

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Appropriations

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BILL: SB 406

INTRODUCER: Senator Gardiner

SUBJECT: Economic Development

DATE: February 6, 2013

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Smith</u>	<u>Hrdlicka</u>	<u>CM</u>	<b>Favorable</b>
2.	<u>Pingree</u>	<u>Martin</u>	<u>ATD</u>	<b>Fav/CS</b>
3.	<u>Pingree</u>	<u>Hansen</u>	<u>AP</u>	<b>Pre-meeting</b>
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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**I. Summary:**

SB 406 streamlines the evaluation and reporting requirements for Florida’s economic development programs.

The bill primarily does the following:

- Streamlines the process by which all incentive program applicants are evaluated by requiring all applicants be evaluated for their “economic benefits.”
- Creates a rotating, 3-year review schedule for all incentives and programs to be evaluated by the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA).
- Consolidates reports and reporting dates for various required economic development program reports by the Department of Economic Opportunity (DEO), Enterprise Florida, Inc. (EFI), the Office of Film and Entertainment, and Space Florida.

This bill has a fiscal impact of \$336,724. See Section V.

The bill is effective upon becoming a law.

This bill substantially amends the following sections of the Florida Statutes: 20.60, 220.194, 288.005, 288.012, 288.061, 288.0656, 288.106, 288.1081, 288.1082, 288.1088, 288.1089, 288.1253, 288.1254, 288.1258, 288.714, 288.7771, 288.903, 288.906, 288.907, 288.92, 288.95155, 290.0056, 290.014, 331.3051, 331.310, and 446.50.

This bill repeals sections 288.095(3)(c) and 288.904(6), Florida Statutes.

This bill creates general law not contained in a designated section of the Florida Statutes.

## II. Present Situation:

### **Economic Development Incentives Application and Review**

Under Florida's current economic development framework, Enterprise Florida, Inc. (EFI), serves as the state's economic development organization, operating under a contract with the Department of Economic Opportunity (DEO).<sup>1</sup> The EFI is a public-private partnership that serves as the state's primary contact for businesses interested in pursuing relocation, expansion, or retention possibilities. The EFI works with businesses to match business needs with state and local resources, including developing an economic development incentive proposal for the prospective business in order to "sell the State as a place to do business."<sup>2</sup>

After the EFI has worked with businesses and offered an incentives proposal, the EFI submits incentives applications to the DEO, which in turn evaluates incentive applications based on statutorily-defined requirements. The DEO makes the final determination of incentive eligibility, executes incentives contracts, and is responsible for contract monitoring and compliance.<sup>3</sup>

The EFI performs a prospective impact analysis on each potential project. Presently, the qualified target industry tax refund program,<sup>4</sup> quick action closing fund,<sup>5</sup> qualified defense contractor and space flight business tax refund program,<sup>6</sup> and the brownfield redevelopment bonus refund program<sup>7</sup> have statutory provisions that require any application for the incentive be evaluated prospectively for "economic benefits." The EFI currently performs a similar prospective impact analysis for the high-impact sector performance grants<sup>8</sup> and the capital investment tax credit program,<sup>9</sup> but there is no statutory requirement for such an evaluation.<sup>10</sup>

Section 288.005(1), F.S., defines the term "economic benefits" to mean "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." Direct economic effects are those resulting directly from the economic event, in this case the state's expenditure on the incentive to the applicant business. Indirect effects are the secondary effects of the economic event on suppliers, services, labor, and taxes. Induced effects are one step

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<sup>1</sup> Section 288.901, F.S.

<sup>2</sup> Enterprise Florida, Inc., *2012 Annual Incentives Report*, (2012), available at: [http://www.floridajobs.org/about%20awi/open\\_government/2012\\_IncentivesReport.pdf](http://www.floridajobs.org/about%20awi/open_government/2012_IncentivesReport.pdf), (last visited on January 17, 2013).

<sup>3</sup> Section 288.061, F.S.

<sup>4</sup> Section 288.106, F.S.

<sup>5</sup> Section 288.1088, F.S.

<sup>6</sup> Section 288.1045, F.S.

<sup>7</sup> Section 288.107, F.S.

<sup>8</sup> Section 288.108, F.S.

<sup>9</sup> Section 220.191, F.S.

<sup>10</sup> Office of Economic and Demographic Research, *Tax Refund Program for Qualified Target Industry Businesses: A review of the methodology and model used in determining the state's return on investment*, (9/1/2010), available at: <http://edr.state.fl.us/Content/special-research-projects/economic/ROI.pdf>, (last visited on January 29, 2013).

further removed from the event and measure the effects on the economy as a result of spending from indirect effects as the money spent continues to cycle through the economy.<sup>11</sup>

According to the Office of Economic and Demographic Research (EDR), The EFI prospectively evaluates applications for each of the incentives and programs mentioned above using RIMS II multipliers,<sup>12</sup> a model developed by the U.S. Department of Commerce's Bureau of Economic Analysis. The EDR is required to evaluate the model used by the EFI for the prospective impact analysis of all qualified target industry refund projects, and to report such findings every 3 years.<sup>13</sup> The model evaluated by the EDR and used by the EFI for the qualified target industry tax refund program is also used across the programs previously mentioned except for the Innovation Incentive Program.<sup>14</sup>

In 2010, the EDR produced its first report on the model used by the EFI to evaluate qualified target industry refund projects. In their report, the EDR concluded that the model being utilized by the EFI was not fully in compliance with statutory requirements that the EFI's model evaluate "return on investment" (ROI), defined as the gain in state revenues as a percentage of the state's investment. The EDR determined that the model, which the EFI terms a "payback ratio," needed changes to move incrementally closer to a true the ROI. The EFI and the EDR worked to redefine certain variables for the impact analysis in the interim period. In the report, the EDR noted that recommendations and changes to the model used by the EFI "should be viewed as interim measures, pending completion of the new the ROI model that will be ultimately required."<sup>15</sup> The next report is due September 1, 2013.

The Innovation Incentive Program is not required by law to be evaluated for "economic benefits," but any potential project is required to have a break-even "return on investment" within a 20-year period, with certain exceptions.<sup>16</sup> Return on investment as it relates to the Innovation Incentive Program is not defined under current law. The EFI evaluates the Innovation Incentive Program using the REMI model.<sup>17</sup> The EFI's modeling evaluation of the Innovation Incentive Program is not currently evaluated by the EDR.<sup>18</sup>

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<sup>11</sup> Adapted from "What is IMPLAN?" by MIG. Available at:

[http://implan.com/v4/index.php?option=com\\_content&view=article&id=282:what-is-implan&catid=152:implan-appliance-&Itemid=2](http://implan.com/v4/index.php?option=com_content&view=article&id=282:what-is-implan&catid=152:implan-appliance-&Itemid=2), (last visited on January 4, 2013).

<sup>12</sup> For more information on RIMS II multipliers and their application, see U.S. Department of Commerce, *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, (March, 1997), available at: <http://www.bea.gov/scb/pdf/regional/perinc/meth/rims2.pdf>, (last visited on January 4, 2013).

<sup>13</sup> Section 288.106(4)(c)2., F.S.

<sup>14</sup> *Supra* note 10 at page 20.

<sup>15</sup> *Supra* note 10 at pages 3 and 4.

<sup>16</sup> Section 288.1089, F.S., requires any potential business qualifying for the Innovation Incentive Program be a high-value research and development, innovation business, or an alternative and renewable energy project. Research and development and alternative and renewable energy projects are required to meet the break-even 20-year return on investment requirement, but applicants qualifying as "innovation business projects" are not required to demonstrate the return on investment requirements.

<sup>17</sup> The REMI model is a proprietary model developed by Regional Economic Models, Inc. The model evaluates linkages in an economy and how economic impacts can impact the larger regional economy. For more information see "The REMI Model," available at: <http://www.remi.com/the-remi-model>, (last visited on January 7, 2013).

<sup>18</sup> *Supra* note 10.

## Incentive and Program Reporting

In addition to conducting an up-front impact analysis of each potential economic development project, the EFI is also required to produce an Annual Incentives Report<sup>19</sup> that requires, among other things, an analysis of the economic benefits that actually occurred based on actual private investment, jobs created, and wages paid over the previous 3 years. The Annual Incentives Report compares the projected impacts of each incentive program over the previous 3 years to the confirmed, realized results. The Division of Strategic Business Development within the DEO is required to assist the EFI in the preparation of the Annual Incentives Report.<sup>20</sup>

The Annual Incentives Report also requires certain information such as the amount of awards given, jobs created, amount of capital investment, and wages paid. This information is organized by incentive program and by project. The Annual Incentives Report also requires information on incentive projects that occurred over the previous fiscal year, including the number of incentive applications received, recommendations from the EFI to the DEO, the number of final decisions issued by the DEO for approval or denial, and the projects for which incentive agreements were executed.

Other required information in the Annual Incentives Report includes:

- A description of federal or local incentives received, organized by project.
- The number of withdrawn or terminated projects that did not receive incentives due to not fulfilling the terms of their incentives agreement.
- An analysis of the economic benefits of incentives made to projects locating in state enterprise zones, rural communities, brownfield areas, or distressed urban communities.
- Identification of target industry businesses and high-impact businesses.
- Trends relating to business interest in and usage of the state's incentives programs, including the number of minority-owned and woman-owned businesses receiving incentives.
- Identification of incentive programs not utilized.

Section 288.095(3)(c), F.S., requires information similar to the Annual Incentives Report to be reported by the DEO related to programs funded through the Economic Development Incentives Account in the Economic Development Trust Fund.

Section 288.906, F.S., requires the EFI to produce an annual report, separate from the Annual Incentives Report. The annual report includes broad organizational information including:

- A description of the EFI's operations and accomplishments, including its divisions and the interactions with local and private economic development organizations.
- An evaluation of progress toward achieving organizational goals and specific performance outcomes.
- Methods for implementing and funding the EFI's operations.
- An assessment of direct job creation benefits for welfare transition program participants or other programs designed to assist the long-term unemployed in finding work.

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<sup>19</sup> Section 288.907, F.S.

<sup>20</sup> Section 288.907(2), F.S.

- The results of a customer satisfaction survey of businesses served.
- Annual compliance and financial audit information.

The EFI annual report is also required to include an analysis of the return on the public’s investment in EFI. Section 288.904, F.S., requires the EFI to consult with the EDR to hire an economic analysis firm to develop the model to report on the public’s return on investment (ROI) in the EFI. The EDR is directed to review the model and to offer feedback before its implementation. The EFI has hired Ernst & Young to perform the the ROI analysis of the EFI.<sup>21</sup> Ernst & Young estimated EFI’s 2011 return on investment to be 2.66:1, or an estimation that for every dollar invested in the EFI and the incentive programs it markets to businesses, the state will receive \$2.66 in state and local taxes.

The DEO also produces an annual report, which is required to include information on the state’s business climate and economic development, as well as an identification of problems and recommendations.<sup>22</sup>

Florida presently has multiple reporting requirements for its various economic development programs. These reports are required separately from the information included in the EFI annual report, the Annual Incentives Report, and the DEO annual report. Reporting due dates and reporting periods are not uniform, and are due at various dates throughout the year. Several reporting due dates for Florida’s economic development incentives and programs are as follows:

Date	Report
January 1	<ul style="list-style-type: none"> <li>• The DEO Annual Report (s. 20.60, F.S.)</li> <li>• Displaced Homemaker plan and report (s. 446.50, F.S.)</li> </ul>
February 1	<ul style="list-style-type: none"> <li>• Annual reports on enterprise zones (s. 290.014, F.S.)</li> </ul>
August 31	<ul style="list-style-type: none"> <li>• Black Business Loan Program Annual Report (s. 288.714, F.S.)</li> </ul>
September 1	<ul style="list-style-type: none"> <li>• Rural Economic Development Initiative (s. 288.0656, F.S.)</li> <li>• Space Florida annual performance report (s. 331.3051, F.S.)</li> </ul>
October 1	<ul style="list-style-type: none"> <li>• State of Florida International Offices (s. 288.012, F.S.)</li> <li>• Entertainment Financial Incentive Annual Report (s. 288.1254, F.S.)</li> </ul>
October 15	<ul style="list-style-type: none"> <li>• Reports on each division of the EFI (s. 288.92, F.S.)</li> </ul>

<sup>21</sup> Enterprise Florida, *2011 Annual Report*, (2011), available at: [http://www.eflorida.com/IntelligenceCenter/download/AU/AR\\_2011.pdf](http://www.eflorida.com/IntelligenceCenter/download/AU/AR_2011.pdf), (last visited on January 7, 2013).

<sup>22</sup> Section 20.60(10), F.S.

<p>November 30</p>	<ul style="list-style-type: none"> <li>• Florida Space Business Incentive Act annual report, beginning in 2014 (s. 220.194, F.S.)</li> <li>• Space Florida annual operations report (s. 331.310, F.S.)</li> </ul>
<p>December 1</p>	<ul style="list-style-type: none"> <li>• Report on information on the causes of business' failures to complete qualified target industry tax refund program agreements (s. 288.106, F.S.)</li> <li>• Report detailing the relationship between tax exemptions and film industry growth (s. 288.1258, F.S.)</li> <li>• Enterprise Zone Development Agency report to the DEO (s. 290.0056, F.S.)</li> <li>• The EFI Annual Report, due <i>before</i> this date (s. 288.906, F.S.)</li> </ul>
<p>December 30</p>	<ul style="list-style-type: none"> <li>• The EFI Annual Incentives Report (s. 288.907, F.S.)</li> <li>• Annual report on the Economic Development Trust Fund (s. 288.095, F.S.)</li> <li>• Florida Export Finance Corporation, report due as part of the DEO report on the Economic Development Trust Fund (s. 288.7771, F.S.)</li> <li>• Office of Film and Entertainment annual travel and expenses report (s. 288.1253, F.S.)</li> <li>• Florida Small Business Technology Growth Program report on the financial status of the program (s. 288.95155, F.S.)</li> </ul>
<p>December 31</p>	<ul style="list-style-type: none"> <li>• Economic Gardening Technical Assistance Pilot Program (s. 288.1082, F.S.)</li> </ul>

<p>Miscellaneous or multiple dates</p>	<ul style="list-style-type: none"> <li>• Quick Action Closing Fund, reported within 6 months of validation of contract performance. (s. 288.1088, F.S.)</li> <li>• Innovation Incentive Fund, reported within 90 days of the conclusion or termination of an award (s. 288.1089, F.S.)</li> <li>• Economic Gardening Business Loan Pilot Program, reports are due June 30<sup>th</sup> and December 31<sup>st</sup> (s. 288.1081, F.S.)</li> </ul>
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The Legislature also requires periodic review and analysis of several economic development programs by the Office of Program Policy Analysis and Government Accountability (OPPAGA). Economic development program reports by the OPPAGA typically focus on areas such as program administration and whether the program is meeting its statutory goals and direction. A sample of recent OPPAGA reports evaluating economic development programs includes:

- Economic Development Technical Assistance Program (GrowFL);<sup>23</sup>
- Research Commercialization Matching Grant Program;<sup>24</sup> and
- Enterprise Zone Program.<sup>25</sup>

Section 20.601, F.S., requires the OPPAGA to review the DEO and the EFI by July 1, 2016, detailing several aspects of the operations, performance, and effectiveness of both.

Information on local economic development incentives is collected by the EDR. The EDR is required to collect information relating to each county or municipality that granted local economic development incentives in excess of \$25,000 during a fiscal year.<sup>26</sup> Counties and municipalities may complete their reporting requirements by completing a survey either online or by hard copy and returning it to the EDR, who compiles the information into a single report.<sup>27</sup>

<sup>23</sup> OPPAGA, *Report No. 12-14: GrowFL Participants that Received Multiple Services and Met Eligibility Requirements Experienced Higher Growth*, (December 2012), available at:

<http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1214rpt.pdf>, (last visited on January 16, 2013).

<sup>24</sup> OPPAGA, *Report No. 11-20: Research Commercialization Matching Grant Program Underway, Additional Performance Data Needed*, (November 2011), available at: <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1120rpt.pdf>, (last visited on January 16, 2013).

<sup>25</sup> OPPAGA, *Report No. 11-01: Few Businesses Take Advantage of Enterprise Zone Benefits; The Legislature Could Consider Several Options to Modify the Program*, (January, 2011), available at: <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1101rpt.pdf>, (last visited on January 16, 2013).

<sup>26</sup> Section 125.045, F.S., requires counties to report economic development incentives of \$25,000 or more that were granted in the fiscal year. Section 166.021, F.S., requires municipalities with revenues and expenditures over \$250,000 to report economic development incentives of \$25,000 or more granted in the fiscal year.

<sup>27</sup> More information on the report and survey can be accessed by visiting <http://edr.state.fl.us/Content/local-government/economic-development-incentives/index.cfm>, (last visited on January 16, 2013).

### III. Effect of Proposed Changes:

SB 406 primarily does the following:

- Streamlines the process by which all incentive program applicants are evaluated by requiring all applicants be evaluated for their “economic benefits,” as defined in s. 288.005(1), F.S.
- Creates a rotating, 3-year review schedule for all incentives and programs to be evaluated by the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA).
- Consolidates reports and reporting dates for various required economic development program reports by the Department of Economic Opportunity (DEO), Enterprise Florida, Inc. (EFI), the Office of Film and Entertainment, and Space Florida.

#### Evaluation of Incentive Program Applicants

This bill requires that the DEO evaluate all incentives applications for “economic benefits” using a model that will be developed and reviewed by the EDR. The DEO and the EDR are permitted to develop an amended definition of “economic benefits” from the one defined by s. 288.005, F.S., for the up-front evaluation. The EDR is required to report on the methodology and model by September 1, 2013, and every third year thereafter to the President of the Senate and the Speaker of the House of Representatives. (**Section 6, amends s. 288.061, F.S.**)

Similar language requiring an up-front analysis of “economic benefits” for an application for a qualified target industry tax refund (QTI) application is removed. Applications for a QTI incentive are required by the bill to be evaluated to determine if an applicant has previously received economic development incentives in other states, and the outcome of any such previous agreements. The bill also requires all QTI applications to be evaluated for the expected effect on the unemployed and underemployed in the county where a project will be located. Current law states that applications are evaluated for their effect on the unemployment *rate* in the county where a project will be located. The existing requirement that a QTI application be evaluated for the expected long-term commitment to economic growth and employment in Florida is removed by the bill. (**Section 9, amends s. 288.106, F.S.**)

The bill changes requirements that a project qualifying for the Innovation Incentive Program as a research and development program or as an alternative and renewable energy project demonstrate a break-even “return on investment” over a 20-year period, and instead requires the projects to demonstrate a *cumulative* break-even “economic benefit” over a 20-year period. The term “return on investment” as it related to the Innovation Incentive Program is not defined under current law. This change creates consistent terminology and ensures applicants for the Innovation Incentive Program will be evaluated similarly to other incentive programs. (**Section 13, amends s. 288.1089, F.S.**)

#### Evaluation of Economic Development Programs

The bill creates the Economic Development Programs Evaluation (evaluation). (**Section 1**) The EDR and the OPPAGA are required to jointly present the evaluation to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the chairs of the

legislative appropriations committees. The offices are required to evaluate the state’s economic development programs according to a rotating schedule every 3 years. Programs are grouped together based on general program type. The evaluation schedule is as follows:

<b>YEAR 1 (January 1, 2014) and every 3<sup>rd</sup> year</b>	
<b>Program</b>	<b>Florida Statute(s)</b>
Quick Action Closing Fund	s. 288.1088
Brownfield Redevelopment Bonus Tax Refund	s. 288.107
High Impact Sector Performance Grants	s. 288.108
Capital Investment Tax Credit	s. 220.191
Qualified Target Industry Tax Refund	s. 288.106
Innovation Incentive Program	s. 288.1089
Enterprise Zone Programs	ss. 220.181-182, 212.0805, 212.096, 212.0815

<b>YEAR 2 (January 1, 2015) and every 3<sup>rd</sup> year</b>	
<b>Program</b>	<b>Florida Statute(s)</b>
Entertainment Industry Financial Incentive Program	s. 288.1254
Entertainment Industry Sales Tax Exemption Program	s. 288.1258
The Florida Commission on Tourism/Visit Florida	ss. 288.122-124
Florida Sports Foundation	ss. 288.1162-1171

<b>YEAR 3 (January 1, 2016) and every 3<sup>rd</sup> year</b>	
<b>Program</b>	<b>Florida Statute(s)</b>
Qualified Defense Contractor and Space Flight Business Tax Refund Program	s. 288.1045
Semiconductor, Defense, or Space Technology Sales Tax Exemption	s. 212.08(5)(j)
Military Base Protection	s. 288.980
Manufacturing & Spaceport Investment Incentive Program	s. 288.1083
Quick Response Training	s. 288.047
Incumbent Worker Training	s. 445.003
International Trade & Business Development	s. 288.826

The EDR and the OPPAGA are required to coordinate and submit a work plan for the evaluation to the President of the Senate and the Speaker of the House of Representatives by July 1, 2013.

The bill requires the EDR to use specialized modeling techniques to evaluate the economic development programs listed above. The EDR is required to evaluate each program for “economic benefits,” as well as jobs created, the increase or decrease in personal income, and the impact on state GDP of each program using data from the previous 3 years. The data used to evaluate any tax credits, tax refunds, sales tax exemptions, cash grants, and similar programs is specified as being data from projects that are either fully complete, partially complete with future

fund disbursement possible pending performance measures, or partially completed with no future fund disbursement possible as a result of a business's inability to meet performance measures. The EDR is required to provide an explanation of the model used in its analysis, and the model's key assumptions. The EDR is permitted to use another model if it explains why another model is more appropriate.

The OPPAGA is required to evaluate each program for effectiveness and value to Florida taxpayers, and to provide recommendations to the Legislature based on its evaluation of each program. The OPPAGA's analysis is required to include information from interviews, reviews of relevant reports, or other data.

The bill gives The EDR and The OPPAGA access to all data necessary to complete the Economic Development Programs Evaluation, including confidential data. The offices may coordinate in data collection and analysis.

The bill updates requirements for the Annual Incentives Report currently produced by The EFI (**Section 22, amends s. 288.907, F.S.**) and requires the report to be a joint report by the DEO and the EFI. The agencies no longer will be required to report on the "economic benefit" of each project or program in the Annual Incentives Report. The evaluation of "economic benefits" will now be conducted as part of the Economic Development Programs Evaluation, conducted jointly by the EDR and the OPPAGA. See above.

"Jobs" is defined to ensure that all jobs data is reported and evaluated in the same manner across programs. The term means only full-time equivalent positions, and excludes any temporary construction jobs involved with the construction of facilities for a project. (**Section 4, amends s. 288.005, F.S.**)

The bill repeals a required the OPPAGA report on the Innovation Incentive Program. (**Section 13, amends s. 288.1089, F.S.**) This report is duplicative as a result of the evaluation of the Innovation Incentive Program required as part of the Economic Development Programs Evaluation created in Section 1 of the bill.

A duplicative analysis of the EFI's return on the public's investment is repealed. (**Section 20, amends s. 288.904, F.S.**) Current law requires the analysis to be included as part of the EFI Annual Report. Current s. 20.601(3), F.S., requires OPPAGA to conduct a similar analysis in 2016.

### **Agency Reporting Consolidation**

The bill consolidates several independent program reports and reporting dates.

#### *The DEO Annual Report*

The bill makes several changes to the DEO annual report. (**Section 2, amends s. 20.60, F.S.**) The report's due date is changed from January 1<sup>st</sup> to November 1<sup>st</sup>. The DEO is directed to include supplements to its annual report on several programs. As a result, the independent due

dates for each of the reports are removed. The programs to be included in the DEO annual report are:

- Displaced Homemaker program (**Section 29, amends s. 446.50, F.S.**).
- Enterprise Zone program (**Sections 25 and 26**).
  - Changes the due date of each enterprise zone development agency's report to the DEO from December 1<sup>st</sup> to October 1<sup>st</sup>. (**Section 25, amends s. 290.0056, F.S.**)
  - Changes the due date of the Department of Revenue's report on the usage and revenue impacts, by county, of state incentives relating to enterprise zones from February 1<sup>st</sup> to October 1<sup>st</sup>. (**Section 26, amends s. 290.014, F.S.**)
- Economic Gardening Business Loan Pilot Program (**Section 10, amends s. 288.1081, F.S.**).
- Economic Gardening Technical Assistance Pilot Program (**Section 11, amends s. 288.1082, F.S.**).
- Black business loan program (**Section 17, amends s. 299.714, F.S.**).
- Rural Economic Development Initiative (**Section 7, amends s. 288.0656, F.S.**).

#### *EFI Annual Report*

The bill (**Section 21, amends s. 288.906, F.S.**) requires the EFI to include as a supplement in its annual report information on:

- State of Florida International Offices (**Section 5, amends s. 288.012, F.S.**).
- Florida Export Finance Corporation annual report (**Section 18, amends s. 288.7771, F.S.**).

Additionally, under current law THE EFI division reports are due independently on October 1<sup>st</sup>, for inclusion in the EFI annual report. The bill repeals this independent due date. (**Section 23, amends s. 288.92, F.S.**).

#### *Annual Incentives Report*

The bill revises the duties of the EFI to require the Annual Incentives Report to be a joint report by EFI and DEO. (**Section 19, amends s. 288.903, F.S.**) The report is currently produced by the EFI alone using data supplied by the DEO. The report would still be due annually on December 30<sup>th</sup>.

Information on the Economic Development Trust Fund is required to be included in the Annual Incentives Report. The information is currently required under s. 288.095(3)(c), F.S. The bill repeals this paragraph (**Section 8**) and incorporates the information into the Annual Incentives Report. (**Section 22, amends s. 288.907, F.S.**) The information includes:

- The types of projects supported;
- Tax refunds or other payments made out of the Economic Development Incentives Account for each project supported;
- A separate analysis of the impact of tax refunds on Enterprise Zones, rural communities, brownfield areas, and distressed urban communities; and
- The name and tax refund amounts for each business receiving a QTI or qualified defense space contractor and space flight business tax refund.

Several other stand-alone program reports are incorporated as supplements to the Annual Incentives Report. As a result, the independent due dates for the reports are removed. The reports required to be included as supplements to the Annual Incentives Report include:

- Florida Space Business Incentives Act annual report (**Section 3, amends s. 220.194, F.S.**), beginning in 2014.
- Information on the causes of a business's failure to complete its QTI incentive agreement (**Section 9, amends s. 288.106, F.S.**). The term *failure* is also changed to *inability* by the bill.
- Information relating to Innovation Incentive Program recipients, including the evaluation as to whether the recipients were catalysts for additional economic development (**Section 13, amends s. 288.1089, F.S.**).
- Florida Small Business Technology Growth Program annual report (**Section 24, amends s. 288.95155, F.S.**).

Validation of contractor performance for all incentive programs is currently required as part of the Annual Incentives Report. The bill adds a cross-reference to s. 288.061(3), F.S., clarifying that validation of contractor performance is to be included in the Annual Incentives Report. (**Section 22, amends s. 288.907**)

The bill clarifies that the DEO rather than the EFI is responsible for validating contractor performance for the Quick Action Closing Fund incentives and that such information is to be included in the Annual Incentives Report. Current law requires the contractor performance validation to be reported within 6 months of completion of a contract with a business. This requirement is deleted by the bill. (**Section 12, amends s. 288.1088, F.S.**)

Validation of contractor performance for the Innovation Incentive Program recipients is required to be included in the Annual Incentives Report. The current law requirement that a report on contractor performance be submitted within 90 days of an agreement's conclusion is repealed. (**Section 13, amends s. 288.1089, F.S.**)

#### *Office of Film and Entertainment Annual Report*

The bill changes the due date of the Office of Film and Entertainment's (OFE) Annual Report on the entertainment industry financial incentive program from October 1<sup>st</sup> to November 1<sup>st</sup>. (**Section 15, amends s. 288.1254, F.S.**) The OFE Annual Report is also required to include the OFE expenditures report (**Section 14, amends s. 288.1253, F.S.**) and the report detailing the relationship between tax exemptions and incentives to industry. (**Section 16, amends s. 288.1258, F.S.**)

#### *Space Florida Annual Report*

The bill changes the due date for the Space Florida annual performance report from September 1<sup>st</sup> to November 30<sup>th</sup> (**Section 27, amends s. 331.3051, F.S.**), and requires the Space Florida annual operations report to be included in the performance report. (**Section 28, amends s. 331.310, F.S.**)

The bill's effective date is upon becoming law. (**Section 30**)

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

This bill is projected to have a fiscal impact to the Office of Economic and Demographic Research and the Office of Program Policy Analysis and Government Accountability, as follows:

- Office of Economic and Demographic Research (EDR)
  - Economic Development Program Evaluation Workload - three positions and \$302,324 to cover salaries, benefits and expenses associated with the new positions (\$37,002 of the expenses are nonrecurring).
  - Modifications to Statewide Model - \$34,400 to design and develop an employment module for the statewide model.

Funding for the EDR would need to be appropriated in the General Appropriation Bill.
- Office of Program Policy Analysis and Government Accountability (OPPAGA)
  - Economic Development Program Evaluation Workload - two positions and a part-time intern - \$178,163 for salaries and benefits. The OPPAGA has indicated that they can absorb the additional workload within existing resources.

These estimates assume that the EDR and the OPPAGA will obtain access to all information related to economic development programs that is needed to complete the Economic Development Program Evaluations without cost to the EDR or the OPPAGA.

The bill is not expected to have a fiscal impact to the Department of Economic Opportunity, Enterprise Florida, Inc., the Office of Film and Entertainment, or Space Florida, and may improve efficiency by streamlining reporting requirements, deleting duplicative reports, and consolidating reporting due dates.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.