



Office of Program Policy Analysis And Government Accountability

James L. Carpenter
Interim Director

December 19, 1995

SUMMARY REVIEW OF ENTERPRISE FLORIDA

PURPOSE OF REVIEW

The Office of Program Policy Analysis and Government Accountability (OPPAGA) conducted separate reviews of the Enterprise Florida Innovation Partnership, the Enterprise Florida Capital Par Education Partnership as required by ss. 288.9517, 288.9616, and 288.0475, F.S. These entities were statutorily required to develop research designs for evaluating each of their programs, and the Joint Legislative Auditing Committee directed OPPAGA to use these designs in reviewing Enterprise Florida. The objectives of this report are to summarize the conclusions from our reviews and to provide overall observations regarding Enterprise Florida and its affiliated partnerships.

BACKGROUND

The major purpose of economic development programs is to develop, attract, or retain businesses offering high-skill and high-wage jobs. Enterprise Florida, Inc., was created by the Legislature in 1992 as a public-private partnership with the mission of creating an environment in Florida that leads to a more diversified and competitive economy characterized by better employment opportunities leading to higher wages. One of Enterprise Florida, Inc.'s specific objectives includes creating 200,000 high-wage jobs by 2005. Enterprise Florida, Inc., is responsible for developing a strategic plan for accomplishing its goals and objectives. It also coordinates and oversees the activities of three affiliated partnerships:

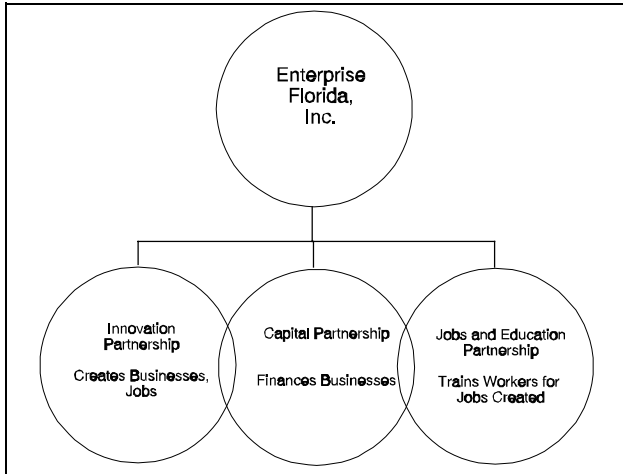
- The **Innovation Partnership** was established by the Legislature in 1993 to promote the growth of small- and mid-sized high technology manufacturers and increase the number of high technology jobs in Florida. The Innovation Partnership created programs to: identify

products that have commercial potential, and help the products' developers start a business or identify an existing business to manufacture and market the products; and help small Florida businesses increase their use of existing and new technologies and improve their business practices;

- The **Capital Partnership** was established by the Legislature in 1993 to build access to financial markets for small- and medium-sized manufacturing firms that are deemed essential to creating a Florida economy characterized by better employment opportunities leading to higher wages. The Capital Partnership has two major initiatives: issuing bonds to provide funds to be used to make long-term loans at competitive rates to small-sized Florida manufacturers; and creating a sustainable venture capital industry that will help start or expand businesses; and
- The **Jobs and Education Partnership** was created by the Legislature in 1994 to create and maintain a highly skilled workforce able to respond to rapidly changing technology and market opportunities essential to a competitive Florida economy. The Partnership is to accomplish these goals by coordinating and overseeing state workforce training programs.

Enterprise Florida, Inc., and its affiliated partnerships each have their own president and board of directors. In addition, the Innovation Partnership contracts with regional entities to provide services. These entities have their own presidents and boards of directors.

Exhibit 1: Enterprise Florida Structure



Source: Enterprise Florida reports.

The Legislature provided approximately \$4.9 million, \$6.6 million, and \$5.2 million in general revenue to these partnerships in fiscal years 1993-94, 1994-95, and 1995-96. (See Exhibit 2.) Enterprise Florida, Inc., was not appropriated state funds.

Exhibit 2: Enterprise Florida Appropriations (in millions)

Entity	1993-94	1994-95	1995-96
Innovation Partnership	\$4.399	\$6.050	\$3.933
Capital Partnership	0.520	0.520	1.045
Jobs and Education Partnership			0.226*
Total	\$4.919	\$6.570	\$5.204

*The Legislature allocated \$30 million in existing job training funds to provide incentives for community colleges and school districts to improve student outcomes in fiscal year 1995-96.

Source: General Appropriations Acts and Summary Statement of Intent.

CONCLUSIONS

- Each partnership needs to revise its research design and performance measures. Establishing valid and appropriate outcome measures is essential in order for the partnerships, Enterprise Florida Inc., and the Legislature to evaluate progress toward achieving desired outcomes.

-- Outcome measures have not been developed for some partnership programs. In addition, some outcome measures that have been developed lack baselines, expected levels of future performance, and timeframes for accomplishment.

-- The Innovation Partnership and the Capital Partnership need to develop intermediate outcome measures that can be used to assess interim program performance.

- Partnership programs are being implemented, but at this time, little progress has been made toward accomplishing desired outcomes.

The Innovation Partnership's programs are providing services to Florida manufacturers, such as helping product developers establish businesses. Regional innovation/ commercialization centers assisted 105 companies and commercialized 17 technologies in fiscal year 1994-95.

-- However, few jobs have been created by Innovation Partnership programs (53 as of August 1995).

The Capital Partnership has begun to put in place its loan program's infrastructure. In addition, the Capital Partnership's first venture capital fund closed in June 1995 with total commitments of \$31 million from four private and one public institutional investor.

-- However, no loans have been made to small Florida manufacturers. Further, the Partnership's first venture capital fund may have little direct impact on the Florida economy or provide little benefit to Florida businesses since its investments are not targeted to in-state companies. This fund is to invest in national private venture capital funds that, in turn, can invest in companies with high potential growth throughout the United States.

The Jobs and Education Partnership developed the Performance-Based Incentive Funding Program to provide incentives to community colleges and school districts with successful training outcomes. Preliminary data reported by community colleges and school districts indicate that enrollments of disadvantaged students in training programs who would qualify for performance-based incentives increased 47% from 29,235 in 1993-94 to 42,869 as of October 1995.

■ **It is still too early to make conclusive judgments on the outcomes of Enterprise Florida's affiliate Programs.**

- The Innovation Partnership's technology commercialization programs are long-term in nature. It takes several years before a product can be refined, manufactured, and marketed, with additional time for product sales to spur creation of jobs.
- Loan programs such as the one to be implemented by the Capital Partnership usually takes five to seven years to generate measurable outcomes.
- Job training programs coordinated by the Jobs and Education Partnership are also long-term in nature. It may take several years for students to complete job training and more time is needed to determine outcomes, such as whether the students become more financially self-sufficient or less dependent on public assistance.

OBSERVATIONS

■ **Enterprise Florida and its affiliates appear to have potential to benefit the state.**

- The Innovation Partnership's technology commercialization programs, when properly designed and implemented, can help develop new technology - based products and thereby help create high-skilled, high- wage jobs;
- The Jobs and Education Partnership can serve an important role in coordinating the multitude of state workforce training programs. It can also develop programs that base evaluation of success on student outcomes rather than processes that encourage the training of disadvantaged groups. We recommended this role for the Partnership in report No. 94-41, issued March 1995.

■ **Enterprise Florida has involved Florida business and community leaders in state economic development activities.**

- It is essential for Enterprise Florida's success that it involve business and community leaders in state economic development activities. Presently, 42 business and local economic development leaders are on the boards of Enterprise Florida, Inc., and its affiliated partnerships. Additional state

officials, legislators, and university professors serve on these boards.

■ **Enterprise Florida leveraged private sector support for its programs with state funds.**

- It is also essential to Enterprise Florida's success that it leverage private sector support from public funds. As shown in Exhibit 3, Enterprise Florida has increased private sector matching from \$2.72 million in 1993-94 to \$73.5 million 1994-95.
- Because of the design of the Capital Partnership's venture capital fund, it is possible that not all the private sector match will directly benefit Florida businesses.

Exhibit 3: Enterprise Florida Private Sector Match (in millions)¹

	1993-94	1994-95
Enterprise Florida Inc.	\$0.63	\$ 0.25
Innovation Partnership	2.09	13.07
Capital Partnership	0	16.00
Jobs and Education Partnership ²		44.18
Total	\$2.72	\$73.50

¹ Includes cash and in-kind.
² Match is for Quick Response Training Program.

Source: Enterprise Florida Inc. records.

■ **Early program results need to be interpreted with caution.**

- Enterprise Florida's 1993-94 Annual Report credited the Jobs and Education Partnership with creating jobs in fiscal year 1993-94. However, the law creating this partnership did not go into effect until May 1994.
- In some cases, the Innovation Partnership contracted with already existing local economic development organizations to provide services. Some of the early results achieved by these organizations may still have occurred without the Partnership's involvement.

-- It is difficult to directly attribute the creation of jobs to any program operated by one of the partnerships since many factors affect job creation.

■ **Enterprise Florida, Inc., needs to provide stronger oversight of its affiliated partnerships.**

-- Enterprise Florida, Inc., has not established processes to help ensure that the partnerships implement their program designs on a timely basis. As part of its oversight responsibilities, Enterprise Florida, Inc., needs to be able to identify when partnerships are experiencing problems in implementing their programs and assist them in overcoming barriers.

RECOMMENDATIONS

We recommend that the Legislature continue Enterprise Florida, Inc., and its affiliates based on their potential to benefit the state. Since most Partnership programs have been in operation for one year or less, the Legislature will need to continue to review Enterprise Florida's performance to determine the extent to which the potential of this public/ private partnership is realized.

We recommend that Enterprise Florida, Inc., exercise stronger oversight to ensure that its affiliated partnerships implement their program designs on a timely basis. Enterprise Florida, Inc., should identify when the partnerships are experiencing problems in implementing their programs and assist them in overcoming barriers.

RESPONSE

The President of Enterprise Florida, Inc., in his written response to our preliminary report provided the following comments:

1) "As stated in the conclusions section, the programs reviewed are long-term in nature making conclusions drawn at this time premature. Not fully addressed in the report is the significant progress made in the implementation of these programs as evidenced in part by the

recent receipt of the largest federal NIST award in the country for the Innovation Partnership manufacturing program.

- 2) As stated in the responses to Reports 95-07, 95-08 and 95-09 the Innovation Partnership and Capital Partnership will work with OPPAGA to revise their research design and performance measures so that interim success can be more accurately measured.
- 3) The conclusions section states that the first venture capital fund may provide little benefit to Florida businesses because the investments are not targeted to in-state companies. The Capital Partnership has successfully used its state-funded budget to raise substantial capital from return driven investors which will benefit Florida's economic development. The Cypress Equity Fund is one element of a long term strategy designed to develop a sustainable, market driven venture capital industry in Florida where none exists today. This first fund has established Florida based institutional venture capital investors for the first time and will provide qualified Florida's businesses access to the nations best venture capital firms. With the further support of Florida's leaders and institutional investors, the next Cypress fund will be Florida-based.
- 4) In regards to oversight of the affiliated partnerships, a report was prepared in May of 1995 which addresses the processes to be implemented which will ensure that the partnerships are working to achieve the overall objectives of Enterprise Florida. This report is being used as the framework to provide the oversight recommended in your report.
- 5) Enterprise Florida and its affiliated entities were created as public-private partnerships to most effectively leverage the strengths of private and public-sector leaders. The commitment of those leaders was apparent during the recent economic summit meetings where consensus was reached on the future direction of economic development for the state. We strongly believe that Enterprise Florida and its affiliates can provide the most efficient, productive economic development services that will improve the quality of life for all Floridians."

December 13, 1995

Mr. James L. Carpenter
Interim Director
State of Florida -
Office of Program Policy Analysis
and Governmental Accountability
Post Office Box 1735
Tallahassee, FL 32302

Dear Mr. Carpenter:

We have read the report titled Summary Review of Enterprise Florida and offer the following response:

- 1) As stated in the conclusions section, the programs reviewed are long-term in nature making conclusions drawn at this time premature. Not fully addressed in the report is the significant progress made in the implementation of these programs as evidenced in part by the recent receipt of the largest federal NIST award in the country for the Innovation Partnership manufacturing program.
- 2) As stated in the responses to Reports 95-07, 95-08 and 95-09 the Innovation Partnership and Capital Partnership will work with OPPAGA to revise their research design and performance measures so that interim success can be more accurately measured.
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We have verbally communicated other minor corrections and comments to Tom Roth and appreciate his efforts in the preparation of this and the other partnership reports. Enterprise Florida recognizes the importance of accountability and the role your office plays in evaluating the performance of organizations utilizing state funds to provide services to the citizens of Florida.