

oppaga Program Review

March 2000

Report No. 99-43



Use of Enterprise Zone Incentives Has Increased, but Challenges Continue

at a glance

The Enterprise Zone Program seeks to improve general social and economic conditions within small distressed local areas. However, there is insufficient information to assess changes in the zones' socio-economic conditions because 2000 census data is unavailable and the former Department of Commerce and the Governor's Office of Tourism, Trade, and Economic Development did not prepare the research design required by state law.

More businesses are using enterprise zone incentives since the Legislature revised the program in 1994. However, the rate of small businesses using incentives has not increased since our 1993 review. Businesses have made very limited use of incentives in rural and net ban-affected zones.

To boost the use of incentives, the Legislature should consider two approaches for enhancing local administrative resources for rural and net ban-affected areas: providing state assistance for program administration, and directing the Office of Tourism, Trade, and Economic Development to mesh zone incentives with other state and local economic development initiatives. The Legislature should direct the Office of Tourism, Trade, and Economic Development to report legal restrictions that are impeding zone potential.

Purpose —————

The Office of Program Policy Analysis and Government Accountability (OPPAGA) was directed by s. 290.015, *F.S.*, to conduct a review and evaluation of the Florida Enterprise Zone Act. The law provided that OPPAGA would use a research design developed by the now defunct Department of Commerce.¹ However, neither the department nor its successor entity, the Governor's Office of Tourism, Trade, and Economic Development (OTTED), did the research design. Consequently, we developed our research plan based on consultation with legislative committees and in accordance with s. 290.015, *F.S.*

Our review assessed the use of state and local enterprise zone tax incentives, factors that influence the use of enterprise zone tax incentives among zones, and improvements that could enhance the program's impact.

The program will expire December 31, 2005, unless re-authorized by the Legislature.

¹ Chapter 96-320, *Laws of Florida*, abolished the Florida Department of Commerce. The program's administrative functions were transferred to one of the department's successor agencies, the Office of Tourism, Trade, and Economic Development within the Executive Office of the Governor.

Background

Florida's Enterprise Zone Program was created in 1982.² The program's purpose is to identify distressed areas and provide incentives to induce private investment in such areas. To achieve this purpose, the state and local governments provide investments, tax incentives, and regulatory relief to encourage the business community to invest and locate in designated zone areas. The program is intended to accomplish a range of goals, including revitalizing and rehabilitating distressed areas, encouraging businesses to locate in these areas, stimulating the hiring of area residents, and enhancing the general social and economic well-being of the areas.³

An enterprise zone is a specific and fairly small area that is targeted for redevelopment on the basis of high unemployment, poverty, age of housing stock, or other evidence of economic weakness. Designated areas are not to exceed 20 square miles or include any portion of a central business district, unless the poverty rate for each census geographic block group in the district is greater than 30%.

In 1994, the Legislature significantly revised the Enterprise Zone Program by limiting jobs credits to businesses actually located in zones, limiting the number of zones to 20, eliminating most existing zones, and requiring local governments to reapply to have areas designated as zones.

Since that time, the Legislature has authorized the creation of additional zones. As of February 2000, there are 34 zones including 11 rural and 14 urban zones, and 9 other areas that were designated as zones to assist them in recovering from the effects of a 1994 constitutional ban on the use of certain fishing nets.⁴ Exhibit 1 shows the location of Florida's enterprise zones.

Local governments may nominate an area that meets specific criteria to be designated as an enterprise zone. Prior to making application for an enterprise zone designation, the local area must

- find that the area "chronically exhibits extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;"
- determine that the rehabilitation, conservation, or redevelopment of an area is in the interest of the public health, safety, and welfare of the residents of the area;
- determine that private sector investment is necessary to build or rebuild the economic viability of an area;
- create an enterprise zone development agency; and⁵
- create and adopt a strategic plan for revitalizing the area.

To encourage investment in enterprise zones, the state provides tax incentives to businesses that are located or investing in these areas. As shown in Exhibit 2, the state provides seven program incentives to benefit enterprise zones.

² Chapter 82-119, *Laws of Florida*, created the Enterprise Zone Program.

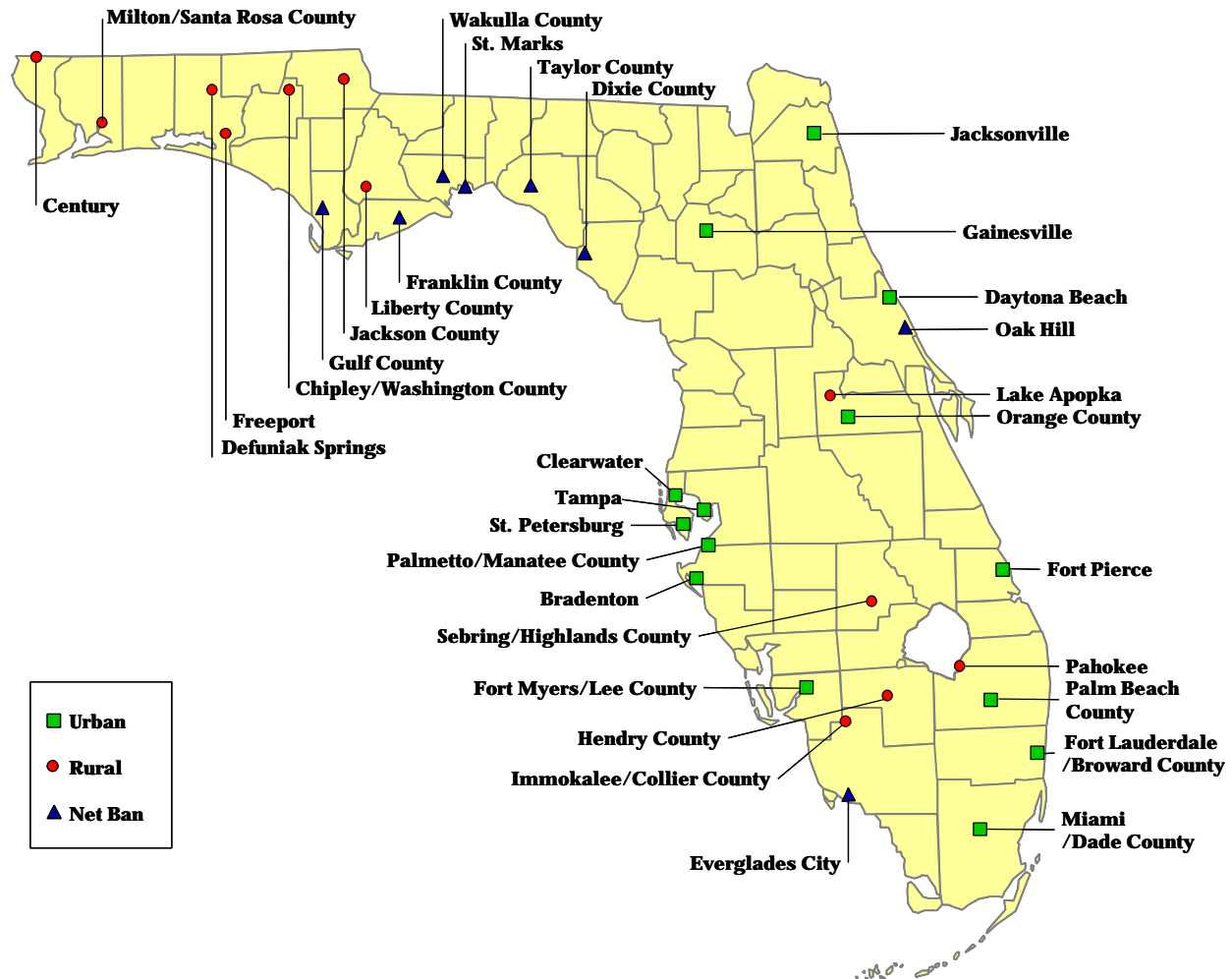
³ Three-fourths of the states, and the federal government, also have enterprise zone programs. The federal Empowerment Zone and Enterprise Community Program was created in 1994. The federal program targets federal grants to designated areas for social services and community redevelopment and provides tax and regulatory relief to attract or retain businesses in these communities over a 10-year period. Currently, Miami-Dade County, Tampa, Jackson County, and Immokalee/Hendry County have received the federal designations.

⁴ Section 370.28, *F.S.*, authorizes the creation of enterprise zones in certain rural and coastal counties adversely affected by a constitutional amendment limiting the use of nets in harvesting marine species.

⁵ Each agency has a board of commissioners, which consists of at least eight (but no more than 13) members. The board must have at least one member representing each of the following: local chamber of commerce, local financial or insurance entities, businesses operating within the zone, residents of the zone, non-profit organizations operating in the zone, local private industry council, local code enforcement agency, and local law enforcement agency.

Exhibit 1

Florida's 34 Enterprise Zones Are Located Throughout the State



Source: Governor's Office of Tourism, Trade, and Economic Development.

Florida law authorizes local governments to offer the following additional tax benefits and regulatory relief to encourage private investment in zones:

- reduction in occupational license fees;
- reduction in building permit or land development fees;
- utility tax abatement;
- facade/commercial rehabilitation grants;
- local option economic development property tax exemption;
- ad valorem tax exemption; and
- local funds for capital projects.

The availability of these incentives varies, as few local governments offer all of these benefits. For example, some local governments have not adopted an ordinance to exempt enterprise zone businesses from the municipal utility tax.

The Governor's Office of Tourism, Trade, and Economic Development (OTTED) administers the Enterprise Zone Program at a Fiscal Year 1998-99 cost of approximately \$75,000 using one full-time equivalent position. OTTED is responsible for approving changes in enterprise zone boundaries and submitting annual reports

Program Review

to the Governor and Legislature.⁶ OTTED also provides technical support to local zone coordinators on how to manage and promote the program, assists businesses in using program benefits, and monitors the activities of local zones through periodic site visits.

⁶ Each enterprise zone is required to submit an annual report to OTTED providing data on the status of the program. This report provides information on the local incentives available in the area during the prior year, the usage and revenue impact of these incentives, the number of businesses located in the zone as compared to the previous year, information on other related activities in the zone (such as industrial revenue bonds issued to finance projects in the zone), and other information deemed necessary by OTTED. OTTED then compiles this information in its annual report to the Governor and Legislature.

The Department of Revenue (DOR) also has responsibilities related to the program. It receives and processes tax returns from businesses claiming tax credits, issues refunds and exemptions, and provides an annual report to OTTED on the amount and type of state benefits claimed by zone businesses. DOR spent approximately \$51,000 in Fiscal Year 1998-99 to conduct its program-related responsibilities. Neither OTTED nor DOR is appropriated specific funding for these activities.

Exhibit 2

The Program Provides a Variety of Incentives to Encourage Private Investment in Enterprise Zones

Incentive	Description
Enterprise Zone Jobs Credit (Corporate)	Businesses, which pay Florida Corporate Income Tax, located in a zone are allowed a corporate income tax credit for wages paid to new employees who have been employed for at least three months and are residents of an enterprise zone.
Enterprise Zone Jobs Credit (Sales and Use Tax)	Businesses, which collect and pay Florida sales tax, located in a zone are allowed a monthly credit against sales tax due based on wages paid to new employees who have been employed for at least three months and are residents of an enterprise zone.
Enterprise Zone Property Tax Credit (Corporate)	New or expanded businesses located in a zone are allowed a credit on their Florida Corporate Income Tax equal to 96% of ad valorem taxes paid on the new or improved property.
Sales Tax Refund for Business Machinery and Equipment	A refund is available for sales taxes paid on the purchase of certain business property, which is used exclusively in a zone for at least three years.
Sales Tax Refund for Building Materials	A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in a zone.
Sales Tax Exemption for Electrical Energy	This incentive provides a 50% sales tax exemption to qualified businesses located in a zone on the purchase of electrical energy. The exemption is only available if the municipality in which the business is located has passed an ordinance to exempt qualified enterprise zone businesses from 50% of the municipal utility tax.
Enterprise Zone Linked Deposit Program	This program was created to encourage financial institutions to increase the volume of loans made to small businesses in selected enterprise zones. Under this program, the governing body of an enterprise zone is required to match or deposit local funds equal to 100% of state treasury funds (up to \$2 million) with a qualified financial institution. Selected financial institutions then use the local share of the matching funds to provide loans or lines of credit to individuals for small business startup or expansion, working capital, and inventory financing. Loans are made to individuals for businesses located within designated zones.

Source: *Florida Enterprise Zone Program Annual Report, October 1, 1997 - September 30, 1998.*

Local governments also have administrative and monitoring responsibilities. Local governments are required to employ zone coordinators who serve as a local contact. Zone coordinators are to provide assistance to businesses claiming state tax credits and using local incentives, educate the public about the program, and submit data on zone activities to OTTED for inclusion in its annual reports to the Governor and Legislature. Based on responses from 13 zone coordinators, the average cost per locality to administer the program in Fiscal Year 1998-99 was \$23,612.⁷ The state does not provide funding to local enterprise zones for administrative or other related program costs.

Findings

Limited data are currently available for evaluating the program's effectiveness

A primary goal of the Enterprise Zone Program is to improve the general social and economic conditions within the zones. However, information needed to assess changes in the zones' socio-economic conditions since their designation is currently limited due to two primary reasons.

- Neither the Department of Commerce nor OTTED developed the research design required by law that is needed to adequately evaluate the program. Florida law required that the former Department of Commerce prescribe by rule a research design for the review and evaluation of the program. The research design was to establish data collection processes needed to assess the program. While the department made some efforts to develop a research design, it was never promulgated.

Former department staff said that during the time the research design was to be developed, there was an effort in state government to reduce the introduction of new rules. Program administration responsibilities were transferred to the OTTED following the dissolution of the Department of Commerce in 1996. However, OTTED staff said they were impeded in establishing a design by having limited authority to promulgate rules. As a result, processes for collecting data on local zone activity were never established.

- U.S. census data for the year 2000, which is needed to assess economic changes within the zones as specified in the law, will not be available for several years. Census data provides highly useful indicators of economic and business activity in zones. However, data from the 2000 census, which can be compared to the year 1990 census data, will be not be available until 2003.

The failure of the Department of Commerce and OTTED to establish the required research design, as well as the current unavailability of census data, impeded our assessment of the program's outcomes. Further, it is important to note that studies of similar programs in other states, as well as our prior 1993 study of the Florida program, have shown that the effect of zone incentives often cannot be isolated from a multitude of factors such as overall economic conditions and other local, state, and federal economic development, community development, and other incentive programs designed to improve conditions in distressed areas.⁸ For example, a recent performance audit of the enterprise zone program in Colorado could not determine whether the program was

⁷ The reported average cost excludes the costs of the Miami-Dade County enterprise zone, which is also a federally designated enterprise community and empowerment zone. This zone has significantly higher costs than other zones.

⁸ *Review and Evaluation of the Enterprise Zone Program*, Office of the Auditor General, Report No. 12003, February 1993.

Program Review

responsible for changes in the economic activity in the zones.⁹

It is also important to note that the enterprise zone areas are among the most economically distressed areas in the state. Accordingly, it would be unreasonable to expect the program to produce dramatic effects on economic conditions in persistently distressed areas in a relatively short period of time. Many of the enterprise zone areas have operated only since Fiscal Year 1995-96, and the most recent data on use of program tax incentives are from Fiscal Year 1998-99. Some program results may not be apparent for several years.

Use of state enterprise zone tax incentives has increased

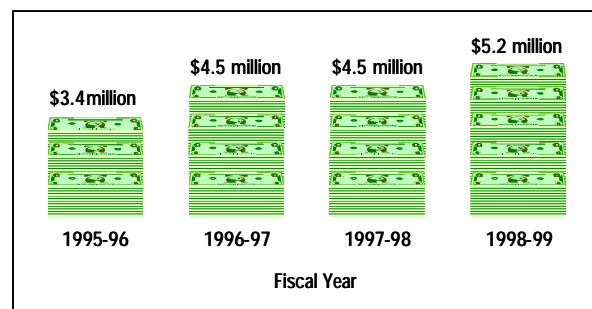
In the absence of data on the economic conditions within enterprise zones, the use of state and local incentives provides a reasonable indicator of program activity. OTTED and Department of Revenue data indicate that use of state and local zone incentives increased since the Legislature revised the program in 1994.

One of the primary goals of the program is to encourage businesses to locate and invest in enterprise zones. To encourage private investment, the state provides corporate and sales tax credits and refunds to businesses and authorizes local governments to offer additional tax benefits and regulatory relief.

Since major legislative revisions to the program in 1994, reported use of state tax incentives in the zones has increased. In Fiscal Year 1998-99, the state approved tax incentives totaling \$5.2 million for businesses claiming tax benefits compared to \$3.4 million approved for Fiscal Year 1995-96 (a 34% increase). No significant change in use occurred from Fiscal Year 1996-97 to 1997-98; however, use of state

incentives increased by 13% from Fiscal Year 1997-98 to Fiscal Year 1998-99. (See Exhibit 3.)

Exhibit 3 Use of State Tax Incentives Has Increased Since Fiscal Year 1995-96¹



¹Excludes data for the Linked Deposit Program because local matching funds equal to 100% of State Treasury funds are used to provide loans or lines of credit to zone businesses through financial institutions. In calendar year 1999, the City of Fort Pierce received \$250,000 for financial institutions through the Linked Deposit Program.

Source: *Florida Enterprise Zone Program Annual Report for Fiscal Years 1995-96 - 1998-99, OTTED*; *1999 Linked Deposit Program Annual Report*, Florida Department of Banking and Finance.

Enterprise zone corporate jobs and property tax credits, as well as sales tax refunds for business equipment are used more frequently than other program incentives. Together, these incentives accounted for 76% of state incentives approved in Fiscal Year 1998-99.

Use of local enterprise zone incentives has increased

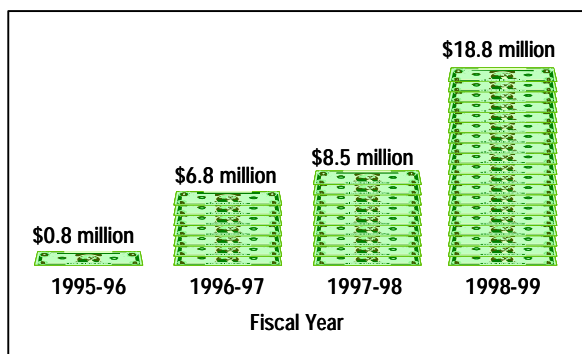
OTTED data indicate that use of local government tax incentives has increased since Fiscal Year 1995-96.

In Fiscal Year 1998-99, local governments approved \$18.8 million in incentives to enterprise zone businesses compared to \$0.8 million in Fiscal Year 1995-96.

As shown in Exhibit 4, the number of local incentives awarded has increased each year since Fiscal Year 1995-96.

⁹ *Performance Audit of the Enterprise Zone Program*, Colorado State Auditor's Office, February 1998.

Exhibit 4
The Number of Local Incentives Approved
Has Increased Each Year



Source: *Florida Enterprise Zone Program Annual Report for Fiscal Years 1995-96 Through 1998-99*, OTTED.

However, based on our interviews with local officials, use of both state and local program incentives by small businesses has not changed significantly since our 1993 review of the program.¹⁰ Use by small businesses is important because most jobs are created by these entities. Our 1993 review found that small businesses may be affected by their difficulty in meeting program requirements for claiming some tax benefits. Local officials we interviewed believed that small business owners are typically unfamiliar with governmental processes and rarely have the time or resources to claim tax incentives that may be available to their businesses.

They also said that several legal requirements discourage small businesses from participating in the program.

- To be eligible to receive maximum benefits for some tax incentives, 20% of a firm's employees must be zone residents during the time the benefit is claimed. Our 1993 review concluded that this requirement is a major program weakness as it can be difficult for small businesses to meet due to the low number of persons they employ.

- In order for a business to be eligible to receive jobs credits, persons must be employed by a company for three full consecutive months before the employer can submit an application for the credit, which must occur within four months of the employee's hire date. Zone coordinators said many businesses have been denied the credits because they failed to meet the deadline for applying within the short time frame established. The Department of Revenue also believes this is problematic.

Program activity varies among enterprise zones

Enterprise zones vary widely in their use of program incentives. In Fiscal Year 1998-99, state incentives approved for individual zones ranged from \$0 to \$1.4 million, while local incentives ranged from \$0 to \$11.6 million.

As shown in Exhibit 5, urban zones accounted for most (99%) of the state and local program incentives. Three of these urban zones (Bradenton, Jacksonville, and Miami-Dade) accounted for 83% of the state and local incentives approved in Fiscal Year 1998-99. In contrast, rural and net ban-affected zones each accounted for less than 1% of total incentives approved.¹¹ None of the net ban-affected zones reported any local program incentives. Similar levels of activity were reported for Fiscal Year 1997-98.

¹⁰ *Review and Evaluation of the Enterprise Zone Program*, Office of the Auditor General, Report No. 12003, February 1993.

¹¹ Data is unavailable for two recently established rural zones (Liberty and Hendry counties).

Exhibit 5
Urban Enterprise Zones Accounted for the Majority of
Approved State and Local Incentives in Fiscal Year 1998-99

Enterprise Zones ¹	State ²	Local	Total
Urban Enterprise Zones			
City of Bradenton	\$59,902	\$2,200,000	\$2,259,902
Clearwater	0	350,000	350,000
Daytona Beach	1,222	0	1,222
Ft. Lauderdale/Broward County	15,105	900,000	915,105
Ft. Myers/Lee County	43,151	134,935	138,086
City of Ft. Pierce	25,266	0	25,266
City of Gainesville	35,734	102,163	137,897
City of Jacksonville	1,437,010	11,581,245	13,018,255
Miami-Dade County	815,146	1,628,090	2,443,236
Orange County	29,284	0	29,284
Palm Beach County	52,990	725,811	778,801
Palmetto/North Manatee County	9,482	769,554	79,036
City of St. Petersburg	264,438	0	264,438
City of Tampa	140,739	400,000	540,739
Total for Urban Enterprise Zones	\$2,929,469	\$18,791,798	\$20,981,267
Rural Enterprise Zones			
Town of Century	\$2,318	\$0	\$2,318
Chipley/Washington County	0	\$7,545	7,545
City of Defuniak Springs	8,329	0	8,329
Immokalee/Collier County	13,264	0	13,264
Jackson County	51,094	24,500	75,594
Lake Apopka	15,255	0	15,255
Milton/Santa Rosa County	3,572	15,233	18,805
City of Pahokee	0	0	0
Sebring/Highlands County	0	0	0
Total for Rural Enterprise Zones	\$93,832	\$47,278	\$141,110
Net Ban-Affected Enterprise Zones			
Dixie County	\$2,332	\$0	\$2,332
Everglades City	0	0	0
Franklin County	1,235	0	1,235
City of Freeport	1,680	0	1,680
Gulf County	29,994	0	29,994
City of Oak Hill	16,630	0	16,630
City of St. Marks	0	0	0
Taylor County	120,216	0	120,216
Wakulla County	3,514	0	3,514
Total for Net Ban-Affected Enterprise Zones	\$175,601	\$0	\$175,601
Total Incentives	\$3,198,902	\$18,839,076	\$21,297,978

¹ Data is unavailable for two recently established rural zones (Liberty and Hendry counties).

² Total does not include approved corporate enterprise zone tax credits of \$1.6 million and building materials and business equipment refunds totaling \$3 million in Fiscal Year 1998-99 because DOR does not identify these amounts by enterprise zone.

Source: *Florida Enterprise Zone Program Annual Report for Fiscal Year 1998-99*, OTTED.

We identified two primary reasons for the variation in the use of incentives among enterprise zones.

First, local governments differ in their capacity to support zone coordinator activities. For example, one zone (Miami-Dade County) reported that it spent about \$325,000 to carry out zone-related activities in Fiscal Year 1998-99, and this zone accounted for 11% of the total program incentives awarded statewide during that year.¹² However, rural and net ban-affected zones collectively accounted for only 1% of total program incentives in Fiscal Year 1998-99. Few net ban-affected zones spent more than \$1,500 on local enterprise zone administration in Fiscal Year 1998-99. In most zones, local officials perform enterprise zone-related activities on a part-time basis, which makes it difficult for them to devote time to marketing the program and educating business owners about program incentives and procedures.

Our 1993 report concluded that the level of resources devoted to local program administration and marketing greatly affected the success of enterprise zones. This conclusion was supported by a 1998 review by the Florida State Senate Committee on Ways and Means and by evaluations of other states' enterprise zone programs. The Senate report concluded that local governments, especially in rural and net ban-affected areas, may be unable to provide staff that are capable of promoting and marketing an enterprise zone and that enterprise zone tax incentives are not sufficient to compensate for other liabilities which face potential businesses in these areas.¹³ This conclusion is supported by data shown in Exhibit 5, illustrating that rural and net ban-affected enterprise zones have made very limited use of incentives.

¹² This zone is also a federal enterprise community and empowerment zone. These federal programs closely resemble the Enterprise Zone Program. Funding used to administer these programs may support enterprise zone activities as well.

¹³ *The Effectiveness of Enterprise Zone Tax Incentives: Florida's Enterprise Zone Program Since 1994*, Florida State Senate Committee on Ways and Means Interim Report No. 98-63, October 1998.

Evaluations of other state's enterprise zone programs similarly reported that successful enterprise zones are actively managed at the local level. The successful zones have employees who actively inform zone businesses about program benefits and provide the businesses with tax forms and specific information about how to take advantage of incentives. They also market the zones to firms outside the area that seek new locations and represent zone businesses in seeking improvements to the zone, such as new infrastructure.¹⁴

Second, the areas in which the enterprise zones are located vary in their capacity for supporting economic development activities. For example, more populous communities may possess greater economic development resources, such as good transportation networks, ready development sites, trained workforces, and the fiscal capacity to offer local tax incentives that can aid in attracting businesses to the zones. However, rural and net ban-affected zones contain fewer such resources and may lack the fiscal capacity to offer tax incentives because they can less afford to reduce local tax revenues. They also lack the infrastructure needed to effectively attract new businesses or encourage the expansion of existing companies.

In addition, Florida's rural areas tend to lack critical site advantages for companies seeking to relocate. As a result, economic growth in rural areas tends to be driven by the expansion of existing businesses more so than the recruitment of new facilities. In our present review, we found that zone coordinators in both rural and net ban-affected communities agreed that these areas contain few businesses and lack the infrastructure needed to attract new employers or the resources needed to help expand existing businesses.

¹⁴ Vidal, Avis C. Testimony to the House Committee on Small Business, 105th Congress on HR 3865: The American Community Renewal Act, May 19, 1998.

Recommendations

Use of Enterprise Zone Program incentives varies widely among the state's 34 zones, with a few zones accounting for most of the state and local incentives awarded. As shown in Exhibit 5, the program is primarily active in 10 of the 14 urban zones.¹⁵ However, it is generally inactive in most of the rural and net ban-affected zones. The program is unlikely to have a substantial impact on redevelopment of an area if there is only a small amount (i.e., less than \$20,000) of incentives being awarded within an entire enterprise zone area. Primary reasons for the variation in program use are the differences among zones in their economic infrastructure and their administrative capacities to market zones and support economic development activities.

To improve the use of Enterprise Zone Program incentives, we recommend that the Legislature consider two approaches for enhancing local resources for supporting the program. One approach would be to provide state assistance for program administration to enterprise zones in rural and net ban-affected communities. This recommendation was made in the Senate Ways and Means Committee's 1998 report, which noted that such funding could be patterned on the Regional Rural Development Grants Program (s. 288.018, *F.S.*) and funded out of the Rural Community Development Revolving Loan Fund. The Legislature could provide grants to rural and net ban-affected counties to administer their enterprise zone programs. For example, grants of \$25,000 per rural and net ban-affected zone would require \$500,000 in funding, but would enable these zones to hire at least half-time staff to market the zones.

A second approach would be to direct the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to develop policies for enhancing the program's impact through better coordination with other state and local economic development initiatives targeted towards redeveloping distressed areas of the state. For example, the Enterprise Zone Program could be partnered with initiatives such as Front Porch Florida, which identifies problems specific to a community and prioritizes resources from state agencies to benefit the community. At least three designated front porch communities are located in enterprise zones.¹⁶ As part of this approach, community-based organizations could be encouraged to help market the Enterprise Zone Program to businesses in the community.

To improve the use of program incentives by small businesses, we recommend that the Legislature direct the OTTED to identify and review legal impediments to the use of the incentives. Possible impediments include the 20% residency requirement for businesses to receive maximum benefits for most tax incentives, and the short time frame allowed for businesses to submit applications for jobs credits. OTTED should determine the fiscal impact of changing these requirements to increase use of the incentives by small businesses. OTTED should present its recommendations to the Legislature for consideration during the 2001 legislative session.

¹⁵ We are defining an active zone as one having at least \$100,000 in state and local incentive activity.

¹⁶ The Palm Beach County, Fort Lauderdale/Broward County, and St. Petersburg enterprise zones contain front porch communities.

Agency Response



JEB BUSH
GOVERNOR

STATE OF FLORIDA
Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

March 20, 2000

Mr. John W. Turcotte
Director
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Mr. Turcotte:

Thank you for providing the Governor's Office of Tourism, Trade and Economic Development (OTTED) the opportunity to examine and comment upon the OPPAGA review of the Florida Enterprise Zone Program.

We concur with the four major findings and agree that even though the use of state and local incentives has increased there is limited data available for evaluating the effectiveness of the Enterprise Zone Program. We agree that information from the upcoming 2000 Census should provide useful indicators of economic activity within the enterprise zones when it is available.

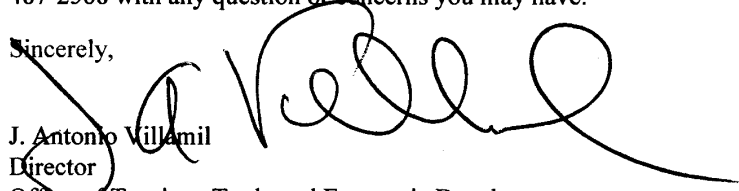
We also concur with the finding that there is a wide variance of program activity among the existing enterprise zones. As your findings indicate, the lack of activity in smaller enterprise zones is primarily due to very limited local capacity to support zone activities, limited local economic development infrastructure and resources and a limited economic base.

In regards to your three recommendations, we agree that the provision of state financial assistance for program administration deserves future consideration. Recognizing that smaller enterprise zones often lack a critical mass of local economic resources, we will encourage local enterprise zone coordinators to incorporate their enterprise zone marketing efforts with a larger, perhaps regional, comprehensive economic development strategy.

We also concur with the recommendation that our coordination with other state and local economic development initiatives could improve. As such, we will step-up our efforts to better coordinate with local economic development organizations, Enterprise Florida, Front Porch Florida, and the Rural Economic Development Initiative. We will also work to identify potential legal impediments to the use of enterprise zone incentives with a special focus on the needs of small businesses.

Once again, thank you for providing OTTED an opportunity to provide input on your draft report. Please feel free to contact Burt Von Hoff, Community Development Liaison, or myself at 487-2568 with any question or concerns you may have.

Sincerely,


J. Antonio Villamil
Director
Office of Tourism, Trade and Economic Development

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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