

## **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 3 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. Last year, Associated Industries of Florida alongside 19 other business associations presented an Economic Stimulus Package (ESP) to the Florida legislature. This package was designed to present lawmakers with a list of options and recommendations (from the private sector) for investments in Florida's future. A number of the recommendations found their way into legislation and budget appropriations, but that was only the beginning as this economic crisis continues to grip all sectors of the economy.

This year we present ESP 2.0 – a continuation of the conversation of how to get Florida's economic engine humming again. Once again, 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. Again, ESP 2.0 is not meant to be an exhaustive list of what must be done; this package is meant to be perceived as a potential roadmap 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 job, 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. This is exactly the type of leadership behind the recommendations found in ESP 2.0.

## Creating Jobs by Investing in Infrastructure:

### Transportation

Stimulating Florida's economy by investment into the planning and providing for Florida's transportation infrastructure needs 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. Resurfacing roads, for example, is a quick and easy way to increase economic activity and create jobs. Yet, despite the ostensive need for infrastructure the state chose to dip into the Transportation Trust Fund in 2008 and take funding away from building roads, bridges and other infrastructure needs. 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 Florida Department of Transportation 5-Year Work plan in the name of infrastructure and economic development. To this end, we would ask the Legislature to take measure towards securing a ***Dedicated Revenue Source*** for roads and infrastructure through revenue enhancements 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 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 as creative and innovate ways to allowing job creators in the private sector the ability to help address the infrastructure needs of the state and create jobs while doing so.

Another opportunity within the transportation arena is the 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 as well. In fact, approval of the project has the potential 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. The project also includes close to \$432 million in specific infrastructure investments including road and rail improvements in communities around Central Florida. This public works project will also lay the foundation for improved transportation and freight distribution in Florida; thus, ensuring our state's ability to meet the challenges of expanded global trade. Since this project is ready to go – the economic benefit for Florida will be immediate.

### Space

Last year, the Legislature made space funding and space policy a priority passing a number of space-related legislation that sought to maintain Florida's leadership in commercial space activities. We must maintain this focus as a number of other states continue their efforts to invest in space infrastructure. 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:

- Continued funding of Space Florida and its activities to attract and retain space related industry to our state including additional dollars for the successful rehab of Launch Complex 36
- Passage of the Space and Aerospace Catalyst and Enhancement (SPACE) Act to give Florida the ability to attract and retain space and aerospace business. The SPACE Act will create financial incentives for

customers to do business in Florida, giving Florida a competitive advantage when competing for space business.

- Creation of a Commercial Launch Zone (CLZ). In addition to the financial incentives provided in the SPACE Act, 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 a Science, Technology, Engineering and Mathematics (STEM) magnet school in Brevard County.

### **Affordable Housing**

Housing is our greatest economic engine – when that engine is fueled our economy thrives. 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 and rehabbing foreclosed properties. 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 often times 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. In order to get the biggest return on this additional bond capacity (\$571 million) and Community Development Block Grant (CDBG) monies (\$541), Florida must make a commitment to providing additional state dollars for **Down Payment Assistance** programs for first-time homebuyers so that State Housing Initiatives Partnership (SHIP) administrators can effectively leverage these federal resources.

### **Water**

Water supply is critical to the 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 including water conservation and reuse. These **Alternative Water Supply** programs are needed especially in South Florida 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 \$7 ROI.

### **Educational Facilities**

A business approach to economic stimulus must absolutely include provisions for continued state investment, without further reduction, 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 mil levy that districts use for facilities construction to 1.75, and shifted the remaining .25 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**. Some argue that since student enrollment growth is slowing, the capital funds are not needed. This is simply not true. 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 mil funding for facilities. Earlier this year, we were encouraged that PECO looked to be the one bright spot in an otherwise gloomy revenue forecast, but the November estimates reduced PECO by nearly half. PECO funds are shared by K-12, community college, and the state universities. It is imperative that PECO is maximized when the next revenue estimate is released, and funds should be used for projects that have been fully vetted through normal channels both locally and at the Department of Education

### **Mitigation**

Florida's unique geographical position places our state in the direct path of dangerous and costly hurricanes. As a result, many lessons have been learned about how best to protect life and property from the devastation caused by these storms. In recent years, the business community, academia, and policymakers have agreed that they only way to mitigate the economic ravages of hurricanes is by hardening homes and commercial property. Florida has a nascent mitigation industry and the Legislature should look at ways to leverage this new technology by encouraging the development of a "Silicon Valley" for **Mitigation Techniques**. In addition, the state should look at ways to draw down federal resources for home hardening. Recently, President-Elect 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 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 thousands of homes across the state. Although this program is set to sunset next year, 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 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. Other areas for improvement include revisiting some of the proposals discussed last year in HB 7111, which would speed up the **Response Deadlines** for businesses applying for state incentive funds. This would encourage OTTED and Enterprise Florida to review and answer companies applying for incentive funds within a strict timeline on the status of their applications and whether their applications are complete. Similarly, Florida should look at creating an exemption for businesses unable to meet the **Performance Requirements** to receive certain incentive awards. The recent downturn in the economy has caused many QTI, QDC, and Brownfield incentive recipients to temporarily halt or cut back on their expansion plans; thus making it impossible to meet the employment levels to which they had previously agreed to. OTTED should be given the authority to provide temporary moratoriums on these requirements.

Finally, 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.

## **Tourism**

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. **Medical Tourism** 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. The role of Visit Florida should be expanded to explore how Florida can partner its medical facilities with the tourist industry and 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 should direct state investment in **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);
- **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)
- **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)
- **Jobs in Creative Industries:** In January 2008, Florida had over 40,081 arts-related businesses that employ over 168,468 people.
- **Arts Attract Key Businesses and Give Florida A Competitive Edge:** Both Scripps Research Institute and Burnham Institute for Medical Research used as part of their criteria for selecting their Florida locations the availability of quality arts and cultural resources. Palm Beach and Orange counties respectively were selected as their Florida locations.

## Nursing Home Matching Fund

Quality long term health care services are important to Florida for many reasons, including making Florida attractive to retired seniors. A vital part of that long term health care fabric is the state's 673 nursing homes. In addition to providing care to our frail and vulnerable seniors, nursing homes are a major employer and serve as an entry point for people seeking a career in health care. Our state's nursing homes employ over 80,000 Certified Nurse Assistants in addition to all the other health care providers and other support staff. The nursing home profession proposes the creation of a **Matching Fund Program** to draw down additional Federal revenues to Florida for the purpose of funding the cost of nursing home services to Florida's Medicaid beneficiaries. The assessment is similar in philosophy to Florida's Low Income Pool (LIP fund) for hospitals. Nursing homes would be assessed certain amounts which would be pooled to draw down additional federal funding. No additional state general revenue is necessary. Assessments exist in 32 states as a means of funding nursing home care. This new Federal funding will ensure our nursing homes remain stable and continue their role as a major employer for our state.

DRAFT