



Committee on Economic Development

**Thursday, February 21, 2008
1:30 PM – 5:30 PM
Reed Hall**

**Marco Rubio
Speaker**

**Don Davis
Chair**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Speaker Marco Rubio

Committee on Economic Development

Start Date and Time: Thursday, February 21, 2008 01:30 pm

End Date and Time: Thursday, February 21, 2008 05:30 pm

Location: Reed Hall (102 HOB)

Duration: 4.00 hrs

Economic Development Workshop

Ideas and direction generated from the Economic Expansion & Infrastructure Council meeting on February 15, 2008.

NOTICE FINALIZED on 02/14/2008 15:04 by DGR

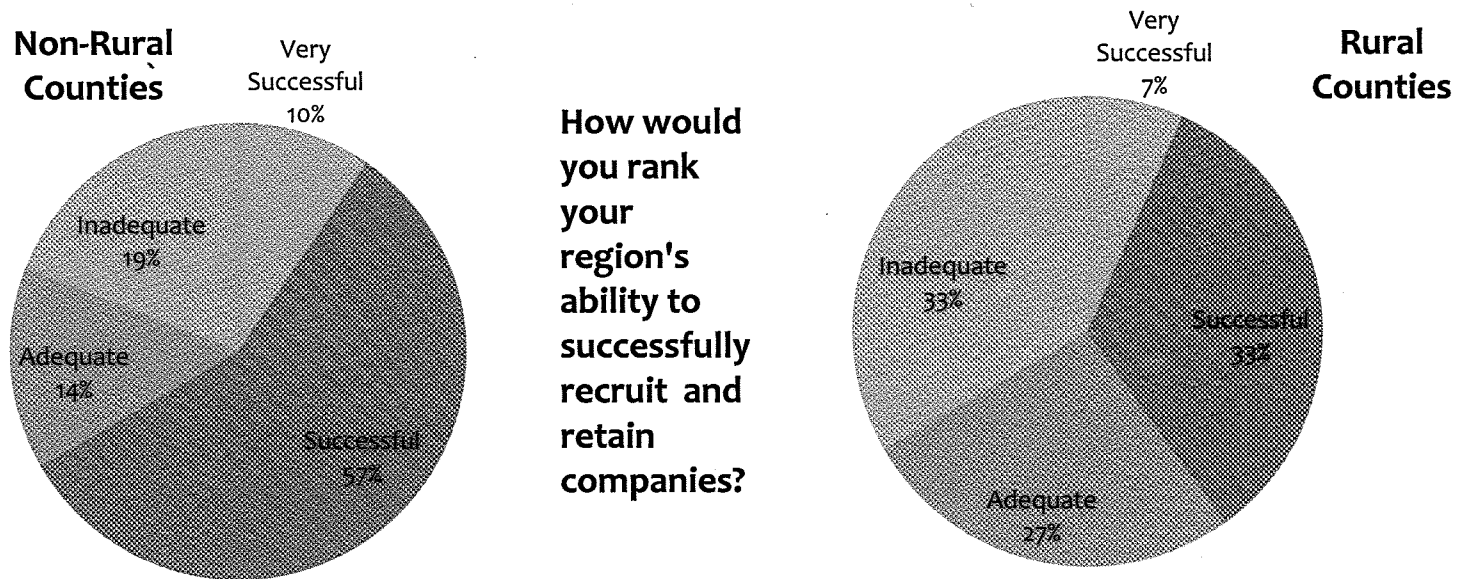
A STUDY TO EVALUATE FLORIDA'S ECONOMIC DEVELOPMENT PROGRAMS

Economic Expansion & Infrastructure Council
Committee on Economic Development
February 2008

Questions to be considered:

- ❑ What are Florida's economic development needs, short- and long-term?
- ❑ What role do economic development programs play in improving the state's economy?
- ❑ What incentives are used most frequently?
- ❑ Are state programs meeting the needs of rural counties?
- ❑ What are other state's doing to spur economic development?

What are Florida's economic development needs, short- and long-term?



- Critical needs: Infrastructure, Workforce, Expansion of Incentive Programs, Improving the Application Process, Property Tax and Insurance Relief, and Affordable Housing.

What role do economic development programs play in improving the state's economy?

- Research shows us that economic development has resulted in a mixed bag.
- Econometric studies show that programs can impact regional and state growth.
- Incentives are beneficial if:
 - ▣ Project helps overcome involuntary unemployment or underemployment
 - ▣ Local employment increases and locals move up to higher-wage jobs
 - ▣ Project locates in an area where infrastructure is underutilized
 - ▣ Project overcomes regulatory and other barriers.

How does a state ensure effective incentive programs?

- ❑ Benefit-Cost Analysis
- ❑ Up-front incentives
- ❑ Infrastructure and workforce training
- ❑ Clawbacks
- ❑ Target incentives to underemployed, unemployed, and hiring of local residents
- ❑ Develop unique local assets
- ❑ Require minimum job quality
- ❑ Program Transparency

Economic Development Incentive Programs

- The committee reviewed the following programs:
 - ▣ Economic Development Transportation Fund
 - ▣ Qualified Targeted Industry Tax Refund
 - ▣ Qualified Defense Industry Tax Refund
 - ▣ Brownfield Redevelopment Bonus Refund
 - ▣ High Impact Performance Incentive
 - ▣ Quick Action Closing Fund
 - ▣ Innovation Incentive Fund
 - ▣ Capital Investment Tax Credit
 - ▣ Quick Response Training
 - ▣ Incumbent Worker Training

What methods were used to review incentive programs?

- Statute Review
- Economic Development Information System
- Wage comparison
 - ▣ Did the business receiving a state incentive offer a competitive wage compared with other businesses in the same industry in the state?
 - ▣ Did the business receiving a state incentive offer a wage on par with other private sector businesses in its county?
- Other information from state agencies and partners

Highlights of Incentive Programs

Program	Total Awards (millions)	Jobs Created	Average Wage (\$2006)	Industry Difference	County Difference	Capital Investment (millions)	10YR Return on Investment
Brownfields - Standalone	\$6.5	2,668	\$22,752	-15%	-40%	\$406	\$21
Brownfields with QTI	\$11.3	4,526	\$42,929	-27%	19%	\$500	\$15
Quick Action Closing Fund	\$53.6	9,028	\$58,813	-11%	58%	\$1,459	\$23
Road Fund	\$73.3	17,664	\$39,385	*	21%	\$1,795	-
HIPI	\$32.9	2,230	\$65,123	*	65%	\$1,826	\$11
QDC	\$12.2	2,209	\$53,976	5%	42%	\$46	\$14
QTI	\$349.8	87,589	\$45,665	-21%	20%	\$6,448	\$16
TOTALS	\$539.6	108,875	\$44,890	-26%	25%	\$11,077	\$14

Workforce Programs, since 2000

□ Incumbent Worker Training

- 84,000 trained; 65,000 jobs retained
- \$189 million in matching funds (50/50 match)
- \$47,008 average wage (2004-05 trainees)
- Funds requested has increased 44%

□ Quick Response Training

- 64,000 trained
- \$829 million in matching funds
- \$36,109 average wage (2004-05 trainees)
- Funds requested has increased 38%

Economic Development in Rural Florida?

- 32 counties are classified as rural counties
- Rural Economic Development Initiative (REDI)
- 3 Rural Areas of Critical Economic Concern (RACEC) – 28 counties, 5 municipalities
- Catalyst Projects
- Specific Challenges
 - ▣ Patterns of growth
 - ▣ Education levels
 - ▣ Per capita income

Overview of Rural Programs

- Florida spent a total of \$287.4 million FY 07-08
- The report provides a brief overview of the following programs:
 - Rural Infrastructure Fund (\$2.7m)
 - Rural Community Development Revolving Loan Fund (\$900K)
 - Regional Rural Development Grant Program (\$400K)
 - Small County Road Assistance Program (\$25.4m)
 - Small County Outreach Program (\$47.4m)
 - Small Cities Community Development Block Grant Program (\$29.7m)
 - Small County Solid Waste Grants (\$9.4m)
 - Small Community Waste Water Construction Grants (\$21m)

What are other state's doing to spur economic development?

- Large capital assets to businesses – land, buildings, cash
- Alabama's Capital Improvement Trust Fund
- Georgia's workforce training – recently voted #1
- California tax law allows financial loss to be carried forward
- Louisiana's Tax Equalization Program

Committee Recommendations

- ❑ Evaluate and shorten the approval and award processes
- ❑ Improve Economic Development Information System
- ❑ Expedite permitting processes
- ❑ Implement stricter wage requirements
- ❑ Help grow Florida businesses
- ❑ Consider strategies to retain Florida businesses

Committee Recommendations

- ❑ Redefine rural counties
- ❑ Promote rural regional economies
- ❑ Expand the rural infrastructure fund
- ❑ Codify the rural catalyst project
- ❑ Increase funding for infrastructure and workforce
- ❑ Increase incentives for low-income communities

Questions?



**Presentation to House Committee
February 21, 2008**

About Enterprise Florida, Inc. (EFI)

- Florida's principal economic development organization
- Responsible for
 - global **branding**,
 - promoting **exports**,
 - inbound **investment**, foreign (FDI) and domestic,
 - **increasing economic opportunities** for Florida's citizens and businesses.
- Public-private partnership, **not-for-profit 501(c)3 corporation**
- Chaired by Governor Crist; Vice Chair Tom Kuntz

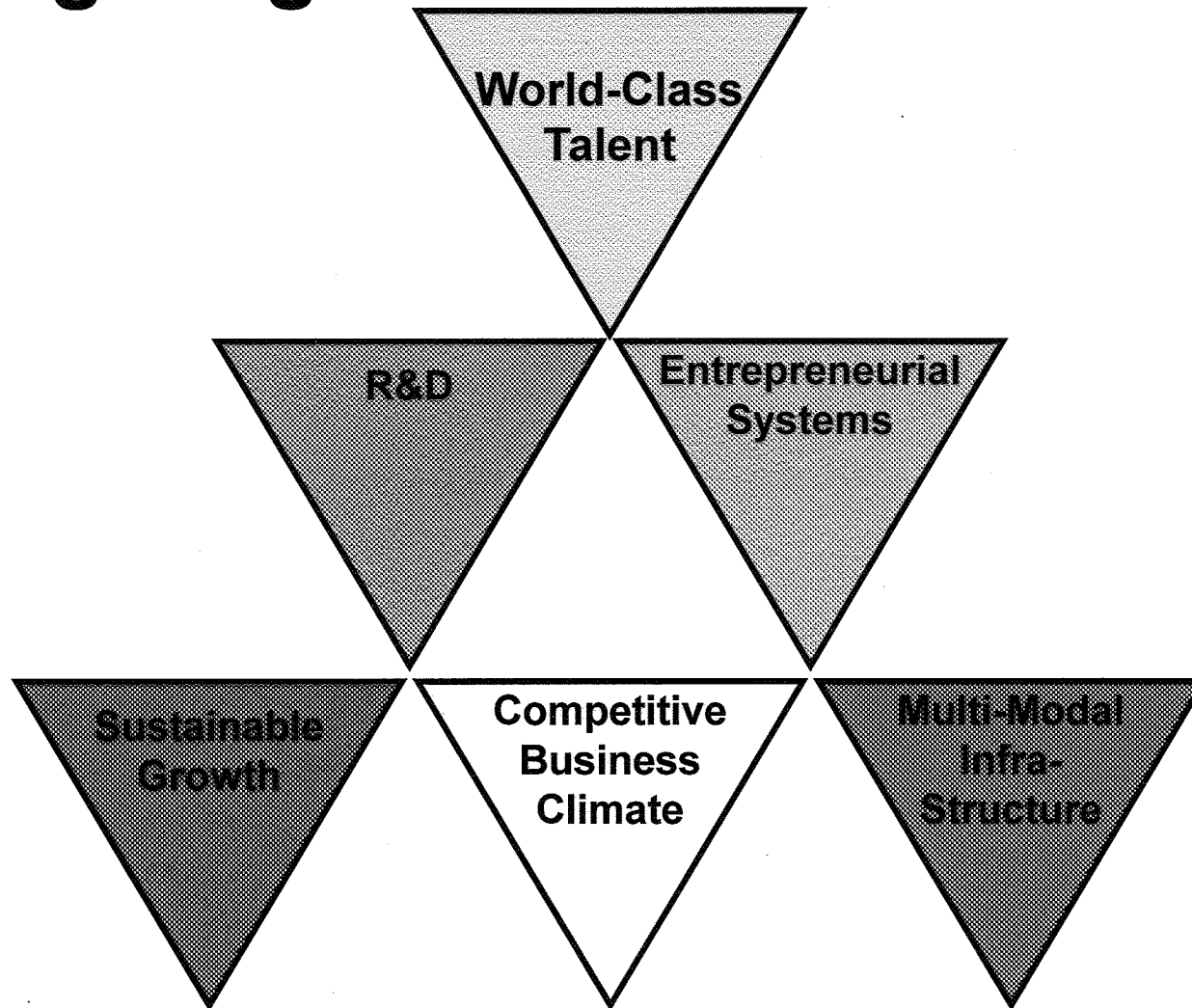
Florida Challenges

- **Globalization** – “widening, intensifying, accelerating and expanding impact of worldwide interconnectiveness”
- **Aging State** – more intense in Florida than elsewhere because population share (projection: by 2030, 26% will be over 65)
- **Growing State** – all of the same problems as we’ve had in the past, only more so
 - Greater demand for services
 - Increasingly scarce natural resources (especially water)
 - Infrastructure needs (new and replaced)

Source: The Florida Legislature
Office of Economic and
Demographic Research



“Imagining an Innovation Economy”

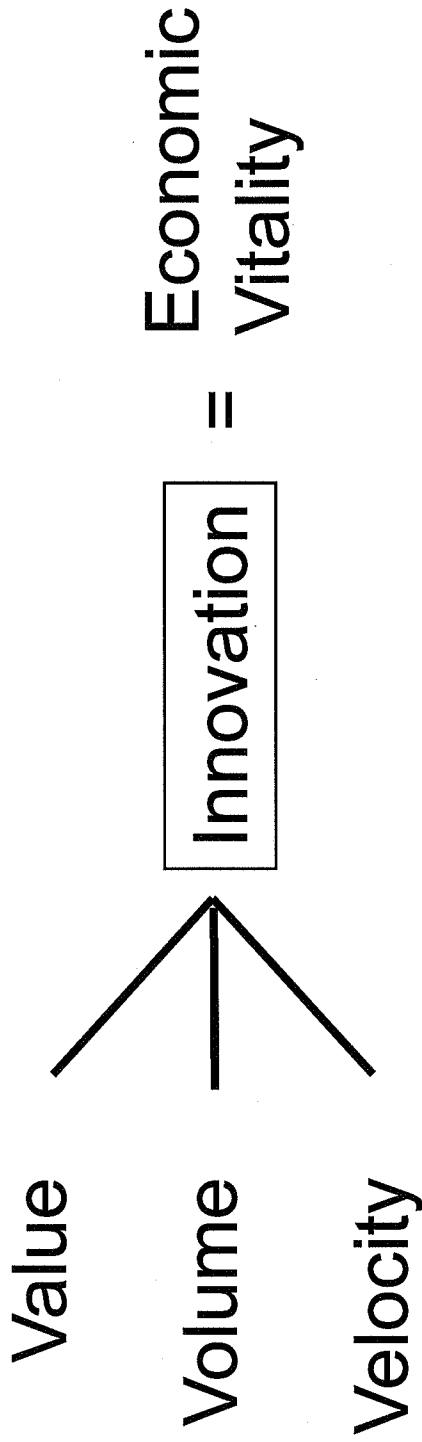


Source: Governor's Blue Print for Florida's Innovation Economy, January 2008

Globalization – Florida Strategy

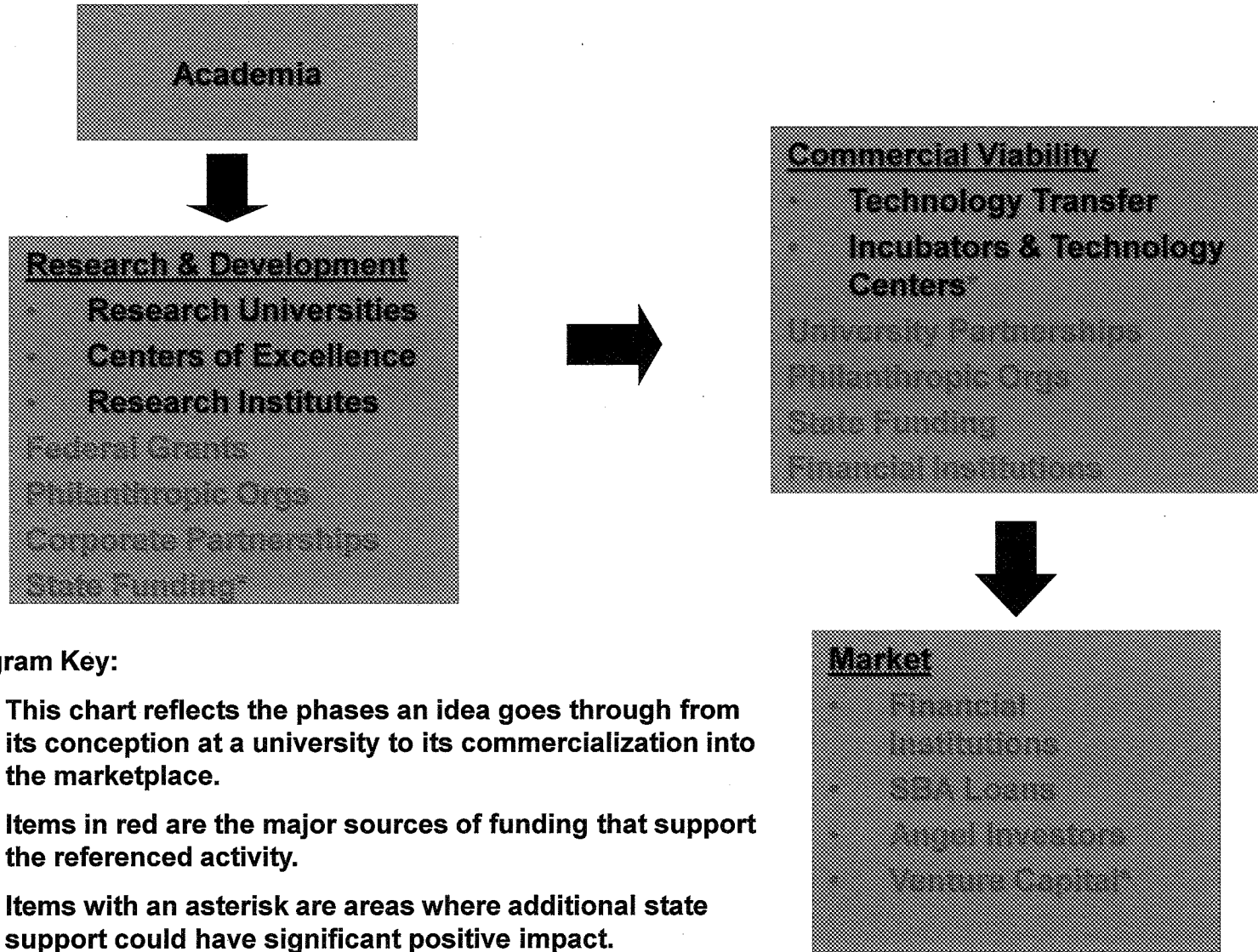
- Regions need to focus on comparative advantage and value creation to compete
- Keys to success:
 1. Fueling the engines of entrepreneurship:
 - Get fresh ideas to the marketplace quickly
 - Create new products, services and business models
 2. Promoting and harnessing **innovation**:
 - Regional ability to adapt quickly to changes
 - Create new technologies and opportunities

Innovation – A Quick Primer



Innovation defined: the application of *new ideas* to products and processes in the pursuit of profits.

From Mind to Market...



Idea Agenda

- Small Business Innovation Research (SBIR)
 - Phase Zero program
 - Phase Two matching grant proposal
- R & D Tax Credit

No Brainers

- Support the Institute for Commercialization of Public Research
- Small business development centers
- Commercialization grants to universities

Idea Blackboard

- Securities laws need modernizing
- Florida Development Finance Corporation should have statewide authority
- Tech transfer competence is uneven
- State Board of Administration can pay more attention to Florida without sacrificing safety, soundness and yield
- Venture capital investment is part of Institute vision

“The great thing in this world
is not so much where we stand,
as in what direction we are
moving.”

Oliver Wendell Holmes



diversifying florida's economy

Economic Gardening - Context and Opportunities

Economic Development – Strategic Framework

- Recruitment
- Retention
- Expansion
- Creation

Economic Development Drivers -

Office of Tourism, Trade and Economic Development

1. Sustainable Growth Model
2. Competitive Business Climate
3. Multi-modal Infrastructure
4. R & D Investment
5. Entrepreneurial Systems
6. World Class Talent

Economic Gardening Chronology – Littleton, Colorado

- 1987 – Recession / Loss of Major Employer
- 1989 – EG Program Launched
- 1995 – EG Program Evolved to Current Form
- 2004 – SBA OA Report, In / En Nexus
- 2005 – Explosion of EG Awareness and Action
- 2006 – SBA OA Report, EG Reach / Impact
- 2007 – Access to NETS database
- Present – Next Generation EG Programming
Georgia, Wisconsin, Wyoming et al.

Case #1: Littleton, Colorado

% Change in Employment (1990-2005)

	<u>Littleton</u>	<u>Denver</u>	<u>CO.</u>	<u>USA</u>
• 1990-2005	135.3	64.2	47.2	21.4
• 2000-2005	35.0	-2.6*	1.2	1.5

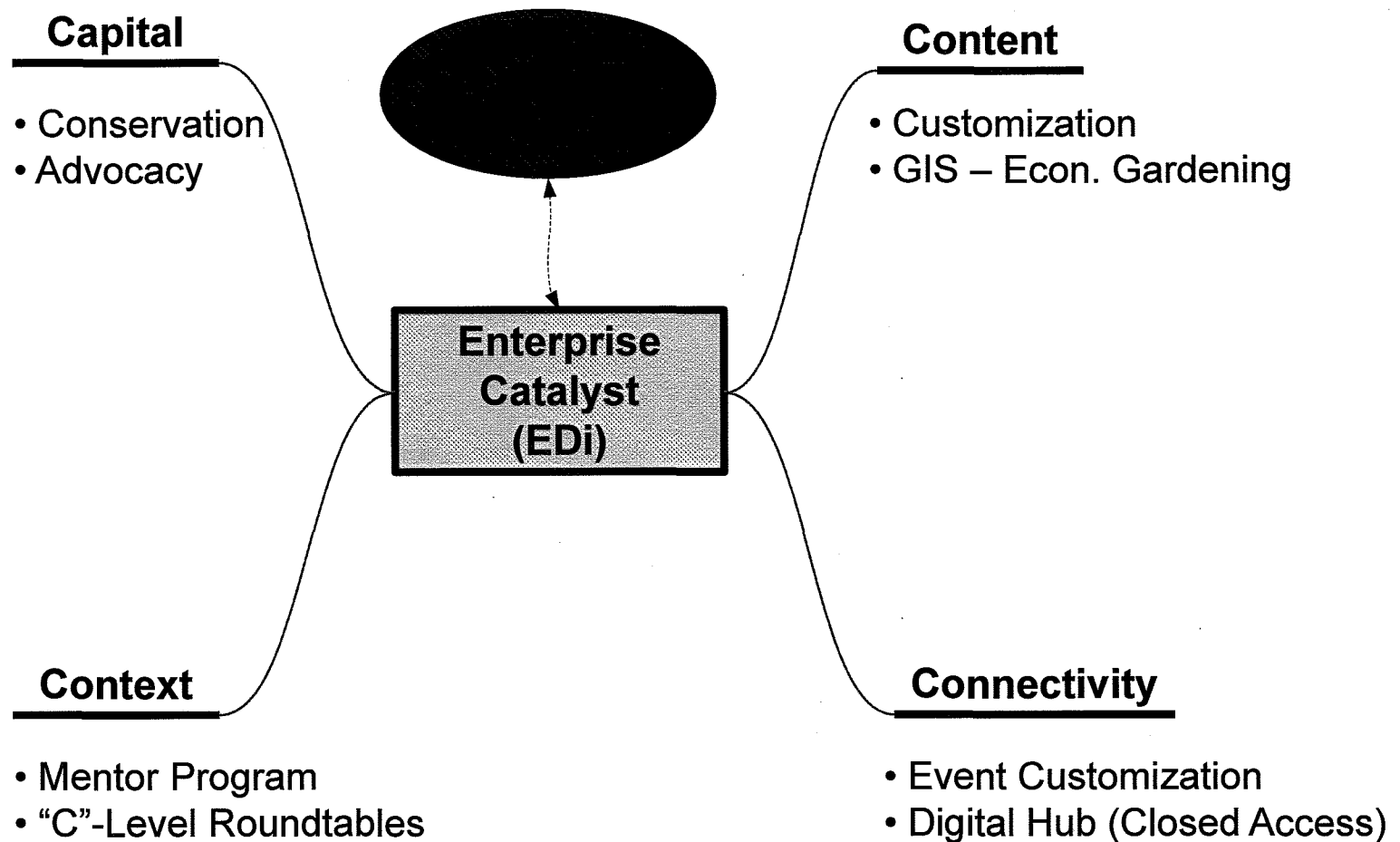
* Regional "peer" communities grew 6% to 20%

Source: US Dept Labor, Bureau of Labor Statistics and Denver Regional Council of Governments

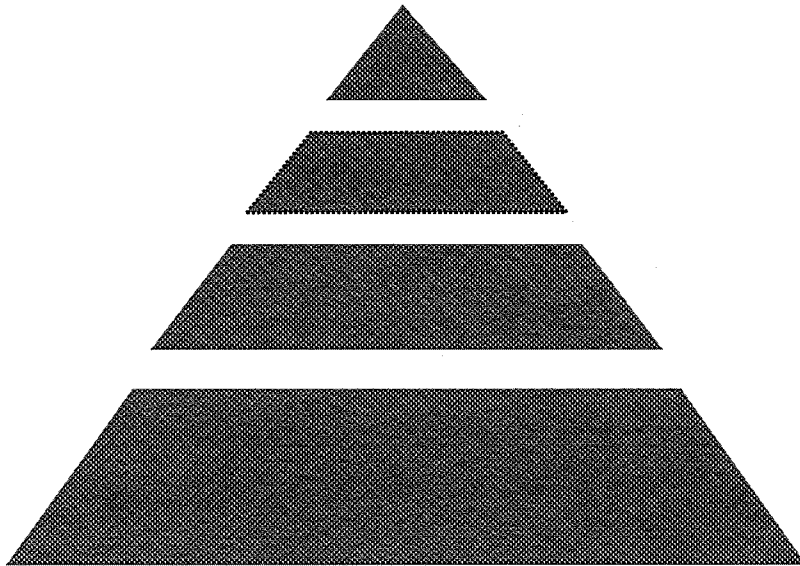
Economic Gardening Overview

- **Elements**
 - Infrastructure
 - Connectivity
 - Access to Information
- **Focus**
 - Entrepreneur-centric
 - “Growth” vs. Movement
 - Long Term Capacity and Culture

National Survey – Enterprise Development (FHTCC)

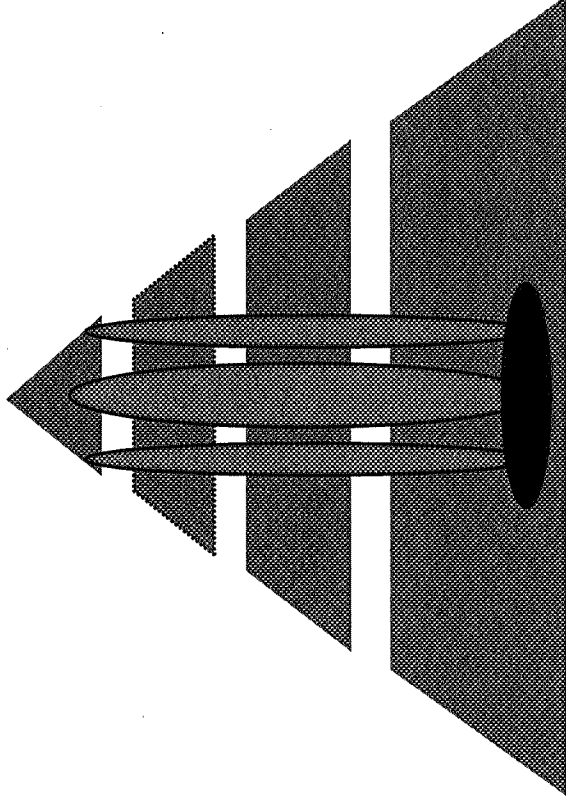


Economic Development Model - Resource Allocation by “Stage”



- Stage Four – (500+)
- Stage Three – (100 to 499)
- Stage Two – (10 to 99)
- Stage One – (1 to 9)

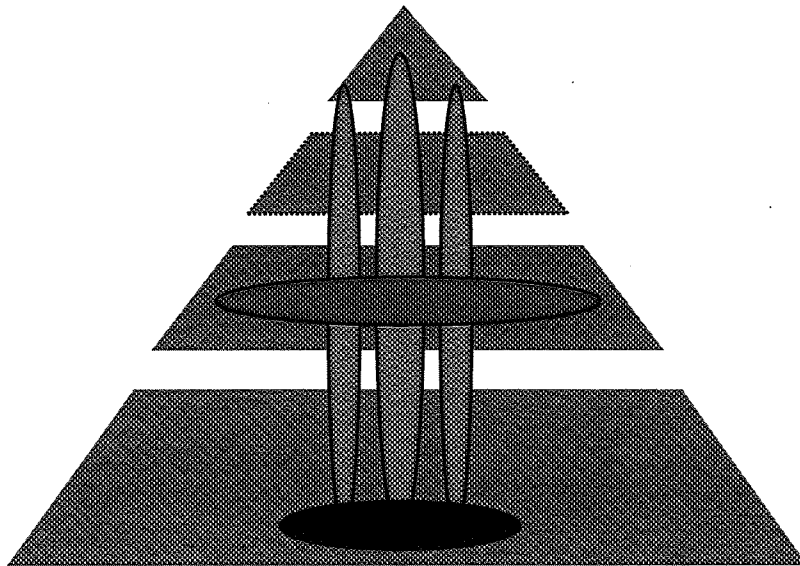
Economic Development Model - Investment in Cluster Development



- Stage Four
- Stage Three
- Stage Two
- Stage One

Economic Development Model – Profile

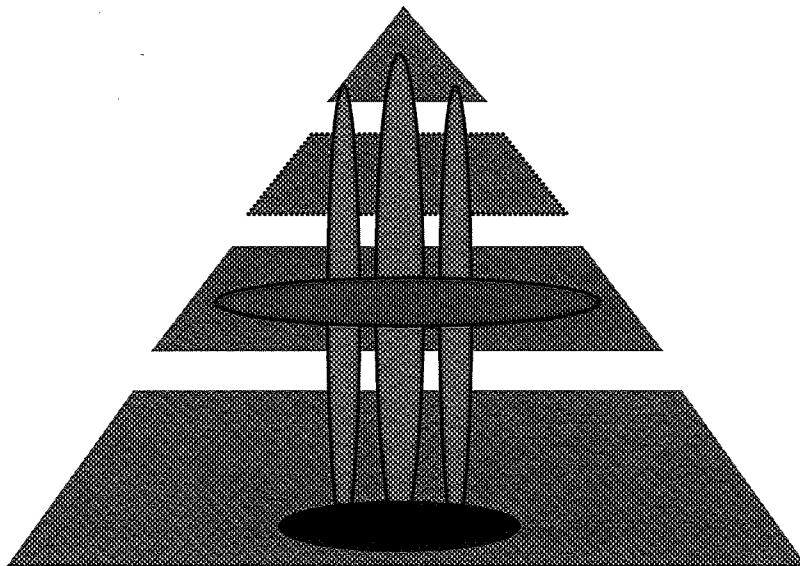
“Horizontal” Cluster (HG/HP)



- Stage Four (500+)
- Stage Three (100 to 499)
- Stage Two (10 to 99)
- Stage One (1 to 9)

Economic Development Model - Composition

Florida "Resident" Businesses



<u>%Estb.</u>		<u>%Empl.</u>		<u>%Rev.</u>
0.04	/	10.0	/	8.8
0.5	/	15.0	/	16.6
8.7	/	36.4	/	39.3
90.7	/	38.5	/	35.3

Source - NETS Average Annual %, 2004 – 2006,
Edward Lowe Foundation

“High-Growth / High-Potential” Companies

- CEO

- Intent / Capacity to Grow
- Learning Needs / Styles
- Time is Primary Currency

- Business

- Privately Held Businesses (“investment grade”)
- 10 to 99 Employees
- \$1 to \$50 Million in Annual Revenue
- “External” vs. Local Markets
- Double-Digit Rate of Growth (vs. survival)

Economic Gardening - Simplified

1. Entrepreneur-centric

- Entrepreneurs not Created “Equal” (profile / needs)
- High-Growth / High Potential (net, sustainable jobs)

2. Business Culture

- Recognize Role and Value of Entrepreneurs
- Build an Environment Conducive to “Growth”
 - Eco-System
 - Continuum of Support

Economic Gardening Program – Littleton, Colorado Model

Intense One-to-One Consultation, Serving Select Target

Information Tools

- Database Services (C/I, custom markets, trends)
- GIS (purchase patterns, site locator, density)
- SEO / SEM (Search Engine Optimization, Marketing)
- New Media Analytics (RSS feeds, C/I)
- Focus Groups (Qualitative Input)
- Custom Consulting – Board Development, Valuation, Capital Acquisition

Decision-Making Tools

- Strategy, Complexity, Systems and Temperament Tools

Economic Development Reports – Merits of Economic Gardening

- California Public Policy Institute (NETS)
- Federal Reserve Bank of Kansas City
- North Carolina Department of Commerce
- Iowa Department of Economic Development
- Dept. Econ Dev. for New York, Arizona, Mississippi

The World is Flat... Thomas L. Friedman

EG Strategy for Florida – A “Balanced Portfolio Approach”

- 1. Build on Existing Strengths**
 - Incubator Network
 - Venture Lab Consultation
 - Regional Collaboration (FHTCC)
- 2. Add Resources to Fill Service Gaps**
 - Geographically
 - By Stage of Business Development
- 3. Adopt EG Best Practices from Other Regions**
 - Market Intelligence (Littleton, CO)
 - Mentor / Protégé (Atlanta, GA)
 - Entrepreneurial Culture (San Diego)
- 4. Measure Progress and Adapt**
 - Program Tracking (Region 1, 2 and 3)
 - NETS Data Set

National Establishment Time Series (NETS) - Research and Development

Business Stage Profile

- Composition
 - Ranking MSA regions – business composition by stage
- Growth
 - Ranking MSA regions - performance and vitality of HG / HP
- Migration
 - Ranking MSA regions – Hunting, Gardening and Migration

Source: Edward Lowe Foundation

Economic Gardening - Context and Opportunities