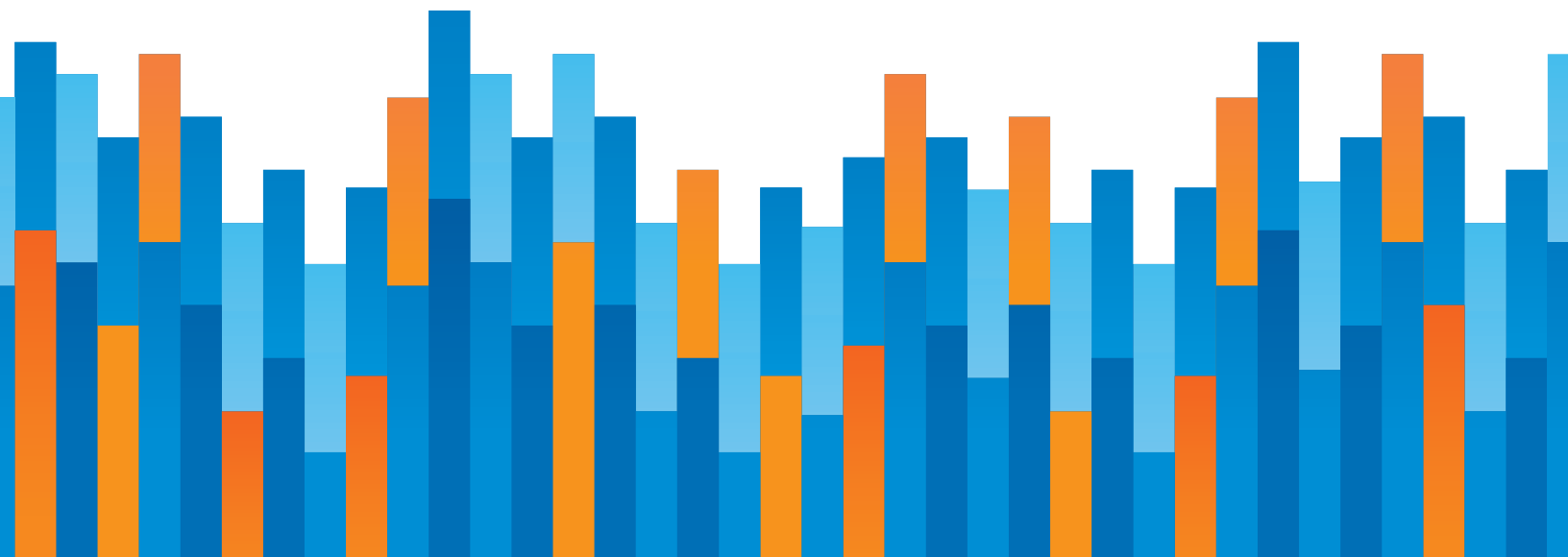




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FOLLOW THE JOBS: ASSESSING FLORIDA'S BUSINESS INCENTIVES PROGRAMS

by Spence Purnell
March 2018





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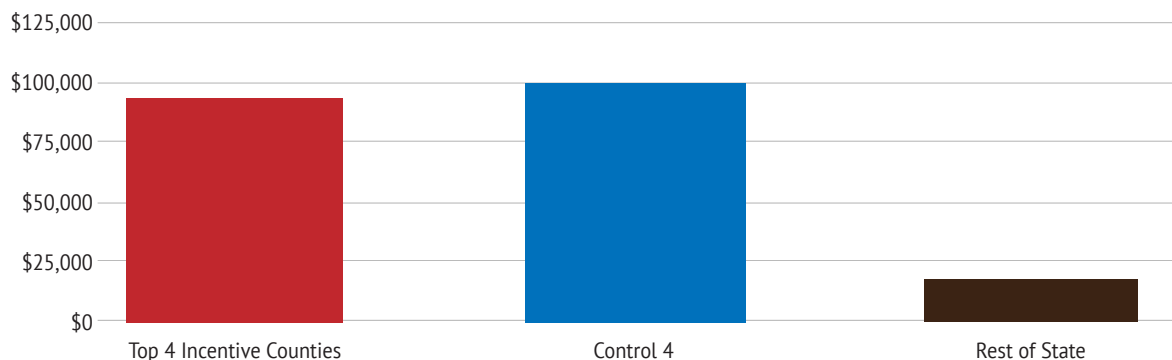
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EXECUTIVE SUMMARY

From 1999–2015, Florida spent \$3.6 billion on the Florida business incentives programs to encourage businesses to locate in Florida. The purpose of this study is to evaluate the job creation impact of this set of programs, which is operated at the state and local levels. To do so, it compares a group of counties that received nearly 64% (\$2.3 B) of total incentive investment—Brevard, Palm Beach, St. Lucie and Orange—with a group of counties that did not receive much incentive funding but are similar in many other ways—Broward, Indian River, Sarasota and Hillsborough. In theory, the counties with heavily funded incentives (the top four incentive recipients) should be doing at least marginally better at creating jobs over time than those without the incentives. The findings show that, measured by germane economic outcomes and compared to similar areas, the heavily funded counties do no better than low-funded counties. The incentives program, despite spending billions of taxpayer dollars, has not produced any meaningful or measurable positive economic outcomes for Floridians.

This analysis concludes that the incentives program has underperformed and should be eliminated.

FIGURE ES1: FLORIDA BUSINESS INCENTIVES PROGRAM: AVERAGE ANNUAL GROSS JOB GAINS BY GROUPING, 1999–2015



Source: Author's calculations based on data from the Bureau of Labor Statistics

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PART 1

INTRODUCTION

Have Florida's business incentives programs worked? From 1999–2015, the state committed over \$3.6 billion dollars in government incentive spending to private firms willing to relocate¹ or expand in Florida in an effort to spur job creation in the state.²

In the 2010 election, Governor Scott campaigned heavily on a promise to create 700,000 jobs, and established a new agency, "The Department of Economic Opportunity," to administer and track the incentives programs in a way that protects taxpayers and creates real economic impact.

“

Have the incentives programs created economic “impact” relative to the amount spent?

”

The state government views its economic development investments as a method of expanding Florida's economy, and tracks its investment with impact studies that reveal how big of an impact state spending has on the economy. Naturally, political disagreements have arisen as to which investments will have the greatest impact on the economy. Proponents of incentives argue that they are the best bang for the buck, guaranteeing new business and

¹ Hackbarth, Paul. "Offering Tax Incentives to Attract Business to Area is How Cities Play Now, But is it Fair?" The Rolla Daily News. 12/09/2015. <www.therolladailynews.com/article/20151209/NEWS/151208806>

Florida, Richard. "How Economic Development Incentives Hurt Small Business." City Lab. 10/26/2015. <www.citylab.com/life/2015/10/how-economic-development-incentives-hurt-small-businesses/411799/>

² Goodjobsfirst.com – This database counts all money committed at the point of contract between firm and government entities.

new jobs. A counter argument might contend that investment in education would produce a greater economic impact.

This leads to the question: Have the incentives programs created economic impact relative to the amount spent? To assess whether Florida's business incentives programs have boosted the state's economy, this study conducts a cost/benefit analysis on recipient Florida counties on the seven programs the Florida Legislature identified³ for review by the Office of Economic and Demographic Research (EDR) and The Office of Program Policy & Government Accountability (OPPAGA):

1. Qualified Target Industry Tax Refund Program
2. Capital Investment Tax Credit Program
3. High Impact Performance Incentive Program
4. Innovation Incentive Program
5. Quick Action Closing Fund
6. Brownfield Redevelopment Bonus Refund Program
7. Enterprise Zone Program

³ Section 288.005(1), Florida Statutes.

PART 2

FLORIDA'S ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

2.1

WHY DO THE PROGRAMS EXIST?

Several economic ailments have been cited⁴ as justifications for the business incentives programs.⁵ Post-recession stagnation has frustrated economic developers at all levels in all the states, and, like other states, Florida seeks an increase in high-wage job growth. While not the only means believed to develop high-wage job growth, the incentives program has been a focus of the current administration. High-paying jobs for Floridians from firms located in Florida will boost tax revenues, promote ancillary business and raise productivity. Fundamentally, job creation and wages are the two most important and overarching reasons the program exists.

Specifically, lawmakers, economists and policy wonks target broadening Florida's economy beyond tourism, trade and a retirement destination for more resilience through diversity of industry. While economists and lawmakers appreciate the sustained growth of the tourism industry across the state, they deem it insufficient as the sole engine of development. They posit that tourism brings too many low-paying service-industry jobs, ultimately importing

⁴ News Release by Staff. "Gov. Rick Scott: We Will Fight For Jobs: Proposing \$85 Million For Jobs." The Executive Office of the Governor. 09/16/2016. <www.flgov.com/2016/09/29/gov-rick-scott-we-will-fight-for-jobs-proposing-85m-for-jobs/>

⁵ Kilbride, Lindsey. "Gov. Scott in Jacksonville: Incentives, Marketing, Bring Jobs To Florida." WJCT Jacksonville. 03/20/2017. <<http://news.wjct.org/post/gov-scott-jacksonville-incentives-marketing-brings-jobs-florida>>

low-wage workers and displacing highly educated, high-wage workers. Pre-developing new industries through business incentives seeks to prevent this displacement.

Indeed, the capital investment program statute's legislative intent section nicely summarizes the government's position:

There is a need to enhance economic activity in the state by attracting manufacturing, development, redevelopment of brownfield areas, business enterprise management, and other activities conducive to economic promotion in order to provide a stronger, more balanced, and stable economy in the state.⁶

Legislators view these programs as a way to fill the economic development gaps left untouched by the organic development of the economy. Industries such as manufacturing, biotech and other STEM-related companies are viewed as catalysts to dynamic economic growth in Florida. By selectively and strategically administering these financial enticements to firms in the form of cash grants, tax refunds and tax abatements, Florida seeks to solidify the manufacturing and technology sectors.

Lastly, Florida seeks to compete with other high-growth states, such as Texas, that offer very similar business attraction programs. Program administrators and lawmakers worry that Florida will lose out on growth and new businesses without grants and tax-credit incentive programs.

2.2

HOW THE PROGRAMS WORK

The seven listed programs compose a majority of the incentives, while a number of state agencies and boards play a role in the rules, dissemination and tracking of the funds. The Office of Program Policy & Government Accountability (OPAGGA) released its first report on the incentives program in 2014, which included a good brief description of the program:

The seven economic incentive programs under review include tax credits, tax refunds, and cash grants... Businesses that receive incentives from these programs enter into multi-year agreements with the state. These agreements include a schedule for meeting performance requirements such as job creation and capital investment; for some programs, businesses have as many as 20 years to meet these requirements.⁷

⁶ F.S. 288.9602 (can be accessed at: http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0200-0299/0288/Sections/0288.9602.html) Last viewed: 3/17/2016.

⁷ "Florida Economic Development Program Evaluations – Year 1." The Office of Program Policy Analysis and Government Accountability. 01/01/2014. 2. (Can be accessed at: <http://www.opaga.state.fl.us/MonitorDocs/Reports/pdf/1401rpt.pdf>)

The programs are mostly operated by four state organizations. Enterprise Florida is responsible for marketing the program, working with businesses to help them locate, and any other administrative assistance. The Department of Economic Opportunity (DEO), created in 2011 in an effort to conglomerate several similar economic agencies, is responsible for reviewing and approving incentive applications, monitoring compliance, and terminating any funds that are not up to standards. The Department of Revenue tracks all the funds and provides data to the DEO for analysis. The Department of Financial Services reviews requests by the DEO and gives final approval to payments.

Since state statutes encourage local governments to have incentives programs, most do. The variation in the data reflect, in part, the degree to which various local governments have adopted the incentive program.⁸

OPAGGA provides useful summaries of each incentive program.⁹



In exchange for meeting job creation goals, eligible businesses receive refunds for certain state and local taxes, including: corporate income taxes; insurance premium taxes; taxes on sales, use and other transactions under Ch. 212, Florida Statutes; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes.



#1 Qualified Target Industry Tax Refund Program (QTI)

In exchange for meeting job creation goals, eligible businesses receive refunds for certain state and local taxes, including: corporate income taxes; insurance premium taxes; taxes on sales, use and other transactions under Ch. 212, Florida Statutes; intangible personal property taxes; ad valorem taxes; excise taxes; and communications services taxes. Currently, the list of Qualified Target Industries includes clean technology, life sciences, information

⁸ F.S. 163.345. (can be accessed at: <http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0163/Sections/0163.345.html>

⁹ "Florida Economic Development Program Evaluations – Year 1."

technology, aviation/aerospace, homeland security/defense, financial/professional services, emerging technologies, other manufacturing, and corporate headquarters. Call centers and shared service centers also may qualify if certain economic criteria are met, and special consideration is given to industries that facilitate the development of the state as a hub for domestic and global trade and logistics. In addition to being within a qualified target industry, businesses must meet other criteria to be eligible for QTI incentives. These conditions include creating at least 10 jobs if the business is relocating to the state, or increasing employment by 10% if the business is expanding in the state; paying an annual wage of 115% of the average private sector wage in the area where the business is located or the statewide private sector average wage; and receiving a local government resolution of commitment to the business relocation or expansion and financial support amounting to 20% of the incentive amount. Qualified Target Industry tax refund amounts are based on the number of jobs created, the percentage of annual average area wages paid, the expansion or location site, and whether the business is a designated high-impact sector business.



Currently, the list of Qualified Target Industries includes clean technology, life sciences, information technology, aviation/aerospace, homeland security/defense, financial/professional services, emerging technologies, other manufacturing, and corporate headquarters.



#2 Capital Investment Tax Credit Program (CITC)

Qualifying businesses can reduce corporate income taxes or insurance premiums over a 20-year period through a tax credit based on the amount of capital investment or costs related to the acquisition or construction of a facility. Eligible expenses include the costs of acquiring, constructing, installing, equipping and financing a qualifying project; this includes all obligations incurred for labor, contractors, subcontractors and builders. The costs for architectural and engineering services, environmental studies, surveys and site work can also be included. CITC qualifying requirements vary based on investment amount and industry sector. High-impact industries have three tiers, with investment requirements ranging from \$25 million to \$100 million. The tier determines the percentage of a business's tax liability

that project costs can offset. In addition, businesses in each of the three tiers must create at least 100 new jobs in Florida and continue to maintain employment goals each year from the commencement of operations. For target industries and headquarters, investment requirements range from \$100 million to \$250 million. These projects also have different annual credit amounts and credit limits as well as higher job creation requirements.

#3 High Impact Performance Incentive Program (HIPI)

To be eligible for this grant program, a business must be certified as high impact. This process has two components. First, Enterprise Florida, Inc. selects and designates which sectors are high impact. Second, the Department of Economic Opportunity reviews applications, determines which companies are eligible for certification (including assessing whether businesses fit into the high-impact sector designation), and enters into agreements. HIPI Program qualifying guidelines vary based on the amount invested and the industry sector. There are three tiers for non-research and development industries and three tiers for research and development industries.



Florida has aggressively pursued developing a biotechnology industry to diversify the state's economy and create high-skill, high-wage jobs. The Innovation Incentive Program provides grants to qualified companies that the governor approved after consultation with the legislature.



Using these guidelines, the department may negotiate qualified HIPI grant awards for any single qualified high-impact business. The agreement between the business and the DEO specifies the commencement of operations date and the grant amount that the business is eligible to receive. Half of the grant fund amount is available upon certification of the commencement of operations; this commencement must occur within two years and six months of being certified as a high-impact business. To obtain the remaining 50% of funds, total employment goals and investment requirements must be achieved by the date specified in the company's agreement.

#4 Innovation Incentive Program

This program provides funds to research and development projects that conduct basic and applied research in the sciences or engineering, as well as design, develop and test prototypes or processes. These projects must serve as catalysts for the growth of existing or emerging technology clusters. To date, the program has targeted primarily biotechnology businesses, although it signed a funding agreement with an aircraft-manufacturing firm in 2013 for a research and development center. Florida has aggressively pursued developing a biotechnology industry to diversify the state's economy and create high-skill, high-wage jobs. The Innovation Incentive Program provides grants to qualified companies that the governor approves after consultation with the legislature. All innovation incentive projects have a performance-based contract with the state based on required specific milestones that trigger grant payments. These contracts also mandate that a portion of any royalty revenues be remitted to the state for reinvestment in certain state trust funds.



To be eligible for a QAC grant, a project must be in a target industry, have a positive economic benefit ratio of at least five to one, induce locating to or expanding in the state, pay an average annual wage of at least 125% of the area-wide or statewide private sector average wage, and be supported by the local community where the project is to be located.



#5 Quick Action Closing Fund (QAC)

The QAC grant gives the governor discretion to respond to projects with unique characteristics. The incentive may compensate a company for “distinct quantifiable disadvantages” after other available resources have been exhausted. To be eligible for a QAC grant, a project must be in a target industry, have a positive economic benefit ratio of at least five to one, induce locating to or expanding in the state, pay an average annual wage of at least 125% of the area-wide or statewide private sector average wage, and be supported by the local community where the project is to be located. These criteria may be waived under extraordinary or special circumstances. For example, a project not meeting all criteria could never-

theless be found to benefit the local or regional economy in a rural area of critical economic concern. Enterprise Florida, Inc., and the Department of Economic Opportunity jointly review QAC program applications to determine project eligibility. The department evaluates proposals for high-impact business facilities.

#6 Brownfield Redevelopment Bonus Refund Program

The 1997 legislature created the Brownfield Redevelopment Bonus Refund Program to encourage redevelopment and job creation within designated brownfield areas. Brownfield sites are abandoned, idle or underused properties where expansion or redevelopment is complicated by actual or perceived environmental contamination. The program is voluntary and intended to achieve several environmental and economic development goals, including rehabilitating contaminated sites, preventing premature development of green space, reducing blight, reusing existing infrastructure, creating jobs and increasing capital investment. To be eligible for the Brownfield Redevelopment Bonus Refund, applicants must either be a qualified target industry business or demonstrate a fixed capital investment of at least \$2 million in mixed-use business activities and provide benefits to its employees. In addition, the proposed project must create at least 10 new full-time permanent jobs, not including any construction or site rehabilitation jobs. The program provides a tax refund for each new job created in a designated brownfield.

#7 Enterprise Zone Program

The 1982 legislature created the Florida Enterprise Zone Program to provide incentives to induce private investments in economically distressed areas of the state. 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, state, county and municipal governments provide investments, tax incentives and local government regulatory relief to businesses to invest and locate in designated zones, and to residents to improve their property. State incentives include job and corporate income tax credits as well as sales tax refunds.

PART 3

EVALUATING THE EFFECTIVENESS OF FLORIDA'S ECONOMIC DEVELOPMENT INCENTIVES

3.1 WHERE THE DATA COME FROM

All of the incentive data come from the goodjobsfirst.org subsidy tracker database. Note that this database tracks committed state and local dollars that may or may not have been spent in that year. Accurately tracking how much state and local governments spend on incentives has been one of the challenges in evaluation, due in part to lack of transparency and how one calculates the true cost of a tax abatement vs tax credits, etc. This confusion has created discrepancies across several databases that attempt to track state and local incentives, with the *New York Times* “Explore Government Subsidies” database being the most comprehensive. Enterprise Florida often had the lowest estimate in terms of incentives distributed. Florida’s OPAGGA research team estimated the total number of incentives distributed as being between the *New York Times* and Enterprise Florida official estimates.

This study uses the goodjobsfirst data because it is geographically marked at the county level and because it is the only database that is funded year round to continuously collect and monitor incentive data from governments and media releases. This report analyzes Florida by comparing the goodjobsfirst database to the state's own data. To ensure some level of data accuracy, and to verify that actual reported spending by government was similar to the committed dollars represented by the goodjobsfirst database, data were cross-compared for all available years between the goodjobsfirst database and Florida's Department of Economic Opportunity annual incentives report. There are only four years where both databases overlap in order to make a comparison analysis (2011–2014), and the margin of difference is fairly small every year, rendering the goodjobsfirst database sufficiently accurate. In 2011–2012, the DEO reported higher spending than goodjobsfirst, and vice versa for the two years after. The data in total include both state and local incentives from 1999–2015. Job data come from the Bureau of Labor Statistics.

3.2

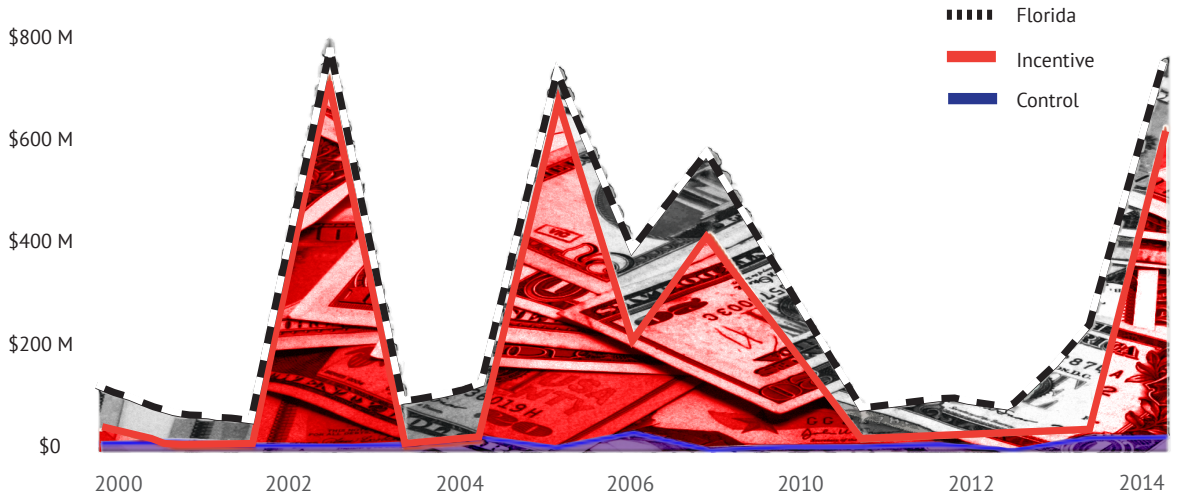
INCENTIVE FUNDS AND JOB GROWTH 1999–2015

This paper uses a simple quasi experimental model, which is explained in more detail in the appendix. Essentially, this method compares a test group that has received specific treatment against a control group that is as similar as possible to the test group except for the given treatment. Theoretically, if the treatment is working, the test group should look different from the control group.

In this case, the test group is the group of four counties that received the four highest amounts of incentive investment. The control group is a carefully selected group of four counties. (See appendix for more details.)

The gray area represents statewide total investment, the red area represents the test group of

FIGURE 1: TOTAL INVESTMENT FOR FLORIDA BUSINESS INCENTIVE PROGRAM, INCENTIVE GROUPING AND CONTROL GROUPING



Source: Author's calculations based on data from goodjobsfirst.org

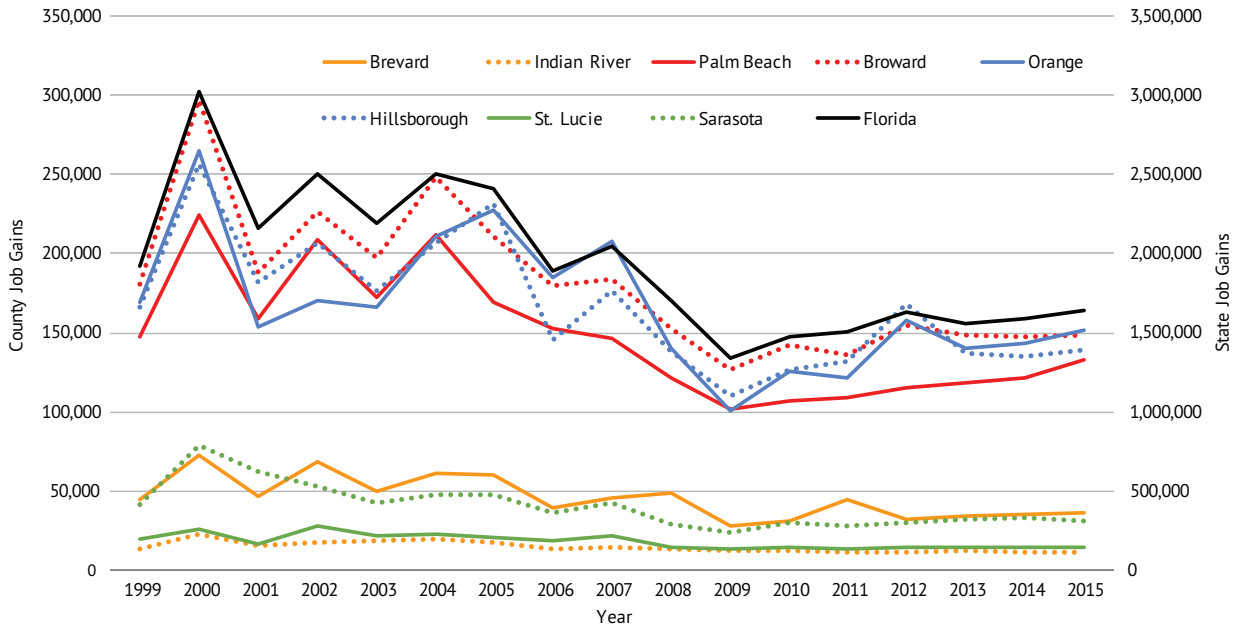
counties, and the blue area along the bottom represents the control group. As one can see, the test group captures a strong majority of total incentive investment, while the control group consistently received just a fraction of the investment. The large dip in 2010 is used as the “before and after” point of comparison. In theory, the red grouping should be growing much faster economically post-2010 due to the nearly \$2 billion in tax investment those counties received.

The following charts compare job growth outcomes between the two groups of counties, and also show overall state job growth as depicted by the solid black line. While both y-axes refer to job gains, the county data adhere to the left y-axis numbers and the state to the right y-axis numbers.

The two charts on the next page display each county as its own line. Every incentive county has a smooth line and is paired with a control county shown as a dotted line of the same color for direct comparison. For example, Orange (incentive county, smooth line) is paired with Hillsborough (control county, dotted line) and both are colored blue.

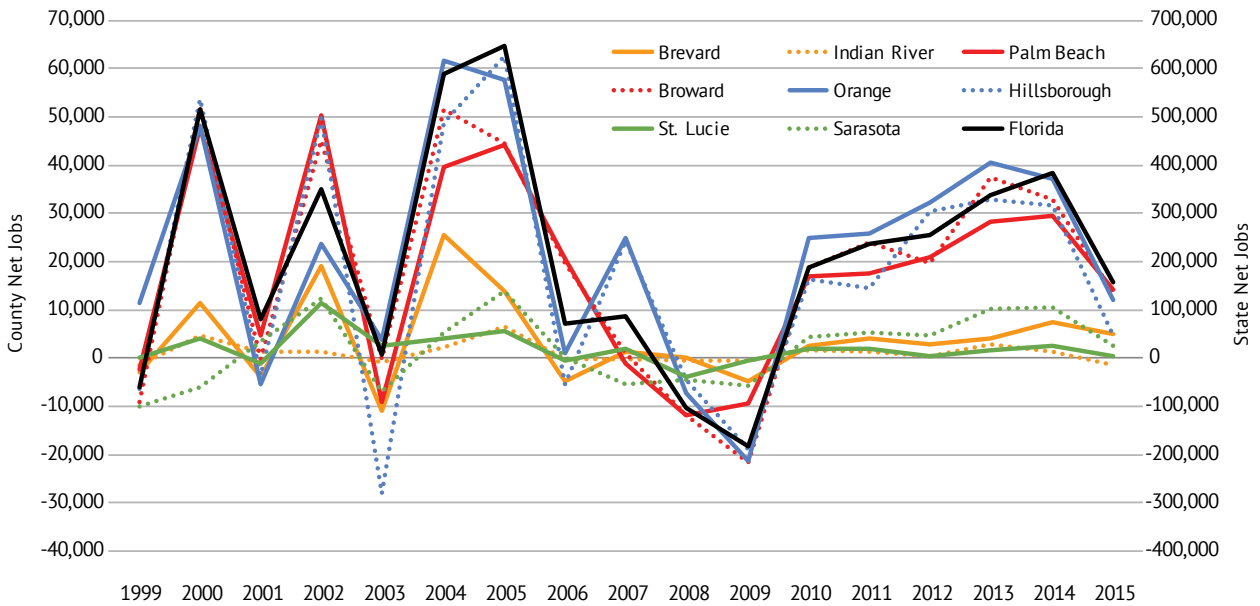
First, one can see that in many cases the control counties outperformed their incentive counterparts. In terms of gross job gains over the course of analysis, Hillsborough and

FIGURE 2: GROSS JOB GAINS BY COUNTY, FLORIDA BUSINESS INCENTIVES PROGRAM



Source: Author's calculations based on data from Bureau of Labor Statistics

FIGURE 3: TOTAL NET JOB CREATION BY COUNTY, FLORIDA BUSINESS INCENTIVES PROGRAM



Source: Author's calculations based on data from Bureau of Labor Statistics

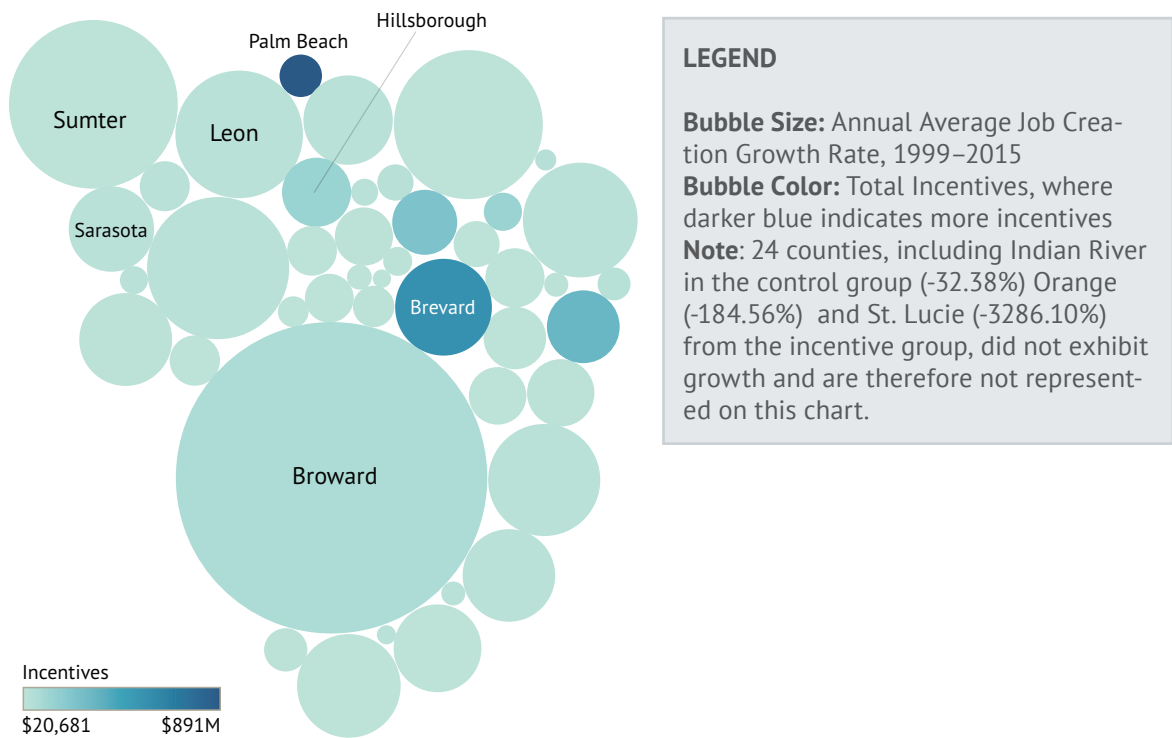
Sarasota annually outperformed Orange and St. Lucie counties, respectively. Orange and Hillsborough were neck and neck, while Brevard was able to produce more jobs than Indian River. Overall, there is no marked improvement in gross job gains for the incentive counties.

Figure 3 shows net job creation to be highly volatile, but the pairs track very closely to each other with no smooth lines making significant jumps above their dotted counterparts. During the post 2010 period, two control counties—Hillsborough and Broward—were the biggest net job creators. Again, superior performance is not evident in the test group.

The job creation rate, whether counties created more or fewer jobs year over year, tracks sustained job growth over the 15-year period under analysis. Tracking percentage changes can help control for population differences among other differences between counties. This bubble chart provides a visual representation of the relationship between the average annual job creation rate and incentives in Figure 4.

Figure 4 shows that, in terms of sustained job growth over a period of 15 years, counties that received a high number of incentives showed no significant advantage in terms of

FIGURE 4: INCENTIVES AND AVERAGE ANNUAL JOB CREATION GROWTH RATE, FLORIDA COUNTIES, 1999–2015



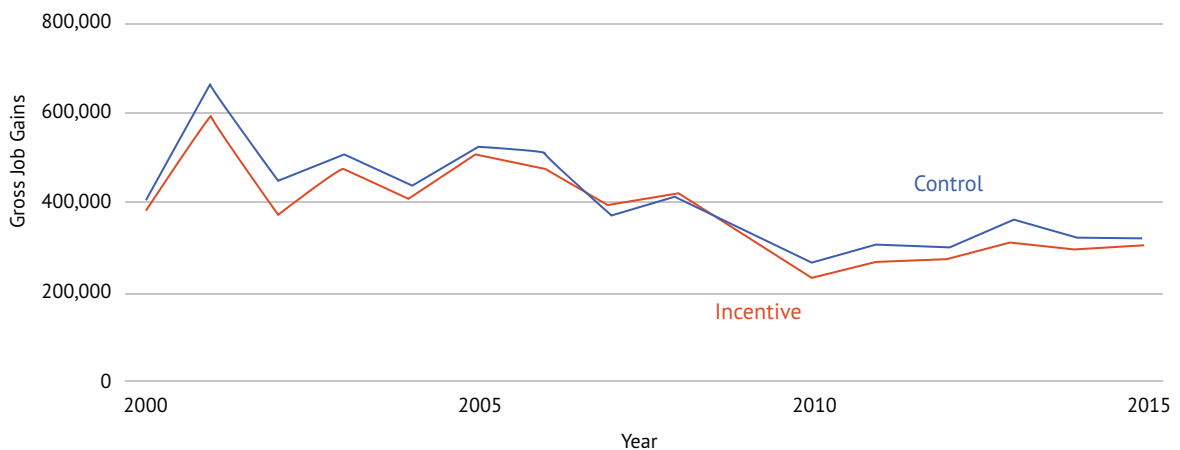
Source: Author's calculations based on data from goodjobsfirst.org and Bureau of Labor Statistics

job growth. Counties such as Broward, Leon and Sumter all averaged significantly higher rates of job growth than counties that received heavy incentive investment. The counties with high incentives exhibit growth rates similar to many other average Florida counties. In general, it is difficult to see a relationship between incentive funding and job growth throughout a large portion of the program's life.

Figure 5 shows annual gross job gains by grouping. A downward trend over time is clear, yet the incentive and control groups remain closely linked throughout. The control group serves as a baseline for job creation since those counties had little or no incentives. We can therefore assume that most of the job creation there was organic, or at least unrelated to the incentive program. Since the groups are somewhat similar, we can extrapolate that this level of job creation is what would occur in Florida without incentives. If the incentives were working, we should expect to see the incentive group begin to pull away from the control group due to the additional investment. Yet measured by gross job creation year over year, the counties without incentives outperform or keep pace with the counties receiving incentive investments. This suggests that incentive investment does not induce significant job creation above and beyond what is naturally occurring in the Florida economy.

Figure 6 shows annual average gross job gains by designated grouping.¹⁰ The control group outperformed the incentive group by 6,000 jobs per year on average, and both groups were

FIGURE 5: GROSS ANNUAL JOB GAINS BY GROUPING, 2000–2015



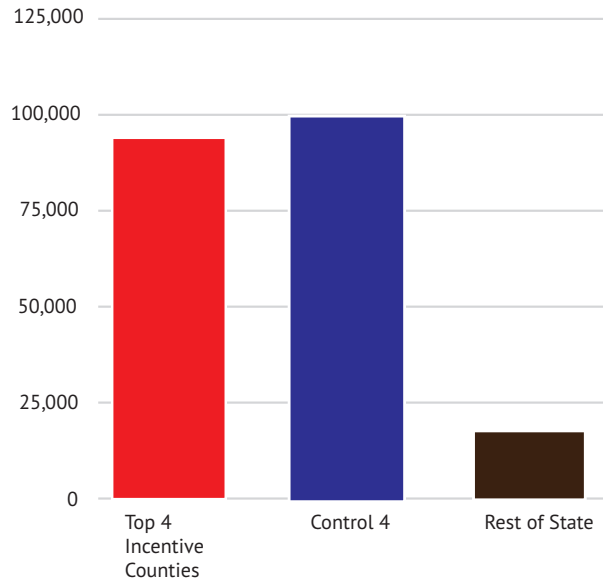
Source: Author's calculations based on data from Bureau of Labor Statistics

¹⁰ It is important to note that net job creation is different from gross job creation. This report measures gross job creation because the program is focused on job creation and not on the prevention of job destruction. While subsidizing industries like manufacturing could in theory reduce their job destruction, the jobs added by the subsidization would still be captured by gross job creation data.

substantially higher than the average for the rest of the state. Yet, we see even better job growth in counties without that investment. Thus, it is difficult to say from this analysis that the incentive program created more jobs than would have been created in its absence.

Table 1 shows the annual average gross job gains by geographic grouping across the last decade and a half. The control group outperformed the incentive group in both time frames. The incentives group saw a relatively larger fall off in job creation than the control group as well. The control group is useful because we can see that in the 2010–2015 period it also saw a decrease in job creation. However, we would expect the incentive counties to have witnessed much less of a drop off due to the jobs funding they received. Statistically speaking, it is difficult to see where or how the incentive spending added to job creation above and beyond what was regularly occurring in the economy throughout the state.

FIGURE 6: FLORIDA BUSINESS INCENTIVES PROGRAM: AVERAGE ANNUAL GROSS JOB GAINS BY GROUPING: 1999–2015



Source: Author's calculations based on data from Bureau of Labor Statistics

TABLE 1: AVERAGE ANNUAL GROSS JOB GAINS BEFORE AND AFTER COMPARISON

Grouping	1999–2009 Job Creation	2010–2015 Job Creation	Percent Change
Incentives	104,521	76,624	-26.7%
Control	110,632	81,887	-26.0%
Rest of State	21,921	15,790	-28.0%

Source: Author's calculations based on data from Bureau of Labor Statistics

PART 4

CONCLUSION AND POLICY RECOMMENDATIONS

The results of this analysis show that the Florida Business Incentives Program failed to generate any measurable impact. It also suggests that there is no discernible difference in job creation between areas that receive large amounts of incentive funds and those that do not. The control group received a small fraction of the incentive funds given to the incentive group and yet managed to outpace the latter in job creation.

A direct comparison of paired counties in the test and control groups emphasizes this point. Over the period studied, St. Lucie and Sarasota respectively received about \$450 million and \$8 million of incentive investment. Yet, St. Lucie grossed just 308,000 jobs while Sarasota grossed 685,730. Over the same time, St. Lucie's net job creation was 31,000 jobs while Sarasota netted 33,000. Therefore, it is difficult to say that incentives are driving job creation.

The message for policymakers at the local and state level is clear: Dumping incentive money into heavily concentrated areas of the state has not unleashed higher job creation rates in those areas when compared to other areas of the state.

The way businesses regard incentives supports this finding. Business owners, whether expanding or re-locating, indicate in both surveys and with actual job creation data that

incentives are simply not important to them or the economic growth process generally.¹¹ The 2014 OPAGGA incentives report noted that 64% of businesses would have proceeded with their projects even if they had not received the incentives.¹² Additionally, 73% of businesses that received incentives reported that incentives helped increase the “financial feasibility” of the project, but that incentives were just one of several non-critical factors that played into expansion and location decision-making.

In the time frame studied, Florida has placed more than \$350 million into individual firms on at least two occasions without ever seeing the promised job growth.¹³ This is not likely due to corporate manipulation of state incentive programs, but rather to the intensely competitive, disruptive and unpredictable market forces of the economy. Every year, new jobs are created by new and expanding firms, while some jobs are destroyed alongside downsizing and closed businesses.



The message for policymakers at the local and state level is clear: Dumping incentive money into heavily concentrated areas of the state has not unleashed higher job creation rates in those areas when compared to other areas of the state.



Business incentive programs attempt to boost growth by knowing ahead of time which firms will grow and add jobs and then dispersing subsidies to them to accelerate that growth. Just ask anyone in the stock market business—predicting that kind of growth is virtually impossible to do. In the long run, which is how the state should be measuring its investment, the business decision whether to keep or eliminate a job rests upon an immeasurable numbers of factors of which business incentives play a very little part. With

¹¹ “Florida Economic Development Program Evaluations – Year 2.” The Office of Program Policy Analysis and Government Accountability. 01/01/2014. Pg. 2. (Can be accessed at: <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1401rpt.pdf>)

¹² “Florida Economic Development Program Evaluations – Year 1.” The Office of Program Policy Analysis and Government Accountability. 01/01/2014. Pg. 2. (Can be accessed at: <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1401rpt.pdf>)

¹³ https://www.watchdog.org/issues/accountability/sanford-burnham-florida-s-million-tax-incentive-bust/article_231be0e1-67d8-5c3c-a7a8-e0df511b80d1.html

the rate of innovation in the current economy, expecting any company to be around for 20 more years just because it may have been around for the last 20 is an assumption economic developers should no longer make.

Florida has spent billions of dollars in incentives over the course of 15 years. This analysis suggests there is no reason to believe incentive funds are necessary to have job growth, or even that they produce unique net gains in job growth. Understanding and emulating what drove job growth in counties that did not receive incentive funds would likely be less costly and more effective.

APPENDIX

APPENDIX: STATISTICAL METHODOLOGY

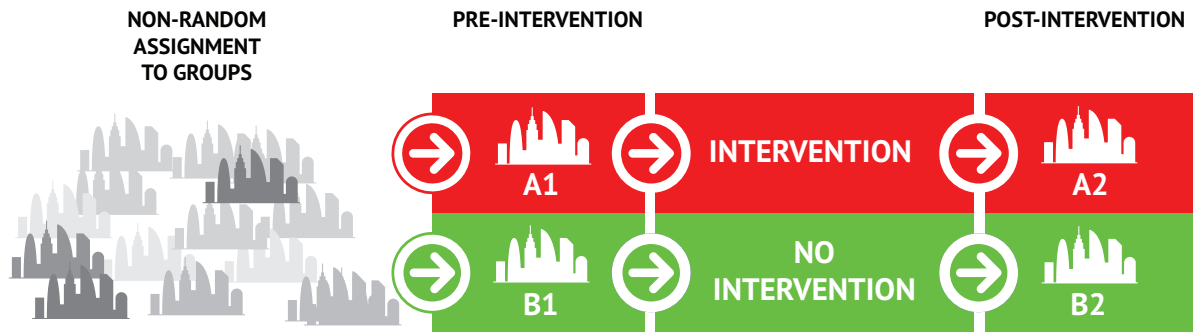
A.1

DIFFERENCE IN DIFFERENCE TEST: ACCOUNTING FOR DIFFERENCES BETWEEN COMPARISON GROUPS

The following methodology for comparison is not intended to be as statistically rigorous as regression analysis or true random scientific experimentation, but instead relies upon reasonable assumptions to make comparisons that inform judgments about outcomes. Comparisons outside of the quasi-experimental design, like comparing the incentive group to the rest of the remaining counties in the state including the control group, provides Florida-specific context for data.

The technical name for the method is “pre-test post-test, two group, quasi-experimental.” This method selects two mostly similar groups that differ mainly in the independent variable or treatment, which in this case is the amount of incentives spent. The “treated” group, according to the theory of the program, should exhibit higher marks on whatever variable the study attempts to capture; in this case this analysis measures gross job creation and gross job creation rates.

FIGURE A-1: CLASSICAL QUASI-EXPERIMENTAL DESIGN



Source: goodjobsfirst.org

Where:

- Intervention Group = Palm Beach, Orange, St. Lucie and Brevard
- Control Group = Indian River, Broward, Sarasota and Hillsborough.
- No Intervention = Small % of incentive funding
- Intervention = 1999–2009
- Post-Intervention = 2010–2015

This approach ensures that both groups are affected as equally as possible by outside forces. For example, the recession certainly had an impact on the economy, so a comparison between A1 and A2 without a control group might underestimate the effectiveness of incentives. The control group analysis of B1 to B2 gives a reference point to judge the outcome of A1 to A2. Because incentives take time to produce results, this analysis marks the intervention period as 1999–2009, wherein nearly 70% of total incentives in the database were distributed. The post-intervention period is measured from 2010 to 2015.

A.2

QUASI EXPERIMENTAL TEST AND CONTROL GROUP COMPARISONS

In order to control for as many differences as possible, each county in the incentive group is matched with a similar county in the control group. The reasons for matching each incentive county to a control county are not 100% precise and this author recognizes that many important differences between the two groups not discussed in this paper could affect the results—such is the nature of quasi experimental testing. However, the goal of this section is to demonstrate that the control and incentive counties are similar enough to make general comparisons.

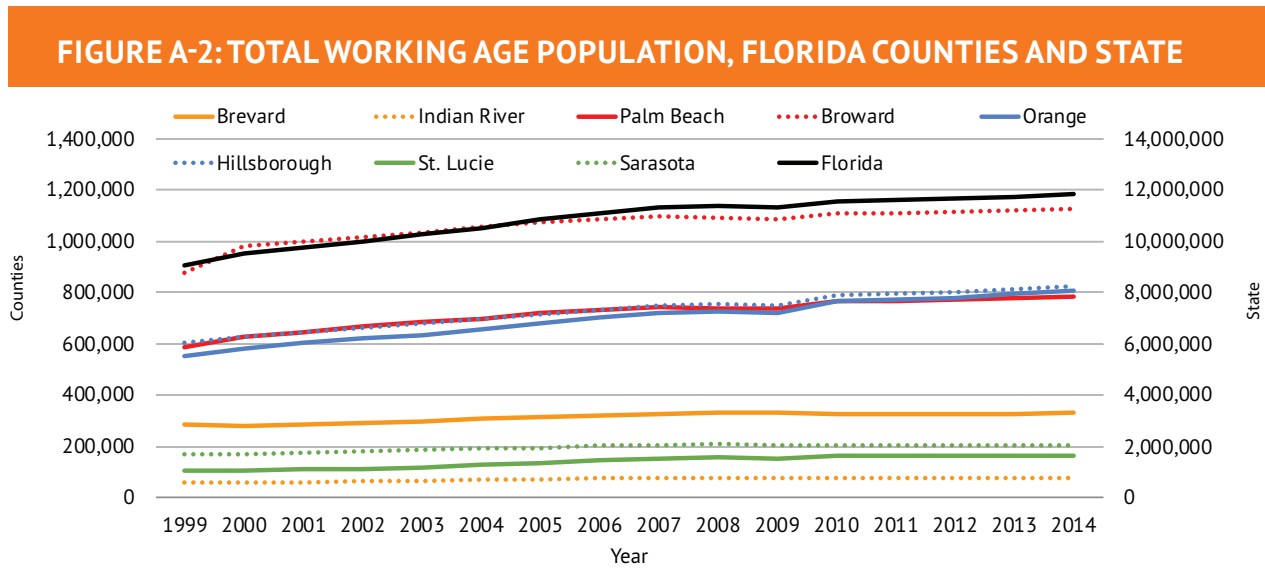
Brevard County pairs with Indian River County. Both are eastern coastal counties without a major metropolitan city. They are directly adjacent to each other. Neither participates largely in Florida’s tourism economy or port activity or has a large university.

Palm Beach County pairs with Broward County. Both have above average home values and population sizes with active metropolitan areas. As both counties lie on the southeastern coast of Florida which has many ports, they participate in port activity to help support the local economy. Neither has a large university.

Orange County pairs with Hillsborough County. A major difference here is that Hillsborough has a port while Orange does not, but Orange County has Disneyworld, which Hillsborough does not. So while each has different economic engines, both contain industry which is heavily dependent on “foreign” (foreign meaning from out of state or out of county) capital coming in. Both have multiple large universities in their jurisdiction.

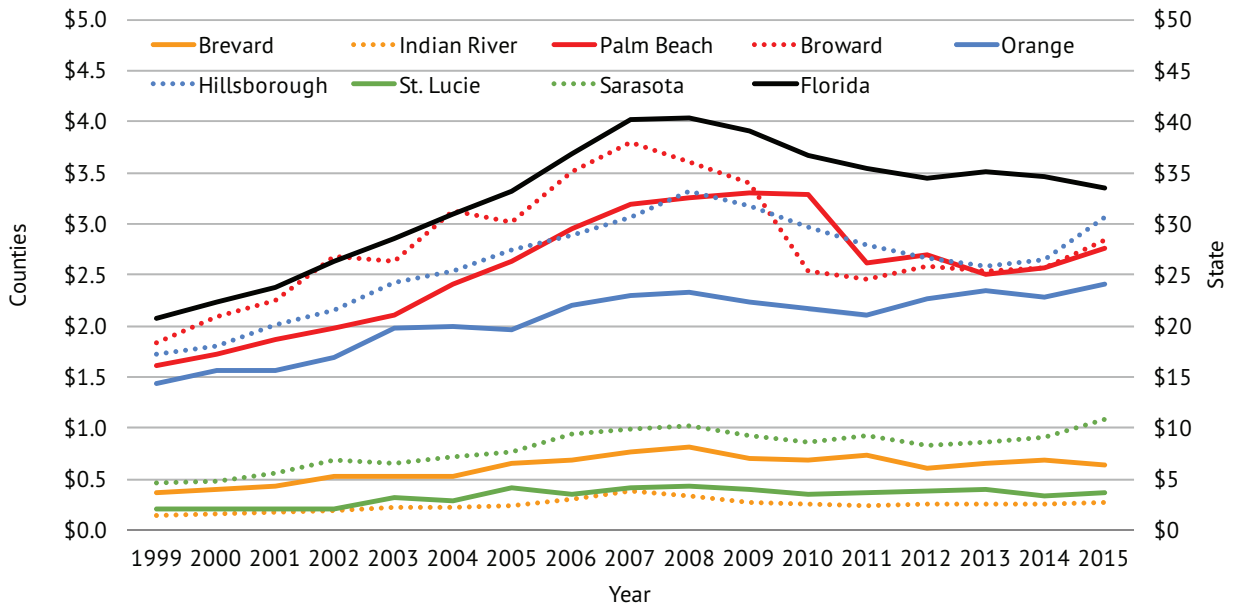
St. Lucie County pairs with Sarasota County. Both have above-average home values, no large metropolitan cities, and no university presence. St. Lucie is on the east coast while Sarasota is on the west, but neither participates much in the port economy.

The following series of charts is designed to show that each county pair is similar in major statistical categories. This is done to isolate the potential effect that incentives would have on economic activity. Pairs are identified by color, with the incentive county represented by a smooth line and the control county represented by a dotted line. The counties are always on the left axis while Florida statewide numbers are represented on the right axis.



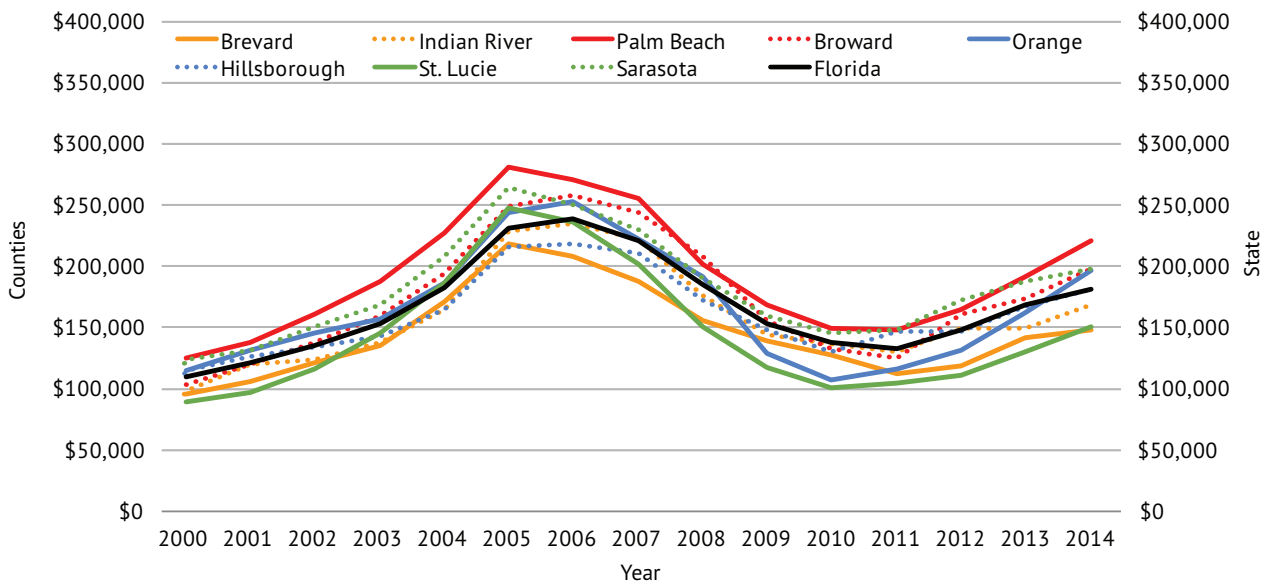
Source: Author’s calculations based on data from U.S. Census Bureau

FIGURE A-3: TOTAL GOVERNMENT SPENDING, FLORIDA COUNTIES AND STATE (IN BILLIONS \$)



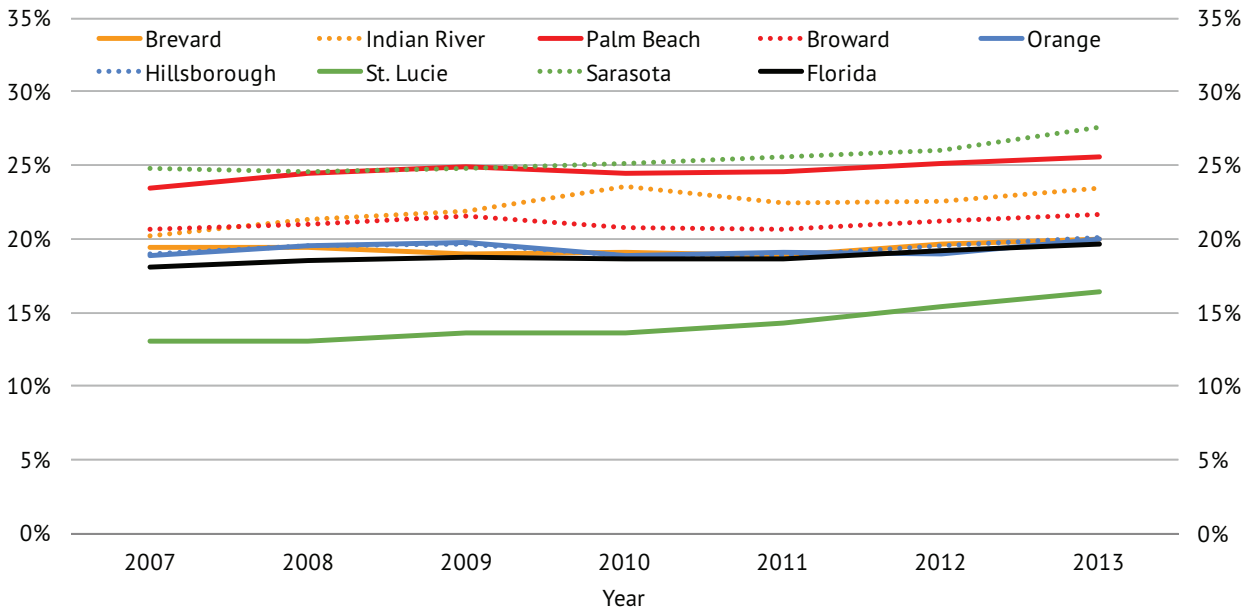
Source: Author's calculations based on data from U.S. Census Bureau. Survey of State and Local Government Finance.

FIGURE A-4: MEDIAN HOME SALE PRICE, FLORIDA COUNTIES AND STATE



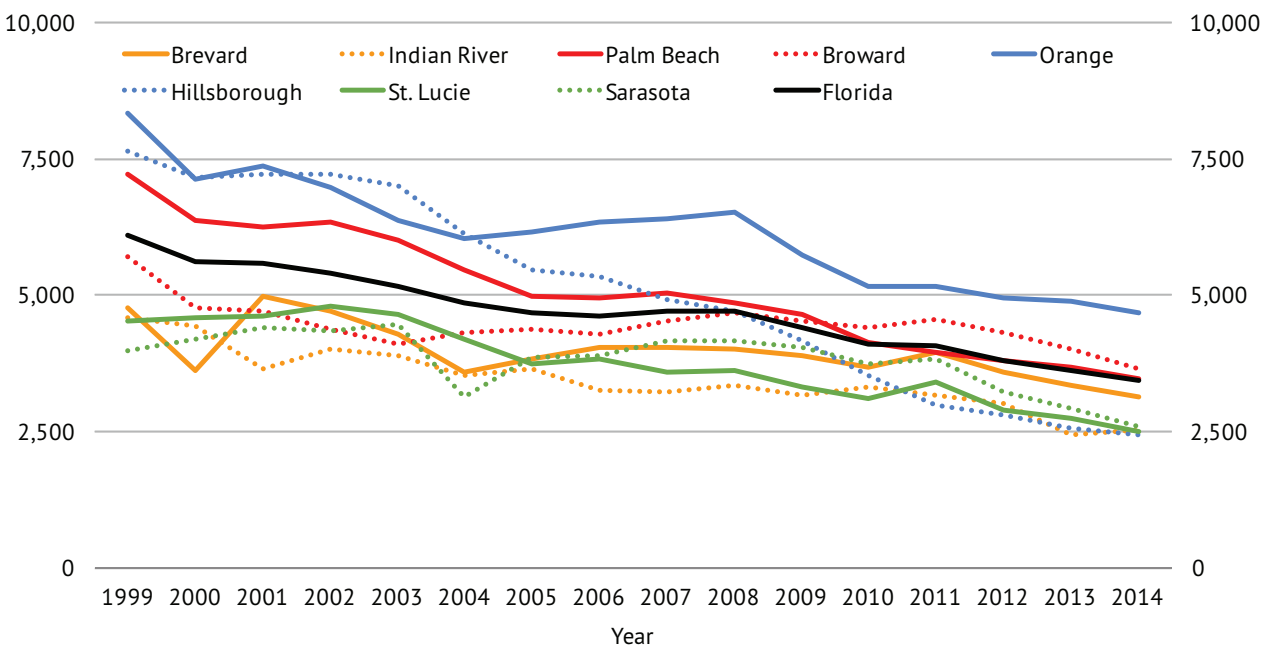
Source: Author's calculations based on data from U.S. Census Bureau

FIGURE A-5: PERCENT OF WORKING AGE (>24 YEARS) WITH BACHELOR'S DEGREE, FLORIDA COUNTIES AND STATE



Source: Author's calculations based on data from U.S. Census Bureau

FIGURE A-6: TOTAL CRIMES PER 100,000 PEOPLE, FLORIDA COUNTIES AND STATE



Source: Author's calculations based on data from goodjobsfirst.org

ABOUT THE AUTHOR

Spence Purnell is a policy analyst at the Reason Foundation, where he works on pension reform, Florida policy issues and economic development.

Prior to joining Reason, Spence worked as director of business development at Florida startup Dealers United and as an analyst for the state of Florida's Executive Office of the Governor (Florida Gubernatorial Fellowship).

Spence graduated from Stetson University with a bachelor's degree in political science and is working on an MPA at Florida State, where his research has focused on database infrastructure and analytics, economic development, and policy evaluation methods. Purnell is based in Florida.

