Finding 2: Employment analysis shows that for several industries, Florida underperformed compared to competitor states; several states outperform Florida on key economic indicators.

Auditor Recommendation: The analyses included six qualified target industries—Manufacturing; Wholesale Trade; Information; Finance and Insurance; Professional, Scientific, and Technical Services; and Management of Companies and Enterprises. From 2006 to 2015, Florida experienced employment growth in two of six industry sectors: Management of Companies and Enterprises (31%) and Professional, Scientific, and Technical Services (12.5%).

Of the comparison states, Florida ranked fourth in Manufacturing and third in Management of Companies and Enterprises. Texas received a first place ranking in five of six industry sectors.

OPPAGA also compared Florida to competitor states on several indicators frequently used in studies that examine states’ economic outlooks and business climates—gross domestic product (GDP), GDP per capita, unemployment rate, and personal income. Among these measures, Florida performed best on unemployment rate, having the third lowest rate among competitor states in 2015. New York and Texas outperformed Florida on all four measures, and California outperformed the state on three measures. With respect to its tax climate, Florida compares favorably to six states and is equal to Texas for state income tax rate and ranks third for corporate income tax rate. The state compares less favorably with respect to state sales tax rate, ranking fifth out of eight.

Department of Economic Opportunity (DEO) Response: The agency does not agree with this finding. While Florida was among the states most impacted by the Great Recession, since Governor Scott’s administration, Florida has outpaced the nation in several key economic indicators, and businesses have created more than 1.2 million private sector jobs since 2010. Since December 2010, Florida’s private-sector jobs and labor force have increased more than the nation’s, and our gross domestic product (GDP) growth beat the nation last year. In November, Florida led the nation in its private sector job growth rate, tied with Utah. With a GDP of $883 billion in 2015, Florida’s economy is the fourth-largest in the U.S. and would rank 16th in the world if it were a country.

DEO works with the state’s economic development partners to promote job creation and the diversification of Florida’s economy. In particular, DEO works to promote diversification through Florida’s Target Industries, which bring capital investment and jobs that pay higher than average wages. For example, Florida’s manufacturing industry led the nation in over-the-year job gains through November 2016 for the fourth consecutive month, adding 10,700 new jobs in the last
year. Moreover, Florida ranked first among the ten most populous states in over-the-year job
growth rates in November 2016. In 2015, Florida’s over-the-year increase in real GDP ranked
third when comparing the ten most populous states.

**Six-Month Status:** DEO maintains its original response as stated above.

**Finding 3:** Florida has implemented many best practices, but there are opportunities for
improvement.

**Auditor Recommendation:** OPPAGA’s review found that Florida has made progress to
implement most of the best practices highlighted in the literature. For example, as
recommended by experts, DEO, in conjunction with other entities at the state, regional, and
local level, developed the Florida Strategic Plan for Economic Development. In addition, the
Legislature has made several changes to improve the state’s business climate, including recently
establishing a permanent sales tax exemption for machinery and equipment used in
manufacturing.

However, there are still opportunities to improve the state’s economic development system,
particularly in the area of streamlining programs and facilitating greater access to services for
businesses of all sizes. For example, at the state level, both EFI and DEO seek to recruit, retain,
and expand industries and businesses and to market the state’s economic incentives; both
organizations also perform duties related to specific programs, such as those devoted to military
and defense communities. In addition, most state-level economic development programs,
particularly incentives, generally preclude small businesses from benefitting because of high job
creation, wage, and capital investment thresholds. OPPAGA’s analysis of a sample of program
participants found that only 14.5% of incentive recipients have fewer than 50 employees.

**Department of Economic Opportunity (DEO) Response:** We agree with your observation that
Florida has made progress in implementing best practices and that the business climate in Florida
has dramatically improved since Governor Scott took office. The report provides an analysis of
the number of incentives awarded to businesses of various sizes. The report represents that
slightly more than half of the incentive recipients are businesses that have 1,000 or more
employees. While Florida continues to benefit from significant job creation and capital
investment by large businesses, it is also noteworthy that approximately 38 percent of the
incentive recipients fall within the federal definition of a small business. Additionally, the state
is focused on providing great jobs for families, regardless if it is at a small or large business. The report’s analysis of incentive recipients shows a variety of small, medium and large businesses are approved for incentives and choose to locate or expand in Florida.

Though small businesses participate in the state’s incentive programs, we agree that specific statutory requirements for the minimum number of jobs to be created, average wage and capital investment does affect which businesses are eligible to participate. Incentives now have strict measures put in place by Governor Scott to safeguard taxpayer dollars. In addition, DEO understands that access to capital and technical assistance are important for small business development. We remain committed to small businesses throughout the state through the support provided by the Florida Microfinance Program and State Small Business Credit Initiative, and the support provided by the Small Business Development Center Network.

In the report’s Options for Consideration section, one consideration is for DEO to relocate small and minority business assistance programs to the same DEO division that will be administering EFI’s small business programs. We recognize the synergies that exist among small business programs. To harness these synergies, DEO proposed the consolidation of the Division of Community Development and Division of Strategic Business Development to streamline processes, increase the effectiveness of programs and better align our resources with the needs of our small business and local government partners. This reorganization will result in a new Office of Small and Minority Business, which will be tasked with better marketing all programs and interfacing with loan administrators and businesses to understand their needs and develop ways to address them through current programs.

Six-Month Status: DEO maintains its original response as stated above.

Finding 5: Private sector cash investments represent a very small portion of EFI’s overall budget; EFI’s escrow account funds could generate significantly more interest income if held in a state trust fund.

Auditor Recommendation: As a public-private partnership, EFI is expected to obtain private sector support to help pay for its operational costs. According to state law, the agency’s legislative appropriations must be matched with private sector support equal to at least 100% of state operational funding. According to EFI financial data, state funding has always far exceeded private sector funding. Private sector cash contributions during OPPAGA’s review period rarely exceeded $2 million, while state appropriations averaged about $20 million per
year.

In addition, when Florida is vying for competitive projects, the Quick Action Closing Fund has been used to overcome a quantifiable disadvantage after other available resources have been exhausted. Funds that are obligated to businesses via contract are placed in a commercial escrow account. Currently, the escrow account has a balance of $122.6 million. Using a state trust fund to hold these funds would generate approximately $1.93 million more interest than the commercial account.

**Department of Economic Opportunity (DEO) Response:** In order to further protect the state’s investment in economic development incentives, Quick Action Closing Fund awards have been placed into an escrow account, managed by Enterprise Florida, prior to disbursement to the companies. If any of these businesses do not meet the milestones required for the payments to be disbursed, the escrowed funds will be returned to the state. The escrow account is an important tool that allows the state to compete for highly competitive projects, while protecting the taxpayers. While the protection of placing funds in escrow is an important tool, we agree that using a state trust fund to hold the funds would generate more interest for the state than the commercial account that is currently used. In 2015, Governor Scott proposed creating the Florida Enterprise Fund to hold incentive fund dollars while accruing additional interest than the current escrow account. That proposal did not pass the Legislature in the 2015 legislative session.

**Six-Month Status:** DEO maintains its original response as stated above.

**Finding 7: Many businesses believe that the incentive claims and payment processes need improvement.**

**Auditor Recommendation:** OPPAGA surveyed businesses that received incentives during Fiscal Years 2012-13 through 2014-15 and asked respondents about the claims approval and payment processes. Nearly 40% of respondents thought the incentive claims submittal process needed improvement and 47% thought the incentive payment process needed improvement. To measure the timeliness of these processes, OPPAGA examined data provided by DEO for 217 claims submitted between January 2014 and February 2016. The average time claims submissions spent with the third-party auditor during this period was nearly 12 months and the average time between claims submissions and incentive payments to businesses was more than 16 months.
Department of Economic Opportunity (DEO) Response: DEO continually seeks to improve its incentive claims process both with respect to service to businesses and accountability to taxpayers. As the report indicates, 75 percent of businesses expressed satisfaction with assistance provided by DEO, and transitioning to electronic submissions has made the process more user-friendly. In FY 2014-15, the review process to pay economic incentive claims was completed in 23 months. By FY 2015-16, the review process to pay economic incentive claims was completed in 13 months. The agency’s current goal is to reduce the time it takes to pay economic incentive claims to nine months by the end of this fiscal year. DEO will continue its efforts to improve the efficiency of its incentive claims process and agrees with your recommendations to provide additional educational opportunities and technical assistance to businesses filing claims. DEO’s top priority, however, is to ensure we always properly safeguard tax dollars.

Six-Month Status: During FY 16-17, DEO continued to improve average claim processing time. The average review time for complete claim submissions during FY 16-17 is less than 10 months.

Finding 8: DEO’s Economic Development Incentives Portal received high ratings from businesses but could be improved to provide better functionality.

Auditor Recommendation: OPPAGA’s survey of incentive recipients asked them to rate the portal’s usefulness on a scale from 1 (not at all useful) to 5 (very useful). Most respondents rated the portal as useful or very useful. However, recipients suggested that several possible improvements could be made to the portal. These improvements include providing more data fields in the search reports including award amount, jobs committed, and industry; improving search functions such as additional data fields and a keyword search; and providing users the ability to export search results as an Excel or PDF file.

Department of Economic Opportunity (DEO) Response: Launched on October 1, 2013, the portal provides unprecedented access to the performance measurements required in economic development incentive contracts and each company’s progress toward reaching their required job creation goals. This site contains details on every non-confidential Florida economic development incentive project with an executed contract. DEO is committed to furthering our efficiency, accountability and transparency, and we agree with the recommendation to provide
enhanced functionality. We are in process of developing and implementing the improvements.

**Six-Month Status:** DEO anticipates that portal enhancements will be completed in June 2017. Enhancements include increased search, report generation and report download functionality.

**Finding 9:** The selection process for community planning grants lacks a uniform review and scoring process.

**Auditor Recommendation:** While program staff recently created and implemented a scoring evaluation tool for the Competitive Florida Grants, the department has not developed selection criteria for the Community Planning Technical Assistance grants. To address this concern, DEO should establish a uniform review and scoring process for the two grant programs.

**Department of Economic Opportunity (DEO) Response:** We agree that the selection tool used for the Competitive Florida Partnership can serve as a great model to develop criteria for Community Planning Technical Assistance grants.

**Six-Month Status:** DEO staff reviewed the Competitive Florida Partnership grant criteria and used it as a model to develop criteria for the Community Planning Technical Assistance grants. The criteria will value projects that are innovative or produce a product that can be used by other local governments in Florida. In addition, rural local governments and smaller communities with limited planning capacity will also receive strong consideration, especially where assistance is needed with implementing requirements of the Community Planning Act. Regional projects that will help further the goals of multiple communities will be emphasized when supported, in writing, from engaged local governments. Scopes of work with a clear, actionable and feasible implementation component will also be valued when considering proposed grant requests.

**Finding 10:** Very few businesses participate in several of DEO’s small and minority business and rural economic development programs; lack of marketing may affect participation.

**Auditor Recommendation:** According to program administrators and DEO staff, Microfinance Loan Program participation is limited by short loan repayment terms. The lack of geographic reach also limits program participation; there are currently only two program administrators,
located in Miami and Tallahassee. In addition, during the last few years, Black Business Loan Program participation has decreased significantly; the program had only 12 active loans in Fiscal Year 2014-15. Similarly, the number of program loan administrators has decreased; there are currently only two loan administrators for the entire state. Finally, over the last 20 years, participation in the Rural Community Development Revolving Loan Fund Program has been very low; since 1996, the program has made only 17 loans. Program staff indicated that a potential reason for the extremely low participation rate is that there are no formal marketing activities that promote the programs to rural local governments or economic development organizations within rural counties.

Department of Economic Opportunity (DEO) Response:

Microfinance Loan Program
Section 288.9934(3)(a), Florida Statutes, requires DEO to contract with at least one, but no more than three entities to administer the loan program. In October 2014, DEO issued a request for proposals to solicit loan program administrators to which there were only two responses. Recognizing that this presented a challenge with statewide coverage, DEO issued a second request for proposals in April 2015. The agency hoped to find an additional loan administrator but received no responses. This lack of interest from loan administrators may be due to program limitations identified in this report.

Black Business Loan Program
DEO agrees that additional participation by certified eligible recipients in the Black Business Loan Program would increase program coverage and effectiveness. To that end, DEO opens an annual application period to certify Black Business Investment Corporations based on the criteria contained in section 288.7102(4), Florida Statutes. The program continues to be administered based on the requirements outlined in statute and rule.

Rural Community Development Revolving Loan Fund Program
DEO agrees that increased marketing of the Rural Community Development Revolving Loan Program and other rural economic development programs may increase program effectiveness. Over the past year, DEO has begun to increase marketing efforts by conducting regional workshops in rural areas to promote the agency’s rural resources, along with increased participation at rural conferences. In addition, through the Rural Economic Development Initiative and Competitive Florida Partnership, DEO works one-on-one with communities to match grant resources with identified needs. Currently, there are three active loans administered by the Rural Community Development Revolving Loan Fund. With continued
marketing, DEO hopes to increase the utilization of Rural Community Development Revolving Loan Fund and other rural economic development programs in the future.

**Six-Month Status:** Regarding the *Microfinance Loan Program* and the *Black Business Loan Program*, DEO maintains its original response as stated above.

The following information applies to the *Rural Community Development Revolving Loan Fund Program*:

Since November 2016, DEO staff has made presentations at multiple workshops, meetings and conferences, and has made contact via e-mail or by phone with eligible communities to help market rural programs. In addition, DEO conducted outreach to determine the most effective way to communicate with local governments about the rural programs. An outreach and marketing strategy regarding the Rural Community Development Revolving Loan Fund Program was recently developed and implemented that reflects the feedback received.

**Finding 11:** Businesses are generally satisfied with the state’s workforce services, but finding qualified job applicants remains a significant challenge.

**Auditor Recommendation:** OPPAGA surveyed a subset of the businesses that received CareerSource services in 2016. Most businesses (70%) reported that they are satisfied overall with the services received. When asked about the biggest challenges to Florida’s workforce system, the most frequently cited issues included difficulty finding qualified job applicants with the appropriate skills (47%) and finding individuals who want to work (20%). The most frequently reported suggestions for overcoming these challenges included more training and education for job seekers (35%) and improved screening of candidates (10%). Several businesses also mentioned that they have encountered difficulties in using Employ Florida Marketplace and that the system is slow and difficult to navigate.

**Department of Economic Opportunity (DEO) Response:** The Employ Florida Marketplace will roll out several enhancements in the near future. These enhancements will include integrating the Initial Skills Assessment from CONNECT into EFM; adding a Ready to Work credential for job seekers; enhancing the Eligible Training Provider List; and adding a Workplace Training Portal that will feature internships, apprenticeships and on-the-job training. Each of these
enhancements will improve the ability to find qualified job applicants with appropriate skills and find individuals who want to work. The enhancements will also allow job seekers to more easily find and access training and education and will allow better screening of candidates. Additionally, within the next few months, EFM Version 17 will be released. Version 17 will feature an updated user interface, Progressive and Informed Registration, Common Registration, Common Intake Wizard and Sapphire technology. This will make EFM easier to use and navigate quickly.

Six-Month Status: Since the initial report, DEO has rebranded the Employ Florida Marketplace as “Employ Florida,” made the Florida Skills Assessment (formerly Initial Skills Assessment) available to all job seekers through Employ Florida and continued development of the Workplace Training portal. Following a successful launch of Version 17, DEO has seen an increase in reported satisfaction from employers, job seekers and staff. We anticipate that with the rise in customer satisfaction, additional training resources and new workplace entry opportunities (e.g. internships, apprenticeships and on-the-job training), DEO will see an increase in qualified workforce applicants.

Finding 12: One-stops and local workforce boards provide many services; respondents cited a number of challenges to effective service delivery.

Auditor Recommendation: To better understand the roles, activities, and perspectives of the entities that deliver workforce services throughout the state, OPPAGA surveyed One-Stop Career Center operators and Local Workforce Development Board executive directors and presidents/CEOs. The survey revealed several themes. For example, one-stops offer standard and specialized workforce services and collaborate with several other entities. In addition, one-stop and workforce board interaction with state agencies is primarily limited to DEO and CareerSource Florida, with very little interaction with EFI. Local workforce entities perceive several challenges in Florida’s workforce system and voiced concerns about online tools like Employ Florida Marketplace and CONNECT (the state’s online reemployment assistance system).

Department of Economic Opportunity (DEO) Response: As outlined in Cross-Cutting Strategy #1 in the Florida Strategic Plan for Economic Development, DEO and its counterparts are working to strengthen collaboration and alignment among state, regional and local entities toward the state’s economic vision. DEO is working to enhance collaborative efforts between our agency, CareerSource Florida, Inc., Enterprise Florida, Inc., the Local Workforce Development Boards and
the One-Stop Career Centers. To address concerns regarding EFM and CONNECT, DEO recently received a grant to enhance communications and improve user experience between the systems.

**Six-Month Status:** In addition to our continued efforts to collaborate with the partners listed above, DEO has on-going meetings with other core partners, including the Florida Department of Education’s Division of Vocational Rehabilitation, Division of Blind Services and Division of Adult Education to determine how DEO and its partners can best enhance communications to improve user experience between the systems.

**Finding 13: Local Workforce Development Boards met or exceeded statewide scores for federal performance measures to varying degrees.**

**Auditor Recommendation:** OPPAGA analyzed data from Fiscal Years 2012-13 through 2014-15 and ranked the 24 boards based on whether they did not meet, met, or exceeded federal performance goals from year to year and compared individual scores to the statewide score. The analysis shows that during the review period, 18 boards exceeded the statewide score, 3 met the statewide score, and 3 fell below the statewide score. The three boards that did not meet the statewide score were CareerSource Citrus Levy Marion, CareerSource North Florida, and CareerSource Polk. According to DEO staff, most boards have had instances where they did not meet one or more program goals for that year, but all boards are consistently meeting or exceeding the majority of performance goals.

**Department of Economic Opportunity (DEO) Response:** DEO offers technical assistance and on-site or online training to Local Workforce Development Boards that fail to meet performance measures. This training consists of on-site technical assistance, performance enhancements, tips and best practices.

**Six-Month Status:** DEO has continued to provide technical assistance through on-site or online training to the Local Workforce Development Boards. In collaboration with CareerSource Florida, DEO is planning to implement a technical assistance series for Local Workforce Development boards on new WIOA measures.
Finding 14: Florida has consistently met several federal unemployment performance measures but has struggled to meet goals related to first payment promptness and nonmonetary determination quality.

Auditor Recommendation: The U.S. Department of Labor established Unemployment Insurance Core Measures that each state is required to track and submit to the federal agency. During Fiscal Years 2012-13 through 2014-15, Florida met or exceeded federal performance measures for lower authority appeals quality, new employer status determination time lapse, and tax quality. However, DEO has struggled to meet performance goals for other indicators, including first payment promptness, nonmonetary determination time lapse, and quality of nonmonetary separations and nonseparations. DEO staff reported that they are working with the U.S. Department of Labor to improve their performance on these measures by implementing a State Quality Service Plan.

Department of Economic Opportunity (DEO) Response: Florida has greatly improved outcomes in core measures over the past year. For Q3 2016, Florida’s core measures averaged second among the 10 largest states, specifically improving in first payment time lapse, nonmonetary determination time lapse and quality of nonmonetary determinations. In several areas, we are exceeding federal standards at unprecedented levels. We are committed to having a program that emphasizes quality, provides efficient service to our customers and continues to protect taxpayer dollars.

Six-Month Status: DEO has continued to improve outcomes in federal performance measures since 2014-2015. For example, DEO exceeded federal standards in first payment promptness (1st calendar quarter 2017), met nonmonetary quality standards for separation and nonseparations (3rd calendar quarter 2016), and met or nearly met the standard for nonmonetary determination time lapse for every quarter in the past year. DEO staff continues to work with the U.S. Department of Labor to improve performance on all measures.