospace industry will not only save jobs but also lead to job growth.
- 3. Transportation:** Establish a new funding stream for transportation projects with funds from last year's fee increase on tag and title fees. Funding for transportation is one of the quickest and most reliable ways to create jobs.
- 4. Housing:** Use affordable housing dollars on down payment assistance in order to reduce existing housing stock. Encouraging homeownership has a direct impact on economic activity, which leads to job creation.
- 5. Tourism:** Market Florida as a world-wide health care destination. Health care is one of the few growing sectors in our economy and the state should do everything in its power to continue this trend.

Questions?
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Associated Industries of Florida (AIF) was pleased to recently participate in Sen. Mike Haridopolos' and Rep. Dean Cannon's JOB SUMMIT. We, along with our members all across the state, appreciated this vital initiative because it was both timely and relevant.

Appropriately, the challenge laid down by these two visionary legislative leaders was to ask the private sector for recommendations to the legislature which will help citizens put food on the table, save their homes, and keep their families intact. The end result is to create JOBS for Floridians now in this current year — **real JOBS, not projections, not long-ranging economic development strategies** that may or may not yield results for years to come. Florida cannot wait that long.

For the past two years, AIF has advanced a comprehensive set of legislative recommendations, known as the *Economic Stimulus Package (ESP)*, intended to immediately inject revenue into the state's economy and create thousands of jobs. Many of these recommendations focus on short-term, targeted infrastructure investments. We've continued to look beyond the obvious for unique ideas that will help Floridians cash their pink slips in for pay checks. We realize that some of the recommendations included in this report call for government spending at a time when the state budget faces a deep deficit. When companies in the private sector face similar challenges, the successful ones understand that investing in their operations or their employees during difficult times leads to future growth.

Access to capital

The backbone of Florida's economy is small and medium-sized businesses. More than 80 percent of Florida businesses are comprised of companies with 25 or less employees, and our initial focus must begin here. In order to grow or sustain our state's businesses and the JOBS that go with them, business owners and companies must have access to capital. With increased scrutiny on the banking and lending industries, accessing capital has become increasingly difficult.

While President Obama has publicly called on the banking industry to loan money to credit-worthy individuals and companies, federal banking examiners are doing just the opposite by questioning and challenging bankers for making loans. If the President wants bankers to loan money, then he must instruct federal employees to encourage sound lending practices rather than allowing bankers to be privately chastised for trying to make loans to a business community that is desperate for financial assistance. Once a consistent and succinct lending policy is truly implemented, and individuals and companies can seek loans, then we will see the real beginning of an economic recovery.

Although a big part of this problem lies at the federal level, the state can play an important role by considering loan guarantees to banks and credit unions that will undertake emergency "bridge" loans or revolving loan programs. As suggested by the Small Business Development Center and the Small Business Regulatory Advisory Council, these types of loan vehicles would provide the much needed capital for small businesses to

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bolster their working capital or increase their inventory. These loan guarantees and "bridge" loans should only be made available to for-profit businesses in Florida who have been in business for at least three years (LLC, LLP, C-Corps, and Sub S) and who have shown profits in at least one of the last three years they have been in operations. The state should also look at providing a one year moratorium on interest and principle payments and offer no interest if the loans are paid within one year.

How to pay for it: Legislation passed in 2008 creating the Florida Growth Fund authorized the use of state pension dollars on "alternative investments." Of the authorized amount, only \$250 million is currently being used. Some portion of these dollars could perhaps be used as a financial backstop to encourage banks to loan money, or as a revolving loan fund to assist small and medium-sized businesses to grow.

Space

Florida's Cape Canaveral is synonymous with manned space flight. However, the impending retirement of the Space Shuttle at the end of this year will result in a loss of 7,000 high-paying, Shuttle Program-dependent jobs and an additional 13,000 subcontractor and space-affiliated jobs. Another 20,000 lost jobs will only further wound an unemployment rate cresting 11.2 percent. Although the Space Coast will be the hardest hit, the effects of the Shuttle's retirement will ripple into other areas of the state, such as the Panhandle and southeast Florida. In fact, the space business is part of the economies in 47 of our 67 counties. To add insult to injury, President Obama recently announced the cancellation of the Constellation Program, which was to build the new Orion Spacecraft.

Beyond the catastrophic brain-drain of losing so many highly-educated, highly-skilled professionals, we have the very real threat of losing Florida's first and foremost high-tech industry — space — to Wallops Island, Virginia, which is aggressively building America's 21st Century spaceport. Thankfully, Space Florida, the Economic Development Commission of the Space Coast, and Brevard Workforce Development Board have a solid plan of:

- (a) Growing the commercial side of the space business, with companies like SpaceX that are already invested at the Cape;
- (b) Creating a first-in-the-country solar power industry cluster at the Cape that would attract manufacturers and their supply chain to grow their businesses here in Florida where we already have a cadre of high-tech employees who could be put to work immediately; and
- (c) Transitioning, where possible, these high-tech jobs to industry sectors like our ever-growing research institutes (i.e., Scripps, Torrey Pines, Burnham, SRI, and Max Planck).

If we can save most or many of these JOBS through investments in job re-training, we will have accomplished the unimaginable and given hope to thousands of Floridians across our state. A number of incentive programs will be considered by the 2010 legislature. These proposals have the real potential to spur commercial space activity and create JOBS:

- **Commercial Launch Zone** – this legislation would create a zone, similar to a foreign trade zone, which

could expand throughout the state specifically for space related commerce. It includes a package of economic incentives for launch, manufacturing, and research and development to enhance the commercial space industry in Florida

- **Aerospace Workforce Retention Incentive** – would provide incentives to businesses for training and hiring displaced aerospace workers
- **Research & Development Tax Credit** – modeled after the existing federal research tax credit this incentive would stimulate the development of scientific and technological advances by aerospace companies.



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How to pay for it: Legislative leaders should consider giving Space Florida the flexibility to allocate any of the un-obligated Launch Complex (LC) 36 funds for any purpose determined to have the greatest benefit to the commercial space industry in Florida. Governor Crist, in his 2010 budget recommendations, has outlined an aggressive plan to support the space industry including \$10 million for commercial space activities — a move strongly supported by AIF.

Thousands of jobs can be created 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.



Transportation

Last year, AIF proposed an increase in tag and title fees, the first in 25 years, which will annually generate \$500 million. However, instead of going into the Transportation Trust Fund to underwrite the cost of constructing new roads and bridges, it went into the state's General Revenue Fund. By committing future revenues from this source to the trust fund we get a win-win-win. We will put the road building industry back to work immediately, which means JOBS; we will begin the process of meeting our infrastructure backlog of about \$30 billion in projects that have been identified as necessary but never funded; and we will instill confidence in our electorate that user fees are valid and are used for their intended purposes.

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 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.

The recent approval of landmark rail legislation during

the December, 2009 Special Session creating a rail transit system will undoubtedly be a boon for the economy. The construction of the SunRail project and the award of stimulus funds for High Speed Rail have been well received by legislators and economic development professionals. Still there are some important caveats that policymakers must consider in order to maximize the job creating potential of these projects:

- Legislators must be careful not to achieve the goals established by this new rail transit system at the expense of FDOT's existing 5-year work program, which funds transportation projects across the state.
- Funding for road projects must be protected if we want our economy to turn around.



An economic analysis conducted last year by Florida TaxWatch (through their Florida Council of Economic Advisors) on the impact of spending the additional increases in license and tag fees on transportation projects concluded that investing \$500 million would create approximately 3,219 JOBS on an annual basis.

How to pay for it: Divert dollars raised from last year's fee increases on tag and title fees from the General Revenue Fund to the Transportation Trust Fund.

Affordable Housing

According to data released recently by RealtyTrac, foreclosures in Florida leaped 34 percent in 2009 and more than a half million properties were filed for foreclosure last year. Foreclosures destabilize neighborhoods, leading to lower values for the rest of the properties in the area and decreases in tax revenue. Despite the fact that we have a housing glut in the Sunshine State, many of these are not affordable to our citizenry. Housing is vital to the economic recovery of Florida and translates into revenue for the state and JOBS for Floridians.

- According to studies, affordable housing provides 77 jobs for every \$1 million appropriated by the state.
- \$7.66 million of economic activity is generated for every \$1 million appropriated by the state on housing.
- For every \$1 million of state funding, \$2.98 million of earnings/income is generated.

The Sadowski Housing Trust Fund dollars should be uncapped and those dollars should only be used for down payment assistance. If we can get Floridians into homes that they can truly afford, then we are helping create private wealth and increasing property tax revenues. More importantly, these new homeowners will rent moving vans, expend dollars to spruce up their new home (i.e., carpeting, refrigerators, etc.) and thereby increase consumer spending and sales tax revenues for the state's coffers. Home renovations, improvements and new purchases would all lead to more JOBS and the preservation of existing JOBS in the construction and retail industries.

For 2010, AIF is working with the Sadowski Housing Coalition to finally repeal the cap on the Sadowski Affordable Housing Trust Fund. Furthermore, we will be advocating for the full use of housing dollars on down payment assistance programs that will help Floridians achieve the dream of home ownership.

- By proactively repealing the cap, a system will be in place when the economy rebounds to appropriate funds to affordable housing — the single most powerful economic driver in our state.

To encourage the sale of existing housing inventory, we will seek a **one-year moratorium** on the use of housing monies on new construction. Instead, the dollars will go solely toward acquisition of existing properties as well as rehabilitation of properties that may have fallen into disrepair due to foreclosure.



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How to pay for it: Repeal the cap on the Sadowski Housing Trust Fund and fully appropriate housing monies on down payment and rehab activities.

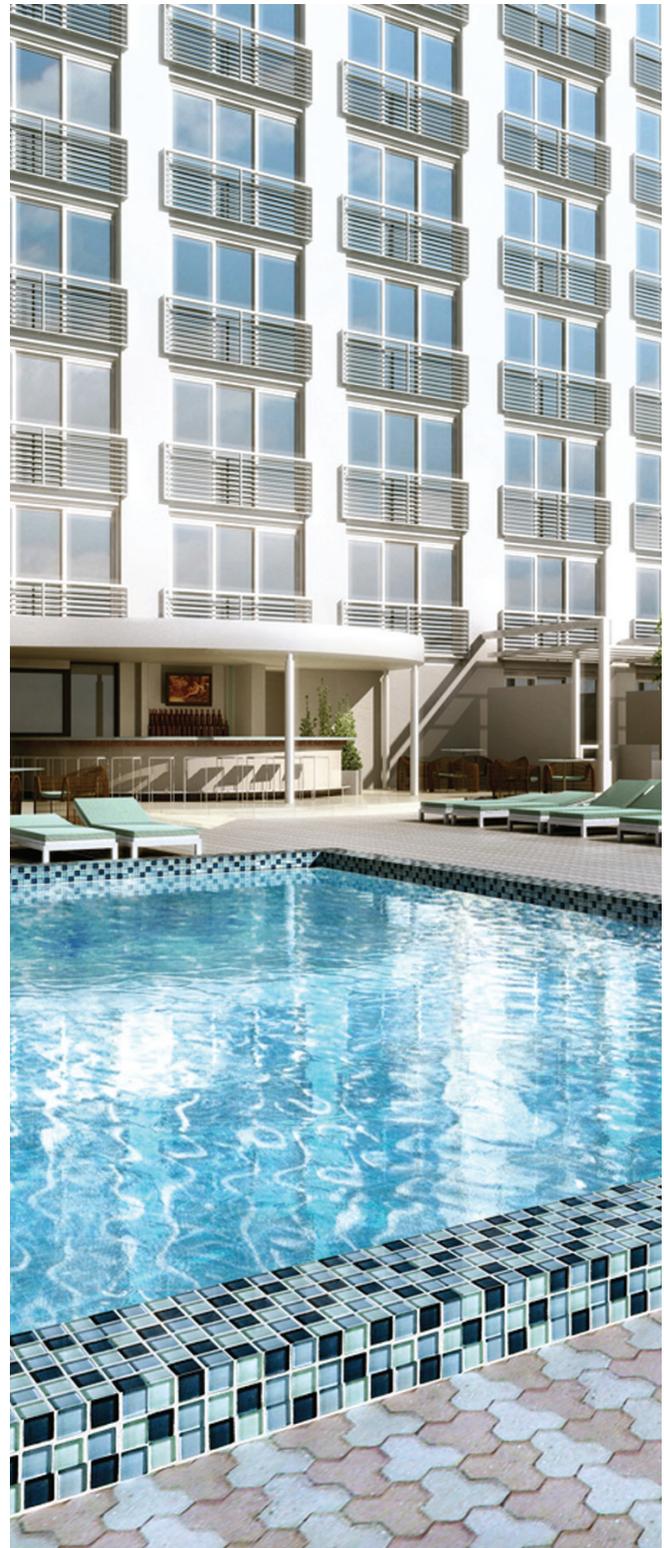
With the expertise of the television and print advertising industry in this state, we should create a campaign to convince Americans and foreigners to come to Florida for their medical needs.

Health Care Tourism

Our state is replete with world-renowned medical facilities from the Mayo Clinic, Shands, the Cleveland Clinic, a new M. D. Anderson Hospital, to Jackson Memorial, among many, many others. People are increasingly willing to expend personal funds or their savings accounts to seek medical attention. In fact, Florida is home to the World Medical Tourism Association, but they are encouraging our citizens to go to other countries like Mexico, India, Singapore and China to have their medical needs satisfied, rather than stay here. Florida's close proximity to Central and South America as well as the Caribbean is proving to be beneficial for attracting foreigners to come to our state for their health care needs.

With the expertise of the television and print advertising industry in this state, we should create a campaign to convince Americans and foreigners to come to Florida for their medical needs just as the Laser Spine Institute in Tampa is already doing. Each year, they are attracting hundreds of people to Tampa for a five day protocol — staying in area hotels, renting cars, eating in our restaurants — so that they can have back or neck surgery in their state-of-the-art facilities. Imagine a strategic investment by Florida to institute a nationwide advertising campaign to encourage folks to expend their discretionary healthcare dollars in Florida?

The impact on JOBS would be significant, and the sales tax revenues from hotels, rental cars and food would help our state budget. We would quickly become the first state to recognize this under-the-radar growth industry — and we already have the world-class medical facilities here to do it.



How to pay for it: A public-private partnership between VISIT Florida, media outlets, health care providers, and the lodging industry could be forged to help market Florida as the preeminent health care destination in the world.

Other Recommendations:

Obviously, the proposals included in this report are not the only ones that will lead to job creation. They are just the ones Associated Industries of Florida and its members believe can be accomplished within the shortest amount of time and within the current budget constraints. Below are two additional recommendations that should be considered by the Florida Legislature:



School Construction

Though we are experiencing an atypical decrease in our student population, we nevertheless need to build more schools (not for purposes of the Class Size Amendment) in some parts of the state. Building new school additions and rehabilitating deteriorating schools will provide hundreds, perhaps thousands, of our citizens with JOBS, create sales tax revenues from goods and services purchased for our anemic budget, and build the necessary infrastructure for our children's educational needs. Additionally, we will help our ailing construction industry get back on its feet so that they can continue to play a vital role in our future.

With a backlog of construction projects, particularly maintenance, repair and renovation of numerous old school facilities; slower growth actually allows many districts to catch up on much needed facilities construction. The state of Florida could leverage some of the federal stimulus funds it has received for weatherization efforts to help turn our schools into state-of-the-art green buildings. Modernizing schools and making them more energy efficient is an effective way to lower costs and save taxpayer dollars. Green schools typically use about 30 percent less energy and 30 percent less water, saving taxpayers thousands of dollars per year. The work needed to modernize our schools would not only make them more efficient it would create JOBS by injecting demand into the marketplace and once again encouraging supply purchases that can help revitalize local economies.

How to pay for it: Federal Stimulus funds for weatherization could be used to modernize and turn schools into "green" buildings.



Oil and Natural Gas Exploration and Production

Allowing environmentally-sensitive access to these resources is not only in our national interest as a means of improving energy security, diversifying supply, and enhancing economic development; it also can serve as an important and much needed method for generating new revenues and more importantly JOBS for the state of Florida. AIF supports the passage of legislation that provides a process by which the state of Florida can begin considering proposals for offshore drilling in state territorial waters. Allowing this industry to establish itself in Florida will not only create jobs, but it will be the gateway for an "Energy Economy" in which funding for research and development of renewable fuels will be stimulated.

- If the Florida Legislature were to approve legislation that would allow for increased production of oil and natural gas in Florida water, Hank Fishkind (a noted economist) has projected a minimum of 17,000 jobs with a total economic impact of \$31 billion.

How to pay for it: The proposals currently being debate actually establish a process by which companies would have to pay a non-refundable million dollar fee just to apply to the Cabinet for consideration of future exploration or production. Opening up Florida's territorial waters to drilling would actually generate significant state revenues.