

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

Florida Economic Development Program Evaluations – Year 3

REPORT NO. 15-11

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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

R. Philip Twogood, Coordinator

TABLE OF CONTENTS

Executive Summary	1
Scope.....	1
Background.....	2
Findings.....	4
Conclusions and Recommendations	5
Chapter 1: Space and Defense Industry Financial Incentives	6
Scope.....	6
Summary.....	6
Qualified Defense Contractor and Space Flight Business Tax Refund Program.....	7
Manufacturing and Spaceport Investment Incentive Program.....	11
Semiconductor, Defense or Space Technology Sales Tax Exemption.....	14
Industry Analyses	16
Conclusions.....	18
Chapter 2: Military and Defense Programs	20
Scope.....	20
Summary.....	20
Background.....	21
Findings.....	25
Appendix A: Military and Defense Grant Awards Varied by Region.....	32
Appendix B: Military and Defence Program Grants Funded a Wide Range of Projects During the Three-Year Review Period	33

Chapter 3: Quick Response Training and incumbent Worker Training Programs	38
Scope.....	38
Summary.....	38
Background.....	39
Findings.....	43
Recommendations.....	47
Appendix A: Quick Response Training and Incumbent Worker Training Grant Award Eligibility Criteria.....	48
Appendix B: Quick Response Training and Incumbent Worker Training Grant Awards, Fiscal Years 2011-12 Through 2013-14.....	49
Chapter 4: International Trade and Development Programs.....	51
Scope.....	51
Summary.....	51
Background.....	52
Findings.....	55
Recommendations.....	61
Agency Responses.....	62
Department of Economic Opportunity.....	62
Enterprise Florida, Inc.....	63
CareerSource Florida.....	73

Executive Summary

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. The analysis is due to the Legislature by January 1 of each year.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. The analysis may include relevant economic development reports or analyses prepared by the Department of Economic Opportunity (DEO), Enterprise Florida, Inc. (EFI), or local or regional economic development organizations; interviews with parties involved; or any other relevant data.

EDR must evaluate and determine the economic benefits, as defined in s. 288.005(1), *Florida Statutes*, of each program over the previous three years. For the purposes of EDR's analysis, the calculation of economic benefits is the same as the state's return on investment. The analysis will also identify the number of jobs created, the increase or decrease in personal income, and the impact on state gross domestic product from the direct, indirect, and induced effects of the state's investment in each program over the previous three years.

The following programs were scheduled for review by January 1, 2016.

1. Qualified Defense Contractor and Space Flight Business Tax Refund Program established under s. 288.1045, *Florida Statutes*; tax exemption for semiconductor, defense, or space technology sales established under s. 212.08(5)(j) *Florida Statutes*; and Manufacturing and Spaceport Investment Incentive Program formerly established under s. 288.1083, *Florida Statutes*
2. Military Base Protection Program established under s. 288.980, *Florida Statutes*
3. Quick Response Training Program established under s. 288.047, *Florida Statutes* and Incumbent Worker Training Program established under s. 445.003, *Florida Statutes*
4. International trade and business development programs established or funded under s. 288.826, *Florida Statutes*

The review period covers Fiscal Years 2011-12, 2012-13, and 2013-14.

¹ The first and second scheduled OPPAGA reviews were published on January 1, 2014 and January 1, 2015, respectively. See *Florida Economic Development Program Evaluations–Year 1*, [OPPAGA Report No. 14-01](#) and *Florida Economic Development Program Evaluations–Year 2*, [OPPAGA Report No. 15-01](#).

Background

The economic development programs OPPAGA examined represent a wide range of benefits for businesses and other entities (e.g., local economic development organizations, regional military alliances). For example, space and defense industry incentives include tax refunds and tax exemptions, while the state's military, workforce training, and international trade programs offer grants. In addition, international trade and development activities include participation in trade missions and shows as well as services provided to businesses by overseas offices. (See Exhibit 1.)

Exhibit 1

The Programs Under Review Provide a Wide Variety of Economic Development Incentives and Services

Program

Space and Defense Industry Financial Incentives

- *Qualified Defense Contractor and Space Flight Business Tax Refund Program (QDSC)* was intended to create and retain high quality, high wage jobs for Florida's defense and space industries. The program is administered by EFI and DEO and provides tax refunds for job creation and retention. Program participation is limited to certain defense and space flight contractors. Based on state law, applicants could no longer be certified for the QDSC program after June 30, 2014. The Legislature did not extend the program during the 2015 legislative session. However, existing tax refund agreements continue to be in effect in accordance with contract terms.
- *Manufacturing and Spaceport Investment Incentive (MSII)* was intended to encourage capital investment and job creation in manufacturing and spaceport activities in Florida. The program was also intended to serve as a means of relieving some of the sales tax burden on existing manufacturers that were not increasing their productive output enough to be eligible for the standard manufacturing machinery and equipment sales tax exemption. The Office of Tourism, Trade and Economic Development, DEO, and the Department of Revenue (DOR) had responsibilities for administering the program.¹ The program was available from July 1, 2010 through June 30, 2012 and was repealed July 1, 2013.
- *Semiconductor, Defense or Space Technology Sales Tax Exemption (SDST)* is used to attract and support existing Florida businesses in these technology-based sectors by providing an exemption for all sales and use taxes on new capital investments in machinery and equipment used in manufacturing and research. EFI, DEO, and DOR have responsibilities for administering the program.

Military and Defense Programs

- *Defense Reinvestment Grants (DRG)* support host community activities, advocacy, planning, and military community relations. EFI administers the grants through a contract with DEO.
- *Defense Infrastructure Grants (DIG)* support local infrastructure projects including transportation and access, housing, and communications. EFI administers the grants through a contract with DEO.
- *Florida Defense Support Task Force Grants (FDSTF)* fund projects that directly support preserving, protecting, and enhancing Florida's military installations. The taskforce administers the grants through a contract with DEO.
- *Military Base Protection Grants (MBP)* secure non-conservation lands to serve as a buffer to protect military installations against encroachment and to support local community efforts to engage in service partnerships with military installations. EFI administers the grants through a contract with DEO.
- *State-Level Advocacy Efforts* include contracted professional services for Florida military base advocacy, consultant evaluations of Florida's military installations, production of a military economic fact book, and development of a strategic plan. The Florida Defense Support Task Force administers these activities through contracts with third-party vendors.

Quick Response Training and Incumbent Worker Training Programs

- *Quick Response Training Program (QRT)* was established to meet the workforce needs of existing, new, and expanding industries. The program is administered by CareerSource Florida and provides grant funding for customized, skill-based training designed to meet the special requirements of businesses in Florida's qualified target industries. The program is state funded and provides grants to qualifying businesses to train their new full-time employees; for the purpose of employee retention, grants are also provided to companies that are considering leaving the state.
- *Incumbent Worker Training Program (IWT)* was established and funded by the federal Workforce Investment Act of 1998 and is administered by CareerSource Florida. The purpose of the program is to address current employee training needs. The program provides grant funding for continuing education and training of incumbent employees at existing Florida businesses. The program provides grants to reimburse businesses for preapproved, direct, training-related costs.

International Trade and Development Programs

- *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 (e.g., international medical or aerospace 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 their 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 several functions that support EFI’s international trade activities abroad, including recruiting companies and generating foreign direct investment leads.

¹The Office of Tourism, Trade and Economic Development was a predecessor of DEO. When DEO was created in 2011, OTTED’s functions were transferred to the department.

Source: *The Florida Statutes*.

Findings

Stakeholders are generally satisfied with the economic incentives and services offered through the programs on this year’s review schedule. For example, program recipients believe that state space and defense incentive programs are very important to local and statewide economic development efforts and training grant recipients reported that the grants positively impacted their businesses. In addition, Florida’s efforts compare favorably to other states for some programs, including space and defense industry incentives and military and defense programs. However, for some programs, there are concerns related to program administration and the methods used to assess program performance.

Space and Defense Industry Financial Incentives. During the review period, relatively few businesses participated in the QDSC, MSII, and SDST programs. Specifically, only six projects participated in the QDSC program during this time. The MSII program resulted in \$400,878 in refunds to eligible businesses, less than 1% of the funds allocated, and only three businesses accounted for 90% of the reported taxes exempted under the SDST program.

Several competing states, including Alabama, California, and Virginia, offer similar incentives for the space and defense industry. OPPAGA’s economic analyses of the aerospace and defense industry over a 10-year period found that Florida’s industry employment growth is higher than these states and the national average. Specifically, Florida’s industry employment levels were positive between 2005 and 2014 compared to other states. These analyses also showed that Florida’s aerospace and defense industry growth was attributable to the state’s relative competitive advantage.

Overall, stakeholders reported that they believe state space and defense incentive programs are very important to local and statewide economic development efforts. However, stakeholders felt that the programs could be improved in several key areas, including reducing the stringency of job creation requirements and simplifying and shortening the application and approval process.

Military and Defense Programs. The primary goals of Florida’s Military and Defense Programs are to ensure that the state’s installations remain open and attract new military missions and to limit development around bases that could affect military operations. These goals are accomplished through grant programs, federal and state-level advocacy efforts, and non-conservation land purchases. Within the three-year review period, military and defense grant programs provided \$11.6 million in funding to support 78 projects, and advocacy efforts included a \$1.8 million contract to support a communication and coordination strategy to preserve and grow the state’s military missions and installations and a \$1.6 million contract for a detailed analysis of the state’s military installations. During the timeframe, the

Legislature appropriated \$7.5 million for the acquisition of three properties to serve as a buffer for military installations; these land purchases are pending due to negotiation delays.

OPPAGA found that grant recipients and other stakeholders were very satisfied with grant program effectiveness. All of the grant recipients that OPPAGA interviewed reported that the grants had a positive or very positive impact on their efforts to protect their installations, and recipients stated that without grant funds, projects would have been terminated or greatly reduced.

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. Florida has implemented 9 of 10 best practices identified as vital to support states' military and defense programs; considering these best practices, the state's overall military and defense efforts equal or exceed those of other states with a large military presence, such as California, Georgia, North Carolina, Texas, Virginia, and Washington. 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 (BRAC); these states include Alaska, Connecticut, Maryland, and Virginia.

Quick Response Training and Incumbent Worker Training Programs. QRT provides new or expanding businesses in target industries state grant funding for customized, skills-based training, and the federally funded IWT program provides grants for continuing education and training of incumbent employees at existing businesses. More than \$25 million in QRT and IWT grant payments were made during the three-year review period.

OPPAGA analysis showed that employment and wage growth varied widely for businesses that received training grants. Employment increased for both programs' grant recipients, ranging from a 15% increase for IWT recipients to a 23% increase for QRT recipients. Wages increased more gradually, with growth ranging from 8% for IWT recipients to 3% for QRT recipients.

OPPAGA analysis also determined that receiving training through a QRT grant had a significant, consistently positive effect on trainee wages, with wages increasing 8% to 12% a year after training for each of the three fiscal years examined. For employees that received training through the IWT program, results were mixed, with trainees experiencing a decline in wages during Fiscal Year 2011-12, but experiencing modest growth (2.6% to 3.1%) in the last two years examined.

QRT and IWT grant recipients are generally satisfied with the grant programs. For QRT, 88% of respondents reported that the training grant had a positive impact on their business, and 33% reported that sales increased due to the grant; 63% reported that the grant played a role in the decision to establish or expand in Florida. Similarly, for IWT, 93% of respondents reported that the training grant had a positive impact on their business, and 56% reported that sales increased due to the grant.

International Trade and Development Programs. Florida's international trade and development activities include export education and counseling, coordinating trade missions, promoting state export activities through trade shows, and administering grant programs. EFI receives about \$6 million each year to support these activities. The organization distributed \$1.2 million in grant awards over the three-year review period.

Nationally, Florida ranks second in the number of companies that export. Florida's top 10 exports include a wide range of products, from mineral/chemical fertilizers to aircraft parts. The state's highest dollar value export is civilian aircraft, engines, and parts. Forty-six states export in the same category, with Florida ranking 7th out of these states.

Stakeholders expressed support for EFI's international trade and promotion activities. They stressed the importance of the foreign offices that reinforce Florida's presence around the world. Stakeholder statements following trade shows and missions highlight the advantages that companies see in building relationships and networks in foreign countries to help them increase export sales.

However, EFI cannot accurately assess performance using existing export sales and foreign investment data. EFI reports unverified export sales data and aggregates actual and expected sales, which may overstate performance. Similarly, divided responsibilities and different performance standards for the foreign offices and EFI's business development unit, combined with a lack of follow-up on project status, make it difficult to assess foreign direct investment.

While a major goal of EFI's efforts is to help exporting companies diversify the markets they serve and increase the number of companies that export, EFI could enhance how it measures performance in these areas. Moreover, EFI awards the majority of the grants to a relatively small number of companies, which raises concerns about efforts to encourage new companies to pursue exporting. OPPAGA's review of EFI grant data found that for a three-year period, 63% of grants were awarded to 36% of the companies.

Conclusions and Recommendations

Several issues could be addressed to enhance the administration of the Qualified Defense Contractor and Space Flight Business Tax Refund Program and the Quick Response Training Program. Improvements could also be made to the methods used to assess the impact of international trade and development activities. Legislative action would be necessary to implement some of these recommendations.

Space and Defense Industry Financial Incentives. If the Legislature wishes to reauthorize the QDSC program, it could consider program improvements that could help expand participation. For example, the Legislature could consider reducing the minimum amount of gross receipts from defense or space flight business contracts required of applicants. This could expand program eligibility because businesses that have participated in the program reported that they are increasingly reliant on commercial contracts as federal defense contracts and funding continues to decline.

Quick Response Training and Incumbent Worker Training Programs. Given that fiscal agents rarely provide training services to grantees as originally intended, and considering the increased use of technology in the application and reimbursement processes, CareerSource Florida may no longer need fiscal agent services. If CSF's automation efforts and current staffing levels are adequate to support the grant process, the Legislature could consider eliminating the requirement that grantees use fiscal agents, allowing businesses to choose if they wish to use fiscal agent services. If the use of fiscal agents were made optional, the funds previously used for their services could be used for additional QRT grants.

International Trade and Development Programs. Given the importance of international trade to Florida's economy and the state's ability to compete in global markets, Enterprise Florida, Inc. should 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.

EFI could revise performance measures to distinguish between anticipated and actual sales as well as take steps to follow up with companies to better track increases in export sales over time. For example, EFI could contact companies 12 to 18 months following an international trade event (e.g., trade show, trade mission) to determine the amount of actual sales associated with specific events. In addition, EFI could more clearly delineate between the performance of companies new to exporting and those that increase the number of countries to which they export. As an example of specific standards, EFI could consider the following measures: (1) increase by 5% the number of companies expanding export sales to new countries and (2) increase by 10% the number of new first-time exporting companies assisted.

Finally, to provide assistance that is more comprehensive to companies new to exporting, EFI could consider developing programs similar to Virginia's VALET program that provides more comprehensive wrap-around services for companies new to exporting or Washington's accelerator program that reduces the costs of companies establishing a presence in target countries.

Chapter 1

Space and Defense Industry Financial Incentives

Scope

By January 1, 2016, and every three years thereafter, OPPAGA and EDR must review space and defense industry financial incentives programs, including the

- Qualified Defense Contractor and Space Flight Business Tax Refund established under s. 288.1045, *F.S.*;
- tax exemption for semiconductor, defense, or space technology sales established under s. 212.08(5)(j), *F.S.*; and
- Manufacturing and Spaceport Investment Incentive Program established under s. 288.1083, *F.S.*

The review period covers Fiscal Years 2011-12, 2012-13, and 2013-14.

Summary

During the review period, relatively few businesses participated in the Qualified Defense Contractor and Space Flight Business Tax Refund Program (QDSC), Manufacturing and Spaceport Investment Incentive (MSII), and Semiconductor, Defense or Space Technology Sales Tax Exemption (SDST). Only six projects participated in the QDSC program during this time. The MSII resulted in \$400,878 in refunds to eligible businesses, less than 1% of the funds allocated. Moreover, only three businesses accounted for 90% of the reported taxes exempted under the SDST program.

Several competing states, including Alabama, California, and Virginia, offer similar incentives for the space and defense industry. OPPAGA's economic analyses of the aerospace and defense industry over a 10-year period found that Florida's industry employment growth is higher than these states and the national average. Specifically, Florida's industry employment levels were positive between 2005 and 2014 compared to other states. These analyses also showed that Florida's aerospace and defense industry growth was attributable to the state's relative competitive advantage.

Overall, stakeholders reported that they believe state space and defense incentive programs are very important to local and statewide economic development efforts. However, stakeholders felt that the programs could be improved in several key areas, including reducing the stringency of job creation requirements and simplifying and shortening the application and approval process.

While the SDST program is still active, the MSII program was repealed on July 1, 2013, and the QDSC program expired as of June 30, 2014. If the Legislature wishes to reauthorize the QDSC program, it could consider program improvements that could help expand participation. For example, the Legislature could consider reducing the minimum amount of gross receipts from defense or space flight business contracts required of applicants. This could expand program eligibility because businesses that have participated in the program reported that they are increasingly reliant on commercial contracts as federal defense contracts and funding continues to decline.

Qualified Defense Contractor and Space Flight Business Tax Refund Program

Background

The 1996 Legislature implemented the Qualified Defense Contractor and Space Flight Business Tax Refund Program (QDSC) to create and retain high quality, high wage jobs for Floridians in the defense and space industries.² Historically, the program was designed to protect the state's defense businesses and jobs from reductions in federal defense spending.³ The program provides tax refunds for job creation similar to those awarded through the Qualified Target Industry Tax Refund Program (QTI).⁴ However, the programs differ in that tax refunds under the QDSC program are paid for both created and retained jobs. In addition, QDSC program participation is limited to certain defense and space flight contractors, while QTI includes a wider range of industries.⁵

Based on state law, applicants could no longer be certified for the QDSC program after June 30, 2014.⁶ The Legislature did not extend the program during the 2015 legislative session. However, existing tax refund agreements continue to be in effect in accordance with contract terms.

Businesses met numerous requirements to qualify for QDSC program incentives. QDSC tax refunds were provided to qualifying businesses bidding on new competitive contracts or consolidating existing defense or space flight business contracts, converting defense production jobs to nondefense production jobs, or reusing defense-related facilities. A business could not apply for the tax refund after submitting a proposal or deciding to consolidate a defense or space flight contract. Businesses seeking to qualify for the program were required to meet several requirements including

- deriving not less than 60% of gross receipts in the state from defense or space flight business contracts over the last fiscal year and over the five years preceding the date an application was submitted;
- creating net new Florida jobs;⁷
- paying an annual average wage of at least 115% of the average wage in the area where the project was located; and
- providing a local government resolution of financial support amounting to 20% of the total tax refund.

Qualifying businesses receive refunds for corporate income, sales and use, ad valorem, intangible personal property, excise, and state communication services taxes. A qualified applicant may not receive refunds of more than 25% of the total tax refunds awarded in a single fiscal year. No more than \$2.5 million in tax refunds may be received by one business in any fiscal year.⁸ Tax refund amounts are based on the number of jobs created or retained, the project's location, and the percentage of annual average wages paid. Qualifying applicants who create or retain jobs receive tax refunds of \$3,000 per net full-time

²Section 288.1045, *F.S.*

³The 2008 Legislature amended the program to include space flight businesses (Ch. 2008-89, *Laws of Florida*).

⁴Section 288.106, *F.S.* The Legislature created the QTI program to encourage the recruitment or creation of high-paying, high-skilled jobs within certain industries including aviation and aerospace, homeland security and defense, and clean technologies.

⁵According to state law, a program applicant is a business that holds or is a subcontractor under a valid U.S. Department of Defense contract or space flight contract, or a business entity that holds a valid contract for the reuse of a defense-related facility.

⁶Section 288.1045, *F.S.*

⁷A project consolidating a U.S. Department of Defense contract must increase employment by at least 25% or create at least 80 new jobs; reuse projects must result in the creation of at least 100 jobs; defense production conversion projects must result in net increases in nondefense production jobs; and space flight business contracts or consolidation projects must result in net increases in space flight business employment.

⁸The 2013 Legislature removed the restriction on the total tax refund a business can receive from the program. Before July 1, 2013, a qualified applicant could not receive more than \$7 million in tax refunds.

equivalent job or \$6,000 per job if the project is located in an enterprise zone or rural county. Businesses paying 150% or 200% of the average annual wage receive an additional \$1,000 or \$2,000 per job, respectively.

QDSC projects followed the same application, approval, and monitoring process as other incentive programs. Businesses interested in obtaining QDSC tax refunds learn about the state's economic incentive programs from Enterprise Florida, Inc. (EFI), or local economic development organizations. 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 and makes a recommendation for approval to the Department of Economic Opportunity (DEO).

Businesses must file an application and provide supporting documentation to DEO to establish eligibility. DEO staff review the application for completeness; if the application is not complete, the applicant is notified and additional information is requested. The department also conducts due diligence to determine whether the company satisfies statutory criteria for program participation (e.g., economic benefit of jobs created and retained) and if the business is in good financial and legal standing.

Once the application is deemed complete, a recommendation is made to DEO's executive director to approve or disapprove the application. The executive director makes a decision within 10 business days after receipt and, if approved, issues a letter of certification to the applicant. DEO staff develops an agreement with the applicant that specifies the total incentive amount, performance conditions that must be met to receive payment (e.g., employment levels), payment schedule, and sanctions for failure to meet performance conditions.

By January 31st of each year, businesses must submit QDSC tax refund claims along with documentation demonstrating payment of taxes and performance during the previous calendar year. DEO or its contractor verifies employment and wages, as well as payment of taxes eligible for refund.⁹ Once verification is complete and the business has met its contractual requirements, DEO submits a claims packet to the Department of Financial Services for its review, approval, and issuance of a refund. Businesses that are found to be out of compliance with performance requirements may be terminated from the program.

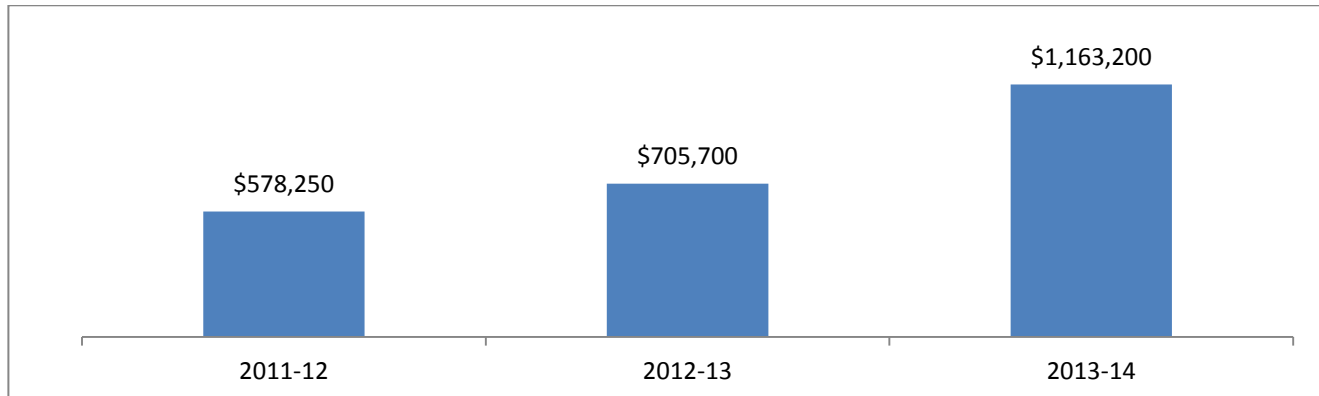
⁹ Until 2012, performance was monitored and verified by a third-party vendor under a contract with DEO. This function was transferred to DEO staff in September 2012, at which point the department's Division of Strategic Business Development became responsible for conducting compliance monitoring. In 2013, the Legislature directed DEO to again contract with a third-party auditor for compliance services. The department contracted with an independent consulting firm in February 2014 to conduct performance audits of each business that receives an economic development incentive.

Funding

The Legislature appropriated \$2.4 million for the QDSC program in Fiscal Years 2011-12 through 2013-14; administrative costs totaled \$115,398 during the same period. DEO submits its annual Legislative Budget Request for funds to satisfy future claims based on the verified information supplied in approved applications for QDSC tax refunds. The Legislature appropriates funds that become available after the beginning of the new fiscal year. During the review period, annual appropriations increased from \$578,250 to \$1.2 million. (See Exhibit 1-1.)

Exhibit 1-1

The Legislature Appropriated \$2.4 Million for QDSC Projects in Fiscal Years 2011-12 Through 2013-14



Source: Department of Economic Opportunity.

DEO and EFI are responsible for administering the QDSC program. For Fiscal Years 2011-12 through 2013-14, DEO and EFI reported \$79,879 and \$35,519 in total administrative costs, respectively.

Six projects in the review period received \$2.3 million in QDSC tax refunds. To examine program costs and performance, OPPAGA requested data for projects that received a QDSC tax refund during the three-year review period. Six projects were contracted to receive \$7.2 million in QDSC tax refunds during that time.¹⁰ (See Exhibit 1-2.) To date, these projects have received a total of nearly \$2.3 million in QDSC tax refunds.¹¹ This amount comprises all funds received, including payments made prior to the three-year review period. The low number of projects in the review period is consistent with historical program utilization; there were only 33 incentive approvals from July 1994 to June 2014.

Differences between the amounts received and contracted can be attributed to a project’s status.¹² Of the six projects in the review period, three were active and three were inactive as of June 30, 2014. Inactive projects may have received one or more payments after meeting some contracted performance goals (e.g., jobs created) but are ineligible to receive all payments. Active projects are meeting contract performance goals and contracts have not expired. For example, the contract for Lockheed Martin Information Systems and Global Solutions ends in June 2022.

¹⁰ Three projects participated in other incentive programs, including the Brownfield Redevelopment Bonus Refund and sales tax exemption for semiconductor, defense, or space technology sales.

¹¹ The six projects also received a total of \$567,473 in local financial support.

¹² DEO uses a four-category classification system to reflect the status of QDSC projects. Active projects are in progress and in good standing with regard to meeting contract performance goals. Inactive projects received one or more incentive payments after meeting a portion of contract commitments, but are ineligible for future payments. Terminated projects have executed incentive contracts but have not received any payments and are ineligible for future payments. Complete projects met contract terms and received all eligible incentive payments.

Exhibit 1-2

Six Projects Received Nearly \$2.3 Million in QDSC Tax Refunds

Project Name	County	Contract Date	Status	Contracted	Received
DRS Training and Control Systems, LLC	Okaloosa	6/6/2011	Inactive	\$1,320,000	\$60,000
Lockheed Martin Corporation – Fleet Ballistic Missile	Brevard	8/15/2006	Inactive	850,000	670,000
Lockheed Martin Information Systems and Global Solutions	Brevard	10/14/2010	Active	717,000	107,893
Lockheed Martin Mission Systems and Training	Pinellas	12/16/2011	Active	2,180,000	436,000
Raydon Corporation	Volusia	4/10/2009	Inactive	1,200,000	621,600
Sparton Electronics Florida, Inc.	Volusia	7/9/2009	Active	936,000	374,400
Total				\$7,203,000	\$2,269,893

Source: OPPAGA analysis of Department of Economic Opportunity data.

Performance

Businesses receiving QDSC incentives created over 350 jobs and retained more than 1,400. QDSC tax refund recipients are contractually required to create or retain a certain number of jobs that pay an annual average wage of at least 115% of the average private sector wage in the area where the project is to be located. The six QDSC projects in our review period created 368 new jobs, 12% less than the 418 new jobs that they were contracted to create. They also retained 1,478 jobs, which is equal to the number that they were contracted to retain. (See Exhibit 1-3.)

Exhibit 1-3

Projects Receiving QDSC Incentive Payments in Fiscal Years 2011-12 Through 2013-14 Created Over 350 Jobs and Retained Over 1,400 Jobs

Project Name	Contracted New Jobs	Confirmed New Jobs	Contracted Retained Jobs	Confirmed Retained Jobs
DRS Training and Control Systems, LLC	150	13	180	180
Lockheed Martin Corporation – Fleet Ballistic Missile	30	92	140	140
Lockheed Martin Information Systems and Global Solutions	100	96	139	139
Lockheed Martin Mission Systems and Training	0 ¹	10	545	545
Raydon Corporation	88	51	212	212
Sparton Electronics Florida, Inc.	50	106	262	262
Total	418	368	1,478	1,478

¹ The QDSC program allows for projects with job creation and retention. However, this project involved a new defense contract, which is not subject to a job creation requirement under the QDSC program.

Source: OPPAGA analysis of Department of Economic Opportunity data.

QDSC stakeholders and recipients reported that the incentive was important in making them more competitive and maintaining operations in Florida. To better understand stakeholders' experiences with the QDSC incentive program, OPPAGA interviewed businesses that received the incentive during Fiscal Years 2011-12 through 2013-14 and stakeholders familiar with the program.¹³

Recipients and stakeholders reported that the changing nature of the space and defense industry makes the QDSC incentive very important for businesses. In recent years, there has been a substantial decline in U.S. Department of Defense (DoD) contracts and funding, attributable to sequestration and shrinking defense budgets. This trend has led to increased competition among companies to win federal contracts

¹³ Four business recipient interviews were conducted; one representative from Lockheed Martin represented the three Lockheed Martin subsidiaries that received a QDSC incentive during the review period. In addition, OPPAGA staff interviewed representatives of several local economic development organizations and other stakeholders familiar with space and defense industry activities in the state.

in an industry that has historically been highly dependent on such contracts. Generally, recipients and industry stakeholders reported that the incentive has played an important role in helping businesses be more competitive and secure government defense contracts in the face of these constraints. Specifically, the QDSC incentive helps a business lower its bid on a federal defense contract, increasing its chances of winning it. Recipients reported that the profit margins in their industry are becoming increasingly thin and that the QDSC incentive is critical to helping them maintain operations in Florida.

Recipients value the fact that the program provides an incentive for job retention as well as job creation, which differentiates it from the QTI program. However, stakeholders reported that low participation in the QDSC program may be due to the fact that some businesses choose to participate in QTI because eligibility requirements are easier to meet (e.g., job creation requirements are different and there is no defense contract requirement). Some stakeholders felt that job creation requirements of the QDSC program should be less stringent. Currently, companies are not awarded incentive dollars for jobs created in excess of the annual amount specified in their contracts, but are penalized if they do not achieve the minimum number of jobs required. Modifications to the job creation requirements would maximize the amount of incentive dollars a company could receive.

In addition, recipients and stakeholders reported that due to industry trends, space and defense businesses that have traditionally relied on federal contracts are seeking more opportunities in commercial and international markets. Recipients and stakeholders reported that for many space and defense businesses, the portion of their business that consists of federal defense contracts is declining. According to interviewees, this can make it difficult to meet the QDSC requirement that the business derive at least 60% of its gross receipts from defense contracts. Interviewees also reported that this issue is particularly challenging for small businesses and that this may explain, in part, the low participation in the program.

According to recipients, they learned of the incentive through a local economic development organization or EFI and are satisfied with the assistance provided by EFI and DEO staff. However, recipients had mixed opinions of the program's approval and reporting processes. For example, several recipients noted that the program's reporting requirements are too cumbersome and confusing. However, one recipient said that the reporting process has improved in recent years due to DEO's online portal.

Manufacturing and Spaceport Investment Incentive Program

Background

The 2010 Legislature implemented the Manufacturing and Spaceport Investment Incentive (MSII) to encourage capital investment and job creation in manufacturing and spaceport activities in Florida.¹⁴ The program was also intended to serve as a means of relieving some of the sales tax burden on existing manufacturers that were not increasing their productive output enough to be eligible for the standard manufacturing machinery and equipment sales tax exemption.¹⁵ The program was available from July 1, 2010 through June 30, 2012 and was repealed July 1, 2013.¹⁶

During Fiscal Years 2010-11 and 2011-12, the program allowed eligible entities to apply for a tax refund of sales and use taxes paid on purchases of eligible equipment placed into service in Florida in excess of the

¹⁴ Section 288.1083(1), *F.S.*

¹⁵ Section 212.08(5)(b), *F.S.*

¹⁶ Section 288.1083(10), *F.S.*

entity's base year purchases.¹⁷ Eligible entities included businesses that manufacture, process, compound or produce items for sale of tangible personal property or engage in spaceport activities.¹⁸ Eligible equipment included tangible personal property or other property with a depreciable life of three years or more that is used in manufacturing, processing, or compounding or production of property that is sold exclusively for spaceport activities.¹⁹

Receiving a tax refund under the MSII program was a three-phase process of allocation, certification, and payment. In phase 1, an eligible business applied to the Office of Tourism, Trade and Economic Development (OTTED) or DEO for a tax refund allocation.²⁰ Each applicant could be granted an allocation of up to \$50,000 in a single fiscal year. The agency had 30 days to approve or deny the application after it had been considered complete.

In phase 2, after purchasing eligible equipment and paying the applicable sales and use taxes, the business applied to OTTED or DEO for certification of its tax refund before September 1 of the fiscal year following the allocation. The business was required to provide documentation of the type and amount of equipment purchased as well as the amount of sales taxes paid. DEO had up to 30 days to approve the certification application and certify the refund amount to the Department of Revenue (DOR).

In phase 3, within 30 days of receiving its certification, the business submitted a tax refund claim to DOR to receive payment of the tax refund amount certified. The business was responsible for providing all the necessary supporting information and documentation.

Funding

The Legislature allocated \$43 million to the MSII program for Fiscal Years 2011-12 through 2013-14; administrative costs were \$161,482 during the same period. Of the \$43 million allocated for the program during the review period, \$19 million was allocated in Fiscal Year 2010-11 and \$24 million in Fiscal Year 2011-12. The funds were allocated to businesses on a first-come, first-served basis. The maximum refund amount was \$50,000 per business in a single year. If more applications for refunds had been submitted in Fiscal Year 2010-11 than funds allocated, the excess applicants would have been the first in line for the refunds in Fiscal Year 2011-12.

OTTED, DEO, and DOR had responsibilities for administering the MSII Program. For Fiscal Years 2011-12 through 2013-14, DEO and DOR reported \$159,758 and \$1,724 in administrative costs, respectively.

¹⁷ Base year purchases are defined in s. 288.1083(2)(a), *F.S.*, as the total cost of eligible equipment purchased and placed into service in Florida by an eligible entity in its tax year that began in 2008.

¹⁸ Eligible entities also included businesses engaged in phosphate or other solid minerals severance, mining, or processing operations. Excluded from the program were electric utility companies, communications companies, oil or gas exploration or production operations, and firms subject to regulation by the Department of Business and Professional Regulation's Division of Hotels and Restaurants. Additionally, publishing firms that did not export at least 50% of their finished product out of state as well as firms that did not use machinery and equipment for spaceport activities and firms that did not manufacture, process, or produce for sale items of tangible personal property were ineligible for the program.

¹⁹ Ineligible equipment included buildings and their structural components and heating and air conditioning systems.

²⁰ OTTED was a predecessor of DEO. When DEO was created in 2011, OTTED's functions were transferred to the department.

Performance

The program was underutilized and less than half of businesses approved for an allocation received a refund. OTTED and DEO received 55 applications for the MSII program, all of which were manufacturing rather than spaceport businesses. The agencies approved 48 businesses to each receive a \$50,000 allocation, for a total of \$2.4 million in approved allocations.²¹ OTTED or DEO certified expenditures for a tax refund for 25 of these 48 businesses (52%).²² Of those certified, 22 businesses received tax refunds amounting to \$400,878, which is less than 1% of the total funds the Legislature allocated to the program.²³ (See Exhibit 1-4.) The 22 businesses made \$10.4 million in eligible equipment purchases.

**Exhibit 1-4
Less Than 50% of Businesses Approved for an Allocation Received a Refund During the Review Period**

Activity	Number of Businesses
Applied for Allocation	55
Approved for Allocation	48
Certified	25
Received Refund	22

Source: Department of Economic Opportunity data.

Most MSII program participants were existing companies whose operations would have proceeded as planned without the incentive. To better understand businesses’ experiences with the MSII incentive program, OPPAGA surveyed businesses that received an allocation for the incentive.²⁴ Eight businesses responded to the survey, all of which were existing Florida firms at the time they applied for the incentive.

Seven of the eight businesses reported that the company’s existing presence in Florida was one of the most important factors that affected the decision to remain, locate, or expand in Florida. Other important factors included availability of facilities, occupancy costs, construction or renovation costs, proximity to markets, quality of life, and state economic incentives.²⁵

Six businesses reported that the incentive was neither important nor unimportant to their decision to remain, locate, or expand in Florida. Seven businesses indicated that if the incentive had not been available, their company’s operations would have proceeded as normal, with one business reporting that their operations would have proceeded on a smaller scale. The most frequently reported (six businesses) benefit of the incentive was purchasing equipment.

In addition, OPPAGA staff interviewed representatives of several local economic development organizations and other industry stakeholders familiar with the incentive program. Industry stakeholders reported that the program was useful during the time it was active and was important for manufacturing businesses that could not qualify for the manufacturing tax exemption that existed at that time. The new manufacturing exemption is considered a good substitute for the MSII program, and

²¹ Two businesses were deemed ineligible and five other applications were vacated.
²² Of the 28 businesses that applied for certification, 2 of them withdrew from the program because their company’s eligible expenditures were not sufficient to pursue a refund. One other business was disapproved because the equipment was not purchased within the state’s fiscal year.
²³ Three businesses did not submit the form to DOR timely or at all.
²⁴ OPPAGA surveyed 38 businesses that received an MSII allocation, including some businesses that were not certified or did not receive payment. Eight (21%) businesses provided complete survey responses. All eight companies received an allocation, but three were never certified and two did not receive a tax refund.
²⁵ Each factor was rated as important by two businesses.

several stakeholders reported that the MSII incentive is no longer needed. In addition, several stakeholders reported that the low program utilization may have been due to the cumbersome application process.

Semiconductor, Defense or Space Technology Sales Tax Exemption

Background

The 1997 Legislature created a sales and use tax exemption for machinery and equipment used in silicon technology production and research and development.²⁶ In 2000, the Legislature replaced the term silicon with semiconductor and expanded the exemption to include space and defense technology activities, creating the Semiconductor, Defense or Space Technology Sales Tax Exemption (SDST).^{27, 28} This incentive is used to attract and support existing Florida businesses in these technology-based sectors by providing an exemption for all sales and use taxes on new capital investments in machinery and equipment used in manufacturing and research.

In order to receive the SDST tax exemption, a business must apply to Enterprise Florida, Inc., and be certified by the Department of Economic Opportunity as a semiconductor, defense, or space technology facility. Certain industrial machinery and equipment purchased and used by certified production facilities is tax-exempt, including molds, machine tools, and testing equipment. Building materials purchased for use in manufacturing or expanding clean rooms in semiconductor-manufacturing facilities are also tax exempt.

Once DEO has certified the business, it notifies the Department of Revenue, which issues a tax exemption permit to the business. The permit entitles the certified business to the exemption and relieves the seller of the responsibility of collecting the tax on sale of items. Tax-exempt purchases are subject to audit by DOR. The original certification is valid for two calendar years.²⁹ The certification can be renewed every two years by submitting a sworn statement that there has been no material change in the conditions or circumstances entitling the business to the original certification. The following information must be provided on a calendar year basis for renewal applications: average number of full-time equivalent employees at facility, average wage and benefits paid, total investment made in real and tangible personal property, total value of tax-exempt purchases, and total value of taxes exempted.

Funding

During the review period, sales taxes exempted were valued at nearly \$18 million; administrative costs were \$112,017 for Fiscal Years 2011-12 through 2013-14. SDST program participants that renew their certification are required to report the total value of taxes exempted for the two calendar years preceding the renewal application date. Program participants reported \$17.6 million in taxes exempted from calendar years 2011 through 2014; three corporations accounted for 90% of this amount.³⁰ The total value of taxes exempted ranged from \$2 million to \$7.1 million over the review period.³¹ (See Exhibit 1-5.) However, not all businesses fully reported the data requested; thus, the amount may be an underestimate.

²⁶ Section 212.08(5)(j), *F.S.*

²⁷ Semiconductor is the modern term for silicon technology.

²⁸ The exemption was applied to machinery and equipment used in semiconductor technology for 100% of the tax imposed by Ch. 212, *F.S.*, and to machinery and equipment used in space and defense technology facilities for 25% of the tax imposed by Ch. 212, *F.S.*

²⁹ The SDST exemption also allows recipients to claim refunds for sales and use taxes paid on eligible purchases made during the previous three years. DEO reported that four companies applied for and received retroactive certification.

³⁰ These corporations are Lockheed Martin Corporation, DRS Technologies, Inc., and Intersil Corporation.

³¹ DEO records indicate that 40 businesses had an active SDST exemption during the three-year review period. Of these 40 businesses, 31 businesses had renewed their exemptions.

Exhibit 1-5

Reported Sales Tax Exempted Was Valued at \$17.6 Million for Calendar Years 2011 Through 2014

	2011	2012	2013	2014	Total
Total Value of Taxes Exempted	\$7,134,431	\$3,683,039	\$4,776,151	\$2,041,129	\$17,634,750
Number of Businesses Reporting ¹	17	9	16	10	25

¹ The same business may report in multiple calendar years, and some businesses did not report.
Source: OPPAGA analysis of Department of Economic Opportunity data.

The three state-level entities with SDST program responsibilities reported \$112,017 in administrative costs during the review period. DEO had the highest estimated costs, at \$79,879, while DOR had the lowest, at \$1,500. (See Exhibit 1-6.)

Exhibit 1-6

Agency Administrative Costs for the SDST Program Totaled \$112,017 in Fiscal Years 2011-12 Through 2013-14

Agency	Administrative Costs
Department of Economic Opportunity	\$79,879
Enterprise Florida, Inc.	30,638
Department of Revenue	1,500
Total Administrative Costs	\$112,017

Source: OPPAGA analysis of data from Enterprise Florida, Inc., and the Departments of Economic Opportunity and Revenue.

Performance

SDST program participants reported nearly \$300 million in tax-exempted purchases and \$3 billion in capital investments during the review period. The SDST tax exemption was created to assist existing Florida businesses in making new capital investments in machinery and equipment. Businesses that submit exemption renewal requests are required to report the total investments in real and tangible property and the total value of tax-exempt purchases on a calendar year, rather than a fiscal year basis. Program participants reported \$298 million in tax-exempted purchases and \$3 billion in investments for calendar years 2011 through 2014. (See Exhibit 1-7.)³²

Exhibit 1-7

SDST Program Participants Reported \$298 Million in Tax-Exempted Purchases and \$3 Billion in Capital Investments for Calendar Years 2011 Through 2014

	2011	2012	2013	2014	Total
Total Value of Tax-Exempt Purchases	\$125,489,548	\$60,538,231	\$78,627,802	\$33,740,181	\$298,395,762
Number of Businesses Reporting ¹	17	9	16	10	25
Total Investment Made in Real and Tangible Personal Property	\$1,079,205,653	\$967,535,067	\$1,029,256,766	\$49,992,871	\$3,125,990,356
Number of Businesses Reporting ¹	17	9	16	9	24

¹ The same business may report in multiple calendar years, and some businesses did not report.
Source: OPPAGA analysis of Department of Economic Opportunity data.

Most SDST recipients reported that operations would be reduced without the incentive. To better understand businesses experiences with the SDST incentive program, OPPAGA surveyed and interviewed businesses that received the incentive during Fiscal Years 2011-12 through 2013-14.³³ Eight

³² Not all businesses fully reported the data requested; thus, the amount may be an underestimate.

³³ OPPAGA surveyed 31 businesses and interviewed 2.

businesses responded to the survey, all of which were existing Florida firms at the time they applied for the incentive.

In general, businesses reported that they were very satisfied with the assistance provided by DEO and DOR during the incentive certification process. Five businesses reported that the company's existing presence in Florida was one of the most important factors that affected the decision to remain, locate, or expand in Florida. Other important factors included the availability of a skilled workforce (4) as well as local and state economic incentives (3).

Six businesses reported that the SDST incentive was important to the decision to remain, locate, or expand in Florida. If the incentive had not been available, six businesses indicated that their operations would have proceeded on a smaller scale and two other businesses reported that they would have proceeded as normal. The most frequently reported benefits of the incentive were purchasing equipment (6) and increasing profits (4).

In addition, OPPAGA staff interviewed representatives of several local economic development organizations and other industry stakeholders familiar with the SDST incentive program. Industry stakeholders reported that the incentive is important to help keep Florida competitive. Some stakeholders reported that the low utilization of the program may be due to several factors, including an overlap in sales tax incentive programs (e.g., companies may be using the general manufacturing sales tax exemption instead) and it is not widely promoted by local economic development organizations.

Industry Analyses

Several competing states offer similar incentives for the space and defense industry. Enterprise Florida, Inc. and the Department of Economic Opportunity identified Alabama, California, Texas, and Virginia as Florida's primary competitors for military and space industry growth. Several of these states offer programs similar to those available to Florida's space and defense industry. For example, Alabama and California offer sales tax exemptions for purchases of aircraft parts, and Virginia offers a corporate income tax exemption for launch services and space flight participants.³⁴

Virginia also offers performance grants for aerospace engine manufacturing and semiconductor product manufacturing. These grant programs require businesses to make capital investments and create jobs. Texas does not appear to have an economic incentive program specifically for the aerospace and defense industry. Instead, it has a "deal closing" fund available to many types of companies, including aerospace and defense businesses.

Florida's aerospace and defense industry employment outperformed other competing states. OPPAGA conducted economic analyses of the aerospace and defense industry over a 10-year period to determine how the state is performing relative to other states and the national economy. Comparison states included Alabama, California, Texas, and Virginia. The analyses used different industry codes to compare Florida's industry employment growth to industry employment growth from 2005 to 2014.³⁵ In one analysis, OPPAGA used the Aerospace Product and Parts Manufacturing industry code to compare all five states. In another, OPPAGA included additional related aerospace and defense industry codes, but data constraints limited the analysis to California, Florida, and Texas.³⁶ The additional codes were

³⁴ The company must be the Virginia Spaceport or a Virginia airport.

³⁵ The North American Industry Classification System is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Employment figures are from the U. S. Department of Labor's Bureau of Labor Statistics. Data for 2014 are preliminary. The industry codes are among those used by EFI and DEO to define the aerospace and defense and homeland security industry.

³⁶ Alabama and Virginia were missing data relating to some of the industries; thus, these states were excluded from the analysis.

- small arms, ordinance, and ordinance accessories manufacturing;
- radio and television broadcasting and wireless communications equipment manufacturing;
- semiconductor and related device manufacturing;
- search, detection, navigation, guidance, aeronautical, and nautical system and instrument manufacturing; and
- ship building and repair.

From 2005 to 2014, Florida’s industry employment growth in aerospace product and parts manufacturing was the highest of all five comparison states and the nation. When including other related aerospace and defense industries in the analysis, California, Florida, and Texas all experienced declines in employment. However, Florida employment experienced less of a decline than California and Texas. (See Exhibit 1-8.)

**Exhibit 1-8
Florida’s Employment Growth in Aerospace Products and Parts Manufacturing and the Aerospace and Defense Industry Was Higher Than Other States and the National Average**

State	Aerospace Products and Parts Manufacturing	Aerospace and Defense Industry
Florida	7.9%	-2.5%
Alabama	7.0%	
California	-2.4%	-18.4%
Texas	-7.5%	-13.5%
Virginia	-8.9%	
United States	7.4%	-4.2%

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

OPPAGA also calculated location quotients to compare statewide employment in aerospace and defense industries to national employment in the industry. Location quotients exceeding 1.0 indicate that state levels of industry employment were higher than the national level. Florida’s 2013 location quotient is less than 1.0 in both analyses, which indicates that the industry employment in the state is less than the national level. A positive change in location quotient indicates that industry employment is growing relative to the nation. Florida’s industry employment levels were positive between 2005 and 2014 compared to other states. Other states had negative employment growth relative to the national level. (See Exhibit 1-9.)

**Exhibit 1-9
Florida’s Aerospace Products and Parts Manufacturing and Aerospace and Defense Industry Employment Had Positive Growth Relative to Other States**

	State	Location Quotient 2014	Change in Location Quotient 2005-2014
Aerospace Products and Parts Manufacturing	Alabama	1.94	0.13
	Florida	0.68	0.03
	Virginia	0.13	-0.02
	California	1.25	-0.13
	Texas	1.11	-0.38
Aerospace and Defense Industry	Florida	0.79	0.04
	California	1.48	-0.26
	Texas	1.09	-0.31

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

OPPAGA also conducted a shift-share analysis of aerospace and defense industries for Florida and the comparison states. Shift-share represents how much of the employment growth or decline in a state’s 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 three components.

- *National Growth Share* – change in employment due to the growth of the overall national economy. If the national economy is growing, a positive change in each industry in the state is expected.
- *Industry Mix Share* – change in employment in the state due to the growth (or decline) of the overall industry in the nation
- *Regional Shift* – change in employment due to the state’s characteristics (also referred to as competitive share). A positive regional shift indicates the state’s industry is outperforming the national trend. A negative effect indicates that the state’s industry is underperforming compared to the national trend.

The shift-share analysis shows a positive regional shift for Florida. This indicates that Florida’s aerospace and defense industry growth was attributable to the state’s relative competitive advantage. Florida’s regional shift is greater than that of other states, which indicates that Florida’s aerospace and defense industries outperformed those industries in other states from 2005 to 2014. (See Exhibit 1-10.)

Exhibit 1-10

Florida Was More Competitive Than Other States in Total Industry Employment Growth From 2005 to 2014

	State	Employment Change			
		2005-2014	National Share	Industry Mix	Regional Shift
Aerospace Products and Parts Manufacturing	Florida	1,401	797	522	83
	Alabama	808	514	336	-42
	Virginia	-164	82	54	-300
	Texas	-3,620	2,161	1,415	-7,196
	California	-1,719	3,251	2,129	-7,098
Aerospace and Defense Industry	Florida	-1,149	2,026	-3,944	769
	Texas	-13,629	4,518	-8,796	-9,351
	California	-37,681	9,170	-17,852	-29,999

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

Conclusions

Participation in the three incentive programs was relatively low during the review period. Relatively few businesses participated in the Qualified Defense Contractor and Space Flight Business Tax Refund (QDSC), Manufacturing and Spaceport Investment Incentive (MSII), and Semiconductor, Defense or Space Technology Sales Tax Exemption (SDST) programs from July 1, 2011, to June 30, 2014. Specifically, six businesses participated in the QDSC program during this period, and the MSII program resulted in \$400,878 in refunds to program participants, which was less than 1% of the \$43 million allocated. Moreover, only three businesses accounted for 90% of the reported taxes exempted under the SDST program.

Industry stakeholders are satisfied with the state’s space and defense related economic incentives, but suggested program improvements. OPPAGA staff interviewed representatives of several local economic development organizations and other stakeholders familiar with space and defense industry activities in the state. Overall, stakeholders reported that they believe space and defense incentive programs are very important to local and statewide economic development efforts. However, stakeholders felt that the incentive programs could be improved. Some stakeholders felt that job creation requirements should be less stringent for the QDSC program. Stakeholders also reported concerns about

the application and reporting processes for the incentive programs, indicating that the processes are lengthy and cumbersome for many businesses and require too much paperwork. Simplifying and shortening the application and approval process would increase program efficiency and reduce the uncertainty that businesses face when waiting for state incentive approval.

The Legislature could consider modifying QDSC program eligibility requirements. Applicants could no longer be certified for the QDSC program after June 30, 2014.³⁷ However, if the Legislature wishes to reauthorize the QDSC program, it could consider program improvements, including changes that could help expand participation. For example, the Legislature could consider reducing the minimum amount of gross receipts from defense or space flight business contracts required of applicants.³⁸ This could expand program eligibility because businesses that have participated in the program reported that they are increasingly reliant on commercial contracts as federal defense contracts and funding continues to decline.

³⁷ Section 288.1045, *F.S.*

³⁸ Currently, applicants must derive not less than 60% of their Florida gross receipts from DoD, U.S. Department of Homeland Security or space flight business contracts or subcontracts over the last fiscal year and over the five years preceding the date an application is submitted.

Chapter 2

Military and Defense Programs

Scope

By January 1, 2016 and every three years thereafter, OPPAGA and EDR must review state military and defense programs, including the

- Military Base Protection Program established under s. 288.980(2)(a), *Florida Statutes*;
- Florida Defense Alliance established under s. 288.980, *Florida Statutes*; and
- Florida Defense Support Task Force established under s. 288.987, *Florida Statutes*.

The review period covers Fiscal Years 2011-12, 2012-13, and 2013-14.

Summary

With numerous major military installations, Florida's defense activities and spending are significant sources of employment and revenues for state and local governments. To protect these assets and help ensure that the bases and host communities are in a competitive position during periods of downsizing and realignment, the Legislature established a variety of military and defense programs.

The primary goals of Florida's military and defense programs are to ensure that the state's installations remain open and attract new military missions and to limit development around bases that could impact military operations. These goals are accomplished through grant programs, federal and state-level advocacy efforts, and non-conservation land purchases.

- During the three-year review period, military and defense grant programs awarded \$11.6 million in funding to support 78 projects; just over \$3 million of the funds were expended during this time.
- Advocacy for Florida's military bases and defense communities is provided via professional services contracts, including a \$1.8 million contract with the Principi Group to develop a communication and coordination strategy to preserve and grow the state's military missions and installations and a \$1.6 million contract with the Spectrum Group to conduct a detailed analysis of the state's military installations.
- The Legislature appropriated \$7.5 million for the acquisition of three properties to serve as a buffer for military installations. These land purchases are pending due to negotiation delays.

OPPAGA found that grant recipients and other stakeholders were very satisfied with the grant programs' effectiveness in meeting installation needs. All of the grant recipients that OPPAGA interviewed reported that the grants had a positive or very positive impact on their efforts to protect their installations, and recipients stated that without grant funds projects would have been terminated or greatly reduced.

In addition, national studies and stakeholder feedback demonstrate that Florida's military and defense support efforts exceed those of other states with a large military presence. Florida has implemented 9 of 10 best practices identified as vital to support states' military and defense programs. Considering these best practices, Florida's overall military and defense efforts equal or exceed those of other states with a large military presence, such as California, Georgia, North Carolina, Texas, Virginia, and Washington.

Background

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 (DoD) downsizes and realigns military installations. The Legislature wanted Florida’s host military communities to proactively preserve and protect the state’s military installations by developing and implementing retention plans, sponsoring defense-related initiatives, and acquiring lands that could help buffer bases from encroachment.

Protecting Florida’s military installations is crucial to the state’s economy because defense activities and spending have long been a major source of employment and revenues for state and local governments. Defense is the fourth largest contributor to the state economy after agriculture, healthcare, and tourism. Defense spending is directly or indirectly responsible for \$79.8 billion or 9.5% of Florida’s gross state product. Military-related employment accounts for 775,000 jobs with the 10 largest defense contractors supplying \$4.6 billion (45%) of the \$10.2 billion value of defense-procured goods and services.³⁹ Moreover, Florida ranks among the top states in number of active, civilian, and retired military personnel. (See Exhibit 2-1.)

Exhibit 2-1

Florida Ranks High Nationally in Number of Active, Civilian, and Retired Military Personnel

Military and Civilian Personnel in Military Installations by State (2015)				
Rank	State	Active	Civilian	Total
1	California	157,480	58,129	215,609
2	Virginia	120,402	86,702	207,104
3	Texas	116,104	46,054	162,158
4	North Carolina	105,645	20,780	126,425
5	Georgia	65,411	32,971	98,382
6	Washington	57,543	28,983	86,526
7	Florida	56,579	28,674	85,253
	United States	1,130,441	689,607	1,820,048

Military Retirees by State (2014)		
Rank	State	Retired
1	Texas	201,715
2	Florida	192,784
3	California	161,263
4	Virginia	154,427
5	Georgia	94,615
6	North Carolina	92,553
7	Washington	72,609
	United States	2,107,336

Source: U.S. Office of Personnel Management and U.S. Department of Defense.

Florida is home to 20 major military bases, 3 unified commands, and 1 Coast Guard district headquarters. (See Exhibit 2-2.) These installations have various duties and missions including providing or supporting

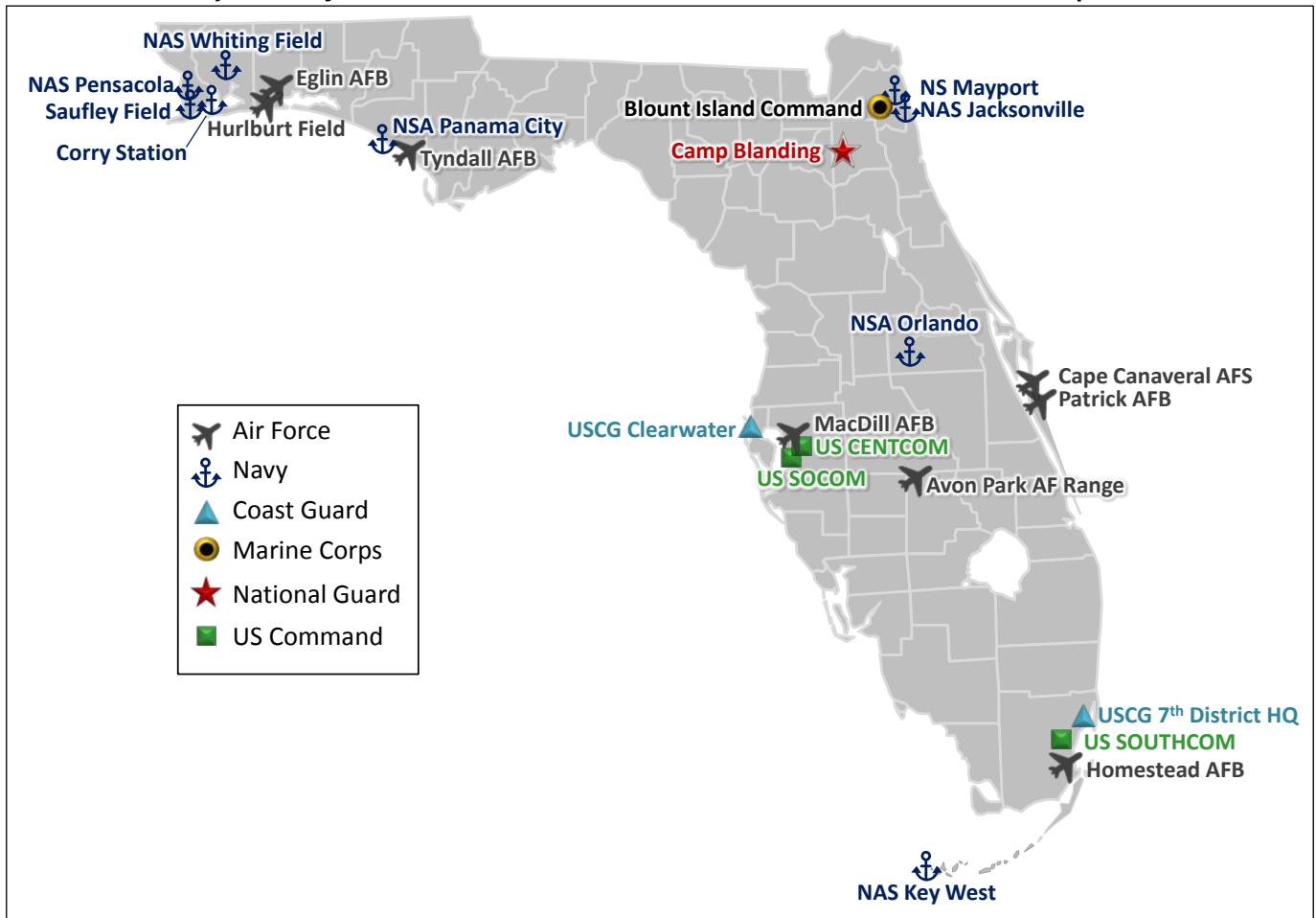
- worldwide command for counter-terrorism and special operations;
- U.S. commands for the Middle East, Central and South America, and the Caribbean;

³⁹ Florida Defense Factbook, Enterprise Florida and CareerSource Florida, September 2015.

- research, development, testing, and evaluation for amphibious warfare, diving, maritime special operations, and air-to-ground weapons development;
- advanced training for pilots, air traffic, and weapon controllers;
- aviation flight and maintenance training; and
- access to space and space launch activities.

Exhibit 2-2

Florida Has 20 Major Military Bases, 3 Unified Commands, and 1 Coast Guard District Headquarters



Source: Enterprise Florida, Inc.

Activities

Three state entities administer Florida’s military and defense programs, with Enterprise Florida, Inc. (EFI) taking the primary role, and the Departments of Economic Opportunity (DEO) and Environmental Protection (DEP) performing support functions. (See Exhibit 2-3.) EFI provides staff support to the Florida Defense Alliance and Florida Defense Support Task Force and administers various statutorily authorized military and defense grant programs that support local community efforts to engage in service partnerships with military installations. Moreover, in an effort to limit development and encroachment near military bases, DEO recommends non-conservation lands for acquisition, subject to

appropriation.⁴⁰ Following DEO's assessment of lands for acquisition, DEP is the state's land buying agency. DEO also provides oversight of EFI's grant administration.

Florida Defense Alliance. The 1998 Legislature created the Florida Defense Alliance within EFI to act as a forum for coordinating statewide activities related to preserving and protecting Florida's military installations. The alliance's community-based network of nonprofit organizations work in partnership with the Governor, local congressional delegations, state legislators, base commanders, community leaders, and business executives to coordinate efforts to increase and promote the military's value and enhance base capabilities, while enhancing the quality of life for military families.

Florida Defense Support Task Force. With increased federal focus on reducing military costs, mandated in the Budget Control Act of 2011 and through sequestration, the 2011 Legislature created the Florida Defense Support Task Force. The task force meets monthly and serves as a unified voice for Florida's military missions and installations. Its 13 members are charged with coordinating the message on military issues from the executive and legislative branches of government, congressional members, and defense communities.⁴¹ The task force's mission is to

- make recommendations to preserve and protect military installations;
- identify and prioritize all current and potential base and range encroachment issues relating to airspace, environment, energy, and land use compatibility;
- support the state's position in research and development related to or arising out of military missions and contracting; and
- improve the state's military friendly environment for service members, military dependents, military retirees, and businesses that bring military and base related jobs to the state.

DEO is authorized to contract with the task force to expend appropriated funds to further the mission of promotion and protection of installations through advocacy, research, and grants to host communities. EFI provides the task force administrative support.

Statutory Grant Programs. The 2013 Legislature modified the Military Base Protection (MBP) Program to achieve several objectives. These goals include securing non-conservation lands to serve as a buffer to protect military installations against encroachment and supporting local community efforts to engage in service partnerships with military installations. The program achieves these goals through grants.

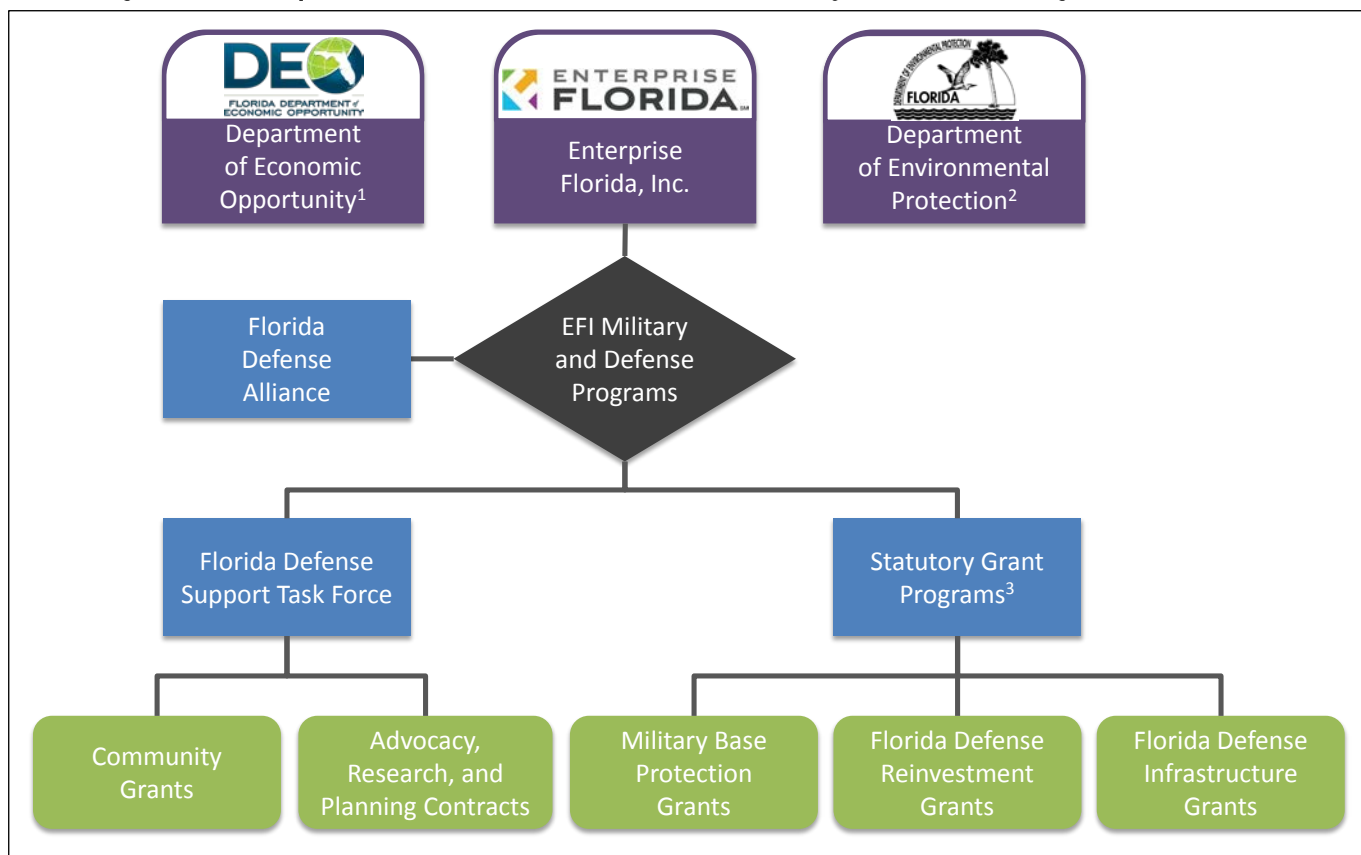
The Legislature also created additional grant programs to provide support to military communities and encourage economic development in such areas. The Florida Defense Reinvestment Grant Program (DRG) responds to the need for Florida to work in conjunction with defense-dependent communities in developing and implementing strategies and approaches that will help support military installation missions and alternative economic diversification strategies to transition from a defense economy to a nondefense economy. The Defense Infrastructure Grant Program (DIG) supports local infrastructure projects deemed to have a positive impact on the military value of installations within the state.

⁴⁰ Section 288.980(1)(c), *F.S.*

⁴¹ The executive director of the Department of Economic Opportunity (or his designee) serves as the ex officio, non-voting executive director of the task force. The Speaker of the House and Senate President each designate one of their appointees to serve as chair of the task force in alternating years. If the Governor, instead of his designee, participates in the activation of the task force, he will serve as chair.

Exhibit 2-3

Several Agencies Participate in the Administration of Florida’s Military and Defense Programs



¹ DEO monitors s. 288.980, *F.S.*, grant programs and Florida Defense Support Task Force grants and recommends land acquisitions meant to decrease military base encroachment.

² DEP facilitates land acquisitions meant to decrease military base encroachment.

³ Grant programs that are authorized in s. 288.980, *F.S.*

Source: OPPAGA analysis.

Funding

During the review period, the Legislature appropriated \$18.8 million to the Department of Economic Opportunity to fund military and defense grant programs and task force administrative costs. (See Exhibit 2-4.) DEO has an administrative agreement with Enterprise Florida, Inc. to administer the Florida Defense Support Task Force grants, Defense Reinvestment Grants, Defense Infrastructure Grants, and Military Base Protection Grants. DEO acts as a pass through for Florida Defense Support Task Force funding that allows EFI to draw down task force funding quarterly into an escrow account.⁴² DEO also has an operations agreement with EFI for the \$200,000 EFI receives annually for administrative costs related to the task force.⁴³ EFI receives no additional administrative funds to manage the DRG, DIG, and MBP grant programs. Staff reports that administrative costs for these programs are absorbed by EFI.

⁴² Forfeited grants or unspent funds can remain in the EFI escrow account as reserves or be reallocated to future grants.

⁴³ The appropriation for task force administrative costs for Fiscal Year 2014-15 increased to \$250,000.

Exhibit 2-4

The Legislature Appropriated \$18.8 Million for Military and Defense Programs in Fiscal Years 2011-12 Through 2013-14

Funding Category	Military and Defense Protection Program Appropriations			
	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year Total
Florida Defense Support Task Force Grants ¹	\$4,800,000	\$1,800,000	\$3,800,000	\$10,400,000
Defense Infrastructure Grants	1,581,245	1,581,245	1,600,000	4,762,490
Defense Reinvestment Grants	850,000	850,000	850,000	2,550,000
Military Base Protection Grants	150,000	150,000	150,000	450,000
Administrative Costs	200,000	200,000	200,000	600,000
Total	\$7,581,245	\$4,581,245	\$6,600,000	\$18,762,490

¹ Includes funds for four professional services contracts.

Source: General Appropriations Acts.

Findings

Florida's Military and Defense Programs Use Grants and Advocacy to Reduce Potential Negative Consequences of Base Closure and Realignment

Congress established the Base Realignment and Closure (BRAC) Commission to provide an objective, bi-partisan, and independent review and analysis of U.S. Department of Defense military installation closure and realignment recommendations. Congress has not authorized a BRAC since 2005.⁴⁴ However, DoD has asked Congress for a new BRAC every year since 2012. Irrespective of the likelihood of a new BRAC, due to continuing pressure to reduce military expenditures, DoD has been directed by Congress to cut \$500 billion from the Pentagon's budget over the next 10 years.⁴⁵ Even without a BRAC process, federal law allows the Secretary of Defense to close or realign bases under certain conditions. Therefore, the primary goals of Florida's military and defense programs are to ensure that the state's installations remain open and attract new military missions. These goals are accomplished through grant programs and federal and state-level advocacy efforts.

Grant programs fund local military and defense projects and support economic diversification in military communities. As stated previously, the Legislature provides funding to support a wide variety of local defense partner projects through four grant programs—Defense Reinvestment Grants, Defense Infrastructure Grants, Florida Defense Support Task Force Grants, and Military Base Protection Grants.⁴⁶ During the review period, the four programs awarded \$11.6 million in grant funding to support 78 projects. Just over \$3 million of the funds were expended by recipients of the grants awarded during this time; the funds have not been fully expended due to multi-year contract terms and reimbursement delays.⁴⁷ (See Exhibit 2-5.) EFI also spent \$726,509 on administrative costs to manage the task force; this total includes EFI's contribution of \$234,893 to offset some of the cost of operations. (For additional information on grant funded projects, see Appendices A and B.)

⁴⁴ A BRAC is an independent commission authorized by Congress to select military installations for closure. Federal law requires an evaluation of the fiscal, local economic, budgetary, environmental, strategic, and operational consequences of such closure or realignment. However, the most important decision element is military value—mission requirements and the impact on operational readiness.

⁴⁵ Budget reductions imposed by sequestration as part of the 2011 Budget Control Act.

⁴⁶ The first task force grants were awarded in 2013, so no spending occurred in the first year of OPPAGA's review.

⁴⁷ The 2015 Legislature changed the process for paying grantees by providing that funds for Military Base Protection and Defense Reinvestment grants may only be disbursed from DEO directly to grant recipients. EFI must certify that contractual performance measures have been met prior to disbursement.

Exhibit 2-5

Four Military and Defense Grant Programs Provided More Than \$11.6 Million for 78 Projects in Fiscal Years 2011-12 Through 2013-14¹

Grant	Purpose	Number of Grants	Amount Awarded	Amount Expended
Defense Reinvestment	Supports host community activities, advocacy, planning, and military community relations	34	\$ 2,550,000	\$1,471,469
Defense Infrastructure	Supports local infrastructure projects including transportation and access, housing, and communications	22	3,962,490	821,381
Florida Defense Support Task Force	Funds projects that directly support preserving, protecting, and enhancing Florida's military installations	20	5,089,000	767,112
Military Base Protection	Secures non-conservation lands to serve as a buffer to protect military installations against encroachment and to support local community efforts to engage in service partnerships with military installations	2	27,530	24,881
Total		78	\$11,629,020	\$3,084,843

¹ Amounts are for grants that were awarded during the three-year review period. Not all grant recipients received payments during this time.

Source: Enterprise Florida, Inc. and Florida Statutes.

Defense Reinvestment Grants are one-year grants awarded to military alliances, city and county economic development organizations, and defense-related industries through an application process in response to an EFI Request for Proposals. Grant funding is generally used to support activities that foster strong community relationships with installation leadership. Annual total grants typically amount to \$850,000 awarded to approximately 13 military alliances, economic development councils, and other applicants; individual awards average \$77,000 depending on the size of the area military population and a SWOT analysis of the risks of installation closure.⁴⁸ The grant requires a 30% match by the recipient. DRG recipients are required to file quarterly reports of their activities and expenditures with EFI for reimbursement. EFI can request one quarter of the funding in advance from DEO based on the total amount of grant funding and the recipient's plan of action. DEO periodically selects files for verification.

Defense Infrastructure Grants are three-year grants that support infrastructure and technology projects that provide improvements outside of military bases; installation leadership must support such projects. Typically, \$1.6 million is available annually for grants, with average grants ranging from \$200,000 to \$300,000. DIG grants are awarded through a competitive selection process. EFI monitors the grants through quarterly progress reports and pays project costs through documented cost reimbursement reports to DEO. However, grantees may receive an initial advance based on estimated project costs.

Florida Defense Support Task Force Grants are one-year grants that support projects sponsored by a task force member. Recipients must qualify for funding through an application process. After applicant presentations, the task force selects projects that meet its goals as outlined in the strategic plan and that target mitigating risks to installations.⁴⁹ EFI assists the task force in administering the grants by developing the grant funding application, monitoring progress, and processing payments. The task force approves expenditures and EFI administers the funds (i.e., pays grantee invoices based on documented expenditures). EFI staff reported that care is taken to ensure that grant recipients do not duplicate other

⁴⁸ A SWOT analysis is a study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.

⁴⁹ Legislators do not vote on projects.

grant-funded projects, but complex projects may be undertaken in phases and funded by successive grants.

Military Base Protection Grants fund acquisitions of land or development rights to prevent base encroachment, and support community engagement with military installations. The Legislature appropriates \$150,000 annually for this program.⁵⁰

Advocacy for Florida's military bases and defense communities is provided via professional services contracts. The state's military and defense support efforts also include contracted professional services for Florida military base advocacy, consultant evaluations of Florida's military installations, a military economic impact study and fact book, and strategic plans that include other states' efforts to enhance their military installations. (See Exhibit 2-6.)

On May 1, 2012, EFI entered into a \$1.8 million contract on behalf of the Florida Defense Support Task Force with the Principi Group, a Washington-based lobbying firm. The firm developed a communication and coordination strategy to preserve and grow Florida's military missions and installations.⁵¹ In its response to EFI's Invitation to Negotiate, the firm emphasized its close relationships with key decision makers in DoD and Congress as well as years of experience collaborating on defense issues and BRAC policies. The Principi Group provides monthly updates to the task force of ongoing defense budget negotiations; coordinates meetings between Florida officials and congressional, administration, and defense officials; collects information on proposed realignments; and promotes Florida's installations in meetings with the DoD, Congress, and defense industry representatives.

Concurrent with the execution of the Principi Group contract, EFI also signed a \$1.6 million contract with the Spectrum Group to conduct a detailed analysis of Florida's military installations. In its Invitation to Negotiate response, the group cited extensive experience with the military, including its missions, force structure, weapons procurement activity, logistics support, and readiness requirements. During the four-month contract period, the Spectrum Group evaluated the strengths and weaknesses of Florida's 20 bases and host communities, and the results served as the foundation for the consultant's recommended base retention plan. Using the BRAC criteria as a guide, the proposed plan made recommendations on how each base could strengthen its ability to retain its current mission and compete for future missions, public/private partnerships, and commercialization opportunities. EFI staff reported that these recommendations are taken into consideration during the grant award process.

On behalf of the task force, EFI also contracted with the Sterling Group to facilitate the development of a strategic plan for the task force and with the University of West Florida's Haas Center to perform an in-depth study of the economic value of Florida's military installations. The major findings of the study were condensed into the *Florida Defense Factbook*, which is distributed to educate the public about the importance of the military to Florida's economy. The publication contains facts on the defense industry's overall impact on the state's economy as well as impacts by region.

⁵⁰ Chapter [2013-222](#), *Laws of Florida*, amended the purpose and functions of the Military Base Protection Program by authorizing DEO to acquire non-conservation land to prevent base encroachment.

⁵¹ The term of the original contract funded by the task force was May 1, 2012 to December 31, 2013 at \$90,000 per month. The original contract allowed for an extension to June 30, 2015. The contract has since been amended to extend the term to December 31, 2015 and reduce the compensation to \$75,000 per month.

Exhibit 2-6

The Florida Defense Support Task Force Contracts With Several Entities for Advocacy, Research, Strategic Planning, and Educational Materials

Service Provider	Purpose	Amount Funded	Amount Expended
Principi Group	Washington-based advocate for Florida’s military missions and installations	\$3,729,850	\$2,250,000
Spectrum Group	Research and analysis on Florida’s military missions and installations	1,562,000	1,562,000
University of West Florida	Economic impact study summarized in the <i>Florida Defense Factbook</i>	154,500	154,500
Florida Sterling Council, Inc.	Strategic plan development for Florida Defense Support Task Force	5,000	5,000
Total		\$5,451,350	\$3,971,500

Source: Enterprise Florida, Inc.

Military and Defense Program Efforts Also Include Land Purchases to Help Mitigate Encroachment

Limiting development around military bases has been a long-term goal of Florida’s military and defense programs. For over 30 years, Florida’s conservation agencies and nonprofit organizations have collaborated with DoD to buffer military testing and training ranges from encroachment with conservation lands where the natural habitat and military training could coexist.⁵² The state’s Military Base Protection Program grants were used to acquire land or development rights around military bases, often as part of a multi-stakeholder match. At the federal level, DoD launched the Readiness and Environmental Protection Initiative (REPI) in 2003 to provide funding for conservation lands; the funding is matched by partnerships with the military services and state and local entities. Through 2013, Florida participated in 57 REPI grant transactions to preserve 28,364 acres at a total shared cost of \$99.2 million.⁵³

In addition to these efforts, DEO annually submits a list of potential land purchases to the Board of Trustees of the Internal Improvement Trust Fund; the Florida Defense Support Task Force reviews and approves the list prior to submission.⁵⁴ DEO staff reported that they work with military base planners to identify development that could pose a threat to or is incompatible with overall base missions. Base commanders for Florida’s major military installations identified 64 sites totaling over 3,600 acres. The department prioritized these sites based on existing land-use restrictions, development on site, redevelopment potential, ownership, and encroachment threat.

Sites are assigned to one of three tiers. Tier 1 parcels have the highest likelihood of development incompatible with a clear zone or accident potential with no restrictions on development to reduce an encroachment or safety risk; there are three Tier 1 properties on the list. (See Exhibit 2-7.) Although Tier 2 and Tier 3 properties present less of an immediate threat, the task force also recommended pursuing negotiations for development rights for two Tier 2 properties.⁵⁵

⁵² Conservation partners include the Department of Environmental Protection, the Division of Forestry, water management districts, The Nature Conservancy, local governments, and private entities.

⁵³ *Readiness and Environmental Protection Integration Report*, March 2014.

⁵⁴ DEP’s Division of State Lands serves as staff to the Board of Trustees of the Internal Improvement Trust Fund, which includes the Governor and Cabinet.

⁵⁵ Tier 2 properties listed include: 1) NAS Key West - Enchanted Island and 2) Homestead ARB – Homestead Park of Commerce, Homestead Housing Authority.

Exhibit 2-7

Three Tier 1 Non-Conservation Parcels Could Be Purchased to Help Diminish the Threat of Encroachment

Installation	Project Name	Size	Base Match Funding	Funding Needed
Naval Support Activity Panama City	Barefoot Palms	8.4 acres	\$500,000	\$2,400,000
Naval Station Mayport	Mayport Village ¹	11 acres	569,925	189,975
MacDill Air Force Base	Florida Rock	25.5 acres	0	4,900,000
Total		44.9 acres	\$1,069,925	\$7,489,975

¹ On October 27, 2015, the Florida Cabinet approved funding for this project.

Source: Department of Economic Opportunity.

After the task force approved the list, DEO staff sent the recommendations to the Board of Trustees of the Internal Improvement Trust Fund with a request for \$7.5 million in funding to acquire Tier 1 properties; the 2014 Legislature appropriated the funding. In July 2014, DEP’s Division of State Lands began acquisition efforts. To date, the department has been unable to reach final agreements with any of the owners because the state offer is less than what the seller expected or the owners have other plans for the parcels and have been unwilling to sell. If agreements cannot be reached, DEO will consider other options.

Stakeholders Are Very Satisfied With Florida’s Military and Defense Programs

OPPAGA staff interviewed military and defense grant recipients and surveyed all members of the Florida Defense Support Task Force to determine their satisfaction with the grant programs and with Enterprise Florida Inc.’s program management.⁵⁶ OPPAGA also wanted to determine the importance of the grant programs to the continuation of community efforts to strengthen base retention plans. Generally, both grant recipients and task force members were very satisfied with the grant programs’ effectiveness in meeting installation needs.

All of the grant recipients that OPPAGA interviewed reported that the grants had a positive or very positive impact on their efforts to protect their installations. Recipients also stated that without grant funds, projects would have been terminated or greatly reduced. Grant recipients and task force members also expressed satisfaction with EFI’s management of the grant application and award process and responsiveness to inquiries and questions. In addition, task force members liked that applicants are required to obtain a member sponsor and present requests in person, which allows task force members to discuss projects to ensure that they meet intended goals. Grantees provide monthly progress reports, which task force members believe improve timeliness and accountability.

However, some grant recipients identified concerns, including slow reimbursement of qualified expenditures and inability to electronically submit applications and required reports. For example, one respondent reported that the local chamber has had to pay for project expenses up front not knowing what expenditures will be approved or when approval will occur. Another suggested that allowing electronic submission of reports and required documents could help speed up approvals and reimbursements. Others believed that being on the same budget cycle as the state fiscal year (July 1 through June 30) would help shorten the timeline for reimbursements.⁵⁷ Another respondent recommended that EFI could enhance its website to allow recipients to check their application and reimbursement status at any point during the grant process.

⁵⁶ OPPAGA interviewed nine grant recipients and received eight task force member survey responses.

⁵⁷ For the most recent grant cycle (Fiscal Year 2015-16), the task force standardized the grant period so that all grants have the same effective date of July 1, 2015.

Florida's Efforts to Preserve its Military and Defense Industry Exceed Those of Other States

National and other states research and stakeholder feedback demonstrate that Florida's military and defense support efforts are significant and exceed those of other states. For example, a recent National Association of Defense Communities survey indicates that among the 34 states that have state-level military support organizations, Florida outspends most states (65% of states surveyed spend less than \$500,000) and is among the 52% of survey respondents that employ a lobbyist to focus on preventing further spending cuts and losses in a future BRAC.⁵⁸ Moreover, while only 30% of states fund local and regional organizations, Florida has emphasized state support of host communities through grant funding and ongoing partnerships. According to the association, Florida has implemented 9 of 10 best practices identified as vital to support states' military and defense programs; the one exception is funding on-base projects.⁵⁹ Considering these best practices, Florida's overall military and defense efforts equal or exceed those of other states with a large military presence. (See Exhibit 2-8.)

Exhibit 2-8

Florida's Military and Defense Efforts Outpace Those of Other States With a Large Military Presence

State	State Commanders' Councils	Economic Impact Study	Strategic Planning Study	Encroachment Mitigation Planning	Funding for Off-base Infrastructure Projects	Funding for On-base Infrastructure Projects	Coordination With Local Organizations	Funding for Local Organizations	Defense Sector and Contractor Expansion	Military Family and Veteran Issues
Florida	✓	✓	✓	✓	✓		✓	✓	✓	✓
Texas	✓	✓	✓	✓	✓	✓	✓		✓	✓
Georgia		✓	✓	✓	✓	✓	✓		✓	✓
Virginia	✓	✓	✓	✓			✓		✓	✓
North Carolina	✓	✓			✓		✓	✓	✓	✓
Washington		✓	✓	✓	✓		✓		✓	✓
California			✓	✓		✓	✓		✓	✓

Source: Association of Defense Communities, *State of Support*, December 2014.

Key stakeholders reported to OPPAGA that Florida is among the top five states that have taken a very proactive approach to preparing for additional budget constraints or a potential BRAC. These states include Alaska, Connecticut, Maryland, and Virginia. In addition, OPPAGA's literature review and examination of other states' efforts found that Florida is often cited as a model. For example, the National Conference of State Legislatures suggested, "One of the most comprehensive policy options for ensuring the long-term viability of a state's defense communities is to create a military advisory body," and cited the Florida Defense Support Task Force as a successful example.⁶⁰ Similarly, the National Governors Association highlighted the Defense Reinvestment Grant Program as a useful strategy to address the economic impacts of base realignments and closures.⁶¹

At the state level, Texas, Virginia, and others have identified Florida's military and defense activities as useful models. In Texas, when calling for more funds to be dedicated to military realignment preparedness activities, the Governor's office cited the Florida Defense Support Task Force's creation and

⁵⁸ Thirty-three percent of state organizations were established in the last five years, coinciding with the drawdown in forces and significant federal budget reductions. The report indicates that the reductions in defense spending have been particularly hard on installation maintenance, upgrades, new construction, and military family support services. DoD appears to be looking at states and the private sector to offset these losses.

⁵⁹ *Highlights of State Support for Defense Installations*, Association of Defense Communities, December 2014.

⁶⁰ *Preparing for Duty: State Policy Options in Sustaining Military Installations*, National Conference of State Legislatures, October 2013.

⁶¹ *State Financing Strategies to Address the Economic Impacts of Military Base Realignments and Closures*, National Governors Association, August 2006.

funding as an example of decisive state action. In Virginia, the Commission on Military Installations and Defense Activities made several recommendations for near-term action, including state funding for grants to military communities. The commission noted, "Florida and Texas, states with significant military installations and defense activities, have created funding for defense communities for economic development and infrastructure improvements, and are far ahead of the Commonwealth in providing funding to localities to address needed infrastructure improvements that will increase the military value of the installations and activities."

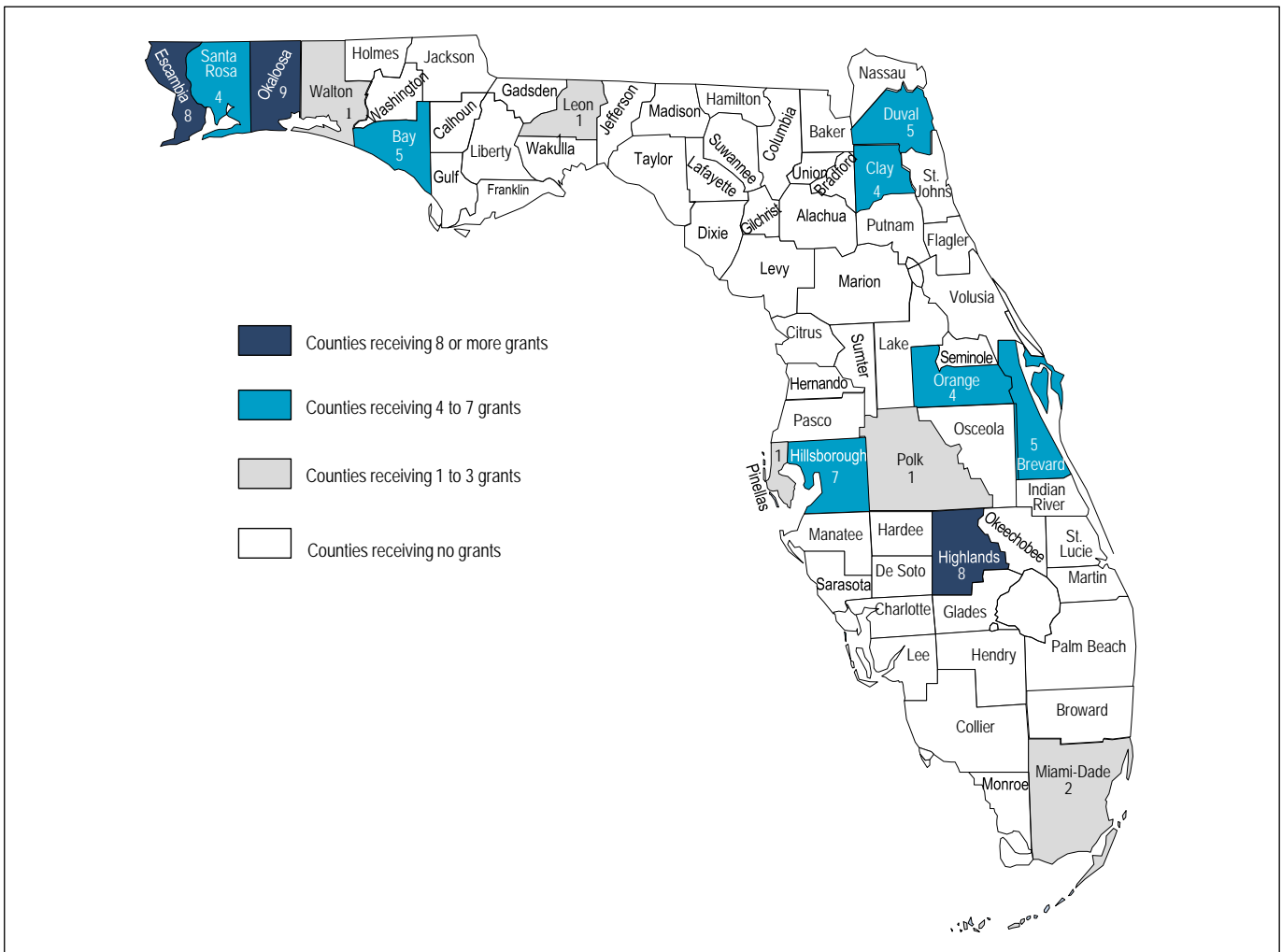
Appendix A

Military and Defense Grant Awards Varied by Region

During the review period, the distribution of grants varied by region. (See Exhibit A-1.) Northwest Florida received the largest number of grants (35). In 2014, the region’s defense spending was directly or indirectly responsible for \$20.4 billion in gross regional product (GRP) and 181,564 jobs. Other regions with smaller economic impacts (Jacksonville/Camp Blanding, Orlando/Space Coast, and Tampa Bay) received 15, 11, and 8 grants respectively. For example, Jacksonville/Camp Blanding had \$14.5 billion GRP and 142,137 jobs; Orlando/Space Coast had \$14.5 billion GRP and 140,841 jobs; and Tampa Bay had \$16 billion GRP and 154,870 jobs.⁶²

Exhibit A-1

Florida’s Military and Defense Grants Were Awarded for Projects in Several Regions of the State



Source: Enterprise Florida, Inc.

⁶² Florida Defense Factbook, Enterprise Florida and CareerSource Florida, September 2015.

Appendix B

Military and Defense Program Grants Funded a Wide Range of Projects During the Three-Year Review Period

**Exhibit B-1
Defense Infrastructure Grants**

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Bay County Board of County Commissioners	Design north gate lane and pedestrian safety additions along U.S. 98	\$93,519	\$85,447
Bay County Board of County Commissioners	Construct north gate acceleration lane and pedestrian safety additions along U.S. 98	\$200,000	\$196,157
Clay County Chamber of Commerce	Design and construct a security-enhanced military, civilian, and commercial vehicle entrance at Camp Blanding	\$200,000	\$0
Economic Development Council of Florida's Space Coast	Complete programmatic environmental assessments of launch complexes 36 and 46 and promote the infrastructure capabilities at Cape Canaveral Air Force Station	\$80,000	\$79,870
Economic Development Council of Florida's Space Coast	Development and promotion of the commercial launch infrastructure capabilities at Cape Canaveral Air Force Station with key launch pads constructed and upgrading of launch vehicle processing systems	\$200,000	\$0
Economic Development Council of Florida's Space Coast	Support design of vital Eastern Range ground infrastructure to support development of an autonomous flight safety system for launch vehicles and unmanned aerial systems	\$200,000	\$0
Highlands County	Purchase land surrounding Avon Park Air Force Range to help reduce encroachment and increase buffer zone around the range	\$200,000	\$66,812
Highlands County	Purchase land surrounding Avon Park Air Force Range to increase buffer zone and reduce encroachment	\$200,000	\$50,000
Jacksonville (City of)	Acquire land surrounding Naval Air Station Jacksonville to help reduce encroachment	\$200,000	\$0
Jacksonville (City of)	Acquire land surrounding NAS Jacksonville to help reduce encroachment	\$200,000	\$0
Okaloosa County	Acquisition of land in the Shoal River Buffer Area	\$200,000	\$0
Okaloosa County	Acquisition of land in the Shoal River Buffer Area	\$200,000	\$0
Okaloosa County	Acquisition of land in the Shoal River Buffer Area	\$200,000	\$0
Okaloosa County	Construction of a new gate and stop light at Hurlburt Field	\$181,245	\$0
Pensacola Bay Area Chamber of Commerce	Construction of a cyber warfare battle lab at Naval Air Station Pensacola	\$200,000	\$0
Pensacola Bay Area Chamber of Commerce	Purchase of land surrounding Naval Air Station Pensacola to reduce encroachment near the base	\$200,000	\$0
Pinellas County	Construction of a pedestrian walkway connecting the Coast Guard Air Station	\$200,000	\$0
Polk County	Upgrade CR 64 from Avon Park Air Force Range entrance to Polk/Highlands County line	\$200,000	\$200,000
Santa Rosa County	Acquisition of land surrounding Naval Air Station Whiting Field	\$200,000	\$0
Santa Rosa County	Acquisition of land surrounding Naval Air Station Whiting Field	\$200,000	\$0
Santa Rosa County	Acquisition of land surrounding Naval Air Station Whiting Field	\$207,726	\$0
Tampa (City of)	Himes Avenue Water Main Replacement Phase IIB	\$200,000	\$143,095
Total		\$3,962,490	\$821,381

Source: Compiled by OPPAGA using information provided by Enterprise Florida, Inc.

**Exhibit B-2
Defense Reinvestment Grants**

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Bay Defense Alliance	Support Bay County military installations, including job retention, creation, expansion, and reuse of military facilities that have been declared surplus	\$87,500	\$87,499
Bay Defense Alliance	Support Bay County military installations, including job retention, creation, expansion, and reuse of military facilities that have been declared surplus	\$100,000	\$100,000
Bay Defense Alliance	Monitor the effects of sequestration on mission readiness and personnel in Bay County and the State of Florida	\$100,000	\$0
Beacon Council	Help continue to fund the Miami-Dade Defense Alliance in their numerous programs that center around supporting the local military industry to retain and create jobs and increase the level of local business activity with the military	\$125,000	\$119,728
Beacon Council	Bring more military missions to Miami-Dade County; maximize use of Homestead Air Force Base surplus property; develop strategies that maximize the value of local military and infrastructure that supports defense activities such as the Port of Miami	\$70,000	\$42,978
Beacon Council	Help fund the Miami-Dade Defense Alliance action plan, which is an economic impact statement that describes the local military's annual economic impact in a brief summary; plan the Doing Business with the military event that had over 10 businesses in attendance and hosted an access breakfast that addressed issues facing veterans and how the business community can support veterans, returning military personnel, and their families	\$75,000	\$0
Clay County Chamber of Commerce	Fund Clay County Chamber of Commerce in various programs to build a more economically diverse employment base and create jobs for community residents	\$62,500	\$59,506
Clay County Chamber of Commerce	Implement economic diversification programs, including countywide strategic plan, site readiness zoning phase I and II, brownfields redevelopment, target industry analysis, and other community advocacy plans	\$65,000	\$64,999
Clay County Economic Development Council	Promotion of Camp Blanding to Clay County citizens and business community and economic diversification of Clay County	\$50,000	\$0
Economic Development Council of Florida's Space Coast	Position Patrick Air Force Base/Cape Canaveral Air Force Station to accommodate expansions and new or different missions; identify potential opportunities, deficiencies, and areas that can adversely impact the improvement of the installations; enhance rapport between the installations and major tenant unit's leadership; increase awareness of the continued contributions from military space program and the role of Florida in development of new missions	\$62,000	\$62,000
Economic Development Council of Florida's Space Coast	Identify and promote community/industry partnerships resulting in cost savings; position Patrick Air Force Base/Cape Canaveral Air Force Station as a magnet for new military and possible non-military growth; and help increase local manufacturers' outputs	\$75,000	\$75,000
Economic Development Council of Florida's Space Coast	Identify and promote community/industry partnerships resulting in cost savings and increased efficiencies; position Patrick Air Force Base/Cape Canaveral Air Force Station complex as a receiver location for new military and other federal executive branch growth; monitor and manage activities associated with the Eastern Range Capabilities Based Assessment Commercial Engagement	\$70,000	\$0

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Economic Development Council of Okaloosa County	Fund the Economic Development Council to focus on retaining and enhancing technology commercialization in the Okaloosa County and Eglin Air Force Base area so skills are improved and jobs are created in the local economy	\$87,000	\$85,965
Economic Development Council of Okaloosa County	Continue focus of Economic Development Council's Technology Coast Manufacturing and Engineering Network on technology transfer initiatives; support the Gulf Coast Aerospace Corridor marketing publication targeting aerospace/aviation sectors and Airbus suppliers	\$125,000	\$122,617
Economic Development Council of Okaloosa County	Build on past successes from previous grant programs and align continued support of the long-term priorities of the DoD, defense and commercial contractors, state and local military growth compatibility partners, and sustained economic diversification	\$100,000	\$0
Greater Pensacola Chamber of Commerce	Promote DoD economic growth in the area; enhance area DoD investments; help improve the quality of life for area military members	\$70,000	\$5,285
Greater Pensacola Chamber of Commerce	Promote DoD economic growth in the area; enhance area DoD investments; help improve the quality of life for area military members	\$50,000	\$0
Greater Tampa Chamber of Commerce	Create and fund a military transformation strategy at MacDill Air Force Base including identifying existing defense and security assets and the value of the military community and associated defense-related industries in the Hillsborough County area	\$75,000	\$75,000
Highlands County Economic Development Council	Develop an industry strategic marketing plan which identifies and attracts military compatible businesses and industries to Highlands County	\$40,000	\$0
Highlands County Industrial Development Authority	Fund an economic impact analysis and a website compilation and update for Highlands County and Avon Park Air Force Range	\$37,000	\$26,950
Jacksonville (City of)	Implement a federal advocacy presence and support for 12 months, including producing a summary of the President's budget related to military and defense line items	\$86,500	\$86,500
Jacksonville (City of)	Implement a federal advocacy presence and support for 12 months, including producing a summary of the President's budget related to military and defense line items	\$95,000	\$0
Jacksonville (City of)	Implement a federal advocacy presence team who focus on the preservation and increase in the economic impact the United States military brings to Jacksonville and the State of Florida	\$75,000	\$0
Orange County Research and Development Authority/National Center for Simulation	Fund Team Orlando's research and development project to identify, develop, and capture new opportunities and to spin-off applications of military modeling, simulation, and training to other sectors of the local economy	\$76,000	\$76,000
Orange County Research and Development Authority/National Center for Simulation	Increase community advocacy and awareness in Orlando and Florida; stimulate regional, state, and international conferences; stimulate regional and state education and digital media cluster expansion	\$85,000	\$85,000
Orange County Research and Development Authority	Identify, develop, and capture new opportunities and to spin-off applications of military modeling, simulation, and training to other sectors of the economy in Orlando	\$70,000	\$0
Pensacola Bay Area Chamber of Commerce	Promote defense economic growth in the area, enhance area defense investments, and improve the quality of life for area military members	\$100,000	\$80,584
Santa Rosa County	Maximize military need for Naval Air Station Whiting Field while also minimizing the potential for base closure or realignment initiatives	\$40,000	\$40,000
Santa Rosa County Board of County Commissioners	Fund consulting services representing Santa Rosa County in military-related activities	\$50,000	\$50,000

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Santa Rosa County	Fund consulting services representing Santa Rosa County in military-related activities	\$80,000	\$0
Tampa Bay Defense Alliance	Help the synergy of coming together aimed towards strengthening the readiness and quality of MacDill Air Force Base through various programs	\$80,000	\$0
Tampa Bay Innovation Center	Fund a trip to the Paris Air Show to promote the Pinellas County defense industry; fund a trip to Washington, D.C. to have a Pinellas County key executive attend the Federal Affairs Workshop; create the Tampa Bay Innovation Center to promote innovation and entrepreneurship in veterans	\$50,000	\$45,969
Tampa Hillsborough Economic Development Council	Help Hillsborough County and MacDill Air Force Base complete a military transformation strategy to identify specific steps to leverage economic, intelligence, technology, and military influence of MacDill Air Force Base to promote sustained economic development throughout the Tampa Bay region	\$75,000	\$75,000
Walton Area Chamber of Commerce	Develop a comprehensive countywide strategic plan to better position Walton County in attracting target industries	\$60,000	\$4,390
Total		\$2,550,000	\$1,471,469

Source: Compiled by OPPAGA using information provided by Enterprise Florida, Inc.

**Exhibit B-3
Florida Defense Support Task Force Grants**

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Andrews Institute	Provide integrated restoration and training services for 50 special operations personnel to retain active duty status	\$225,000	\$225,000
Bay Defense Alliance	Acquire 8+ acres of real estate adjacent to NSA Panama City to prevent encroachment	\$500,000	\$0
Clay County Development Authority	Construct an air space control system comprised of active radar tracking system at the installation's range operations facility	\$474,000	\$0
Clay County Development Authority	Construct a mass notification system on Camp Blanding to improve safety and increase military value of the camp	\$225,000	\$0
Economic Development Alliance of Bay County	Expand high-speed capacity data link (Lambda Rail) to connect NSA Panama City	\$500,000	\$0
Economic Development Council of Okaloosa County	Identify and catalog current community partnership successes/best practices at Eglin Air Force Base and how the community organized to support and expand those efforts; use as a model for other Florida bases to reduce costs and improve military value of bases	\$195,000	\$48,750
Florida 8A Alliance	Support veteran-owned and defense industry small business across Florida by providing education in marketing, and business and federal contracting strategies by conducting webinars, workshops, conference training, business opportunity email blast, needs survey, survey report, and mentor and recruit coordination/counseling for these firms	\$100,000	\$52,696
Florida 8A Alliance	Strengthen, train, educate, and promote small businesses statewide with the support of federal contracting and job creation; educate and increase knowledge of marketing, business, and federal contracting strategies including the Small Business Defense & Veteran Initiative programs	\$150,000	\$37,500
Florida's Great Northwest	Preserve and create jobs for veterans, transiting military, and military dependents through marketing outreach efforts in the five-county area of Northwest Florida that includes the counties of Escambia, Santa Rosa, Okaloosa, Walton, and Bay	\$50,000	\$0

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Greater Pensacola Chamber	Establish cyber analysis and forensics curriculum within Pensacola State College and the Navy's Center for Information Dominance	\$250,000	\$0
Greater Pensacola Chamber	Establish cyber analysis and forensics curriculum within Pensacola State College and the Navy's Center for Information Dominance	\$200,000	\$0
Highlands County	Acquire conservation easements to privately held parcels adjacent to Avon Park Air Force Range to prevent encroachment	\$500,000	\$2,563
Jacksonville (City of)	Establish maritime research and development capability at Naval Station Mayport	\$200,000	\$0
Jacksonville (City of)	Construct an explosive ordinance disposal bunker at Jacksonville Air Guard Base, including storage on concrete pad with electricity, fencing enhancements, and new paved road to training area	\$250,000	\$0
National Center for Simulation	Research and develop a range of options to solve office space shortfall and pursue selected option; develop a consistent message on the value of Team Orlando to the DoD and execute engagement plan; capture real world examples of Team Orlando success metrics to support messaging; conduct annual modeling and simulation economic impact study updates	\$350,000	\$189,599
National Center for Simulation	Execute plan to address and eliminate the shortfall in available office space infrastructure to help protect Naval Support Activity Orlando	\$350,000	\$0
Niceville (City of)	Provide an accurate, user-friendly map that the city can use to identify parcel information and changes that need to be made; identify text and land use amendments needed to address military compatibility	\$25,000	\$0
Santa Rosa County Board of Commissioners	Construct a fence to protect and add value to Naval Air Station Whiting Field through additional buffering and security	\$160,000	\$129,400
Tampa Bay Defense Alliance	Establish a local defense community organization focused on promoting and protecting MacDill Air Force Base	\$130,000	\$25,354
Tampa Bay Defense Alliance	Develop MacDill strategic plan including contracting with strategic planning specialists to manage all aspects of the plan development and roll-out; identify and engage target influencers; build on the MacDill strategic plan to create a viable strategic roadmap that demonstrates the long-term military importance of MacDill	\$225,000	\$56,250
Total		\$5,089,000	\$767,112

Source: Compiled by OPPAGA using information provided by Enterprise Florida, Inc.

**Exhibit B-4
Military Base Protection Fund**

Recipient	Purpose	Grant Amount	Expenditures for Fiscal Years 2011-12, 2012-13, and 2013-14
Okaloosa County Economic Development Council	Help fund the Economic Development Council's Innovation Center, which is designed to support the successful development of start-up companies	\$18,950	\$18,700
Okaloosa County	Retain services of Military Sustainability Partnership Coordinator for a year	\$8,580	\$6,180
Total		\$27,530	\$24,881

Source: Compiled by OPPAGA using information provided by Enterprise Florida, Inc.

Chapter 3

Quick Response Training and Incumbent Worker Training Programs

Scope

By January 1, 2016, and every three years thereafter, OPPAGA and EDR must review the Quick Response Training (QRT) and Incumbent Worker Training (IWT) programs established under ss. 445.003 and 288.047, *Florida Statutes*. The review period covers Fiscal Years 2011-12, 2012-13 and 2013-14.

Summary

CareerSource Florida administers two grant programs for Florida businesses. The Quick Response Training Program provides new or expanding businesses in target industries state grant funding for customized, skills-based training, and the federally-funded Incumbent Worker Training Program provides grants for continuing education and training of incumbent employees at existing businesses. More than \$25 million in QRT and IWT grant payments were made during the three-year review period.

Employment and wage growth varied widely for businesses that received training grants. Employment increased for both programs' grant recipients, ranging from a 15% increase for IWT recipients to a 23% increase for QRT recipients. Wages increased more gradually, with growth ranging from 8% for IWT recipients to 3% for QRT recipients.

OPPAGA analysis also determined that receiving training through a QRT grant had a significant, consistently positive effect on trainee wages, with wages increasing 8% to 12% a year after training for each of the three fiscal years examined. For employees that received training through the IWT program, results were mixed, with trainees experiencing a decline in wages during Fiscal Year 2011-12, but experiencing modest growth (2.6% to 3.1%) in the last two years examined.

QRT and IWT grant recipients are generally satisfied with the grant programs. For QRT, 88% of respondents reported that the training grant had a positive impact on their business, and 33% reported that sales increased due to the grant; 63% reported that the grant played a role in the decision to establish or expand in Florida. Similarly, for IWT, 93% of respondents reported that the training grant had a positive impact on their business, and 56% reported that sales increased due to the grant.

Fiscal agents provide several administrative services to businesses applying for QRT grants. However, although the program originally intended for fiscal agents to be the primary training providers, most fiscal agents noted that they rarely conduct training for grantees. Given that fiscal agents typically do not provide training, and considering the increased use of technology in the application and reimbursement processes, fiscal agent services may no longer be necessary. The Legislature could consider eliminating the requirement that grantees use fiscal agents, allowing businesses to choose if they wish to use fiscal agent services. If the use of fiscal agents were made optional, the funds previously used for their services could be used for additional QRT grants.

Background

Two state-administered training grant programs are available to Florida businesses—Quick Response Training and Incumbent Worker Training.⁶³ (See Exhibit 3-1.) The QRT program provides new or expanding businesses in Florida’s target industries state grant funding for customized, skills-based training. The IWT program is a federally-funded program that provides grants for continuing education and training of incumbent employees (those already employed) at existing Florida businesses. CareerSource Florida (CSF), the business-led statewide workforce investment board, administers the programs.^{64, 65}

Exhibit 3-1

Quick Response Training and Incumbent Worker Training Programs Have Different Characteristics

Characteristic	Quick Response Training	Incumbent Worker Training
Funding Source	State appropriation	Federal appropriation
Length of Training	12 to 24 months	12 months
Type of Training	Customized and skill based	Any occupational or technical skills
Qualifying Industries	State qualified target industries	Any industry ¹
Employee Status	New employees ²	Current employees
Company Match	Required ³	Required

¹ Retail establishments are ineligible for grant funding, although their corporate headquarters may be eligible.

² Grant funds can be used for current employees if the project is for company retention in Florida.

³ Eligible matching contributions may be counted toward the private sector support of Enterprise Florida, Inc., under s. 288.904, *F.S.*

Source: OPPAGA analysis.

QRT is state funded and targeted to new employees in particular industries. The 1993 Legislature established the QRT Program to meet the workforce needs of existing, new, and expanding industries.^{66, 67} The program provides grant funding for customized, skill-based training designed to meet the special requirements of businesses in Florida’s qualified target industries.⁶⁸ Industry associations from the target industry list may apply for consortium grants to serve multiple businesses in the same industry sector.⁶⁹ The program is state funded and provides grants to qualifying businesses to train their new full-time employees; for the purpose of employee retention, grants are also provided to companies that are considering leaving the state. All grant applications are given equal consideration and are processed on a first-come, first-served basis. Each grant lasts no more than 24 months. Grant recipients pay for pre-approved direct training-related costs, including instructor wages, curriculum development, and textbooks/manuals and are reimbursed for a portion of the expenses upon submission of required documentation.

⁶³ Additional training grants include Employed Worker Training and On-the-Job Training grant programs, which are administered by the 24 local workforce boards around the state.

⁶⁴ Prior to 2014, CSF was known as Workforce Florida, Inc. CSF is administratively housed within the Department of Economic Opportunity.

⁶⁵ In addition to administering these training programs, CSF provides policy oversight and designs strategies to address statewide workforce needs and oversees 24 regional workforce boards around the state.

⁶⁶ Section 288.047, *F.S.*

⁶⁷ Chapter 93-187, *Laws of Florida*.

⁶⁸ From Fiscal Year 2011-12 through 2013-14, qualified target industries were aviation and aerospace, life sciences, manufacturing, defense and homeland security, information technology, financial and professional services, logistics and distribution, cleantech, and corporate headquarters.

⁶⁹ The consortium grants are intended to fill a need for small companies creating net new jobs. Consortium grant recipients must create a minimum of 10 new jobs.

Program funds are allocated to a local fiscal agent, which can be a career center, community college, or state university. The fiscal agents manage grant contracts between CSF and grant recipients. There are 30 fiscal agents to assist local businesses in the application, reporting, and reimbursement processes; fiscal agents may keep up to 5% of the grant award amount for performing these tasks.⁷⁰ The majority of fiscal agents are community colleges, while a few are local school boards and state universities (e.g., the Hillsborough County School Board, the University of North Florida).

Recipients may provide the grant-funded training via a company employee, independent training vendor, or local fiscal agent. Although the program originally intended for fiscal agents to be the primary training providers, relatively few grant recipients use them for that purpose. Instead, most grant recipients use in-house employees or independent vendors to provide the training.

IWT is federally funded and can be used for current employees. Florida's IWT program was established and funded by the federal Workforce Investment Act of 1998 and is administered by CSF. The purpose of the program is to address current employee training needs.⁷¹ The IWT program provides grant funding for continuing education and training of incumbent employees at existing Florida businesses. The program provides grants to reimburse businesses for preapproved, direct, training-related costs. Businesses receive reimbursement directly from CSF, and there is no fiscal agent involved in the process as there is with the QRT program.

IWT grant applicants must be for-profit companies operating in Florida for a minimum of one year prior to application. Companies must demonstrate financial viability, have at least one full-time employee, and have not received an award in the previous or current program year. A training provider, educational institution, or an industry association may apply for consortium grants to serve multiple businesses in the same industry sector with the same training needs.⁷² Applications are reviewed on a first-come, first-served basis until available funding has been awarded. Priority is given to businesses

- in a qualified target industry;
- with a grant proposal representing a significant upgrade in employee skills; or
- with a grant proposal representing a significant layoff avoidance strategy.

Most companies that apply for IWT funding are eligible to have up to 50% of direct training costs reimbursed, and small companies that meet specific location criteria can have up to 75% of direct training costs reimbursed.⁷³

Other states have programs similar to Florida's QRT program. Most states offer state-funded worker training grant programs to provide customized training to specific industries. Some other states' programs provide training exclusively through educational institutions (e.g., community colleges, technical centers), while others provide training predominantly through a vendor chosen by the company. States' programs vary in terms of the types of industries funded and whether funds are given directly to the businesses or channeled through a fiscal agent, as in Florida. For example, Washington's state-funded Job Skills Program, like Florida's QRT program, requires training grant funds to be managed by a fiscal agent that is an educational institution. By contrast, Wyoming's Workforce Development Training Fund Business Training Grants program provides grant funds directly to the business entity.

⁷⁰ Section 288.047(3), *F.S.* The 2000 Legislature created the allocation of 5% for fiscal agents via Ch. 2000-165, *Laws of Florida*. This allocation is used solely for indirect costs.

⁷¹ Section 445.003, *F.S.*

⁷² Funding for each consortium training grant is capped at \$100,000. Businesses participating in a consortium training grant cannot receive an individual training grant during the same program year.

⁷³ Specific criteria for the 75% cost reimbursement include having 25 or fewer employees and being located in a rural area of critical economic concern, a rural county, a distressed area, an enterprise zone, a brownfield, or a Historically Underutilized Business Zone.

Activities

Program administration includes a due diligence review by CareerSource Florida and frequent reporting by recipients. The primary activities of the QRT and IWT programs consist of providing grants to Florida businesses to assist them in conducting training. Because QRT is a state-developed program and IWT is a federal program, the programs have slightly different administrative processes and recipient requirements. (See Exhibit 3-2.)

The QRT application review process begins when fiscal agents submit QRT applications and supporting documentation to CSF. Supporting documentation includes letters of support from the fiscal agent, regional workforce board, and local economic development organization. These letters must indicate the company's viability; demonstrate community support for the company's expansion; and establish that the company is providing customized training not available elsewhere. CSF staff reviews the elements of the request, including the course content, training time required, cost per course, amount of the grant request, anticipated outcomes, and associated wage level for jobs being created to ensure it is 115% of the local or state wage.

For the IWT program, CSF staff reviews a business's proposed training plan and conducts a budget analysis and due diligence review. External support letters are not required for IWT applications, but businesses must submit federal tax forms, proof of no tax liability with the Department of Revenue, and credit history information from the business's banker.

Contract terms for both grants range from one to two years. The contract duration for QRT grants is 12 or 24 months, while IWT contract duration is 12 months. Companies can start training as soon as they receive an approval date, and training must be completed by the contract end date. CSF reimburses QRT recipients on a cost per-hour basis, at a maximum rate of \$30 per hour for 12 to 15 hours of training, per trainee. QRT recipients must submit reports (which may include invoices) every month; IWT recipients must submit invoices at least quarterly.

Reporting and project requirements vary across the two grant programs. QRT recipients must prepare a one-page monthly status report even if no training occurs. In addition, once a company has completed some training, it sends forms for reimbursement to the fiscal agent, who in turn forwards forms to CSF. In contrast, IWT recipients submit final reports for reimbursement after they complete a training course. IWT recipients also complete one mandatory status report at six months.

Businesses receiving grants from either program have 60 days after the contract end date to submit closeout paper work for their grants. QRT recipients submit two final reports: an end of contract report and a post-training evaluation, which asks the business to assess various training outcomes and rate aspects of the grant application and reporting processes. IWT grant recipients submit a single, final report that is similar to the QRT post-training evaluation. Grant recipients do not have to document any of the training-related outcomes.⁷⁴

⁷⁴ The final QRT evaluation and final IWT report ask businesses whether the grant helped them to achieve certain outcomes, such as creating new jobs in addition to those covered by the grant, promoting employees, or achieving process efficiency gains. The reports also ask businesses to rate aspects of the program, such as CSF staff communication and responsiveness and grant reporting and reimbursement processes.

**Exhibit 3-2
Florida’s Training Grant Administrative Processes Vary Slightly by Program**

Requirements	Quick Response Training	Incumbent Worker Training
Application Review Process	<ul style="list-style-type: none"> ▪ Review proposed training plans ▪ Budgetary analysis ▪ Review external support letters 	<ul style="list-style-type: none"> ▪ Review proposed training plans ▪ Budgetary analysis ▪ Due diligence review using Department of State, Department of Revenue, and credit history information
Maximum Contract Term	<ul style="list-style-type: none"> ▪ 12-24 months, depending on the number of jobs a business has committed to create 	<ul style="list-style-type: none"> ▪ 12 months
Reporting Requirements	<ul style="list-style-type: none"> ▪ Monthly reports ▪ End of contract report ▪ Post-training evaluation report 	<ul style="list-style-type: none"> ▪ 6-month status report ▪ Final report
Reimbursement Requests	<ul style="list-style-type: none"> ▪ Businesses are required to request reimbursement on a monthly basis 	<ul style="list-style-type: none"> ▪ Businesses may request reimbursement at least quarterly

Source: OPPAGA analysis of Career Source Florida information.

More than \$25 million in QRT and IWT grant payments were made during the review period. During Fiscal Years 2011-12 through 2013-14, CSF administered 106 QRT grant contracts and 633 IWT grant contracts and made over \$25 million in contract payments. During this period, QRT grant recipients trained 21,314 employees, and IWT grant recipients trained 24,268 employees. Businesses in Brevard County received the most (\$4,127,413) QRT grant funds during this period, and businesses in Hillsborough County received the most (\$1,821,216) IWT funds. (See Appendix B for grant payments by county.) The average QRT grant award per company was \$289,543 and the average number of employees trained per company was 220; the average IWT grant award was \$14,483 and on average, 38 employees per company received training.

Companies used QRT grants for a range of training, including management or leadership, software, manufacturing processes, and customer service or customer care. Businesses often used IWT grants for management, computer skills or leadership training, as well as industry-specific training. Seventy-five percent of the QRT grants executed during the review period used only company employees for trainers, while only 10% of IWT grantees used internal trainers.

Funding

State general revenue and federal funds support QRT and IWT, respectively. CSF was appropriated \$26.6 million for its overall operations for Fiscal Year 2015-16, with the training grant programs accounting for a significant portion of this funding. Annual funding for QRT and IWT during Fiscal Years 2011-12 through 2013-14 fluctuated between \$11 million and \$15 million. (See Exhibit 3-3.)

**Exhibit 3-3
In Fiscal Years 2011-12 Through 2013-14, QRT and IWT Funding Fluctuated**

Program	Appropriations			Total for Fiscal Years 2011-12 Through 2013-14
	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	
Quick Response Training	\$6,000,000	\$6,000,000	\$12,000,000	\$24,000,000
Incumbent Worker Training	\$5,000,000	\$5,000,000	\$3,000,000	\$13,000,000
Total Appropriations	\$11,000,000	\$11,000,000	\$15,000,000	\$37,000,000

Source: OPPAGA analysis of CareerSource Florida data.

Over the last three fiscal years, QRT expenditures fluctuated from \$4.9 million to \$6.5 million. During this same period, IWT expenditures decreased, from \$3.7 million to \$1.4 million. CSF estimates that state funding for administrative purposes for the two programs is approximately \$250,000 per year. (See Exhibit 3-4.)

**Exhibit 3-4
In Fiscal Years 2011-12 Through 2013-14, Combined Training Expenditures Range From \$8.6 Million to \$10 Million¹**

Expenditure Category	Expenditures			Total for Fiscal Years 2011-12 Through 2013-14
	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	
Quick Response Training	\$5,678,088	\$4,851,343	\$6,580,568	\$17,109,999
Incumbent Worker Training	3,715,346	3,603,210	1,400,463	8,719,019
CareerSource Administrative Costs	250,000	250,000	250,000	750,000
Quick Response Training Fiscal Agents ²	283,904	242,567	329,028	\$855,500
Total Expenditures	\$9,927,338	\$8,947,120	\$8,560,059	\$27,434,518

¹ Differences between appropriated amounts in Exhibit 3-3 and expenditures reported in Exhibit 3-5, are largely due to multi-year contracts. Expenditures may occur across multiple fiscal years, including those prior to and after OPPAGA’s review period.

² CSF expenditures for fiscal agents’ fees are 5% of total QRT expenditures.

Source: OPPAGA analysis of CareerSource Florida data.

Findings

Businesses Receiving QRT and IWT Grants Experienced Wage and Employment Growth

Employment and wage growth varied widely for businesses that received state training grants. To assess the group of businesses that received QRT and IWT grants during the review period, OPPAGA compared economic outcomes for these businesses between Fiscal Year 2010-11 and Fiscal Year 2013-14; Fiscal Year 2010-11 was the year before recipients provided employees grant-funded training. Employment increased for both IWT and QRT recipients, ranging from a 15% increase for IWT recipients to a 23% increase for QRT recipients. However, wages increased more gradually, with growth ranging from 8% for IWT recipients to 3% for QRT recipients. (See Exhibit 3-5.)

Exhibit 3-5

Companies That Received Employee Training Grants Experienced Employment Growth and Wage Growth Between Fiscal Years 2010-11 and 2013-14

Program	Number of Businesses for Which Data Was Available ¹	Employment Growth	Wage Growth
Quick Response Training	112 ²	23%	3%
Incumbent Worker Training	896 ³	15%	8%
Statewide	2.4 million ⁴	8%	6%

¹ Some companies had multiple locations per city.

² These businesses represented 56 unique companies.

³ These businesses represented 398 unique companies.

⁴ This number represents the average number of total establishments in Florida in Fiscal Years 2010-11 and 2013-14.

Source: OPPAGA analysis of Department of Economic Opportunity data.

Most of the businesses that received Quick Response Training and Incumbent Worker Training grants during the review period represented the same major industries, with a few exceptions. For example, both QRT and IWT recipients included businesses in the manufacturing, wood products manufacturing, finance and insurance, professional, scientific and technical services, wholesale trade, and administrative and support and waste management remediation sectors. By contrast, several IWT recipients included businesses that were not represented in the group of QRT businesses, including construction, transportation and warehousing, health care and social assistance, and retail trade.

QRT Trainee Wages Increased Because of the Program; IWT Trainees Had Mixed Results That Cannot Be Directly Linked to the Program

To determine the effects of the Quick Response Training and Incumbent Worker Training programs on the wages of trainees, OPPAGA conducted a matched pair regression analysis.⁷⁵ The analysis used Florida Education and Training Placement Information Program (FETPIP) data to compare the wages of individuals who received training to similar individuals who did not receive training.⁷⁶ Individual matching was accomplished by selecting characteristics of individuals in FETPIP data that resemble relevant features of individuals who received QRT or IWT training. These characteristics include starting salaries, years in the workforce, industry in which employed, and highest education attained.⁷⁷ The matched pair regression analysis compared the changes in wages for these two groups over a selected period.

The analysis showed that receiving training through a QRT grant had a significant, consistently positive effect on wages. Specifically, even while controlling for the effect of other factors (e.g., industry, educational attainment), QRT trainee wages increased 8% to 12% a year after training for each of the three fiscal years examined. Moreover, employees that received QRT made more money the year following QRT than did their non-QRT counterparts. (See Exhibit 3-6.)

For employees that received training through the IWT program, the results were mixed. For example, trainees experienced a decline in wages (-.08%) during Fiscal Year 2011-12, but during the last two fiscal

⁷⁵ Over the three fiscal years, the total number of individuals used ranged from 6,711 to 8,310, in the QRT analysis and from 4,552 to 9,621 in the IWT analysis.

⁷⁶ FETPIP is a data collection and consumer reporting system established by s. 1008.39, F.S., to provide follow-up data on former students and program participants who have graduated, exited, or completed a public education or training program within Florida. The statute requires all elements of Florida's workforce development system to use information provided through FETPIP.

⁷⁷ OPPAGA collapsed the industry codes to the two-digit level to increase the number of individuals it could capture for a match. Educational attainment was available for 46% of the QRT participants and 34% of the IWT participants. In cases where the educational attainment was unknown, the match to the comparison group was also made to a record with unknown educational attainment.

years examined, experienced modest growth (2.7% to 3.1%). Although the wages of IWT trainees did increase, the analysis shows that these increases could not consistently be attributed to the training. (See Exhibit 3-6.)

Exhibit 3-6

QRT Trainee Wage Increases Were Attributable to Training, but IWT Wage Increases Were Not Attributable to Training

	Quick Response Training			Incumbent Worker Training		
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Median Annual Wages of Trainees During Training	\$39,426	\$34,394	\$49,398	\$48,834	\$50,734	\$51,375
Median Annual Wages of Trainees One Year After Training	\$43,640	\$38,594	\$53,508	\$48,794	\$52,305	\$52,743
Increase in Wages	\$4,214	\$4,200	\$4,110	-\$40	\$1,571	\$1,368
Percent Increase in Wages	10.69%	12.21%	8.32%	-.08%	3.10%	2.66%
Does the training have a statistically significant positive effect on the following year’s wages, when compared to a group from a similar industry, with similar wages, education, and experience?	YES	YES	YES	NO	YES	NO

Source: OPPAGA analysis of Florida Education and Training Placement Information Program data.

QRT and IWT Grant Recipients Are Generally Satisfied

The Quick Response Training and Incumbent Worker Training programs’ expected benefits to businesses include increased competitiveness, a more highly skilled workforce, increased profits, and reduced employee turnover. The expected benefits to employees include advancement and increased job opportunities, job retention, and transportable/transferable skills. OPPAGA surveyed businesses that received training grants to assess their satisfaction with the programs and the associated benefits.

QRT grant recipients are satisfied with the program but have suggestions for improvement. OPPAGA surveyed 97 businesses that received a QRT grant between July 1, 2011, and June 30, 2014.⁷⁸ Most (88%) of the respondents reported that the training grant had a positive impact on their business, and 33% reported that the business’ sales increased due to the grant. Sixty-three percent of responding businesses reported that the grant played a role in the decision to establish or expand in Florida. The most frequently reported program benefits were increased employee knowledge (75%) and employee value (50%). According to survey respondents, if businesses had not received the grant, 17% would have conducted training as planned, 63% would have scaled the training back, 17% would have postponed training, and 4% would have cancelled the training. Sixty-three percent of responding businesses reported that they would seek another QRT grant in the future.

Many respondents reported that they are satisfied with the fiscal agent’s assistance with reporting (71%) and reimbursement (67%). Moreover, 63% reported that the fiscal agent is valuable or very valuable. Many respondents reported that they are satisfied with the program application (67%), approval (75%), reimbursement (58%), and reporting (63%) processes. However, a few businesses indicated that the grant reporting process is burdensome and that the reimbursement process is too lengthy. For example, businesses reported that it is too difficult to amend positions listed in the original application and that reimbursements should be provided within 30 to 45 days of submitting a report rather than 60 to 90 days after submission.

⁷⁸ OPPAGA received complete survey responses from 24 businesses; 22 surveys were undeliverable. The response rate was 32%.

IWT grant recipients are satisfied with the program but have suggestions for improvement. OPPAGA surveyed 569 businesses that received an IWT grant between July 1, 2011, and June 30, 2014.⁷⁹ Most (93%) respondents reported that the training grant had a positive impact on their business, and 56% reported that their sales increased because of the training grant. The most frequently reported program benefits were increased employee knowledge (64%) and employee value (41%). According to survey results, if businesses had not received the grant, 12% would have conducted training as planned, 46% would have scaled the training back, 22% would have postponed the training, and 20% would have cancelled the training. Seventy percent of respondents reported that they would seek another IWT grant in the future.

Most respondents reported that they are satisfied with the program application (81%), approval (84%), reimbursement (76%), and reporting (75%) processes. However, a few businesses reported that the application and approval process requires duplicative information and that required documentation can be cumbersome, especially for small businesses. Some businesses suggested that the application and reporting processes should be simplified and made fully electronic, with reduced paperwork.

QRT Fiscal Agents Provide Administrative Support, Not Training Services; Their Role Diminished as the Grant Process Became More Automated

Fiscal agents provide several administrative services to businesses applying for Quick Response Training Program grants. In general, fiscal agents reported that they provide businesses technical assistance with QRT grant applications and review businesses' reimbursement reports for accuracy, but the degree to which they provide these services varies significantly across fiscal agents.⁸⁰ For example, some fiscal agents reported that they are involved in the QRT grants at the economic development level (e.g., working with local economic development organizations to recruit companies to Florida), while others are minimally involved in administering grant paperwork. Similarly, some fiscal agents reported that they spend a great deal of time on grant-related activities and the 5% administrative fee does not always cover their costs, while others did not have concerns about workload or administrative costs.

Although the program originally intended for fiscal agents to be the primary training providers for the grants, most fiscal agents noted that they are rarely or never the provider because the training is highly specialized or because the business selects an internal trainer. This is consistent with data from CareerSource Florida, which showed that the fiscal agents rarely (7 of 106 training grants) provided training to the businesses that received grants during the review period.⁸¹ In addition, fiscal agents do not review or assess curriculum or providers to help ensure training quality and effectiveness, reporting that they do not perceive this as their role and businesses have not solicited such input.

Fiscal agents criticized some aspects of QRT program processes. For example, they would like to have a mechanism for requiring businesses to timely submit information and more immediate feedback from CSF confirming receipt of information from businesses or commenting on the quality of applications. Fiscal agents presented a range of ideas on how to improve the program, including more widely advertising the grants, automating notices from CSF regarding application receipt and reimbursement status, and providing agents additional training and role and process clarification.

⁷⁹ OPPAGA received complete survey responses from 153 businesses; 96 surveys were undeliverable. The response rate was 32%.

⁸⁰ OPPAGA interviewed 9 (of 30) fiscal agents who administered QRT grants of varying number and size. These agents had managed from 1 to 11 QRT grants over the course of the review period.

⁸¹ In the letter of support to CSF, fiscal agents must attest to whether the requested training course is part of their institution's curriculum. CSF reported that colleges are not providing such specialized training.

CSF staff noted that they have automated the application and reporting processes and are working on automating the reimbursement process. These changes have streamlined the grant process, making it easier for recipients to submit information and communicate directly with CSF staff. Thus, the need for fiscal agents to perform program administrative tasks is greatly diminished. Moreover, with these changes, CSF staff believes that their workload would not increase significantly if fiscal agents were no longer part of the process.

Recommendations

State law requires that Quick Response Training Program grant funds flow through fiscal agents that receive a 5% administrative fee for their services. During the three years of OPPAGA's review, fiscal agents received approximately \$860,000 for grant administration activities. Given that fiscal agents rarely provide training services to grantees as originally intended, and considering the increased use of technology in the application and reimbursement processes, CareerSource Florida may no longer need fiscal agent services. If CSF's automation efforts and current staffing levels are adequate to support the grant process, the Legislature could consider eliminating the requirement that grantees use fiscal agents, allowing businesses to choose if they wish to use fiscal agent services. If the use of fiscal agents were made optional, the funds previously used for their services could be used for additional QRT grants.

Appendix A

Quick Response Training and Incumbent Worker Training Grant Award Eligibility Criteria

Exhibit A-1

Businesses Must Meet Several Criteria to Qualify for QRT and IWT Grants

Program	Eligibility Criteria
Quick Response Training	<ul style="list-style-type: none"> • Be “for profit” and create new, permanent, full-time (35+ hours per week) jobs for workers requiring customized entry-level skills training not available at the local level • Create new, full-time, permanent, high-quality jobs in qualified target industries • Require non-degree, specialized skill-based training of 24 months or less not available at the local level • Create high-quality jobs paying an average annual wage of at least 115% of local or state private sector wages, whichever is lower <ul style="list-style-type: none"> ○ Exception: For businesses located in a distressed urban or rural community, enterprise/empowerment zone, or brownfield area, average annual wage means the average, for a 12-month period or, if less than a 12-month period, converted to a 12-month period, of actual wages ○ Wages includes salaries, commissions, bonuses, drawing accounts (against future earnings), prizes and awards (if given by the employer for the status of employment), vacation pay, sick pay, and other payments paid to employees consistent with the Department of Economic Opportunity’s definition. Benefits are not included. • Produce an exportable (beyond regional markets) good or service • Provide sufficient documentation for identification of all participants that would allow access through the automated student databases pursuant to s.288.047(5)(e), <i>F.S.</i>, or electronic listings by social security number for calculation of performance measures, and any other outcomes as specified in s.1008.39, <i>F.S.</i>, or deemed pertinent to CareerSource Florida • May not qualify for funding if relocating from one Florida community to another Florida community
Incumbent Worker Training	<p>For reimbursement of 50% of training costs</p> <ul style="list-style-type: none"> • Be a “for-profit” company in the state of Florida • Operate for a minimum of one year prior to application date • Demonstrate financial viability by providing <ul style="list-style-type: none"> ○ most recently filed IRS Form 941 (if the business is a corporation) or a most recently filed copy of the 1040 Income Tax Return with Schedule SE (if the business is a sole proprietorship); ○ letter of tax clearance from the Department of Revenue dated within 45 days of application submittal; and ○ letter of credit from a bank the company has done business with for at least six months; the letter must be on bank letterhead • Comply with the non-discrimination and equal opportunity provisions of Section 188 of the Workforce Investment Act of 1998; Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975; Title IX of the Education Amendments of 1972; and 29 C.F.R. Part 37 • Have at least one full-time employee (must be Florida resident and W-2 employee); for a sole-proprietor where the business owner is the only employee, the sole-proprietor may be considered as the full-time employee • Have not received an award in the previous or current program year • In times of lower program funding, priority is given to businesses <ul style="list-style-type: none"> ○ in a qualified target industry; ○ with grant proposals representing a significant upgrade in employee skills; and ○ with grant proposals representing a significant layoff avoidance strategy <p>For reimbursement of 75% of training costs, additional requirements include</p> <ul style="list-style-type: none"> • Have 25 or fewer employees • Be located in a rural area of critical economic concern, rural county, distressed area, enterprise zone, brownfield or historically underutilized business zone

Source: CareerSource Florida and s. 288.047, *F.S.*

Appendix B

Quick Response Training and Incumbent Worker Training Grant Awards, Fiscal Years 2011-12 Through 2013-14

Exhibit B-1

During the Three-Year Review Period, QRT Grants Totaled \$17.1 Million and IWT Grants Totaled \$8.7 Million

County	Quick Response Training			Incumbent Worker Training ¹		
	Number of Grants	Number of Employees Trained	Cumulative Amount Paid	Number of Grants	Number of Employees Trained	Cumulative Amount Paid
Alachua	8	383	\$576,078	5	140	\$36,298
Brevard	4	7,102	\$4,127,413	40	1,828	\$670,383
Broward	4	1,308	\$485,667	88	4,174	\$982,768
Charlotte				3	29	\$28,125
Clay	1	9	\$13,949			
Collier				4	70	\$41,400
Duval	8	512	\$620,902	20	658	\$321,323
Escambia	5	757	\$771,872	10	727	\$153,209
Gadsden				1	101	\$50,000
Hernando				5	47	\$51,560
Highlands	1	16	\$37,784			
Hillsborough	10	1,592	\$1,292,163	102	4,590	\$1,821,216
Jackson	1	64	\$36,053			
Lake				2		
Lee	5	254	\$271,293	18	1,484	\$329,454
Leon	1	42	\$63,372	7	327	\$155,887
Manatee	5	340	\$410,374	12	1,286	\$237,782
Marion	2	290	\$241,081	8	142	\$74,355
Martin	1	72	\$81,470	10	217	\$102,424
Miami-Dade	2	55	\$11,079	55	1,503	\$580,750
Northwest Florida	1	20	\$32,956			
Nassau				2	122	\$100,000
Okaloosa				5	119	\$147,764
Okeechobee	1	17	\$28,570	1	2	\$7,800
Orange	8	1,194	\$746,548	46	1,943	\$580,400
Osceola	1	27	\$33,663	3	132	\$57,665
Palm Beach	5	639	\$883,260	52	1,150	\$506,575
Pasco				9	49	\$51,427
Pinellas	4	852	\$401,592	65	1,515	\$941,857
Polk	8	530	\$565,840	12	523	\$201,552
St. Johns	1	327	\$204,479	1	6	\$7,483
St. Lucie	1	43	\$55,471	5	239	\$76,361
Santa Rosa				3	189	\$32,434

Quick Response Training				Incumbent Worker Training ¹		
County	Number of Grants	Number of Employees Trained	Cumulative Amount Paid	Number of Grants	Number of Employees Trained	Cumulative Amount Paid
Sarasota				8	312	\$77,010
Seminole	5	616	\$1,032,258	15	182	\$100,048
Statewide	3	1,628	\$1,467,581			
Statewide	1	856	\$696,767			
Statewide	1	97	\$153,450			
Statewide	3	965	\$1,218,687			
Statewide	1	34	\$41,043			
Suwanee	1					
Taylor	1	83	\$119,192			
Volusia	2	590	\$388,093	13	254	\$100,372
Walton				2	21	\$50,110
Washington				1	187	\$43,227
Total	106	21,314	\$17,109,999	633	24,268	\$8,719,019

¹ IWT payment totals include some payments made in 2015 for training that occurred during 2014.

Source: OPPAGA analysis of CareerSource Florida data.

Chapter 4

International Trade and Development Programs

Scope

By January 1, 2016, and every three years thereafter, OPPAGA and EDR must review international trade and promotion programs established or funded under s. 288.826, *Florida Statutes*, and administered by Enterprise Florida, Inc. The review period covers Fiscal Years 2011-12, 2012-13, and 2013-14.

Summary

Enterprise Florida, Inc.'s international trade and development unit assists Florida companies that seek to export goods and services, and works to attract foreign direct investment in Florida businesses. Primary activities include export education and counseling, coordinating trade missions, promoting state export activities through trade shows, and administering grant programs. EFI receives about \$6 million each year to support these activities. The organization distributed \$1.2 million in grant awards over the three-year review period.

Nationally, Florida ranks second in the number of companies that export. Florida's top 10 exports include a wide range of products, from mineral/chemical fertilizers to aircraft parts. The state's highest dollar value export is civilian aircraft, engines, and parts. Forty-five states export in the same category, with Florida ranking 7th out of these states.

Stakeholders expressed support for EFI's international trade and promotion activities. They stressed the importance of the foreign offices that reinforce Florida's presence around the world. Stakeholder statements following trade shows and missions highlight the advantages that companies see in building relationships and networks in foreign countries to help them increase export sales.

However, EFI cannot accurately assess performance using existing export sales and foreign investment data. EFI reports unverified export sales data and aggregates actual and expected sales, which may overstate performance. In addition, divided responsibilities and different performance standards for the foreign offices and EFI's business development unit, combined with a lack of follow-up on project status, make it difficult to assess foreign direct investment.

While a major goal of EFI's efforts is to help exporting companies diversify the markets they serve and increase the number of companies that export, EFI could enhance how it measures performance in these areas. Moreover, EFI awards the majority of the grants to a relatively small number of companies, which raises concerns about efforts to encourage new companies to pursue exporting. OPPAGA's review of EFI grant data found that for a three-year period, 63% of grants were awarded to 36% of the companies.

Given the importance of international trade to Florida's economy and the state's ability to compete in global markets, OPPAGA recommends that EFI improve the collection and reporting of information to assess its international trade and development efforts and explore options to provide additional assistance to companies new to exporting.

Background

Florida is one of several states that provide international trade and development through a public-private entity. Specifically, the state's Department of Economic Opportunity (DEO) contracts with Enterprise Florida (EFI) to conduct various activities related to international trade. Other states with public-private international trade organizations include Arizona, Indiana, Iowa, Maine, Michigan, New York, North Carolina, Rhode Island, Virginia, Wisconsin, and Wyoming. Most other states have international trade offices located within state agencies (state departments of commerce or economic development) or within a governor's office of economic development.

Activities

EFI seeks to expand and diversify the state's economy through job creation. To fulfill its mission, EFI international trade and development staff assist Florida companies that seek to export goods and services, and works to attract foreign direct investment that occurs when foreign firms establish operations or invest in Florida businesses. Both exports and foreign direct investment can lead to new Florida jobs and increased capital investments.

EFI coordinates trade missions, typically led by the Governor or other high-ranking state officials. Trade missions bring together large business development delegations comprised of private and public sector leaders who visit target markets of high opportunity. Recent EFI trade missions included trips to Brazil, Chile, Colombia, Panama, France, and the United Kingdom. EFI also promotes state export activities through trade shows, which are industry-specific events (e.g., international medical or aerospace events) where businesses 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 their products or services.

In addition, EFI administers three main grants that provide funds to help businesses pay for trade mission and trade show expenses and defray the cost of creating an export marketing plan. An export marketing plan includes a thorough export readiness assessment, industry and market analysis with target market recommendations, a review of overseas trade opportunities, and an action plan that may include participation in other EFI activities, such as trade missions or trade shows. EFI contracts with the state's Small Business Development Center to prepare these plans. EFI also provides free export counseling for businesses and participates in educational seminars and other events where businesses can learn about international trade assistance available to companies seeking to expand to foreign markets.

Finally, to promote foreign direct investment, EFI contracts with 13 full service foreign offices and 2 liaison offices in 13 countries.⁸² The foreign offices perform several functions that support EFI's international trade activities abroad, including recruiting companies and generating foreign direct investment leads in foreign markets.⁸³ The offices work under performance-based contracts that specify a scope of work that includes networking; handling all official correspondence and business development activities in country; promoting Florida and introducing the country's business community to business opportunities in the state; organizing and participating in promotional events; organizing business development missions; and identifying sponsorships of EFI seminars in the country.

⁸² 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 Taiwan and the Czech Republic.

⁸³ The offices refer leads to EFI's Business Development Unit, which often works directly with the companies.

Funding

EFI receives about \$6 million each year to support international trade and development activities; payroll and foreign office contracts comprise the largest portion of expenditures. Enterprise Florida, Inc.’s International Trade and Development unit received \$6.6 million in funding for Fiscal Year 2013-14; funding increased during the three-year review period. (See Exhibit 4-1.) The Legislature allocates funds for the unit from the Florida International Trade and Promotion Trust Fund, which receives 4.25% of the state’s rental car surcharge tax. State funds account for more than two-thirds of the total budget from Fiscal Year 2011-12 through Fiscal Year 2013-14. Federal grant assistance is provided through the U.S. Small Business Administration. Other funding sources include revenues from EFI-sponsored events.

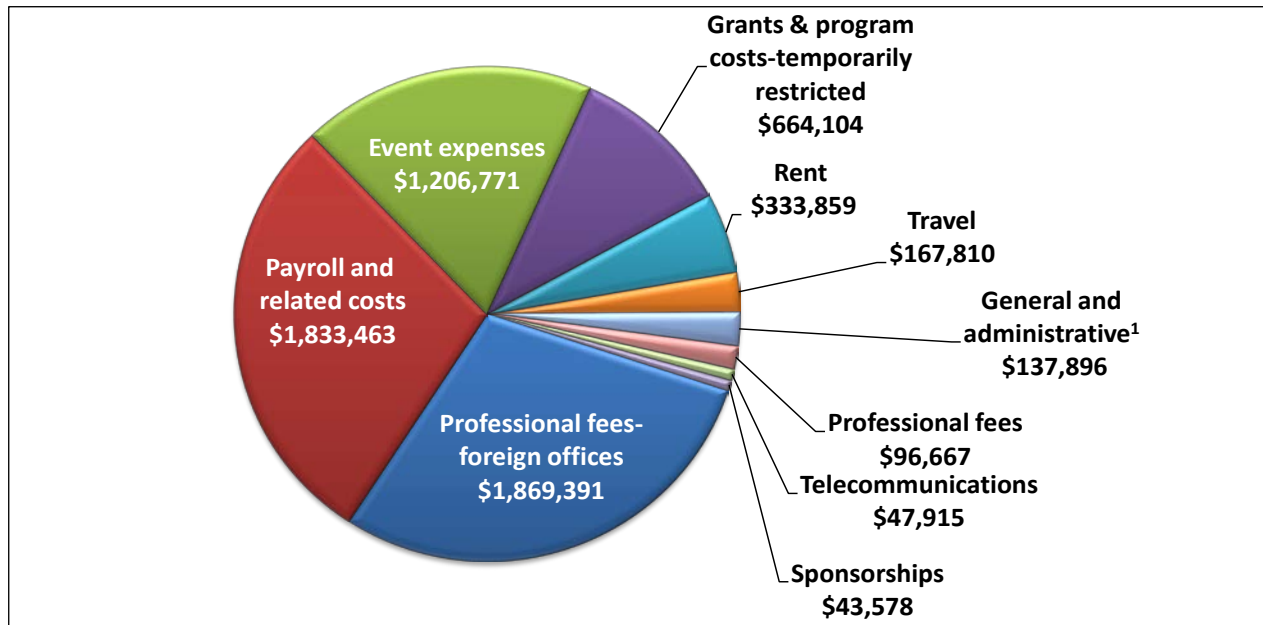
**Exhibit 4-1
From Fiscal Year 2011-12 Through Fiscal Year 2013-14, Revenue for International Trade and Development Increased From \$5.6 Million to \$6.6 Million**

Revenue Source	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
State Operating Assistance	\$4,082,817	\$4,524,471	\$4,882,824
Event Revenue	752,227	865,017	842,054
State Grant Assistance	–	–	350,000
Federal Grant Assistance	631,407	711,500	467,479
Other Income	98,707	104,304	44,888
Total	\$5,565,158	\$6,205,292	\$6,587,245

Source: Enterprise Florida, Inc.

For Fiscal Year 2013-14, payroll expenses topped the list of EFI’s expenditures, followed by foreign office contracts. Payroll expenditures amounted to \$1.8 million for 17 FTES. Currently, International Trade and Development has 19 FTEs—11 at EFI’s Coral Gables office, 4 at EFI’s Orlando office, and 4 co-located with other organizations such as local economic development organizations. During the same period, expenditures for foreign office contractors totaled \$1.8 million. (See Exhibit 4-2.)

**Exhibit 4-2
For Fiscal Year 2013-14, EFI Expended \$6.6 Million on International Trade and Development; Foreign Office Contracts and Payroll Accounted for the Highest Expenditures**



¹ Costs for EFI’s Administration Division (which provides company-wide support for Accounting, Contracts, Data Support, Executive Office, Human Resources, IT, and Legislative Affairs) are not allocated to the program units.

Source: Enterprise Florida, Inc.

EFI grant funds support exporting companies; grant awards totaled \$1.2 million over three fiscal years. Three main grant types help companies seeking to expand to foreign markets—Target Sector, Gold Key, and Export Marketing Plan. Target Sector Grants provide funding to cover certain costs associated with trade shows and mission trips. Gold Key Grants help companies with expenses related to mission trips or to pay for matching services where companies can meet one-on-one with interested buyers. Export Marketing Plan Grants provide detailed industry analysis of possible foreign markets.⁸⁴

State and federal funds support target sector, gold key, and export promotion grant funding. The federal government provided grant funds in Federal Fiscal Years 2011-12 and 2012-13 (federal funds were extended until March 2014).⁸⁵ In addition, the Legislature provided \$350,000 in grant funds for state Fiscal Year 2013-14.

For calendar years 2011-14, which include the three fiscal years under review, 422 grants were awarded to 247 companies. (See Exhibit 4-3.) These grants amounted to \$1.2 million. State funds paid for 130 grants in Fiscal Year 2013-14, with federal funding supporting grants during Fiscal Years 2011-12 through 2013-14.

Exhibit 4-3

In Calendar Years 2011 Through 2014, Federal and State Funded Grants Helped Recipients with Export Plans and Travel for Trade Mission Trips and Trade Shows¹

Grant Type	2011		2012		2013		2014		Total	
	Number of Grants	Amount Paid	Number of Grants	Amount Paid	Number of Grants	Amount Paid	Number of Grants	Amount Paid	Number of Grants	Amount Paid
Export Marketing Plan	6	\$3,800	14	\$22,225	24	\$65,395	16	\$59,424	60	\$156,844
Gold Key/ Matchmaker	5	\$3,185	36	\$95,660	41	\$121,251	20	\$74,515	102	\$294,612
Target Sector Trade	17	\$9,880	65	\$170,489	88	\$259,720	52	\$167,937	222	\$608,026
Other ²	6	\$5,145	7	\$13,500	11	\$39,725	14	\$40,139	38	\$98,509
Grant Total	34	\$22,010	122	\$307,875	164	\$486,091	102	\$342,016	422	\$1,157,991

¹ The information in the exhibit is based on the date paid. EFI used state funds appropriated in Fiscal Year 2013-14 for grants in Fiscal Year 2014-15 that were outside the scope of our review. As a result, funds allocated do not match funds paid.

² The “other” grants category includes the “Florida Online Expo” and the “Catalog Show.” These grants were offered for a limited time and are no longer available.

Source: OPPAGA analysis of EFI data.

The grant application process is similar for all types of EFI administered grants. Companies apply for grants using program-specific forms, which international trade and development staff reviews; EFI’s Vice President for International Marketing and Research approves funding allocations. Grantees must sign a document agreeing to the terms and conditions of the grant. Target Sector and Gold Key grants provide a 50% match up to a grant-specific cap for allowable expenses (i.e. trade show booth costs, appointments, or matchmaking services).⁸⁶ Following participation in an EFI event, each attendant (including grant recipients) fills out a form to report the impact of the event on their business, including estimates of event-specific actual and anticipated sales. A single company may receive a maximum of three total grants in each fiscal year.

⁸⁴ Export promotion plans are developed under EFI’s contract with the Small Business Development Council. The company pays \$500 toward the cost and EFI pays \$3,000. Each year the council prepares approximately 25 export plans for companies identified by EFI.

⁸⁵ While the federal program has been extended, EFI has not requested additional federal funds. According to international trade and development officials, federal program requirements are burdensome to grantees and to the unit’s small staff.

⁸⁶ For Fiscal Year 2013-14, Target Sector Trade Grants provided up to \$6,000 in matching costs for a trade show booth package rental. Federal funds for grants related to events in Asia may be awarded up to a maximum of \$7,500. The additional amount sought to attract more Florida companies to expand trade to Asian markets.

When EFI established its grant program in 2011, applicants were not restricted in terms of applying for funds to attend the same international event in subsequent years. In 2013, EFI implemented a policy to prohibit recipients from applying for a second grant to attend an event for which they previously received funding. In 2014, following discussions with the business community, EFI revised the policy to be responsive to concerns that more time is needed to fully establish a presence at a particular event. The current policy, effective May 2014, allows companies to apply for a second grant for the same trade show if the company was “new to show” at the prior show.⁸⁷

Findings

Nationally, Florida ranks high on some export measures

States compete for economic development projects, including international trade opportunities. In addition, within states, regional economic development entities, local governments, and other groups also work to increase international trade and foreign investment. Success in international trade and investment means economic growth, more jobs, and higher employee wages. Given the heightened competition in the international market, it would be beneficial to understand whether Florida’s international trade and development efforts are successful. However, comparing the success of states’ international trade activities is challenging due in part to limitations in national export data; variation in the types of state exports further limits state-to-state comparisons.

Florida ranks high in the number of exporting companies, export jobs, and export value. Compared to top nationally ranked export states, Florida ranks second in the number of companies that export. (See Exhibit 4-4.) In addition, the state ranks sixth in export-related jobs and seventh in the total value of exports; however, the U.S. Census Bureau notes that due to data limitations, this information should be used cautiously when evaluating state-by-state export performance.⁸⁸

Exhibit 4-4

Florida Ranks Second in the Number of Companies That Export Goods or Services

States	Number of Companies that Export		U.S. Jobs Supported by Exports		Total Value of Merchandise Exports (Billions)	
	Rank	Amount	Rank	Amount	Rank	Amount
California	1	75,175	2	775,320	2	\$174
Florida	2	61,489	6	270,473	7	\$59
Texas	3	41,558	1	1,117,318	1	\$289
New York	4	40,293	4	389,957	4	\$86
Illinois	5	22,770	5	345,050	5	\$68
Washington	6	12,646	3	390,690	3	\$91
Louisiana	7	3,825	7	170,200	6	\$65

Source: U.S. Department of Commerce, International Trade Administration data from 2013 and 2014.

⁸⁷ According to officials, grant requirements have evolved as EFI “learned how the grants could best benefit Florida companies in doing business overseas, balanced with [EFI’s] mission to have them diversify where they are doing business overseas.”

⁸⁸ Origin of movement information on exports is intended to capture the point from which a good begins its journey to the port. In many cases, origin of movement is the same as origin of production, especially if manufacturers ship exports directly from the factory or from nearby distribution centers. However, the data in some cases will show considerable manufactured exports from states known to have little manufacturing capability. In addition, the data relies on forms completed by U.S. exporters on official Shippers Export Declarations and may include errors when in-state intermediaries export out-of-state products via in-state distribution centers. The data only includes direct exports, or those final goods shipped to a destination outside the U.S. Indirect exports are typically intermediate goods, parts or other inputs that are shipped within the U.S. and subsequently incorporated into final export goods. The number of exporting companies reflects companies exporting from a particular state. Finally, export job figures are estimated based on the value of exports and therefore subject to the same errors as total exports.

Florida’s top 10 exports highlight differences across states. Florida’s top 10 exports include a wide range of products, from mineral/chemical fertilizers to aircraft parts. (See Exhibit 4-5.) The state’s highest dollar value export is civilian aircraft, engines, and parts; 45 states export in the same category, with Florida ranking seventh out of these states. Washington is the number one exporter in this category; the state is home to 1,350 aerospace-related business establishments, including the Boeing Company. It should be noted that for several exports, the total number of exporting states is small, making rankings somewhat less meaningful. For example, Florida is one of only two states with significant exports of phosphate. In addition, while Florida ranks third in gold exports, international trade and development officials noted that these are goods that enter Florida from other countries and are subsequently re-exported.

Exhibit 4-5

Florida Ranks First in the Nation in 3 of its top 10 Exports¹

	Florida's Top 10 Exports	Dollar Value of Florida's Exports (Millions)	Florida's Rank among Exporting States	Number 1 State	Number 1 State Dollar Value (Millions)
1	Civilian Aircraft, Engines, and Parts	\$4,782	7/45	WA	\$47,780
2	Gold, Nonmonetary, Unwrought (in semi-manufactured forms or in powder form), Not Elsewhere Specified or Indicated	\$3,551	3/7	NY	\$8,113
3	Phones for Cellular Networks or for Other Wireless Networks	\$2,922	1/10	FL	\$2,922
4	Mineral or Chemical Fertilizers (Diammonium Hydrogenorthophosphate)	\$1,054	1/1	FL	\$1,054
5	Portable Digital Automatic Data Process Machines	\$992	2/8	CA	\$1,901
6	Machines for Reception/Conversion/Transmission or Regeneration of Voice/Images or Other Data	\$972	3/20	CA	\$5,313
7	Passenger Vehicles with Spark-Ignition Internal Combustion Reciprocation Piston Engine >1500 Cc	\$938	11/22	SC	\$4,327
8	Electronic Integrated Circuits/Processors and Controllers	\$919	6/13	TX	\$4,742
9	Parts & Accessories for Automatic Data Processing Machines & Units	\$748	3/10	TX	\$10,010
10	Mineral or Chemical Fertilizers (Ammonium Dihydrogenorthophosphate)	\$745	1/2	FL	\$745

¹ States vary widely in the products they export. Due to these differences in the types of exports across states, it is difficult to identify and compare Florida with like states.

Source: U.S. Census Bureau.

EFI collaborates with many entities; stakeholders and grantees support its international trade and development activities

Enterprise Florida, Inc., works with numerous federal, state, and local organizations to increase international trade and foreign direct investment. EFI’s coordination with these entities is important, because they perform many similar activities, including education and counseling services for small- and medium-size businesses, trade missions, and grants or other financial assistance. Examples of organizations that EFI works with include those described below.

- **Federal Government** – Small Business Administration, Department of Commerce, Export-Import Bank
- **State Government** – Department of Transportation, VISIT FLORIDA, SPACE Florida

- **Other statewide entities** – Florida International Trade Partnership, Florida Export Finance Corporation, Florida Economic Development Council, Florida Ports Council, Florida Chamber of Commerce, Manufacturers Association of Florida
- **Local and regional economic development organizations** –The Tampa Bay Export Alliance, the Beacon Council, the Space Coast Economic Development Commission, various city and county economic development offices

Business and government stakeholders expressed favorable opinions of EFI's international trade and development efforts. OPPAGA interviewed various state, regional, and local international trade organizations and found that they support EFI's international trade activities. Stakeholders expressed optimism regarding Florida's efforts to diversify export opportunities, especially growth in the Asian market once the expansion of the Panama Canal is completed.⁸⁹ Experts anticipate that the expansion could increase business' access to markets in Asia and elsewhere and shift imports from west coast ports to Florida ports. Stakeholders also expressed support for Florida's foreign offices and emphasized the importance of having an overseas presence so that international markets recognize Florida's established presence as an actively exporting state.

According to EFI, grant recipient statements and surveys conveyed positive opinions about trade show and mission experiences. Grantees and others emphasized the importance of grant assistance to businesses that have little or no export experience.⁹⁰ Small- and medium-sized businesses emphasized how important grant funding is to the ability to participate in trade shows. Other benefits grantees highlighted included

- making contact with government entities and learning about the requirements for sales of certain products;
- networking with potential consumers and building relationships with foreign company representatives;
- securing new accounts and additional export sales; and
- expanding production that resulted in hiring more employees.

Moreover, results from EFI's Fiscal Year 2013-14 annual customer satisfaction survey found that 97% of respondents were satisfied with the overall services provided. In addition, 81% indicated that they were very likely to recommend EFI to others.⁹¹

EFI cannot accurately assess performance using existing export sales and foreign investment data

States commonly measure their efforts to help businesses identify international markets and customers as well as foreign investors. These measures may include the number of businesses that states assist through export counseling and education seminars, as well as information on export sales and foreign direct investment. However, the value of such measures depends on how data is collected and verified.

Export sales data are largely unverified and therefore may overstate performance. EFI measures export sales that occur when businesses participate in overseas trade shows and EFI-sponsored trade missions. Following the event, participating businesses report "actual" and "expected" sales resulting from the event. This information is collected in an export sales report form that businesses submit to EFI representatives immediately following a trade event.

⁸⁹ These diversification efforts are important because currently, 64% of Florida exports go to Western Hemisphere nations.

⁹⁰ Company statements in support of EFI's trade shows, mission trips, and grant awards did not include criticism of EFI's activities.

⁹¹ EFI contracts with a third party vendor to conduct its satisfaction survey. The survey response rate was 27%, with an error rate of +/-8.5%.

EFI typically reports “projected export sales” figures that combine both actual and anticipated sales. OPPAGA requested that EFI provide disaggregated data for actual and anticipated sales during the three years under review. (See Exhibit 4-6.) For Fiscal Years 2011-12 through 2013-14, EFI reported approximately \$2.1 billion in total export sales; of this amount, approximately \$235 million (11%) was actual sales and over \$1.8 billion (89%) was anticipated sales. In addition, EFI separately reported export sales for the foreign offices, with \$8 million (12%) in actual sales and \$58 million (88%) in anticipated sales.

Exhibit 4-6

EFI's Export Sales Reports Include Actual and Anticipated Sales

Fiscal Year	EFI International Trade Development		Foreign Offices	
	Actual Export Sales	Anticipated Export Sales	Actual Export Sales	Anticipated Export Sales
2011-12	\$56,276,133	\$585,858,608	\$0	\$3,500,000
2012-13	81,046,941	613,317,039	4,915,300	28,899,000
2013-14	97,690,492	694,608,021	3,183,108	25,354,000
Total	\$235,013,566	\$1,893,783,668	\$8,098,408	\$57,753,000

Source: Enterprise Florida.

However, there are significant limitations to this data. First, EFI's measures for trade shows and missions combine both actual and expected export sales, although actual sales only represent a small portion (11%) of the \$2.1 billion total export sales attributed to the international trade and development unit over the three years under review. Second, export sales described as actual sales can be based on a letter of intent rather than a contract or purchase order. Therefore, while reported as actual sales, the transactions may never be completed. Third, each business self-reports both expected and actual export sales, and EFI does not require businesses to submit supporting documentation. While the export sales report form requests “further verification” if trade event sales exceed \$20 million, EFI does not contact companies later to determine whether sales were finalized.

Divided responsibilities, different standards, and lack of follow-up make it difficult to assess foreign direct investment. EFI's second major activity is generating foreign direct investment in Florida. While there is no specific performance measure tied to foreign direct investment, EFI frequently publicizes the dollar value of such investments. Responsibility for foreign direct investments is divided between two EFI units and credit is apportioned separately. While the international trade and development unit oversees the foreign offices, any foreign direct investment leads generated by the foreign offices are referred to EFI's business development unit, which manages the projects, conducts research, and follows through in helping businesses interested in locating in Florida. For the review period, foreign direct investment reported by EFI's foreign offices totaled \$142 million, while the Business Development Unit reported \$227 million. (See Exhibit 4-7.)

Exhibit 4-7

EFI's Foreign Direct Investment Dollars and Projects Are Split Between Two Business Units¹

Fiscal Year	EFI International Trade and Development Unit, Foreign Offices		EFI Business Development Unit	
	Investment	Number of Projects	Investment	Number of Projects
2011-12	\$35,495,300	15	\$9,690,000	6
2012-13	69,164,000	22	138,250,000	5
2013-14	37,635,000	27	79,189,538	12
Total	\$142,294,300	64	\$227,119,408	23

¹ EFI's Business Development Unit is included in this exhibit because it pursues foreign direct investment leads generated by the EFI foreign offices.

Source: Enterprise Florida.

One difficulty in assessing foreign direct investment performance arises from the differing performance standards for the two units. The foreign offices' performance-based contracts contain various measures, including foreign direct investment.⁹² Foreign offices receive credit when an investment project is "registered" in the EFI information system; this includes new projects that may never result in a final Florida investment.⁹³ For example, EFI officials reported a \$25 million project attributed to a foreign office in July of 2011 that never came to fruition but remained active in EFI's information system until March of 2014. Therefore, this project was included in the foreign office performance information for 2011.

Conversely, the business development unit—and EFI as a whole—reports foreign direct investment numbers for "established" projects. A project is considered established when it has a Florida address and confirmed contact information. However, EFI does not verify investment amounts or new jobs associated with the project.

Another issue concerns the amount of foreign direct investment in Florida by companies that already have a U.S. or Florida presence. According to EFI officials, sometimes the decision to count an investment project as foreign direct investment is subjective. For example, if a parent company located outside the U.S. decides to locate or expand in Florida, EFI counts the investment as a foreign direct investment even if the company already has a U.S. or Florida presence. If company officials within the U.S. make the decision, EFI does not count the investment as foreign direct investment.⁹⁴

EFI could enhance how it measures the results of its efforts to help companies diversify exports

Diversifying Florida's exports is central to the state's plans to expand its role in serving global markets with goods, services, travel, and information. The Department of Economic Opportunity recently highlighted the need for the state and its regions to "create, expand, and advance effective programs for businesses that already export to further expand or diversify the markets they serve, while also helping other businesses establishing ongoing export capacity."⁹⁵ However, national sources indicate that only 1% of small firms are exporters and nearly 60% of them export to only one country, and Florida sources report that most Florida companies involved in international trade only export products to one country. Consequently, an economic downturn in one part of the world can have a significant negative impact on Florida exporters who only conduct trade with one country.

DEO's goal to serve global markets distinguishes between two tasks related to diversifying exports: (1) helping companies new to exporting establish export capacity and (2) helping companies that already export to diversify the markets they serve. In 2013, EFI began counting companies new to exporting and companies expanding exports to new international markets.⁹⁶ Distinguishing over time between the percentage of companies new to exporting and the percentage of companies increasing their exports to additional countries would provide additional insight into EFI's performance in supporting export diversification.

⁹² Other measures include tasks such as market research, website management and maintenance, raising Florida's profile, and relationship development.

⁹³ In addition, EFI may attribute to the foreign offices' actual and anticipated export sales resulting from a mission trip that included the Governor and other high ranking state officials, to reflect the support and services provided by the foreign office for the trade event.

⁹⁴ With multiple entities involved in export sales and foreign direct investment, different EFI documents may provide conflicting information. For example, in Exhibit 4-6, EFI officially attributed \$25.4 million in anticipated foreign sales to the foreign offices for Fiscal Year 2013-14. However, EFI's foreign offices separately reported \$192 million in anticipated export sales for the same period.

⁹⁵ [Florida Strategic Plan for Economic Development](#), Department of Economic Opportunity, 2013.

⁹⁶ EFI provided OPPAGA information showing that it has awarded grant funds to 56 new to export companies since 2013.

In addition, EFI may need to modify its award process to increase the number of new grantees receiving support. According to international trade and development officials, no grant applications were denied during the review period, largely because EFI trade representatives work closely with companies and encourage them to apply for grants based on the representatives' knowledge of the business and its export potential. While screening applicants for export readiness is important, it may contribute to the same businesses receiving multiple grants over several years.

OPPAGA's review of grant data suggests that the award process may limit the applicant pool of companies applying for export assistance. For example, during Fiscal Years 2011-12 through 2013-14, EFI awarded 422 grants to 247 unique companies. While 64% of the companies receiving funds obtained only one grant, 36% (89) received multiple grants; EFI awarded 63% of the grants to these 89 companies. Of the companies receiving multiple grants, some were awarded two grants, while others received as many as six during the review period. In statements to EFI regarding its grant program, several companies mentioned working with EFI for 10, 20, or more years, raising questions as to why a company with such extensive international trade experience would need EFI's ongoing financial support.⁹⁷

Other states provide models for enhanced assistance to companies seeking to expand export opportunities and diversify markets

To help companies establish on-going export capacity, EFI could consider additional services for businesses new to exporting. Other states offer such services and may provide useful models for enhancing the services that Enterprise Florida, Inc.'s international trade and development unit currently provides.

Virginia's Economic Development Partnership offers the Virginia Leaders in Export Trade program (VALET). VALET is a comprehensive two-year program to help companies expanding into international business, with an emphasis on exports; each year the program enrolls about 25 businesses. Each business is required to enter into a contract that outlines the services to be provided and specific requirements that each company must meet over the two-year program. Businesses that do not comply with the agreement are disenrolled from the program and do not receive further assistance. In addition to the types of services that Florida already provides (e.g., export counseling, export marketing plans, etc.), VALET provides each company up to \$15,000 towards export-related expenses and utilizes the services of business export leaders who share their expertise with companies new to exporting.^{98, 99} The program also tracks company growth over a two-year period to gather data on increased exports by participants. This information includes pre- and post-program trade metrics such as total export sales, number of employees, and number of countries to which a company exports.

Export Washington, a program administered by the Washington Department of Commerce, offers a variety of services to businesses seeking to export for the first time or to expand existing export activities. The program also provides services similar to those offered by Florida, including export plans, training, and trade show grants. However, a unique opportunity offered by the program is the China Accelerator, a fee-based service that allows Washington-based companies to use shared office space, back office administration, and market development assistance at a China location. To evaluate overall program performance, the Washington Department of Commerce regularly surveys businesses over time and

⁹⁷ One grantee, for example, has dealer representation in at least 23 countries and annual sales exceeding \$40 million, of which approximately half are export sales.

⁹⁸ Export-related expenditures do not include travel costs. Expenses are paid from state funds as a reimbursement to the company, and VALET participants may not apply for other state grant assistance during their participation in the program.

⁹⁹ Business export leaders who share their international trade expertise are not compensated but contract with the program and can benefit from identifying new business for their firms. For example, an international law firm might lead a seminar of various aspects of international trade law and later work directly with some of the program's participants.

counts assisted sales figures when the client reports them, rather than when the services were provided. In addition, the state compares the reported assisted sales metrics to five-year performance targets that include increasing the total number of companies exporting by 30%, helping 5,000 businesses achieve \$600 million in new export sales, and increasing general statewide export of goods and services by 35% to over \$100 billion per year.

Recommendations

Given the importance of international trade to Florida's economy and the state's ability to compete in global markets, OPPAGA recommends that Enterprise Florida, Inc., improve information collected to assess its international trade and development efforts and explore options to provide additional assistance to companies new to exporting.

Improve international trade and development performance measures. In light of the importance of international trade and development to the state's overall economic development goals, better information is needed regarding EFI's performance.

- EFI could revise performance measures to distinguish between anticipated and actual sales as well as take steps to follow up with companies to better track increases in export sales over time. For example, EFI could contact companies 12 to 18 months following an international trade event (e.g., trade show, trade mission) to determine the amount of actual sales associated with specific events. International trade and development officials expressed concern that companies might be reluctant to provide export information. However, officials could require reporting as part of grant contracts and report only aggregate rather than individual export information.
- EFI could more clearly delineate between the performance of companies new to exporting and those that increase the number of countries to which they export. As an example of specific standards, the unit could consider the following measures: (1) increase by 5% the number of companies expanding export sales to new countries and (2) increase by 10% the number of new first-time exporting companies assisted.

Consider establishing initiatives similar to those offered in other states. To provide assistance that is more comprehensive to companies new to exporting, EFI could consider developing programs similar to Virginia's VALET program that provides more comprehensive wrap-around services for companies new to exporting or Washington's accelerator program that reduces the costs for companies establishing a presence in target countries.

Agency Responses

Rick Scott
GOVERNOR



Jesse Panuccio
EXECUTIVE DIRECTOR

November 13, 2015

Mr. R. Philip Twogood
Coordinator
Office of Program Policy and
Government Accountability
111 West Madison Street, Room 312
Tallahassee, Florida 32399-1475

Dear Mr. Twogood:

Pursuant to section 11.51(2), Florida Statutes, this letter constitutes our response to the preliminary report titled: *Florida Economic Development Program Evaluations – Year 3*. The Department has no comments or additional information.

We thank you and your staff for the review and appreciate the detailed analysis of each program.

If you have any questions or need additional information, please contact Mr. James Landsberg, Inspector General, at (850) 245-7141.

Sincerely,

Karl Blischke, Director
Division of Strategic Business Development



November 11, 2015

Mr. R. Phillip Twogood, Coordinator
OPPAGA
111 West Madison Street
Claude Pepper Building, Room 312
Tallahassee, Florida 32399-1475

Rick Scott,
Florida Governor
Chairman

Bill Johnson,
Florida Secretary of Commerce
President & CEO

Dear Mr. Twogood:

We are pleased to provide Enterprise Florida’s response to the preliminary findings and recommendations contained in OPPAGA’s report titled, *Florida Economic Development Program Evaluations – Year 3*.

Enterprise Florida is committed to maintaining an efficient program management system that successfully achieves performance objectives, delivers value to Florida businesses, and produces the highest possible return on the state’s investment. This requires that the organization be open to new ideas, different ways of doing things, and constructive feedback. As such, we thank you for the recommendations provided in your recently completed OPPAGA report.

HEADQUARTERS
800 North Magnolia Avenue
Suite 1100
Orlando, Florida 32803
T 407-956-5600
F 407-956-5599

Below we have provided Enterprise Florida’s responses to your findings and recommendations.

TALLAHASSEE
101 North Monroe Street
Suite 1000
Tallahassee, Florida 32301
T 850-298-6620
F 850-298-6659

I. SPACE AND DEFENSE INDUSTRY FINANCIAL INCENTIVES

INTERNATIONAL TRADE & DEVELOPMENT
201 Alhambra Circle
Suite 610
Coral Gables, Florida 33134
T 305-808-3660
F 305-808-3586

Scope -- The OPPAGA evaluation of state space and defense industry financial incentive programs included: Qualified Defense Contractor (QDSC) and Space Flight Business Tax Refund, tax exemption for semiconductor, defense, or space technology sales, and Manufacturing and Spaceport Investment Incentive Programs for Fiscal Years 2011-2012, 2012-2013, and 2013-2014.

OPPAGA Findings – None

OPPAGA Recommendation – If the Legislature wishes to reauthorize the QDSC program, it could consider program improvements that could help expand participation. For example, the Legislature could consider reducing the minimum amount of gross receipts from defense or space flight business contracts required of applicants. This could expand program eligibility because businesses that have participated in the program reported that they are increasingly reliant on commercial contracts as federal defense contracts and funding continues to decline.

EFI Response - Enterprise Florida notes that even though the QDSC program has not been reauthorized, Enterprise Florida continues to service companies with existing contracts. We also continue to educate defense companies about the program in anticipation that it may be reauthorized.

SPACE AND DEFENSE INDUSTRY FINANCIAL INCENTIVES *(continued)*

II. MILITARY AND DEFENSE PROGRAMS

Scope -- The OPPAGA review of state military and defense programs included the Military Base Protection Program (Including both Defense Reinvestment Grants and Defense Infrastructure Grants), the Florida Defense Alliance, and the Florida Defense Support Task Force for Fiscal Years 2011-2012, 2012-2013, and 2013-2014. The cutoff date for the review was June 30, 2014.

OPPAGA Findings –

1. Florida’s military and defense programs use grants and advocacy to reduce potential negative consequences of base closure and realignment.
2. Military and defense program efforts also include land purchases to mitigate encroachment.
3. Stakeholders are very satisfied with Florida’s military and defense programs.
4. Florida’s efforts to preserve its military and defense industry exceed those of other states.

EFI Response – Enterprise Florida views this report as a fair and accurate assessment of the military and defense efforts to support local defense communities across the state while simultaneously protecting Florida’s military installations from realignment or closure. The report is a thorough examination of the grant programs, advocacy efforts and non-conservation land buffering program. The team was gratified to read that grant recipients and other stakeholders were very satisfied with the effectiveness of the grant programs and that the grants had a positive impact on their efforts to protect military installations across the state.

This report reveals just how important Florida’s leadership in the Governor’s Office and the Legislature has been in supporting military and defense efforts at a level that exceeds those of other states with a large military presence. In this report, OPPAGA has precisely captured the essence of the major initiatives that make Florida the most military-friendly state in the nation.

III. QUICK RESPONSE AND INCUMBENT WORKER TRAINING PROGRAMS

Scope – The OPPAGA evaluation of state-administered grant programs available to Florida businesses included the Quick Response and Incumbent Worker Training programs for Fiscal Years 2011-2012, 2012-2013, and 2013-2014.

OPPAGA Findings –

1. Businesses receiving QRT and IWT grants experienced wage and employment growth.
2. QRT trainee wages increased because of the program; IWT trainees had mixed results that cannot be directly linked to the program.
3. QRT and IWT grant recipients are generally satisfied.
4. QRT and fiscal agents provide administrative support, not training services; their role diminished as the grant process became more automated.

QUICK RESPONSE AND INCUMBENT WORKER TRAINING PROGRAMS *(continued)*

OPPAGA Recommendations – Given that fiscal agents rarely provide training services to grantees as originally intended, and considering the increased use of technology in the application and reimbursement processes, CareerSource Florida may no longer need fiscal agent services. If CSF’s automation efforts and current staffing levels are adequate to support the grant process, the Legislature could consider eliminating the requirement that grantees use fiscal agents, allowing businesses to choose if they wish to use fiscal agent services. If the use of fiscal agents were made optional, the funds previously used for their services could be used for additional QRT grants.

EFI Response – Enterprise Florida agrees that implementation of this recommendation will result in more grants being provided to businesses.

IV. INTERNATIONAL TRADE AND DEVELOPMENT PROGRAMS

Scope -- OPPAGA and EDR’s review of international trade and promotion programs included those established, funded, or administered by Enterprise Florida, Inc. The review covers Fiscal Years 2011-12, 2012-13, and 2013-14.

OPPAGA Findings –

1. Nationally, Florida ranks high on some export measures.
2. EFI collaborates with many entities; stakeholders and grantees support its international trade and development activities.
3. EFI cannot accurately assess performance using existing export sales and foreign investment data.
4. EFI could enhance how it measures the results of its efforts to help companies diversify exports.
5. Other states provide models for enhanced assistance to companies seeking to expand export opportunities and diversify markets.

OPPAGA Recommendations –

1. Improve international trade and development performance measures. In light of the importance of international trade and development to the state’s overall economic development goals, better information is needed regarding EFI’s performance.
 - A. EFI could revise performance measures to distinguish between anticipated and actual sales as well as take steps to follow up with companies to better track increases in export sales over time. For example, EFI could contact companies 12 to 18 months following an international trade event (e.g., trade show, trade mission) to determine the amount of actual sales associated with specific events. International trade and development officials expressed concern that companies might be reluctant to provide export information. However, officials could require reporting as part of grant contracts and report only aggregate rather than individual export information.
 - B. EFI could more clearly delineate between the performance of companies new to exporting and those that increase the number of countries to which they export. As an example of specific

INTERNATIONAL TRADE AND DEVELOPMENT PROGRAMS *(continued)*

standards, the unit could consider the following measures: (1) increase by 5% the number of companies expanding export sales to new countries and (2) increase by 10% the number of new first-time exporting companies assisted.

2. Consider establishing initiatives similar to those offered in other states. To provide assistance that is more comprehensive to companies new to exporting, EFI could consider developing programs similar to Virginia's VALET program that provides more comprehensive wrap-around services for companies new to exporting or Washington's accelerator program that reduces the costs for companies establishing a presence in target countries.

EFI Response*

1A. Enterprise Florida regularly reviews all of its programs, seeking ways to improve their efficiency and performance outcomes. Over the years we have evaluated a number of different methods for establishing performance measures based on the best non-confidential information businesses will share with us. We also continue to review best practice models from around the country and adopt those that will help us do a better job of distinguishing between anticipated and actual sales as well as follow up with companies to better track increases in export sales over time. We accept your recommendation as part of our ongoing efforts to enhance accountability through better verification.

1B. As part of our next program evaluation, Enterprise Florida will investigate ideas to better delineate between the performance of companies new to exporting and those that increase the number of countries to which they export.

2. Analyzing the international and trade development programs of other states can help reveal the strengths and weakness of our own programs. Therefore Enterprise Florida agrees that, if practical, establishing initiatives similar to those offered in other states could possibly allow us to provide more comprehensive assistance to companies new to exporting. In making this acknowledgement however, we would like to highlight the fact that our existing international trade and development program is considered a best practices model by many other states, and provide qualitative support to Florida's new-to-export companies.

*Accompanying this response letter is an attachment that seeks to clarify information on the following four topics that were reported on in Chapter 4: International and Trade Development programs.

1. Tracking and measuring new-to-export versus new-to-market.
2. Expanding programs for new-to-export companies.
3. Actual versus expected sales; capturing follow-up sales; verifying export sales.
4. Modifying grant process to increase the number of new grantees receiving support.

Respectfully submitted,



Bill Johnson, President and
Chief Executive Officer
Enterprise Florida, Inc.

ATTACHMENT – ENTEPRISE FLORIDA RESPONSE

OPPAGA Draft Report - Florida Economic Development Program Evaluations - Year 3
 Chapter 4: International Trade and Development Programs

- Topic 1 – Tracking and measuring new-to-export versus new-to-market.
- Topic 2 – Expanding programs for new-to-export companies.
- Topic 3 – Actual versus expected sales; capturing follow-up sales; verifying export sales.
- Topic 4 – Modifying grant process to increase the number of new grantees receiving support.

Topic 1 – Tracking and measuring new-to-export versus new-to-market.

Page 59: *EFI could enhance how it measures the results of its efforts to help companies diversify exports.*
 Page 61: *Improve international trade and development performance measures (tracking new-to-export and new-to-market).*

The OPPAGA review analyzed Enterprise Florida’s trade grant programs over a three-year period and included both the SBA’s STEP grant program and the state-funded Export Diversification and Expansion (EDE) funds.

The STEP grant program was launched in 2011 to support states’ export development programs at a time when the U.S. Department of Commerce was contracting its trade programs in the U.S. and overseas. The U.S. economy was still in turmoil and companies, especially SMEs, were in dire need of help. Since exporters tend to fare better than non-exporters, it made sense to work to strengthen the U.S. export sector. The intent of the STEP grant program was to allow states to provide financial assistance to exporters to do business abroad, not to serve as an export diversification tool. Furthermore, the SBA did not require states to track data on new-to-export and new-to-market until after the second year of the program had begun in late 2012.

Conversely, the purpose of the Florida Export Diversification and Expansion (EDE) grants launched in 2013 was to help companies enter the export arena and/or diversify the markets they are selling in, and that is how they are used. EFI began collecting information on new-to-export and new-to-market grant applications starting in 2013. The analysis of new-to-export and new-to-market should primarily be applied to the EDE funds of 2013-14 when the export diversification program began, rather than all three years. Finally, even though International Trade and Development has been collecting data on new-to-export and new-to-market status through the trade grant programs since 2013, it is not part of our official performance measures.

Topic 2 – Expanding programs for new-to-export companies.

Page 61: *Consider establishing initiatives similar to those offered in other states.*

EFI's International Trade and Development staff works with 2,500 to 2,800 companies each year. The vast majority of them are currently exporting, which is in keeping with Florida's status as the second largest export state in the U.S. These companies consistently tell us that, in addition to expanding in existing markets, their priority is finding new clients and markets for their products. That is what they expect from EFI and we provide services in the form of trade missions and trade shows as well as market-focused educational programs to meet that demand. These are services which are not available through other entities and are activities that bring the most immediate benefit to the Florida economy.

Increasing the number of exporters is also important but also more challenging. As a result, Enterprise Florida works closely with a network of vital federal and state partners to fill that need and assist companies who are new-to-export or infrequent exporters. In particular, EFI has partnered with the Florida Small Business Development Centers Network (FSBDCN) through an official MOU to have their NASBITE-Certified Global Business Professionals prepare in-depth Export Marketing Plans for companies who are new-to-export or are infrequent exporters. The Export Marketing Plan concept was created by Enterprise Florida and was proposed to the FSBDC Network as a tool to prepare new exporters for doing business overseas. Working with new-to-export companies is very time and labor-intensive which is precisely why we sought out and engaged a partner that does have those resources (the FSBDCN). EFI uses the Export Diversification and Expansion grant funds to subsidize the cost of each Export Marketing Plan, while the company commits \$500 and the SBDC commits significant staff time and resources. The lack of a "roadmap" is the reason most often cited by companies who do not export, and this program addresses that deficiency. They circle back to EFI and we help them move from being new-to-export to being export-ready.

To reach more new-to-export companies directly, the International Trade and Development staff-members participate in workshops and seminars throughout the state year-round to educate companies about doing business overseas. With over 61,000 exporters in the state and only 11 staff-members with direct export counseling duties, EFI tries to reach the greatest number of companies through such educational programs. We then introduce new-to-export companies to partners such as the FSBDCN (with 12 International Trade Specialists) or the U.S. Export Assistance Centers around the state (with another 12 trade development staff) who have access to federal programs and resources.

The table below shows where Florida ranks versus Washington State and Virginia in terms of the number of exporting companies. Considering that Florida has nearly five times as many exporters as Washington State and eight times as many exporters as Virginia, we should fully expect that the types of programs that Florida offers are designed to reach the broadest audience possible.

Outcome: While EFI's International Trade and Development program is considered a leader in the U.S., with recognition from The Brookings Institution and winner of both the Presidential "E" Award and "E-Star" Award for superior performance in increasing or promoting exports, we agree that there is always room for improvement by studying equally successful programs of other states.

Topic 2 – Expanding programs for new-to-export companies (continued)

Profile of U.S Importing and Exporting Companies, Exhibit 6a, 2013

	State of the Origin of Movement	Identified Exporters	
		Number of Identified Exporters (2)	% of Number of Identified Exporters
	United States	304,223	100.0
2	Florida	61,489	20.2
11	Washington	12,646	4.2
17	Virginia	7,678	2.5

Source: U.S. Census Bureau, Department of Commerce

Topic 3 – Actual versus expected sales; capturing follow-up sales; verifying export sales.

Pages 57 – 58: *Export sales data are largely unverified and therefore may overstate performance.*
 Page 61: *Improve international trade and development performance measures (regarding new-to-export and new-to-market).*

Self-reporting by client companies is the standard used by every trade development organization to measure export sales assisted. This was the formula used by the U.S. Department of Commerce until recently when they stopped measuring export sales to focus on “success stories and customer satisfaction” as measures. Our experience in working with Florida exporters has found that requiring *proof of transaction* is unrealistic. Since companies consider the details of their transactions as confidential data and a breach could cause serious injury. We have been part of the State International Development Organizations of North America for more than 15 years and know of no other state that requires this type of documentation on an on-going and widespread basis.

While we understand that future sales outcomes may be affected by external factors, the expected sales data underscore the *potential* that the company sees, for their own future sales and for the trade event they are attending. It forces the company to evaluate all of the leads that are generated during an event and plan for the future, or to re-evaluate how they can improve their participation the next time. Expected sales reports are also important for EFI in evaluating the state’s participation in future trade shows. We use that data to help us prioritize events and allocate resources for the next fiscal year. Aggregated actual and expected sales per event are also used as a tool for EFI to recruit new companies to future trade shows and trade missions, and to highlight market opportunities for other Florida exporters.

Topic 3 – Actual versus expected sales; capturing follow-up sales; verifying export sales. (continued)

IT&D is equally interested in finding a way to track increases in export sales over time but we have not yet found a method that we think will be truly effective due to a variety of factors:

- The contact person we worked with may no longer be with the company. Personnel turnover and changes of sales accounts are sometimes also handed off to other departments or staff.
- Some companies may be willing to provide dollar values while others will only be willing to provide percentage increases or estimates.
- In some markets, such as those in Asia or highly protected markets like Brazil, it often takes a significant amount of time to harvest the result of trade contacts due to cultural reasons and/or stringent product registration or licensing requirements.
- Companies who pay to participate in trade shows or missions without a grant are paying for a business service and will be less compelled to provide the information.

Outcome: IT&D is prepared to follow up with companies by surveying them about export sales 12 months after the original Date of Sale. We will add language to our trade grant agreement requiring the grantees to provide an update on results after one year, and will do likewise with all other participants in our trade events. However, our expectation is that it will be difficult to get accurate information with the possible exception of those cases where we have awarded a trade grant to the company. This will require additional staff time and resources to follow up with companies one-by-one since our experience with surveys shows that we will likely get a low level of response.

Topic 4 – Increasing the number of new grantees receiving support.

Page 60: EFI may need to modify its award process to increase the number of new grantees receiving support.

Enterprise Florida recognizes the importance of reaching companies which are new to our trade programs, whether new-to-export or not. EFI aggressively promotes the trade grant programs through every marketing mechanism available, including:

- During presentations
- Workshops and seminars
- One-on-one export counseling
- Press releases
- Through trade partner organizations
- Statewide bi-weekly trade events newsletter
- EFI regional trade offices
- Promoting through the largest trade show organizers in the world

From 2012 to 2015, IT&D staff-members added more than 5,600 *new* companies to our internal tracking system and nearly 10,000 contacts now receive EFI trade events newsletter and information about the trade grant programs on a regular basis. However, the trade grants specifically target manufacturers and professional/high-tech services providers because those have the biggest economic impact on the state when they grow, especially when they export. Wholesalers, distributors, and retailers all contribute less because the products they are selling are often not produced in Florida. Every Florida manufacturer and

Topic 4 – Increasing the number of new grantees receiving support. (continued)

high-tech services provider has an equal opportunity to apply for grants although, we have some difficulty in reaching them, so we rely on our partners to help promote the grants to their constituents. Because the export diversification and expansion program is only two years old, we expect the pool of applicants to expand as more of them are made aware of it.

Potential applicants are encouraged to consult one of our trade specialists before completing a grant application. If they do not meet some of the most basic criteria (for example, number of employees or years in business) our staff can let the company know they do not qualify before they even submit an application. Besides not meeting the general qualifications, companies have also been turned away for not being export-ready or not ready to export to certain countries based on an export assessment with our trade specialists

There are also reasons why some companies receive multiple grant awards. Many of our client companies choose to do only events that EFI implements because of the quality, service, and security provided. They are kept apprised of upcoming events and are often the first to apply for grants. Furthermore, because the companies have firsthand knowledge of how EFI supports them in shows, they continue to participate in other shows EFI targets globally. This is actually a good measure in terms of the success and level of quality of EFI international trade missions/shows and how companies view them. To EFI, the 36% that received multiple grants is a positive measure as it demonstrates that our efforts to get those companies to diversify into new markets is effective as that is what they are doing. Finally, the SBA did not mandate that companies could not receive more than one trade grant but did require that all of the funds be expended within a specific time-frame. Companies already familiar with our programs and services, including those who have been working with our staff for many years, may be more likely to receive multiple grants. Grants are awarded on a first-come, first-served basis and once an event fills up, we stop recruiting and stop awarding grants for that particular event.

The trade grant programs have evolved over time, but there were somewhat different stipulations for the STEP grants and the EDE grants. Caution needs to be taken when evaluating the two grant programs together as if they were a single program. In light of this, it is not advisable to evaluate all three years of trade grant programs using criteria that applied primarily to just the state funding in FY13-14 (new-to-export and export diversification) and was also the smallest dollar amount of grant funding.

Outcome: As the next step in driving companies to diversify their foreign markets further, Enterprise Florida proposes revising its trade grant criteria to:

- 1) Eliminate the option for companies to receive a second Target Sector Trade Grant for the same show, and
- 2) Shift the focus from New-to-Show to New-to-Market so that a company will not be able to receive grants to attend multiple trade events in the same market. To receive a grant, the company will have to be targeting a new market, or one that they have worked in infrequently. Please see table below on proposed new grant criteria.

Topic 4 – Increasing the number of new grantees receiving support. (continued)

Proposed Grant Criteria Regarding Export Status and Market Diversification			
	Target Sector Trade Grant	Gold Key Grant	Export Marketing Plan
New to Export	X	X	X
New to Market	X	X	
Infrequent Exporter			X
Infrequent Exporter in that Market	X	X	



Britt Sikes
Chairman

Chris Hart IV
President & CEO

November 9, 2015

Mr. R. Philip Twogood, Coordinator
The Florida Legislature's Office of Program Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, FL 32399

Dear Mr. Twogood:

CareerSource Florida sincerely appreciates the Office of Program Policy Analysis and Government Accountability's thorough review of the Quick Response Training and the Incumbent Worker Training grant programs. As noted, these two training grant programs, administered by CareerSource Florida, provide exceptional value to businesses as well as citizens of the State of Florida. A skilled and productive workforce is critical to Florida's economy, serving as a primary reason businesses expand or locate in our great state. Training that enhances skills of new or existing employees boosts business competitiveness and overall workforce quality.

The analysis of the Incumbent Worker Training program documents benefits to existing Florida businesses. While wage gains post-training were modest during the program years reviewed, it is worth noting the statutory purpose of Incumbent Worker Training is to help small businesses remain competitive, increase productivity and provide a pathway for a layoff avoidance strategy. As stated in Section 445.003(3)(b), F.S. continuing skills-based training of incumbent employees at existing Florida businesses along with job retention is the emphasis of the Incumbent Worker Training program. This is illustrated by the OPPAGA survey that found 93 percent of businesses receiving these grants report a positive impact on the business and 56 percent reported an increase in sales. Further, 88 percent of businesses surveyed report this beneficial training would have been scaled back, postponed or cancelled all together had the company not received the grant. We are appreciative that OPPAGA's thorough analysis of the program revealed these positive quantitative and qualitative attributes.

Similarly, OPPAGA's analysis of the Quick Response Training program proves its value as a win-win proposition for Florida's economy: higher wages for individuals receiving customized training and greater productivity for the businesses that employ them. OPPAGA's research provides context as to why Florida's economic development practitioners, in the 2012 McCallum-Sweeney Florida Competitiveness study, identified the Quick Response Training program as the No. 1 tool that enables them to win job-creating projects.

The report provided recommendations for technical improvements to both grant programs. Subsequent to the program years reviewed, CareerSource Florida has added an online application and streamlined training and reimbursement processes, which we believe will further improve business satisfaction and program outcomes.

1580 Waldo Palmer Lane, Suite 1 • Tallahassee, FL 32308
p: (850) 921-1119 f: (850) 921-1101
careersourceflorida.com     



In closing, the OPPAGA report provides further evidence that Quick Response Training and Incumbent Worker Training grants play a vital role in Florida's economy. As reported by the majority of businesses surveyed, both programs encourage growth and prosperity and enable Florida's businesses to be more competitive. CareerSource Florida, through these grant programs and its strategic investment in workforce development statewide, is committed to achieving our vision of Florida as the global leader for talent.

Respectfully,



Chris Hart IV
President and CEO

cc: Ms. Amy Baker, Coordinator, Office of Economic and Demographic Research
Ms. Melinda Miguel, Chief Inspector General, Executive Office of the Governor
Ms. Andra Cornelius, CEcD, Senior Vice President, CareerSource Florida
Ms. Debbie McMullian, Program Director, CareerSource Florida
Ms. Carmen Mims, Program Manager, CareerSource Florida

