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# **Economic Development & Tourism Subcommittee**

**Tuesday, January 11, 2011  
2:00 PM  
116 Knott**

**Dean Cannon  
Speaker**

**Doug Holder  
Chair**

# Committee Meeting Notice

## HOUSE OF REPRESENTATIVES

### Economic Development & Tourism Subcommittee

**Start Date and Time:** Tuesday, January 11, 2011 02:00 pm

**End Date and Time:** Tuesday, January 11, 2011 05:00 pm

**Location:** 116 Knott Building

**Duration:** 3.00 hrs

Florida's Economic Development Structure  
Public-Private Partnership Presentations  
Enterprise Florida, Inc.  
Visit Florida  
Space Florida

Unemployment Compensation Discussion  
Agency for Workforce Innovation  
Department of Revenue

**NOTICE FINALIZED on 01/04/2011 15:59 by Adeyemo.Martha**









# **Enterprise Florida Overview**

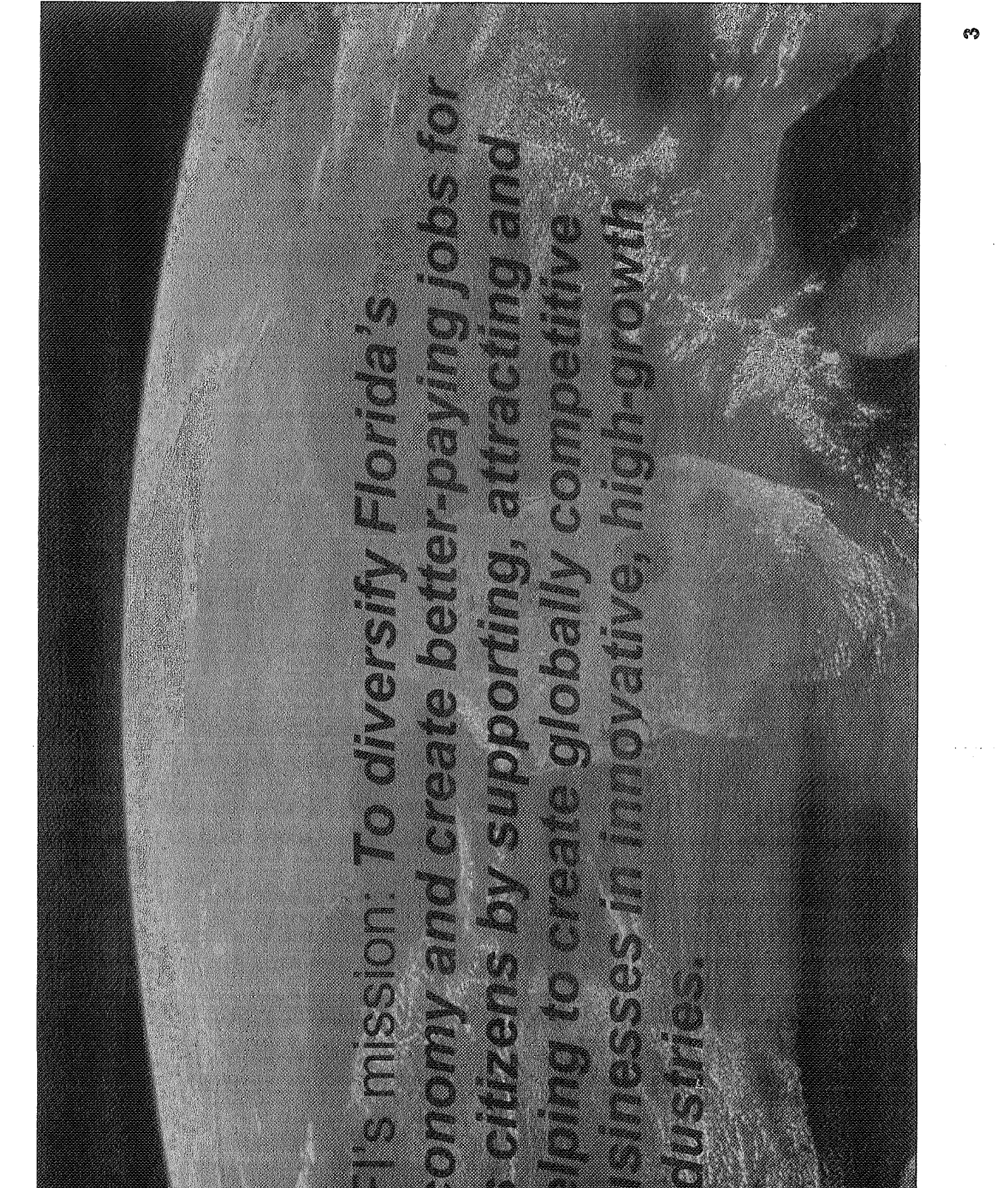
**Presentation To:**

**House Economic Development & Tourism Subcommittee**

**January 11, 2011**

# About Enterprise Florida, Inc. (EFI)

- Established in 1996
- **Not-for-profit 501(c)(3) corporation**, chaired by Florida's governor.
- Funded through appropriations from the State of Florida and contributions from the private sector.
- Principal economic development organization for the State of Florida.



*EFL's mission: To diversify Florida's  
economy and create better-paying jobs for  
its citizens by supporting, attracting and  
helping to create globally competitive  
businesses in innovative, high-growth  
industries.*

# EFI Goals

1. **Stimulate** economic growth in Florida
2. **Partner** with stakeholders that promote and support economic development
3. **Secure** adequate and sustainable public and private-sector investment
4. **Attain** operational excellence with measurable results

# 2009-10 Results at a Glance

- **20,591 Jobs** (retained plus new)
  - **Average Wages of \$50,262**
  - **130% of State Average**
- **\$1.63 Billion in Capital Investment**
- **\$538 Million in Export Sales**

# Five-year Job Creation Results

(includes direct and indirect jobs per Ernst & Young)

FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
58,600	65,000	62,250	45,056	61,829

# **Board Role**

- Provide top-level oversight and support to ensure EFI is fiscally sound and programs are on track.
- Champion economic development priorities through advocacy, speaking opportunities and financial support.
- Develop the vision for Florida's economic future and implement the statewide strategic plan for economic development.



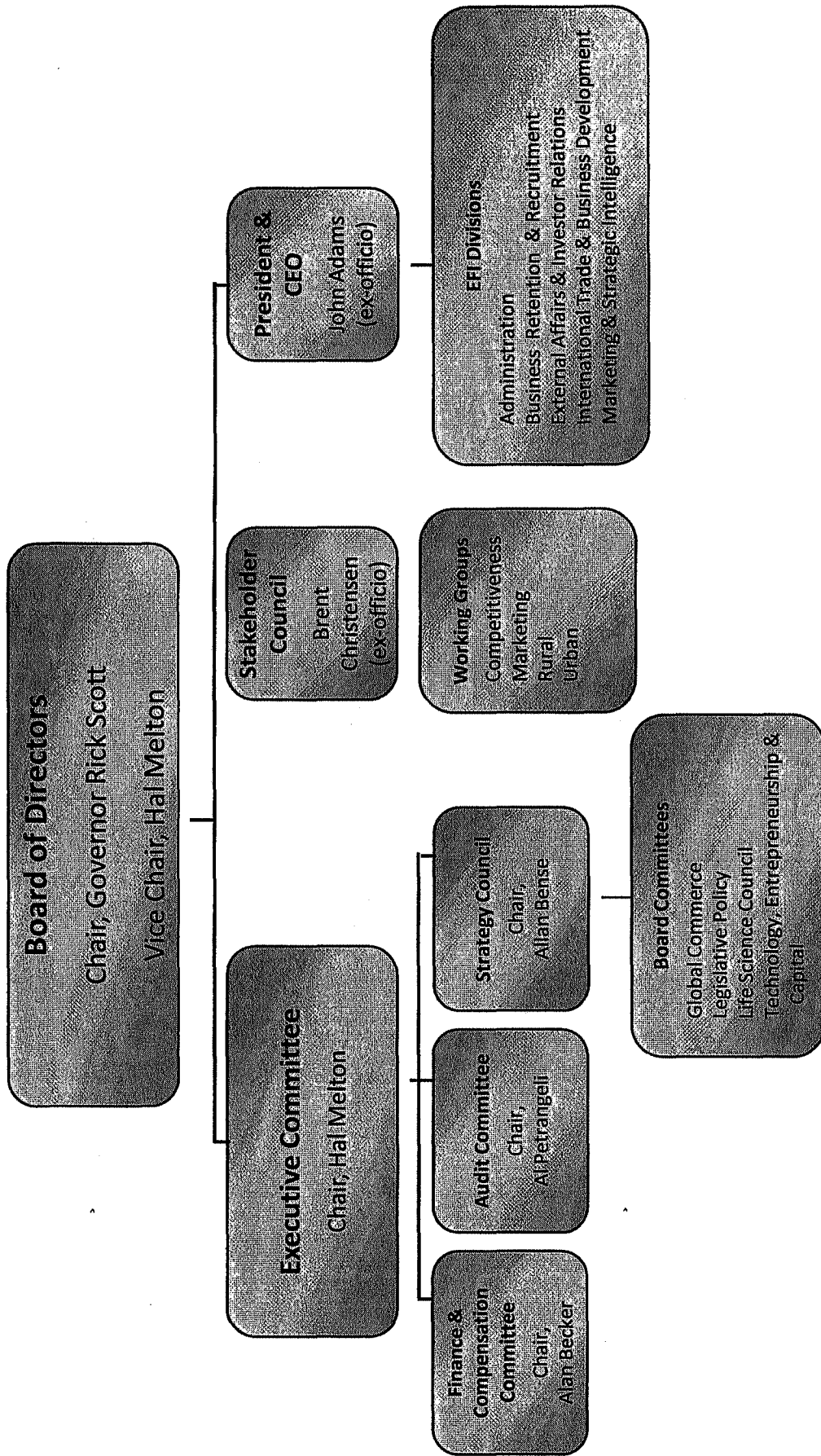
# **Board Composition**

- **Chairman: Governor Rick Scott**
- **Vice Chair: Hal Melton**
- **Appointed Members --12**
  - 6 appointed by the Governor
  - 3 appointed by the Senate President
  - 3 appointed by the Speaker of the House
- **At-Large Members Elected by the Board -- 32**
- **Ex-Officio Members -- 4**
- **Statutory Members -- 7**

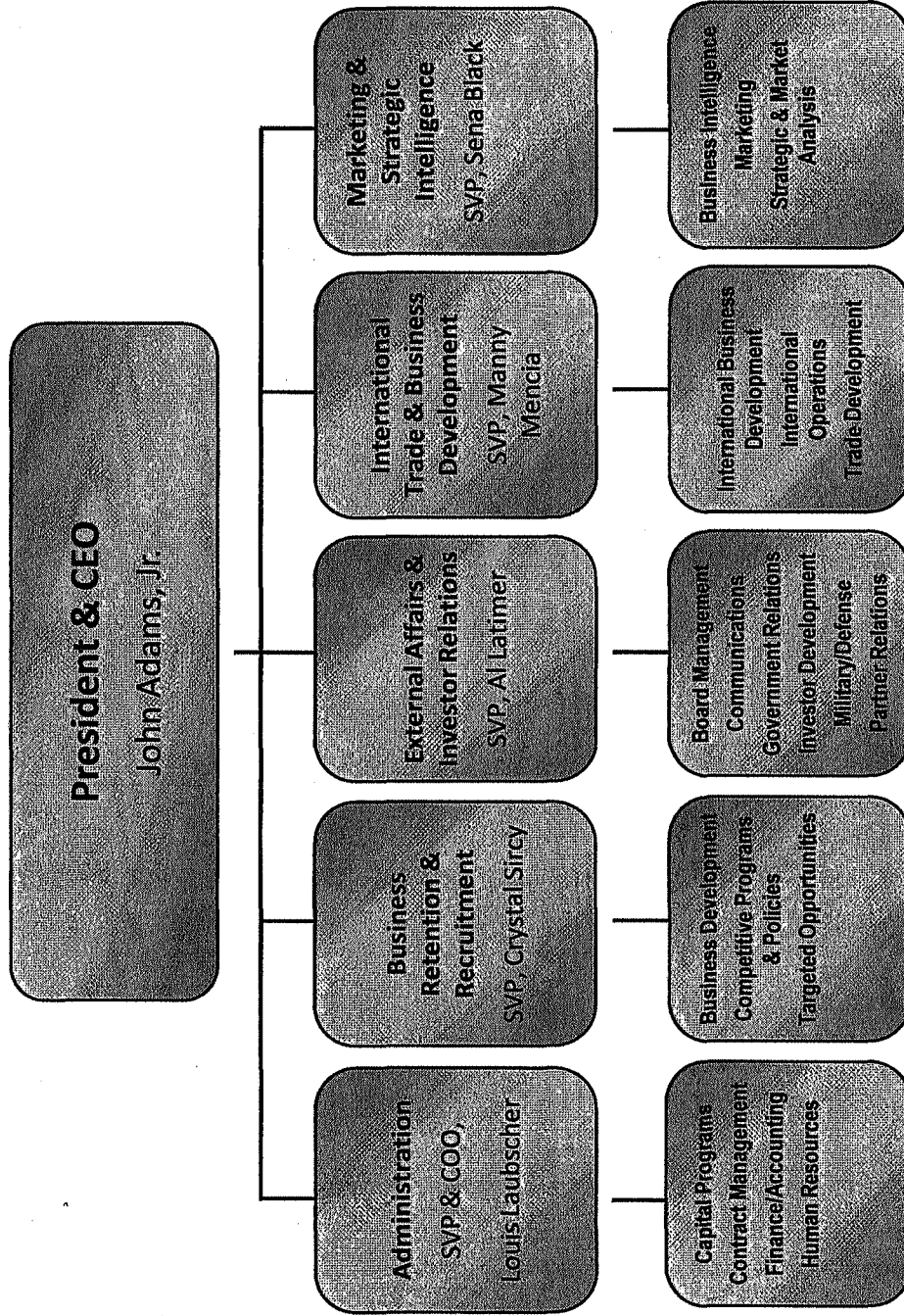
# Corporate Investors



# Board Structure



# EFI Operational Divisions



# **Key Programs**

- **National and International Business Recruitment**
- **Export Assistance**
- **Statewide Business Retention and Expansion**
- **Statewide Strategic Plan for Economic Development**
- **Global Business Marketing**
- **Venture Capital Programs and Initiatives**

# Target clusters for Florida's economic growth and diversification

## CLEAN ENERGY



- Solar Energy
- Biomass Energy/Biofuels
- Fuel Cells & Hydrogen
- Ocean Energy
- More than Renewables

## LIFE SCIENCES



- Biotechnology
- Medical Device Manufacturing
- Pharmaceuticals
- Health Care

## INFORMATION TECHNOLOGY



- Modeling, Simulation and Training (MST)
- Photonics/Optics
- Digital Media
- Software and Computer Systems Design & Integration
- Computers, Microelectronics and Precision Device
- Telecommunications

## AVIATION / AEROSPACE



- Aviation
- Aerospace

## HOMELAND SECURITY / DEFENSE



- Homeland Security
- Defense

## FINANCIAL / PROFESSIONAL SERVICES



- Financial/Professional Services

## MANUFACTURING



- Manufacturing

## EMERGING TECHNOLOGIES

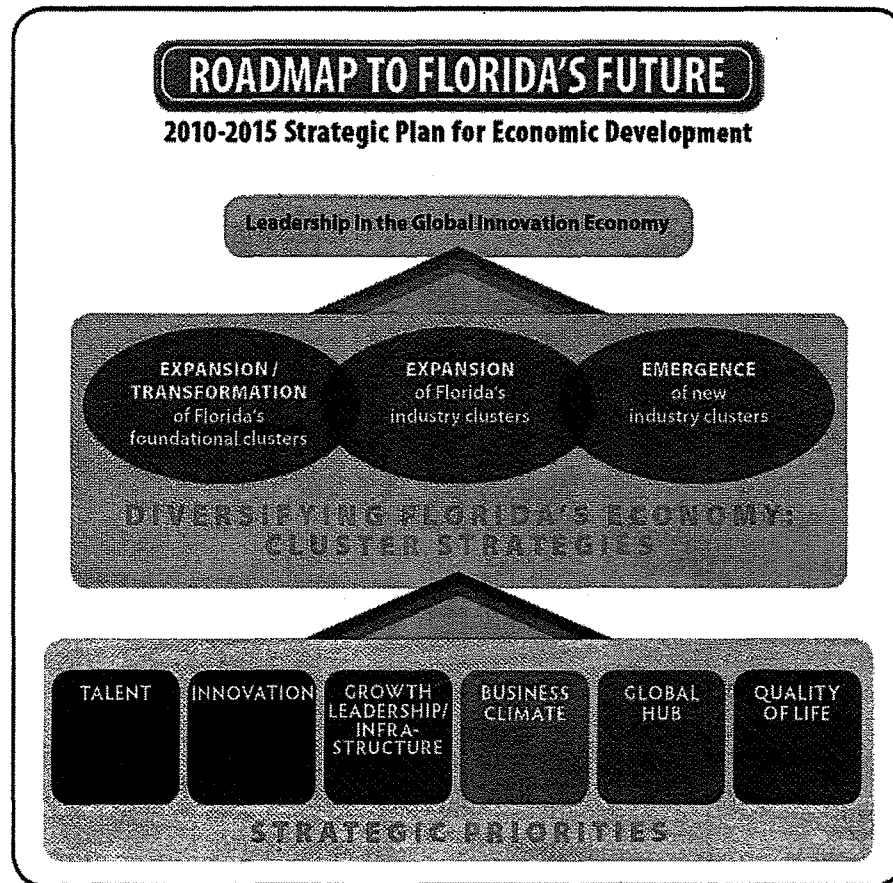


- Materials Science
- Nanotechnology
- Marine Science

# Statewide Strategic Plan

## Roadmap to Florida's Future

Florida Statutes Section 288.905(2) mandates that the EFI Board develop a statewide strategic plan for economic development and provide it to the Governor and Legislative leaders by January 1 of each year.



### VISION:

Florida is a global leader in knowledge-based jobs, leading-edge technology, and competitive enterprises in the 21<sup>st</sup> century.

### GOALS:

- Globally competitive businesses
- Well-paying jobs for Floridians
- High quality of life throughout Florida

# **Operational & Fiscal Accountability**

- Performance-based contract with the Office of Tourism, Trade and Economic Development
- Ernst & Young annual return on investment analysis

**Five year rolling average of 4:1 on the state's investment in economic development.**



2010-2011 EFI Budget

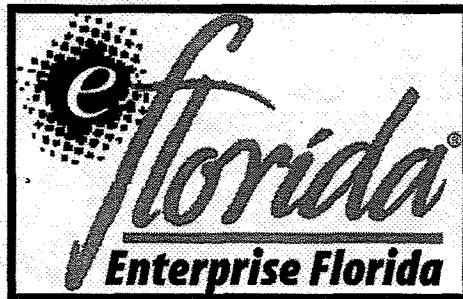
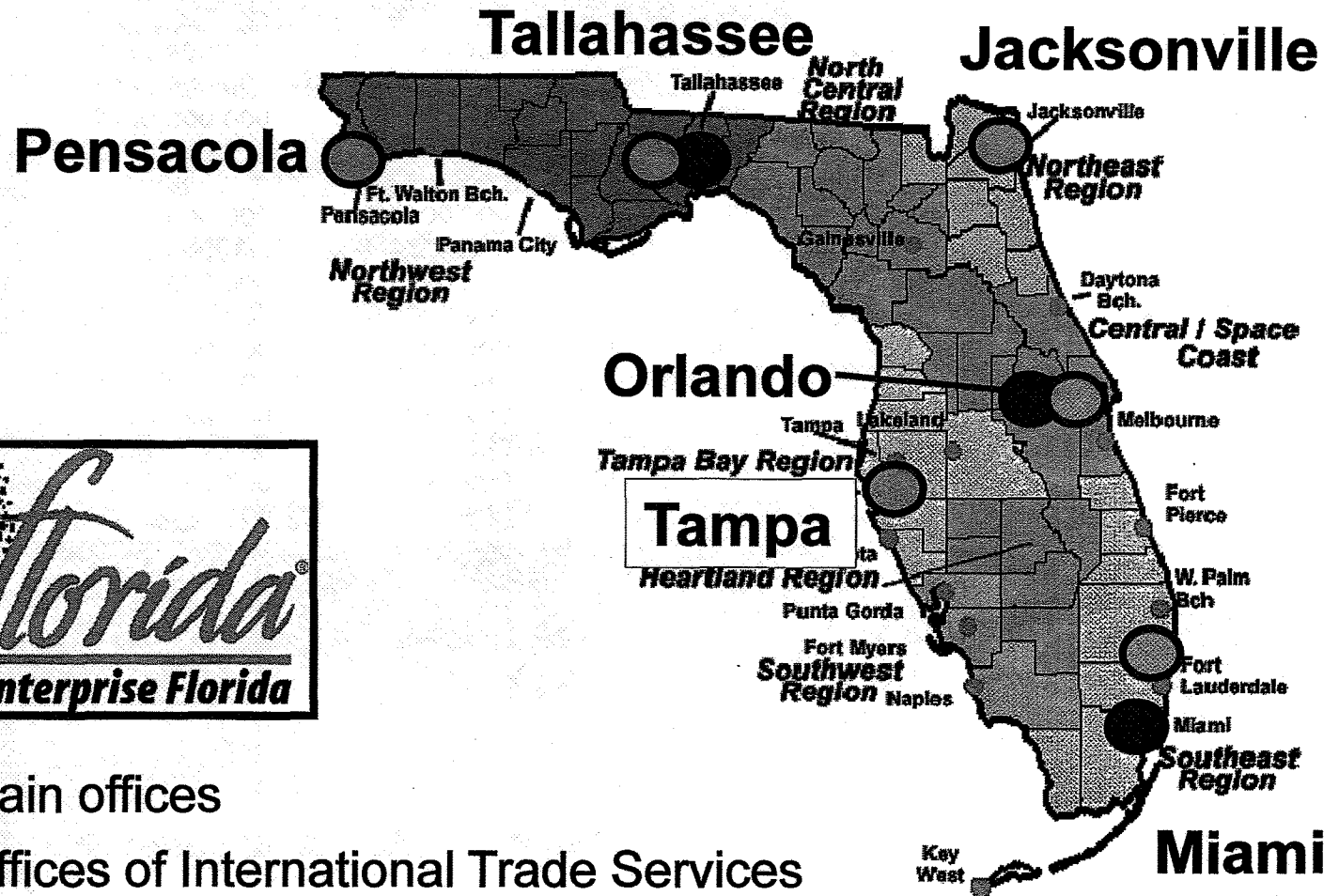
Program	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2010-2011 FMAP*
Administrative	2,557,851	447,117		172,000	
External Affairs & Investor Relations	881,485	161,178		13,500	
Business Services & Technology	1,470,876	235,516		150,000	
Information Technology & Systems Development	4,634,289	310,000		853,000	
Marketing & Public Works Maintenance	1,555,499	246,189		-	
	11,100,000	1,400,000		1,188,500	13,688,500

EFI Historical Funding

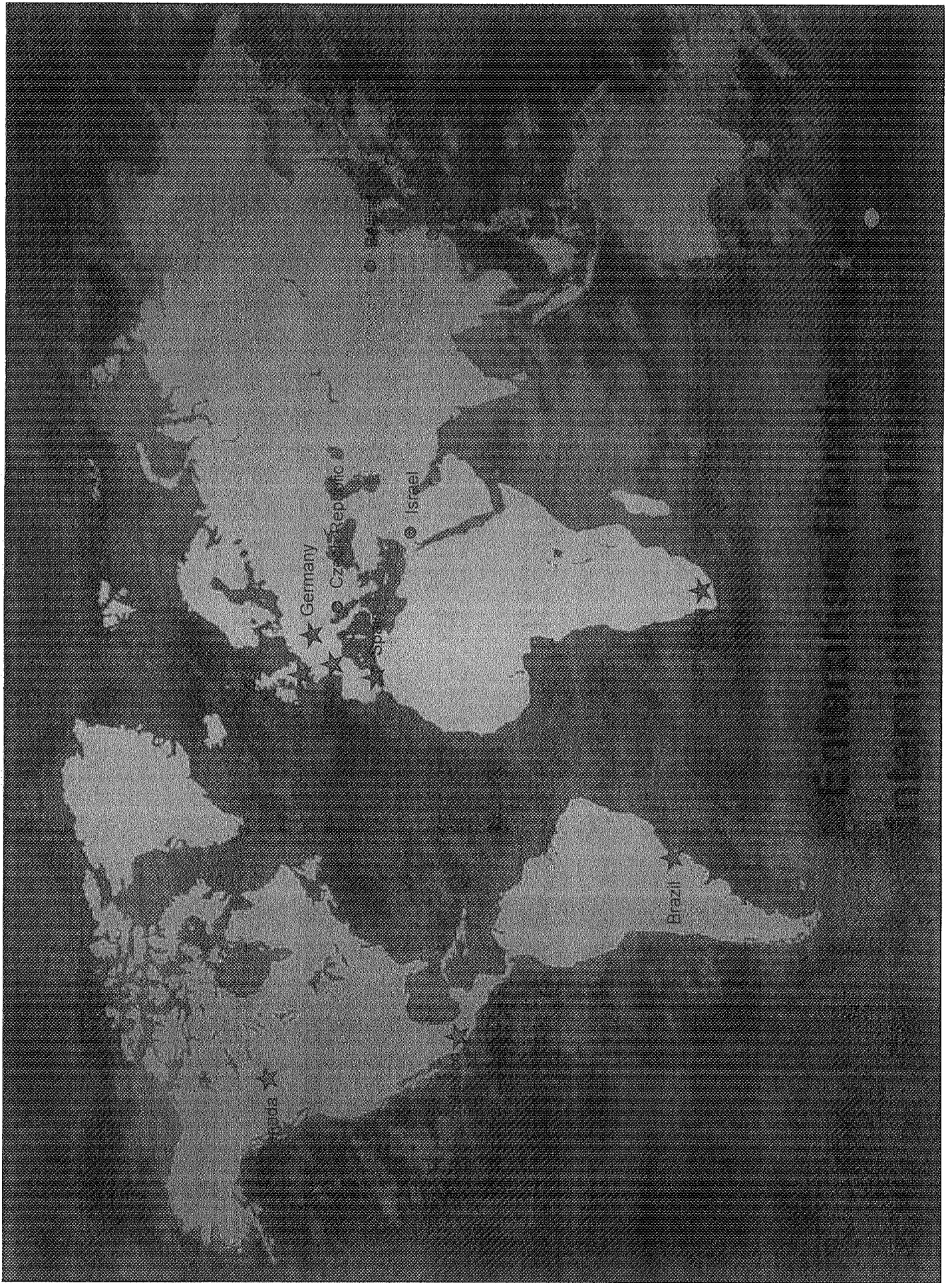
Program	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2010-2011 FMAP*
EFI Operations	\$12,500,000	\$11,900,000	\$11,400,000	\$11,100,000	
QTI/QDC/HIPI	\$17,781,250	\$21,637,500	\$21,637,500	\$16,567,473	
Quick Action Closing Fund	\$25,000,000	\$41,460,000	\$13,460,830	\$1,000,000	\$15,000,000
Brownfield Redevelopment	\$1,187,500	\$1,685,400	\$1,685,400	\$2,480,000	
Road Fund	\$10,000,000	\$20,000,000	\$20,000,000	\$3,700,000*	
Quick Response Training	\$5,000,000	\$5,000,000	\$3,300,000	\$3,300,000	
Defense Reinvestment Grant	\$1,500,000	\$1,500,000	\$500,000	\$3,000,000	\$2,000,000
Defense Reinvestment Grant	\$1,000,000	\$750,000	\$850,000	\$850,000	
Military Base Protection	\$2,000,000	\$250,000	\$150,000	\$150,000	
Rural Infrastructure Fund	\$2,700,000	\$4,700,000	\$1,150,000	\$1,100,000	
Rural Community Development Grant	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	
Innovation Incentive Program	\$170,000,000	\$0	\$0	\$0	\$75,000,000**
Florida Opportunity Fund	\$30,000,000	\$0	\$0	\$0	
Total	\$274,968,750	\$110,182,900	\$76,183,730	\$44,547,473	\$92,000,000

\*\$16,300,000 of the 2010-2011 Road Fund appropriation was earmarked. \$6.3 million of the earmarks were vetoed by the Governor. \*\*The 2010-11 Innovation Incentive Program appropriation of \$75,000,000 was contingent on the state receiving Federal Medical Assistance Percentages funds. One hundred percent of the appropriation was earmarked.

# Florida's Regions ... and EFI Locations







# About Enterprise Florida

- In Enterprise Florida the State has a nationally recognized, public private model for economic development.
- Enterprise Florida is a profit center returning \$778 million in state and local taxes over the last five years with a cumulative investment of \$58 million.

# Q & A





# House Economic Development & Tourism Committee

January 11, 2011



VISITFLORIDA

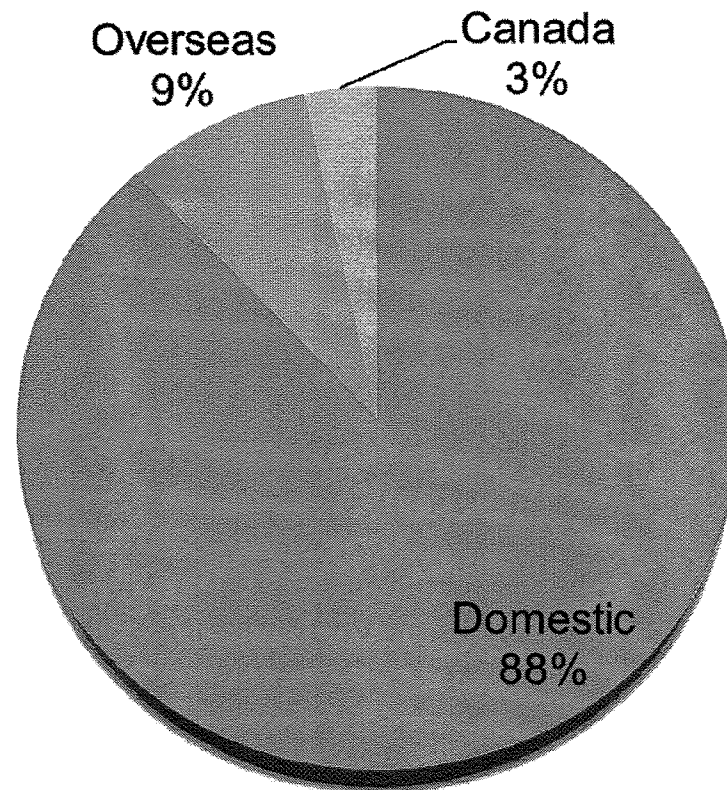
# Florida Tourism by the Numbers

(CY2009)

- 80.9 million visitors - ↓ 0.1%
  - Domestic ↑ 0.3%
  - Overseas ↓ 1.3%
  - Canada ↓ 7.9%
- 16.8 million in-state visits - ↓ 0.1%
- \$60.9 billion in travel spending - ↑ 6.6%
- \$3.65 billion in sales tax collections - ↓ 6.6%
- 968,400 Floridians employed - ↓ 3.8%



# Visitor Origin: Top Line



Sources: TravelScope; Individual Airports; U.S. Department of Commerce, ITA, Tourism Industries; Statistics Canada; D.K. Shifflet and Assoc.; TNS TravelsAmerica




# International Visitors

## 2009 Top Overseas Countries *Based on VisaVue Travel Data*

1. United Kingdom	1,238,000	-12%
2. Brazil	712,000	29%
3. Venezuela	401,000	-11%
4. Germany	280,000	-04%
5. Mexico	275,000	-14%
6. France	227,000	-06%
7. Spain	218,000	-08%
8. Colombia	199,000	01%
9. Argentina	190,000	30%
10. Bahamas	176,000	10%

# Current Climate: Total Volume

Q1-3 2010

- 61.95 million Visitors -  1.4%
  - Domestic visitation  0.4%
  - Overseas travel  13.6%
  - Canadian travel  17.0%

# Competition

- VISIT FLORIDA® 2009 Budget represents little more than 5% of State Tourism Office Marketing budgets
- Florida is the No. 1 destination among domestic vacation travelers in the U.S.
- Florida is the No. 2 international travel destination market in the U.S., trailing only New York

# Competitive Tourism Office Budgets

<u>State</u>	<u>Budget (in millions)*</u>
Hawaii	\$71.8
California	\$50.0
Illinois	\$48.9
Texas	\$34.3
Florida	\$29.4
Michigan	\$18.7
Colorado	\$18.3
New Mexico	\$17.4
Missouri	\$16.7
Louisiana	\$15.9
50 states collectively invest \$663 million per year in destination marketing	
*U.S. Travel Association Survey of U.S. State & Territory Tourism Office Budgets – Preliminary 2009-10 Projections	

<u>Country</u>	<u>Budget (in millions)*</u>
Australia	\$106.7
Austria	\$ 72.5
Bahamas	\$ 91.5
Belgium	\$ 89.3
Brazil	\$ 60.6
Canada	\$ 66.5
Cyprus	\$142.3
France	\$ 96.0
Greece	\$152.3
Ireland	\$111.6
Korea	\$ 80.5
Malaysia	\$137.0
Portugal	\$ 69.7
Romania	\$128.9
South Africa	\$ 88.5
Spain	\$121.3
Switzerland	\$ 72.6
55 countries from Argentina to Yemen invest \$2.4 billion per year in destination marketing	
*World Tourism Organization 2009	

# VISIT FLORIDA® History

- Private/public partnership created in 1996
- Statutorily created as “The Official Tourism Marketing Corporation for the State of Florida”
- Contracted with the state through the Florida Commission On Tourism & Office of Tourism, Trade & Economic Development (OTTED)
- Florida Commission on Tourism - 35 members
  - Governor as Chair, Senate and House Appointees (3)
  - Appointed members (32)
  - All industries represented and balanced geographically
- Florida Tourism Industry Marketing Corporation d.b.a. VISIT FLORIDA® – 32 board of directors members
- 99 Employees
- 8300+ statewide industry involvement
- Statutory required 1-to-1 match

# VISIT FLORIDA® Funding

- \$66.7 million budget
  - \$26.3 million in public funding (39%)
    - Tourism Promotional Trust Fund
      - 15.75% of \$2/day rental car surcharge
      - \$17.8 million in recurring appropriation
    - General revenue
      - \$8.5 million in non-recurring appropriation
  - \$40.4 million in private match (61%)

# VISIT FLORIDA®

## 2009-13 Strategic Plan

- MISSION
  - VISION
- To promote travel and drive visitation to and within Florida
- VISIT FLORIDA® establishes Florida as the Number 1 travel destination in the world



# VISIT FLORIDA®

## 2009-13 Strategic Plan

- Goals

- Provide leadership to ensure the Florida tourism industry is competitive and sustainable
- Become the trusted source of travel information that informs and inspires travel to and within Florida
- Protect and grow Florida's share of destination travel through integrated sales and marketing programs that drive visitation to and within Florida
- Leverage VISIT FLORIDA resources through cooperative marketing programs that create and add value for Partners within and outside the Florida tourism industry
- Put all VISIT FLORIDA resources to their highest and most productive uses to maximize operating efficiencies and the impact of all organizational efforts

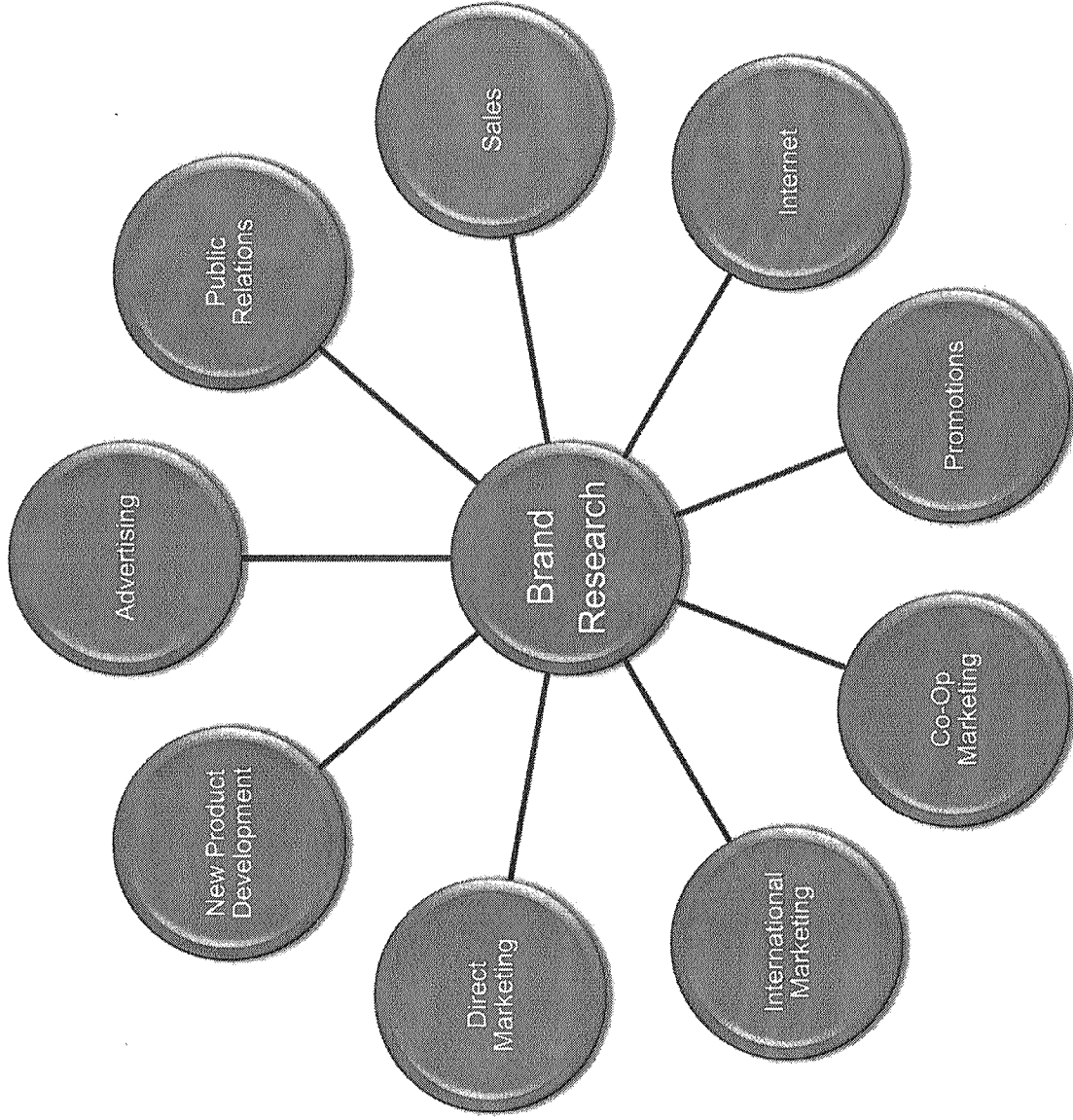
# VISIT FLORIDA®

## 2009-13 Strategic Plan

- Objectives

1. Increase VISIT FLORIDA's total annual budget to \$125 million by June 30, 2013
2. Increase engagement of Florida tourism industry Partners as measured by 10,000 listings on VISITFLORIDA.com by June 30, 2013
3. Increase engagement of the Florida tourism industry as measured by exceeding the legislatively mandated 1-to-1 match of public investment to private industry match by June 30, 2013
4. Increase the percentage of domestic visitors to Florida that were significantly influenced by VISIT FLORIDA's primary marketing tools from 15.8 percent to 20 percent by June 30, 2013
5. Increase the economic impact from VISIT FLORIDA destination marketing efforts from \$32 to \$40 for every \$1 of public investment by June 30, 2013
6. Increase from 35.00 to 40.00 the index of Americans viewing VISIT FLORIDA as the trusted source for travel planning information by June 30, 2013
7. Increase the value of the VISIT FLORIDA brand and affect a 5 percentage point increase by June 30, 2013
8. Maintain an 80 percent satisfaction level of VISIT FLORIDA as measured by the annual study of industry satisfaction through June 30, 2013.

# VISIT FLORIDA® Operational Structure

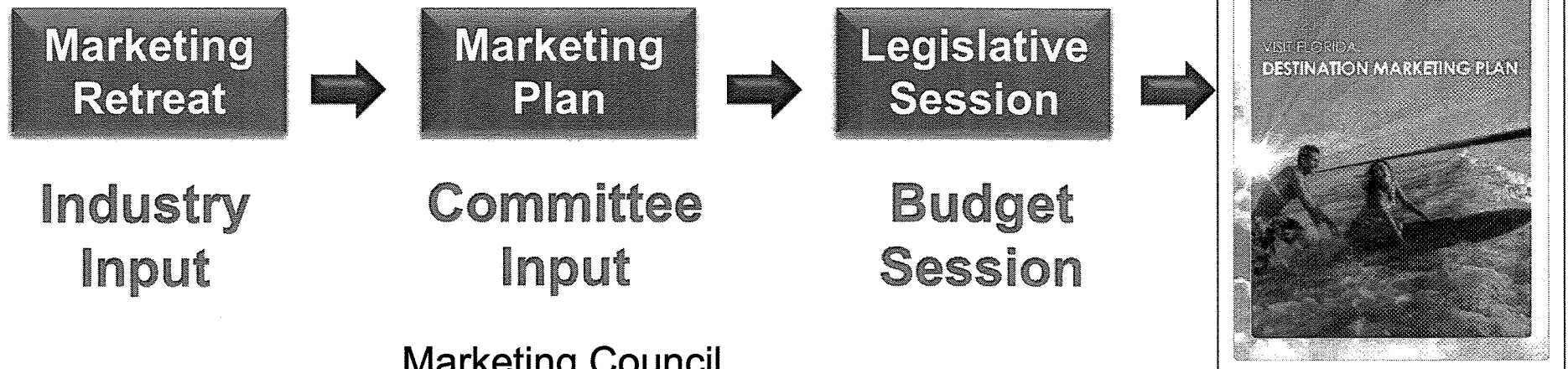


# VISIT FLORIDA® Marketing Principles

- With Scarcity Comes Clarity
- Create Value & Add Value
- Something for Everyone, But Not Everything for Everyone
- Quality vs. Quantity
- If It's Worth Doing, It's Worth Doing Right
- Everything Is Connected
- Everything Is Co-op-able
- Best in Class Partnerships

# VISIT FLORIDA®

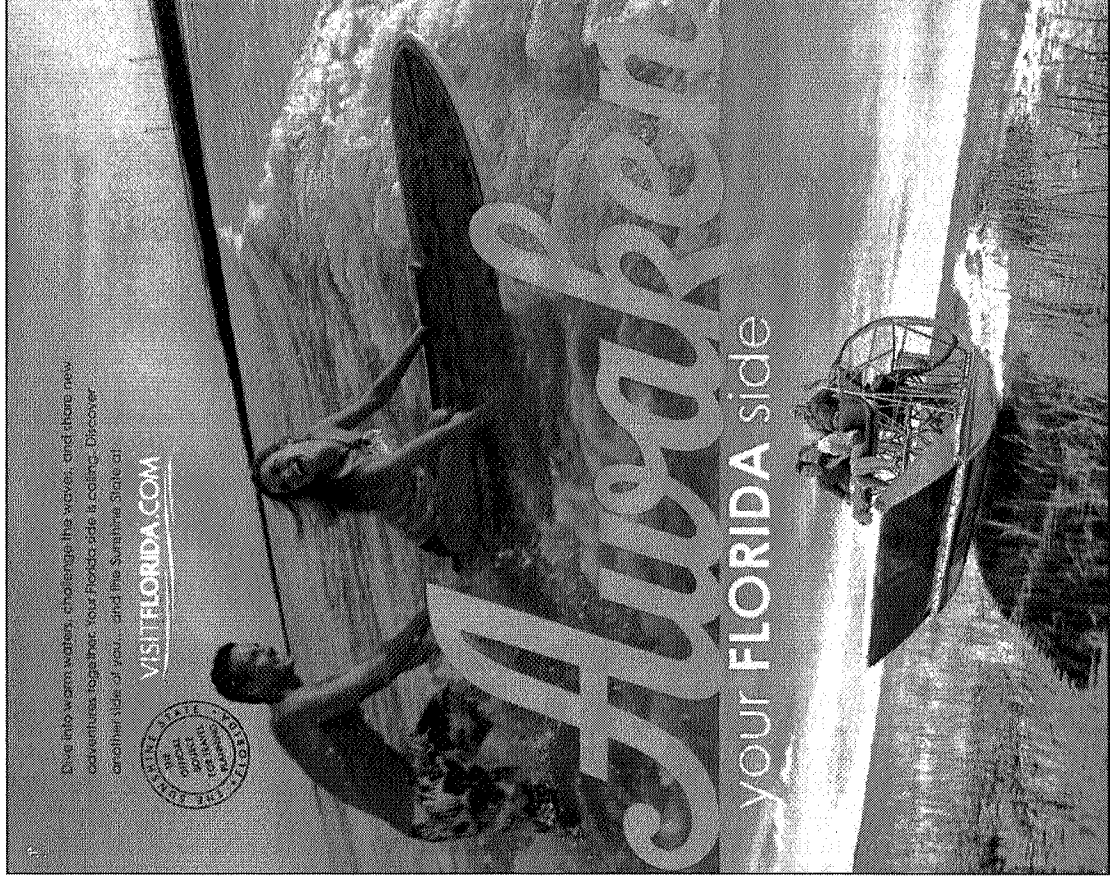
## Marketing Planning Process



### Marketing Council

- Advertising/Internet
- Promotions
- Public Relations
- Sales
- Cultural/Heritage/Rural/Nature
- Visitor Services
- Industry Relations

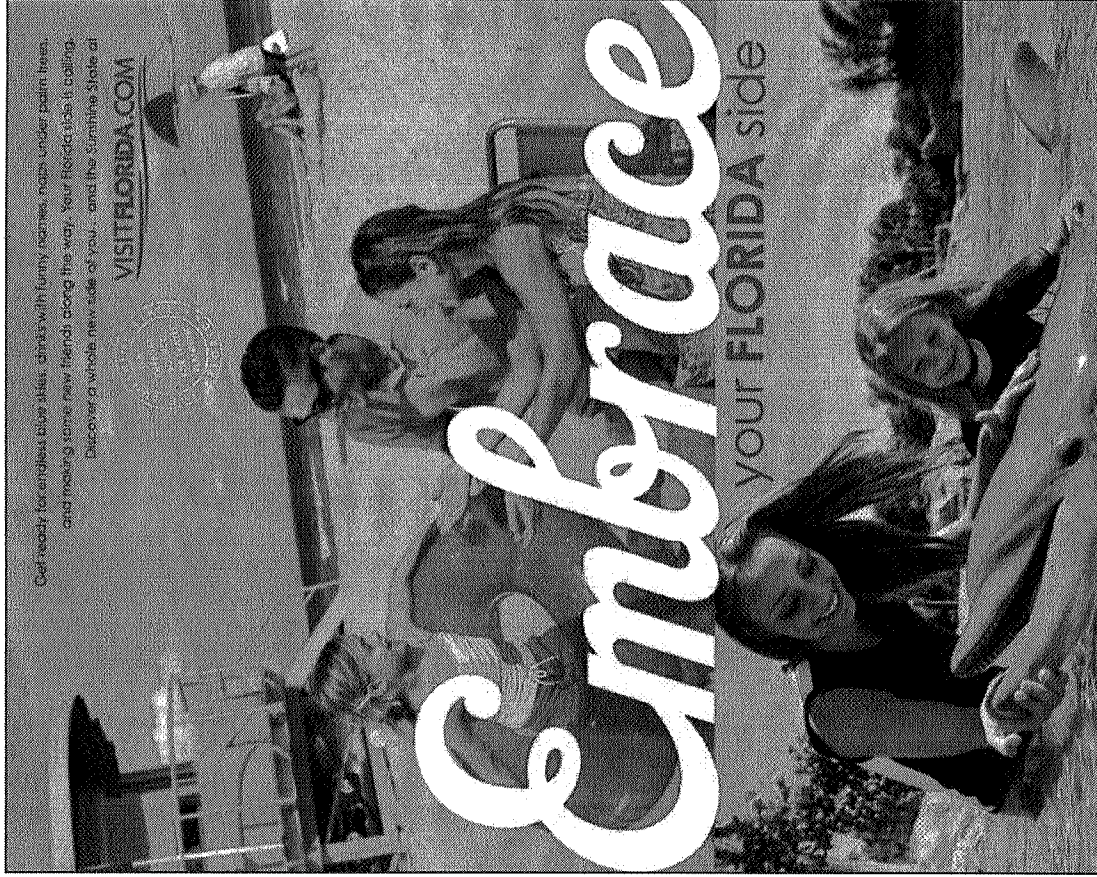
# "Your Florida Side" Campaign



VISITFLORIDA

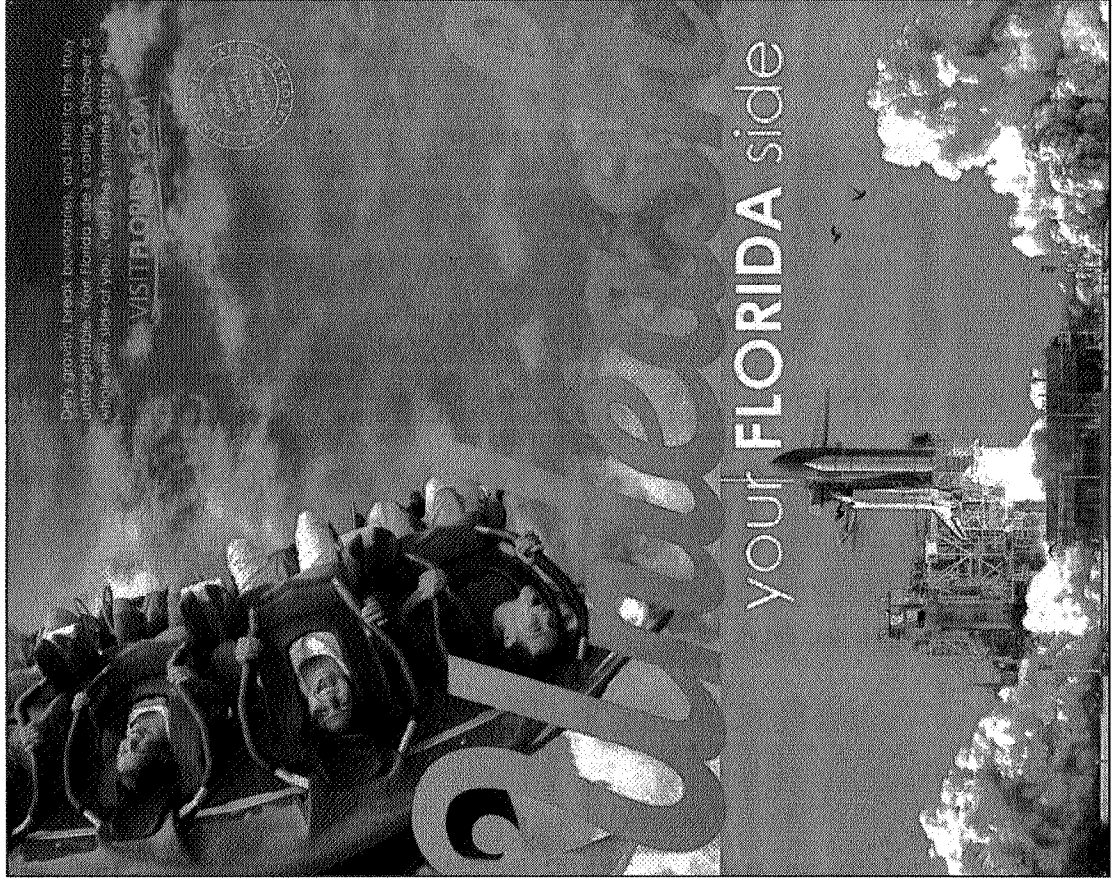


# “Your Florida Side” Campaign



VISITFLORIDA

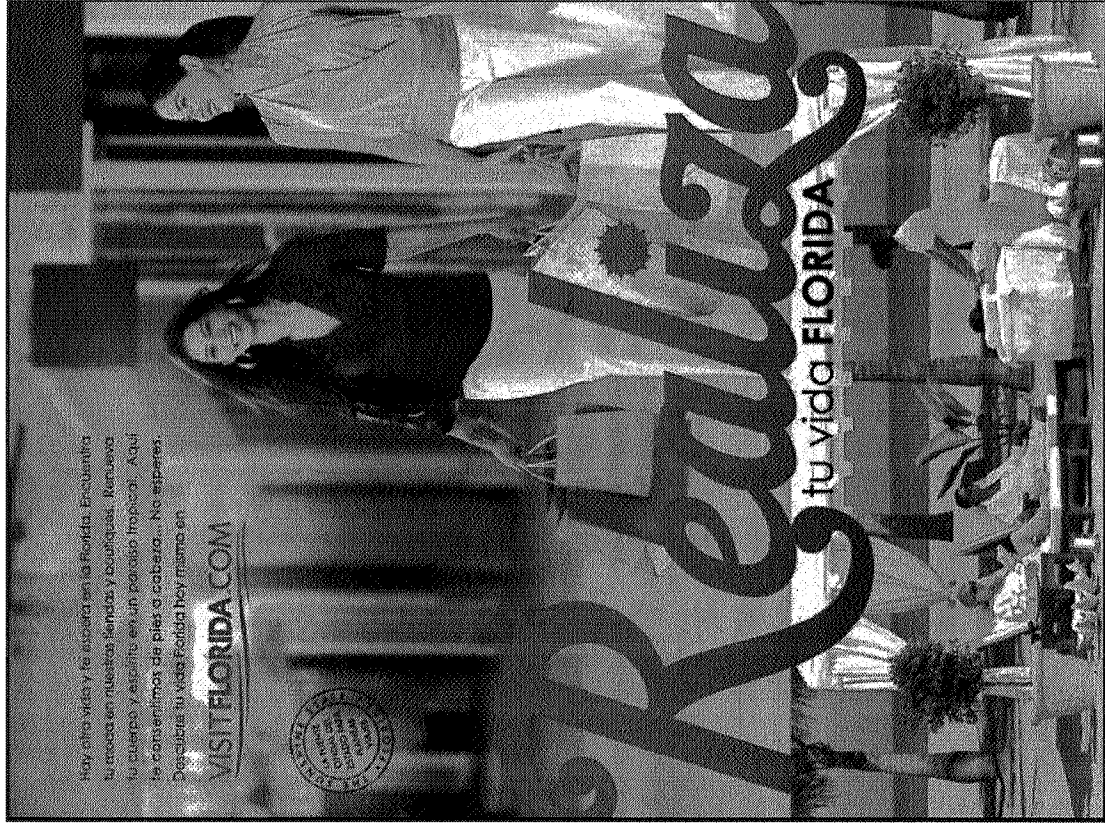
# “Your Florida Side” Campaign



VISITFLORIDA



# "Your Florida Side" Campaign

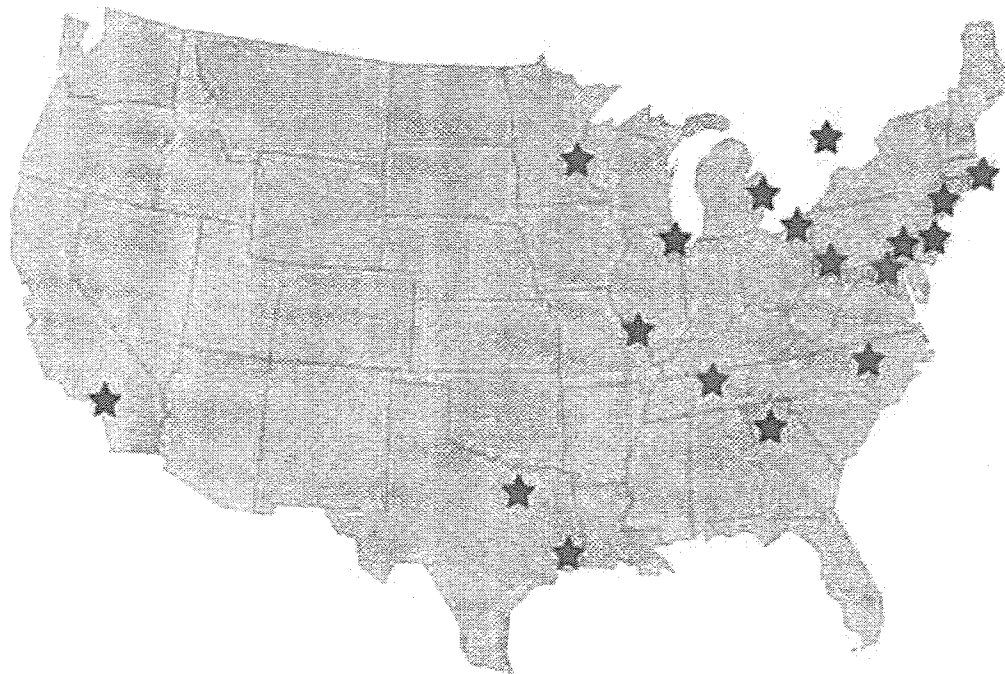


VISITFLORIDA

# Domestic Target Markets

## Key Feeder Markets

Based on market size, market share and rank, drive distance from Florida, air access, historical performance and high concentration of target consumers, several markets will merit special attention from our advertising, public relations and promotion efforts. These include:



### **"Super 7"**

Atlanta, GA  
Boston, MA  
Chicago, IL  
New York, NY  
Philadelphia, PA  
Toronto, ON  
Washington, DC

### **Additional Key Feeder Markets**

Baltimore, MD  
Cleveland, OH  
Dallas, TX  
Detroit, MI  
Houston, TX  
Los Angeles, CA  
Minneapolis/St. Paul, MN  
Nashville, TN  
Pittsburgh, PA  
Raleigh/Durham, NC  
St. Louis, MO

# Integrated Campaigns

- Fully integrated campaigns targeting 7 most important feeder markets
  - Atlanta, Boston, Chicago, New York City, Philadelphia, Washington D.C./Baltimore and Toronto
- Customized campaigns in each market utilizing advertising, co-op marketing, public relations, promotions, sales, internet marketing
- If it's worth doing, it's worth doing right!

# International Target Markets

- Maintain market share in Traditional Core Markets
  - Canada, UK, Germany, France, Spain, Ireland, Belgium, Holland
- Increase share in Growth Markets
  - Brazil, Venezuela, Columbia, Argentina, Chile
- Build awareness in Development Markets
  - China, India, South Korea

ShareALittleSunshine.org



VISITFLORIDA



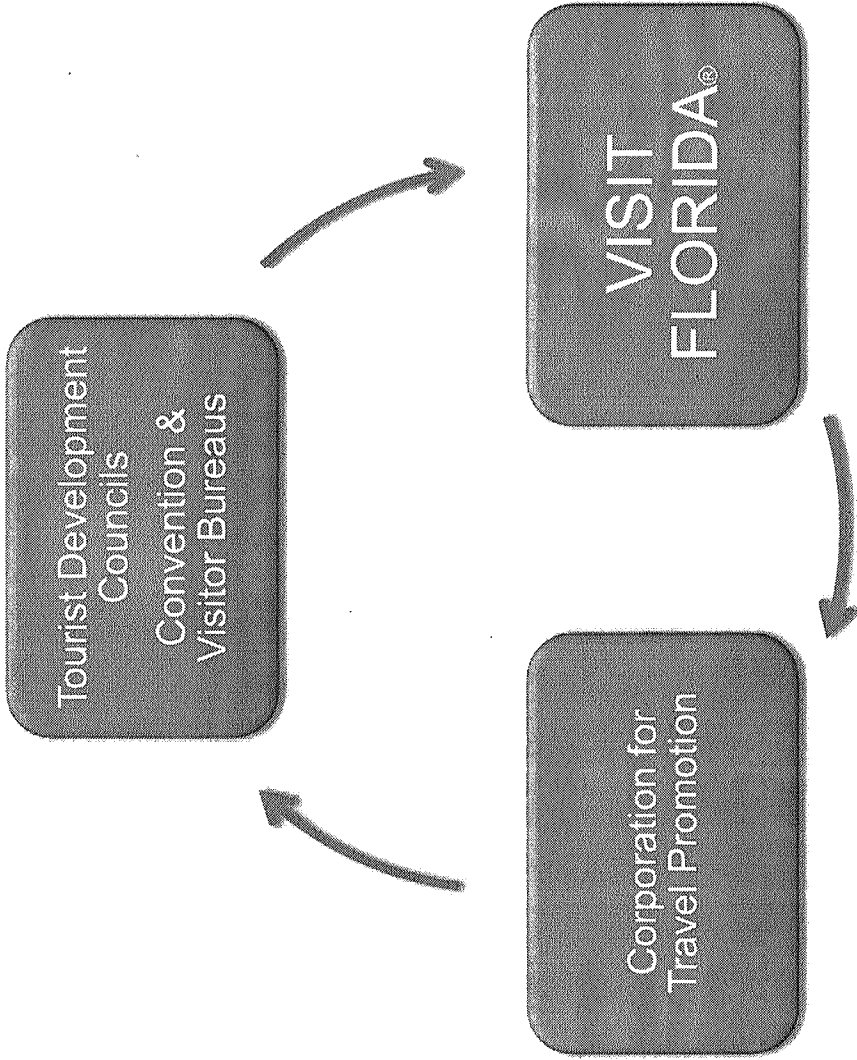
# Travel Promotion Act – 03.04.10



Official White House Photo by Lawrence Jackson

VISITFLORIDA

# Destination Marketing Partnerships



# Tourism Marketing Works

“VISIT FLORIDA® is part of the solution to Florida’s economic challenges!”

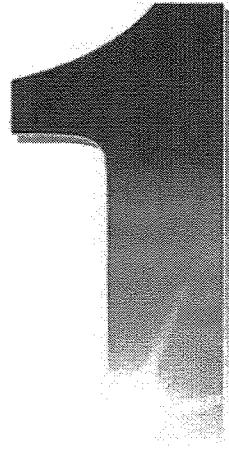
- Every 85 visitors to the Sunshine State support 1 Florida job
- VISIT FLORIDA® generates \$147 in tourism spending and over \$3 in new state sales tax collections within 60 days of campaign completion for every \$1 in tourism advertising
- VISIT FLORIDA® marketing efforts significantly influenced 26.7% of all Florida visitors



# Tourism Marketing Works

“VISIT FLORIDA® is part of the solution to Florida’s economic challenges!”

- The Florida Tourism Industry has invested over \$2 in VISIT FLORIDA® cooperative marketing programs for every \$1 in state funding since 1996
- VISIT FLORIDA® is a \$1,125 billion destination marketing cooperative matching \$350 million of public investment by the state of Florida with \$776 million of private investment by thousands of Florida tourism businesses and strategic partners since 1996



# **VISITFLORIDA®**

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2540 W. Executive Center Circle, Suite 200  
Tallahassee, FL 32301  
(850) 488-5607

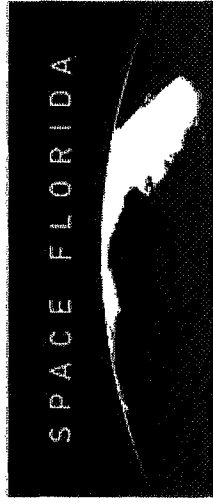
[www.VISITFLORIDA.org](http://www.VISITFLORIDA.org)



***Overview Testimony***  
**HOUSE ECONOMIC  
DEVELOPMENT & TOURISM  
COMMITTEE**

**Frank DiBello, President  
Space Florida**

**January 11, 2011**



**Launch Systems and Support**

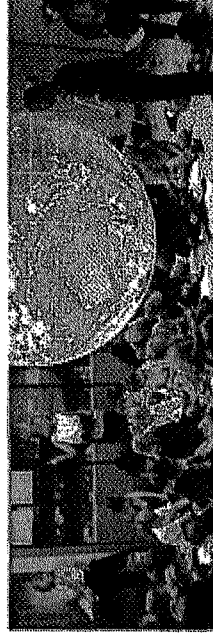


# OVERVIEW TOPICS

- *Role in Economic Development*
- *Florida's Space Industry*
- *Vision 2020 – Goal / Strategies*
- *Recent Initiatives / Achievements*
- *2011 Priorities*



Adventure Tourism



# **STRUCTURE AND ROLE**

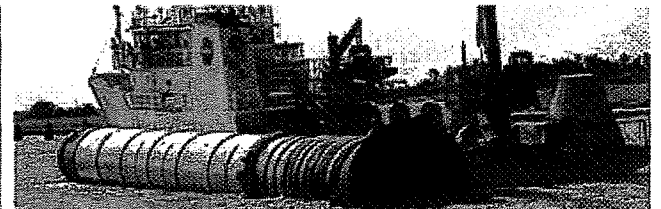
***Legislatively Chartered Public Corporation  
&  
Independent Special District of the State***

***Reports to the Office of the Governor &  
Serves as an Agent of the State  
for Aerospace Economic Development***

***Governance through an independent board of  
directors, the Legislature and the Governor***



Ground and Operations  
Support Systems



# BOARD GOVERNANCE

- ***HB451 2010 re-organized Space Florida's board***
- ***Structured as Independent Board (15 members)***
  - ***9 appointed by Governor***
  - ***6 ex-officio (FL House, Senate, Governor/LG, DOT, EFI, WFI)***
  - ***Appointments ... designated positions from space-related industries including defense, human spaceflight, commercial industry, etc.***



Launch Systems and Support

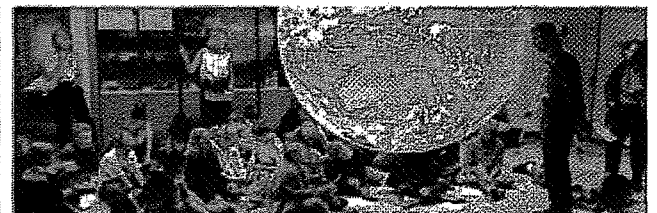
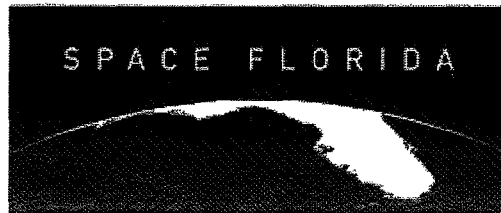
# FLORIDA'S SPACE INDUSTRY

## *Horizontal Industry ... Cuts across many sectors.*

- *Presence is pervasive in our everyday Life*
- *Heritage defined by NASA and Air Force heritage*
  - *Now strongly multi-agency and commercial*
- *Proven technology and Innovation Catalyst*
- *Spawns thousands of new companies / applications*



Adventure Tourism



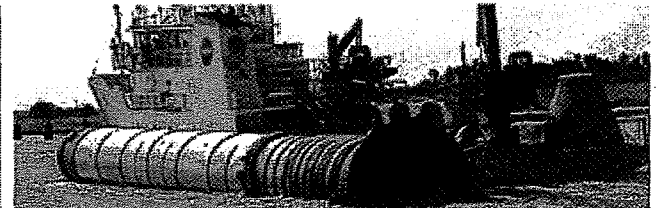
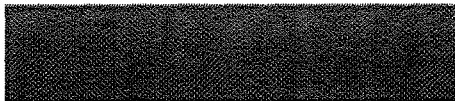


# MISSION & GOAL

- ***Grow the Size, Diversity, Health and Robustness of the State's Space Industry***
- ***Create High-Quality, High-Wage Jobs in Florida's Space-related Industries for the economic well-being of the Citizens of the state***
- ***GOAL: Three-fold increase in aerospace-related jobs and economic contribution by 2020***

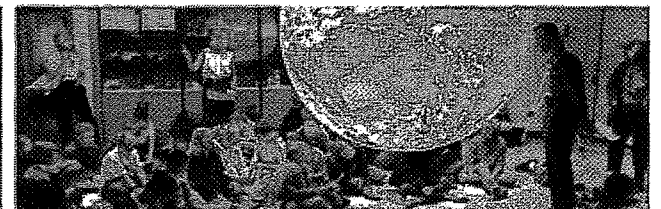


Ground and Operations  
Support Systems



# STRATEGIES ... VISION 2020 PLAN

- ***Diversification - Statewide aerospace business development in 10 focused market sectors - new wealth and job creation***
- ***Vertical Integration of the Supply Chain – Expanding Depth and Breadth of the In-state Supplier Base***
- ***Targeted Investments - Leveraging key state assets & economic development tools for job creation and industry growth - Statewide!***

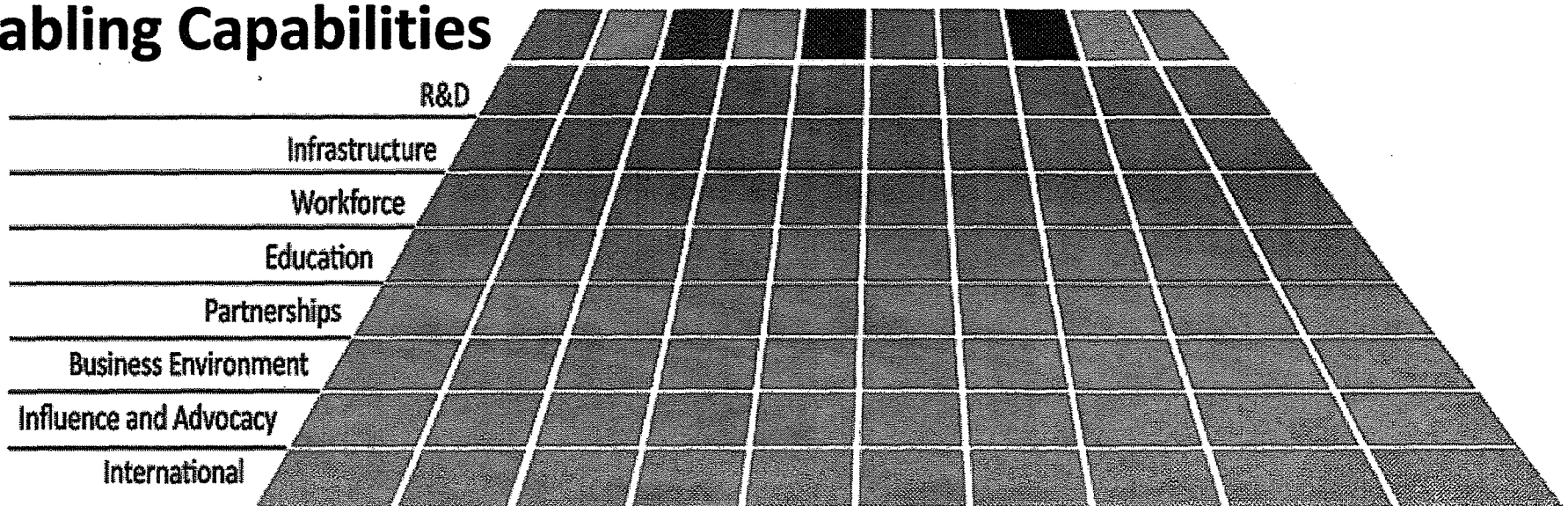


Adventure Tourism

# Target Market Horizons

- Launch Systems / Support
- Satellite Systems / Payloads
- Ground / Operations Support Systems
- Agriculture / Environmental Monitoring
- Civil Protection/Emergency Management
- ISS / Human Life Sciences
- Com / CyberSecurity / Robotics
- Adventure Tourism
- Clean Energy
- Advanced Materials / New Products

## Enabling Capabilities



# PLANS / NEW INITIATIVES

## *Infrastructure:*

- *Launch Complex-46: light-medium lift, solid fuel; USAF Spaceport 3 and Minotaur launches*
- *Launch Complex-36 / other ..... face the market! basic prep until contract, Masten Demo Ops*
- *Exploration Park & Space Life Sciences Lab*
- *Network of horizontal launch facilities*

## *Research and Technology*

## *Workforce / Education*

## *Partnerships & International Collaboration*



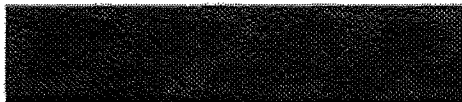
# 2010 LEGISLATIVE RECAP

## *The Florida Legislature Granted Space Florida:*

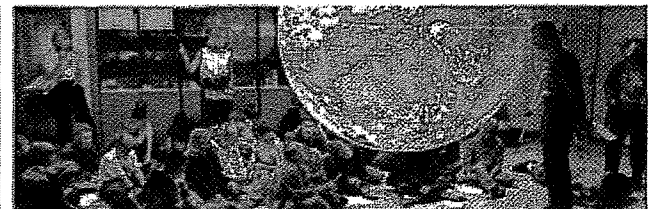
- *\$10 million for financing of deals and projects*
- *\$7.5 million for Exploration Park (Road Fund)*
- *\$3.6 million for Launch Complex Infrastructure*
- *\$3.2 million for workforce assistance*
- *\$3 million for business development*
- *\$3.8 million for operations (continuation of 2009)*
- *Flexibility of use of 2008 appropriation*



Adventure Tourism



SPACE FLORIDA



# **RECENT ACHIEVEMENTS**

***Avera: Energy efficient vehicle (1,200 jobs by 2015)***

***AAR Airlift Group - Relocation (225 jobs by 2012)***

***UKTI / ESA – International MOUs (300 jobs by 2014)***

***Exploration Park - Groundbreaking on June 25<sup>th</sup>***

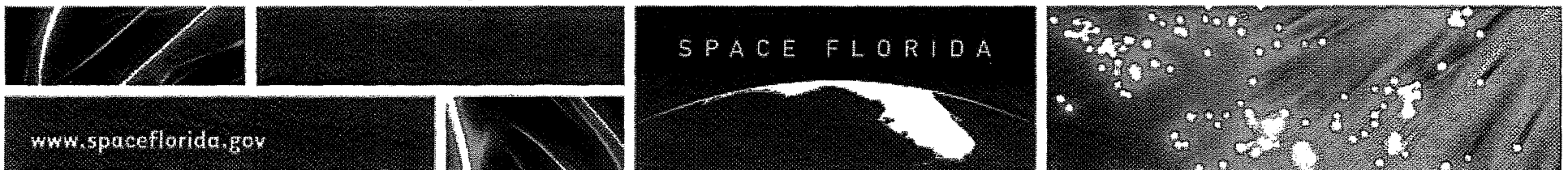
***Masten Space Systems – LOI, Demo Flight SLC-36***

***Space X - Falcon 9 & Dragon Capsule***

***Starfighters – Space Act Agreement (20 jobs)***

***Lockheed Martin - Created 450 jobs in for Orion Program***

***ULA Launch Complex Financing***



# HOUSE ECONOMIC DEVELOPMENT & TOURISM COMMITTEE

Frank DiBello, President  
Space Florida

January 11, 2011



Launch Systems and Support



# **Backup Slides**



# LEGISLATIVE PRIORITIES FOR 2011

## *Space Business Incentives Act:*

- *Bill Drafting - Rep. Crisafulli; Sen. Altman*

## *Workforce Jobs Tax Credit:*

- *HB143 – Rep. Workman; Sen. Altman*

## *Research and Development Tax Credit*

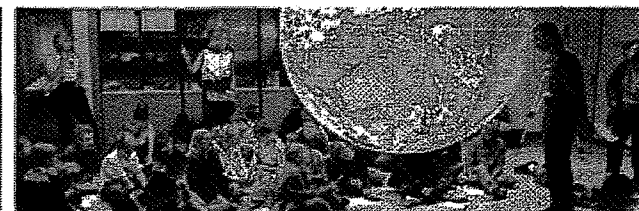
- *Bill Drafting – Rep. Workman; Sen. Bogdanoff*

## *Spaceflight Informed Consent:*

- *Bill drafting – Sen. Simmons*



Adventure Tourism



# LEGISLATIVE PRIORITIES FOR 2011

## Continued Investment Strategy for stimulating:

- ***New Industry Growth and Space Business Development***
- ***Space Infrastructure and Support Systems***
- ***Increase / Broaden Space Research Programs***
- ***Expand the State's Competitive Business Climate, and***
- ***Leverage the Highly-Skilled Workforce / Assets***

***Space Florida will drive Florida's Aerospace  
competitiveness, diversification, and growth!***



**Unemployment  
Compensation  
Discussion**

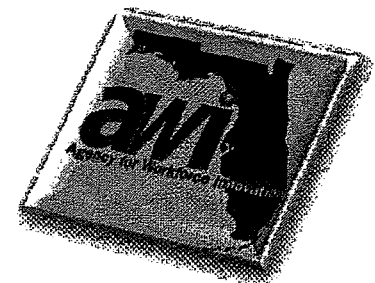


# **Agency for Workforce Innovation**

**Overview of Florida's Unemployment Compensation Program**

**January 11, 2011**

**Tom Clendenning, Assistant Director**



# Legislative Mandate

- ◆ **The Agency for Workforce Innovation is responsible for the Unemployment Compensation (UC) program under Title XXXI, Chapter 443 of Florida Statutes.**
- ◆ **Of the several core processes within the operation of the UC program, AWI does not administer unemployment tax pursuant to Section 443.1316, Florida Statutes, or higher level appeals of disputed claims as provided in Section 443.012, F.S.**



# Legislative Mandate

- ◆ **Each state and territory administers an unemployment program that conforms to the requirements of federal UC law.**
- ◆ **When a state's UC law conforms to the UC requirements of the Social Security Act and the Federal Unemployment Tax Act, the employers in the state are eligible for a full credit toward the federal unemployment tax rate.**
- ◆ **In addition, states are eligible to receive administrative grants from the U.S. Department of Labor, which are derived from employers' federal unemployment taxes to administer their state UC programs.**



# Core Business Processes

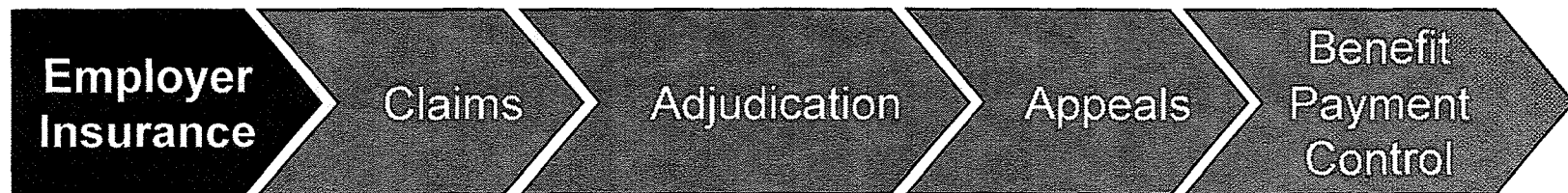
- ◆ **Employer Unemployment Insurance (Tax)**
- ◆ **Initial / Continued Unemployment Claims**
- ◆ **Adjudication**
- ◆ **Appeals**
- ◆ **Benefit Payment Control**





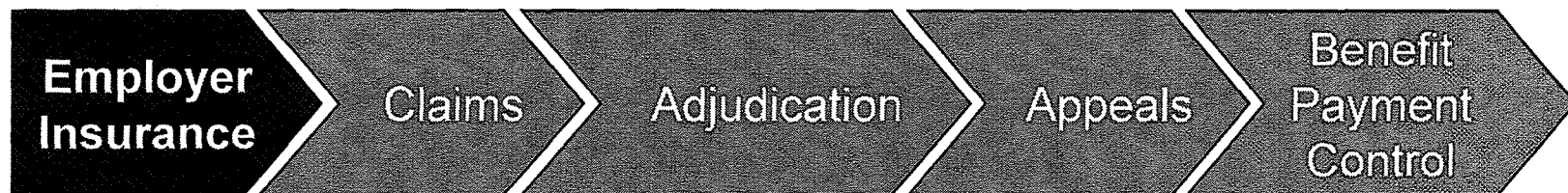
# Employer Insurance (Tax)

- ◆ **Employers are liable to contribute to the UC Trust Fund to fund benefits that serve as a support mechanism for individuals who become unemployed through no fault of their own.**
- ◆ **Employers pay taxes quarterly on the first \$7,000 of each employee's annual wages.**
- ◆ **UC Tax is administered by the Florida Department of Revenue as required by Section 443.1316, Florida Statutes.**



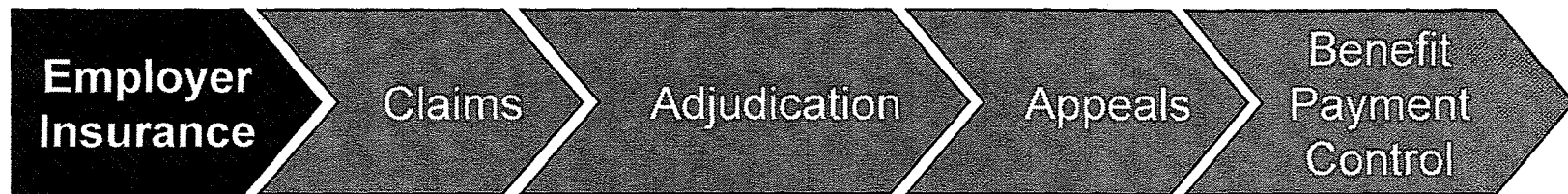
# Employer Insurance (Tax)

- ◆ **Federal law requires the rate at which employers pay their tax to be based on the employer's experience with unemployment.**
- ◆ **This is measured by the relationship between the amount of benefits that have been charged to an employer's unemployment tax account and the amount of wages on which tax has been timely paid.**
- ◆ **Employers who respond timely to claims filed by their former employees may be eligible for relief from benefit charges as provided in Section 443.131(3)(a), Florida Statutes.**



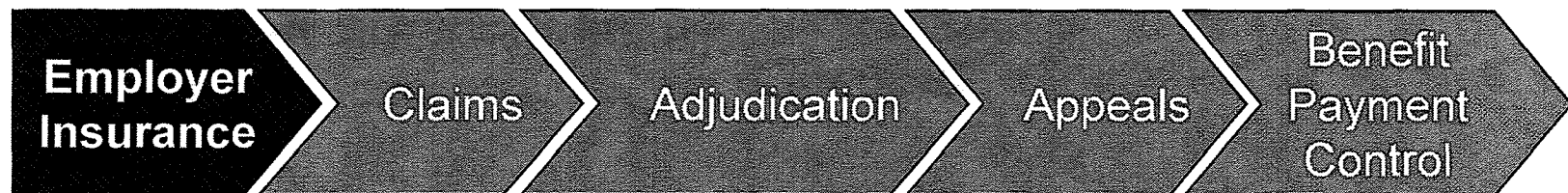
# Employer Insurance (Tax)

- ◆ **Employers' accounts can be noncharged for benefits when the employer has responded in writing within 20 days to the agency's request for information on a claim and the agency determines that the individual:**
  - **Left employment without good cause attributable to the employer**
  - **Was discharged for unsatisfactory performance within an initial 90-day probationary period of employment or for misconduct connected with the work**
  - **Refused an offer of suitable work without good cause**



# Employer Insurance (Tax)

- ◆ **Employers can also have their accounts noncharged when:**
  - **An employer continues to provide an individual with part-time work and the claim is based on the loss of full-time work with another employer**
  - **The agency finds that the beneficiary received benefits to which he or she was not entitled**
- ◆ **The cost to the trust fund of noncharged benefits is shared among all employers with benefit experience through the rate calculation.**



# UC Trust Fund

## Florida UC Trust Fund Balance

- UC trust fund depleted
- Began receiving advances from USDOL in August 2009

## Total Florida Advances to Date

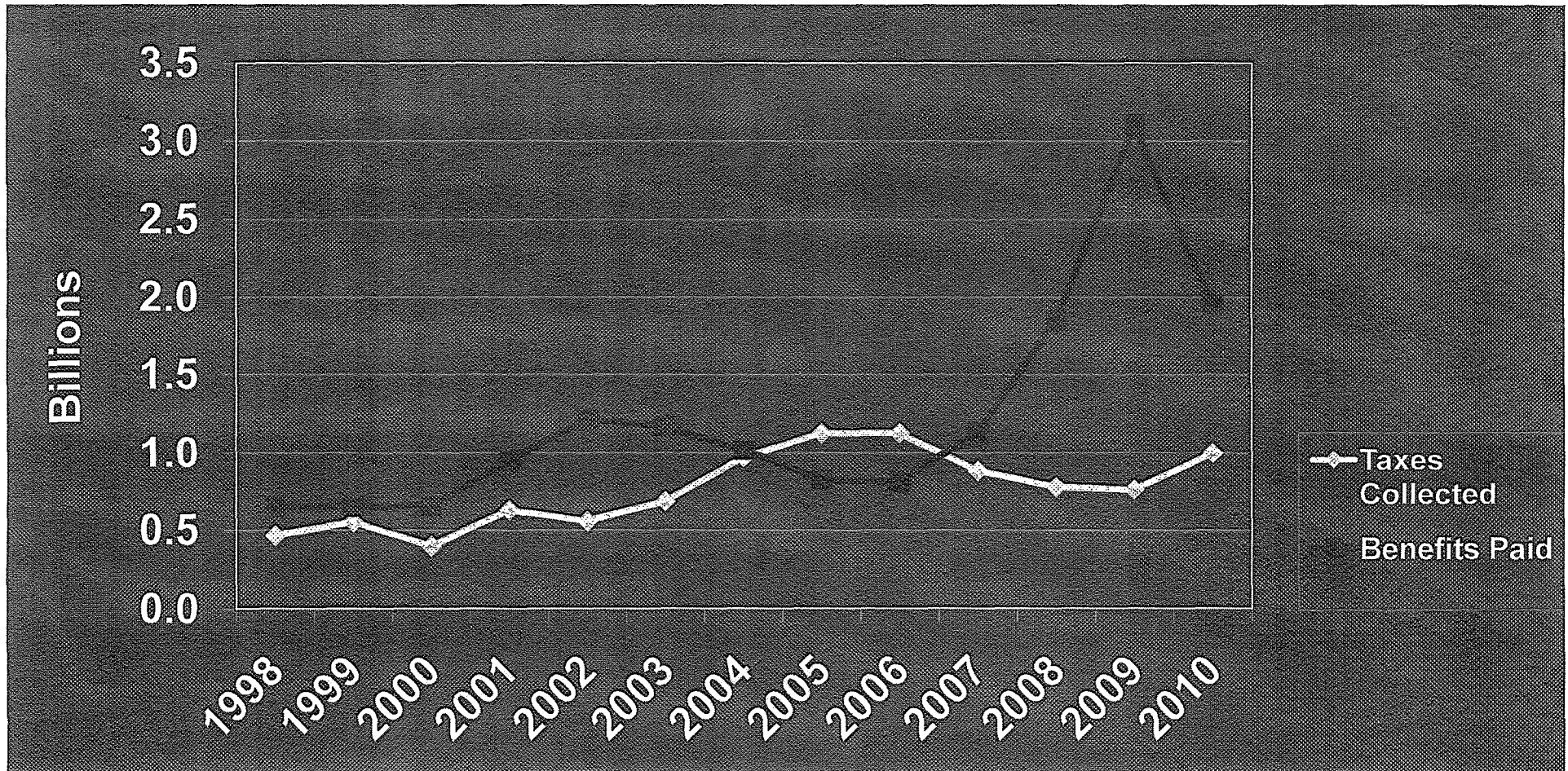
- \$1.9 billion received from Federal Unemployment Account

## National Picture

- 36 states have requested advances for total of \$40.8 billion



# UC Trust Fund



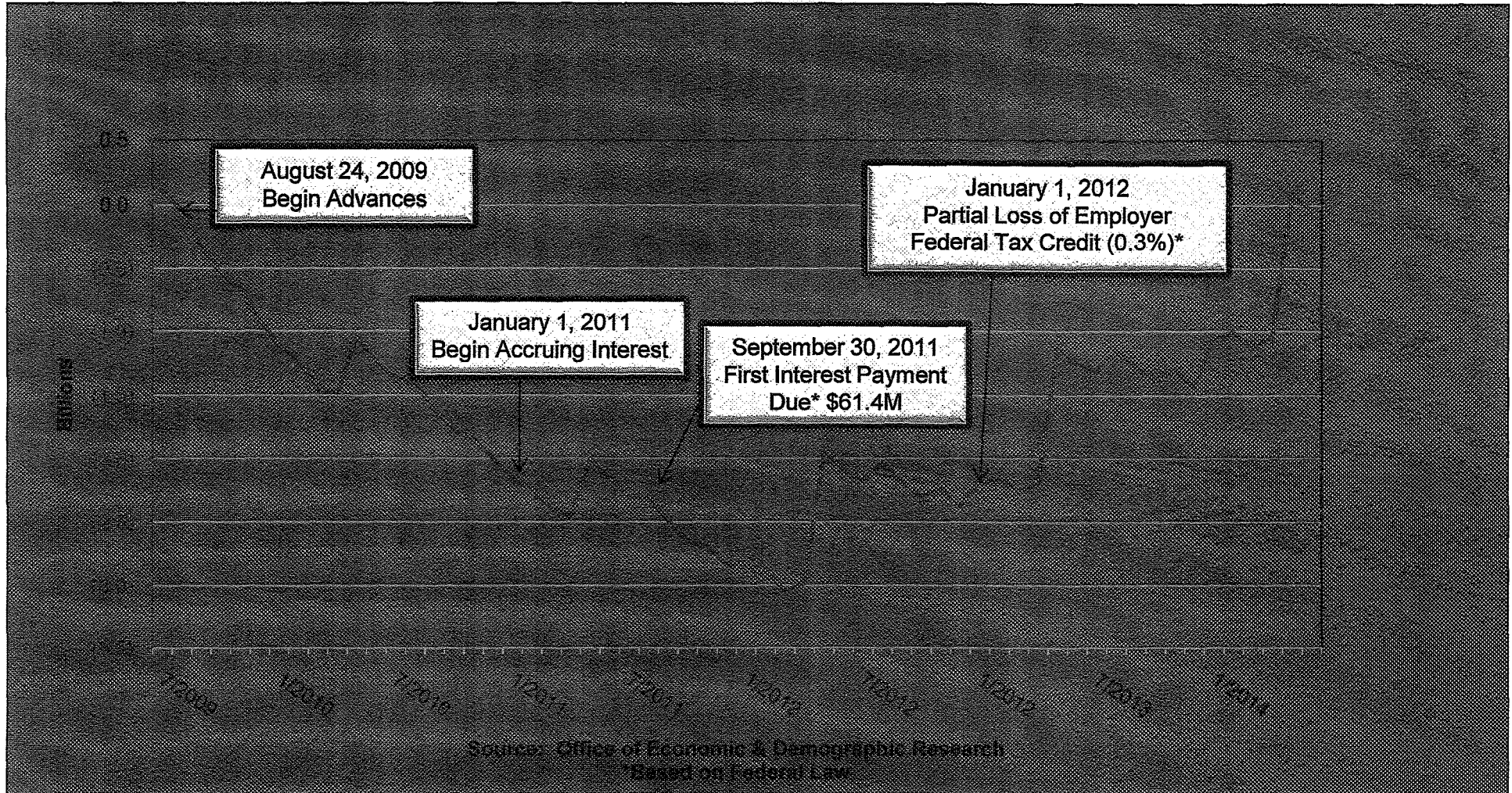
**Through October 31, 2010**

- \$1.953 billion in state benefits paid
- \$997.4 million in taxes collected



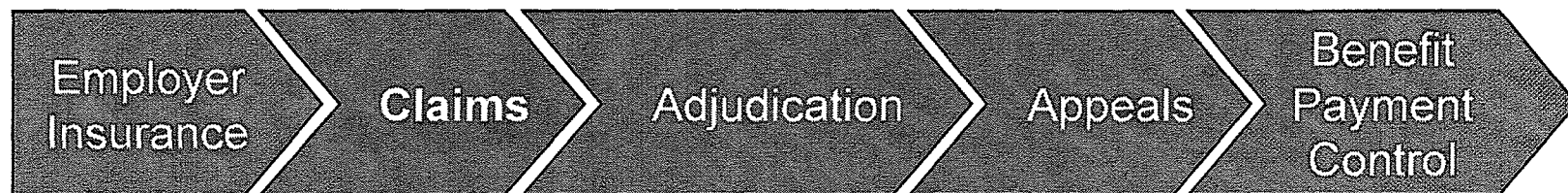


# UC Trust Fund Projections



# UC Claims – Initial and Continued

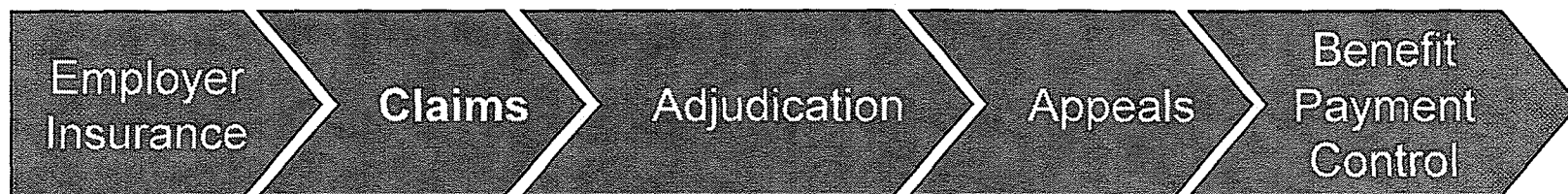
- ◆ **Process by which unemployed individuals may apply to receive temporary wage replacement UC benefits.**
- ◆ **Initial claims may be filed by telephone or through paper applications; most claims are filed via Internet.**
- ◆ **To receive benefits, individuals must file continued claims on a bi-weekly basis attesting to their unemployment, their ability to work and their availability for new work as provided in Section 443.111(1)(b), Florida Statutes.**
- ◆ **An individual's work search documentation is subject to periodic review by the agency.**





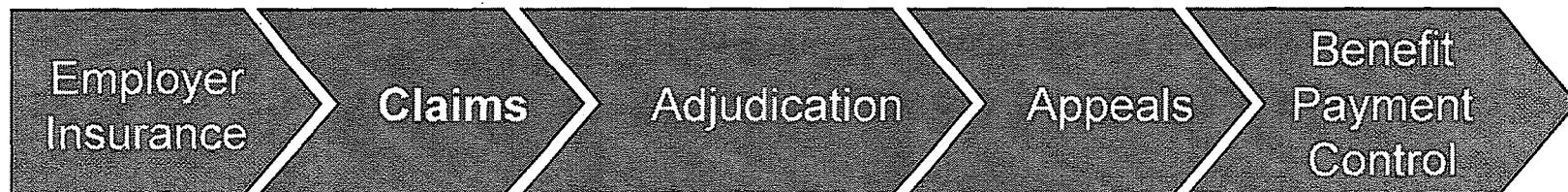
# UC Claims – Initial and Continued

- ◆ **To establish a claim for benefits the applicant’s base period employment is reviewed to determine whether there is sufficient employment on which a claim can be based as provided in Sections 443.091(1)(g) and 443.111(2), Florida Statutes.**
- ◆ **Base period is the first four of the last five completed calendar quarters preceding the filing date of the new claim as specified in Section 443.036(7), Florida Statutes.**
- ◆ **An individual can establish a claim if he or she has worked during at least two quarters of the base period, earned total wages of at least \$3,400 and the total wages are equal to at least 1.5 times the amount of the wages in the quarter with the highest amount of wages.**



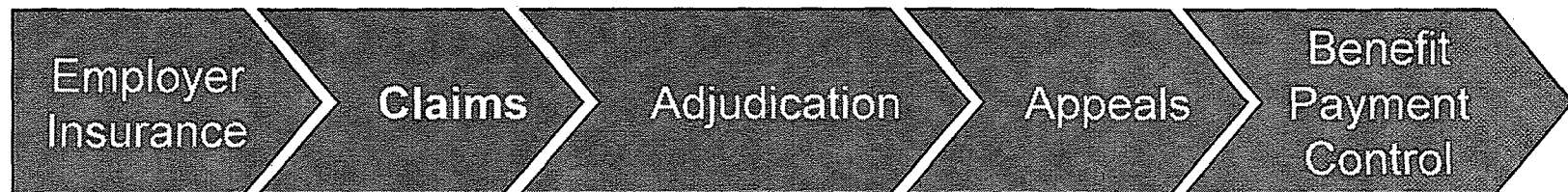
# UC Claims – Initial and Continued

- ◆ **All claims are subject to validation of the individual applying for the benefits.**
- ◆ **All social security numbers, which are required to file a claim, are validated by the Social Security Administration as belonging to the applicant as provided in Section 443.091(1)(h), Florida Statutes.**
- ◆ **Driver's License or State Identification numbers required of all applicants are validated by the Department of Highway Safety and Motor Vehicles.**
- ◆ **All records are matched against the Death Registry in the Department of Health, Office of Vital Statistics.**
- ◆ **All records are matched against the Stop Inmate Fraud Program operated by the Department of Law Enforcement.**

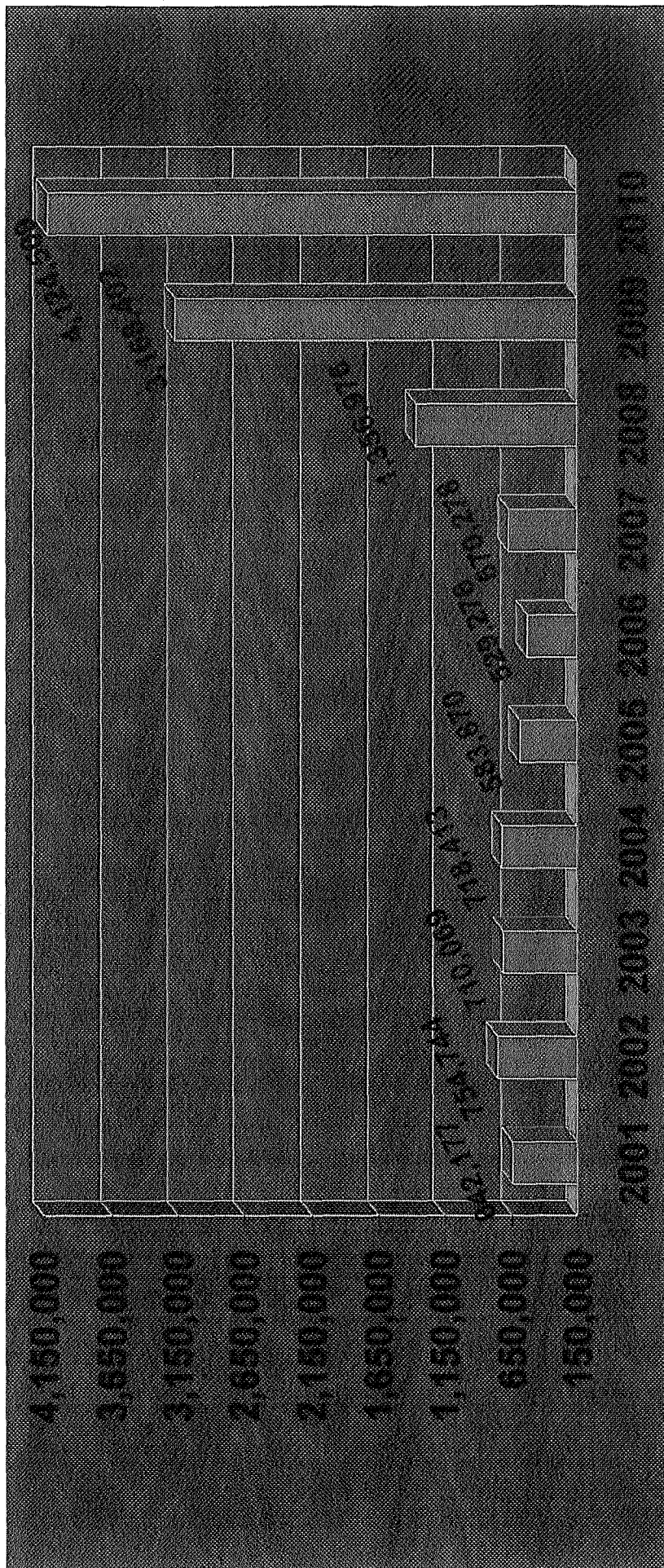


# UC Claims – Initial and Continued

- ◆ **All applicants are required to attest to their citizenship. Individuals who are not citizens are required to provide their alien number.**
- ◆ **Alien numbers are verified in real time against the records of the U.S. Department of Homeland Security, Customs and Immigration Enforcement Service through the Systematic Alien Verification for Entitlements (SAVE) program as required by federal law.**
- ◆ **Individuals who worked without authorization or who are not authorized to find new work are denied benefits.**



# Total UC Claims



# UC – Then and Now

	<u>2007</u>	<u>Now</u>
<b>Unemployment rate</b>	<b>4.7% (Dec 2007)</b>	<b>12% (Nov 2010)</b>
<b>Customers</b>	<b>587,956</b>	<b>1.3 million</b>
<b>Benefits paid</b>	<b>\$1.1 billion</b>	<b>\$7.1 billion</b>
<b>Calls to Call Center</b>	<b>137,000 (per month)</b>	<b>543,000 (per month)</b>
<b>Total employees</b>	<b>535</b>	<b>1,630</b>
<b>Total phone lines</b>	<b>736</b>	<b>2,093</b>
<b>Call Center hrs/wk</b>	<b>45 hours</b>	<b>73 hours</b>



# Agency Response

## Added overflow call center

- Orlando-based
- Assists 10,000+ customers daily for a total of 25,000 customers per day

## Extended hours

- Added 28 hours per week to toll-free UC Hotline operations
- 6:30 AM – 7:30 PM Monday through Friday and 8 AM – 4 PM on Saturday

## Added Customer Support Unit

- Assists up to 1,000 customers daily with specific UC concerns

## Additional enhancements

- Internet applications
- Automated phone system
- Debit card



# Federal and State Benefit Extensions

## ◆ **Emergency Unemployment Compensation (EUC)**

- Since July 2008 this fully federally funded program has provided up to 53 weeks of additional benefits through four tiers of eligibility to individuals who exhausted all entitlement to regular state benefits.
- The program was most recently extended on December 17, 2010 through the end of 2011 by the “Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010” - Public Law 111-312.
- A phase-out period through June 9, 2012 was provided for individuals who have established a tier of eligibility by January 1, 2012.

## ◆ **Extended Benefits (EB)**

- Primarily federally funded, Florida’s temporary EB program was created in 2009 and has been extended through January 7, 2012 for individuals who have exhausted all entitlement to EUC.



# Resolution of Disputed Claims

- ◆ **When the agency finds that a potential issue exists with respect to an individual's eligibility under Section 443.091 or qualification for benefits under Section 443.101, Florida Statutes, a determination must be made.**
- ◆ **Initial determinations are issued by adjudicators. During 2010 the agency's adjudicators issued 485,828 determinations.**
- ◆ **An employer or beneficiary adversely affected by the determination may request an administrative hearing. During 2010 the agency's hearing officers issued 181,923 decisions.**
- ◆ **The party adversely affected by the decision of the hearing officer may request a review by the Unemployment Appeals Commission, which issued 23,878 orders during 2010.**





# Adjudication

- ◆ **The agency operates adjudication offices in Tallahassee, Jacksonville, Orlando and Ft. Lauderdale.**
- ◆ **Claims adjudicators obtain facts from benefit applicants and their former employers on all issues that may result in the denial of benefits.**
- ◆ **Facts may be obtained through written communication, telephone interviews, or e-mail.**
- ◆ **Based on the information available to the adjudicator, a determination to pay or deny benefits will be mailed to the applicant and his or her former employer.**



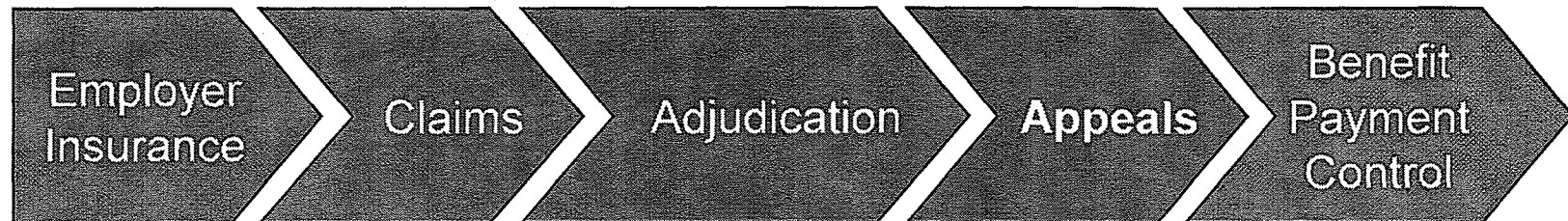
# Adjudication

- ◆ **Individuals are disqualified from receiving benefits when the agency finds that they quit work without good cause attributable to the employer or were discharged for misconduct connected with the work, or refused without good cause an offer of available suitable work as required by Section 443.101, Florida Statutes.**
- ◆ **Individuals who are not able to work or available for work are found ineligible for benefits as provided in Section 443.091(1), Florida Statutes.**
- ◆ **Claims adjudicators issue printed determinations containing appeal rights to the parties affected by the issue being disposed.**



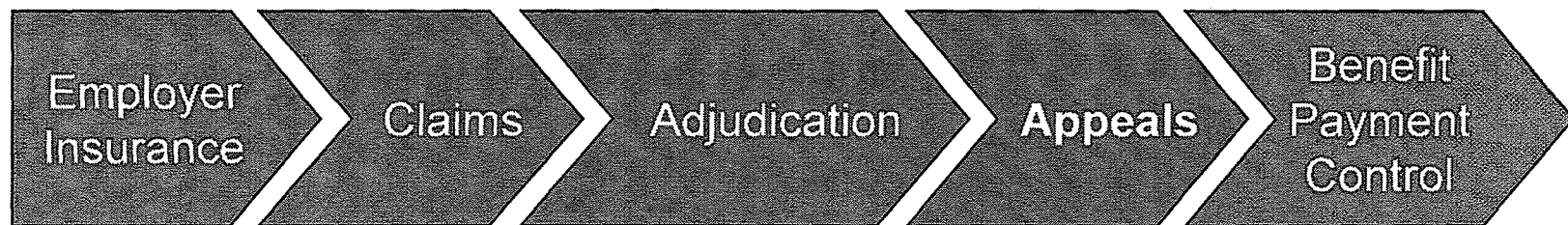
# Appeals

- ◆ **The agency's hearing officers conduct telephonic hearings to obtain sworn evidence that will result in an appeals decision to affirm, reverse or modify the original determination.**
- ◆ **Hearing officers mail notices of the hearing within at least 10 days of the date of the hearing, as required by Section 443.151(4), Florida Statutes.**
- ◆ **The party adversely affected by the decision of the hearing officer may request a review of the record by the Unemployment Appeals Commission.**



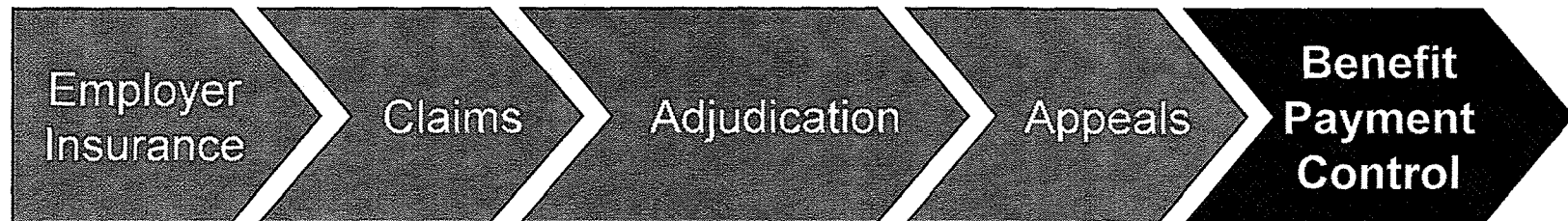
# Appeals – Higher Authority

- ◆ **The Unemployment Appeals Commission is a three-member panel appointed by the Governor, and the chair must have achieved the qualifications of a judge in Florida’s circuit courts.**
- ◆ **The commission is not subject to control by the agency but receives its administrative funding from the federal grants from which the UC program operates, as provided in Section 443.012, Florida Statutes.**
- ◆ **A person adversely affected by an order of the Commission may pursue the case in the District Court of Appeal.**



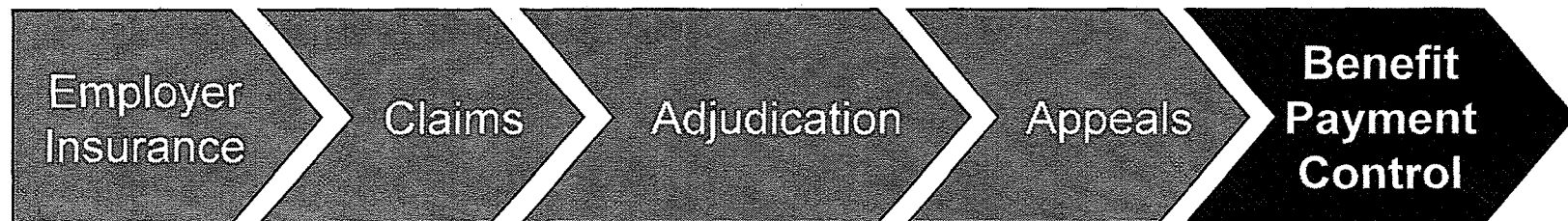
# Benefit Payment Control

- ◆ **Tracks benefit overpayments, detects fraudulent activity, coordinates repayment directly with the claimant or through criminal court, small claims court or a collection agency.**
- ◆ **When no effort is made to repay the amount of an overpayment the claim is referred to the collection agency contracted by the Department of Financial Services.**



# Benefit Payment Control

- ◆ **Overpayments occur when decisions to allow benefits are reversed on appeal, or when the beneficiary returns to work and fails to report the employment.**
- ◆ **As a result, the agency conducts data cross matches with the state and national directory of new hires.**
- ◆ **In addition, the agency cross matches benefit payment records against wage reports submitted to the Department of Revenue.**



# UC Automated Systems Replacement

- ◆ **Section 443.1113, Florida Statutes, was created during the 2009 Legislative Session to provide for the Unemployment Compensation Claims and Benefits Information System.**
- ◆ **The current core automated system processing all claims and benefit payments is more than 30 years old and depends heavily on synchronization with multiple subsystems to administer the program in the current environment of remote claims taking.**
- ◆ **Federal funds totaling \$26.6 million were appropriated for FY 2010-2011 to design and implement the new system.**
- ◆ **The project is targeted for completion in 2013.**



# UC Debit Card

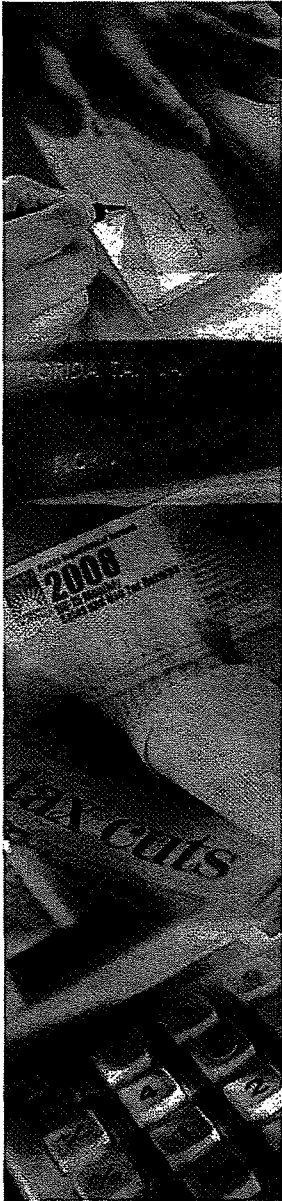
- ◆ **UC customers receive payments faster with additional safety and security measures.**
- ◆ **Debit cards may be used at no cost to the customer at more than 1,800 ATMs statewide.**
- ◆ **Statewide implementation planned for February 10, 2011.**
- ◆ **UC customers may continue to receive payments via EFT or paper check if they prefer.**





***Questions?***





# Unemployment Compensation Tax Rate

**House Economic Development and Tourism Subcommittee**

**January 11, 2011**



**Lisa Vickers**

**Executive Director**

**Department of Revenue**

# **Unemployment Compensation**

## **Two components of Unemployment Tax:**

- **Tax imposed and paid directly to the Federal Government**
- **State tax paid to fund benefits paid from the Unemployment Compensation Trust Fund**

# Unemployment Compensation

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## Federal Tax

- The federal tax rate is 6.2% with a credit of 5.4% to employers in good standing if their state has a federally compliant unemployment tax program and carries no delinquent federal UT loans.
- This credit reduces the amount employers pay directly to the federal unemployment compensation trust fund to .8% of taxable payroll.
- The .8% is imposed on the first \$7,000 of wages and equates to \$56 per employee.

# Unemployment Compensation

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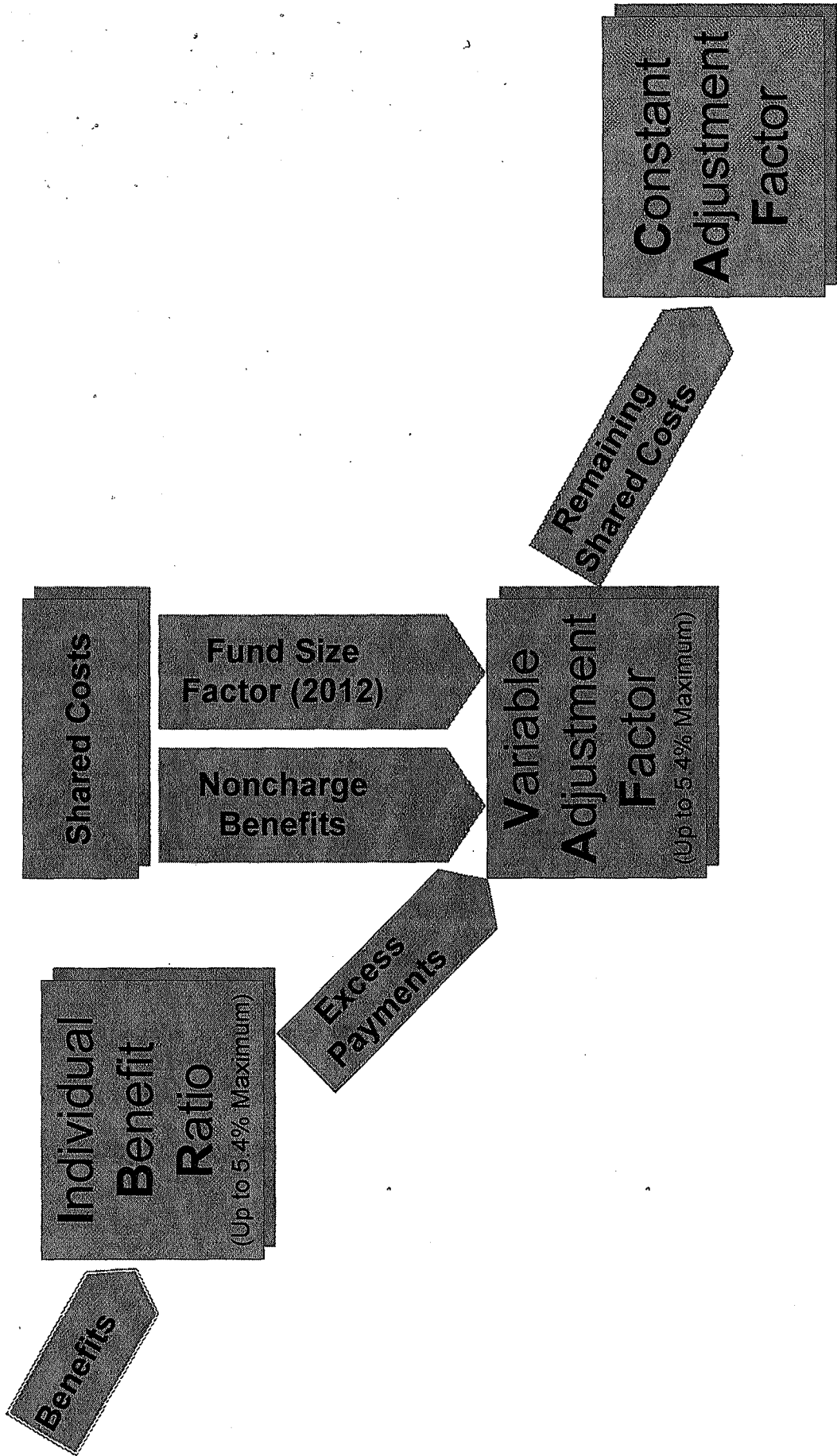
## State Tax

- There are two types of employers: contributing and reimbursable.
  - Governmental entities, Non-profits and Indian Tribes can choose whether they are contributing or reimbursable.
- States take different approaches for taxing contributing employers.
- Florida imposes a system of four categories of rates:
  - New business or initial rate of 2.7% (first 10 quarters of payroll)
  - Minimum rate set each year through calculations imposed by statute
  - Experience or earned rates between the minimum and maximum rates set each year through calculations imposed by statute and dependent on the employer's actual benefit charge experience
  - Maximum rate of 5.4% (which also serves as the standard rate and the penalty rate)

# Experience Based Rate Setting Process

## Florida Unemployment Tax

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# Individual Benefit Ratio

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- The portion of an employer's tax rate that is specific to the employer is called the Individual Benefit Ratio. It is derived by dividing the previous three years of benefit charges for that employer by the taxable payroll reported for the same three-year period by that employer.

$$IBR(i) = \frac{\sum_{t-14}^{t-2} ChargeableBenefits(i)}{\sum_{t-14}^{t-2} TaxableWages(i)}$$



# Variable Adjustment Factor

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- The Variable Adjustment Factor is calculated by taking the last three years of benefits that were not attributable to any employer (Noncharge Benefits), payments that were made that cannot be recovered from employers due to the maximum tax rate (Excess Payments) and the Fund Size Factor (which for Florida is zero since the trigger is off) and spreading it across employers based on the employers Individual Benefit Ratio.
- This factor is only spread against employers who had benefit charges

$$VAF(i) = \frac{NC + EP + FF}{GBR} \times IBR(i)$$

# Constant Adjustment Factor

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- After spreading the Noncharge Benefits and the Excess Payments across employers according to their Individual Benefit Ratio, any additional unassigned benefits are spread through the Constant Adjustment Factor across all employers except:
  - Initial Rate employers
  - Those employers at the maximum rate from either the Individual Benefit Ratio alone or the combination of the Individual Benefit Ratio and the Variable Adjustment Factor

$$CAF = (NC + EP + FF) - \frac{\sum_{j=1}^n \left( VAF(j) \times \sum_{t-14}^{t-2} TaxableWages(j) \right)}{\sum_{i=1}^n \sum_{t-14}^{t-2} TaxableWages(i)}$$

# Unemployment Compensation

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- When economic conditions result in abnormally high unemployment accompanied by high benefit charges, there is a drain on the trust fund.
- The effect is an increase in the variable and constant adjustment factors, which in turn increases tax rates for employers whose own experience would otherwise allow them to have rates below the maximum rate.

# Unemployment Compensation

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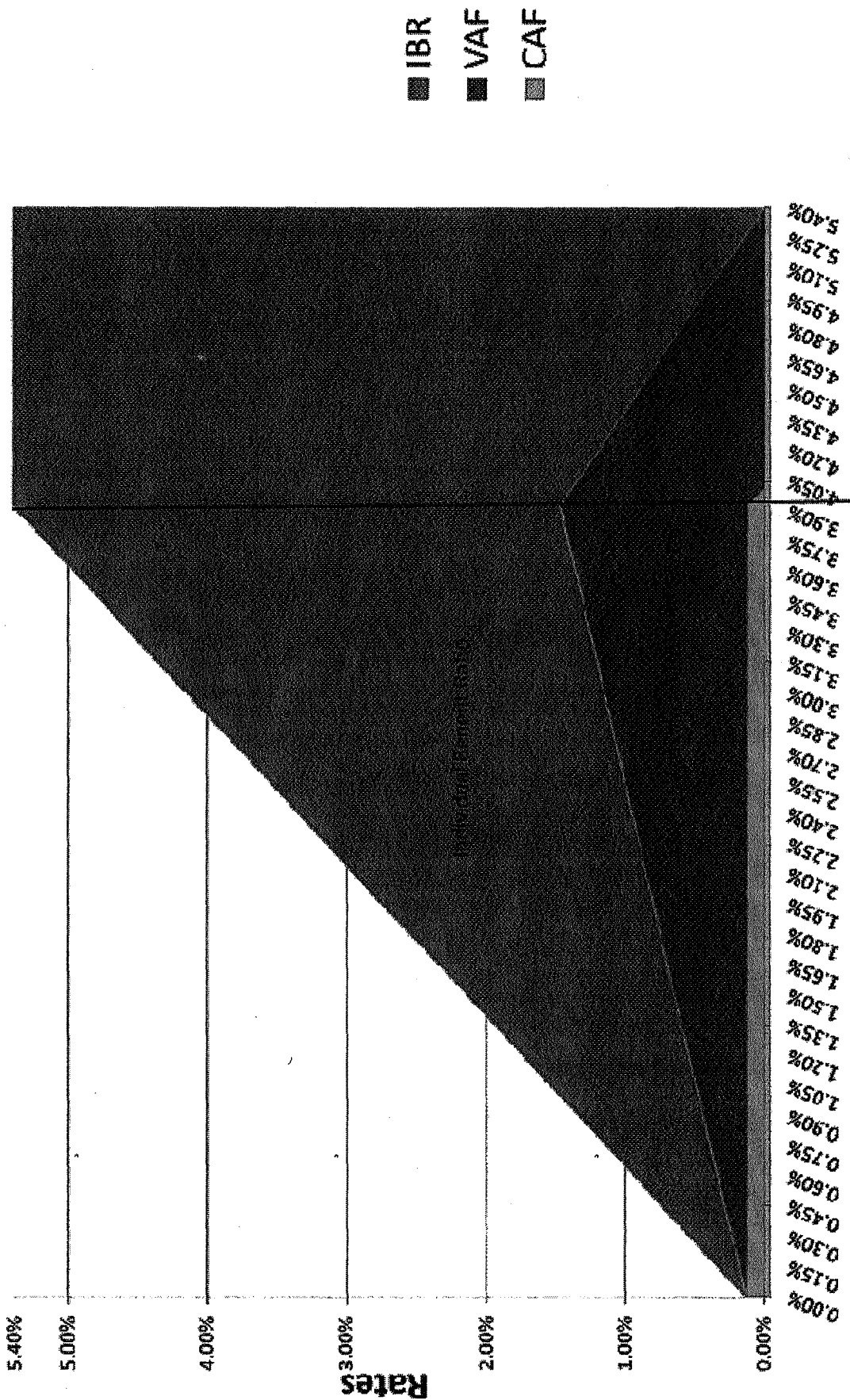
- The primary causes for the increase in the variable and constant adjustment factors are:
  - Most employers paying at the 5.4% maximum are incurring more benefit charges against the trust fund than their tax rate will cover. These non-covered charges are known as Excess Payments.
  - Due to meeting certain statutory criteria, benefit charges are not charged back to any employer. These are known as Noncharge Benefits.

# Unemployment Compensation

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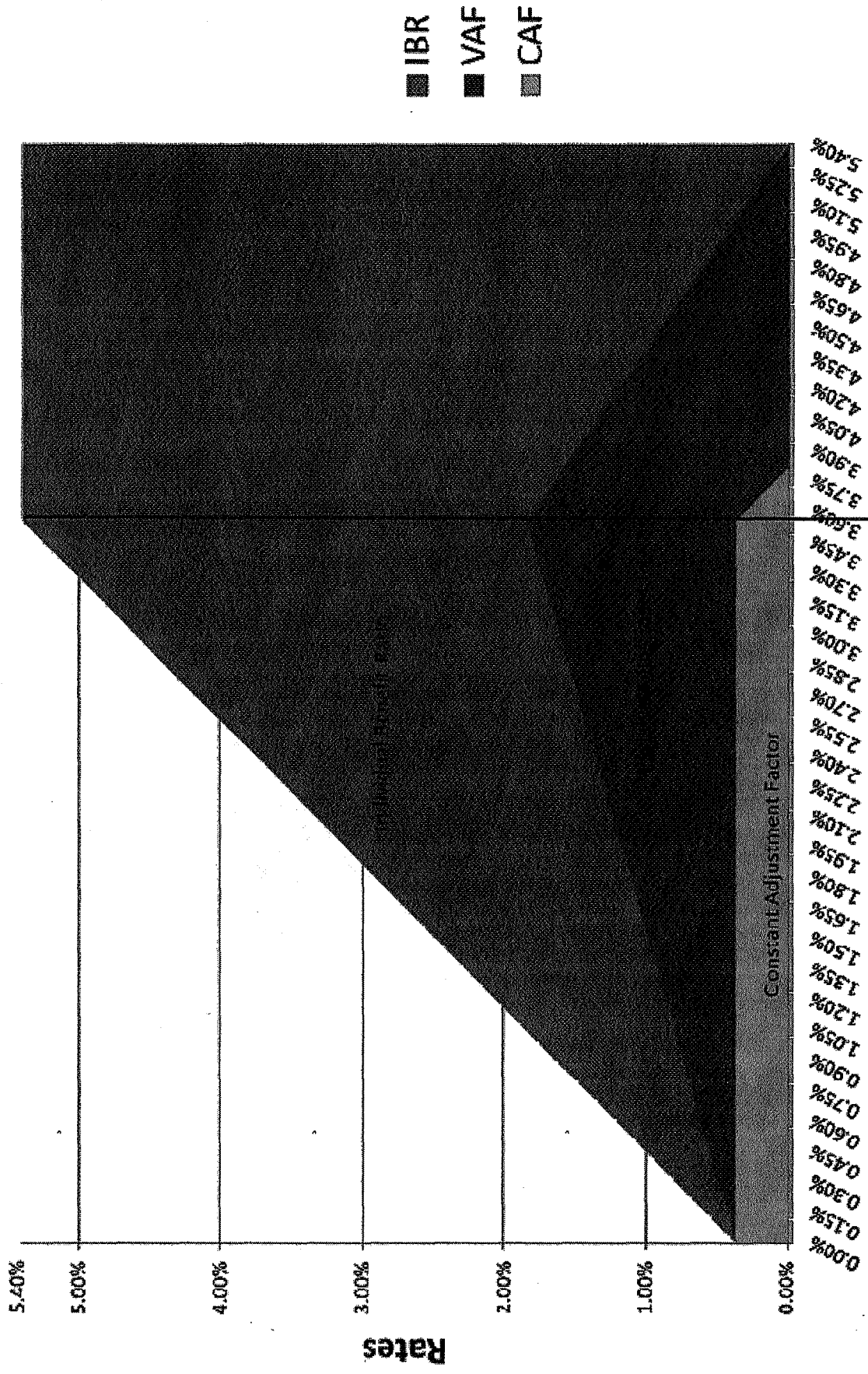
- The Variable Adjustment Factor and the Constant Adjustment Factor have a greater impact on employers with better experience ratings.
- Employers whose own benefit experience already places them at the maximum tax rate are not impacted by these factors.

# 2009 Rate Composition



- IBR
- VAF
- CAF

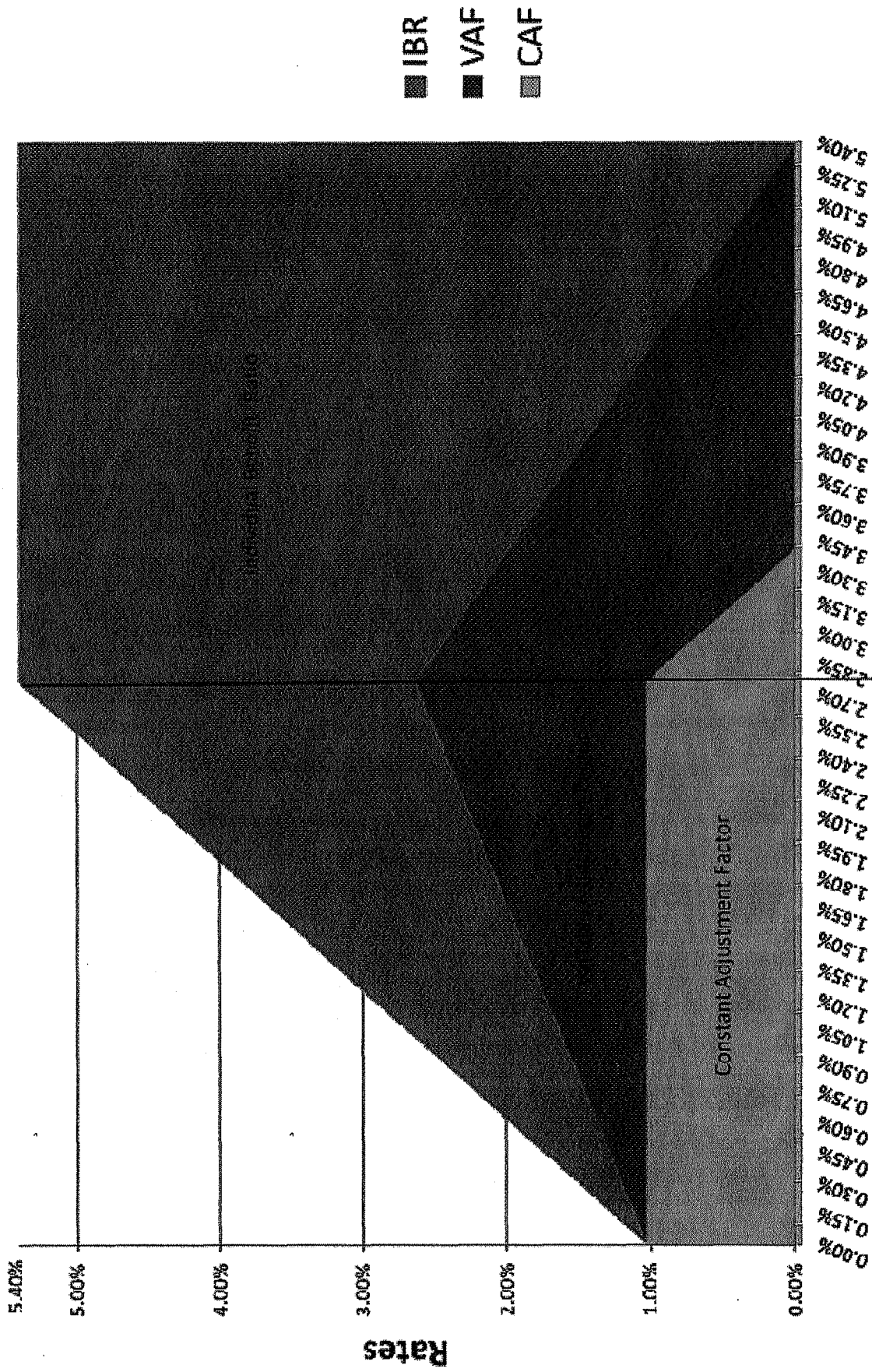
# 2010 Rate Composition



■ IBR  
 ■ VAF  
 ■ CAF

Individual Benefit Ratio

# 2011 Rate Composition



■ IBR  
 ■ VAF  
 ■ CAF



# Unemployment Compensation

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## 2011 Unemployment Tax Rates:

- Initial rate employers will pay \$189 per employee.
- Employers at the minimum rate will see an increase from \$25.20 to \$72.10 per employee.
- Employers already at the maximum tax rate will see no increase, but continue to pay \$378 per employee.
- About 11.7% of employers will have a rate somewhere between the minimum and maximum rate based on their actual experience.

# 2011 UT Rates

	Employers	Taxes	IBR	VAF	CAF	ER Benefit Charges
Minimum rate employers (ER)	219,935	\$45,635,636			\$45,635,636	-\$649,841
Employers above minimum and below maximum (ER)	54,281	\$707,607,947	\$291,948,023	\$170,293,282	\$245,366,642	\$446,612,530
Maximum - IBR < 5.4% (ER)	26,760	\$469,601,951	\$335,267,254	\$116,380,623	\$17,954,074	512,826,048
Maximum - IBR >= 5.4% (ER)	51,681	\$314,010,335	\$314,010,335			\$961,233,108
Penalty	9,296	\$20,572,603				\$25,920,564
STC (ER)	490	\$53,378,833	\$43,649,231	\$8,804,777	\$924,825	\$80,552,587
Other	136	\$1,881,720				\$1,379,219
Unrated	101,958	\$79,839,764				\$17,930,197
<b>Total - All Employers</b>	<b>464,537</b>	<b>\$1,692,528,788</b>	<b>\$984,874,843</b>	<b>\$295,478,682</b>	<b>\$309,881,177</b>	<b>\$2,045,804,412</b>
<b>Total - All Employers at Maximum Rate</b>	<b>78,441</b>	<b>\$783,672,634</b>	<b>\$649,277,589</b>	<b>\$116,380,623</b>	<b>\$17,954,074</b>	<b>\$1,474,059,028</b>
<b>Total - All Experience Rated Employers</b>	<b>353,147</b>	<b>\$1,590,295,050</b>	<b>\$984,874,843</b>	<b>\$295,478,682</b>	<b>\$309,881,177</b>	<b>\$2,000,574,304</b>

Note 1 : Taxes calculated using this year rate and last year wages

Note 2 - Additional analysis necessary to determine what amount of tax for Maximum rate employers are attributable to IBR, VAF, or CAF

Note 3: (ER) indicates Experience Rated Employers

## **Additional Rate for Interest on Federal Advances**

- In addition to the tax rates this year, Florida employers will also be subject to an additional rate which will be assessed to pay the interest that has accrued on the federal advances.

## **Additional Rate for Interest on Federal Advances**

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The rate is determined by dividing the estimated amount of interest by 95% of taxable wages for the previous fiscal year.

- Estimated Federal Interest Payment Due:       \$     61,400,000
- One year taxable payroll ending 06/30/2010:   \$47,792,311,830

$\$61,400,000 \text{ interest} / 95\% (\$47,792,311,830) = .0014 \text{ rate applied to each employer's one-year taxable payroll}$

- Estimated calculation at the employee level:  
    \$7,000 taxable wages X .0014 = \$9.51 per employee

# Repayment of Federal Advances

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- If Florida does not pay back the federal loans as of November 2011, employers will be subject to a loss of .3 of their federal credit for each year the loans remain unpaid.
- This would result in the amount of federal tax due to increase from .8% to 1.1% of taxable payroll.

# Notifications to Employers

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December 2010	2011 Individual Tax Rate Notices Mailed
February 1, 2011	Mail Additional Rate Notice for Interest on Federal Advances
March 2011	Begin mailing Individual Tax Returns
April 2011	First Quarter Unemployment Tax and Returns due on April 1 <sup>st</sup> ; late after April 30 <sup>th</sup>

# Questions???

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