

*oppaga*

# Program Review



December 2001

Report No. 01-62

## Concerns Over Enterprise Florida's Performance, Services to Distressed Areas Point to a Need to Consider Several Alternatives for Its Future Role

### *at a glance*

Enterprise Florida, Inc. (EFI), has met its established performance standards. However, its effect on overall job creation in Florida needs to be interpreted with caution. There is no strong, direct link between EFI's economic development activities and its contribution to the creation of and retention of jobs in Florida. Further, EFI does not have clearly defined criteria for determining when its involvement with a project justifies it counting the project's jobs in its performance data.

EFI is generally performing well in helping Florida businesses export their products and services. It has also implemented some strategies to assist economic development efforts in Florida's urban and rural distressed areas. However, many of the jobs EFI reports helping to create and retain in urban distressed areas may not result from its specific strategies and activities targeted to these areas. EFI is also not providing certain types of services needed by some rural economic development organizations.

The Legislature may want to consider several options regarding the future role of EFI: continuing it as presently designed, but improving its performance measures; creating a separate entity to coordinate and assist rural and urban distressed economic development organizations; and fully privatize state economic development activities presently performed by EFI.

### Purpose

In accordance with state law, this report provides the Legislature with a review and evaluation of Enterprise Florida, Inc. (EFI). As required by law, this review reports on EFI's progress towards achieving its established outcomes, factors affecting its ability to achieve those outcomes, and whether it would be sound public policy to continue or discontinue EFI.

### Background

Enterprise Florida, Inc., is a public-private partnership created by the Legislature to serve as the state's principal economic development organization.<sup>1</sup> EFI operates

<sup>1</sup> Enterprise Florida, Inc., was created by the Legislature in 1992 as a public-private partnership. Its initial focus was on promoting the growth of small- and mid-sized high technology manufacturers, increasing the number of high technology jobs in Florida, and building access to financial markets for small- and medium-sized manufacturing firms that are deemed essential to creating a Florida economy characterized by high-wage, high-skill jobs. In 1996, the Legislature abolished the Department of Commerce, and assigned EFI the former department's responsibility for administering the state's economic development and international trade programs.

## *Program Review*

under a contract with the Governor's Office of Tourism, Trade and Economic Development (OTTED).

EFI's goals are to provide leadership for business development in Florida by establishing a unified approach to state international trade, to market the state as a pro-business location for potential new investment, and to help businesses create and retain jobs and establish markets.

**Business recruitment and retention.** In its business recruitment and retention efforts, EFI assists businesses considering locating or expanding in Florida. EFI provides information on available locations in Florida, helps businesses apply for state financial incentives, and assists business with regulatory and permitting issues.

**International trade.** EFI also helps Florida businesses export their products and services. EFI assists companies by providing market information, export counseling, and trade leads. It also sponsors trade events and missions.

**Rural and distressed urban communities.** In addition, EFI conducts activities that are intended to help recruit businesses to Florida's distressed rural and urban areas. These activities include helping rural economic development organizations with their marketing efforts and in generating business leads. EFI assists inner city development organizations in recruiting new businesses and expanding existing businesses and works with Front Porch Florida to provide microloans to small urban businesses.<sup>2</sup> It is also one of four coordinating partners for the state's Toolkit for Economic Development initiative. The Toolkit for Economic Development was intended to coordinate the many state and

---

<sup>2</sup> Front Porch Florida is a program that is designed to identify problems specific to a community and prioritize resources from state agencies to benefit the community.

federal programs that target underdeveloped areas and populations in Florida.<sup>3</sup>

Strategic plan for economic development. The 1999 Legislature also directed EFI to develop, in conjunction with OTTED, a state-level strategic plan for economic development.<sup>4</sup> EFI coordinated the development of the Florida Strategic Plan for Economic Development for 2000-05. Economic development goals specified in the plan include establishing a globally competitive economic development infrastructure and business climate, and establishing a unified, globally competitive, economic development and marketing program for Florida.

The annual update to this plan, the Florida Strategic Plan for Economic Development for 2001-2006, which was released in December 2000, made several major recommendations for improving economic development in Florida. These recommendations included making Florida a priority location for national and international business and trade expansion; developing a world class workforce; enhancing the competitiveness of Florida's business climate; creating a worldwide pro-business image; establishing the infrastructure for a globally competitive economy, and promoting growth opportunities for Floridians, including urban core and rural communities.

**EFI partners.** One of the Legislature's reasons for creating EFI as a public-private partnership was to involve Florida's business and community leaders in state economic development activities. Presently, 37 Florida business persons, local economic development representatives and government officials serve on EFI's board of directors. EFI has also established a 44-member Partner

---

<sup>3</sup> OPPAGA recently reviewed the implementation of the Toolkit for Economic Development initiative. See *Special Review: Slow Startup, Lack of Structure Jeopardize Toolkit for Economic Development's Implementation and Funding, Report No. 01-25*, May 2001.

<sup>4</sup> Chapter 99-251, *Laws of Florida*.

Council to advise it on economic development issues.

Resources. The Legislature appropriates funding for EFI through a contract with OTTED. For Fiscal Year 2000-01, EFI was allocated \$11.5 million in state funds to support its programs and operations. The funds were allocated for specific EFI programs as shown in Exhibit 1.

**Exhibit 1**  
**EFI Received \$11.47 Million in State Funds in Fiscal Year 2000-01**

Expansion, Retention, and Recruitment	\$ 3,500,000
National Marketing	1,150,000
Trade and Export Assistance	2,600,000
International Representatives, Marketing, Research and Inward Investment	3,075,000
Special Needs	745,198
African Market Expansion	400,000
<b>Total</b>	<b>\$11,470,198</b>

Source: Enterprise Florida, Inc.

As a public-private partnership, Enterprise Florida, Inc., is expected to obtain private sector support to help pay for its costs of operation. The private sector match reported by EFI for Fiscal Year 2000-01 was \$65,038,089.

**Exhibit 2**  
**EFI Reported Receiving \$65 Million in Private Sector Contributions, But Only \$1.8 Million Was for Its Operations**

Category	Description	Amount
In-Kind Advertising	Advertising space offered by <i>Florida Trend</i> magazine	\$ 59,930
Event Sponsorship	Cash money used toward defraying costs associated with board, investor and public relations events, trade shows, and economic development missions	75,050
Cooperative Marketing	Money paid by local economic development organizations for advertising in trade publications	137,430
Operations	Undesignated funds used for Enterprise Florida Operations	1,534,613
Florida Development Finance Corporation bond origination fees (FDFC)	Fees charged by FDFC to cover the cost of structuring and issuing Enterprise Bonds for composite, industrial development bond offerings	200,475
Cypress Equity Fund Bank Contributions	These are the contributions paid by five banks that invest in the fund	4,100,000
Quick Response Training	Matching funds provided by companies participating in the Quick Response Training incentive program	58,930,591
<b>Total</b>		<b>\$65,038,089</b>

Source: OPPAGA based on Enterprise Florida information.

The distribution of these funds by use designation is shown in Exhibit 2. Of the \$65,038,089, only \$1,807,023 was for funding EFI operations.<sup>5</sup> This represented 14% of EFI's operating funds, with the remaining 86% provided by state funding. The remaining private-sector matching funds were primarily in-kind contributions and moneys paid by companies receiving various EFI services, most notably matching funds provided by companies participating in the Quick Response Training Incentive Program (\$58,930,591 or 91% of the total reported private-sector match).<sup>6,7</sup>

<sup>5</sup> This figure includes the specific contributions for operations as well as in-kind advertising, event sponsorship, and cooperative marketing contributions.

<sup>6</sup> The Quick Response Training Incentive Program provides grant funding for customized training for new or expanding businesses. The businesses participating in the program must provide match that can consist of cash or in-kind contributions. In-kind contributions may include wages paid to trainees during the training period, equipment purchased for use in the training project, materials and supplies, and facility usage costs.

<sup>7</sup> Chapter 2000-165, *Laws of Florida*, transferred responsibility for administering the Quick Response Training Program from EFI to Workforce Florida, Inc. However, the law allowed matching contributions received under the Quick-Response Training Program to be counted toward EFI's private sector support.

## Prior OPPAGA Reports —

Since 1995, OPPAGA has issued 17 reports about EFI's performance. (See Appendix A for a list of these reports and links to copies of them on OPPAGA's web page.) Our most recent reports, issued in 1998 and 1999, generally concluded that EFI should be continued. However, we identified changes that should be made to improve its performance. More specifically, we reached the conclusions discussed below.

- EFI could be of the most value by providing services to areas of the state with the greatest need and where job creation will have the greatest impact, such as rural and urban distressed areas of the state. In Fiscal Year 1997-98, 94% of the jobs EFI reported helping to create were located in Florida's urban counties with strong local economic development organizations, such as Dade, Duval, Hillsborough, and Orange counties. EFI had not implemented significant strategies for enhancing economic development in rural or urban distressed areas.<sup>8</sup>
- EFI needed to emphasize coordinating, networking, and brokering services available from existing local, state, and federal economic development agencies and organizations rather than directly providing services.<sup>9</sup>
- EFI's overall outcome measure, the number of permanent jobs directly created or retained as a result of EFI's programs and activities, should be modified. Data on the total number of jobs created and retained is not useful in assessing the extent to which EFI services or the services provided by other local or

state agencies and organizations affected businesses' retention, re-location, or expansion decisions. EFI performance measures also did not assess the extent to which it supported economic development by coordinating and brokering services available from existing local, state, and federal economic development agencies and organizations as opposed to directly providing services to businesses. EFI needed to develop measures that assessed the impact of its services compared to the services provided by other local, state, and federal organizations, the quality of its services, and the extent to which other local and state economic development agencies and organizations are satisfied with its efforts to coordinate and broker services.<sup>10</sup>

- Enterprise Florida, Inc., reported that it received sufficient private sector matching contributions to meet statutory matching requirements. However, we questioned whether some of the amounts EFI reported met the statutory definition of private sector match provided in law at that time. For example, we questioned inclusion of \$2.4 million for investments in EFI's Cypress Equity Fund made by five banks in Fiscal Year 1997-98.<sup>11</sup> We believed such investments should not be considered private matching contributions since they cannot be used to support EFI's operations. If the amounts we questioned were excluded, EFI would

---

<sup>10</sup> *Ibid.*

<sup>11</sup> The Cypress Equity Fund was created by EFI in 1995 as part of a strategy to help improve Florida businesses' access to venture capital funding. The Cypress Equity Fund was designed as a "fund of funds" that would invest in national private venture capital funds that, in turn, would invest in companies with high potential growth. However, fund investments were not targeted to in-state companies. Our 1999 review of the Cypress Equity Fund concluded that it had not improved Florida businesses' access to venture capital. *Review of The Enterprise Florida, Inc., Capital Development Board's Cypress Equity Fund, Report No. 98-33*, December 1998.

---

<sup>8</sup> *Review of the International Trade and Economic Development Board of Enterprise Florida, Inc. Report No. 98-44*, January 1999.

<sup>9</sup> *Ibid.*

have not met its required private sector match.<sup>12</sup>

- EFI's activities did not appear to have played a significant role in increasing the dollar amount of venture capital invested in Florida companies. EFI's capital development activities could be discontinued without impairing Florida businesses' ability to obtain venture capital and long-term debt financing. EFI's efforts did not have a major effect on Florida business's efforts to obtain such financing.<sup>13</sup>

The Legislature and EFI addressed several of our concerns. For example, EFI's overall outcome measure was modified from the number of permanent jobs directly created or retained by EFI to the number of jobs created or retained that were facilitated by EFI. This change recognizes that EFI does not actually create jobs, but attempts to provide or broker services that may facilitate their creation. In addition, the 1999 Legislature passed legislation requiring EFI to include in its annual report the results of surveys to assess local economic development organization satisfaction with EFI services.<sup>14</sup>

However, our current review found that some problems noted in our prior reports have not been addressed and persist.

<sup>12</sup> *Review of Private Sector Matching Contributions to Enterprise Florida, Inc.*, [Report No. 98-31](#), December 1998.

<sup>13</sup> *Review of the Capital Development Board of Enterprise Florida, Inc.*, [Report No. 98-32](#), December 1998.

<sup>14</sup> Chapter 99-251, *Laws of Florida*.

## Findings

### EFI Performance

*EFI has met its overall statewide standards for job creation and retention, but results need to be interpreted cautiously*

As shown in Exhibit 3, EFI met the overall statewide performance standard specified in its contract with OTTED for facilitating the creation of direct full-time jobs through its recruitment, expansion, and retention efforts. For example, EFI reported helping to facilitate the creation or retention of 32,121 jobs in Fiscal Year 2000-01, which exceeded the standard of 31,000 jobs.

**Exhibit 3**  
**EFI Met Contract Performance Standards for Facilitating the Creation and Retention of Direct Full-Time Jobs Through Its Recruitment, Expansion and Retention Efforts**

	Fiscal Years		
	1998-99	1999-00	2000-01
<b>Standard</b>	28,500	31,000	31,000
<b>Actual</b>	36,856	35,513	32,121

Source: Enterprise Florida, Inc.

However, EFI's performance needs to be interpreted with caution for three major reasons.

First, there is no strong, direct link between EFI's economic development activities and its contribution to the creation of and retention of jobs. Many factors other than EFI activities affect a business's decision on where to locate or expand in Florida, such as national economic conditions and the activities performed by local and regional economic development organizations. This concern is not limited to EFI, but applies to other economic development programs.

To address this problem, EFI is considering developing a performance measure that would be linked to the national economy.

## Program Review

Under this approach, EFI's performance standard for facilitating the creation of jobs would be adjusted to take into consideration changes in the national economy. Thus, when economic conditions are poor, the standard for EFI's expected contribution to job creation would be reduced. We agree with this approach. One way this could be done is by changing the outcome measure from the number of jobs facilitated by EFI to the percentage of all jobs created in Florida during a year that were facilitated by EFI.

Second, EFI figures include the jobs associated with all 164 of the announced projects its staff were involved with during Fiscal Year 2001-02. Some involvement was tangential. For example, EFI counted 23 jobs from a project in which a local economic development organization reported that EFI staff discussed incentives with a business in a conference call. It also counted 100 jobs associated from a project in which another economic development organization reported EFI staff discussed incentives with a company, but the company decided not to apply for them.

In contrast, some businesses and local economic development organizations reported that EFI was much more extensively involved in other projects. For example, EFI counted 20 jobs from a project in which its staff worked with a local economic development organization to have the governor contact a business considering locating in an area and helped the business in handling permitting and incentive issues.

We believe that EFI needs to develop specific criteria for determining when its staff's level of involvement with a project justifies it counting the project's jobs in its performance data. Such criteria would help the Legislature develop a better perspective regarding EFI's role in facilitating the creation and retention of jobs in Florida.

Third, EFI does not perform an independent assessment to confirm the extent of its staff's contributions to a project that resulted in job creation or retention. EFI supports its claims of contributing to projects by surveying assisted businesses and local economic development organizations. However, we determined that EFI staff members who directly provided the services to the companies are responsible for ensuring that the surveys are completed. This practice raises questions about the reliability of EFI's reported performance data. Client follow-up surveys should be conducted independently of the staff that delivered the services.

*EFI has met its standards for helping to create and retain jobs in urban distressed areas, but the link between its strategies and job creation in these areas is questionable*

As shown in Exhibit 4, EFI reports meeting its standards for facilitating the creation of jobs in urban distressed areas in Fiscal Years 1999-00 and 2000-01.

### Exhibit 4 Enterprise Florida Met Performance Standards for Facilitating Job Creation and Retention in Distressed Urban Areas

	Fiscal Years			
	1999-00		2000-01	
	Standard	Actual	Standard	Actual
Urban	2,000	2,293	2,000	2,763

Source: Enterprise Florida, Inc.

EFI based its determination of the number of jobs facilitated in a distressed urban area on the jobs created and retained by assisted businesses that located in a central business district of a city within an urban county that is experiencing conditions affecting its economic viability. These conditions include, but are not limited to, low per capita income, low property values, high unemployment,

high underemployment, low weekly wages compared to the state average income, high percentage of the population receiving public assistance, and high poverty levels compared to the state average poverty level. It also includes areas that have been targeted for special state and federal revitalization assistance (i.e., Front Porch Florida projects, enterprise zones, and empowerment zones).<sup>15</sup>

These results coincide in time with EFI implementing several strategies for enhancing economic development in urban distressed areas. For example, EFI implemented the Franchise Finance and Development Program, which is a joint venture with the Florida Black Business Investment Board to recruit and establish more franchise operations in Florida's inner cities. In addition, through an agreement with Front Porch Florida, EFI was given responsibility for administering the Front Porch Florida Microloan Program.<sup>16</sup> Under this program, each of the six Front Porch Florida communities received \$100,000 for making microloans to small businesses. Also under this program, a private company was awarded a \$160,000 contract to establish and train microloan providers in each Front Porch community.

EFI also created The Great Florida Cities Marketing Initiative, which consisted of creating brochures describing the economic development potential of 14 inner city communities located throughout the state.

---

<sup>15</sup>An enterprise zone is specific area that is targeted for redevelopment on the basis of high unemployment, poverty, age of housing stock, or other evidence of economic weakness. The State Enterprise Zone Program, which is administered by OTTED, provides tax incentives and regulatory relief to encourage the business community to invest and locate in designated enterprise zone areas. OPPAGA most recently reviewed the State Enterprise Program in 2000. See *Program Review: Use of Enterprise Zone Incentives Has Increased, But Challenges Continue, Report No. 99-43*, March 2000.

<sup>16</sup> Microloans are loans with small dollar values made to small businesses.

The brochures contain community demographic data and information on available incentives, programs, and services that support urban inner city development. These brochures are distributed at trade shows and other Enterprise Florida events.

EFI also sponsored an Urban Job Development Conference in June 2001 to serve as a forum for economic development officials to discuss urban economic development issues and strategies, and to obtain input from the state's urban stakeholders in developing strategies.

However, EFI's strategies for assisting distressed urban areas are not responsible for the 2,763 jobs that EFI reported facilitating in such areas during Fiscal Year 2000-01. EFI indicated that the jobs created by the Franchise Finance and Development Program (41 jobs between July 2000 and March 2001) and the Microloan Program (14.5 jobs as of December 2000) were credited to the Black Business Investment Board and the Front Porch Florida Program, respectively, rather than EFI. Also, none of the companies whose jobs EFI counted toward meeting the standard were located in an area designated in The Great Florida Cities Marketing Initiative brochures.

In addition, our review of EFI records as of April 2001 led us to conclude that EFI's figures on jobs facilitated in urban distressed areas was more likely due to factors outside its control rather than activities specifically targeted to assisting these areas. For instance, we determined that EFI counted the jobs created by six projects that were adjacent to large metropolitan airports in Miami and Orlando. These projects accounted for 1,033 of the 2,763 (37.39%) jobs EFI counted as being in urban distressed areas. Since proximity to airports is a major factor in business location decisions, we believe it would be questionable to attribute these jobs to EFI's strategies for assisting Florida's distressed urban core areas.

*Program Review*

*EFI met its standards for helping to create and retain jobs in rural distressed areas, but some rural economic development organizations want certain types of assistance not provided by EFI*

As shown in Exhibit 5, EFI also reports meeting its standards for facilitating the creation of jobs in rural distressed areas standards in Fiscal Years 1999-00 and 2000-01.

**Exhibit 5  
Enterprise Florida Reports It Met Performance Standards for Facilitating Job Creation in Distressed Rural Areas**

	Fiscal Years			
	1999-00		2000-01	
	Standard	Actual	Standard	Actual
Rural Areas	2,000	2,495	2,000	3,729

Source: Enterprise Florida, Inc.

Although EFI has implemented several strategies for enhancing economic development in rural areas, some rural economic development organizations want different types of assistance than that being provided by EFI. Examples of strategies implemented by EFI include those below.

- The Crossroads Florida Program was created in 2000 to market rural Florida communities as potential business location sites. Under this program, advertisements were placed in specialized site selection magazines three times during the period from November 2000 to November 2001. The advertisements' text focuses on showing how Florida's rural areas are not as isolated as rural areas in other states. The program was also designed to help small rural communities advertise in national magazines at affordable rates. In addition EFI advertised Florida's rural areas on site selection websites. EFI reports that this program generated 53 leads, or expressions of interest, from businesses.

- The Rural Issues Working Group, which EFI sponsored, acts to obtain input from the state's rural stakeholders for use in developing rural economic development strategies.

In addition, EFI also participates with other groups and organizations that focus on improving rural Florida. For example, EFI has provided a staff member to participate in the Florida Association of Counties' County Rural Development Project (Co.RD) program and participates in the Rural Economic Development Initiative coordinated by OTTED.<sup>17</sup>

However, we identified several concerns regarding EFI's efforts to facilitate the creation of jobs in rural areas. First, EFI did not conduct surveys to obtain baseline data on businesses' perceptions of rural Florida as a potential location site. Consequently, it cannot assess whether the Crossroads Florida Program helped change businesses' awareness of rural Florida. Also, it is too soon to determine whether the program influenced any business's decision to actually relocate to rural Florida since it usually takes two to three years for a business to go through the site selection decision-making process.

Second, EFI is not providing the types of services wanted by some rural economic development organizations to pursue economic development. Florida's rural communities face major obstacles to

<sup>17</sup> In 1999, the Florida Association of Counties was awarded a grant of \$855,000 from the U.S. Department of Housing and Urban Development to develop a pilot program for providing economic development assistance to Florida's rural areas. The pilot program was also funded by the Governor's Office (\$73,000) and the Department of Community Affairs (\$109,000). The pilot program, referred to as the County Rural Development Project (Co.RD), was designed to help rural counties create economic and tourist development organizations, develop strategic plans and implement the plans. Pilot program funds were used to hire consultants who provided "hands-on" assistance to local economic development organizations and to help fund local economic development staff.



economic development, such as a lack of transportation and infrastructure needed to attract new businesses. In addition, rural counties often lack the fiscal capacity to offer local tax incentives that may aid in attracting businesses. Accordingly, some rural economic development organization representatives believe the state can be of the most value by assisting them in identifying federal and state funds to support infrastructure development and economic development activities. This would include programs or grants beyond those that Enterprise Florida is directly involved with such as the Economic Development Transportation Fund (Road Fund).<sup>18</sup> Some rural economic development organization representatives also wanted assistance in grant writing.

EFI managers said they are limited in their ability to provide services other than business recruitment assistance by the performance standards. The resources required by EFI to annually facilitate the creation and retention of a specified number of jobs in rural distressed areas and the state as a whole limits the resources it has for providing the additional assistance wanted by rural economic organizations.

To address this concern, EFI is considering proposing modification of its performance measures to reflect the greater amount of effort needed to help create and retain jobs in both rural and urban distressed areas. Under this proposal, jobs created or retained in rural and urban distressed areas would be weighted more heavily than other jobs to reflect the difficulty experienced in bringing projects in such areas to fruition.

---

<sup>18</sup> Economic Development Transportation Fund, referred to as the Road Fund, provides local governments with funding for transportation-related projects required to induce companies to locate, remain, or expand within the local government's jurisdiction. Examples of the types of projects funded include road widening, and adding turn lanes, traffic signals, rail spurs, airport aprons, taxiways, and access roads.

### *Enterprise Florida has met its standards for international trade and business development*

EFI met its performance standard for its international trade and business development programs. EFI reported that documented export sales attributable to EFI programs and activities totaled \$643 million in Fiscal Year 2000-01 compared to a standard of \$450 million. Of these documented sales, \$246 million were confirmed sales and \$397 million were expected sales.

EFI reports that the performance was in part due to programs such as Team Florida Missions that assist Florida companies in gaining market share, and to fostering international linkages and joint ventures. Prior to a Team Florida Mission trip, EFI arranges with the United States Department of Commerce's U.S. Commercial Services to identify potential foreign business prospects. Florida companies that participate are required to document the sales that occurred as a direct result of EFI activities.

## Marketing Florida as a High Technology State

*It is still too soon to determine EFI's effectiveness in marketing Florida as a high technology state, but businesses may have difficulty locating EFI's eFlorida.com website*

As required by law, EFI implemented a marketing program to brand Florida as a technology state. As part of this program, EFI developed a new website, [www.efflorida.com](http://www.efflorida.com), that is designed so that various users can access specific information, such as finding Florida-based sources of venture capital funds, Florida statistical information, state incentives, and local-level contact information.

## *Program Review*

As part of this program, EFI also produced a publication entitled *Business Florida* that contained articles describing Florida's business advantages. The articles discuss topics such as Florida's technology advantages, job training, global trade, and quality of life.

EFI also contracted with a consultant to develop the Florida Technology Leadership Program. The program's accomplishments include clarifying statewide responsibilities for marketing Florida's technology sector, helping implement efforts to promote EFI's website, and developing efforts to recruit technology-oriented venture capital firms. EFI also established the Florida TEC Leadership Council, which is composed of business leaders representing technology-driven sectors and other leaders representing businesses and organizations supporting these sectors.<sup>19</sup> The council was established to advise EFI on how to improve Florida's technology infrastructure and position Florida as a globally recognized leader in technology and innovation.

However, since EFI's technology marketing program has only been operating since June 2001, it is still too early to draw conclusions regarding its effectiveness. EFI is in the process of developing a system for evaluating the program's results, such as changes in the perceptions of businesses regarding Florida as a technology state.

A major factor that could limit the program's effectiveness is that it will be difficult for businesses that lack knowledge of the state's economic development organizations to locate EFI's website on the Internet. Presently, the state government's main web portal, [MyFlorida.com](http://MyFlorida.com), has 15 links to major service categories including one for "Business and Industry". However, EFI's website is not listed as one of the links under this category.

Further, although EFI's website is accessible by using a "Find an Agency" drop-down menu, business people would have to already know that EFI is the state's economic development organization in order to find information on the state's technology-related programs and services.

## Alternatives for Future Role of Enterprise Florida

The Legislature directed OPPAGA to consider whether it would be sound public policy to continue EFI. To address this mandate, we considered several options regarding the future role of EFI:

- continuing EFI as presently designed;
- creating another entity to provide economic development assistance to the state's urban and rural distressed areas; and
- fully privatizing the services presently performed by EFI.

The advantages and disadvantages of these options are discussed below.

### *Option 1 - Continue EFI as presently designed*

The Legislature may wish to consider continuing EFI as presently designed. However, if EFI is continued, it should provide better information regarding its impact on economic development by implementing our recommendations for improving its performance measures.

**Advantages.** This option would provide continuity in state economic development programs and services provided to local economic development organizations and businesses and allow EFI to continue its efforts to build relationships with these stakeholders. It would also let EFI continue

---

<sup>19</sup> TEC stands for Technology, Entrepreneurship, Capital.

conducting activities, such as business recruitment, marketing, and international trade development, in which it has been more successful. Further, it would allow the private sector to remain involved in developing state economic development policies and programs.

Disadvantages. Allowing EFI to continue as presently designed would not address the concerns identified in this report regarding the limited assistance being provided to distressed areas of the state. It is also likely that the state will continue to provide most of the funding for EFI's operations, which negates one of the major reasons for creating EFI as a public-private partnership. As a public-private partnership, EFI was expected to obtain private sector support to help pay for its costs of operation in exchange for the private sector having a greater role in establishing state economic development strategies and programs. However, as noted previously, only 14% of EFI's operating expenses during Fiscal Year 2000-01 was paid for by private sector funds, while the remaining 86% was paid by the state.

***Option 2 - Create another entity or entities to provide economic development assistance to the state's urban and rural distressed areas***

Our review identified several concerns regarding EFI's efforts to support economic development efforts in Florida's rural areas and urban distressed areas. Accordingly, the Legislature may wish to consider the option of creating another entity to provide economic development assistance targeted to Florida's distressed rural and urban areas.

Description. Under this option, responsibility for facilitating economic development in Florida's distressed urban and rural areas would be assigned to a newly created Office of Rural and Urban Economic Development Coordination. This office would be responsible for developing and expanding local economic development capacity in these

areas and for coordinating related economic development initiatives such as REDI, the Toolkit for Economic Development, and Front Porch Florida. It also could help broker the use of other state and federal programs such as HUB Zones, empowerment zones, and enterprise zones. This entity would provide more direct hands-on assistance to rural counties and urban economic development entities to help them develop strong local economic development organizations and identify solutions to improve infrastructure. The type of assistance provided would be similar to the services provided under the Florida Association of Counties' (Co.RD) project.

The Office of Rural and Urban Economic Development Coordination would employ staff with expertise in either rural or urban distressed economic development. These individuals would be responsible for assisting rural counties and designated urban distressed areas with establishing economic development programs, creating and executing strategic plans, and identifying funding sources to pay for needed infrastructure improvement as well as local economic development unit operating expenses. The office would also provide assistance in specific areas such as grant writing, website development, economic development analysis, marketing, and community development.

The Legislature could fund the Office of Rural and Urban Economic Development Coordination by transferring state funds presently allocated to EFI for Special Needs (\$745,198) and funds allocated for the Office of Urban Opportunity (\$184,134).

Advantages. This option would allow EFI to continue focusing on areas, such as business recruitment, marketing, and international trade development, in which it has been more successful. The proposed office would focus on the types of assistance needed by distressed areas as described above. This

## *Program Review*

should improve the state's efforts to assist its distressed areas.

This option would also create a single entity that could serve as an umbrella organization for coordinating state rural and urban economic development initiatives. Currently, much of the state's efforts in these areas are highly fragmented, with services being provided by a multitude of state, federal, regional, and local entities. This may facilitate efforts to assist economic development in these areas and make it easier for businesses interested in expanding or locating in them to identify appropriate contacts and obtain needed services.

Disadvantages. This option would create another state-level organizational unit involved in economic development, which may compound confusion among local officials and businesses regarding which entity to contact for assistance. Consequently, the state will have to expend resources to inform public and private economic stakeholders regarding the changes in organizational responsibilities.

### ***Option 3 - Fully privatize the services performed by EFI***

The Legislature may want to consider the option of privatizing the economic development services presently provided by EFI.

Description. Under this option, the Legislature would eliminate statutory provisions creating EFI and direct OTTED to contract out functions currently performed by EFI. If the Legislature decides to privatize the services provided by EFI, OTTED would need to take the following steps:

1. identify the services to be privatized;
2. identify state costs for these services;
3. identify desired performance levels for the services;
4. issue a request for information (RFI);

5. review the RFI responses and determine if privatization appears feasible;
6. issue a request for proposal (RFP);
7. assess the RFP responses;
8. establish a strong contract oversight mechanism, including the establishment of performance-based contracts;
9. contract with a single or multiple vendors; and
10. evaluate contractor performance, make necessary adjustments, and report results.

The request for proposals could be for a single entity to provide all economic development services bundled together or it could be divided into parts. For example, OTTED could issue separate RFPs for marketing, business recruitment, and international affairs activities.

The feasibility of privatizing the services provided by EFI depends upon generating competition among a sufficient number of bidders willing to provide the same or better services at lower cost combined with strong contract and performance monitoring by OTTED. In this regard, it should be noted that EFI already contracts with various entities to perform certain services. Examples of activities contracted out by EFI include the program to brand Florida as a high technology state, the development of EFI's e-Florida website, and its international offices.

Advantages. EFI does not presently have any market competition for its services. Putting state economic development services out to bid would create an element of competition, which may result in demonstrable and improved services at less cost to Florida citizens. As noted in an OPPAGA publication on privatizing state government services, market competition can be a key factor in improving the efficiency and effectiveness of state services. However, the potential cost-effectiveness of privatizing EFI's services can be determined only when vendors submit price bids that can be compared to EFI's costs

This option may also cause the state to critically evaluate what activities are needed to most effectively and efficiently promote state businesses and economic development and who should perform them.<sup>20</sup>

If EFI's services were fully privatized, OTTED would be more clearly delineated as the major entity for guiding and coordinating economic development in the state. Activities such as coordinating the development of the state strategic plan would be assigned to OTTED, which could also continue working with the private sector to determine the needs of the state and decide what services need to be contracted.

Disadvantages. A disadvantage of this option is that the state will have to expend resources to inform public and private economic stakeholders regarding the changes in organizational responsibilities. The change in organizational structure may disrupt the continuity of state business recruitment efforts during the transition period. However, since local economic development organizations tend to work more directly with businesses than EFI has, projects already in progress should be minimally affected.

Further, if OTTED issued multiple contracts for services, this could increase its contract administration and monitoring workload.

Another potential concern with this option is that there may not be any statewide economic development entities besides EFI that would bid to provide services. If this occurred, the state would not obtain any of the benefits of competition and would merely be replacing one non-competitive sole source with another.

We believe OTTED should not consider contracting with regional or local entities, since this could serve to further fragment Florida's already existing patchwork of local

and regional economic development organizations and result in these organizations competing for business without an entity working for the state's overall benefit.

Another disadvantage of privatizing EFI's services is that it may reduce private sector participation in formation of state economic development policies and strategies. Accordingly, if the Legislature wanted to pursue this option, it should consider establishing a forum in which representatives of Florida's business community could periodically meet with state government representatives to collectively discuss needs and develop strategies for addressing identified problems. Responsibility for coordinating these meetings could be assigned to OTTED.

## Recommendations

As noted above, prior OPPAGA reports identified concerns with evaluating EFI's outcomes based on the number of permanent jobs directly created or retained as a result of its programs and activities. Although EFI's overall outcome measure has been modified to assess its performance in facilitating job creation and retention, we continue to believe that EFI's performance should be evaluated using measures that assess the impact of its services compared to services provided by other local, state, and federal organization; the quality of services provided; and its efforts to coordinate and broker services among the multitude of local, state, and federal entities involved in economic development in Florida. However, if the Legislature decides to continue evaluating EFI's outcomes based on its contribution to helping create and retain jobs in Florida, we recommend the actions below.

---

<sup>20</sup> *Assessing Privatization In State Agency Programs, Report No. 98-64*, February 1999.

## *Program Review*

- EFI should work with OTTED to define criteria for determining when its staff's level of involvement with a project is not tangential and justifies it counting the project's jobs in its performance data.
- EFI should improve its methods for confirming its staff's level of involvement with projects used in determining performance in facilitating job creation. Representatives of businesses and local economic development organizations receiving assistance from EFI staff should complete the evaluation. Also, EFI staff members who directly provide the assistance should not be involved in conducting the evaluations.
- The Legislature should authorize EFI to assign a higher weight to facilitating the creation of jobs in rural and urban distressed areas of the state to reflect the greater degree of difficulty associated with bringing economic development projects in these areas to fruition. EFI should work with OTTED to determine a method for weighting Enterprise Florida's performance in these areas.

To improve the availability of information in EFI's new website to state, national, and international businesses and stakeholders, we recommend that OTTED and EFI work with the State Technology Office to modify the state's MyFlorida web portal to provide a direct link on its opening page to EFI's website. This would help businesses and economic development professionals who are not familiar with Florida's economic development organizations to easily access EFI's services.

We also recommend that the Legislature consider various options regarding the future role of EFI: (1) continuing EFI as presently designed; (2) creating another entity or entities to provide economic development assistance to the state's urban and rural distressed areas, and (3) eliminating EFI and having its major responsibilities performed by private companies under contract to OTTED.

The last two options are not mutually exclusive and could be implemented in part or in whole. If the Legislature were to consider adopting the option of fully privatizing the services provided by EFI, it should require OTTED to ensure that the contractors provide the types of services needed by rural counties and urban distressed areas. It should also ensure that OTTED has sufficient resources to carry out its expanded responsibilities and monitor contractor performance.

## Agency Response —

The President and CEO of Enterprise Florida Inc., provided a written response to our preliminary and tentative findings and recommendations.

The Secretary's written response is reprinted herein beginning on page 16.

# Appendix A

## OPPAGA Has Issued 17 Reports Evaluating Enterprise Florida Programs

Report No.	Release Date	Title
<a href="#">99-34</a>	2/00	Review of the Workforce Development System
<a href="#">98-44</a>	1/99	Review of the International Trade and Economic Development Board of Enterprise Florida, Inc.
<a href="#">98-34</a>	12/98	Review of the Workforce Development Board of Enterprise Florida, Inc.
<a href="#">98-33</a>	12/98	Review of The Enterprise Florida, Inc. Capital Development Board's Cypress Equity Fund
<a href="#">98-32</a>	12/98	Review of the Capital Development Board of Enterprise Florida, Inc.
<a href="#">98-31</a>	12/98	Review of Private Sector Matching Contributions to Enterprise Florida, Inc.
<a href="#">98-30</a>	12/98	Review of the Technology Development Board of Enterprise Florida, Inc.
<a href="#">98-03</a>	7/98	Follow-up Report on the Enterprise Florida Jobs and Education Partnership
<a href="#">97-29</a>	1/98	Follow-up Report on the Enterprise Florida Capital Partnership
<a href="#">97-28</a>	1/98	Follow-up Report on the Enterprise Florida Innovation Partnership and the Florida Technology Research Investment Fund
<a href="#">96-54</a>	2/17/97	Follow-up Report on the Review of the Job Training Partnership Act
<a href="#">96-19</a>	11/25/96	Review of State-Supported Business Loan Programs
<a href="#">95-17</a>	12/19/95	Summary Review of Enterprise Florida
<a href="#">95-16</a>	12/19/95	Review of Enterprise Florida Jobs and Education Partnership
<a href="#">95-09</a>	10/18/95	Review of the Enterprise Florida Capital Partnership
<a href="#">95-08</a>	10/18/95	Review of the Florida Technology Research Investment Fund
<a href="#">95-07</a>	10/18/95	Review of the Enterprise Florida Innovation Partnership

Source: OPPAGA.

December 10, 2001

**Enterprise Florida, Inc.**

Chairman of the Board  
The Honorable Jeb Bush  
Governor of Florida

Vice Chairman  
George W. Koehn  
Chairman, President & CEO  
SunTrust Bank, Florida

Past Vice Chairmen  
Allen Lastinger  
Richard Nunis  
Joseph P. Lacher

President & CEO  
John C. Anderson

**Corporate Investors**

Akerman Senterfitt  
Bank of America  
BellSouth  
CIRENT Semiconductor  
Darden Restaurants  
First Union  
Florida Hospital  
Florida Power Corporation  
Gulf Power  
Holland & Knight  
Lockheed Martin  
The Siegel Group  
Sprint  
St. Joe Company  
Suntrust  
TECO Energy  
Tupperware  
Walt Disney World Company

Mr. Tom Roth  
Staff Director  
Economic Development, Environment and Transportation  
Office of Program Policy Analysis and Government Accountability  
111 West Madison Street  
Room 312  
Claude Pepper Building  
Tallahassee, FL 32399-1475

Dear Tom:

We have reviewed the preliminary draft of OPPAGA's Program Review of Enterprise Florida (EFI) dated November 2001 and appreciate the opportunity to respond.

As we have previously expressed to you and your team, we understand and appreciate the time and effort required to develop the report. Economic development is a complex process that involves a great many organizations, people and programs working together to produce a favorable outcome for Florida. Without this teamwork, there is no success in our business.

We welcome the opportunity this report affords us to publicly explore the economic development process and the significant impact it has on the state of Florida.

In our response, we focus on three of the report's findings that we believe are of overarching importance:

- Establishing a "direct link" between economic development activities and job retention or formation;
- Meeting the needs of Florida's urban and rural areas; and
- Continuing to build on the work of Enterprise Florida in the future.

Because of the importance of these issues and their complexity, we have developed individual white papers on each (attached). Following is a summary:



### **Direct Link to Jobs**

While it concludes, "EFI has met its overall state-wide (sic) standards for job creation and retention," the report finds there is no strong, direct link between those jobs and EFI's activities. This finding speaks to the overarching issue of a direct, measurable impact of economic development programs - a complex issue that requires a thorough understanding of the economic development process and the role of multi-organizational cooperation that is essential to bringing business deals to fruition.

- **The Facts About Counting Jobs** - Two methods by which EFI can easily establish clear, tangible links to the jobs it helps create and retain are 1) the use of state incentives; and 2) direct feedback from those involved in projects.
- **The "Team Approach"** - Successful economic development, whether in urban, rural or suburban settings, requires a team approach. Involved parties must do "their job" at the right time, in the right sequence, in the right way to achieve a decision favoring Florida. No task is unimportant or immaterial. In some projects, EFI has a primary, central leadership role; in others, EFI has supported its partners, sometimes in relatively minor ways.
- **EFI's Role in Job Creation** - EFI does not create jobs; *businesses* create jobs. But businesses don't create or sustain employment opportunities alone or in a vacuum. EFI is and should be judged on the quality of its services and programs in facilitating a private-sector decision to create or preserve jobs by investing capital in Florida. EFI's involvement represents the interest and support of the state of Florida, which *always* plays a role in a company's decision to locate or expand, Rarely, if ever, does the effort of a single organization or individual result in a job being retained or created.
- **There's More Than One Indicator of Success** - EFI is engaged in much more than state incentives and project management. By design, EFI is actively involved in creating and promoting initiatives that continually improve the business climate in Florida. Trade and export assistance, administering and managing business grant programs and marketing the state of Florida to prospective investors are just a few examples. Creating an environment that fosters diversification and expansion of Florida's economy is EFI's real mission ... and there's no question that it's achieving significant results.

### **Urban & Rural Activities**

Again, the report questions whether there is a direct link between EFI activities/strategies and the creation of jobs in urban areas. It also asserts that some rural economic development organizations want certain types of assistance not provided by EFI.

- **Direct Link to Urban Job Creation** - We fully recognize that creating jobs in urban distressed areas is a challenge in Florida and everywhere else in the United States, as these locations have been significantly devalued by fundamental market forces and have very real development obstacles, including a lack of infrastructure and support services, workforce weaknesses and crime. EFI and its economic development partners have responded to the realities of urban-core development by marketing Enterprise Zones and creating programs that target and facilitate non-traditional business opportunities such as housing, restaurants, grocery stores and other local, market-driven establishments that add economic vitality to a community.
- **Enhanced Rural Assistance** - While there will always be requests for additional programs and services to assist special needs communities, 100% of rural Florida economic development practitioners surveyed by Ernst & Young in 2001 indicated a very high level of satisfaction with EFI's current programs and services. The most significant obstacle to business location in rural areas and the root of rural "need" is the lack of adequate infrastructure such as water, sewer and telecommunications. While this issue clearly extends beyond its resources, jurisdiction and mission, EFI is actively engaged in programs and activities that help raise awareness of and focus attention on this critical need.

### **Privatization of Economic Development in Florida**

The report discusses options for the future role of EFI, including continuing EFI as presently designed, creating a separate entity to handle urban and rural distressed areas, and/or fully privatizing EFI's services.

- **Continuing EFI as Presently Designed** - EFI is a highly effective, high-performance, high-impact organization that, over the last four years, has met or exceeded all of its performance measures and has returned between \$3 and \$4 to the state of Florida for every dollar invested in its programs. EFI has been recognized as "a good model for the rest of the nation" by the leading U.S. trade journal for economic development (*Site Selection* editorial attached). We strongly believe *continuing to support and fund EFI in its present form is the best option for Florida.*

- **A Separate Entity for Special Needs Areas** – The creation of a separate entity to provide economic development services to the state’s special needs areas would actually make economic development assistance in these *more fragmented, and therefore less effective*.
  
- **Privatizing EFI’s Activities** – Traditionally, economic development has been a function of government or the non-profit sector for a key reason: it is considered a “*public good*” that requires (1) long-term perspective and institutional continuity to ensure a competitive business climate; (2) an understanding of public policy; and (3) the absence of any inherent conflicts of interest stemming from for-profit motives. These components would be difficult to achieve in a fully privatized environment. Further, we believe that rather than saving taxpayer dollars, full privatization would *cost the state more by as much as 30-50%*, not to mention the “silo” effect and loss of partner momentum, enthusiasm and participation that would inevitably occur.

Although a relatively minor issue, I wanted also to respond to your concern about the absence of a link to our new website, [www.eFlorida.com](http://www.eFlorida.com), on the myFlorida.com homepage. When the site was launched publicly in June 2001, we made a request to the State Technology Office to establish such a link. Despite follow-up by our staff, no action has occurred. In response to your report, I personally made another request last week to resolve this issue and hope this will be done in the near future. Copies of our requests are attached.

I hope that our response provides additional information and perspective on the issues raised in your report. I am happy to answer any questions or further explore these issues with you. Please do not hesitate to contact me directly.

Sincerely,

/s/

John C. Anderson  
President & CEO

cc: Enterprise Florida Board of Directors

## **ISSUE: Direct Link to Jobs**

### **Finding**

“EFI has met its overall state-wide (sic) standards for job creation and retention, but results need to be interpreted cautiously ...

- First, there is no strong, direct link between EFI’s economic development activities and its contribution to the creation of and retention of jobs ...
- Second, EFI figures include the jobs associated with all 164 of the announced projects in fiscal year 2001-2002 (sic). Some involvement was tangential ...
- Third, EFI does not perform an independent assessment to confirm the extent of its staff’s contribution to a project that has resulted in job creation or retention.”

### **Background**

This question speaks to an overarching issue of the direct, measurable impact of economic development programs, and is one every economic development organization – public or private, local or regional – has faced at some point in time. The issue is more complex than it appears and requires a thorough understanding of the complex process that, when successful, results in the creation of a new job or retention of a job at risk. It also requires an appreciation of the strong partnerships between state and local governments, economic development organizations and Florida’s business community that are critical to bringing business deals to fruition.

### **Response & Rationale**

#### **The Facts About Counting Jobs**

Primarily, and in simplistic terms, there are two methods by which EFI can easily establish clear, tangible links to the jobs it helps create or retain: (1) the use of state incentives; and (2) direct feedback from those involved in the projects.

During the time period under OPPAGA review, 332 projects were announced in EFI’s tracking system. Of those, 253 (76%) utilized one or more incentives or the Enterprise Bond Finance Program, both of which EFI coordinates for the state of Florida. These programs require significant staff resources to educate businesses and local partners on the scope and parameters of state incentives; assist the companies in completing applications and required paperwork; and coordinate with the Governor’s Office, which approves all incentive applications.

Of the remaining 79 projects announced in the same time period, EFI received “Verification of Assistance” forms for 76 projects, which allow partners and clients involved in the project to evaluate EFI’s services. On a scale of 1 to 5,

with 5 being the highest, 79% of respondents rated EFI's services as 5; 15% gave EFI a 4 and the remaining 6% rated the services a 3.

While these assessments are not gathered independently, EFI does contract with Ernst & Young for an annual independent satisfaction survey as required by state law. Results from the 2001 survey indicate an 82.3 percent overall satisfaction rate from businesses and economic development organizations that frequently use EFI's services.

### **The "Team Approach"**

No two economic development projects are identical, but all successful projects require the involved parties – individuals and organizations, state and local – to do "their job" at the right time, in the right sequence, to achieve a decision favoring Florida. Like a successful athletic team over the course of a winning season, the relative contribution by any participating individual or organization varies from project to project. In many cases, EFI has had a primary, central leadership role, supported by EFI partners. In other cases, EFI has supported the partners – sometimes in relatively minor ways. But without a collaborative team effort, there is no success in economic development.

Consider a football game in which the score is tied at 21-21 with eight seconds left in the fourth quarter. The field-goal kicker is sent in and, under intense pressure, wins the game. The question is: who's named Most Valuable Player? The field-goal kicker who scored the three winning points ... or the wide receiver who caught all three of the touchdowns ... the quarterback who threw into the end zone ... or the offensive lineman who protected him? And what about the coach who brought all the players together and orchestrated the plays?

Like this team, economic development success is dependent on *every member of the team*. Without everyone doing his or her "part," success is not attainable.

### **EFI's Role in Job Creation**

It is important to understand that EFI does not seek to "take credit" for the creation of jobs; businesses create jobs, not economic development organizations. In fact, in order to ensure a successful, statewide "team" of economic development partners, it is often in EFI's best interest to allow the local entity to take the spotlight when a new project is announced.

EFI is and should be judged on the quality of our services and programs in facilitating a private-sector decision to create or preserve jobs and invest capital in Florida. The fact is, even at a lower level of participation, EFI's involvement represents the interest and support of the state of Florida, which always plays a role in a company's decision to relocate or expand.

### **There's More Than One Indicator of Success**

Enterprise Florida is engaged in much more than state incentives and active projects.

By design, EFI is actively involved in creating and promoting initiatives that continually improve the business climate in Florida, making the state an attractive, benefit-rich location option for companies looking to locate or expand their operations. From promoting international trade, venture capital and advanced technology infrastructure to aggressively marketing the state as a global business location, EFI's focus is on making Florida ultimately more competitive when it comes to attracting new industry and jobs.

Creating an environment that fosters diversification and expansion in Florida is EFI's real mission ... and there can be no question the organization is achieving significant results.

###

## **ISSUE: Urban & Rural Activities**

### **Finding 1**

“EFI met its standards for helping to create and retain jobs in urban distressed areas, but the link between its strategies and job creation in these areas is questionable.”

### **Response & Rationale**

#### **The Urban-Distressed Challenge**

Creating jobs – any jobs – in urban distressed areas is a challenge, as these locations are significantly devalued in the marketplace. Long-held negative perceptions of urban areas coupled with very real development obstacles – lack of infrastructure and support services, workforce weaknesses and crime – make these locations less attractive for private investment.

Working with a host of economic and community development groups, EFI has had some success in generating the kinds of wealth-generating, high-value, high-wage jobs it is traditionally charged with creating. During FY 99-00 and FY 00-01, 22 projects were announced in urban areas, and all but one were induced by state incentives coordinated and managed by EFI staff. These 22 projects represent a total of 5,686 new jobs and nearly \$222 million in capital investment.

#### **Urban Assistance Programs**

However, the realities of development in urban distressed areas dictate targeting non-traditional business opportunities, including housing, restaurants, grocery stores and other retail or local, market-driven establishments that add economic vitality to a community. These types of businesses are targeted by urban neighborhood groups ... and many of EFI’s programs for urban areas are designed to support the creation of these kinds of jobs.

For instance, EFI created the “Great Florida Cities Marketing Initiative,” a series of brochures that profile the assets and unique business opportunities in 14 urban Florida communities. These brochures are provided to inner-city development groups and are distributed at trade shows, sent to real estate developers and mailed to targeted businesses. EFI also partnered with the Florida Black Business Investment Board to create the Franchise Finance and Development Program to recruit franchise operations to Florida’s inner cities.

These programs are not designed to lure a large manufacturing facility or call center to these areas ... they are designed to support the creation of other kinds of jobs that can make a significant difference in blighted areas.

EFI is also actively engaged in identifying and promoting public policy to meet the needs of urban distressed areas. For example, EFI and its partners have advocated the creation of the Inner City Market Analysis Fund that, if funded,

would provide credible research to identify unique business opportunities in urban and other communities.

### **Reporting the Numbers**

The commercial activity that EFI's urban programs help generate – grocery stores, retail, etc. – is not reflected in EFI's Project Tracking System, unless staff works personally on a specific project. And that involvement tends to be somewhat limited, since most inner-city projects are very small and local market-driven. However, EFI's collaborative partnerships and support-driven programs that help shift perceptions and create favorable environments for investment do have a meaningful impact on these areas.

### **Finding 2**

“EFI met its standards for helping to create and retain jobs in rural distressed areas, but some rural economic development organizations want certain types of assistance not provided by EFI.”

### **Background**

EFI facilitated the creation and retention of 6,224 jobs in distressed rural areas during fiscal years '99-'00 and '00-01, on a performance standard of 4,000 jobs. Given the parameters of its budget and available statewide resources, the organization significantly meets the needs of Florida's rural economic development community. EFI's rural programs and services are based on the Florida Rural Economic Development Strategy – a comprehensive rural strategic plan developed over an 18-month period with the involvement of numerous rural partners and agencies from around the state.

### **Response & Rationale**

There will always be additional services and programs Florida's economic development communities – regardless of locale, resources or funding – would like to see implemented. However, according to a confidential annual survey conducted by Ernst & Young, **100 percent of rural economic development organizations had a very high satisfaction level with EFI's programs and services and rated them useful or very useful for the past two consecutive years.**

The most significant obstacle to business location in rural areas and the root of rural “need” is the lack of adequate infrastructure, such as water, sewer and telecommunications systems. While this issue clearly extends beyond its resources, jurisdiction and mission, EFI is actively engaged in programs and activities that help raise awareness of and focus attention on this critical need:

- **Rural Economic Development Conference** – EFI sponsors this annual conference that focuses on educating individuals in rural Florida on opportunities for accessing state and federal resources and understanding new legislative and regulatory changes.



- **Rural Regional Development Grants** – EFI coordinates and monitors this grant program, which enhances local capacity (including staffing and marketing) in regional economic development efforts.
- **Grant Writing** – EFI provides technical assistance to local governments and economic development organizations in completing applications for state grant and incentive programs, such as the Rural Infrastructure Fund, the Regional Development Grants, the Economic Development Transportation Fund and the Rural Revolving Loan Fund.
- **Agency Coordination** – EFI regularly facilitates meetings with a variety of state agencies to focus on meeting infrastructure needs throughout Florida

In addition to these on-going activities, EFI has worked with the Florida Legislature in proposing enhancements to rural economic development programs and infrastructure funding, including:

- modifying the existing Enterprise Zone program to make it more effective for rural areas (passed);
- a \$4 million Rural Infrastructure Fund for infrastructure needs associated with job-creating projects in both traditional and tourism-related businesses (passed);
- a dedicated source of funding from the Corporate Profits tax for rural infrastructure needs (did not pass).

### **Finding 3**

“Option: Create another entity or entities to provide economic development assistance to the state’s urban and rural distressed areas.”

### **Response & Rationale**

At its core, the economic development process is essentially the same no matter where it is applied: rural communities, urban core areas, suburban settings. Economic development tends to be more difficult in economically distressed areas, such as rural and urban-core communities, because these locations are significantly devalued in the marketplace – that is, they are confronted with severe development obstacles, such as lack of infrastructure and support services, workforce weaknesses and crime, which render these locations less attractive for private investment.

Successful economic development in these areas does not require a different process, only a different mix and strength of assets and assistance. These areas require more resources and technical assistance, and even direct government intervention to overcome these obstacles.

The creation of another, separate entity or entities to provide economic development services to the state's urban and rural distressed areas would actually render economic development assistance less effective and more fragmented in these areas. Simply creating a separate coordinating entity would not address the resource challenge for these areas, and moreover would compartmentalize and segregate rural and urban economic development assistance from the broader portfolio of economic development programs and services offered by a statewide organization.

###

## **ISSUE: Privatization of Economic Development in Florida**

### **Finding**

“The Legislature directed OPPAGA to consider whether it would be sound public policy to continue EFI. To address this mandate, we considered several options regarding the future role of EFI besides maintaining its current status:

- Continue EFI as presently designed
- Creating another entity to provide economic development assistance to the state’s urban and rural distressed areas or
- Fully privatizing the services presently performed by EFI.”

### **Background**

The report discusses options for the future role of EFI, including continuing EFI as presently designed, creating a separate entity to handle urban and rural distressed areas, and/or fully privatizing EFI’s services. After analyzing the options, we strongly believe continuing to support and fund EFI in its present form is the best option for Florida.

### **Response & Rationale**

#### **Continuing EFI as Presently Designed**

EFI is a highly effective, high-impact, high-performance organization that over the last four years has facilitated:

- nearly 250,000 new and retained jobs in Florida with 26% higher wages than average private-sector jobs;
- a \$1.14 billion cumulative increase in state and local tax revenues;
- \$2.1 billion in documented export sales; and
- an annual Return On Investment of \$3 to \$4 dollars for every taxpayer dollar invested in its programs.

EFI’s success goes beyond numbers, however. In the past year alone, EFI created and launched a global technology business brand targeted to high-tech industries; received the President’s “E” Award from the U.S. Department of Commerce for its efforts to increase U.S. export sales; and coordinated venture capital briefings for Florida Governor Jeb Bush to promote Florida’s business and entrepreneurial opportunities in Boston, New York, Atlanta and Silicon Valley.

This level of success for such a young organization has been recognized and applauded throughout the nation. In fact, EFI was singled out last year as a “good model for the rest of the nation” by the leading national trade journal for economic development<sup>1</sup>.

1. *Site Selection* magazine, “What is Florida Doing Right?” November 2000

EFI has fostered the development of a true partnership between Florida's local and regional economic development professionals and its business and government leaders. Through the efforts of its staff, EFI has built a reputation as a consensus builder, a facilitator of a broad range of economic development issues, and a catalyst of change.

Only a non-partisan, not-for-profit, public-private partnership could achieve such results.

**A Separate Entity For Special Needs Areas** (OPPAGA Option 1, p. 10)  
(see separate white paper)

**Fully Privatizing EFI's Activities** (OPPAGA Option 2, p. 11)  
As for fully privatizing the services performed by EFI, we've used the same general criteria OPPAGA uses in determining if an organization should be privatized:

**1. Is it appropriate for EFI's services to be fully privatized?**

Unlike waste-management firms and prisons that deliver concrete, single-focused services, it is questionable if economic development lends itself well to full privatization in a for-profit organization. Miles Friedman, executive director of the National Association of State Development Agencies (NASDA), says that there has never been "an extended use of a purely private body as the exclusive state agency for economic development" and that economic development is "a job best performed by players from both sides."

Traditionally, economic development has been a function of government or the non-profit sector for a key reason: it is considered a "public good." Economic development requires:

- A long-term perspective in which institutional continuity is critical to ensuring a competitive business climate;
- An understanding of public policy that generally requires a significant learning curve; and
- The absence of any inherent conflicts of interest stemming from ancillary, for-profit motives.

These key components would be much more difficult to achieve in a fully privatized environment.

## **2. Will full privatization save the State of Florida money?**

Rather than saving the state money, we believe that privatizing the services performed by EFI, particularly if those services were contracted out to multiple private organizations, could actually result in a 30% to 50% increase in the cost of the same programs. Here's why:

- Private-sector support of Florida's economic development efforts – approximately \$1.8 million currently (14% of budget) – would be virtually eliminated. Florida companies like SunTrust, BellSouth, St. Joe, Florida Power, Mitsubishi Power Systems, Darden Restaurants and Walt Disney World collectively contribute more than \$1 million in cash each year to Enterprise Florida for the “public good” ... and also in exchange for an active leadership role in the organization's efforts. Reducing this level of participation will likewise reduce the incentive to contribute. Furthermore, privatizing the services eliminates the 501c(3) status and hence the tax deduction companies can claim for their contributions.
- Additionally, as OPPAGA points out, the state would incur overhead costs for contract management, communications to public and private stakeholders, communications to external audiences, etc. Further analysis is needed, but these costs could easily amount to 7% to 10% of EFI's current budget.
- Finally, it is standard for for-profit organizations engaged in marketing, promotion or other professional services to build in administration fees and mark up costs from between 15% to 20%. This would either increase the state's cost by 15% to 20% or reduce the value of direct services provided by that amount.

## **3. Would privatizing EFI's services produce better results for Florida?**

We find ourselves unable to offer an unbiased view on this particular issue. However, if OPPAGA or another organization were to fully explore this issue, the following facts would have to be considered:

- There is currently no other organization in the state of Florida with the comprehensive background, knowledge and deep understanding of economic development that could assume the role of EFI.
- Due to the inherent conflicts of interest and complexity of the issues, it is not believed that a for-profit entity could effectively coordinate EFI's business retention and recruitment efforts.
- Segregating and contracting EFI's other services to several organizations would result in a “silo” effect, hampering

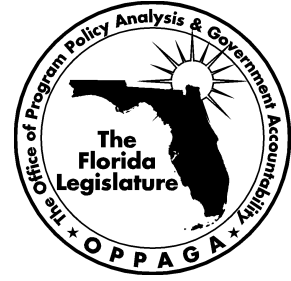
coordination and communication and ultimately making objectives much harder to achieve.

- Due to the increased costs associated with the full privatization model, the results will either be higher costs to the taxpayers of Florida or a reduction in programs and services.
- EFI's successes are in large part due to the partnerships it has forged and cultivated over the past five years with local and regional economic development organizations and Florida's business community, many of whom take an active role on EFI's board of directors. Creating and maintaining these relationships has been a long-term effort and momentum and enthusiasm for the partnership model has steadily increased over time. Radically altering the partnership model would result in a tremendous loss of momentum and, we believe, participation from these partners.

###

# The Florida Legislature

## *Office of Program Policy Analysis and Government Accountability*



---

Visit the [Florida Monitor](http://www.floridamonitor.com), OPPAGA's online service. See <http://www.oppaga.state.fl.us>. This site monitors the performance and accountability of Florida government by making OPPAGA's four primary products available online.

- [OPPAGA publications and contracted reviews](#), such as policy analyses and performance reviews, assess the efficiency and effectiveness of state policies and programs and recommend improvements for Florida government.
- [Performance-based program budgeting \(PB<sup>2</sup>\) reports and information](#) offer a variety of tools. Program evaluation and justification reviews assess state programs operating under performance-based program budgeting. Also offered are performance measures information and our assessments of measures.
- [Florida Government Accountability Report \(FGAR\)](#) is an Internet encyclopedia of Florida state government. FGAR offers concise information about state programs, policy issues, and performance. Check out the ratings of the accountability systems of 13 state programs.
- [Best Financial Management Practices Reviews of Florida school districts](#). In accordance with the *Sharpening the Pencil Act*, OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

Subscribe to OPPAGA's electronic newsletter, [Florida Monitor Weekly](#), a free source for brief e-mail announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.

---

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. 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 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

*Florida Monitor:* <http://www.oppaga.state.fl.us/>

Project supervised by Tom Roth (850/488-1024)

Project conducted by Kira Honse (850/487-9238) and Susan Speck (850/487-9223)

John W. Turcotte, OPPAGA Director

---