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Interim Project Report 2000-20

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Committee on Commerce and Economic Opportunities

Senator George Kirkpatrick, Chairman

RURAL ECONOMIC DEVELOPMENT II: NEXT STEPS IN INFRASTRUCTURE & NATURE-BASED TOURISM

SUMMARY

During the 1999 session, the Legislature adopted Senate Bill 1566 (ch. 99-251, L.O.F.), which included a provision creating the Rural Infrastructure Fund. Although the fund was not capitalized, the program provides a statutory framework designed to address infrastructure needs associated with specific economic development projects in rural communities. The Legislature also adopted provisions encouraging the promotion of nature-based tourism in rural areas. This report examines the potential of the fund and of tourism activities to improve rural income and business development.

Research for this report revealed that a lack of an extensive service industry and a lack of basic community-wide wastewater infrastructure are two primary obstacles restricting business location in rural areas and thereby raising policy implications for operation of the Rural Infrastructure Fund and for the role of nature-based tourism.

An opportunity to improve rural services and directly raise rural income was found in rural tourism. Recent research points to the rural tourism industry as creating more rural services and providing the highest personal income of any rural industry given equal economic stimuli. Rural nature-based tourism requires a coordinated implementation strategy that needs to develop rural tourism assets by improving tourist access to nature and then create hundreds of micro-enterprises to operate new and existing access points supported by regional marketing. If tourism causes service industries to expand, then the Rural Infrastructure Fund can more successfully refocus on completing other business location infrastructure.

Significant location of industry to the rural areas is not likely to occur, however, without substantial long-term investment in wastewater treatment facilities. No current funding mechanism exists to solve this obstacle

to rural development. Current wastewater need is estimated to be at least \$1 billion in rural counties.

BACKGROUND

Rural Florida: Overview & Changing Conditions

Rural Florida makes up 7 percent of the state's population with a growth rate that is outpacing the state average; however, the income gap is growing. According to data provided by Enterprise Florida, Inc. (EFI), between 1990 and 1997, rural Florida's population has increased by 20 percent compared to the state average of 13.4 percent. Personal income, however, lags at about \$15,000 in rural areas compared to a state average of about \$21,655.

Also of concern are low rates of pay by captured businesses in rural communities. According to 1997 data reported by EFI, manufacturing businesses throughout rural Florida pay lower than average sector wages. In Northwest Florida, for example, manufacturing pays on average about 38 percent less per hour than the average manufacturing sector wages for all of Florida. In rural South Florida, manufacturing pays closer to the state manufacturing sector wage average; however, the manufacturing sector employs only 3.6 percent of the rural South Florida population. Prison construction has been a growth industry in rural North Florida counties; however, these jobs contribute to a dependence on government as the largest high-wage employer, and this source of development adds less to the tax base than other engines of development.

Thirty-four counties meet a legislatively prescribed definition of "rural community" as meaning a county with a population of 75,000 or less or a county with a population of 100,000 or less that is adjacent to a county with a population of 75,000 or less. (*See, e.g., s. 97, ch. 99-251, L.O.F.*)

Rural Infrastructure Fund

According to the Florida Legislative Committee on Intergovernmental Relations (LCIR) in a 1999 publication *Review of Federal Expenditures to Florida*, Florida ranked 38th among the states in receiving Rural Development Grants from the U.S. Department of Agriculture (DOA). LCIR reported, based on a survey of state agencies, that a primary problem for accessing federal grant funds is an “inability to secure sufficient state match funds for certain programs.” (LCIR, *Review of Federal Expenditures to Florida*, March 1999, p. iv.) Lack of funding for this type of match is a primary purpose of the Rural Infrastructure Fund, which may leverage up to 75 percent of qualified infrastructure investment depending on the particular DOA grant programs.

The Rural Infrastructure Fund was an outgrowth of significant attention focused during the 1999 legislative session on the conditions facing Florida’s rural communities. Rural economic development legislation was folded into an omnibus economic development package adopted by the Legislature in CS/CS/SB 1566 (ch. 99-251, L.O.F.). One of the key components of that package was the Rural Infrastructure Fund. This fund provides statutory authority for grants that can be leveraged with federal funds for the purpose of building infrastructure that brings immediate jobs to rural Florida.

Although ultimately no state funding was provided for the infrastructure fund, a version of the legislation adopted by the Senate did include a funding mechanism based on the distribution of motor vehicle registration revenues under s. 320.20, F.S. This proposal, contained in CS/CS/SB 1560, second engrossed, provided for \$8 million from motor vehicle registration funds to be deposited annually in the Economic Development Trust Fund in support of the Rural Infrastructure Fund. The funds could have been used to support a bond issuance by being assigned, pledged, or set aside as a trust for payment of principal or interest on bonds. Bond proceeds were envisioned to provide grants for infrastructure in support of specific economic development projects, including storm water systems, electrical, telecommunications, natural gas, roads, and nature-based tourism facilities. Under the proposal, funds also would have been authorized to support feasibility studies. (The proposed funding component was not included in the final legislation, but the general statutory authority and framework for the infrastructure program was retained. *See* s. 96, ch. 99-251, L.O.F., creating s. 288.0655, F.S.)

The proposed funding mechanism for the Rural Infrastructure Fund was patterned, in part, after amendments to s. 320.20, F.S., adopted during the 1996 and 1997 legislative sessions that provided for a specified amount of motor vehicle registration revenues to be deposited annually in the State Transportation Trust Fund in support of seaport infrastructure projects. (*See* s. 136, ch. 96-320, and s. 50, ch. 97-278, L.O.F.)

Emphasis on Nature-Based Tourism

In addressing rural economic development during the 1999 session, the Legislature also placed significant emphasis on the potential of nature-based tourism to provide an engine of economic activity for rural communities. One of the specific eligible uses of the Rural Infrastructure Fund, for example, is for upgrades to or development of public tourism infrastructure.

Also indicative of the emphasis on nature-based tourism was the Legislature’s action of specifying duties for the Florida Commission on Tourism and its operational unit, Visit Florida, to promote natural, coastal, historical, and cultural tourism assets of the state. The Legislature directed the commission to establish a statewide advisory committee, drawn from a wide variety of interests and expertise, to assist in this marketing effort. The commission is required to incorporate nature-based tourism and heritage tourism components into its comprehensive tourism marketing plan for the state, including:

- promoting travel experiences that combine visits to commercial destinations in the state with visits to nature-based or heritage-based sites in the state;
- promoting travel experiences that combine visits to multiple nature-based or heritage-based sites within a region or several regions in the state;
- assisting local/regional tourism organizations in incorporating nature-based or heritage tourism components into local marketing plans and in establishing cooperative local/regional advisory committees;
- working with local/regional tourism organizations to identify nature-based and heritage tourism sites, including identifying private-sector businesses engaged in activities supporting or related to nature/heritage tourism; and
- providing guidance to local/regional economic development organizations on the identification, enhancement, and promotion of nature/heritage tourism assets as a component of the overall job-creating efforts of such organizations.

The Legislature also prescribed that the marketing plan shall include provisions addressing promotion and development of nature-based tourism and heritage tourism in Florida's rural communities. (*See* s. 17, ch. 99-251, L.O.F., amending s. 288.1224, F.S.)

Additionally, the Florida Fish and Wildlife Conservation Commission was directed to assist the Florida Commission on Tourism and Visit Florida, convention and visitor bureaus, tourist development councils, economic development organizations, and local governments through the provision of marketing advice, technical expertise, promotional support, and product development related to nature-based recreation and sustainable use of natural resources, with a particular focus on rural communities and regions.

Interim Project Scope

In the wake of developments during the 1999 legislative session, the purpose of this report is to enlist input from rural economic development experts on how to make the rural infrastructure fund operational, as well as to explore further opportunities in nature-based tourism. As noted in the "Findings" section, however, research related to these issues has identified additional fundamental factors affecting rural economic development that will also be examined in this report.

METHODOLOGY

The principal methodological tools employed in this interim project were surveys and interviews with individuals working on rural development issues for federal, state, or local agencies or public/private partnerships. An extensive literature review on the prospects for rural development was conducted. Case studies of successful nature-based tourism operations and business locations were evaluated along with evaluations of the problems holding back less successful ones.

The purpose of the interviews and surveys was to solicit information from rural economic development authorities on issues such as: the most significant barriers to achieving substantial economic development in each rural community, the extent of existing infrastructure for business location and nature-based tourism, additional infrastructure needs, and recommended changes to the current Rural Infrastructure Fund authorized in 1999.

FINDINGS

Inactivity In Rural Economic Development

Rural development strategies that center on using industrial parks and economic development incentives to lure manufacturing businesses appear to have been largely ineffective. For example, less than one percent of all funds under the Qualified Target Industry (QTI) Tax Refund Program have been provided for rural business location. According to information provided by the Office of Tourism, Trade, and Economic Development (OTTED), no businesses in rural counties received QTI funds in the 1998-1999 fiscal year. The difficulty in attracting businesses to rural areas continues despite an emphasis on business recruitment.

During the course of research related to the interim project's initial focus on the operation of the Rural Infrastructure Fund and on opportunities in nature-based tourism, other fundamental issues affecting rural economic development were identified. Interviews with and surveys of state and local developers point to a lack of services and wastewater infrastructure as primary obstacles restricting business location in rural areas. Because these two issues have policy implications for the Rural Infrastructure Fund and for nature-based tourism, they will be presented first.

Wastewater Infrastructure

Individuals interviewed for this interim project identified a lack of community-wide wastewater treatment facilities as a major obstacle to rural business location. The Rural Infrastructure Fund is oriented toward specific economic development projects that needed to be connected to existing infrastructure, but a larger problem appears to be the wastewater capacity of communities generally.

Businesses that are larger than 10 employees or that produce some wastewater are largely unable to locate in rural areas without helping to solve community wastewater problems. Most business ventures have time restrictions that preclude development of community wide wastewater infrastructure. The time it takes to hook a business location up to an existing facility with excess capacity is not usually a serious location timing problem, but building basic infrastructure and capacity typically creates serious timing problems.

In response to the attention being called to the issue of wastewater infrastructure, committee staff participated in several staff-level meetings with representatives from the Governor's office, LCIR, OTTED, the Department of Environmental Protection (DEP), substantive and budget committees of the Legislature, and the Florida Rural Water Association. Participants identified a number of existing programs that might be utilized to assist with community wastewater needs, and also identified potential factors influencing the effectiveness of such programs:

- *Rural Infrastructure Fund* (s. 288.0655, F.S.) -- Created in 1999, this program is available to solve infrastructure needs. However, it has not received funding. This program was intended to be for the immediate location of businesses that required state infrastructure investments, but it could be expanded to include basic community sewer infrastructure.
- *Small Community Sewer Construction Assistance Act* (ss. 403.1835 and 403.1838, F.S.) -- Under this act, DEP is authorized to administer a grant program to assist "disadvantaged small communities with their needs for adequate sewer facilities." The program features a ranking process to award grants for sewage treatment facilities to incorporated municipalities with populations of 7,500 or less and that have per capita annual income levels less than the state average. The program has received only enough funding to build one facility in Northwest Florida, although 169 communities are eligible for funding under the existing statutory criteria. This program was set up to receive Advanced Disposal Container fees which were later eliminated, leaving the program unfunded. Approximately \$3.8 million was raised, before the loss of funding, which was utilized to support one project in the community of Apalachicola. Interest from a revolving loan fund currently goes into an existing sub-account in the Grants & Donations Trust Fund. The program's eligibility criteria could be expanded to include unincorporated rural communities and allow OTTED to be involved in project rankings to ensure that rural areas of critical economic concern receive priority.
- *DEP Sewage Treatment Facilities Revolving Loan Program* (s. 403.1835, F.S.) -- This loan program is often referred to as the State Revolving Fund (SRF). Its purpose is to accelerate construction of sewage treatment facilities by local governmental

agencies. Funds in this program generally are unused by small communities because they are largely unable to pay back loans. The 20-year loans are at 3.12 percent interest, with the interest going into the disadvantaged small community wastewater treatment grant program discussed above.

- *Rural Development Authority (USDA)* -- This federal program leverages \$18 million in loans and \$12 million in grants each year for rural areas with a population of 10,000 or less. Some years Florida does not appropriate enough to leverage all funds available. A large number of needy state-funded projects can earn Florida even more federal matches.
- *Community Development Block Grant (CDBG) Program* -- Under the CDBG program, approximately \$9 million a year is available for economic development activities in the form of grants and Section 108 loan guarantees. Most funds from this program related to wastewater are intended to be used to hook up disadvantaged neighborhoods and households to any existing wastewater facility.

During meetings to discuss wastewater problems, rural tourism, business location in rural areas, and the Rural Infrastructure Fund, participants suggested that a process is needed to evaluate relative appropriateness of wastewater projects and create an orderly funding mechanism. Projects could be ranked in a similar method to the Department of State's prioritized Public Library Construction Grant Program or the department's Historic Preservation Grant Program (s. 267.0617, F.S.). In the library and historic preservation programs, a standing committee ranks projects based on relevant criteria, then legislators in the appropriation process decide how far down the list to fund.

Perhaps demonstrating the need for a wastewater ranking/funding process is the experience of the 1999 legislative session when a number of wastewater treatment plants received appropriations that were ultimately vetoed. Original requests were for \$105 million of which \$17 million were appropriated. There were 13 projects in small, rural counties vetoed for a total of \$7,250,000 at an average of \$557,700 per site. These infrastructure projects were in Center Hill (Sumter County), Gulf County, Carrabelle, Moore Haven, East Palatka, Glen St. Mary, Greensboro, Lake Okeechobee, Midway, Monticello, Taylor County, Wakulla County, and Walton County. There also were

12 projects in other small communities vetoed for a total of \$9,475,000 at an average of \$789,600 per site.

Insufficient Service Industry

Overview: Rural developers report that addressing the lack of services is equally important as improving wastewater treatment for rural development. Service and trade businesses rely on policies to promote small business, and they need an engine of development to bring revenue to rural service businesses. Florida's primary rural industry engines are in manufacturing, agriculture, timber, and tourism. Medium and large scale manufacturing businesses need access to services to locate in rural areas, which creates a policy paradox in premising development on big business deal closing, because big business cannot become an engine for services until services already exist to aid in their location.

According to a July 1999 report from the National Conference of State Legislatures (NCSL) titled *Travel and Tourism: A Legislator's Guide*, "[a]s traditional industrial and agricultural jobs decrease, a growing awareness exists within rural communities of the benefits that can be gained from developing tourism as part of their economies. Tourism can help diversify and stabilize rural economies and attract additional industry by creating a larger business base." (NCSL, *Travel and Tourism*, p. 32.) Promotion of different types of industries may be beneficial to create an engine of growth that will strengthen service businesses so that efforts to bring big business to the rural area are successful.

Rural Income & Service Development Research Results: The results of a research study, published in the February 1999 *Economic Development Quarterly*, may provide useful insights into the development potential of Florida's rural service and trade industry. The study's location was a rural area in Wisconsin that has similar potential to Florida's rural development with natural resource strengths in land for agriculture, timber, and tourism. The study examines the impact of a \$10,000 demand increase in the following business sectors: agricultural production, agricultural processing, timber production and wood processing, and tourism. A \$10,000 increase in demand brought about the following increases in rural trades and services output: tourism \$12,059, timber/wood \$4,340, agricultural production \$2,057, agricultural processing \$1,586. (John C. Leatherman and David W. Marcouiller, "Moving Beyond the Modeling of Regional Economic Growth: A Study of How Income

Is Distributed to Rural Households," *Economic Development Quarterly*, February 1999, pp. 38-45.)

Tourism provided the highest income and number of jobs in the management/professional occupational category and also in the technical/sales/support occupational category. As might be expected, tourism provided the highest number of service jobs but at a higher income than agriculture and timber production and processing service-related jobs.

Finally the research effort provided total household income for low, medium, and high income sectors. Rural tourism provided the highest increase in household income in all three income classes. Increases to total household income from a \$10,000 increase in demand were: tourism, \$6,143; timber production and wood processing, \$4,143; agricultural production, \$3,144; and agricultural processing, \$2,612. (Leatherman and Marcouiller, p. 43.)

Summary and Analysis of Research Results: The rural agriculture, timber, manufacturing, and tourism study points to rural tourism as the most important economic sector for raising rural incomes. Rural tourism produces a large number of small businesses owned and managed by middle and upper income rural citizens. Profits are largely spent in the local region and improve incomes by nearly double the rate of the agricultural processing industry and one third more than the timber production/wood processing industries. Although total economic activity was highest in the timber and wood industries, this activity did not translate into higher local incomes because manufacturing and industry "required a larger relative share of intermediate production inputs, capital, or imported inputs." These extra inputs, such as industrial machinery, are likely produced outside of the region and thus may primarily provide income benefits outside the rural region in which they are used.

As with other sector strategies, the tourism sector may continue to increase the division of income between high and low income families; however, rural tourism could increase low income family ownership of tourism businesses by assisting low income households to secure concession business contracts and micro-enterprise loans.

Micro-Enterprise, Home-Based, & Small Businesses

Another recent study finds that "[h]ome-based workers ... can be vital to their communities beyond the jobs they create and the income they bring into their

families and spend in the community. Data ... suggest that many businesses were instituted to fill market niches not well met in established trade areas. In some areas, the client base was too small to support a separate outlet, or (especially in rural areas) travel to a larger outlet was not cost-effective for either producers or consumers.” (Rowe, Haynes, and Stafford, “The Contribution of Home-Based Business Income to Rural and Urban Economies, *Economic Development Quarterly*, February 1999, p. 74.) This niche service role provides a potential solution to the problem of creating a larger service industry in rural Florida. Information in this section is from this study and other sources that outline rural opportunities in micro-enterprise, home-based, and small businesses.

Small businesses create two out of every three new jobs and create more than half of the nation’s technological innovation. According to the Education Foundation of the National Federation of Independent Business (NFIB), 40 percent of all businesses are sole proprietorships. Also, 50 percent of all people employed nationwide are employed by companies with five or fewer employees. Even more noteworthy is that 90 percent of all people employed nationwide are employed by companies of 20 or fewer employees.

Micro enterprises are small businesses, but the term is usually used for entrepreneurial businesses that have no assets, no available collateral, and are owned by people who have never had access to credit or business training. Micro enterprise programs help people achieve self-employment as a path to create jobs in areas where jobs are scarce.

According to the state Division of Recreation and Parks, developing rural tourism products will require small private businesses that operate fully on public property. These businesses are needed to provide access to public assets while creating direct and indirect jobs. About 60 current concession businesses located inside Florida parks bring in gross receipts of \$15 million or about a quarter of a million dollars each. This does not count concession businesses outside these parks. Current concession businesses rent canoes, boats, snorkels, bicycles, binoculars, campsites, cabins, and horses; and operate restaurants, gift shops, park stores, passenger-transfer services, and a variety of types of tour services.

Enterprise Florida, Inc., reports that Florida has more than 80 community-based organizations with micro-enterprise loan program experience. Florida’s existing micro enterprises have exceeded performance measures

established by the Legislature. A \$2 million state investment has created 216 micro enterprises with a loan average of less than \$5,000 per enterprise.

Home-based business accounts for 6.7 percent of all employment nationally. Based on U.S. Department of Commerce standard industrial classification of occupations, the largest number of home-based businesses were in personal services, marketing/sales, construction/contractors, mechanical/transportation, and crafts/arts.

Issues affecting success for micro, home, and small businesses, according to the NFIB, EFI, local developers, and the Rowe, Haynes, and Stafford study, include year-round access to reasonably priced health insurance, zoning and covenant regulations, credit for expansion, technical assistance, and inability to obtain merchant status for processing credit cards.

Opportunities in Nature-Based Tourism

Visit Florida has developed themed 4-day “Worth the Drive” itineraries that are readily marketable, although the products could be more fully developed. According to Visit Florida, DEP, and local developers, at a minimum, restrooms, parking, and public-private concession stands are needed. Following is a list of tours and additional infrastructure needs:

- *African-American Heritage Trail* -- Building/site restoration.
- *Cuban Heritage Trail* -- Building/site restoration.
- *Native-American Heritage Trail* -- Product development at many locations.
- *Great Florida Birding Trail* -- Viewing platforms, trails, and the possibility of public/private partnerships operating camping, cabins, and concession stands.
- *Canoeing & Kayaking Trail* -- Public/private partnerships will be needed to provide canoe rental, transportation services, and housing, such as cabins, rural motels, and bed and breakfast accommodations.
- *Lighthouse Tour* -- Parking, restroom, and concessionaire infrastructure.
- *Additional Themes* -- Depending on infrastructure funding for product development, the following themes could be developed: Biking, Art & Architecture, Colonial Heritage, Auto & Car Racing, Literary Florida, Antiquing, Air & Space, Agricultural Tours, Gardens, Back to Nature, Hiking, and Alligators & Wildlife.

Visit Florida published a May 1999 survey that contained the following conclusions:

- Florida is an extremely popular state for planned nature-based activities compared to other states.
- Two out of three (64%) Americans who vacationed in Florida included nature-based activities. This is much higher than the incidence level for other vacation areas outside of Florida.
- Vacationers who included nature-based tourism are somewhat evenly split into three groups: *heavy* and *moderate* users who plan their visits to Florida with nature-based activities in mind, and *spontaneous* users who had not planned in advance to visit a nature area.
- Among spontaneous users, 71% now rate nature-based activities as important to their overall enjoyment of that vacation, and 79% rate nature-based activities as important in their future vacation plans.
- Nature-based activities were higher among families that had children, with 92% planning to include nature-based activities in future vacations.
- The most important nature-based tourism draws to the state by those who participated were: Visiting Parks 61%, Exploring a Preserved Area 52%, Wildlife Viewing (non-bird) 48%, Hiking 37%, Nature Trails in Ecosystems 31%, Explored Major Protected Swamp 23%, Unique Natural Places 23%, Biking 22%, Environmental Education 20%, and Bird Watching 20%.
- Exploring a preserved area and exploring a major protected swamp are the two standout nature activities that nature vacationers are more likely to do in Florida compared to other states. (Visit Florida Research Office, *Nature-Based Activities and the Florida Tourist*, May 6, 1999.)

Discussion and Analysis of Infrastructure Issues

In researching suggestions for improvements to the Rural Infrastructure Fund program, interviews with and surveys of state and local developers were used, and the results were presented during several meetings called to discuss the fund. The fund, rural services industry, wastewater, and other rural problems were discussed with staff members of related legislative offices and departments including: the House, Senate, LCIR, OTTED, the Governor's Office of Planning and Budgeting, the Florida Rural Water Association, Visit Florida, the Department of Community Affairs, and a number of divisions within DEP. Following are some of the principal comments, suggestions, and insights offered by participants in these discussions:

Rural Infrastructure Fund and Wastewater Treatment

- Lack of rural wastewater treatment facilities is the largest industry infrastructure problem. Almost all medium and large-scale development or business location to rural areas is dependent on prior existence of rural wastewater treatment facilities.
- The Rural Infrastructure Fund was not intended for basic wastewater facility investment. The statutory language indicates that the Rural Infrastructure Fund is intended to connect business to existing facilities especially for direct job creation. Either the existing Rural Infrastructure Fund's purpose would need to be expanded with significantly higher funding levels or a separate wastewater treatment fund is needed.
- It may be best to keep the smaller, job-driven Rural Infrastructure Fund separate from a larger, general wastewater fund, in light of the different needs to be addressed.
- The Small Community Sewer Construction Assistance Act could be amended to allow OTTED to participate in project ranking based on environment, health, and economic need.
- The corporate income tax has a clear funding nexus for wastewater projects because growth is a cause of the waste problem and solving the wastewater problem is the largest constraint to future business expansion in small communities. Another nexus could be made for using a portion of the sales and use tax because these revenues are growth related.
- Appropriations for small community wastewater treatment facilities have averaged out to a total of about \$30 million a year. The estimate of current unmet need is approximately \$1 billion.

Funding Level for the Rural Infrastructure Fund

- For every \$100 million in state infrastructure spending, each of the 34 rural counties would receive just under \$3 million in infrastructure investment. This could create about 200 new nature-based tourism assets, approximately six per rural county. On average, one micro enterprise concession stand is needed to supply each product location.

- 200 micro enterprises would require a loan averaging \$5,000 each or a total of \$1 million.
- It would be most efficient for the rural tourism industry to complete its infrastructure projects within a few years so that a marketing plan and micro-enterprise creation can be coordinated and take off together.
- Two primary methods for funding rural tourism would be to bond for it, or to pay for it within one or two years without borrowing.
- In addition to rural tourism, the Rural Infrastructure Fund is intended to build infrastructure for other businesses to locate for direct job creation. This is an ongoing need that could make effective use of about \$500,000 for each rural county per year or about \$15 million a year for all 34 rural counties.
- A strategic approach to achieve success in both rural tourism and business location would be for rural tourism funds to be used quickly within one or two budget years and business location funds to be ongoing at about \$15 million a year.
- A clear funding nexus is a percentage of the corporate income tax. Another funding option is the sales and use tax. Corporate income taxes currently generate about \$1.4 billion a year that is deposited directly into the General Revenue Fund.
- Depending on the level of funding the Legislature chooses, the following is one example of how resources could be applied: if 4 percent of the existing corporate tax revenues were dedicated to the Rural Infrastructure Fund, that would produce about \$50 million to start the rural tourism component of the program and fund some locating businesses. After two years, the level could be reduced to 1 percent of corporate taxes, to provide

a consistent \$13-\$15 million a year for ongoing infrastructure investment to locate businesses in rural counties.

RECOMMENDATIONS

- The Rural Infrastructure Fund should be kept separate from a broader program of community-wide wastewater treatment infrastructure.
- The Small Community Sewer Construction Assistance Act would be the most appropriate existing program to fund for rural community wastewater treatment infrastructure. The act could be amended to revise a project ranking process to include participation of the Office of Tourism, Trade, and Economic Development. The library construction and historic preservation grant programs administered by the Department of State should be explored as potential models.
- If the Legislature elects to explore funding options for significant wastewater treatment infrastructure, as well as funding sources for the project-specific Rural Infrastructure Fund, consideration should be given to the feasibility of using a portion of corporate income tax revenues in light of the nexus between business location and infrastructure demand.
- For every \$100 million invested into nature-based tourism infrastructure, it would be efficient to the development of support businesses to provide \$1 million in micro-enterprise loans to help establish concession businesses. Coordination of micro-enterprise development and tourism marketing will require EFI, Visit Florida, and other agencies to work together.

COMMITTEE(S) INVOLVED IN REPORT *(Contact first committee for more information.)*

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