ECONOMIC AFFAIRS COMMITTEE

MEETING PACKET

Thursday, January 22, 2015
1:00 PM – 3:00 PM
Reed Hall (102 HOB)

Steve Crisafulli
Speaker

Jose Oliva
Chair

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Economic Affairs Committee

Start Date and Time:	Thursday, January 22, 2015 01:00 pm
End Date and Time:	Thursday, January 22, 2015 03:00 pm
Location:	Reed Hall (102 HOB)
Duration:	2.00 hrs

Presentations by the Office of Program Policy Analysis and Government Accountability

1. Research on Urban High Crime Area Job Tax Credit Program
2. Research on Enterprise Zone Program

NOTICE FINALIZED on 01/15/2015 14:53 by Manning.Karen

OPPAGA Presentations

Urban High-Crime Area Job Tax Credit Program

A presentation to
the House Economic Affairs Committee

Kara Collins-Gomez, Staff Director
OPPAGA Government Operations Policy Area

January 22, 2015

Research Questions

- Is the program achieving goals set out by the Legislature when it was created?
- Do qualified high-crime areas still meet statutory requirements related to crime rates and other criteria?
- What is the program's impact on stakeholders, including the private sector?

Program Background

- The Legislature created the program to encourage job creation in certain urban high-crime areas
  - Businesses within specified industries that are located in designated areas are eligible for job tax credits
- DEO designates areas as “high-crime” and assigns the areas to three tiers
  - No threshold level of crime qualifies or disqualifies an area for designation
  - Tax credit amounts range from $500 to $2,000 per employee

Findings

Program Job Tax Credits Are Underutilized

There are 13 designated urban high-crime areas, although state law authorizes up to 15

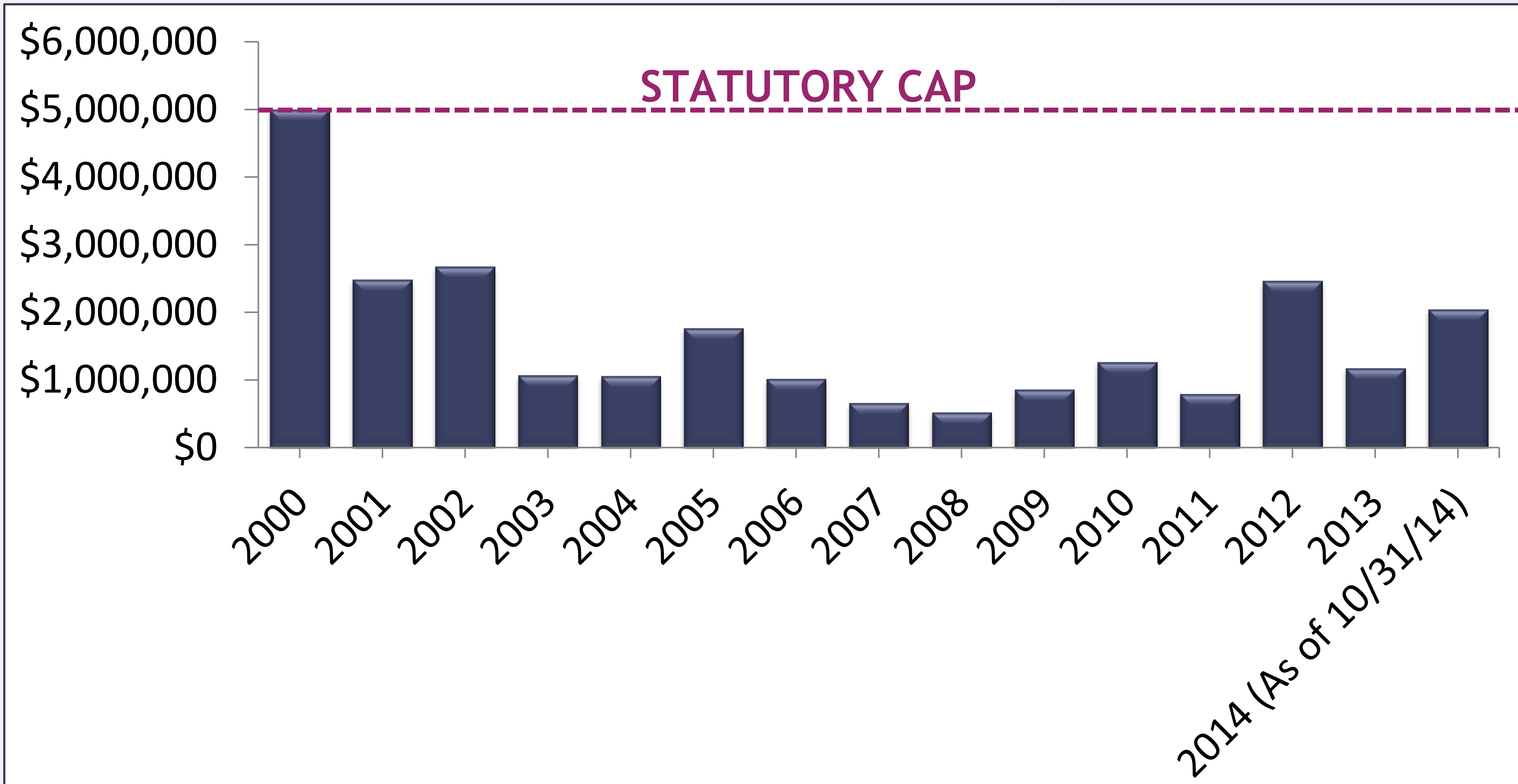
Source: Department of Economic Opportunity.

No New Areas Have Been Nominated and Until Recently, DEO Had Not Reevaluated Designated Area Rankings

- Since 1997, no additional local governments have sought designation of urban high-crime areas

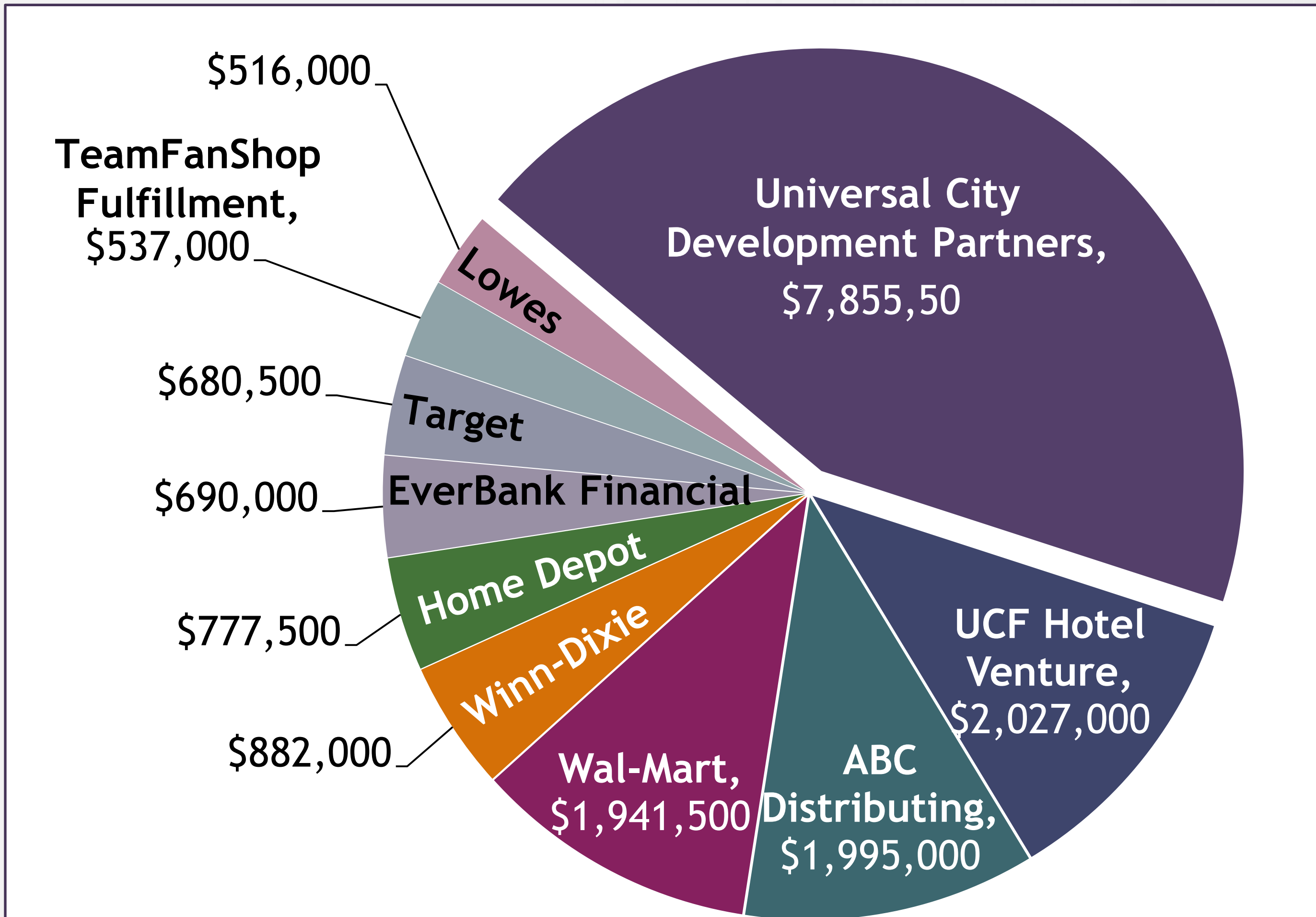
- State law requires DEO to rank and tier nominated areas every three years
  - Until August 2014, the department had not followed this provision
  - Without periodic reevaluation, it is impossible to verify the ongoing accuracy of area rankings

DEO Has Approved $25 Million in Tax Credits, but Annual Credits Have Typically Been Well Below the $5 Million Cap



Source: Department of Economic Opportunity.

A Small Number of Businesses Account for over 70% of the Tax Credits Approved



Source: Department of Economic Opportunity.

Crime Measures Cannot Be Compared Across Urban High-Crime Areas or Over Time

DEO Has Not Specified How to Collect and Report Crime Data

- State law describes the data to be used to designate urban high-crime areas
  - DEO did not provide enough guidance to local governments to ensure consistency nor did it require documentation to support the data submitted
- OPPAGA interviews found that local governments did not all use the same data gathering and reporting methods

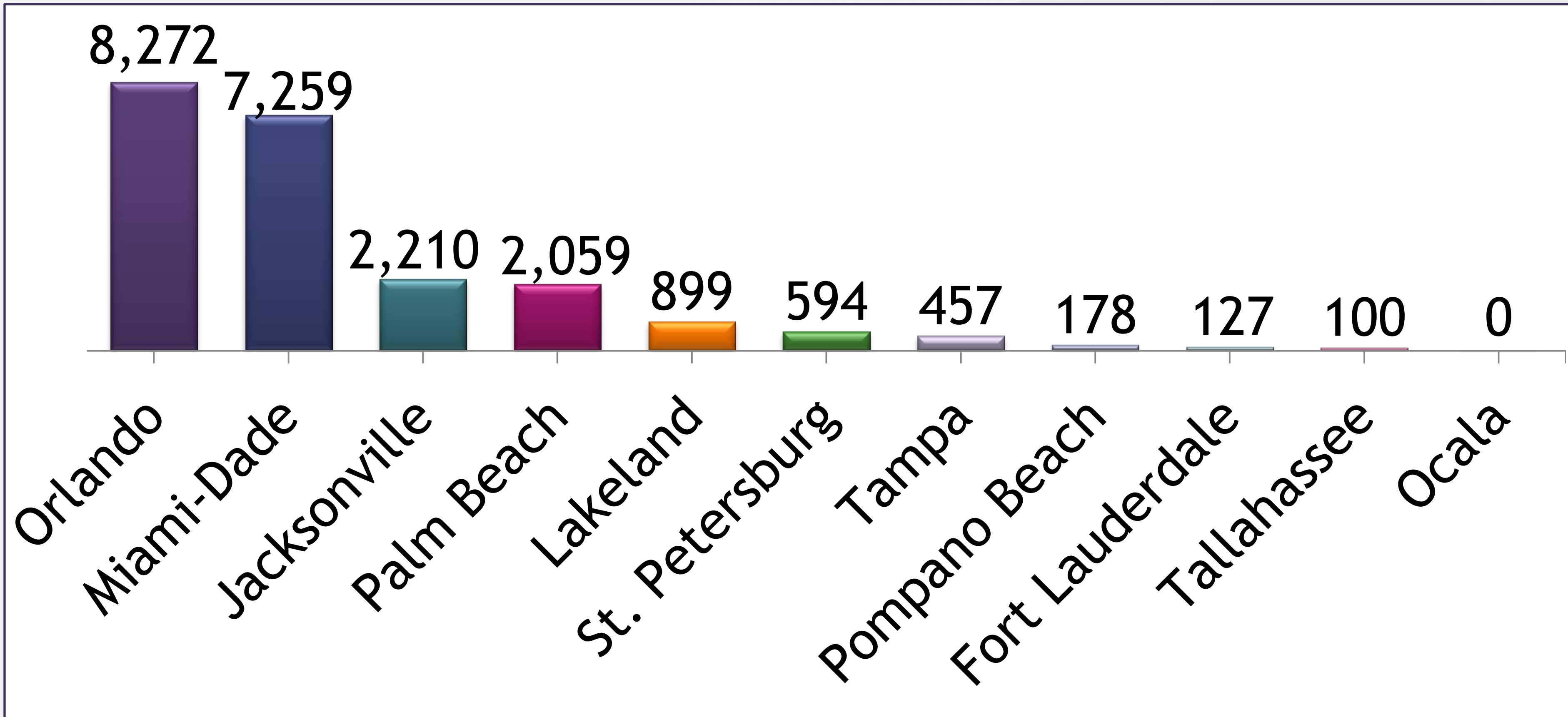
Crime Declined in the Six Areas that Used Standardized Reporting but Remains Higher in These Areas than in Other Urban Jurisdictions

Urban High-Crime Area	Crime per 100 Residents in 1997	Crime per 100 Residents in 2013	Change in the Crime Rate from 1997 to 2013
Lakeland	10.01	5.09	-49%
Palm Beach County	27.50	9.62	-65%
Pompano Beach	12.65	4.71	-63%
St. Petersburg	14.25	11.10	-22%
Tallahassee	8.25	7.49	-9%
Tampa	18.99	5.83	-69%
State of Florida	**7.27**	**3.63**	**-50%**

Source: OPPAGA analysis of Department of Economic Opportunity and Florida Department of Law Enforcement data.

Tax Credit Recipients Created Jobs, but Incentives Not Cited as Major Factor

Businesses in Urban High-crime Areas Have Created More than 22,000 Jobs, but Number of Jobs Varies by Area



Source: Department of Economic Opportunity.

Few Businesses Provided Feedback on the Program; Those that Did Said Tax Credits Not a Major Factor in Business Decisions

- OPPAGA surveyed representatives of 19 businesses that received program tax credits during a three-year period; 5 responded
- Respondents noted that program tax credits were not a primary factor in their business location and expansion decisions
- Other stakeholders reported not distinguishing program tax credits from those offered in enterprise zones

The Legislature Could Consider Several Options for the Program:

Option 1	• Improve program administration
Option 2	• Designate a crime level threshold
Option 3	• Merge the program with the Enterprise Program
Option 4	• Eliminate the Program

Questions?

Contact Information

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OPPAGA
research memorandum
THE FLORIDA LEGISLATURE'S OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

Urban High-Crime Area Job Tax Credit Program

January 5, 2015

Scope

As directed by the Legislature, OPPAGA reviewed the Urban High-Crime Area Job Tax Credit Program to assess its effectiveness and value and to consider several factors.

- Whether the program is achieving goals set out by the Legislature when it was created, including its impact on encouraging employment opportunities that improve the quality of life of those employed and encouraging economic expansion of new and existing businesses.
- Whether existing "qualified high-crime areas" still meet statutory requirements related to arrest rates for violent and other crimes, crime volume, crime rate, and other criteria.
- The program's impact on stakeholders, including local governments, the state, and the private sector.

Background

The Legislature created the program to encourage job creation in certain urban high-crime areas. The Urban High-Crime Area Job Tax Credit Program provides job tax credits to businesses that are in specified industries and are located in designated urban areas of the state.[1, 2] Businesses can use the credits to reduce sales and use tax or corporate income tax liability.

The Department of Economic Opportunity (DEO) is responsible for determining whether areas nominated by local governments are eligible for designation as a high-crime area.[3] Every third year, the department is statutorily required to rank and tier nominated areas according to five criteria.

- Highest arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances.
- Highest reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism.
- Highest percentage of reported index crimes that are violent in nature.
- Highest overall index crime volume for the area.
- Highest overall index crime rate for the geographic area.

Designated urban high-crime areas are ranked into three tiers. There is no threshold level of crime that qualifies or disqualifies an area for designation as an urban high-crime area; instead, nominees ranked 1 to 5 are tier one, those ranked 6 to 10 are tier two, and those ranked 11 to 15 are tier three. The tax credit amount awarded to an eligible business varies depending on the tier

[1] Section 212.097, *F.S.*

[2] The eligible industries are agriculture, forestry, and fishing; manufacturing; retail; public warehousing and storage; hotels and other lodging places; research and development; motion picture production and allied services; public golf courses; and amusement parks. A call center or similar customer service operation that services a multistate market or international market is also an eligible business.

[3] The local government must provide DEO the (a) overall index crime rate for the geographic area; (b) overall index crime volume for the area; (c) percentage of reported index crimes that are violent in nature; (d) reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism; and (e) arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, disorderly conduct, vandalism, and other public-order offenses.

ranking of the area in which the business is located, whether the business is new or existing, and the number of qualified employees. A qualified employee must work for an eligible business at least 36 hours per week for at least three months. (See Exhibit 1.)

Exhibit 1
Urban High-Crime Area Job Tax Credit Amounts Depend on Business Type and Number of Employees

Tier	Eligibility Requirements	Credit Amount[1]
Tier 1	▪ New business – At least 10 qualified employees ▪ Existing business – At least 5 qualified employees	$1,500 per employee
Tier 2	▪ New business – At least 20 qualified employees ▪ Existing business – At least 10 qualified employees	$1,000 per employee
Tier 3	▪ New business – At least 30 qualified employees ▪ Existing business – At least 15 qualified employees	$500 per employee

[1] A new or existing business will receive an additional $500 credit if the qualified employee is a welfare transition program participant.
Source: Florida statutes.

Findings

Program Job Tax Credits Are Underutilized

Currently, there are 13 designated urban high-crime areas, although state law authorizes up to 15. The areas are located in Fort Lauderdale, Jacksonville, Lakeland, Miami-Dade County (includes 3 areas), Ocala, Orlando, Palm Beach County, Pompano Beach, St. Petersburg, Tallahassee, and Tampa. (See Exhibit 2.) The allowable size of the designated area depends on population and ranges from 3 square miles (population of fewer than 20,000) to 20 square miles (population of 150,000 or more). There is no statutory mechanism for local governments to amend the boundaries of designated urban high-crime areas once they have been established.

Exhibit 2
There Are Currently 13 Designated Urban High-Crime Areas in Florida

Source: Department of Economic Opportunity.

No new areas have been nominated since program inception and DEO did not reevaluate designated area rankings as required by state law. According to s. 212.097(1)(e), *Florida Statutes*, every third year, the Department of Economic Opportunity must rank and tier nominated urban high-crime areas using prioritized statutory criteria pertaining to crime. Until August 2014, the department had not followed this statutory provision since the program's inception in 1997. Without periodic reevaluation of crime data within the designated areas, it is impossible to verify the ongoing accuracy of the area rankings; it is possible that such an analysis would have resulted in areas changing tiers (e.g., a shift from tier 1 to tier 2 if an area's crime rate significantly declined). In fact, subsequent to DEO's August 2014 data request, three areas changed tier—Jacksonville (from 1 to 2), Pompano Beach (from 2 to 3), and St. Petersburg (from 3 to 1).

According to program officials, rather than reevaluating the designated areas as required by state law, they surveyed area representatives about their willingness to submit updated crime data. These officials reported that most areas declined to provide updated information, citing the onerous process of gathering the data. In addition, the department's general counsel advised program officials that DEO has no statutory authority to compel areas to provide the crime data, and areas that did not comply should be moved to the bottom of the priority list. The department has no documentation of this internal policy.

DEO has approved $25 million in tax credits during the program's 15-year history, but annual credits have typically been well below the $5 million cap. From January 1, 1999, through October 31, 2014, the Urban High-Crime Area Job Tax Credit Program approved $25,072,500 in tax credits. While the Legislature established a $5 million annual cap on tax credits awarded under the program, the amount of credits approved by DEO has been lower than this cap each year since the program's inception. (See Exhibit 3.)

DEO staff believes that the underuse of tax credits is due to several factors, including a lack of public awareness of the program, limited program marketing efforts, and statutory provisions that limit the credits to businesses classified in certain Standard Industrial Codes.[4]

Exhibit 3
Over 15 Years, DEO Has Approved $25 Million in Urban High-Crime Job Tax Credits

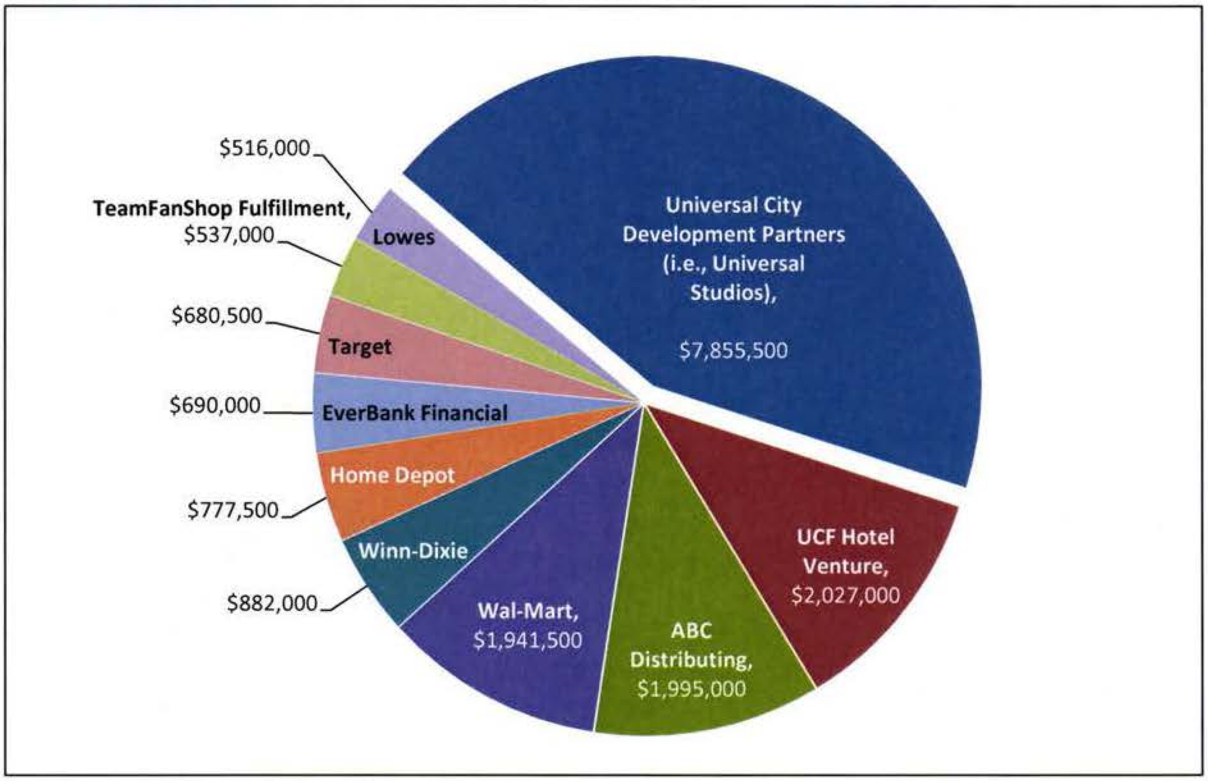
Year	Total Value of Approved Job Tax Credits
1999	$ 260,500
2000	4,999,500
2001	2,486,500
2002	2,673,500
2003	1,069,000
2004	1,053,500
2005	1,761,000
2006	1,014,000
2007	654,000
2008	517,500
2009	855,000
2010	1,259,500
2011	790,500
2012	2,460,500
2013	1,172,500
2014 (as of 10/31/14)	2,045,500
Total	**$25,072,500**

Source: Department of Economic Opportunity.

[4] Section 212.097, *F.S.*, authorizes DEO, as part of its final legislative budget request, to recommend additions or deletions from the list of allowable industrial classifications. The department has never requested the addition of industry classifications.

A small number of businesses account for over 70% of the tax credits approved from January 1, 1999, through October 31, 2014. These companies include a theme park, grocery and drug stores, and major retail outlets. The company with the most approved credits is Universal City Development Partners (i.e., Universal Studios), which has received nearly $8 million since 1999. UCF Hotel Venture has the second highest number of approved credits, with $2 million. (See Exhibit 4.)

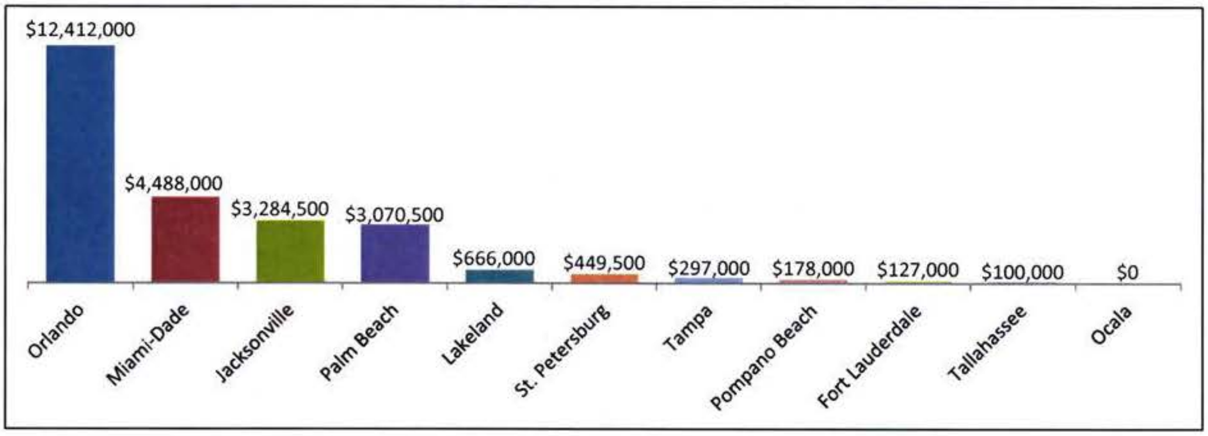
Exhibit 4
Ten Companies Account for the Majority of Approved Urban High-Crime Area Job Tax Credits; Universal Studios Has Received 44% of the Credits Awarded



Source: Department of Economic Opportunity.

Businesses in Orlando have received $12.4 million in job tax credits, the most of any urban high-crime area. Businesses in Miami-Dade's three areas have received $4.5 million, while businesses in Jacksonville have received $3.3 million. (See Exhibit 5.)

Exhibit 5
The Amount of Job Tax Credits Awarded Since Program Inception Varies by Urban High-Crime Area



Source: Department of Economic Opportunity.

Measures of Crime in Urban High-Crime Areas Are Not Standardized to Allow for Comparison Among Nominated Areas or Over Time

DEO has not specified how to collect and report crime data. State law describes the crime information to be used to designate urban high-crime areas, but the Department of Economic Opportunity did not provide enough guidance in its instructions to local governments to ensure consistency and required no documentation to support the data nominees submitted for program ranking. Our interviews found that the applicants did not all use the same data gathering and reporting methods.

The Uniform Crime Reporting (UCR) program is a voluntary annual survey of crimes commonly used by law enforcement agencies across the United States. Data reporting procedures used by the UCR divide crimes into two general categories.

- *Part I Index Crimes* – Homicide, forcible rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson
- *Part II Index Crimes* – Offenses generally considered to be less serious such as simple assault, fraud, vandalism, drug crimes, and public order offenses

Official crime rates are typically reported as the number of Part I Index Crimes in a jurisdiction divided by the residential population.[5] Because the UCR reports the single most serious crime charged in an incident, it under-reports total crime. However, it does provide a uniform measure for analyzing crime rate trends over time and differences among regions.

Although UCR is the most commonly used source for crime data, designated urban high-crime areas do not uniformly use UCR data reporting procedures. At the time of initial designation, the 13 areas provided DEO with information regarding crime within the areas, including the number of Part I and Part II Index Crimes and the residential population for 1997. In 2014, DEO requested the same information for 2013. Six areas used UCR data reporting procedures, but the remaining seven areas

[5] Crime rates in areas with high non-residential traffic, such as tourist areas, may have higher crime rates because the number of crimes per the residential population does not accurately represent the number of non-residential visitors and the increased opportunity for victimization. This data issue may be significant in calculating crime rates in several urban high-crime areas in Florida due to the high number of non-resident visitors.

varied in their data reporting formats. For example, some areas reported arrests as the number of individuals arrested, whereas one area counted each charge against an individual as a separate arrest incident. Consequently, the crime rates for these areas cannot be compared to those of the six areas that used UCR nor can they be compared to their own 1997 data. According to the department, its staff does not have crime analysis expertise and thus, relies on the data provided by urban high-crime areas.

While crime has declined in the six urban high-crime areas that used standardized reporting, it remains higher in these areas than other urban jurisdictions. Crime statistics are used to rank urban high-crime areas to determine the tier that will be used to award businesses tax credits. However, the Urban High-Crime Area Job Tax Credit Program is an economic development program and lowering the area crime rate is not explicitly addressed in statute. When DEO designated the original UHC areas in 1998, the 13 areas were the only nominees. Since the program does not specify a threshold level of crime as "high crime," we reviewed crime data provided by DEO and the Florida Department of Law Enforcement to determine whether these areas still had significant amounts of crime.

Beginning in the late 1980s, the overall Part I Index Crime rate in Florida declined significantly, from a high of 8.94 crimes per 100 residents in 1988, to a rate of 3.63 crimes in 2013. Between 1997 and 2013, Florida experienced a 50% reduction in the overall crime rate, from 7.27 crimes per 100 residents to 3.63 crimes.[6] For the six urban high-crime areas that had reliable and comparable data, we determined that the crime rate was significantly higher in both 1997 and 2013; the overall rates were 17.20 per 100 residents and 7.99 per 100 residents, respectively. The rate of decline in crime within the examined high-crime areas was comparable to the decrease for the state as a whole (54%). Thus, the decline in crime in the areas from 1997 to 2013 reflects a larger statewide pattern of declines in crime but still leaves the rates in these areas significantly high. (See Appendix A for crime rates for each urban high-crime area.)

OPPAGA also analyzed the changes in crime rates in the six urban high-crime areas relative to changes in crime rate in urban law enforcement jurisdictions with populations greater than 10,000 residents from 1997 to 2013. Results indicate that four of the six urban high-crime areas improved their relative statewide ranking. However, two ranked higher in terms of overall crime rates relative to urban law enforcement jurisdictions—St. Petersburg and Tallahassee. (See Exhibit 6.)

Exhibit 6
Relative to Crime Rates in Other Urban Jurisdictions, Four of Six Urban High-Crime Areas Improved Their Overall Rank from 1997 to 2013

Urban High-Crime Area	Percentile Rank in 1997[1]	Percentile Rank in 2013[1]
Tallahassee	53rd	93st
Lakeland	71st	64th
Pompano Beach	84th	55th
St. Petersburg	91st	99th
Tampa	99th	77th
Palm Beach County	100th	97th

[1] High percentile ranking indicates a higher relative crime rate. Green font indicates improvement in ranking and red font indicates decline in ranking.

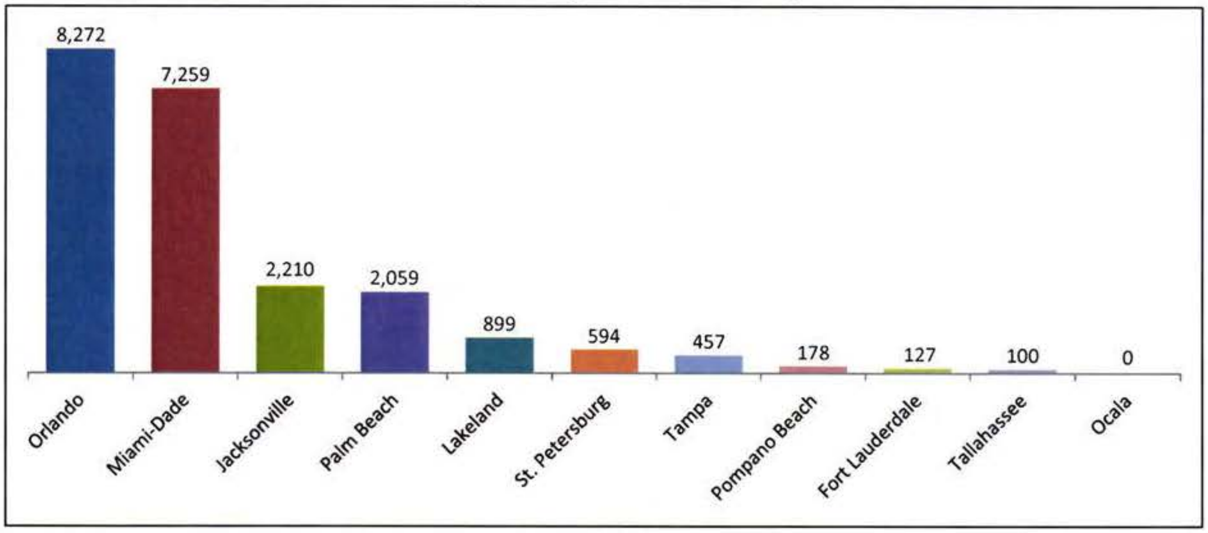
Source: OPPAGA analysis of Department of Economic Opportunity data and *Total Crime for Florida, 1971-2013*, Florida Department of Law Enforcement.

[6] Crime also has declined across the United States during this time.

Tax Credit Recipients Have Created Jobs and Generated Business and Wage Growth, but the Incentives may not be a Major Factor in Their Business Decisions

Businesses in urban high-crime areas have created more than 22,000 jobs over a 15-year period. According to the Department of Economic Opportunity, the Urban High-Crime Area Job Tax Credit Program has created 22,155 jobs since program inception (January 1, 1999, through October 31, 2014). The number of jobs created differed significantly among the urban high-crime areas. For example, businesses in Orlando's urban high-crime area received tax credits for creating 8,272 jobs, while no businesses in the Ocala area received job tax credits.[7] (See Exhibit 7.)

Exhibit 7
The Number of Jobs Created Differed Significantly Across Urban High-Crime Areas



Source: Department of Economic Opportunity.

Urban high-crime areas in Fort Lauderdale and Pompano Beach experienced high business growth, at 337% and 524%, respectively. For the remaining areas, business growth ranged from 6% to 55%. Wage growth ranged from 31% (Palm Beach County) to 78% (St. Petersburg), while employment growth ranged from -27% (Ocala) to 407% (Pompano). (See Exhibit 8.)

[7] DEO officials were unable to provide an explanation for the significant variation in job creation among urban high-crime areas.

Exhibit 8
Economic Growth Varied in the Urban High-Crime Areas from Calendar Years 1998 to 2013[1]

Urban High-Crime Area	Business Growth[2]	Employment Growth[3]	Wage Growth[4]
Fort Lauderdale	337%	257%	62%
Jacksonville	14%	-19%	49%
Lakeland	28%	18%	30%
Miami-Dade County[5]			
Ocala	6%	-27%	53%
Orlando	50%	32%	45%
Palm Beach County	55%	41%	31%
Pompano Beach	524%	407%	35%
St. Petersburg	51%	1%	78%
Tallahassee	8%	21%	49%
Tampa	22%	-6%	53%
Statewide	**45.9%**	**13.7%**	**54.9%**

[1] Period is 1998 compared to 2013.
[2] Changes in number of businesses.
[3] Changes in number of employees.
[4] Changes in average wages.
[5] We were unable to obtain data for Miami-Dade County's three UHC areas.
Source: OPPAGA analysis of Department of Economic Opportunity data.

Very few businesses provided feedback on the program; those that did said tax credits were not a major factor in business decisions. OPPAGA staff surveyed urban high-crime area job tax credit recipients to better understand businesses' experiences with the program and the role the incentives played in location and expansion decisions. We were also interested in recipients' perceptions regarding crime in the areas around their businesses. We sent surveys to individuals representing 19 businesses that the Department of Economic Opportunity identified as having received program tax credits during Fiscal Year 2011-12 through Fiscal Year 2013-14. We received responses from individuals representing only five companies.

Although very few of the program recipients responded to our survey, those that did provided feedback about the program's influence on their businesses' location and expansion decisions. Most of the businesses reported that the urban high-crime area job tax credits were not a factor in their decisions. Regarding crime, most of the businesses noted that their perception of crime in the area around their businesses is that it has remained about the same over the last three years (Fiscal Year 2011-12 through Fiscal Year 2013-14).

In addition to surveying businesses that received urban high-crime area job tax credits, we sought feedback from numerous stakeholders, including local government representatives, industry associations, and business groups. We asked these stakeholders to reflect on the program's value, especially at the local level.[8]

We received very limited feedback from these stakeholders. One group representing local governments reported that its members believe that the Urban High-Crime Area Job Tax Credit Program is important. However, the group's members generally do not distinguish between urban

[8] We requested feedback from representatives of Associated Industries of Florida, the Florida Association of Counties, the Florida Chamber of Commerce, the Florida League of Cities, the Florida Retail Federation, and the National Federation of Independent Businesses.

high-crime area job tax credits and those offered by the Enterprise Zone Program.[9] This may be due to overlap in the areas served by both programs.[10]

Options for Legislative Consideration

Given the Urban High-Crime Area Job Tax Credit Program's low utilization rate among businesses and concerns about the Department of Economic Opportunities' administration of the program, the Legislature may wish to consider the following options.

Option 1: Improve program administration. To ensure that urban high-crime areas are assigned to the correct tier, DEO should comply with statutory requirements to review and rank nominated areas into tiers every three years. The department should also improve the reliability and comparability of crime data used to designate and rank urban high-crime areas by requiring that the crime data reported for urban high-crime areas follow the same rules currently used by all state law enforcement agencies to report Uniform Crime Reporting crimes and arrests to the Florida Department of Law Enforcement.

In addition, to increase businesses' awareness of the program, DEO could work with Enterprise Florida, Inc., and local economic development organizations to develop a marketing plan.[11] Marketing efforts could include

- a description of the designation process for local governments interested in participating in the program;
- more prominent placement of program information on economic development organization's websites;
- development of program brochures or other marketing materials; and
- provision of program information to business associations, industry organizations, and site selection consultants.

Option 2: Designate a crime level threshold. Currently, there is no threshold level of crime to qualify for designation as an urban high-crime area. As long as there are no more than 15 nominees, each will receive designation, regardless of their relative level of crime compared to other urban areas across the state. The Legislature could consider designating a threshold based on statewide crime statistics from the Uniform Crime Reporting system to ensure that only the areas with significantly high crime are designated to participate in the program.

Option 3: Merge the program with the Enterprise Zone Program. Given the overlap of some designated areas with enterprise zones, the Legislature could consider merging the two programs. Under a consolidated program, businesses in geographical locations within enterprise zones that have been identified as areas having the highest crime rates could receive additional job tax credits. A similar approach is used for businesses eligible for the Qualified Target Industry Tax (QTI) Refund Program that are located in enterprise zones. Businesses that meet QTI program eligibility requirements receive a base tax refund ($3,000 per job) and an additional $3,000 per job if they are located in an enterprise zone.

[9] The Florida Enterprise Zone Program was created to revitalize and rehabilitate distressed areas, stimulate employment among area residents, and enhance economic and social well-being in the areas. To achieve these goals, the state, county, and municipal governments provide businesses with investments, tax incentives, and local government regulatory relief. State incentives include job and corporate income tax credits as well as sales tax refunds.

[10] Areas that have both urban high-crime areas and enterprise zones include Fort Lauderdale, Jacksonville, Lakeland, Miami-Dade County, Orlando, Palm Beach County, St. Petersburg, Tallahassee, and Tampa.

[11] Enterprise Florida, Inc., is a public-private partnership created by the Legislature to serve as the state's principal economic development organization.

Option 4: Eliminate the program. Given the lack of participation in the Urban High-Crime Area Job Tax Credit Program, the Legislature could consider eliminating the program. Businesses have received job tax credits that approached the program's annual $5 million cap in only one year (2000) since the program's inception, and recipients OPPAGA surveyed reported that the program was not a significant factor in business location decisions. This option would result in a savings to the state, though it would be a challenge to determine the amount due to the widely varying annual tax credit amounts over the history of the program (e.g., to date, annual approved tax credits have ranged from $260,500 to $4,999,500).

Appendix A

Crime Rates in Urban High-Crime Areas

For the six urban high-crime areas that had reliable and comparable data, we determined that crime rates were significantly high in both 1997 and 2013. Among the six areas, 1997 rates ranged from 8.25 per 100 residents in Tallahassee to 27.50 in Palm Beach County; for 2013, rates ranged from 4.71 per 100 residents in in Pompano Beach to 11.10 in St. Petersburg. Crime decreased in all six areas between 1997 and 2013, but the rate of decline is comparable to the decrease for the state as a whole (54%). The largest decrease (69%) occurred in Tampa; the smallest decrease (9%) occurred in Tallahassee. (See Exhibit A-1.)

Exhibit A-1
Crime in Urban High-Crime Areas Declined at the Same Rate as the State as a Whole, but Remains Above the State Average; Rate of Decline Varied by Area

Urban High-Crime Area	Crimes per 100 Residents in 1997	Crime per 100 Residents in 2013	Change in the Crime Rate from 1997 to 2013
Lakeland	10.01	5.09	-49%
Palm Beach County	27.50	9.62	-65%
Pompano Beach	12.65	4.71	-63%
St. Petersburg	14.25	11.10	-22%
Tallahassee	8.25	7.49	-9%
Tampa	18.99	5.83	-69%
All Urban High-Crime Areas	**17.20**	**7.99**	**-54%**
State of Florida	**7.27**	**3.63**	**-50%**

Source: OPPAGA analysis of Department of Economic Opportunity and Florida Department of Law Enforcement data.

Florida’s Enterprise Zone Program

A presentation to the
House Economic Affairs Committee

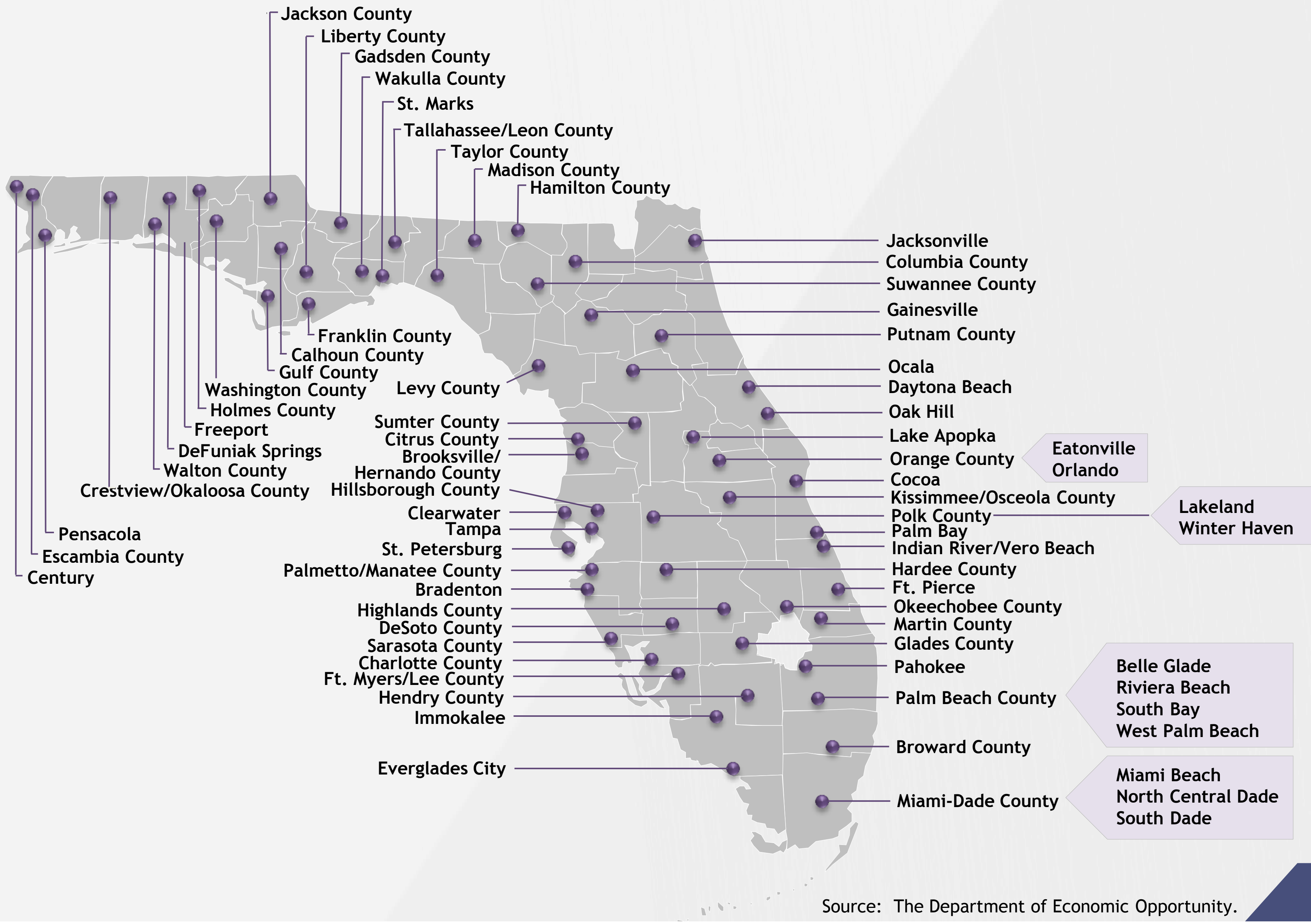
Larry Novey, Chief Legislative Analyst

January 22, 2015

Update of 2014 OPPAGA Enterprise Zone Program Evaluation

- Analyzed economic and social indicators in seven selected zones, including home values, household income, infant mortality, and crime
- Explored program impact on stakeholders via surveys and interviews of economic development organizations, business groups, and local government representatives

Florida Has 65 Enterprise Zones



Source: The Department of Economic Opportunity.

Businesses in Enterprise Zones Have Access to State and Local Incentives

- State incentives include job and corporate income tax credits; sales tax refunds; and sales tax exemptions

- Local incentives include reduced business, permit, and land development fees; utility tax abatement; ad valorem tax exemptions; and funds for capital projects

State Enterprise Zone Program Incentives Decreased During a Three-Year Period

- OPPAGA's 2014 evaluation was required to examine incentives received in Fiscal Years 2009-10 through 2011-12
- During the period, incentives ranged from $65.6 million to $16.7 million each year
- Most recently, in Fiscal Year 2013-14, businesses received $15.8 million in incentives

Findings

Seven Zones Received 84% of Job Tax Credits and Refunds for Building Materials and Business Machinery

Enterprise Zone	Jobs Tax Credits		Refunds for Building Materials		Refunds for Business Machinery		Total
	Businesses	Incentive	Businesses/ Individuals	Incentive	Businesses	Incentive	Incentive
Miami-Dade County	102	$7,378,945	64	$59,490,547	81	$1,302,308	$68,171,800
Jacksonville	20	775,369	33	478,085	28	650,941	1,904,395
Okeechobee County	19	1,584,204	8	34,083	6	34,241	1,652,528
Tallahassee/ Leon County	5	17,447	52	1,518,649	11	56,984	1,593,080
St. Petersburg	15	624,599	13	509,748	5	13,223	1,147,570
Hendry County	17	1,048,993	23	75,811	8	24,144	1,148,948
Gulf County	17	421,779	19	51,426	5	4,428	477,633
Total	195	$11,851,336	212	$62,158,349	144	$2,086,269	$76,095,954

Source: Department of Economic Opportunity.

Business, Employment, and Wage Growth Varied Widely Among the Seven Zones

Enterprise Zone	Business Growth	Employment Growth	Wage Growth
Gulf County	-26.6%	-35.7%	3.6%
Hendry County	15.8%	-2.1%	34.9%
Jacksonville	-15.5%	-19.0%	13.3%
Miami-Dade County	-1.1%	-12.7%	18.8%
Okeechobee County	-11.5%	-9.4%	17.9%
St. Petersburg	7.1%	-20.9	27.9%
Tallahassee/Leon County	-13.4%	-13.2%	13.2%
Statewide	8.2%	-5.2%	17.4%

Source: Department of Economic Opportunity.

Additional Economic Indicators Show that the Seven Zones Generally Underperformed

Enterprise Zone	Median Home Value	Median Household Income	Unemployment Rate	Poverty Rate
Gulf County	✗	✗	✓	✗
Hendry County	✗	✗	✗	✗
Jacksonville	✗	✗	✗	✗
Miami-Dade	✓	✓	✗	✓
Okeechobee County	✓	✗	✗	✗
St. Petersburg	✓	✓	✗	✗
Tallahassee/Leon	✗	✗	✗	✗

✗ means the Enterprise Zone underperformed compared to non-zone areas
✓ means the Enterprise Zone outperformed compared to non-zone areas

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Social Indicators Show Mixed Results for the Seven Zones

Enterprise Zone	Infant Mortality Rate	Educational Attainment Rate
Gulf County	✓	✗
Hendry County	✓	✗
Jacksonville	✗	✓
Miami-Dade	✗	✗
Okeechobee County	✓	✗
St. Petersburg	✗	✓
Tallahassee/Leon	✗	✗

✗ means the Enterprise Zone underperformed compared to non-zone areas
✓ means the Enterprise Zone outperformed compared to non-zone areas

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Similar to the State as a Whole, Selected Zones Experienced a Decrease in Crime Rate

Enterprise Zone	2000 Total Index Crime Rate	2010 Total Index Crime Rate	Crime Rate Change From 2000 to 2010
Gulf County	2.3	1.2	-1.1
Hendry County	4.3	4.0	-0.3
Okeechobee County	4.4	4.0	-0.4
Jacksonville	12.3	9.4	-2.9
St. Petersburg	13.0	11.5	-1.5
Statewide	**5.7**	**4.1**	**-1.6**

Source: Department of Economic Opportunity.

Many Businesses Are Unaware of the Program and Very Few Take Advantage of Incentives

- OPPAGA surveyed 7,472 businesses in the seven zones; 548 provided partial responses and 312 provided complete responses
- Most businesses (64%) do not know that they are in an enterprise zone
- Very few businesses reported receiving program marketing materials
- Few businesses took advantage of program incentives
- Various factors were identified as barriers to participation

Businesses Described Several Challenges to Participating in the Program

Challenge	Reason for not Applying for an Incentive	Reason for not Receiving an Incentive
Required that new employees live in the enterprise zone	32%	33%
Minimum threshold for participation too high (e.g., $5,000 minimum investment in a single piece of equipment)	28%	17%
Prospective employees living within the enterprise zone did not have necessary skills	20%	17%
Part-time employees are not eligible	20%	0%
Business does not have a corporate income tax obligation	20%	8%
Incentive application process is too onerous	20%	Not Applicable

Source: OPPAGA survey of businesses located in enterprise zones.

Stakeholders Noted Local Benefits but Suggested Program Improvements

- OPPAGA received feedback from business and economic development organizations as well as local government representatives
- Stakeholders believe enterprise zones are important to attracting new businesses to distressed areas
- However, stakeholders suggested that the program could be improved, particularly with regard to providing greater access to small businesses

The Legislature Could Consider Several Options if it Chooses to Continue the Program

Option 1
- Require local governments to reapply for enterprise zone designation and periodically monitor performance goals

Option 2
- Create a tiered program with eligibility requirements and incentive amounts based on business size

Option 3
- Target program incentives to encourage job creation

Questions?

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OPPAGA
research memorandum
THE FLORIDA LEGISLATURE'S OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

Florida's Enterprise Zone Program

January 5, 2015

Summary

As directed by the Legislature, OPPAGA supplemented its 2014 evaluation of the Florida Enterprise Zone Program by

- expanding the analysis of employment growth and business participation in seven selected zones to include additional zones, both urban and rural;
- expanding the comparison of changes in home values, household income, unemployment, and poverty to include the additional zones;
- examining additional indicators in all of the selected zones, including crime rates and other social measures; and
- exploring the program's impact on local stakeholders.[1]

The supplemental review analyzed changes in seven selected enterprise zones over time and in comparison to similar non-zone areas. During a three-year period, the seven zones received \$76.1 million in state sales tax refunds and jobs tax credits, which represents 84% of such incentives received statewide during the period. For economic indicators (median home value, median household income, unemployment rate, and poverty rate), the seven enterprise zones generally underperformed when compared to similar non-zone areas. For social indicators (infant mortality, educational attainment, crime rate, and population density), the seven enterprise zones showed mixed results, with a few zones outperforming comparison non-zone areas for some indicators. In addition, most businesses that responded to the OPPAGA survey did not know that they are located in an enterprise zone, and very few had taken advantage of program incentives. According to stakeholders, incentive eligibility thresholds constitute a significant barrier to program participation, especially for small businesses. The program is scheduled to sunset on December 31, 2015. If the Legislature chooses to continue the program rather than allowing it to sunset, it may wish to consider several options.

Background

The Enterprise Zone Program was created to revitalize distressed areas; zone businesses have access to state and local incentives. The 1982 Legislature created the Florida Enterprise Zone Program to provide incentives to induce private investments in economically distressed areas of the state.[2] The program targets areas that chronically display extreme and unacceptable levels of unemployment, physical deterioration, and economic disinvestment. The program has several goals including revitalizing and rehabilitating distressed areas, stimulating employment among area residents, and enhancing economic and social well-being in the areas.

To achieve these goals, the state, county, and municipal governments provide investments, tax incentives, and local government regulatory relief to encourage businesses to invest and locate in designated zones and residents to improve their property. State incentives include job and corporate income tax credits as well as sales tax refunds. (See Exhibit 1.)

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[1] *Florida Economic Development Program Evaluations – Year 1*, OPPAGA Report No. 2014-01, January 2014.

[2] Sections 290.001-290.016, *F.S.*, authorize the creation of enterprise zones in Florida and specify goals and criteria for the program. Chapter 2005-287, *Laws of Florida*, re-designated existing enterprise zones and extended the program until December 31, 2015.

Exhibit 1
The State Offers Many Incentives Through the Enterprise Zone Program

State Enterprise Zone Incentives
Jobs Tax Credit (Sales and Use Tax): Section 212.096, *F.S.* Businesses located in a zone that collect and pay Florida sales and use tax are allowed a monthly sales tax credit for wages paid to new employees who have been employed for at least three months and are zone residents or residents of a rural county in rural enterprise zones.
Jobs Tax Credit (Corporate Income Tax): Section 220.181, *F.S.* Businesses located in a zone that pay Florida corporate income tax are allowed a corporate income tax credit for wages paid to new employees who have been employed for at least three months and are zone residents or residents of a rural county in rural enterprise zones.
Property Tax Credit (Corporate Income Tax): Section 220.182, *F.S.* New or expanded businesses located in a zone are allowed a credit on their Florida corporate income tax equal to 96% of ad valorem taxes paid on new or improved property.
Sales Tax Refund for Building Materials: Section 212.08(5)(g), *F.S.* A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in a zone.
Sales Tax Refund for Business Machinery and Equipment Used in an Enterprise Zone: Section 212.08(5)(h), *F.S.* A refund is available for sales taxes paid on the purchase of certain business property that is used exclusively in a zone for at least three years.
Sales Tax Exemption for Electrical Energy in an Enterprise Zone: Section 212.08(15), *F.S.* A 50% sales tax exemption on the purchase of electrical energy is available to businesses located in a zone. The exemption is only available if the municipality in which the business is located passed an ordinance to exempt qualified enterprise zone businesses from 50% of the municipal utility tax.

Source: The *Florida Statutes.*

In addition to state incentives, counties and municipalities may offer businesses enterprise zone benefits, including

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

According to local government representatives, coupling local and statewide incentives enhances the value of enterprise zone incentives, making them more attractive to businesses. Local governments reported to the Department of Economic Opportunity (DEO) that they provided businesses $52.9 million in local incentives during Fiscal Year 2012-13. The majority ($27.3 million) of these incentives were in the form of local funds for capital projects.[3] (See Exhibit 2.)

[3] *Florida Enterprise Zone Program Annual Report*, Department of Economic Opportunity, November 1, 2013.

Exhibit 2
Local Incentives Totaled Nearly $53 Million in Fiscal Year 2012-13

Local Incentive	Amount
Municipal Utility Tax Abatement	$62,733
Occupational License or Business Receipt Fee Reduction	185,218
Loans, Grants, and Miscellaneous	1,375,658
Facade Renovation and/or Commercial Revitalization	2,017,157
Reduction of Local Government Regulations	2,800,000
Impact Fee Waiver and/or Discount	2,952,226
Local Economic Development Property Tax Exemption	7,512,455
Additional Local Government Services	8,746,579
Local Funds for Capital Projects	27,248,680
Total	**$52,900,706**

Source: Department of Economic Opportunity.

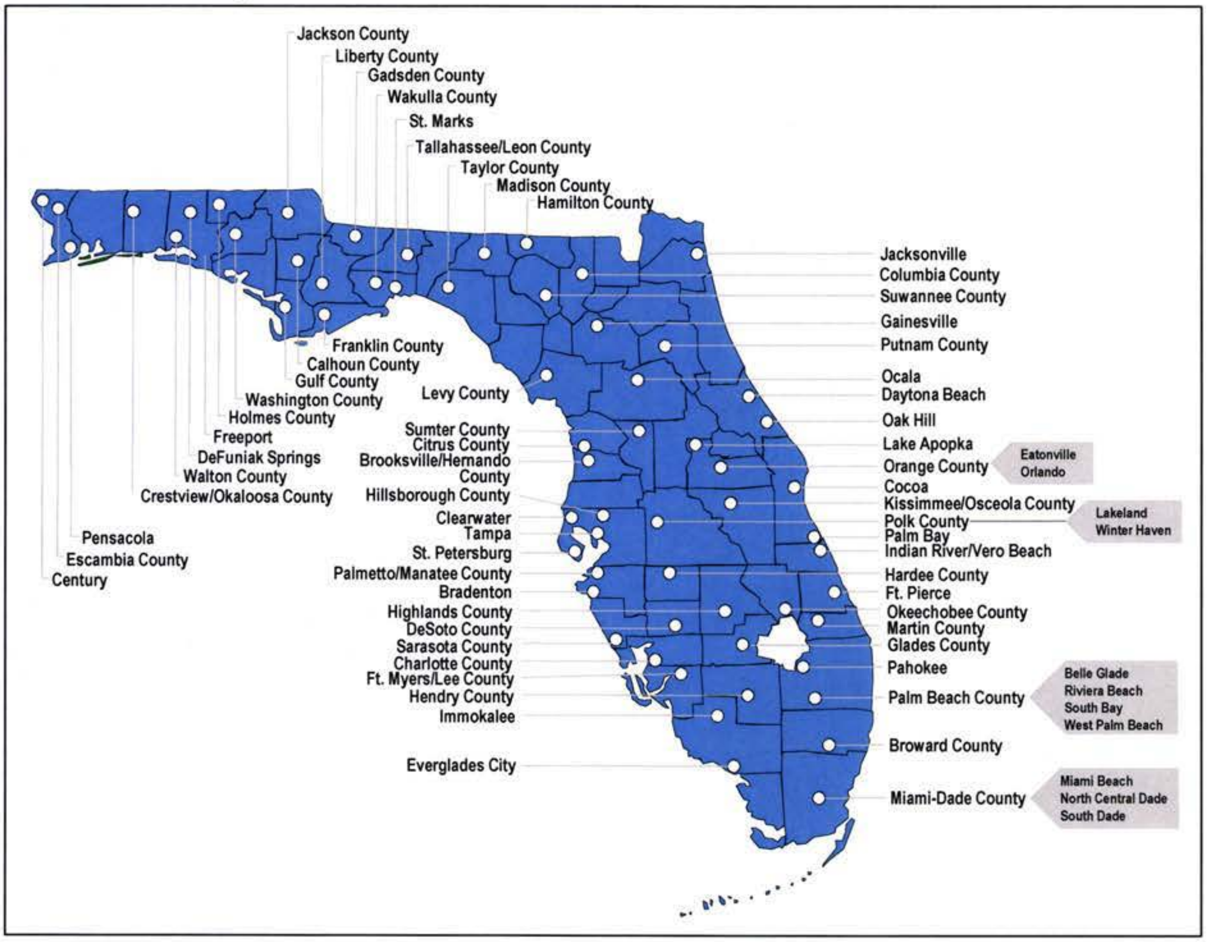
There are currently 65 enterprise zones. Counties and municipalities may nominate an area to be designated as an enterprise zone that has high poverty (greater than 20%), high unemployment, and general distress, and meets certain geographic specifications (zones may not exceed 20 square miles).[4] Rural enterprise zones are located in counties with populations that generally do not exceed 100,000.[5] Of the 65 enterprise zones within the state, 29 are rural and 36 are urban. (See Exhibit 3.)

Local governments are responsible for zone administration and monitoring activities, creating enterprise zone development agencies, and employing zone coordinators. Zone coordinators serve as local contacts and assist businesses applying for state tax credits and refunds, certify incentive applications to the Department of Revenue (DOR), educate the public about the program, and submit data on zone activities to DEO for inclusion in the enterprise zone annual report. DEO oversees the program at the state level and approves zone designation applications and zone boundary changes. The department also provides technical support to local zone coordinators and submits annual program reports to the Governor and Legislature.

[4] Sections 290.0058 and 290.0055, *F.S.*

[5] Zones may be designated rural if the nominating county has a population of 75,000 or less; a county has a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less; a municipality is located in a county with a population of 75,000 or less; or a municipality is located in a county with a population of 100,000 or less and is contiguous to a county with a population of 75,000 or less.

Exhibit 3
Florida Has 65 Enterprise Zones



Source: The Department of Economic Opportunity.

The Legislature has modified the program several times since its inception. Since 1982, the Legislature has enacted several changes to the Enterprise Zone Program. For example, the 1994 Legislature passed the Florida Enterprise Zone Act of 1994, which repealed the existing enterprise zones on December 31, 1994, created parameters for designation of new zones, and established a program expiration date of June 30, 2005.[6] In addition, the jobs tax credit criteria were revised to require both businesses and employees to reside within an enterprise zone.

The 2005 Legislature extended the program until December 31, 2015 and gave existing enterprise zones an opportunity to have their zones re-designated.[7] By January 1, 2006, the former Office of Tourism, Trade and Economic Development (OTTED) approved 53 re-designation application packages; subsequently, the Legislature authorized and the office approved the designation of nine additional zones.[8]

[6] Chapter 94-136, *Laws of Florida*.

[7] Chapter 2005-287, *Laws of Florida*.

[8] The office was a predecessor of the Department of Economic Opportunity. When the department was created in 2011, it assumed the office's functions.

In 2010, the Legislature amended the definition of real property by excluding condominiums from the building materials sales tax refund incentive.[9] In October 2011, program management was transferred from OTTED to DEO. The department approved three additional enterprise zone application packages in 2012, bringing the total number of zones to 65.

The amount of enterprise zone incentives provided to businesses has declined. In Fiscal Years 2009-10 through 2011-12, businesses received $110.9 million in Enterprise Zone Program incentives. (See Exhibit 4.) During the period, there was a significant decrease (74.5%) in incentives, primarily due to the 2010 Legislature's exclusion of condominiums from the definition of real property, which in turn made condominiums ineligible for sales tax refunds for building materials.[10] Subsequent to the Legislature's action, annual incentive amounts dropped from $65.6 million in Fiscal Year 2009-10 to $28.7 million in Fiscal Year 2010-11, a 56.3% decrease; incentives continued to decline in Fiscal Year 2011-12, totaling only $16.7 million.[11]

Exhibit 4
Enterprise Zone Program Incentives Decreased 74.5% Between Fiscal Years 2009-10 and 2011-12

	State Incentive Amounts				
Incentives	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Total	Percentage Change FY 2009-10 to 2011-12
Sales Tax Refund for Building Materials Used	$53,030,595	$13,590,376	$2,462,136	$69,083,107	-95.4%
Jobs Tax Credit (Sales and Use Tax)	4,568,257	5,979,438	7,625,993	18,173,688	66.9%
Jobs Tax Credit (Corporate Income Tax)	3,892,991	5,547,786	3,484,013	12,924,790	-10.5%
Sales Tax Refund for Business Machinery and Equipment	1,035,561	679,440	1,228,480	2,943,481	18.6%
Property Tax Credit (Corporate Income Tax)	1,896,648	1,906,552	992,280	4,795,480	-47.7%
Sales Tax Exemption on Electricity Use	1,138,054	972,185	900,476	3,010,715	-20.9%
Total	**$65,562,107**	**$28,675,777**	**$16,693,378**	**$110,931,261**	-74.5%

Source: OPPAGA analysis of Department of Revenue data.

Program Performance

Economic Indicators

To more closely examine Enterprise Zone Program performance, OPPAGA sought to gauge program participation and changes in economic outcomes for businesses in seven selected enterprise zones.[12] OPPAGA considered a range of factors when selecting the zones, including incentive amount, population, and urban/rural geography. The seven zones are Gulf County, Hendry County, Jacksonville, Miami-Dade County, Okeechobee County, St. Petersburg, and Tallahassee/Leon County.

The seven zones received 84% of state incentives in a three-year period; job tax credits were awarded for the creation of 3,060 jobs. In Fiscal Years 2009-10 through 2011-12, the seven zones received sales tax refunds for building materials, jobs tax credits, and sales tax refunds for business machinery and equipment totaling $76.1 million; this represents 84% of such incentives

[9] Chapter 2010-147, *Laws of Florida*.

[10] Chapter 2010-147, *Laws of Florida*.

[11] Incentives totaled $16.3 million in Fiscal Year 2012-13.

[12] OPPAGA reviewed five of these seven zones in 2011 and 2014. See *Few Businesses Take Advantage of Enterprise Zone Benefits; the Legislature Could Consider Several Options to Modify the Program*, OPPAGA Report No. 11-01, January 2011 and *Florida Economic Development Program Evaluations – Year 1*, Report No. 14-01, January 2014.

received statewide during the period. Miami-Dade County received the most incentives, $68.2 million, while Gulf County received the least, $477,633. The most frequently used incentive among the seven counties was the sales tax refund for building materials, which totaled $62.2 million. (See Exhibit 5.)

Exhibit 5
Businesses in Seven Enterprise Zones Received $76.1 Million in Incentives in Fiscal Years 2009-10 Through 2011-12[1]

	Jobs Tax Credits		Refunds for Building Materials		Refunds for Business Machinery		Total
Enterprise Zone	Businesses	Incentive	Businesses/ Individuals	Incentive	Businesses	Incentive	Incentive
Miami-Dade County	102	$7,378,945	64	$59,490,547	81	$1,302,308	**$68,171,800**
Jacksonville	20	775,369	33	478,085	28	650,941	**1,904,395**
Okeechobee County	19	1,584,204	8	34,083	6	34,241	**1,652,528**
Tallahassee/ Leon County	5	17,447	52	1,518,649	11	56,984	**1,593,080**
St. Petersburg	15	624,599	13	509,748	5	13,223	**1,147,570**
Hendry County	17	1,048,993	23	75,811	8	24,144	**1,148,948**
Gulf County	17	421,779	19	51,426	5	4,428	**477,633**
Total	**195**	**$11,851,336**	**212**	**$62,158,349**	**144**	**$2,086,269**	**$76,095,954**

[1] The figures presented do not include credits taken against Florida corporate income taxes because the Department of Revenue does not track these incentives for individual enterprise zones.

Source: OPPAGA analysis of Department of Revenue data.

The Jobs Tax Credit is the only Enterprise Zone Program incentive directly linked to employment. The incentive is available to businesses located in a zone that pay Florida sales and use or corporate income taxes; businesses are granted tax credits for new employees who have been employed for at least three months and are zone residents or residents of a rural county in rural enterprise zones. In Fiscal Years 2009-10 through 2011-12, 195 businesses in the seven selected zones received jobs tax credits totaling $11.9 million. These businesses hired 3,060 new employees. Miami-Dade County claimed the most credits, totaling $7.4 million for 1,837 jobs. (See Exhibit 6.)

Exhibit 6
Businesses in Seven Enterprise Zones Received $11.9 Million in Jobs Tax Credits for 3,060 Employees in Fiscal Years 2009-10 Through 2011-12

Enterprise Zone	Businesses	Credits	Employees[1]
Miami-Dade County	102	$7,378,945	1,837
Okeechobee County	19	1,584,204	242
Hendry County	17	1,048,993	258
Jacksonville	20	775,369	302
St. Petersburg	15	624,599	285
Gulf County	17	421,779	123
Tallahassee/Leon County	5	17,447	13
Total	**195**	**$11,851,336**	**3,060**

[1] This counts all new employees who were eligible for the credit for at least one month between Fiscal Years 2009-10 and 2011-12. Employees are eligible to be claimed for the credit for the first two years after they are hired. If employment is terminated before eligibility expires, the employee cannot be claimed for the remainder of the two years. The Department of Revenue determines when eligibility expires but does not receive data indicating whether employment was terminated before expiration. Thus, this count may include some newly hired individuals whose employment was terminated prior to Fiscal Year 2009-10 and who were not claimed for the credit between Fiscal Years 2009-10 and 2001-12.

Source: OPPAGA analysis of Department of Revenue data.

Business, employment, and wage growth varied widely among the seven zones. In calendar years 2005 through 2012, the number of businesses increased in St. Petersburg (7.1%) and Hendry County (15.8%) but declined for the other five zones.[13] Employment declined for all zones, ranging from a 2.1% decline in Hendry County to a 35.7% decline in Gulf County. However, wages increased in all zones, with growth ranging from 3.6% in Gulf County to 34.9% in Hendry County. (See Exhibit 7.)

Exhibit 7
Economic Growth Varied in Seven Enterprise Zones from Calendar Years 2005 to 2012

Enterprise Zone	Business Growth[1]	Employment Growth[2]	Wage Growth[3]
Gulf County	-26.6%	-35.7%	3.6%
Hendry County	15.8%	-2.1%	34.9%
Jacksonville	-15.5%	-19.0%	13.3%
Miami-Dade County	-1.1%	-12.7%	18.8%
Okeechobee County	-11.5%	-9.4%	17.9%
St. Petersburg	7.1%	-20.9	27.9%
Tallahassee/Leon County	-13.4%	-13.2%	13.2%
Statewide	**8.2%**	**-5.2%**	**17.4%**

[1] Percentage change in number of businesses.
[2] Percentage change in number of employees.
[3] Percentage change in average wages.
Source: OPPAGA analysis of Department of Economic Opportunity data.

For several economic indicators, the seven zones generally underperformed when compared to similar non-zone areas. The purpose of Florida's Enterprise Zone Program is to establish a process that identifies severely distressed areas and to provide state and local economic incentives to businesses, with the goal of inducing private investment and enabling revitalization. As part of the analysis of the degree to which such improvements have occurred, OPPAGA reviewed U.S. Census data from 2000 and 2010 for the seven selected enterprise zones. OPPAGA compared changes in median home values, median household income, unemployment rates, and poverty rates in the seven selected enterprise zones to similar non-enterprise zone census tracts.

OPPAGA's analysis found low to mixed results, with selected enterprise zones meeting some legislative goals but falling short for others. In one of the analyses, three out of seven enterprise zones outperformed similar non-zone comparison areas and in a second analysis two zones outperformed comparison areas. In the other two analyses, only one of seven enterprise zones outperformed similar comparison areas. These results indicate that while there were some successes, in general, the Enterprise Zone Program has not met legislative goals related to revitalizing distressed areas.

One measure of enterprise zone effectiveness at economically revitalizing disadvantaged areas is increased residential property values. In 2000, the seven zones OPPAGA examined all had high percentages of residential properties valued at under $100,000. The lowest percentage among the seven zones was Miami-Dade, where 62% of the personal residences were valued at $100,000 or less; the highest percentage was Jacksonville, where 92% of the personal residences had property values under $100,000. By 2010, all seven zones saw a significant decrease in the percentage of residential property valued at less than $100,000, a sign that property values increased in the zones

[13] OPPAGA chose to examine a longer period for these indicators to account for economic fluctuations.

even for the lowest valued residential properties. However, statewide, the percentage of residential properties valued at under $100,000 also decreased from 55% in 2000 to 21% in 2010, so it is possible that the zones simply benefitted from the 10-year statewide rise in property values.

In order to evaluate the growth in enterprise zone property values against a comparison group, for each zone OPPAGA selected a group of non-zone census tracts from the 2000 census that had the same rural/urban status as the enterprise zones and that had the same percentage of homes valued at less than $100,000 in 2000. This allowed us to determine, for each zone, if the change in personal residences valued at under $100,000 or less was different than the change for a comparison group. In 2010, three of the seven enterprise zones (Miami-Dade County, Okeechobee County, and St. Petersburg) had smaller percentages than their comparison areas. This shows that there was not an across-the-board increase in property values in enterprise zones that was greater than the increases that occurred in the comparison areas. (See Exhibit 8.)

Exhibit 8
Home Values in Enterprise Zones and Non-Enterprise Zones Have Risen Since 2000; Three Zones Outperformed Comparison Areas

Enterprise Zone	2000 Percentage of All Homes Valued at Less than $100,000[1]	2010 Enterprise Zone Percentage of All Homes Valued at Less than $100,000	2010 Enterprise Zone Comparison Group Percentage of All Homes Valued at Less than $100,000	Difference Between Enterprise Zone and Comparison Group
Gulf County	73%	37%	37%	0%
Hendry County	85%	48%	46%	2%
Jacksonville	92%	60%	44%	16%
Miami-Dade County	62%	15%	22%	-7%
Okeechobee County	79%	36%	38%	-2%
St. Petersburg	86%	28%	33%	-5%
Tallahassee/Leon County	84%	40%	31%	9%
Statewide	**55%**		**21%**	

[1] Enterprise zones and comparison groups started at the same percentage.
Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Another measure of enterprise zone economic impact is median household income, which is a measure of a household's ability to acquire the goods and services that satisfy their needs. OPPAGA's comparison of 2000 and 2010 U.S. Census data for the seven selected zones and similar non-enterprise zone areas shows that in all selected enterprise zones, median household incomes have increased. However, only two enterprise zones, Miami-Dade County and St. Petersburg, showed an increase that exceeded that of its comparison non-enterprise zone area. (See Exhibit 9.)

Exhibit 9
Median Household Incomes Have Increased in All Seven Enterprise Zones Since 2000; Two Zones Outperformed Comparison Areas

	Percentage Change from 2000 to 2010	
Enterprise Zone	Enterprise Zone	Non-Enterprise Zone
Gulf County	32%	38%
Hendry County	11%	28%
Jacksonville	29%	32%
Miami-Dade County	43%	23%
Okeechobee County	31%	34%
St. Petersburg	52%	29%
Tallahassee/Leon County	21%	31%
Statewide	**26%**	

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Unemployment also is often used as a measure of the health of the economy. Consistent with statewide unemployment trends, for all but two of the seven enterprise zones in the review, unemployment rates were higher in 2010 than in 2000; unemployment rates in Miami-Dade and Tallahassee/Leon counties remained at 12% and 15%, respectively. When comparing enterprise zones to non-enterprise zone areas, in 2010, Gulf County was the only zone that had a lower unemployment rate than its comparison non-zone area (10% compared to 13%). However, for three zones, Miami-Dade County, Okeechobee County, and St. Petersburg, unemployment rates were identical to comparison area rates. (See Exhibit 10.)

Exhibit 10
Consistent with State and National Trends, from 2000 to 2010, Unemployment Rates Increased in Most of the Selected Enterprise Zones; Only One Zone Had a Rate Lower than its Comparison Area

Enterprise Zone	2000 Unemployment Rates for Enterprise Zones and Non-Enterprise Zones[1]	2010 Enterprise Zone Unemployment Rates	2010 Non-Enterprise Zone Unemployment Rates
Gulf County	6%	10%	13%
Hendry County	8%	16%	13%
Jacksonville	10%	18%	13%
Miami-Dade County	12%	12%	12%
Okeechobee County	5%	12%	12%
St. Petersburg	9%	12%	12%
Tallahassee/Leon County	15%	15%	11%
Statewide	**6%**	**10%**	

[1] Enterprise zones and comparison groups started at the same rate.

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Finally, the U.S. Census Bureau uses a set of income thresholds that vary by family size and composition to define poverty. If a family's total income is less than the family's threshold, the family is considered in poverty. Over the 10-year period of the review, poverty rates increased for five of the seven selected enterprise zones. Only one of the seven zones had a lower poverty rate than its comparison non-enterprise zone area in 2010; Miami-Dade County's 2010 rate (26%), while increasing over the 10-year period, was lower than the comparison area (29%). (See Exhibit 11.)

Exhibit 11
From 2000 to 2010, Poverty Rates within Most of the Selected Enterprise Zones Increased; Only One Zone Had a Rate Lower than its Comparison Area

Enterprise Zone	2000 Poverty Rates for Enterprise Zones and Non-Enterprise Zones[1]	2010 Enterprise Zone Poverty Rates	2010 Non-Enterprise Zone Poverty Rates
Gulf County	17%	17%	16%
Hendry County[2]	24%	26%	26%
Jacksonville	30%	33%	29%
Miami-Dade County	27%	26%	29%
Okeechobee County	16%	24%	17%
St. Petersburg	25%	28%	26%
Tallahassee/Leon County	37%	43%	31%
Statewide	**13%**	**15%**	

[1] Enterprise zones and comparison groups started at the same rate.

[2] For Hendry County, to obtain a large enough comparison group, OPPAGA identified census tracts with comparable 2000 poverty rates, selected from tracts in the lowest one-third of the state's population density.

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Social Indicators

To assess how measures of health and social well-being within enterprise zones have changed over time and how such measures compare to non-enterprise zone areas, OPPAGA conducted additional analysis of 2000 and 2010 U.S. Census data. As part of the analysis, OPPAGA compared changes in educational attainment and infant mortality rates in the seven selected enterprise zones to similar non-enterprise zone census tracts. In addition, OPPAGA analyzed crime data to determine how crime rates in the selected enterprise zones have changed and how they compare to rates in other jurisdictions. OPPAGA also examined population changes in enterprise zones and non-zone areas.

Enterprise zones show mixed results for social indicators. Infant mortality, a measure of maternal and child health, is an important indicator of overall public health. The infant mortality rate is the estimated number of deaths of infants under one year of age for every 1,000 live births. According to Florida Department of Health Vital Statistics data, infant mortality declined in four enterprise zones between 2000 and 2010.[14] Three zones, Gulf, Hendry, and Okeechobee counties, had rates that were slightly lower than their comparison non-zone areas. (See Exhibit 12.)

[14] Florida Department of Health, Bureau of Vital Statistics provides these data for five-year periods. The 2000 data is for the five-year period ending in 2000 (1996 through 2000) and the 2010 data is for the five-year period ending in 2010 (2006 through 2010).

Exhibit 12
Infant Mortality Rates Declined in Four Enterprise Zones from 2000 to 2010; Three Zones Slightly Outperformed Comparison Areas

Enterprise Zone	2000 Infant Mortality Rates for Enterprise Zones and Non-Enterprise Zones (per 1,000 births)[1]	2010 Enterprise Zone Infant Mortality Rates (per 1,000 births)	2010 Non-Enterprise Zone Infant Mortality Rates (per 1,000 births)
Gulf County	20	7	9
Hendry County	6	7	8
Jacksonville	17	13	9
Miami-Dade County	7	8	7
Okeechobee County	9	7	8
St. Petersburg	12	20	6
Tallahassee/Leon County	13	12	8
Statewide	**7**	**7**	

[1] Enterprise zones and comparison groups started at the same rate

Source: OPPAGA analysis of 2000 and 2010 Florida Department of Health Vital Statistics data.

Educational attainment refers to the highest level of education that an individual has completed. Educational attainment has been linked to income, with average earnings increasing as level of education increases. For all seven of the selected enterprise zones, more residents had at least a high school degree in 2010 than in 2000. However, when compared to non-enterprise zone areas, only two enterprise zones, Jacksonville and St. Petersburg, had slightly higher educational attainment rates than their comparison areas. (See Exhibit 13.)

Exhibit 13
From 2000 to 2010, Educational Attainment Rates Increased in All Enterprise Zones; Two Zones Slightly Outperformed Comparison Areas

Enterprise Zone	2000 Educational Attainment Rates for Enterprise Zones and Non-Enterprise Zones[1]	2010 Enterprise Zone Educational Attainment Rates	2010 Non-Enterprise Zone Educational Attainment Rates
Gulf County	73%	76%	79%
Hendry County[2]	52%	65%	68%
Jacksonville	63%	74%	71%
Miami-Dade County	57%	70%	71%
Okeechobee County[2]	62%	67%	73%
St. Petersburg	69%	79%	78%
Tallahassee/Leon County	86%	89%	90%
Statewide	**79%**	**85%**	

[1] Enterprise zones and comparison groups started at the same rate.

[2] For Hendry and Okeechobee counties, to obtain large enough comparison groups, OPPAGA identified census tracts with comparable 2000 educational attainment levels, selected from tracts in the lowest one-third of the state's population density.

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Crime rates are indicators of reported crime activity standardized by population. Statewide, the crime rate decreased 28% between 2000 and 2010.[15] To measure the change in crime rates for enterprise zones, OPPAGA used a different method than the census analysis discussed above. OPPAGA calculated each enterprise zone's crime rate for 2000 and 2010 and each enterprise zone's crime rate percentile ranking relative to other Florida law enforcement jurisdictions.[16] This second metric allowed us to assess the change in enterprise zone crime rates in the context of the statewide crime rate decrease.

Only one of five enterprise zones, Gulf County, improved its crime rate percentile ranking from 2000 to 2010. (See Exhibit 14.) Miami-Dade County and Tallahassee/Leon County are excluded from the analysis because the two zones could not provide similar data for the same period.[17] However, OPPAGA was able to obtain 2004 and 2013 crime data for the Tallahassee/Leon County enterprise zone, which showed that the zone's crime rate remained unchanged at 6.3 crimes per 100 residents.[18] Data for 2013 was not available for other Florida jurisdictions, so OPPAGA calculated the percentile ranking of Tallahassee's 2013 crime rate against 2012 jurisdictional data. This showed an increase in Tallahassee/Leon County's crime rate percentile ranking, from the 62nd percentile to the 85th percentile.

Exhibit 14
Only One of Five Enterprise Zones Experienced a Decrease in Crime Rate Relative to Other Florida Communities

Enterprise Zone	2000 Total Index Crime Rate	2010 Total Index Crime Rate	Crime Rate Change From 2000 to 2010	2000 Percentile Ranking	2010 Percentile Ranking
Gulf County	2.3	1.2	-1.1	25.9%	**11.1%**
Hendry County	4.3	4.0	-0.3	77.8%	**92.6%**
Okeechobee County	4.4	4.0	-0.4	81.5%	**88.9%**
Jacksonville	12.3	9.4	-2.9	92.2%	**96.1%**
St. Petersburg	13.0	11.5	-1.5	95.3%	**100.0%**
Statewide	**5.7**	**4.1**	**-1.6**		

Source: OPPAGA analysis of data obtained from law enforcement agencies within enterprise zones, the Florida Department of Law Enforcement, and the U.S. Department of Justice.

Population density measures the number of residents per square mile. Changes in population density show whether an area's population is growing or declining. Statewide, Florida's population density increased by 54.2 residents per square mile from 2000 to 2010. Similarly, population density in five of the seven zones increased during this period. However, when OPPAGA applied a ranking method similar to the approach used for the crime rate analysis, only three of the seven enterprise zones increased in their 2010 population density percentile ranking.[19] That is, four of the seven zones' population density did not increase relative to other Florida communities. (See Exhibit 15.)

[15] OPPAGA measured crime using Uniform Crime Reporting Part 1 Index Crimes, which include homicide, forcible rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft.

[16] OPPAGA ranked urban and rural enterprise zones separately. Urban enterprise zones were ranked relative to Florida law enforcement jurisdictions with populations of 10,000 or more. Rural enterprise zones were ranked relative to other rural Florida counties that reported crime both years. A high ranking percentile means the zone has a high crime rate.

[17] For the Miami-Dade County enterprise zone, only the Miami-Dade Police Department provided data for 2000 and 2010. Using this data, OPPAGA was able to examine crime for 8% of the Miami-Dade County zone. The crime rate in that portion of the enterprise zone declined from 13.2 crimes per 100 residents in 2000 to 8.8 crimes per 100 residents in 2010. The resulting percentile rank for that portion of the Miami-Dade enterprise zone decreased from 96.1% in 2000 to 93.8% in 2010.

[18] The earliest year for which Tallahassee crime data was available at the census tract level was 2004. Since population data was not available at the census tract level for 2013 at the time of the analysis, OPPAGA used 2000 and 2010 decennial census population data.

[19] OPPAGA ranked urban and rural enterprise zones separately. Urban enterprise zones were ranked relative to Florida Census-defined incorporated places with populations of 10,000 or more. Rural enterprise zones were ranked relative to other rural Florida counties. A high ranking percentile means the zone has a high population density compared to other communities.

Exhibit 15
From 2000 to 2010, the Population Density of Three Enterprise Zones Increased Relative to Other Florida Communities[1]

Enterprise Zone	2000 Population Density	2010 Population Density	Population Density Change from 2000 to 2010	2000 Percentile Ranking	2010 Percentile Ranking
Gulf County	24.1	28.7	4.6	27.6%	**31.0%**
Hendry County	31.4	33.9	2.5	41.4%	**37.9%**
Okeechobee County	46.7	52.0	5.3	58.6%	**55.2%**
Jacksonville	2,765.0	2,528.0	-237.0	57.0%	**49.3%**
Miami-Dade	1,519.9	1,617.1	97.3	25.8%	**31.1%**
St. Petersburg	4,301.7	4,137.9	-163.9	76.8%	**74.3%**
Tallahassee/Leon	380.3	415.1	34.8	1.3%	**1.4%**
Statewide	**296.4**	**350.6**	**54.2**		

[1] A higher percentile indicates a higher population density.

Source: OPPAGA analysis of 2000 and 2010 U.S. Census data.

Local Benefits of Enterprise Zone Programs

To evaluate Enterprise Zone Program benefits, OPPAGA surveyed the 65 local enterprise zone coordinators and business owners within the seven selected enterprise zones; while most zone coordinators responded, very few businesses responded to the survey.[20] OPPAGA was interested in respondents' awareness of the program, economic changes that occurred in enterprise zones and factors contributing to those changes, the value of individual program incentives, and challenges to accomplishing program goals. In addition, OPPAGA interviewed numerous stakeholders, including local government representatives, industry associations, and business groups and asked them to reflect on the program's value, especially at the local level.[21]

Most businesses do not know that they are in an enterprise zone; very few reported receiving program marketing materials. When businesses were asked if they knew that their establishment is in an enterprise zone, the majority (64%) of those responding to the question were unaware that they were located in a zone. In addition, although 84% of the enterprise zone coordinators reported that they market the program, only 17% of the businesses that were aware that their establishment is located in a zone reported receiving marketing materials.

Zone coordinators reported that they market the program using a number of methods, with the primary approaches being an enterprise zone website or program information posted on a local government or other entities' website (84%), one-on-one telephone calls or meetings with existing and new businesses (81%), and workshops for businesses and local organizations (51%). Businesses reported that direct mailings were the primary source of marketing (40%), followed by one-on-one calls from enterprise zone coordinators (30%) and program websites (25%).

[20] OPPAGA obtained Federal Employer Identification Numbers from DEO for 16,888 businesses within the seven enterprise zones under review. OPPAGA matched this data to business names and email addresses provided by DOR. After removing duplicate email addresses, OPPAGA sent an online survey request to 7,472 businesses; 548 (7.3%) businesses answered one or more questions and 312 (4.2%) businesses completed the entire survey. To survey Enterprise Zone Coordinators, OPPAGA used contact information obtained from DEO and sent an online survey to all 65 coordinators; 48 (74%) answered one or more questions and 43 (66%) completed the entire survey.

[21] OPPAGA received feedback from local governments and representatives of the Florida Association of Counties, the Florida Chamber of Commerce, the Florida League of Cities, the Florida Retail Federation, and the National Federation of Independent Businesses.

Enterprise zone coordinators and businesses have differing views regarding the effect of the program on the local economy. OPPAGA asked coordinators and businesses whether the economy had improved in the enterprise zone and what factors contributed to improvements. Seventy percent of coordinators who responded to the question said that the economy had improved since 2010; only 36% of the businesses responding to the same question felt that the economy had improved. For those coordinators and businesses that felt the economy had improved, 69% of coordinators attributed the availability of state enterprise zones incentives to the improvement, while only 11% of businesses expressed the same opinion. Businesses were more likely to cite the increase in new businesses and state economic trends as factors contributing to the improved economy.

Few businesses took advantage of program incentives; various factors were identified as barriers to participation. Of the 68 businesses that were aware of specific Enterprise Zone Program incentives and responded to the question, only 46% reported that they received one or more incentives, 18% reported that they did not receive any incentives, and 37% reported that they did not apply for any incentives.

Of the 37 businesses that were aware of the enterprise zone program but did not apply for or receive incentives, several respondents identified reasons for lack of participation. The top three challenges cited were requiring that new employees live in the enterprise zone (32%), requiring that too many jobs be created (28%), and having too high a threshold for program participation (28%). (See Exhibit 16.)

Exhibit 16
Businesses Described Several Challenges to Participating in the Enterprise Zone Program

Challenge	Reason for not Applying for an Incentive	Reason for not Receiving an Incentive
Required that new employees live in the enterprise zone	32%	33%
Minimum threshold for participation too high (e.g., $5,000 minimum investment in a single piece of equipment)	28%	17%
Required too many jobs to be created	28%	17%
Prospective employees living within the enterprise zone did not have necessary skills	20%	17%
Part-time employees are not eligible	20%	0%
Business does not have a corporate income tax obligation	20%	8%
Incentive application process is too onerous	20%	Not Applicable

Source: OPPAGA survey of businesses located in enterprise zones.

Similarly, enterprise zone coordinators identified barriers to meeting Enterprise Zone Program goals. Coordinators reported that the most significant challenges are

- businesses not benefiting from incentives because they do not have a corporate income tax obligation (50%);
- lack of resources for program marketing and recruitment (48%);
- local infrastructure weaknesses (43%); and
- businesses not qualifying for enterprise zone incentives due to required thresholds, such as number of employees or equipment purchasing amounts, being too high (42%).

Both businesses and enterprise zone coordinators provided suggestions for addressing program challenges. For example, 21 of the businesses surveyed offered program improvements, including increased assistance and education for businesses, a simplified application process, and modified incentive eligibility criteria. Several coordinators (32) also made suggestions, including modifying the jobs tax credits to include the part-time employees most likely to be employed by small businesses; reducing the business property and equipment threshold to a lower amount; and simplifying application forms and facilitating online completion.

Stakeholders believe enterprise zones are needed to attract businesses but suggested that the program could be improved. OPPAGA interviewed numerous business and economic development organizations to determine their opinions on the value of the Enterprise Zone Program. These organizations believe that enterprise zones help communities and are a necessary incentive to attract new businesses to distressed areas. Stakeholders reported that in some cases, enterprise zone incentives are critical to attracting businesses to an area that may be seen as unattractive due to economic blight, high crime, or other negative factors. In addition, some stakeholders reported that in many cases, the businesses that move into enterprise zones provide area residents benefits beyond employment and economic growth. Such reported benefits include increasing access to health care and other services, minimizing food deserts, and lowering incidents of crime.[22]

However, stakeholders suggested that the program could be improved, particularly with regard to providing greater access to small businesses. Recommended improvements range from simplifying eligibility criteria to creating a tiered system that has different requirements and thresholds for small and large businesses. (See Exhibit 17.)

Exhibit 17
Stakeholders Offered Several Suggestions for Improving the Enterprise Zone Program

Program Area	Suggested Improvement
Structure	**Create a small and large business tiered incentive system:** Establish a tiered system with lower thresholds for small businesses and higher thresholds for larger businesses
Administration	**Create a web-based system to verify where employees reside:** Develop an online verification system that would allow employers, especially small businesses with limited resources, to verify if employee's residential addresses are within the enterprise zone
	Increase outreach and marketing: Enhance efforts by state and local government to advise and educate businesses concerning available incentives
	Provide greater assistance: Offer additional assistance to businesses concerning incentive qualifications and compliance
	Improve coordination: Increase coordination among the state and local entities concerning program implementation and incentives offered at the state and local level
	Create an online application system: Develop an online system that facilitates the completion and submission of incentive applications via the internet
Incentive Eligibility Requirements	**Allow businesses to claim employees that reside outside of the enterprise zone:** Permit businesses to receive incentives for employees who reside outside of the zone to compensate for lack of skilled workforce within the zone
	Lower threshold for machinery and equipment purchases: Lower the threshold for small businesses, maintain the current $5,000 threshold for large businesses
	Phase out corporate income tax-based incentives: Eliminate incentives linked to corporate income tax, as many businesses, especially small establishments, do not have a corporate income tax liability and are unable to use such credits
New or Enhanced Incentives	**Create a statewide job training incentive:** Offer a credit that can be used to support training efforts and help develop a skilled workforce
	Create a statewide utility incentive: Offer a credit that can be used to offset utility costs
	Increase state incentive amounts: Offer larger incentives to offset the additional costs often involved in locating and expanding in distressed areas

Source: OPPAGA analysis of stakeholder interviews.

[22] According to the U.S. Department of Agriculture, food deserts are urban neighborhoods and rural towns without ready access to fresh, healthy, and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy, affordable food options. The lack of access contributes to a poor diet and can lead to higher levels of obesity and other diet-related diseases, such as diabetes and heart disease.

Options for Legislative Consideration

The Florida Enterprise Zone Program is scheduled to sunset on December 31, 2015. If the Legislature chooses to continue the program rather than allowing it to sunset, it may wish to consider several options.

Option 1: Require local governments to reapply for enterprise zone designation and periodically monitor performance goals. To enhance program accountability and create a process for evaluating enterprise zone performance, the Legislature could require all zones to reapply for designation after December 31, 2015. Designation should include establishing goals for economic and social indicators, including business, employment, and wage growth, and poverty, unemployment, and crime reduction. The Department of Economic Opportunity should gather baseline data, including business, employment, and wage data from its Bureau of Labor Market Statistics and crime data from local law enforcement agencies within the zones seeking designation.[23] In addition, on a staggered schedule, the Legislature could require all zones to apply for redesignation. In order to be redesignated, zones should be required to demonstrate business, employment, and wage growth as well as poverty, unemployment, and crime reduction.

Option 2: Create a tiered program with eligibility requirements and incentive amounts based on business size. To make program incentives more accessible to small businesses, the Legislature could modify current thresholds to establish separate standards for small and large businesses. Small business could be defined similarly to s. 288.9932, *Florida Statutes*, which provides that a small business is a business, regardless of corporate structure, domiciled in this state that employs 25 or fewer people and generated average annual gross revenues of $1.5 million or less per year for the preceding two years.

For example, the Legislature could amend s. 212.08(5)(h), *Florida Statutes*, to lower the $5,000 threshold for sales tax refunds on business property to $1,000 for small businesses, and maintain the current threshold for businesses with more than 25 employees and average revenues greater than $1.5 million. Similarly, the Legislature could amend ss. 212.096, and 220.181, *Florida Statutes*, to allow small businesses to claim part-time employees and non-zone residents for jobs tax credits, while maintaining the current requirements for larger businesses.

Option 3: Target program incentives to encourage job creation. To focus the program on job creation, the Legislature could eliminate all program incentives except jobs tax credits. Under this option, the Legislature could also amend ss. 212.096 and 220.181, *Florida Statutes*, to allow businesses to claim part-time employees and non-zone residents for jobs tax credits, which would make the incentives more accessible for small businesses.

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[23] The crime data must follow the same rules currently used by all state law enforcement agencies to report Uniform Crime Reporting crimes and arrests to the Florida Department of Law Enforcement.