Florida Economic Development Program Evaluations – Year 10

Report 22-06

November 2022

OPPAGA

Office of Program Policy Analysis and Government Accountability

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EXECUTIVE SUMMARY

Economic development programs under review this year provide financial incentives including tax credits, tax refunds, and cash grants.[1] These programs promote retention, recruitment, and expansion of businesses in Florida.

Six of the eight programs under review involve businesses that had agreements with the Department of Economic Opportunity (DEO) or the Department of Revenue (DOR). Businesses with projects that had agreements received $263 million in state incentive funds during Fiscal Years 2018-19 through 2020-21. These projects created 29,710 jobs and made $1.3 billion in capital investments, exceeding performance requirements.

Many businesses that had agreements and received incentive payments during the review period were large and had previously existed in Florida. However, DEO has not received recent appropriations for two of these programs—the Innovation Incentive Program and the Quick Action Closing Fund Program, and no business with an Innovation Incentive Program project received payments during the review period. Further, DEO no longer has the authority to certify new applicants for the Qualified Target Industry Tax Refund Program.

The remaining two programs do not require such agreements. Businesses received $1.6 million in Enterprise Zone Program tax credits and refunds during the review period. In addition, investors claimed $44.8 million in tax credits for the New Markets Development Program during the review period. These programs have or will soon sunset—the Enterprise Zone Program in 2018 and the New Markets Development Program in 2022.

OPPAGA recommends the Legislature consider taking action on two economic development programs. Should the Legislature decide to continue the Innovation Incentive Program, it may wish to modify the types of entities that qualify for the program. Further, if the Legislature chooses to reauthorize the New Markets Development Program, it could consider directing DEO to improve program oversight, including using scoring criteria when allocating tax credits and expanding reporting requirements**.**

Report Scope

Section 288.0001, *Florida Statutes*, requires OPPAGA to provide a detailed analysis of state economic development programs according to a recurring schedule. OPPAGA must evaluate each program over the previous three years for effectiveness and value to the state's taxpayers and include recommendations for legislative consideration. This review period covers Fiscal Years 2018-19, 2019-20, and 2020-21.

[1] This is the fourth report on these economic development programs that OPPAGA has issued. For previous OPPAGA evaluations of these programs, see *Florida Economic Development Program Evaluations – Year 1*, Report 14-01, January 2014; *Florida Economic Development Program Evaluations – Year 4*, Report 17-02, January 2017; and *Florida Economic Development Program Evaluations* – Year 7, Report 19-16, December 2019.

BACKGROUND

The eight economic development programs under review this year provide financial incentives including tax credits, tax refunds, and cash grants. (See Exhibit 1.) The primary purpose of each program is to attract and expand businesses in Florida, which includes job creation and capital investment. In addition, several programs have other goals, such as revitalizing economically distressed areas and encouraging emerging technology cluster development. (See Appendix A for more detailed program descriptions.)

Exhibit 1
Economic Development Programs Under Review Provide Financial Incentives

Program	Incentive	Statute
Capital Investment Tax Credit Program – Attracts and grows capital-intensive industries by providing an annual credit against the corporate income tax or the premium tax liability generated by the project that is available for up to 20 years in an amount equal to the lesser of $15 million or 5% of the eligible capital costs generated by a qualifying project. Businesses must invest at least $100 million to receive the full credit.	Tax Credit	s. 220.191, *F.S.*
New Markets Development Program – Encourages capital investment in rural and urban low-income communities by allowing businesses to earn credits against specific taxes (e.g., insurance premiums and net income taxes) through qualified investments in businesses that create and retain jobs. **The program sunsets on December 31, 2022.**	Tax Credit	ss. 288.991–288.9922, *F.S.*
Qualified Target Industry Tax Refund Program – Encourages the creation of high-wage jobs and the growth of corporate headquarters and other target industries. Provides a tax refund of $3,000 per new job created in Florida through the expansion of existing Florida businesses or the location of new ones ($6,000 per job within an enterprise zone or rural community). A business is eligible for additional per-job incentives when meeting other statutorily defined criteria. Projects must be supported by the local community equal to 20% of the incentive amount. **The program's authority to certify new applicants expired on June 30, 2020, but existing tax refund agreements continue to be in effect in accordance with contract terms. Based on current contracts, the anticipated program end date is Fiscal Year 2037-38.**	Tax Refund	s. 288. 106, *F.S.*
Brownfield Redevelopment Bonus Refund Program – Encourages development of abandoned, idled, or underused industrial and commercial sites where expansion or development is complicated by actual or perceived environmental contamination. A business could have received a standalone tax refund or in conjunction with a Qualified Target Industry (QTI) tax refund, paying a bonus of $2,500 per job over and above the QTI refund; provides a $2,500 per job refund for a non-QTI project that meets job creation and capital investment requirements.[1]	Tax Refund	s. 288.107, *F.S.*
Enterprise Zone Program – Encourages the revitalization of economically distressed areas by providing incentives to induce private investment and jobs in an enterprise zone. These incentives include tax credits, refunds, and an exemption to businesses within an enterprise zone. **The program sunset on December 31, 2015, but businesses located within an enterprise zone that had an active contract with DEO could have received state program incentives until December 31, 2018.**	Tax credits, refunds, and exemptions	ss. 212.08(5)(g)–(h); 212.08(15); 212.096; 220.181; and 220.182, *F.S.*
High Impact Performance Incentive Grant Program – Provides grants to businesses in certain high-impact sectors. Once approved, the high-impact business receives 50% of the eligible grant upon commencement of operations and the other half once full employment and capital investment goals are met.	Grant	s. 288.108, *F.S.*
Innovation Incentive Program – Targets funds to businesses that expand or locate in Florida, are likely to serve as catalysts for the growth of existing or emerging technology clusters, or significantly affect the regional economy in which they expand or locate. **DEO has not recently received appropriations for this program; therefore, DEO last approved a grant under this program during Fiscal Year 2011-12.**	Grant	s. 288.1089, *F.S.*
Quick Action Closing Fund Program – Provides a discretionary grant to respond to unique requirements of wealth-creating projects. When Florida is vying for intensely competitive projects, the funds may be used to overcome a quantifiable disadvantage after other available resources have been exhausted. Funds are paid based on specific project criteria outlined in a performance-based contract between the company and the state. **DEO has not recently received appropriations for this program; therefore, DEO last approved a grant under this program during Fiscal Year 2015-16.**	Grant	s. 288.1088, *F.S.*

[1] DEO's authority to certify new applicants under the Qualified Target Industry Tax Refund Program expired on June 30, 2020. Consequently, the department also cannot currently approve such businesses under the Brownfield Redevelopment Bonus Program.

Source: *Florida Statutes*.

Program Administration

Four entities administer the eight state economic development programs under review this year: Enterprise Florida, Inc. (EFI), the Department of Economic Opportunity (DEO), the Department of Financial Services (DFS), and the Department of Revenue (DOR).

Florida's economic development process begins with EFI promoting Florida to businesses by marketing the benefits and value of doing business in the state. After EFI develops a lead on a business, it gathers information on the business's project, including potential jobs created and building and equipment purchases. DEO reports that if an applicable incentive is available, EFI makes a recommendation to DEO. DEO then reviews program applications, determines eligibility, and approves or disapproves the project.

DEO conducts due diligence processes and assesses business eligibility for an economic development award. If a business successfully completes DEO's evaluation process, the department approves the business for an award and issues a certification letter. Businesses receiving awards—except the Capital Investment Tax Credit, Enterprise Zone, and New Markets Development programs— enter into contractual agreements with DEO. These agreements include a schedule for meeting performance requirements such as job creation and capital investment. A business under the Capital Investment Tax Credit Program enters into a written agreement with DOR after DEO certifies that the business as eligible to receive a tax credit.[2]

DEO is responsible for ensuring that each business complies with state law and the terms of an agreement. State law requires DEO to contract with an independent firm to conduct a comprehensive audit of each business receiving an economic development award and confirm a business's compliance with the terms of the agreement. After the independent firm verifies an award claim, DEO staff reviews and approves the audit before authorizing payment.

For some programs, if DEO determines that a business met its performance requirements, it approves an incentive claim and submits a payment request to DFS, which reviews the request and supporting documentation, authorizes payment, and issues a warrant to the business. Separately, DOR approves claims for tax credit programs (Capital Investment Tax Credit and New Markets Development programs) based on information provided by DEO.[3] DOR also approves tax credits and refund claims for the Enterprise Zone Program and verifies whether claims for such incentives were validly approved by DEO. DEO's authority for the Enterprise Zone Program expired during the review period.

If the business does not provide data or fails to meet its obligations, it will not receive its award. Agreements are structured to ensure accountability and have potential penalties for non-performance, including partial payments, clawbacks, and termination of the agreement. Awarded funds for certain economic development programs, such as the Quick Action Closing Fund, are held in an escrow account with EFI and are returned to the state if a business does not meet its performance milestones.

[2] The business and DOR agree on how the taxable income from the qualifying project is to be determined or calculated. DOR adopts a Technical Assistance Advisement, which the business requests from the department, as the method for entering into such written agreement.

[3] For the Capital Investment Tax Credit Program, DOR receives verification from DEO that the business has met its capital investment and job requirements. If DEO cannot verify the job requirements, DOR can initiate an audit and recapture the tax credits. For the New Markets Development Program, DEO certifies in writing to DOR the amount of authorized tax credits that each taxpayer is eligible to claim in the tax year. DEO can direct DOR to recapture all or a portion of a tax credit under certain circumstances, including if DEO determines that a taxpayer was not entitled to tax credits received.

Industry Analysis

The Legislature seeks to encourage growth in high-wage jobs and economic diversity by providing incentives to Qualified Target Industry (QTI) businesses. Similar to prior reviews, OPPAGA conducted economic analyses to assess QTI's performance in Florida and in comparison to national employment trends. The analyses use state and national employment data from 2012 through 2021 for six QTI sectors: Finance and Insurance; Information; Management of Companies and Enterprises; Manufacturing; Professional, Scientific, and Technical Services; and Wholesale Trade. Industry employment analyses show that some qualified target industries in Florida outperformed national levels.

Florida's QTI sector sizes were consistent with the nation's sizes, except that Manufacturing was relatively smaller in Florida. The Professional, Scientific, and Technical Services sector had the highest employment within Florida in 2021, at 7.3%; this was higher than the industry size at the national level at 6.7%. Conversely, the national Manufacturing industry employment was 8.4%, which was greater than Florida's Manufacturing industry employment at 4.3%. (See Exhibit 2.)

Exhibit 2

Employment in Most Qualified Target Industries Was Similar for Florida and the Nation

QTI Industry	Florida Employment (2021)	Florida Industry Size (2021)[1]	U.S. Industry Size (2021)[2]
Professional, Scientific, and Technical Services	655,550	7.3%	6.7%
Finance and Insurance	425,650	4.7%	4.4%
Manufacturing	388,158	4.3%	8.4%
Wholesale Trade	355,467	4.0%	3.9%
Information	138,708	1.5%	1.9%
Management of Companies and Enterprises	114,967	1.3%	1.6%

[1] These percentages show the size of an industry's employment relative to all industry employment in Florida.

[2] These percentages show the size of an industry's employment relative to all industry employment in the nation.

Source: OPPAGA analysis of Department of Economic Opportunity data.

From 2012 through 2021, Florida's employment grew in all six QTI sectors. Employment for all Florida industries increased by 20% from 2012 through 2021, which was greater than 9% nationally during the same period. Four QTI sectors' growth—Professional, Scientific, and Technical Services; Management of Companies and Enterprises; Finance and Insurance; and Manufacturing—was higher than the statewide growth rate for all industries. (See Exhibit 3.)

Exhibit 3

Florida Employment Grew in All Six Qualified Target Industries

QTI Industry	Florida Employment Change (2012–2021)	Percent Change
Professional, Scientific, and Technical Services	199,017	43.6%
Management of Companies and Enterprises	30,042	35.4%
Finance and Insurance	85,833	25.3%
Manufacturing	70,567	22.2%
All Florida Industries	1,498,525	20.0%
Wholesale Trade	44,317	14.2%
Information	5,025	3.8%

Source: OPPAGA analysis of Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research data.

OPPAGA conducted additional employment analyses of Florida's QTIs from 2012 through 2021. (See Appendix B for more information.) The results of the analyses show that five qualified industry sectors grew at a higher rate relative to their industry growth nationwide. The growth in these five sectors was due to Florida's competitive position. However, one industry (Information) underperformed.

FINDINGS

Businesses that had agreements to create jobs or make capital investments received $263 million in state incentives, while those participating in other programs received $46 million

Businesses that had agreements to create jobs or make capital investments received $263 million in state incentive funds during the review period. To examine program costs, OPPAGA reviewed projects for which the business received an incentive payment (e.g., grant payment, tax refund, or tax credit) during at least one year of the review period (Fiscal Years 2018-19 through 2020-21). This analysis is limited to the six incentive programs involving agreements with DEO or DOR—Brownfield Redevelopment Bonus Refund; Capital Investment Tax Credit; High Impact Performance Incentive Grant Program; Innovation Incentive Program; Qualified Target Industry Tax Refund; and Quick Action Closing Fund.[4] The cost of the Enterprise Zone and New Markets Development programs are discussed later in this report.

The majority of these projects are active and remain eligible to receive incentive funding. DEO uses status categories to classify contract activity—active, complete, inactive, terminated, vacated, and withdrawn.[5] Of the 260 projects that received funds during the review period, 150 (58%) were active. For the remaining projects, 67 (26%) were complete, 31 (12%) were withdrawn, 7 (3%) were inactive, and 5 (2%) were terminated.[6]

The state awarded $279 million in incentive funds to projects. (See Exhibit 4.) During the review period, businesses with these projects received a total of $263 million in incentive payments. Most projects (229) received tax refunds from the Qualified Target Industry Tax Refund Program, while only 4 projects received High Impact Performance Incentive grant payments. While projects can receive payments from multiple incentive programs, 241 projects (86%) received one incentive, 18 received two, and one received three.

[4] Projects involving the Capital Investment Tax Credit Program have a written agreement with DOR rather than a contractual agreement with DEO. Several projects involve the Capital Investment Tax Credit Program as well as incentives with DEO contractual agreements. For these reasons, OPPAGA included the Capital Investment Tax Credit Program in its analysis of costs, jobs, and performance along with the other programs with DEO contractual agreements.

[5] Active means that the business is currently performing and in good standing. DEO classifies businesses that met contract terms and received eligible payments as "complete." An inactive business has received one or more incentive payments after meeting a portion of contract commitments but is ineligible for future payments. A vacated business is one that never signed a contract; therefore, no agreement was executed. Terminated means that a contract was executed, but did not receive any payments before becoming ineligible to continue program participation. A business can also voluntarily withdraw from an incentive program and choose not to pursue current or future payments.

[6] The review included all projects that received an incentive payment during at least one year of the review period, regardless of status.

Exhibit 4
During the Review Period, Businesses That Had Agreements Received $263 Million

Program	Projects	Total Awarded	Amount Received During Review Period
Capital Investment Tax Credit	18	N/A[2]	$186,737,202[3]
Quick Action Closing Fund	16	$80,725,000	24,692,508[4]
Qualified Target Industry Tax Refund	229	171,649,900	41,408,740
QTI With Brownfield Redevelopment Bonus	5	8,245,000	1,102,378
High Impact Performance Incentive	4	13,500,000	7,227,276
Brownfield Redevelopment Bonus Refund	8	4,642,500	1,389,166
Total	**280[1]**	**$278,762,400**	**$262,557,270**

[1] A project can receive funds from more than one program. This total is the number of unique incentive projects.
[2] Companies are not awarded incentive funds but can take credit against taxes paid.
[3] Amount claimed by businesses against taxes paid for calendar years 2018 through 2020.
[4] Funds obligated to businesses under this program are placed in an escrow account and dispersed upon meeting performance requirements. As of August 2022, the escrow account had a remaining balance of $26.6 million for projects in this program.

Source: OPPAGA analysis of Department of Economic Opportunity and Department of Revenue data.

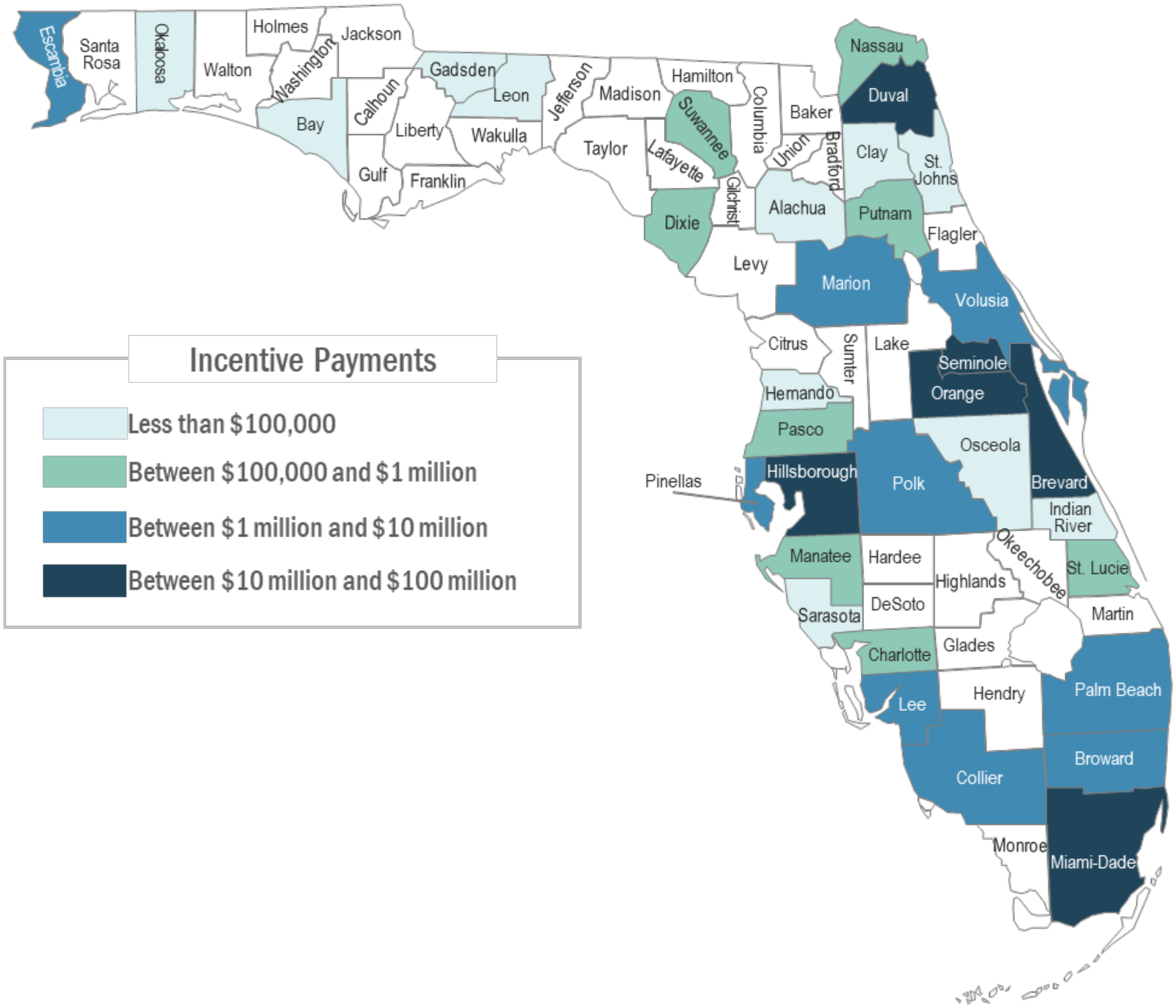
No business with an Innovation Incentive Program project received payments during the review period. During the review period, five businesses participated in the program, but four of these businesses did not meet performance requirements and repaid $26.5 million in state incentive funds. These businesses' projects are inactive and no longer eligible to receive incentive funds. The remaining business is active, but is in a maintenance period and will not receive additional payments.[7]

Incentive payments to businesses that had agreements were distributed across 34 Florida counties, with totals varying widely by county. During the review period, 11 counties received total incentives of less than $100,000, while 8 received between $100,000 and $1 million and 9 received between $1 million and $10 million. Six counties—Brevard, Duval, Hillsborough, Miami-Dade, Orange, and Seminole—received total incentives exceeding $10 million. (See Exhibit 5.)

[7] The business received payment but must maintain jobs, wages, and capital investment and report annually on program requirements until the end of the project on December 31, 2032, unless terminated early.

Exhibit 5

During the Review Period, 34 Counties Contained Businesses That Had Agreements and Received Incentive Funds[1,2]



[1] Enterprise Zone and New Markets Development Program incentives are not included.

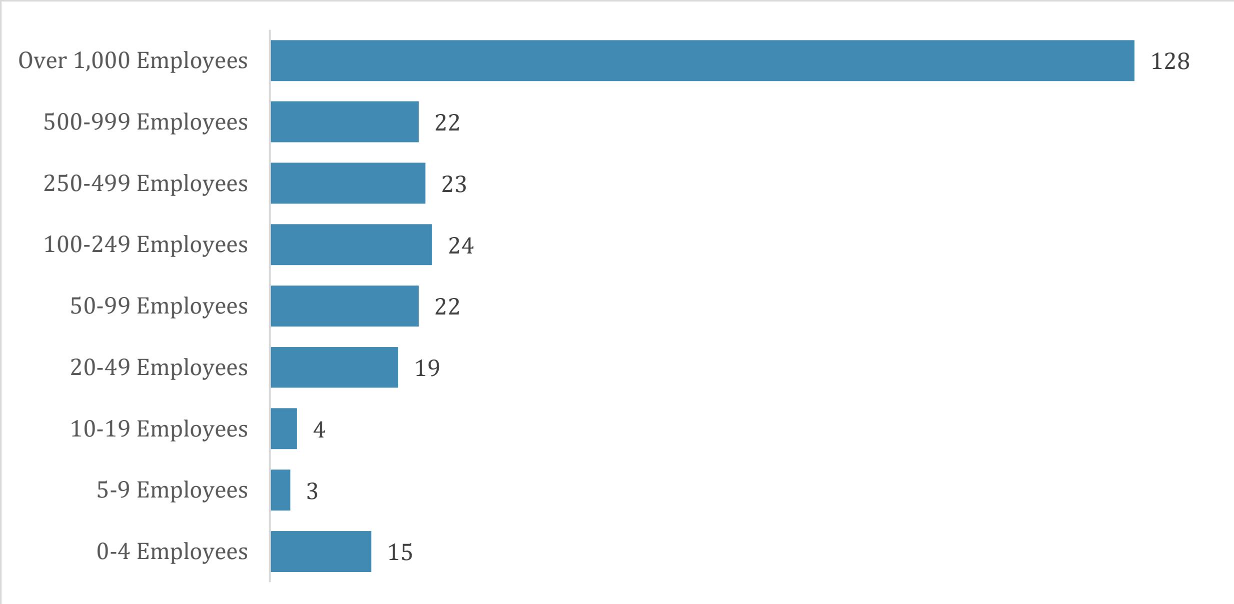
[2] One project received $25,945,470 for two counties (Brevard and St. Johns) and is not included in the map.

Source: OPPAGA analysis of Department of Economic Opportunity data.

Many businesses that had agreements and received incentive payments during the review period previously existed in Florida and were large. DEO incentive programs under review promote business retention, expansion, and recruitment within Florida. Similar to OPPAGA's last review, 64% of the 260 projects that received incentive payments were expansions of existing Florida businesses rather than companies new to the state. Additionally, almost half of the projects that received an incentive payment are at large businesses. Specifically, 128 (49%) of projects that received incentive payments were businesses with more than 1,000 employees. (See Exhibit 6.)

Exhibit 6

During the Review Period, Almost Half of Incentives Were Provided to Businesses With Over 1,000 Employees



Source: OPPAGA analysis of Department of Economic Opportunity data.

Businesses received $1.6 million in enterprise zone incentives during the review period. This number is likely to continue to decline in future review periods, as the program was closed to new applicants. In 2015, a state law preserved state enterprise zone incentives until December 31, 2018 for businesses located within an enterprise zone and party to an active incentive contract with DEO. [8] Florida law allows unused enterprise zone jobs and property tax credits against corporate income taxes to be carried forward for up to five years.[9] (See Exhibit 7.) However, according to DOR, some enterprise zone incentives were not claimed during the review period.[10]

Exhibit 7

During the Review Period, Businesses Received $1.6 Million in Enterprise Zone Incentives

Incentive	Businesses	Amount[1]
Enterprise Zone Property Tax Credit	10	$857,662
Enterprise Zone Jobs Tax Credit	6	666,374
Tax Refund on Business Property	4	49,034
Total	**15[2]**	**$1,573,070**

[1] Amounts claimed by businesses are in different time periods. Incentives against sales and use taxes are claimed during fiscal years and others are claimed against corporate taxes in calendar years.

[2] This total reflects the number of unique businesses that received a tax credit or tax refund. Four businesses received multiple enterprise zone incentives.

Source: OPPAGA analysis of Department of Revenue data.

Investors claimed $44.8 million in New Market Development Program Tax Credits from calendar years 2018 through 2021. This amount represents 21% of the $216 million in tax credits last allocated to the program through October 2014. According to DOR, $3.9 million remained in unclaimed tax credits as of March 29, 2022. The program sunsets on December 31, 2022 and all remaining tax credits will expire.

[8] Chapter 2015-221, *Laws of Florida*.

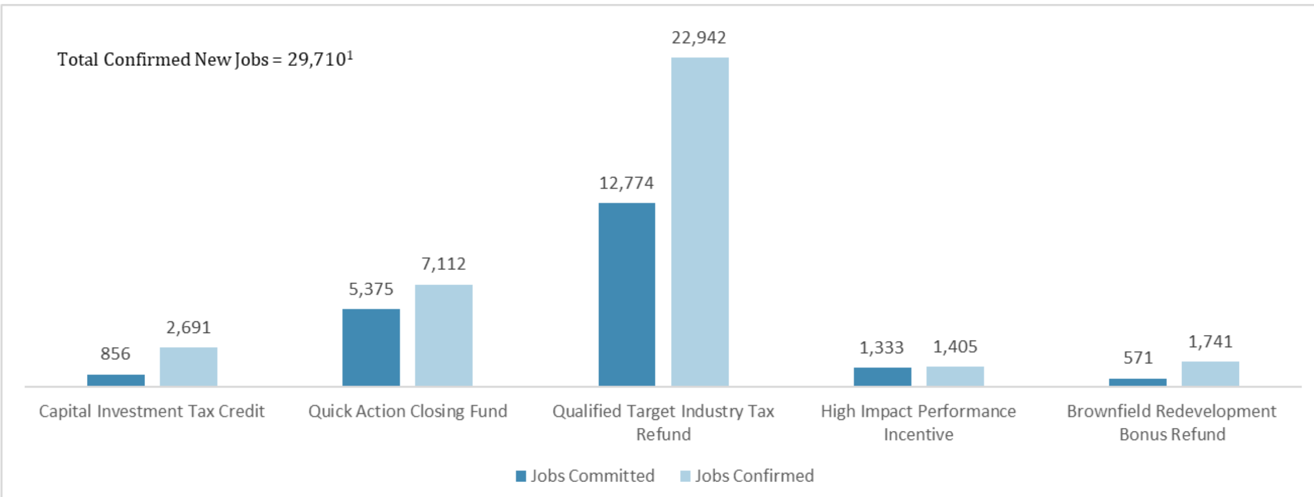
[9] Section 220.181(1)(c), *F.S.*, for the Enterprise Zone Job Credit and s. 220.182(1)(b), *F.S.*, for the Enterprise Zone Property Tax Credit.

[10] These incentives are the sales tax refund for building materials used for the rehabilitation of real property under s. 212.08(5)(g), *F.S.*, the electrical energy sales tax exemption under s. 212.08(15), *F.S.*, and enterprise zone jobs tax credit against sales tax under s. 212.096, *F.S.*

Businesses that had agreements and received incentive payments created 29,710 new jobs and made $1.3 billion in capital investments, exceeding performance requirements

Businesses that had agreements and received incentive payments during the review period created 29,710 jobs.[11] For these businesses, the total number of confirmed jobs exceeded the total number of committed jobs for every incentive program. Qualified Target Industry tax refund projects created the highest number of new jobs, at 22,942. The QTI projects include jobs from projects that also received a Brownfield Redevelopment Bonus Refund. (See Exhibit 8.)

Exhibit 8
During the Review Period, Businesses That Received QTI Tax Refund Incentive Payments Created the Highest Number of Jobs



[1] Businesses with projects involving multiple program incentives can count the same jobs across programs. This total number represents an unduplicated count of confirmed jobs. The total includes projects that received a brownfield redevelopment bonus and a tax refund from the Qualified Target Industry Tax Refund Program.

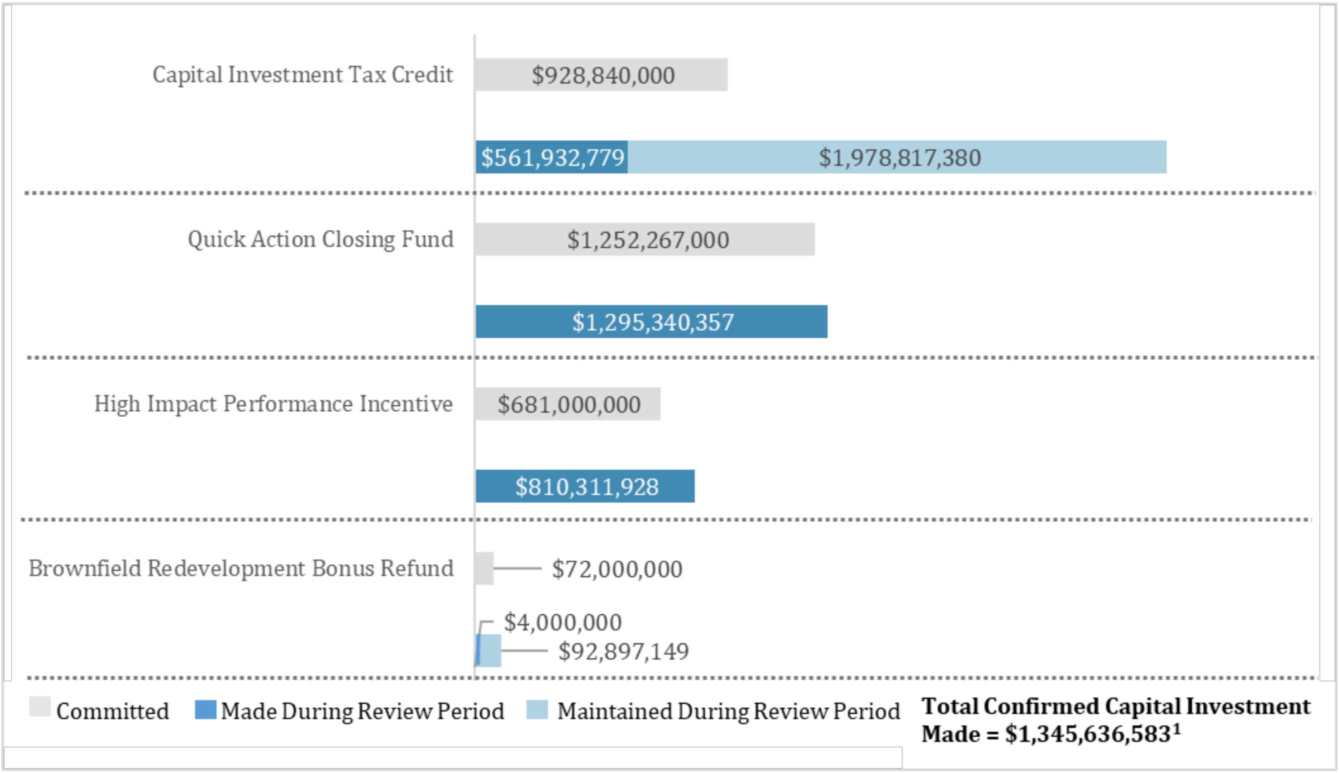
Source: OPPAGA analysis of Department of Economic Opportunity data.

Businesses that had agreements and received incentive payments during the review period made $1.3 billion in capital investments. The total amount of confirmed capital investments made and maintained during the review period exceeded the total amount of committed capital investments for all incentive programs. (See Exhibit 9.) Businesses under two programs, the Brownfield Redevelopment Bonus Refund and Capital Investment Tax Credit programs, also maintained investments during the review period. This means that these businesses made capital investment, such as purchasing land or property, at the beginning of the project and maintained investment levels throughout the project in order to receive an incentive payment. Businesses under the Brownfield Redevelopment Bonus Refund Program must make at least $2 million in capital investment during the first year of the project; these businesses maintained $93 million in investments. Businesses participating in the Capital Investment Tax Credit Program must make capital investments ranging

[11] Businesses with projects receiving incentives from multiple programs can count the same jobs across programs and meet performance requirements. The total number represents an unduplicated count of confirmed jobs. The total includes projects that received a brownfield redevelopment bonus and a tax refund from the Qualified Target Industry Tax Refund Program.

from $25 million to $100 million at project commencement and must maintain this amount for 20 years, resulting in $1.97 billion in maintained capital investment.

Exhibit 9
During the Review Period, Businesses Made and Maintained Capital Investments Greater Than Their Committed Amounts[1]

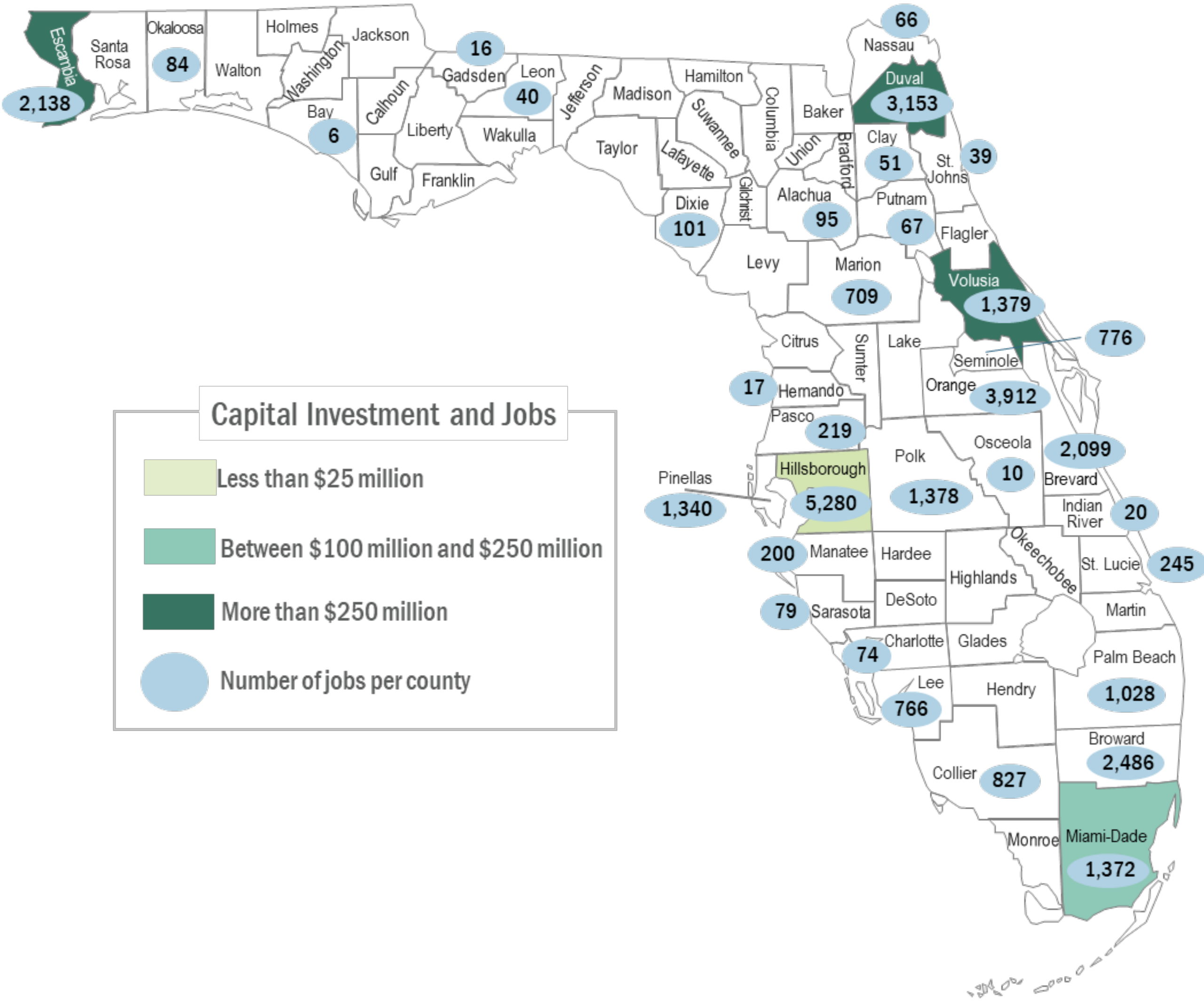


[1] Businesses with projects receiving incentives from multiple programs can count the same amount of capital investment across programs. The total is the unduplicated amount of confirmed capital investment.

Source: OPPAGA analysis of Department of Economic Opportunity data.

In 33 counties, businesses with agreements have confirmed new jobs, and in 5 counties such businesses have confirmed capital investments, with totals varying widely by county. For example, with regard to job creation, the number of confirmed new jobs ranged from 6 in Bay County to 5,280 in Hillsborough County. Capital investment totals also differed greatly, with one county, Hillsborough, having projects that made capital investment of less than $25 million and one county, Miami-Dade, with capital investment between $100 million and $250 million. Three counties—Duval, Escambia, and Volusia—each had businesses with agreements that made capital investments exceeding $250 million. (See Exhibit 10.)

Exhibit 10
During the Review Period, Confirmed New Jobs and Capital Investments Varied Across Counties for Businesses That Had Agreements and Received Incentive Payments[1]



[1] This exhibit includes only confirmed capital investment made (not maintained) during the review period. Additionally, one project lost 259 jobs across Brevard and St. Johns counties, and one project in Suwannee County lost 103 jobs.

Source: OPPAGA analysis of Department of Economic Opportunity data.

DEO did not improve New Markets Development Program oversight; data shows that wages grew but employment declined for program participants

Similar to prior reviews, OPPAGA found that the Department of Economic Opportunity did not make any changes to the New Markets Development Program during the review period, including those previously recommended related to its program oversight. Regarding ongoing program management, DEO did not improve reporting requirements and continued to rely on data from annual reports submitted by Community Development Entities (CDEs) for performance information. These reports may not be accurate, as CDEs may have reused data on jobs created from previous annual reports. Further, DEO does not verify jobs, wages, or capital investments for qualified active low-income community businesses (QALICBs). Given these reported data concerns, OPPAGA reviewed annual reports filed by CDEs to identify QALICBs' plans for using the investments. In addition, OPPAGA independently verified jobs and wage information using DEO employment data. It should be noted that currently the program is scheduled to sunset in December 2022.

DEO had no tax credits to allocate during the review period, so it did not implement recommended program changes to improve New Markets Development Program oversight. OPPAGA's previous report provided steps that could improve the management of the New Markets Development Program. OPPAGA recommended that DEO establish scoring criteria when allocating tax credits to CDEs. The Legislature last authorized credits to DEO in 2014, and DEO allocated the credits to CDEs prior to the current review period. DEO did not implement such criteria during the review period. However, DEO did not have tax credits to allocate.

OPPAGA also recommended that DEO improve its annual reporting criteria to adequately measure the program's economic impact on low-income communities. These improvements could include having CDEs report actual job creation for the prior year and use of investment capital by businesses receiving an investment. In addition, OPPAGA suggested that DEO verify wages reported by community development entities using DOR tax records. DEO did not take these steps during the review period.

Program businesses report benefits from investments, while other data shows wage growth but employment decline. Six eligible QALICBs received $5.7 million of capital investment from investors through CDEs during the review period. OPPAGA reviewed annual reports filed by CDEs to determine the types of investment received by QALICBs and the uses of these investments. All investments in the QALICBs during the review period were loans.

OPPAGA's review of annual reports showed that QALICBs reported using investments in various ways. During the review period, most QALICBs used or expected to use investments to create working capital, acquire new equipment, or hire additional employees. Other investment uses reported by a few QALICBs were purchasing a new facility, refurbishing an existing facility, and refinancing existing debt.

OPPAGA's analysis of DEO data for businesses participating in the New Markets Development Program shows wage growth but employment decline. DEO's Bureau of Workforce Statistics and Economic Research data were available for five of the six QALICBs that received an investment from the program during the review period.[12] The QALICBs represented five locations with 1,580 employees and paid total wages of about $8.3 million during Fiscal Year 2020-21.

The analysis found that these five business locations experienced wage growth of 19%, which was more than the statewide growth rate of 14%. In contrast, employment decreased by 4% for these business locations, which was more than the statewide employment decrease of 3% for the same period. (See Exhibit 11.) However, not all program business locations experienced similar wage or employment growth. For example, four of the five business locations experienced positive wage growth during the review period. Similarly, two of the five business locations experienced positive employment growth during the review period.

[12] Due to incomplete employment data for one business during Fiscal Year 2018-19, OPPAGA's employment and wage analysis was limited to five businesses that had employment and wage data during Fiscal Years 2018-19 through 2020-21.

Exhibit 11

Annual Average Wages for New Markets Development Program Businesses Increased, but Annual Average Employment Declined

Fiscal Years 2018-19 Through 2020-21			
	Business Locations	Change in Annual Average Wage	Change in Annual Average Employment
Program Participants	5	$9,896 (19%)	-5 (-4%)
Statewide	731,082[1]	$7,025 (14%)	-215,065 (-3%)

[1] This number represents the average number of total establishments in Florida during Fiscal Years 2018-19 through 2020-21.

Source: OPPAGA analysis of Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research data and U.S. Department of Labor, Bureau of Labor Statistics data.

RECOMMENDATIONS

OPPAGA evaluated the effectiveness of economic development programs under review in relation to performance requirements, such as new job creation and capital investment. Businesses that had agreements and received incentive payments during the review period created 29,710 new jobs and made $1.3 billion in capital investments, exceeding performance requirements. However, OPPAGA's prior recommendations have not been addressed. Thus, OPPAGA recommends that the Legislature and Department of Economic Opportunity consider the following actions for the Innovation Incentive and the New Markets Development programs.

Should the Legislature decide to continue the Innovation Incentive Program, it may wish to modify the types of entities that can apply. During the review period, four of the five businesses participating in the program repaid incentive funds because the businesses did not meet performance requirements. These businesses are inactive and are ineligible to receive program funds in the future. The remaining business is active, but is in a maintenance period and has received all committed state funds. Given the limited participation, the Legislature may wish to consider whether the program should be continued; alternately, it could consider expanding statutory eligibility requirements to modify the types of entities that can apply.

The New Markets Development Tax Credit Program will sunset December 2022; should the Legislature decide to reauthorize the program, it is recommended that DEO be directed to use scoring criteria when allocating tax credits and expand reporting requirements. DEO initially allocated tax credits to community development entities on a first come, first served basis and then later allocated an equal number of tax credits to each eligible community development entity. In contrast, the U.S. Department of the Treasury allocates federal New Markets Tax Credits using scoring criteria with outcomes such as capital investment and services to low-income communities. Currently, Florida statutes require the department to review applications in the order received.[13] As an alternative, the Legislature could consider requiring DEO to establish scoring criteria to award tax credits to those projects with the greatest estimated impact in terms of job creation, wages, and capital investment.

Further, New Markets Development Program oversight could be improved in several ways.

- DEO should improve annual reporting criteria in two ways: (1) have CDEs report actual job creation for the prior year rather than total projected job creation and (2) verify wages reported by CDEs using Department of Revenue tax records.

[13] Section 288.9914(3)(a), *F.S.*, requires DEO to review applications in the order received and approve or deny an application within 30 days after receipt.

- The Legislature could strengthen reporting criteria by requiring CDEs to provide documentation of capital investments (e.g., receipts or invoices) and report how businesses receiving the investment use investment capital.
- The Legislature could consider expanding statutory reporting requirements to include the benefits or services that businesses provide to local communities.

AGENCY RESPONSE

In accordance with the provisions of s. 11.51(2), *Florida Statutes*, a draft of OPPAGA's report was submitted to the Department of Economic Opportunity. The department's written response has been reproduced in Appendix C and is followed by OPPAGA comments.

APPENDIX A

Economic Development Program Profiles

Brownfield Redevelopment Bonus Refund Program

Purpose. The 1997 Legislature created the Brownfield Redevelopment Bonus Refund Program to encourage redevelopment and job creation within designated brownfield areas.[14] Brownfield sites are abandoned, idled, or underused properties where expansion or redevelopment is complicated by actual or perceived environmental contamination. The program is voluntary and intended to achieve several environmental and economic development goals including rehabilitating contaminated sites; preventing premature development of green space; reducing blight; reusing existing infrastructure; creating jobs; and increasing capital investment.

To be eligible for the Brownfield Redevelopment Bonus Refund, applicants must either be a qualified target industry business or demonstrate a fixed capital investment of at least $2 million in mixed-use business activities and provide benefits to employees.[15,16] In addition, the proposed project must create at least 10 new, full-time, permanent jobs, not including any construction or site rehabilitation jobs.

The program provides a tax refund for each new job created in a designated brownfield. Eligible businesses receive tax refunds for certain state and local taxes paid, including corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions under Ch. 212, *Florida Statutes*; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes. Businesses may receive a tax refund up to 20% of the average annual wage for each new job created in a designated brownfield area, up to a maximum of $2,500 per new job.

History. The Legislature has enacted numerous changes to the Brownfield Redevelopment Bonus Refund Program since its inception. For example, the 2013 Legislature made significant changes to the program, including amending the term "brownfield area eligible for bonus refunds" to specify that an eligible area is a brownfield site for which a rehabilitation agreement with the Department of Environmental Protection (DEP) or a local government delegated by DEP has been executed under the Brownfield Redevelopment Act. The legislation also

- removed the requirement for capital investments of at least $500,000 in brownfield areas that do not require site cleanup;
- removed language that allowed for contiguous brownfield areas that may not be contaminated to be eligible for the program;
- added brownfield sites to the list of eligible redevelopment sites where building materials used to convert manufacturing or industrial buildings to housing units or mixed-use units are exempt from sales taxes; and
- removed the requirement of submitting a local resolution that recommends that a business be approved.

[14] Section 288.107, *F.S.*
[15] According to s. 288.107(d), *F.S.*, mixed-use activities include multiunit housing, commercial, retail, and industrial in brownfield areas.
[16] DEO's authority to certify new applicants under the Qualified Target Industry Tax Refund Program expired on June 30, 2020. Because DEO can no longer approve a qualified target industry business to be eligible for tax refunds, it may also not currently approve such business under the Brownfield Redevelopment Bonus Program.

Capital Investment Tax Credit Program (CITC)

Purpose. The 1998 Legislature created the CITC to encourage high-impact sector businesses to make significant capital investments to build, expand, or locate physical facilities within Florida.[17] Qualifying businesses can reduce corporate income taxes or insurance premiums over a 20-year period through a tax credit based on the amount of capital investment or costs related to the acquisition or construction of a facility. Eligible expenses include the costs of acquiring, constructing, installing, equipping, and financing a qualifying project; this includes all obligations incurred for labor, contractors, subcontractors, and builders. The costs for architectural and engineering services, environmental studies, surveys, and site work can also be included.

CITC qualifying requirements vary based on investment amount and industry sector. There are three tiers for high-impact industries, with investment requirements ranging from $25 million to $100 million. The tier determines what percentage of a business's tax liability project costs can be offset. In addition, businesses in each of the three tiers must create at least 100 new jobs in Florida and continue to maintain employment goals each year from the commencement of operations. For target industries and headquarters, investment requirements range from $100 million to $250 million; these projects also have different annual credit amounts and credit limits as well as higher job requirements.

After the commencement of operations, businesses can seek corporate tax credits annually on the income generated by or resulting from the qualifying project. The credit is limited to 5% of the total amount of capital investment at the new or expanded facility, over 20 years.[18] The annual credit limit varies depending on tier level, ranging from 50% to 100% of the tax liability. For most projects, tax credits cannot be carried forward if not fully used in any one year; this provision is waived for tier 3 projects with $100 million in investments or headquarter projects with costs of $250 million.[19]

History. The Legislature has enacted numerous changes to the CITC since its inception. Specifically, the definitions of qualifying businesses and criteria for transferability have been amended several times.

Qualified Businesses. Every three years, Enterprise Florida, Inc. (EFI), researches and recommends the business sectors that should be designated as high-impact. The Department of Economic Opportunity (DEO) makes the final decision regarding these designations.[20] High-impact sectors have evolved over time and the last update in 2020 included the following 10 business sectors: Aviation and Aerospace; Corporate Headquarters; Clean Technology; Defense and Homeland Security; Financial and Professional Services; Global Logistics and Trade; Information Technology; Life Sciences; Manufacturing; and Research and Development.

Transferability. Generally, CITC may not be transferred or sold to other businesses. However, the 2008 Legislature amended the program to allow certain qualifying projects to transfer unused tax credits.[21] To qualify to transfer a tax credit, the project must be a new solar panel manufacturing facility that generated at least 400 jobs within six months after commencing operations and paid an average annual salary of at least $50,000. In addition, the 2011 Legislature amended the program to allow certain tax credits to be used outside of the 20-year period following commencement of project operations.[22] The amendment only applies to high-impact sector projects that qualify for tier 3.

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[17] Section 220.191, *F.S.*
[18] The income for the new or expanded facility must be segregated from that attributed to the business as a whole in order to calculate the tax credit.
[19] For tier three projects, if the credit is not fully used in any one year due to insufficient tax liability, the unused amounts may be used later in any one year or years, beginning with the 21st year of operation and ending with the 30th year. Headquarter projects may carry forward unused credits during the 20-year period.
[20] At the time of CITC's creation, there was not a set three-year schedule for reviewing high-impact designations. The three-year schedule was established by s. 20, Ch. 2010-147, *Laws of Florida*.
[21] Chapter 2008-227, *Laws of Florida*.
[22] Chapter 2011-223, *Laws of Florida*.

Enterprise Zone Program (EZ)

The program sunset on December 31, 2015, but businesses located within an enterprise zone that had an active contract with the Department of Economic Opportunity could have received state program incentives until December 31, 2018.

Purpose. The 1982 Legislature created the EZ Program to provide incentives to induce private investments in economically distressed areas of the state.[23] The program targeted areas that chronically display extreme and unacceptable levels of unemployment, physical deterioration, and economic disinvestment. The program had several goals, including revitalizing and rehabilitating distressed areas, stimulating employment among area residents, and enhancing economic and social well-being in the areas.

To achieve these goals, the state, county, and municipal governments provided investments, tax incentives, and local government regulatory relief to encourage businesses to invest and locate in designated zones and residents to improve their property. State incentives included job and corporate income tax credits as well as sales tax refunds.[24]

Counties and municipalities could have nominated an area to be designated as an enterprise zone that has high poverty (greater than 20%), high unemployment, and general distress, and met certain geographic specifications (zones may not exceed 20 square miles).[25] Rural enterprise zones are located in counties with populations that generally do not exceed 100,000.[26] Of the 65 enterprise zones within the state, 29 are rural and 36 are urban.

Local governments were responsible for zone administration and monitoring activities, creating enterprise zone development agencies, and employing zone coordinators. Zone coordinators served as local contacts and assisted businesses applying for state tax credits and refunds, certified incentive applications to the Department of Revenue, educated the public about the program, and submitted data on zone activities to the Department of Economic Opportunity (DEO) for inclusion in the enterprise zone annual report. DEO oversaw the program at the state level and approved zone designation applications and changes in zone boundaries. The department also provided technical support to local zone coordinators and submitted annual program reports to the Governor and Legislature.

History. The Legislature enacted several changes to the EZ Program since its inception. For example, the 1994 Legislature passed the Florida Enterprise Zone Act of 1994, which repealed the existing enterprise zones on December 31, 1994, created parameters for designation of new zones, and established a program expiration date of June 30, 2005.[27] In addition, the jobs tax credit criteria were revised to require both businesses and employees to reside within an enterprise zone. In 1995, 19 new rural and urban enterprise zones were designated.

In 2010, the Legislature amended the definition of real property by excluding condominiums from the building materials sales tax refund incentive.[28] In October 2011, management of the EZ Program was transferred from the Office of Tourism, Trade, and Economic Development to DEO's Division of Community Development, Bureau of Economic Development. DEO approved three additional enterprise zone application packages in 2012, bringing the total number of zones to 65.

Most recently, the 2015 Legislature allowed the program to expire as provided in state law. The Legislature enacted Ch. 2015-221, *Laws of Florida*, closing the program to new applicants as of December 31, 2018, but temporarily preserving state incentives for certain businesses that are currently located within enterprise zones and have active state incentive agreements with DEO. The 2021 Legislature enacted Ch. 2021-179, *Laws of Florida*, which closed local incentive programs within enterprise zones as of December 31, 2021, except for eligible contiguous multi-phase projects with a certificate of use occupancy issued before December 31, 2021. Eligible projects will continue remaining project phases until completion, no later than December 31, 2025.

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[23] Sections 290.001-290.016, *F.S.*, authorize the creation of enterprise zones in Florida and specify goals and criteria for the program. Chapter 2005-287, *Laws of Florida*, re-designated existing enterprise zones and extended the program until December 31, 2015.

[24] Local incentives include occupational license fee reduction; municipal utility tax abatement; façade renovation and/or commercial revitalization; loans and grants; reduction of local government regulations; impact fee waiver and/or discount; local economic development property tax exemption; additional local government services; and local funds for capital projects.

[25] Sections 290.0058 and 290.0055, *F.S.*

[26] Zones may be designated rural if the nominating county has a population of 75,000 or less; a county has a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less; a municipality is located in a county with a population of 75,000 or less; or a municipality is located in a county with a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less.

[27] Chapter 94-136 , *Laws of Florida*.

[28] Chapter 2010-147, *Laws of Florida*.

High Impact Performance Incentive Grant Program (HIPI)

Purpose. The 1997 Legislature created the HIPI to increase Florida's competitive position by attracting, retaining, and growing high-impact businesses.[29] The economic benefits of the grant program include high quality employment opportunities and major capital investment in industries such as clean energy, biomedical technology, information technology, silicon technology, and transportation equipment manufacturing.

To be eligible for the grant program, a business must be certified as high-impact. This process has two components. First, Enterprise Florida, Inc., selects and designates high-impact sectors. Second, the Department of Economic Opportunity (DEO) certifies businesses; DEO reviews applications, determines if companies are eligible (including assessing whether businesses fit into the high-impact sector designation), and enters into agreements.

HIPI qualifying guidelines vary based on amount invested and the industry sector. There are three tiers for non-research and development industries and three tiers for research and development industries. Using these guidelines, DEO may negotiate qualified HIPI grant awards for any single qualified high-impact business.

The conditions that specify the commencement of operations and the grant amount that the business is eligible to receive are detailed in an agreement between the business and DEO. Fifty percent of the grant funds are available upon certification of the commencement of operations. To obtain the remaining 50% of funds, total employment goals and investment requirements must be achieved by the date specified in the company's agreement.

History. The Legislature has made relatively minor changes to the HIPI since its inception. In 2009, the Legislature amended the statute to provide 10 days (formerly 5) for DEO to review the application and issue a letter of certification after receiving an application. The 2010 Legislature amended the statute to lower the capital investment and job creation requirement to encourage more business participation. A business with a lower cumulative investment of $50 million and 50 jobs and a research and development category making a cumulative investment of $25 million and 25 jobs is now eligible for grants.

[29] Section 288.108, *F.S.*

Innovation Incentive Program

DEO has not recently received appropriations for this program and last approved a grant under this program during Fiscal Year 2011-12.

Purpose. The 2006 Legislature created the Innovation Incentive Program to respond expeditiously to economic opportunities and compete for high-value research and development, innovation business, and alternative and renewable energy projects.[30,31] The program provides funds to research and development projects that conduct basic and applied research in the sciences or engineering as well as design, develop, and test prototypes or processes. These projects must serve as catalysts for the growth of existing or emerging technology clusters.

The Innovation Incentive Program provides grants to qualified companies that the Governor has approved after consultation with the Legislature. All innovation incentive projects must have a performance-based contract with the state that includes specific milestones that a company must achieve in order for it to receive grant payments. These contracts also include a reinvestment requirement by which recipients must remit a portion of royalty revenues back to the state for reinvestment in certain state trust funds.

To qualify for the program, an applicant must establish, at a minimum, that the jobs created by the project pay an estimated annual average wage of at least 130% of the average private sector wage.[32] In addition, a research and development project must serve as a catalyst for an emerging or evolving technology cluster; demonstrate a plan for significant higher education collaboration; provide a minimum cumulative break-even economic benefit within a 20-year period; and receive a one-to-one match from the local community.

History. The Legislature has enacted several statutory changes to the Innovation Incentive Program since its inception. For example, in 2009, the Legislature imposed a minimum employment level of at least 35 direct new jobs for each alternative and renewable energy project.[33] It further required Enterprise Florida, Inc., to evaluate proposals for all categories of awards and included additional evaluative criteria for alternative and renewable energy projects. Finally, the 2009 legislation added several provisions that must be included in contracts between the state and program recipients, such as payment of above-average wage levels, reinvestment of royalties and other revenues into certain state trust funds, and submittal of quarterly and annual reports to the state agency administering the program.[34]

In 2010, the Legislature amended the statutory definition of jobs to include positions obtained from a temporary employment agency or employee leasing company or through a union agreement or co-employment under a professional employer organization agreement.[35] In 2011, the Legislature transferred Enterprise Florida, Inc.'s authority to review program proposals to the Department of Economic Opportunity, which was created through the same legislation.[36] In 2013, the Legislature changed the requirement that an applicant provide the state with, at minimum, a break-even return on investment within 20 years to a cumulative break-even economic benefit within 20 years.[37]

In addition to these legislative changes, there have been program shifts at the agency level. Although the law that created the program does not specifically direct grants to be awarded to biotechnology companies, it was enacted when Florida was actively developing its biotechnology industry.[38] Consequently, the first seven grant recipients were non-profit biotechnology research institutes that were new to the state. However, the last recipients include a for-profit biotechnology company and an aerospace manufacturing company, which appears to indicate a shift in program emphasis.

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[30] Section 288.1089, *F.S.*

[31] An innovation business is a business that is expanding or locating in Florida that is likely to serve as a catalyst for the growth of an existing or emerging technology cluster or will significantly impact the regional economy in which it is to expand or locate.

[32] Enterprise Florida, Inc., may request a waiver of this requirement for a project located in a rural area, a brownfield area, or an enterprise zone when the merits of the project warrant such action.

[33] Chapter 2009-51, *Laws of Florida*.

[34] The wage requirement states that for agreements signed on or after July 1, 2009, jobs created by the recipient of the incentive funds must pay an annual average wage at least equal to the relevant industry's annual average wage or at least 130% of the average private-sector wage, whichever is greater.

[35] Chapter 2010-147, *Laws of Florida*.

[36] Chapter 2011-142, *Laws of Florida*. The 2009 law required Enterprise Florida, Inc. to evaluate proposals, while the 2011 law required the department to review proposals.

[37] Chapter 2013-42, *Laws of Florida*.

[38] Biotechnology refers to the use of cellular and molecular processes in solving problems and developing products. Advances in biotechnology processes and products have many applications, such as better diagnosing and treating human diseases and improving agricultural crops.

New Markets Development Program (NMDP)

The program is scheduled to sunset on December 31, 2022.

Purpose. The 2009 Legislature created the NMDP to encourage capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified active low-income community businesses (QALICB) to create and retain jobs.[39] The Department of Economic Opportunity (DEO) allocated tax credits to qualified community development entities (CDEs), which then provide tax credits to investors when an investment is made in a QALICB. Florida's NMDP is modeled after the federal New Markets Tax Credit Program, which also aims to attract private capital into low-income community businesses.

To be eligible for an investment through the program, a QALICB must be located in a census tract where the poverty rate is at least 20%, or the median family income does not exceed 80% of the statewide median. A CDE may only have received a tax credit allocation from DEO if it was certified by the U.S. Department of the Treasury as a qualified CDE and entered into an allocation agreement to receive federal New Markets Tax Credits through the Community Development Financial Institutions Fund.[40]

Taxpayers who invest in QALICBs through qualified CDEs receive tax credits equal to 39% of the investment amount. The holder of these tax credits may claim 7% of its investment amount in the third tax year following credit allocation and 8% per year in years four through seven. Credits may be applied against corporate income tax or insurance premium tax, although an insurance company holding tax credits must apply the credits against its annual insurance premium tax liability. A taxpayer may not claim credits in excess of the tax liability, and any unused credits in a given year may be carried forward up to five years. Credits may not be sold and may only be transferred to an affiliated entity of the initial investor.[41]

History. When the NMDP was created, DEO was authorized to award no more than $97.5 million of tax credits during the existence of the program, with no more than $20 million of tax credits becoming eligible to claim for the first time in a single fiscal year.[42] The Legislature has enacted changes to the program three times (in 2012, 2013, and 2014) since inception to increase the amount of tax credits available for the program to facilitate further investments into low-income community businesses.[43] In each of those years, the Legislature increased the total amount of tax credits that could be awarded, as well as the maximum amount of tax credits that could be claimed for the first time in a single fiscal year. DEO was authorized to award no more than $216.34 million of tax credits, with no more than $36.6 million of tax credits becoming eligible to claim for the first time in a single fiscal year.[44] All other aspects of the program have remained the same since program inception.

[39] Section 288.9912, *F.S.*
[40] A CDE is defined by the U.S. Department of the Treasury as a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities.
[41] Only partners, members, or shareholders of a partnership, limited liability companies, S-corporations, or other pass-through entities of the initial investor may receive a transfer of tax credits.
[42] Chapter 2009-50, *Laws of Florida*.
[43] Chapters 2012-32, 2013-42, and 2014-38, *Laws of Florida*.
[44] Chapter 2014-38, *Laws of Florida*.

Qualified Target Industry Tax Refund Program (QTI)

The program's authority to certify new applicants expired on June 30, 2020, but existing tax refund agreements continue to be in effect in accordance with contract terms. Based on current contracts, the anticipated program end date is Fiscal Year 2037-38.

Purpose. The 1994 Legislature created the QTI to encourage the recruitment or creation of high-paying, high-skilled jobs within specific industries.[45] In exchange for meeting job creation goals, eligible businesses receive refunds for certain state and local taxes, including corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions under Ch. 212, *Florida Statutes*; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes.

Currently, the QTI list includes clean technology, life sciences, information technology, aviation/aerospace, homeland security/defense, financial/professional services, emerging technologies, other manufacturing, and corporate headquarters. Call centers and shared service centers also may qualify if certain economic criteria are met, and special consideration is given to industries that facilitate the development of the state as a hub for domestic and global trade and logistics. In addition to being within a qualified target industry, businesses must meet other criteria to be eligible for QTI incentives. These conditions include

- creating at least 10 jobs if the business is relocating to the state or increasing employment by 10% if the business is expanding in the state;
- paying an annual wage of 115% of the average private sector wage in the area for which the business located or the statewide private sector average wage; and
- receiving a local government resolution of commitment to the business relocation or expansion and financial support amounting to 20% of the incentive amount.[46,47]

QTI tax refund amounts are based on the number of jobs created, the percentage of annual average area wages paid, the expansion or location site, and whether the business is a designated high-impact sector business. Businesses that meet QTI eligibility requirements, produce the number of required jobs, and pay at least 115% of the average area annual wage receive a base tax refund of $3,000 per job ($6,000 per job in an enterprise zone or a rural community). There are also additional per-job incentives when businesses meet other statutorily defined criteria. For example, projects located in a brownfield are eligible for an additional $2,500 per job through the Brownfield Redevelopment Bonus Refund Program.

Several restrictions apply to tax refund amounts and distributions. For example, the single year refund amount cannot exceed $1.5 million ($2.5 million in an enterprise zone). Moreover, in any fiscal year, a business may not receive more than 25% of the tax refund amount specified in its agreement with the state.

History. The Legislature has enacted numerous changes to the QTI since its inception. In 2010, the Legislature expanded the definition of jobs to allow temporary employees to qualify as full-time equivalent positions; changed the definition of a new business by removing the requirement that the business must not have existed before beginning operations in Florida; and modified the criteria and considerations that Enterprise Florida, Inc. (EFI) must use when identifying target industries.

In response to the Deepwater Horizon oil spill, the 2011 Legislature authorized the Department of Economic Opportunity (DEO) to waive wage or local financial support eligibility requirements between July 1, 2011, and June 30, 2014, for eight counties that were disproportionately affected by the disaster.[48] In addition, the Legislature modified the definition of economic benefit and required that special consideration be given to industries that facilitate the development of the state as a hub for domestic and global trade and logistics. In 2013, the Legislature removed the statutory restriction on the total refund amount, modified the application process, and eliminated the application evaluation criteria that DEO must consider businesses' long-term commitment when reviewing applications.[49] While DEO's authority to certify new applicants under the QTI expired June 30, 2020, a tax refund agreement existing on that date shall continue in effect in accordance with its terms.

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[45] Section 288.106, *F.S.*
[46] At the request of the local government and EFI, DEO may waive the wage requirement if the business is in a rural community, enterprise zone, brownfield, or is a manufacturing project located anywhere in the state and paying 100% of the average private sector wage in the area the business will locate.
[47] A business applying for the program can request exemption from the local financial support requirement if the project is located in a brownfield or a rural community. However, such an exemption would reduce the tax refund to 80% of the total tax refund allowed.
[48] The eight counties are Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Wakulla, and Walton.
[49] Chapter 2013-96, *Laws of Florida*.

Quick Action Closing Fund Program (QAC)

DEO has not recently received appropriations for this program and last approved a grant under this program during Fiscal Year 2015-16.

Purpose. The 1999 Legislature created the QAC to enable the state to compete effectively for high-impact business facilities, critical private infrastructure in rural areas, and key businesses in economically distressed urban and rural communities.[50] The program is also intended to maximize the state's ability to mitigate the negative impacts of the conclusion of the space shuttle program and the gap in civil human space flight. Program funding is used as a tool to finalize negotiations for highly competitive projects where Florida is at a competitive disadvantage.

QAC is a discretionary grant that the Governor can access to respond to projects with unique requirements. The incentive may be utilized to compensate for distinct quantifiable disadvantages after other available resources have been exhausted. To be eligible for funding from the Quick Action Closing Fund, each project must be in a qualified target industry; have a positive economic benefit ratio of at least five to one; be an inducement to locate or expand in the state; pay an average annual wage of at least 125% of the area-wide or statewide private sector average wage; and be supported by the local community where the project is to be located. These criteria may be waived under extraordinary or special circumstances. For example, a project not meeting all criteria could nevertheless be found to benefit the local or regional economy in a rural area of critical economic concern.

Enterprise Florida, Inc. (EFI), and the Department of Economic Opportunity (DEO) jointly review QAC Program applications to determine project eligibility. DEO evaluates proposals for high-impact business facilities. The evaluation must include

- a description of the facility;
- the number of jobs to be created and the estimated average annual employee wages;
- a statement of any special impacts the facility is expected to stimulate in a particular business sector in the state or regional economy or in the state's universities and community colleges;
- a financial analysis and historical market performance of the company;
- any independent evaluations and audits of the company; and
- a statement of the role the incentive is expected to play in the applicant's decision to locate or expand in Florida.

A business that receives funding must enter into a contract with DEO. The contract must include the total incentive amount and performance conditions the company must meet to receive the funds, such as net new employment, average salary, and capital investment. The contract must also include sanctions for failure to meet these conditions and a statement that payment of funds is contingent on legislative appropriations. Contracts typically require a company to meet certain conditions, such as leasing or purchasing property, before the funds are transferred to an escrow account. Incentive funds are paid out of the escrow account after the business has performed additional actions, such as making a public announcement about the project, making a minimum capital investment, and creating a minimum number of jobs.

History. The Legislature has enacted several statutory changes to the QAC since its inception. For example, in 2002, the QAC was one of numerous economic development programs that the Legislature included in a public records exemption that covered program recipients' identifying information, trade secrets, financial information, and proprietary business information.[51] In 2003, the Legislature authorized the Governor to transfer unencumbered program funds to other economic development programs in emergencies or special circumstances and in consultation with the President of the Senate and the Speaker of the House of Representatives.[52] However, in 2006, the Legislature repealed this provision, specified eligibility requirements noted earlier, and directed EFI to evaluate the quality and value of each applicant.[53]

Finally, in 2011, the Legislature specified the roles of DEO and EFI in the application review and evaluation process, requiring DEO to recommend approval or disapproval to the Governor within seven business days after evaluating a project and authorizing the Governor to approve projects that require less than $2 million in funding without consulting the Legislature.

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[50] Section 288.1088, *F.S.*
[51] Chapter 2002-68, *Laws of Florida*.
[52] Chapter 2003-270, *Laws of Florida*.
[53] Chapter 2006-55, *Laws of Florida*.

APPENDIX B

Qualified Target Industry Analyses

Location Quotient Analysis

OPPAGA calculated location quotients to compare statewide to national employment for Florida's qualified target industry sectors. A location quotient is calculated as the percentage of state employment in an industry sector divided by the percentage of national employment in that industry sector. A location quotient exceeding 1.0 indicates that state levels of sector employment were higher than the national level. Positive change in location quotient indicates that the industry sector is growing relative to the nation.

Exhibit B-1 shows the results of OPPAGA's location quotient analysis for the six QTI sectors reviewed. Florida's employment in three of the six QTI sectors (Professional, Scientific, and Technical Services; Finance; and Wholesale Trade) was slightly higher than the nation in 2021. The employment in the remaining sectors was less than the nation. A positive percentage change in the location quotient for five of the six sectors indicates that Florida's growth in those sectors was greater relative to industry growth nationwide. However, Florida's Information industry employment decreased (-11%) relative to the nation.

Exhibit B-1
Five Florida Qualified Target Industries Had Positive Employment Growth Relative to the Nation

QTI Industry	Location Quotient (2021)	Change in Location Quotient (2012–2021)
Manufacturing	0.52	7.1%
Management of Companies and Enterprises	0.81	6.6%
Professional, Scientific, and Technical Services	1.09	4.7%
Wholesale Trade	1.03	2.1%
Finance and Insurance	1.07	1.6%
Information	0.80	-11%

Source: OPPAGA analysis of Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research data.

Shift-Share Analysis

OPPAGA conducted a shift-share analysis to gain a better understanding of how Florida performed relative to the national economy and certain QTI sectors. The shift-share represents how much of the employment growth or decline in a state's industry was due to the national economy, the employment trend within the particular industry, and the state's competitive advantage or lack thereof. Shift-share is composed of three components, with the change in employment between two years (e.g., between 2012 and 2021) equal to the sum of the components.

- **National Growth Share** is the change in employment due to the growth of the overall national economy. If the national economy is growing, one may expect to see a positive change in each industry in the state.
- **Industry Mix Share** is the change in employment in the state's industry, based on the industry's national growth (or decline).

- **Regional Shift**, also referred to as the competitive effect, is the change in employment due to the state's competitive advantage. The competitive advantage can be generated by factors such as geography, legislation, population characteristics, or natural resources. It is often the most important component. A positive regional shift indicates that the state industry is outperforming the national economy and industry trends. A negative shift indicates that the state industry is underperforming compared to the national trend and does not have a competitive advantage.

Exhibit B-2 shows the results of OPPAGA's shift-share analysis for six qualified target industries from 2012 through 2021. A positive regional shift indicates that Florida's industry gained additional jobs over those gained due to the state's competitive advantage beyond those gained by national growth and industry trends. Five qualified target industries outperformed national and industry employment trends and one (Information) underperformed.

Exhibit B-2
Shift-Share Analysis for Six Qualified Target Industries

Florida Industry	Employment Change (2012–2021)	National Growth Share	Industry Mix Share	Regional Shift
Professional, Scientific, and Technical Services	199,017	40,554	71,114	87,348
Finance and Insurance	85,833	30,186	10,107	45,540
Manufacturing	70,567	28,212	-17,037	59,392
Wholesale Trade	44,317	27,640	-23,045	39,722
Management of Companies and Enterprises	30,042	7,544	5,356	17,142
Information	5,025	11,875	-4,107	-2,743

Source: OPPAGA analysis of Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research data.

APPENDIX C

Agency Response

Ron DeSantis
GOVERNOR

Dane Eagle
SECRETARY

October 31, 2022

Ms. PK Jameson
Coordinator
Office of Program Policy Analysis and Government Accountability
111 W. Madison St., Pepper Building
Tallahassee, FL 32399-1475

Dear Coordinator Jameson:

We thank you and your staff for the opportunity to participate in the review process and provide contextual feedback.

Pursuant to section 11.51(2), Florida Statutes, this letter serves as the Department of Economic Opportunity's (DEO) response to the preliminary report titled: Florida Economic Development Program Evaluations – Year 10 (Report). This letter addresses concerns found throughout the report.

1. As an overall statement to the strength of good leadership, good policy, and good policy implementation, DEO feels it is important that readers of the Report are made aware of the progress that has been made since OPPAGA last evaluated these programs, as reported in *Florida Economic Development Program Evaluations – Year 7* (19-16). Therefore, to provide appropriate context to the findings outlined in this Report, DEO points out that:

    - According to the Report, Florida's employment grew in all six target industry sectors between 2012 through 2021; 19-16 showed increases in only five of Florida's six target industry sectors between 2009 through 2018.

    - Employment in four of Florida's target industry sectors – Professional, Scientific, and Technical Services; Management of Companies and Enterprises; Finance and Insurance; and Manufacturing—was higher than the statewide growth rate for all industries between 2012 through 2021; 19-16 only demonstrated higher-than-statewide employment in two of Florida's target industry sectors between 2009 through 2018.

    - Between 2012 and 2021, five of Florida's target industry sectors grew at a higher rate relative to their industry growth nationwide; between 2009 and 2018, only one target industry grew relative to the nation.

    - The employment rate in the Professional, Scientific, and Technical services sector remained the highest overall, but **increased** from 6.46% to 7.3%, exceeding the national rate across both periods of 6.19% and 6.7%, respectively.

    - The employment rate in the Manufacturing sector increased from 4.2% to 4.3%.

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- The Report states that business development awardees created 29,710 new jobs, which is 142% of the committed jobs required by the businesses during the review period. This is a significant improvement from 19-16, which showed that business development awardees created 115% of the committed jobs.

2. The Report contains a finding that:

   "Businesses that had agreements to create jobs or make capital investments received $263 million in state incentives, while those participating in other programs received $46 million"

   DEO's response: The Legislative intent of most business development programs is primarily to spur job creation and private capital investment. Businesses that receive state incentives are held to agreed-upon performance standards for job creation and capital investment. Without additional contextual detail on the nature and scope of the projects captured under the Report's finding that "Businesses that had agreements to create jobs or make capital investments received $263 million in state incentives" against the finding that "while those participating in other programs received $46 million", DEO believes that simply presenting dollar amounts for the incentives received by businesses under the evaluated economic development programs versus those received by businesses participating in other programs provides the Report reader with an apples-to-oranges comparison that is neither illuminating nor useful from a policymaking perspective.

3. The Report contains statements that could inappropriately color a reader's perception of Florida's economic development programs. For example, page i of the Report contains the statement "Many businesses that had agreements and received incentive payments during the review period were large and had previously existed in Florida." Page six contains the same statement.

   DEO's response: While OPPAGA was receptive to DEO's explanation as to the nature and intent of economic development programs – to create jobs and spur private capital investment through business recruitment, retention, and expansion – DEO did express concern that without providing additional contextual information on the nature and scope of these projects – including discussion on whether the State of Florida was competing with other states to secure the jobs and capital investment – the statements do not provide the Report reader with information that is illuminating or useful from a policymaking perspective.

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

Sincerely,

Dane Eagle
Secretary

OPPAGA Comments on Agency Response

OPPAGA Comment 1

Regarding agency comments:

"Businesses that had agreements to create jobs or make capital investments received $263 million in state incentives, while those participating in other programs received $46 million"

DEO's response: The Legislative intent of most business development programs is primarily to spur job creation and private capital investment. Businesses that receive state incentives are held to agreed-upon performance standards for job creation and capital investment. Without additional contextual detail on the nature and scope of the projects captured under the Report's finding that "Businesses that had agreements to create jobs or make capital investments received $263 million in state incentives" against the finding that "while those participating in other programs received $46 million", DEO believes that simply presenting dollar amounts for the incentives received by businesses under the evaluated economic development programs versus those received by businesses participating in other programs provides the Report reader with an apples-to-oranges comparison that is neither illuminating nor useful from a policymaking perspective.

The review does not compare the programs. The review analytically separates the programs, as it is important to report on whether the projects with agreements met the terms of those agreements. In addition, as directed by the Legislature, OPPAGA's reviews, in conjunction with reviews completed by the Office of Economic and Demographic Research, provide information on the effectiveness and value of these programs to taxpayers: program participation by businesses, state funding supporting the programs, and program performance.

OPPAGA Comment 2

Regarding agency comments:

The Report contains statements that could inappropriately color a reader's perception of Florida's economic development programs. For example, page i of the Report contains the statement "Many businesses that had agreements and received incentive payments during the review period were large and had previously existed in Florida." Page six contains the same statement.

DEO's response: While OPPAGA was receptive to DEO's explanation as to the nature and intent of economic development programs – to create jobs and spur private capital investment through business recruitment, retention, and expansion – DEO did express concern that without providing additional contextual information on the nature and scope of these projects – including discussion on whether the State of Florida was competing with other states to secure the jobs and capital investment – the statements do not provide the Report reader with information that is illuminating or useful from a policymaking perspective.

OPPAGA explains in the second sentence of the executive summary and on page six that incentives are designed for a range of purposes, including recruiting businesses. However, historically, most projects receiving incentive awards were at businesses that were already operating in Florida. Such a statement is not intended to diminish the value of or the workload required for recruitment projects, but simply notes they are a minority of projects.

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OPPAGA

Office of Program Policy Analysis and Government Accountability

OPPAGA provides performance and accountability information about Florida government in several ways.

- Reports deliver program evaluation and policy analysis to assist the Legislature in overseeing government operations, developing policy choices, and making Florida government more efficient and effective.
- Government Program Summaries (GPS), an online encyclopedia, provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- PolicyNotes, an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
- Visit OPPAGA's website.

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 (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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PK Jameson, Coordinator