JOE NEGRON
President of the Senate

RICHARD CORCORAN
Speaker of the House

Joint Legislative Auditing Committee

Senator Debbie Mayfield, Chair
Representative Daniel Raulerson, Vice Chair

Meeting Packet
Thursday, February 9, 2017
4:00 p.m. to 6:00 p.m.
301 Senate Office Building

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Thursday, February 9, 2017

TIME: 4:00 p.m. to 6:00 p.m.

PLACE: Room 301, Senate Office Building

MEMBERS:

Senator Debbie Mayfield, Chair
Representative Daniel D. Raulerson, Vice Chair

Senator Dennis Baxley	**Representative Tracie Davis**
Senator Audrey Gibson	**Representative Randy Fine**
Senator Kathleen Passidomo	**Representative Joe Gruters**
Senator Perry Thurston	**Representative Roy Hardemon**
	Representative Cyndi Stevenson

Continuation of discussion of the Auditor General's audit of the City of Archer, Report No. 2016-197

Presentation of the Office of Program Policy Analysis and Government Accountability's (OPPAGA's) Agency Review of Enterprise Florida, Inc., and the Department of Economic Opportunity, Report Number 16-09

Presentation of the Office of Program Policy Analysis and Government Accountability's (OPPAGA's) Report, Florida Economic Development Program Evaluations – Year 4, Report Number 17-02

City of Archer
Auditor General Report 2016-197
Continuation from January 26 Meeting

STATE OF FLORIDA AUDITOR GENERAL

City of Archer
Audit Report No. 2016-197

Joint Legislative Auditing Committee

January 26, 2017

Sherrill F. Norman, CPA
Auditor General

Background

- City of Archer citizens requested audit through a signed petition.
- LAC directed audit in March 2015.
- Audit covered the period October 2013 through May 2015.
- During that period, the City had an estimated population of 1,137 and employed eight individuals.

Finding 1 Water Services

City procedures did not provide an appropriate separation of duties for the water bill collection and recordkeeping functions or establish other controls to compensate for this weakness.

Finding 1 Water Services Recommendation

The City should enhance water service collection procedures to separate the water bill collection and recordkeeping duties to the extent possible with existing personnel. If a sufficient number of personnel are not available to adequately separate duties, appropriate compensating controls should be implemented.

Finding 2 Employment Practices and Personnel Records

City records did not always evidence that employees met the education and experience requirements for their positions. Additionally, City records did not always document each employee's position classification, compensation authorization, or approved payroll deductions.

Finding 2 Employment Practices and Personnel Records Recommendation

The City should establish procedures to ensure that:

- Before employees are transferred to new positions or new hires are selected to fill vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and documented.
- Documentation of each employee’s position classification, compensation authorization, and approved payroll deductions is maintained.

Finding 3 Attendance and Leave Records

City procedures did not require employees to document time worked and leave used, the documented supervisory review and approval of such time, the independent verification of overtime payment calculations before payments were made, or the independent verification of leave earned and recorded.

In addition, the City did not always record sick leave earned by employees on the first day of each month as prescribed by City policies.

Finding 3 Attendance and Leave Records Recommendation

The City should establish written policies and procedures that require all employees to record time worked and leave used, supervisors to review and document approval of such time, and overtime payment calculations be verified before payments are made.

The City should also establish policies and procedures to independently verify leave earned and recorded and continue efforts to record sick leave earned by employees on the first day of each month as prescribed by City policies. Additionally, the City should take action to recover a $187 overpayment.

Finding 4 Payroll Advances

Although the State Constitution expressly prohibits municipalities from giving, lending, or using credit to aid any person, the City gave seven payroll advances, totaling $5,500, to the Assistant City Manager.

Finding 4 Payroll Advances Recommendation

In the absence of constitutional or other legal authority, the City should discontinue the practice of making payroll advances. Additionally, the City should rescind the policy that authorizes the approval of payroll advances.

Finding 5 Unused Sick Leave

The City paid $2,938 to the former City Manager for unused sick leave, contrary to City policies.

Finding 5 Unused Sick Leave Recommendation

The City should ensure that employees are aware of City policies and that unused sick leave is not paid upon an employee's separation from City employment. In addition, the City should take appropriate actions to recover the $2,938 from the former City Manager.

Finding 6
Performance Evaluations

Although required by City policies, City records did not always document annual employee performance evaluations.

Finding 6 Performance Evaluations Recommendation

The City should ensure that performance evaluations are timely completed as required by City policies and documented in employee personnel records.

Finding 7 Procurement

City procedures could be enhanced to ensure, for every purchase that exceeds $2,500, that the City Commission preapproves the purchase and follows the applicable competitive selection process set forth in the City Code of Ordinances.

Finding 7 Procurement (Continued)

Our examination of 11 contracts, totaling $90,853, disclosed that City records did not document:

- The City Commission's examination of any quotations or bids or the City Commission's preapproval for the 11 contracts.
- That the City Manager requested quotations or bids for 6 contracts with amounts between $2,500 and $7,500
- That the City Manager advertised for bids related to 3 contracts with amounts exceeding $7,500.

Finding 7 Procurement Recommendation

The City should enhance procedures to ensure that purchases of goods and services are made in accordance with the City Code of Ordinances.

Such procedures should require that, for every contract or purchase that exceeds $2,500, quotations and bids are obtained and examined by the City Commission and that the City Commission's preapproval is documented.

Finding 8 Credit and Fuel Purchasing Cards

The City had not established written policies and procedures governing the assignment and use of credit cards and fuel purchasing cards.

Our audit procedures disclosed that City records did not always document the authorized public purpose for credit card charges, including those made at restaurants and for party goods. Also, fuel card charges did not always identify the person making the fuel purchase.

Finding 8 Credit and Fuel Purchasing Cards Recommendation

The City Commission should determine whether credit cards and fuel P-cards should continue to be used for City purchases and, if so, ensure that appropriate written policies and procedures governing the assignment and use of the cards are established.

Finding 8 Credit and Fuel Purchasing Cards Recommendation (Continued)

Such policies and procedures should:

- Identify the employees authorized to have the cards.
- Require employees who are assigned cards to sign written agreements that limit card use to business purposes and evidence the employees' concurrence to comply with the agreements.
- Address safeguarding the cards, prompt card cancellation upon employment reassignments or separations, allowable purchases, acceptable merchants, card limits based on employee purchasing responsibilities, and process for reporting lost or stolen cards.

Finding 8 Credit and Fuel Purchasing Cards Recommendation (Continued)

Such policies and procedures should:

- Require employees to document the authorized public purpose for card charges and provide documentation, such as employee-signed card receipts, to designated supervisory personnel for review and approval.
- Either prohibit different employees from using the same card, identify the employees who use the cards by separate PINs, or maintain signed card receipts to identify who incurred each card charge.
- Document an independent evaluation of the reasonableness of fuel purchases based on recorded vehicle odometer readings.

Finding 9 Travel Expenditures

City procedures did not ensure employees used travel authorization and travel voucher forms to demonstrate that travel expenditures were for official City business and complied with State law.

Finding 9 Travel Expenditures (Continued)

Additionally, the City did not always maintain documentation, such as applicable conference programs or agendas and vendor invoices, to support travel expenditures and did not always calculate travel mileage reimbursements based on State law.

State of Florida Auditor General

Finding 9 Travel Expenditures Recommendation

The City should ensure that employees use travel authorization and travel voucher forms to demonstrate that travel expenditures are for official City business and comply with State law.

Additionally, the City should ensure that documentation to support travel expenditures is maintained, such as applicable conference programs or agendas and vendor invoices, and that mileage reimbursements are calculated based on the State rate.

Finding 10 Professional Services Contracts

The City had not established policies and procedures to ensure that contractual arrangements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, or that the contracts be subject to City Commission approval.

Our review of City records disclosed charges for legal services ($85,971) and event coordination services ($14,630) without written contracts.

Finding 10 Professional Services Contracts Recommendation

The City should establish policies and procedures that require written contracts for professional services.

Such requirements should ensure that contractual arrangements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, and that the contracts be subject to City Commission approval.

STATE OF FLORIDA AUDITOR GENERAL

Finding 11 Budget Preparation and Adoption

City-adopted budget resolutions for the 2013-14 and 2014-15 fiscal years included projected revenues and projected expenditures; however, the resolutions did not include balances brought forward from the respective prior fiscal years as required by State law.

Finding 11 Budget Preparation and Adoption Recommendation

The City should ensure that future budgets include beginning fund balance amounts that include balances brought forward from prior fiscal years.

Finding 12 Budget Monitoring

During the 2013-14 fiscal year, the City did not make any budget amendments to adjust budgeted transactions as circumstances changed nor did City records document why the City reported total budgeted expenditures ($598,816) instead of the City-approved 2013-14 fiscal year budget resolution projected expenditures ($602,904).

Because of the lack of budget monitoring, at September 30, 2014, the City had over expended 14 budget expenditure categories by a total of $122,416.

Finding 12 Budget Monitoring Recommendation

The City should timely amend budgets, as necessary, and ensure that expenditures are limited to budgeted amounts as required by State law.

Finding 13 Petty Cash Fund

City procedures could be enhanced to ensure records are maintained to document the authorized public purpose of petty cash fund replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

Our audit procedures disclosed that City records did not document the authorized public purpose for petty cash disbursements totaling $623.

Finding 13 Petty Cash Fund Recommendation

The City should enhance procedures to ensure records are maintained to document the authorized public purpose for petty cash replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

Finding 14 Anti-Fraud Policies and Procedures

The City needs to establish anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

Finding 14 Anti-Fraud Policies and Procedures Recommendation

The City should establish anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

STATE OF FLORIDA AUDITOR GENERAL

Questions?

Michael J. Gomez, CPA

Audit Manager

(850) 412-4881

111 West Madison Street, Tallahassee, Florida 32399-1450

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STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-197
June 2016

CITY OF ARCHER

Sherrill F. Norman, CPA
Auditor General

Mayor, Vice Mayor, Commissioners, and City Manager

During the period October 2013 through May 2015, the following individuals served as Mayor, Vice Mayor, Commissioner, or City Manager:

Doug Jones, Mayor from 1-12-15,
Vice Mayor from 1-13-14 to 1-11-15,
Commissioner to 1-12-14

Frank Ogborn, Mayor to 1-11-15,
Commissioner from 1-12-15 to 5-10-15

Marjorie Zander, Vice Mayor from 1-12-15,
Commissioner to 1-12-14

Susan Drawdy, Commissioner from 5-11-15

Gabe Green, Commissioner to 5-10-15

Corey Harris, Commissioner from 5-11-15

Fletcher Hope, Commissioner

Al Grieshaber, City Manager

The audit was supervised by Michael J. Gomez, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2895.

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State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

CITY OF ARCHER

SUMMARY

This operational audit of the City of Archer (City) focused on selected City processes and administrative activities. Our operational audit of the City disclosed the following:

Finding 1: City procedures did not provide an appropriate separation of duties for the water bill collection and recordkeeping functions or establish other controls to compensate for this weakness.

Finding 2: City records did not always evidence that employees met the education and experience requirements for their positions. Additionally, City records did not always document each employee's position classification, compensation authorization, or approved payroll deductions.

Finding 3: City procedures did not require employees to document time worked and leave used, the documented supervisory review and approval of such time, the independent verification of overtime payment calculations before payments were made, or the independent verification of leave earned and recorded. In addition, the City did not always record sick leave earned by employees on the first day of each month as prescribed by City policies.

Finding 4: Although the State Constitution expressly prohibits municipalities from giving, lending, or using credit to aid any person, the City gave seven payroll advances, totaling $5,500, to the Assistant City Manager.

Finding 5: The City paid $2,938 to the former City Manager for unused sick leave, contrary to City policies.

Finding 6: City records did not always document annual employee performance evaluations.

Finding 7: City procedures could be enhanced to ensure, for every purchase that exceeds $2,500, that the City Commission preapproves the purchase and follows the applicable competitive selection process set forth in the City Code of Ordinances.

Finding 8: The City had not established written policies and procedures governing the assignment and use of credit cards and fuel purchasing cards.

Finding 9: City procedures did not ensure employees used travel authorization and travel voucher forms to demonstrate that travel expenditures were for official City business and complied with State law. Additionally, the City did not always maintain documentation, such as applicable conference programs or agendas and vendor invoices, to support travel expenditures and did not always calculate travel mileage reimbursements based on State law.

Finding 10: The City had not established policies and procedures to ensure that contractual arrangements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, or that the contracts be subject to City Commission approval.

Finding 11: City-adopted budget resolutions for the 2013-14 and 2014-15 fiscal years included projected revenues and projected expenditures; however, the resolutions did not include balances brought forward from the respective prior fiscal years as required by State law.

Finding 12: During the 2013-14 fiscal year, the City did not make any budget amendments to adjust budgeted transactions as circumstances changed nor did City records document why the City reported total budgeted expenditures ($598,816) instead of the City-approved 2013-14 fiscal year budget resolution projected expenditures ($602,904). Because of the lack of budget monitoring, at September 30, 2014, the City had over expended 14 budget expenditure categories by a total of $122,416.

Finding 13: City procedures could be enhanced to ensure records are maintained to document the authorized public purpose of petty cash fund replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

Finding 14: The City needs to establish anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

BACKGROUND

In 1850, the City of Archer (City) was incorporated as a municipality. State law[1] abolished the City in 1929 and established a new City and City Charter, which was subsequently approved by voter referendum. The City is located in Alachua County, governed by five elected commissioners, and operates under a Commission-Manager form of government. The City Charter[2] requires the City Commission to annually select the Mayor from their number with due regard to his or her experience in government, ability, and qualifications.

In 2014, the City had an estimated population of 1,137. The City provides citizens with services for general government, public works, recreation, water, and solid waste. Also, for the City, the Alachua County Sheriff's Office provides police services and the Alachua County Fire Rescue provides fire and emergency medical services.

During the period October 2013 to May 2015, the City had eight employees. These eight employees included a City Manager, Assistant City Manager, three other administrative employees, and three public works employees. Subsequent to this period, the City Manager resigned on June 25, 2015, and the Assistant City Manager resigned on June 27, 2015.

[1] Chapter 13906, Laws of Florida (1929).

[2] Section 7 of the City Charter.

FINDINGS AND RECOMMENDATIONS

Finding 1: Water Services

The City operates a public water system that provides water services to customers and bills customers based on water meter readings. During the period October 2013 through May 2015, the City recorded collections totaling $268,154 for the water services.

To the extent possible with existing personnel, it is important for organizations to separate cash collection duties so that no one employee has access to cash and the ability to record cash transactions in the accounting records. If a sufficient number of personnel are not available to appropriately separate duties, compensating controls, such as independent reconciliations of deposits to supporting documentation and supervisory review and approval of cash transactions, are necessary. Other compensating controls relating to collections for water services could include comparisons of the total gallons pumped from the water system to the gallons used by, and billed to, customers to assess the accuracy of the collections.

As part of our audit, we interviewed City personnel and reviewed related City records to gain an understanding and evaluate the City's procedures for water service collections. We found that:

- Certain Utility Clerk duties were incompatible as the Utility Clerk collected customer water bill payments and recorded the payments in the water bill system. The Utility Clerk could also record transactions in the water bill system without supervisory review and approval of the transactions.
- Certain duties performed by the Accounting Technician were incompatible as the Accounting Technician received water bill payments from the Utility Clerk, prepared the daily bank deposit, recorded the bank deposit in the accounting records, and performed the monthly bank account reconciliation. Additionally, the Accounting Technician served as back-up for the Utility Clerk and, as such, could record transactions in the water bill system without supervisory review and approval of the transactions.
- City water service collection procedures did not include adequate compensating controls to mitigate the incompatible duties. Such compensating controls could include independent reconciliations of deposits to customer water bill payments or other documentation, documented supervisory review and approval of cash transactions, and comparisons of total water pumped from the water system to total water usage compiled from the individual water meter readings used for preparing water bills.
- One customer's water account contained unresolved billing discrepancies dating back to June 2012. According to City personnel, they were aware of these discrepancies, but the account was never completely researched or the billing discrepancies resolved because of City management changes. Subsequent to our inquiries in December 2015, the Interim City Manager researched the customer's water account from the inception of the discrepancies and determined that a $250 credit was due to the customer. The City recorded the credit in the customer's water account in March 2016.

Absent appropriate separation of duties or compensating controls, there is an increased risk of cash transaction errors and that cash misappropriations, should they occur, may not be timely detected.

Recommendation: The City should enhance water service collection procedures to separate the water bill collection and recordkeeping duties to the extent possible with existing personnel. If a sufficient number of personnel are not available to adequately separate duties, appropriate compensating controls should be implemented.

Finding 2: Employment Practices and Personnel Records

Effective employment practices require verifying, before employees are transferred to new positions or new hires are selected to fill vacancies, that the individuals meet the positions' education and experience requirements. Organizations should maintain documented verifications of individuals' education credentials and prior work experience as well as documentation of each employee's position classification, compensation authorization (e.g., approval by those charged with governance or authorized delegate), and approved payroll deductions. The City adopted position descriptions that specify minimum education and experience requirements for each position.

Our examination of personnel records for the three individuals hired during the period April 2014 through June 2015, disclosed that City records did not evidence that the three employees met the requirements for their positions. The three positions included two accounting technician positions that required a high school diploma or equivalent or 5 years of experience, and one administrative service coordinator position that required an associate of arts degree or supervisory experience. According to City personnel, the City had not established procedures for verifying that individuals met the requirements for their positions. Documented verifications of individuals' education credentials and prior work experience would provide critical information for making personnel decisions and assurances that employees transferred to new positions or individuals selected for hire meet position requirements.

We also examined the personnel records for all ten City employees (including two hired in June 2015) who received salary payments during the months of November 2013, March 2015, and June 2015. We noted that City records did not document the employee's position classification, compensation authorization (i.e., approval by the City Commission, City Manager, etc.), or approved payroll deductions for seven of the ten employees. In response to our inquiry, City personnel informed us that the City had not established procedures to document each employee's position classification, compensation authorization, or approved payroll deductions. Without such procedures and related documentation, there is an increased risk that the City could encounter difficulty in resolving employee compensation or payroll deduction disputes should they arise. Also, without documentation authorizing the employee's compensation and approving payroll deductions, the City cannot demonstrate the accuracy of the salary payments made.

Recommendation: The City should establish procedures to ensure that:

- **Before employees are transferred to new positions or new hires are selected to fill vacancies, verifications that the individuals meet the education and experience requirements for the positions are performed and documented.**
- **Documentation of each employee's position classification, compensation authorization, and approved payroll deductions is maintained.**

Finding 3: Attendance and Leave Records

Effective payroll processing controls require documented supervisory review and approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. Such controls should also include independent verifications of overtime payment calculations before payments are made and independent verifications to ensure that leave earned is appropriately recorded. City policies[3] provide for sick and annual leave and indicate that employees are to earn sick leave on the first day of each month.

During the period October 2013 through May 2015, the City recorded salary payments totaling $449,870. To determine whether the City maintained appropriate support for these salary payments, we requested applicable payroll records, including attendance and leave records, associated with 28 selected salary payments totaling $47,257. In addition, for the two employees hired in June 2015, we requested applicable payroll records associated with June 2015 salary payments (one for each employee) totaling $1,070. Of the 30 total payments, 29 payments were for time worked and 1 payment was for annual accumulated sick leave. Our tests disclosed that:

- The City maintained no attendance or leave records for the City Manager, who received 2 of the 30 salary payments.
- City records evidenced attendance records, signed by supervisory personnel, for 7 other payments; however, attendance records for the remaining 20 payments for time worked did not evidence supervisory review and approval.
- Attendance records for 16 of the 29 payments for time worked reflected overtime earned. While we determined that 14 of the 16 overtime amounts paid were properly calculated, 2 overtime amounts, paid to the Assistant City Manager, were based on an incorrect number of hours worked or an incorrect salary rate, resulting in overpayments totaling $187.
- In October 2013 and October 2014, the City recorded the Assistant City Manager's projected sick leave for the 2013-14 fiscal year and 2014-15 fiscal year, respectively, instead of monthly recording the sick leave earned. Additionally, based on our review of other employees' records, we found that the City similarly recorded sick leave for other City employees. Subsequent to our inquiry in December 2015, the City began recording sick leave earned monthly in accordance with City policies.

In response to our inquiry, City personnel indicated that the City had not established written policies and procedures to require employees to record time worked and leave used or for documented supervisory review and approval of such activities. Further, City procedures did not provide for independent verifications of overtime payment calculations before payments were made or verifications of leave earned and recorded.

Without written policies and procedures that require employees to record time worked and leave used and documented supervisory review and approval of such activities, there is limited assurance that employee services are provided consistent with City expectations. Additionally, without such documentation, there is an increased risk that the City personnel may be incorrectly compensated and leave balances may not be accurate. Further, independent verifications of overtime payment calculations before payments are made and of leave earned and recorded would reduce the risk of overpayments and enhance the accuracy of leave records.

Recommendation: The City should establish written policies and procedures that require all employees to record time worked and leave used, supervisors to review and document approval of such time, and overtime payment calculations be verified before payments are made. The City should also establish policies and procedures to independently verify leave earned and recorded and continue efforts to record sick leave earned by employees on the first day of each month as

[3] Section 4.2.1.C., *City of Archer Personnel Policy and Employee Handbook*, adopted May 12, 2014.

prescribed by City policies. Additionally, the City should take action to recover the $187 overpayment.

Finding 4: Payroll Advances

The State Constitution[4] prohibits municipalities from giving, lending, or using credit to aid any person. Prior to May 12, 2014, City policies did not address such aid; however, effective May 12, 2014, the City adopted a policy[5] that authorized the City Manager to approve payroll advances for City employees.

During our review of payroll transactions, we noted that, during the period January 2012 through July 2014, the City gave the Assistant City Manager seven payroll advances totaling $5,500 and, subsequently, the advances were repaid. Notwithstanding the City payroll advance policy, the giving, lending, or use of credit by the City to aid an individual is prohibited by the State Constitution and we are not aware of any legal authority for the City to make loans, such as payroll advances, to individuals.

Recommendation: In the absence of constitutional or other legal authority, the City should discontinue the practice of making payroll advances. Additionally, the City should rescind the policy that authorizes the approval of payroll advances.

Finding 5: Unused Sick Leave

City policies[6] provide that unused sick leave is forfeited when employment with the City ceases. Additionally, the City Manager's employment contract, effective February 2015, required that the City Manager's sick leave be provided in the same manner as for other City employees, and did not provide for the payment of unused sick leave upon the City Manager's separation from City employment.

In June 2015, the City Manager resigned from City employment and City records indicated that, after his separation from City employment, the former City Manager was paid $2,938 for unused sick leave. City personnel indicated that the former City Manager's employment separation payment for unused sick leave was based on the former City Manager's instructions as City personnel were unfamiliar with City policies. Appropriate training could help ensure that employees understand City policies and procedures and prevent improper payments for unused sick leave.

Recommendation: The City should ensure that employees are aware of City policies and that unused sick leave is not paid upon an employee's separation from City employment. In addition, the City should take appropriate actions to recover the $2,938 from the former City Manager.

Finding 6: Performance Evaluations

City policies[7] require employees to receive annual written performance evaluations. During the period October 2013 through June 2015, the City employed ten individuals, including two employees hired in June 2015. For the eight employees subject to annual evaluations during this period, we requested City personnel to provide evaluation documentation. However, documentation for only one employee

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[4] Article VII, Section 10, Constitution of the State of Florida.

[5] Section 5.8, *City of Archer Personnel Policy and Employee Handbook*.

[6] Section 4.2.1.G., *City of Archer Personnel Policy and Employee Handbook*.

[7] Section 2.4.2 A., *City of Archer Personnel Policy and Employee Handbook*, adopted May 12, 2014.

evaluation was provided. According to City personnel, one employee's personnel records could not be located and evaluations were not available for the other six employees.

In response to our inquiry, the City Manager indicated that he constantly evaluated employees and, therefore, did not need to prepare written evaluations. Notwithstanding this response, timely conducted performance evaluations are important management tools that inform employees of their accomplishments, needed improvements, and training needs, and also help management make and support personnel decisions.

Recommendation: The City should ensure that performance evaluations are timely completed as required by City policies and documented in employee personnel records.

Finding 7: Procurement

Effective procurement processes require preapproval of certain contracts and purchases that exceed an established dollar amount to ensure purchases are consistent with management's expectations and payments are within available resources. To provide an effective means of equitably procuring goods or services at the lowest possible cost consistent with desired quality, it is also important for organizations to use a competitive selection process for high dollar purchases. City ordinances[8] require:

- The City Commission's preapproval for every contract or purchase that exceeds $2,500.
- For every contract or purchase between $2,500 and $7,500, the City Manager to request quotations or bids from at least five persons able to supply the needed good or service. Also, the City Commission is to examine the quotations or bids obtained during the next regularly scheduled meeting.
- For every contract or purchase that exceeds $7,500, the City Manager to advertise in a local newspaper that the City will receive bids. Also, the City Commission is to examine all bids received during the meeting designated in the advertisement.

According to City personnel and our review of City records, the City did not use a purchase order process but typically entered into contracts when purchasing goods or services. As part our audit, we examined the 11 contracts, totaling $90,853, and related documentation supporting purchases exceeding $2,500 and made during the period October 2013 through May 2015. We found that:

- For the 11 contracts and related purchases, the City Commission reviewed a list of expenditures relating to the contracts and purchases at various Commission meetings; however, City records did not document the City Commission's examination of any quotations or bids related to the contracts and purchases or the City Commission's preapproval for any of the contracts and purchases.
- For 6 contracts and related purchases that were between $2,500 and $7,500 and totaled $26,537, City records did not document that the City Manager requested quotations or bids for the contracts and purchases. The goods and services acquired were for street repairs, surveying services, and the water system.
- For 3 contracts and related purchases that individually exceeded $7,500 and totaled $39,836, City records did not document that the City Manager advertised that the City would receive bids for the purchases. While the goods and services purchased were also for street repairs and the

[8] Sections 2-79 through 2-81, City of Archer Code of Ordinances.

water system, the vendors differed from those providing the goods and services described in the preceding bullet.

Although we requested explanations for the noncompliance with City procurement ordinances, the City no longer employed personnel knowledgeable of the procurement details. Absent the City Commission's examination of quotations and bids and preapproval of contracts and related purchases that exceed $2,500, there is an increased risk that purchases will be inconsistent with management's expectations and payments may exceed available resources. Also, absent documented adherence to a competitive procurement process for contracts and related purchases that exceed $2,500, City records do not demonstrate that purchases were made at the lowest cost consistent with acceptable quality and the City may be subject to legal disputes should a vendor challenge the City procurement process.

Recommendation: The City should enhance procedures to ensure that purchases of goods and services are made in accordance with the City Code of Ordinances. Such procedures should require that, for every contract or purchase that exceeds $2,500, quotations and bids are obtained and examined by the City Commission and that the City Commission's preapproval is documented.

Finding 8: Credit Cards and Fuel Purchasing Cards

The City uses credit cards and fuel purchasing cards (P-cards) to expedite certain purchases. Good business practice dictates, for organizations that decide to process purchases using these cards, that the organizations establish appropriate policies and procedures governing card assignment and use. Additionally, the policies and procedures should identify the employees authorized to have cards, the documentation required to support purchases made with the cards, and the supervisory personnel required to review and approve such purchases. Also, to ensure that card holders are fully aware of the terms and conditions related to the card assignment and use, organizations should require employees to sign written agreements that limit card use to business purposes and evidence the employees' concurrence to comply with the terms and conditions specified in the agreements. Further, policies and procedures governing card assignment and use should address the safeguarding and return of the cards, prompt card cancellation upon employment reassignments or separations, allowable purchases, acceptable merchants, card limits based on employee purchasing responsibilities, and the process for reporting lost or stolen cards.

To establish responsibility for card use, organizations should either prohibit different employees from using the same card, identify the employees who incur card charges by separate personal identification numbers (PIN), or maintain signed and dated receipts to identify who incurred each card charge. Further, by requiring that odometer readings be recorded when fuel P-cards are used to refuel vehicles, the reasonableness of fuel purchases can be evaluated.

During the period October 2013 through May 2015, City credit card purchases totaled $38,468 and fuel P-card purchases totaled $30,825. Based on discussions with City personnel and review of City records associated with the credit and fuel P-cards, we found that:

- The City lacked policies and procedures for the assignment and use of the credit cards and fuel P-cards. While City personnel decided to make purchases using these cards, the City Commissioners did not take official action to approve the assignment and use of the cards and had not identified, of record, the employees authorized to have cards, the documentation required to support purchases, or the supervisory personnel required to review and approve purchases. Additionally, the City Commissioners did not require the two credit card users (City Manager and Assistant City Manager) or the five fuel P-card users (City Manager, Assistant City Manager, and the three Public Works Department employees) to sign written agreements that limited card use to business purposes and evidenced the employees' concurrence to comply with the agreements. Further, the City had not established policies and procedures to address safeguarding the cards, prompt card cancellation upon employment reassignments or separations, allowable purchases, acceptable merchants, card limits based on employee purchasing responsibilities, or the process for reporting lost or stolen cards.

- City records did not always document the authorized public purpose for certain credit card transactions. We reviewed City records supporting 179 selected credit card transactions totaling $19,223 during the period October 2013 through May 2015. We found that, for 38 transactions totaling $5,553, credit card statements were the only available records to support the transactions. The 38 transactions included charges to restaurants and utility companies. For 19 other transactions totaling $890, we found that City records included credit card statements and credit card receipts that identified charges at restaurants ($499), for party goods ($265), and for car rentals ($126). However, City records did not document the authorized public purpose for any of the 57 transactions totaling $6,443.
- City records did not always document who made fuel purchases nor were fuel purchases compared to recorded vehicle odometer readings and evaluated for reasonableness. Our review of City records supporting 119 selected fuel P-card charges totaling $5,926 and made during the period May through November 2014 disclosed that the fuel P-cards (one fuel P-card designated for City mowers and one fuel P-card designated for City vehicles) were used for 16 fuel purchases totaling $799 on days that the Crew Leader was absent from work. According to City personnel, when the Crew Leader was absent, the other two Public Works' employees used his fuel P-cards. However, the fuel expenditure receipts did not identify (e.g., by signature) the purchaser and, since all three Public Works Department employees shared the same PIN, the City records did not identify who made the fuel purchases.
- For the Public Works Crew Leader's fuel P-card designated for City vehicles, vehicle odometer readings were required to be recorded at the time of refueling; however, the City had not established procedures to evaluate the reasonableness of the fuel purchased based on the recorded vehicle odometer readings.

Appropriate policies and procedures for the assignment and use of credit cards and fuel P-cards, are necessary to ensure that City records demonstrate the reasonableness, necessity, and public purpose of the related purchases. Absent such policies and procedures, there is an increased risk that improper charges may be made and not be timely detected.

Recommendation: The City Commission should determine whether credit cards and fuel P-cards should continue to be used for City purchases and, if so, ensure that appropriate written policies and procedures governing the assignment and use of the cards are established. Such policies and procedures should:

- **Identify the employees authorized to have the cards.**
- **Require employees who are assigned cards to sign written agreements that limit card use to business purposes and evidence the employees' concurrence to comply with the agreements.**
- **Address safeguarding the cards, prompt card cancellation upon employment reassignments or separations, allowable purchases, acceptable merchants, card limits based on employee purchasing responsibilities, and process for reporting lost or stolen cards.**

- **Require employees to document the authorized public purpose for card charges and provide documentation, such as employee-signed card receipts, to designated supervisory personnel for review and approval.**
- **Either prohibit different employees from using the same card, identify the employees who use the cards by separate PINs, or maintain signed card receipts to identify who incurred each card charge.**
- **Document an independent evaluation of the reasonableness of fuel purchases based on recorded vehicle odometer readings.**

Finding 9: Travel Expenditures

Although, pursuant to State law,[9] the governing body of a municipality may provide for a travel expense policy for its travelers which varies from the provisions in State law,[10] City policies[11] require that travel expenditures comply with State law. State law[12] requires authorized travelers to use travel authorization request forms when requesting approval for the performance of travel to a convention or conference. Authorized travelers must also use travel voucher forms to document and submit travel expenditures for approval and payment.[13] The travel voucher form must state the purpose of the travel and include a traveler-signed affirmation that the information provided is true and correct, the travel expenses were necessary to the performance of official duties, and the voucher conforms in every respect with the State law requirements. Additionally, copies of supporting documentation, such as conference programs or agendas, itemizing registration fees and any meals and lodging included in the registration fee, are to be attached to the travel authorization request form, which becomes a part of the travel voucher. City policies require the City Manager to review and approve travel expenditures.

During the period October 2013 through May 2015, the City had 38 travel expenditures totaling $7,010. Our test of 20 travel expenditures totaling $6,368 disclosed:

- City personnel did not use travel authorization request forms when requesting approval for the performance of travel to a convention or conference and the City did not require the use of travel voucher forms for the approval and payment of travel expenditures. As a result, the City Manager approved, and the City paid, travel expenditures without pertinent information and required documentation. For example:
  - o Eleven travel expenditures totaling $2,096 were for rental cars, lodging, and meals but City records did not document the purpose(s) for any of the 11 expenditures.
  - o Three expenditures totaling $916 were for conference costs; however, City records did not include the required travel authorization request forms or copies of conference programs or agendas.
- Expenditures totaling $1,397 related to vendors that provided services for rental cars, lodging, and meals; however, City records did not evidence invoices or other documentation to support the charges.

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[9] Section 166.021(9)(b), Florida Statutes.

[10] Section 112.061, Florida Statutes.

[11] Section 3.2, *City of Archer Personnel Policy and Employee Handbook*, adopted May 12, 2014.

[12] Section 112.061(11)(a), Florida Statutes.

[13] Section 112.061(11)(b)1., Florida Statutes.

- Three expenditures totaling $456 were paid to travelers for mileage reimbursement based on the Internal Revenue Service 2014 standard rate of 56 cents per mile[14] rather than the required State rate of 44.5 cents per mile, resulting in overpayments totaling $94.

Although we requested explanations for the travel recordkeeping deficiencies and noncompliance, the City no longer employed personnel knowledgeable of the travel details. In absence of documentation to justify the travel expenditures, the City cannot demonstrate compliance with State law and the risk increases that unallowable travel expenditures may have been paid.

Recommendation: The City should ensure that employees use travel authorization and travel voucher forms to demonstrate that travel expenditures are for official City business and comply with State law. Additionally, the City should ensure that documentation to support travel expenditures is maintained, such as applicable conference programs or agendas and vendor invoices, and that mileage reimbursements are calculated based on the State rate.

Finding 10: Professional Services Contracts

Contractual arrangements for professional services should be approved and evidenced by written contracts embodying all provisions and conditions of the procurement. Properly written contracts protect contracting party interests, identify the responsibilities of contracting parties, define the services to be performed, and provide a basis for payment.

As part of our audit, we reviewed City procurement processes and noted that the City had not established policies or procedures requiring written contracts for professional services. To determine whether the City entered into any contracts for professional services, we reviewed City records supporting professional services expenditures totaling $155,887 during the period October 2013 through May 2015. We found that the City Manager approved the procurement of legal services and events coordination services; however, the City did not enter into written contracts for these services. The City paid $85,971 to the attorney who provided the legal services and $14,630 to the company that provided the events coordination services. Without written contracts defining the services to be provided and describing the responsibilities of both parties, there is an increased risk of misunderstandings between the parties and that the services received may not be consistent with City Commission expectations. In addition, absent a documented basis for payment, overpayments may occur.

Recommendation: The City should establish policies and procedures that require written contracts for professional services. Such requirements should ensure that contractual arrangements be evidenced by written contracts documenting essential elements, such as the nature of, and compensation for, the services to be performed, and that the contracts be subject to City Commission approval.

Finding 11: Budget Preparation and Adoption

State law[15] requires the governing body of each municipality to adopt a budget each fiscal year and provides that the amount available from taxation and other sources, including balances brought forward

[14] The Internal Revenue Service annually issues standard mileage rates for taxpayer use in calculating the deductible costs of operating an automobile for business, charitable, medical, or moving purposes.

[15] Section 166.241(2), Florida Statutes.

from prior fiscal years, must equal the total appropriations for expenditures and reserves. The City-approved budget resolution for the 2013-14 fiscal year included projected revenues and projected expenditures (including transfers) each totaling $602,904. Additionally, the budget resolution for the 2014-15 fiscal year included projected revenues totaling $614,325 and projected expenditures (including transfers) totaling $607,904. However, the resolutions for these 2 years did not include the prior fiscal year balances as beginning fund balance amounts totaling $311,031 and $386,998, respectively.

City personnel did not provide an explanation as to why the City did not include the beginning fund balance amounts in the respective budget resolutions. Without inclusion of balances brought forward from prior fiscal years, the usefulness of the budget as a financial management tool is diminished. In addition, without consideration of the available beginning fund balance, the risk is increased that the City may unnecessarily increase taxes or other revenue sources to fund planned expenditures or to establish reserves.

Recommendation: The City should ensure that future budgets include beginning fund balance amounts that include balances brought forward from prior fiscal years.

Finding 12: Budget Monitoring

State law[16] requires that the budget regulate municipality expenditures, prohibits municipality officers from expending or contracting for expenditures in any fiscal year except pursuant to the adopted budget, and provides the process for amending the budget. According to the Government Finance Officers Association (GFOA),[17] regular monitoring of budgetary performance provides an early warning of potential problems, gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident, and is essential to demonstrate accountability.

The City reported General Fund budgeted expenditures and transfers totaling $598,816 in the City's annual financial report. However, during the 2013-14 fiscal year, the City did not make any budget amendments to adjust budgeted transactions as circumstances changed nor did City records document why the City reported total budgeted expenditures and transfers of $598,816 instead of the City-approved 2013-14 fiscal year budget resolution projected expenditures and transfers of $602,904, mentioned in Finding 11. Because of the lack of budget monitoring, the City over expended 14 budget expenditure categories by a total of $122,416 at September 30, 2014.

The September 30, 2014, actual ending fund balance in the General Fund totaled $386,998 and was sufficient to address normal contingencies. However, without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk of fiscal mismanagement and that expenditures may exceed available resources. A similar finding was noted by auditors in the City's 2013-14 fiscal year financial audit and our review of the City's 2014-15 fiscal year records noted that the City also did not monitor and amend its budget for changing financial circumstances during the 2014-15 fiscal year.

[16] Section 166.241, Florida Statutes.

[17] GFOA publication, *Recommended Budget Practices of the National Advisory Council on State and Local Budgeting* (1998).

Recommendation: The City should timely amend budgets, as necessary, and ensure that expenditures are limited to budgeted amounts as required by State law.

Finding 13: Petty Cash Fund

The purpose of a petty cash fund is to have a small amount of cash available for reimbursing employees and contractors for items such as delivery charges, fuel, postage stamps, or inexpensive office supplies. City records indicated that, during the period October 2013 through May 2015, the City established a $300 petty cash fund balance and made 45 replenishments totaling $6,156 to the fund to maintain the established balance.

In response to our inquiry, City personnel indicated that the Assistant City Manager kept petty cash disbursement receipts with the petty cash in the City vault and, when the petty cash fund balance needed to be replenished, the Assistant City Manager submitted the receipts to the Accounting Section. The Accounting Section issued a reimbursement check to the Assistant City Manager, as custodian, who cashed the check to replenish the fund. While petty cash fund disbursements are subject to the same public purpose requirements as other City disbursements, the City had not established procedures to document the authorized public purpose for petty cash fund replenishments and related disbursements or the independent review and approval of petty cash fund transactions.

Our examination of supporting documentation for 20 petty cash fund replenishments totaling $3,094 disclosed that City records did not evidence the authorized public purpose for petty cash disbursements totaling $623. These disbursements included $515 for gasoline purchases, $106 for meal purchases at fast food restaurants, and a $2 lottery ticket purchased by the company that coordinated City events.

As of June 2015, the City no longer employed the individuals associated with the petty cash fund transactions and, consequently, no one was available to further clarify the basis for the disbursements totaling $623. Since cash is highly susceptible to misappropriation, it is essential that controls be established to document the authorized public purpose for petty cash fund replenishments and related disbursements and that petty cash fund transactions be independently reviewed and approved.

Recommendation: The City should enhance procedures to ensure records are maintained to document the authorized public purpose for petty cash replenishments and related disbursements and the independent review and approval of petty cash fund transactions.

Finding 14: Anti-Fraud Policies and Procedures

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Incident reporting policies and procedures allow individuals to anonymously report known or suspected fraud and provide an appropriate process for communicating and reporting known or suspected management fraud directly to those charged with governance or an entity's legal counsel.

Anti-fraud policies and procedures are also necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies and procedures serve to establish the actions for investigating potential fraud, reporting evidence of such actions to the appropriate authorities, and avoiding damaging reputations of persons suspected of fraud but subsequently found innocent.

Our review of City policies and procedures and discussions with City personnel disclosed that, as of December 2015, the City did not have any anti-fraud policies or procedures. Absent such, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority for resolution.

Recommendation: The City should establish anti-fraud policies and procedures to aid in the mitigation, detection, and prevention of fraud.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its March 16, 2015, meeting, directed us to conduct this operational audit of the City of Archer.

We conducted this operational audit from June 2015 through November 2015, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records during the period October 2013 through May 2015, and selected transactions made prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws; rules; regulations; and City ordinances, policies, and procedures, and interviewed City personnel to gain an understanding of the City's processes and to evaluate whether the City had established reasonable written policies and procedures for major City functions, such as procurement, finance, and human resource management.
- Examined the minutes of City Commission meetings for the period October 2013 through May 2015 to determine the propriety and sufficiency of actions taken.
- Obtained the City-approved budget for the 2013-14 and 2014-15 fiscal years and reviewed applicable City records for compliance with requirements established in law. Specifically, we compared the beginning fund balance amounts on the original budget resolutions to ending fund balances from the respective prior fiscal years to determine whether prior year fund balances were brought forward. We also compared the final budget to actual expenditures to identify whether any over expenditures existed for the respective reporting periods.
- Examined personnel files for all ten employees employed from October 2013 through June 2015 to determine whether the files contained appropriate documentation including evidence of employee education and experience, position classifications, the basis for salary payments, and documentation of employee-approved payroll deductions, and whether employee performance evaluations were conducted for each applicable employee in accordance with City policies.
- Examined applicable City records, including attendance and leave records, supporting 30 salary payments during the period October 2013 through June 2015 to determine whether the payments were accurately calculated, properly paid, and adequately supported and whether hours worked and leave earned and used were properly recorded in City records.
- From the 45 petty cash replenishments during the period October 2013 through May 2015, examined supporting documentation for 20 selected petty cash replenishments totaling $3,094 to determine whether the related petty cash disbursements were adequately supported, served an

authorized public purpose, and were in accordance with applicable laws, ordinances, and City policies.

- Examined supporting documentation for all three grant agreements totaling $1.8 million in effect during the period October 2013 through May 2015 to determine whether City information contained in grant applications was accurate and supported by City records.
- Examined the 11 contracts and supporting documentation for vendors paid in excess of $2,500 during the period October 2013 through May 2015 to determine whether the City complied with quotation and bid requirements and City Commission preapproval was documented. Also, to determine whether the City entered into any contracts for professional services, we reviewed City records supporting professional services expenditures totaling $155,887 during the period October 2013 through May 2015.
- Evaluated City policies and procedures and examined applicable procurement documents to determine whether the District hired a certified public accountant to provide for an annual financial audit in accordance with applicable laws and other guidelines.
- Examined supporting documentation for 306 water bills issued during the period June 2014 through May 2015 for 30 of 1,015 customer water accounts to determine whether bill amounts and related collections generally complied with applicable City ordinances. We also evaluated the City's water service billing and collection processes.
- Examined documentation supporting 179 selected credit card transactions made during the period October 2013 through May 2015 and 119 fuel purchasing card transactions made during the period May through November 2014 to determine whether expenditures were made in accordance with applicable laws, City ordinances, and City policies. We also evaluated City procedures for the assignment and use of credit cards and fuel purchasing cards.
- Examined documentation supporting 20 of 38 travel expenditures during the period October 2013 through May 2015 to determine whether expenditures were made in accordance with applicable State laws, City ordinances, City policies, bond covenants, regulations, contracts, grant agreements, and other guidelines.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

Sherrill F. Norman

Sherrill F. Norman, CPA
Auditor General

CITY OF ARCHER

Mayor: Corey Harris
Vice-Mayor: Susan Drawdy

Commissioners
Doug Jones
Fletcher Hope
Marjorie Zander

City Manager
Zeriah K. Folston, MPA

Sherrill F. Norman, CPA
Auditor General of Florida

Dear Ms. Norman:

The following are the City of Archer's responses regarding the tentative findings and recommendations resulting from the Auditor General's operational audit of the City of Archer.

Finding 1: "City procedures did not provide an appropriate separation of duties for the water billing collection and recordkeeping functions or establish other controls to compensate for this weakness."

City's Response: Due to the City's limited staffing it is not feasible to correct this finding through segregation of duties. As compensating controls, the Bookkeeper will reconcile the daily utility reports with the computer generated daily collections report and resolve all differences. The City Manager will then review this reconciliation. In addition, the City Manager will review and approve all adjustments to the utility billings.

Finding 2: "City records did not always evidence that employees met the education and experience requirements for their positions. Additionally, City records did not always document each employee's position classification, compensation authorization, or approved payroll deductions."

City's Response: The City will develop position descriptions for all positions within the City. A checklist will be developed to track and ensure that qualifying documentation is obtained and filed for all position requirements. This checklist will also specify appropriate documents to be retained regarding initial hiring and changes in employee compensation and approved payroll deductions.

Finding 3: "City procedures did not require employees to document time worked and leave used, the documented supervisory review and approval of such time, the independent verification of overtime payment calculations before payments were made, or the independent verification of leave earned and

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Tel: (352)495-2880 Fax (352)495-2445

recorded. In addition, the City did not always record sick leave earned by employees on the first day of each month as prescribed by the City policies."

City's Response: The City acknowledges that inadequacies in employee leave records and utilization has been a long standing deficiency as identified in prior annual audits. During the course of the current year's audit, accrued leave balances for all employees as of September 30, 2015 were calculated. The City is in the process of developing an effective employee leave accounting system which fully addresses these longstanding deficiencies. To date, a leave policy resolution and accompanying standard timesheet and leave request form has been developed and via a Resolution adopted by the City Commission.

Finding 4: "Although the State Constitution expressly prohibits municipalities from giving, lending, or using credit to aid any person, the City gave seven payroll advances, totaling $5,500, to the Assistant City Manager."

City's Response: This finding was first noted in the City's annual audit for the fiscal year ended September 30, 2013, and involved two former employees. All advances were repaid and this practice has been fully eliminated by the City via a Resolution adopted by the City Commission amending the City's Personnel Policy.

Finding 5: "The City paid $2,938 to the former City Manager for unused sick leave, contrary to City policies."

City's Response: The City agrees with this finding and will direct the City Attorney to take appropriate action for collection. Staff will also be trained on the use and accumulation of sick leave as outlined in the City's Personnel Policy.

Finding 6: "City records did not always document annual employee evaluations."

City's Response: As discussed in the aforementioned response to Finding 3, the City will include this procedure in the employee checklist. The City Manager has developed an employee evaluation form that via a Resolution has been adopted by the City Commission

Finding 7: "City procedures could be enhanced to ensure, for every purchase that exceeds $2,500, that the City Commission pre-approves the purchase and follows the applicable competitive selection process set forth in the City Code of Ordinances."

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City's Response: This City will develop an approval coversheet for vendor expenditures that documents prior approval for the various types of purchases covered by the City's purchasing procedures.

Finding 8: "The City had not established written policies and procedures governing the assignment and use of credit cards and fuel purchasing cards."

City's Response: This finding was included in the City's audit report for the fiscal year ended September 30, 2014, and has not yet been corrected. This City has subsequently developed appropriate policies for full accountability of credit and fuel purchasing cards in the City's purchasing procedures. A Purchasing Agreement for the above Policy was also implemented to help strengthen these procedures. These procedures via a Resolution were adopted by the City Commission.

Finding 9: "City procedures did not ensure employees used travel authorization and travel voucher forms to demonstrate that travel expenditures were for official City business and complied with State law. Additionally, the City did not always maintain documentation, such as applicable conference programs or agendas and vendor invoices, to support travel expenditures and did not always calculate mileage reimbursements based on State law."

City's Response: The City has subsequently implemented a travel voucher similar to the State voucher, and updated the City's travel policy to require that all travel expenditures be fully documented as required by F.S. 112.061. These procedures are pending approval by the City Commission and once approved will be immediately implemented.

Finding 10: "The City had not established policies and procedures to ensure that contractual arrangements be evidenced by written contracts documenting essential elements such as the nature of, and compensation for, the services to be performed, or that the contracts be subject to the City Commission approval."

City's Response: The issues specified in the Auditor General's report have been fully resolved. The City will include appropriate procedures in the revision of the City's purchasing policies to fully address this issue.

Finding 11: "City-adopted budget resolutions for the 2013-14 and 2014-15 fiscal years included projected revenues and projected expenditures; however, the resolutions did not include balances brought forward from the respective prior fiscal years as required by State law."

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City's Response: The budget for the upcoming year will be prepared in full compliance with the State law and include estimated balances brought forward.

Finding 12: "During the 2013-14 fiscal year, the City did not make any budget amendments to adjust revenues or expenditures as circumstances changed nor did City records document why the City reported total budget expenditures ($598,816) instead of the City-approved 2013-14 fiscal year budget resolution projected expenditures ($602,904). Because of the lack of budget monitoring, at September 30, 2014, the City had over expended 14 budget expenditure categories by a total of $122,416."

City's Response: This finding was noted as Finding 2014-5 in the Management Letter in the 2014 audit. Steps will be taken by the City Manager to properly manage the current year and subsequent budgets and make budget amendments as necessary for proper budget administration.

Finding 13: "City procedures could be enhanced to ensure records are maintained to document the authorized public purpose of petty cash fund replenishments and related disbursements and the independent review and approval of petty cash fund transactions."

City's Response: The City Manager has currently placed severe restrictions on the use of petty cash funds, and has subsequently developed policies and procedures to govern the use of these funds to fully address the noted weaknesses. The City has implemented a Petty Cash Policy and Petty Cash Procedures via a Resolution adopted by the City Commission.

Finding 14: "The City needs to establish anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud."

City's Response: The City agrees with this "best practices" recommendation and has subsequently developed a fraud policy to fully address this issue. This policy via a Resolution adopted by the City Commission has been implemented.

If you so request, the City will provide you with periodic updates as these corrective measures are fully implemented. Please let me know if you need any additional information at this time.

Sincerely,

Zeriah K. Folston, MPA
City Manager

16870 SW 134TH AVE., P.O. BOX 39 - ARCHER, FLORIDA 32618-0039
Tel: (352)495-2880 Fax (352)495-2445

Good afternoon, chair and committee members.

Thank you for allowing me the time to address you today. We still have issues that we in the City of Archer need resolved. The citizens of Archer are grateful for the state auditors in their efforts and diligence in assisting the city with their 14 Findings. It was apparent to us that the Auditors were trying to push management in Archer to becoming more accountable with the handling of the city's business. Sadly, we are still a long way from achieving that goal.

I bring before you, staff and members of this committee, documents that show continuing and current deficiencies.

The group of papers I have provided you are categorized by issue.

#2 letter to editor concerning Archer Business practices (publish 1/5/17) EMAIL 1 of 14 (p. 2)

3-4 Florida Statue 166.45 purchasing property requires 2 appraisals 2 of 14

#5-8 Florida Statue 180-136 notice for water bills 3 of 14

#9-11 competitive bids amounts for appraisal services 3 of 14 (last pg.) & 4 of 14

#12-15 notice for water bills 5 of 14

16-17 inventory 6 of 14

18-22 water billing for dollar store, been over billing for a year from my knowledge 7 of 14

#23-28 gas mileage 8 of 14

#29-34 Ordinance 2014-02 pertaining to surplus property (big problem) 9 of 14 & 10 of 14

#36-37 gas mileage (repeat) 11 of 14

#38-47- Travel forms 12 of 14, 13 of 14, & 14 of 14

As I mentioned in my last email concerning that no one certified to work on our water lines, one of our public works staff was promoted to supervisor last year without a water license even though the city paid for his schooling and state test at least 5 years ago he still did not obtain the license. This is preferred on Job descriptions for public works staff, we have 3 persons now and they are hiring 2 more and are not requiring this license.

I have ordered WEX (gas) bills and the city used to separate their vehicles on different sheets and now they place all gas for all vehicles and equipment under 1 vehicle title, so it is impossible to know what vehicles/equipment are getting gas. Even when I tried to compute MPG it appeared the mileage range from 4-14 MPG on the same vehicles. Some mileage never changes and other mileage appears to be from other various vehicles. I have never received any documentation to show computation of MPG on any vehicle.

Even though the mayor emailed me that the attorney is working on action for collection from prior city manager they could not provide me any evidence or information to show this is being done per manager response letter on June of 2016 page 2-Finding 5.

Please help us resolve these problems.

Again, we thank you for your time and appreciate everything you have done.

Laurie Costello

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 9:40 PM
To: JLAC
Subject: City of Archer
Attachments: City of Archer letter to the editor.pdf

To: The Audit Committee,
I'm very concern about the city still not showing accountability to the citizens. I have sent out 12 emails to show you that some items in our audit are not being done. These are just a few that I'm aware of. I can't imagine all the things that they are not doing that we are not aware of. Besides items on the audit the city does not have anyone licensed to work on the water lines for almost 2 years and that is a concern for a lot of citizens. Also they are letting public buildings rot for lack of maintenance. The city spends hundreds of dollars every month at the hardware and home improvement stores with no accountability for inventory. The city is not keeping any gas millage. When I have asked on several occasions at public meeting if the inventory was being done and gas mileage was being tracked I was told yes it was, but when I have requested documentation for it, the city stated it does not exists. There is no vehicle nor equipment maintenance records and the city spends hundreds and sometimes thousands every month on parts and repairs, again no accountably. The city of Archer has not attempted to recover monies from the previous city manager. Apparently there are ties to the old administration because nothing has changed, it is just a continuation of bad habits.
Below is a list of concerns:

1. The city is not adhering by the Florida statue or their own ordinances.
A. raised water rates and not sending proper notice (see email)
B. purchasing property and not getting required appraisals and also not putting this out for bid. (See email)
C. surplus property (see email)
D. board meetings
2. The city is still having billing issues, have been working on replacing meter for over a year and many people still getting over billed.
3. City is still not doing required inventory, there is no accountably for monies spent on supplies, equipment, tools. (see email)
4. The city is still not tracking gas millage on any vehicles. (see email and WEX bills)
5. Travel forms- requested travel forms in July from May and they did not have them. (see email) (see credit card)
My apologies for not having a better organized letter and emails but I just found out about this meeting yesterday.
Thank you for taking the time to review.

Attached is a letter to the editor that was published in the news paper 2 weeks ago concerning Archer business practices.

--
Laurie Costello

Archer Business Practices

Archer citizens are again questioning the business practices of the City. Despite paying the highest taxes, water and garbage rates, they still see no accountability on many levels on where the money goes for these services. Among the overlooked issues are community property, road disrepair, broken water meters, city vehicles, closed buildings due to lack of maintenance, and the list goes on.

The last commission meeting denoted that city vehicles are in disrepair. Who knows which vehicles since the city doesn't keep an equipment inventory, maintenance schedules or even accounts for receipts "for city use" of items purchased at home improvement and hardware stores. Even though the city had a state audit, it continues to break its own ordinances.

Archer has gone downhill since new management took over last year, despite our hopes for improvement. Not even Christmas decorations were put up this year.

David Nels
Archer, FL 3261

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:33 PM
To: JLAC
Subject: Fwd: public records request- appraisel for 15515 SW 170 St Archer City of Archer

See Below

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Mon, Jan 23, 2017 at 10:16 AM
Subject: Fwd: public records request- appraisel for 15515 SW 170 St Archer
To: lmcostello@bellsouth.net

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Mon, Jan 23, 2017 10:05 am
Subject: RE: public records request- appraisel for 15515 SW 170 St Archer

Good morning,

We could only locate one appraisal at this time. Thank you for your patience.

Deanna

From: Deanna Alltop
Sent: Tuesday, January 10, 2017 1:29 PM
To: 'dnelson833@aol.com' <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request- appraisel for 15515 SW 170 St Archer

Good afternoon David,

Your public record request has been acknowledged.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Tuesday, January 10, 2017 1:14 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request- appraisel for 15515 SW 170 St Archer

Deanna, could I please have a copy of the two appraisals for the above property.
Per Florida Statue 166.045 two were required. For your convenience I have copied this for you.

Thank you. David Nelson

166.045 Proposed purchase of real property by municipality; confidentiality of records; procedure.—

(1)(a) In any case in which a municipality, pursuant to the provisions of this section, seeks to acquire by purchase any real property for a municipal purpose, every appraisal, offer, or counteroffer must be in writing. Such appraisals, offers, and counteroffers are not available for public disclosure or inspection and are exempt from the provisions of s. 119.07(1) until an option contract is executed or, if no option contract is executed, until 30 days before a contract or agreement for purchase is considered for approval by the governing body of the municipality. If a contract or agreement for purchase is not submitted to the governing body for approval, the exemption from s. 119.07(1) will expire 30 days after the termination of negotiations. The municipality shall maintain complete and accurate records of every such appraisal, offer, and counteroffer. For the purposes of this section, the term "option contract" means a proposed agreement by the municipality to purchase a piece of property, subject to the approval of the local governing body at a public meeting after 30 days' public notice. The municipality will not be under any obligation to exercise the option unless the option contract is approved by the governing body at the public hearing specified in this section.
(b) If the exemptions provided in this section are utilized, the governing body shall obtain at least one appraisal by an appraiser approved pursuant to s. 253.025 for each purchase in an amount of not more than $500,000. For each purchase in an amount in excess of $500,000, the governing body shall obtain at least two appraisals by appraisers approved pursuant to s. 253.025. If the agreed purchase price exceeds the average appraised price of the two appraisals, the governing body is required to approve the purchase by an extraordinary vote. The governing body may, by ordinary vote, exempt a purchase in an amount of $100,000 or less from the requirement for an appraisal.
(c) Notwithstanding the provisions of this section, any municipality that does not choose with respect to any specific purchase to utilize the exemption from s. 119.07(1) provided in this section may follow any procedure not in conflict with the provisions of chapter 119 for the purchase of real property which is authorized in its charter or established by ordinance.
(2) Nothing in this section shall be interpreted as providing an exemption from, or an exception to, s. 286.011.

--

Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:35 PM
To: JLAC
Subject: Fwd: public records request- water increase notice 4rd request City of Archer

See below

---------- Forwarded message ----------
From: **Laurie Costello** <lmcostello@bellsouth.net>
Date: Sun, Jan 15, 2017 at 7:23 PM
Subject: Fwd: public records request- water increase notice 4rd request
To: "parchpra1@att.net" <parchpra1@att.net>, December McSherry <lmcshe2001@aol.com>

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Mon, Jan 9, 2017 at 3:48 PM
Subject: Fwd: public records request- water increase notice 4rd request
To: lmcostello@bellsouth.net

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Mon, Jan 9, 2017 1:08 pm
Subject: RE: public records request- water increase notice 4rd request

Good afternoon David,

The document does not exist.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Thursday, January 5, 2017 4:38 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Re: public records request- water increase notice 4rd request

Deanna, I want to thank you for all the information and the time it took you to gather it all.

I'm requesting a specific document, a notice that went out to all utility customers stating the date time and place of the meeting of the governing board of the local government at which such increase will be considered. According to Florida Statutes 180.136, before a local government water or sewer utility increase any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process.

I did not see that in any of the information that you sent to me. I'm only requesting that document.

If this document that I'm requesting does not exists please let me know.

Thank you. David Nelson

> Subject: Re: public records request- water increase notice
>
> Deanna, thank you for that information, but I was looking for something more specific. According to Florida Statutes 180.136
>
> ***Before a local government water or sewer utility increases any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process. The notice shall state the date, time, and place of the meeting of the governing board of the local government at which such increase will be considered. The notice required in this section is in addition to any notice and public meeting requirements for ordinance adoption as provided by general law.***
>
> Could I please get a copy of this notice that went out to every water customer.
> Thank you. David Nelson

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>; Courtney Johnson <Courtney@foldsandwalker.com>
Sent: Thu, Jan 5, 2017 9:37 am
Subject: RE: public records request- water increase notice 3rd request

Good morning David,

Attached are the documents we have in regards to your public record request.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Wednesday, January 4, 2017 6:49 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Fwd: public records request- water increase notice 3rd request

Deanna, Could you please provide me the information I requested on December 14th and December 28th. I have attached those emails for your convenience. I have asked you if this document does not exists to please let me know.
Thank you.
David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Sent: Wed, Dec 28, 2016 9:11 pm
Subject: Fwd: public records request- water increase notice 2nd request

Deanna, I sent you a email on December 14th asking for a copy of the notice that went out to the water customers that included the information in the Florida Statues 180.136, I have not heard back from you. For your convenience I have attached the email that I sent to you that included the Florida Statutes.
Could you please send this to me or let me know if this document does not exists.
Thank you.
David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Cc: zfolston <zfolston@cityofarcher.com>
Sent: Wed, Dec 14, 2016 5:50 pm
Subject: Re: public records request- water increase notice

Deanna, thank you for that information, but I was looking for something more specific. According to Florida Statutes 180.136

Before a local government water or sewer utility increases any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process. The notice shall state the date, time, and place of the meeting of the governing board of the local government at which such increase will be considered. The notice required in this section is in addition to any notice and public meeting requirements for ordinance adoption as provided by general law.

Could I please get a copy of this notice that went out to every water customer.
Thank you. David Nelson

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Tue, Dec 13, 2016 12:05 pm
Subject: RE: public records request- water increase notice

Good afternoon David,

Attached is your public record request.

Thank you,
Deanna

From: Deanna Alltop
Sent: Monday, December 12, 2016 9:04 AM
To: 'dnelson833@aol.com' <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request- water increase notice

David,

Your public record request has been acknowledged.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Saturday, December 10, 2016 7:50 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request- water increase notice

Deanna, could I please get a copy of the notice that went to each citizen for the recent water and garbage rate increase. Thank you. David Nelson

--

Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

--

Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

Subject: FW: Public Records Request (Bids for Equigen Appraisal)

From: Deanna Alltop (dalltop@cityofarcher.com)

To: parchpra1@att.net;

Cc: zfolston@cityofarcher.com;

Date: Monday, August 8, 2016 11:25 AM

Good morning Sue,

No document exists.

Thank you,

Deanna

From: frank batey <parchpra1@att.net>
Date: August 6, 2016 at 10:50:06 AM EDT
To: Zeriah Folston <zfolston@cityofarcher.com>
Subject: Public Records Request (Bids for Equigen Appraisal)
Reply-To: frank batey <parchpra1@att.net>

Mr. Folston,

I'm requesting copies of the competitive bid amounts for appraisal services regarding the purchase of the Equigen

property.

Thank you,

Sue Batey

352-214-1764 (cell)

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:36 PM
To: JLAC
Subject: Fwd: PIO Quotes for Appraisal for Equigen City of Archer
Attachments: Scan_Doc0194.pdf

See Below

---------- Forwarded message ----------
From: **frank batey** <parchpra1@att.net>
Date: Sun, Jan 15, 2017 at 6:14 PM
Subject: PIO Quotes for Appraisal for Equigen
To: Laurie Costello <lmcostello@bellsouth.net>

Laurie,

Attached is a copy of the e-mail response regarding the bid amounts for appraisal services.

Sue

--
Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

Subject: FW: Public Records Request (Bids for Equigen Appraisal)

From: Deanna Alltop (dalltop@cityofarcher.com)

To: parchpra1@att.net;

Cc: zfolston@cityofarcher.com;

Date: Monday, August 8, 2016 11:25 AM

Good morning Sue,

No document exists.

Thank you,

Deanna

From: frank batey <parchpra1@att.net>
Date: August 6, 2016 at 10:50:06 AM EDT
To: Zeriah Folston <zfolston@cityofarcher.com>
Subject: Public Records Request (Bids for Equigen Appraisal)
Reply-To: frank batey <parchpra1@att.net>

Mr. Folston,

I'm requesting copies of the competitive bid amounts for appraisal services regarding the purchase of the Equigen

property.

Thank you,

Sue Batey

352-214-1764 (cell)

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:38 PM
To: JLAC
Subject: Fwd: public records request- water increase notice 4rd request City of Archer

See below

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Mon, Jan 9, 2017 at 3:48 PM
Subject: Fwd: public records request- water increase notice 4rd request
To: lmcostello@bellsouth.net

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Mon, Jan 9, 2017 1:08 pm
Subject: RE: public records request- water increase notice 4rd request

Good afternoon David,

The document does not exist.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Thursday, January 5, 2017 4:38 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Re: public records request- water increase notice 4rd request

Deanna, I want to thank you for all the information and the time it took you to gather it all.

I'm requesting a specific document, a notice that went out to all utility customers stating the date time and place of the meeting of the governing board of the local government at which such increase will be considered. According to Florida Statutes 180.136, before a local government water or sewer utility increase any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process.

I did not see that in any of the information that you sent to me. I'm only requesting that document.

If this document that I'm requesting does not exists please let me know.

Thank you. David Nelson

> Subject: Re: public records request- water increase notice

> Deanna, thank you for that information, but I was looking for something more specific. According to Florida Statutes 180.136
>
> ***Before a local government water or sewer utility increases any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process. The notice shall state the date, time, and place of the meeting of the governing board of the local government at which such increase will be considered. The notice required in this section is in addition to any notice and public meeting requirements for ordinance adoption as provided by general law.***
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> Could I please get a copy of this notice that went out to every water customer.
> Thank you. David Nelson

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From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>; Courtney Johnson <Courtney@foldsandwalker.com>
Sent: Thu, Jan 5, 2017 9:37 am
Subject: RE: public records request- water increase notice 3rd request

Good morning David,

Attached are the documents we have in regards to your public record request.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Wednesday, January 4, 2017 6:49 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Fwd: public records request- water increase notice 3rd request

Deanna, Could you please provide me the information I requested on December 14th and December 28th. I have attached those emails for your convenience.   I have asked you if this document does not exists to please let me know.
Thank you.
David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Sent: Wed, Dec 28, 2016 9:11 pm
Subject: Fwd: public records request- water increase notice 2nd request

Deanna, I sent you a email on December 14th asking for a copy of the notice that went out to the water customers that included the information in the Florida Statues 180.136, I have not heard back from you. For your convenience I have attached the email that I sent to you that included the Florida Statutes.
Could you please send this to me or let me know if this document does not exists.
Thank you.
David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Cc: zfolston <zfolston@cityofarcher.com>

Sent: Wed, Dec 14, 2016 5:50 pm
Subject: Re: public records request- water increase notice

Deanna, thank you for that information, but I was looking for something more specific. According to Florida Statutes 180.136

Before a local government water or sewer utility increases any rate, charge, or fee for water or sewer utility service, the utility shall provide notice of the proposed increase to each customer of the utility through the utility's billing process. The notice shall state the date, time, and place of the meeting of the governing board of the local government at which such increase will be considered. The notice required in this section is in addition to any notice and public meeting requirements for ordinance adoption as provided by general law.

Could I please get a copy of this notice that went out to every water customer.
Thank you. David Nelson

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Tue, Dec 13, 2016 12:05 pm
Subject: RE: public records request- water increase notice

Good afternoon David,

Attached is your public record request.

Thank you,
Deanna

From: Deanna Alltop
Sent: Monday, December 12, 2016 9:04 AM
To: 'dnelson833@aol.com' <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request- water increase notice

David,

Your public record request has been acknowledged.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Saturday, December 10, 2016 7:50 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request- water increase notice

Deanna, could I please get a copy of the notice that went to each citizen for the recent water and garbage rate increase.
Thank you. David Nelson

--
Laurie Costello
Costello Realty
Realtor, GRI, CDPE

Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <nels2413@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:40 PM
To: JLAC
Subject: Fwd: public records request- inventory City of Archer

see below

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Thu, Dec 15, 2016 at 10:49 AM
Subject: Fwd: public records request- inventory
To: nels2413@bellsouth.net

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Thu, Dec 15, 2016 8:19 am
Subject: RE: public records request- inventory

Good morning David,

No documents exist at this time.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Wednesday, December 14, 2016 5:59 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Fwd: public records request- inventory

Deanna, I have emailed you on December 6th and December 10th and asked about inventory and still have not received an answer. Could you please let me know how I can get this questioned answered and receive the information. I have forward all the emails to you for your convenience.
Thank you. David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Sent: Sat, Dec 10, 2016 7:48 pm
Subject: Fwd: public records request- inventory

Deanna, could you please let me know if there were any other types of inventory taken besides the parts and fitting inventory?
Thank you. David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dnelson833 <dnelson833@aol.com>
Sent: Tue, Dec 6, 2016 3:26 pm
Subject: Re: public records request- inventory

Deanna, was there any other type of inventory taken? like inventory of equipment and vehicles?
Thank you. David Nelson

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Sent: Mon, Nov 28, 2016 8:52 pm
Subject: public records request- inventory

Deanna, could I please get a copy of the inventory that was taken by public works employees this past year.
Thank you. David Nelson

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:48 PM
To: JLAC
Subject: Fwd: Public records request - water history City of Archer
Attachments: Dollar General Meter Readings.pdf

See below

---------- Forwarded message ----------
From: **Deanna Alltop** <dalltop@cityofarcher.com>
Date: Wed, Aug 17, 2016 at 3:47 PM
Subject: RE: Public records request - water history
To: Laurie Costello <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>

Laurie,

Attached are the meter readings for one year, this is all the data RVS stores. The 15, 16 at the top represent the year.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Wednesday, August 17, 2016 3:33 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Re: Public records request - water history

Deanna, could I please just get the meter readings from the computer, what ever you plug it into. I just want the meter readings for each month.

Thank you. Laurie

On Wed, Aug 17, 2016 at 2:51 PM, Deanna Alltop <dalltop@cityofarcher.com> wrote:

> Laurie,

We do not use the books any longer. We have not used them for over a year. If you are requesting three years of history, there will be a cost.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Wednesday, August 17, 2016 12:12 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: RE: Public records request - water history

Deanna I just want the card that is on the route book where they write down the meter read, not the actual monthly cards. It is just one card in the book.
Thank you. Laurie

Costello Realty
352-262-1631
sent from droid

On Aug 17, 2016 10:57 AM, "Deanna Alltop" <dalltop@cityofarcher.com> wrote:

> Laurie,
>
> There will be a significant charge for this request. There are other public records request ahead of yours. Once the charges have been calculated, I will let you know.
>
> Thank you,
>
> Deanna
>
> **From:** lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
> **Sent:** Wednesday, August 17, 2016 9:43 AM
> **To:** Deanna Alltop <dalltop@cityofarcher.com>
> **Subject:** Re: Public records request - water history

Deanna, thank you for the water history, I was thinking it showed meter readings. Its been a while since I ordered things like this. Could I please get a copy of the meter cards that show the readings.

Thank you so much. Laurie

On Wed, Aug 17, 2016 at 8:47 AM, Deanna Alltop <dalltop@cityofarcher.com> wrote:

Good morning Laurie,

Attached is your public record request.

Thank you,

Deanna

From: Deanna Alltop
Sent: Monday, August 15, 2016 9:22 AM
To: 'Laurie Costello' <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: Public records request - water history

Good morning Laurie,

Your public record request has been acknowledged.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Saturday, August 13, 2016 4:34 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: Public records request - water history

Deanna, could you please email me the water history for the Dollar General for the past 3 years.

Thank you. Laurie Costello

--

Laurie Costello

Costello Realty

Realtor, GRI, CDPE

Broker/Owner

Direct: 352-262-1631

Fax: 1-866-849-6463

lmcostello@bellsouth.net

--

Laurie Costello

Costello Realty

Realtor, GRI, CDPE

Broker/Owner

Direct: 352-262-1631

Fax: 1-866-849-6463

lmcostello@bellsouth.net

--

City of Archer

Name	16 Jan Read	16 Feb Read	16 Mar Read	16 Apr Read	16 May Read	16 June Read	16 July Read	15 Aug Read	15 Sep Read	15 Oct Read	15 Nov Read	15 Dec Read
[redacted]												
DOLLAR GENERAL	2,048,500	2,057,930	2,069,710	2,086,430	2,115,220	2,182,740	2,193,510	2,018,960	2,027,250	2,030,750	2,038,070	2,038,910

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:50 PM
To: JLAC
Subject: Fwd: information requested from meeting on August 3rd City of Archer

See below

---------- Forwarded message ----------
From: **Laurie Costello** <lmcostello@bellsouth.net>
Date: Fri, Aug 12, 2016 at 10:49 PM
Subject: Re: information requested from meeting on August 3rd
To: Zeriah Folston <zfolston@cityofarcher.com>

Mr. Folston, I asked at the meeting when the city was going to start keeping track of the gas millage and you said we have already started. So with this said I will take what ever you have that reflects that you are doing this.
Thank you. Laurie Costello

On Fri, Aug 12, 2016 at 11:31 AM, Zeriah Folston <zfolston@cityofarcher.com> wrote:

> Ms. Costello,
>
> Thank you for this clarity. However, I do not have time to perform this exercise. I nor Karen remember promising you this level of work. However, if we did I apologize for promising such a time consuming project. Our load has been heavy and it will continue to be until at least late November. When we get to the new fiscal year, I may do this on a quarterly biases. Just from my review of the bills it doesn't appear that gas is being purchased inappropriately. Our auditors have also, not found cause for concern pertaining to our process for gas receipts and usage.
>
> Thanks,
>
> *Zeriah K. Folston, MPA*
>
> City Manager
>
> City of Archer
>
> P.O. Box 39
>
> SW 134th Ave.
>
> Archer, FL 32618

352-495-2880 (Office)

352-353-5172 (Cell)

zfolston@cityofarcher.com

www.cityofarcher.com

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Thursday, August 11, 2016 11:06 PM
To: Zeriah Folston <zfolston@cityofarcher.com>
Subject: Re: information requested from meeting on August 3rd

Mr. Folston, I would like the millage of each vehicle (identify vehicle) and dates and amounts of gas that was put into the vehicle.

Example: 2002 Ford explorer
Miles 93,454 /20gallons on 4/14
Miles 93,655/ 22 gallons on 4/20
Miles 93,867/21 gallons on 4/27

2006 2500 Ford pick up
Miles 99,104/26 gallons on 4/04
Miles 99,300/27 gallons on 4/10
Miles 99,524/24 gallons on 4/28

Thank you.
Laurie

On Aug 11, 2016 7:00 PM, "Zeriah Folston" <zfolston@cityofarcher.com> wrote:

> Ms. Costello,
>
> Do you want the millage on each vehicle or the the gas millage of each vehicle. I honestly don't remember promising you any additional documents. However, I'm trying to accommodate your request. If you also would provide why you need the gas millage we may be able to help you better.
>
> Thanks,

Zeriah K. Folston, MPA

City Manager

City of Archer

P.O. Box 39

SW 134th Ave.

Archer, FL 32618

352-495-2880 (Office)

352-353-5172 (Cell)

zfolston@cityofarcher.com

www.cityofarcher.com

On Aug 11, 2016, at 6:07 PM, Laurie Costello <lmcostello@bellsouth.net> wrote:

> Mr. Folston, when I was questioning the WEX bills you said you would get me the millage. You know gas millage of vehicles that you stated you started in a Commission meeting. Have you asked Karen about the information that you were supposed to get ready for me?

> On Thu, Aug 11, 2016 at 5:25 PM, Zeriah Folston <zfolston@cityofarcher.com> wrote:
>
> > Ms. Costello,
> >
> > We will get you the contracts for Gator Communications and Ring Central. What do you mean, I was going to get you the gas millage? Please clarify.
> >
> > Thanks,
> >
> > *Zeriah K. Folston, MPA*
> >
> > City Manager

City of Archer

P.O. Box 39

SW 134th Ave.

Archer, FL 32618

352-495-2880 (Office)

352-353-5172 (Cell)

zfolston@cityofarcher.com

www.cityofarcher.com

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Thursday, August 11, 2016 5:13 PM
To: Zeriah Folston <zfolston@cityofarcher.com>
Subject: Re: information requested from meeting on August 3rd

Mr. Folston, I requested the contracts for Gator Communication and Ring Central. You also said you were going to get me the gas millage.

I'm surprised you would ask me what I requested when you had your staff (Karen) there taking notes.

Please let me know when the information will be ready for pick up.

Thank you. Laurie Costello

On Thu, Aug 11, 2016 at 1:13 PM, Zeriah Folston <zfolston@cityofarcher.com> wrote:

Ms. Costello,

What information did you request?

Thanks,

Zeriah K. Folston, MPA

City Manager

City of Archer

P.O. Box 39

SW 134th Ave.

Archer, FL 32618

352-495-2880 (Office)

352-353-5172 (Cell)

zfolston@cityofarcher.com

www.cityofarcher.com

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Wednesday, August 10, 2016 9:31 PM
To: Zeriah Folston <zfolston@cityofarcher.com>
Cc: Deanna Alltop <dalltop@cityofarcher.com>
Subject: information requested from meeting on August 3rd

Mr. Folston, do you know when the information I requested at our meeting on August 3rd will be ready for pick up?

Thank you. Laurie Costello

--

--

Laurie Costello

Costello Realty

Realtor, GRI, CDPE

Broker/Owner

Direct: 352-262-1631

Fax: 1-866-849-6463

lmcostello@bellsouth.net

--

Laurie Costello

Costello Realty

Realtor, GRI, CDPE

Broker/Owner

Direct: 352-262-1631

Fax: 1-866-849-6463

lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 6:58 PM
To: JLAC
Subject: Fwd: Public Record Request-David Nelson City of Archer
Attachments: Public Record Request-David Nelson.pdf

See below. This is the city ordinance that they are not going by. The city had one of their vehicles on the side of the road advertised for sale and when ask for the ordinance they moved back into city barn. They have also been disposing of donated items that the city workers have been taking home. I have pictures.

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Tue, Aug 9, 2016 at 9:23 AM
Subject: Fwd: Public Record Request-David Nelson
To: lmcostello@bellsouth.net

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Tue, Aug 9, 2016 9:15 am
Subject: Public Record Request-David Nelson

Good morning Dave,

Attached is your public record request.

Thank you,

Deanna Alltop
Administrative Assistant
City of Archer
PO Box 39
16870 SW 134th Ave
Archer, FL 32618
352-495-2880
352-495-2445(fax)

--

Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

THE CITY OF ARCHER, FLORIDA

RESOLUTION NO. 2014-02
BEFORE THE CITY COMMISSION

A RESOLUTION OF THE CITY OF ARCHER ADOPTING A SURPLUS PROPERTY DISPOSAL POLICY

WHEREAS, certain real and personal property owned by the City of Archer has become either worn, outdated, obsolete or no longer needed by the City of Archer; and

WHEREAS, the City of Archer may declare such real and personal property to be surplus and in the best interests of the City of Archer to be sold or otherwise disposed of.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF ARCHER, FLORIDA AS FOLLOWS:

That all real and personal property declared by the City Commission of the City of Archer, to be disposed of in accordance with the Policy attached hereto and incorporated verbatim as if set forth fully herein.

This Resolution is passed this 14th day of April, 2014.

Frank Ogborn, Mayor

ATTEST

Al Grieshaber Jr., City Manager

Approved as to Form

Tosha D. Fernandez, Assistant City Attorney

Surplus Property Policy

Sale of Surplus Real and Personal Property

The City of Archer conducts the sale of surplus real and personal property by way of an internet based auction conducted by GovDeals, Inc., whose internet address is www.govdeals.com. All surplus property is being sold in an "as-is" condition without warranty expressed or implied, including but not limited to warranties of merchantability or fitness for a particular purpose.

Surplus property will be posted for auction as it becomes available. Please check the website often. To access the items being auctioned by the City of Archer, please click on this link or go to www.govdeals.com.

All bidders must pre-register with GovDeals at www.govdeals.com.

The successful bidder shall be required to execute a Hold Harmless Indemnification agreement. Additional terms or conditions of sale may be found at www.govdeals.com.

The City of Archer reserves the right to accept or reject any bids submitted.

THE CITY OF ARCHER, FLORIDA

RESOLUTION NO. 2014-03
BEFORE THE CITY COMMISSION

A RESOLUTION OF THE CITY OF ARCHER DECLARING CERTAIN REAL PROPERTY OWNED BY THE CITY AS SURPLUS PROPERTY

WHEREAS, certain real property owned by the City of Archer has become either worn, outdated, obsolete; and

WHEREAS, the City of Archer no longer has need for the worn, outdated or obsolete item; and

WHEREAS, the City Commission of the City of Archer believes it in the best interests of the City of Archer to declare this item as surplus.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF ARCHER, FLORIDA AS FOLLOWS:

That the real property located at 14420 SW 170th St, in Archer, FL is surplus property. The legal description of said real property is attached hereto and incorporated verbatim as if set forth herein

This Resolution is passed this 14th day of April, 2014

Frank Ogborn, Mayor

ATTEST

Al Grieshaber Jr., City Manager

Approved as to Form

Tosha D. Fernandez, Assistant City Attorney

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 7:02 PM
To: JLAC
Subject: Fwd: public records request City of Archer

see below

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Mon, Aug 8, 2016 at 11:06 PM
Subject: Fwd: public records request
To: lmcostello@bellsouth.net

-----Original Message-----
From: dnelson833 <dnelson833@aol.com>
To: dalltop <dalltop@cityofarcher.com>
Sent: Fri, Aug 5, 2016 5:24 pm
Subject: Re: public records request

Thank you for getting back to me so fast. I have one further public records request.
I would like a copy of Resolutions 2014-02 and 2014-03 on surplus property, this was in the April 14, 2014 commission meeting. I believe it was stated any surplus city property even an office chair had to go for sale at a public auction, this is when the link was set up for the auction site on our web page.The Florida Statues 2016, chapter 274 states it could be against the law to sell the cities SUV like we are doing.
Thanks,
Dave

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Fri, Aug 5, 2016 8:39 am
Subject: RE: public records request

Good morning David,

No documents exist.

Thank you,
Deanna

From: dnelson833@aol.com [mailto:dnelson833@aol.com]
Sent: Thursday, August 4, 2016 11:16 AM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request

Hi Deana,

1) could you please provide a copy of the monies we have in our loan debt service account for the payback of the cities loan (loan agreement WW891010). According to the loan agreement the city should have set up an account on or before July 15-1016. This is in section 10.07 of said agreement and we should have made our first of six deposits for this year.
2) If we have no account could you please provide me a copy of the correspondence to DEP informing them of the cities failure to make such deposit according to section 3.01 of the loan agreement WW891010.
As always thanks,
Dave

--
Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 7:07 PM
To: JLAC
Subject: Fwd: public records request - gas millage City of Archer

see below

---------- Forwarded message ----------
From: **Deanna Alltop** <dalltop@cityofarcher.com>
Date: Fri, Jul 29, 2016 at 12:25 PM
Subject: RE: public records request - gas millage
To: Laurie Costello <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>

Laurie,

No documents exist.

Thank you,

Deanna

From: Deanna Alltop
Sent: Wednesday, July 27, 2016 2:07 PM
To: 'Laurie Costello' <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request - gas millage

Laurie,

Your public record request has been acknowledged.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Wednesday, July 27, 2016 1:54 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request - gas millage

Deanna, could I please get a copy of the forms/charts or what ever the office has that track gas millage on the city vehicles for the past month.

Thank you. Laurie Costello

--

--
Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 7:15 PM
To: JLAC
Subject: Fwd: RE: public records request - travel forms City of Archer

See below, there was travel in May for the city.

---------- Forwarded message ----------
From: **Laurie Costello** <lmcostello@bellsouth.net>
Date: Tue, Jul 26, 2016 at 7:06 PM
Subject: Fwd: RE: public records request - travel forms
To: December McSherry <lmcshe2001@aol.com>, parchpra1@att.net, Josie <gjocelyn@bellsouth.net>

Costello Realty
352-262-1631
sent from droid

---------- Forwarded message ----------
From: "Deanna Alltop" <dalltop@cityofarcher.com>
Date: Jul 26, 2016 11:23 AM
Subject: RE: public records request - travel forms
To: "Laurie Costello" <lmcostello@bellsouth.net>
Cc: "Zeriah Folston" <zfolston@cityofarcher.com>

Laurie,

There are no documents.

Thank you,

Deanna

From: Deanna Alltop
Sent: Tuesday, July 26, 2016 8:42 AM
To: 'Laurie Costello' <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request - travel forms

Good morning Laurie,

Your request has been acknowledged, as soon as it is ready, I will let you know.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Monday, July 25, 2016 8:33 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request - travel forms

Deanna, could I please get a copy of the travel forms for the month of May 2016. Thank you. Laurie Costello

--

--
Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 7:18 PM
To: JLAC
Subject: Fwd: Public Record Request - David Nelson City of Archer
Attachments: Public Record Request (3).pdf

See below, requested travel forms for the credit card charges showing travel in May. Requested travel forms in July but they had no forms.

---------- Forwarded message ----------
From: **Laurie Costello** <lmcostello@bellsouth.net>
Date: Tue, Jul 26, 2016 at 7:46 PM
Subject: Fwd: Public Record Request - David Nelson
To: December McSherry <lmcshe2001@aol.com>

Costello Realty
352-262-1631
sent from droid

---------- Forwarded message ----------
From: <dnelson833@aol.com>
Date: Jul 25, 2016 6:20 PM
Subject: Fwd: Public Record Request - David Nelson
To: <lmcostello@bellsouth.net>
Cc:

-----Original Message-----
From: Deanna Alltop <dalltop@cityofarcher.com>
To: dnelson833 <dnelson833@aol.com>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Sent: Tue, Jul 5, 2016 10:27 am
Subject: Public Record Request - David Nelson

Good morning David,

Attached is your public record request.

Thank you,

Deanna Alltop
Administrative Assistant
City of Archer

PO Box 39
16870 SW 134th Ave
Archer, FL 32618
352-495-2880
352-495-2445(fax)

--

Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

CARD CENTER
P.O. BOX 495933
CINCINNATI, OH 45249-5933

Your Account Number	
New Balance	$2,467.51
Minimum Payment Due	$49.00
Past Due Amount	$0.00
Payment Due Date	07/02/16
Amount Enclosed	

☐ Check here for any address changes and indicate any changes on the reverse.

RECEIVED
JUN 13 2016
BY

Send payment to:

CARD CENTER
P.O. BOX 740846
CINCINNATI, OH 45274-0846

CITY OF ARCHER
ACCOUNTS PAYABLE
PO BOX 39
ARCHER FL 32618-0039

5664
K206

Please make check or money order payable in U.S. dollars on a US Bank to: Card Center. Please include your account number on your check.

Please detach and return top portion with your payment

1-2

Account Number
May 07, 2016 to June 06, 2016

Summary of Account Activity	
Previous Balance	$1,021.39
Past Due Amount	$0.00
Payments	- $1,021.39
Other Credits	- $21.48
Purchases	$2,488.99
Cash Advances	$0.00
Fees Charged	**$0.00**
Interest Charged	**$0.00**
New Balance	$2,467.51
Credit Limit	$18,500.00
Available Credit	$15,882.00
Statement closing date	06/06/2016
Days in billing cycle	31

Payment Information

New Balance	$2,467.51
Minimum Payment Due	$49.00
Payment Due Date	07/02/16

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	16 years	$3,890
$79	3 years	$2,845 (Savings=$1,045)

If you would like information about credit counseling services, call 1-866-686-6322

Please send payments to: CARD CENTER, P.O. BOX 740846, CINCINNATI, OH 45274-0846 or visit www.managemycreditcard.com to make an online payment.

QUESTIONS?

Call Customer Service	1-877-881-6018
Lost or Stolen Credit Card	1-877-881-6018

Please send billing inquiries and correspondence to:
CARD CENTER, P.O. BOX 495933, CINCINNATI, OH 45249-5933

Transactions

Activity Date	Post Date	Reference Number	Description	Amount
COMPANY CARD				
05/27	05/27	7443835H400Y36TPX	PAYMENT - THANK YOU TOTAL $1,021.39-	- $1,021.39
05/06	05/08	2420785GG4S4B4TH6	CAMPUS OUTFITTERS GAINESVILLE FL MCC: 5699 MERCHANT ZIP: 32608	$32.99
05/07	05/09	2461043GH2321GWFL	HYATT REGENCY ORLANDO CC ORLANDO FL MCC: 3640 MERCHANT ZIP: 32819	$408.20

NOTICE: Please see reverse side for important information

Transactions (cont.)

Activity Date	Post Date	Reference Number	Description	Amount
			LODGING CHECK-IN DATE: 05/05/16	
05/12	05/13	2469216GM00GR8ZWA	AMAZON MKTPLACE PMTS AMZN COM/BILL WA MCC: 5942 MERCHANT ZIP: 98109	$23.27
05/17	05/18	2444500GV00GBWMD9	PUBLIX #1038 GAINESVILLE FL MCC: 5411 MERCHANT ZIP: 32608	$79.25
05/17	05/18	2469216GS00AW545P	STARBUCKS #08584 GAINESVI Gainesville FL MCC: 5814 MERCHANT ZIP: 32608	$29.90
05/17	05/18	2469216GV00JPYYQG	LOWES #03278* GAINESVILLE FL MCC: 5200 MERCHANT ZIP: 32608	$379.48
05/18	05/18	7469216GV00JPYYTH	LOWES #03278* GAINESVILLE FL CREDIT MCC: 5200 MERCHANT ZIP: 32608	- $21.48
05/17	05/19	2444500GV2XHN88XM	DOLLAR-GENERAL #7143 ARCHER FL MCC: 5331 MERCHANT ZIP: 32618	$16.50
05/20	05/22	2469216GX002N6QGQ	49829308AVAN*GATE Inc. 888-247-1614 CA MCC: 5734 MERCHANT ZIP: 94065	$199.00
05/25	05/26	2443099H32LZT8RE0	MSFT * E070028X9J 800-642-7676 NV MCC: 5045 MERCHANT ZIP: 89119	$221.00
05/25	05/27	2401321H3WGNM7RJ3	FCCMA, INC. 850-222-9684 FL MCC: 8699 MERCHANT ZIP: 32301	$435.00
05/26	05/27	2469216H30042BZ3H	STAMPS.COM 855-608-2677 CA MCC: 7399 MERCHANT ZIP: 90245	$19.29
05/26	05/27	2475542H34D25PJ1W	HILTON DISNEY WORLD ORLANDO FL MCC: 3504 MERCHANT ZIP: 32830 LODGING CHECK-IN DATE: 05/26/16	$523.13
06/03	06/05	2416407HB31S2AZQR	STAPLES DIRECT 800-3333330 MA MCC: 5111 MERCHANT ZIP: 01702	$11.99
06/04	06/06	2416407HD31S2AZQN	STAPLES DIRECT 800-3333330 MA MCC: 5111 MERCHANT ZIP: 01702 JOHN GLANZER TOTAL $2,467.51	$109.99

1-2

2016 Totals Year-to-Date	
Total fees charged in 2016	$0.00
Total interest charged in 2016	$0.00

Interest Charge Calculation

Your **Annual Percentage Rate (APR)** is the annual interest rate on your account.

Type of Balance	ANNUAL PERCENTAGE RATE (APR)	Balance Subject to Interest Rate	INTEREST CHARGE
Purchases	9.49% (v)	$0 00	$0 00
Cash Advances	14.49% (v)	$0.00	$0 00

(v) = Variable Rate

Bank of America

RECEIVED
JUN 10 2016
BY: ....

CITY OF ARCHER

May 06, 2016 - June 05, 2016

Company Statement

Business Card

Account Information:
www.bankofamerica.com

Mail Billing Inquiries to:
BANK OF AMERICA
PO BOX 982238
EL PASO, TX 79998-2238

Mail Payments to:
BUSINESS CARD
PO BOX 15796
WILMINGTON, DE 19886-5796

Customer Service:
1.800.673.1044, 24 Hours

TTY Hearing Impaired:
1.888.500.6267, 24 Hours

Outside the U.S.:
1.509.353.6656, 24 Hours

For Lost or Stolen Card:
1.800.673.1044, 24 Hours

Business Offers:
www.bankofamerica.com/mybusinesscenter

Payment Information

New Balance Total	$563.22
Minimum Payment Due	**$10.00**
Payment Due Date	**06/30/16**

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a fee based on the outstanding balance:
$19.00 for balance less than $100.01
$29.00 for balance less than $1,000.01
$39.00 for balance less than $5,000.01
$49.00 for balance greater than $5,000.01

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance.

Account Summary

Previous Balance	$356.42
Payments and Other Credits	-$382.46
Balance Transfer Activity	$0.00
Cash Advance Activity	$0.00
Purchases and Other Charges	$589.26
Fees Charged	**$0.00**
Finance Charge	**$0.00**
New Balance Total	$563.22
Credit Limit	$1,000
Credit Available	$436.78
Statement Closing Date	06/05/16
Days in Billing Cycle	31

Cardholder Activity Summary

Account Number *Credit Limit*	*Total Activity*	*Payments and Other Credits*	*Balance Transfer Activity*	*Cash Advance Activity*	*Purchases and Other Charges*	*Fees Charged*
ARCHER, CITY OF						
1,000	563.22	-26.04	0.00	0.00	589.26	0.00

0035642 0001000 0056322

Account Number:
May 06, 2016 - June 05, 2016

New Balance Total	$563.22
Minimum Payment Due	**$10.00**
Payment Due Date	**06/30/16**

BUSINESS CARD
PO BOX 15796
WILMINGTON, DE 19886-5796

**N0000521

CITY OF ARCHER
ATTN ACCOUTING
PO BOX 39
ARCHER, FL 32618-003939

Enter payment amount

$

Check here for a change of mailing address or phone numbers. Please provide all corrections on the reverse side.

Mail this coupon along with your check payable to: BUSINESS CARD, or make your payment online at www.bankofamerica.com

⑆5499001⑆000300224269121⑈

Bank of America

CITY OF ARCHER

May 06, 2016 - June 05, 2016

Transactions

Posting Date	Transaction Date	Description	Reference Number	Amount
CITY OF ARCHER				
Account Number: 6912				
		Payments and Other Credits		
05/17	05/16	PAYMENT - THANK YOU	13815300000000587640626	- 356.42
		TOTAL PAYMENTS AND OTHER CREDITS FOR THIS PERIOD		**-$356.42**
ARCHER, CITY OF				
Account Number: 6953				
		Payments and Other Credits		
05/11	05/10	RINGCENTRAL, INC 650-4724100 CA	74436546132007938094700	- 26.04
		TOTAL PAYMENTS AND OTHER CREDITS FOR THIS PERIOD		**-$26.04**
		Purchases and Other Charges		
05/09	05/07	RINGCENTRAL, INC 650-4724100 CA	24436546129007931203894	248.56
05/17	05/16	USTREAM TV 650-864-9590 CA	24492156137894512263655	99.00
06/02	06/01	AUSTIN MICHAEL AUSTINMICHAEI FL	24492156153637006355035	34.90
06/03	06/02	LOWES #03278* GAINESVILLE FL	24692166154000036803811	206.80
		TOTAL PURCHASES AND OTHER CHARGES FOR THIS PERIOD		**$589.26**

Finance Charge Calculation

Your **Annual Percentage Rate (APR)** is the annual interest rate on your account

	Annual Percentage Rate	Balance Subject to Interest Rate	Finance Charges by Transaction Type
PURCHASES	17.90%	$0.00	$0.00
CASH	19.99% V	$0.00	$0.00

V = Variable Rate (rate may vary), Promotional Balance = APR for limited time on specified transactions

Important Messages

Your credit card now has an added security feature. To learn more about EMV chip card technology, visit bankofamerica.com/businesschipcard

From: lmcostello7@gmail.com on behalf of Laurie Costello <lmcostello@bellsouth.net>
Sent: Tuesday, January 24, 2017 7:20 PM
To: JLAC
Subject: Fwd: RE: public records request - travel forms City of Archer

See below

---------- Forwarded message ----------
From: **Laurie Costello** <lmcostello@bellsouth.net>
Date: Tue, Jul 26, 2016 at 7:06 PM
Subject: Fwd: RE: public records request - travel forms
To: December McSherry <lmcshe2001@aol.com>, parchpra1@att.net, Josie <gjocelyn@bellsouth.net>

Costello Realty
352-262-1631
sent from droid

---------- Forwarded message ----------
From: "Deanna Alltop" <dalltop@cityofarcher.com>
Date: Jul 26, 2016 11:23 AM
Subject: RE: public records request - travel forms
To: "Laurie Costello" <lmcostello@bellsouth.net>
Cc: "Zeriah Folston" <zfolston@cityofarcher.com>

Laurie,

There are no documents.

Thank you,

Deanna

From: Deanna Alltop
Sent: Tuesday, July 26, 2016 8:42 AM
To: 'Laurie Costello' <lmcostello@bellsouth.net>
Cc: Zeriah Folston <zfolston@cityofarcher.com>
Subject: RE: public records request - travel forms

Good morning Laurie,

Your request has been acknowledged, as soon as it is ready, I will let you know.

Thank you,

Deanna

From: lmcostello7@gmail.com [mailto:lmcostello7@gmail.com] **On Behalf Of** Laurie Costello
Sent: Monday, July 25, 2016 8:33 PM
To: Deanna Alltop <dalltop@cityofarcher.com>
Subject: public records request - travel forms

Deanna, could I please get a copy of the travel forms for the month of May 2016. Thank you. Laurie Costello

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Laurie Costello
Costello Realty
Realtor, GRI, CDPE
Broker/Owner
Direct: 352-262-1631
Fax: 1-866-849-6463
lmcostello@bellsouth.net

From: JLAC
Sent: Friday, January 27, 2017 11:05 AM
To: Dubose, Kathy; White, Deborah
Subject: FW: ARCHER

From: Joani White [mailto:jwhite@cityofarcher.com]
Sent: Friday, January 27, 2017 10:32 AM
To: JLAC <jlac@leg.state.fl.us>
Cc: Zeriah Folston <zfolston@cityofarcher.com>; Courtney@foldsandwalker.com
Subject: ARCHER

Honorable Chair and Committee Members,

I am Joan White, the Archer Commissioner who could not attend the meeting yesterday due to illness. However, my excuse for not being there is no better than the other Commissioners who could not be there because of jobs. Archer is a small city, with our commission payed a stipend each month to attend meetings, make decisions that cost us lifelong friends, be available to our citizens day and night by phone, email, text, or seeing us in the grocery store. We are a diverse group that each bring something different to the table, but we are united in our love of our city. I understand your anger and criticism toward us for not being there, it is an important issue, and perhaps to you there is no excuse. However, those jobs that take priority keep our families secure while we attempt on our off time to keep our city secure. And to be honest with you, I was confident in our City Manager presenting the changes we made and would make to comply with the audit.

It is not true that there have been no changes in Archer since the audit. Archer went through four years of a corrupt administration that is evidenced by not what you see in the findings of the audit, but what you don't see. This was an administration that ignored Charter, made up their own rules as they went along, and allowed our city to physically decay as they destroyed the confidence of our citizens in City Hall. The challenges that our city faced during this time were over whelming and divided us as a community with the prize being dangled, a sewer system.

They bought property outside the city limits, not suitable for a wastewater system, and paid way too much for it. They sought more grants before researching the property, which has made Archer the owner of 73 acres that we don't know what we're going to do with, and indebted us to the state. They made promises to our citizens of a Publix, McDonalds, and a sewer bill that would not exceed $40.00. Now, this City Manager and Commission are tasked in keeping those promises, while still ensuring our city stability.

I was not on the Commission that hired Mr. Folston, but I supported the hiring. It is true he had no experience in managing a city, but he had been mentored by some great minds in our area. He was young, which meant to me that he would have the stamina to face the uphill battle we were facing. The energy that he showed during his interview was exactly what a dying city needed. Is he a perfect City Manager? No. He is a good city manager and he is willing to learn, and I believe, has the city's best interest at heart. I supported his hiring then and I support him now.

With a new City Manager and a newly elected Commission, our first order of business was to reassure our citizens they would be heard and they would be a part of the decision making process. As you know, you can't please all the people all the time, and there are some you can't please any of the time. However, we did adopt new policies and procedures for our meetings, which included giving our citizens the time to address us with their concerns and the assurance that we would do our best to get them answers.

During this time, Mr. Folston had his maintenance crew focused on cleaning up the city from years of neglect. Our park, which had fences down, bathroom doors off the hinges, recreation equipment stored in open rooms, and overgrowth, became the site of our first annual "Party In the Park". Sidewalks that had become a hazard to walk were now being utilized by our children walking to school. One of our poorest neighborhoods had been ignored with homes being flooded, but is now the recipient of a grant to stop the flooding. The sign at the entrance to our city which portrayed our feelings, broken and fading, was being cleaned around, and now has a new sign showing hope for the future. We began to get letters and emails thanking us for cleaning up.

We were then presented with the findings of the audit, along with the cost of it. Not only did we have to work toward coming into compliance, but we had to assure our citizens that this would not bankrupt us. Along with our Attorney and City Manager, we enacted ordinances, policies, and procedures, that would address the findings. We sought out strategies that would ensure this never happening again. WE MADE CHANGES.

While all of this is going on, we're still working towards an affordable way to build a wastewater treatment plant that will benefit our city and not burden our citizens. We are not a rich city and we don't have wealthy citizens, but we believe we can't ignore this issue any longer.

The words "merge with the county" frighten me and make me extremely sad. What happened to Archer occurred over a period of four years. We won't undo the wrongs done during that time in a matter of months. What we lost in those years we won't get back without some hard, dedicated, work. We have a city manager and a commission that has committed to making those things happen. We need your understanding and support to keep that commitment. While I know that you can't dissolve the city, I know you have the power and the acquaintances to make it happen. I am pleading with you to give us the time and opportunity to show you we can make Archer stable again.

Thank you.

Joan White, Archer City Commission
16853 S.W, 137th Ave.
Archer, FL 32618
(352) 495-3529

Enterprise Florida and DEO
OPPAGA Report 16-09

Enterprise Florida, Inc., and Department of Economic Opportunity

Joint Legislative Auditing Committee

Larry Novey, Chief Legislative Analyst
Laila Racevskis, PhD, Senior Legislative Analyst

February 9, 2017

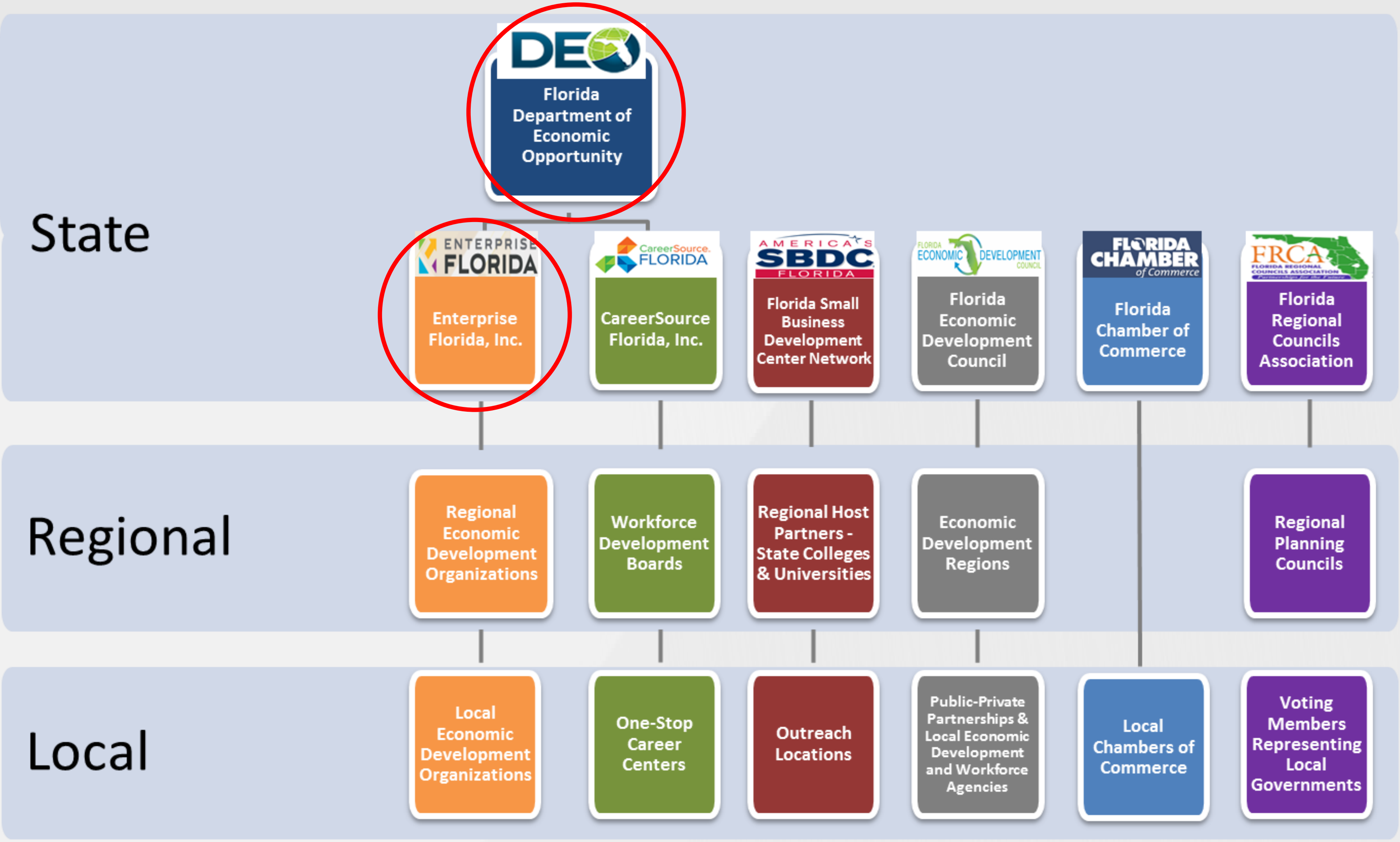
Legislative Scope

Section 20.601(3), *F.S.*, requires OPPAGA to review DEO and EFI. OPPAGA considered several factors

- Program costs
- Efficient or effective agency administration
- Viability of privatization or a different state agency performing functions
- Costs and consequences of agency discontinuation

BACKGROUND

Major Components of Florida's Economic Development System Include State, Regional, and Local Entities



For Fiscal Year 2015-16, EFI and DEO Were Appropriated $1.08 Billion

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
EFI	$16,000,000	$18,050,000	$19,900,000	$25,000,000
DEO	$1,265,102,239	$1,021,953,393	$1,155,131,165	$1,057,428,556
Total	**$1,281,102,239**	**$1,040,003,393**	**$1,175,031,165**	**$1,082,428,556**

EFI and DEO Perform Primary Activities Through Several Core Units

EFI	DEO
Business Development & Other Targeted Development Programs • International Trade • Florida Sports Foundation • Minority and Small Business Entrepreneurship and Capital	**Strategic Business Development**
Strategic Partnerships	**Community Development**
Marketing and Communications	**Workforce Services**

FINDINGS AND OPTIONS

EFI Has Reorganized Operations; Opportunities for Additional Streamlining

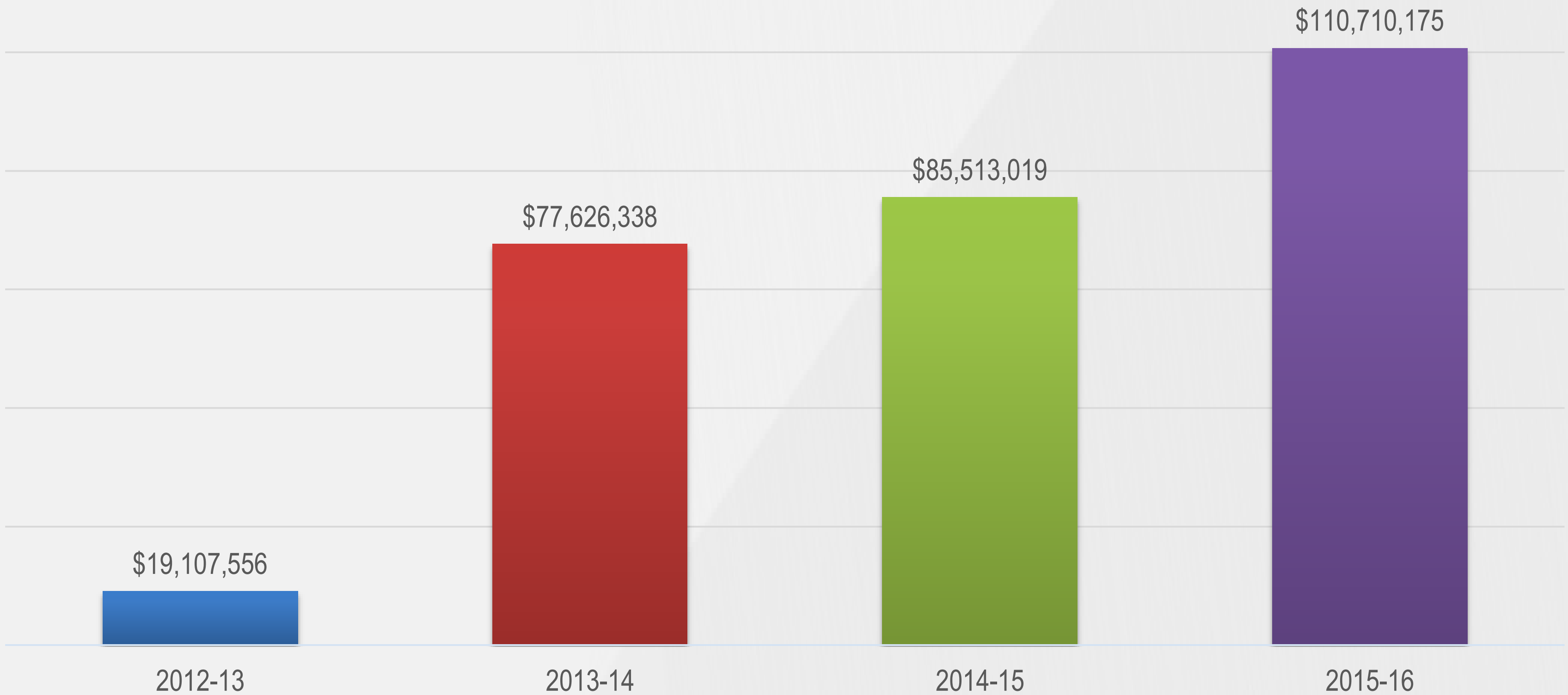
- EFI eliminated positions and is working toward shifting some responsibilities to DEO
- **Options**
  - Transfer minority and small business programs to DEO; consolidate into one DEO division
  - Pursue legislation to transfer VISIT FLORIDA and the Florida Sports Foundation to DEO
  - Transfer Florida Defense Support Task Force and Florida Defense Alliance to DEO
  - Consolidate all EFI functions under DEO

Private Sector Cash Investments a Small Portion of EFI Overall Budget

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Private Sources				
• Cash	$1,487,500	$1,787,500	$1,912,500	$2,508,470
• Event Revenue	$1,210,895	$1,053,062	$1,129,275	$1,231,083
• Other Income	$1,113,862	$1,702,057	$2,178,132	$1,097,983
Total Private Sources	**$3,812,257**	**$4,542,619**	**$5,219,907**	**$4,837,536**
State Appropriation	**$16,000,000**	**$18,050,000**	**$19,900,000**	**$25,000,000**

- **Options**
  - Limit state contribution to match of private sector contributions
  - Discontinue state funding

Significant Increases in EFI Escrow Account Balances



- **Option**
  - Explore shifting these funds to a state trust fund, which would increase interest income

Florida Has Implemented Many Best Practices; Opportunities for Improvement

- The state has made progress to implement best practices in economic development
- Additional opportunities to streamline programs and facilitate access to services for businesses of all sizes
- **Option**
  - Increase focus of business development activities on small businesses

Address Challenges With State Workforce System

- Workforce availability and quality are significant concerns among stakeholders
- Local workforce boards and One-Stop Career Centers have little interaction with EFI
- Local workforce entities and businesses reported concerns about Employ Florida Marketplace and CONNECT
- **Options**
  - Enhance communication among local workforce boards and state-level economic development entities
  - Improve functionality of Employ Florida Marketplace and CONNECT

Improve DEO Incentives Claims and Payment Processes

- 39% of businesses thought the incentive claims submittal process needed improvement
- 47% of businesses thought the incentive payment process needed improvement
- Average time between claims submissions and incentive payments was more than 16 months
- **Option**
  - Improve the timeliness of the incentive claims and payment processes

Modify Economic Incentives Portal to Enhance Functionality

- Portal rated as useful or very useful
- Suggested improvements
  - Provide more data fields in search reports
  - Improve search functions
  - Provide ability to export search results
- **Option**
  - Address concerns about portal functionality

Improve Selection Process for Community Planning Grants Review and Scoring Process

- Staff recently implemented a scoring tool for Competitive Florida Grants
- Community Planning Technical Assistance grants lack uniform review and scoring process
- **Option**
  - Establish uniform review and scoring process for both grant programs

Increase Participation for Several Small and Minority Business and Rural Economic Development Programs

- Participation limited by several factors
  - Short loan repayment terms
  - Lack of geographic reach
  - Reduced number of program loan administrators
  - Lack of formal program marketing activities
- **Options**
  - Improve program administration and participation
  - Increase program marketing
  - Consolidate these and other small business programs into one division in DEO

QUESTIONS

Contact Information

Larry Novey
Chief Legislative Analyst
(850) 717-0500
novey.larry@oppaga.fl.gov

Laila Racevskis, PhD
Senior Legislative Analyst
(850) 717-0524
racevskis.laila@oppaga.fl.gov

F l o r i d a   L e g i s l a t u r e

Agency Review – Enterprise Florida, Inc., and Department of Economic Opportunity

REPORT NO. 16-09

December 2016

Office of Program Policy Analysis and Government Accountability

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-9213), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

OPPAGA website: www.oppaga.state.fl.us

Kara Collins-Gomez, Senior Staff Director (850/717-0503)
R. Philip Twogood, Coordinator

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Executive Summary

Scope

Section 20.601(3), *Florida Statutes*, requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct a comprehensive review of the Department of Economic Opportunity (DEO) and Enterprise Florida, Inc. (EFI). OPPAGA determined program costs; evaluated best practices and alternatives that would result in more efficient or effective agency administration; examined the viability of privatization or a different state agency performing functions; and evaluated the costs and consequences of agency discontinuation.[1]

Background

Florida's economic development system is multi-faceted and includes public agencies, non-profit corporations, and private entities at the state, regional, and local level. The Legislature created some of these organizations, while others are units of local government or privately formed associations or alliances. The most prominent of these organizations are Enterprise Florida, Inc., and the Department of Economic Opportunity. To achieve their missions, EFI and DEO perform numerous activities. (See Exhibit ES-1.)

Exhibit ES-1
EFI and DEO Perform Primary Activities Through Several Core Units

Enterprise Florida, Inc.	Department of Economic Opportunity
Business Development and Other Targeted Development Programs - ▪ **Business Development -** Works with companies interested in expanding or relocating to Florida by identifying and coordinating business operating objectives with available state, regional, and local resources. ▪ **International Trade -** Manages programs to expand the number of Florida companies exporting products and services; coordinates trade events; and manages key international relationships to improve Florida's international business reputation. ▪ **Florida Sports Foundation -** Promotes Florida's sports industry, assists communities and host organizations in attracting major and minor sports events, and sponsors the Sunshine State Games and Florida Senior Games. ▪ **Minority and Small Business Entrepreneurship and Capital -** Assists small businesses and partners with organizations to provide small, minority, and entrepreneurial companies with training, development, and financing options.	**Strategic Business Development -** Provides support for attracting out-of-state businesses to Florida, creates and expands Florida's businesses, encourages economic development, and facilitates Florida's economic development partnerships.
Strategic Partnerships - Collaborates with regional and local economic development councils to maintain and enhance relationships with primary partners and stakeholders and expand investor support and board participation; works with the state's defense communities to enhance military bases and missions through targeted defense grant programs; and organizes four quarterly board of directors meetings around the state.	**Community Development -** Fosters community and economic development in Florida's rural and urban communities by assisting local governments with efforts that prioritize local needs and balance state and federal requirements and resources.
Marketing and Communications - Assists in building relationships to promote Florida as a destination for business creation, relocation, and expansion and informs interested parties (e.g., business executives, site selection consultants) of EFI's impact on job creation and Florida's economy.	**Workforce Services -** Partners with CareerSource Florida and the state's 24 Local Workforce Development Boards to help Floridians gain and retain employment and advance their careers and increase the availability of a skilled workforce to meet the needs of Florida employers.

Source: OPPAGA analysis of Enterprise Florida and Department of Economic Opportunity information.

[1] As directed by the Legislature, OPPAGA also included in its review an examination of DEO and EFI programs that seek to encourage private sector investment and development in economically disadvantaged communities.

The combined legislative appropriation for EFI and DEO in Fiscal Year 2015-16 was $1.08 billion. During the period, EFI received $25 million and DEO received $1.06 billion. (See Exhibit ES-2.)

Exhibit ES-2
For Fiscal Year 2015-16, the Legislature Appropriated EFI and DEO $1.08 Billion

Agency	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Enterprise Florida, Inc.	$ 16,000,000	$ 18,050,000	$ 19,900,000	$ 25,000,000
Department of Economic Opportunity	1,265,102,239	1,021,953,393	1,155,131,165	1,057,428,556
Total	**$1,281,102,239**	**$1,040,003,393**	**$1,175,031,165**	**$1,082,428,556**

Source: OPPAGA analysis of Department of Economic Opportunity data.

Findings

Numerous states use public-private partnerships to support economic development activities; most competitor states perform activities through a public agency. OPPAGA examined 18 states (including Florida) that research publications have cited as using public-private partnerships to perform economic development duties. Eleven of the 18 (61.1%) states, including Florida, have both public agencies and public-private partnerships or corporations performing economic development duties. The remaining 7 of the 18 (38.9%) states manage economic development activities solely through public-private partnerships or non-profit corporations.

In addition, most of Florida's competitor states perform economic development activities through a public agency. State economic development officials consider several states to be Florida's main competitors—Alabama, California, Georgia, New York, North Carolina, Tennessee, and Texas. Among these states, only two—North Carolina and Texas—use a model similar to Florida's approach. The remaining five states provide economic development programs and services through a government agency or public authority.

Employment analyses show that for several industries, Florida underperformed compared to competitor states; several competitor states outperform Florida on key economic indicators. 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.

Florida has implemented many best practices, but there are opportunities for improvement. 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.

EFI has reduced staff and begun to shift several programs to DEO; there are opportunities for additional streamlining. A recent organizational assessment made a number of recommendations designed to focus EFI on its primary functions, shift non-core programs to DEO, and reduce agency costs. To date, EFI has eliminated 26 positions at a savings of $2.1 million. The agency has also begun shifting several responsibilities to DEO, including small and minority business programs and military grants. EFI and the department are also crafting legislation to facilitate the transfer of oversight of VISIT FLORIDA and the Florida Sports Foundation to DEO.

While these efforts have helped restructure EFI's operations and narrow its focus to core mission, there are additional opportunities to diminish overlap with DEO activities and further streamline the agency. For example, given that DEO is now responsible for administering three state military and defense grant programs, the Florida Defense Support Task Force and Florida Defense Alliance could be transferred to DEO to completely consolidate the state's base retention activities. There are also additional consolidation opportunities within EFI, including shifting functional units so that Marketing and Communication activities become the responsibility of the Senior Vice President of External Affairs.

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. 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.

According to economic development professionals, EFI provides valuable services, but Florida's economic development system needs improvements. OPPAGA surveyed members of EFI's Stakeholders Council as well as site selection consultants who have worked with EFI. The survey revealed several themes. For example, availability of a skilled workforce rates highly as an important factor in economic development, and respondents believe that EFI provides services that are important to the state's economic development efforts, including site selection assistance to businesses outside Florida and marketing the state as a business destination. However, economic development professionals feel that Florida's economic development system needs improvement through increased incentive funding and improved workforce quality.

Many businesses believe that the incentive claims and payment processes need improvement. 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.

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

The selection process for community planning grants lacks a uniform review and scoring process. 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.

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

Businesses are generally satisfied with the state's workforce services, but finding qualified job applicants remains a significant challenge. 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.

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

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

Florida has consistently met several federal unemployment performance measures but has struggled to meet goals related to first payment promptness and nonmonetary determination quality. 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.

Options for Consideration

While EFI's operations were recently streamlined, there are additional opportunities to narrow the agency's focus on its core activities. There are also steps that EFI and the Legislature could take to improve agency programs and activities and reduce costs. In addition, to enhance efforts to support the state's business, community, and workforce development efforts, DEO and the Legislature could consider several options to increase program efficiency and participation across the department's three main divisions. There are also opportunities to improve communication between the state's economic development and workforce development entities and improve the functionality of department data systems. Moreover, the Legislature may wish to consider a number of changes that could enhance Florida's overall economic development system. (See ES-3.)

Exhibit ES-3
There Are Several Options for Improving Florida's Economic Development System

Enterprise Florida, Inc.	Department of Economic Opportunity
▪ Proceed with transferring minority and small business programs to DEO and consolidate all minority and small business programs into one DEO division ▪ Proceed with pursuing legislation to transfer VISIT FLORIDA and the Florida Sports Foundation to DEO ▪ Transfer the Florida Defense Support Task Force and the Florida Defense Alliance to DEO ▪ Increase focus of business development activities on small businesses ▪ Increase collaboration with CareerSource Florida and local workforce boards and One-Stop Career Centers ▪ Limit state financial contribution to match of private sector contributions ▪ Discontinue state funding ▪ Shift the funds in EFI's escrow account to a state trust fund ▪ Consolidate EFI's functions under DEO	▪ Improve the timeliness of the incentive claims and payment processes ▪ Address concerns about Economic Development Incentives Portal functionality ▪ Improve community planning grant program award processes ▪ Address program administration and participation concerns about small and minority business programs ▪ Improve marketing of small and minority business and rural economic development programs ▪ Relocate small and minority business assistance programs to the same DEO division that will be administering EFI's small business programs ▪ Enhance communication between local workforce boards and state-level economic development entities ▪ Improve functionality of Employ Florida Marketplace and CONNECT

Source: OPPAGA analysis.

Chapter 1

Florida's Economic Development System

System Structure and Cost

Florida's economic development system is complex and multi-layered. Florida's economic development system is multi-faceted and includes public agencies, non-profit corporations, and private entities at the state, regional, and local level. (See Exhibit 1-1.) The Legislature created some of these organizations, while others are units of local government or privately formed associations or alliances. Many of the organizations have similar missions (e.g., encouraging economic development and enhancing the state's business climate) and serve the same constituencies (e.g., in- and out-of-state businesses and the state's economic and workforce development communities). The most prominent of these organizations are Enterprise Florida, Inc. (EFI), and the Department of Economic Opportunity (DEO).

Exhibit 1-1
The Major Components of Florida's Economic Development System Include Entities at the State, Regional, and Local Level

[1] Created in state law.

[2] Included entities that are members of other local level organizations.

Source: OPPAGA analysis.

The Legislature created EFI to serve as Florida's primary economic development marketing organization and established DEO to streamline state economic development and workforce functions. Prior to the creation of Enterprise Florida, Inc., the Department of Commerce and Department of Labor and Employment Security were responsible for the state's economic development activities. In 1996, the Legislature created EFI as a public-private partnership to serve as the state's principal economic development marketing and promotion organization.[2] EFI is responsible for advancing Florida businesses in both international and domestic markets by attracting, retaining, and growing businesses with high wage jobs. To achieve this purpose, EFI encourages businesses to locate or expand in Florida and assists companies through the process of identifying and obtaining financial incentives. A board of directors composed of business, economic development, and government leaders oversees EFI.[3]

To support the ongoing evolution of the state's economic development system, the 2011 Legislature created the Department of Economic Opportunity, transferring functions from the Agency for Workforce Innovation (AWI), Department of Community Affairs (DCA), and Governor's Office of Tourism, Trade, and Economic Development (OTTED) to the new agency.[4,5] AWI had performed functions related to workforce, unemployment compensation, and early learning services, while DCA was the state's land planning and community development agency. OTTED assisted the Governor in formulating economic development policies and strategies and administered the state's economic incentive programs.

To achieve their economic development missions, EFI and DEO perform numerous activities and collaborate via contracts. (See Exhibit 1-2.) DEO serves as the contract manager for agreements with EFI, the Institute for the Commercialization of Public Research, the Florida Defense Support Task Force, the Florida Sports Foundation, Space Florida, and VISIT FLORIDA.[6]

[2] Chapter 92-277, *Laws of Florida*, created EFI, while Ch. 96-320, *Laws of Florida*, established EFI as a public-private partnership.

[3] EFI's Board of Directors includes the Governor (chair); the Chief Financial Officer; Attorney General; Commissioner of Agriculture; Commissioner of Education; and Secretary of State, or one of his or her designees; the CareerSource Florida board chair; and 12 members from the private sector—6 appointed by the Governor and affirmed by the Senate, 3 appointed by the Senate President, and 3 appointed by the Speaker of the House of Representatives. In addition to the 19 specified board members, the board may also appoint at-large members and have ex officio members from the Senate or House of Representatives.

[4] Chapter 2011-142, *Laws of Florida*. DEO began operations in October 2011.

[5] While the law transferred the majority of these agencies' responsibilities and functions to DEO, it also shifted some programs to other areas of state government. AWI's Office of Early Learning Services was transferred to the Department of Education; DCA's Division of Emergency Management was transferred to the Executive Office of the Governor; DCA's Florida Building Commission was transferred to the Department of Business and Professional Regulation; and DCA's Florida Communities Trust and Stan Mayfield Working Waterfronts programs were transferred to the Department of Environmental Protection.

[6] Section 20.60(9)(b), *F.S.*

Exhibit 1-2
EFI and DEO Perform Several Primary Activities

Enterprise Florida, Inc.	
Unit	**Primary Activities**
Business Development and Other Targeted Development Programs (International Trade, Florida Sports Foundation, and Minority and Small Business Entrepreneurship and Capital)	**Business Development** works directly with companies interested in expanding or relocating to Florida by identifying and coordinating business operating objectives with available resources within state, regional, and local organizations. **International Trade** manages programs to expand the number of Florida companies exporting Florida products and services; coordinates events for marketing and promoting Florida trade and investment; and manages key international relationships to improve Florida's international business and global reputation. **Florida Sports Foundation** promotes Florida's sports industry, assists communities and host organizations in attracting major and minor sports events, and sponsors the Sunshine State Games and Florida Senior Games. **Minority and Small Business Entrepreneurship and Capital** assists small businesses and partners with organizations to provide small, minority, and entrepreneurial companies with training, development, and financing options.
Strategic Partnerships	Partners with regional and local economic development councils to maintain and enhance relationships with primary partners and stakeholders and expand investor support and board participation; works with the state's defense communities to enhance military bases and missions through targeted defense grant programs; and organizes four quarterly board of directors meetings around the state.
Marketing and Communications	Communicates Florida's pro-business climate globally; assists in building relationships to promote Florida as a destination for business creation, relocation, and expansion; and informs interested parties (e.g., business executives, site selection consultants, and industry stakeholders) of EFI's impact on job creation and Florida's economy.
Department of Economic Opportunity	
Division	**Primary Activities**
Strategic Business Development	Provides support for attracting out-of-state businesses to Florida, creates and expands Florida's businesses, encourages economic development, and facilitates Florida's economic development partnerships.
Community Development	Fosters community and economic development in Florida's rural and urban communities by assisting local governments with efforts that prioritize local needs and balance state and federal requirements and resources.
Workforce Services	Partners with CareerSource Florida and the state's 24 Local Workforce Development Boards to strengthen Florida's business climate by helping Floridians gain and retain employment and advance their careers and increasing the availability of a skilled workforce to meet the current and future needs of Florida's employers.

Source: OPPAGA analysis of Enterprise Florida, Inc., and Department of Economic Opportunity information.

The Legislature appropriates more than $1 billion a year for Florida's major state-level economic development activities. The combined legislative appropriation for Enterprise Florida, Inc., and the Department of Economic Opportunity for Fiscal Year 2015-16 was $1.08 billion. (See Exhibit 1-3.) During the period, EFI received $25 million and DEO received $1.06 billion. Between Fiscal Year 2012-13 and Fiscal Year 2015-16, EFI's legislative appropriation increased by 56.3% ($9 million), while DEO's appropriation decreased by 16.4% ($207.7 million).

Exhibit 1-3
The Legislature Appropriates an Average of $1.1 Billion per Year for State-Level Economic Development Activities

Agency	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Enterprise Florida, Inc.	$ 16,000,000	$ 18,050,000	$ 19,900,000	$ 25,000,000
Department of Economic Opportunity	1,265,102,239	1,021,953,393	1,155,131,165	1,057,428,556
TOTAL	**$1,281,102,239**	**$1,040,003,393**	**$1,175,031,165**	**$1,082,428,556**

Source: OPPAGA analysis of Department of Economic Opportunity data.

Comparison to Other States' Economic Development Systems

Many states, including Florida's major competitors, support economic development efforts through government agencies. Others, like Florida, use a public-private partnership model of both public and private entities for economic development. Several states exclusively use non-profit corporations or public-private partnerships without involvement of a state agency.

Numerous states use public-private partnerships to support economic development activities. Proponents of public-private state economic development systems have cited a variety of reasons for advocating such an approach. Supporters have identified several common difficulties associated with the traditional economic development model (i.e., state agency), including cumbersome agency design; limited professional experience among agency staff; inability to connect businesses to key support systems; and lack of quantitative evaluation processes.

According to proponents, public-private partnerships can help address these concerns and respond to businesses and communities faster and more nimbly than state agencies. For example, some economic development research shows that states that have adopted a public-private model have enjoyed benefits such as cost reductions, enhanced access to private funds and resources, ability to hire top talent, establishment of performance systems, and introduction of flexibility, efficiency, and continuity by working outside of the traditional political framework.

OPPAGA examined 18 states (including Florida) that research publications have cited as using public-private partnerships to perform economic development duties.[7] (See Appendix A.) Eleven of the 18 (61%) states, including Florida, have both public agencies and public-private partnerships or corporations performing economic development duties. For example, the Economic Development Partnership of North Carolina is a non-profit public-private partnership that recruits new businesses to the state, supports the needs of existing businesses, connects exporters with customers, and helps launch small businesses. The partnership operates under contract with the North Carolina Department of Commerce, but also receives private-sector financial support. In Texas, TexasOne is a public-private partnership that markets the state as a desirable business destination. The organization, which receives no public funding, encourages economic development through trade and industry events, business recruitment missions, advertising, and public relations. In addition to TexasOne, the Governor's Economic Development and Tourism Division pursues business expansion and relocation prospects, with the goal of encouraging job creation and export opportunities.

The remaining 7 of the 18 (39%) states manage economic development activities solely through public-private partnerships or non-profit corporations. For example, the Indiana Economic Development Corporation is the state's lead economic development agency. The corporation is a public-private partnership governed by a 12-member board and led by the Indiana Secretary of Commerce. Similarly, the Wisconsin Economic Development Corporation is a public-private entity formed to support the state's business development and deploy funds to maximize economic opportunity. A 14-member board of directors provides the organization with strategic leadership and operational oversight, representing statewide public and private economic development interests.

[7] See *Public-Private Economic Development Partnerships*, Connecticut General Assembly, January 2006; *Public-Private Partnerships in Economic Development*, The University of Vermont, Vermont Legislative Research Shop, February 2009; *Redesigning State Economic Development Agencies*, National Governors Association, September 2012; *A Case for Moving State Economic Development Functions to a Public-Private Partnership*, Governor-Elect Pat McCrory Transition Team, December 2012; *Economic Development in the U.S. Alters Course Because of Recession*, Catherine Renault, 2012; and *Wisconsin Economic Development Corporation Management Review and Recommendations*, Center for Regional Economic Competitiveness, February 2016.

Most of Florida's competitor states perform economic development activities through a public agency. State economic development officials consider several states to be Florida's main competitors—Alabama, California, Georgia, New York, North Carolina, Tennessee, and Texas. Among these states, only two—North Carolina and Texas—use a model similar to Florida's approach. The remaining five states provide economic development programs and services through a government agency or public authority.

For example, in Georgia, the Department of Economic Development is the state's lead agency for attracting new business investment, encouraging expansion of existing industry and small businesses, aligning workforce education and training with in-demand jobs, and locating new markets for Georgia products. The department's activities also include attracting tourists to the state and promoting Georgia as a location for film, music, and digital entertainment projects. The department is led by a commissioner and overseen by a board of directors made up of members of the business community.

In New York, Empire State Development is the chief economic development agency; the agency is a public authority that is a corporate instrument of the state. The agency's mission is to promote the state's economy, encourage business investment and job creation, and support local economies via loans, grants, tax credits, real estate development, marketing, and other forms of assistance. Empire State Development is managed by a chief executive officer in conjunction with a board of directors and is supported by a network of regional offices throughout the state.

Comparison to Other States for Key Economic Indicators

Employment analyses for the state's qualified target industries show that for several industries, Florida underperformed compared to competitor states. The Legislature encourages growth in high-wage jobs and economic diversity by providing incentives to qualified target industry (QTI) businesses.[8] Currently, the QTI list, developed by EFI and DEO, includes clean technology, life sciences, information technology, aviation/aerospace, homeland security/defense, financial/professional services, emerging technologies, other manufacturing, and corporate headquarters.[9] Businesses that fall within the list are eligible for a variety of state economic development incentives, including the QTI Tax Refund, Rural Job Tax Credit, and Research and Development Tax Credit.

OPPAGA conducted economic analyses of Florida's QTI industries over a 10-year period to determine how the state is performing relative to other states and the national economy. The analyses used employment data from 2006 to 2015 for six QTI industries—Manufacturing; Wholesale Trade; Information; Finance and Insurance; Professional, Scientific, and Technical Services; and Management of Companies and Enterprises. Comparison states included Alabama, California, Georgia, New York, North Carolina, Tennessee, and Texas. North Carolina and Texas are the only competitor states that perform economic development activities similarly to Florida, through a public-private partnership and state agency. The remaining states utilize public agencies for state-level economic development.

From 2006 to 2015, Florida experienced employment growth in two of six industry sectors: Management of Companies and Enterprises (31%), which also outperformed the national average, and Professional, Scientific, and Technical Services (12.5%). Of the eight states, Florida ranked fourth in Manufacturing and third in

[8] Section 288.106(2)(q), *F.S.*

[9] Certain businesses including those engaged in retail industry activities and those regulated by the Department of Business and Professional Regulation's Division of Hotels and Restaurants are not considered in target industries.

Management of Companies and Enterprises. Texas received a first place ranking in five of six industry sectors. (See Exhibit 1-4.)

Exhibit 1-4
Florida's Employment Growth in the Management of Companies and Enterprises Industry Sector Is Higher than Other States and the National Average; Performance in Other Industries Is Lower

	Employment Growth Rate (State Ranking) by Industry					
State	Manufacturing	Wholesale Trade	Information	Finance and Insurance	Professional, Scientific, and Technical Services	Management of Companies and Enterprises
Alabama	-14.9% (3)	-9.4% (8)	-29.1% (8)	-1.5% (5)	1.9% (8)	15.6% (6)
California	-14.1% (2)	2.0% (2)	2.5% (2)	-18.8% (8)	17.6% (6)	8.1% (8)
Florida	-14.9% (4)	-3.7% (6)	-18.7% (7)	-3.5% (6)	12.5% (7)	31.0% (3)
Georgia	-16.1% (5)	0.4% (4)	-8.0% (4)	-0.2% (3)	22.9% (3)	25.1% (4)
New York	-19.9% (8)	-3.5% (5)	-0.7% (3)	-5.9% (7)	17.8% (5)	12.5% (7)
North Carolina	-16.7% (6)	1.1% (3)	3.7% (1)	5.5% (2)	26.9% (2)	18.8% (5)
Tennessee	-16.7% (7)	-8.6% (7)	-11.5% (6)	-1.3% (4)	19.1% (4)	75.8% (2)
Texas	-5.2% (1)	19.6% (1)	-9.9% (5)	14.0% (1)	35.2% (1)	107.6% (1)
United States	-12.9%	-0.2%	-9.4%	-4.5%	16.6%	23.1%

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

Further analyses showed little or no employment growth in these industries relative to the nation.[10] However, Florida's employment growth in Management of Companies and Enterprises was attributable to the state's relative competitive advantage and outperformed national trends. In addition, for Finance and Insurance, while there was some positive growth attributed to the state, overall the industry declined. (See Appendix B and Appendix C for additional information about these analyses).

Several competitor states outperform Florida on key economic indicators. OPPAGA compared Florida to seven competitor states on several indicators frequently used in studies that examine states' economic outlooks and business climates. These indicators include 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. Florida has the fourth highest gross domestic product, ranks seventh for per capita GDP, and ranks fourth for personal income. New York and Texas outperformed Florida on all four measures, and California outperformed the state on three measures. (See Exhibit 1-5.)

Exhibit 1-5
Compared to Competitor States, Florida Ranked Relatively Low on Several Key Economic Indicators in 2015

State	GDP (in millions)	Rank (1 – 8)	GDP per Capita	Rank (1 – 8)	Unemployment Rate	Rank (1 – 8)	Personal Income	Rank (1 – 8)
California	$2,458,535	1	$56,365	2	6.2%	8	$53,741	2
Texas	$1,586,468	2	$53,707	3	4.5%	1	$46,947	3
New York	$1,441,003	3	$63,929	1	5.3%	2	$58,760	1
Florida	$ 882,798	4	$38,950	7	5.4%	3	$44,429	4
North Carolina	$ 499,449	5	$44,054	4	5.7%	4	$40,759	6
Georgia	$ 495,727	6	$43,301	5	5.9%	6	$40,306	7
Tennessee	$ 314,191	7	$42,457	6	5.8%	5	$42,094	5
Alabama	$ 204,235	8	$37,597	8	6.1%	7	$38,030	8

Note: Green shading indicates that the state had the best performance for the economic indicator.

Source: OPPAGA analysis of U.S. Census Bureau, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics data.

[10] OPPAGA calculated location quotients and shift-share analyses using employment data for Florida, comparison states, and the nation.

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. (See Exhibit 1-6).

Exhibit 1-6
Florida Ranked Somewhat More Favorably on Tax Climate Than Its Competitor States In 2015

State	Corporate Tax Rate	Rank (1 – 8)	State Income Tax Rate	Rank (1 – 8)	Sales Tax Rate	Rank (1 – 8)
Texas	0/none[1]	1	0/none	1	6.25%	6
North Carolina	5.0%	2	5.75%	5	4.75%	4
Florida	5.5%	3	0/none	1	6.0%	5
Georgia	6.0%	4	6.0%	6	4.0%	1
Alabama	6.5%	5	5.0%	3	4.0%	1
Tennessee	6.5%	5	5.0%	3	7.0%	7
New York	7.1%	7	8.82%[2]	7	4.0%	1
California	8.84%	8	12.3%[3]	8	7.5%	8

[1] Texas imposes a franchise tax on entities with more than $1,080,000 in revenues at a rate of 0.95%, or 0.475% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.

[2] New York has a tax rate schedule that ranges from 4% to 8.82%, depending on an individual's income bracket.

[3] California has a tax rate schedule that ranges from 1% to 12.3%, depending on an individual's income bracket. For incomes over $1,000,000, there is an additional Mental Health Services Tax of 1%.

Note: Green shading indicates that the state had the best performance for the economic indicator.

Source: OPPAGA analysis of U.S. Census Bureau, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics data.

Best Practices in Economic Development

In recent years, economic development experts have identified a number of best practices that states can use to guide their economic development efforts. (See Appendix D.) OPPAGA reviewed these practices and found that they range from developing a strategic plan to reducing regulatory requirements to evaluating program success.

Florida has implemented many best practices, but there are opportunities for improvement. OPPAGA's review found that the state has made progress to implement most of the best practices highlighted in the literature. (See Appendix E.) For example, as recommended by experts, the Department of Economic Opportunity, in conjunction with other entities at the state, regional, and local level, developed the *Florida Strategic Plan for Economic Development*, which includes goals, objectives, and comparative measures of Florida's current performance, crosscutting strategies and area-specific strategies to help the state accomplish statewide goals, and key actions for plan implementation.[11]

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. The state has also enhanced workforce development efforts through implementation of the federal Workforce Innovation and Opportunity Act. A major focus of these workforce development efforts is expanded business engagement and improved alignment with regional economies and stakeholders while continuing to emphasize achievement of results for job seekers.

However, there are still opportunities to improve Florida'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

[11] DEO collaborated with Enterprise Florida, Inc., CareerSource Florida, and the Department of Transportation and received feedback from other state agencies, state associations, regional planning councils, local economic development organizations, and other stakeholders. The department also solicited public feedback while developing the plan.

economic incentives. Numerous organizations at the local level also focus on business recruitment and expansion and market the state's business climate and economic incentives. For example, Miami-Dade County's Beacon Council provides a wide range of services intended to attract new businesses and assist existing businesses in their efforts to expand; these services include helping companies determine eligibility for state incentives. Similarly, JAXUSA, Northeast Florida's regional economic development initiative, focuses on recruiting new companies and expanding the existing business community, including educating companies about state-level incentive programs.

Moreover, while the creation of DEO was intended to consolidate and streamline Florida's state-level economic development activities, fragmentation persists. For example, EFI and DEO both perform duties related to programs devoted to small businesses and military and defense communities. DEO is the lead agency for all of Florida's State Small Business Credit Initiative (SSBCI) programs, monitors program performance, and submits quarterly reports to the U.S. Department of Treasury. However, DEO contracts with EFI and the Florida Export Finance Corporation to manage several SSBCI programs.[12] With regard to the state's military and defense programs, both EFI and DEO play a role. EFI provides staff support to the Florida Defense Alliance and Florida Defense Support Task Force and administers task force grants, while DEO also administers several statutorily authorized military and defense grants.[13]

Although 96% of the state's businesses employ fewer than 50 employees, most state-level economic development programs, particularly incentives, generally benefit large businesses.[14] Only one state-level resource exclusively serves small businesses—the Florida Small Business Development Center (SBDC) Network.[15] Through more than 40 offices, SBDC provides support services that target the needs of businesses that employ fewer than 100 people and demonstrate a capacity for growth.[16] Despite SBDC's focus on small businesses, many state economic incentive programs preclude such businesses from benefitting because of high job creation, wage, and capital investment thresholds. For example, to qualify for the Qualified Target Industry Tax Refund, a business must create at least 10 jobs if relocating to the state or increase employment by 10% if expanding in the state; recipients must pay an annual wage of 115% of the average private sector wage in the area where the business is located. To be eligible for the Capital Investment Tax Credit Program, businesses must create between 100 and 1,500 new jobs and make between $25 million and $250 million in capital investments.[17] Similarly, recipients of High Impact Performance Incentive Grants must be certified as high impact businesses and must create between 25 and 150 new jobs; recipients must also make capital investments ranging from $50 million to $800 million.[18] OPPAGA's analysis of businesses that received incentives in Fiscal Years 2012-13 through 2014-15 confirms that incentives are typically awarded to large businesses. Specifically, the analysis of 214 projects found that 14.5% of incentive recipients have 50 employees or less, while 51.9% of recipients have more than 1,000 employees. (See Exhibit 1-7.)

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[12] In addition, EFI has agreements with the Florida First Capital Finance Corporation to administer loan participations where the U.S. Small Business Administration is part of the financing.

[13] Includes Military Base Protection, Defense Reinvestment, and Defense Infrastructure grants.

[14] According to the law that created the Small Business Development Center Network, small businesses are firms that employ fewer than 100 people. However, definitions may vary significantly, with some programs considering businesses with fewer than 50 employees to be small businesses and others using 200 or fewer as the standard.

[15] Section 288.001, *F.S.*

[16] These services include helping businesses plan for start-up, operation, or expansion; develop and implement business plans; develop and implement plans to access or expand to new or existing markets; and access capital for business investment and expansion.

[17] Qualifying requirements vary based on investment amount and industry sector.

[18] Ibid.

Exhibit 1-7
The Majority of Economic Incentives Are Awarded to Businesses With More Than 1,000 Employees

Business Size	Number of Projects	Percentage by Business Size Category
1-4 Employees	4	1.9%
5-9 Employees	2	0.9%
10-19 Employees	9	4.2%
20-49 Employees	16	7.5%
50-99 Employees	17	7.9%
100-249 Employees	19	8.9%
250-499 Employees	15	7.0%
500-999 Employees	21	9.8%
Over 1000 Employees	111	51.9%
Total	**214**[1]	**100%**

[1] Business size was not available for all of the projects included in OPPAGA Report *Florida Economic Development Program Evaluations-Year 4*.

Source: OPPAGA analysis of Department of Economic Opportunity data.

Chapter 2

Enterprise Florida, Inc.

Agency Structure and Funding

EFI markets Florida as a premier business location via three major program areas. To achieve its intended purpose, Enterprise Florida, Inc., operates three primary program areas—Business Development and Targeted Development Programs (International Trade and Development, Minority and Small Business Entrepreneurship and Capital, and Sports Industry Development), Strategic Partnerships, and Marketing and Communications. These areas carry out EFI's statutorily mandated responsibilities, which include

- increasing private investment in Florida;
- advancing international and domestic trade opportunities;
- promoting opportunities for minority-owned businesses;
- assisting, promoting, and enhancing economic opportunities in Florida's rural and urban communities;
- revitalizing the space and aerospace industries and promoting emerging complementary industries;
- assisting and marketing professional and amateur sport teams and events in Florida; and
- marketing the state as a pro-business location and a premier tourist destination.[19]

See Appendix F for a more detailed description of each of EFI's primary units.

EFI's funding is derived from state, federal, and private sources. EFI's funding is derived from state appropriations, federal sources, and private sector support. In Fiscal Year 2015-16, the primary source of EFI's revenues was state funding, at $33.3 million; federal funding accounted for $72,708 of the agency's revenues. State funding is generally used to support EFI operations, international trade programs, defense grant programs, the Florida Sports Foundation, and marketing. Federal funding has primarily supported programs under the Small Business Credit Initiative. During the review period, expenditures totaled $128.3 million. Over the last four years, the agency's revenues have ranged from $66.1 million in Fiscal Year 2012-13 to $55.9 million in Fiscal Year 2015-16, and expenditures have ranged from $26.4 million to $37.8 million. (See Exhibit 2-1.)

Exhibit 2-1
EFI's Operations and Activities Are Primarily Supported With State and Federal Funds

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Revenues by Source				
State	$22,768,118	$22,701,967	$24,821,252	$33,335,669
Private and In-kind	1,714,998	1,956,179	2,056,773	2,751,810
Federal	36,777,841	21,907,604	8,696,137	72,708
Other	4,880,653	8,037,243	2,535,086	19,760,763
Total Revenues	**$66,141,610**	**$54,602,993**	**$38,109,248**	**$55,920,950**
Total Expenditures	**$26,368,772**	**$32,285,680**	**$31,877,212**	**$37,793,256**
Total Positions	82.5	86	90.5	80

Source: Enterprise Florida, Inc., audited financial statements and resource data.

[19] Section 288.901(2), *F.S.*

Findings

EFI has reduced staff and begun to shift several programs to DEO; there are opportunities for additional streamlining. In March 2016, the Governor directed a review of EFI's functions, with the goal of identifying efficiencies, cost savings, and opportunities for streamlining state funds and services. Overall, the review found that stakeholders value EFI and the organization "is a good investment of state dollars."[20] However, the assessment made a number of recommendations designed to focus EFI on its primary functions, shift non-core programs to DEO, and reduce agency costs. The most significant recommendations included

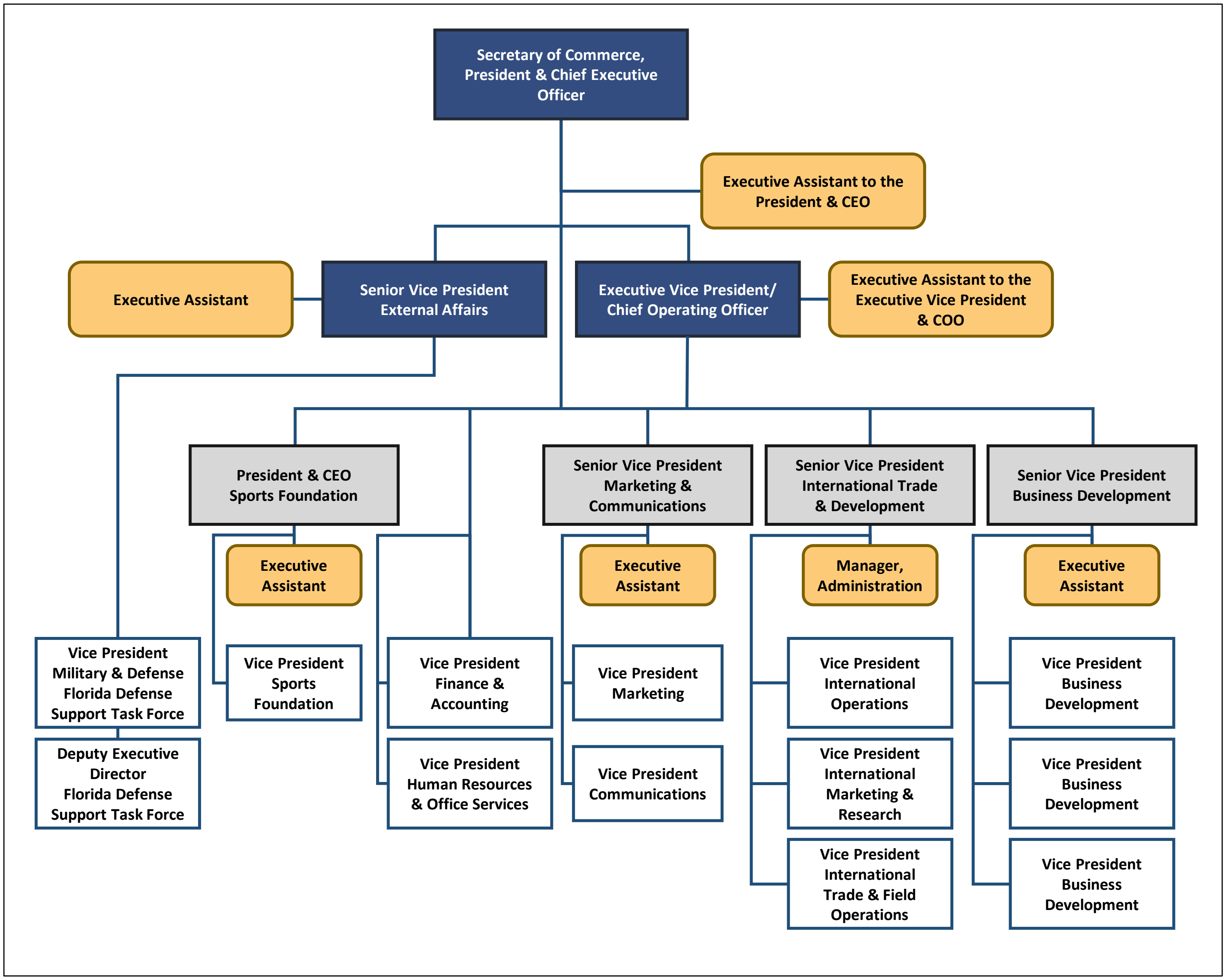
- consolidating and redesigning EFI's organizational structure;
- transitioning management of the State Small Business Credit Initiative and military and defense grants to DEO;
- preparing a legislative proposal to move VISIT FLORIDA, Florida Sports Foundation, and minority and small business programs to DEO;
- eliminating 27 positions throughout the organization;
- reducing operating, program, travel, and professional fee expenses; and
- preparing an investment strategy for the $6 million savings identified in the review.[21]

In June 2016, EFI's board of directors voted to adopt these recommendations. Under the new organizational structure, the agency will have three major operational units—International, Business Development, and Marketing and Public Relations—and an External Affairs Unit that includes Military and Defense Support and Board Relations. (See Exhibit 2-2.)

[20] See *Enterprise Florida Review: Observations and Findings*, DTW Strategies, May 11, 2016.

[21] Other recommendations included the following: free up available cash on hand for reuse in future years; hire an independent accounting firm to conduct an internal controls review and recommend a corrective action plan; conduct an evaluation of international office expenditures; redesign the business development organization; redesign the business performance bonus system; and redesign the business flow and review/approval processes between EFI and DEO.

Exhibit 2-2
EFI Has Reorganized Its Structure to Emphasize Major Operational Units That Perform Core Agency Functions

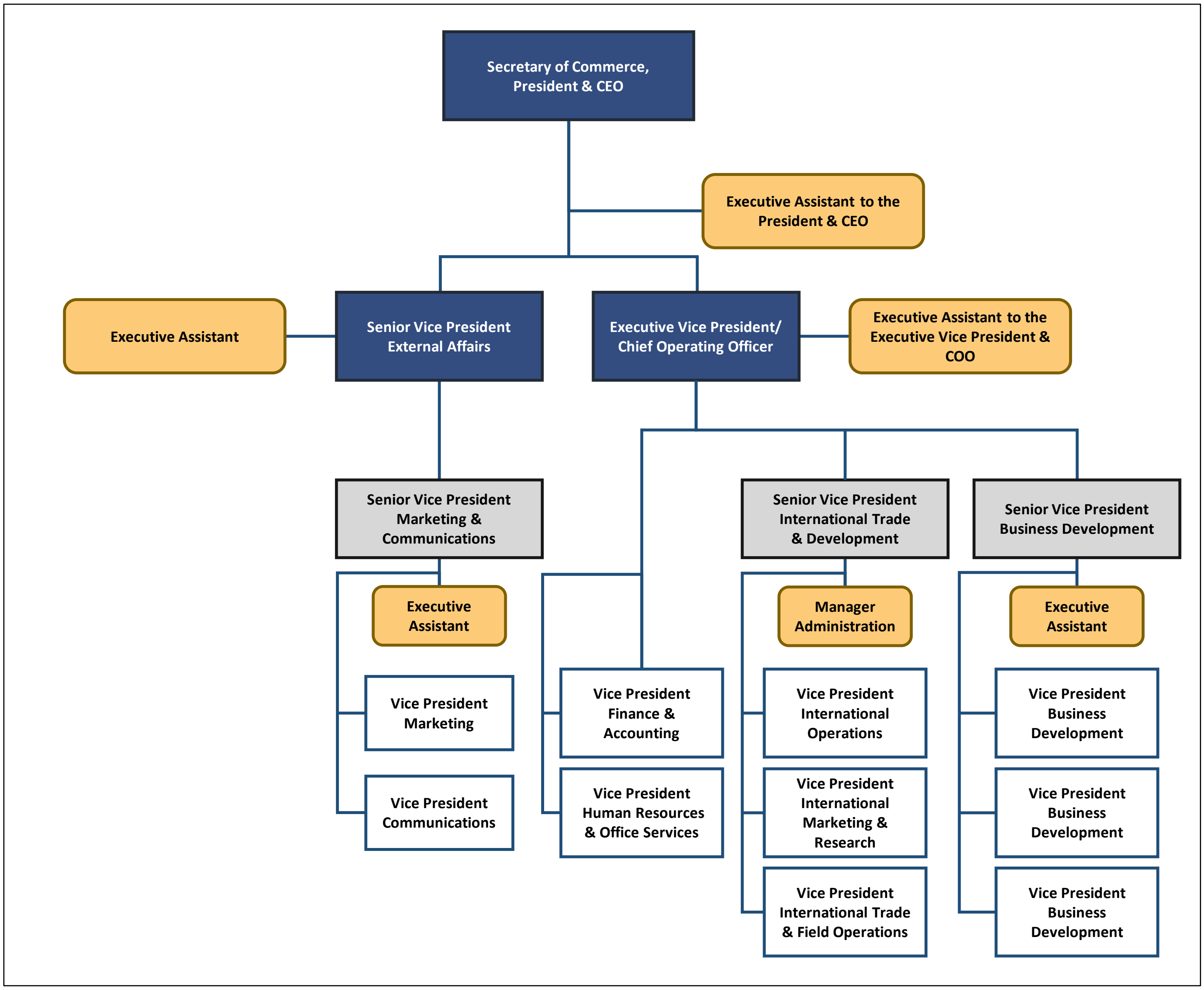


Source: Enterprise Florida, Inc.

To date, EFI has eliminated 26 positions at a savings of $2.1 million. The agency has also begun shifting several responsibilities to DEO. For example, EFI and DEO are negotiating the transition of the State Small Business Credit Initiative to the department and are determining whether to also transfer the Florida Opportunity Fund, which would require legislation. In addition, EFI and DEO are reviewing other minority and small business programs and will devise a transition strategy. EFI's Executive Committee also recommended that the agency's contract with DEO be amended so the department takes over responsibility for administering military grants, while EFI maintains military base relationships through the Florida Defense Support Task Force and Florida Defense Alliance. Finally, EFI and the department are crafting legislation to facilitate the transfer of VISIT FLORIDA and the Florida Sports Foundation to DEO.

While these efforts have helped restructure EFI's operations and narrow its focus to core mission, there are additional opportunities to diminish overlap with DEO programs and activities and further streamline the agency. For example, given that DEO is now responsible for administering three state military and defense grant programs, the Florida Defense Support Task Force could be transferred to the department to completely consolidate the state's base retention activities. There are also additional consolidation opportunities within EFI. Specifically, if military programs and the Florida Sports Foundation are transitioned to DEO, EFI functional units could be shifted so that Marketing and Communication activities become the responsibility of the Senior Vice President of External Affairs, leaving administration (finance and accounting and human resources and office services), International Trade and Development, and Business Development under the Executive Vice President. (See Exhibit 2-3.)

Exhibit 2-3
EFI's Structure Could Be Further Streamlined



Source: OPPAGA analysis.

Private sector cash investments represent a very small portion of EFI's overall budget; the agency relies heavily on state funds. 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.[22] Under state law, private sector support includes

- cash given directly to EFI for its operations, including contributions from at-large members of the board of directors;
- cash donations from organizations assisted by EFI's divisions;
- cash jointly raised by EFI, private local economic development organizations, a group of such organizations, or a statewide private business organization that supports collaborative projects;
- cash generated by fees charged for products or services of EFI and its divisions by sponsorship of events, missions, programs, and publications; and
- copayments, stock, warrants, royalties, or other private resources dedicated to Enterprise Florida or its divisions.

According to EFI financial data, state funding has always far exceeded private sector funding. Specifically, private sector cash contributions during the review period rarely exceeded $2 million, while state appropriations averaged about $20 million per year. Funds from other private sources (e.g., event revenue, other income) averaged approximately $2.7 million per year. (See Exhibit 2-4.)

Exhibit 2-4
EFI's Private Sector Funding Has Increased but Is Significantly Outweighed by State Support

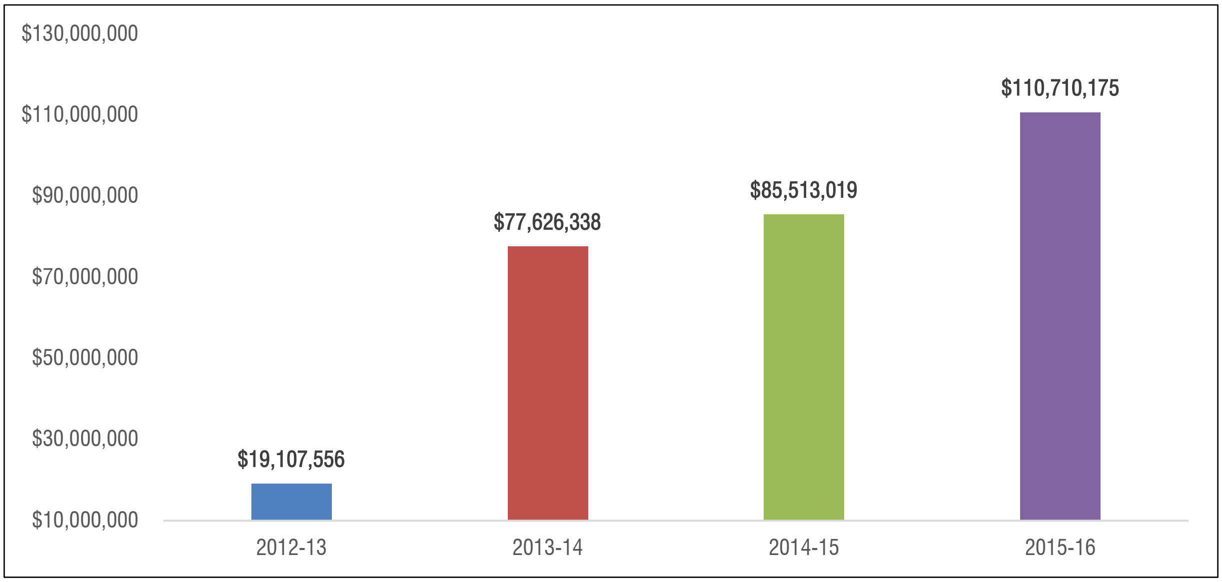
	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Private Sector Cash Contributions	$1,487,500	$1,787,500	$1,912,500	$2,508,470
Event Revenue	$1,210,895	$1,053,062	$1,129,275	$1,231,083
Other Income	$1,113,862	$1,702,057	$2,178,132	$1,097,983
State Appropriation	$16,000,000	$18,050,000	$19,900,000	$25,000,000

Source: Enterprise Florida, Inc.

EFI's escrow account funds could generate significantly more interest income if held in a state trust fund. 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 are paid to businesses based on specific project criteria outlined in a performance-based contract between the company and the state. Funds that are obligated to businesses via contract are placed in an escrow account. The Legislature appropriates incentive funds to DEO, which in turn provides funding to EFI as the escrow agent. EFI uses a commercial bank to hold the funds, which generate daily interest. Bank representatives and OPPAGA analysis indicate that the escrow account receives approximately 0.25% interest on funds held in the account. Current balances in the escrow account have increased over the years due to additional funds provided for the Quick Action Closing Fund by the Legislature and interest income earned. (See Exhibit 2-5.) On occasion, EFI will return escrow funds to DEO when incentive recipients do not meet contract deliverables. In addition, on a quarterly basis, EFI remits interest payments earned on escrow funds to DEO.

[22] Section 288.904(2)(a), *F.S.*

Exhibit 2-5
Escrow Account Balances Increased Significantly From Fiscal Years 2012-13 Through 2015-16



Source: OPPAGA analysis.

Using a state trust fund to hold escrow funds would generate approximately $1.93 million more interest than the commercial account. Specifically, as of September 30, 2016, the balance in the escrow account was $122.6 million. Based on the current interest generated by the account (0.25%), it would annually accumulate approximately $307,000 in interest earnings. If these same funds were held in a state trust fund, which has a current average yield of 1.82%, the funds could generate approximately $2.2 million.

According to economic development professionals, EFI provides valuable services, but Florida's economic development system needs improvements. To better understand the perspectives of economic development professionals and other stakeholders familiar with economic development issues in Florida, OPPAGA surveyed members of EFI's Stakeholders Council as well as site selection consultants who have worked with EFI.[23]

Availability of a skilled workforce rates highly as an important factor in economic development. Members of EFI's Stakeholders Council reported that the most important factors to economic development in Florida are availability of a skilled workforce (95%), regulatory or permitting structure (94%), and ease of access to public facilities (89%). Site selection consultants reported that the most important factors are availability of a skilled workforce (97%), local financial incentives (90%), and state financial incentives (90%).

Survey respondents were then asked to rate Florida's performance with regard to these economic development factors. Among Stakeholders Council members, the factors that were most frequently rated strongly are ease of access to public facilities (81%) and availability of a skilled labor force (57%). These respondents most frequently cited state financial incentives (61%) as the weakest factor. Among site selection consultants, the most frequently reported factors for which Florida rates strongly are ease of access to public facilities (67%), corporate income tax structure (63%), and labor costs (63%). The most frequently reported factors for which Florida is rated weak are local financial incentives (37%) and state financial incentives (37%).

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[23] OPPAGA surveyed 103 Primary Partners and Stakeholders Council members; 11 (10%) provided partial responses and 58 (56%) provided complete responses. Most respondents (66%) were representatives of local or regional economic development organizations. In addition, OPPAGA surveyed 97 site selection consultants known to frequently conduct business in Florida; 12 (12%) provided partial responses, and 24 (24%) provided complete responses.

EFI provides services that are important to the state's economic development efforts, including site selection assistance to businesses outside Florida and marketing the state as a business destination. Most Stakeholders Council members (95%) and site selection consultants (93%) reported that EFI's services are important to economic development in Florida. Stakeholders Council members reported that the most important services provided by EFI to overall economic development in Florida are location and site selection assistance to businesses outside Florida (74%), marketing Florida (69%), and international trade and promotion (41%). Site selection consultants reported that the most important EFI services are technical assistance (70%), location and site selection assistance for businesses outside of Florida (67%), and funding assistance (59%).

When asked where EFI should focus its efforts going forward, the most frequently reported responses among Stakeholders Council members were marketing Florida as a place to do business (70%), location and site selection assistance for businesses outside of Florida (69%), and international trade and promotion (41%). Site selection consultants reported that the most important services that EFI should offer in the future are location and site selection assistance for businesses outside of Florida (63%), funding assistance (56%), technical assistance (56%), and marketing Florida as a place to do business (56%).

Economic development professionals feel that Florida's economic development system needs improvement through increased incentive funding, improved workforce quality, and assistance for Florida businesses. Most Stakeholders Council members (94%) and site selection consultants (92%) reported that improvements are needed to Florida's economic development system. When asked how the system can be improved, Stakeholders Council members and site selection consultants reported that the most important actions are to increase incentive funding (61% and 80%, respectively), improve the quality of the workforce (53% and 32%, respectively), and assist Florida businesses through technical assistance and other support services (41% and 44%, respectively).

When asked about the biggest challenges to economic development in Florida, Stakeholders Council members discussed concerns over the loss of state economic incentives (37%), particularly the Quick Action Closing Fund, and the subsequent loss of business opportunities to other states, along with negative perceptions of Florida among business leaders. They also reported challenges related to the lack of a qualified workforce (27%); lack of attention and resources dedicated to rural areas (19%); and the perception of an unstable political environment along with uncertainty over the status of EFI (15%).

Economic development professionals have mixed opinions about the recent reorganization of EFI. When asked about the recent reorganization of EFI, Stakeholders Council members reported a mixture of opinions. Some (18%) reported that the changes at EFI were necessary and will help the organization focus on its core objectives, including business development, marketing, and international trade. Others (10%) expressed mixed feelings about the changes, indicating that change and organizational reassessment can be good things, but that there have been issues with the recent EFI changes, including poor communication and loss of talent from the organization. Others (18%) commented on negative aspects of the reorganization, including the perception that the changes were politically driven, the negative effects the changes have had on EFI employee morale, and negative perceptions of Florida as a business destination. Some (11%) discussed the need for increased representation and engagement of local and regional partners in statewide economic development, and a few (7%) respondents commented that the reorganization is an opportunity for the state to refocus its efforts to assist smaller communities, rural areas, and small businesses.

Options for Consideration

While Enterprise Florida, Inc., recently streamlined its operations as recommended by an organizational review, there are additional opportunities to narrow the agency's focus on its core activities. In addition, there are steps that EFI and the Legislature could take to improve agency programs and activities and reduce costs. Moreover, there are a number of changes that the Legislature could consider to enhance Florida's overall economic development system. Regardless of which options are implemented, it is important that the primary functions of state-level marketing, business development, and international trade and development be maintained by either EFI or DEO. (See Exhibit 2-6.)

Exhibit 2-6
The Legislature and EFI Could Consider Options for Further Streamlining the Agency's Operations and Enhancing State Economic Development Efforts

STREAMLINE EFI OPERATIONS

OPTION 1 – Proceed with transferring minority and small business programs to DEO and consolidate all minority and small business programs into one DEO division
- Would limit EFI's activities to core missions of marketing and domestic and international business development
- Would heighten DEO's emphasis on minority and small business programs, which have been historically underutilized and inadequately marketed
- The Legislature could also consider transferring management of the Florida Opportunity Fund to the State Board of Administration (SBA); the SBA currently administers a similar program—the Florida Growth Fund—that includes $750 million in capital for investments in technology and growth related businesses; would require amendment of ss. 288.9622 through 288.9624, *F.S.*

OPTION 2 – Proceed with pursuing legislation to transfer VISIT FLORIDA and the Florida Sports Foundation to DEO
- Would limit EFI's activities to core missions of marketing and domestic and international business development
- Would streamline contracting and payment processes, with agreements established directly between DEO and VISIT FLORIDA and the Florida Sports Foundation
- Would require amendment of s. 288.1226, *F.S.* (VISIT FLORIDA) and s. 288.92, *F.S.* (Florida Sports Foundation)

OPTION 3 – Transfer the Florida Defense Support Task Force and the Florida Defense Alliance to DEO
- Would consolidate all of the state's military and defense programs under one state agency
- Would require amendment of s. 288.980, *F.S.* (Florida Defense Alliance)
- State law already authorizes DEO to contract directly with the task force (s. 288.987, *F.S.*)

IMPROVE EFI'S PROGRAMS AND ACTIVITIES

OPTION 4 – Increase focus of business development activities on small businesses
- Should develop specific business development campaigns and strategies that focus exclusively on Florida-based small businesses (firms that employ fewer than 100 people)
- Should increase coordination with the Florida Small Business Development Network, including joint outreach and marketing efforts
- Should aggressively market economic incentives that are available to small businesses
- Review current economic development program criteria to identify modifications that would make the programs more accessible to small businesses

OPTION 5 – Increase collaboration with CareerSource Florida and local workforce boards and One-Stop Career Centers
- Should continue EFI's Education and Workforce Talent Task Force and consider adding representatives of local workforce boards and One-Stop Career Centers to the group
- Should increase the level of coordination between EFI business development staff and local workforce boards and One-Stop Career Centers
- Should facilitate conference calls or in-person meetings between the CEO's of local boards and EFI business development staff to discuss and strategize ways to link employer and job seeker needs statewide

MODIFY EFI'S FUNDING MECHANISMS

OPTION 6 – Limit state financial contribution to match of private sector contributions

- Could limit state operational support to direct match of private sector cash contributions (e.g., if in the prior fiscal year cash contributions equaled $2 million, the legislative appropriation for the following year would be $2 million)
- Could continue marketing funding (approximately $8.5 million per year) in support of one of EFI's major statutory purposes—"Market the state both as a pro-business location for new investment and as an unparalleled tourist destination"
- Would save an estimated $9.5 million per year

OPTION 7 – Discontinue state funding

- Could discontinue state operational and marketing support entirely, saving an estimated $20 million per year; in other states (e.g., Texas), public-private economic development organizations do not receive any state funds and are supported solely through private contributions

OPTION 8 – Shift the funds in EFI's escrow account to a state trust fund

- May require creation of a state trust fund to hold incentive commitments
- Would shift approximately $122.6 million from a private financial institution to a state controlled trust fund
- Would result in higher interest yields; the current interest rate for EFI's escrow account is 0.25%, while the average effective rate net of fees for state trust funds is estimated to be 1.82% for Fiscal Year 2016-17
- Would result in more income for the state; using the current escrow fund balance and applying the average state trust fund interest rate yields approximately $2.2 million that the Legislature could use for other critical state needs

CONSOLIDATE THE STATE'S ECONOMIC DEVELOPMENT SYSTEM

OPTION 9 – Consolidate EFI's functions under DEO

- Could transfer EFI's core activities (marketing, business development, and international trade and development) to DEO, making the department the only state-level economic development agency; in most states (32) a state agency performs economic development activities
- Could shift EFI's board under DEO, to ensure ongoing input from the business and economic development communities
- Would continue to have business recruitment, expansion, and support services at local and regional levels
- Would have to shift the funds from EFI's escrow account to a state trust fund
- Would generate cost savings, but amount depends upon how many EFI functions are transferred to DEO
- Would require amendment of ss. 288.901 through 288.923, *F.S.*

Source: OPPAGA analysis.

Chapter 3

Department of Economic Opportunity

Agency Structure and Funding

Three core divisions carry out DEO's objectives and statutory responsibilities. To achieve its intended purpose, the Department of Economic Opportunity performs major activities through three core divisions—Strategic Business Development, Community Development, and Workforce Services. These divisions help fulfill DEO's statutorily mandated responsibilities, which include

- ensuring that Florida's goals and policies relating to economic development, community planning and development, workforce development, and affordable housing are fully integrated with appropriate implementation strategies;
- recruiting new businesses to Florida and promoting the expansion of businesses by expediting permitting and location decisions, worker placement and training, and incentive awards;
- promoting viable, sustainable communities by providing technical assistance and guidance on growth and development issues, grants, and other assistance to local communities;
- coordinating with state agencies on the processing of state development approvals or permits to minimize the duplication of information provided by the applicant and the time before approval or disapproval; and
- managing the activities of public-private partnerships and state agencies in order to avoid duplication and promote coordinated and consistent implementation of various programs.[24]

In addition, DEO has statutorily defined relationships with the Florida Housing Finance Corporation (FHFC) and CareerSource Florida (CSF). State law created FHFC within DEO, though it is a separate budget entity and is not subject to control, supervision, or direction by the department in any manner.[25] Similarly, state law created CSF and directed that the organization be administratively housed within DEO but not subject to control, supervision, or direction by the department in any manner.[26]

See Appendix G for a more detailed description of each of DEO's primary divisions.

DEO derives most of its funding from federal sources and transfers a significant portion to other entities. In Fiscal Year 2015-16, DEO's total budget was $1.08 billion and the majority ($679 million, 63%) of this funding was from federal sources. Most of DEO's total budget ($816.4 million, 75%) was transferred to other entities. (See Exhibit 3-1.) For example, $283 million was transferred to fund local workforce boards, $105 million supported housing programs administered by FHFC, $74 million went to VISIT FLORIDA, and $25 million went to EFI.

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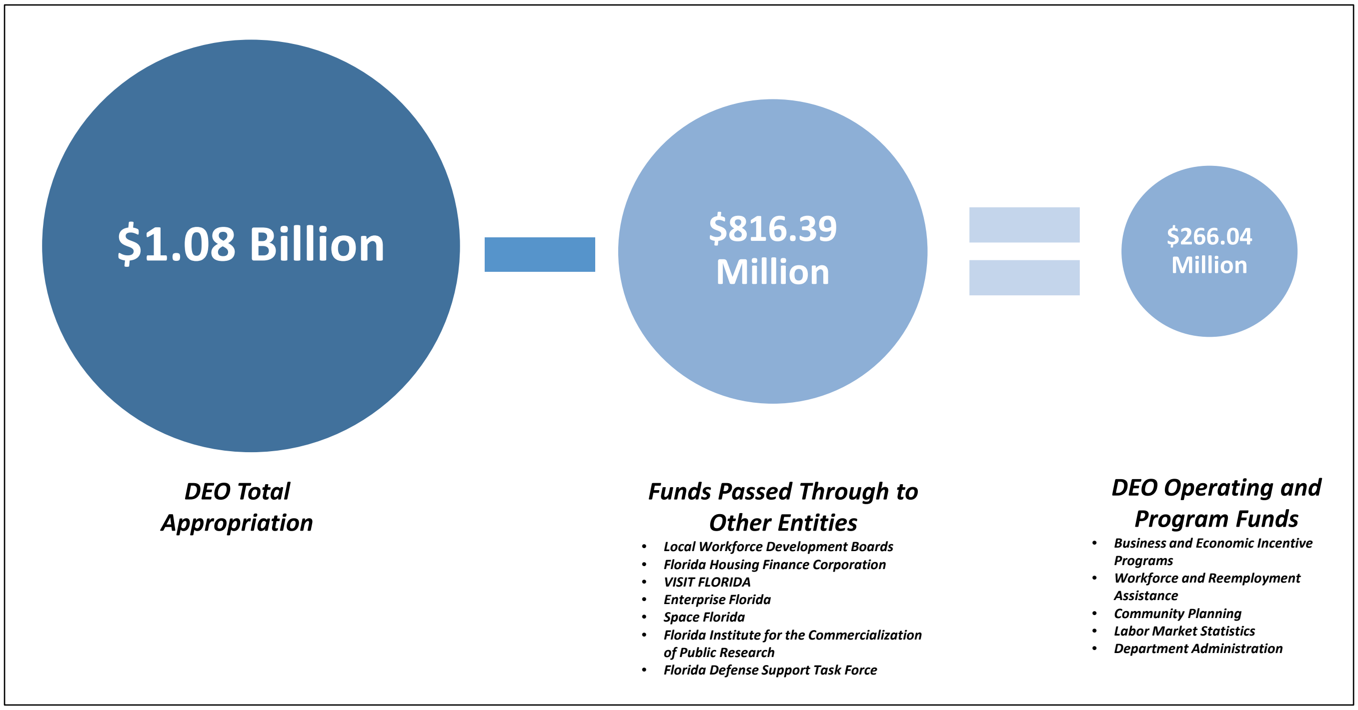
[24] Section 20.60(4)(b)(f), *F.S.*

[25] Section 420.504, *F.S.*

[26] Section 445.004, *F.S.*

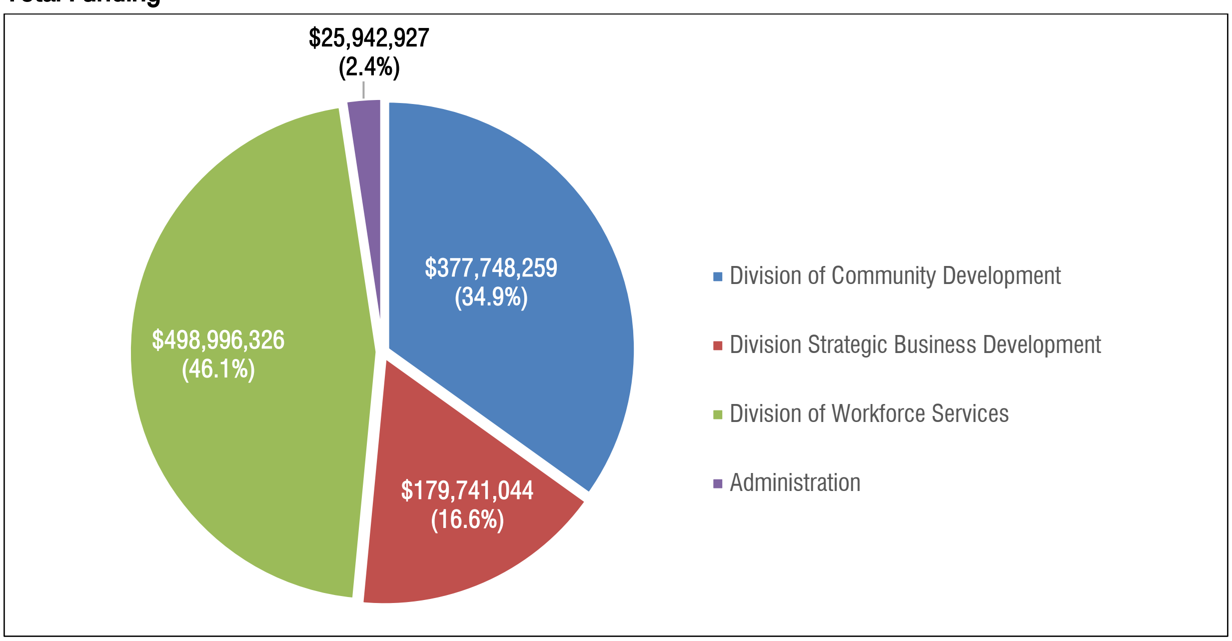
Exhibit 3-1
In Fiscal Year 2015-16, 75% of DEO's Funding Was Passed Through to Other Entities



Source: OPPAGA analysis of Department of Economic Opportunity budget data.

During the same period, two divisions accounted for the vast majority of DEO's funding. The Division of Workforce Service was funded at $498.9 million (46.1%) and the Division of Community Development was funded at $377.7 million (34.9%). (See Exhibit 3-2.) Total staffing for the department in Fiscal Year 2015-16 was 1,618.50 full-time equivalent positions.

Exhibit 3-2
In Fiscal Year 2015-16, Workforce Services and Community Development Accounted for 81% of DEO's Total Funding



Source: OPPAGA analysis of Department of Economic Opportunity budget data.

Findings

Many businesses believe that the incentive claims and payment processes need improvement. To better understand businesses' experiences with state economic incentive programs and processes, OPPAGA surveyed businesses that received incentives during Fiscal Years 2012-13 through 2014-15.[27] OPPAGA's survey of businesses asked respondents about the approval and payment process and their interaction with DEO. Although 75% of businesses expressed satisfaction with the assistance provided by DEO, 39% thought the incentive claims submittal process needed improvement, and 47% thought the incentive payment process needed improvement. In open-ended responses, businesses reported that the incentive claims submittal process was complicated, cumbersome, and time-consuming. In addition, businesses said that it took too long to receive incentive payments.

In 2013, the Legislature directed DEO to contract with a third-party auditor for compliance services and included a requirement to review 100% of all incentive claims. The first contract between the department and the third-party auditor began in February 2014. The third-party auditor reviews supporting documentation showing that the businesses have created the jobs and paid the taxes specified in their written agreements with the state prior to recommending that the department pay the businesses. Since OPPAGA's 2014 review, the process has been improved, with businesses now able to electronically submit documentation for third-party review and the contractor required to process claims according to specified standards (e.g., provide a written claims review packet for every submitted claim).[28]

To measure the timeliness of the compliance process, 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 353 days, or nearly 12 months. The average time between claims submissions and incentive payments to businesses was 489 days, or more than 16 months.

Department managers and third-party auditor representatives provided several possible reasons for delays in the claims submission and payment processes.

- Companies filing Qualified Target Industry claims must do so by January 31; however, a company may request a 30-day extension. While DEO must approve or disapprove the claim by June 30, a company may request an extension beyond that date to provide the department with additional information.
- If the third-party auditor sees a variance, it may ask the company for additional information. For example, if the company says an employee's annual salary is $125,000, but unemployment compensation data shows that the figure is $100,000, the auditor must research the discrepancy and may ask the business for additional documentation.
- Sometimes a business has trouble providing documentation in a timely fashion because of staff turnover or its internal structure. For example, in large businesses, staff who apply for incentives, process payroll, and pay taxes may be in separate departments, thus increasing the amount of time it takes to collect information.
- The law requires that incentive claims include copies of all receipts pertaining to the payment of taxes. Some companies claim only their annual ad valorem tax payments. However, companies that receive refunds for sales taxes have to submit numerous receipts and other documents that take time to collect. This may be especially true for large companies with several offices or divisions.
- Some delays are related to local government matching fund requirements. DEO notifies the local governments at the same time it notifies the companies that they are eligible to receive payments.

[27] OPPAGA surveyed 204 of the businesses that received incentives during the evaluation period; 58 (28%) responded.

[28] *Florida Economic Development Program Evaluations – Year 1*, OPPAGA Report No. 14-01, January 2014.

However, local governments may require additional compliance activities before a company receives the match.

To improve the timeliness of the incentive claims and payment processes, DEO should educate businesses about documentation requirements early in the incentive application process. Further, DEO should provide businesses with technical assistance during the claims submission process. These steps would encourage businesses to submit the required documentation in a timely manner. In addition, the department could examine the claims and payment processes to determine if there are opportunities for further improvement.

Economic Development Incentives Portal received high ratings from businesses but could be improved to provide better functionality. In October 2013, DEO launched the Economic Development Incentives Portal to provide interactive access to the performance measures required in economic development incentive contracts (e.g., jobs and capital investment). The portal is intended to allow users to track a company's progress towards reaching required job creation and capital investment goals.

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). More than half (60%) of survey respondents rated the portal as useful or very useful. Most (84%) survey respondents used the portal to determine the status of their business's incentive project. OPPAGA also asked site selection consultants about their use of the portal.[29] More than half (54%) of the respondents had experience using the portal, and several of these respondents reported that the portal needs improvement, including improved search functions (7), exportable search results (6), and more data fields (10).

However, despite its usefulness, incentive recipients suggested that several possible improvements could be made to the portal, including

- providing more data fields in the search reports including award amount, jobs committed, and industry (53% of respondents);
- improving search functions such as additional data fields and a keyword search (47% of respondents); and
- providing users the ability to export search results as an Excel or PDF file (44% of respondents).

To address these concerns, DEO should make changes to the Economic Development Incentives Portal by providing additional search functions, such as award amounts and keywords, and offering users the ability to export results to Excel or another format.

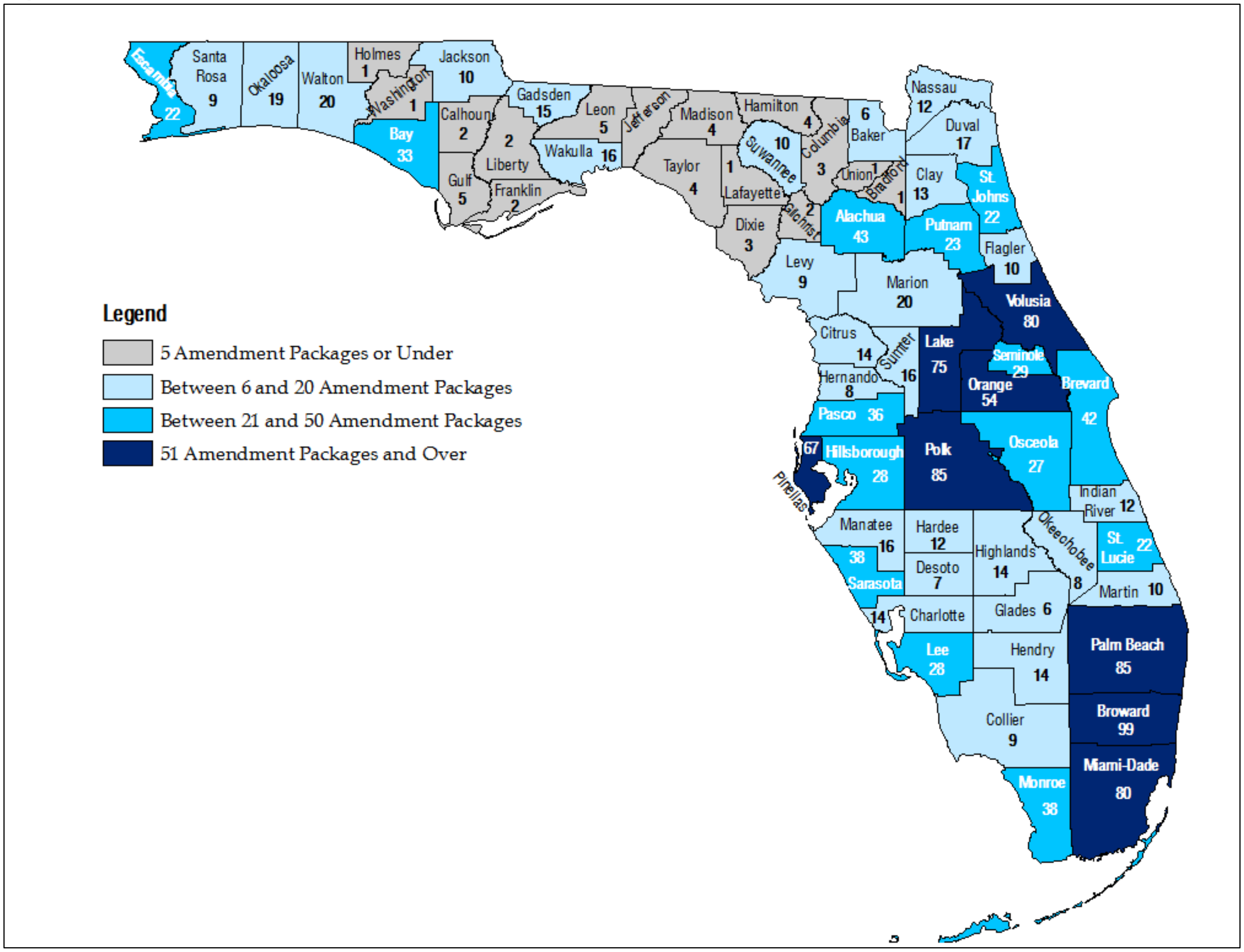
DEO is generally meeting its statutory time limits for reviewing comprehensive plan amendments and has challenged very few amendment packages. The 2011 Legislature revised the state's growth management laws and amended the process for comprehensive plan amendment review. Now most plans are approved within established timeframes and the plan amendment review process has yielded very few objections or findings of non-compliance.

For calendar years 2012 through 2015, DEO staff reviewed 1,271 of 1,286 packages (98.8%) under the Expedited State Review process within the statutory timeframe. During the same period, staff reviewed 152 of 157 packages (96.8%) under the State Coordinated Plan Review process within the statutory timeframe. Eight counties—Broward, Lake, Miami-Dade, Orange, Palm Beach, Pinellas, Polk, and Volusia—were each responsible for more than 50 amendment packages during this three year period. (See Exhibit 3-3.) Of the packages reviewed through the expedited process, nine received substantive comments and only one was

[29] OPPAGA surveyed 97 site selection consultants known to frequently conduct business in Florida; 12 (12%) provided partial responses, and 24 (24%) provided complete responses.

challenged. Of the packages reviewed through the state coordinated review process, 84 received objections, and only 2 were found not in compliance.

Exhibit 3-3
For Calendar Years 2012 Through 2015, DEO Reviewed 1,443 Proposed Amendment Packages Through the Expedited and State Coordinated Review Processes



Source: OPPAGA analysis.

The selection process for community planning grants lacks a uniform review and scoring process. The Bureau of Community Planning provides two types of grants. Community Planning Technical Assistance grants are awarded to communities to implement planning projects that might otherwise be unaffordable; the program awarded 46 grants for a total of $1.09 million in Fiscal Year 2014-15. The Competitive Florida Grant Program involves a two-year partnership between DEO and recipient communities and is funded as a subset of the technical assistance grants. This grant provides funds to local governments for asset-based economic development planning and implementation and culminates in an economic asset map; in Fiscal Year 2014-15, the program had 10 active grants for a total of $400,000.

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.[30] To address this concern, DEO should establish a uniform review and scoring process for the two grant programs.

Very few businesses participate in several small and minority business and rural economic development programs; lack of marketing may affect participation. These programs include the Microfinance Loan Program (MLP), Black Business Loan Program (BBLP), and Rural Community Development Revolving Loan Fund Program. Administrative limitations, lack of statewide coverage, and limited marketing activities have hampered participation in the programs.

Microfinance Loan Program. According to program administrators and DEO staff, program participation is limited by short loan repayment terms. The program has a one-year repayment period for participating businesses, which results in large monthly payments that many small businesses are unable to repay. Furthermore, program administrators reported that the administrative fee (1.0%) is not sufficient to cover state program costs. Consequently, contractors use revenue from other non-state programs to subsidize state program costs.

The lack of geographic reach also limits program participation. There are currently only two MLP administrators, located in Miami and Tallahassee. Although technically meant to serve the entire state, the statutory requirement that loan administrators meet one-on-one with businesses essentially limits their service area and the number of businesses they are able to serve. For example, the MLP administrator located in Miami only services loans in four counties.[31]

Black Business Loan Program. During the last few years, program participation has decreased significantly. In Fiscal Year 2012-13 the program had 64 active loans, in Fiscal Year 2013-14 it had 24 active loans, and in Fiscal Year 2014-15 it had 12 active loans. This is an 81% decrease in program participation over three fiscal years.

During the three-year period, the number of program loan administrators decreased when DEO clarified administrators' use of program funding. In the past, Black Business Investment Corporations (BBICs) were not operating the program as a revolving loan and were using loan fees and interest to supplement their administrative costs. In 2013, DEO issued a Declaratory Statement clarifying that revenues generated through loan fees or interest are state funds and cannot augment BBIC operations. This means that BBICs must operate the program on the administrative fee outlined in statute.[32] Subsequent to the Declaratory Statement, several BBICs dropped out of the program. At the beginning of Fiscal Year 2012-13, before the Declaratory Statement was issued, there were seven BBICs, and currently there are two—Florida Black Business Support Corporation and Tampa Bay Black Business Investment Corporation.

The decrease in the BBIC participation has reduced the geographic area served by the program. Ideally, the program would have loan administrators distributed throughout the state, but the administrative fee limits the ability of BBICs to hire sufficient loan officers to cover the entire state. For example, Tampa Bay BBIC only serves five counties.[33] Moreover, while Access Florida covers the whole state, it is located in Tallahassee and several aspects of the loan process involve one-on-one technical assistance that essentially limits its service area.[34]

Rural Community Development Revolving Loan Fund Program. Over the last 20 years, program participation has been very low. Since 1996, the program has made only 17 loans. There are currently three active projects for this program. According to program staff, a possible reason for the extremely low participation rate is that there are no formal marketing activities that promote the program to rural local

[30] Staff created the new evaluation process in Fiscal Year 2015-16. Scores are based on information that communities are required to submit in grant applications.

[31] These counties are Broward, Miami-Dade, Orange, and Palm Beach.

[32] BBICs are authorized to use up to 12% of the funds received for direct administrative costs.

[33] These counties are Hillsborough, Manatee, Pinellas, Polk, and Sarasota.

[34] Access Florida administers both the BBLP and the MLP.

governments or economic development organizations within rural counties. In addition, contracted program administrators reported a lack of advertising for the revolving loan program as well as other DEO rural economic development and small and minority business programs.

Until very recently, DEO did not use a formalized marketing approach for most of its small and minority business and rural economic development programs. In 2016, the department created a brochure of all available small and minority business programs; however, rural programs were not included in the brochure.

There are several actions that the Legislature and DEO could take to address concerns about program administration, statewide coverage, and marketing activities. First, if the Legislature chooses to continue the Microfinance Loan Program, there are several issues it may wish to consider.

- To increase business participation in the program, the Legislature could consider increasing the duration of the loan term from 12 months to 18 or 24 months.
- To increase the number of providers for the program, the Legislature could consider increasing the amount of allowable administrative fees.

Alternatively, the Legislature could require DEO to review the Microfinance Loan and Black Business Loan programs' administrative funding levels for contracted providers and determine whether an increase is warranted.

Second, to increase business and community awareness and enhance program participation, DEO should develop a small and minority business and rural economic development program marketing plan. Marketing efforts could include

- providing advertising materials at One-Stop centers, Small Business Development Center Network offices, and local economic development offices that provide business assistance;
- more prominent placement of program information on DEO's website; and
- provision of program information to business associations and industry organizations.

Florida's workforce system serves a diverse group of job seekers and businesses; businesses are generally satisfied with the services, but finding qualified job applicants remains a significant challenge. Federal law requires core workforce services to be accessible through the internet. Florida meets this requirement through Employ Florida Marketplace (EFM). EFM also captures demographic data on job seekers and employers. To learn more about the businesses and individuals that utilize Florida's workforce system, OPPAGA conducted an analysis of EFM data on job seekers and employers who received services between January 1, 2016, and July 15, 2016.

Of the job seekers that received services during the six-month period, a slight majority (53%) were female and job seekers were evenly distributed across age groups. With regard to race, 34% of job seekers were white, 28% were Hispanic, and 27% were black. Forty-one percent had a high school diploma, and 50% had some college or a college degree. The service used by the greatest number of job seekers was referral to a job in over 150 days. Other services included staff-assisted job searches, internet job search support/training, use of one-stop resource room/equipment, outside job referrals, and general assistance from staff.

The majority (90%) of businesses that received services during the six-month period were private sector, for-profit companies; other businesses included non-profits and government units. The services used by the greatest number of businesses were job orders/postings (21%), job candidate pre-screening services (18%), and labor market studies (17%). Other services businesses received included employer outreach visits for veterans and migrant seasonal farmworkers, résumé review and candidate referrals, job referrals and placements, and human resource services.

To better understand employers' experiences with CareerSource services, OPPAGA surveyed a subset of the businesses that received services in 2016.[35] Most (70%) businesses reported that they seek services on an as-needed basis. The most frequently reported services that businesses seek included job postings on EFM (81%); recruitment, screening, and referral services for open positions (33%); and hiring events and job fairs (17%).

Most (70%) businesses reported that they are satisfied with these and other services that they received, and most reported that they are satisfied overall with the services. The most frequently reported benefits of employer services included allowing businesses to hire more employees (44%) and helping them identify and select the most qualified candidates for open positions (36%).

When asked about the biggest challenges to Florida's workforce system, the most frequently cited issues included the difficulty in finding qualified job applicants with the appropriate skills (47%), finding individuals who want to work (20%), and the need to increase average wages (10%). The most frequently reported suggestions for how to overcome these challenges included more training and education (particularly vocational education) for job seekers (35%) and improved screening of candidates by CareerSource offices (10%). A few businesses also mentioned that they have encountered difficulties in using Employ Florida Marketplace and that the system is slow and difficult to navigate.

One-stops and local workforce boards provide many services; respondents cited a number of challenges to effective service delivery. 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.[36, 37]

One-stops offer standard and specialized workforce services and collaborate with several other entities; One-stop and workforce board interaction with state agencies is primarily limited to DEO and CSF. One-stops reported that the most frequently requested workforce services by businesses are recruitment, screening, and referral services for open positions (94%), job postings on EFM (91%), and hiring events and job fairs (56%). In addition to these standard workforce services, several one-stops reported that they also offer specialized services, including career training in specific industries such as manufacturing (81%) and services at prisons and correctional institutions (50%).

Most one-stops reported that they provide services to local organizations, including community colleges (88%), community service organizations (81%), and technical or vocational centers/colleges (75%). The majority of one-stops also reported that they work in partnership with local community organizations (97%), universities and colleges (97%), local business leaders (81%), and local education leaders (63%). All respondents reported that they collaborate with other one-stops through joint planning efforts, hosting joint hiring or recruitment events, and conducting joint marketing and training events.

At the state level, 88% of one-stops reported regular interaction (e.g., daily, weekly, or monthly) with DEO, and 41% reported regular interaction with CareerSource Florida. However, 81% reported rarely or never interacting with EFI. Similarly, all workforce board respondents reported that they interact regularly with

[35] OPPAGA surveyed 2,188 businesses that were registered in the EFM, had a valid email address, and received one or more CareerSource employer services between January 1, 2016, and July 15, 2016. Among these businesses, 119 (5%) provided partial responses, and 166 (8%) provided complete responses. Most (95%) of the businesses that responded to the survey had fewer than 500 employees.

[36] OPPAGA surveyed 79 One-Stop Career Center operators. Some operate more than one career center. Seventeen provided partial responses (21%), and 32 (40%) provided complete responses.

[37] OPPAGA surveyed the executive directors and presidents/CEOs of Florida's 24 Local Workforce Development Boards. Four (16%) provided partial responses, and 19 (79%) provided complete responses.

DEO, one-stops, local economic development organizations, and CSF. Most (84%) workforce boards reported that they rarely or never interact with EFI.

DEO should consider helping to facilitate a working relationship between the local boards and EFI. For example, the department could facilitate conference calls or in-person meetings between the CEOs of local boards and EFI economic development staff to discuss and strategize ways to link employer and job seeker needs statewide.

Local workforce entities perceive several challenges in Florida's workforce system and voiced concerns about online tools like EFM and CONNECT. When asked about the biggest challenges to Florida's workforce system, the most frequently reported challenges among one-stops were the gap between job seekers' skills and employers' needs (41%), the lack of skills training for trade jobs (26%), and the disconnect between workforce and other entities like universities and economic development organizations (19%). Among the workforce boards, the most frequently reported challenge was the implementation of new federal requirements (37%), including challenges associated with integrating and coordinating new partners and navigating federal performance measures.

Local workforce entities also identified challenges associated with Employ Florida Marketplace. When asked about the use of EFM by businesses and job seekers, most (84%) boards reported that there are barriers to participation in EFM, including that businesses tend to use other services or websites to find employees (68%) and that businesses are too busy with other tasks (58%). Many (53%) boards reported that the EFM system is cumbersome and difficult to use for businesses and job seekers. Some (19%) of the one-stops also reported that there are problems with EFM, including that many job seekers use other job search sites, EFM is not user friendly, and the site needs to be simplified. DEO officials reported that they are aware of these concerns and are working to address them. The department has contracted with the company that manages EFM to revise the online system, and the revised system is scheduled to launch in early 2017.

In addition, when asked about DEO's online reemployment assistance system, CONNECT, most (97%) one-stops that responded to the survey reported a considerable increase in client and/or call volume during the month following the 2013 launch of CONNECT. Most (69%) reported that they managed the increased volume with existing staff. While some (28%) one-stops reported that they believe the CONNECT system is functioning as intended and users experience few problems today, 45% reported that they are still observing a moderate level of problems and complaints from claimants about basic system functions, and 17% reported that major problems still exist with basic system functions. To address any remaining concerns that may exist with regard to CONNECT, DEO should consider working with each workforce region to develop a greater understanding of ongoing system issues and possible solutions.

Local Workforce Development Boards met or exceeded statewide scores for federal performance measures to varying degrees. Federal workforce performance measures, called the Common Measures, assess local workforce board performance. The state as a whole consistently met federal workforce performance standards during the review period. DEO monitors each regional board's performance annually, and if a board does not meet individual performance goals, the department provides technical assistance (e.g., assistance with monitoring data, webinars, etc.) to help the board improve and meet their goal(s).

To assess local workforce board achievement of federal performance measures, 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 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. (See Exhibit 3-4).

According to DEO staff, some regions may not have renegotiated the increased performance goal targets that were established by CSF at the direction of the Governor in Fiscal Year 2012-13. Therefore, some regions, including Polk, are still operating under higher targets for their performance goals than other regions and as a result, rank lower in this analysis. 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. DEO staff reported that Florida's workforce performance goals are higher than those in other states, that performance is stringently monitored, and that the regional boards are performing well overall.

Exhibit 3-4
Most Local Workforce Development Boards Exceeded Statewide Performance on Federal Common Measures for Workforce Services During Fiscal Years 2012-13 Through 2014-15

Local Workforce Development Board	Federal Common Measure Performance Score	Above, Below, or Meets Statewide Score	Number of Times Goals Not Met, Met, or Exceeded		
			Not Met	Met	Exceeded
Statewide	12		0	21	12
CareerSource Gulf Coast	22	Above	2	7	24
CareerSource Pasco Hernando	22	Above	0	11	22
CareerSource Brevard	21	Above	1	10	22
CareerSource Chipola	19	Above	3	8	22
CareerSource North Central Florida	19	Above	3	8	22
CareerSource Flagler Volusia	19	Above	2	10	21
CareerSource Heartland	19	Above	4	6	23
CareerSource Pinellas	18	Above	1	13	19
CareerSource Escarosa	16	Above	3	11	19
CareerSource Northeast Florida	16	Above	1	15	17
CareerSource Suncoast	16	Above	1	15	17
CareerSource Capital Region	15	Above	4	10	19
CareerSource Florida Crown	15	Above	5	8	20
CareerSource Broward	15	Above	4	10	19
CareerSource Southwest Florida	15	Above	3	12	18
CareerSource South Florida	14	Above	1	17	15
CareerSource Tampa Bay	13	Above	5	10	18
CareerSource Research Coast	13	Above	3	14	16
CareerSource Okaloosa Walton	12	Meets	4	13	16
CareerSource Central Florida	12	Meets	5	11	17
CareerSource Palm Beach County	12	Meets	5	11	17
CareerSource Citrus Levy Marion	11	Below	4	14	15
CareerSource North Florida	9	Below	8	8	17
CareerSource Polk	4	Below	5	19	9

Note: Individual scores can range from -33 to +33. A score of zero would represent a board that has met all goals for the 3-year period. Data was not included for the Wagner-Peyser program for Fiscal Years 2012-13 because of missing values.

Source: OPPAGA analysis of Department of Economic Opportunity data.

Florida has consistently met several federal unemployment performance measures but has struggled to meet goals related to first payment promptness and nonmonetary determination quality. 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. (See Exhibit 3-5).

With respect to first payment promptness, DEO staff reported that reasons for not meeting performance goals include personnel, level of training, and technological problems associated with the 2013 launch of CONNECT. DEO staff also reported that the reversals that occur as part of the appeals process could lead to late adjudication of cases, which contributes to the inability to meet the first payment timeliness standard. With respect to nonmonetary determination time lapse, performance improved in Fiscal Year 2014-15. 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.

Exhibit 3-5
Reemployment Assistance Did Not Meet All Federal Performance Requirements During Fiscal Years 2012-13 Through 2014-15[1]

Unemployment Insurance Core Measure	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
First Payment Promptness	Did not meet	Did not meet	Did not meet
Nonmonetary Determination Time Lapse	Did not meet	Did not meet	Met or exceeded
Nonmonetary Determination Quality – Nonseparations	Did not meet	Did not meet	Did not meet
Nonmonetary Determination Quality – Separations	Did not meet	Did not meet	Did not meet
Lower Authority Appeals Quality	Met or exceeded	Met or exceeded	Met or exceeded
New Employer Status Determinations Time Lapse	Met or exceeded	Met or exceeded	Met or exceeded
Tax Quality	Met or exceeded	Met or exceeded	Met or exceeded

Source: OPPAGA analysis of U.S. Department of Labor data.

Options for Consideration

The Department of Economic Opportunity performs a wide range of activities to support the state's business, community, and workforce development efforts. To enhance these efforts and further improve Florida's overall economic development system, DEO and the Legislature could consider several options to increase program efficiency and participation across the department's three main divisions. In addition, there are opportunities to improve communication between the state's economic development and workforce development entities and improve the functionality of department data systems. (See Exhibit 3-6.)

Exhibit 3-6
The Legislature and DEO Could Consider Options for Improving the Department's Programs and Activities and Enhancing the State's Economic Development System

IMPROVE STRATEGIC BUSINESS DEVELOPMENT PROCESSES

OPTION 1 – Improve the timeliness of the incentive claims and payment processes

- DEO should educate businesses about documentation requirements early in the incentive application process.
- DEO should provide businesses with technical assistance during the claim submission process.
- DEO should examine the claims and payments processes to determine if there are additional opportunities for improvement.

OPTION 2 – Address concerns about Economic Development Incentives Portal functionality

- DEO should enhance the portal by providing additional search functions, such as award amounts and keywords, and offering users the ability to export results to Excel or another format

IMPROVE COMMUNITY DEVELOPMENT PROGRAMS

OPTION 3 – Improve community planning grant program award processes

- DEO should establish a uniform review and scoring process for the Community Planning Technical Assistance and Competitive Florida grant programs.

OPTION 4 – Address program administration and participation concerns about small and minority business programs

- If the Legislature chooses to continue the Microfinance Loan Program, it could consider two actions.
  - To increase business participation in the program, increase the duration of the loan term from 12 months to 18 or 24 months.
  - To increase the number of providers for the program, increase the amount of allowable administrative fees.
- Alternatively, the Legislature could require DEO to review both the Microbusiness Loan and Black Business Loan programs' administrative funding levels for contracted providers and determine whether an increase is warranted.

OPTION 5 – Improve marketing of small and minority business and rural economic development programs

- DEO should develop a small and minority business and rural economic development program marketing plan. Marketing efforts could include
  - providing advertising materials at One-Stop Career Centers, Small Business Development Center Network offices, and local economic development offices that provide business assistance;
  - more prominent placement of program information on DEO's website; and
  - provision of program information to business associations and industry organizations.

OPTION 6 – Relocate small and minority business assistance programs to the same DEO division that will be administering EFI's small business programs

- Once all of the small and minority business programs are transferred from EFI to DEO, the department should consider creating a Division of Small Business Development and co-locating all small business programs. For example, all of the Bureau of Economic Development's small business and rural economic development programs could be housed in the new division along with the State Small Business Credit Initiative and other small and minority business programs.
- Consolidating all of the department's small and minority business programs within the same division would make it easier to administer and advertise these programs and would heighten the visibility of the programs within DEO.

ENHANCE WORKFORCE DEVELOPMENT EFFORTS

OPTION 7 – Enhance communication between local workforce boards and state-level economic development entities

- To address concerns about the level of coordination and communication with state-level economic development entities, DEO should consider helping to facilitate a working relationship between the local workforce boards and EFI.
- DEO could also facilitate conference calls or in-person meetings between the CEO's of local boards and EFI business development staff to discuss and strategize ways to link employer and job seeker needs statewide.

OPTION 8 – Improve functionality of Employ Florida Marketplace and CONNECT

- DEO should proceed with recent efforts to address concerns about EFM; concerns include that the system is cumbersome and difficult to use for businesses and job seekers, is not user friendly, and needs to be simplified. DEO is aware of these concerns and has contracted with the company that manages EFM to revise the online system. The revised system is scheduled to launch in early 2017.
- Given that the CONNECT system has been active for three years, DEO should consider working with each workforce region to develop a greater understanding of any ongoing system issues and possible solutions.

Source: OPPAGA analysis.

Appendix A

Comparison of Florida's Economic Development System to Other States

Exhibit A-1
Florida's Approach to Economic Development Is Similar to Several Other States

State	Entity Name	Description
Arizona	Arizona Commerce Authority	The Arizona Commerce Authority's (ACA) mission is to grow and strengthen Arizona's economy. The ACA recruits out-of-state companies to expand their operations in Arizona; works with existing companies to grow in Arizona; and collaborates with entrepreneurs and companies to create new jobs and businesses in targeted industries. A public-private sector board comprised of Arizona leaders in business and policy oversees the ACA.
Florida*	Enterprise Florida	Enterprise Florida, Inc. is a public-private partnership between Florida's business and government leaders. EFI's mission is to expand and diversify the state's economy through job creation. EFI works with a statewide network of economic development partners and is funded both by the state and by the private sector. A board of directors oversees EFI; board members include businesses, local economic development organizations, and educational institutions.
Illinois*	Illinois Business and Economic Development Corporation	The Illinois Business and Economic Development Corporation (IBEDC) was modeled from best practices of other successful state and local economic development organizations and will focus on sales, marketing, and customer service. The IBEDC is currently in its formative stages and not yet operational. A board of directors will oversee the corporation.
Indiana	Indiana Economic Development Corporation	The Indiana Economic Development Corporation (IEDC) is Indiana's lead economic development agency. The IEDC was established to respond quickly to the needs of businesses. Led by the Indiana Secretary of Commerce, the IEDC is organized as a public-private partnership governed by a board that is chaired by the governor and includes members that reflect the geographic and economic diversity of Indiana.
Iowa	Iowa Innovation Corporation	The Iowa Innovation Corporation (IICorp) is a private non-profit organization charged with being Iowa's innovation intermediary. IICorp fosters research and development, supports the commercialization of ideas, and establishes funding resources to help Iowa companies grow and innovate. A board of directors oversees the corporation.
	Iowa Economic Development Authority	The Iowa Economic Development Authority (IEDA) was created to replace the Iowa Department of Economic Development. IEDA's mission is to strengthen economic and community vitality by building partnerships and leveraging resources. The authority administers several state and federal programs to meet its goals of assisting individuals, communities, and businesses.
Michigan*	Michigan Economic Development Corporation	The Michigan Economic Development Corporation (MEDC) enlists the help of regional economic development partners to expand and attract businesses. Partners engage in various activities, including grant financing, matchmaking and networking, site selection assistance, providing resources to companies, and assisting entrepreneurial endeavors. In addition to serving in an advisory role to MEDC in policy and procedure, partners also help to retain, attract, and grow business in local communities.
Missouri*	Missouri Partnership	The Missouri Partnership works with state, regional, and local economic development organizations to bring new business to Missouri. The partnership is a non-profit corporation supported by the Missouri Department of Economic Development and the Hawthorn Foundation, a business organization that supports Missouri's economic development efforts. Led by a board of directors and working in collaboration with partners from across the state, the partnership markets Missouri's business advantages.
New Jersey*	New Jersey Partnership for Action	The Partnership for Action is a public-private approach to economic development and the springboard for all initiatives, policies and efforts related to growing New Jersey's economy and creating jobs. The partnership includes the New Jersey Economic Development Authority and Choose New Jersey.
	New Jersey Economic Development Authority	The New Jersey Economic Development Authority is an independent state agency that finances small and mid-sized businesses, administers tax incentives to retain and grow jobs, revitalizes communities through redevelopment initiatives, and supports entrepreneurial development by providing access to training and mentoring programs.
	Choose New Jersey	Choose New Jersey encourages economic growth throughout New Jersey, with a focus on urban centers. Through integrated marketing and business attraction and retention efforts, Choose New Jersey stimulates job creation and capital investment and collaborates with the state's universities to encourage research, discovery, and innovation. A group of leaders from companies, labor organizations, associations, and higher education institutions, supports the organization.

State	Entity Name	Description
New Mexico*	New Mexico Partnership	The New Mexico Partnership is contracted by the New Mexico Economic Development Department to be the single entity that supports business location and expansion in New Mexico. The partnership offers a coordinated approach and a formal network of economic developers to simplify the site selection process by providing information and support regarding incentives, workforce training programs, and real estate sites and buildings. A board appointed by governor oversees the partnership.
North Carolina*	Economic Development Partnership of North Carolina	The Economic Development Partnership of North Carolina (EDPNC) recruits new businesses to the state, supports the needs of existing businesses, connects exporters with customers, and helps launch small businesses. As a non-profit public-private partnership, the EDPNC operates under contract with the North Carolina Department of Commerce, while receiving significant financial support from companies and businesses throughout the state. A board of business and industry leaders representative of the entire state governs the EDPNC.
Ohio*	JobsOhio	JobsOhio is a private non-profit corporation designed to drive job creation and new capital investment in Ohio through business attraction, retention, and expansion efforts. The JobsOhio board of directors is comprised of leaders from a variety of businesses and organizations.
Pennsylvania*	Team Pennsylvania Foundation	Team Pennsylvania Foundation is a non-partisan, charitable, non-profit organization that bridges the gap between government and the private sector to allow both sides to collaborate. A public-private board co-chaired by the governor and a private sector CEO leads Team Pennsylvania.
Rhode Island	Rhode Island Commerce Corporation	The Rhode Island Commerce Corporation is the full-service, official, economic development organization for Rhode Island. A quasi-public agency, the corporation serves as a government and community resource to help streamline business expansion and relocation. The corporation assists companies with commercial real estate, business financing, workforce training, and other relevant issues. A board of directors oversees the corporation.
Texas*	TexasOne (Texas Economic Development Corporation)	The TexasOne program is a public-private partnership of the Texas Economic Development Corporation that markets the state. Major activities include trade and industry events, business recruitment missions, signature events, advertising and public relations, and an interactive web presence. A board of directors oversees the program.
Utah*	Economic Development Corporation of Utah	The Economic Development Corporation of Utah (EDCUtah) encourages job growth and capital investment by assisting in-state companies to grow and recruiting out-of-state companies to expand and relocate in Utah. EDCUtah is a private, non-profit organization, receiving support from the public and private sector. Public and private members form a partnership that allows EDCUtah to pursue economic opportunities and allows partners to get involved in and be informed about key economic activity. A board of trustees oversees the corporation.
Virginia	Virginia Economic Development Partnership	The Virginia Economic Development Partnership (VEDP) is a state authority governed by a board of directors that includes businesspersons from around Virginia, each of whom is appointed by the governor and the general assembly. VEDP focuses on cultivating new business investment, fostering international trade growth, and encouraging the expansion of existing Virginia businesses.
Wisconsin	Wisconsin Economic Development Corporation	The Wisconsin Economic Development Corporation (WEDC) is the state's lead economic development agency. As a public-private entity formed to drive business development, WEDC deploys funds to maximize economic opportunity. A board of directors representing statewide public and private economic development interests provides strategic leadership and operational oversight.
Wyoming	Wyoming Business Council	The Wyoming Business Council focuses public and private efforts to build a strong job creation base. The council's key programs focus on helping communities develop, recruiting new businesses to the state, helping established businesses and agricultural operations improve, and working with residents and businesses to become more energy efficient. A board of directors oversees the council.

* The state also has a state-level Department of Commerce, Department of Economic Development, or other public entity that has economic development-related duties and responsibilities.

Source: OPPAGA review of other states' websites, annual reports, financial statements, etc.

Appendix B

Location Quotient

OPPAGA calculated location quotients for six Qualified Target Industry sectors in Florida and comparison states from 2006 to 2015. Location quotients compare local employment in a given industry to statewide or national employment in that industry. Location quotients exceeding 1.0 indicate that their levels of industry employment were higher than the state or national level. A positive change in location quotient indicates that the industry is growing relative to the state or nation. Florida had growth in the Manufacturing and Management of Companies and Enterprises Industries. Exhibit B-1 shows Florida and its competitor states in order from highest to lowest change in location quotient for each industry sector.

Exhibit B-1
Location Quotients for Selected Industries in Florida and Comparison States for 2006-2015

State	Location Quotient 2015	Change in Location Quotient 2006-2015
Manufacturing		
Alabama	1.62	0.08
Florida	0.47	0.00
California	0.89	-0.02
Georgia	1.03	-0.03
Texas	0.86	-0.04
Tennessee	1.32	-0.05
North Carolina	1.28	-0.06
New York	0.57	-0.07
Wholesale Trade		
Texas	1.22	0.06
Georgia	1.24	0.01
North Carolina	1.04	0.01
California	1.03	0.01
Florida	0.96	0.00
Alabama	0.97	-0.02
New York	0.89	-0.07
Tennessee	1.01	-0.08
Information		
California	1.49	0.16
North Carolina	0.94	0.12
New York	1.49	0.08
Georgia	1.30	0.03
Tennessee	0.77	-0.01
Florida	0.83	-0.07
Alabama	0.60	-0.11
Texas	0.88	-0.13
Finance and Insurance		
Alabama	0.95	0.10
North Carolina	0.94	0.09
Texas	1.06	0.05
Georgia	0.95	0.05
Florida	1.04	0.04
Tennessee	0.89	0.04
New York	1.37	-0.08
California	0.78	-0.15

State	Location Quotient 2015	Change in Location Quotient 2006-2015
Professional, Scientific, and Technical Services		
North Carolina	0.87	0.07
Georgia	1.01	0.06
Texas	0.99	0.02
Tennessee	0.73	0.02
California	1.18	0.00
Florida	0.99	0.00
New York	1.16	-0.03
Alabama	0.86	-0.05
Management of Companies and Enterprises		
Tennessee	0.94	0.29
Texas	0.64	0.21
Florida	0.74	**0.07**
Georgia	1.00	0.02
Alabama	0.54	0.01
California	0.89	-0.13
New York	1.00	-0.14
North Carolina	1.27	-0.05

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

Appendix C

Shift-Share Analysis

OPPAGA calculated a shift-share analysis for six Qualified Target Industry sectors in Florida and comparison states from 2006 to 2015. Shift-share represents how much of the employment growth or decline in the state or county industry was due to the national or state economy, the national or state level trend within the particular industry, and the state or county's characteristics. Shift-share is comprised of the three components listed below. The change in employment between 2006 and 2015 equals the sum of the three components.

- National (or State) Growth Share is the change in employment due to the growth of the overall national or state economy. If the national or state economy is growing, then you expect to see a positive change in each industry in the state or county.
- Industry Mix Share is the change in employment due to the growth (or decline) of the overall industry in the nation or state relative to the growth (or decline) of the overall national or state economy.
- Regional Shift is the change in employment due to the state or county's characteristics (also referred to as competitive share). It is the most important component. A positive regional shift indicates the state or county industry is outperforming the national or state trend. A negative effect indicates that the state or county industry is underperforming compared to the national or state trend.

The shift-share analysis shows a positive regional shift in Florida for two industries: Management of Companies and Enterprises and Finance and Insurance. This indicates that the growth in these industries outperformed the national trend and was attributable to the state's relative competitive advantage. Exhibit C-1 shows Florida and its competitor states in order from highest to lowest Regional Shift values for each industry sector.

Exhibit C-1
Shift-Share Values for Selected Industries in Florida and Competitor States for 2006-2015

State	Employment Change 2006-2015	National Growth Share	Industry Mix Share	Regional Shift
		Manufacturing		
Texas	-48,601	45,893	-165,432	70,938
Alabama	-44,981	14,997	-54,059	-5,919
Florida	**-59,860**	**19,926**	**-71,828**	**-7,958**
Georgia	-72,065	22,184	-79,966	-14,283
Tennessee	-66,832	19,772	-71,273	-15,331
California	-211,525	74,046	-266,915	-18,656
North Carolina	-92,600	27,413	-98,816	-21,197
New York	-112,192	27,962	-100,794	-39,359
		Wholesale Trade		
Texas	97,584	24,708	-25,550	98,426
California	14,225	34,671	-35,852	15,406
North Carolina	1,895	8,758	-9,057	2,193
Georgia	769	10,679	-11,043	1,133
Alabama	-7,632	4,025	-4,162	-7,495
Tennessee	-11,417	6,563	-6,787	-11,193
New York	-12,351	17,424	-18,017	-11,757
Florida	**-12,991**	**17,220**	**-17,807**	**-12,404**

State	Employment Change 2006-2015	National Growth Share	Industry Mix Share	Regional Shift
Information				
California	11,772	23,285	-67,621	56,108
New York	-1,867	13,210	-38,363	23,285
North Carolina	2,726	3,624	-10,524	9,626
Georgia	-9,325	5,744	-16,679	1,611
Tennessee	-5,643	2,431	-7,060	-1,014
Texas	-22,113	11,036	-32,047	-1,101
Alabama	-8,810	1,501	-4,359	-5,952
Florida	**-31,274**	**8,285**	**-24,061**	**-15,498**
Finance and Insurance				
Texas	62,015	21,911	-41,938	82,042
North Carolina	8,222	7,438	-14,236	15,020
Georgia	-294	8,055	-15,417	7,068
Florida	**-12,696**	**18,107**	**-34,657**	**3,854**
Tennessee	-1,401	5,243	-10,036	3,392
Alabama	-1,100	3,554	-6,802	2,148
New York	-31,882	26,658	-51,024	-7,516
California	-121,384	31,911	-61,078	-92,217
Professional, Scientific, and Technical Services				
Texas	184,350	25,969	60,927	97,454
North Carolina	46,492	8,551	20,062	17,879
Georgia	48,370	10,450	24,516	13,404
California	179,682	50,471	118,412	10,798
New York	97,914	27,228	63,881	6,804
Tennessee	20,537	5,330	12,505	2,702
Alabama	1,782	4,672	10,962	-13,852
Florida	**56,350**	**22,323**	**52,372**	**-18,345**
Management of Companies and Enterprises				
Texas	60,380	2,780	10,187	47,413
Tennessee	18,174	1,188	4,353	12,633
Florida	**22,900**	**3,661**	**13,418**	**5,821**
Georgia	13,182	2,597	9,518	1,067
Alabama	2,083	660	2,419	-996
North Carolina	12,976	3,414	12,513	-2,951
New York	15,833	6,270	22,982	-13,419
California	17,224	10,529	38,592	-31,897

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

Appendix D

Economic Development Best Practices

Exhibit D-1
Many States Have Adopted Best Practices Identified by Economic Development Experts

Best Practice	Example States	
Establish a guiding vision and strategy for how to address state economic growth and development	Iowa Montana	New York Virginia
Create organizational structures that support implementation of the state's economic development vision and strategy	Colorado Indiana	North Carolina Oklahoma
Foster a competitive tax and regulatory environment	Colorado Kansas New Jersey	North Carolina Texas
Coordinate and streamline programs to improve the experience for businesses and workers • Build ecosystems, not programs	California New York	Texas
Enhance infrastructure development in support of economic growth • Generate funds to support transportation projects • Increase broadband connectivity	Arizona Colorado Florida Georgia Idaho	Illinois Minnesota Nevada Oregon Utah
Focus on workforce development strategies that respond to the demands of the private sector and that link into the kindergarten through 12th grade and postsecondary system of education • Teach entrepreneurship skills and attitudes at all education levels • Reward strong ties among universities, companies, and entrepreneurs	Arizona Colorado Florida Kansas Kentucky Massachusetts Nebraska	New Jersey Utah Virginia Washington West Virginia Texas
Create and use institutions that speed the process of moving applied research to the market (e.g., technology transfer) • Build a startup environment and culture • Encourage entrepreneurs and companies, small and large, to build innovation clusters	California Colorado Massachusetts Maryland Ohio Oregon	Pennsylvania Tennessee Washington West Virginia Wyoming
Support advanced manufacturing and industries, often in partnership with the federal government and universities • Find the potential high-growth companies and help them grow • Help companies open doors to new customers—globally and locally	Kansas Nebraska North Carolina	Pennsylvania Virginia Washington
Support entrepreneurs and new businesses • Put entrepreneurial activity at the top of the state's economic agenda • Cast a wide net to find entrepreneurs • Distinguish among different kinds of entrepreneurs and businesses and target policies and resources accordingly	Colorado Delaware Iowa Massachusetts Maine Michigan New Jersey	New York Nebraska Oregon Tennessee Washington Wisconsin
Increase exports and international trade • Provide international market assessments and business practice information about foreign countries • Create export training programs to help companies develop customized international growth plans • Coordinate trade missions and trade shows to support in-state companies in their export activities to attract foreign companies and foreign direct investment	Indiana Kentucky Louisiana Michigan Mississippi	Nevada South Carolina Texas Utah Washington
Provide small businesses with access to capital, technical assistance to support growth, and incentives to invest in distressed areas	Colorado Georgia Indiana Maryland	Oregon Tennessee Texas
Gather and analyze data to determine which strategies work and aim for continuous improvement	Maryland New York	Virginia Washington

Source: *Growing State Economies: 12 Actions*, National Governors Association, 2013; *Reorienting State and Regional Economic Development: Lessons Learned from National Examples*, Chicago Metropolitan Agency for Planning, 2014; *Enterprising States 2014*, U.S. Chamber of Commerce Foundation, 2014; *State Strategies for Growing Businesses and Creating Jobs*, Connecticut General Assembly Office of Legislative Research, 2015; *Revisiting Top Trends in State Economic Development*, National Governors Association, 2016.

Appendix E

Florida's Implementation of Best Practices

Exhibit E-1
At the State Level, Florida Has Made Progress Implementing Best Practices

BEST PRACTICE	EXAMPLES OF FLORIDA'S EFFORTS
Establish a guiding vision and strategy for how to address state economic growth and development	• *Florida Strategic Plan for Economic Development* – 2012
Create organizational structures that support implementation of the state's economic development vision and strategy	• Creation of Enterprise Florida – 1996 • Creation of the Department of Economic Opportunity – 2011
Foster a competitive tax and regulatory environment	• Permanent Sales Tax Exemption for Machinery and Equipment Used in Manufacturing – 2016 • No state personal income tax and low corporate income tax rate • Multiple sales tax exemptions to benefit businesses
Coordinate and streamline programs to improve the experience for businesses and workers	• Improvement needed
Enhance infrastructure development in support of economic growth	• State Infrastructure Bank – 1997 • Broadband Florida Initiative – 2009 • Economic Development Transportation Fund – 2012
Focus on workforce development strategies that respond to private sector demands and link to a state's education system	• Creation of WorkForce Florida – 1994 • Statewide rebranding of the workforce system to CareerSource Florida – 2013 • Development and implementation of WIOA unified state plan – 2016
Create and use institutions that speed the process of moving applied research to the market	• Creation of the Florida Institute for the Commercialization of Public Research – 2007
Support advanced manufacturing and industries	• Enterprise Florida devotes resources to support advanced manufacturing
Support entrepreneurs and new businesses	• Creation of Florida Opportunity Fund – 2007 • Creation of Florida Growth Fund – 2008
Increase exports and international trade	• Enterprise Florida international trade and development activities, including o trade missions comprised of private and public sector leaders who visit target international markets; o trade shows that promote state export activities and include a "Florida Pavilion" where Florida-based companies display products or services; o grant programs to help businesses pay for trade mission and trade show expenses and to defray the cost of creating export-marketing plans; and o foreign offices that support EFI's international trade activities abroad, including recruiting companies and generating foreign direct investment leads. • Florida Small Business Development Center Network export marketing plan services
Provide small businesses with access to capital, technical assistance, and incentives	• Florida Small Business Development Center Network – 1976 • New Markets Development Program4 – 2009 • State Small Business Credit Initiative – 2010
Gather and analyze data to determine which strategies work and aim for continuous improvement	• OPPAGA and EDR tasked with evaluating effectiveness and return on investment of select economic development programs – 2013

Source: OPPAGA analysis.

Appendix F

Enterprise Florida Major Units

Business Development

The Business Development Unit recruits and assists companies interested in expanding or relocating in Florida. EFI's Business Development Unit identifies resources needed for businesses to expand or relocate to the state and assists companies through the process of identifying and obtaining financial incentives (e.g., cash grants, tax exemptions, and tax credits) and other benefits such as expedited permitting and employee training grants. The business development team works directly with companies that are interested in expanding or locating in Florida. Project managers coordinate business attraction efforts with the needs and resources of state, regional, and local organizations. Activities include business investment referrals to regional and local economic development organizations, proposal development, as well as site inspection, visit coordination, provision of information, and resolution of location impediments. EFI reported 177 announced projects for Fiscal Year 2015-16, a decrease from 211 announced projects in the prior fiscal year. During the period, EFI also reported referring 169 project leads to partners.

The unit assists businesses throughout the process of applying for state economic incentives. The unit provides businesses a variety of services prior to application filing, including evaluating businesses' needs, identifying potential site locations, and providing information on state and local incentives that might aid businesses with expansion or relocation projects. Unit staff also helps businesses complete the incentive application, which may require coordination with local economic development organizations and/or consultants. Businesses can apply for more than one incentive to support their expansion or relocation projects. Once a company begins the application process, EFI notifies DEO so that the department may begin its formal due diligence process to determine the business's statutory eligibility and financial standing.

Targeted development programs support business growth in specific areas, such as international trade and entrepreneurship. In addition to the activities conducted by the Business Development unit, EFI offers targeted services to enhance international and domestic trade opportunities for Florida companies; assist minority and small businesses with training, development, and financing options; and assist communities and host organizations in attracting sports events. These targeted development programs include International Trade and Development, Minority and Small Business Entrepreneurship and Capital (MaSBEC), and Sports Industry Development.[38, 39]

International Trade and Development assists Florida businesses to expand exports. DEO contracts with EFI to conduct various activities related to international trade, including coordinating trade missions, promoting state export activities through trade shows, administering grant programs, providing businesses with export education and counseling, and operating foreign offices.

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[38] The 2011 Legislature consolidated programs, functions, and duties of the Florida Sports Foundation and the Florida Black Business Investment Board into EFI.

[39] Two other public-private economic development partnerships, Space Florida and VISIT FLORIDA, did not merge under EFI; however, the Legislature clarified their relationship to EFI. Space Florida retained its special district status under the direction of the EFI board, and VISIT FLORIDA is under contract with the EFI board.

- Trade missions are coordinated by EFI and are typically led by the Governor or other high-ranking state officials. The missions bring together large business development delegations comprised of private and public sector leaders who visit target markets of high opportunity.
- Trade shows are industry-specific events that promote state export activities. Participants exhibit product innovations and identify markets for these goods. At these events, EFI organizes a Florida Pavilion that provides designated space for Florida-based companies to display products or services.
- Grant programs include funds that EFI provides to businesses to help them pay for trade mission and show expenses and to defray the cost of creating an export-marketing plan.
- Export education and counseling includes free export counseling for businesses and educational seminars and other events where businesses can learn about international trade assistance available to companies seeking to expand to foreign markets.
- Foreign offices in 13 countries perform functions that support EFI's international trade activities abroad, including recruiting companies and generating foreign direct investment leads.[40, 41]

In 2015, OPPAGA found that stakeholders support EFI's international trade and promotion activities and value the advantages of building relationships and networks in foreign countries.[42] However, OPPAGA also found that EFI cannot accurately assess performance using existing export sales and foreign investment data and could enhance how it measures performance related to helping companies diversify markets. In addition, the majority of grants are awarded to a relatively small number of companies, raising concerns about efforts to encourage new companies to pursue exporting. To address these issues, OPPAGA recommended that EFI improve the information it uses to assess its international trade and development efforts and explore options to provide additional assistance to companies new to exporting.

Minority & Small Business, Entrepreneurship and Capital helps businesses obtain financing, training, and development. MaSBEC partners with outside organizations to support minority, small, and entrepreneurial companies. EFI's network of state, federal, and non-profit resources provide a number of programs to assist such businesses in accessing capital, entering new markets, and creating revenue growth and job creation. These programs include loans, bond financing, venture capital, technology transfer support, and minority business services. (See Exhibit F-1.)

[40] Full-service foreign offices are located in Brazil, Canada, China, France, Germany, Israel, Japan, Mexico, South Africa, Spain, and the United Kingdom. Liaison offices are located in the Czech Republic and Taiwan.

[41] The offices refer leads to EFI's Business Development Unit, which often works directly with companies.

[42] *Florida Economic Development Program Evaluations – Year 3,* OPPAGA Report No. 15-11, November 2015.

Exhibit F-1
MaSBEC Provides a Variety of Services to Minority, Small, and Entrepreneurial Companies

Program	Description
Small Business Loan Support Program	State Small Business Credit Initiative and Microfinance Guarantee programs assist small businesses in obtaining loan approvals and leverage private capital for use in startup costs, working capital, business procurement, franchise fees, equipment, inventory, or the purchase of owner-occupied commercial real estate.
Bond Financing	Florida Development Finance Corporation is a conduit issuer (not direct issuer) of industrial revenue bonds (IRBs) for small manufacturers and 501(c)3 organizations. The advantage of IRBs is the potential to provide borrowers significant interest and state tax savings. IRB proceeds may be used for capital expenditures, such as land, long-term equipment, and building construction/renovations.
Venture Capital	Florida Opportunity Fund provides venture capital for start-up and early-stage businesses. Venture capital programs include a state-run venture capital fund (which may include other private investors) that invests directly in businesses and a fund of funds program that invests in other venture capital funds that in turn invest in individual businesses.
Phase 0 Program	Phase 0 Program helps Florida's small businesses improve their chances of submitting successful Small Business Innovation Research or Small Business Technology Transfer Phase 1 proposals for federal research and development funds. Eligible expenses include market research, technology consulting services, and grant writing assistance.
Minority Business Development	Partnerships with several established outside organizations help provide small, minority and entrepreneurial companies with training, development and financing options. EFI has a network of state, federal and non-profit resources that can help small businesses access capital, enter new markets, and create revenue growth and job creation.[1]

[1] Partners include the Florida Advisory Council on Small and Minority Business Development, the Florida Association of Minority Business Enterprise Officials, the Florida Coalition of Microenterprise Business Development, the Florida Consortium of Black Business, the Hispanic Business Initiative Fund, and the Southern Florida Minority Supplier Development Council.
Source: Enterprise Florida, Inc.

OPPAGA has previously reviewed several MaSBEC programs. For example, in 2015, OPPAGA found that Florida's State Small Business Credit Initiative (SSBCI) programs had loaned or awarded $66.6 million to 78 companies as of June 30, 2014.[43] These companies reported creating 1,806 jobs and using the funds to leverage $259.3 million in private investments. However, reviews by the U.S. Department of Treasury and a third-party auditor found instances of inaccurate reporting related to SSBCI funds and expenses; corrective action was taken to resolve these issues.

OPPAGA also reviewed the Florida Opportunity Fund (FOF) and found that fund annual reports have not adequately addressed statutory information requirements, including businesses or jobs created, industry growth, or additional capital leveraged. In addition, the FOF's fund manager was unable to provide OPPAGA information needed to fully evaluate the progress of business growth for projects funded through direct investments. To address these concerns, FOF agreed to improve reporting to incorporate OPPAGA feedback and ensure consistent and accurate reporting of all statutorily-required information.

Sports Industry Development helps communities attract major and minor sports events. The Florida Sports Foundation serves as EFI's Sports Industry Development Division.[44, 45] Under the guidance of a board of directors, the foundation helps communities to secure, host, and retain sporting events and sports related businesses; provides Floridians with participation opportunities in Florida's Sunshine State Games and Florida Senior Games; serves as Florida's designated resource for sports tourism research; and promotes targeted leisure sports industries in Florida.[46] In addition, state law provides certification and state funding

[43] *Status of Florida's State Small Business Credit Initiative Programs*, OPPAGA Report No. 15-02, January 2015.

[44] The 1989 Legislature created the Florida Sports Foundation. The foundation is a 501(c)(3) non-profit corporation.

[45] The 2011 Legislature consolidated the program, functions, and duties of the Florida Sports Foundation into EFI.

[46] EFI appoints the foundation's board of directors. The board's role is to share sports industry expertise and give input that will assist in the growth and success of the foundation's mission. In addition to a five-member executive committee, there are currently 17 board members who represent professional sports, fishing, golf, auto racing, and recreational sports industries.

for new or retained professional sports franchises in Florida to pay for acquiring, constructing, reconstructing, or renovating facilities. DEO is responsible for screening and certifying applicants for state funding, and the Florida Sports Foundation provides access to information about the program.[47]

The foundation also offers grants to assist communities and host organizations in attracting sports events to generate out-of-state visitors and expenditures. Events considered for grant funding include amateur or professional sports or other types of athletic events. To qualify for grant funding, the state's local and regional sports commissions and assigned host committees submit grant applications to the foundation; the foundation's board approves or adjusts award amounts at quarterly board meetings, subject to the foundation's annual budget.

In 2015, OPPAGA found that amateur and professional sports industry stakeholders are very satisfied with the Florida Sports Foundation's programs and performance and believe that the industry significantly benefits from the foundation's activities.[48] However, the foundation's process for administering grants needed improvement to help ensure that estimated economic impacts are accurate.

Strategic Partnerships

The Strategic Partnership Unit is responsible for supporting EFI's board and generating private sector investment. EFI's Strategic Partnerships Unit oversees several areas of responsibility, including board administration, investor development, stakeholder relations, community competitiveness, corporate and internal services, and military and defense programs. The unit provides board member orientations, coordinates board appointments, and plans and executes board meetings. The unit also proactively solicits stakeholder input, performs in-community visits, and hosts regional training sessions to connect stakeholders and partners to EFI programs and services. In addition, the unit conducts a Community Asset Survey to acquire competitiveness information about Florida counties, assists Rural Areas of Opportunity with best practices information, and maintains up-to-date profiles of Florida counties.

EFI maintains a network of Primary Partners that consists of representatives from 67 local and 7 regional economic development organizations across the state. The Primary Partners, as well as representatives of workforce and business development organizations, regional planning councils, educational entities, and private businesses, comprise the EFI Stakeholders Council. This council serves as an advisory committee to the EFI board and meets three times per year in conjunction with EFI board meetings. Council members discuss local, regional, and statewide economic development issues and advise the board on economic development competitiveness issues.

The unit also supports the state's military and defense industry. In addition to its partner and board support activities, the Strategic Partnership Unit also oversees activities intended to support and expand the state's military economy. The Legislature established a variety of military and defense programs to ensure that Florida's military bases and host communities are in a competitive position during periods when the U.S. Department of Defense downsizes and realigns military installations. Three state entities administer Florida's military and defense programs, with EFI taking the primary role, and the Departments of Economic Opportunity and Environmental Protection performing support functions. EFI provides staff support to the

[47] Since 1994, the Legislature has allocated state funding for 8 major professional sports facilities; 10 Major League Baseball spring training facilities; and the Professional Golf Hall of Fame.

[48] *Florida Economic Development Program Evaluations – Year 2,* OPPAGA Report No. 15-01, January 2015.

Florida Defense Alliance and Florida Defense Support Task Force and administers statutorily authorized grants that support local community efforts to engage in service partnerships with military installations. In 2015, OPPAGA found that grant recipients and other stakeholders are very satisfied with grant program effectiveness.[49] In addition, national studies and stakeholder feedback demonstrated that Florida's military and defense efforts exceed those of other states with a large military presence. Moreover, key stakeholders reported that Florida is a leader among states that have taken a very proactive approach to preparing for budget cuts or a potential Base Realignment and Closure.

Marketing and Communications

EFI is statutorily required to market Florida as a business-friendly location both domestically and internationally. State law directs EFI to collaborate with the private sector to create a marketing campaign to attract, develop, and retain businesses in Florida, with a message aimed at increasing national and international awareness in the state. Through its Marketing and Communications Unit, EFI develops promotional materials, creates internet and print advertising, facilitates public relations and media placement, and attends trade shows. Efforts also include identifying and coordinating existing business resources, networking with major stakeholders, and making efforts to retain and grow Florida-based businesses, and recruit new businesses.

In addition, EFI collaborates with regional and local economic developers and private businesses on an advisory board—the Team Florida Marketing Partnership. In 2013, the partnership launched the state's first unified campaign to actively promote Florida's business advantages and create awareness among key domestic and international audiences. The partnership raised $1.4 million to support the campaign's efforts, helping to reach site consultants and business decision makers worldwide. The campaign included website optimization, print and television advertising, and business development events.

Despite these activities, EFI staff reported that prior to 2016, its marketing efforts were small scale due to lack of funding. Consequently, marketing activities were somewhat limited and included traditional mediums such as advertisements, brochures, newsletters, and social media postings. EFI's industry partners supported many of these efforts. For example, *Florida Trend* magazine provided EFI one free page of ad space per month as part of the magazine's in-kind contribution.

As directed by the Legislature, EFI recently expanded its marketing activities; the new branding initiative has generated millions of media and digital impressions. The 2015 Legislature appropriated $10 million ($8.5 million recurring) to EFI for Florida's business brand marketing and promotional activities. Through a competitive procurement process, EFI entered into a contract with Jacksonville-based advertising and public relations agency, St. John & Partners (SJP). From December 1, 2015, through June 30, 2016, EFI contracted with SJP to provide marketing and communications services, including research; strategic planning; integrated communications planning; advertising and creative development; web and mobile strategy, design, and development; integrated media planning and buying; public relations; and social media strategy. During this period, EFI paid SJP $83,450 per month, totaling $584,150. In addition, EFI agreed to pay SJP up to an additional $6.6 million for services such as studio, print production, and broadcast services, media licenses, mailings, and travel.

In January 2016, EFI announced the launch of its new branding initiative, *Florida—The Future is Here*. (See Exhibit F-2.) The new brand's first creative campaign—*Boundless*—aims to highlight Florida's resources

[49] *Florida Economic Development Program Evaluations Year 3,* OPPAGA Report No. 15-11, November 2015.

and key assets that businesses need to be successful. The creative campaign's first advertisements began running in January 2016. Advertisements were initially run within Florida, with plans to expand to other states and international markets. Advertising mediums include print, digital, television, and radio outlets.[50]

Exhibit F-2
EFI Launched a New Branding Initiative in January 2016

Source: Enterprise Florida, Inc.

In addition to these traditional marketing and public relations activities, EFI has introduced targeted promotional campaigns that emphasize the quality of Florida's college graduates and strength of the state workforce as well as Florida's business climate and tax advantages. Moreover, EFI has created a statewide database that enables users to search for buildings and sites suitable for relocation. Finally, EFI plans to launch three mini-campaigns that will highlight rural Florida, the state's workforce, and Florida's infrastructure.[51]

According to EFI's *2015-16 Annual Report and Marketing Plan*, the campaign has helped generate interest in Florida as a business destination. For Fiscal Year 2015-16, EFI reported more than 289,585 visits to the campaign website, over 264 million media impressions, and more than 425,000 social media impressions. During the same period, the campaign was featured in 17 publications (e.g., *The Wall Street Journal*, *The Economist*, and *Area Development*) and there were more than 2,000 positive news stories about Florida.

[50] Specific examples of marketing mediums include national business publications such as *Forbes Magazine* and *The Wall Street Journal* and print media such as *Site Selection* and *Florida Trend* magazines.

[51] For example, EFI is collaborating with CareerSource Florida, the state university system, and the Department of Education for the workforce mini-campaign as well as the Department of Transportation, the seaports, and major airports for the infrastructure mini-campaign.

Appendix G

Department of Economic Opportunity Major Divisions

Strategic Business Development

The Division of Strategic Business Development facilitates economic development projects and collaborates with other major economic development entities. The division, through its three bureaus and one office, provides support for the attraction, creation, and expansion of business in Florida. Division duties include providing support for attracting out-of-state business to Florida, promoting the creation and expansion of Florida businesses, planning for future economic development, and facilitating the state's economic development partnerships. Via multi-year, performance-based contracts, the division works with organizations like EFI, the Institute for the Commercialization of Public Research, the Florida Ports Council, the Florida Sports Foundation, Space Florida, and VISIT FLORIDA. The division carries out its principal activities through the Bureaus of Business and Economic Incentives, Compliance and Accountability, and Planning and Partnerships, and the Office of Film and Entertainment. (See Exhibit G-1.)

Exhibit G-1
The Division of Strategic Business Development Has Three Bureaus and One Office That Perform a Variety of Activities

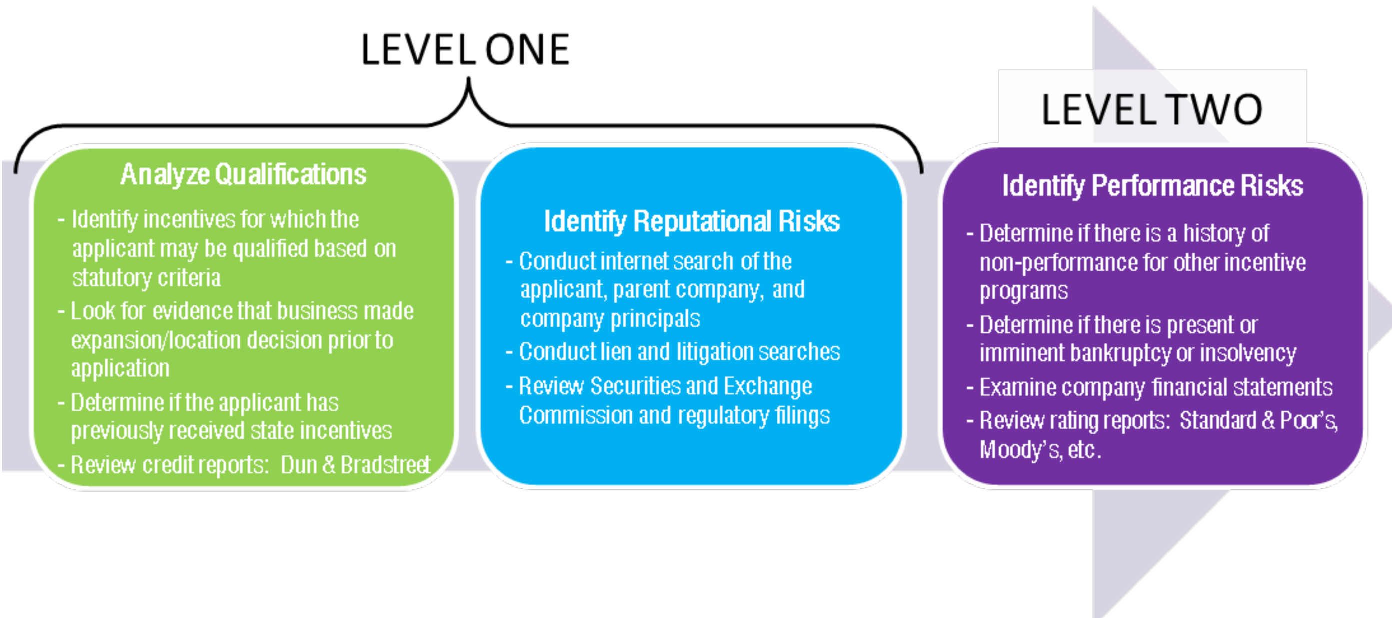
Bureau	Description
Business and Economic Incentives	• Conducts due diligence reviews on potential economic incentive recipients • Recommends incentives and maintains approval authority • Contracts with businesses for negotiated incentives
Compliance and Accountability	• Monitors performance and compliance with businesses and communities • Facilitates incentive payments to businesses • Assists businesses with incentive-related issues • Maintains a web portal—the Economic Development Incentives Portal—that includes information about businesses receiving incentives
Planning and Partnerships	• Develops and implements the *Florida Strategic Plan for Economic Development* • Develops and monitors DEO's Long Range Program Plan, including performance measures • Develops the department's Annual Reports of Progress • Develops and oversees performance-based agreements between DEO and EFI, the Florida Sports Foundation within EFI, the Institute for Commercialization of Public Research, Space Florida, and VISIT FLORIDA; serves as a liaison and resource for these public-private partners.
Office	**Description**
Film and Entertainment	• Serves as liaison for the entertainment industry and local governments • Solicits production opportunities for Florida through marketing efforts • Administers incentives including tax credits and sales tax exemptions • Provides services and assistance to production companies • Gathers and distributes information on Florida's entertainment industry • Staffs the Florida Film and Entertainment Advisory Council

Source: Department of Economic Opportunity.

The division's primary responsibility is administering and monitoring several state economic incentive programs. Businesses interested in expanding or relocating in Florida learn about the state's economic incentive programs through several channels, including EFI, state and local economic development organizations, and private site selection consultants. EFI provides businesses a variety of services prior to application filing, including evaluating businesses' needs, identifying potential site locations, and providing information on state and local incentives that might aid businesses with expansion or relocation projects. EFI also helps businesses complete the incentive application. Businesses can apply for more than one incentive to support their expansion or relocation projects.

Once a company begins the application process, EFI notifies the division so that it may begin the formal due diligence process to determine the business's statutory eligibility and financial standing. The due diligence process has two levels. Level one due diligence is conducted for all incentive applications and includes determining whether the company satisfies statutory criteria for program participation and if the business is in good financial and legal standing. Level two due diligence is used for grant incentive programs and considers the business's credit risk and other factors that could affect its ability to repay the state should it be unable to meet incentive performance requirements. (See Exhibit G-2.)

Exhibit G-2
The Division Uses a Due Diligence Process to Assess a Business's Statutory Eligibility and Financial Soundness



Source: OPPAGA analysis of Department of Economic Opportunity functions.

When due diligence is complete, division staff review the application for completeness; if the application is not complete, the applicant is notified and additional information is requested. Once the application is deemed complete, the division determines what incentives and associated amounts may be available to the applicant and makes an approval or disapproval recommendation to DEO's executive director. The executive director will make a decision within 10 business days and will issue a letter of certification to the applicant. DEO will develop a contract or agreement with the applicant that specifies the total incentive amount, performance conditions that must be met to receive payment, payment schedule, and sanctions for failure to meet performance conditions. Businesses found to be out of compliance with performance requirements may be subject to penalties (e.g., clawback provisions) or could be terminated from the incentive program. The division currently uses a third-party contractor to process incentive payment claims. The contractor must review each claim to assess the appropriateness and completeness of the documentation for three performance areas: (1) employment, wages, and benefits; (2) capital expenditures; and (3) tax payments. Payments are contingent upon the contractor's determination that the company has met performance requirements.

In Fiscal Year 2015-16, the division's funding totaled $179.7 million and supported 22 FTEs. Funding varied during the review period, ranging from $288.9 million in Fiscal Year 2012-13 to $179.7 million in Fiscal Year 2015-16. During the period, staffing remained relatively stable, averaging 22.75 full-time equivalent employees per year. (See Exhibit G-3.)

Exhibit G-3
The Division's Funding Has Decreased by 38% Since Fiscal Year 2012-13

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Funding	$288,880,840	$230,829,812	$211,168,297	$179,741,044
Full-Time Equivalent Positions	22	23	24	22

Source: Department of Economic Opportunity.

Most of the division's annual appropriation is for economic development incentives and pass-through funds to public-private partnerships such as EFI, VISIT FLORIDA, and Space Florida. For example, over the review period, the Legislature appropriated $379.5 million for economic incentives and $517.3 million for other entities.

Community Development

The Division of Community Development provides technical assistance, reviews comprehensive plan amendments, and oversees programs for small businesses, rural communities, and low-income households. The division fulfills its responsibilities through three bureaus—Community Planning, Economic Development, and Community Assistance and Revitalization. (See Exhibit G-4).

Exhibit G-4
The Division of Community Development Includes Three Bureaus That Carry Out Its Responsibilities

Bureau	Description	Programs
Community Planning	▪ Enforces the 2011 Florida Community Planning Act through three types of reviews: Small Scale Comprehensive Plan Amendments; Expedited State Review process; and State Coordinated Review process ▪ Oversees Areas of Critical State Concern, which are designations intended to protect resources and public facilities of major statewide significance from uncontrolled development ▪ Provides local governments with technical assistance related to economic development strategies and solving local planning problems	▪ Areas of Critical State Concern Program ▪ Comprehensive Planning ▪ Developments of Regional Impact ▪ Technical Assistance Grants
Economic Development	▪ Enhances rural community development and small business creation and expansion ▪ Administers economic growth programs that support and enhance access to credit, capital, provides technical assistance to small or minority owned businesses, and operates programs that enhance public infrastructure in rural communities	▪ Black Business Loan Program ▪ Emergency Bridge Loan Program ▪ Florida Manufacturing Extension Partnership ▪ Florida Microfinance Loan Program ▪ Florida Microfinance Loan Guarantee Program ▪ Hispanic Business Initiative Fund ▪ New Markets Development Program ▪ Regional Rural Development Grant ▪ Rural Community Development Revolving Loan Fund Program ▪ Rural Economic Development Initiative ▪ Rural Infrastructure Fund Grant ▪ State Small Business Credit Initiative ▪ Special District Accountability Program
Community Assistance and Revitalization	▪ Helps fund local non-profit and governmental agencies to assist low-income communities and households ▪ Assists local governments in identifying other sources of funding that may positively impact communities	▪ Community Development Block Grant ▪ Community Services Block Grant ▪ Low-Income Home Energy Assistance Program ▪ Weatherization Assistance Program

Source: Department of Economic Opportunity.

The Bureau of Community Planning assumed responsibility for reviewing comprehensive plan amendments in the same year that new growth management legislation was passed. In 1985, the state passed the Local Government Comprehensive Planning and Land Development Regulation Act, which required that each city and county adopt a comprehensive plan to guide future development. The act required the state-level review and approval of all new comprehensive plans and amendments to those plans. The Community Planning Act of 2011 replaced the 1985 act. Under the new act, most comprehensive plan amendments are reviewed using the Expedited State Review process. In addition, the 2011 act eliminated the restriction that a community could only submit two amendment packages per year.

Bureau staff reviews comprehensive plan amendments through two processes.[52] The Expedited State Review process is the most commonly used and consists of a proposed and adopted phase. During the proposed phase, DEO and other reviewing agencies simultaneously review plan amendment packages and have 30 days to send comment letters directly to the local government.[53] Each reviewing agencies' comments, which identify any issues or deficiencies with the amendment package, are restricted to important state resources or facilities within their jurisdiction.[54] During the adopted phase, the local government submits copies of the adopted amendment package to DEO and the other agencies that provided comments. DEO and any of the commenting agencies have 30 days to review the adopted package and decide if they want to challenge it. For calendar years 2012 through 2015, DEO reviewed 1,286 proposed amendment packages under the Expedited Review Process.

The State Coordinated Plan Review process is designed for plan amendments that are in an Area of Critical State Concern, propose a rural land stewardship area, propose or amend a sector plan, update a comprehensive plan based on an evaluation, propose a Development of Regional Impact, or are new plans for newly incorporated municipalities.[55] This process is similar in structure to the Expedited State Review process, but the statutory time limits for agency reviews are longer, DEO coordinates the comment letters and can consider the other review agencies' comments in its analysis and possible challenge to an amendment package.[56, 57] For calendar years 2012 through 2015, DEO reviewed 157 proposed amendment packages under the State Coordinated Review Process.

In addition to reviewing plan amendments, the bureau provides two types of grants—Community Planning Technical Assistance and Competitive Florida. Local communities use technical assistance grants to implement planning projects that might otherwise be unaffordable. In Fiscal Year 2014-15, the program had 46 grants for a total of $1.09 million. The Competitive Florida Grant Program involves a two-year partnership

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[52] For both review processes, DEO may make two kinds of comments (substantive or technical assistance), or not comment at all. Substantive comments address issues with an amendment that may ultimately result in a challenge; issues may include quality of data analysis or incomplete development standards. Technical assistance comments address the construction of amendments but do not address components of amendments that may be challenged; comments may address internal consistency within the plan, recommend language or mapping changes; note new statutory changes that may need to be addressed, etc.

[53] Reviewing agencies are DEO; Department of Environmental Protection; Department of State; Department of Transportation; Department of Education if the amendment relates to public schools; Department of Agriculture and Fish and Wildlife Conservation Commission if the amendment is for an entire county; the appropriate regional planning council; the appropriate water management district; the commanding officer of an affected military installation; and the county if the amendment package is from a city located in that county.

[54] DEO's jurisdiction includes coastal high hazard areas for evacuations, military base integrity to prevent encroachment, and provision of affordable housing.

[55] Areas of Critical State Concern are intended to protect resources and public facilities of major statewide significance, within designated geographic areas, from uncontrolled developments. Current areas include the Green Swamp, Big Cypress Reserve, the Florida Keys, and the City of Key West.

[56] DEO collects comment letters from the agencies and issues an Objections, Recommendations, and Comments Report directly to the local government.

[57] For the State Coordinated Review process, DEO has 60 days during the proposed phase and 45 days during the adopted phase.

between the division and the recipient community and is funded as a subset of the bureau's technical assistance grants. This grant provides funds to local governments for asset-based economic development planning and implementation and culminates in an economic asset map of the local community. In Fiscal Year 2014-15, the program had 10 active grants for a total of $400,000.

The Bureau of Economic Development oversees small business assistance and rural community development programs. The bureau's eight small business programs include six financial assistance programs and two technical assistance programs, all of which are administered by third-party contractors.[58] (See Exhibit G-5.)

Exhibit G-5
The Bureau Oversees Eight Small Business Programs Administered by Third-Party Contractors

Program	Description
	Financial Assistance Programs
Black Business Loan Program[1]	Annually certifies eligible recipients and subsequently disburses funds appropriated by the Legislature to black business enterprises that cannot obtain capital through conventional lending institutions but that could otherwise compete successfully in the private sector. In Fiscal Year 2014-15, the program had 12 loans for a total of $153,631, out of a total appropriation of $2.2 million.
Emergency Bridge Loan Program[2]	Provides a source of expedient cash flow to small businesses impacted by a disaster. The program is enacted by a Governor's executive order in the event of a disaster. In Fiscal Year 2014-15, the program had 2 active loans for a total of $35,470.
Florida Microfinance Loan Program[3]	Makes short-term, fixed-rate microloans in conjunction with technical assistance to entrepreneurs and newly established or growing small businesses. Participation in the loan program is intended to enable entrepreneurs and small businesses to access private financing upon completing the loan program. Program is set to expire January 1, 2018. In Fiscal Year 2014-15, the program had 24 loans for a total of $327,400.
Florida Microfinance Loan Guarantee Program[4]	Stimulates access to credit for entrepreneurs and small businesses by providing targeted guarantees to loans. Funds appropriated to the program must be reinvested and maintained as a long-term and stable source of funding for the program. In 2015, EFI received a total allocation of $4.8 million to administer the program.
New Markets Development Program	Encourages capital investment in rural and urban low-income communities. The program allows companies to earn tax credits against specified taxes by investing in qualified low-income community businesses to create and retain jobs. As of Fiscal Year 2014-15, the program had 83 active low-income community businesses that had received $580 million of investment capital.
State Small Business Credit Initiative (SSBCI)	Encourages states to establish or strengthen state programs that support lending to small businesses; under the federal initiative, states were granted flexibility in the types of programs they offer to small businesses. Florida's SSBCI programs include Florida Capital Access Program (administered by DEO); Florida Venture Capital Program and Small Business Loan Support Program (administered by EFI); and Florida Export Support Program (administered by Florida Export Finance Corporation). In Fiscal Year 2014-15, the program had 78 loans for a total of $9.9 million.
	Technical Assistance Programs
Florida Manufacturing Extension Partnership	Provides common ground for existing Florida manufacturers by offering training and helping them expand.
Hispanic Business Initiative Fund	Provides Hispanic-owned businesses one-on-one consulting, minority certification processes, business orientation and workshops, entrepreneurial grants, and loan facilitation. All services are free of charge and available in Spanish. In Fiscal Year 2014-15, the program was responsible for 160 grants for a total of $226,350.

[1] Black Business Investment Corporations administer the program. Currently, there are two: Florida Black Business Support Corporation and Tampa Bay Black Business Investment Corporation.

[2] Florida First Capital Finance Corporation administers the program.

[3] OUR MicroLending and Florida Black Business Support Corporation administer program funding, and the Small Business Development Center administers business training and technical assistance.

[4] EFI administers the program.

Source: Department of Economic Opportunity.

In addition, the bureau directly administers four rural community development programs intended to encourage investment in public infrastructure and economic development in the state's 32 rural counties and associated municipalities. The ***Rural Economic Development Initiative*** (REDI) is responsible for coordinating

[58] The bureau is also responsible for the Special District Information program and duties under the Uniform Special District Accountability Act of 1989. These duties include serving as the state's central source of information on over 1,650 special districts operating in Florida.

and focusing state and regional efforts and resources on the problems that affect the viability of Florida's economically distressed rural communities. Working with local governments, community-based organizations, and private organizations, REDI attempts to balance environmental and growth management issues with local needs. In Fiscal Year 2014-15, the state agencies that comprise REDI provided $93 million in grant funding and the equivalent of $455 million in technical assistance, fee waivers, and matching grant exemptions totaling $548.4 million to 38 communities. The ***Rural Infrastructure Fund Grant*** (RIF) is intended to facilitate the planning, preparing, and financing of infrastructure projects in rural communities that encourage job creation, capital investment, and the strengthening and diversification of rural economies. There are nine open RIF grants for a total of $3.8 million. The ***Rural Community Development Revolving Loan Fund Program*** provides long-term loans, loan guarantees, and loan loss reserves to promote rural community economic viability, especially when projects are addressing employment opportunities. There are currently three active projects for this program; these projects amount to $1.5 million. The ***Regional Rural Development Grant*** (RDG) provides funding to regionally based economic development organizations representing rural counties and communities for building the professional capacity of their organizations. There are seven open RDG grants for a total $795,840.

The Bureau of Community Assistance and Revitalization oversees four federally funded programs for low-income individuals, households, and communities. DEO directly administers the Community Development Block Grant (CDBG) program. CDBG is intended to provide funds to communities for projects that they cannot otherwise afford. Eligible communities can apply for funding in four categories: commercial revitalization, economic development, housing rehabilitation, and neighborhood revitalization.[59] For Federal Fiscal Year 2014-15, the CDBG program received $23.3 million in federal funding.

DEO allocates funding for the three remaining community assistance programs to 43 designated local governments and non-profit agencies, 27 of which are non-profit Community Action Agencies (CAAs), which in turn provide funding to eligible participants throughout the state.[60]

- ***Community Services Block Grant:*** Supports local level education and anti-poverty services intended to help individuals with low incomes improve their lives. Services include emergency assistance, housing counseling, financial management assistance, and job counseling, placement, and training. For Fiscal Year 2014-15, CAAs received $21.4 million in federal funding and provided services to 538,673 low-income individuals.
- ***Low-Income Home Energy Assistance Program:*** Provides low-income households assistance in managing costs associated with home energy bills, energy crises, and weatherization and emergency related minor energy-related home repairs. In 2015, CAAs received $57.2 million in federal funding and assisted 275,079 households.
- ***Weatherization Assistance Program:*** Offers grants to assist low-income households in meeting the costs of home heating and cooling by weatherizing homes. Up to 15% of a state's Low-Income Home Energy Assistance Program funding can be used for the program. In Fiscal Year 2014-15, CAAs received $11.1 million in federal funding and weatherized 2,128 units, assisting 3,616 people.

[59] To be eligible for the CDBG program, a city must have a population under 50,000, and a county's population must be under 200,000. Cities with more than 50,000 residents that have opted out of the urban entitlement program are also eligible. To be eligible for funding, an activity must benefit low- and moderate-income persons, eliminate slum and blight, or address an urgent need.

[60] There are currently 27 CAAs serving 66 counties. Monroe County is not currently directly served by an agency.

The division receives primarily state funding for its community planning, small and minority business and rural economic development programs, and receives federal funding for its low-income household and community development programs. The majority of the division's funding is pass-through to small and minority business program administrators and Community Action Agencies. For instance, in Fiscal Year 2015-16, 97% of funds were pass-through.

In Fiscal Year 2015-16, the division's funding totaled approximately $377.7 million and supported 88 FTEs. The division's funding fluctuated during the review period, ranging from a high of $438.1 million in Fiscal Year 2014-15 to a low of $256.7 million in Fiscal Year 2013-14. The funding fluctuation is equally attributable to changes in both general revenue and federal funds. During the period, staffing remained relatively stable, averaging 90 full-time equivalent employees each year. (See Exhibit G-6.)

Exhibit G-6
The Division's Funding Has Decreased by 11% Since Fiscal Year 2012-13

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Funding	$422,108,857	$256,697,271	$438,103,217	$377,748,259
Full-Time Equivalent Positions	92	90	89	88

Source: Department of Economic Opportunity.

Workforce Services

The Division of Workforce Services assists Floridians in gaining and retaining employment and advancing their careers. The division partners with CareerSource Florida and the state's 24 Local Workforce Development Boards to carry out the state's workforce activities. The division performs activities through the Bureau of One-Stop and Program Support, the Bureau of Labor Market Statistics, and the Reemployment Assistance Program (RA); the RA program includes the Bureaus of RA Operations, RA Adjudication, RA Appeals, and RA Contact Centers. (See Exhibit G-7.)

Exhibit G-7
The Division of Workforce Services Includes Three Bureaus That Carry Out Its Responsibilities

Bureau/Program	Description
Bureau of One-Stop and Program Support	▪ Provides technical assistance and support to the 24 Local Workforce Development Boards ▪ Provides support functions to the workforce system, including dissemination of workforce program information, guidance, training, and technical assistance; program monitoring; state and federal performance reporting; management of workforce contracts, grants, and financial systems; data tracking; and emergency operations for the workforce system ▪ Manages the contract for the state's online job matching site for jobseekers and employers—Employ Florida Marketplace ▪ Manages multiple programs to support local workforce development boards (e.g., Displaced Homemaker Program and Migrant and Seasonal Farmworker Program)
Reemployment Assistance Program - Operations - Adjudication - Appeals - Contact Centers	▪ Provides temporary wage replacement benefits to qualified individuals who are out-of-work through no fault of their own o Operations - provides performance, training and support services and oversees benefit operations and payment control, including fraud investigation and follow-up o Adjudication - conducts fact-finding on RA eligibility issues, issues nonmonetary determinations, and provides assistance to employers regarding charges to their accounts o Appeals - oversees and manages appeals filed by adversely affected claimants and employers regarding eligibility, qualification, experience rate charges, child support deductions, overpayment, and/or fraud o Contact Centers - operates four call centers to provide information regarding RA claims; the call centers are located in Fort Lauderdale, Orlando, and Tallahassee
Bureau of Labor Market Statistics	▪ Produces, analyzes, and distributes timely and reliable labor statistics aimed at improving economic decision-making ▪ Provides data to Local Workforce Development Boards, economic development decision-makers, elected officials, policy makers, businesses, educators, media

Source: Department of Economic Opportunity.

DEO collaborates with CareerSource Florida and Local Workforce Development Boards to administer the statewide workforce system. Under the current workforce development system, DEO, CareerSource Florida, and 24 Local Workforce Development Boards act as partners in administering Florida's comprehensive system for the delivery of workforce strategies, services, and programs. CSF is the statewide policy and investment board of business and government leaders charged with guiding workforce development for the state and is responsible for designing and implementing strategies that help Floridians enter, remain in, and advance in the workplace.[61] While CSF provides oversight and policy direction for the state's workforce programs, DEO oversees the administration of the state's workforce system and receives and accounts for federal funds on behalf of the system.[62]

Five federal programs serve as the main funding streams that support Florida's workforce programs: the Workforce Innovation and Opportunity Act, Wagner-Peyser, Veterans' Employment and Training Services, Welfare Transition, and Supplemental Nutrition Assistance Program. State law requires CSF to enter into a contract with DEO for the administration of workforce services and funds, which must be carried out in compliance with CSF's policies and its approval of workforce fund disbursements. In addition, federal and state laws require DEO to establish cooperative agreements with each of the workforce boards to ensure compliance with administrative, fiscal, and programmatic requirements in operating workforce programs.

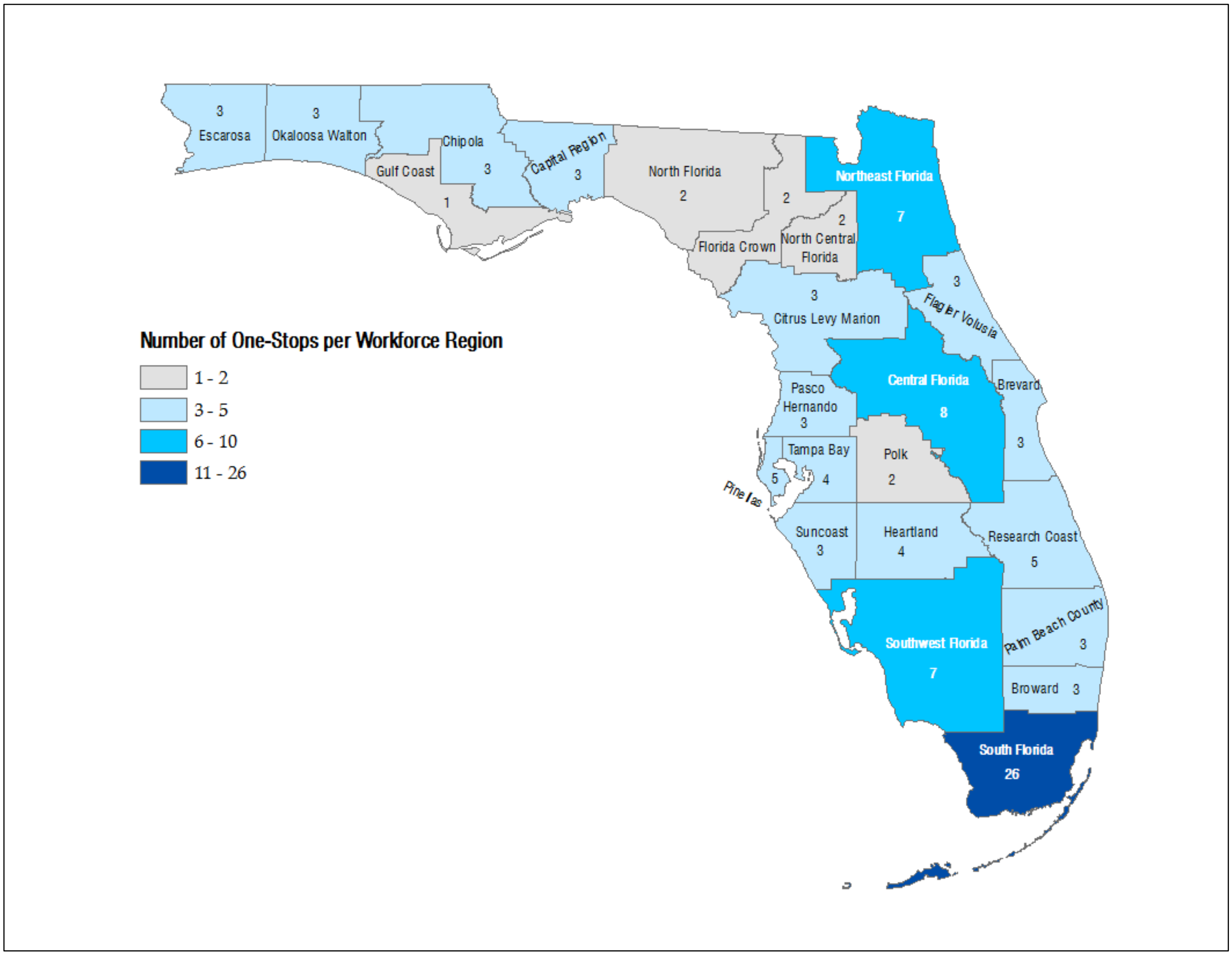
[61] CareerSource Florida is a non-profit corporation. It is administratively located in DEO but is not subject to the department's control, supervision, or direction.

[62] DEO is the administrative agency designated for receipt of federal workforce development grants and other federal funds pursuant to Chs. 20 and 445, *F.S.*

DEO provides guidance, training, and technical assistance to the workforce boards and monitors them to ensure compliance with federal and state requirements.

The workforce boards are located in designated service delivery areas across the state and provide services directly to Florida's businesses and job seekers through more than 100 One-Stop Career Centers. (See Exhibit G-8). Some workforce regions have more one-stops than others, depending on local workforce needs. For example, CareerSource South Florida operates 26 career centers, while CareerSource Gulf Coast operates only 1. The delivery of workforce services also occurs through the state's online job matching system, Employ Florida Marketplace, which provides workforce services and resources to employers and job seekers statewide.[63] EFM also captures data on job seekers and employers that DEO uses to collect, manage, and report performance information to the U.S. Department of Labor.

Exhibit G-8
Florida's Local Workforce Development Boards Are Located Throughout the State and Administer One or More One-Stop Career Centers



Source: OPPAGA analysis of Department of Economic Opportunity data.

63 Federal law requires core workforce services to be accessible through the internet.

Collectively, the regions serve as Florida's local workforce investment board, as required by federal law, and operate under a charter approved by CSF. The local boards are comprised of representatives from business, education, labor and community-based organizations, as well as administrative staff that carry out board functions. Each workforce board develops a local plan and oversees the One-Stop Career Centers to provide workforce services to job seekers and employers

To support business and economic growth, a recent federal law seeks to increase alignment of Florida's economic development and workforce systems. In 2014, Congress passed the federal Workforce Innovation and Opportunity Act (WIOA), which superseded the Workforce Investment Act of 1998.[64] WIOA modified Florida's workforce system, requiring enhanced industry and private sector partnerships to connect job seekers to local, high-demand occupations and increased focus on serving individuals with barriers to unemployment. The act took effect on July 1, 2015, and Florida's state plan took effect on July 1, 2016. WIOA requires a single, unified state plan for core programs, streamlines membership in state and regional workforce investment boards, and emphasizes the role of business and industry in aligning training with needed skills.[65] In addition, the act encourages use of funds for incumbent worker training, registered apprenticeships, transitional jobs, on-the-job training, and customized training and allows for greater flexibility of funds used between adult and dislocated worker programs.

To ensure accountability and enhance transparency, WIOA aligns the performance indicators for core programs (e.g., adults, dislocated worker, and youth) on entering and retaining employment, median wages, skill gains, credential attainment, and skill gains. The performance targets account for local economic conditions and participant characteristics. Review and recertification of one-stops occur every three years based on state-established criteria. In addition, the local workforce boards have been designated as WIOA planning regions and were required to submit State Workforce Development Strategic Plans in 2016. These plans include strategies such as enhancing coordination with local economic development entities, establishing regional strategies, and expanding business services outreach efforts.

Reemployment assistance provides temporary financial support to eligible workers during periods of unemployment. Unemployment insurance is a federal-state coordinated effort, with each state administering its program using national guidelines promulgated under federal law. The program provides partial income replacement to eligible members of the labor force who become involuntarily unemployed; benefits are paid from funds collected by states through Unemployment Compensation payroll taxes. Federal law also requires that states provide an "opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied."

In 2012, the Legislature renamed the state's Unemployment Compensation Program the Reemployment Assistance Program.[66] DEO administers the program via four bureaus—Operations, Adjudication, Appeals, and Contact Centers. Reemployment assistance services are delivered at four locations: Fort Lauderdale, Jacksonville, Orlando, and Tallahassee. These offices gather facts, apply the law, and make determinations in reemployment assistance cases. Reemployment assistance call centers in Fort Lauderdale, Orlando, and Tallahassee process reemployment assistance inquiries from all over the state.

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[64] The Workforce Investment Act of 1998 modified the Wagner-Peyser Act of 1933 to include employment services as part of the workforce investment system. Under this legislation, states were required to establish workforce investment boards to support employment services for job seekers throughout the state. The Workforce Innovation Act of 2000 implemented the changes in Florida and created 24 Local Workforce Boards, Workforce Florida, the Agency for Workforce Innovation, and the One-Stop delivery system.

[65] The core programs in WIOA include adult, dislocated worker, and youth; adult education and family literacy programs; Wagner-Peyser employment services; and vocational rehabilitation state grant programs.

[66] Chapter 443, *F.S.*

The Bureau of Reemployment Assistance Operations provides performance, training, and support services, including oversight and updates, to Florida's Reemployment Assistance Claims and Benefits Information System, also known as Project CONNECT. Project CONNECT was a modernization effort intended to improve the reemployment assistance claims, benefits, and appeals processes; DEO launched the system in October 2013. The new system allows claimants to file online benefit applications, provides a case management system for DEO, includes payment and decision tracking, and manages appeals scheduling and a workload queue for appeals referees.

The bureau also manages benefit payment control, including fraud investigation and follow-up. The 2016 Legislature provided DEO $550,000 to support the department's efforts to decrease reemployment assistance fraud; DEO is using the funds to implement a program to support in-person reporting for benefits when fraud is suspected. DEO staff reported that they are still developing an implementation plan for this project. In addition to this recent effort, in 2014, the department implemented the Fraud Initiative Rules and Rating Engine System, a reemployment assistance fraud detection and prevention system.

The Bureau of Reemployment Assistance Adjudication conducts fact-finding on eligibility issues based on statutory provisions. The law provides benefit eligibility conditions that must be met by claimants and provides for benefits disqualification when these conditions are not met. Staff also assists employers regarding charges to their accounts.

The Bureau of Reemployment Assistance Appeals oversees and manages appeals filed by adversely affected claimants and employers regarding eligibility, qualification, experience rate charges, child support deductions, overpayment, and/or fraud. DEO hearing officers conduct telephonic hearings to obtain sworn evidence that will result in a decision to affirm, reverse, or modify an initial determination of a claim.

The state's program also includes the Reemployment Assistance Appeals Commission, the quasi-judicial administrative appellate body responsible for reviewing contested decisions of DEO reemployment assistance appeals referees. Appeals referee decisions can be appealed to the commission and then to the District Court of Appeal in which a claimant resides, the job separation arose, or where the decision was issued.[67] The department has no authority over the commission, but it provides personnel, purchasing, contracting, and budgeting assistance.

The Bureau of Reemployment Assistance Contact Centers provides assistance for Floridians with respect to their Reemployment Assistance claims. Contact centers in three locations collectively manage approximately 12,000 to 15,000 calls per day. The call centers route calls from all over the state and manage calls related to the CONNECT system.

Labor Market Statistics produces, analyzes, and delivers labor statistics for economic decision-making. The bureau produces data to meet federal requirements and is organized into four functional areas: Labor Force and Industry Analysis, Economic Analysis, Occupational Analysis, and Information Delivery and Analysis. The bureau serves as the State Census Data Center through an agreement with the U.S. Census Bureau and its mission is to produce, analyze, and deliver timely and reliable labor statistics to improve economic decision-making.[68] Labor market data are provided via reports, publications, CDs, brochures, posters, and online tools.

The bureau provides a variety of data on employment, wages, labor force demographics, and economic indicators. Examples of such data include the following.

- Employment and wages - current employment, projections, and wages by industry and occupation, occupational profiles, and career information
- Labor Force - labor force, employment, and unemployment rates

[67] Section 443.141(4)(e), *F.S.*

[68] DEO holds an agreement with the U.S. Census Bureau that does not involve the transfer of any funds. Most of the bureau's data collection programs are funded by contracts with the U.S. Department of Labor Bureau of Labor Statistics.

- Economic indicators - Florida Price Level Index and Consumer Price Index
- Population - age, race, gender, income, veteran's status, and education information

The division administers federal and state workforce funds.[69] The federal funds that support workforce programs come primarily from U.S. Department of Labor (e.g., WIOA, Reemployment Assistance, VETS, Wagner-Peyser, and others). The U.S. Department of Agriculture funds the Supplemental Nutrition Assistance Employment and Training Program, and the U.S. Department of Health and Human Services funds the Welfare Transition Program.[70] Examples of state-funded workforce programs include FloridaFlex, formerly known as the Quick Response Training Grant Program, and the Displaced Homemakers Program. In Fiscal Year 2015-16, the vast majority (96%) of the division's funding was derived from federal sources. Most of the division's funding supports two major program areas: regional workforce boards (52%) and reemployment assistance (16%).

In Fiscal Year 2015-16, the division's funding totaled approximately $498.9 million and supported 1,278.5 FTEs. The division's funding varied during the review period, ranging from $547.4 million in Fiscal Year 2012-13 to $498.9 million in Fiscal Year 2015-16. The funding variation is largely attributable to decreases in federal funding for reemployment assistance and regional workforce boards. During the period, staffing ranged from 1,278.5 to 1,310.5 FTEs. (See Exhibit G-9.)

Exhibit G-9
The Division's Funding Has Decreased by 9% Since Fiscal Year 2012-13

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Funding	$547,353,445	$528,492,,227	$501,797,483	$498,996,326
Full-Time Equivalent Positions	1,310.5	1,303.5	1,303.5	1,279

Source: Department of Economic Opportunity.

[69] Chapters 20 and 445, *F.S.*

[70] DEO prepares and submits quarterly federal performance and financial reports for these and other workforce programs to the U.S. Departments of Labor, Agriculture, and Health and Human Services. DEO receives funds for the work activities and supportive services that are delivered to the recipients of Temporary Cash Assistance under the Temporary Assistance for Needy Families program, which is administered by the Florida Department of Children and Families. DEO may also serve as the contract administrator for contracts entered into by CareerSource Florida.

Agency Responses

ENTERPRISE FLORIDA®

Mr. R. Phillip Twogood
Coordinator
The Florida Legislature's Office of Program
Policy Analysis and Government Accountability
111 West Madison St, Suite 312
Tallhassee, Florida 32399-1475

Rick Scott,
Florida Governor
Chairman

HEADQUARTERS
800 North Magnolia Avenue
Suite 1100
Orlando, Florida 32803
T 407-956-5600
F 407-956-5599

TALLAHASSEE
101 North Monroe Street
Suite 1000
Tallahassee, Florida 32301
T 850-298-6620
F 850-298-6659

INTERNATIONAL TRADE & DEVELOPMENT
201 Alhambra Circle
Suite 610
Coral Gables, Florida 33134
T 305-808-3660
F 305-808-3586

Dear Mr. Twogood:

Pursuant to section 11.52(2), Florida Statute, Enterprise Florida, Inc. is submitting this letter in response to: *Agency Review – Enterprise Florida and Department of Economic Opportunity.* Enterprise Florida, Inc. (EFI) welcomes of the thorough review and has already taken action to address a number of the points addressed in this report.

EFI would like to thank OPPAGA for its work in providing the analysis and for its findings. As you know, EFI enjoys a productive partnership with the Department of Economic Opportunity in diversifying Florida's economy through job growth —EFI's core mission is to diversify and expand Florida's economy through job creation. EFI provides the front-facing work in marketing the state's business assets, identifying and actively recruiting economic development opportunities and providing expert support and resources to business, local economic development partners and stakeholders; DEO serves as the state's authority in overseeing and administering economic development programs including compliance, and monitoring economic, workforce and community development in Florida. In order for EFI to effectively attract businesses to Florida and create jobs, sufficient resources, including economic incentives are necessary. Florida has made a strong comeback from the recession and both EFI and DEO have played a significant role in ensuring that when businesses expand, they expand in Florida. EFI fully supports Governor Scott's recommendation for $85 million in economic incentives for the economic development toolkit.

EFI also plays a vital role in marketing the state of Florida, its business climate and Florida businesses as global trade partners. EFI's trade assistance programs, which largely serve small and medium sized businesses, are consistently recognized around the country as leaders of best practices, particularly in the areas of managing overseas trade show Pavilions; baseline export sales missions as well as Governor-led Team Florida Trade Missions; use of U.S. Commercial Service Gold Keys; trade grant programs, and Export Marketing Plans for new and infrequent exporters. EFI continues to work hard to ensure that Florida's economy continues to expand and diversify through job creation.

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We are pleased to learn that the majority (94% combined) of the economic development professionals surveyed by OPPAGA have identified EFI's work as "important to economic development in Florida." This is consistent with our own research – a third party survey of businesses who conducted economic development activities with EFI during the 2015-16 fiscal year resulted in a 95% satisfaction rate. We take great pride in the professional services that we provide and the private sector job growth occurring in the state of Florida. We are also pleased to see that of those respondents, a large majority identified an increase in state economic toolkit funding as the single most important thing Florida can do to improve the state's economic development system; and that the loss of state funding, particularly the Quick Action Closing Fund, is the a significant challenge faced by the state's economic development system. We agree, and would propose that fully funding Governor Scott's request for $85 million in economic incentives for the economic development toolkit is vital to job creation in the state of Florida.

EFI's mission is to expand and diversify the state's economy through job creation. EFI's board, staff and partners are dedicated to bringing prosperity to Florida communities and to all Floridians. We will continue working to improve everything that we do and welcome the opportunity to address Chapter 2 of this report.

Streamlining EFI Operations and Enhancing Economic Development Efforts

Option 1: Proceed with transferring minority and small business programs to DEO and consolidate all minority and small business programs into one DEO division.

We agree that an efficient and streamlined process for assisting minority and small business is imperative to their success. EFI has begun the process of transferring the State Small Business Credit Initiative to our partners at DEO. In fact, EFI provides services that can help both minority and small business expand within our state in addition to connecting those businesses with programs offered by DEO.

Option 2: Proceed with pursuing legislation to transfer VISIT FLORIDA and the Florida Sports Foundation to DEO

EFI is pleased to see many of the efforts already undertaken identified as best options for improving our organization. We have refocused our efforts on executing our core missions as laid out in §288.901, F.S. EFI is coordinating with DEO to develop legislation that will transfer responsibility for overseeing VISIT FLORIDA and the Florida Sports Foundation under DEO, and agree that this transfer will allow for EFI to focus further on its core missions while promoting efficiency for those entities.

Option 3: Transfer the Florida Defense Support Task Force and Florida Defense Alliance to DEO

The mission of the Florida Defense Support Task Force is to preserve, protect, and enhance Florida's military missions and installations. The Task Force has operated with success under EFI since its creation in 1999. This track record was recognized by OPPAGA in its November 2015 program evaluation 15-11 titled *Economic Development Program Evaluation—Year 3:*

"OPPAGA found that grant recipients and other stakeholders were very satisfied with grant program effectiveness....... In addition, national studies and stakeholder feedback demonstrate that Florida's military and defense efforts exceed those of other states with a large military presence......Moreover, key stakeholders reported that Florida is among the top five states that have taken a very proactive approach to preparing for additional budget constraints or a potential Base Realignment and Closure ...."

Much of the success for which the task force has been commended for stems from the extensive military backgrounds and a wealth of experience that the military and defense team members within EFI possess. Under EFI, the military and defense team is afforded more flexibility to address unique issues across state agency lines and to be more responsive to multiple federal military-related issues, Congressional staffs and other state leaders than if they were housed at a state agency.

Option 4: Increase focus of business development activities on small businesses

While we agree that an emphasis on small business development is a crucial feature of a healthy state economic development system, some clarification is needed. Page 5 of OPPAGA's review observes that "most state-level economic development programs, particularly economic incentives, generally preclude small businesses from benefitting because of high job creation, wage, and capital investment thresholds." It is important to note that Florida's economic development programs are designed, to help Florida compete for larger projects that will have the greatest economic impact on the state even beyond the number of jobs created. However, OPPAGA's review only included incentivized projects; EFI's business development team assists Florida-based small businesses with identifying opportunities for expansion throughout the state. This may include any of the following services: site/building identification, referrals to and coordination with local economic development officials, liaising with state agencies, economic incentives, training grants, and university contacts. Along with those services we will recommend other resources and make connections to partner organizations such as SBDC, Florida's Network of Business Incubators, GrowFL, HBIF, and other organizations that may be able to provide assistance with general business counseling and business plan formation.

Enterprise Florida supports working with DEO and the legislature to re-evaluate the structure of Florida's economic development programs and explore alternative approaches, and we look forward to working with our state and local partners to develop additional programs that will provide better resources to small business in the state.

Option 5: Increase collaboration with CareerSource Florida and local workforce boards and one-stop career centers

On November 30th, the EFI Board of Directors selected Chris Hart IV President and CEO of EFI who has served as President and CEO of CareerSource Florida for 9 years. Given Chris's extensive knowledge of workforce related issues in our state and longstanding connection with those entities, we expect collaboration with those organizations to be at an all-time high.

Option 6: Limit state financial contribution to match or private sector contributions

EFI is a public-private partnership with a statutory obligation to raise one dollar of private sector financial support for every dollar of its state appropriation. For example, in FY 2015-16, EFI received a total operating investment of $25 million. Through the sources outlined in §288.904, EFI raised just over $5 million, meeting only 20% of its obligation. EFI recognizes this shortfall, and the need to make increasing our private sector contribution an organizational priority.

Exhibit 1:
EFI State Support FY 2015-16[1]

EFI Operations	$8.4 million
International Programs	$4.55 million
International Offices	$2.05 million
Business Marketing	$10 million

Toward that goal, EFI has developed new programs that will enhance fees, jointly raised cash, copayments and other resources specifically outlined as acceptable private support in in our funding statute. For example, EFI has created a cooperative marketing program that will allow local economic development entities to contribute their own raised private funds to match with EFI funds in the execution of joint advertising initiatives that market Florida's business advantages at the state and local levels. Those local dollars will be counted toward our private match. Similarly, a rural-specific program will mirror the marketing coop program, adding additional private support while also providing focused assistance to our rural communities. EFI's board, along

[1] Source: 2015 General Appropriations Act for the 2015-16 Fiscal year

with EFI staff and partners will continue to work towards improving our ability to increase our private funding to meet our statutory obligation.

Option 7: Discontinue state funding

Florida's model of a public-private partnership is one that is looked to as a national and international standard of success. Refusing to fund economic incentives or providing inadequate funding to EFI would put a stop to many of the state's current economic development efforts and place Florida at a disadvantage in competing for jobs with other states and economies. It is essential that Florida has the resources to compete. That means that EFI and the economic development toolkit, including $85 million for economic incentives, are necessary for continued job creation. OPPAGA's list of states exhibiting best practices is replete with state's emulating EFI and its programs – particularly its international trade programs (see attached back-up). In fact, EFI is a pioneer of the public-private model and has long demonstrated a remarkable return on the state and taxpayers' investment. EFI was responsible for facilitating the creation and retention of 28,919 jobs statewide in FY 2015-16 and $2.82 billion in capital investments. EFI, in its partnership with DEO, has played a significant role in bringing jobs back to Florida families after the recession. The functions that EFI performs require sufficient funding for EFI, a complete economic development toolkit, with economic incentive funding to create jobs and opportunities for Florida families.

Option 8: Shift the funds in the EFI escrow account to a state trust fund

EFI's escrow account currently draws less interest than if those funds were placed into a higher-interest vehicle. As discussed previously, EFI agrees that these funds can be put to better use to provide a higher return on the state's money. EFI is currently exploring higher yield accounts with Wells Fargo, and proposed the use of a state trust account during the 2016 legislative session. There are two important points to highlight before the funds are placed in trust. First, the amount currently in the account will fluctuate as payments are made and as performance benchmarks are met, making the actual return less than OPPAGA's projection. Second, it is important that the funds remain in the account and remain available when payment becomes due, as all escrow funds are contractually obligated to specific payees upon the completion of specific performance benchmarks—unavailability of funds would be a breach of contract with the recipient company.

Option 9: Consolidate EFI's functions under DEO

The role that EFI plays in economic development and job creation for the state of Florida is very important. Essential functions that are performed by EFI simply cannot be performed within a state agency, and failing to continue EFI's core mission of expanding and diversifying Florida's economy through job creation will have a negative impact on job creation in Florida.

EFI has been successful in its role as the state's chief economic development organization and has created programs that provide an example of success to our domestic and international competitors. We are proud of our programs, our people and our role in creating the most robust economic recovery in the country. Our mission–to expand and diversify Florida's economy through job creation—is one that we honor with the work performed at every level of our organization. We strongly believe these results cannot be replicated by a traditional government agency and were created specifically to function in the private sector.

The work EFI performs is vital, and its marketing, business development and international trade functions would need to continue, even in its absence. The state would not realize an actual savings by consolidating the essential functions of EFI under DEO. The state of Florida must still work towards making Florida the best place to live, work and raise a family. Failing to wholeheartedly pursue economic development efforts will put Florida at a disadvantage in competing to bring more jobs to Florida families. Additionally no amount of state funding would replicate the expertise and insight offered by our board of directors. They simply cannot engage in the same way with a government agency.

We appreciate the input and insight provided within OPPAGA's Agency Review. OPPAGA's staff has been professional and accommodating throughout this process. We also appreciate the support the legislature has shown Enterprise Florida as we have worked to facilitate private sector job growth and diversify our state economy. If we can offer any further clarifications or answer any additional questions, please do not hesitate to reach out to me directly.

Respectfully,

Mike Grissom
Executive Vice President
Enterprise Florida, Inc.

Rick Scott
GOVERNOR

FLORIDA DEPARTMENT of ECONOMIC OPPORTUNITY

Cissy Proctor
EXECUTIVE DIRECTOR

December 21, 2016

Mr. R. Phillip Twogood, Coordinator
Office of Program Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Mr. Twogood:

Over the past five years, Florida has undergone a remarkable transformation after experiencing one of the worst downturns in the nation during the recession. Thanks to Governor Rick Scott and the Legislature's commitment to job creation and the pursuit of pro-growth policies, Florida's economy has recovered with strength and certainty.

During the recession, Florida was hit hard. Private-sector businesses lost more than 900,000 jobs. Unemployment increased to 11.2 percent. And job demand continued to fall, along with housing prices.

Since Governor Scott took office, more than 1.2 million individuals have found new jobs. Communities across the state are growing. Over the past five years, the state's unemployment rate has been cut by more than half. With more than 13,000 new businesses created in 2015, the state's business creation is second in the nation. Florida's low cost of living helps to maintain its strong job market and global competitiveness. Florida welcomed more than 106 million visitors in 2015, including 15.3 million visitors from other countries.

Across the country, people know that Florida is the best place to get their dream job. Here at the Florida Department of Economic Opportunity, we're working to create a competitive business environment that fosters new business across the state.

DEO seeks to continually improve the efficiency and effectiveness of our functions. We welcome the opportunity to review your report, and the following is DEO's initial response to the observations and recommendations in the report.

Pursuant to section 11.51(2), Florida Statutes, this letter is DEO's response to the report titled: *Agency Review – Enterprise Florida, Inc., and Department of Economic Opportunity*. We thank you and your staff for the comprehensive review of our agency and appreciate your detailed analysis.

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
850.245.7105 | www.FloridaJobs.org
www.twitter.com/FLDEO |www.facebook.com/FLDEO

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

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.

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

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.

OPPAGA Finding 5: EFI's escrow account funds could generate significantly more interest income if held in a state trust fund.

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.

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

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.

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

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.

Mr. R. Phillip Twogood
December 20, 2016
Page 4 of 5

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

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.

OPPAGA 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.

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 Statues. 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.

OPPAGA Finding 11: Businesses are generally satisfied with the state's workforce services, but finding qualified job applicants remains a significant challenge. OPPAGA surveyed a subset of the businesses that received CareerSource services in 2016.

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.

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

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.

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

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.

OPPAGA 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.

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.

Again, we thank you and your staff for the review and will take under advisement the actions recommended to enhance the state's economic development programs.

Sincerely,

Cissy Proctor
Executive Director

DEO Program Evaluations – Year 4

OPPAGA Report 17-02

Florida Economic Development Program Evaluations – Year 4

Joint Legislative Auditing Committee

Alex Regalado
Senior Legislative Analyst

February 9, 2017

Legislative Scope

- Per state law, OPPAGA evaluated program effectiveness, administration, and other goals for economic incentives receiving payments in FY 2012-13 through 2014-15

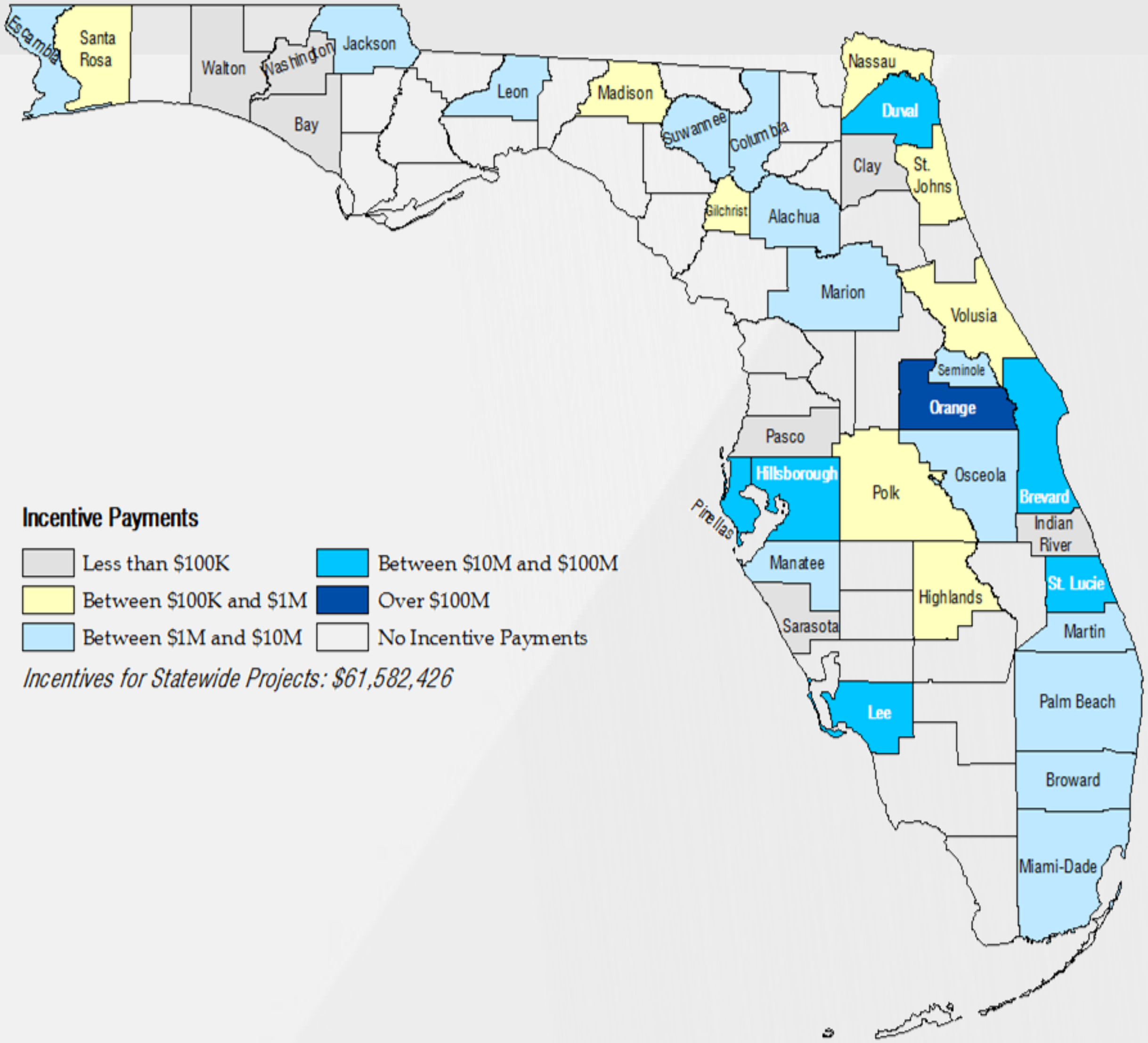
Incentive Type	Program
Tax Credit	• Capital Investment Tax Credit Program • New Markets Development Program
Tax Refund	• Brownfield Redevelopment Bonus Refund Program Program • Qualified Target Industry Tax Refund Program
Tax Credit & Refund	• Enterprise Zone Program
Grants	• High Impact Performance Incentive Grant Program • Innovation Incentive Program • Quick Action Closing Fund Program

BACKGROUND

Payments Received and Tax Credits Claimed for Contracted Projects

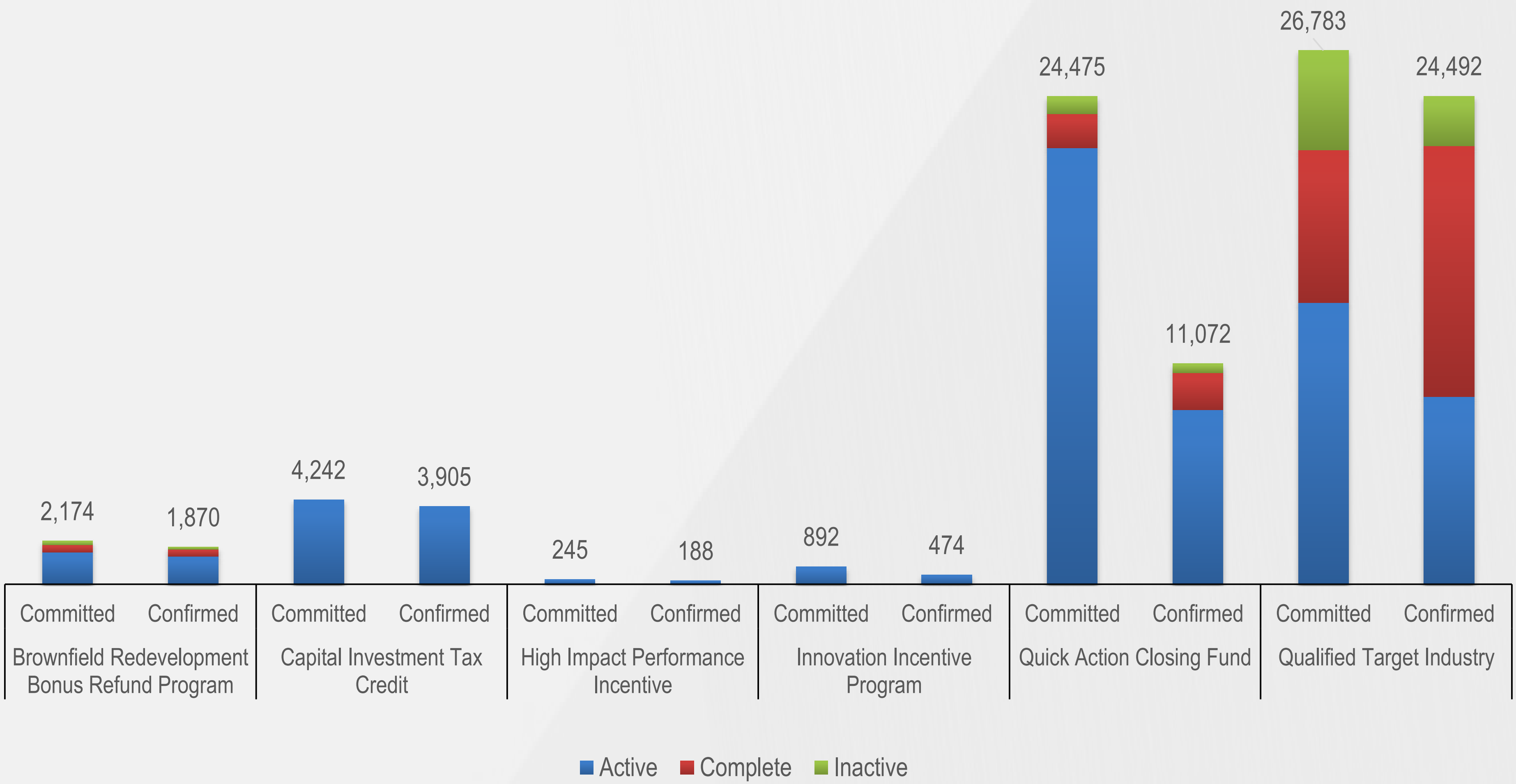
Program	Number of Projects	Awarded	Received Since Commencement	Received During Review Period
Innovation Incentive Program	4	$206,000,000	$200,151,744	$45,060,891
Quick Action Closing Fund Program	91	156,975,440	87,640,896	22,604,407
Capital Investment Tax Credit Program	9	NA	262,974,170	67,834,583
Qualified Target Industry Tax Refund Program	177	126,287,100	42,795,894	17,211,571
High Impact Performance Incentive Program	1	5,000,000	2,500,000	2,500,000
Brownfield Redevelopment Bonus Refund Program	13	5,435,000	1,385,888	945,405

County Distribution of Incentive Payments

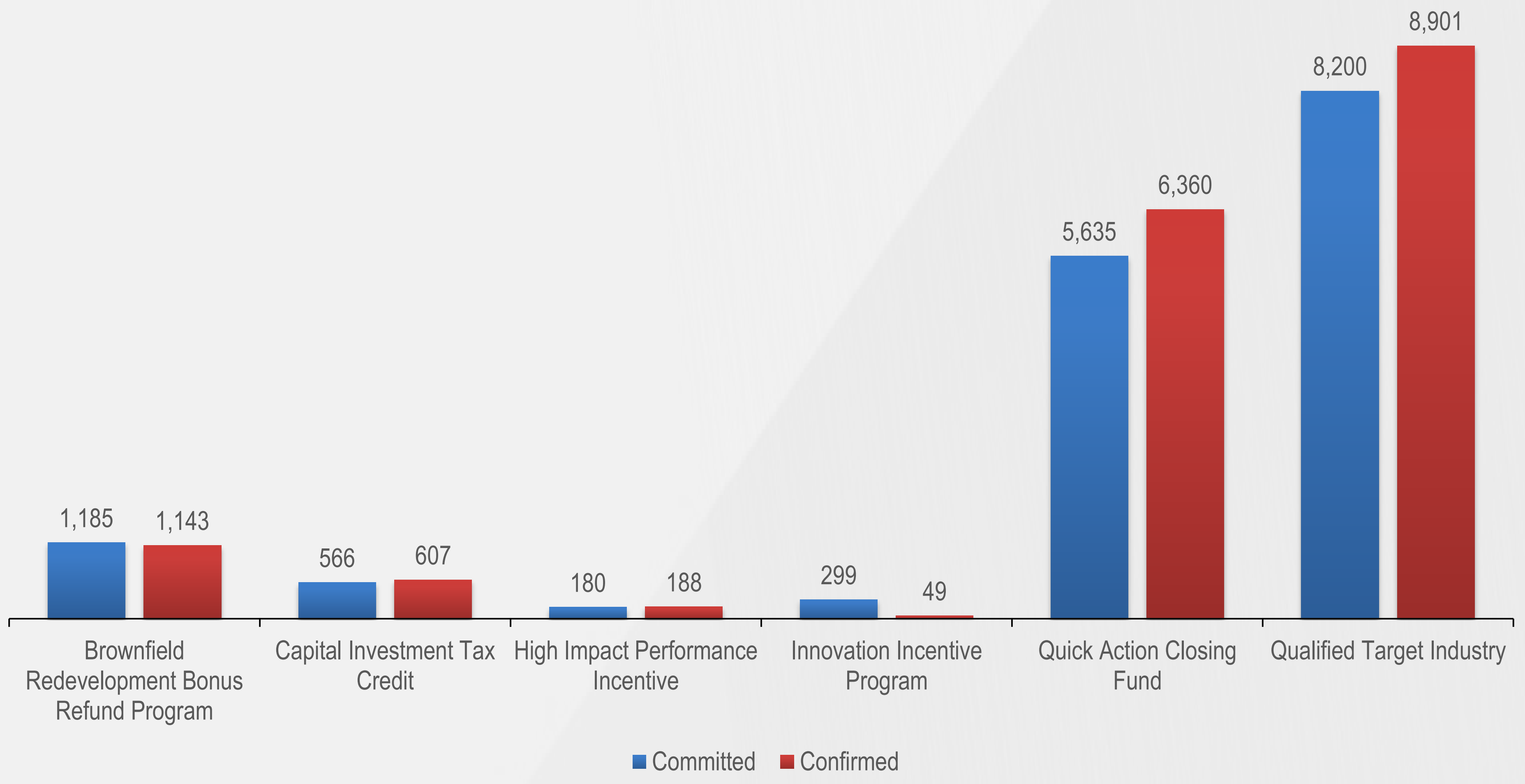


FINDINGS

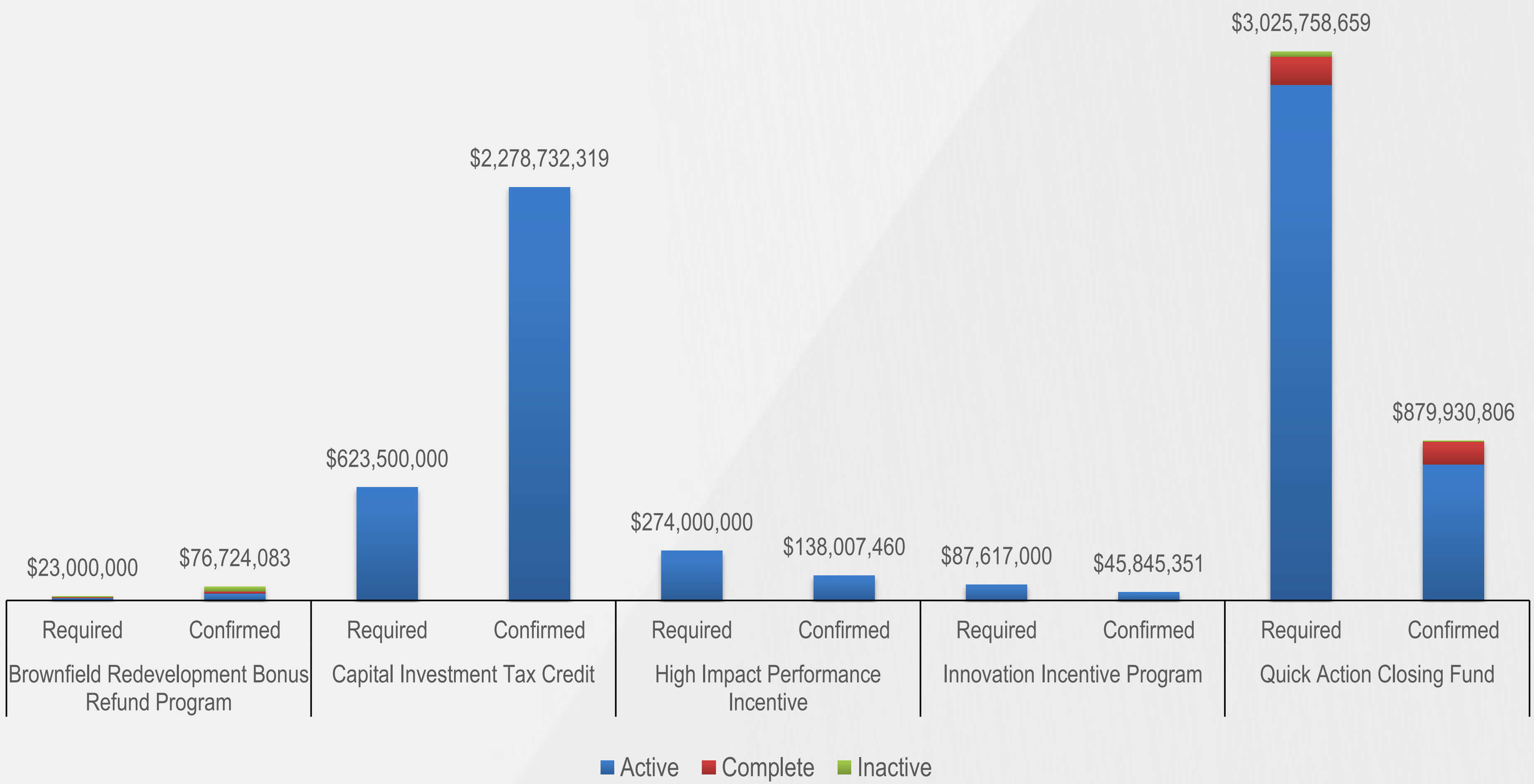
Incentive Projects Have Created 33,627 New Jobs Since Inception



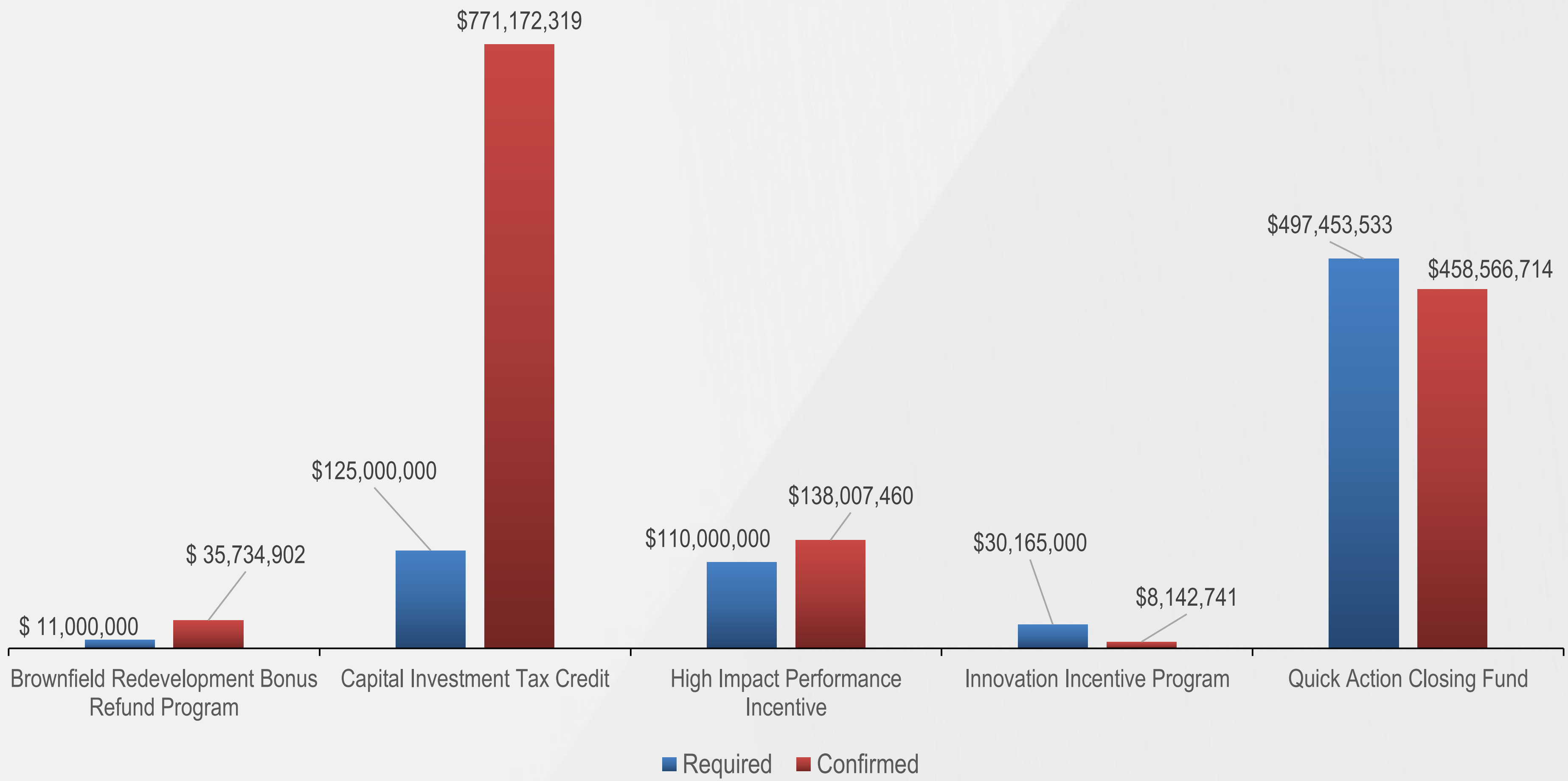
Incentive Projects Created 13,378 New Jobs During the Review Period



Incentive Projects Have Made $3.3 Billion in Capital Investments Since Inception



Incentive Projects Made $1.3 Billion in Capital Investments During the Review Period



DEO Terminated 134 Incentives for Failing to Meet Performance Goals During the Review Period

- Scheduled to receive $60.7 million in payments
- Committed to create 12,822 jobs
- Committed to make $195 million in capital investments

Program	Number of Incentives
Qualified Target Industry Tax Refund	113
Brownfield Redevelopment Bonus Refund	13
Quick Action Closing Fund	8
Total	134

Incentives Important, but Not Only Factor; Most Recipients Are Existing, Large Businesses

- Incentives are one of many factors that businesses consider when making project decisions
- 63% of projects receiving incentives are existing Florida businesses
- 52% of businesses receiving economic incentives have more than 1,000 employees

Incentive Claims and Payment Processes Need Improvement

- Incentive recipients think the process needs improvement
  - 39% thought claims submittal needed improvement
  - 47% thought incentive payment process needed improvement
- DEO data for 217 claims shows that the average time between submission and payment was 16 months

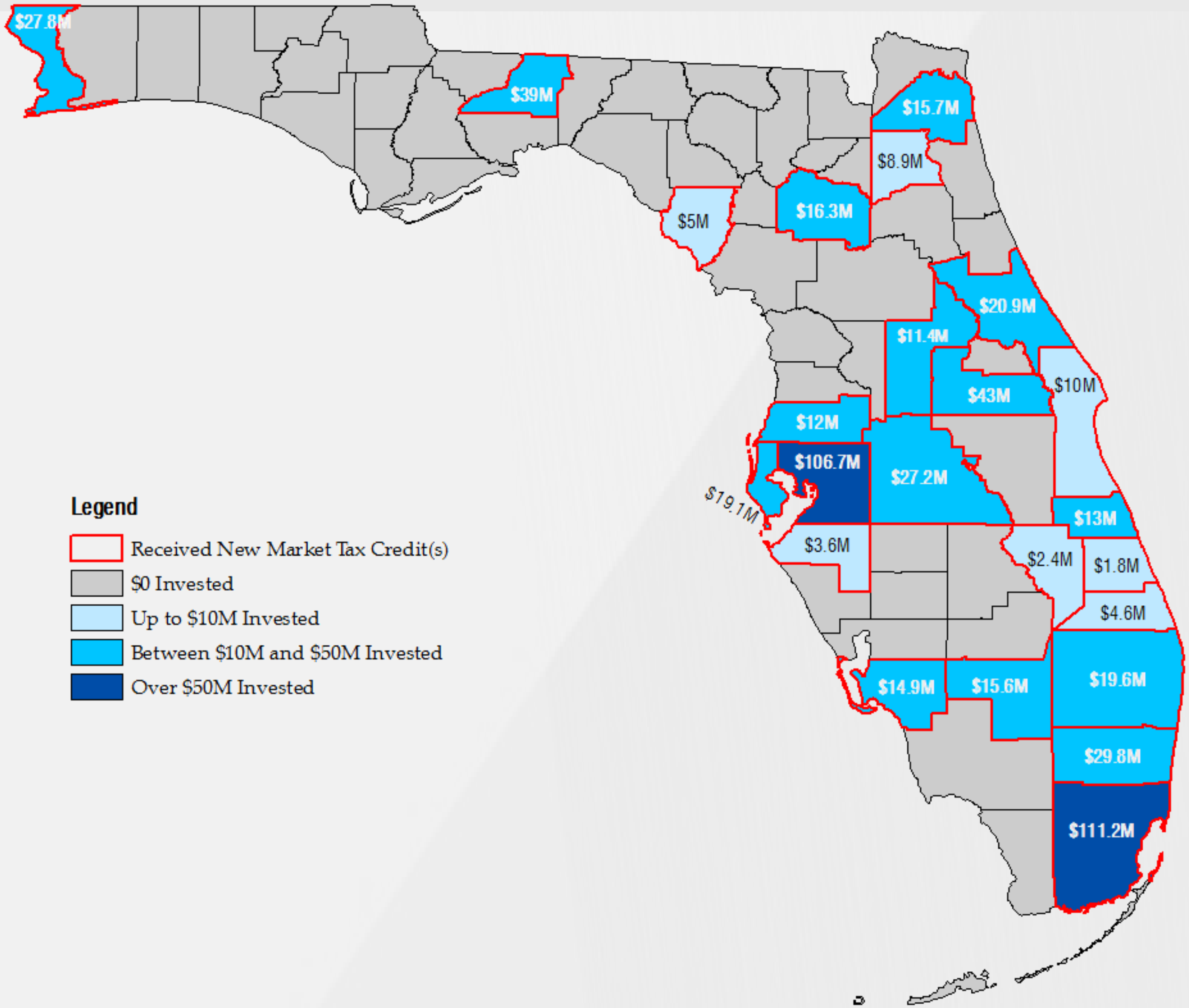
Some Incentive Programs Struggle to Meet Long-term Goals

- ▶ The Enterprise Zone Program underperformed on economic and social indicators and will be completely phased out by 2018
- ▶ Most Innovation Incentive Program recipients have been unable to achieve job goals
  - As of June 30, 2016, program recipients had created less than half of the jobs required
  - DEO managers indicated that only two of the nine recipients are currently meeting their performance requirements

DEO Has Allocated $216 Million in New Markets Development Program Tax Credits

- Between Fiscal Years 2009-10 and 2014-15, $216 million in tax credits were allocated to 18 community development entities
  - There are no formal criteria for allocating tax credits beyond basic program eligibility criteria defined in statute
- Credits used to finance $579.9 million of investment capital into 83 qualified active low-income community businesses
- Four industries account for almost two-thirds of all investments made through the program
  - Manufacturing (27%), Health Care and Social Assistance (16%), Wholesale Trade (11%), Arts, Entertainment, and Recreation (10%)

New Markets Development Program Investments Were Made in 24 Counties



Inadequate Reporting Requirements Hamper Assessment of New Markets Development Program

- Community development entities must report annually on created and retained jobs and wages for business recipients
  - Jobs projected, not actual
  - Wages not verified by DEO staff
- Reporting lacks information on how the business used the capital investment and social benefits and services provided to the community

RECOMMENDATIONS

The Legislature and DEO Could Take Several Steps to Improve Incentive Programs

- The Legislature could consider phasing out the Innovation Incentive Program given its weak performance
- If the Legislature authorizes additional New Markets Development Program tax credits, it could direct DEO to use scoring criteria when allocating tax credits
- DEO should improve New Markets Development Program oversight, and the Legislature could consider expanding reporting requirements
- DEO should improve the timeliness of the incentive claims and payment processes

QUESTIONS

Contact Information

Alex Regalado
Senior Legislative Analyst
(850) 717-0506
email@oppaga.fl.gov

Kara Collins-Gomez
Staff Director
(850) 717-0503
collins-gomez.kara@oppaga.fl.gov

THE FLORIDA LEGISLATURE
OPPAGA
OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

January 2017 **Report No. 17-02**

Florida Economic Development Program Evaluations - Year 4

at a glance

Incentives are one of many factors in business decisions to expand or relocate, but most are awarded to existing Florida businesses that have over 1,000 employees. Projects that received incentive payments and claimed tax credits in Fiscal Years 2012-13 through 2014-15 have received $597.4 million in cumulative payments and tax credits; these projects received $156.2 million within the review period. All of these projects have job creation requirements and many have capital investment goals. However, performance on these measures varies by incentive program. During the review period, 134 incentives were terminated due to lack of performance.

The Enterprise Zone Program underperformed on economic and social indicators and will be completely phased out by 2018. Most Innovation Incentive recipients have been unable to achieve job goals and several left the state prior to contract completion. New Markets Development Program projects are primarily located in two counties, with most capital invested in four industries; inadequate reporting requirements hamper assessment of program impact.

The Legislature may wish to consider phasing out the Innovation Incentive Program. If the Legislature funds additional New Markets tax credits, it could direct the Department of Economic Opportunity to use scoring criteria to allocate them. Moreover, the department should enhance oversight of the New Markets Program and improve the timeliness of the incentive claims and payment processes.

Scope

Section 288.0001, *Florida Statutes*, requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) and the Office of Economic and Demographic Research (EDR) to provide a detailed analysis of state economic development programs according to a recurring schedule established in law.[1] OPPAGA must evaluate each program over the previous three years for effectiveness and value to the state's taxpayers and include recommendations for consideration by the Legislature; EDR must evaluate and determine the economic benefits, as defined in s. 288.005(1), *Florida Statutes*, of each program over the same period.

Background

The eight economic incentive programs under review this year include tax credits, tax refunds, and cash grants. The primary purpose of each program is to attract and grow businesses in Florida, which includes promoting job creation and capital investment. In addition, several programs have other goals, such as revitalizing economically distressed areas and encouraging emerging technology cluster development. (See Exhibit 1.)

[1] For previous OPPAGA analyses, see *Florida Economic Development Program Evaluations – Year 1*, Report No. 14-01, January 2014; *Florida Economic Development Program Evaluations – Year 2*, Report No. 15-01, January 2015; and *Florida Economic Development Program Evaluations – Year 3*, Report No. 15-11, November 2015.

Businesses that receive incentives from these programs enter into multi-year contractual agreements with the state. These agreements include a schedule for meeting performance requirements such as job creation and capital investment; for some programs, businesses have as many as 20 years to meet these requirements. (See Appendix A for a more detailed description of each program.)

Several entities help administer the state's economic incentive programs. Four entities are primarily responsible for administering the eight incentive programs currently under review: Enterprise Florida, Inc. (EFI), the Department of Economic Opportunity (DEO), the Department of Revenue, and the Department of Financial Services. (See Exhibit 2.) In addition, the Department of Environmental Protection provides information to DEO to ensure that projects receiving Brownfield Redevelopment Bonus Refunds are within designated brownfield areas.

Exhibit 1
The Eight Programs Under Review This Year Include Tax Credit, Tax Refund, and Cash Grant Incentives[1]

Program	Incentive Type	Statutory Reference
Capital Investment Tax Credit Program – Attracts and grows capital-intensive industries by providing an annual credit against the corporate income tax that is available for up to 20 years in an amount equal to 5% of the eligible capital costs generated by a qualifying project. Eligible capital costs include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations. Businesses must make an investment of at least $100 million to receive the full credit.	Tax Credit	s. 220.191, *F.S.*
New Markets Development Program – Encourages capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specific taxes (e.g., insurance premium and corporate income taxes) through qualified investments in businesses that create and retain jobs.	Tax Credit	ss. 288.991-288.9922, *F.S.*
Brownfield Redevelopment Bonus Refund Program – Encourages development of abandoned, idled, or underused industrial and commercial sites where expansion or development is complicated by actual or perceived environmental contamination. Designed to work with Qualified Target Industry (QTI) projects, paying a bonus of $2,500 per job over and above the QTI refund; provides a $2,500 per job refund for non-QTI projects that meet job creation and capital investment requirements.	Tax Refund[2]	s. 288.107, *F.S.*
Qualified Target Industry Tax Refund Program – Encourages the creation of high-skill jobs and the growth of corporate headquarters and other target industries. Provides a tax refund of $3,000 per new job created in Florida through the expansion of existing Florida businesses or the location of new ones ($6,000 per job within an enterprise zone or rural county). A business is eligible for a $1,000 per job bonus if it pays over 150% of average wages in the area and a $2,000 per job bonus if over 200%. Projects must be supported by the local community, which provides funding for 20% of the incentive.	Tax Refund[2]	s. 288.106, *F.S.*
Enterprise Zone Program – Encourages the revitalization of economically distressed areas by providing credits against Florida's sales tax or corporate income tax to businesses located in an enterprise zone. Corporate income tax credits are available for businesses that construct or expand facilities within a zone. Sales tax refunds are available when businesses purchase equipment or building materials for use within a zone. The program sunset on December 31, 2015, but businesses in enterprise zones that entered into contracts between January 1, 2012 and July 31, 2015 can receive program credits from January 1, 2016 to December 31, 2018.	Tax credits and refunds	ss. 212.08(5)(g)-(h); 212.08(15); 212.096; 220.181; and 220.182, *F.S.*
High Impact Performance Incentive Grant Program – Provides grants to pre-approved applicants in certain high-impact sectors. Once approved, the high-impact business receives 50% of the eligible grant upon commencement of operations and the other half once full employment and capital investment goals are met.	Grant	s. 288.108, *F.S.*
Innovation Incentive Program – Targets funds to businesses that expand or locate in Florida, are likely to serve as catalysts for the growth of existing or emerging technology clusters, or significantly affect the regional economy in which they expand or locate.	Grant	s. 288.1089, *F.S.*
Quick Action Closing Fund Program – Provides a discretionary grant to respond to unique requirements of wealth creating projects. When Florida is vying for intensely competitive projects, the funds may be utilized to overcome a quantifiable disadvantage after other available resources have been exhausted. Funds are paid based on specific project criteria outlined in a performance-based contract between the company and the state.	Grant	s. 288.1088, *F.S.*

[1] OPPAGA classified the eight programs in the same manner that Enterprise Florida, Inc. categorizes them in its statutorily required annual incentives report.

[2] This incentive is not a traditional tax refund program. Rather, the incentive is administered similarly to a cash grant program, with the Legislature annually appropriating funds to be "refunded" to businesses after they meet job creation requirements.

Source: *Florida Statutes*.

Exhibit 2
Several Entities Are Involved in Administering the State's Economic Incentive Programs

Enterprise Florida, Inc.	Department of Economic Opportunity	Department of Revenue	Department of Financial Services
▪ Advertises and markets the state's incentive programs ▪ Assists businesses that apply for incentives ▪ Works with community partners to gather information that would be useful to applicants (e.g., potential sites, area demographics, and local incentives) ▪ Reviews applications for completeness ▪ Recommends projects to DEO for receipt of incentives	▪ Oversees the application/ certification approval process[1] ▪ Administers, reviews, and approves incentive claims ▪ Monitors businesses' compliance with program agreements, which specify the required number of jobs, average wage, capital investment, and other performance goals ▪ Decertifies/terminates businesses that do not meet performance requirements[1]	▪ Upon request, may verify information in any claim submitted for tax credits with regard to employment, wage levels, or payment of sales, corporate, or property taxes ▪ Reviews and approves enterprise zone tax credit and refund applications ▪ Provides enterprise zone data to DEO for annual reporting	▪ Reviews, approves, and issues incentive payments ▪ Examines information provided by DEO, including the request for payment and supporting documentation (e.g., incentive agreement and evidence of meeting performance requirements) ▪ Requests additional information as necessary ▪ Authorizes payment and issues a warrant

[1] DEO certifies applicants as Qualified Target Industry businesses and decertifies those that fail to comply with incentive agreement terms.

Source: OPPAGA analysis of information from agency documents, interviews, and the *Florida Statutes*.

Projects with incentive payments in Fiscal Years 2012-13 through 2014-15 have received $597.4 million in cumulative payments; the projects collected $156.2 million during the review period. To examine program costs and performance, OPPAGA reviewed 232 projects that received economic incentive payments (e.g., grant payments, tax refunds, and tax credits) from DEO during Fiscal Years 2012-13 through 2014-15.[2, 3] DEO classifies projects by status – active, complete, inactive, and terminated. Of the 232 projects, 142 (61.2%) were active, 45 (19.4%) were complete, and 45 (19.4%) were inactive.[4,5]

Several projects in the sample received incentives from multiple programs. Specifically, the 232 contracted projects received 295 incentives. Most of the projects (66.8%) received one incentive, 31% received two, and 2.2% received three.

The 232 projects that received state incentives during Fiscal Years 2012-13 through 2014-15 have received a total of $597.4 million; this amount comprises all incentives received, including those received outside of the three-year period. Most projects (177) received incentives from the Qualified Target Industry Tax Refund Program, while only 1 project received High Impact Performance Incentives. The Innovation Incentive Program accounted for the highest percentage of incentives received, at 48.9%. (See Exhibit 3.)

[2] This project count also includes 22 projects that had $34.4 million placed into an escrow account. A company will receive payment upon meeting performance goals.

[3] DEO does not enter into contracts for New Markets Development Program or Enterprise Zone Program projects.

[4] Active projects are in progress and in good standing with regard to meeting contract performance goals. Complete projects are those that met contract terms and received all eligible incentive payments. Inactive projects received one or more incentive payment after meeting a portion of contract commitments, but are ineligible for future payments. Terminated projects are those with executed contracts that did not receive any payments before becoming ineligible to continue program participation.

[5] The status of an individual incentive can vary from the status of the entire project. For example, a project with two incentives can have an active and inactive incentive. Projects receiving more than one incentive are considered active if at least one incentive remains in active status.

Exhibit 3
Since Project Commencement, Contracted Projects that Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Have Collected $597.4 Million in State Funds; the Projects Received $156.2 Million During the Review Period

Program	Projects	Total Awarded	Amount Received Since Commencement	Amount Received During Review Period[1]
Innovation Incentive Program	4	$206,000,000	$200,151,744	$45,060,891
Quick Action Closing Fund Program	91[2]	156,975,440	87,640,896[3]	22,604,407
Capital Investment Tax Credit Program	9[4]	NA[5]	262,974,170[6]	67,834,583
Qualified Target Industry Tax Refund Program	177[7]	126,287,100	42,795,894	17,211,571
High Impact Performance Incentive Program	1	5,000,000	2,500,000	2,500,000
Brownfield Redevelopment Bonus Refund Program	13	5,435,000	1,385,888	945,405
Total[8]	**232**	**$499,697,540**	**$597,448,592**	**$156,156,857**

[1] The amount for refund programs reflects payments for performance in calendar years 2012 through 2014. For grants and tax credit programs, the amount reflects payments made in calendar years 2012 through 2014.

[2] This total reflects 22 active projects that have not received state funds, but $34.4 million in funds remain in an escrow account. The amount awarded includes funds in the escrow account.

[3] The amount received excludes $4.8 million repaid by companies.

[4] Companies that claimed credits against taxes paid for calendar years 2012 through 2014.

[5] Companies can take a credit against taxes paid.

[6] Amount of credits claimed by companies against taxes paid for calendar years 2001 through 2015.

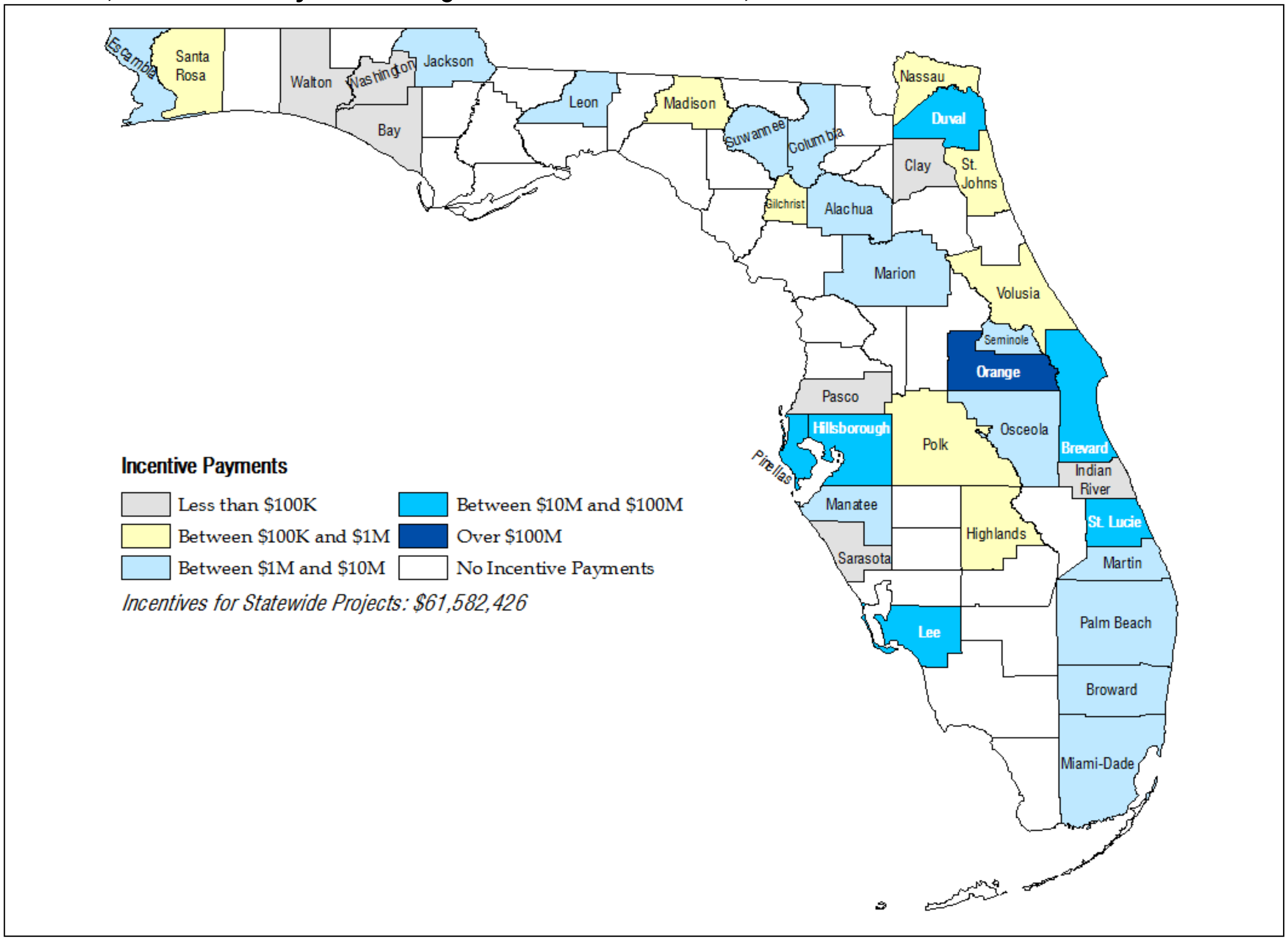
[7] Total includes 19 projects that received a brownfield redevelopment bonus with a tax refund from the Qualified Target Industry Tax Refund Program.

[8] This total reflects the number of unique incentive projects, but does not include Enterprise Zone Program incentive recipients.

Source: OPPAGA analysis of Department of Economic Opportunity and Department of Revenue data.

Incentives were distributed across 36 counties, with totals varying widely by county. During the review period, 7 counties received total incentives of less than $100,000, while 14 received between $1 million and $10 million. Only seven counties received total incentives exceeding $10 million. Those counties are Brevard, Duval, Hillsborough, Lee, Orange, Pinellas, and St. Lucie. (See Exhibit 4.)

Exhibit 4
Projects that Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Are Located in 36 Counties; Cumulative Payments Range From Less Than $100,000 to Over $100 Million[1, 2]



[1] Payments are cumulative, from project inception, not just payments made in the three-year review period. One project could not be allocated to a single county; the incentive amounted to $61.6 million.
[2] Enterprise Zone and New Markets Development Program incentives are not included in the exhibit.
Source: OPPAGA analysis of Department of Economic Opportunity data.

Findings

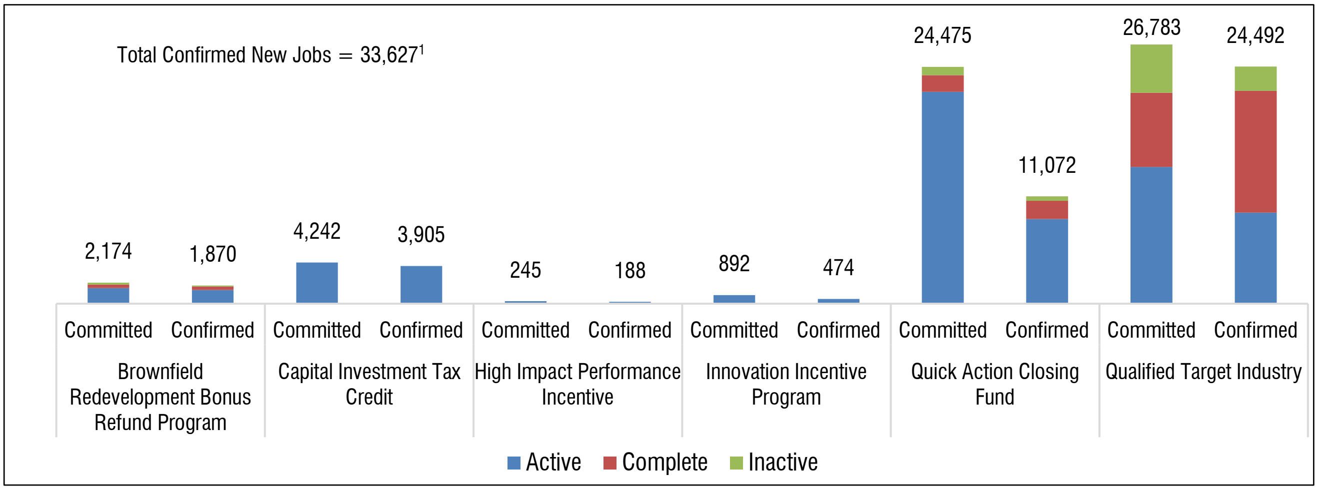
Overall, projects that received payments during the review period have created 33,627 new jobs and made $3.3 billion in capital investments; performance varies by program

The 232 active, complete, and inactive projects that received incentive payments in Fiscal Years 2012-13 through 2014-15 have created a cumulative 33,627 new jobs. The total number of confirmed jobs was less than the number of committed jobs for every incentive program. However, 61.2% of the projects are active and in good standing with regard to adhering to contract performance schedules.

The cumulative job amount is 76.5% of the total contracted new jobs requirement. Projects with an active status achieved 56.1% of job goals thus far, while complete projects achieved 163.6% and inactive projects achieved 78.6%.

In addition, at the program level, performance varied. For example, Capital Investment Tax Credit (CITC) and Qualified Target Industry (QTI) program recipients were the closest to meeting contract requirements; CITC recipients achieved 92.1% of job goals and QTI recipients achieved 91.4%. In contrast, projects with Quick Action Closing Fund incentives achieved only 45.2% of job goals. However, 91.2% of projects receiving this incentive are active. (See Exhibit 5.)

Exhibit 5
Since Project Inception, Projects That Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Have Created 33,627 New Jobs[1]

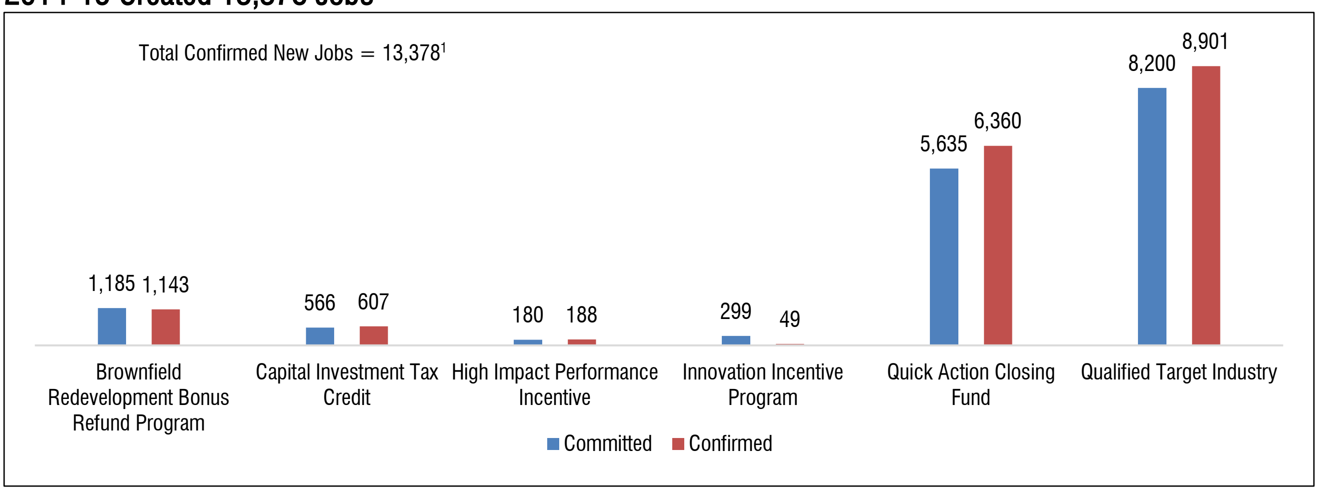


[1] Projects receiving funds for multiple incentive programs can count the same jobs across programs. This figure represents an unduplicated count of confirmed new jobs. Total includes projects that received a brownfield redevelopment bonus with a tax refund from the Qualified Target Industry Tax Refund Program.

Source: OPPAGA analysis of Department of Economic Opportunity data.

During the three-year review period, the projects that received incentive payments in Fiscal Years 2012-13 through 2014-15 created 13,378 jobs.[6] The total number of confirmed jobs exceeded the number of committed jobs for four incentive programs. The two programs that did not exceed job goals during the review period were the Brownfield Redevelopment Bonus Refund Program and the Innovation Incentive Program. (See Exhibit 6.)

Exhibit 6
During the Review Period, Projects That Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Created 13,378 Jobs [1]



[1] Projects receiving funds for multiple incentive programs can count the same jobs across programs. This figure represents an unduplicated count of confirmed new jobs. Total includes projects that received a brownfield redevelopment bonus with a tax refund from the Qualified Target Industry Tax Refund Program.

Source: OPPAGA analysis of Department of Economic Opportunity data.

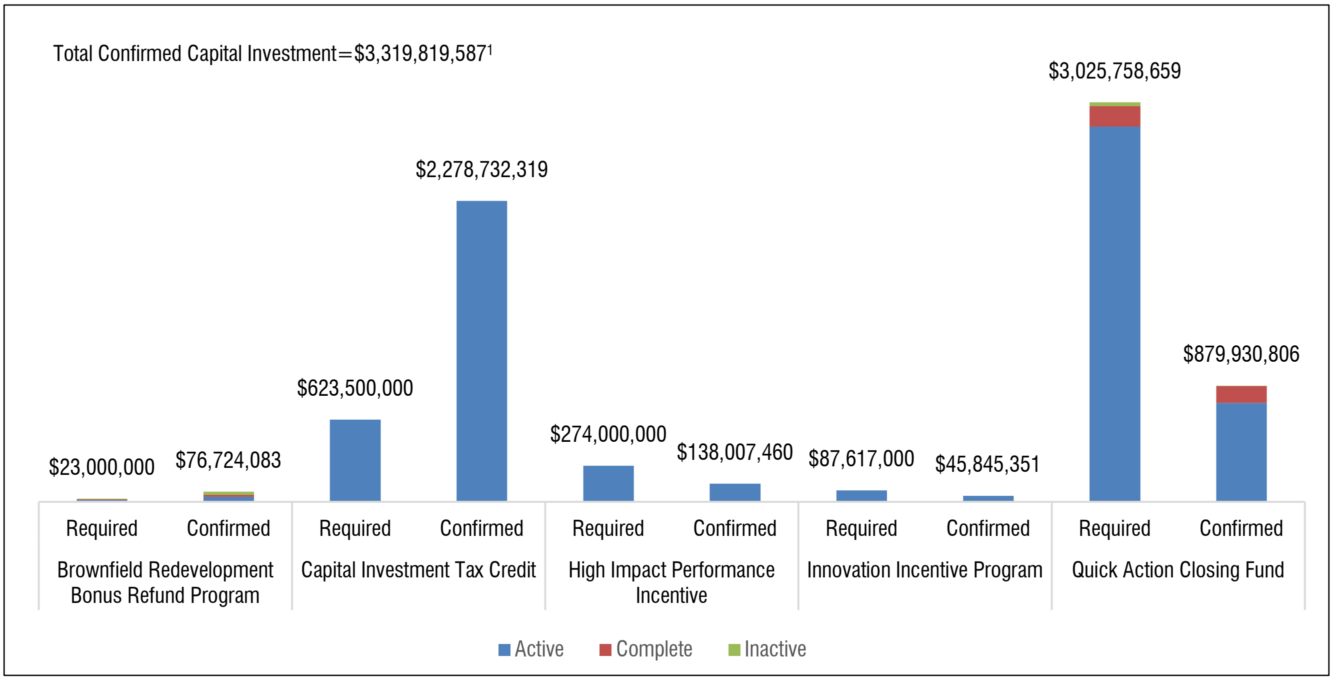
[6] Approximately 39% of these projects were in a job maintenance period during which they were required to keep previously created jobs in order to receive incentive payments.

The active, complete, and inactive projects that received incentive payments in Fiscal Years 2012-13 through 2014-15 have made a cumulative $3.3 billion in capital investments. The total amount of confirmed capital investment was less than the total amount of committed capital investment for every program except CITC and the Brownfield Redevelopment Bonus Refund. As mentioned previously, 61.2% of the projects are active and in good standing with regard to adhering to contract performance schedules.

The cumulative capital investment amount is 78.7% of the total contracted capital investment requirement. Projects with an active status achieved 78.5% of capital investment goals thus far, complete projects achieved 78.1%, and inactive projects achieved 90.6%.

At the program level, of the five incentives that have contractual capital investment goals, two—CITC and Brownfield Redevelopment Bonus Refund—exceeded requirements. CITC recipients were contracted to invest $623.5 million and confirmed expenditures were $2.3 billion. Similarly, Brownfield Redevelopment Bonus Refund recipients were contracted to invest $23.0 million and confirmed expenditures were $76.7 million. In contrast, Quick Action Closing Fund recipients were contracted to invest $3.0 billion and had only $879.9 million in confirmed expenditures. However, 91.2% of projects receiving this incentive are active. (See Exhibit 7.)

Exhibit 7
Since Project Inception, Projects That Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Have Made $3.3 Billion in Capital Investments [1]

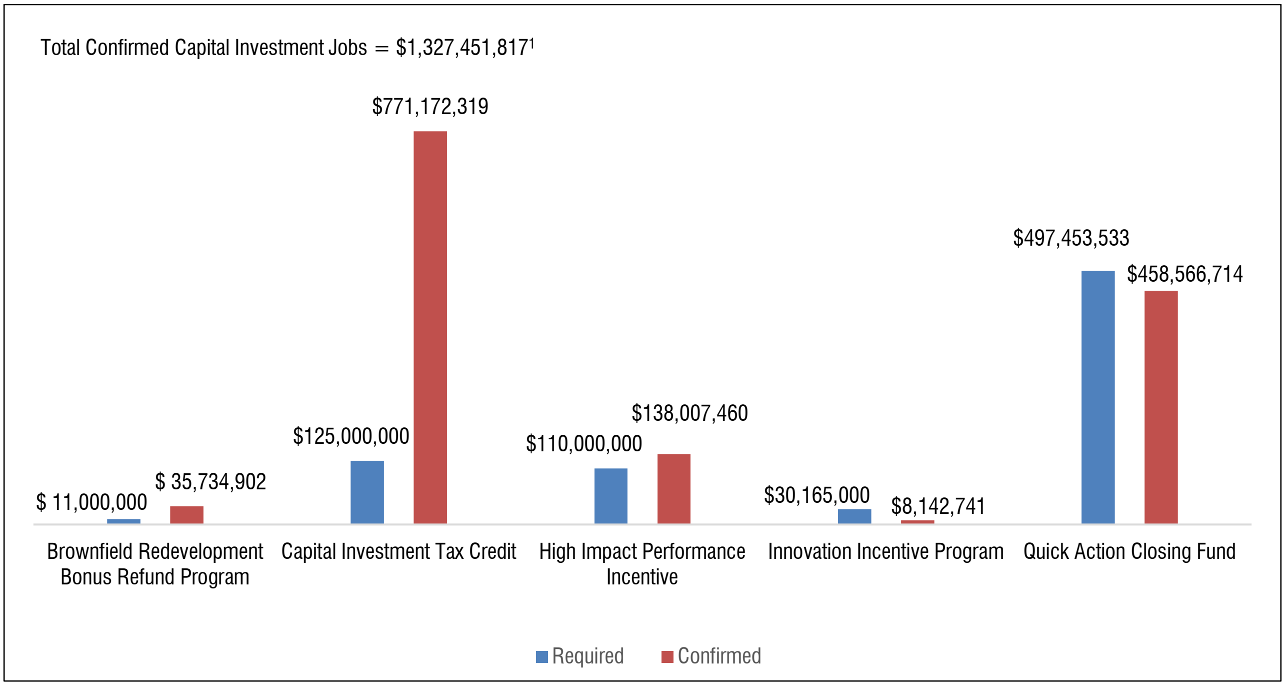


[1] Projects receiving incentives from multiple programs can count the same amount of capital investment across programs. This figure represents an unduplicated amount of confirmed capital investment.

Source: OPPAGA analysis of Department of Economic Opportunity data.

During the three-year review period, the projects that received incentive payments in Fiscal Years 2012-13 through 2014-15 made $1.3 billion in capital investments. The total amount of confirmed capital investments exceeded the amount of committed capital investments for three of the five incentive programs that have such a requirement. The two programs that did not exceed capital investment goals during the review period were the Innovation Incentive Program and Quick Action Closing Fund. (See Exhibit 8.)

Exhibit 8
During the Review Period, Projects That Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15 Made $1.3 Billion in Capital Investments[1]



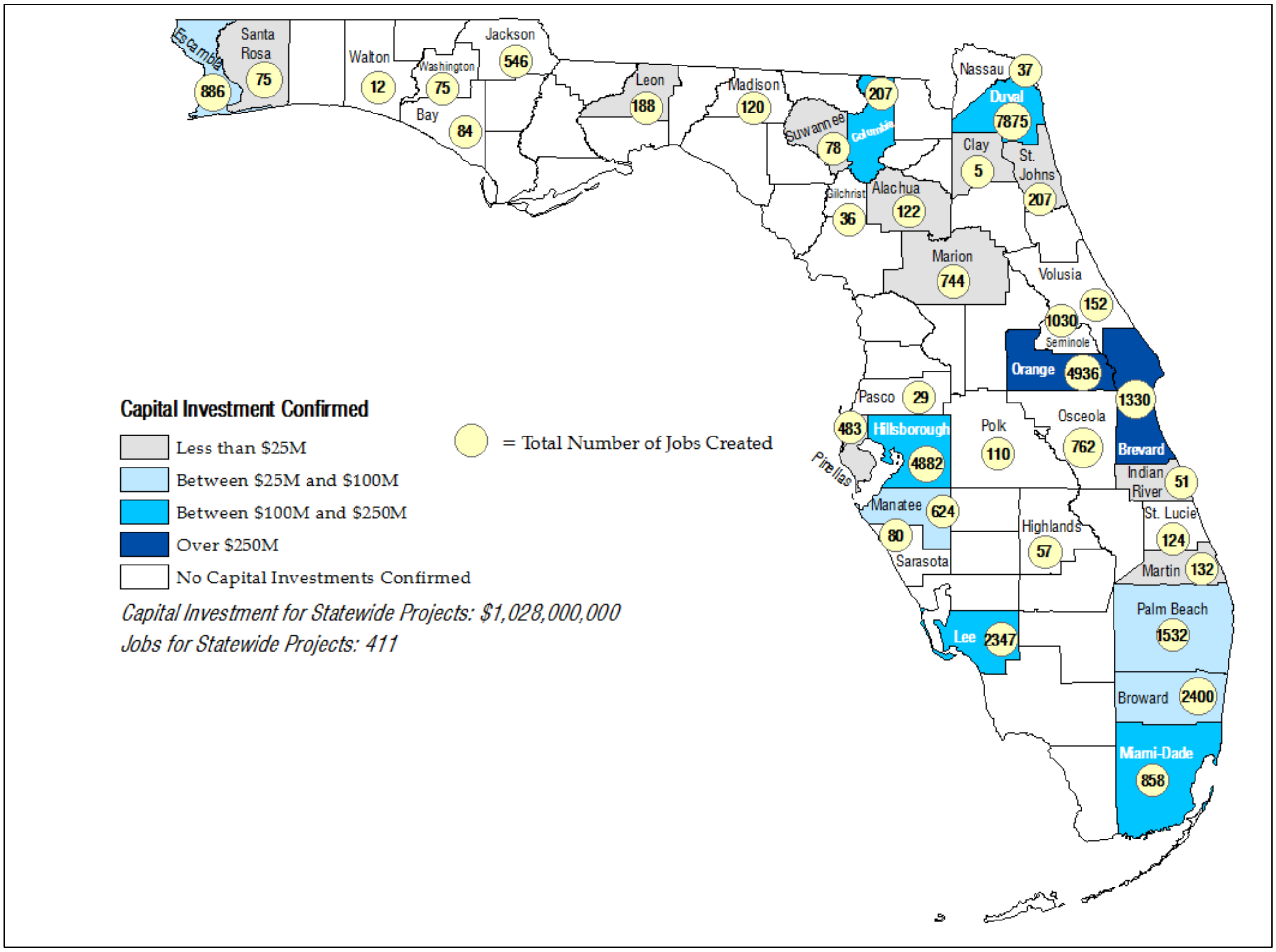
[1] Projects receiving incentives from multiple programs can count the same amount of capital investment across programs. This figure represents an unduplicated amount of confirmed capital investment.

Source: OPPAGA analysis of Department of Economic Opportunity data.

There are 36 counties with confirmed new jobs and 21 counties with confirmed capital investments, with performance varying widely by county.[7] For example, with regard to job creation, the number of confirmed new jobs ranged from 5 in Clay County to 7,875 in Duval County. Capital investment totals also differed greatly, with 10 of 21 counties having projects that made capital investments of less than $25 million. Brevard and Orange counties had projects that made capital investments exceeding $250 million. (See Exhibit 9.)

[7] Not all of the projects within the sample were required to make capital investments as part of incentive agreements.

Exhibit 9
Cumulative Confirmed New Jobs and Capital Investments Varied Across Counties for Projects That Received Incentive Payments in Fiscal Years 2012-13 Through 2014-15[1]



[1] One project could not be allocated to a single county; confirmed capital investments amounted to $1 billion, with 411 new jobs.
Source: OPPAGA analysis of Department of Economic Opportunity data.

During the review period, DEO terminated 134 incentives that failed to meet performance goals; terminated incentives were scheduled to create 12,822 jobs and make $195 million in capital investments

From Fiscal Years 2012-13 through 2014-15, DEO terminated 134 incentives for 124 projects because incentive recipients failed to achieve contractual performance standards; these incentives were due to receive $60.7 million in payments. The incentives were committed to create 12,822 jobs and make $195 million in capital investments. The incentives were to receive payments from the following programs: Brownfield Redevelopment Bonus Refund, Qualified Target Industry Tax Refund, and Quick Action Closing Fund. (See Exhibit 10.)

Before termination, the incentives resulted in some job creation and capital investment. Specifically, DEO confirmed that the incentives created 213 jobs (1.7% of those committed by contract) and made $2.7 million in capital investments (1.4% of the amount required).

Exhibit 10
Terminated Incentives Were Scheduled to Receive Payments From Three Programs

Program	Number of Incentives
Qualified Target Industry Tax Refund[1]	113
Brownfield Redevelopment Bonus Refund[2]	13
Quick Action Closing Fund	8
Total	**134**

[1] Total includes 22 projects that received a brownfield redevelopment bonus with a qualified target industry tax refund.

[2] These incentives were standalone bonus refunds.

Source: OPPAGA analysis of Department of Economic Opportunity data.

Incentives are important, but not the only factor in businesses' decisions to expand or locate in Florida; most incentive recipients are existing in-state businesses

To better understand businesses' experiences with state economic incentive programs and the role incentives play in expansion and location decisions, OPPAGA surveyed businesses that received incentives during Fiscal Years 2012-13 through 2014-15.[8] Results were similar to prior OPPAGA surveys of incentive recipients, with respondents reporting that incentives are important to project decisions, although most are awarded to existing Florida businesses rather than companies relocating to the state.

Incentives are one of many factors businesses consider when making project decisions. Businesses consider a range of issues when evaluating locations for new projects. According to site selection consultants, companies' initial criteria include infrastructure, permitting, workforce, utilities, land, taxes, quality of life, and economic incentives. As many as 25 states or locations may be considered at first, and as information and discussions with client companies occur, the number of sites is typically reduced to two or three finalist locations. Site selection consultants note that when site characteristics are equal, incentives typically become very important.

When OPPAGA asked incentive recipients to identify the three most important factors that affected their company's decision to remain, locate, or expand in Florida, businesses that responded to the question cited state economic development incentives (68%), existing presence in Florida (54%), and the availability of a skilled workforce (40%) as the most important factors. When asked how important incentives were to the final location decision, businesses that responded said incentives were very important (52%) or important (39%).

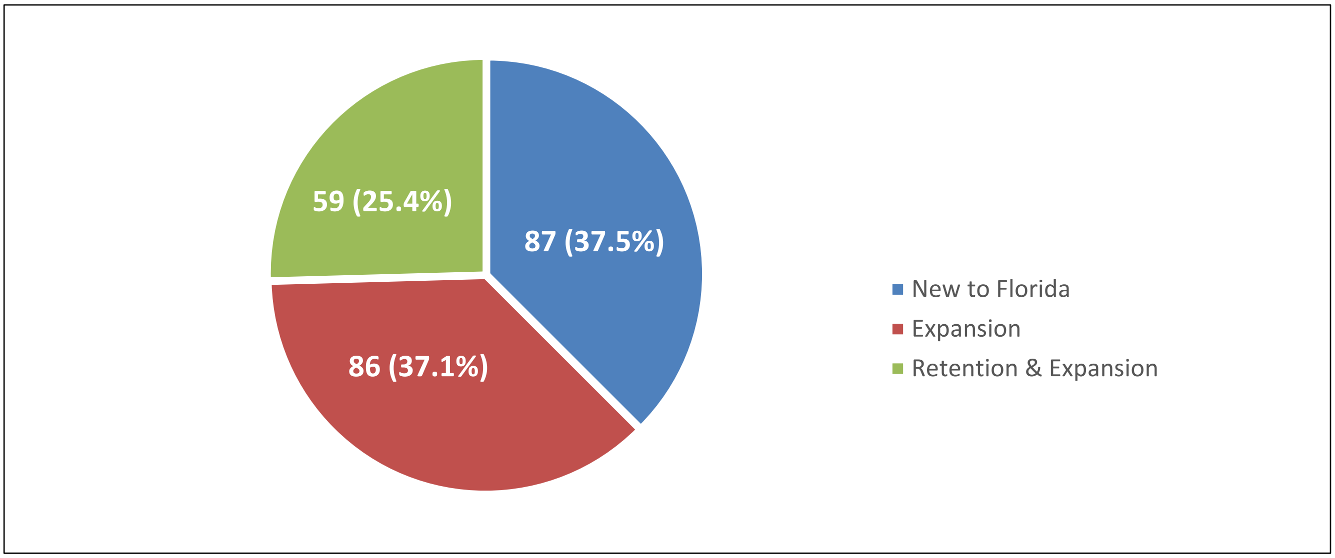
When asked how incentives benefitted their businesses, 81% of responding businesses reported that incentives helped them create new jobs and 54% said they helped them retain jobs. Businesses also reported that the incentives helped them purchase new equipment (39%), create new facilities (39%), expand current facilities (37%), and increase profitability (28%).

Most projects receiving incentives are existing Florida businesses. Although 62% of OPPAGA survey respondents reported that their projects were for expanding existing Florida businesses, only 4% of respondents said the incentives enabled their businesses to remain in Florida. And when asked what would have been the effect on their company's plans to conduct their projects in Florida had incentives not been awarded, 22% of businesses responding to the question said they would have proceeded with their projects as planned, while 37% said they would have proceeded with their projects on a smaller scale.

These survey findings are consistent with data provided by DEO for the 232 projects that received payments during the three-year review period. The majority of projects in the sample were expansions of existing Florida businesses rather than introduction of new companies to the state. Specifically, 63% of the projects involved were either an expansion of existing businesses or retention of existing businesses with the longer-term goal of expansion. (See Exhibit 11.)

[8] OPPAGA surveyed 204 of the businesses that received incentives during the evaluation period; 58 (28%) responded.

Exhibit 11
The Majority of Projects That Received Incentives in Fiscal Years 2012-13 Through 2014-15 Were for Existing Florida Businesses



Source: OPPAGA analysis of Department of Economic Opportunity data.

However, 61% of survey respondents reported that they considered pursuing their projects in other states. The most frequently mentioned states were California (24%), Texas (24%), Alabama (18%), and Georgia (15%). Other frequently mentioned states included Colorado, Massachusetts, New Jersey, and North Carolina. Had incentives not been awarded, 37% of respondents said that they would have proceeded with their projects in another state.

Most businesses receiving economic incentives have more than 1,000 employees. OPPAGA's analysis of businesses that received incentives in Fiscal Years 2012-13 through 2014-15 shows that incentives are typically awarded to large businesses. Specifically, the analysis of 214 projects for which there is data found that 14.5% of incentive recipients have fewer than 50 employees, while 51.9% of recipients have more than 1,000 employees. (See Exhibit 12.)

Exhibit 12
The Majority of Economic Incentives Are Awarded to Businesses With More Than 1,000 Employees

Business Size	Number of Projects	Percentage by Business Size Category
1 to 4 employees	4	1.9%
5 to 9 employees	2	0.9%
10 to 19 employees	9	4.2%
20 to 49 employees	16	7.5%
50 to 99 employees	17	7.9%
100 to 249 employees	19	8.9%
250 to 499 employees	15	7.0%
500 to 999 employees	21	9.8%
Over 1000 employees	111	51.9%
Total	**214**	**100%**

Source: OPPAGA analysis of Department of Economic Opportunity data.

Many businesses believe that the incentive claims and payment processes need improvement

OPPAGA's survey of businesses that received incentive payments during the three-year review period also asked respondents about the approval and payment processes and their interaction with the Department of Economic Opportunity (DEO). Although 75% of businesses expressed satisfaction with the assistance provided by DEO, 39% thought the incentive claims submittal process needed improvement, and 47% thought the incentive payment process needed improvement. In open-ended responses, businesses reported that the incentive claims submittal process that requires extensive supporting documentation was complicated, cumbersome, and time-consuming. In addition, businesses said that it took too long to receive incentive payments.

Verifying and paying claims is time-consuming. In 2013, the Legislature directed DEO to contract with a third-party auditor for compliance services and included a requirement to review 100% of all incentive claims. The first contract between the department and the third-party auditor began in February 2014. The third-party auditor reviews documentation to verify that the businesses created the jobs and paid the taxes specified in their written agreements with the state prior to recommending that the department pay the businesses. Since OPPAGA's 2014 review, the process has been improved, with businesses now able to electronically submit documentation for third-party review and the contractor required to process claims according to specified standards (e.g., provide a written claims review packet for every submitted claim).

To measure the timeliness of this process, 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 353 days, or nearly 12 months. The average time between claims submissions and incentive payments to businesses was 489 days, or more than 16 months.

Department managers and third-party auditor representatives provided several possible reasons for delays in the claims submission and payment processes.

- Companies filing Qualified Target Industry claims must do so by January 31; however, a company may request a 30-day extension. While DEO must approve or disapprove the claim by June 30, a company may request an extension beyond that date to provide the department with additional information.
- If the third-party auditor sees a variance, it may ask the company for additional information. For example, if the company says an employee's annual salary is $125,000, but unemployment compensation data shows that the figure is $100,000, the auditor must research the discrepancy and may ask the business for additional documentation.
- Sometimes a business has trouble providing documentation in a timely fashion because of staff turnover or its internal structure. For example, in large businesses, staff who apply for incentives, process payroll, and pay taxes may be in separate departments, thus increasing the amount of time it takes to collect information.
- The law requires that incentive claims include copies of all receipts pertaining to the payment of taxes. Some companies claim only their annual ad valorem tax payments. However, companies that receive refunds for sales taxes have to submit numerous receipts and other documents that take time to collect. This may be especially true for large companies with several offices or divisions.
- Some delays are related to local government matching fund requirements. DEO notifies the local governments at the same time it notifies the companies that they are eligible to receive payments. However, local governments may require "additional compliance" before a company receives the match.

Employment in most selected qualified target industries is below national levels

The Legislature encourages growth in high-wage jobs and economic diversity by providing incentives to qualified target industry (QTI) businesses. OPPAGA conducted economic analyses to determine how Florida's QTIs are performing relative to regional, state, and national economic and employment trends. The analyses used state and national employment data from 2006 to 2015 for six QTI industries—Manufacturing; Wholesale Trade; Information; Finance and Insurance; Professional, Scientific, and Technical Services; and Management of Companies and Enterprises.

OPPAGA calculated location quotients for the six selected QTI sectors and found little or no change in employment. Location quotients compare local employment in a given industry to statewide or national employment in that industry. Location quotients exceeding 1.0 indicate that levels of industry employment were higher than the state or national level. A positive change in location quotient indicates that the industry is growing relative to the state or nation. (See Exhibit 13.)

OPPAGA also conducted a shift-share analysis and found that two industries outpaced national and industry employment trends. Shift-share represents how much of the employment growth or decline in an industry was due to the national or state economy, the national or state-level trend within the particular industry, and the state's characteristics. Shift-share is comprised of the three components listed below. The change in employment between 2006 and 2015 equals the sum of the three components.

- **National (or State) Growth Share** is the change in employment due to the growth of the overall national or state economy. If the national or state economy is growing, then you expect to see a positive change in each industry in the state.
- **Industry Mix Share** is the change in employment due to the growth (or decline) of the overall industry in the nation or state relative to the growth (or decline) of the overall national or state economy.
- Regional Shift is the change in employment due to the state's characteristics (also referred to as competitive share). It is the most important component. A positive regional shift indicates the state industry is outperforming the national or state trend. A negative effect indicates that the state industry is underperforming compared to the national or state trend.

The shift share analysis showed that Florida's finance and insurance sector and management of companies and enterprises sector outpaced national and industry employment trends, while manufacturing; wholesale trade; information; and professional, scientific, and technical services all underperformed. (See Exhibit 14.)

Exhibit 13
Location Quotients for Six Florida Qualified Target Industries Show Little or No Growth for Several Sectors from 2006 to 2015

Florida Industry (NAICS)	Location Quotient (2015)	Change in Location Quotient
Manufacturing (31-33)	0.47	0.00
Wholesale Trade (42)	0.96	0.00
Information (51)	0.83	-0.07
Finance and Insurance (52)	1.04	0.04
Professional, Scientific and Technical Services (54)	0.99	0.00
Management of Companies and Enterprises (55)	0.74	0.07

Source: OPPAGA analysis of U.S. Bureau of Labor Statistics data.

Exhibit 14
Shift-Share Analysis for Six Florida Qualified Target Industries Shows the State Outpacing the Nation in Two Sectors from 2006 to 2015

Florida Industry (NAICS)	Employment Change	National Growth Share	Industry Mix Share	Regional Shift
Manufacturing (31-33)	-58,960	19,926	-71,828	-7,958
Wholesale Trade (42)	12,991	17,220	-17,807	-12,404
Information (51)	-31,274	8,285	-24,061	-15,498
Finance and Insurance (52)	-12,696	18,107	-34,657	3,854
Professional, Scientific and Technical Services (54)	56,350	22,323	52,372	-18,345
Management of Companies and Enterprises (55)	22,900	3,661	13,418	5,821

Source: OPPAGA analysis of U.S. Bureau of Labor Statistics data.

Some incentive programs struggle to meet long-term goals; increased accountability for the New Markets Development Program is needed

OPPAGA's 2014 report noted that the Enterprise Zone Program and the Innovation Incentive Program had not achieved some legislative goals. Subsequent to the report's release, the Legislature allowed the Enterprise Zone Program to expire and most Innovation Incentive Program recipients continued to underperform in meeting job requirements. In addition, Department of Economic Opportunity (DEO) has already allocated all of the New Markets Development Program tax credits, but assessment of program impact is hampered by current reporting requirements.

The Enterprise Zone Program will be completely phased out by 2018. In 2014, OPPAGA analyzed DEO and U.S. Census data to measure changes in selected enterprise zones over time and in comparison to similar non-zone areas. For economic indicators (median home value, median household income, unemployment rate, and poverty rate), the selected enterprise zones generally underperformed when compared to similar non-zone areas. For social indicators (infant mortality, educational attainment, crime rate, and population density), the selected enterprise zones showed mixed results, with a few zones outperforming comparison non-zone areas for some indicators.

Consistent with OPPAGA's findings regarding program effectiveness, the 2015 Legislature did not reauthorize the Enterprise Zone Program, allowing it to expire on December 31, 2015. Rather, the Legislature enacted Ch. 2015-221, *Laws of Florida*, closing the program to new applicants but temporarily preserving state incentives for certain businesses that are currently located within enterprise zones and have active state incentive agreements with DEO.[9] The law provides that until December 31, 2018, an eligible business may continue to apply for various enterprise zone incentives, including tax exemptions, refunds, and credits.

Most Innovation Incentive Program recipients have been unable to achieve job goals. The 2006 Legislature created the Innovation Incentive Program to respond expeditiously to economic opportunities and compete for high-value research and development, innovation business, and alternative and renewable energy projects.[10, 11] The program provides funds to research and development projects that conduct basic and applied research in the sciences or engineering, as well as design, develop, and test prototypes or processes. These projects must serve as catalysts for the growth of existing or emerging technology clusters. Although the program has targeted primarily biotechnology businesses, it signed a funding agreement with an aircraft-manufacturing firm in 2013 for a research and development center. Florida has aggressively pursued developing a biotechnology industry to diversify the state's economy and create high skill, high wage jobs.[12]

The program provides grants to qualified companies that the Governor has approved after consultation with the Legislature. Through Fiscal Year 2015-16, nine projects have received $435 million (96%) of the $456 million in total contracted Innovation Incentive Program funds.[13] Recipients receive incentive payments according to a schedule established via contract. (See Exhibit 15.)

[9] See Ch. 2015-221, *Laws of Florida*.

[10] Section 288.1089, *F.S.*

[11] An innovation business is a business that is expanding or locating in Florida that is likely to serve as a catalyst for the growth of an existing or emerging technology cluster or will significantly impact the regional economy in which it is to expand or locate.

[12] Biotechnology refers to the use of cellular and molecular processes in solving problems and developing products. Advances in biotechnology processes and products have many applications, such as better diagnosing and treating human diseases and improving agricultural crops.

[13] Participants have tri-party trust agreements with DEO and the State Board of Administration (SBA). Under these agreements, the SBA invests undisbursed funds and makes payments to participants according to a disbursement schedule, upon DEO's approval.

Exhibit 15
Since Program Inception, the State Has Paid Nine Innovation Incentive Recipients $435 Million

Incentive Recipient	Contract Date	Major Activities	Contracted	Received
Sanford Burnham Institute for Medical Research	10/30/2006	Studies the fundamental molecular mechanisms of diseases	$155,272,000	$153,777,513
Torrey Pines Institute for Molecular Studies[1]	11/16/2006	Conducts basic biomedical research related to disease treatment	24,728,000	27,772,000
SRI International	11/22/2006	Studies surface and subsurface marine environments	20,000,000	19,874,230
Hussman Institute for Human Genomics	1/9/2008	Explores genetic influences on human health	80,000,000	59,200,000
Max Planck Florida Corporation	3/12/2008	Uses bio-imaging to study microscopic molecular processes	94,090,000	94,090,000
Vaccine Gene Therapy Institute	4/17/2008	Develops vaccines and therapeutics for diseases afflicting the elderly	60,000,000	60,000,000
Charles Stark Draper Laboratory, Inc.	6/30/2008	Develops miniature medical technologies and military guidance systems	15,000,000	14,000,000
IRX Therapeutics, Inc.	10/28/2011	Develops therapies designed to activate patients' immune systems to fight cancer and related diseases	600,000	600,000
Embraer Engineering and Technology Center	2/12/2013	Conducts engineering and development activities related to various types of aircraft	6,000,000	6,000,000
Total			**$462,962,000**	**$435,313,743**

[1] The Torrey Pines Institute for Molecular Studies also received $7,272,000 from the Quick Action Closing Fund.
Source: OPPAGA analysis of Department of Economic Opportunity data.

Each innovation incentive project must have a performance-based contract containing specific milestones that a company must achieve in order for it to receive grant payments. For example, all contracts require program recipients to create minimum numbers of jobs, and seven of the nine contracts require program recipients to spend minimum amounts of capital investments. (See Exhibit 16.) However, OPPAGA found that several program recipients will be unable to fulfill their long-term performance requirements.

As of June 30, 2016, program recipients had created less than half of the jobs they committed to create in their contracts. According to DEO managers, only Embraer and Max Planck are currently meeting their performance requirements. The Hussman Institute, SRI International, and Torrey Pines are behind schedule in meeting their performance requirements. In addition, Sanford Burnham was negotiating a transfer of its facility to the University of Florida prior to leaving the state; however, the university withdrew from negotiations in October 2016. The department then notified Sanford Burnham that it was in material default of its agreement with the state for failing to remain in Florida for the 20 years required by the contract. The department further demanded that Sanford Burnham refund $77.6 million of the $155.3 million it received from the state.

Draper Laboratory moved a significant portion of its operations from Florida to Massachusetts where the institute is headquartered; DEO is attempting to recover the $14 million the laboratory received from the state. The Vaccine Gene Therapy Institute has closed its operations, and the department is trying to sell the equipment left behind. Finally, IRX never moved to Florida as planned; DEO has recovered most of the $600,000 paid to the company.

Exhibit 16
Most Innovation Incentive Program Recipients Have Not Met Job Requirements

Incentive Recipient	Employment		Capital Investment	
	Committed	Confirmed	Committed	Confirmed
Sanford Burnham Institute for Medical Research	303	240	$61,412,000	$42,517,700
Torrey Pines Institute for Molecular Studies[1]	189	124	0	0
SRI International	200	65	2,000,000	2,046,803
Hussman Institute for Human Genomics	296	139	0	0
Max Planck Florida Corporation	135	133	16,830,000	18,788,324
Vaccine Gene Therapy Institute	200	120	10,000,000	6,717,621
Charles Stark Draper Laboratory, Inc.	165	61	5,000,000	5,008,796
IRX Therapeutics, Inc.	283	0	9,817,732	0
Embraer Engineering and Technology Center	200	45	24,205,000	1,280,848
Total	**1,971**	**927**	**$129,264,732**	**$76,360,092**

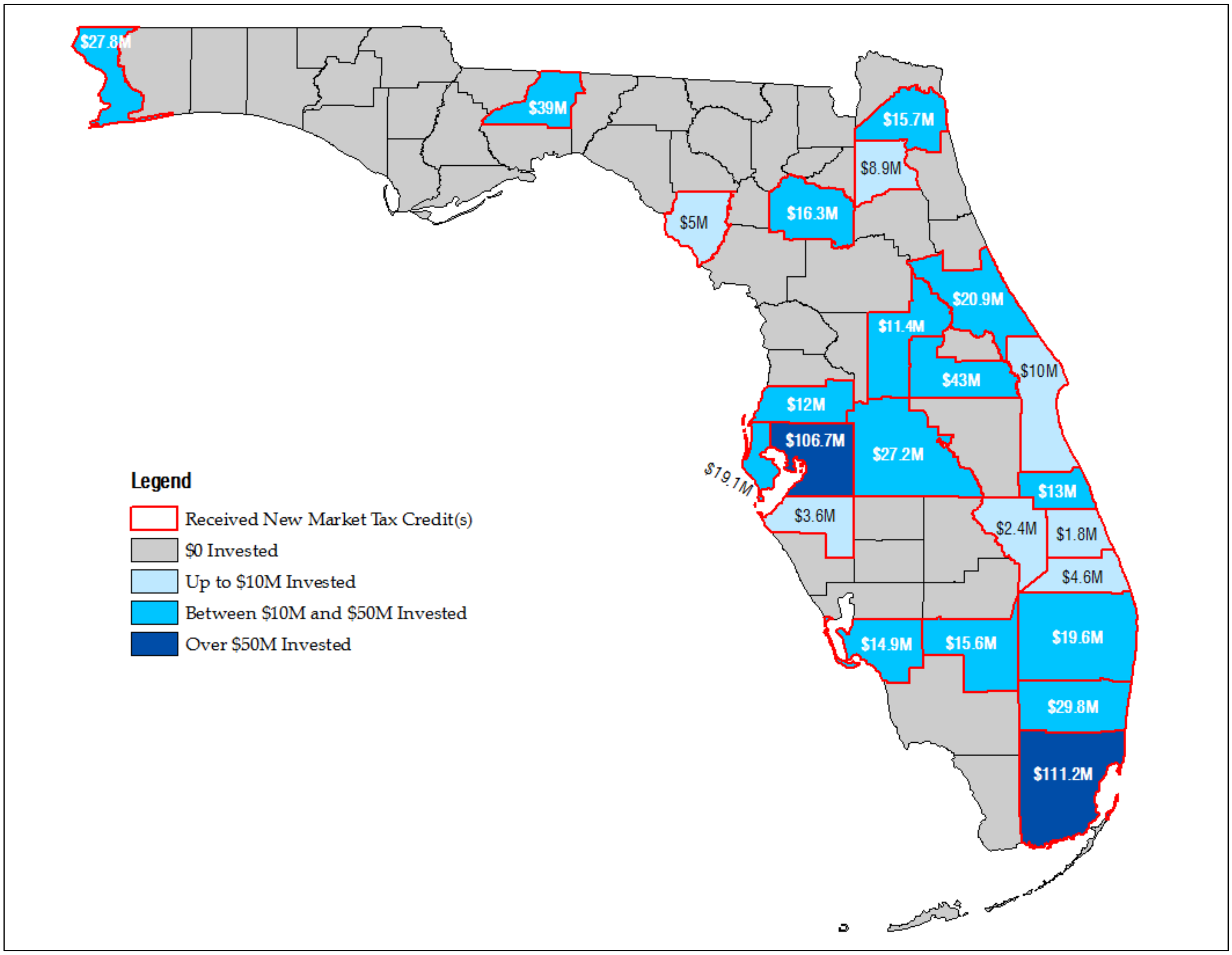
Source: Department of Economic Opportunity.

New Markets Development Program projects are primarily located in two counties and most capital is invested in four industries; inadequate reporting requirements hamper assessment of program impact. From its inception in Fiscal Year 2009-10 through Fiscal Year 2014-15, the New Markets Development Program has allocated $216 million in tax credits to 18 community development entities (CDEs); 2 CDEs received over half (54%) of all tax credits allocated.[14] Currently, there are no formal criteria for allocating tax credits. Rather, prior to Fiscal Year 2013-14, DEO allocated tax credits on a first-come, first-served basis, and in Fiscal Years 2013-14 and 2014-15, it allocated the same amount of tax credits to each applicant. These tax credits were used to finance $579.9 million of investment capital into 83 qualified active low-income community businesses (QALICBs). Investors claimed $69 million of tax credits against insurance premium and corporate income taxes from calendar years 2011 through 2014.

OPPAGA's analysis of DEO data indicates that since program inception, the 83 QALICBs received investments across 24 counties. (See Exhibit 17.) The counties receiving the most investments were Miami-Dade and Hillsborough, which received 19% and 18% of the total investment capital, respectively. Together, these counties received approximately $217.9 million of the $579.9 million total investment capital.

[14] The Legislature has not authorized additional tax credits since 2014.

Exhibit 17
New Markets' Investments Are Spread Across 24 Counties; Miami-Dade and Hillsborough Counties Received the Most Investment Capital Through the Program



Source: OPPAGA analysis of Department of Economic Opportunity data.

Further OPPAGA analysis of program data shows that the 83 QALICBs span 15 industries. Businesses in four industries account for almost two-thirds of all investments made through the program: Manufacturing (27%); Health Care and Social Assistance (16%); Wholesale Trade (11%); and Arts, Entertainment, and Recreation (10%).[15] Job creation in these four industries is also expected to be strong, with 64% of projected new jobs occurring in these four industries. Community development entities project 1,558 jobs will be created across these four industries out of 2,426 total projected new jobs.

Florida law requires that for each year following a tax credit allowance, CDEs must submit an annual report to DEO for every investment made in a qualified active low-income community business. The annual report must include

- type of industry in which the investments were made;
- names of the counties where each QALICB is located;
- number of jobs created and retained by each QALICB;

[15] Businesses' industry areas were determined using North American Industry Classification System (NAICS) codes. The following two-digit NAICS codes were used: Manufacturing (31, 32, and 33); Health Care and Social Assistance (62); Wholesale Trade (42); and Arts, Entertainment, and Recreation (71).

- wages associated with created and retained jobs, as well as verification that the wages meet or exceed 115% of the federal poverty income guidelines for a family of four; and
- documentation to verify continued certification as a qualified community development entity.

However, jobs data are aspirational and wages are not verified by DEO. Program staff and CDE managers both reported that annual jobs numbers are the total projected jobs to be created or retained by the end of the seven-year investment period. Therefore, the jobs data reported for a given QALICB each year are not verified and will not change year-to-year unless the total number of projected jobs changes. In addition, DEO does not currently verify the wages reported by CDEs using Department of Revenue payroll tax records. This means that both jobs and wages data for the program are unverified and may not be accurate.

OPPAGA cannot assess the full economic impact of the program on local communities without more information on how investment capital is used by QALICBs. Of the total amount invested through the program, OPPAGA cannot determine how much capital was used to make capital improvements, purchase equipment, finance existing debt held by those businesses, or purchase an equity investment in the QALICBs themselves. Better data would provide a more accurate picture of the economic benefits that these investments have in some of the state's most economically impoverished communities.

Additionally, current reporting requirements do not capture the full spectrum of benefits that the program generates. While job creation and capital investment are important components of local community development efforts, current reporting requirements do not account for the social benefits and services that projects create for people living in these low-income communities. For example, OPPAGA determined that program tax credits facilitated a $4.8 million investment in a domestic violence shelter in the Tampa Bay area. This investment assisted with the construction of a new facility and created 17 jobs ($29,120 average annual income). Moreover, since opening in July 2015, the shelter more than tripled its capacity and provided mental health, addiction counseling, legal assistance, and youth education to over 1,100 clients annually. However, the state's existing annual reporting requirements do not account for projects' social benefits.

Recommendations

Based on examination of Department of Economic Opportunity (DEO) administration and monitoring activities, OPPAGA recommends that the Legislature and DEO consider the following steps to improve the department's management of state incentive programs.

The Legislature could consider phasing out the Innovation Incentive Program. Given the program's generally weak performance, the Legislature may wish to consider phasing it out. The program has created less than half of the required jobs, and several recipients have left the state prior to contract completion. If the program were discontinued, some businesses that would have been eligible for program funding may be eligible for funding from other economic development incentive programs, such as the Qualified Target Industry Program.

If the Legislature chooses to authorize additional New Markets Development tax credits, it could consider directing DEO to use scoring criteria when allocating tax credits. DEO initially allocated tax credits to community development entities (CDEs) on a first-come, first-served basis, and then later allocated an equal number of tax credits to each eligible CDE. In contrast, the U.S. Department of the Treasury allocates Federal New Markets tax credits using a scoring criteria with outcomes such as job creation and services to low-income communities. The Legislature may wish to consider requiring DEO to establish a scoring criteria to award tax credits to those projects with the greatest estimated impact in terms of job creation, wages, and capital investment.

DEO should improve New Markets Development Program oversight, and the Legislature could consider expanding reporting requirements. To adequately measure the economic impact of the program on low-income communities, DEO should improve its annual reporting criteria in two ways: (1) have community development entities report actual job creation for the prior year rather than total projected job creation over the life of the program, and (2) verify wages reported by CDEs using Department of Revenue tax records.

In addition, if the Legislature chooses to appropriate additional tax credits to the program, it may wish to strengthen statutory reporting criteria by requiring CDEs to report how investment capital is used by businesses receiving the investments. For example, this could include a breakdown of what percentage of the investment was used to purchase equipment, make capital improvements, finance existing debt held by the businesses, or purchase an equity investment in the business itself. Lastly, the Legislature could consider expanding statutory reporting requirements to include the social benefits or services that businesses provide to local communities. For example, a health clinic or after school program could annually report the type of service provided and the total number of service recipients.

DEO should improve the timeliness of the incentive claims and payment processes. OPPAGA found that the average time claims submissions spent with the third-party auditor during this period was 353 days, or nearly 12 months, while the average time between claims submissions and incentive payments to businesses was 489 days, or more than 16 months. To improve the timeliness of the incentive claims and payment processes, DEO should educate businesses about documentation requirements early in the incentive application process. DEO should also provide businesses with technical assistance during the claims submission process. These steps could facilitate businesses' timely submission of required information. In addition, the department could examine the claims and payment processes to determine if there are opportunities for further improvement.

Agency Response

In accordance with the provisions of s. 11.51(2), *Florida Statutes*, a draft of our report was submitted to the Department of Economic Opportunity (DEO) and Enterprise Florida, Inc. DEO's written response has been reproduced in Appendix B.

Appendix A

Detailed Description of Economic Development Incentive Programs

New Markets Development Program (NMDP)

Purpose. The 2009 Legislature created the NMDP to encourage capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified active low-income community businesses (QALICB) to create and retain jobs.[16] The Department of Economic Opportunity (DEO) allocates tax credits to qualified community development entities (CDEs), who then provide tax credits to investors when an investment is made in a QALICB. Florida's NMDP is modeled after the federal New Markets Tax Credit Program, which also aims to attract private capital into low-income community businesses.

To be eligible for an investment through the program, a QALICB must be located in a census tract where the poverty rate is at least 20%, or the median family income does not exceed 80% of the statewide median. A CDE may only receive a tax credit allocation from DEO if it is certified by the U.S. Department of the Treasury as a qualified community development entity and has entered into an allocation agreement to receive federal new markets tax credits through the Community Development Financial Institutions Fund.[17]

Taxpayers who invest in QALICBs through qualified CDEs receive tax credits equal to 39% of their investment amount. The holder of these tax credits may claim 7% of its investment amount in the third tax year following their credit allocation, and 8% per year in years four through seven. Credits may be applied against corporate income tax or insurance premium tax, although an insurance company holding tax credits must apply them against its annual insurance premium tax liability. A taxpayer may not claim credits in excess of its tax liability, and any unused credits in a given year may be carried forward up to five years. Credits may not be sold and may only be transferred to an affiliated entity of the initial investor.[18]

History. When the NMDP was created, DEO was authorized to award no more than $97.5 million of tax credits during the existence of the program, with no more than $20 million of tax credits becoming eligible to claim for the first time in a single fiscal year.[19] The Legislature has enacted changes to the program three times (in 2012, 2013, and 2014) since inception to increase the amount of tax credits available for the program to facilitate further investments into low-income community businesses.[20] In each of those years, the Legislature increased the total amount of tax credits that may be awarded, as well as the maximum amount of tax credits that may be claimed for the first time in a single fiscal year. Currently, DEO is authorized to award no more than $216.3 million of tax credits with no more than $36.6 million of tax credits becoming eligible to claim for the first time in a single fiscal year.[21] All other aspects of the program have remained the same since program inception.

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[16] Section 288.9912, *F.S.*

[17] A CDE is defined by the U.S. Department of the Treasury as a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities.

[18] Only partners, members, or shareholders of a partnership, limited liability companies, S-corporations, or other "pass-through" entities of the initial investor may receive a transfer of tax credits.

[19] Chapter 2009-50, *Laws of Florida*.

[20] Chapters 2012-32, 2013-42, and 2014-38, *Laws of Florida*.

[21] Chapter 2014-38, *Laws of Florida*.

Capital Investment Tax Credit Program (CITC)

Purpose. The 1998 Legislature created CITC to encourage high-impact sector businesses to make significant capital investments to build, expand, or locate physical facilities within Florida.[22] Qualifying businesses can reduce corporate income taxes or insurance premiums over a 20-year period through a tax credit based on the amount of capital investment or costs related to the acquisition or construction of a facility. Eligible expenses include the costs of acquiring, constructing, installing, equipping, and financing a qualifying project; this includes all obligations incurred for labor, contractors, subcontractors, and builders. The costs for architectural and engineering services, environmental studies, surveys, and site work can also be included.

CITC qualifying requirements vary based on investment amount and industry sector. There are three tiers for high-impact industries, with investment requirements ranging from $25 million to $100 million. The tier determines what percentage of a business's tax liability that project costs can offset. In addition, businesses in each of the three tiers must create at least 100 new jobs in Florida and continue to maintain employment goals each year from the commencement of operations. For target industries and headquarters, investment requirements range from $100 million to $250 million; these projects also have different annual credit amounts and credit limits as well as higher job requirements.

After the commencement of operations, businesses can seek corporate tax credits annually on the income generated by or resulting from the qualifying project. The credit is limited to 5% of the total amount of capital investment at the new or expanded facility, over 20 years.[23] The annual credit limit varies depending on tier level, ranging from 50% to 100% of the tax liability. For most projects, tax credits cannot be carried forward if not fully used in any one year; this provision is waived for tier 3 projects with $100 million in investments or headquarter projects with costs of $250 million.[24]

History. The Legislature has enacted numerous changes to CITC since its inception. Specifically, the definitions of qualifying businesses and criteria for transferability have been amended several times.

Qualified Businesses. Every three years, Enterprise Florida, Inc. (EFI), researches and recommends the business sectors that should be designated as high impact; the Department of Economic Opportunity (DEO) makes the final decision regarding these designations.[25] High-impact sectors have evolved over time and currently include the following business sectors: Transportation Equipment (Aviation/Aerospace), Information Technology, Life Sciences, Financial Services, Corporate Headquarters, and Clean Energy.

In addition, several significant program amendments allow businesses outside of high-impact sectors to qualify for CITC. In 2005, CITC was expanded to allow target industry businesses to qualify. Like high-impact sectors, target industries are determined by DEO in consultation with EFI.[26] Target industry business sectors are determined through consideration of specified criteria, such as industry growth potential, industry stability, and average industry wages.[27] Target industries include all high-impact sectors and businesses working in homeland security and defense; target industry designations are reviewed every three years.[28]

In 2006, CITC was expanded to allow any business that located its corporate headquarters in Florida (in an enterprise zone or brownfield) to qualify for the credit, regardless of whether the business was in a high-impact or target industry business sector.[29] Tax credits for a corporate headquarters facility may only be taken against corporate income tax liability.

Transferability. Generally, CITC may not be transferred or sold to other businesses. However, the 2008 Legislature amended the program to allow certain qualifying projects to transfer unused tax credits.[30] To qualify to transfer a tax credit, the project must be a new solar panel manufacturing facility that generated at least 400 jobs within six months after commencing operations and paid an average annual salary of at least $50,000. In addition, the 2011 Legislature amended the program to allow certain tax credits to be used outside of the 20-year period following commencement of project operations.[31] The amendment only applies to high-impact sector projects that qualify for tier 3.

[22] Section 220.191, *F.S.*
[23] The income for the new or expanded facility must be segregated from that attributed to the business as a whole in order to calculate the tax credit.
[24] For tier 3 projects, if the credit is not fully used in any one year due to insufficient tax liability, the unused amounts may be used later in any one year or years beginning with the 21st year of operation and ending with the 30th year. Headquarter projects may carry forward unused credits during the 20-year period.
[25] At the time of CITC's creation, there was not a set three-year schedule for reviewing high-impact designations. The three-year schedule was established by s. 20, Ch. 2010-147, *Laws of Florida*.
[26] Section 5, Ch. 2005-282, *Laws of Florida*.
[27] Section 288.106(2)(q), *F.S.*
[28] Section 288.106(2)(q), *F.S.*
[29] Chapter 2006-55, *Laws of Florida*.
[30] Chapter 2008-227, *Laws of Florida*.
[31] Chapter 2011-223, *Laws of Florida*.

Brownfield Redevelopment Bonus Refund

Purpose. The 1997 Legislature created the Brownfield Redevelopment Bonus Refund Program to encourage redevelopment and job creation within designated brownfield areas.[32] Brownfield sites are abandoned, idled, or underused properties where expansion or redevelopment is complicated by actual or perceived environmental contamination. The program is voluntary and intended to achieve several environmental and economic development goals, including

- rehabilitating contaminated sites;
- preventing premature development of green space;
- reducing blight;
- reusing existing infrastructure;
- creating jobs; and
- increasing capital investment.

To be eligible for the Brownfield Redevelopment Bonus Refund, applicants must either be a qualified target industry business or demonstrate a fixed capital investment of at least $2 million in mixed-use business activities and provide benefits to its employees.[33] In addition, the proposed project must create at least 10 new full-time permanent jobs, not including any construction or site rehabilitation jobs.

The program provides a tax refund for each new job created in a designated brownfield. Eligible businesses receive tax refunds for certain state and local taxes paid, including corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions under Ch. 212, *Florida Statutes*; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes. Businesses may receive a tax refund up to 20% of the average annual wage for each new job created in a designated brownfield area up to a maximum of $2,500 per new job. Businesses certified by the Qualified Target Industry Program also may receive Brownfield Redevelopment Bonus Refunds of $2,500 per new job created.

History. The Legislature has enacted numerous changes to the Brownfield Redevelopment Bonus Refund Program since its inception. For example, in 2009, the Legislature adopted language requiring the governing board of the county or city where the project will be located to adopt a resolution recommending that certain types of businesses be approved for program participation and added criteria requiring fixed capital investments of at least $500,000 in brownfield areas that do not require site cleanup.

In response to the Deepwater Horizon oil spill, the 2011 Legislature authorized the Department of Economic Opportunity (DEO) to waive wage or local financial support eligibility requirements between July 1, 2011 and June 30, 2014 for eight counties that were disproportionately affected by the BP Gulf Oil Spill.[34]

Most recently, the 2013 Legislature made significant changes to the program, including amending the term “brownfield area eligible for bonus refunds” to specify that an eligible area is a brownfield site for which a rehabilitation agreement with the Department of Environmental Protection (DEP) or a local government delegated by DEP has been executed under the Brownfield Redevelopment Act. The legislation also

- removed the requirement for capital investments of at least $500,000 in brownfield areas that do not require site cleanup;
- removed language that allowed for contiguous brownfield areas that may not be contaminated to be eligible for the program;
- added brownfield sites to the list of eligible redevelopment sites where building materials used to convert manufacturing or industrial buildings to housing units or mixed-use units are exempt from sales taxes; and
- removed the requirement of submitting a local resolution that recommends that a business be approved.

DEO has implemented the new eligibility requirements as directed by law. As of August 2016, department records showed that 12 brownfield projects had been certified since the law took effect on May 20, 2013. All projects were exempted under state law. OPPAGA’s file review for these projects found that six had site rehabilitation agreements, three had local government resolutions adopted before the law’s effective date, and three had letters of intent signed prior to the law’s effective date.

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[32] Section 288.107, *F.S.*

[33] According to state law, a mixed-use project is the conversion of an existing manufacturing or industrial building to mixed-use units that include artists’ studios, art and entertainment services, or other compatible uses.

[34] The eight counties are Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton, and Wakulla.

Qualified Target Industry Tax Refund Program (QTI)

Purpose. The 1994 Legislature created QTI to encourage the recruitment or creation of high-paying, high-skilled jobs within specific industries.[35] In exchange for meeting job creation goals, eligible businesses receive refunds for certain state and local taxes, including: corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions under Ch. 212, *Florida Statutes*; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes.

Currently, the list of Qualified Target Industries includes clean technology, life sciences, information technology, aviation/aerospace, homeland security/defense, financial/professional services, emerging technologies, other manufacturing, and corporate headquarters. Call centers and shared service centers also may qualify if certain economic criteria are met, and special consideration is given to industries that facilitate the development of the state as a hub for domestic and global trade and logistics.

In addition to being within a qualified target industry, businesses must meet other criteria to be eligible for QTI incentives. These conditions include

- creating at least 10 jobs if the business is relocating to the state, or increasing employment by 10% if the business is expanding in the state;
- paying an annual wage of 115% of the average private sector wage in the area for which the business located or the statewide private sector average wage; and
- receiving a local government resolution of commitment to the business relocation or expansion and financial support amounting to 20% of the incentive amount.[36, 37]

QTI tax refund amounts are based on the number of jobs created, the percentage of annual average area wages paid, the expansion or location site, and whether the business is a designated high-impact sector business. Businesses that meet QTI Program eligibility requirements, produce the number of required jobs, and pay at least 115% of the average area annual wage receive a base tax refund of $3,000 per job ($6,000 per job in an enterprise zone or a rural community). There are also additional per job incentives when businesses meet other statutorily defined criteria. For example, projects located in a brownfield are eligible for an additional $2,500 per job through the Brownfield Redevelopment Bonus Refund Program.

Several restrictions apply to tax refund amounts and distributions. For example, the single year refund amount cannot exceed $1.5 million ($2.5 million in an enterprise zone). Moreover, in any fiscal year, a business may not receive more than 25% of the tax refund amount specified in its agreement with the state.

History. The Legislature has enacted numerous changes to QTI since its inception. In 2010, the Legislature expanded the definition of jobs to allow temporary employees to qualify as full-time equivalent positions; changed the definition of a new business by removing the requirement that the business must not have existed before beginning operations in Florida; and modified the criteria and considerations that Enterprise Florida, Inc.(EFI), must use when identifying target industries.

In response to the Deepwater Horizon oil spill, the 2011 Legislature authorized the Department of Economic Opportunity (DEO) to waive wage or local financial support eligibility requirements between July 1, 2011 and June 30, 2014 for eight counties that were disproportionately affected by the disaster.[38] In addition, the Legislature modified the definition of economic benefit and required that special consideration be given to industries that facilitate the development of the state as a hub for domestic and global trade and logistics. Most recently, the 2013 Legislature removed the statutory restriction on the total refund amount; modified the application process; and eliminated the application evaluation criteria that the department must consider businesses' long-term commitment when reviewing applications.[39]

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[35] Section 288.106, *F.S.*

[36] At the request of the local government and EFI, DEO may waive the wage requirement if the business is in a rural community, enterprise zone, brownfield, or is a manufacturing project located anywhere in the state and paying 100% of the average private sector wage in the area the business will locate.

[37] A business applying for the program can request exemption from the local financial support requirement if the project is located in a brownfield or a rural community. However, such an exemption would reduce the tax refund to 80% of the total tax refund allowed.

[38] The eight counties are Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton, and Wakulla.

[39] Chapter 2013-96, *Laws of Florida*.

Enterprise Zone Program (EZ)

Purpose. The 1982 Legislature created the EZ Program to provide incentives to induce private investments in economically distressed areas of the state.[40] The program targets areas that chronically display extreme and unacceptable levels of unemployment, physical deterioration, and economic disinvestment. The program has several goals including revitalizing and rehabilitating distressed areas, stimulating employment among area residents, and enhancing economic and social well-being in the areas.

To achieve these goals, the state, county, and municipal governments provide investments, tax incentives, and local government regulatory relief to encourage businesses to invest and locate in designated zones and residents to improve their property. State incentives include job and corporate income tax credits as well as sales tax refunds.[41]

Counties and municipalities may nominate an area to be designated as an enterprise zone that has high poverty (greater than 20%), high unemployment, and general distress, and meets certain geographic specifications (zones may not exceed 20 square miles).[42] Rural enterprise zones are located in counties with populations that generally do not exceed 100,000.[43] Of the 65 enterprise zones within the state, 29 are rural and 36 are urban.

Local governments are responsible for zone administration and monitoring activities, creating enterprise zone development agencies, and employing zone coordinators. Zone coordinators serve as local contacts and assist businesses applying for state tax credits and refunds, certify incentive applications to the Department of Revenue, educate the public about the program, and submit data on zone activities to the Department of Economic Opportunity (DEO) for inclusion in the enterprise zone annual report. DEO oversees the program at the state level and approves zone designation applications and changes in zone boundaries. The department also provides technical support to local zone coordinators and submits annual program reports to the Governor and Legislature.

History. The Legislature has enacted several changes to the EZ program since its inception. For example, the 1994 Legislature passed the Florida Enterprise Zone Act of 1994, which repealed the existing enterprise zones on December 31, 1994, created parameters for designation of new zones, and established a program expiration date of June 30, 2005.[44] In addition, the jobs tax credit criteria were revised to require both businesses and employees to reside within an enterprise zone. In 1995, 19 new rural and urban enterprise zones were designated.

In 2010, the Legislature amended the definition of real property by excluding condominiums from the building materials sales tax refund incentive.[45] In October 2011, management of the EZ Program was transferred from the Office of Tourism, Trade, and Economic Development to DEO's Division of Community Development, Bureau of Economic Development. DEO approved three additional enterprise zone application packages in 2012, bringing the total number of zones to 65.

Most recently, the 2015 Legislature allowed the program to expire as provided in state law. The Legislature enacted Ch. 2015-221, *Laws of Florida*, closing the program to new applicants but temporarily preserving state incentives for certain businesses that are currently located within enterprise zones and have active state incentive agreements with DEO.

[40] Sections 290.001-290.016, *F.S.*, authorize the creation of enterprise zones in Florida and specify goals and criteria for the program. Chapter 2005-287, *Laws of Florida*, re-designated existing enterprise zones and extended the program until December 31, 2015.

[41] Local incentives include occupational license fee reduction; municipal utility tax abatement; façade renovation and/or commercial revitalization; loans and grants; reduction of local government regulations; impact fee waiver and/or discount; local economic development property tax exemption; additional local government services; and local funds for capital projects.

[42] Sections 290.0058 and 290.0055, *F.S.*

[43] Zones may be designated rural if the nominating county has a population of 75,000 or less; a county has a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less; a municipality is located in a county with a population of 75,000 or less; or a municipality is located in a county with a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less.

[44] Chapter 94-136, *Laws of Florida*.

[45] Chapter 2010-147, *Laws of Florida*.

High Impact Performance Incentive Grant Program (HIPI)

Purpose. The 1997 Legislature created HIPI to increase Florida's competitive position by attracting, retaining, and growing high-impact businesses.[46] The economic benefits of the grant program include high quality employment opportunities and major capital investment in industries such as clean energy, biomedical technology, information technology, silicon technology, and transportation equipment manufacturing.

To be eligible for the grant program, a business must be certified as high impact. This process has two components. First, Enterprise Florida, Inc. selects and designates high impact sectors. Second, the Department of Economic Opportunity (DEO) certifies businesses; DEO reviews applications, determines if companies are eligible (including assessing whether businesses fit into the high-impact sector designation), and enters into agreements.

HIPI Program qualifying guidelines vary based on amount invested and the industry sector. There are three tiers for non-research and development industries and three tiers for research and development industries. Using these guidelines, the department may negotiate qualified HIPI grant awards for any single qualified high-impact business.

The conditions that specify the commencement of operations and the grant amount that the business is eligible to receive are detailed in an agreement between the business and DEP. Fifty percent of the grant funds are available upon certification of the commencement of operations; this commencement must occur within two years and six months of being certified as a high-impact business. To obtain the remaining 50% of funds, total employment goals and investment requirements must be achieved by the date specified in the company's agreement.

History. The Legislature has made relatively minor changes to the HIPI Program since its inception. In 2009, the Legislature amended the statute to provide 10 days (formerly 5) for DEO to review the application and issue a letter of certification after receiving an application. The 2010 Legislature amended the statute to lower the capital investment and job creation requirement to encourage more business participation. A business with a lower cumulative investment of $50 million and 50 jobs and a research and development category making a cumulative investment of $25 million and 25 jobs is now eligible for grants.

[46] Section 288.108, *F.S.*

Innovation Incentive Program

Purpose. The 2006 Legislature created the Innovation Incentive Program to respond expeditiously to economic opportunities and compete for high-value research and development, innovation business, and alternative and renewable energy projects.[47, 48] The program provides funds to research and development projects that conduct basic and applied research in the sciences or engineering, as well as design, develop, and test prototypes or processes. These projects must serve as catalysts for the growth of existing or emerging technology clusters. To date, the program has targeted primarily biotechnology businesses, although it signed a funding agreement with an aircraft-manufacturing firm in 2013 for a research and development center. Florida has aggressively pursued developing a biotechnology industry to diversify the state's economy and create high-skill, high-wage jobs.[49]

The Innovation Incentive Program provides grants to qualified companies that the Governor has approved after consultation with the Legislature. All innovation incentive projects must have a performance-based contract with the state that includes specific milestones that a company must achieve in order for it to receive grant payments. These contracts also include a reinvestment requirement, by which recipients must remit a portion of their royalty revenues back to the state for reinvestment in certain state trust funds.

To qualify for the program, an applicant must at a minimum establish that the jobs created by the project pay an estimated annual average wage of at least 130% of the average private sector wage.[50] In addition, a research and development project must serve as a catalyst for an emerging or evolving technology cluster; demonstrate a plan for significant higher education collaboration; provide a minimum cumulative break-even economic benefit within a 20-year period; and receive a one-to-one match from the local community.

History. The Legislature has enacted several statutory changes to the Innovation Incentive Program since its inception. For example, in 2009, the legislature imposed a minimum employment level of at least 35 direct new jobs for each alternative and renewable energy project.[51] It further required Enterprise Florida, Inc., to evaluate proposals for all categories of awards and included additional evaluative criteria for alternative and renewable energy projects. Finally, the 2009 legislation added several provisions that must be included in contracts between the state and program recipients, such as payment of above-average wage levels, reinvestment of royalties and other revenues into certain state trust funds, and submittal of quarterly and annual reports to the state agency administering the program.[52]

In 2010, the Legislature amended the statutory definition of jobs to include positions obtained from a temporary employment agency or employee leasing company or through a union agreement or co-employment under a professional employer organization agreement.[53] In 2011, the Legislature transferred Enterprise Florida, Inc.'s, authority to review program proposals to the Department of Economic Opportunity, which was created through the same legislation.[54] In 2013, the Legislature changed the requirement that an applicant provide the state with, at minimum, a break-even return on investment within 20 years to a cumulative break-even economic benefit within 20 years.[55]

In addition, to these legislative changes, there have been Innovation Incentive Program shifts at the agency level. Although the law that created the program does not specifically direct that grants be awarded to biotechnology companies, it was enacted when Florida was actively trying to develop its biotechnology industry. Consequently, the first seven grant recipients were non-profit biotechnology research institutes that were new to the state. However, the most recent recipients include a for-profit biotechnology company and an aerospace manufacturing company, which appears to indicate a shift in program emphasis.

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[47] Section 288.1089, *F.S.*

[48] An innovation business is a business that is expanding or locating in Florida that is likely to serve as a catalyst for the growth of an existing or emerging technology cluster or will significantly impact the regional economy in which it is to expand or locate.

[49] Biotechnology refers to the use of cellular and molecular processes in solving problems and developing products. Advances in biotechnology processes and products have many applications, such as better diagnosing and treating human diseases and improving agricultural crops.

[50] Enterprise Florida Inc., may request a waiver of this requirement for a project located in a rural area, a brownfield area, or an enterprise zone when the merits of the project warrant such action.

[51] Chapter 2009-51, *Laws of Florida*.

[52] The wage requirement states that for agreements signed on or after July 1, 2009, jobs created by the recipient of the incentive funds must pay an annual average wage at least equal to the relevant industry's annual average wage or at least 130% of the average private-sector wage, whichever is greater.

[53] Chapter 2010-147, *Laws of Florida*.

[54] Chapter 2011-142, *Laws of Florida*. The 2009 law required Enterprise Florida, Inc. to evaluate proposals, while the 2011 law required the department to review proposals.

[55] Chapter 2013-42, *Laws of Florida*.

Quick Action Closing Fund Program (QAC)

Purpose. The 1999 Legislature created QAC to enable the state to compete effectively for high-impact business facilities, critical private infrastructure in rural areas, and key businesses in economically distressed urban and rural communities.[56] The program also is intended to maximize the state's ability to mitigate the negative impacts of the conclusion of the space shuttle program and the gap in civil human space flight. Program funding is used as a tool to finalize negotiations for highly competitive projects where Florida is at a competitive disadvantage.

QAC is a discretionary grant incentive that the Governor can access to respond to projects with unique requirements. The incentive may be utilized to compensate for "distinct quantifiable disadvantages" after other available resources have been exhausted. To be eligible for funding from the Quick Action Closing Fund, each project must be in a qualified target industry; have a positive economic benefit ratio of at least five to one; be an inducement to locate or expand in the state; pay an average annual wage of at least 125% of the area-wide or statewide private sector average wage; and be supported by the local community where the project is to be located. These criteria may be waived under extraordinary or special circumstances. For example, a project not meeting all criteria could nevertheless be found to benefit the local or regional economy in a rural area of critical economic concern.

Enterprise Florida, Inc. (EFI), and the Department of Economic Opportunity (DEO) jointly review QAC program applications to determine project eligibility. The department evaluates proposals for high-impact business facilities. The evaluation must include the following information.

- Description of the facility
- Number of jobs to be created and estimated average annual employee wages
- Statement of any special impacts the facility is expected to stimulate in a particular business sector in the state or regional economy or in the state's universities and community colleges
- Financial analysis and historical market performance of the company
- Any independent evaluations and audits of the company
- Statement of the role the incentive is expected to play in the applicant's decision to locate or expand in Florida

A business that receives funding must enter into a contract with DEO. The contract must include the total incentive amount and performance conditions the company must meet to receive the funds, such as net new employment, average salary, and capital investment. The contract must also include sanctions for failure to meet these conditions and a statement that payment of funds is contingent on legislative appropriations. Contracts typically require a company to meet certain conditions, such as leasing or purchasing property, before the funds are transferred to an escrow account. Incentive funds are paid out of the escrow account after the business has performed additional actions, such as making a public announcement about the project, making a minimum capital investment, and creating a minimum number of jobs.

History. The Legislature has enacted several statutory changes to QAC since its inception. For example, in 2002, QAC was one of numerous economic development programs that the Legislature included in a public records exemption that covered program recipients' identifying information, trade secrets, financial information, and proprietary business information.[57] In 2003, the Legislature gave the Governor the authority to transfer unencumbered program funds to other economic development programs in emergencies or special circumstances and in consultation with the President of the Senate and the Speaker of the House of Representatives.[58] However, in 2006, the Legislature repealed this provision, specified eligibility requirements noted earlier, and directed EFI to evaluate the quality and value of each applicant.[59]

Finally, in 2011, the Legislature specified the roles of DEO and EFI in the application review and evaluation process, requiring DEO to recommend approval or disapproval to the Governor within seven business days after evaluating a project and authorizing the Governor to approve projects that require less than $2 million in funding without consulting the Legislature.

[56] Section 288.1088, *F.S.*

[57] Chapter 2002-68, *Laws of Florida*.

[58] Chapter 2003-270, *Laws of Florida*.

[59] Chapter 2006-55, *Laws of Florida*.

Appendix B

Rick Scott
GOVERNOR

FLORIDA DEPARTMENT of ECONOMIC OPPORTUNITY

Cissy Proctor
EXECUTIVE DIRECTOR

January 27, 2017

Mr. R. Phillip Twogood, Coordinator
Office of Program Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Mr. Twogood:

In the past six years, Florida has undergone a remarkable transformation after experiencing one of the worst downturns in the nation during the recession. Thanks to Governor Rick Scott and the Legislature's commitment to job creation and the pursuit of pro-growth policies, Florida's economy has recovered with strength and certainty.

During the recession, Florida was hit hard. Unemployment increased to 11.2 percent. Private-sector businesses lost more than 900,000 jobs. And job demand continued to fall, along with housing prices.

Since 2010, more than 1.26 million individuals have found new jobs. Communities across the state are growing as new buildings rise, companies expand and empty homes fill with a steady stream of new residents. Over the past six years, the state's unemployment rate has been cut by more than half. Since December 2010, Florida's private-sector jobs and labor force have increased more than the nation's, and our gross domestic product growth beat the nation last year.

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. With more than 13,000 new businesses created in 2015, the state's business creation is second in the nation. Florida's low cost of living helps to maintain its strong job market and global competitiveness. Florida welcomed more than 106 million visitors in 2015, including 15.3 million visitors from other countries.

Across the country, people know that Florida is the best place to get their dream job. Here at the Florida Department of Economic Opportunity, we're working to create a competitive business environment that fosters new business across the state.

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
850.245.7105 | www.FloridaJobs.org
www.twitter.com/FLDEO |www.facebook.com/FLDEO

DEO seeks to continually improve the efficiency and effectiveness of our functions. We welcome the opportunity to review your report, and the following is DEO's initial response to the observations and recommendations in the report.

Pursuant to section 11.51(2), Florida Statutes, this letter is DEO's response to the report titled: *Florida Economic Development Program Evaluations – Year 4*. We thank you and your staff for the review of our state's key economic development incentive programs and appreciate your detailed analysis.

Overall, projects that received payments during the review period have created 33,627 new jobs and made $3.3 billion in capital investments.

We agree with your observation that projects in the review population have already created more than 33,000 new jobs and invested $3.3 billion in capital investments. As the report indicates, some of these projects are in active status. The active projects are in good standing – each meeting job requirements and other long-term performance goals, yet, as of this report date, not all of the contractual requirements are due or achieved. Because these projects have multiple years of additional performance scheduled, to date, the total new jobs created and capital investment have not yet reached the totals committed for future years. Payments on these incentive projects will not occur until full performance measures have been met, as is required under the strict measures put into place by Governor Scott since 2011.

During the review period, DEO terminated 134 incentives that failed to meet performance goals; terminated incentives were scheduled to create 12,822 jobs and make $195 million in capital investments.

The report provides a summary of incentive agreements that DEO terminated during the review window that were scheduled to create jobs and make capital investment over multiple years. DEO's incentive agreements are performance-based, and businesses that do not meet specified performance benchmarks do not qualify for payments. The terminated agreements OPPAGA identified received no incentive funds.

Incentive agreements are terminated for a variety of reasons, including, but not limited to, change in business plans, businesses not meeting performance requirements, or businesses not filing performance claims. The fact that these agreements were terminated does not mean that the businesses have ceased operations in Florida or left the state. In each case of termination, no incentive funds were paid to the business, and taxpayers' funds were appropriately protected.

Mr. R. Phillip Twogood
January 27, 2017
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The majority of economic incentives are awarded to businesses with more than 1,000 employees.

The report provides an analysis of the number of incentives awarded to businesses of various sizes, and represents that slightly more than half of the incentive recipients are businesses that have 1,000 or more employees. The report also points out that many jobs are added by small businesses. 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. 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. In addition, DEO remains committed to small businesses throughout the state through the support provided by programs such as the Florida Microfinance Program and State Small Business Credit Initiative.

Most Innovation Incentive Program recipients have not met job requirements.

The vast majority of the Innovation Incentive projects included in this report were approved and awarded funds between 2006 and 2008, before Governor Scott took office and before Governor Scott reformed the incentive process. It is important to note that these incentives were evaluated, approved and contracted through a very different process than is in place today. Since 2011, we have made significant changes to the incentives application and approval process and our due diligence procedures. These improvements, together with improved deal structures and contracts, have provided an enhanced level of protection for the taxpayer's investment.

DEO should improve the timeliness of the incentive claims and payment processes.

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, cutting the time almost in half. The agency's current goal is to further reduce the time it takes to pay economic incentive claims to nine months, another 30 percent reduction, by the end of this fiscal year. DEO will continue its efforts to improve the efficiency of its incentive claims process. DEO's plan for continued improvement of the claims process includes providing additional educational opportunities for businesses as part of incentive agreement negotiation process and as part of the performance claims filing process. This will help businesses prepare for and understand how performance will be measured and what documentation will be required.

DEO should improve New Markets Development Program oversight.

The report states that there are no formal criteria for selecting recipients; however, DEO follows the process as outlined in state statute. Qualified community development entities (CDEs) must submit an application to DEO for approval of a proposed investment as a qualified investment. The application is reviewed and approved or denied based on the statutory criteria. Additionally, the definition of a qualified CDE in Florida statute requires certifications and agreements with the U.S. Department of Treasury. Including these federal requirements in the definition of a qualified Florida CDE provides the state with a thorough vetting process without duplicating these processes at the state level. DEO agrees that CDEs must include the number of jobs created and retained by each qualified active low-income community business in their annual report submitted to DEO, as outlined in section 288.9918, Florida Statutes. We will continue to work with the entities to ensure that this requirement is understood and require jobs created to be reported accordingly.

Two CDEs received over half of all tax credits allocated through the New Markets Development Program.

In the first two years of the program, very few CDEs applied for tax credits resulting in the largest allocation received to-date by the program ($97.5 million) being largely split between two CDEs. Since program inception, the number of qualified applicants has increased. In addition, DEO now divides credits among all qualified applicants equally, resulting in the wider distribution of credits. However, because of the large allocation that went to a small number of CDEs in the first and second year of the program, the cumulative total is significantly larger for those two CDEs.

Again, we thank you and your staff for the review and will take under advisement the recommendations provided to enhance the state's economic development programs.

Sincerely,

Cissy Proctor
Executive Director

The Florida Legislature

Office of Program Policy Analysis and Government Accountability

OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government more efficient and effective.
- Government Program Summaries (GPS), an online encyclopedia, www.oppaga.state.fl.us/government, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
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Project supervised by Kara Collins-Gomez (850/717-0503)

Project conducted by Alex Regalado, Taylor Filaroski, Darwin Gamble, Justin Graham, Bill Howard, Larry Novey, Justin Painter, and Rich Woerner

R. Philip Twogood, Coordinator