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# **ECONOMIC DEVELOPMENT & TOURISM SUBCOMMITTEE**

## **MEETING PACKET**

**Tuesday, October 20, 2015  
3:30 PM – 5:30 PM  
12 HOB**

**Steve Crisafulli  
Speaker**

**Frank Artiles  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Economic Development & Tourism Subcommittee

**Start Date and Time:** Tuesday, October 20, 2015 03:30 pm  
**End Date and Time:** Tuesday, October 20, 2015 05:30 pm  
**Location:** 12 HOB  
**Duration:** 2.00 hrs

**Presentations:**

Florida's Financially-Based Economic Development Tools – Amy Baker, The Office of Economic & Demographic Research

Florida's Economic Development Incentive Programs – Bill Johnson, President & CEO, Enterprise Florida, Inc. & Jesse Panuccio, Executive Director, Department of Economic Opportunity

**NOTICE FINALIZED on 10/13/2015 1:58PM by Lawhon.Amanda**

FL Financially-Based  
Econ. Develop. Tools

# Florida's Financially-Based Economic Development Tools

October 20, 2015

Presented by:

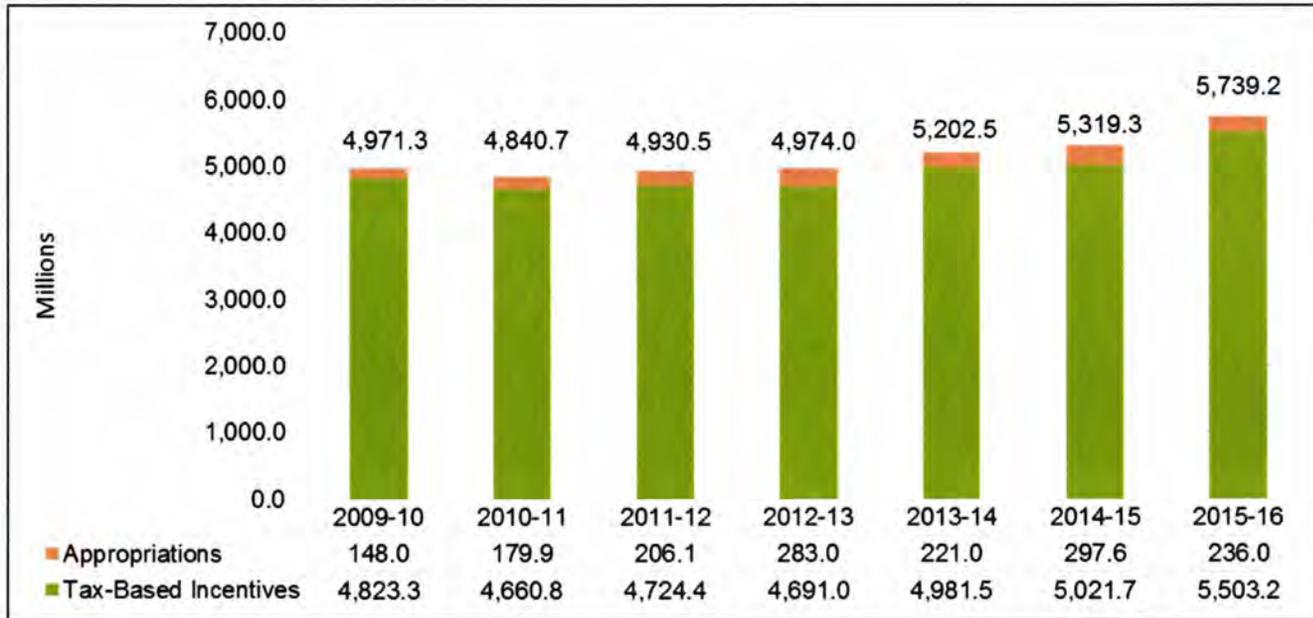


The Florida Legislature  
Office of Economic and  
Demographic Research  
850.487.1402  
<http://edr.state.fl.us>

# Economic Development Tools

- Definition... The active government pursuit of economic growth and improvements in terms of tax base, population, per capita income, investments, jobs, output, gross domestic product, and the overall well-being of citizens.
- The body of Florida-specific knowledge regarding the use of state public policy and resources as an instrument of economic development has increased fairly dramatically since 2010 when Chapter 2010-101 passed establishing the Statewide Model and 2013 when Chapter 2013-39 and 2013-42 passed requiring the calculation of returns-on-investment for selected state economic development incentive programs on a recurring schedule.
- In the broadest sense, Florida's economic growth is affected by nearly everything the Legislature does—from public school funding to road-building to the regulation of a specific industry.
- Essentially, the Legislature has three tools for economic development: financial incentives and investments, tax policies, and nonfinancial assistance.
- In this overview, the focus is narrowed to two of the three tools: the state's assistance primarily directed to businesses, whether through tax policy incentives or appropriations.

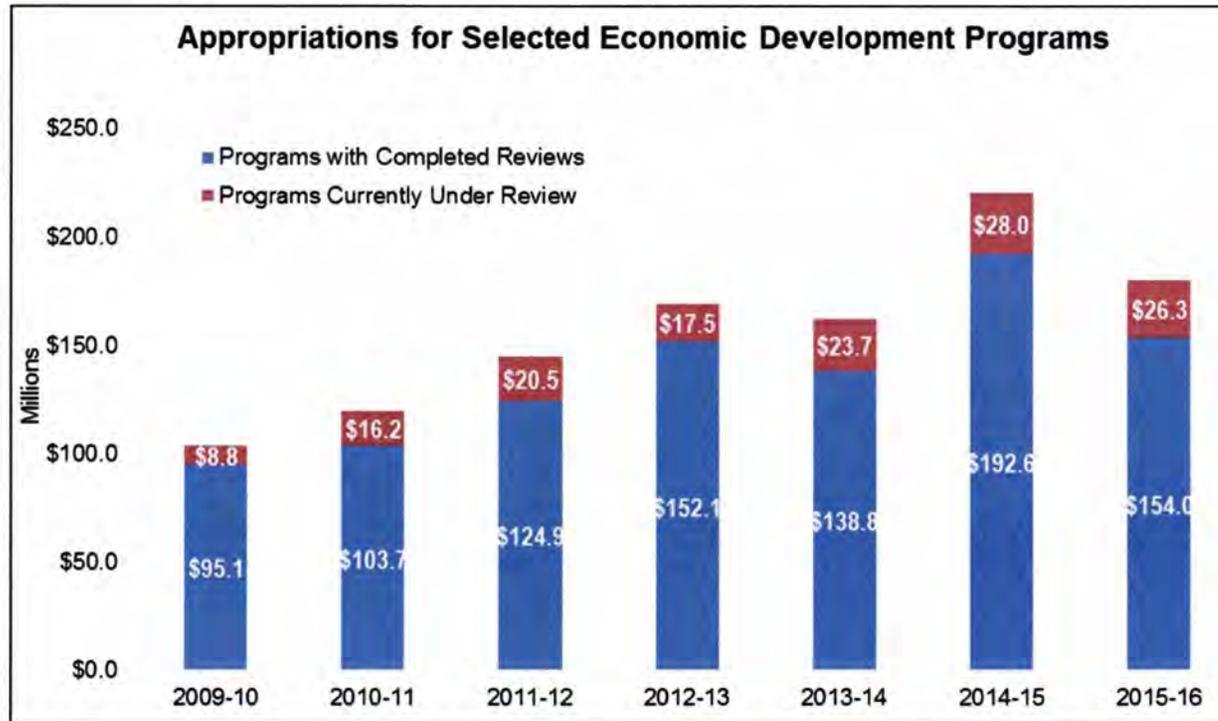
# Total Appropriations and Tax Incentives that Broadly Support Economic Development



- On average over this period, approximately 4.4% of the state's assistance was provided through appropriations whereas 95.6% was provided in the form of tax incentives.

Notes on the data: Appropriations reflect GAA and supplemental appropriations for all economic development programs and projects. Figures have been adjusted to remove salaries and benefits and other administrative expenses where identifiable in the GAA. Subsequent reversions and re-appropriations are not included. Tax-Based Incentives include all tax exemptions, credits, refunds, and deductions or allowances that do not specifically benefit individuals or households, government agencies, or non-profit organizations.

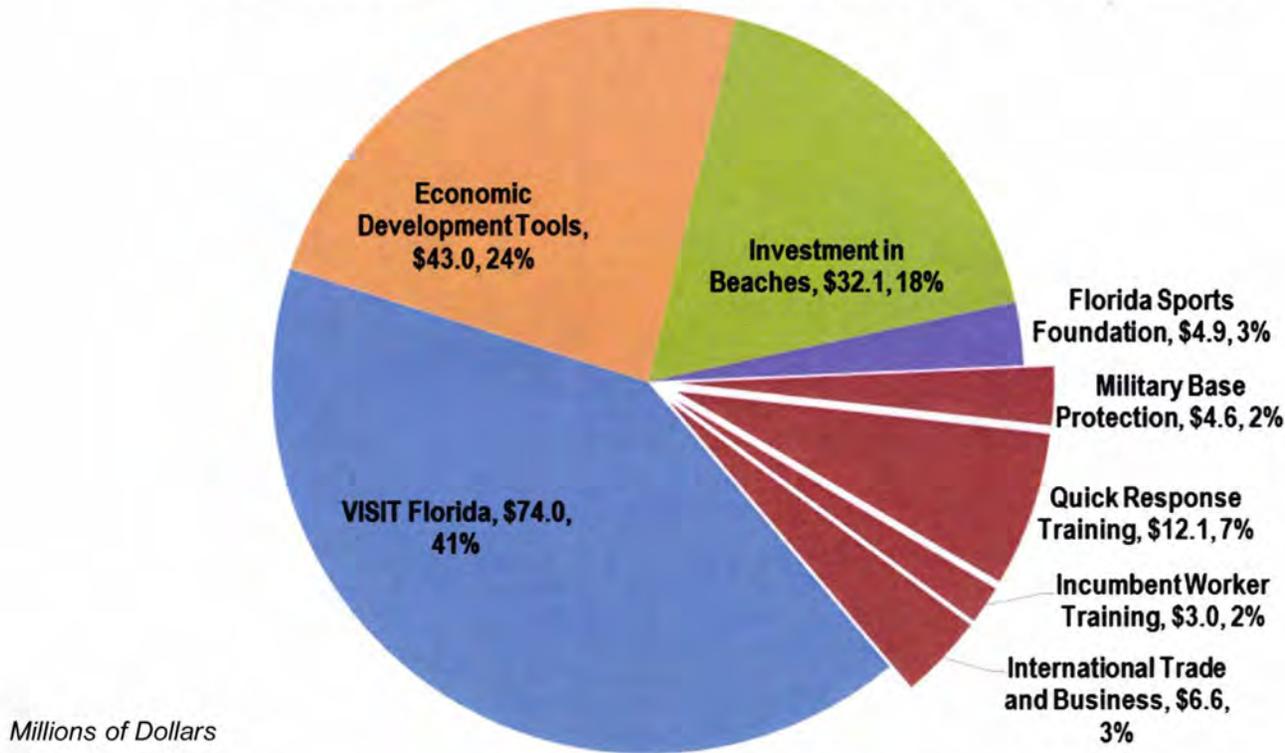
# State Appropriations



- Of the total \$236.0 million appropriation in FY 2015-16, the majority of the funds (76.4%) are for programs that are regularly reviewed by EDR through the analysis of returns-on-investment.
- Since 2009-10, the annual direct appropriations for the economic development programs under review by EDR have averaged \$137.3 million. In most years, the programs receiving the majority of the appropriations are within the lump sum for Economic Development Tools and Visit Florida.

# FY 2015-16 Appropriations

Allocation of 2015-16 Appropriations for Selected Economic Development Programs - Total Appropriations of \$180.3 Million



Economic Development Tools Include: Quick Action Closing Fund, Qualified Target Industry, Brownfield Redevelopment, High-Impact Business Performance, Qualified Defense Contractor & Space Flight, and Innovation Incentive Fund.

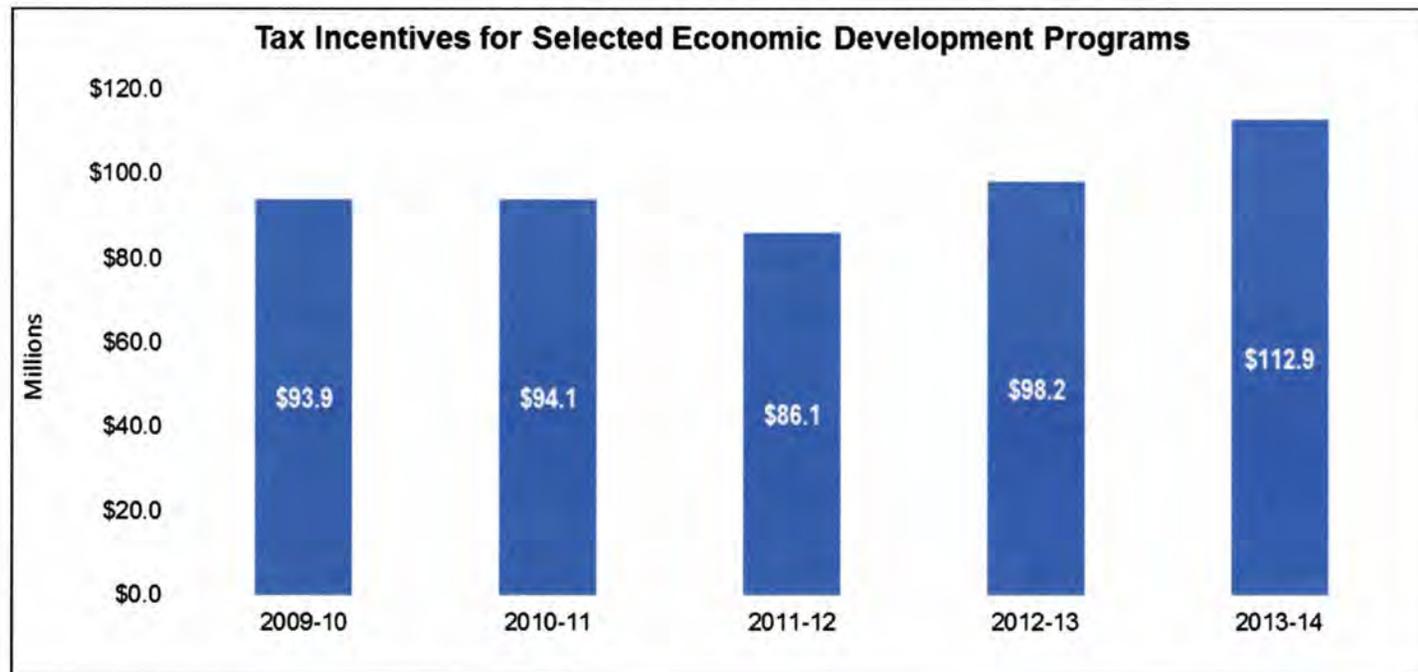
# Tax-Based Incentives Broadly Benefiting Economic Development...

## ESTIMATE of FISCAL YEAR 2015-16 STATE TAX INCENTIVES (in millions)

TAX	Summer 2015 REC's						TOTAL TAX INCENTIVES
	TOTAL COLLECTIONS	EXEMPTIONS	PREFERRED/ DIFFERENTIAL RATES	CREDITS	REFUNDS	DEDUCTIONS/ ALLOWANCES	
Beverage Tax	366.1					12.3	12.3
Cigarette and Other Tobacco Tax	1,172.2				1.4	3.8	5.2
Communications Services Tax	1,122.9	386.5				13.1	399.6
Corporate Income and Emergency Excise Tax	2,349.7	1,198.6		188.7		5.8	1,393.1
Documentary Stamp Tax	2,334.4	275.1	0.0			11.5	286.6
Gross Receipts Tax	1,183.6	193.3					193.3
Insurance Premium Tax	730.1	144.8		528.1		45.1	718.0
Lottery	5,686.1					312.7	312.7
Motor Fuel & Diesel Fuel Tax	2,620.8	3.4			11.8	4.0	19.2
Pollutant Taxes	257.3	1.0					1.0
Sales and Use Tax	24,674.3	2,089.9		7.0		65.3	2,162.2
<b>TOTAL</b>	<b>42,497.5</b>	<b>4,292.6</b>	<b>0.0</b>	<b>723.8</b>	<b>13.2</b>	<b>473.6</b>	<b>5,503.2</b>

Notes on the data: Amounts listed have been adjusted to remove items that specifically benefit individuals or households, government agencies, or non-profit organizations. The amounts listed for Sales and Use Tax do not include any exemptions associated with sales of services. Services are not exempt from the Sales Tax, instead, they are "excluded" because the sales tax generally applies to the sale of tangible personal property, not services.

# Reviewed Economic Development Tax Incentives...



Of the total tax incentives provided in FY 2013-14 (\$4.982 billion), just 2.3% of the incentives were to support economic development programs that are regularly reviewed by EDR.

Notes on the data: FY 2013-14 is the most recent year that complete data are available for all programs. The amounts shown do not include the two incentive programs currently under review. The Manufacturing and Spaceport Investment Incentive sunset July 1, 2013. For the Semiconductor, Defense, or Space Technology Sales Tax Exemption, EDR estimates the total amount was approximately \$50.8 million across the three-year review period (FY 2011-12, FY 2012-13, and FY 2013-14).

# FY 2013-14 Tax Incentives

<b>Incentive Program</b>	<b>Amount of Tax Credit/Exemption/ Distribution</b> <small>(in millions)</small>
Entertainment Industry Financial Incentives Pgm	\$51.5
Entertainment Industry Sales Tax Exemption	\$15.4
Professional Sports Franchise Incentive	\$16.0
Enterprise Zones	\$15.8
Capital Investment Tax Credit	\$5.3
Spring Training Baseball Franchise Incentive	\$4.7
Professional Golf Hall of Fame Facility Incentive	\$2.0
Urban High-Crime Area Job Tax Credit	\$1.6
Int'l Game Fish Association World Center Facility Incentive	\$0.7
<b>TOTAL</b>	<b>\$112.9</b>

Note: The Game Fish facility was paid off in FY 2014-15 and has relocated to Springfield, MO. While the Enterprise Zone Program sunsets December 31, 2015, some projects may be eligible to receive benefits through December 31, 2018.

# What to focus on?

Options...

- Weaknesses versus Strengths
- Areas of Decline versus Growth
- Relative Importance to the Economy versus Diversification & Balance
- Jobs versus Wages

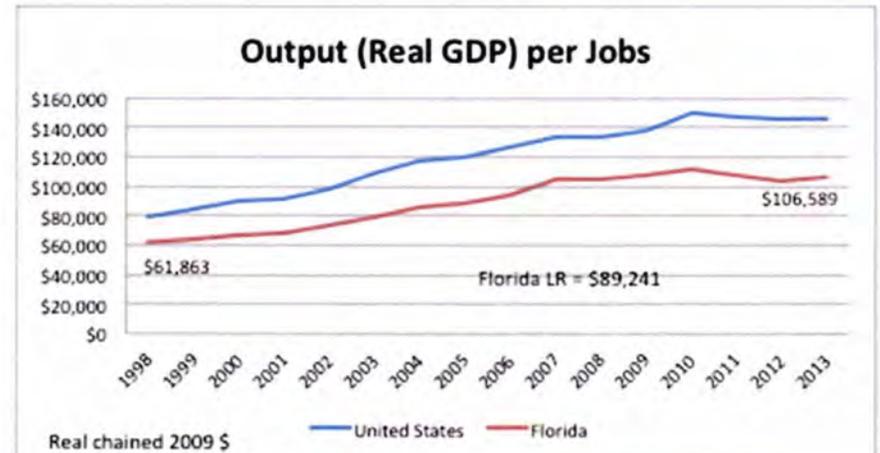
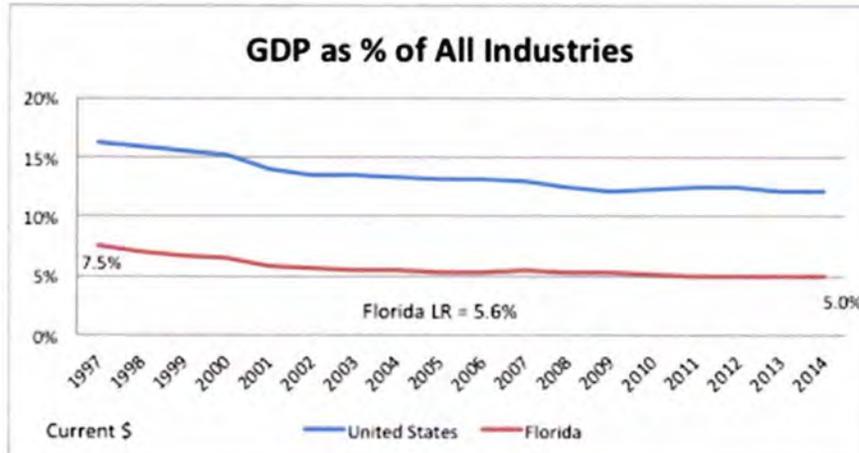
## Gross Domestic Product: 5 Year Analysis

	Florida (millions of current dollars)		Florida % of Total		Nation % of Total		2014 Percentage Point Difference (FL-US)
	2009	2014	2009	2014	2009	2014	
All industry total	\$722,825	\$839,944	100.0%	100.0%	100.0%	100.0%	
Private industries	\$623,925	\$735,785	86.3%	87.6%	86.2%	87.6%	
Agriculture, forestry, fishing, and hunting	\$5,439	\$6,759	0.8%	0.8%	1.0%	1.2%	-0.4%
Mining	\$1,276	\$1,607	0.2%	0.2%	2.0%	2.7%	-2.5%
Utilities	\$15,801	\$14,719	2.2%	1.8%	1.8%	1.7%	0.1%
Construction	\$35,632	\$37,402	4.9%	4.5%	4.0%	3.8%	0.7%
Manufacturing	\$38,293	\$41,597	5.3%	5.0%	12.0%	12.1%	-7.1%
Wholesale trade	\$47,050	\$58,579	6.5%	7.0%	5.7%	6.0%	1.0%
Retail trade	\$52,994	\$65,065	7.3%	7.7%	5.9%	5.9%	1.9%
Transportation and warehousing	\$20,930	\$26,184	2.9%	3.1%	2.8%	2.9%	0.2%
Information	\$30,441	\$32,214	4.2%	3.8%	4.9%	4.7%	-0.8%
Finance and insurance	\$36,074	\$50,443	5.0%	6.0%	6.8%	7.3%	-1.3%
Real estate and rental and leasing	\$125,800	\$139,529	17.4%	16.6%	13.3%	13.1%	3.5%
Professional, scientific, and technical services	\$46,950	\$57,697	6.5%	6.9%	7.0%	7.1%	-0.2%
Management of companies and enterprises	\$9,775	\$13,221	1.4%	1.6%	1.7%	2.0%	-0.4%
Administrative and waste management services	\$28,573	\$33,726	4.0%	4.0%	2.9%	3.1%	0.9%
Educational services	\$7,349	\$8,413	1.0%	1.0%	1.1%	1.1%	-0.1%
Health care and social assistance	\$60,551	\$72,002	8.4%	8.6%	7.3%	7.2%	1.4%
Arts, entertainment, and recreation	\$13,021	\$16,466	1.8%	2.0%	1.0%	1.0%	1.0%
Accommodation and food services	\$28,243	\$37,003	3.9%	4.4%	2.7%	2.8%	1.6%
Other services, except government	\$19,734	\$23,159	2.7%	2.8%	2.3%	2.2%	0.5%
Government	\$98,900	\$104,159	13.7%	12.4%	13.8%	12.4%	0.0%

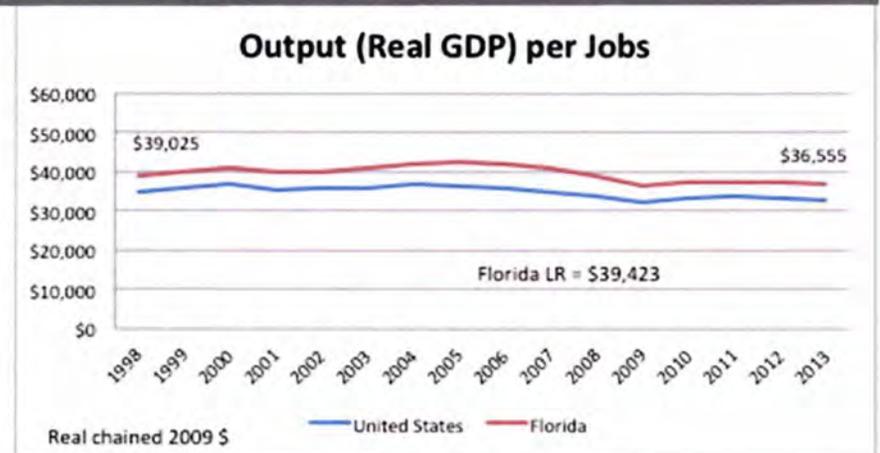
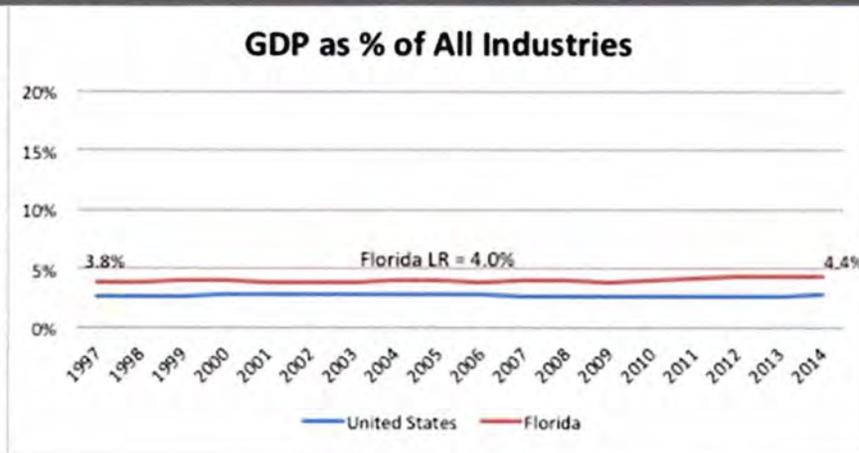
Source: Bureau of Economic Analysis, US Department of Commerce, June 10, 2015

# Examples of Two Industries...

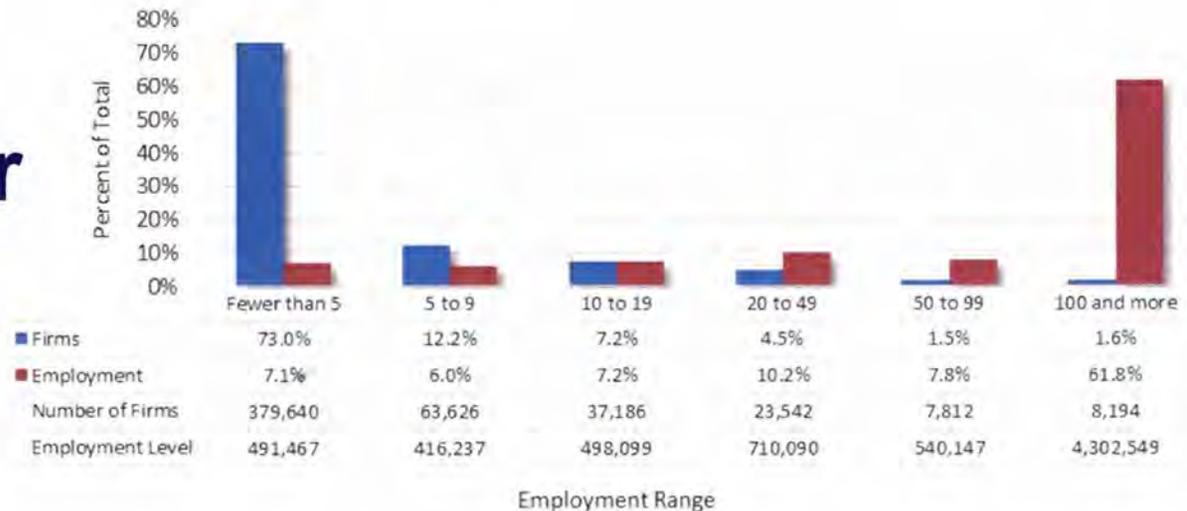
Manufacturing



Accommodations and Food Services



# Florida's Private Sector Firms and Employment



Employment Range	Firm		Employment	
	Percent of Total	Cumulative Percent	Percent of Total	Cumulative Percent
Fewer than 5	73.0%	73.0%	7.1%	7.1%
5 to 9	12.2%	85.2%	6.0%	13.0%
10 to 19	7.2%	92.4%	7.2%	20.2%
20 to 49	4.5%	96.9%	10.2%	30.4%
50 to 99	1.5%	98.4%	7.8%	38.2%
100 to 249	1.0%	99.4%	11.0%	49.2%
250 to 499	0.3%	99.7%	8.4%	57.5%
500 to 999	0.2%	99.9%	7.9%	65.4%
1,000 or more	0.1%	100.0%	34.6%	100.0%

Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, received October 5, 2015. Data are for March 2015

The vast majority of Florida's 520,000 firms are small in terms of employees. The greatest number of employees—and share of the total—is associated with the 718 firms that individually have 1,000 or more employees. The dollar value of an incentive based simply on the existing number of employees (or the capacity to hire large numbers) would roughly follow this same distribution. The larger firms would also tend to have a multi—state presence.

# Wages and Jobs...

Average Annual Employment Percent by Major Industry, 2014			Average Annual Wages by Major Industry, 2014			
Industry	Florida	US	Industry	Florida	US	Florida as a percent of the US
Total, all industries			Total, all industries	\$ 44,803	\$ 51,364	87.2%
Natural resources and mining	1.1%	1.5%	Natural resources and mining	\$ 28,647	\$ 59,660	48.0%
Construction	5.1%	4.5%	Construction	\$ 43,690	\$ 55,037	79.4%
Manufacturing	4.3%	8.9%	Manufacturing	\$ 55,517	\$ 62,976	88.2%
Trade, transportation, and utilities	20.9%	19.1%	Trade, transportation, and utilities	\$ 40,107	\$ 42,987	93.3%
Information	1.8%	2.0%	Information	\$ 70,655	\$ 90,823	77.8%
Financial activities	6.6%	5.6%	Financial activities	\$ 66,176	\$ 85,267	77.6%
Professional and business services	15.0%	14.0%	Professional and business services	\$ 54,242	\$ 66,668	81.4%
Education and health services	14.8%	15.1%	Education and health services	\$ 46,573	\$ 45,950	101.4%
Leisure and hospitality	14.0%	10.7%	Leisure and hospitality	\$ 23,021	\$ 20,995	109.6%
Other services	3.2%	3.1%	Other services	\$ 32,245	\$ 33,936	95.0%
Government	13.2%	15.4%	Government	\$ 49,702	\$ 51,733	96.1%

Percentages may not add to 100% as some businesses are not classified in an industry.

Source: US Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages, [www.bls.gov](http://www.bls.gov), accessed October 2, 2015.

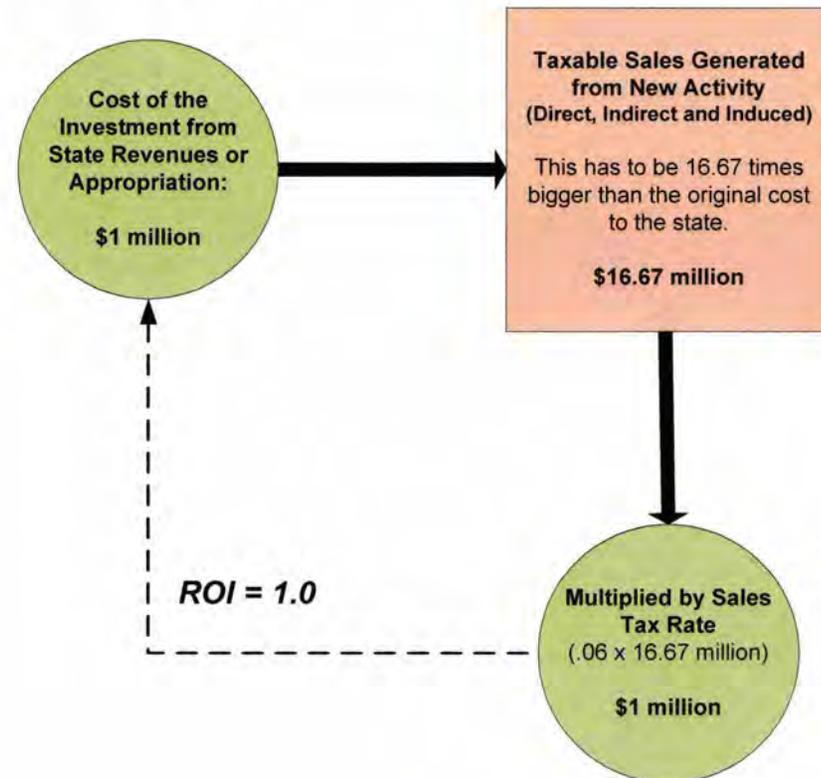
In part, the lower than average overall wage gain has to do with the mix of jobs that are growing the fastest in Florida. Not only is the Leisure & Hospitality employment sector large, it has seen some of the fastest growth. This sector is closely related to the health of Florida's tourism industry. Preliminary estimates indicate that 25.6 million visitors came to Florida during first quarter 2015 for an increase of 6.2 percent over the same period in 2014.

# Return on Investment (ROI)...

In EDR's work, the term "Return on Investment" is synonymous with the statutory term "economic benefits" which is defined in s. 288.005, Florida Statutes.

*"The direct, indirect, and induced gains in state revenues as a percentage of the state's investment. The state's investment includes state grants, tax exemptions, tax refunds, tax credits, and other state incentives."*

## Sales Tax Example...



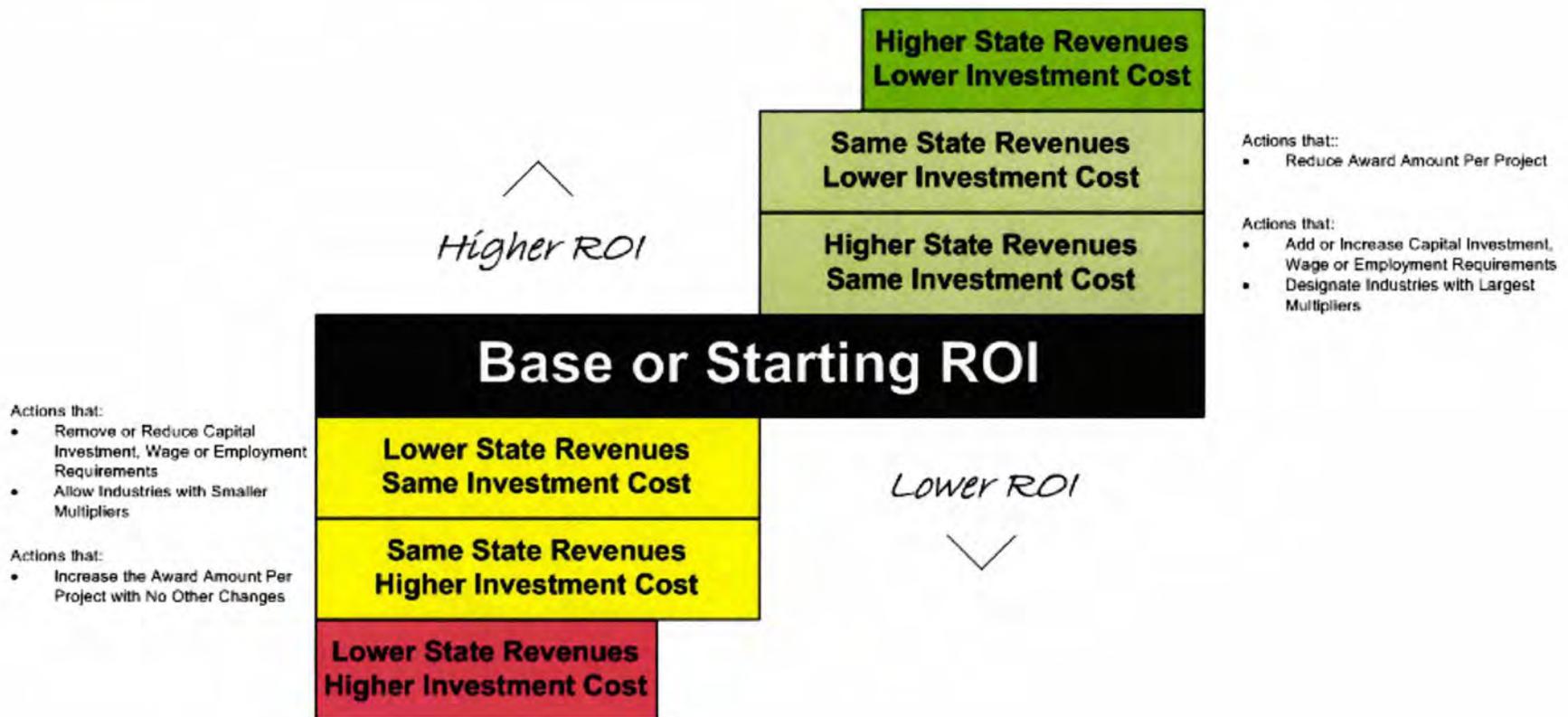
# Comparison of Reviewed Programs...

<b>Ranked Incentives and Investments</b>	<b>Type of State Support</b>	<b>ROI</b>	<b>STATUS</b>
Qualified Target Industry (QTI)	A	6.4	
Florida Sports Foundation Grant Program	A	5.6	
Economic Evaluation of Florida's Investment in Beaches	A	5.4	More than Breaks Even (State makes money from the investment)
VISIT FLORIDA Advertising	A	3.2	
Capital Investment Tax Credit (CITC)	T	2.3	
Brownfield	A	1.1	
Quick Action Closing Fund (QACF)	A	1.1	
High-Impact Sector Performance Grant (HIPI)	A	0.70	
Entertainment Industry Sales Tax Exemptions (STE)	T	0.54	
Entertainment Industry Financial Incentives Program (Tax Credit or FTC)	T	0.43	Does Not Break Even (however, the state recovers a portion of the cost)
Professional Sports Franchise Incentive	T	0.30	
Innovation Incentive Program (IIP)	A	0.20	
Spring Training Baseball Franchise Incentive	T	0.11	
Urban High-Crime Area Job Tax Credit	T	0.07	
Enterprise Zones	T	-0.05	State Loses All of Its Investment (plus incurs additional costs)
Professional Golf Hall of Fame Facility Incentive	T	-0.08	
International Game Fish Association World Center Facility Incentive	T	-0.09	

Types of State Support: A = Appropriation; T = Tax Incentive

The numerical ROI can be interpreted as return in tax revenues for each dollar spent by the state. For example, a ROI of 2.5 would mean that \$2.50 in tax revenues is received back from each dollar spent by the state.

# Changing the Reported ROI...



# Options for Improving the ROI...

## Specific Capital Investment Requirements

Capital investments (construction, machinery and equipment) have strong impacts. Benefits are localized, few leakages.

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- Capital investment in physical space has the strongest effect (i.e. construction) due to backward linkages to local suppliers. Machinery and equipment investments have smaller effects, since many of these purchases are tax-free and are often produced out of state. Although sales tax refunds are currently allowed for businesses and individuals who purchase taxable building materials and equipment, there is no requirement to undertake this activity.

## Specific New/Retained Job Requirement

New/retained jobs bring/keep additional income into an area, spending brings additional tax revenue.

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- New jobs should be new to the state (not new to the area) from a new business or a business relocating to Florida. Retained jobs should pass a “but for” test indicating that the company would have left Florida. A company that could easily leave Florida would have: locations in other states, not be market or resource dependent, and not be location-bound due to prior investments in Florida.

## High Wage Requirements

Higher wages linked to higher output and productivity, increase spending.

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- Higher wages lead to greater consumption. However, hiring underemployed and unemployed workers, even at a lower wage, may increase the ROI as it reduces public assistance dollars. Further, those employees spend more of their wages on consumption rather than savings.

# Options for Improving the ROI (continued)...

## Job Training Requirement

On the Job Training (OJT) and GED assistance improve chances of an employee's retention and promotion.

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- The average wage of a worker increases as his education level increases (leads to increased household spending).
- OJT and GED assistance have lasting benefits for the employee and privately funded initiatives defray state costs.

## Targeting Industries with High Multipliers

Industries with high multipliers produce greater returns to the state.

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- Industries with high multipliers typically have strong backward linkages to local suppliers. They also have high employment multipliers. Both result in greater indirect and induced benefits. There are few leakages to the rest of the world.
- Targeting industries with lower multipliers may be desirable in certain cases, but the trade-off is a lower ROI.
- From the perspective of the state's ROI, excluding certain retail and service-based industries generally leads to better results; however, this is part of the policy-goal decision facing the Legislature. For example, retail trade generally has lower output multipliers—but higher employment multipliers. These effects counteract each other in the overall analysis. In using the Statewide Model to calculate the state's ROI, the relationships between these multipliers, as well as differences in market dependence and product taxability, are all taken into account.

# Options for Improving the ROI (continued)...

## Targeting Businesses with High Export Volume or Federal Dollars

Businesses that bring in money from outside of the state grow and diversify the economy.

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- Options include targeting businesses with strong export capability or requiring that a minimum percentage of the products be exported.
- The state could also target industries that receive significant funding from federal contracts (space, military), although this would be subject to the annual federal budgeting process.

## Imposing a “But For” Requirement

Businesses that would not have located in the state “but for” the incentive improve the state’s ROI.

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- Businesses that would otherwise exist bring no additional dollars to the state as a result of the incentive. Essentially, the incentive is unnecessary.
- Similarly, incentives that are too small to induce new activity result in limited or no economic gain.
- Closely related to the determination of market or resource dependence.

# Options for Improving the ROI (continued)...

## Market or Resource Independence Requirement

Granting incentives to businesses that would have created or retained jobs regardless of incentives is a financial loss to the state.

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- Businesses that are dependent on Florida's population growth or resources may be technically qualified to receive incentives from a program, but there is generally no additional state revenue attributed to these businesses, as they (or a competitor) would have existed regardless of the state's investment.
- From an ROI perspective, the state's investment is a pure loss if the company would have otherwise chosen Florida. In some cases, even if that particular business did not come into existence, another business competitor would have satisfied the market demand.

## Limit State Investment

Limit state investment to no more than needed to accomplish goal.

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- Actions that reduce the state's cost improve the ROI, assuming the outcomes stay the same.
- Some form of local participation (incentives or required matches) should be considered in lieu of state investments for incentives that produce largely local, non-taxable or property tax-related results. The size of the state incentives should be linked or calibrated to the expected gain in state revenue.
- Local contributions towards a project may have an ambiguous effect on the state's ROI due to the apportioning process. The gain must be strong enough to produce a solid ROI for the state after apportioning

# Options for Improving Induced and Indirect Effects...

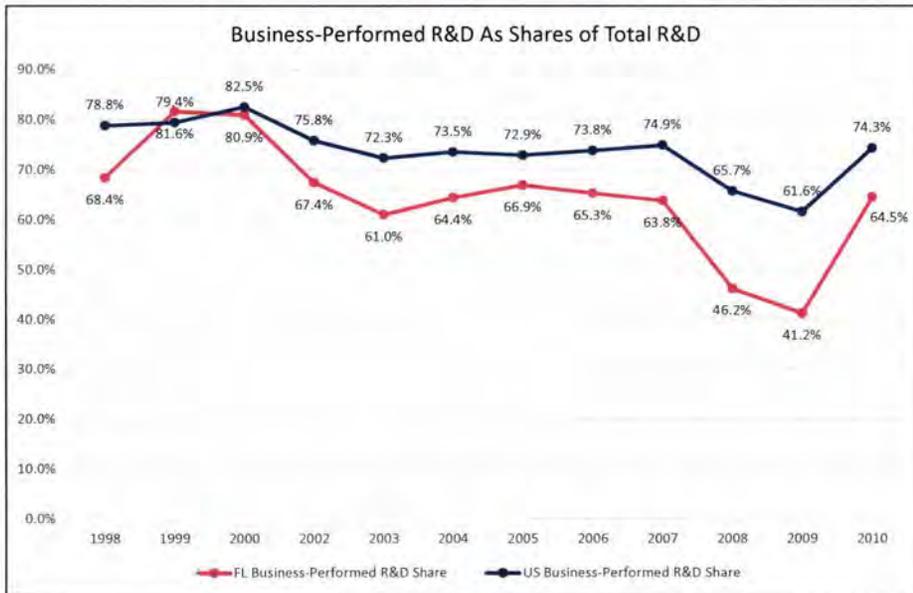
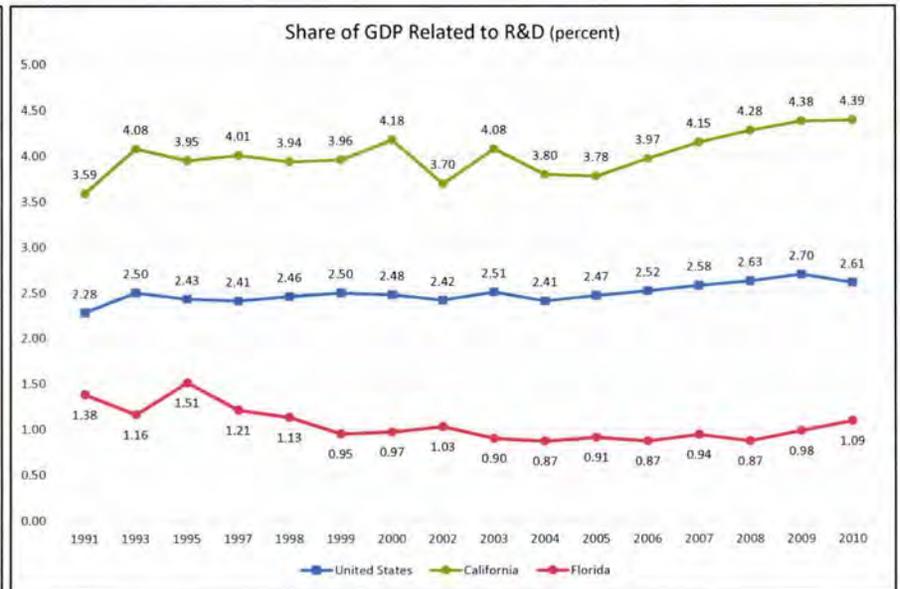
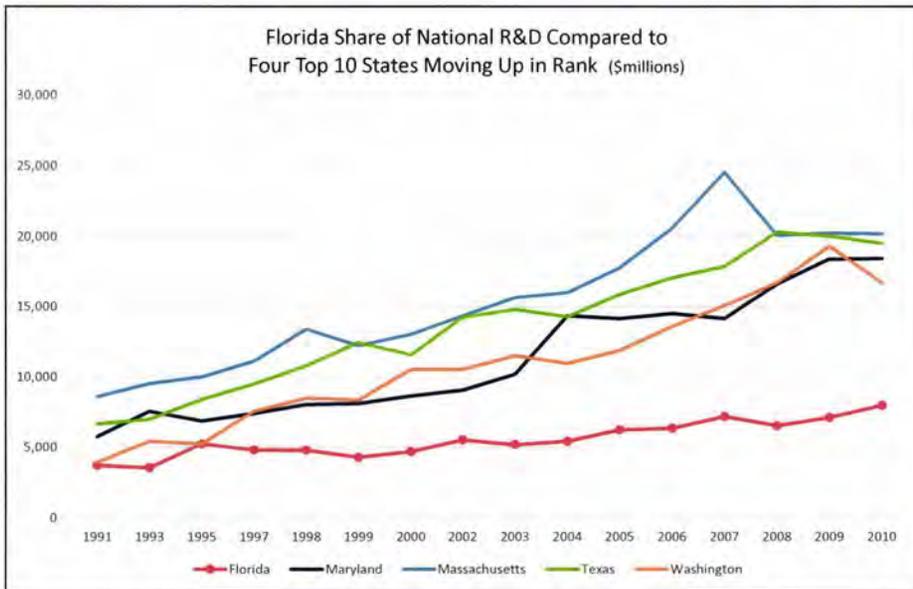
The literature suggests there are three ways to improve indirect and induced effects:

- Improve the direct effects on the front-end, primarily through the creation of more jobs, increased facilitation of new business establishments in targeted industries, enhanced promotion of higher salaries, or additional capital expenditures.
- Impose a requirement for backward linkages in the selection of firms for incentives.
  - Industries with strong backward linkages generate economic activity far beyond the nominal value of their products when they spend locally on inputs instead of purchasing those intermediate goods and services from outside the state.
  - Each dollar that remains in Florida reduces leakages and continues to boost local economic activity, employment, and ultimately tax revenue.
  - All else being equal, the stronger the linkage is, the greater the impact will be on the state's economy.
- Develop strong pools of local suppliers in key locations that can attract businesses which benefit from those relationships—essentially, the development of a portfolio of business assets.

# What Does This Look Like?

- A broadened focus that includes growing in-state businesses rather than a limited focus on recruiting businesses.
- A multi-faceted approach that is inclusive of other policy areas, rather than a limited focus on the traditional toolkit (examples include improving the quality of education; retaining graduates of higher education programs; and, developing different kinds of incentives and programs).
- Formally, this is a bottom-up theory of economic development that focuses government efforts on:
  - Helping local businesses find, expand, or create new markets for unique and innovative products (*technical assistance, infrastructure, distribution channels, financing and facilitation*),
  - Fostering entrepreneurs and new business development (also called *enterprise development*), and
  - Developing pools of local resources, including human capital, and access to technology (*agglomeration and clustering*).

# Research & Development in Florida



Product-life-cycle-theory suggests that new technologies are discovered through research & development activities (which in part has features of being a public good), introduced as commercial products or services by entrepreneurs, and then picked up and adopted by others.

# The Future of Economic Development: Fostering Entrepreneurship

Entrepreneurship focuses on business creation that is homegrown.

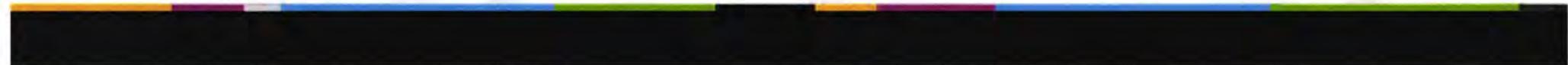
- Global economy increases competition, requiring business to be more nimble, innovative and flexible. Generally, this is best accomplished through smaller businesses.
- Innovations have stronger growth potential than established business activity—but the risk is greater.
- States need new tools that focus on the start-up and growth of new enterprises within the state, as well as a longer term vision.
- To be meaningful, economic development assistance should be through strategic and targeted interventions at key parts of the process.

**FL Econ. Develop.  
Incentive Programs**

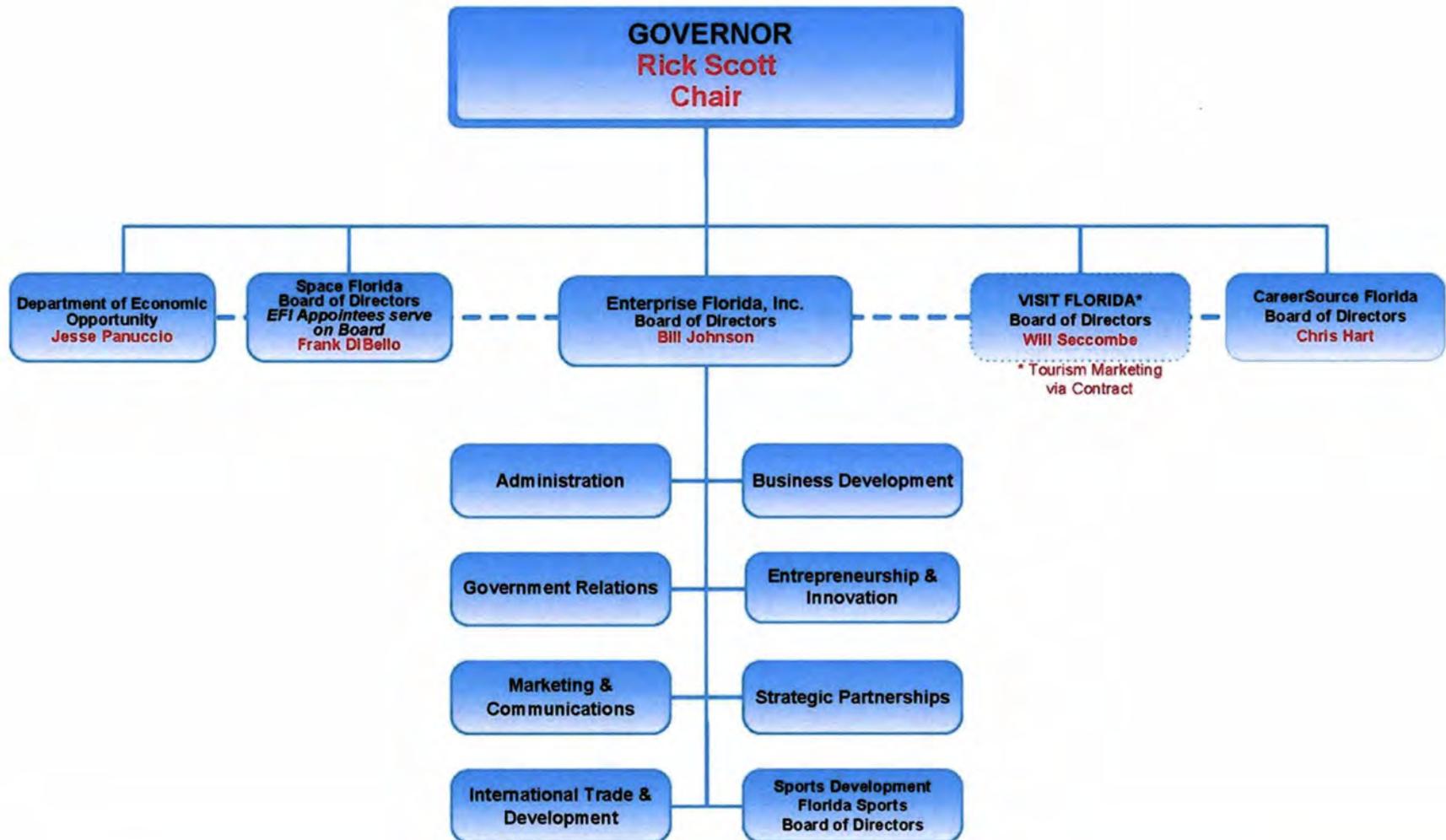


**Presentation to  
Florida House of Representatives  
Economic Development and Tourism Subcommittee**

**Bill Johnson  
President & CEO Enterprise Florida**



# Enterprise Florida Structure

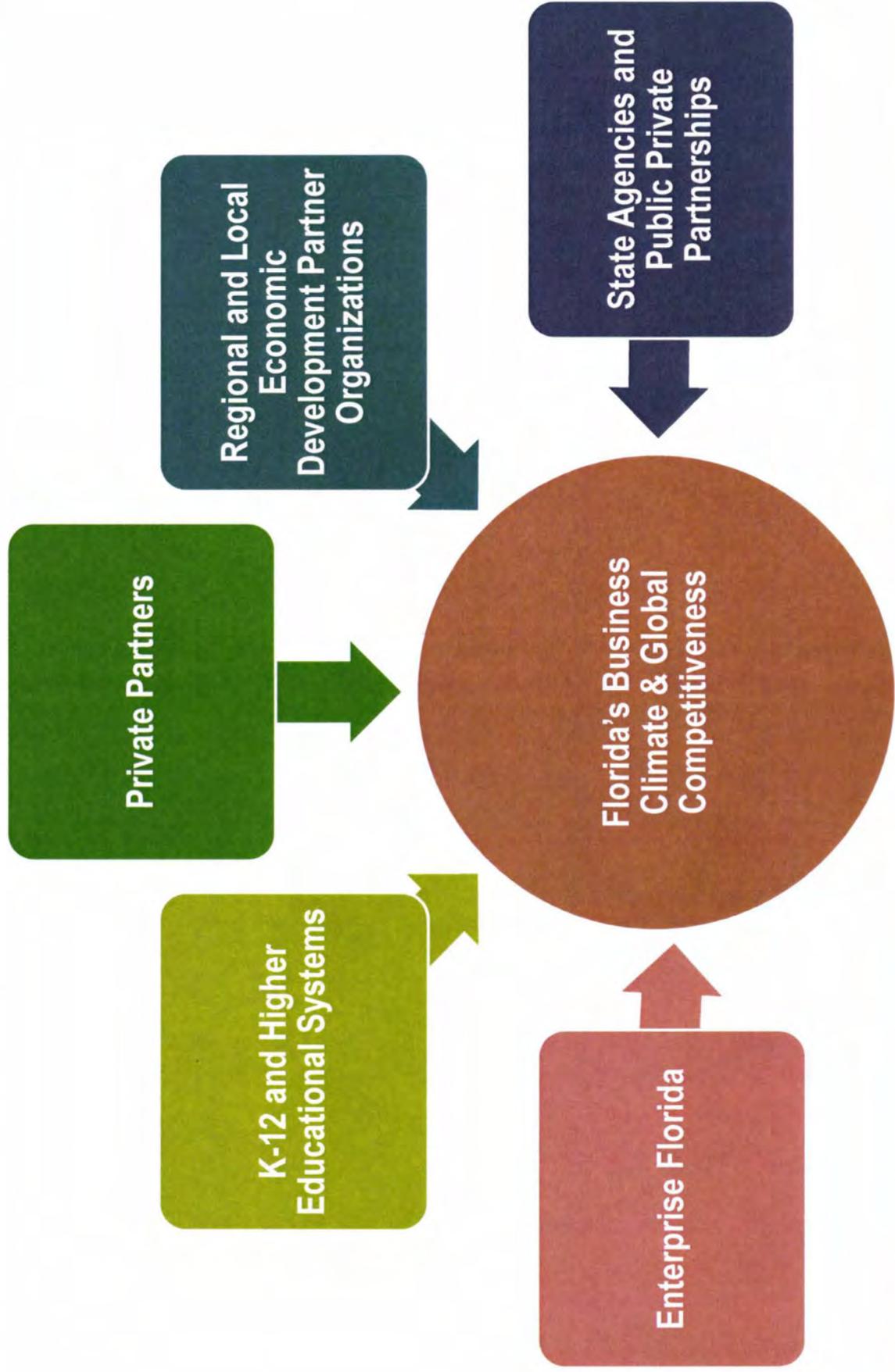


# Enterprise Florida FY 15-16 Funding



- Operations \$25.0M
- Economic Development Toolkit \$43.0M
- Florida Sports Foundation \$ 4.9M
- Florida Defense Support Taskforce \$ 2.0M
- Military Base Protection \$ 1.0M

# Statewide Teamwork



# Examples of Deals We've Won



**Gartner**

400 jobs



Bristol-Myers Squibb

579 jobs

***NORTHROP GRUMMAN***

2,000+ jobs



Cancer  
Treatment  
Centers  
of America

225 jobs

**NAVY  
FEDERAL**  
Credit Union

5,000+ jobs



**United  
Technologies**

Building & Industrial Systems

380 jobs



**TELEMUNDO**

400 jobs

**Raytheon**

329 jobs

**VISTAKON**

DIVISION OF  
*Johnson & Johnson* Vision Care, Inc.

145 jobs

**BLUE ORIGIN**

330 jobs

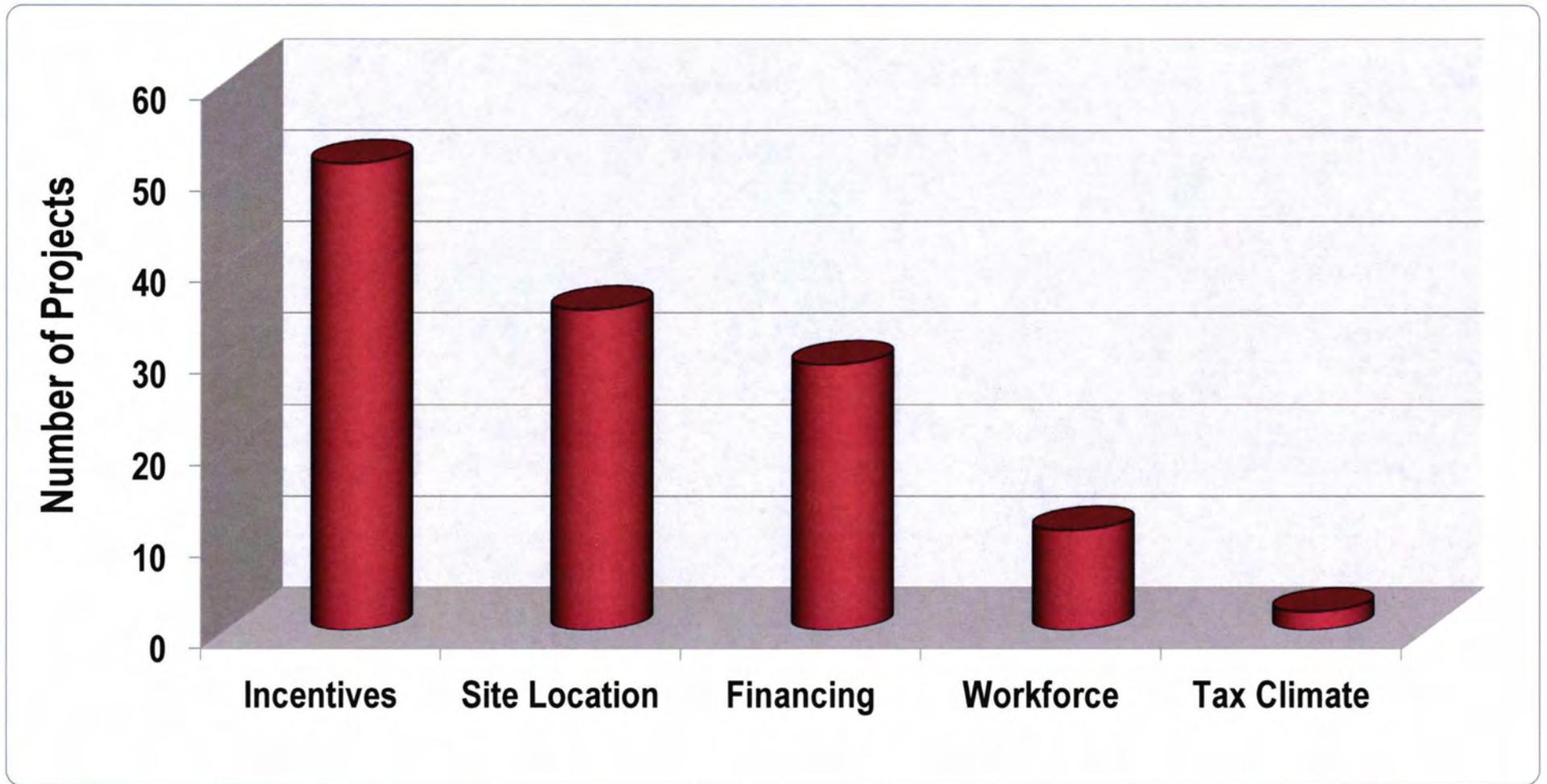
**TRADER JOE'S**

450 jobs

# Projects lost



# Reasons Projects Were Lost



# Missed Opportunities for Florida: Game Changers



2015

**South Carolina:** Volvo (Auto Manufacturing), 2,000-4,000 jobs.

2014

**Texas:** Toyota (HQ Relocation), 3,650 jobs.

**New York:** Solar City (Solar Panel Manufacturing), 1,500 jobs.

2013

**North Carolina:** MetLife (Office Relocation), 2,600 jobs.

2012

**Texas:** Apple (Computer Hardware/Software), 3,635 jobs.

**Georgia:** Caterpillar (Machinery Manufacturing), 1,300 jobs.

# Closing Fund: Florida vs Other States



State	Cash Grant	Executive Approval Only	Budget Over \$20M	Escrow
FLORIDA	✓			✓
GEORGIA	✓	✓	✓	
NORTH CAROLINA	✓		✓	✓
SOUTH CAROLINA	✓	✓	✓	
NEW YORK	✓	✓	✓	
ARIZONA	✓	✓		✓

# Closing Fund: Florida vs. Texas



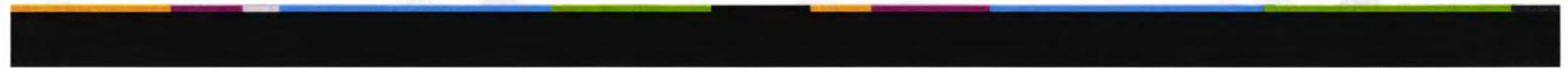
	FLORIDA	TEXAS
CLOSING FUND AWARDS THROUGH 2015	\$340 M	\$575 M
CARRYOVER FUNDING	Unused funds revert to the State	Funds Remain Available
AWARD APPROVAL PROCESS	3 separate processes depending on amount of incentive	One process
RETURN ON INVESTMENT	Minimum 5:1	Not Required in Statute
STATUTORY REQUIREMENTS CLOSING FUND INCENTIVE	<p>Companies must meet the following statutory requirements</p> <ul style="list-style-type: none"> <li>(a) Be in an industry as referenced in s. <a href="#">288.106</a>.</li> <li>(b) Have a positive economic benefit ratio of at least 5 to 1.</li> <li>(c) Be an inducement to the project's location or expansion in the state.</li> <li>(d) Pay an average annual wage of at least 125 percent of the area wide or statewide private sector average wage.</li> <li>(e) Be supported by the local community in which the project is to be located.</li> </ul>	Not Required in Statute

# Minority and Small Business Impact





**Thank you**





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# Economic Development Incentives

Jesse Panuccio  
DEO Executive Director  
October 20, 2015

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# What is the status of the Closing Fund?

*Closing Fund Dollars Spent by Year*

*Current Year*



■ Expenditures   
 ■ FY 15-16 Toolkit Appropriation   
 ■ Contracted Amounts for Other Incentives   
 ■ Closing Fund Available at Start of FY 15-16   
 ■ Approved Projects   
 ■ Pipeline



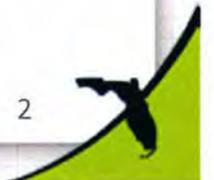
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# Why does the state use escrow?

## *Closing Fund Escrow Account*

- An escrow account is a bank account held in the name of the depositor and an escrow agent, which must be paid to a third party on the fulfillment of escrow conditions or is returnable to depositor if conditions are not met.
- The Closing Fund is a cash incentive competing with other states' up-front cash payment programs.
- Balances (1) competitiveness and certainty for companies with (2) protection of taxpayer funds.



# How have incentive projects performed?

## *Toolkit Performance*

INCENTIVES TOOLKIT SUMMARY					
Incremental Jobs Per Fiscal Year <sup>1</sup>					
	2011-12	2012-13	2013-14	2014-15	Total
NEW JOBS COMMITTED <sup>2</sup>	3,514	5,810	6,886	9,507	<b>25,717</b>
NEW JOBS CONFIRMED	3,256	5,698	7,331	8,083	<b>24,368</b>
NEW JOBS COMMITTED CUMULATIVE	15,565	19,070	20,873	26,885	
NEW JOBS CONFIRMED CUMULATIVE	17,444	18,630	18,387	20,430	
PERFORMANCE PAYMENTS TO BUSINESSES <sup>3</sup>	\$8,650,062	\$26,882,993	\$20,965,445	\$12,604,255	<b>\$69,539,107</b>

**Notes:**

1. Fiscal year payments are for prior calendar year performance (e.g., CY 2012 performance is paid from state FY 13-14).
2. New jobs committed does not include projects that were terminated, vacated, or withdrawn prior to that year.
3. Total payments should not be divided by the total job counts to calculate a per job cost because every project has unique performance requirements and weighted economic impact, and because payments also may be related to capital investment. Performance payouts to businesses for FY 2014-15 do not include an estimated \$2.5 million in pending payments, the performance for which has recently been confirmed.



# How have incentive projects performed?

QUALIFIED TARGET INDUSTRY TAX REFUND Incremental Jobs Per Fiscal Year <sup>1</sup>					
	2011-12	2012-13	2013-14	2014-15	Total
NEW JOBS COMMITTED <sup>2</sup>	1,787	3,014	3,612	4,680	<b>13,093</b>
NEW JOBS CONFIRMED	2,304	3,495	4,221	4,479	<b>14,499</b>
NEW JOBS COMMITTED CUMULATIVE	9,697	10,403	11,980	15,226	
NEW JOBS CONFIRMED CUMULATIVE	12,449	12,108	11,650	13,457	
PERFORMANCE PAYMENTS TO BUSINESSES <sup>3</sup>	\$3,858,915	\$7,918,103	\$8,442,991	\$5,762,115	<b>\$25,982,124</b>

Quick Action Closing Fund Incremental Jobs Per Fiscal Year <sup>1</sup>					
	2011-12	2012-13	2013-14	2014-15	Total
NEW JOBS COMMITTED	1,852	3,011	2,877	2,654	<b>10,394</b>
NEW JOBS CONFIRMED	1,024	2,087	2,902	3,505	<b>9,518</b>
NEW JOBS COMMITTED CUMULATIVE	5,865	8,560	8,791	10,077	
NEW JOBS CONFIRMED CUMULATIVE	4,832	6,290	6,450	8,931	
PERFORMANCE PAYMENTS TO BUSINESSES <sup>3</sup>	\$2,107,500	\$11,142,447	\$10,966,040	\$3,758,500	<b>\$27,974,487</b>

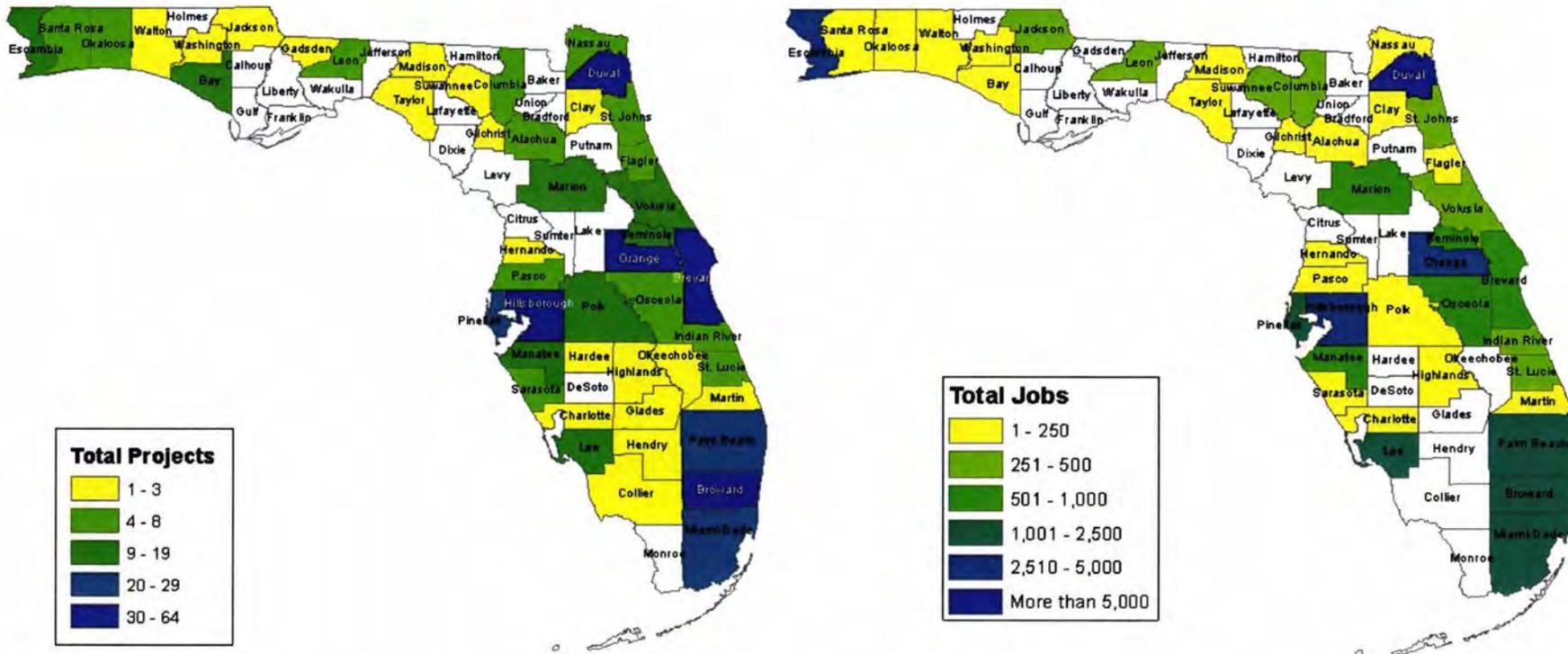
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# Where are incentive projects creating jobs?

*Geographic Reach of Projects and Jobs in Last Four Years*

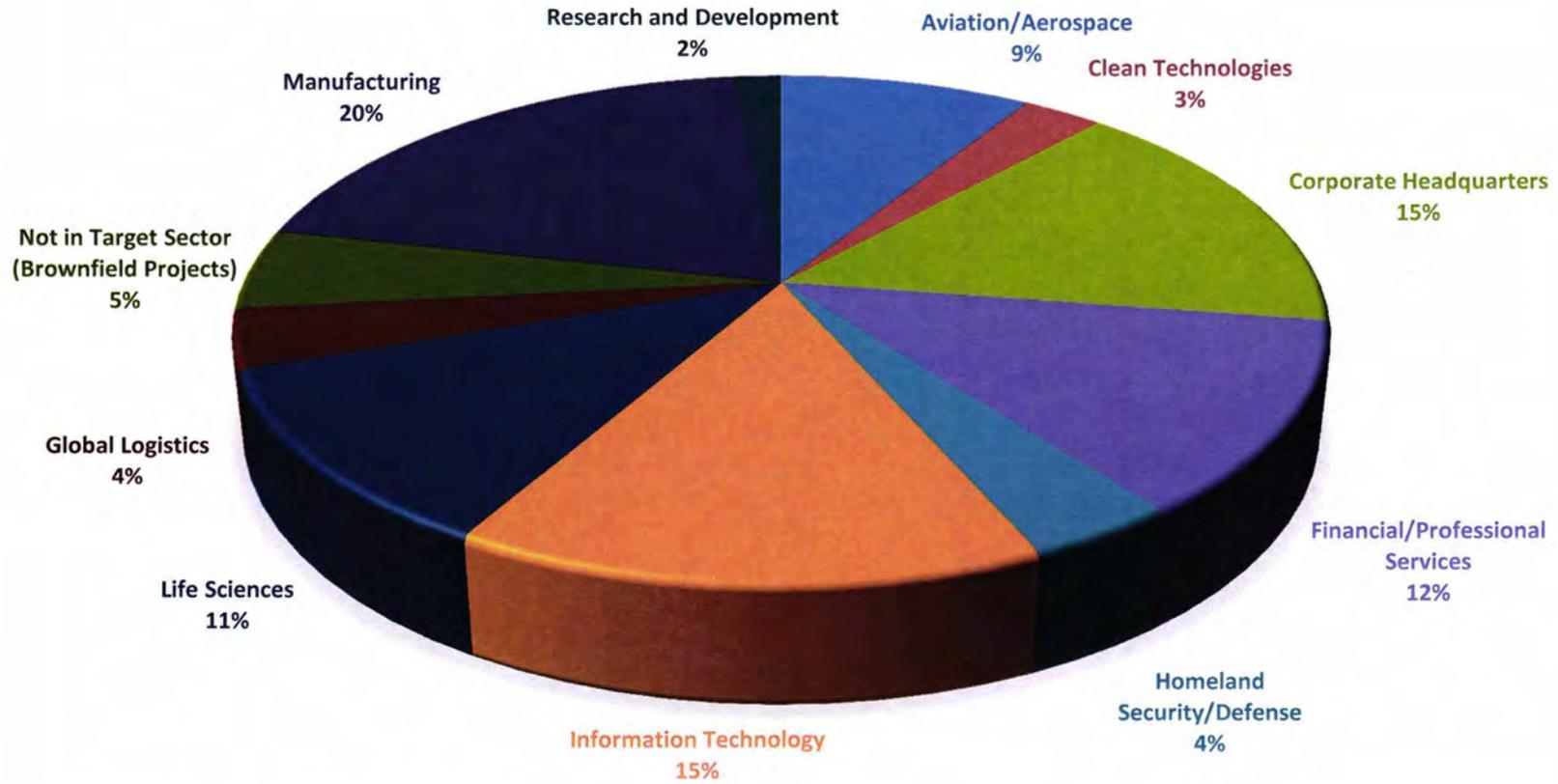


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# What type of jobs are created?

*Percent of Confirmed Projects by Industry*

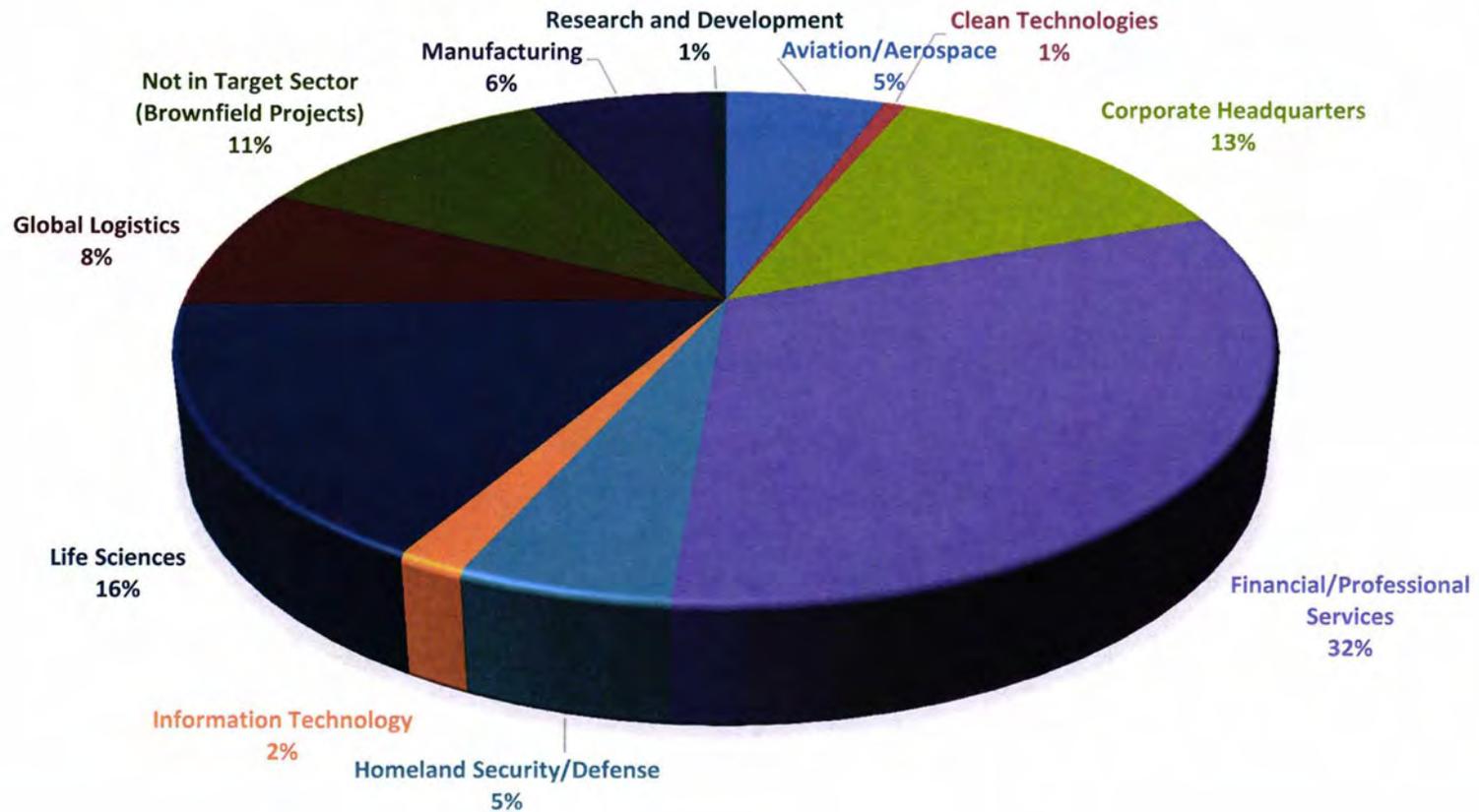


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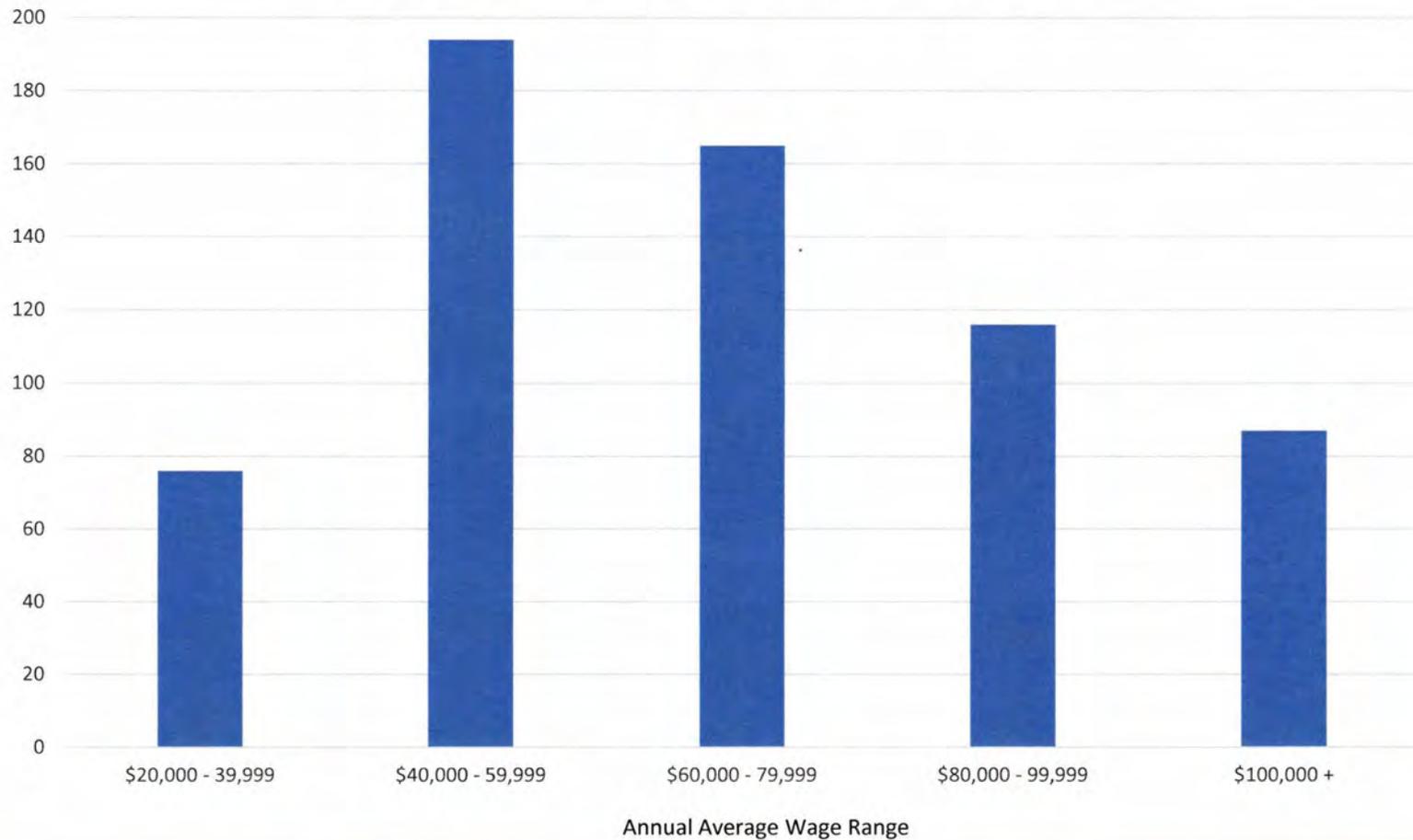


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# How much are the jobs paying?

*Confirmed Annual Average Project Wages*



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