

# Introduction



## NEW CORNERSTONE

**FLORIDA**  
**CHAMBER**  
*Foundation*

Tallahassee, Florida  
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*RESEARCH BY:*  
Cambridge Systematics, Inc.



# About the Florida Chamber Foundation

The Florida Chamber of Commerce Foundation is a research organization and problem-solver, working in partnership with state business leaders to advance and fund activities in public policy research in order to promote a healthy Florida economy. Founded 33 years ago by the Florida Chamber of Commerce, the Chamber Foundation has been a critical voice for improved public education and a pro-business, pro-Florida business climate that allows Florida to grow and prosper.

The Foundation takes pride in a record of important studies that have provided an intellectual framework for state policy:

- *Transportation Cornerstone Florida: Moving Florida's Economy Into the 21st Century (1999)*
- *International Cornerstone Florida: Building a Crossroads Economy (1997)*
- *No More Excuses: What Businesses Must do to Help Improve Florida's Schools (1994)*
- *Crossroads: Designing Florida's Tax Structure (1990)*
- *Cornerstone: Foundations for Economic Leadership (1989)*
- *Enterprise Florida: Growing the Future (1989)*
- *The Role of Privatization in Florida's Growth (1986)*

If you would like copies of this report or more information about *New Cornerstone: Foundations for Florida's 21st Century Economy*, please visit our web site at <http://www.NewCornerstoneonline.com> or contact:

Florida Chamber of Commerce Foundation, Inc.  
Post Office Box 11309  
Tallahassee, Florida 32302-3309  
877/521-1230  
e-mail: [jmcnabb@flchamber.com](mailto:jmcnabb@flchamber.com)



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We are grateful to twelve volunteers, respectfully known as the *New Cornerstone* Executive Steering Committee and Task Force, whose patience, thoughtful analysis and tireless energy for the research project enabled us to produce this unprecedented comprehensive document.

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University of Central Florida

*Neal Wade (2000-2002)*  
The St. Joe Company

## New Cornerstone Task Force

### ***New Cornerstone Task Force***

*Michael Bobroff*  
Economic Development Commission of Mid-Florida, Inc.

*Marco Oliveri*  
Gainesville Council for Economic Development

*Stuart Rogel*  
Tampa Bay Partnership

# Research Team

We also thank John Kaliski, Project Director, Daniel Hodge, Deputy Project Director and the entire Cambridge team for their research, writing, and editorial contributions.

## **Cambridge Systematics, Inc.**

John Kaliski  
*Project Director*

Daniel Hodge  
*Deputy Project Director*

Branner Stewart  
*Economic Analyst*

Jacob Meunier  
*Research Analyst*

Brian ten Siethoff  
*Research Analyst*

Stacey Eliassen  
Wil McKee  
Jenny Moynihan  
Matthew Pasquerella  
*Graphic Design and Layout*

## **Global Insight**

Sara Johnson  
*Managing Director*

David Iaia  
*Principal Economist*

Carla Bonde  
*Consultant*

## **Economic Competitiveness Group, Inc.**

Alec Hansen  
*Principal*

Scot Gallagher  
*Senior Associate*

Rob Ness  
*Research Associate*

James Choy  
*Research Assistant*

## **MGT of America, Inc.**

Cynthia P. Balogh  
*Senior Associate*

Robert Holloway  
*Analyst*

Aaron Beverly  
*Research Assistant*

Byron Folsom  
*Consultant*

Kimberly Hardy  
*Research Assistant*

## **Hemispheric Strategies, Inc.**

Gary Springer  
*President*

## **Mathis & Associates**

Jane Mathis  
*President*

## **University of South Florida – Center for Economic Development Research**

Kenneth Wieand  
*Director*

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The Florida Chamber of Commerce Foundation is pleased to acknowledge and thank the investors in the *New Cornerstone* initiative. Gifts and grants from corporations, private foundations, and individual contributions support the Foundation's programs, publications, and operations. This partnership on behalf of a strong Florida economy gives us every reason to be proud!

Finally, we gratefully acknowledge our major contributors. Their generosity and commitment to a better Florida made the *New Cornerstone* study a reality.

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# Objective

In 1989, the Florida Chamber of Commerce Foundation, with the support of public and private organizations statewide, released *Cornerstone: Foundations for Economic Leadership*. This groundbreaking study defined a blueprint for Florida's economic growth and development during the 1990s, and recommended strategies for enhancing Florida's competitiveness in global markets. Over the past 14 years, *Cornerstone* guided the state's public and private decision-makers in shaping Florida's progress in economic development, tax and regulatory structures, education, international trade and investment, and transportation. Notable initiatives that grew out of the *Cornerstone* initiative include the following:

- Creation of Enterprise Florida, Inc. as a public-private partnership to oversee the state's economic development functions;
- Establishment of the Foundation's WorldClass education partnership to increase business involvement in Florida's school system;
- Implementation of strategies for enhancing international trade and foreign direct investment, as recommended in the Foundation's International Cornerstone study; and
- Implementation of strategies for strengthening Florida's transportation system, as recommended in the Foundation's Transportation Cornerstone study.

As the new century dawns, it is an appropriate time for the leadership of Florida's government and business institutions to reconsider the original *Cornerstone* blueprint and define a new set of strategies to guide the state over the next decade. The *New Cornerstone* initiative will build upon these previous studies and point toward a new direction for Florida in the 21st century economy. The study will produce the following:

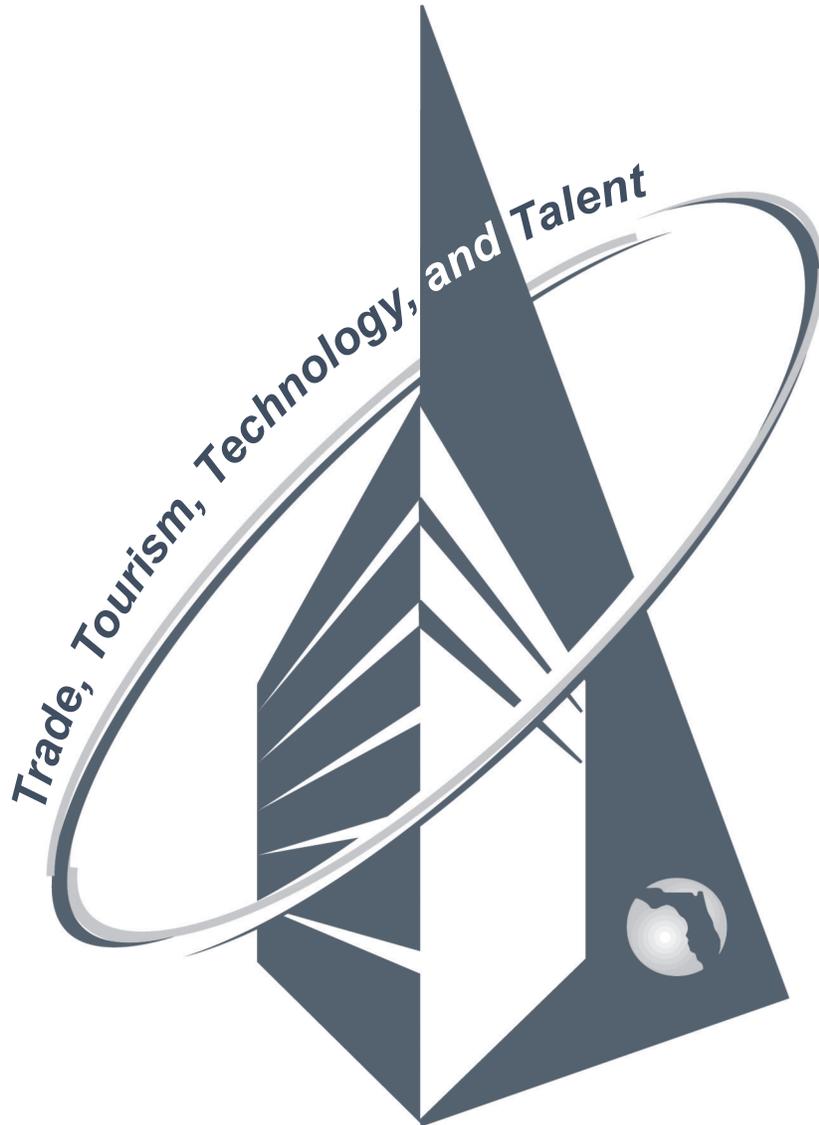
- A vision for Florida's economy in the early part of the 21st century, including the industries with the greatest growth opportunities;
- Strategies to support Florida's economic foundations, including areas such as human resources, technology, finance, infrastructure, and quality of life, to achieve these opportunities; and
- Action initiatives to implement these strategies and ensure Florida's economic future.

# Organization of This Report

This report is organized as follows:

- Chapter 1, Challenges for Florida’s Economic Future, presents a “report card” on the performance of Florida’s economy during the 1990s and identifies five major challenges that the state must address over the next decade.
- Chapter 2, Florida’s Economic Outlook: Trends, Opportunities, and Risks describes the forecast for Florida’s economy over the next decade, including the outlook for key industries and major regions within the state.
- Chapter 3, Preparing Florida’s Intellectual Infrastructure for the 21st Century Economy, identifies major issues and strategies related to the Florida economy’s first challenge: preparing the workforce, educational system, and research and development base for the 21st century economy.
- Chapter 4, Innovation Economy: Florida’s Emerging Businesses, identifies major issues and strategies related to the Florida economy’s third challenge: incubating, growing, and sustaining small businesses in high value-added industries.
- Chapter 5, Growing Florida’s Crossroads Economy, identifies major issues and strategies related to the Florida economy’s second challenge: growing Florida’s role as a “crossroads” for global trade, tourism, and investment.
- Chapter 6, Creative Communities, identifies major issues and strategies related to the Florida economy’s fourth challenge: sustaining vibrant communities and attracting creative workers during a period of continued growth yet constrained social and natural resources.
- Chapter 7, Bridging the Equity Gap, identifies major issues and strategies related to the Florida economy’s fifth challenge: creating economic opportunities for all regions and socioeconomic groups in the state.
- Chapter 8, Economic Development Programs: Building a Partnership for the Future, identifies institutional and funding options for implementing the priority strategies identified in the previous chapters.
- Chapter 9, Recommendations, summarizes the recommendations of the study.

# Executive Summary



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Economic Development Research



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# New Cornerstone: A Vision for Florida's Economic Future

*Imagine a state with a worldwide reputation as a place to live and play...*

*A business start up rate that ranks third among the 50 states...*

*A commanding share of United States commerce with expanding Latin American markets...*

*More high-technology jobs than all but four states...*

*An unemployment rate that for nearly eight years has been below the national average...*

*And the nation's top-ranked metropolitan areas for entrepreneurs and new business creation.*

*Now imagine a state where the percentage of the adult population with a college degree ranks 34th in the nation...*

*The number of science and engineering Ph.D.'s relative to the population ranks last among the 50 states...*

*Productivity per worker is more than 20 percent below the national average, while relative income levels are eroding steadily...*

*Traffic delay is rising more than three times faster than the number of drivers...*

*And the crime rate, in spite of significant improvements, remains the highest in the nation.*

Surprisingly, Florida is both of these states. It offers at once some of the nation's most attractive economic opportunities and some of its most thorny problems. The Sunshine State is teeming with resources – an appealing climate and quality of life; a diverse and growing population; hemispheric leadership in trade and tourism; unique niches in emerging technologies, such as space launch, optics, and simulation; a large and growing pool of retired and semiretired workers who can provide both intellectual and financial capital; and competitive business costs. It is among a handful of states poised to pursue the benefits of the continued shift toward global markets, innovation industries, and mobile labor that is expected to dominate economic growth during the early part of the century. At the same time, in a twist that has vexed a generation of business and government leaders, Florida must contend with some of the nation's most complex economic challenges: a chronic shortage of skilled labor, particularly in technology fields; stubbornly high workers' compensation, health care, and other regulatory costs; growing gaps in performance between urban and rural regions; and a persistent global image as



**NEW CORNERSTONE**

a place to retire and vacation, but not a place for business. Meanwhile the state's communities and environment are struggling with the effects of decades of growth – from congested highways and overcrowded schools to loss of farmland and uncertainties about future water supply.

These challenges are daunting, but not insurmountable for a state that in less than a generation tamed the Everglades, helped put a man on the moon, and turned a cow pasture into one of the world's leading tourist destinations. Florida's economic future is bright if the state harnesses its collective resources behind a bold, focused strategy.

#### *NEW CORNERSTONE: AN OVERVIEW*

In 1989, the Florida Chamber of Commerce Foundation released *Cornerstone: Foundations for Economic Leadership*. This groundbreaking study defined a blueprint for Florida's economic growth and development during the 1990s and recommended strategies for enhancing Florida's global competitiveness. Over the past decade, the *Cornerstone* framework guided the state's public and private decision-makers in shaping Florida's progress in economic development, tax and regulatory structures, education, international commerce, and transportation. Notable initiatives that have grown out of the *Cornerstone* initiative include creation of Enterprise Florida, Inc. as a public-private partnership to oversee the state's economic development functions; establishment of the WorldClass Schools Foundation to increase business involvement in Florida's school system; and enhancements to Florida's international competitiveness and transportation systems.

As the new century dawns, it is time to reconsider the original *Cornerstone* blueprint and define a new set of strategies to guide the state over the next decade in an increasingly competitive global marketplace. The *New Cornerstone* initiative builds upon these previous studies, and points toward a new direction for Florida in the 21st century economy.

The *New Cornerstone* initiative is a three-year research, policy, and leadership development effort led by the Florida Chamber of Commerce Foundation with support from private and public organizations statewide.

## **Florida's Economy at a Turning Point**

The 1990s were a period of stunning growth and change for Florida's economy. The state created nearly two million new jobs during the decade, capping off this success by ranking first among all states for net job creation during the national recession of 2001-2002 (Figure 1). The state remained a magnet for tourists, retirees, and seasonal residents, attracting nearly 70 million out-of-state visitors in the year 2002. International trade and investment more than doubled. The business startup rate ranked among the highest in the nation, as growth among small businesses and entrepreneurs helped the state realize its longstanding goal of developing a high-technology sector. New areas of leadership emerged in industries like international finance, information technology, biosciences, and professional services.

Despite these successes, this is not a time for Florida to rest on its laurels. The core industries that traditionally have been the source of the state's economic strength – tourism, trade, agriculture, and aerospace – face increased competition from other states and nations. The high-technology and professional service industries, which expanded rapidly during the late 1990s, show great promise but still need development. Increasingly, Florida's cost advantage over other states may be narrowing as skilled labor becomes scarcer and health care, energy, transportation, and other business costs rise. In addition, the state's economic foundations – its workforce, physical infrastructure, capital markets, and tax and regulatory systems – are not adapting to the pace of economic change. Finally, the state's continued strong population growth is straining its environmental and community fabric and threatening its quality of life.

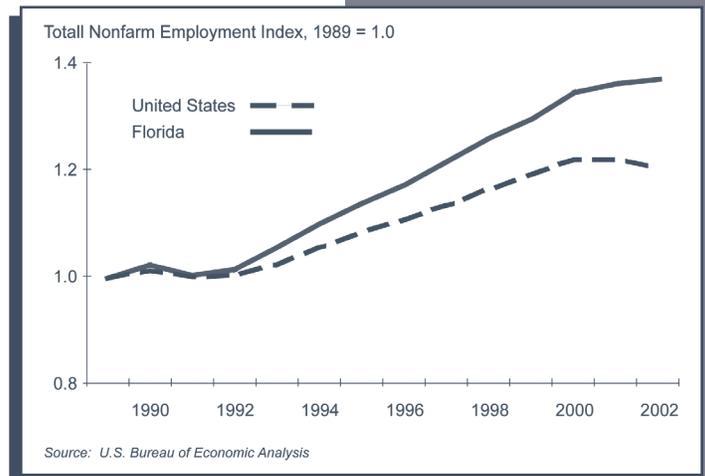


FIGURE 1. FLORIDA IN THE 1990s – ROBUST EMPLOYMENT GROWTH...

#### GLOBAL ECONOMIC TRENDS BENEFIT FLORIDA

Florida is poised to benefit from key trends shaping the global economy over the next decade:

- **Markets are expanding from regional and national to global**, with international competition in most industries and increasingly mobile labor and capital that know no geographic boundaries. More than 80 percent of worldwide consumption and 95 percent of global population is situated outside of the United States – meaning that the best market expansion opportunities for many Florida businesses lie outside of the Sunshine State. Florida dominates United States trade with Latin America and the Caribbean, but still has room to grow before it realizes its full potential in the international market.
- **Technology is becoming a critical enabler for all businesses**, with a strategic advantage enjoyed by those regions that most effectively develop knowledge and information industries. With its concentration of research in aerospace, magnetics, artificial intelligence, and biosciences, Florida can lead the way in many of these emerging industries – if it can develop the workforce and business infrastructure to support them.
- **The “baby boom” is moving toward retirement age**, creating demand for new products and services and likely bringing inflows of new residents to Florida to a historical peak. This shift is slowing labor force growth, which traditionally has been a source of Florida's economic expansion – but also adding to Florida's rich resources of semiretired workers and private capital.
- **A new generation of knowledge and innovation workers** – dubbed the “creative class” – is emerging and making its location decisions based as much on the diversity of a region's population and the quality of its communities as on specific business opportunities. With its climate, diverse population, and recreational assets, Florida can attract these mobile workers and investors and enable them to do business worldwide – if it maintains the vibrancy of its communities and connections to global markets.

Florida faces two major options at the dawn of the 21st century. One option is to continue the path the state has followed for the past several decades: attracting tourists, retirees, and service-sector businesses and competing on the basis of its climate, location, and low cost of living. These factors are likely to ensure continued economic growth for the state, but, as the past few decades have shown, without major improvements in the quality of the state's jobs or the incomes of its workers. An alternative is for Florida to redouble its efforts to compete as a location for value-added production and services, primarily through nurturing home-grown businesses and marketing their products worldwide. If successful, Florida will realize a vital cycle of rising productivity and income levels – a period of sustained growth *and* development.

## A New Vision for Florida's Economy

Traditionally, economic competitiveness has been described in terms of growth – in employment, income, investment, or market share. In the future, Florida should define its economic competitiveness in terms of how well the state fares along three dimensions of its economy:

- **Global leadership in trade, tourism, technology, and talent.** Increased market share is not sufficient; Florida should strive for global leadership in its most critical industries and economic activities. The state thrived as a leader in citrus, vacations, and retiree services in the past. Over the next few decades, the state's best prospects are in the “four T's” – trade, tourism, technology, and talent. In each of these areas, Florida has the capacity to become a worldwide leader, but only if the state overcomes significant challenges, particularly with regard to workforce and infrastructure. These activities transcend the boundaries of the “industry clusters” that shaped the state's economic development programs during the 1990s; their success is tied less to the cycles of individual markets than to the state's overall business and worker climate. Florida was remarkably successful in growing its domestic and international trade and tourism industries during the 1990s, but the state must continue to move forward in these areas in response to changing consumer preferences and increased competition. Technology emerged in importance during the past decade, but this sector remains relatively undeveloped, particularly with regard to commercialization of new research activity. The state has significant pockets of creative talent, but these are more serendipitous than deliberate at this point. Over the next 10 years these four activities must be the focal point of state economic policy, so that Florida fully attains its potential.
- **Prosperous workers.** The decade of the 1990s was a period of *robust job and population growth* – nearly two million new jobs – but *limited income development*. Per capita personal income – the single most basic measure of a region's economic development – increased at a slower rate than the national average during the

*Over the next few decades, the state's best prospects are in the “four T's” – trade, tourism, technology, and talent.*

last 10 years, pushing Florida residents from almost three percent above to nearly five percent below the national per capita income level (Figure 2). The average annual wage per worker was nearly 13 percent below the national average in 2000, mirroring the difference in productivity per worker between Florida and the nation. While the state's concentration in lower-wage service and trade industries keeps wage levels low, Florida's economic goal should be to create a rising tide of prosperity for its workers at all levels. The surest ways to reverse this trend are to diversify the state's economy toward value-added technology and service industries, and to increase the state's pool of high-skilled workers.

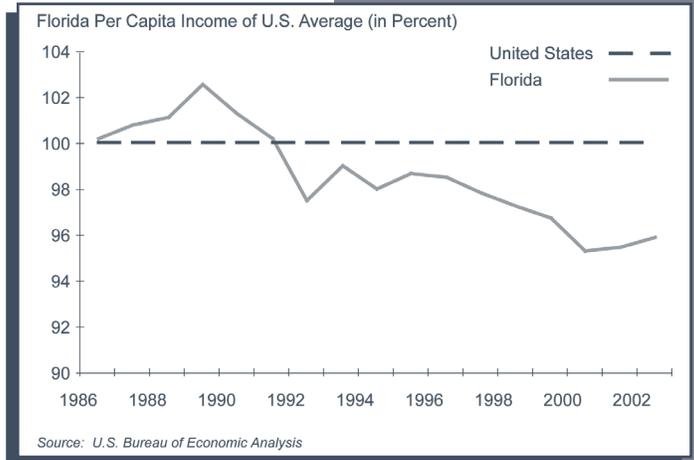


FIGURE 2. ...BUT LIMITED INCOME DEVELOPMENT

- Healthy communities.** Florida's quality of life is a critical element of its competitiveness. The state's climate, scenic beauty, and cultural and recreational amenities attract residents, tourists, and businesses. For the previous five years, Florida has topped an annual Harris poll asking adults in which state they most would like to live. However, it may be difficult to continue this streak due to the mounting pressures created by growth. As the state's strong growth has continued, its quality of life may be deteriorating, as seen in congested highways, overcrowded schools, and urban sprawl. As Florida prepares for another decade of growth, it must ensure that it also improves the quality of its communities and environment.

## Economic Diversification: The 4 T's

Realizing this vision will require a new economic diversification strategy. The focus of this strategy should be these areas:

- Trade and tourism** – Growing Florida's role as a global center for the commerce of goods, services, investment, and information;
- Technology** – Incubating, growing, and sustaining emerging businesses and entrepreneurs in high value-added industries; and
- Talent** – Developing, attracting, and retaining a skilled, creative workforce.

Each of these strategies builds on Florida's existing asset base and represents areas in which Florida can become a global leader over the next decade. Each strategy has the potential to raise average wage and income levels. High-tech jobs pay approximately 50 percent more than the average pay for all industries statewide, and exporting companies pay 15 to 20 percent higher salaries nationally. Educational attainment is strongly correlated with higher wage and income levels. Finally, each strategy could be pursued in tandem with

community goals; in fact, in all cases the state's quality of life and embrace of diversity appears to be a critical prerequisite for success.

### HOW DOES FLORIDA COMPETE?

Until the 1960s and 1970s, Florida's economy depended on a steady influx of retirees, tourists, and seasonal residents; resource-based industries, such as agriculture, mining, and wood and paper; defense spending and military installations; and small niche markets in manufacturing, such as the aerospace and boatbuilding industries (Figure 3). The state competed on the basis of its low costs, warm climate, and natural resources.

By the 1980s and 1990s, Florida's economy was changing. Tourism became a year-round industry attracting families and business travelers worldwide. International trade expanded dramatically with the growth of the Latin American and Caribbean markets. Business and financial services grew in importance to support the trade activity, and also as the state attracted call centers and other back-office operations. A small but fast-growing high-tech industry began to develop along the I-4 corridor in Central Florida and the I-95 corridor in Southeast Florida. Florida's traditional advantages remained, but increasingly Florida competed on the basis of its large supply of affordable labor, its emerging technology base, and its transportation and communications links to global markets.

As the 21st century begins, Florida's economy may transition yet again. Tourism, trade, agriculture, defense, and services to retirees will remain critical elements of the state's economic fabric. But new areas of leadership are emerging in industries such as information technology, optics, biosciences, and technical services. These growth industries are characterized by high-value, high-skill jobs; by high-risk yet high-reward opportunities; by global markets; and by emerging businesses and entrepreneurs. To compete in these markets, Florida must emphasize a new set of resources: skilled labor, innovative technologies, and vibrant communities.

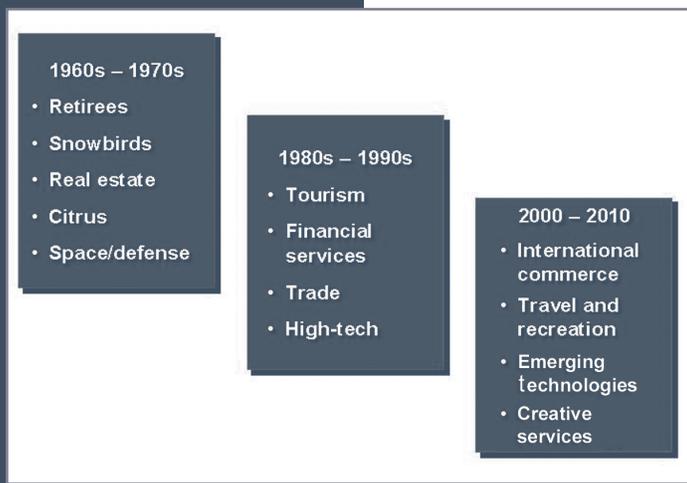


FIGURE 3. A NEW WAVE OF ECONOMIC GROWTH FOR FLORIDA

### Trade and Tourism

**Issues.** Florida's international assets are impressive: a large business and consumer market, a growing and outward-looking technology base, a strategic location at the junction of major north/south and east/west trade routes, renowned weather and recreational amenities, a proliferation of seaports and airports, and longstanding cultural and commercial ties with Latin American markets. With the exceptions of greater New York and Southern California, few United States regions offer the potential to be as well integrated into the global economy as Florida.

Florida has a commanding share of trade between the United States, Latin America, and the Caribbean. International trade and investment in the state doubled during the 1990s and consensus forecasts suggest they may double again by 2015. The contribution of merchandise trade, services trade, payroll at foreign-owned firms, and international tourist spending now approaches 25 percent of Florida's \$481 billion gross state product (Figure 4).

Nevertheless, Florida has room to grow in all aspects of international commerce. Florida's share of gross state product attributable to both locally produced merchandise exports and foreign direct investment is smaller than the national average and for most of Florida's competitor states. An estimated 20,000 to 30,000 Florida businesses are export ready but not currently participating in the international market. As much as half of the imports and exports moving through Florida's seaports and airports are neither consumed nor produced in Florida; in some cases, the only value Florida adds to these goods is transportation and logistics.

Moreover, Florida's portfolio of international activities has room for improvement. The state's exports are heavily concentrated in fast-growing but volatile Latin American and Caribbean markets – putting the state at the double risk of overexposure to market cycles and erosion of market share as other states target these nations as trading partners. The state's foreign direct investment is oriented toward retail and real estate, rather than value-added industries, such as manufacturing and professional services. Capacity constraints at the state's seaports and airports – as well as along the highway and rail corridors serving these gateways – limit the state's ability to absorb growth in international trade and tourism. Finally, global awareness of Florida as a location for business remains limited despite its high name recognition as a vacation spot.

**Strategies.** Florida should set aggressive goals for becoming a global leader in every aspect of international commerce. The state should set a 10-year goal to increase the share of its economy represented by merchandise exports and foreign direct investment toward the national average, while maintaining its national leadership in services exports and reclaiming its role as the nation's leading state for international visitors (Figure 5). But even as these markets grow, Florida should accelerate their expansion to encompass a broader range of the state's businesses and to shift toward more value-added activities.

To accomplish these goals, Florida should pursue the following strategies:

- **Global Leadership** – Florida must recognize that its economy has a large international portfolio, covering goods, services, investment, visitors, and in the future, information. The state should knit together the disparate elements of its international portfolio and look for synergies among them. The state can fill gaps in its portfolio by strengthening across-the-board relations with existing and emerging trade partners. The state also must cross-sell

Exports – Total	\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$	\$47B (2000)
Exports – Services	\$\$\$\$\$\$\$	17B (2000)
Exports – Other Goods	\$\$\$\$\$\$\$	16B (2000)
Exports – High Tech Goods	\$\$\$\$\$	14B (2000)
Imports of Goods	\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$	38B (2000)
International Tourism	\$\$\$\$\$\$\$	18B (2000)
Payroll at Foreign Owned Firms	\$\$\$\$\$	12B (1999)

FIGURE 4. FLORIDA'S INTERNATIONAL PORTFOLIO

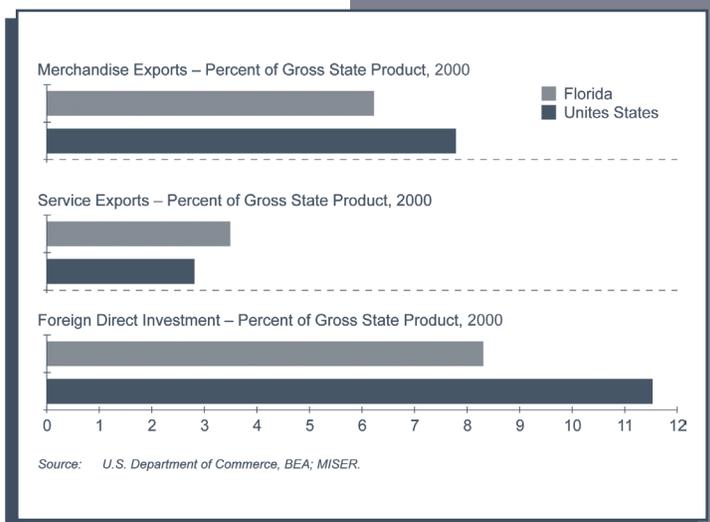
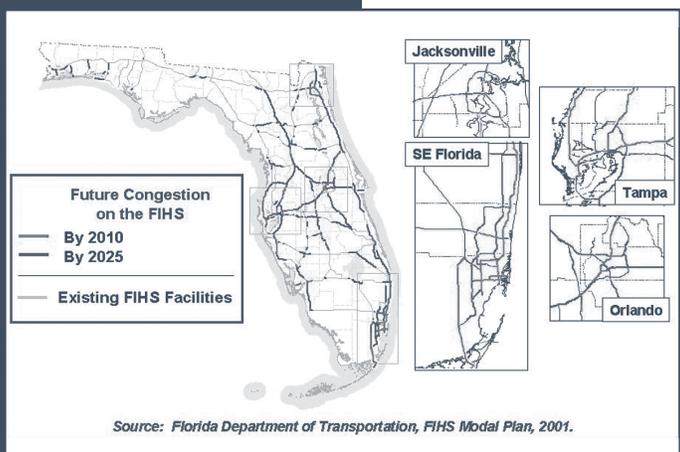


FIGURE 5. TRADE AND TOURISM – STILL ROOM TO GROW

trade and tourism so that every Florida visitor is regarded as the next worker, customer, or investor in the state.

Highest priority should be assigned to efforts to attract the Secretariat of the Free Trade Area of the Americas to Miami. Florida should also focus on attracting foreign direct investment in manufacturing and distribution facilities that form a crucial link in global supply chains; expanding exchange programs that help build long-term relationships with international students, faculty, and other professional visitors; securing its role as a global leader in e-business and trade flows of information; and, positioning itself in next frontier markets such as China, Africa, and, eventually, Cuba.

- **Global Connectivity** – Transportation and communications connections to global markets are critical to Florida's success in the international marketplace. Florida's transportation system is one of the most intermodal in the nation, but the system struggles to keep up with the requirements of its global customers during a time of continued trade and tourism growth and rising competition from neighboring states and nations for a share of the lucrative global market. Many of the state's 14 deepwater seaports and 19 commercial airports face capacity constraints that may limit their future growth. Landside connections have become chokepoints for movements of people and goods to and from these gateways. Travel efficiency and reliability is deteriorating along key segments of Florida's highway system, as growth in travel demand continues to outpace increases in capacity (Figure 6). Transportation delay is growing almost six percent per year, according to the Florida Department of Transportation (FDOT), and costing the average Florida motorist \$620 per year, according to the Texas Transportation Institute. This delay costs the typical large truck about one dollar per minute – a cost passed on to shippers and eventually to consumers.



FDOT, in conjunction with its partners, is designating and planning a Strategic Intermodal System to help focus future state transportation investment in areas that will support the state's economic competitiveness. Current estimates suggest that transportation funding needs exceed available revenues by \$29 billion over the next 20 years for the Florida Interstate Highway System (FIHS) alone, and exceed \$50 billion across all modes. Narrowing this gap must be a statewide priority over the next decade, along with developing policies and plans to ensure the long-term capacity of the state's telecommunications, energy, and water systems.

**FIGURE 6. HIGHWAY CONGESTION CONTINUES TO WORSEN**

- **Global Business Image** – Florida's business image is a concern for expansion and start-up companies alike. Prior studies commissioned by Enterprise Florida indicated that corporate executives, particularly in overseas markets, have a poor perception of Florida as a location for business. These perceptions undermine efforts

to recruit international investment and workers and corporations, who may dismiss the idea that Florida could be a dynamic center for business. These perceptions continue despite worldwide recognition of Florida as a desirable place to live, vacation, and retire.

Florida needs a unified vision – “Florida: a great place to live, work, and play” – around which each sub-brand – tourism, trade, and economic development – can market.

Enterprise Florida and its partners have initiated a statewide, single-brand marketing program, “Florida: Innovation Hub of the Americas” (Figure 7). The Legislature appropriated \$1 million in 2002 for a one-year marketing program, which should be expanded and continued. In addition, Florida’s highly successful tourism advertising and public relations efforts provide an excellent model for a campaign to promote Florida’s business strengths in international markets. A “Visit Florida” campaign geared toward promoting new trade, investment, and tourist flows would rationalize expenditures and create a more consistent image in foreign markets.

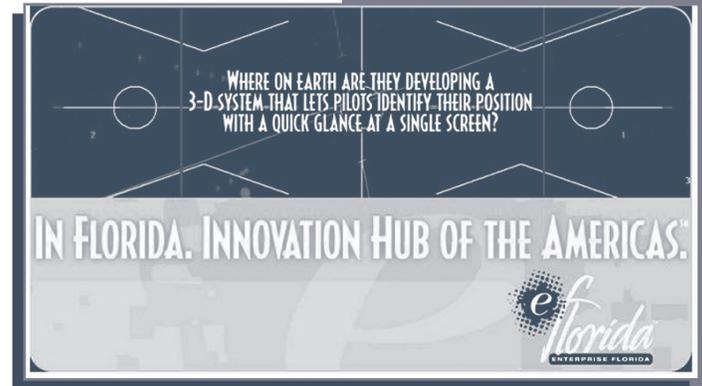


FIGURE 7. BUILDING FLORIDA'S GLOBAL IMAGE

## Technology

**Issues.** The growth of emerging, innovation-oriented businesses and the development of highly skilled knowledge workers characterized the most successful regional economies in the 1990s. Technology companies have been an important driver of these successful regions – Silicon Valley, Boston, Austin, Raleigh-Durham, Seattle – but the ultimate driver of success has been the innovation and flexibility of these regions, not the technologies themselves. Florida now has an opportunity to follow these examples and create its own habitat for innovation.

Over the past decade, the Florida business community has demonstrated its vitality and adaptability. Florida enjoys the nation’s third highest business startup rate and has a large number of fast-growth, “gazelle” businesses. The Sunshine State now ranks fifth in the nation for the number of high-tech jobs, with notable growth along the High-Tech Corridor from Tampa through Orlando to the Space Coast and along the Internet Coast in Miami-Dade, Broward, and Palm Beach counties. Recent surveys of entrepreneurial success have given high marks to Florida, with *Entrepreneur* magazine ranking Orlando as the nation’s top location for starting a business.

Even so, there are indications that Florida can do more to incubate, grow, and sustain emerging businesses in value-added industries. Emerging businesses are small firms that are characterized by recent start-up, high innovation and value added, higher salaries, and high growth and export potential. As many as one in 10 small businesses in Florida falls into this category. Emerging business leaders indicate that the climate for success in Florida, while significantly improved since the mid 1990s, is still only partly sunny.

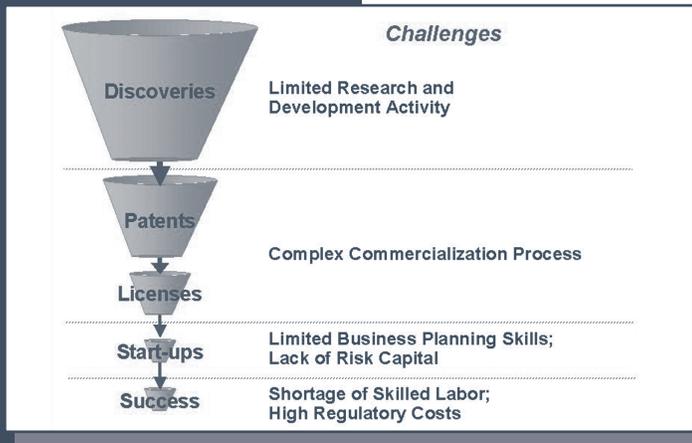


FIGURE 8. OBSTACLES TO GROWTH OF INNOVATION ECONOMY

Obstacles exist at each stage of the entrepreneurial cycle (Figure 8):

- The state's research effort is low compared with other states, putting Florida at a disadvantage in terms of its ability to generate new discoveries. Research and development (R&D) spending represents approximately 1 percent of Florida's gross state product, compared with 2.5 percent nationwide. Despite noteworthy federal civilian and military research activity, Florida lags in both private and university R&D spending.
- The technology transfer and commercialization process is complex, reducing the number of new discoveries that make it to market. On a per worker basis, the number of patents issued in Florida ranks only 28th among the 50 states. Licensing income traditionally has been focused around a small number of well-publicized successes, such as Gatorade and Taxol.
- The business startup rate ranks third in the nation, but emerging business leaders and entrepreneurs report that too many companies reach the startup phase without well-developed business plans or a sustainable financing strategy.
- The chance for long-term growth of these emerging businesses is limited by a shortage of skilled labor; prohibitively high costs for employee health insurance and workers' compensation insurance; and perceptions outside the state that Florida's business climate is poor for entrepreneurs.

**Strategies.** The state must adopt strategies to provide comprehensive support for entrepreneurs and emerging businesses as a step in creating an overall habitat for innovation in Florida. These strategies have three major themes (Figure 9):

- Florida must encourage more settings through which innovation and emerging businesses can be seeded and tested. **Idea factories** should be nurtured to provide R&D activities; skilled science and engineering faculty, students, and researchers; and lab space and equipment to help create new sparks – backed

up with technology transfer and commercialization processes (including seed funding) to help convert these sparks to new businesses. Idea factories include universities, large high-tech companies, and federal research and military laboratories. Florida's research universities and labs are critical statewide assets, and must regard economic development as part of their mission. In addition, the state should aggressively expand its R&D capacity, building on the centers of excellence being

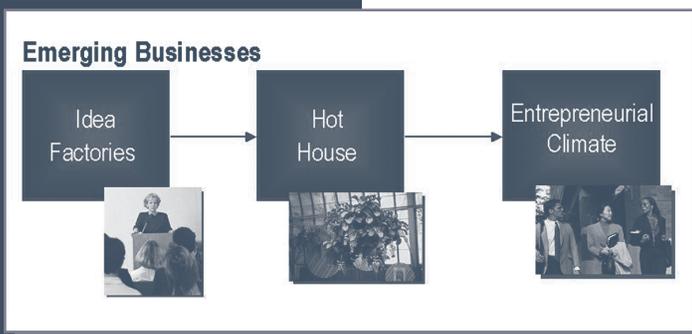


FIGURE 9. INNOVATION STRATEGIES

funded through the recent Technology Development Act. These centers of excellence should be linked to eminent scholar recruitment efforts and science and engineering academic programs

through a statewide partnership of universities and businesses, perhaps known as the Thomas A. Edison Innovations Program.

- Once these sparks are created and converted, critical inputs are needed to enable emerging businesses to grow and flourish. A **hot house** environment should be fostered with services such as entrepreneurial mentoring, networking, management support for business planning and market research, specialized legal assistance, and risk capital. Hot house environments include incubators, accelerators, technology and research parks, and creative communities that attract clusters of skilled workers. Florida only has a handful of well-functioning hot houses and creative communities today, and these successful models must be expanded to have a genuine impact on a state the size of Florida. Special emphasis should be given to improving access to both early- and later-stage risk capital, and to critical services for emerging businesses, including mentoring, networking, and spousal employment referrals.
- Finally, Florida must sustain an **entrepreneurial-friendly business climate**, characterized by access to critical resources such as skilled labor and risk capital statewide; competitive and predictable regulatory regimes; and flexible support services and networks. Major business climate issues of concern to emerging businesses include complex and frequently changing regulations; comparatively high taxes on R&D equipment in some industries; and high health care and workers' compensation insurance costs. Specific efforts to resolve these concerns must be given high priority.

## Talent

**Issues.** Florida's intellectual infrastructure – workforce skills, education system, and research and development capacity – may be the critical determinant of the state's competitiveness in the 21st century economy. However, Florida's intellectual infrastructure is not keeping pace with the changing demands of the global economy, and is slipping behind its competition. Florida ranks near the bottom tier of states in most measures of educational performance, and in many cases lost ground over the past 10 years.

- Just under 23 percent of Florida's adult population held a college degree in 2000, ranking 37th among the states, according to the U.S. Bureau of the Census.
- The high school graduation rate decreased from 61 percent in 1990 to 56 percent in 1999, ranking 45th in the nation, according to the U.S. Department of Education. The Florida Department of Education, which adjusts for the mobility of the state's population, indicates that Florida's four-year high school graduation rate is slightly higher, at 62 percent in 2000.
- The share of high school graduates who continue on to college increased from 43 percent in 1988 to 50 percent in 1998 – but still ranked only 43rd nationwide, according to the U.S. Department of Education.

*Florida's intellectual infrastructure is not keeping pace with the changing demands of the global economy, and is slipping behind its competition.*

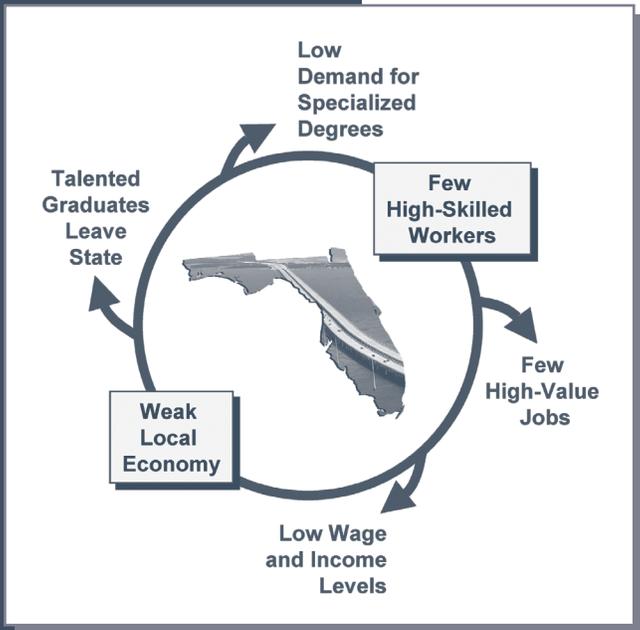


FIGURE 10. VICIOUS CYCLE  
IN WORKFORCE  
DEVELOPMENT

- Adjusted for the size of the state's prime working age population (ages 18 to 44), Florida ranks 44th among the states for production of new baccalaureate degrees, and 40th among the states for production of science and engineering doctoral degrees.

The cumulative impact of these and other breakdowns in Florida's education and workforce development systems is enormous. Of 10 students who enter high school today in Florida, roughly six will complete high school in four years; three of these six will continue on to college immediately; and two of these three will complete a baccalaureate degree program. Consequently, Florida shows signs of lapsing into a vicious cycle, where the state's scarcity of high-skilled workers inhibits the creation of high-value jobs, limits income levels, and weakens the state's economy – prompting

talented graduates to look for better opportunities elsewhere and discouraging the state's young people from pursuing higher education, thereby perpetuating the cycle (Figure 10).

**Strategies.** During the late 1990s, Florida's public and private organizations made great strides toward addressing the longstanding deficiencies of the state's education system, through initiatives such as the Sunshine State Standards, the A+ plan, the reorganization of educational system governance into a seamless K-20 system, and the WorldClass Schools and Communities in Schools programs. The state can build upon these successes to point the way toward a decade of knowledge and skills development. Key priorities must include the following:

- **Increase the high school graduation rate** to the top quartile of states by 2010.
- **Increase the number of college graduates** in key fields, with a target of matching national average degree production rates by 2010.
- **Bring education funding per student at all levels** – pre-kindergarten through graduate programs – closer in line with national standards. Future education funding increases, if any, should be implemented in a manner that allows for community flexibility over the use of these additional resources, as well as for the targeting of funding at high-return strategies for increasing student, school, or university performance.
- **Implement a public outreach initiative** – perhaps under the title “Education First” – to promote the value of education to the community at large.
- **Enhance ongoing efforts** to measure the effectiveness of education policies and programs, and link these performance measures directly to future planning and budgeting activities.

## Creative Communities

**Issues.** Achieving global leadership in the 4 T's – trade, tourism, technology, and talent – will occur only if Florida is successful at maintaining its quality of life and strengthening the diversity of its workforce over the next decade. Florida's communities – whether urban centers or rural areas – will compete over the next decade not only on the grounds of their business costs and industry mix, but also on their ability to develop, attract, and retain the increasingly diverse, mobile workers who will drive tomorrow's economy. Recent research has confirmed the rise of a “creative class” of workers in industries such as research, design, engineering, arts, and culture – and a strong correlation between the locational decisions of this class of workers and job and income growth. This creative class is attracted not only by job prospects and the presence of other talented workers, but also by the diversity of the workforce and the livability of a community, including family support services and cultural, historic, recreational, and environmental amenities. Florida has many communities that could attract this creative class of workers – ranging from South Beach to St. Petersburg to Winter Park to Seville Square in Pensacola – and many unique assets, including its high concentration of both retirees and students, as well as its unique mix of cultures and nationalities.

Unfortunately, the ability to sustain the vibrant communities that make up Florida's economy is increasingly under pressure from the impact of continued growth in the state's economy and population. Every major population forecast for Florida indicates that high levels of growth are expected to continue over the next 20 years. Despite numerous attempts, the state has not been able to fashion a consensus approach to development that balances the state's business, environment, and community needs. Instead, concerns are rising about overcrowded schools; congested highways; the accessibility and cost of health care, child care, and elder care; air and water quality; and preservation of the state's unique historic and environmental resources.

**Strategies.** Florida's most successful communities over the next decade will be those that work to ensure that future growth and development are sustainable and manageable; enhance their livability for individuals and families at all stages of the family life cycle; and expand the share of their workforce that is creative, innovative, and capable of fueling economic growth. Key strategies include the following:

- **Shift from growth management to growth leadership.** Decades of reactionary, locally-driven planning have produced urban sprawl, auto dependency, and growing backlogs of infrastructure projects. Florida's communities will require growth *leadership* that can plan for and accommodate future growth in a proactive manner, offering Floridians a choice of lifestyles in communities that are sustainable and environmentally-friendly. The state should revise the comprehensive planning and developments of regional impact (DRI) processes to emphasize regional-level

*The ability to sustain the vibrant communities that make up Florida's economy is increasingly under pressure from continued growth in the state's economy and population.*

coordination of economic development, land use, and infrastructure investments; leverage private and public funding for promising urban revitalization initiatives; explore market-driven incentives for “smart growth,” such as location-efficient mortgages and split-rate property taxes; expand personal mobility options in urban areas to get more motorists out of their cars; and develop long-term water and energy policies to ensure the adequacy of these critical resources.

- **Treat community livability as an economic asset.** Florida's public and private sectors must approach community livability as a precursor of economic growth, not as a byproduct of it. The state should maintain and expand state and regional funding programs for arts, culture, historic preservation, and public lifestyle amenities to grow, retain, and attract a creative workforce. The Florida Chamber Foundation should convene state and regional partners to complete a needs assessment of family support service facilities and determine relative access to health care, child care, and dependent care services in communities statewide, forming the basis for a comprehensive reform of health care and other family support services.
- **Embrace diversity.** Forecasts suggest that ethnic and racial minorities will represent as much as half of the state's population by 2050 and that foreign-born labor will be critical in many of the state's key industries. This will create challenges for Florida's education and workforce systems, as well as for community cohesiveness. The public and private sectors must work together to raise awareness of the power of diversity and to eliminate discrimination, prejudice, and stereotyping, through expansion of programs such as Leadership Florida's “Faces of Florida” initiative.

*Florida's communities will require growth leadership that can plan for and accommodate future growth in a proactive manner.*

## Expanding Economic Opportunity

**Issues.** Florida's regional diversity also is an asset, creating growth opportunities and lifestyle choices for all Floridians. Florida is a loose confederation of city-states that includes Southeast Florida with its international flavor, the bustling technology corridor from Tampa through Orlando to the Space Coast, and the more industrialized Northeast. Florida is also a rural state with vast stretches of piney forests, farms, ranchlands, beaches, and wetlands punctuated by small communities. Florida's diversity is a source of its strength, yet there are differences in economic opportunity among Florida's multiple faces. While most regions in Florida made progress during the 1990s, the rising economic tide did not lift all boats equally. Critical concerns include the following:

- **Rural Areas.** The most economically distressed rural counties have been losing ground. Florida's designated Rural Areas of Critical Economic Concern (RACEC) have a per capita income that has fallen to only 60 percent of the U.S. average, and 26 rural Florida counties are in “persistent poverty,” ranking in the bottom

quartile of U.S. counties in 1980, 1990, and 2000. The rural population with a high school degree is seven percentage points below the United States average, and the percentage with a bachelor's degree is only a little more than half the U.S. average. In addition, many rural counties lack the transportation, water/wastewater, and telecommunications infrastructure to nourish the growth of new firms or compete for business locations effectively. These problems are compounded by fiscal constraints that limit the ability of rural counties to fund needed improvements.

- **Central Cities.** People who live in central cities are 33 percent more likely to be living in poverty and experience crime rates that are 45 percent higher than the state average. Poorer neighborhoods may lack commercial and social services and affordable housing. The complex social, economic, and fiscal issues facing inner cities – coupled with their diverse racial and ethnic mix – makes progress for many of Florida's inner cities elusive.

**Strategies.** Existing programs designed to benefit rural areas and inner cities must be enhanced to better address their unique needs. A strengthened effort, “Rural Areas of Critical Economic Opportunity,” should include initiatives to improve strategic planning at the regional level, requirements for state agencies to reflect rural needs in their strategic plans and mandates, improved coordination between diffuse programs, and a strengthening of incentives to encourage business investment. A \$100 million annual Rural Opportunity Fund should be created to integrate existing smaller-scale programs and provide flexible funding for rural economic development, infrastructure, and workforce activities. A similar program, an “Urban Areas of Critical Economic Opportunity,” should be implemented to focus attention and strengthen incentives and coordination for addressing urban issues, with its own innovative financing tools.

## Tactical Initiatives: Implementation

While Florida addresses these challenges, it also must reconsider how it is delivering its economic development programs. For decades, “economic development” largely meant tourism promotion and agricultural marketing, with the state department of commerce providing business assistance in nascent sectors. In 1989, the original *Cornerstone* report elevated the importance of economic development, and catalyzed a shift in strategy toward high value-added industry clusters. The Legislature responded by creating Enterprise Florida to manage the state's economic development functions and arming it with an arsenal of incentive programs. The economic development community responded by expanding in size and scope and building new regional partnerships.

The *New Cornerstone* blueprint builds upon this foundation. The focus of economic development activities must shift toward “economic gardening,” or nurturing home-grown businesses and workers and expanding their global markets. Economic gardening means proper seeding and fertilizing of Florida's economic soil, and occasional

*The state must begin investing in the “creative communities” that attract and retain the increasingly diverse, mobile workers who will drive tomorrow's economy.*

transplants of larger businesses or specialized workers to infuse the state with new ideas and capital. This strategy requires refocusing the role of the state in general and Enterprise Florida in particular; formalizing the activities of the regional partnerships; strengthening local economic development partners; and involving a much larger range of partners – from universities to transportation providers to nonprofit organizations – in a directed, collaborative effort to improve Florida's economy, standard of living, and quality of life.

Florida must refocus its economic development programs, oriented around four primary principles: statewide economic leadership; regional partnerships; performance measures and accountability; and dedicated funding.

### **State Leadership**

Florida's state elected officials and business leaders must view economic development as one of their primary missions and devote sufficient time, attention, and financial resources to ensure that the vision of global leadership, prosperous workers, and vibrant communities is realized. State policy must be oriented toward positioning Florida as a global leader in trade, tourism, technology, and talent, and building partnerships across agencies and regions and between the private and public sectors to create the foundations for success in these markets.

This will require the continued vigorous leadership of the Governor, who must serve as the state's lead marketer, its chief convener of partners, and its ultimate conscience to ensure that Florida's competitive goals are met. It will require the continued attention and commitment of the Legislature during a time of competing priorities and constrained funding. It also will require critical support from the following statewide organizations:

- **Enterprise Florida** must be strengthened as the state's principal economic development organization with responsibility for global image-building and market expansion; catalyzing the innovation economy through research and planning activities; ensuring a balanced approach to economic development that encompasses rural areas and inner cities; and covening statewide and regional partners under the umbrella of its increasingly vital Florida's Statewide Strategic Plan for Economic Development. Enterprise Florida also must support regional and local initiatives by administering incentive programs; providing the function of a state embassy for networking and partnerships; serving as a clearinghouse for leads; and conducting statewide economic research and data collection.

These critical functions will be met only if Enterprise Florida's mission and structure are refined so that it truly fulfills its initial vision of delivering economic development programs at the speed of a business and providing the place where the public and private sectors come together. Enterprise Florida should redouble its efforts to operate like a business, with a strong private sector board, a

*The focus of economic development activities must shift toward “economic gardening,” or nurturing home-grown businesses and workers and expanding their global markets.*

regularly updated corporate business plan, and a performance-based approach to planning and budgeting. The Enterprise Florida board should direct resources at the core strategies of growing Florida's emerging business and international markets, refocusing the large number of programs it supports today. The Legislature should support this transition by streamlining reporting requirements and reducing mandates on Enterprise Florida and providing greater funding flexibility.

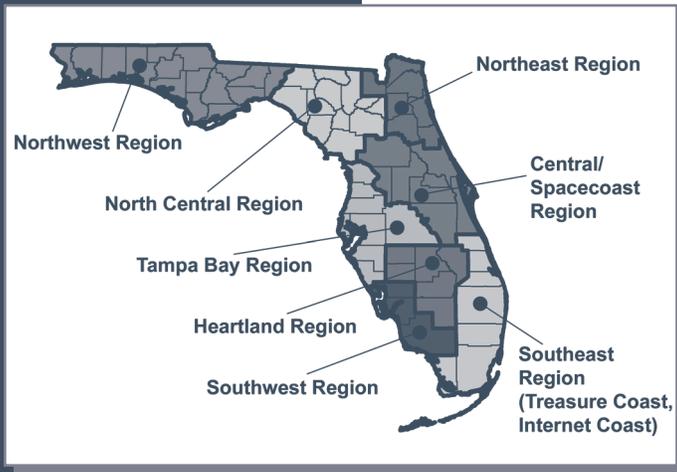
- The **Executive Office of the Governor (EOG)** should continue to provide state-level policy direction and manage state funding for Enterprise Florida and other statewide organizations. The EOG also should serve as the state's chief spokesperson and advocate for international diplomacy and relationship-building.
- The **Florida Chamber Foundation** should conduct ongoing economic policy research, regularly benchmark Florida's economic performance, and publish a *New Cornerstone* annual report to track progress on the targets and strategies recommended in this study.
- The **Florida Chamber of Commerce** and other statewide business associations should advocate a healthy business climate and forward-looking economic development policies. The Florida Chamber should augment its Florida Business Agenda, which identifies immediate legislative priorities, with a Long-Term Business Agenda that addresses 10-year competitive goals.
- **Leadership Florida**, the **Florida Chamber Foundation**, the **Florida Economic Development Council (FEDC)**, and their regional partners should develop the next generation of economic leaders in the state through ongoing education and networking activities. This should include creation of a Florida Economic Competitiveness Leadership Institute.

### **Regional Partnerships**

Florida also must strengthen and expand the emerging regional approaches to economic development that are taking hold across the state – from the High-Tech Corridor Council in central Florida to the InternetCoast in Southeast Florida to the Jacksonville Cornerstone and Florida's Great Northwest initiatives. These regional initiatives reflect the realities of labor and business markets in Florida, which increasingly are organized at this level.

These regional partnerships should focus on developing clusters of businesses and clusters of skilled workers. Key priorities should include business recruitment and targeted marketing; lead development, tracking, and placement; and providing an economic development perspective to workforce, transportation, and other infrastructure issues that are more regional than local in nature. The success of these partnerships will require dismantling barriers to multi-jurisdictional coordination and expanding funding options for them. The eight economic regions adopted by Enterprise Florida as part of its statewide economic development strategic plan reflect a market-based, bottom-up approach to economic development, and

*Enterprise Florida's mission and structure must be refined so that it truly fulfills its initial vision of delivering economic development programs at the speed of a business.*



**FIGURE 11. ENTERPRISE  
FLORIDA ECONOMIC  
REGIONS**

can serve as a basis for cross-agency planning and coordination (Figure 11).

The regional coalitions can work with their local partners to deliver programs focused on targeted business expansion, retention and creation; workforce development, recruitment and retention; and community development. Special emphasis should be given to creating relevant, viable programs in smaller counties and rural areas; and mainstreaming emerging business support and international marketing among local economic development organizations still focused on recruitment and domestic markets.

### **Performance Measurement**

A cohesive, consistent process for measuring and reporting the performance of economic development organizations must be developed and linked to planning and management decisions. Statewide reporting of new jobs and investment generated, led by Enterprise Florida, should be built up from the local and regional performance measurement. In addition, Enterprise Florida and its regional partners should adopt new performance and activity measures to reflect their primary roles in economic development and to measure success in achieving the broad goals of supporting growth in trade, tourism, technology, and talent. The focus of performance measurement should shift from taking credit to moving the ball; from short-term jobs to long-term competitiveness; and from institutional effectiveness to statewide competitiveness.

To support this effort, the Florida Chamber Foundation should develop an annual *New Cornerstone* report to gauge progress in Florida's economic competitiveness. The annual report should include the state's performance on key indicators, as well as the progress made by public and private partners toward implementation of the *New Cornerstone* recommendations. Particular attention should be given to measures of Florida's progress toward the four T's and the targets set in this report (Table 1). This annual report should be released at an annual statewide economic competitiveness summit hosted by the Foundation in partnership with Enterprise Florida.

### **Dedicated Funding**

Finally, Florida must reexamine the level of support it is devoting to economic development to determine if it is consistent with the state's goals. Florida has long marketed itself as a low-tax state, but one price of low taxes is fewer government services. Compared to other states, the amount per capita that Florida spends on economic development or on its economic foundations, notably for education and infrastructure, is below average. The state must stop underinvesting in the foundations of its economic future.

TABLE 1. KEY BENCHMARKS

Measure	Level Today	Target for 2010	Notes
<b>Overall Economy</b>			
Per capita income as percent of U.S. average	96%, (2002)	104%	
Gross state product, percent of U.S. total	4.8% (2001)	5.5%	Consistent with Florida's share of U.S. employment
Quality of life, grade in 50-state survey	D (2002)	B	From annual Corporation for Enterprise Development report card; will be replaced by Florida Chamber Foundation quality of life index
<b>Talent</b>			
High school graduation (percent of entering first-year students graduating four years later)	56 percent (rank 45th, 1999)	75 percent (rank 15th)	Based on national data and methodology; Florida data show the high school graduation rate at 62 percent in 2000
College continuation rate (percent of high school graduates continuing to college in fall term immediately following graduation)	50 percent (rank 43rd, 1998)	62 percent (rank 14th)	Based on national data and methodology; Florida data show the college continuation rate at 55 percent in 1999
Baccalaureate degree production rate (number of new degrees per 100,000 residents ages 18-44)	883 (rank 44th, 2000)	1,195 (rank 25th)	Would require an increase in the number of new baccalaureate degrees per year from 50,000 to 64,000
Science and engineering Ph.D. production rate (number of new degrees per 100,000 residents ages 18-44)	13 (rank 40th, 2001)	20 (rank 25th)	Would require an increase in the number of new Ph.D.'s per year from 781 to 1,185
<b>Technology</b>			
Research and development spending as percent of gross state product	1.0% (rank 36th, 2000)	1.7% (rank 25th)	National average is 2.5%
Patents per 1,000 workers	0.37 (rank 30th, 2001)	0.66 (rank 17th)	National average
Venture capital disbursements per \$1,000 GSP	\$3.38 (rank 21st, 2000)	\$9.22 (rank 7th)	National average
<b>Measure</b>			
<b>Trade and Tourism</b>			
Florida-origin merchandise exports as a percentage of gross state product	5.9% (rank 23rd, 2000)	7.8% (rank 13th)	
Florida-origin services exports as a percentage of gross state product	3.1% to 4.3%	4 to 5%	Comparative data among the states not available; improved methodologies and data collection needed
Foreign direct investment in Florida companies as a percent of gross state product	8.0% (rank 39th, 2000)	9.9% (rank 25th)	

TABLE 1. KEY  
BENCHMARKS  
(CONTINUED)

Market share of foreign visitors to United States	23% (rank 2nd, 2000)	25% (rank 1st)	
Florida value-added as percent of export and import total Florida value	50 to 80 percent	65 to 90 percent	Comparative data among the states not available; improved methodologies and data collection needed
Number of Florida companies involved in international commerce	10,000	15,000 to 20,000	Comparative data among the states not available; improved methodologies and data collection needed
Rank among states for international perception as a place to do business	Unknown	Top 5	Comparative data among the states not available; improved methodologies and data collection needed

Economic development must be approached as an investment, not merely as an operational expense. To be effective, economic development requires multi-year programs with predictable funding streams. In addition, Florida EDOs should strive for greater self-sufficiency. Over time, dependable or annual appropriations from state and local general funds or annual corporate campaigns should shift to recurring funding streams from dedicated funding sources, long-term business partnerships, endowments, and self-generated revenue. Florida should adopt a broad-based approach to funding economic development that supports the programs and institutional models outlined in this report. Key goals should include the following:

- **Provide reliable funding** for Enterprise Florida's core marketing and program activities, and develop a year strategy for diversifying Enterprise Florida's funding base into three equal parts: state dedicated funds or recurring general fund appropriations; private donations encouraged by a tax credit; and self-generated revenues.
- **Expand options for funding** regional partnerships, including enabling dedicated funding through expanded use of the occupational license tax, other local taxes or fees, and corporate tax credits.
- **Focus resources for local EDOs** through realignment of existing programs and provision of a basic state operational grant to formalize strategic planning activities.
- **Reduce competition** for scarce private and nonprofit donations by pooling resources and fundraising efforts and providing tax incentives for business contributions.

## Summary

Florida's economic competitiveness strategy will provide a new cornerstone for the state's growth and development over the next decade. The strategy must include:

- **A new vision** – focusing on global leadership in trade, tourism, technology, and talent.

- **A new perspective on economic competitiveness** – emphasizing not only job creation and market share, but also creating globally competitive businesses, prosperous workers and families, and healthy communities.
- **New strategies for the state's economic development partners** – reflecting a greater emphasis on “economic gardening,” or nurturing Florida's home-grown businesses and selling their products worldwide.
- **New partnerships** – emphasizing regional coordination at the city-state level and cross-agency partnerships that reflect a broader understanding of economic development.
- **New programs to deliver economic development services** – backed up by dedicated, multi-year funding.

The path ahead is challenging for Florida, but the starting point is strong. Florida can draw upon its enormous resources and a decade of successful economic development partnerships and programs. Broad-based public and private commitment to the *New Cornerstone* framework of strategies and programs will position Florida for a decade of growth, prosperity, and improved quality of life.

*Economic development  
must be approached as  
an investment, not  
merely an operational  
expense.*

*HIGH-PRIORITY STRATEGIES*

The *New Cornerstone* initiative provides a blueprint for Florida's economic competitiveness over the next decade. Where should the state's public and private partners start? Here are 10 priorities.

**Trade and Tourism**

1. **Develop a "Whole Florida" international strategy** that links the disparate elements of Florida's international portfolio, covering goods, services, investment, visitors, and in the future, information. Enterprise Florida should develop a strategic plan for international commerce as part of the statewide strategic plan for economic development. This strategic plan should adopt a systematic, integrated approach to preserve Florida's strength markets (Latin America, the Caribbean, Western Europe, Canada, and Japan); grow its next tier of markets (Eastern Europe, India, and Southeast Asia); and position the state in new frontier markets (China, Africa, and, eventually, Cuba). The plan should set aggressive goals of increasing Florida-origin merchandise and service exports; increasing the number and range of Florida businesses involved in the international market; focusing foreign direct investment to complement Florida's industrial and technology strengths; and making Florida the leading state for international visitors. The plan also should strengthen cross-agency partnerships to better integrate Florida's tourism and agricultural interests into international marketing activities. Highest priority should be given to efforts to attract the Secretariat of the Free Trade Area of the Americas to Miami.
2. **Implement Florida's Strategic Intermodal System.** The Florida Department of Transportation's Strategic Intermodal System (SIS) will provide a strategic, seamless, statewide transportation system that will support the state's competitiveness by focusing resources on critical trade and tourism corridors and gateways. FDOT and its partners should work with the Legislature to plan, implement, and finance the SIS so that the state may improve the efficiency, safety, and security of major trade corridors; increase the capacity and efficiency of major seaports and airports, including seamless truck and rail access to these gateways; improve coordination of transportation planning and economic development planning at the state and regional levels; and "fast-track" transportation projects that support critical economic opportunities. The system should be expanded over time to include critical elements of the state's telecommunications system.

**Technology**

3. **Create the Thomas A. Edison Innovations Program,** a statewide partnership of research universities, federal and military laboratories, businesses, and economic development organizations focused on increasing the breadth and depth of the state's technology and intellectual talent in science and engineering. The program should be funded at \$1 billion over 10 years to support university and laboratory centers of excellence, expand degree-granting programs in science and engineering, recruit top scholars and researchers, and forge partnerships among universities, research labs, K-12 schools, and businesses. It should build upon the recent Technology Development Act and the work of the Florida Research Consortium and the Emerging Technologies Commission, making Florida a leader in innovation. The program should include a non-partisan research liaison to facilitate multi-institutional

partnerships, expedite state-level decisions on funding and permitting, and spearhead the state's response to major federal or corporate research initiatives. Critical attention should be given to preserving the state's existing federal labs (including those funded through the military, the National Science Foundation, and the National Aeronautics and Space Administration) and positioning Florida for new federal R&D programs.

4. **Develop a continuum of options for risk capital statewide**, with particular attention given to expanding the market for innovation and seed capital in the state and focusing on critical gaps not served through existing programs today. Enterprise Florida should develop a statewide risk capital strategy that reflects the life cycle of emerging businesses and entrepreneurs. The state should provide matching funds to encourage small business innovation research, building upon federal programs in this area, and launch a seed capital fund to transition promising new technologies into commercial businesses. The Legislature should extend and broaden Enterprise Florida's authority to operate technology investment funds; renew its commitment to the Certified Capital Company (CAPCO) program, which provides venture capital indirectly through tax credits to insurance companies that invest in certified capital companies; signal the statewide commitment to emerging businesses by investing a portion of the state pension fund as Florida-based venture capital; and encourage angel investing by removing the current state securities law that prohibits private investments into start-up firms from individuals with less than \$1 million in assets.

### Talent

5. **Aggressively reduce the high school dropout rate.** Florida's high school graduation rate – which depending on the data source is between 56 percent and 62 percent of incoming first-year students over a four-year period – is alarmingly low. Improving this rate to the top quartile of states nationwide (75 percent in 2000) should be of highest priority for Florida's educational system and its business partners. This will require a multipronged effort to complete establishment of a seamless preK-20 system; tailor education programs to business and community needs; develop and implement a process for identifying and intervening in low-performing schools; and target funding at proven strategies for improving performance. Early action should include creating a State Scholars Initiative to encourage high-school students to complete courses that prepare them for jobs or higher education.
6. **Work aggressively to increase the number of college and advanced degree recipients** in key fields. To support its future workforce and research needs, Florida should work to move its college degree production rates up to the national median by the year 2010, with emphasis in science and engineering. Attaining this goal will require an additional 14,000 baccalaureate degrees and 370 science and engineering Ph.D's each year – the educational equivalent to placing a man on the moon. Key initiatives could include: increasing capacity at existing institutions; enhancing geographic and financial access to four-year programs; increasing science and engineering degree production through collaborative business/university partnerships and financial incentives for graduate students; and ensuring the presence of a critical mass of scientists, engineers, and research facilities.

## Creative Communities

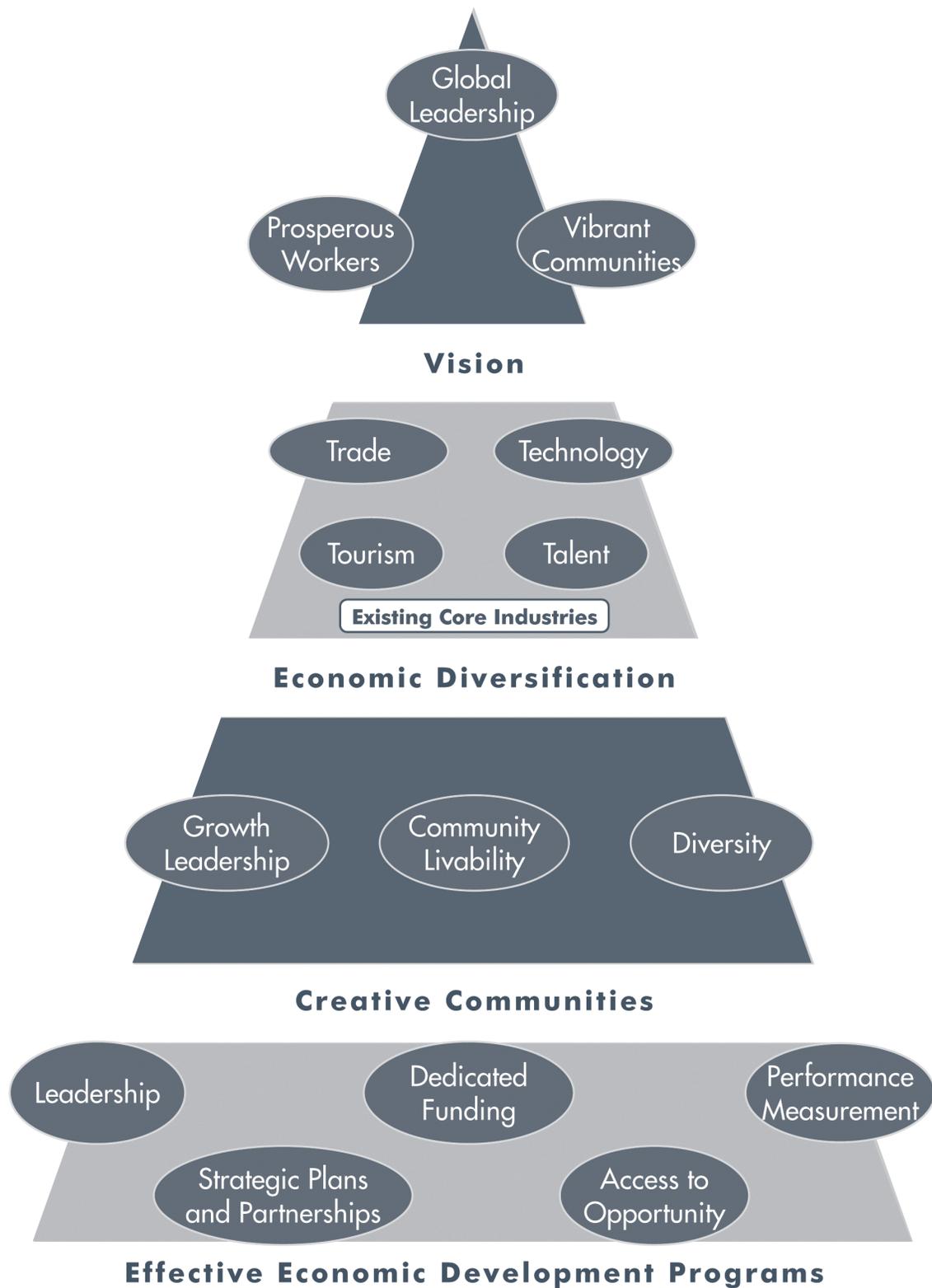
7. **Engage business, government, and community leaders in a groundbreaking effort to develop creative communities** that attract and retain knowledge and innovation workers. This effort should identify issues inhibiting the vitality of Florida's communities – from embracing diversity to reducing traffic congestion to ensuring long-term water supply to improving options for child and elder care – and develop strategies for overcoming these obstacles. An early priority should be the overhaul of the state's growth management and DRI process to link future economic development, land use, and infrastructure planning at the regional level.
8. **Ensure accessible, affordable, family support services.** Health care, child care, elder care, and other family support services are critical to attracting and retaining skilled workers. Moreover, health care, workers' compensation, and other benefit-related costs are placing increasing pressure on Florida's business sector, especially smaller and emerging businesses. The Florida Chamber Foundation should convene state and regional partners to assess the quality, accessibility, and affordability of Florida's family support services, forming the basis for a comprehensive approach to reform of health care and related services.

## Expanding Economic Opportunity

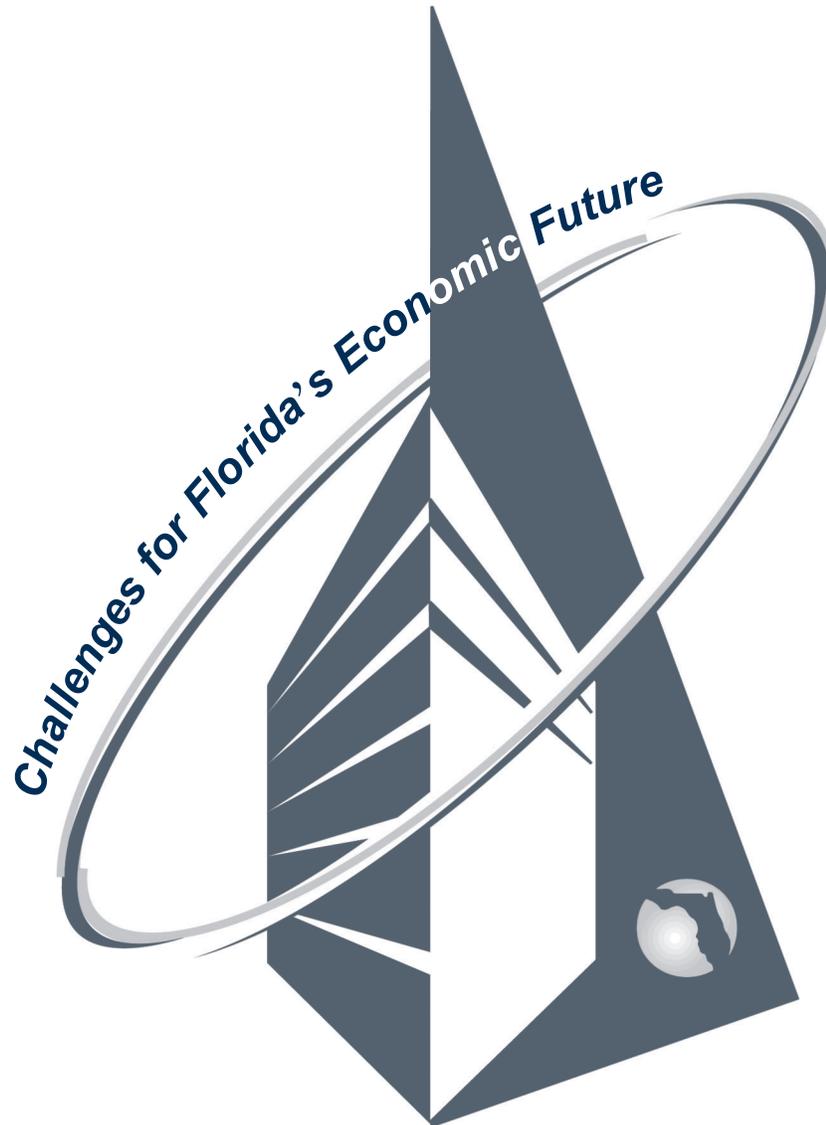
9. **Expand opportunities for Florida's rural areas and inner cities.** The state should lead efforts to provide the leadership, infrastructure and support services necessary to unlock the potential of these under-recognized markets, with a focus on creating the preconditions for private sector investment. The Rural Areas of Critical Economic Concern designated by the Governor and the Legislature – perhaps retitled to emphasize that these are areas of opportunity, not just concern – should serve as the focal point for strategic visions and workforce and infrastructure investments. A parallel Urban Areas of Critical Economic Opportunity program should be established.

## Economic Leadership

10. **Develop a common vision among the next generation of economic leaders.** Florida's government, business, academic, and non-profit leaders must embrace the vision of Florida's future – global leadership in trade, tourism, technology, and talent; prosperous families; and vibrant communities – and understand their roles in achieving this vision. Florida's Strategic Plan for Economic Development has been elevated so that it will truly become the Governor's – and the state's – action plan each year. The annual *New Cornerstone* report and the Florida Chamber's Long-Term Business Agenda will maintain the business community's focus on this vision as well. To ensure long-term success, the Florida Chamber Foundation, Leadership Florida, FEDC, and their regional partners should establish a Florida Economic Competitiveness Leadership Institute to educate and develop future leaders in all sectors and maintain a statewide network in support of the *New Cornerstone* recommendations. In addition, a long-term investment program must be developed to provide adequate, reliable funding for Enterprise Florida and its key regional partners. This investment plan should begin with enactment of a tax credit for private sector donations to Enterprise Florida and regional economic development partners.



# Chapter 1



## NEW CORNERSTONE

**FLORIDA**  
**CHAMBER**  
*Foundation*

Tallahassee, Florida  
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Economic Development Research



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# Challenges for Florida's Economic Future

Florida's economy experienced startling economic growth during the 1990s, but the state fell short of its goal of markedly improving its economic competitiveness and the welfare of its businesses and residents. As the national economy slows and reorients itself to a new decade, the Florida economy faces a new set of challenges.

This chapter assesses the competitiveness of Florida's economy today and its performance over the past decade. The analysis reflects a review of the following:

- Historical growth in population, employment, business output, personal income, and other indicators;
- Florida's current performance and recent progress on key indicators of the state's economic competitiveness, such as workforce quality, capital availability, and research and development activity; and
- The perceptions of state and local business and economic development leaders, shared through a series of interviews and focus groups.

The chapter summarizes the results of this analysis and identifies five major challenges that will confront the Florida economy over next decade. In addition, this chapter reviews the state's progress toward meeting the 33 recommendations issued in the original *Cornerstone* study in 1989.

## Successes of the 1990s

The 1990s were a period of stunning growth for the Florida economy. The state's population and employment growth were among the fastest in the nation. Florida benefited from continued rapid in-migration of new workers and retirees, strong international trade and tourism growth, and industry mix diversification, as well as the strong economy nationally.

### *Strong Employment and Population Growth*

Florida's population expanded from 13.1 million residents in 1990 to 15.98 million residents in 2000, a gain of nearly 18 percent, according to the U.S. Census Bureau. This growth largely reflected continued in-migration of retirees and workers from both the United State and other nations.

Florida's rate of employment growth (almost 31 percent) was well above the nation's (19 percent) from 1989 to 1999 (see Figure 1). This was especially the case since 1992, as Florida rebounded out of the national recession in the early 1990s and assumed a position at the forefront of the country's overall period of record economic expansion. Florida's employment growth rate ranked 12th



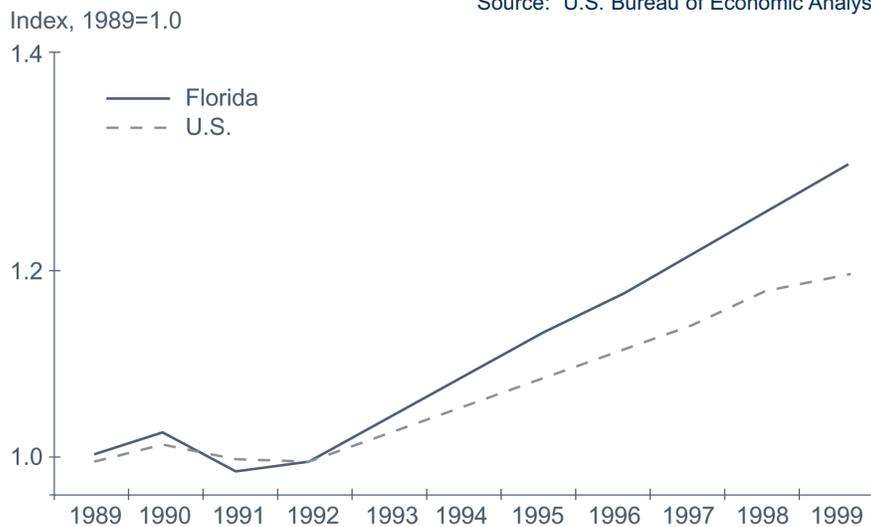
NEW CORNERSTONE

among the 50 states over this period, and is closely related to the high rates of in-migration.

Although Florida's unemployment rate was above the U.S. rate in the early 1990s, reaching 8.3 percent in 1992, it fell quickly over the rest of the decade and was below the U.S. rate in 2000 (3.8 percent). This decline is especially impressive because of the large population and labor force growth in Florida.

Output growth, measured as all sales of good and services, also rose more quickly in Florida than in the United States, although the difference was smaller than that for employment growth. From 1989 to 1999, Florida's output in constant dollars grew by

Source: U.S. Bureau of Economic Analysis



**FIGURE 1. FLORIDA'S EMPLOYMENT GROWTH OUTPACES THE NATION**

43 percent, compared to 34 percent at the U.S. level. One implication is that overall labor productivity (output per unit of employment) in Florida is less than in the United States. If labor productivity were equal, then the employment growth advantage Florida enjoyed over the United States in the 1990s would be the same as the output growth advantage.

Many of Florida's urban areas enjoyed the nation's fastest growth rates during the 1990s, with employment rising more than 50 percent in the Naples metropolitan area, and more than 40 percent in Orlando, Sarasota-Bradenton, and Fort Walton Beach (see Figure 2). As is common across the country, the fastest rates of growth often occurred in counties surrounding the central city area, as urban areas continue to expand.

### **Vibrant Business Sector**

Florida provided a very active entrepreneurial environment in the 1990s. In 1998 Florida ranked 8th in new business job growth and 10th in the number of new companies per worker, an indication of lively small business formation.<sup>1</sup> In addition, the state had the sixth largest percent increase in the growth of new companies from 1997 to 1998. The state also performed above average for initial public offerings, ranking 20th.<sup>2</sup> The positive results for entrepreneurial energy, however, are partially offset by weaknesses in the competitiveness of existing businesses.

<sup>1</sup> The source for new business job growth data is David Burch, Jan Gundersen, Anne Haggerty, and William Parsons, *Who's Creating Jobs? Cognetics, Inc. Cambridge, MA: 1999*. New companies and change in companies data are from the U.S. Small Business Administration.

<sup>2</sup> 1999 IPO Activity by State, *Thomson Financial Securities Data*.

### Continued Growth of International Trade and Tourism

Because of its location, seaports and airports, climate, amenities, and cultural ties to emerging Latin American and Caribbean markets, international trade and tourism are two key economic activities for Florida. The value of international imports and exports moving through Florida gateways more than doubled over the past decade, reaching a combined total of nearly \$70 billion in 1999 (see Figure 3). Florida ranks seventh in the nation for state-origin exports, with four percent of all U.S. exports. International trade's share of total output in the state is rising, growing from 7.7 percent in 1990 to nearly 11 percent in 1999. There

was a slight decrease (in constant dollars) in international trade in 1999 due to international economic woes, but it is expected that international trade will continue to expand in Florida as the trend towards globalization continues.

Tourism, measured as the number of visitors to Florida, also increased steadily, from 39 million in 1989 to 48 million annual out-of-state visitors in 1998, according to Visit Florida (see Figure 4). The rise is seen among both highway and air travelers. Fast-growing segments of the tourist industry include international travelers, convention and business travelers, cruise passengers, and visitors to non-traditional attractions such as "eco-tourists."

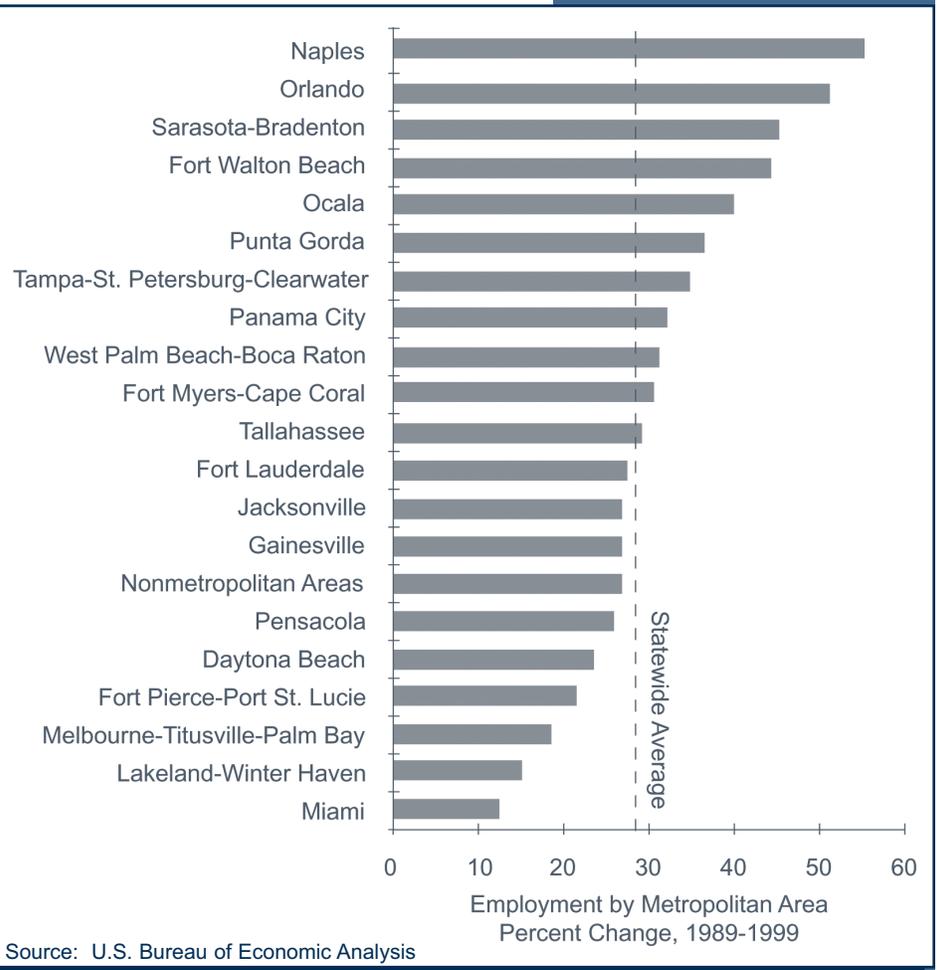
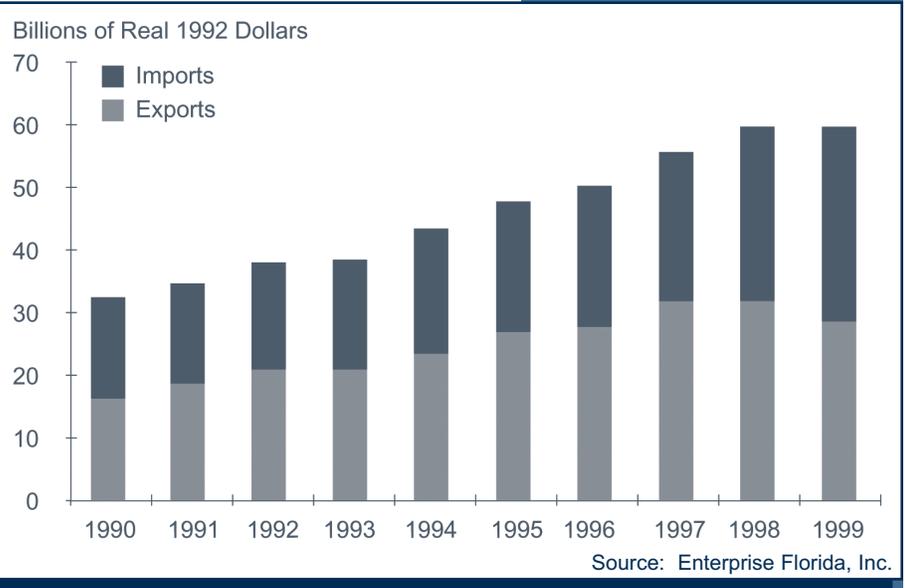
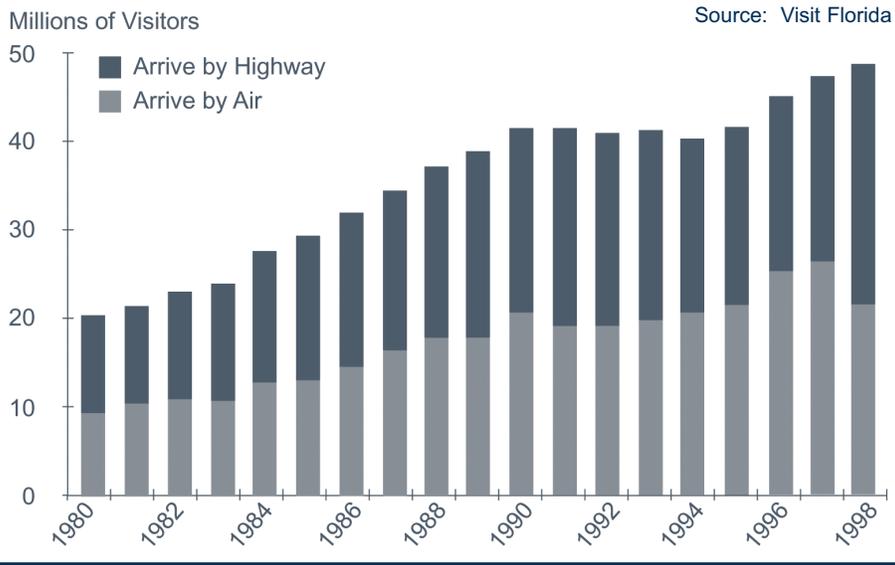


FIGURE 2. JOB GROWTH SHIFTS TO CENTRAL AND SOUTHWEST FLORIDA

FIGURE 3. INTERNATIONAL TRADE IS GROWING





**FIGURE 4. TOURISM CONTINUES TO EXPAND**

## Improved Industry Diversification

Florida's economy traditionally has relied upon employment in tourism, agriculture, and construction as well as population gains, especially among retirees. However, the economy achieved some long sought-after diversification over the past decade, led by two sectors: business services and technology.

Business services job growth increased 7.6 percent per year during the 1990s, well ahead of the national growth of 4.8 per-

cent, according to data compiled by DRI\*WEFA (see Table 1). The business services sector generated more than half a million new jobs in the state, or more than one in three statewide. A large proportion of the state's new jobs – nearly one in six – were among temporary help and employee leasing organizations, reflecting the outsourcing of jobs from manufacturing and other industries.

Technology sectors also fared well in Florida, particularly during the late 1990s. Employment increased 5.7 percent per year in the telecommunication and information industries, on par with national growth; and 4.3 percent per year in health and biomedical industries, ahead of national growth. The more traditional high-tech manufacturing industries struggled, however, with employment decreasing slightly in computers and electronics, and dropping nearly 3 percent per year in aerospace. Even so, Florida now ranks 19th in the number of technology companies and 6th in technology employees among the 50 states, according to Cyberstates.

**TABLE 1. PERFORMANCE OF FLORIDA'S KEY INDUSTRIES**

INDUSTRY	FLORIDA EMPLOYMENT (THOUSANDS)		ANNUAL PERCENT CHANGE, 1990-2000	
	1990	2000	FLORIDA	UNITED STATES
Aerospace	25.4	18.8	-2.9%	-3.8%
Agriculture & Food Products	89.5	103.3	1.5%	1.3%
Apparel & Textiles	37.2	21.9	-5.1%	-3.8%
Boatbuilding & Marine	22.1	23.4	0.6%	-0.2%
Computers & Electronics	25.9	24.5	-0.6%	0.2%
Wood & Paper	50.0	47.8	-0.4%	0.5%
Business Services	470.4	982.7	7.6%	4.8%
Financial Services	370.7	443.5	1.8%	1.3%
Health & Biomedical	494.0	753.6	4.3%	2.9%
Telecom & Information Services	105.4	184.0	5.7%	5.8%
Tourism	256.5	316.5	2.1%	2.6%
Transportation & Distribution	167.7	233.6	3.4%	2.6%

Source: DRI\*WEFA

## Challenges for the Next Decade

Despite these and other successes, this is not a time for Florida to rest on its laurels. Florida faces two major options at the dawn of the 21st century. One option is to continue the path the state has followed for the past several decades: attracting tourists, retirees, and service-sector businesses, and competing on the basis of its climate, location, and low cost of living. These competitive factors are likely to ensure continued economic growth for the state, but, as during the past few decades, this growth would occur without major improvements in the quality of the state's jobs or the incomes of the state's workers. Although progress has been made, especially with high-tech economic activity, there is still much room for improvement. A second option is for Florida to redouble its efforts to compete as a location for high value-added production and services, through not only attracting new business investment but also nurturing home-grown local businesses. If successful, Florida would realize a vital cycle of rising productivity and income levels; a period of both growth and development.

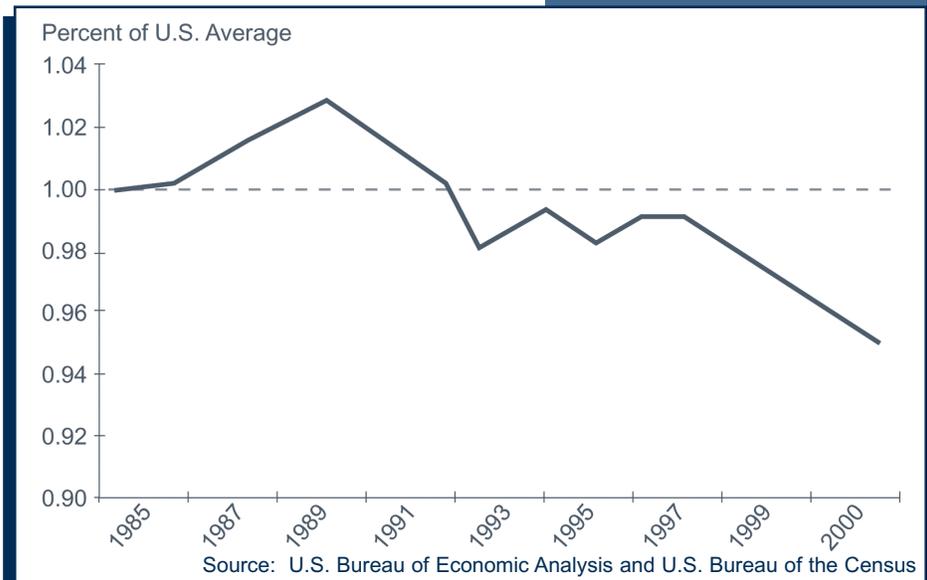
For Florida, the 1990s were a period of robust job and population growth – more than 1.6 million new jobs – but limited income development. Per capita personal income – the single most basic measure of a region's economic development – increased at a slower rate than the national average during the last 10 years, pushing Florida residents from almost three percent above to nearly five percent below the national per capita income level (see Figure 5). The state depends heavily on

interest, dividend, and transfer-payment income earned by its large retiree population; when these non-wage income sources are eliminated, the state's per capita wage income totaled \$16,630 in 2000, nearly 18 percent below the national average.

The average annual wage per worker was nearly 12 percent below the national average in 1999, mirroring the difference in productivity per worker between Florida and the nation. Wage rates lag the national average in all major industries, with the gap widest in the fast-growing finance and service sectors. The difference in nominal average wages is likely a reflection of industry mix, labor productivity, lower costs in Florida, and amenities.

Other indicators also raise concerns about the quality of Florida's many new jobs:

- Fewer than 61 percent of non-elderly population were covered through employer-based health plans in 1999,



**FIGURE 5. FLORIDA'S PER CAPITA INCOME DIPS BELOW THE NATION'S**

according to the Employee Benefits Research Institute – a share that ranked 39th among the states. This share fell from 70 percent in 1986, following the national trend toward more uninsured workers.

- Just over 19 percent of working parents earned incomes at or below 150 percent of the poverty line in 1997-1999, according to the U.S. Department of Commerce, Bureau of the Census. This share ranks 37th among the 50 states.
- About 12 percent of all workers wanted and were available to work full-time, but were unable to find full-time work in 1998, according to the U.S. Bureau of Labor Statistics. This share ranks 37th among the 50 states.
- Nearly one out of every six new jobs created in Florida over the past decade – some 266,000 jobs – were for temporary help, employee leasing organizations, and other personnel supply services. Many of these jobs lack full benefits, and most provide little if any job security. Nationally, just over one in 10 new jobs were in this category.

These data suggest that Florida's robust job growth during the 1990s has been concentrated in lower-wage industries and lower-quality jobs – a situation that is keeping the state employed but preventing the state's goal of boosting average income levels.

At the same time, the state's economic base remains in transition. Many of the state's key industries are mature, such as aerospace, agriculture and food processing, and lumber, wood, and paper. The international trade and tourism industries, which drove so much of the growth during the 1990s, are facing increasingly stiff competition from other states and nations. The emerging high-tech and professional service industries offer promise but are still developing. Moreover, Florida is underrepresented in many of the growth industries nationally, such as office and computing equipment, electronic equipment, pharmaceuticals, and communication equipment. Significant concerns regarding the availability of skilled labor, technology and capital; the suitability of the state's transportation and telecommunications infrastructure; and the sustainability of emerging businesses in Florida suggest that the climate for development of these industries is not yet assured (see Appendix A for a summary of data on Florida's economic "foundations").

These issues are not new; many were recognized at the start of the 1990s. Attaining a higher standard of living for Florida's citizens requires a shift toward high-quality, high value-added jobs. In 1989, through the original *Cornerstone* study, Florida embarked upon a groundbreaking effort to attract, retain, and develop clusters of high value-added industries. Through the efforts of Enterprise Florida, regional groups such as Florida's High-Technology Corridor Council, and a multitude of local chambers of commerce, economic development organizations, industry associations, and individual businesses, Florida has made great strides in achieving this goal. However, the vision of an economy driven by vibrant, dynamic industry clusters has not been fully realized.

*Florida's robust job growth during the 1990s has been concentrated in lower-wage industries and lower-quality jobs – a situation that is keeping the state employed but preventing the state's goal of boosting average income levels.*

Florida has made great headway on many of the economic development issues identified in the original *Cornerstone* report, but progress has been limited in other areas and new issues have emerged. Table 2 lists major economic development issues in Florida, their relative priority, and the general trend of improvement or deterioration, as observed based on a review of available quantitative data and interviews with state and local business and economic development leaders.

To improve its performance in the next decade, Florida must address gaps in its basic economic foundations. The state faces five major challenges over the next decade:

1. Creating an intellectual infrastructure to compete in the 21st Century economy.
2. Growing Florida's role as a "crossroads economy."
3. Incubating, growing, and sustaining emerging businesses in high value-added industries.
4. Sustaining vibrant communities during a period of continued growth yet constrained social and natural resources.
5. Bridging the equity gap between the "Two Floridas."

### **1. Intellectual Infrastructure to Compete in the 21st Century Economy**

The global economy is transforming rapidly as the 21st Century begins. Just as the Industrial Revolution transformed much of the United States from an agrarian to a manufacturing economy, so too the nation is now transitioning from a manufacturing to a service and information economy. With low business costs and an attractive climate, Florida is poised to emerge as part of the next generation of global high-tech centers, hosting research, production, and distribution functions in the electronics, communications, and aerospace industries.

Florida's ability to compete in the 21st Century Economy largely will be determined by the quality of its workforce and its ability to discover, develop, and apply new technologies. Unfortunately, Florida appears to be lagging in many of these areas:

- **Skilled labor are in short supply in many industries.** Unemployment rates have dipped below four percent statewide and have fallen below that level in key metropolitan markets. Business leaders across a range of industries – from health-care to information technology to business services – express concerns about the availability of skilled workers to support future expansion. This is of particular concern for Florida, which traditionally has relied upon in-migration from other states to replenish its work force.
- **Basic education skills are weak.** Florida's high level of in-migration yields a steady stream of high school and college

*Florida's ability to compete in the 21st Century Economy largely will be determined by the quality of its workforce and its ability to discover, develop, and apply new technologies. Unfortunately, Florida appears to be lagging in many of these areas.*

TABLE 2. COMPETITIVENESS WATCH: FLORIDA'S ECONOMIC FOUNDATIONS

The 1989 *Cornerstone* report (and subsequent studies by the Foundation) identified a series of issues with respect to each of Florida's economic foundations. This "report card" examines where Florida stands on each issue today, based on a review of quantitative performance indicators as well as the conventional wisdom of Florida's business and economic development leaders.

ISSUE	PRIORITY	TREND	COMMENTS
<b>HUMAN RESOURCES</b>			
Low high school completion rate	●	↓	56 percent completion rate (down from 61 percent in 1990, according to national data) ranks 45th in U.S.
Low math and science skills among high school graduates	◐	↔	Math test results rank among bottom third nationwide
Limited quality and capacity of technical training programs	◐	↑	Significant expansion during 1990s but room to grow
Limited linkages between 2- and 4-year college programs and industry needs	◐	↑	Successful models in High-Tech Corridor, Internet Coast, elsewhere
Low college participation rates among young adults	●	↔	Florida residents rank 47th for "chance for college" by age 19
Shortage of skilled labor in health care, high-tech occupations	●	↓	More significant issue with aging baby-boomers and tight labor market
<b>TECHNOLOGY</b>			
Low R&D spending; basic research dominated by federal funding	◐	↔	4 percent of U.S. population but only 2 percent of R&D activity
Research emphasis in life sciences; limited research in engineering, information technologies	◐	↑	Engineering, IT programs emerging at leading universities
Limited and unevenly distributed science and engineering education programs	●	↓	Geographic and financial access still difficult for some students; number of science and engineering graduate students still low
Weak technology capture and commercialization capabilities	◐	↑	Notable successes (see Taxol) but still an uneven experience in spinning new businesses off from university research
Inadequate scale and distribution of engineering, applied technology resources	●	↔	High-Tech Corridor provides model for the state
Lack of broad-based, diversified set of suppliers of existing technology	◐	↑	Technology companies increasing along key corridors
<b>FINANCE</b>			
Limited availability of seed and venture capital for start-up businesses	●	↑	Venture capital activity exploded during 1990s, but Florida remains a far cry from the Northeast or West Coast
Need for additional expansion capital for emerging and expanding businesses	◐	↑	Small business financing activity per worker lags national average
Need for modernization capital for mature industries	○	↑	Low rate of reinvestment in manufacturing sector, but capital is increasingly global
Limited foreign direct investment (FDI)	◐	↑	FDI accounts for 8 percent of gross state product, behind the national average; concentrated in real estate

● High ◐ Moderate ○ Low ↑ Improving ↔ No Change ↓ Declining

TABLE 2. COMPETITIVENESS WATCH: FLORIDA'S ECONOMIC FOUNDATIONS (CONTINUED)

ISSUE	PRIORITY	TREND	COMMENTS
<b>PHYSICAL INFRASTRUCTURE</b>			
Lack of stable funding for infrastructure investment that keeps pace with economic growth			Progress with Mobility 2000 initiative but backlog of needs remains
Age, physical condition of highways and bridges			Florida DOT makes preservation a high priority; local feeder roads less robust
Highway congestion in urban areas and on major truck routes			Growing in all major cities; Miami among top five congestion "hot spots" nationwide
Capacity and landside access constraints at major seaports and airports			Missing link in transport system threatens to stifle trade and tourism growth
Limited multimodal travel options in urban areas, major intercity corridors			High-speed rail and regional light rail systems still under review
Limited options and high cost of intrastate air service, particularly to smaller cities			Particular problem for Tallahassee
Telecommunications/Internet infrastructure still developing understanding of needs and strategies is limited			High marks for digital government and emerging high-tech hubs; Internet network access point under development in South Florida
Lack of basic infrastructure (highways water, sewer, telecom) in rural areas			Urban/rural divide may be aggravated by "digital divide"
Long-term water availability			May emerge as the central economic and community issue of the next century
<b>TAX AND REGULATORY</b>			
Stability and adequacy of future tax revenues			Major tax reforms still under debate; system still reliant on sales tax
Equity and consistency of tax structure			Few major changes to tax code during past decade
High burdens/lack of exemptions in key targeted industries (e.g., R&D equipment, health technologies, telecommunications)			Piecemeal approach covers some targeted industries but not all
Delays and uncertainty associated with environmental review and permitting systems			Perceived as a burden by many businesses and developers
Impact of growth management on business recruitment			Growth Management Study Commission recommendations still under review
High costs of workers' compensation			Rate still ranks higher than all but one state
Costs and uncertainty associated with joint and several liability			Major reforms during 1990s
<b>QUALITY OF LIFE</b>			
High crime rate			Major drop but still highest in the nation
Impact of growth on quality of life, environment; concerns about "urban sprawl"			Growth continues to fan out into suburbs
Air and water quality			Rising concern in view of continued population growth

graduates: 84 percent of the adult population holds a high school diploma (34th in the nation in 2000), and 23 percent has a college degree (ranking 37th in the nation). However, only 56 percent of Florida's entering high school freshmen graduated four years later, according to national data developed by the National Center for Education Statistics (NCES). This dropout rate was higher than all but five states in 1999. Similarly, only 49.5 percent of high school graduates continued onto college in 1998, ranking 43rd in the country.

- **Advanced science and engineering skills also remain limited.** Despite noteworthy growth in many post-secondary programs, the size and scope of science and engineering education in Florida lags those of other states. Relative to the size of the state's population, Florida ranks 45th for the number of science and engineering graduate students, with about 932 for every one million residents in 1998. Just under two out of every 1,000 workers were Ph.D. scientists and engineers in 1997, the fourth lowest rate nationally, according to the National Science Foundation.
- **Technology discovery, development, and deployment remains unbalanced.** Florida has made great strides in strengthening its technology infrastructure through the work of leading universities and public/private partnerships such as Florida's High-Technology Corridor Council and the Internet Coast. However, the size, scope, and linkages among these programs still fall short of where they could be. Florida has more than four percent of the U.S. population, but accounts for just over two percent of research and development by universities and by private industry, according to the National Science Foundation. Existing research and education programs focus on the life sciences, with limited research in engineering and information technology. Engineering and applied technology resources also are not well distributed across the state. The total number of patents issued in the state ranked 11th in the nation in 1999, but only 28th on a per-capita basis, according to the U.S. Patent and Trademark Office.

Florida has made significant efforts to strengthen its education and training systems over the past decade. Major initiatives include the Florida Chamber Foundation's *WorldClass* strategy for business-led school reform in 1994; the WAGES program to transition welfare recipients to work in 1997; the Bush/Brogan A+ plan for comprehensive K-12 education reform in 1999; and the Agency for Workforce Innovation and Workforce Florida organizations to streamline workforce development programs in 2000. The full impact of these programs, many of which were implemented recently, is difficult to assess.

However, Florida's existing effort in education and research may not be sufficient to position the state to compete in the knowledge economy. K-12 education expenditures per pupil ranked 38th in the nation in 2000, with a decline in real dollar spending since

*Florida's existing effort in education and research may not be sufficient to position the state to compete in the knowledge economy.*

1991, according to the NCES. Higher education appropriations per student rank only 34th in the nation. While numerous successes are evident, there also are concerns about duplication of effort, lack of linkages among programs, and lack of coordination between university and training programs and business needs.

Similarly, despite the strengthening of key programs at major universities, R&D activity – with the notable exception of federally sponsored research – ranks below average on a per capita basis. Statewide technology policy has focused on emerging areas such as e-commerce; the development of a technology infrastructure, including high-speed Internet switching points and a statewide fiber-optic system along more than 2,000 highway and turnpike miles; and creation of business-university partnerships along key technology corridors. These nascent activities offer great promise for the next decade, but must be strengthened and coordinated from a statewide perspective.

## 2. Growing Florida's Role as a "Crossroads Economy"

The other distinguishing feature of the 21st Century Economy will be the role of global markets. International trade and tourism emerged as the twin pillars of the Florida economy during the 1990s. The opportunity exists for Florida to continue to grow as a pivotal "crossroads economy," a global center for trade, tourism, and investment. Already, Florida handles a commanding share of world trade among the United States, Latin America, and the Caribbean. Geographic proximity, abundant seaports and airports, and a long legacy of cultural ties and business relationships with these emerging markets have been critical drivers of Florida's success. Florida may be able to repeat this success with Africa, since it also is the closest U.S. state to that continent.

Indeed, there is room to grow. Florida-origin exports accounted for 7.3 percent of gross state product (GSP) in 1998, a smaller share than the nation and most key competitor states. More than half of the merchandise exports and imports moving through Florida are neither consumed nor produced in the state; they are passing through en route to other states or nations. Florida businesses have opportunities to add value to this merchandise through consolidation, repackaging, labeling, and final assembly.

Similarly, Florida ranks seventh nationally as a recipient of foreign direct investment (FDI), and fourth for employment by foreign-affiliated firms. Still, FDI was equivalent to 7.8 percent of GSP in 1997, well behind the national average. Florida FDI is disproportionately concentrated in real estate, rather than higher value-added industries such as manufacturing.

Several obstacles prevent Florida from reaching its full potential as a crossroads economy:

- Capacity constraints at major seaports and airports limit growth of Florida's most critical gateways for international trade and tourists. The Florida Department of Transportation (DOT) estimates that about 60 percent of all airports in the

*More than half of the merchandise exports and imports moving through Florida are neither consumed nor produced in the state; they are passing through en route to other states or nations.*

state are at or near threshold capacity, including Miami International Airport, the largest gateway for international passengers and cargo. The Florida Seaport Transportation and Economic Development Council projects a doubling in the number of cruise passengers and 33 percent increase in container movements over the next five years, which will strain capacity at many of the state's 14 seaports. Key bottlenecks include landside access, waterside or airside capacity, and the availability of U.S. Customs and other support services. The capacity of trade gateways is of concern nationwide, but particularly acute in Florida given the strong anticipated growth in trade and tourism. The risk is that freight and tourists who are not able to move efficiently through these facilities will seek other states or nations entirely.

- The global trade and tourism "infrastructure" is underdeveloped. Information systems and communications networks must expand along with the capacity of these gateways to respond to tourist and shipper demands for more reliable and rapid service. The adequacy of information on tourism attraction and travel options has long been a concern of the tourism industry. Shippers and carriers seek more precise information about the status of shipments throughout the intermodal supply chain. There are opportunities to shift from paper to electronic transactions to meet business and regulatory burdens that require as many as 20 exchanges of information to facilitate a single intermodal freight flow. Florida is already taking major steps in this direction with plans to establish high-speed Internet switching hubs in the Southeast Florida area.
- Florida's global image remains weak. Florida is recognized worldwide for tourism, citrus, and space industries, but this strong name recognition has not translated into a perception of Florida as a pro-business state. Studies by DCI/Gallup and Burson-Marsteller have indicated that corporate executives and media worldwide have a poor perception of Florida as a competitive state for business. Although local and regional groups are marketing their areas as places to do business, a coordinated statewide business promotion strategy is lacking.

### **3. Incubating, Growing, and Sustaining Emerging Businesses In Value-Added Industries**

Small businesses are the lifeblood of Florida's economy. Small businesses with fewer than 100 employees represented 97 percent of all business establishments and 55 percent of all employees in Florida in 1998, according to the U.S. Census Bureau. Indeed, small businesses are of particular importance to many of the industry clusters expected to grow most rapidly over the next decade, including business and financial services, information technology, and biomedical products and services.

Over the past decade, the Florida business community has demonstrated its vitality and adaptability. Florida enjoys the

*Florida is recognized worldwide for tourism, citrus, and space industries, but this strong name recognition has not translated into a perception of Florida as a pro-business state.*

nation's 10th highest business startup rate, and its 8th strongest job growth rate at new businesses less than five years old. Even so, there are indications that Florida can do more to incubate, grow, and sustain emerging businesses, particularly in value-added industry clusters:

- **Business closing rates are high.** Nearly one in every six Florida businesses closed in 1998, a rate that ranks 41st in the country. This rank dropped from 34th in 1988. By comparison, the top ranking state for this measure, Michigan, had less than one in 10 businesses close in 1998.
- **Existing manufacturing companies are not reinvesting.** Florida's small but vital manufacturing industry, with its concentration in mature industries such as food processing, apparel, and paper, is not reinvesting in the equipment that will yield future productivity gains. Florida manufacturers invested \$6,900 per employee in new property, plant, and equipment in 1997, ranking 44th in the nation.
- **Emerging business startup and expansion capital remains limited.** Despite the globalization of capital markets, Florida's small businesses continue to struggle for adequate startup and expansion capital. Florida, with four percent of the nation's population, accounted for only two percent of venture capital disbursements in 1999. The state ranked 10th for venture capital disbursements – but its total, at \$1.2 billion, is a far cry from California's whopping \$24 billion. The state ranked 30th for Small Business Investment Corporation (SBIC) financing per worker, and 31st for private lending to small businesses per worker.
- **Commercialization of R&D activity is uneven.** Florida's universities have scored notable successes in commercializing R&D – most prominently the cancer-fighting drug Taxol. Florida ranks fourth in the nation in university royalties and license income per worker, and 11th for the number of university spin-offs per dollar of R&D spending, according to the Association of University Technology Managers; when the Taxol figures are excluded, however, these rankings fall significantly. Moreover, discussions with economic development professionals suggest that the climate for developing and commercializing university and other basic research in the state, while improved, remains stifled.
- **Workers' compensation rates remain unacceptably high.** Workers' compensation costs, as a share of payroll in the manufacturing industry, are higher than in every state except Louisiana according to Actuarial & Technical Solutions. Workers' compensation rates have withstood multiple attempts at reform over the past decade. High rates dampen expansion by manufacturers and other employers in the state.
- **Regulatory issues remain vexing to small business.** Despite significant attempts at regulatory reform over the

*Florida's small businesses continue to struggle for adequate startup and expansion capital. Florida, with four percent of the nation's population, accounted for only two percent of venture capital disbursements in 1999.*

past decade, many small businesses still need guidance through a thicket of regulations, taxes, and fees. The environmental review and permitting process is a source of particular frustration for many businesses seeking to expand or develop new facilities in the state.

- Incentives for businesses creating high-value jobs are uneven. The state has adopted a piecemeal approach to incentives for businesses creating high-wage or high-skill jobs. For example, tax exemptions are available in the aerospace and semiconductor industries, but not for health care and biomedical products. In other industries, such as telecommunications or certain types of real estate transactions, tax rates are prohibitively high compared with other states.

#### **4. Sustaining Vibrant Communities During A Period Of Continued Growth and Constrained Social and Natural Resources**

Florida's high quality of life is a critical element of its competitiveness. The state's climate, scenic beauty, and cultural and recreational amenities attract residents, tourists, and business alike. Indeed, for the previous four years, Florida has topped an annual Harris poll asking adults in which state they most would like to live.

The ability to sustain the vibrant communities that make up Florida's economic fabric is increasingly under pressure from continued growth in Florida's economy and population. Indeed, most population forecasts for Florida indicate that high levels of growth are expected to continue over the next 20 years, and that managing this growth is a central issue in sustaining vibrant communities. Unfortunately, despite numerous attempts, the state has not been able to fashion a consensus-based approach to growth management that balances the state's business, environmental, and community needs. To the contrary, there is evidence that as the state's strong growth has continued, its quality of life may be deteriorating:

- Florida is one of the most densely populated states in the union. Florida ranked 8th among the states for population density in 1998, up from 10th in 1990. This rank obscures the large portions of the state – the Everglades, much of central Florida and northwest Florida – that are sparsely settled. Many of Florida's large metropolitan areas, including Miami/Fort Lauderdale, Tampa/St. Petersburg, and Orlando – are heavily developed, and urban sprawl is becoming a significant concern.
- Urban highway congestion is rising. An aggressive preservation program has kept Florida's highway and bridge quality among the best in the nation. However, investment in new highway capacity has not kept pace with demand over the past decade, leading to rising congestion statewide. Between 1980 and 1995, total vehicle-miles

*Despite numerous attempts, the state has not been able to fashion a consensus-based approach to growth management that balances the state's business, environmental, and community needs.*

traveled increased 83 percent, but highway lane-miles increased only 18 percent. Over 65 percent of all urban freeway miles are moderately or severely congested, according to the Florida DOT. The Texas Transportation Institute ranks Miami as the fifth most congested urban area in the nation. Congestion is further aggravated by limited multimodal travel options in most urban areas and along major intercity corridors.

- **Florida's crime rate remains highest in the nation**, despite a 23 percent drop over the past decade. Major sentencing reforms and prison-building initiatives have had only a modest impact on the state's crime rate. Indeed, high-profile attacks on tourists in the mid 1990s further deteriorated Florida's overseas image.
- **Air and water quality are emerging long-term issues.** In 1998, 42 percent of Florida's population lived in counties exceeding U.S. Environmental Protection Agency air quality standards, up from 38 percent in 1987. Florida ranks 37th among the states for this measure. With coastal communities increasingly developing and spreading inland, concern about long-term water availability and quality is growing.

Concerns also are rising about the availability and affordability of health care, child care, elder care, and other dependent care; overcrowded schools; long-term energy availability and cost; and the protection of the state's unique environmental resources. The state's ability to coordinate economic development, land use, and infrastructure (transportation, telecommunications, and water) planning over the next decade will be a critical determinant of its ability to sustain additional growth while maintaining a high quality of life.

## **5. Bridging the Equity Gap Between the "Two Floridas"**

The 1990s demonstrated that there is no single Florida; indeed, there are many Floridas in the state's diverse economy. Florida is a loose confederation of city-states, ranging from Southeast Florida, with its international flavor, to the bustling high-tech corridor from Tampa through Orlando to the Space Coast, to the more industrialized Northeast Florida to the more rural reaches of Northwest Florida and the rapidly expanding Southwest Florida region. Florida's diversity is a source of its strength, yet there are signs that the gap between the multiple faces of Florida has grown over the past decade. Florida's rising economic tide did not lift all boats equally; to the contrary, at least three "equity gaps" in Florida have grown in significance:

- **Between urban and rural areas.** Many of Florida's urban areas enjoyed the nation's fastest growth rates during the 1990s. In contrast, some smaller cities and rural areas lagged the national growth rate significantly, with employment actually declining in two rural counties, Gulf and Hamilton (see Figure 6). The U.S. Department of Agriculture's Economic Research Service reports that earnings per job in rural Florida are more than 20 percent lower

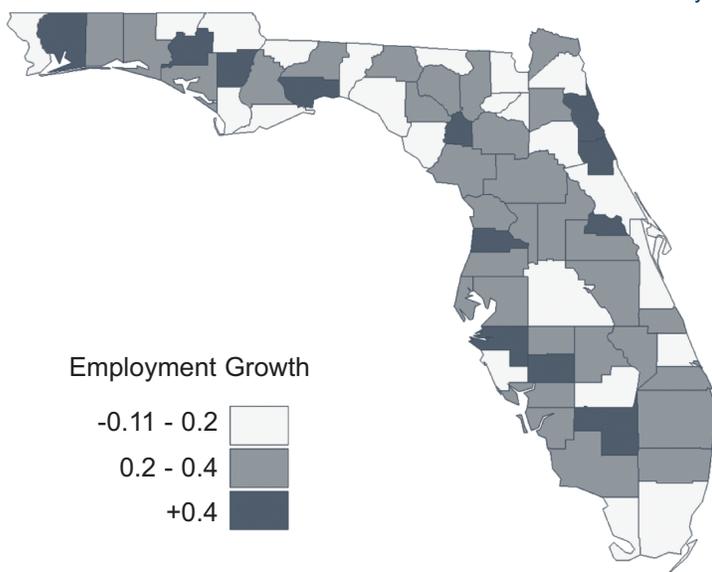
*Florida's rising economic tide did not lift all boats equally; to the contrary, at least three "equity gaps" in Florida have grown in significance.*

than the statewide average (see Figure 7). The Corporation for Enterprise Development's (CFED) composite index of rural/urban disparity, which includes measures such as employment growth, unemployment rates, average earnings, and earnings growth, ranks Florida 23rd among the states, down from 16th in the mid 1980s. Across the country, rural areas generally have experienced lower economic growth than urban areas. Future research needs to examine not only the disparity between rural and urban areas within Florida, but also determine if this gap is larger than that found in other parts of the United States.

- **Between suburban areas and inner cities.** In a similar vein, Florida's bustling suburban areas have grown rapidly, leaving some inner cities behind. Employment in Miami-Dade County increased just 13 percent during the 1990s, well behind the national average. Other urban Florida counties with lower employment growth in the 1990s than the state average include Pinellas, Brevard, and Pasco counties. Meanwhile, some of the fastest growing county economies have been in the outlying counties of large metropolitan areas, such as Seminole County and St. Johns County.
- **Between socioeconomic groups.** The creation of high-wage, high-tech jobs accelerated the gap between "haves" and "have nots" among Florida workers and families. The families in the top quintile in Florida earned on average 11 times as much as those in the bottom quintile during the 1997-1999 period, up from 9 times as much a decade ago. This ratio ranks 38th among the 50 states, according to CFED. The poverty rate increased slightly, to 13.7 percent in 1997-1998 (32nd lowest rate in the nation) at a time of national poverty decline.

FIGURE 6. EMPLOYMENT GROWTH BY COUNTY, 1989 TO 1999

Source: U.S. Bureau of Economic Analysis



These gaps are all trends nationwide, but appear to be worsening in Florida for several reasons. Many of these differences are the product of Florida's industry mix. The range in performance of Florida's industry clusters has created a similar divergence in opportunities for communities. The modest performance of industries such as agriculture and food processing, wood and paper products, and apparel and textiles undermines the growth of many rural areas and inner cities. The restructuring of the aerospace industry was a major contributor to the subpar performance of the Melbourne metropolitan area.

At the same time, however, these equity gaps reflect more profound structural issues. Many rural areas and small cities lack the basic infrastructure to

compete in a global economy, including the highway and telecommunications networks that provide reliable access to global markets as well as to the educational, health care, and cultural institutions available in larger urban areas. Many smaller communities are not able to offer sufficient choices – in terms of labor force skills or transportation and other support services – for businesses seeking to make dynamic decisions in a global market. In particular, passenger air service to rural areas and small cities is a longstanding problem. Some rural communities also do not have adequate water supply systems or wastewater treatment capacity for business growth.

The differences in economic opportunity among socioeconomic groups are the product of fundamental differences in educational attainment and labor skills. Florida must come to grips with the magnitude of these differences – and develop strategies to bridge them over the next decade – if the entire state is to enjoy the fruits of the next wave of economic expansion.

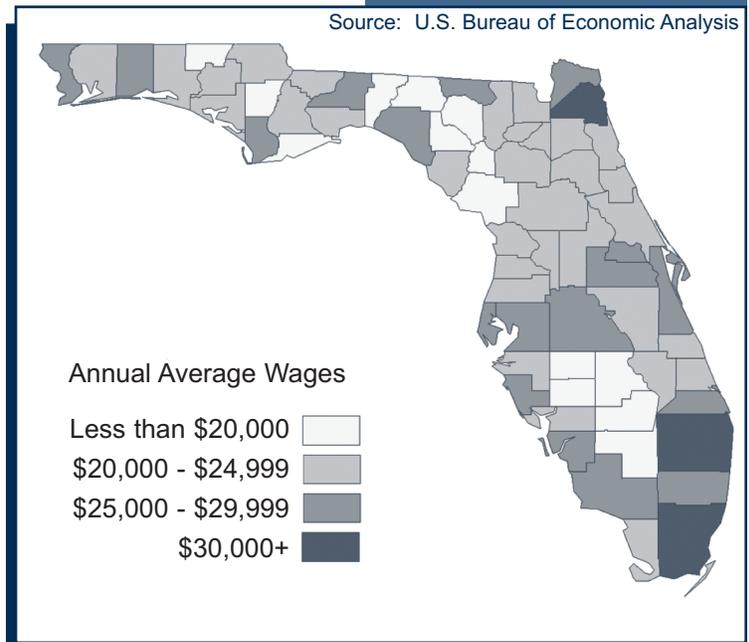


FIGURE 7. AVERAGE ANNUAL WAGES BY COUNTY, 1999

## Partnerships and Programs

A subtle, but nevertheless significant, accomplishment in the 1990s was a heightened commitment to economic development from public and private organizations at the state, regional, and local levels in Florida. The original *Cornerstone* report ushered in a period of public/private collaboration on issues related to Florida's business climate and economic development that was unprecedented in the state's history and a model for other states and regions. Major accomplishments included the following:

- Enterprise Florida, Inc. (EFI) was created in 1996 to replace the former Department of Commerce with a quasi-public/private organization, charged with promoting economic development in the state. This new institution was organized to better take advantage of the private sector's role in economic development and to more efficiently focus industry recruiting, retention, and expansion efforts. EFI was armed with an arsenal of training and incentive programs, which have been expanded and restructured throughout the past few years.
- Visit Florida was established at the same time as EFI to manage the state's tourism development efforts.
- EFI and its partner organizations implemented a large number of assistance programs to support business retention, expansion, and attraction. These include the Quick

Response Training and Incumbent Worker Training Programs; the Qualified Target Industry tax refund and other targeted high-impact incentives; the Economic Development Transportation Fund; and tax relief in key areas such as rollback of the intangibles tax, capital investment tax credits, and reduction of sales tax liability for expanding manufacturers.

- Major statewide initiatives were implemented to enhance the quality of the state's education system and workforce (notably, the WAGES program, the WorldClass partnership, the Bush/Brogan A+ Plan, and the Agency for Workforce Innovation/Workforce Florida); to improve the state's technology infrastructure (notably, itFlorida.com); to strengthen the state's transportation infrastructure (Mobility 2000); to streamline the permitting process; and to reform civil liability laws.
- Regional economic development initiatives were initiated, including the Internet Coast in Miami-Dade, Broward, and Palm Beach Counties; the Tampa Bay Partnership; the Southwest Florida Transportation Initiative; the Jacksonville Cornerstone initiative in northeast Florida; and Florida's Great Northwest, Inc. from Tallahassee to Pensacola. Perhaps the most striking example is the High-Technology Corridor Council, which stretches east-west from Tampa-St. Petersburg through Orlando to the Space Coast. This region has had the most success at building and growing information technology-driven firms in the state. A catalyst for this success was the partnerships built between the private sector (especially Lucent Technologies) and public universities (University of Central Florida and University of South Florida) in the region.

Even with this progress, the comprehensive economic development strategy outlined in the original *Cornerstone* report has not been fully implemented (see Table 3 for a description of progress on each initiative). Moreover, much of the implementation occurred during the latter part of the 1990s, and its impact cannot be fully assessed.

Enterprise Florida was the centerpiece of the statewide economic development strategy over the past decade, and has become a national model for other states seeking to develop public-private partnerships to guide economic development. However, EFI's success in achieving some of its highest priorities – particularly growth in the high-tech and aerospace industries – has been limited. Moreover, most would agree that EFI has fallen short of the model originally envisioned by the Florida Chamber Foundation in its 1989 report. Rather than creating an entity capable of delivering the public good at the speed of a business, it appears that the state consolidated multiple programs into a single partnership with multiple lines of authority and accountability. The extent of the administrative burden on EFI staff, as well as remaining institutional and cultural barriers to effective public/private partnerships, must be determined and addressed so that EFI can move forward.

*The comprehensive economic development strategy outlined in the original Cornerstone report has not been fully implemented.*

TABLE 3. REVISITING THE CORNERSTONE RECOMMENDATIONS

The 1989 *Cornerstone* report identified 33 policy recommendations in nine areas, covering six categories of economic foundations – human resources, technology, finance, physical infrastructure, tax and regulatory system, and quality of life – and three levels of economic development programs – statewide, regional, and international. Over the past decade, Florida’s government and business leaders have made progress in most of these areas. The following table reviews each major recommendation and describes noteworthy progress (if any) in each area.

CORNERSTONE RECOMMENDATIONS	IMPLEMENTATION TO DATE
<b>HUMAN RESOURCES</b>	
Expand statewide programs to reduce high school dropout rates	Statewide and local dropout prevention programs expand; teenage parent programs enacted as state entitlement; dropout rate increases despite these efforts
Establish an effective technical education and training system	WAGES program implemented in 1997 to transition welfare recipients to work; state training programs expanded; Agency for Workforce Innovation, Workforce Florida created in 2000 to streamline workforce development programs; concerns about availability of skilled labor remain
Include business needs in higher education planning	State Board of Education initiates strategy to create business-education R&D partnerships; Florida’s High-Tech Corridor established as business university partnership
Promote workable programs to increase the math and science skills of Florida’s high school and community college graduates and increase university enrollments and graduates in math, science, and engineering	Foundation conducts <i>No More Excuses</i> study (1994), creates <i>WorldClass</i> strategy for business-led school reform; 1999 Legislature enacts Bush/Brogan A+ plan for comprehensive K-20 education reform; fully impact of reforms not yet apparent
<b>TECHNOLOGY</b>	
Build research capacity for technology	State Technology Council created in 1997 to recommend state-wide technology vision and policies; R&D funding increases modestly
Enhance technology development and application	State Technology Office created in 1997 to manage information resources of state agencies; itFlorida.com created in 1999 to recommend state e-commerce policies; commercialization of new research still uneven
Enhance the process of technology deployment	High-speed Internet switching point to be developed in Miami area; installation of fiber optic system planned along more than 2,000 highway and turnpike miles
Create a Florida partnership for science, technology	Florida’s High-Technology Corridor Council and Internet Coast initiatives established with participation of business, university, government; no statewide partnership yet
<b>FINANCE</b>	
Increase seed capital invested in new enterprise	Three Certified Capital Companies created in 1998; home-grown venture capital funds emerge but most financing is post-startup; no Enterprise Florida program for seed capital; available venture capital still lags Northeast, West Coast
Promote expansion financing	Florida Development Finance Corporation helps small to medium-size manufacturers get expansion financing at reduced rates for property, equipment; <i>International Cornerstone</i> (1997) recommends strategies for increasing foreign direct investment in Florida; mezzanine capital for emerging businesses still a concern

TABLE 3. REVISITING THE CORNERSTONE RECOMMENDATIONS (CONTINUED)

CORNERSTONE RECOMMENDATIONS	IMPLEMENTATION TO DATE
<i>PHYSICAL INFRASTRUCTURE</i>	
Provide stable and adequate funding sources for highways through the State Transportation Trust Fund	Major transportation funding increases enacted in 1990 (new revenues) and 2000 (return of funds diverted to non-transportation activities); major unfunded needs remain in all modes
Link physical infrastructure policy to changing economic requirements of Florida's industries	Foundation examines issues and strategies in <i>Transportation Cornerstone</i> study (1999); most recommendations are adopted by Legislature or Department of Transportation but linkage between transportation and economic development is still evolving
Continue expansion and development of Florida's airports and seaports	Florida Seaport Transportation and Economic Development Council created in 1990 to administer first-ever state funding for seaports; program reformed in 2000 but priorities still not tied to economic benefits
<i>TAX AND REGULATORY</i>	
Review Florida's tax structure from competitiveness standpoint	Foundation's <i>Crossroads</i> study (1990) recommends comprehensive changes to state tax structure, but few of these are implemented; Legislature enacts selected tax changes targeted at semiconductor, aerospace, other industries and reduces tax on intangibles; concerns over stability heightened by fall 2001 decline in tourism
Link regulatory review to economic competitiveness	1996 reforms to state agency administrative procedures restrict agency rulemaking authority, permit waivers and variances, enhance public input; expedited permitting program created in 1996 but participation by state and local agencies is limited; one-stop Internet system for permitting created in 2000
Reform worker's compensation, civil liability laws	Reforms to workers' compensation laws enacted in early 1990s but rates remain second highest in the nation; reforms to civil litigation laws enacted in 1999
<i>QUALITY OF LIFE</i>	
Actively market Florida's recreation, life-style benefits	Visit Florida created in 1996 as a public-private partnership to oversee tourism marketing
Address crime as economic development issue	Massive prison building program completed, with excess capacity available today; major sentencing reforms enacted throughout 1990s; crime rate drops significantly, mirroring national trend
Link growth management, quality of life, economic competitiveness issues in regulatory process	Some progress in providing flexibility for local government planning to address unique growth management needs; no comprehensive changes in growth management policy in past 15 years

TABLE 3. REVISITING THE CORNERSTONE RECOMMENDATIONS (CONTINUED)

CORNERSTONE RECOMMENDATIONS	IMPLEMENTATION TO DATE
<i>ECONOMIC DEVELOPMENT PROGRAMS (STATEWIDE STRATEGIES)</i>	
Promote a balanced state economic development strategy focused on attracting, retaining, and growing high-value industry clusters	Enterprise Florida created in 1996 as principal economic development organization for state; develops focused sector strategy for business retention, recruitment with strong return on investment overall but limited success in high-tech, aerospace
Strengthen support networks that provide management assistance and referrals to new firms	EFI develops partnerships with key industry groups; availability of business incubators still limited
Create a unified economic development marketing image of Florida based on quality, value added, and the advantage of regional diversity	Under development
<i>ECONOMIC DEVELOPMENT PROGRAMS (REGIONAL STRATEGIES)</i>	
Encourage regions to develop strategies for attracting, retaining, and growing value-added industries appropriate to each region	Regional cluster initiatives established in Northeast, Central, Southwest, Southeast Florida, and emerging in Northwest Florida; linkages among regions are limited
Provide state economic development support tailored to regional needs	EFI develops partnerships with key regional economic development organizations
Establish a rural revitalization program that would help rural regions promote strategies appropriate to their needs	Legislature enacts incentives aimed at rural economic developments; state rural economic development policy under development; urban/rural gap persists
<i>ECONOMIC DEVELOPMENT PROGRAMS (INTERNATIONAL STRATEGIES)</i>	
Improve and expand trade assistance services	EFI creates Florida Trade Network; Legislature provides trade development grants to regional and local organizations
Strengthen Florida's trade advocacy	Team Florida partnership of business, government created; relationships strengthened with Mexico, Israel
Restructure Florida's foreign market presence	EFI refocuses 11 international offices, shifts to performance-based contracts
Focus foreign direct investment attraction strategy	EFI initiates foreign direct investment strategy focused in high-tech sectors and linked to international tourism efforts

Florida must look objectively at the myriad of economic development programs to determine if they are meeting all key economic development needs, and where duplication of effort or conflicting goals may be undermining results. Florida also must examine the successes and lessons learned from the emerging regional approaches to economic development. For the first time in memory, regionalism is not a dirty word, with major initiatives in Central, Southeast, Southwest, Northeast, and Northwest Florida. There are notable success stories but little coordination among these initiatives at this time. Florida's diverse regions are appropriately pursuing their own economic development goals, and so enhancing the state's marketing efforts. This "patchwork quilt" approach to economic development offers great potential for tailoring programs and strategies and engaging local participants. However, there is a risk that these regional efforts, if not

coordinated, could detract attention from important statewide issues and dilute the state's overall marketing image. There also is a risk that this patchwork approach might overlook the most vulnerable of the state's communities – particularly rural areas and inner cities.

Finally, Florida must reexamine the level of effort it is devoting to economic development to determine if it is consistent with the state's goals. Florida has long marketed itself as a low-tax state, but one price of low taxes is lower government services. Compared to other states, the resources per capita that Florida spends on economic development or on its economic foundations – notably for education and infrastructure – is below average. The state must determine the extent to which it is underinvesting in its economic future.

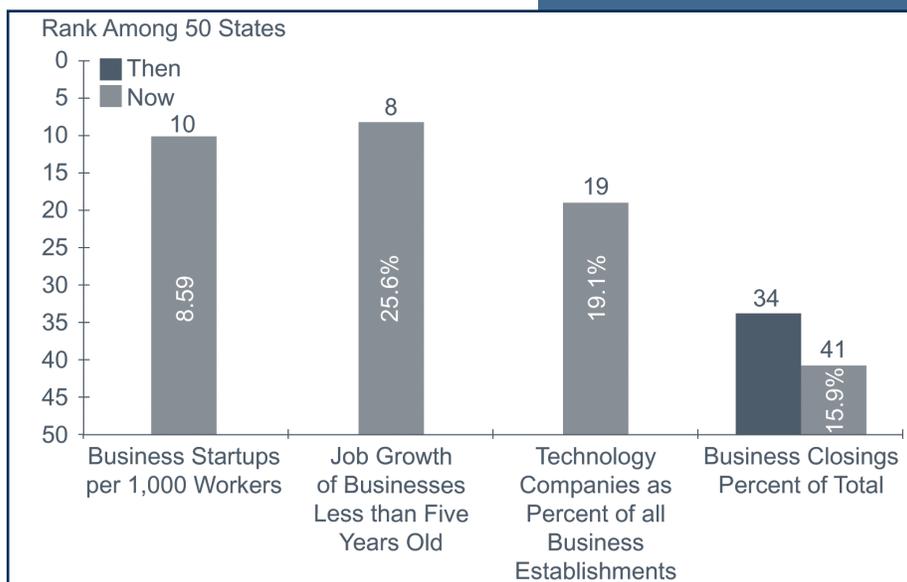
These are daunting challenges, but Florida has a record of success over the past decade that it can draw upon as it prepares for the next 10 years. Indeed, one of the greatest contributions over the past decade has been a perhaps 100-fold increase in the number of government and business leaders who have become engaged in economic development activities in Florida: through the Florida Chamber Foundation and its working groups; EFI, its partner councils, and consortia; industry associations; legislative committees; executive agencies and task forces; regional coalitions; local economic development organizations and chambers of commerce; and an informal network of professionals statewide. Harnessing these collective resources will enable Florida to address the challenges identified in this report and set Florida on the path to economic development and prosperity over the next decade.

*Compared to other states, the resources per capita that Florida spends on economic development or on its economic foundations – notably for education and infrastructure – is below average.*

# Appendix A - Indicators of Florida's Economic Competitiveness

## Business Startup and Failure Rates

Florida boasts a high business startup rate. With an average of nearly nine companies per 1,000 workers applying for new employment service account numbers in 1998, Florida ranks tenth among the 50 states. It ranks eighth among the 50 states in terms of percent growth in employment at firms less than five years old. At the same time, business closings are high in Florida, reaching 16 percent of total. The state ranks 41st in business closings, compared to 34th a decade ago. The simultaneous occurrence of a high startup rate and a high business failure rate are typical of dynamic economies with a lot of churning in the business sector; of greater concern is a state's net business startup rate.



**SOURCES:**

**Business startups**

Measure: number of companies applying for new employment service account numbers per 1,000 workers, 1998  
 Source: U.S. Small Business Administration

**Job growth of businesses less than five years old**

Measure: percent growth in employment at firms less than five years old, 1993-1998  
 Source: Cognetics Inc.

**Technology companies**

Measure: percentage of business establishments that are technology companies, 1997  
 Source: U.S. Department of Commerce, U.S. Bureau of the Census

**Business closings**

Measure: percentage rate of business closings, 1998; business failures per 10,000 concerns, 1988  
 Source: U.S. Small Business Administration; Dun & Bradstreet data for 1988

## Job Quality

Access to high-quality jobs remains a problem in Florida. The average annual salary was \$28,100 in 1998, placing Florida 29th in the national rankings. Fully 19 percent of working parents in the state are considered working poor, that is, their incomes fall at or below 150 percent of the poverty line. Twelve percent of Floridians must work part-time employment for economic reasons. The percentage of the non-elderly population covered by employer-based health plans

has fallen since the mid-1980s, from 70 percent to 61 percent, mirroring the national trend.

### SOURCES:

#### Average annual salary

Measure: average annual pay for all workers covered by unemployment insurance, 1988 and 1998

Source: U.S. Department of Labor, Bureau of Labor Statistics

#### Working poor

Measure: percent of working parents at or below 150 percent of the poverty line, 1997-99

Source: U.S. Department of Commerce, Bureau of the Census

#### Involuntary part-time employment

Measure: percent of employees who work part-time for economic reasons, 1998

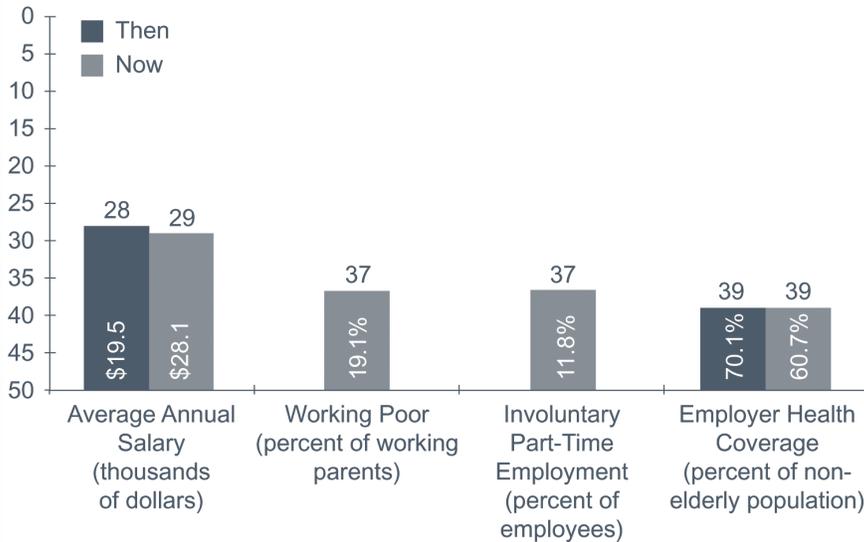
Source: U.S. Department of Labor, Bureau of Labor Statistics

#### Employer health coverage

Measure: percent of non-elderly population covered by employer-based health plans, 1986 and 1999

Source: Employee Benefit Research Institute

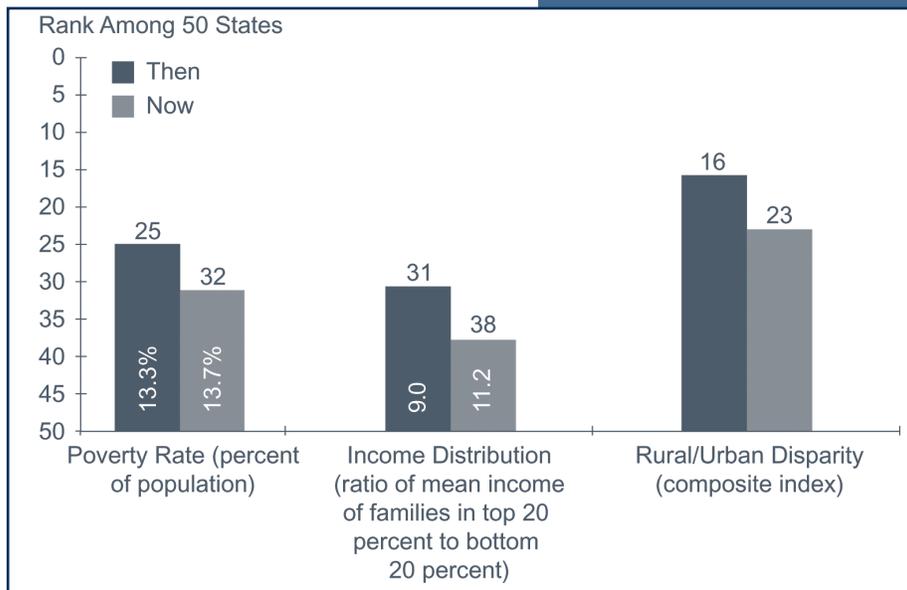
Rank Among 50 States



## Equity

Problems of poverty and income equity also persist. Today, nearly 14 percent of Florida's population lives in households with incomes below the poverty line, an increase of almost half a percent since the 1980s. This increase has come despite a decade of unparalleled economic growth. At the same time, the ratio of the mean income of families in the top quintile to the mean income of families in the bottom quintile has increased from nine to one in the mid-1980s

to 11 to one today. Just 12 states have a more unequal distribution of income than Florida, compared to 19 states a decade and a half ago. In a nationwide ranking of rural/urban economic disparities, Florida has fallen from 16th to 23rd.



### SOURCES:

#### Poverty rate

Measure: percent of population living in households with incomes below the poverty line, 1984-86 and 1997-98 averages

Source: U.S. Department of Commerce, Bureau of the Census

#### Income distribution

Measure: ratio of mean income of families in the top quintile to mean income of families in the bottom quintile, 1984-86 and 1997-99

Source: Jon Haveman, Purdue University

#### Rural/urban disparity

Measure: composite index score of six economic performance measures that compare absolute value differences between non-metropolitan and metropolitan counties within a state, mid-1980s and late 1990s

Source: Corporation for Enterprise Development

## Human Resources

In a nationwide comparison of basic education skills, just 23 percent of fourth grade students were considered proficient in reading, and just 15 percent were considered proficient in mathematics. These statistics placed Florida 30th and 34th in the nation, respectively. High school graduation rates in Florida have declined in recent years, and are low compared to the national average. Just 56 percent of students entering ninth grade today graduate in four years. Just five states in the nation have a

lower graduation rate than Florida. In terms of the overall population's high school attainment, Florida fares better. Some 84 percent of the state's adult population is high school-educated, compared to 80 percent in 1991, largely due to in-migration.

### SOURCES:

#### Basic education skills – reading

Measure: percent of fourth grade students proficient in reading, 1998  
 Source: U.S. Department of Education, National Center for Education Studies

#### Basic education skills – mathematics

Measure: Percent of fourth grade students proficient in mathematics, 1996  
 Source: U.S. Department of Education, National Center for Education Studies

#### State academic standards in five core academic subjects

Measure: state academic standards in five core academic subjects (English, History, Geography, Math, and Science)  
 Source: Thomas B. Fordham Foundation, "The State of State Standards," July 1998

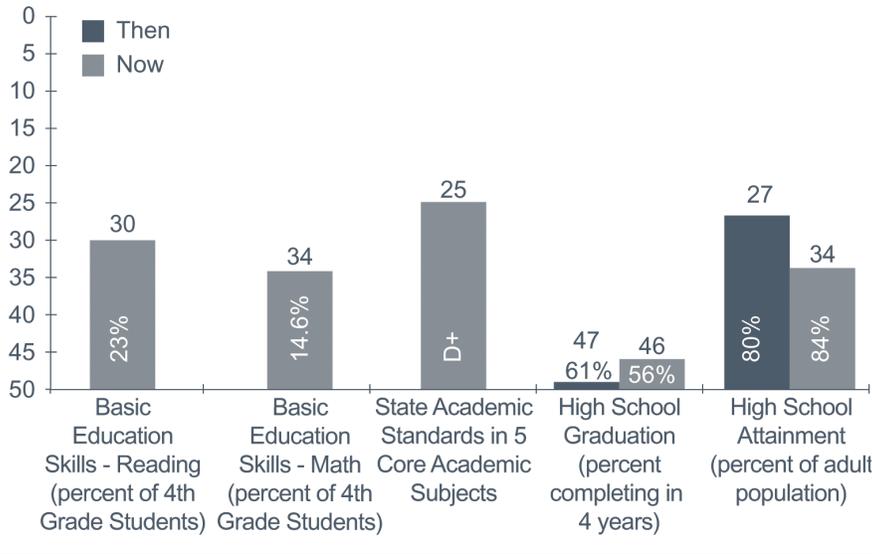
#### High school graduation

Measure: high school graduates as a percent of students entering ninth grade four years previously, 1990 and 1999  
 Source: U.S. Department of Education, National Center for Education Studies

#### High school attainment

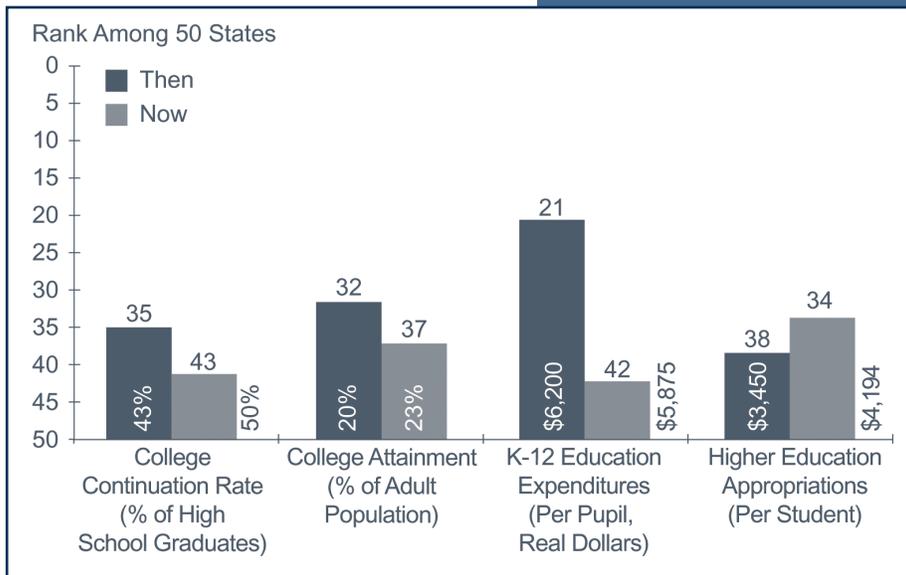
Measure: percent of population ages 25 and older with at least 12 years of school education, 1991 and 2000  
 Source: U.S. Department of Commerce, Bureau of the Census

Rank Among 50 States



## Human Resources (continued)

College continuation rates are also low, with just under half of high school graduates in Florida pursuing higher education. In percentage terms, this is an improvement over the 1980s, when 43 percent of graduates went on to college, but Florida has lost ground in the national rankings. Today, the state ranks 43rd, compared to 35th in the 1980s. A total of 23 percent of the state's adult population are college-educated, placing Florida 37th in the national rankings. This is an increase over 1991, when 20 percent of heads of household had attended college, and Florida ranked 32nd. The improvement is largely the result of the inward migration of college-educated individuals from other states. Current expenditures per pupil in public elementary and secondary schools average \$5,875, a slight decline in real dollars compared to the the early 1990s. By this measure, Florida ranks 38th, compared to 21st 10 years ago. Higher education appropriations per student ranks 34th in the nation, averaging a little over \$4,000.



**SOURCES:**

**College continuation rate**

Measure: percent of high school graduates enrolled in college, 1988 and 1998  
 Source: Post Secondary Opportunity

**College attainment**

Measure: percent of population aged 25 and older with at least 4 years of college, 1991 and 2000  
 Source: U.S. Department of Commerce, Bureau of the Census

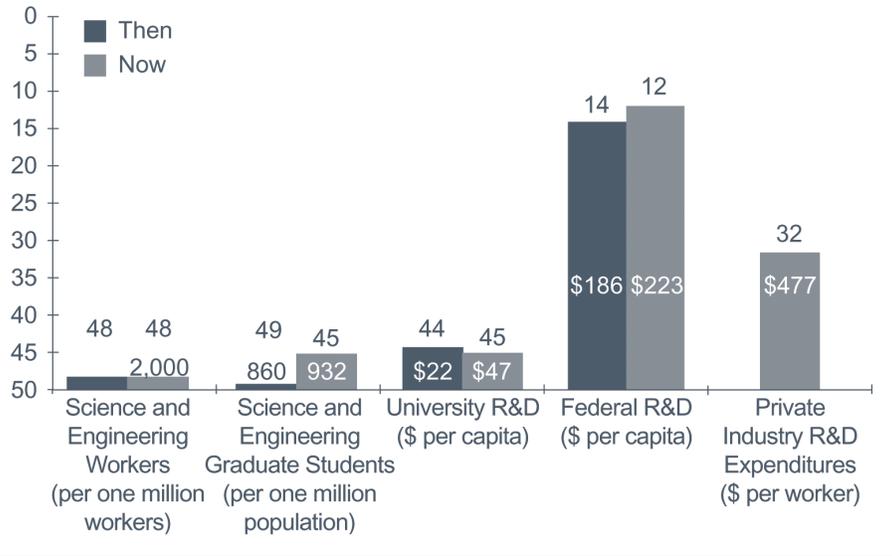
**K – 12 education expenditures**

Measure: expenditure per pupil in public elementary and secondary schools in real 2000 dollars, 1991 and 2000  
 Source: U.S. Department of Education, National Center for Educational Statistics

**Higher education spending**

Measure: higher education spending per student in real 1998 dollars, 1996 and 1998  
 Source: U.S. Department of Education, National Center for Educational Statistics

Rank Among 50 States



## Technology

In terms of employment and education in high-technology fields, Florida fares poorly on a per capita basis. The state ranks 48th nationwide in the number of scientists and engineers per million workers – about 2,000 – a rank that is unchanged since the 1980s. Florida ranks 45th in the number of science and engineering graduate students per million residents (932), only a slight improvement since the 1980s when the state ranked 49th (with 860 per million).

University spending on research and development is \$47 per capita, compared to \$22 per capita in the 1980s. Despite the increase, Florida's national ranking remained relatively low compared to the national average, declining slightly from 44th to 45th. Federal R&D spending, at \$223 per capita, is considerably higher, and by this measure Florida ranks 12th among the 50 states. In the 1980s, federal R&D spending was \$186 per capita and Florida ranked 14th.

### SOURCES:

#### Science and engineering workers

Measure: number of scientists and engineers per 1,000 workers, 1986 (including non-doctoral); number of employed doctoral scientists per 1,000 workers, 1997

Source: National Science Foundation

#### Science and engineering graduate students

Measure: number of science and engineering graduate students in doctorate-granting institutions per one million population, 1988 and 1998

Source: National Science Foundation

#### University R & D per capita

Measure: research and development expenditures at doctorate-granting institutions, dollars per capita, FY 1991 and 1998

Source: National Science Foundation

#### Federal R & D per capita

Measure: federal obligations for research and development dollars per capita, FY 1991 and 1998

Source: National Science Foundation

#### Private industry R & D per worker

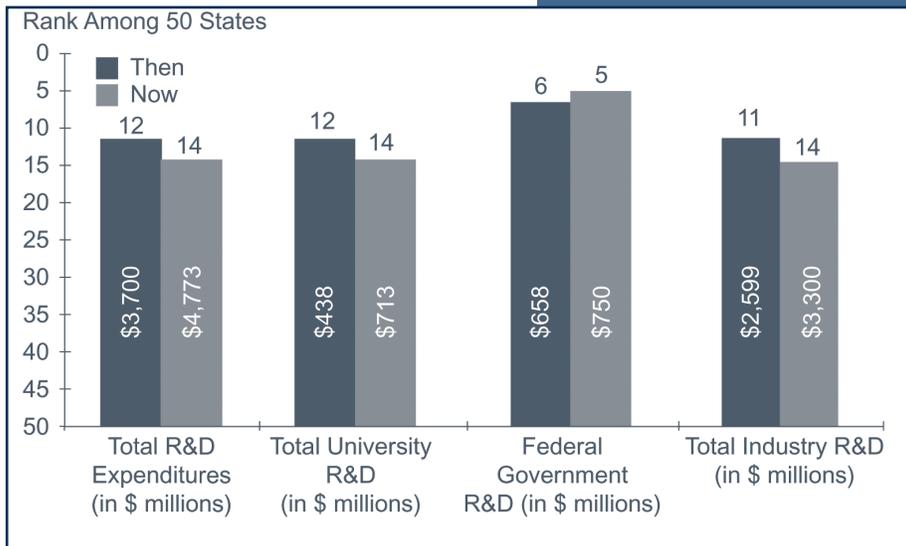
Measure: private industry research and development expenditures in dollars per worker, 1998

Source: National Science Foundation, Division of Science Resource Studies, 1998 Survey of Industrial Research and Development

### Technology (continued)

Total R&D spending in Florida by universities, the federal government, and industries exceeded \$4.7 billion in 1998, compared to \$3.7 billion in the 1980s. Nevertheless, Florida's national rank fell slightly during this period, from 12th to 14th. In terms of R&D spending specifically by universities, Florida's rank also fell from 12th to 14th, even as spending increased from \$438 million to \$713 million.

Federal R&D spending rose from \$658 million to \$750 million, and Florida's rank rose with it from sixth to fifth. Industry R&D spending (including federal funding to industry R&D) increased from \$2.6 billion to \$3.3 billion, although Florida's rank dropped from 11th to 14th.



**SOURCES:**

**Total R & D expenditures**

Measure: total research and development expenditures, in millions of dollars, 1991 and 1998

Source: National Science Foundation

**Total university R & D funding**

Measure: total university research and development funding, including federal funding for university R & D, in millions of dollars, 1991 and 1998

Source: National Science Foundation

**Federal government R & D**

Measure: federal government research and development funding, excluding industry and academia, in millions of dollars, 1991 and 1998

Source: National Science Foundation

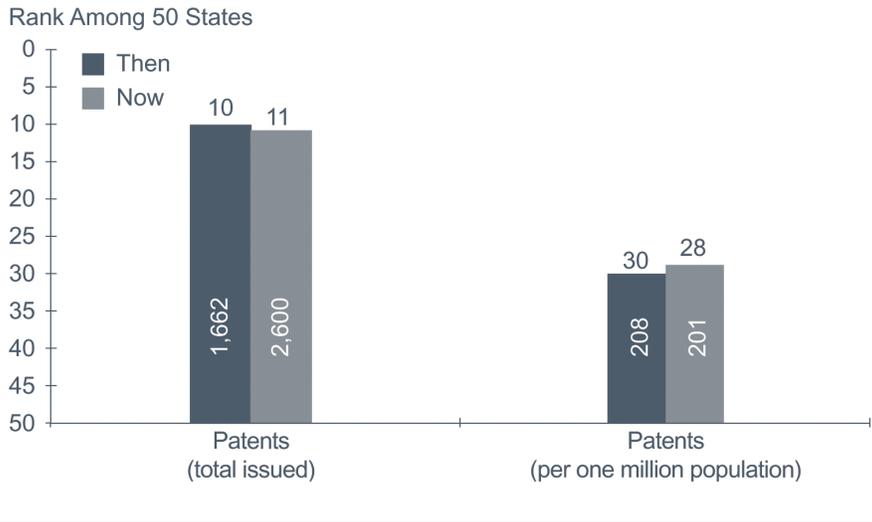
**Total industry R & D**

Measure: total industry research and development, including federal funding to industry R & D, in millions of dollars, 1991 and 1998

Source: National Science Foundation

**Technology (continued)**

A large and growing number of patents are issued in Florida: 2,600 in 1999, compared to 1,662 in 1990. However, the increase has not been rapid enough to prevent Florida from slipping slightly from tenth to 11th in national rankings. With 201 patents issued per one million residents in 1999, Florida ranked 28th, although this was a slight improvement over 1990, when 208 patents were issued per one million residents and Florida ranked 30th.

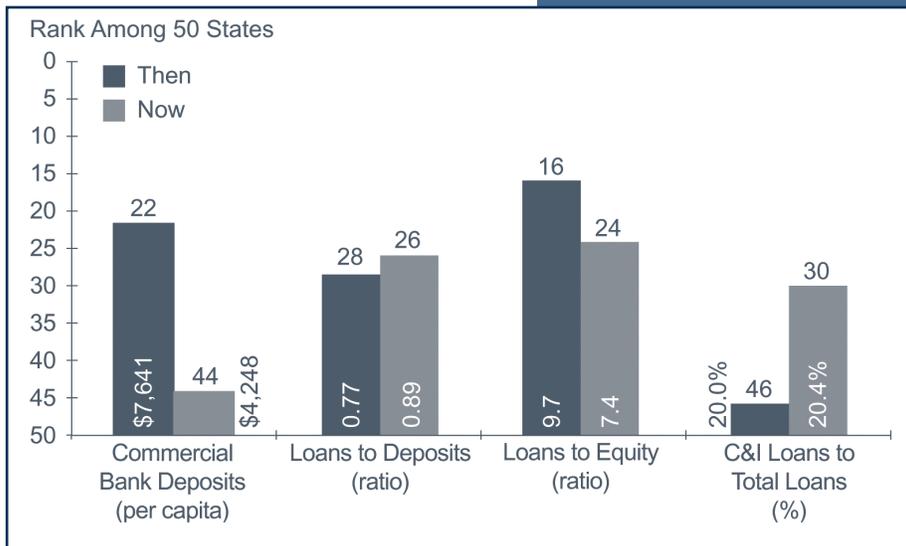
**SOURCES:****Patents**

Measures: 1) total utility patents, 1990 and 1999; 2) number of patents issued per one million population, 1990 and 1999

Source: U.S. Department of Commerce, U.S. Patent and Trademark Office

## Finance

Florida's key finance indicators are mixed. Per capita commercial bank deposits have declined over the past decade (in real dollars) from \$7,600 to \$4,200. Over the same period, Florida's national ranking fell from 22nd to 44th. The decline in part reflects the flight of capital from banks into the stock market and bank consolidations that led to Florida banks leaving the state. Florida's ratio of commercial bank domestic loans and leases to domestic deposits has increased slightly since the late 1980s, and over the same period the state's ranking has risen from 28th to 26th. Florida's ratio of commercial bank domestic loans and leases to capital has decreased, and its national ranking has fallen from 16th to 24th. Domestic commercial and industrial loans as a percentage of total domestic loans has increased slightly, from 20 percent to 20.4 percent, bucking a national decline.



Florida's ratio of commercial bank domestic loans and leases to domestic deposits has increased slightly since the late 1980s, and over the same period the state's ranking has risen from 28th to 26th. Florida's ratio of commercial bank domestic loans and leases to capital has decreased, and its national ranking has fallen from 16th to 24th. Domestic commercial and industrial loans as a percentage of total domestic loans has increased slightly, from 20 percent to 20.4 percent, bucking a national decline.

### SOURCES:

#### Commercial bank deposits

Measure: deposits in insured commercial banks, dollars per capita, 1988 and 1999

Source: Federal Deposit Insurance Corporation

#### Loans to deposits

Measure: ratio of insured commercial banks' total domestic loans and leases to total domestic deposits, 1988 and 1999

Source: Federal Deposit Insurance Corporation

#### Loans to equity

Measure: ratio of commercial banks' total loans and leases as percent of total bank equity, 1988; ratio of insured commercial banks' total domestic loans and leases to total capital, 1999

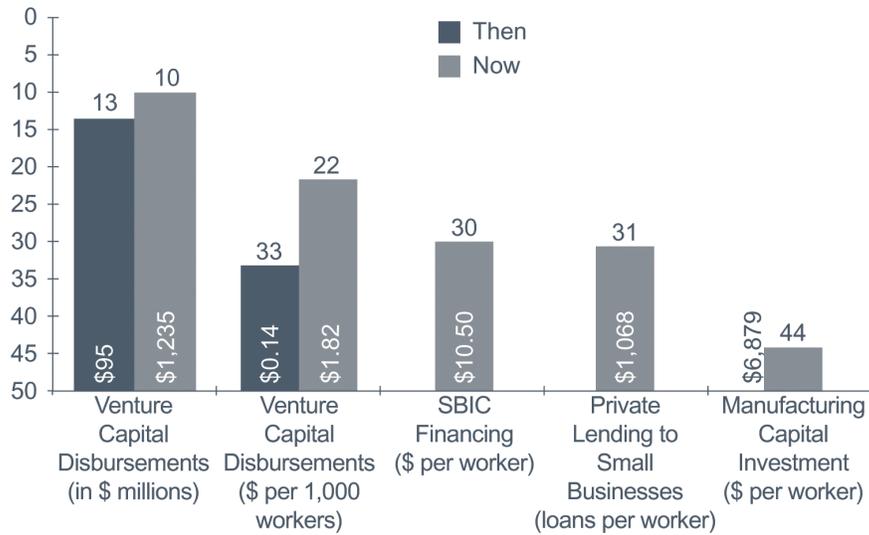
Source: Federal Deposit Insurance Corporation

#### C&I loans to total loans

Measure: domestic commercial and industrial loans as percentage of total domestic loans by commercial banks, 1988 and 1999

Source: Federal Deposit Insurance Commission

Rank Among 50 States



## Finance (continued)

In 1999, Florida received over \$1.2 billion in venture capital, or \$1.82 per worker. This is an important increase over 1989 levels, when Florida received \$95 million in venture capital, or just 14 cents per worker. Because these increases reflect a national trend, however, Florida's comparative state ranking rose only slightly, from 13th to tenth. It is also worth noting the significant gap – \$30 billion – that separates Florida from the first ranked state, California. In 1998, Small Business Investment Company

(SBIC) financing totaled \$10.50 per worker, placing Florida 30th. In 1999, private lending to small businesses totaled \$1,068 per worker, placing Florida 31st, while manufacturing capital investment totaled nearly \$7,000 per worker, placing Florida 44th. In 1987, Florida had \$3,827 manufacturing capital investment per worker, compared to \$4,150 at the U.S. level.

### SOURCES:

#### Venture capital disbursements

Measure: venture capital disbursements, in millions of dollars and per 1,000 workers, 1989 and 1999

Source: Venture Economics

#### SBIC Financing

Measure: total Small Business Investment Company (SBIC) financing, dollars per worker, 1998

Source: U.S. Small Business Administration

#### Private lending to small businesses

Measure: loans under \$1 million made in 1998, per worker

Source: U.S. Small Business Administration

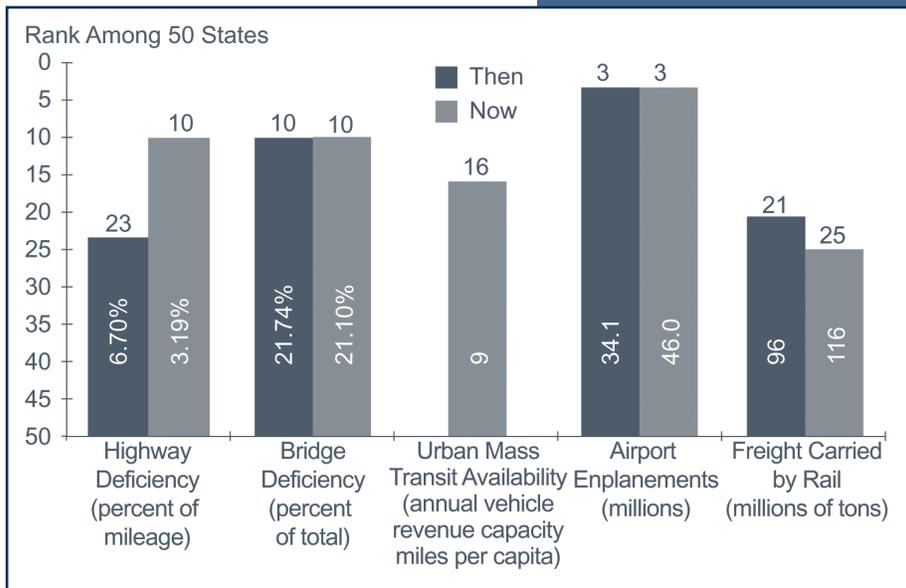
#### Manufacturing capital investment

Measure: new capital expenditures per manufacturing employee, 1997

Source: U.S. Bureau of the Census, Economic Census, 1997

## Physical Infrastructure

The state has made important strides toward improving the condition of its highways. The number of highway miles rated in poor condition has fallen from 6.7 percent in 1987 to 3.2 percent in 1998, so that Florida ranks 10th among the 50 states in this measure. Florida also ranks tenth in the percentage of its bridges rated deficient (21 percent), and 16th in urban mass transit availability (annual vehicle revenue capacity miles per capita). Reflecting its popularity as a tourist destination, airport activity in Florida is third highest in the nation. In 1998, there were 46 million enplanements, 12 million more than in 1990 (when Florida also ranked third). In 1999, Florida's railways carried 116 million tons of freight, compared to 96 million tons in 1990. While overall tonnage rose, however, Florida's national ranking fell slightly, from 21st to 25th.



**SOURCES:**

**Highway deficiency**

Measure: percentage of highway mileage rated in poor condition, 1987 and 1998

Source: U.S. Department of Transportation, Federal Highway Administration

**Bridge deficiency**

Measure: percent of bridges on and off federal aid system rated deficient, 1988 and 1996

Source: U.S. Department of Transportation, Federal Highway Administration

**Urban mass transit availability**

Measure: all urban public mass transit systems' carrying capacity, in annual vehicle revenue capacity miles per capita, 1998

Source: U.S. Department of Transportation, Federal Transit Administration

**Airport activity**

Measure: Enplaned passengers in millions, 1990 and 1998

Source: U.S. Department of Transportation

**Freight carried by rail**

Measure: total tons of freight carried by rail, 1991 and 1998

Source: Association of American Railroads, state-specific railroad data

## Physical Infrastructure (continued)

In a national composite index based on progress made in increasing digital technologies to improve service delivery to citizens in the late 1990s, Florida ranked fifth. One-half of households own computers and 43 percent have Internet access, placing Florida 29th and 17th nationwide, respectively. To meet the population's needs for the next 20 years, an estimated 434 million dollars must be spent per

capita on sewage treatment. This is more than double the amount estimated in the 1980s, although Florida's national ranking has since climbed from 29th to 23rd. Energy costs per kilowatt hour, just over seven cents, are virtually the same as they were a decade ago, although Florida's ranking has improved slightly from 36th to 35th.

### SOURCES:

#### Digital infrastructure

Measure: composite index based on progress made in increasing digital technologies to improve service delivery to citizens, late 1990s

Source: The Progress of Freedom Foundation

#### Computers in households

Measure: Percent of households with computers, 1998

Source: National Telecommunications and Information Administration, "Falling Through the Net II, New Data on the Digital Divide," 1999

#### Internet Access

Measure: percent of households with home Internet access, 1998

Source: National Telecommunications and Information Administration, "Falling Through the Net II, New Data on the Digital Divide," 1999

#### Sewage Treatment Needs

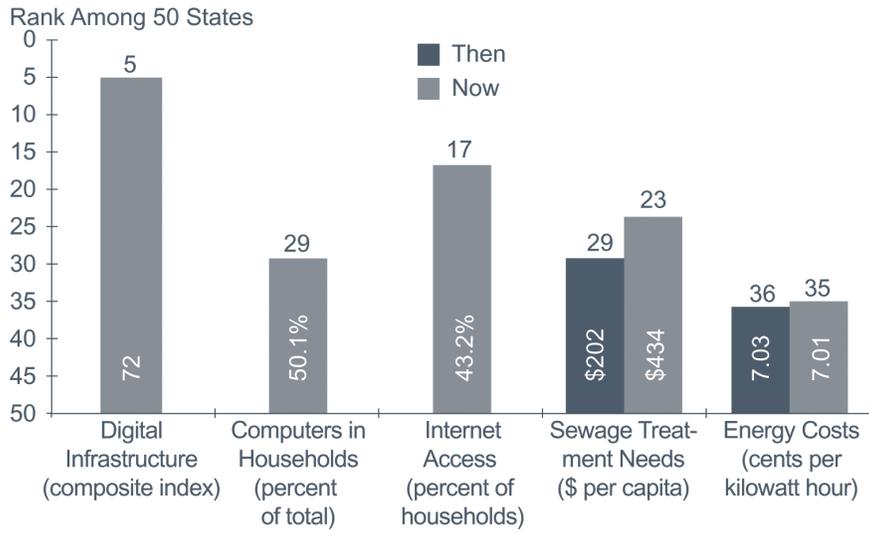
Measure: total documented needs for publicly owned wastewater treatment facilities and other SRF eligibilities to meet estimated population for the next 20 years, dollars per capita, 1986 and 1996

Source: U.S. Environmental Protection Agency

#### Energy costs

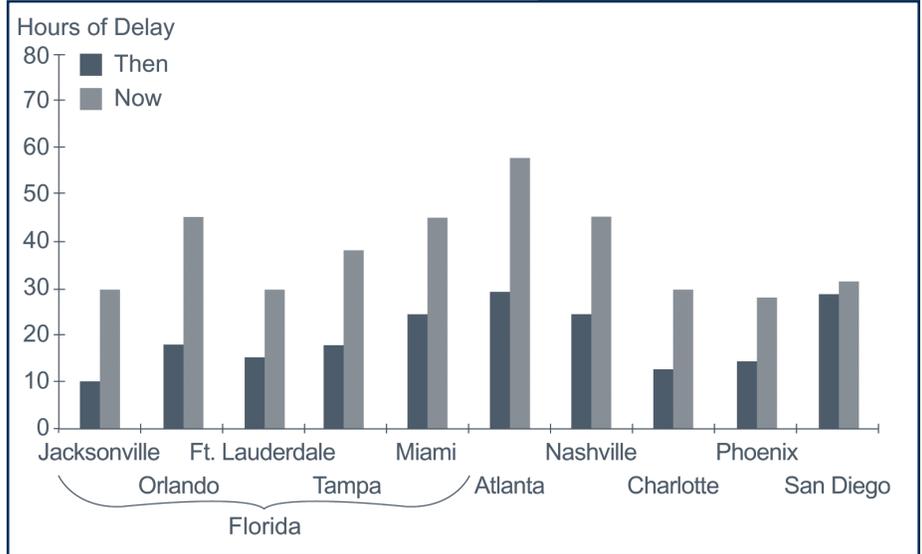
Measure: Average cost in cents of electricity per kilowatt hour, measured by average revenue per kilowatt hour sold, 1988 and 1998

Source: Edison Electric Institute, Edison Institute Statistical Yearbook (Washington, D.C., 1999)



**Physical Infrastructure**  
**(continued)**

Highway congestion in Florida's major urban areas has increased significantly in recent years, reflecting a national trend. Since the late 1980s, annual hours of delay per person have more than doubled in Orlando and Ft. Lauderdale and have tripled in Jacksonville. In Orlando and Miami, Florida's most congested cities, the average person spends 42 hours each year stuck in traffic.

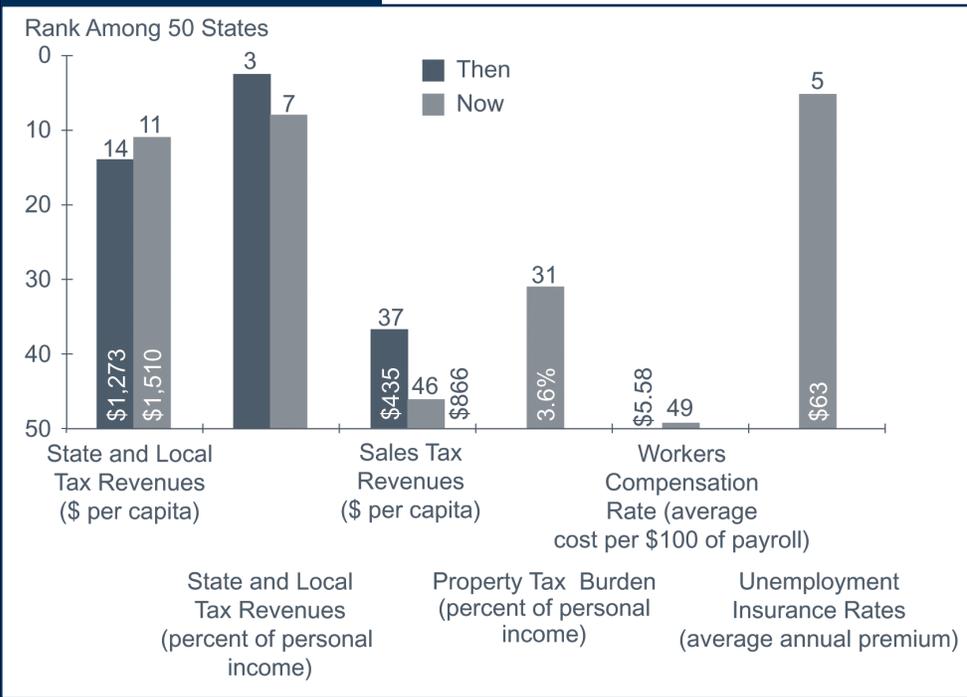


**SOURCES:**

**Congestion**

Measure: annual delay per eligible (16 years and older) driver, 1990 and 1997  
 Source: Texas Transportation Institute, Urban Mobility Study, 1999 Mobility Measures

### Tax and Regulatory



Floridians, who pay no personal income tax, enjoy a relatively light tax burden. Per capita state and local taxes total just \$1,500, 11th lowest in the nation and seventh lowest as a percent of personal income. The property tax burden as a percent of personal income is somewhat higher, and by this measure Florida ranks 31st among the 50 states. Moreover, Florida depends heavily on its six percent sales tax to generate revenues, a potential concern given the cyclical and regressive nature of this tax. Since many who

pay the tax are tourists, a sudden decline in tourism could result in an equally sudden decline in state revenue. The average cost per \$100 of payroll that manufacturers must pay to workers compensation, \$5.58, is the second highest in the nation. However, the average annual premium for unemployment insurance that employers must pay, \$63, is relatively light compared to the national average. Florida ranks fifth in this measure.

**SOURCES:**

**State and local tax revenues**

Measure: per capita tax burden, state and local, 1986 and 1998  
 Source: U.S. Bureau of the Census, State and Local Government Finances

**Property tax burden**

Measure: property tax burden as a percent of personal income, 1996  
 Source: U.S. Bureau of the Census, State and Local Government Finances

**Workers compensation rates**

Measure: average costs per \$100 of payroll in the manufacturing industry, rates effective as of January 1, 1999  
 Source: Actuarial & Technical Solutions, Inc.

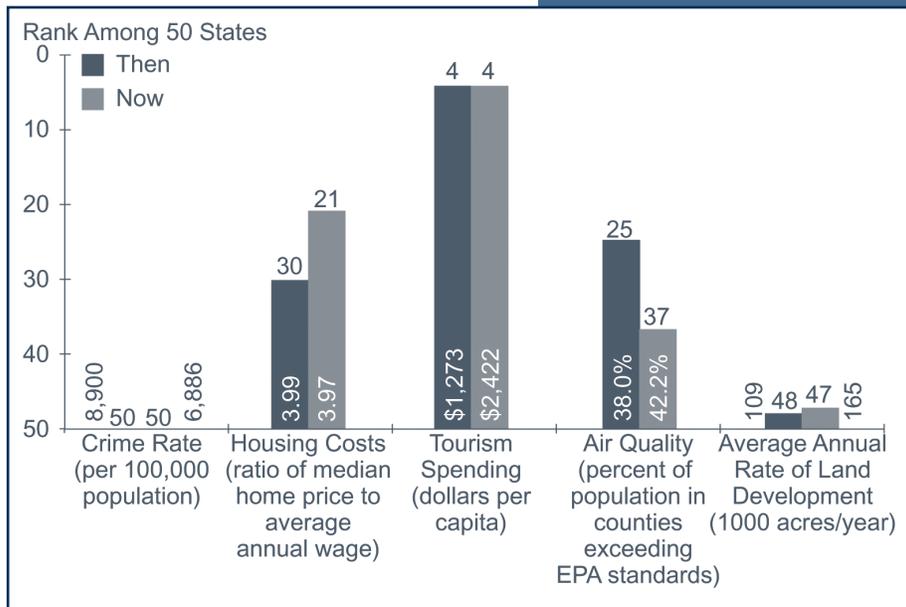
**Unemployment insurance rates**

Measure: average unemployment insurance premiums, 1999  
 Source: Unemployment Insurance Institute

## Quality of Life

The crime rate in Florida was the highest in the nation in 1998, with an average of nearly 7,000 crimes committed per 100,000 residents despite a reduction since 1988. In terms of housing costs, Florida ranked 21st in 1999, compared to 30th a decade earlier. The ratio of the median home price to the average annual wage changed little, however, and is roughly four to one. Tourism spending, in terms of dollars per capita, is fourth highest in the nation.

Air quality is a growing problem in Florida. In 1998, 42 percent of the population lived in counties that exceeded EPA air quality standards, compared to 38 percent in 1987. Over the same period, Florida's national ranking fell from 25th to 37th. The annual rate of land development increased during the 1990s and is higher than all but four states.



### SOURCES:

#### Crime rate

Measure: FBI Index, rate of serious crimes per 100,000 population, 1988 and 1998

Source: Department of Justice, Federal Bureau of Investigation, Crime in the United States, 1998 (Washington, D.C., 1999)

#### Housing costs

Measure: ratio of home prices to average annual wages, 1990 and 1999

Source: DRI\*WEFA

#### Tourism spending

Measure: U.S. domestic travel-generated business receipts, dollars per capita, 1987 and 1997

Source: U.S. Travel Data Center, "Impact of Travel on State Economies," 1997

#### Air quality

Measure: proportion of persons living in counties that exceeded EPA air quality standards during the previous year, 1987 and 1998

Source: Environmental Protection Agency, Office of Air and Radiation

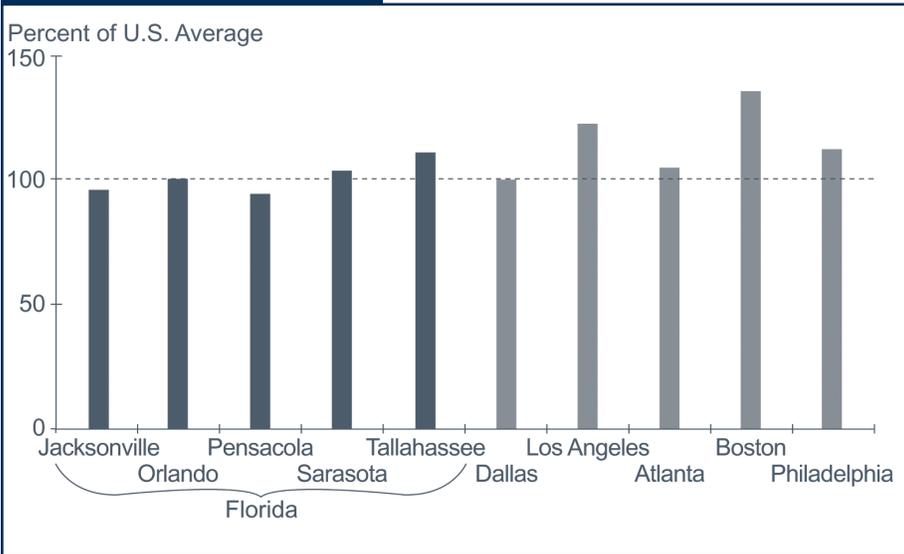
#### Land development

Measure: thousands of acres per year, 1990 and 2000

Source: U.S. Department of Agriculture

### Quality of Life (continued)

The cost of living in many of Florida's urban areas is below that of many other large U.S. cities such as Los Angeles and Boston.



**SOURCES:**

**Cost of living**

Measure: survey of 317 urban areas, based on weighted average costs for housing, grocery items, utilities, transportation, health care, and miscellaneous goods and services, 1999

Source: American Chamber of Commerce Researchers Association, "ACCRA Cost of Living Index, Fourth Quarter 1999, section 1, Urban Area Index Data," vol. 32, no. 4

# Chapter 2



## NEW CORNERSTONE

**FLORIDA**  
**CHAMBER**  
*Foundation*

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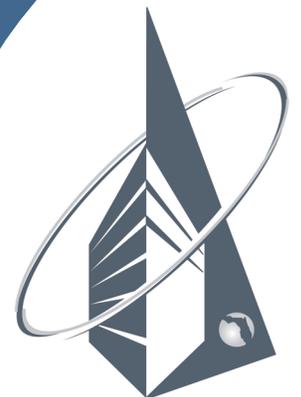
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# Florida's Economic Outlook: Trends, Opportunities, and Risks

This chapter describes the long-term economic forecast for Florida, reflecting the global, national, and local factors affecting the state's performance. This chapter analyzes Florida's progress over the past 10 years and identifies the trends, opportunities, and risks facing the state in the next decade.

## Summary

- The Florida economy boomed during the 1990s. An explosion of jobs in the service sector spurred exceptional gains for Florida, one of the most service-oriented states in the country. Residents and businesses were attracted by Florida's warm, sunny climate and its low costs of living and doing business. With rising national incomes, tourists came in droves.
- The gains of the past decade were largely a result of unprecedented U.S. growth – a pattern that is not likely to be repeated in the coming decade. Additionally, not all of the developments of the past 10 years were beneficial to the state, as concerns have grown about the low skill levels of the workforce, urban sprawl, and the quality of jobs and wages. Thus the challenge for Florida going forward is to discover how to maintain its healthy growth in light of a weaker U.S. economy, and to reverse the less favorable trends that took shape in the 1990s.
- Globally, the biggest opportunity facing Florida is its relationship with Latin America and the Caribbean. No other state is nearly as involved in this region; Florida's outlook is directly affected by developments there. Although some troubles are being felt now in Argentina and there are concerns that this could spread through the region, overall, the long-term outlook for Latin America and the Caribbean is promising. Not only that, there could be increased trade and contact between the United States and the region if the Free Trade Area of the Americas (FTAA) is passed, opening a free trade zone throughout the western hemisphere. Because of its existing relationship, geographic proximity, and strong cultural ties, Florida is in prime position to benefit greatly from this increased activity. Nevertheless, heightened competition for this expanding market – both from Europe and via intraregional trade unions – threatens Florida's current advantages.
- Nationally, the major opportunity and risk for the state is the aging of the population. Baby boomers are rapidly



NEW CORNERSTONE

approaching retirement. Florida traditionally has been the most popular destination for this segment of the population; those aged 55 and over will account for nearly one-third of the state's population by 2010. This trend will lead to a continued influx of residents to Florida, driving the state's consumer industries – real estate, leisure, and services. It also will put pressure on the state's medical services, and could overburden the health-care industry.

- While the older population increases, the proportion of prime-age workers (25-54) will decline, restraining employment growth and further constraining a tax base already dominated by non-workers. Florida's unemployment rate is expected to remain low over the next decade. This could put upward pressure on wages, a potentially harmful development for the state's tourism and retail trade industries, which typically rely on less-skilled, lower-paid labor. A tight labor market nationally also makes it difficult to attract skilled workers, of which Florida is greatly in need.
- Concerns about the quality of the state's educational system and workforce have made it difficult to produce skilled workers or attract the companies that require them. This has particularly hampered growth in high-tech and knowledge-based industries. In addition, productivity figures for Florida have shown less output per worker in major industry categories as compared to the U.S. average. As the national economy becomes more and more skill-based and less technical jobs are exported abroad and to Mexico (and potentially to Latin America if the FTAA gets passed), it is imperative that the state increase its pool of highly educated, technically savvy workers either through improved training programs or stepped-up recruitment. High-tech initiatives in central Florida have made some progress, but the state is still in catch-up mode.
- Florida's concentration of lower-paying service, retail, and tourist industries – which account for more than 60 percent of employment – remains a long-term development concern. Employment growth in the past decade was strong, but wages remain below the U.S. average. Although the state's per capita income was nearly 2 percent above the national average in 1990, it had fallen to 5 percent below by 2000. This widening gap was due to relative declines in both non-wage income per capita and wages; the latter is a reflection of an increase in returns to skill. Reliance on consumer spending is also a drawback for the tourism industry, which suffers greatly during economic downturns; this sector's economic volatility can lead to sharp swings in tax revenues.
- The regions of the state are quite distinct in their employment and population mixes. These differences have shaped their pasts and will influence their futures. The government will remain the dominate force in the Northwest economy, keeping growth stable but restraining

*Florida's unemployment rate is expected to remain low over the next decade. This could put upward pressure on wages, a potentially harmful development for the state's tourism and retail trade industries.*

it from large advances often seen elsewhere in the state. The Northeast will continue to capitalize on its status as a transportation hub, but faces an increasing prominence of low-wage support jobs. Excessive gains in services during the 1990s has left the West Central economy less diverse, and will lead to a deceleration in growth over the next decade. The East Central region is also overly dependent on its tourism industries, but will remain a popular destination for migrating families. Although a high-tech presence has been limited in the state, the West and East Central regions have shown the most promise in developing these industries and should reap greater gains in the decade ahead. The aging of the baby-boom generation means that the Southwest, already a popular destination for retirees, is likely to see an ever steady flow of newcomers, driving real estate, consumer, and health-care industries. Finally, increased trade with Latin America will help the Southeast region, but longstanding problems will not be erased overnight.

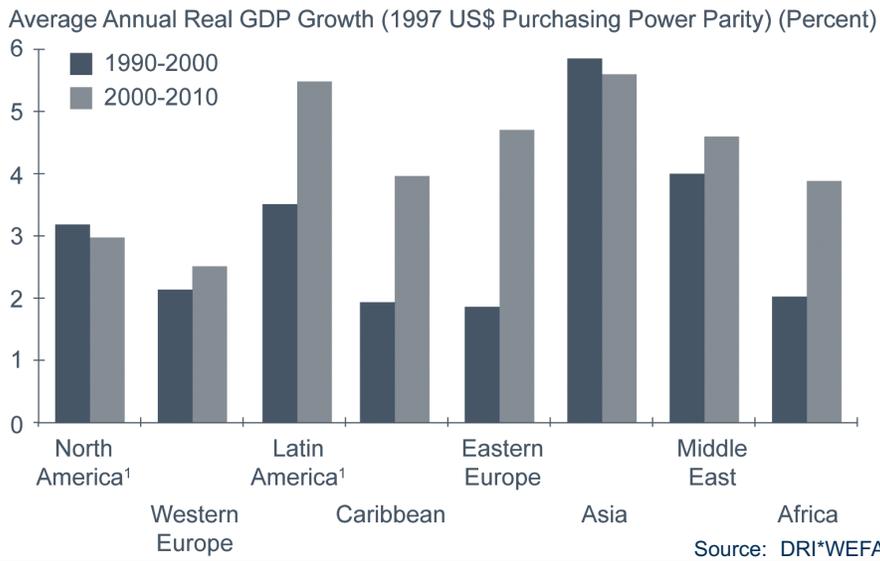
## Global Economic Outlook

### World Growth

- World growth will stumble in the short term in reaction to the U.S. slowdown. Long-term growth prospects, however, remain promising.
- Latin America is posed for high growth. North America will regain strength but not at the levels of the 1990s. Europe will remain steady. Asia's growth prospects are disappointing; its economic recovery will take longer than expected. Africa is not as affected by the current slowdown, but its growth will continue to be restrained over the next decade.
- Florida gains from good long-term world growth prospects. The state economy relies on trade and tourism, both of which are heavily influenced by world economic activity. Strength in the Latin American and Caribbean economies is key for Florida's growth.

Across the globe, short-term growth prospects are more pessimistic than the long-term ones, as the U.S. slowdown in 2001 is being felt around the world. Europe, Canada, and Asia are suffering from the high-tech bust, while in Latin America the problems posed by weak U.S. demand are dwarfed by the turmoil created by Argentina's debt troubles. The U.S. slump is being felt most severely in Southeast Asia because of the region's concentration in high-tech component manufacturing and lingering banking system problems.

*Although a high-tech presence has been limited in the state, the West and East Central regions have shown the most promise in developing these industries and should reap greater gains in the decade ahead.*



**FIGURE 1. GDP GROWTH RATES OF MAJOR WORLD REGIONS**

tourists and investors. As economic conditions improve in their home countries, people can better afford to take vacations or purchase real estate in Florida. Single-family home ownership by foreigners (especially Western Europeans) has become rather popular. According to research from Weber College, there are now approxi-

Nonetheless, although the world will grow at a slower pace in the short term than at the end of the roaring 1990s, average growth over the whole decade is promising. World Gross Domestic Product (GDP) is expected to grow at an average annual rate of 3.2 percent between 2000-2010, compared to an average of 2.6 percent in 1990-2000.

Global economic growth has the largest direct effect on Florida's economy through trade, but the state also is influenced by the spending patterns of foreign

#### ECONOMIC OUTLOOK FOR WORLD REGIONS

**North America.** North America will feel the economic slowdown the most in the short term, especially compared to previous years. However, these short-term economic woes will end and growth is expected to accelerate after 2002. Overall, growth in 2000-2010 will average 3 percent per year, with the fastest growth occurring at the end of the decade. This is marginally slower than the previous decade. In fact, North America is the only region besides Asia that will experience lower average annual growth over the next decade than it did in the last one.

**Latin America and the Caribbean.** The deep economic recession in Argentina in 2001 is affecting other countries in the region, curbing capital flows into the regions and putting downward pressure on currency values. However, over the longer term, Latin America as a whole is expected to achieve one of the highest rates of growth in real GDP, averaging increases of 5.2 percent per year over the next decade. Both Latin America and the Caribbean are expected to expand at a much faster annual rate in 2000-2010 than in the previous decade.

**Europe.** Growth in Europe will follow a steadier but slower path. Weaker gains will indeed follow the U.S. slowdown over the next few years. Even so, European economic fundamentals are still positive, and despite the immediate slowdown, the region will return to trend growth reasonably quickly. Western Europe is expected to average a growth rate of 2.6 percent per year in the decade ahead, up from the average annual rate of 2.1 percent seen in the 1990s.

**Asia.** Asia is one of two world regions (including North America) that will experience slower average growth over the 10-year horizon than compared to 1990-2000. In part, this reflects the maturing of the regional economy, as it moves

<sup>1</sup> North America includes Canada and the United States. Mexico is included in Latin America. For further detail on world region definitions, see Appendix 2.

out of the “tiger” phase to growth rates more in norm with developed economies. However, it also implies a much slower recovery for many of the largest economies in the region. From 2000-2005, Asia’s GDP growth will slow significantly, with domestic demand stagnant and no external engine of growth in sight. With Japan and Taiwan in recession and much of the region dependent on intraregional trade, growth for the region as a whole will be relatively constrained throughout this period. Towards the later half of the decade, growth rates will finally show signs of improvement. From 2000-2010 as a whole, annual growth will average 5.4 percent, compared to 5.7 percent in 1990-2000.

**Africa.** Although Africa will be less affected than other regions, weaker oil prices and the global slowdown will limit Africa’s economic rebound in 2001. Slower growth in the largest economies of the region, notably South Africa, as well as wars, insurgencies, and poor commodity prices will hold down regional growth as a whole. Over the long term, Africa is expected to achieve growth closer to its potential. Thus, real GDP for the region is expected to expand at an average annual pace of 3.9 percent per year in 2000-2010, compared to 2.0 percent in 1990-2000.

mately 12,000 homes in central Florida alone owned by foreigners, compared to a few hundred a decade or so ago. The economic benefits of this business, ranging from fees paid to management companies to tourism-based tax income, is estimated at more than \$1.6 billion annually.

## Major Trading Partners

- Latin America is a key market for economic and employment growth in Florida. The state can profit by growing the established trade linkages with the region. Brazil, Mexico, and Venezuela have much to offer, provided that the risks to their economies are not realized.
- Florida can benefit from developing strong trade relationships with other regions. The emerging Chinese economy has much potential.

The composition of Florida’s major trading partners differs substantially from those of the United States as a whole. Given its strategic geographical position, as well as many cultural linkages, Florida is a key gateway for trade to many Latin American nations. About 53 percent of the state’s exports in 2000 went to Latin America and the Caribbean (excluding Mexico); in the rest of the United States, the figure is just 5 percent. The ability of Florida’s trading partners to continue to maintain their level of imports from Florida is key to much of the state’s economic and employment growth. Many of these key trading partners also rank among the state’s top international tourism origin markets.

Of the top 20 export partners for Florida, 12 are located in Latin America and the Caribbean, four in Europe, and three in Asia (see Table 1 and Figure 2). Of these, China shows the most potential to become one of Florida’s top 10 export destinations within the next decade. Already ranked 12th among export partners, the large Chinese economy is growing faster than any other major Florida partner. Indeed, over the next 10 years, GDP growth in China will

TABLE 1. KEY TRADING PARTNERS

	SHARE OF FLORIDA'S EXPORTS, <sup>2</sup> 2000	ANNUAL PERCENT GROWTH IN GDP 1990-2000	ANNUAL PERCENT GROWTH IN GDP 2000-2010
Brazil	11.9%	4.1%	4.1%
Canada	9.4%	2.7%	3.3%
Mexico	6.2%	3.5%	5.9%
Dominican Republic	5.3%	6.0%	5.6%
Venezuela	4.7%	1.9%	3.5%
Colombia	3.6%	3.3%	4.9%
United Kingdom	3.5%	2.2%	2.7%
Argentina	3.4%	4.3%	1.8%
Japan	2.9%	1.4%	1.9%
Chile	2.6%	3.2%	4.2%
Bahamas	2.2%	1.1%	3.0%
China	2.1%	10.1%	7.5%
Germany	2.0%	1.6%	2.3%
Honduras	2.0%	2.7%	5.2%
Guatemala	1.9%	6.6%	5.1%
Costa Rica	1.9%	3.8%	3.7%
Peru	1.6%	6.6%	5.1%
Netherlands	1.5%	2.9%	2.5%
Singapore	1.5%	7.7%	4.5%
France	1.5%	1.8%	2.5%

Source: Massachusetts Institute for Social &amp; Economic Research; DRI\*WEFA

*ECONOMIC OUTLOOK FOR KEY TRADING PARTNERS*

**Brazil.** Brazil's near-term outlook is clouded by a pressing energy crisis and the spillover of Argentina's problems. Slow progress on expanding the country's energy infrastructure combined with extremely low reservoir levels at hydroelectric plants have resulted in mandatory reductions of up to 25 percent in power consumption. Real GDP growth will slow from 4.5 percent in 2000 to under 2 percent in 2001. Nevertheless, Brazil's long-term economic outlook improved following the January 1999 devaluation of the currency. Several of the country's industries have become highly competitive in the international arena, including automobiles, aircraft, telecommunications, and banking. These industries derive their competitive advantage from low wages, a competitive exchange rate, government incentives, intraregional trade, and a recent infusion of foreign management and capital – especially from Europe. These growth industries, coupled with expectations of further government deregulation, should attract a high level of foreign direct investment (FDI) inflows into Brazil over the long term.

**Canada.** The outlook for Canada's longer-term economic prospects depends very much on the basis of comparison. Never before has Canada been so well-positioned for long-term non-inflationary economic growth, a falling level of unemployment, and a diminishing debt burden. However, the potential growth rate for Canada has not risen as much as it has in the United States. Canada's information-technology sector is neither as large, as complete, nor as productive as its U.S. counterpart. Over the longer term, Canada's solid economic and

<sup>2</sup> Export data shown here are Florida-origin-based, and do not reflect items which were merely shipped through the state, but produced elsewhere.

fiscal performance, and its strong trade position, will lead to an appreciation of the Canadian dollar.

**Mexico.** The combination of Mexico's enviable trade relationship with the import-happy U.S. market and the Fox administration's long-term policy goals (greater foreign direct investment, reduced inflation, expanded energy and telecommunication development, and higher per capita income) has provided Mexico with a promising long-term economic outlook. As a result of NAFTA membership, Mexico enjoys an opportunity to accelerate its pace of economic expansion. Despite the 2001 slowdown, real GDP growth is expected to average almost 6 percent through 2010. The country's ability to reach its goals will depend on whether it can carry out fiscal reforms, create an appropriate legal framework for the financial system, and invest in the physical and social infrastructure needed to take full advantage of NAFTA opportunities.

**Dominican Republic.** The Dominican Republic's long-term outlook is promising. With the recent privatization of state-owned industries, rebuilding of infrastructure after Hurricane Georges, greater number of tourist arrivals, high interdependence with the United States owing to trade flows, and the increasing number of remittances received from Dominicans abroad, this island nation has substantial potential for growth. In addition to the country's efforts to become the technological center of the Caribbean, the Dominican Republic will likely experience robust advances in the long term, at a rate of 5.6 percent per year. Greater efficiency in the traditional sectors of the economy, plus the continuing investment in manufacturing and communications technology will play key roles in the country's expansion, as well as its tourism sector. Still, growth will be constrained by a low level of public spending on education, an outflow of human capital, a troubled relationship with neighboring Haiti, and a propensity for natural disasters.

**Venezuela.** The Venezuela economy will grow below its potential in the next few years owing to a combination of poorly implemented fiscal policy and political instability. Both issues will keep private investors at bay. Nevertheless, the economy will be able to avoid a recession thanks to moderate-to-high oil prices that will sustain public spending, which in turn will keep the economy afloat. By the middle of the next decade, expected changes in government policy and an expanding oil-output policy will allow Venezuela to grow close to its long-term potential. On the negative side, an over-reliance on oil revenues could constrain growth prospects. Oil provides more than one-quarter of the country's GDP, and more than 70 percent of government revenues. Thus, Venezuela is vulnerable to swings in oil prices, and will experience more volatile growth than its neighbors.

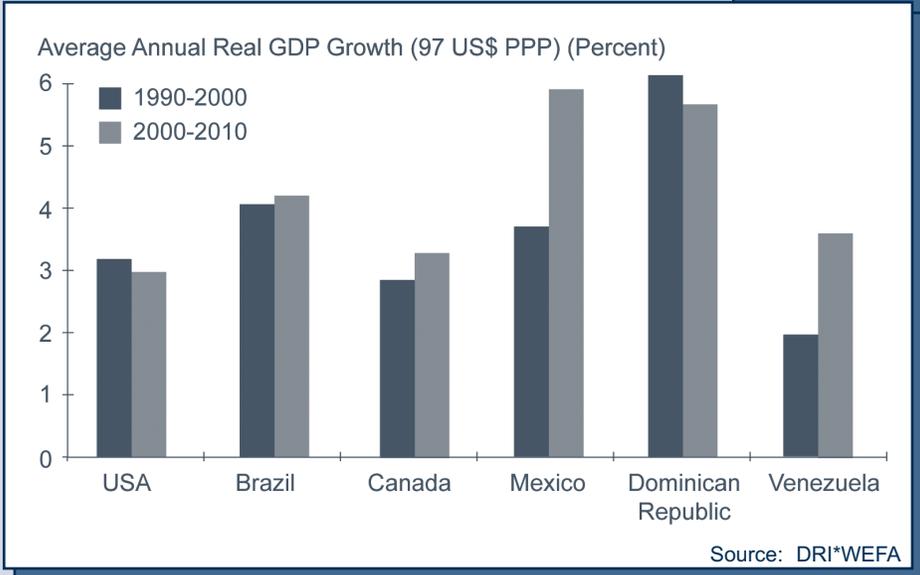


FIGURE 2.  
GDP  
GROWTH  
RATES OF  
MAJOR  
TRADING  
PARTNERS

average 7.5 percent per year, while the next-fastest growing country, Mexico, will grow at 5.9 percent per annum. The increasing openness of this large, rapidly expanding economy offers great potential to Florida producers.

## World Trade

- Trade is an important component of Florida's economy and is essential for future economic growth.
- As Florida attempts to increase its participation in world trade, it will face increasing competition from other U.S. states and countries in key growth regions. Florida is disadvantaged by the U.S. dollar value of its exports and production costs.
- Trade agreements and intraregional relationships between regional countries will hinder Florida's attempts to gain a greater market share. Trade agreements that will allow Florida greater access to these closed markets, especially in Latin America, are to its advantage.

*If Florida is intent on expanding its export sector, it will have to build on its comparative advantage over other states, such as its healthy trade relationship with Latin America.*

With \$29 billion in merchandise exports in 2000 (seventh-highest among the states), trade is important to Florida. Furthermore, with this amount totaling just 6 percent of the state's Gross State Product (GSP), below the national average of 7.5 percent, there is clearly room for growth. Florida has long been the U.S. gateway to Latin America and, among U.S. states, the Sunshine State is the third-largest exporter to Latin America. Excluding Mexico, Latin America receives more than one-quarter of its U.S. merchandise imports from Florida.

The likely world trade scenario over the next 10 years suggests an increase in both competition and markets for Florida's products (see Figures 3 and 4). North America's exports are projected to lose some ground to other regions, indicating greater competition on the world market. Not only does a strong dollar make U.S. goods more expensive, but adhering to various industry rules and regulations also adds to the cost of production. Fortunately, imports are projected to rise strongly in most world regions. This suggests that if Florida is intent on expanding its export sector, it will have to build on its comparative advantage over other states, such as its healthy trade relationship with Latin America.

The Latin American economies are set to reap the benefits from the steps taken to further open their trade doors, the opening of the energy market, and the privatization of several publicly held companies. Exports from this region will benefit from their cost advantage and imports, in particular, will continue to grow at a healthy pace as domestic demand in many of the countries remains robust. The Caribbean countries will experience slightly slower import growth as their major trading partner, the United States, expands at a slower pace. However, much of the healthy trade growth in both Latin America and Asia is intraregional. Hence, not only does Florida have to compete against other U.S. states for

exports to these regions, it must compete against other countries in the region, many of which enjoy trade privileges through regional trade agreements.

For this reason, Florida seems to be in an excellent position to benefit from the proposed Free Trade Area of the Americas (FTAA), which would slash trade barriers throughout the Western Hemisphere in the same way that NAFTA did in North America. However, the hoped for launch of FTAA by 2005 is not certain. Local critics of the FTAA claim that free trade between the United States and Latin America will be devastating, particularly for Florida's agricultural sector. They argue that federal and state environmental and agriculture regulations translate into higher prices for domestic products, and, consequently, allowing free entry to Latin American products grown without these restrictions will create unfair competition. Hence, balancing support of Florida's agriculture industry with the potential for growth as an export leader will be a major trade issue.

Another key issue on the table is the actual FTAA negotiations. Latin American countries, particularly those in the Mercosur group<sup>3</sup>, have begun to show an increasing tendency to negotiate as a unit, making trading privileges and easy access harder to come by. In addition, access to Brazil alone – as the largest market in Latin America as well as the largest buyer of Florida exports – has major ramifications for Florida. If the United States wants preferential access, it will need to line up quickly along with eager European competitors. Florida and the FTAA also will need to focus on protective tariffs and incentives both abroad and domestically. Otherwise, the United States could tread beyond the intricate web of trade agreements and incur the ire of its other trading partners.

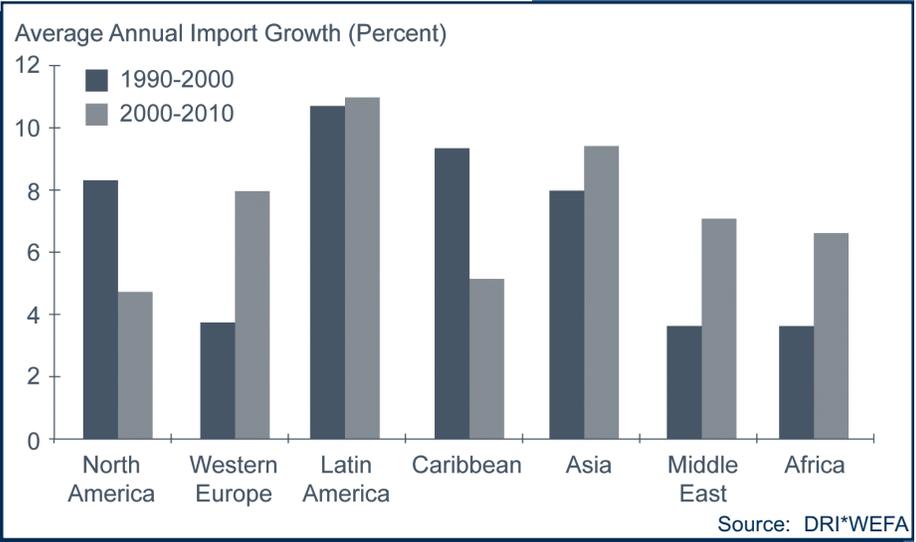


FIGURE 3. AVERAGE ANNUAL GROWTH RATE OF NOMINAL IMPORTS

FIGURE 4. AVERAGE ANNUAL GROWTH RATE OF NOMINAL EXPORTS



<sup>3</sup> Mercosur is an economic and trade integration zone in South America, whose members are Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay.

## Demographic Trends

- World population growth will slow over the next decade.
- The developed world is aging, while the undeveloped world is becoming younger. The aging population in the developed world will strain government and social infrastructure.

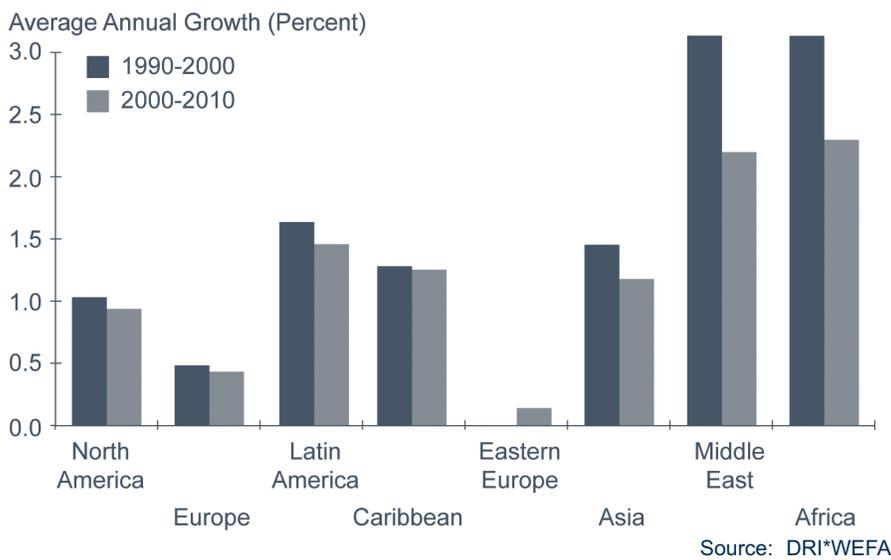
World population growth is forecast to slow to 1.2 percent per year from 2000 to 2010, from 1.4 percent per year over the last 10 years (see Figure 5). Africa and the Middle East are expected to continue to show the highest rates of growth, averaging 2.3 percent and 2.2 percent per year, respectively, while population growth in Western and Eastern Europe is forecast to subside to only 0.4 percent and 0.1 percent per year, respectively.

The age structure in developing countries is lopsidedly weighted towards the younger age cohorts, while in the developed countries it is just the opposite – the older age cohorts are becoming increasingly prevalent. Though the developed economies can more easily afford to support the aged, social-security-type transfer payments will become an increasing burden on fiscal budgets of the advanced economies. After 2010, when the post-World War II baby-boom generation retires, fiscal prudence will increasingly come into conflict with the rising needs of the elderly. Also, the increase in the share of the elderly in a country may lead to a decline in private savings rates, since the elderly tend to spend a larger proportion of disposable income and exert upward pressure on real interest rates.

Labor force growth rates are also declining, but not as rapidly as population growth. As the labor market tightens with the slowing rate of labor supply, wages are bid upward, although this does not always happen in developing countries when there is still a

large surplus of labor. Rising real wages bring more workers into the labor force, pushing up the participation rate – the percentage of people in the labor force relative to the working-age population. Rising real wages must be paid for with gains in productivity if the country is to remain competitive. Companies worldwide are continually making decisions on the tradeoff between capital equipment and labor. Rising real wages push them towards more capital-intensive production techniques and, hence, higher output per employee.

FIGURE 5. REGIONAL POPULATION GROWTH



## U.S. Macroeconomic Outlook

- The U.S. economy will gain strength over the next decade, however, at a slightly slower rate of growth than in recent history. Slower investment growth and weaker productivity will limit potential output.
- Florida's economy will feel a pinch in the short term as the slowdown in consumption hurts the retail and tourism industries, and trade growth is limited due to sluggish demand.
- The American consumer is the most important component of the U.S. economy. Tax incentives and shrinking government expenditures have opened the door for personal consumption growth.
- Residential and business investment will continue to grow. Business investment will regain its strength.
- Long-term growth prospects for trade are positive. However, trade growth is limited in the short term due to weak global demand and a strong U.S. dollar.

Despite very limited growth through mid-2002, the U.S. economy's underlying annual growth rate over the next 10 years is expected to be 2.9 percent (see Figure 6).<sup>4</sup> This will be slower than in the past; from 1990 to 2000, real GDP growth averaged 3.2 percent annually. A lower trajectory for investment than in recent years, together with weakened expectations for total factor productivity, will lower the capital stock and hence potential output. Inflation will accelerate only slightly from its current pace, and should run significantly below its rates of the late 1970s; the consumer price index is projected to rise 2.8 percent annually through 2010, basically even with its performance during the 1990s.

Florida will be subject to most of the same economic conditions expected across the United States over the next decade. The major concern, especially for the state's tourism and retail sectors, is the outlook for consumer spending. A buy-

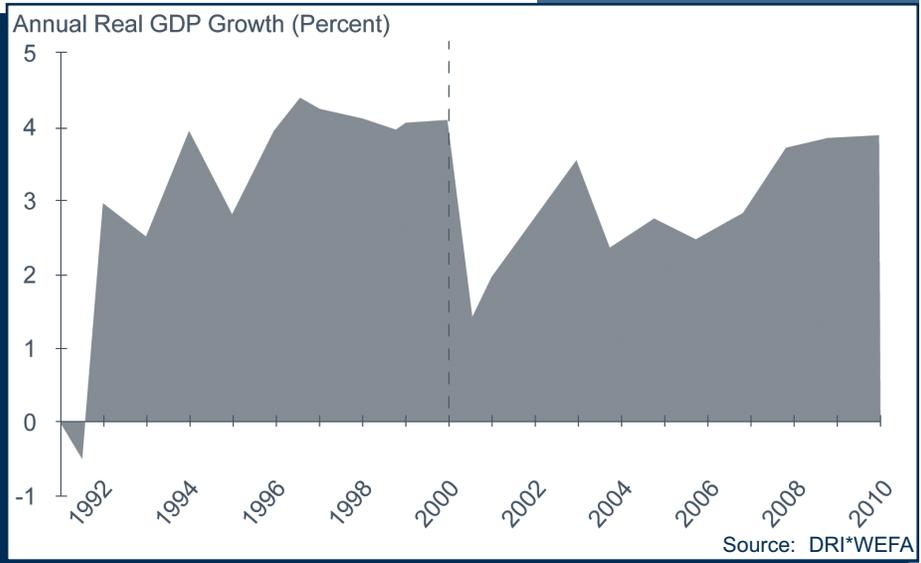


FIGURE 6. U.S. REAL GDP GROWTH

<sup>4</sup> The forecast discussed in this report predates the September 11, 2001 terrorist attacks, and therefore assumes modest U.S. economic growth in 2001. While the long-term outlook is not substantially different in light of these events, the short-term forecast has changed, in particular for certain industries (e.g., travel and tourism) and parts of the economy. Increased spending on defense and anti-terrorism measures, for example, will likely cause the federal surplus to grow more slowly in the decade ahead.

OUTLOOK FOR KEY U.S. SECTORS

**Consumer Spending and Income.** Personal consumption reached 68.1 percent of GDP in 2000, the highest share recorded since the Great Depression, and above the average of 66.9 percent during 1990-2000.

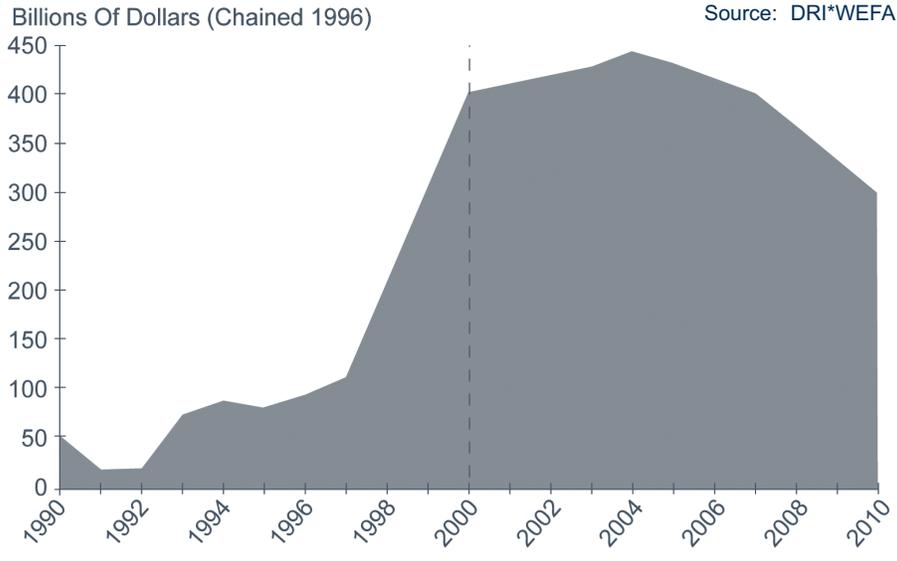


FIGURE 7.  
REAL U.S.  
TRADE  
DEFICIT

housing will be higher over the next 10 years than over the past 10 years. Thus, housing starts are projected to average 1.95 million units annually from 2000 to 2010, above the 1.68 million average for 1990-2000. However, as a contribution to the national economy, the share of residential investment in GDP will average the same over 2000-2010 as it did in 1990-2000, at 3.9 percent.

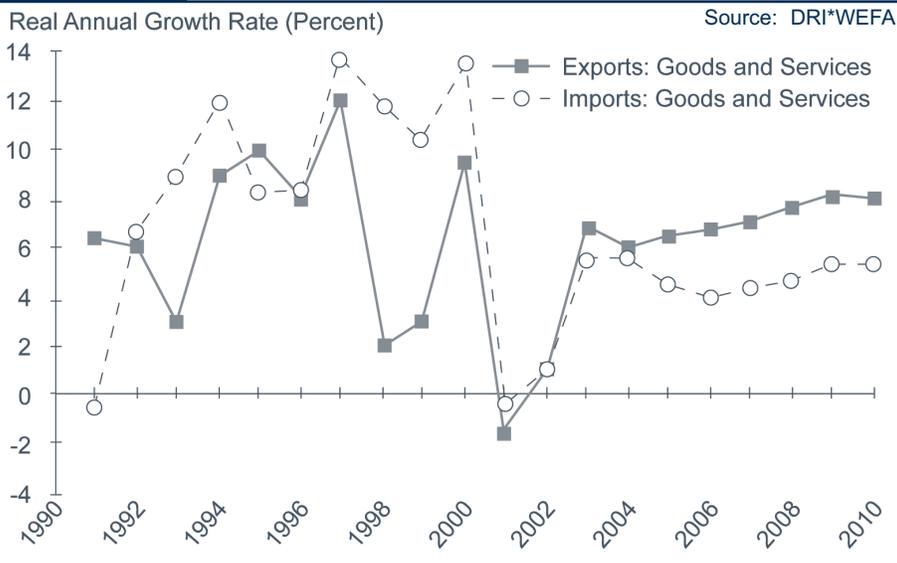


FIGURE 8.  
U.S. TRADE  
GROWTH

percent in 2000. Growth in real equipment spending will continue to outpace growth in real construction throughout the next 10 years. The share of GDP devoted to business fixed investment will rise from a solid 12.3 percent in 2001 to 13.3 percent in 2010.

**Government.** Federal discretionary spending is expected to remain under pressure throughout the projection period, as the U.S. government attempts to mitigate the impacts of rapidly rising entitlement spending on the federal budget. As

1990-2000. This record share reflects the relative strength of real consumption since 1980, due to tax cuts, the declining shares of federal government consumption and investment, the availability of imported goods and services, and, until recently, a booming stock market. Consumption will continue to slowly rise through the middle of the decade.

**Residential Investment.** The long-term outlook for housing is determined primarily by population and income growth. The underlying demand for

**Business Fixed Investment.** Lackluster investment in the mining and petroleum industries, along with a slowdown in energy-conservation spending and a major correction in certain overbuilt commercial construction markets forced a steady cutback in the GDP share of business fixed investment during the 1980s and early 1990s, reaching a low 10.9 percent in 1990. A cyclical rebound, new investments in computers and software, and the eventual turnaround in the construction market pushed this ratio up to 13.1

a share of GDP, federal government current expenditures will fall from their recent peak of 8.8 percent in 1990 to a low of 5.7 percent in 2010. State and local consumption and investment have moderated since their robust advances of 1990-2000. State and local spending grew by 2.8 percent per year during the 1990s, and should rise by 1.8 percent annually through 2010. Spending, following revenues, will grow more slowly during the second half of the decade than during the first half. As a share of GDP, state and local government will fall only slightly.

**Trade.** Trade is probably the U.S. economy's weakest sector in the short term. The spreading global malaise and fairly strong dollar will preclude the sort of export boom that supported growth in the late 1980s. The dollar will depreciate somewhat over the decade, however, helping exporters and cutting into the trade deficit (see Figure 7). After some weakness this year, real exports should again record healthy advances, averaging 6.5 percent annual gains between 2001 and 2010 (see Figure 8). Meanwhile, real imports will also continue to climb rapidly, averaging 4.5 percent growth over the same interval.

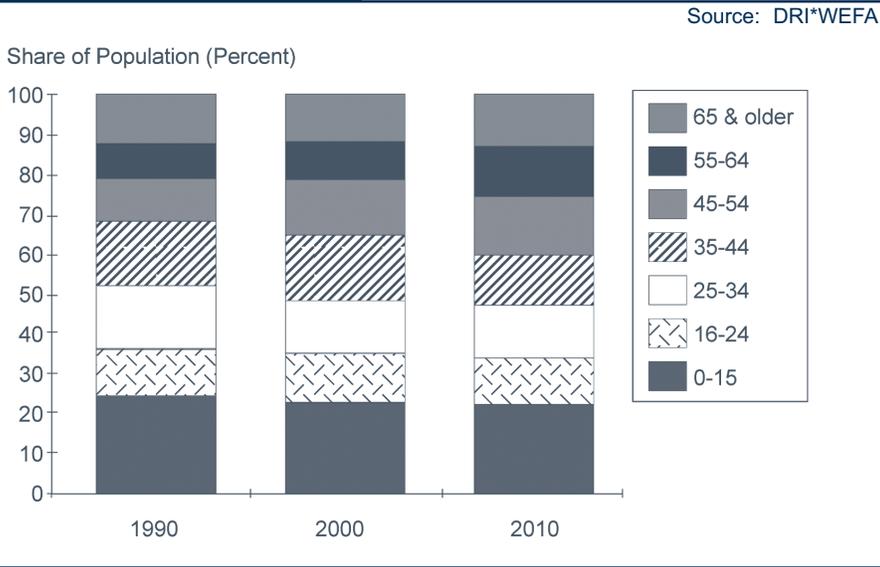
ing spree has helped prop up the economy recently, but it has also contributed to rising consumer debt. The inevitable slowdown in spending will be felt throughout the state, but particularly among some of Florida's major, consumer-driven industries. The state's trade-oriented businesses also will be squeezed between sluggish demand, both domestic and foreign, and a relatively strong U.S. dollar. The conflicting demands between Florida's growing population of retirees and its business community will be a recurring theme, as governments try to strike a balance between health-care and education spending.

## Population

- The aging population of the United States will strain social services. The working age population will grow at a much slower rate than the overall population, restricting revenue for social service programs. This trend has significant implications for Florida with its large retiree population.
- White non-Hispanics will become less prominent as other ethnic groups, in particular the Hispanic population, increase in size. The change in the demographic profile will be magnified in Florida.

Over the next 10 years, U.S. population will grow at an average annual rate of 0.9 percent, slightly slower than the average rate of 1 percent per year from 1990-2000. But this aggregate value hides an important trend, the aging of the baby boomers. Between 2000 and 2010, the fastest growing age cohort, persons 55 to 64 years of age, will grow at an annual rate of 4 percent. In sharp contrast, the age cohort of persons from 35 to 44 years of age will decrease 1.3 percent annually on average.

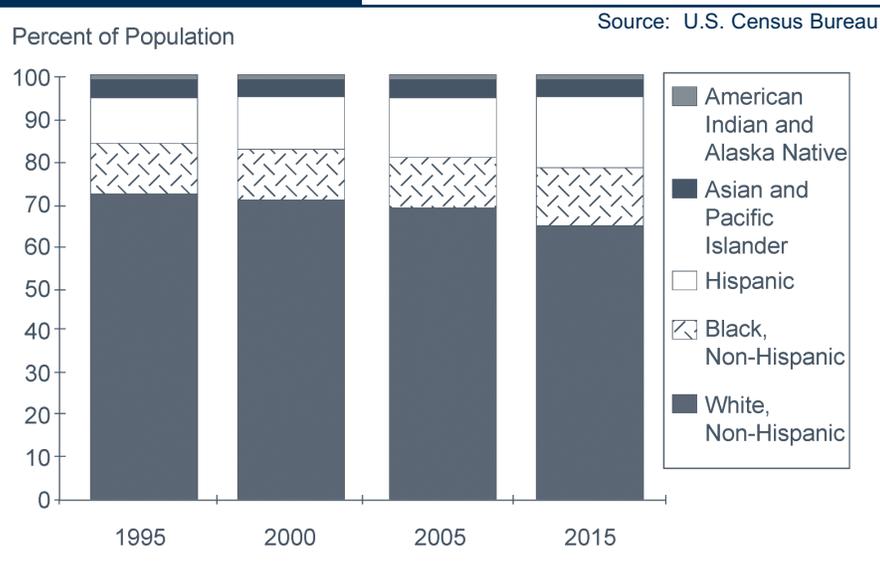
The age distribution of the population is an important factor in the long-term outlook. As baby boomers begin to retire, the share of the U.S. population aged 65 years and over will climb, pushing



**FIGURE 9. PERCENT OF U.S. POPULATION BY AGE GROUP**

other U.S. state because this cohort will be larger. The influx will put greater demands on Florida's health and social services. What makes this trend even more challenging is the structure of Florida's tax base, with its heavy reliance on the sales tax.

The ethnic composition of the U.S. will change steadily over the next 15 years. On average the U.S. population will grow by roughly 0.8 percent per year between 2000 and 2015<sup>5</sup>. But this average masks some important differences. The two fastest growing groups, Asian and Pacific Islanders and Hispanics, will grow by 3 percent and 2.8 percent, respectively (see Figure 10). In contrast,



**FIGURE 10. U.S. POPULATION BY ETHNIC BACKGROUND**

white non-Hispanics will grow at a mere 0.3 percent annually. By 2015, Hispanics will be the single largest ethnic group in the United States, accounting for 15.9 percent of the population. Hispanic population growth is driven by two major factors. Not only is the birth rate for Hispanics nearly double that of the average, this group also forms the majority of net immigration. After 2010, however, both of these factors will diverge less than the average, such that the growth rate of the Hispanic group will move closer to that of the total population.

Over the next decade, few places will feel the impact of changing ethnic patterns more than Florida. Hispanic consumer spending will grow at a pace of 4.8 percent in constant dollar terms through 2010, well ahead of the 2.0 percent growth projected for overall U.S. real consumer spending. In fact, U.S. Hispanic personal consumption is nearly equal to total private consumption

<sup>5</sup> Ethnicity data come from the U.S. Census Bureau, which does not report forecast result in 2010.

in Spain, greater than total consumption in every Spanish-speaking country in South America, and over 60 percent of the size of the Mexican market. With its well-established Hispanic communities and businesses that have experience serving that segment, Florida clearly stands to benefit from these ethnic changes in America.

### Labor Force

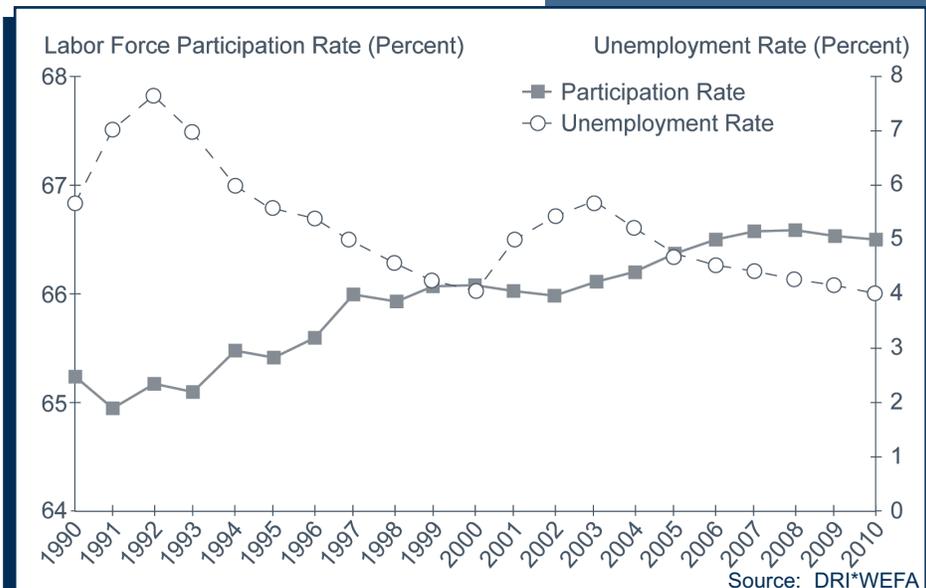
- Labor force participation rates will plateau in the latter half of the next decade as baby-boomers begin to retire.
- Unemployment rates will remain remarkably low.

The labor market will stay fairly tight over the next decade. Even after weak economic growth in late 2000 and 2001, the U.S. unemployment rate remains remarkably low. The jobless rate is expected to creep upward from 4.0 percent in 2000 to a high of 5.3 percent in 2002, before gradually pulling back to 4.1 percent in 2010 (see Figure 11). Thanks to the baby-boom generation, older workers, who typically have lower unemployment rates, will dominate the labor force of the next decade.

A tight U.S. labor market is a mixed blessing for Florida. On the one hand, low unemployment rates increase the risk of wage inflation. While this affects all industries, it is particularly troublesome for industries such as tourism and retail trade that rely on inexpensive labor. Another problem is that a tight labor market makes it difficult to attract skilled workers to Florida from other regions. On the other hand, low unemployment typically gives governments more financial freedom by reducing the demand for social assistance while increasing tax revenues.

The labor force participation rate has risen fairly steadily over the last 40 years as more and more women have taken jobs and working-age baby-boomers have become an ever greater share of the total population. Participation rates are expected to grow through 2007 as the share of the population in working-age cohorts continues to rise. By 2010, the first "boomers" will reach age 65 and begin to retire. As a result, labor force participation will plateau near the end of the decade and begin to decline thereafter.

FIGURE 11. U.S. LABOR FORCE PARTICIPATION RATE AND UNEMPLOYMENT RATE



## Major Industry Sectors

- Services, already the largest sector in the economy, will grab an increasingly bigger share of U.S. output and employment.
- The transportation, communications, and public utilities sector will also gain, marking the largest output increase over the next decade, thanks to continued advances in productivity.

The U.S. economy of today is very different from that of a generation ago. Manufacturing, once considered to be the backbone of the U.S. economy, is now the fourth largest industry, accounting for 17 percent of real gross product. The service sector is now the single largest segment in the U.S. economy, accounting for 21 percent of real output in 2000 (see Figure 12). The

finance-insurance-real estate segment is second at 19 percent, followed closely by trade at 18 percent.

The economic performance of the last decade will be tough to beat. In fact, only two segments are expected to outdo their past performance over the next decade: transportation, communications, and public utilities (TCPU) and services. TCPU is forecast to be the fastest-growing segment between 2000 and 2010, thanks to continued productivity gains. Output in the sector is projected to expand by 5 percent per year on average.

A growing, increasingly affluent population will drive the trade and services segments, the next best performers, to annual growth of 4 percent.

These trends in production by industry sector are matched closely by employment by industry sector. Today, 31 percent of all employment is in services (see Figure 13). The wholesale and retail trade sector is second largest, employing 23 percent of the U.S. workforce. Government employment is third, with 16 percent. Nearly two-thirds of all new employment between 2000 and 2010 will be in services. By comparison, the next largest contributor, trade, will be responsible for 14 percent of the net increase in employment in the coming decade. Even though employment is growing in every sector except manufacturing (see Table 2), services will become an increasingly larger share of the total job base, rising from 31 percent in 2000 to 35 percent by 2010.

Much of the rapid growth in the service sector is prompted by growth in high-tech and health-service industries. Overall, high-technology industries drove the nation's economic expansion in

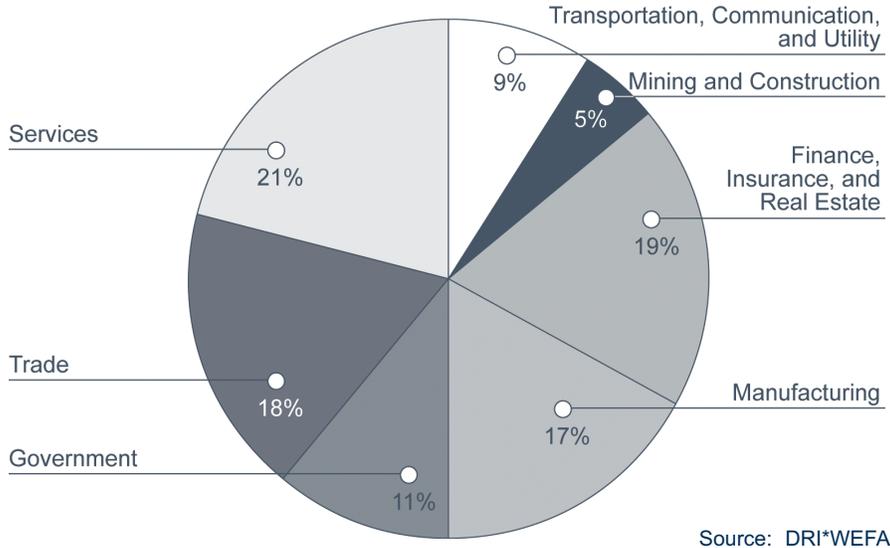


FIGURE 12. U.S. GDP BY INDUSTRY, 2000

the late 1990s, and many of the nation's high-tech centers were among the leaders in employment and income growth<sup>6</sup>. From 1995 to 2000, employment in high-tech industries increased 5.2 percent annually, more than double the 2.4 percent growth in total employment. Of the 1.75 million new high-tech jobs created in those five years, 1.65 million were in service industries. Indeed, employment in high-tech services soared from 2.6 million in 1990 to 4.8 million in 2000, while high-tech manufacturing employment dropped from 3.5 million to 3.1 million. Over the past five years, employment in high-tech services increased 8.9 percent annually, eclipsing the 0.7 percent rise in high-tech manufacturing jobs.

Over the next 10 years, high-tech industries will again lead the economy, although the inevitable shakeout in the e-commerce field and the bursting of the high-tech stock market bubble are causing near-term turbulence in tech centers. The strongest growth will come in information, communications, and biomedical industries.

In the future, as in the past, the gains from rapid growth in high-tech service industries will not be equally shared around the United States. Although Florida has an even greater share of employment in service sectors, its service industries are much more heavily weighted towards consumer services rather than the higher-paying high-tech services. Growth in high-tech industries

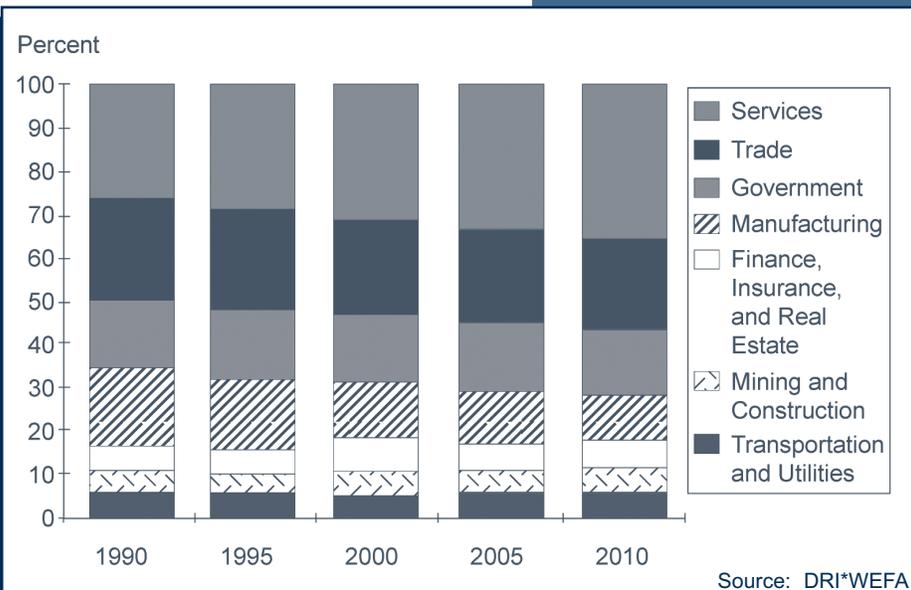


FIGURE 13. U.S. EMPLOYMENT BY MAJOR INDUSTRY

TABLE 2. U.S. EMPLOYMENT GROWTH BY INDUSTRY (ANNUAL PERCENT CHANGE)

INDUSTRY SECTOR	1990-1995	1995-2000	2000-2005	2005-2010
Services	3.5%	4.0%	2.7%	2.5%
Transportation & Utilities	1.2%	2.7%	2.0%	2.0%
Mining & Construction	-0.3%	4.7%	1.8%	1.9%
Finance, Insurance, & Real Estate	0.3%	2.3%	1.6%	1.0%
Government	1.0%	1.3%	0.7%	1.0%
Trade	1.4%	1.8%	0.8%	0.9%
Manufacturing	-0.6%	-0.1%	-1.5%	-0.7%
Total Employment	1.4%	2.3%	1.2%	1.4%

Source: DRI\*WEFA

<sup>6</sup> Besides manufacturing, DRI\*WEFA's definition of high-tech industries includes four service groups: computer processing and software; engineering, architecture, and surveying; management and consulting services; and testing and research laboratories.

*POLICY AND OTHER MAJOR TRENDS AFFECTING THE U.S. OUTLOOK*

**Fiscal Policy.** Federal spending on defense, transfer payments, and aid to state and local governments is expected to consume a smaller share of GDP than in the 1990s. As a result, the federal government should post surpluses in the unified budget, averaging 0.17 percent of GDP from 2001 through 2025. In the longer run, the baby boomers' retirement will cause a gradual disappearance of the surplus, despite some increases in the Social Security tax rate. In the current forecast, the unified surplus falls, but does not return to a deficit until fiscal 2016.

**Monetary Policy and Inflation.** Monetary policy remains important in the long-term projections. Monetary policy can cause inflation to accelerate by being overly accommodative and pushing the unemployment rate temporarily below the rate at which inflation is stable. Alternatively, it can cause inflation to decelerate by being restrictive and pushing the unemployment rate temporarily above the rate at which inflation is stable. The forecast assumes that the Federal Reserve keeps short-term interest rates slightly below their equilibrium levels, causing a slow but steady increase in inflation. Consequently, the rate of inflation – as measured by the consumer price index – rises from 2.1 percent in 2000 to 2.8 percent by 2010.

**Energy.** Oil prices are projected to moderate from the current spike, with prices edging down through 2005, before starting to gradually rise. With worldwide demand again picking up after 2006, the share of total oil consumption supplied by The Organization of Petroleum Exporting Countries (OPEC) should expand to the point where the cartel is able to accelerate price increases. OPEC is not, however, expected to recapture its dominant position of the 1970s. Real oil prices in the trend are presumed to be stable, hovering about \$20 a barrel (1996 dollars).

is characterized by intensive spending on research and development, rapid rates of product innovation, and high labor productivity. Without investments in each of these factors, Florida will not fully enjoy the gains forecast in the national economy.

**Regional Outlook**

Within the United States, growth over the next decade will remain strongest in the southern and western parts of the country (see

**FIGURE 14. EMPLOYMENT GROWTH BY STATE, ANNUAL PERCENT CHANGE, 2000-2010**

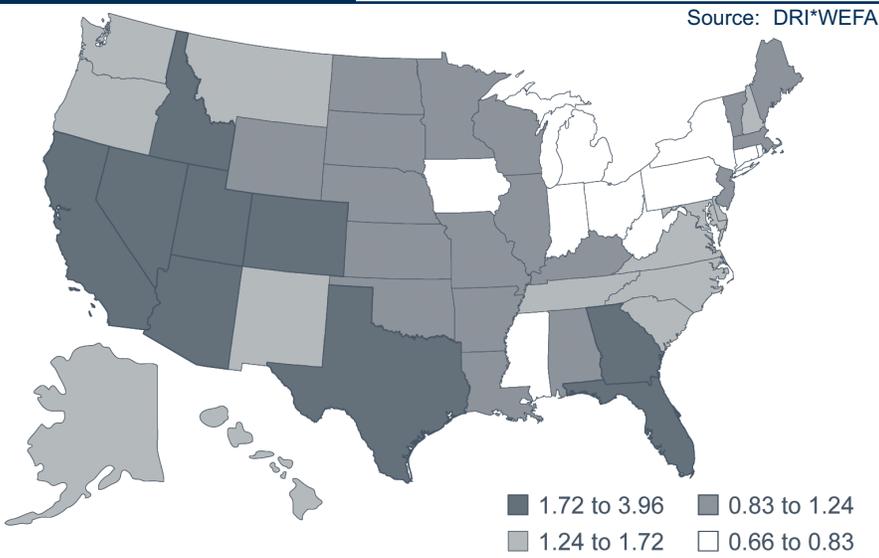


Figure 14). These areas will continue to benefit from a strong in-migration of persons and businesses. In the South, inexpensive and plentiful land, along with cheap energy and labor costs, will lure even more companies, while the favorable climate, low-priced housing, and available jobs will attract residents, spurring housing markets and service-based industries. Steady in-migration will also drive the West's growth, which will benefit from its proximity to strong Asian market, and its strength in technology-related industries. The Northeast and

the Midwest will suffer because of their higher costs and outmigration of residents. The ongoing decline of the manufacturing industry will continue to hit hard in the Midwest, which has the highest concentration of employment in that sector.

## Florida's Performance and Outlook

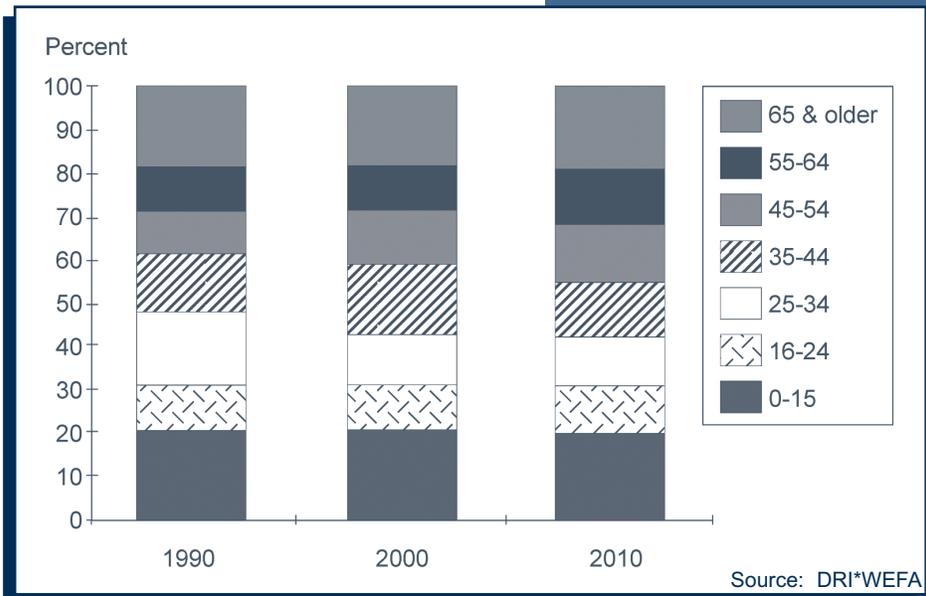
### Population

- Florida's population growth will remain among the strongest in the nation.
- The slower growth in Florida's working-age population will limit future employment gains. On the plus side, services geared towards supporting an aging population will grow.

The population of Florida has reached 15,980,000, according to the 2000 Census.<sup>7</sup> Florida was the fourth most populated state in 2000 and will maintain its rank in 2010. Over the 2000-2010 period, Florida's population will grow at the fifth fastest rate, 1.5 percent per year, well above the U.S. average growth of 0.9 percent. Not only is Florida's population expanding, its demographic profile is significantly changing: the population is aging, and the Hispanic population is growing rapidly. Both are common trends to be found in the rest of the United States, however, they will be magnified in Florida.

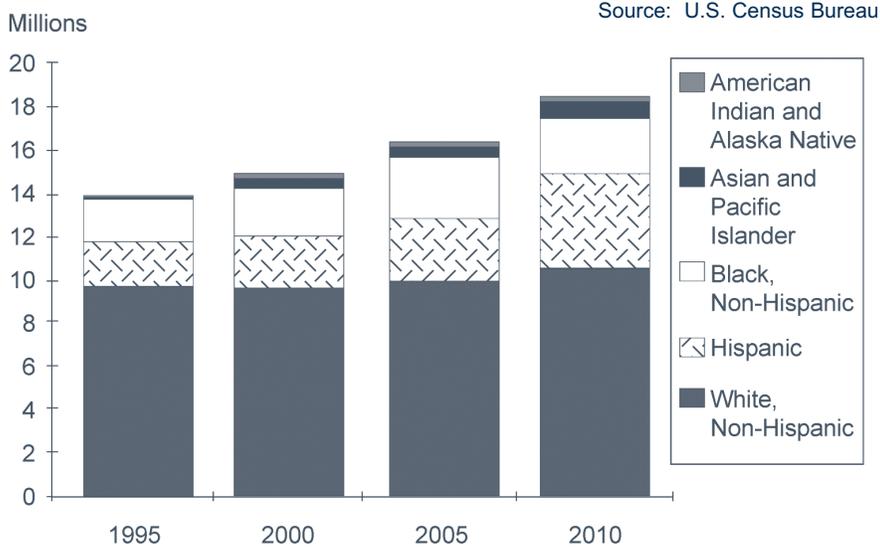
To no one's surprise, Florida has the largest concentration of retirees and near-retirees in the country. Drawn by the state's warm, sunny climate and its lack of an income tax, those aged 55 and over account for nearly 28 percent of total population (highest in the nation), well ahead of the national average at just 21 percent (see Figure 15). As the baby-boom generation ages, this percentage will rise, approaching one-third of Florida's residents by 2010. Almost all of these gains will be at the expense of the "baby-bust" cohort, and as a result, the proportion of prime-age workers (25-54) will fall from 40.4 percent in 2000 to 37.5 percent by 2010, fifth lowest in the nation.

FIGURE 15. PERCENT OF FLORIDA'S POPULATION BY AGE GROUP



<sup>7</sup> While the Census 2000 figure is cited here, it was not available when the forecast was completed and thus is not used in the rest of the analysis.

These population trends will have two major effects on Florida's economy. First, as with the rest of the United States, the declining share of the population in

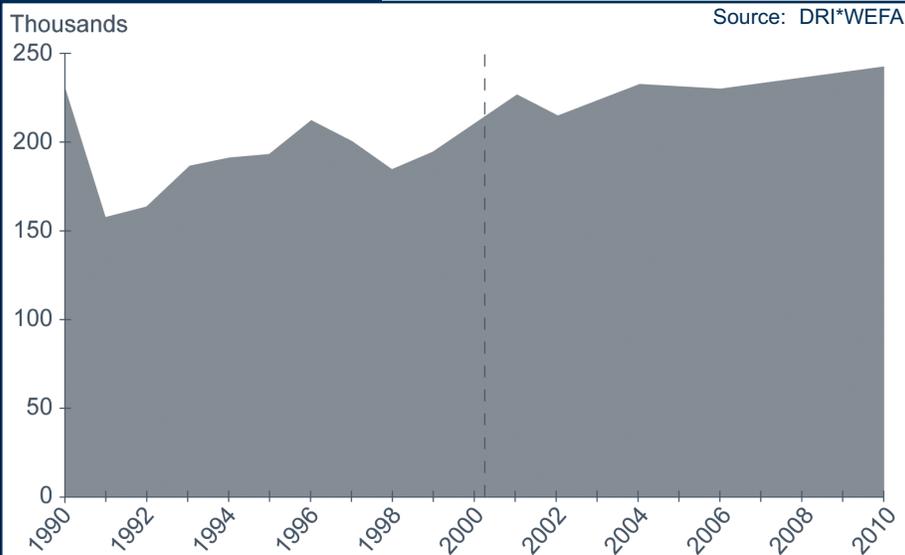


**FIGURE 16. FLORIDA'S POPULATION BY ETHNIC BACKGROUND**

working-age cohorts will limit employment growth. Some of the fastest-growing industries, such as high-tech and services, will be especially hard hit. This will limit Florida's ability to take full advantage of its economic opportunities.

Second, the shift in population growth will affect consumption and income trends in the state. The large share of residents over 65 will propel growth in several consumption sectors, including real estate, leisure and tourism activities, and medical services.

Population growth in Florida will be strongest among ethnic minorities (see Figure 16). According to the U.S. Census Bureau, the Hispanic population in Florida is forecast to grow more than four times as fast as the white non-Hispanic population. Already the largest ethnic minority, Hispanics will increase to more than



**FIGURE 17. NET MIGRATION IN FLORIDA**

one-fifth of the state population over the next decade. The relative share of other ethnic minorities will remain largely the same. White non-Hispanics will remain the majority, but their share will decline. This shift in the ethnic share of the population will have implications for the economy through consumer spending and labor markets. Hispanic consumer spending will grow at a pace of 4.8 percent in constant dollar terms through 2010 – well ahead of the 2 percent growth projected for overall U.S. real consumer spending.

Florida has traditionally had positive net migration – the state has successfully lured retirees, immigrants, and domestic job-seekers. A steady flow of retirees seeking a warmer climate forms the bulk of this migration. Additionally, the state has gained arrivals via Latin American immigrants, drawn by the state's strong social, economic, and cultural ties to their homelands. Beyond these groups, workers seeking new jobs and a lower cost of living also contribute to in-migration, although this force is more susceptible to economic cycles. A high level of net migration is expected to continue through 2010 (see Figure 17).

## Labor Force

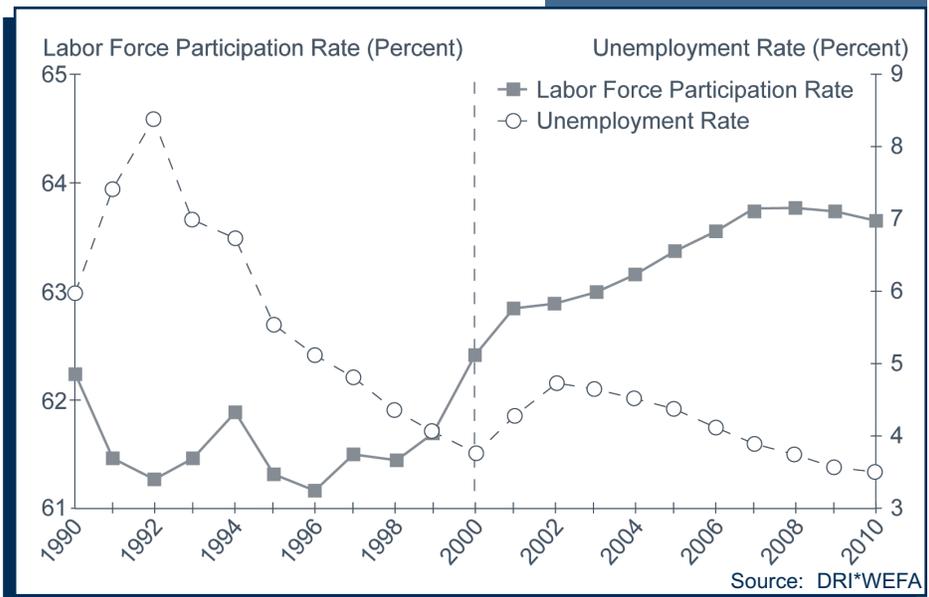
- With the exception of southeast Florida, unemployment rates for Florida have been among the lowest in the South.
- Tight labor markets are proving to be problematic for Florida – some industries are experiencing labor shortages and feeling pressure to increase wages.

The unemployment rate in Florida has fallen steadily from its high of 8.8 percent in February 1992 (see Figure 18). It reached 25-year lows in 2000, in the midst of a two-year stretch below 4 percent. High joblessness does exist in lower-skilled, heavy-immigrant southeast Florida. Excluding that region, the jobless rate has been among the lowest in the entire southern United States. But these tight labor markets can be problematic for the state because they threaten wage inflation. This could prove troublesome to Florida's service industries (especially tourism and call centers), which typically rely on low-cost, available labor. Call centers are particularly at risk since they are easily moved to less expensive locales elsewhere in the country. Over the longer term, as Florida's economy slows, its labor market will loosen and more workers will become available. However, the number of skilled employees will remain an issue.

Unlike the rest of the United States, the decline in unemployment rates in the 1990s did not encourage a significant rise in labor force participation rates (the share of the population over 16 employed or seeking employment). Participation rates did begin to rise by 2000, however, and will continue to grow through 2010. Except for a pause during the current economic slowdown, continued low unemployment rates will encourage more of the population to enter or return to the labor force. In

addition, the rise in the share of the population in their 40s and 50s also will hold the labor force participation rates high, as employment tends to be highest in these age groups. However, near the end of the decade, with the share of the working-age population falling, labor force participation rates will begin to plateau. Indeed, looking beyond 2010, it will decline, as many of the "boomers" retire and exit the labor force.

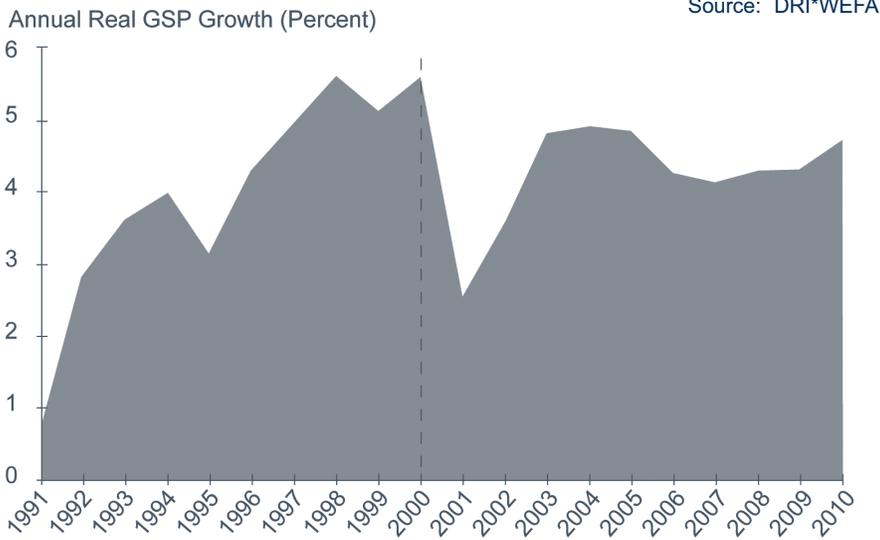
FIGURE 18. FLORIDA'S LABOR FORCE PARTICIPATION AND UNEMPLOYMENT RATES



## Gross State Product

- Florida's Gross State Product will continue to exceed national growth
- Productivity levels in Florida are lower than the nation's in almost all sectors. Furthermore, the state is more heavily concentrated in low-productivity industries.

Florida's real Gross State Product (GSP) has grown faster than the national total, reflecting rapid population and employment growth and will continue to do so (see Figure 19)<sup>8</sup>. That is



**FIGURE 19. ANNUAL GROWTH IN FLORIDA'S REAL GSP**

not an indication that the state is more productive than the national average, however. Instead, the figures are propped up by the state's strong employment growth. Florida's productivity levels (real GSP per worker) are lower than the national average across the board (see Table 3). This low productivity reflects both the presence of less-skilled workers and the state's concentration in less-skilled industries within these broad sectoral categories.

Florida's economy is more heavily concentrated in lower-productivity sectors such as services, trade, and government. As a result, the state's average productivity has had one of the weaker growth rates nationally. From 1990 to 2000, Florida's productivity rose just 1.2 percent annually on average, 12th lowest in the country. Although productivity gains are expected to pick up in the next decade, rising 1.9 percent per year, this will still be weaker than the national average, pushing the state further behind. While the state's projected advances in financial services are promising, Florida's continued dependence on services and trade will limit its ability to make significant productivity gains.

## Income

- Florida's per capita income has dropped behind the national average over the last decade.
- Double-digit wage gaps exist for most industries. While some of this may reflect Florida's lower cost of living, it also is due to the state's lower productivity levels.

In 1990, Florida's per capita income was nearly 2 percent above the national average. Over the decade, Florida's income gains failed to keep pace with the nation's (see Figure 20). Thus, by 2000, per

<sup>8</sup> The national figures cited here are for the sum-of-states real GSP.

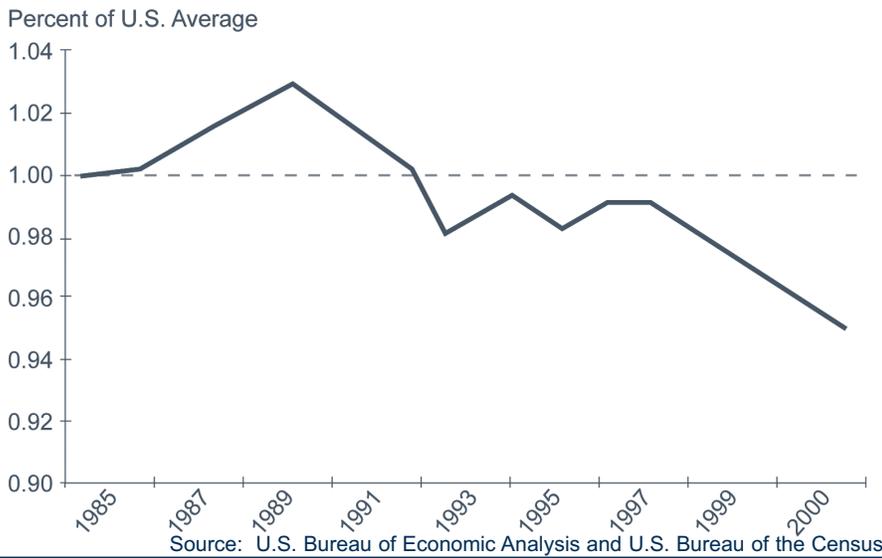
TABLE 3. FLORIDA AND U.S. INDUSTRY GROWTH AND PRODUCTIVITY

	SHARE OF GSP (PERCENT) 2000	ANNUAL PERCENT GROWTH IN GSP		PRODUCTIVITY (\$000/EMPLOYEE) 2000
		1990-2000	2000-2010	
<i>FLORIDA</i>				
Services	23.5	2.7	3.7	40.1
Finance, Insurance, & Real Estate	21.2	5.2	6.0	215.8
Trade	20.7	6.3	4.5	53.1
Government	11.3	4.1	5.1	51.3
Transportation, Communication, & Utilities	8.8	1.3	1.6	111.2
Manufacturing	7.6	5.1	2.0	70.7
Construction	4.4	3.5	0.8	51.5
Agriculture, Forestry, & Fisheries	2.1	2.1	2.4	153.7
Mining	0.3	4.1	4.1	183.9
Total		4.0	4.2	63.7
<i>UNITED STATES (SUM OF STATES)</i>				
Services	19.8	3.7	3.2	46.2
Finance, Insurance, & Real Estate	18.9	4.4	5.0	232.9
Trade	17.7	5.7	4.0	54.6
Government	10.9	3.2	4.1	48.8
Transportation, Communication, & Utilities	8.6	1.0	1.0	114.7
Manufacturing	17.0	3.8	2.4	86.5
Construction	3.9	2.0	1.6	55.2
Agriculture, Forestry, & Fisheries	1.8	2.4	1.9	226.6
Mining	1.4	3.5	3.3	244.1
Total		3.5	3.4	71.1

Source: DRI/WEFA

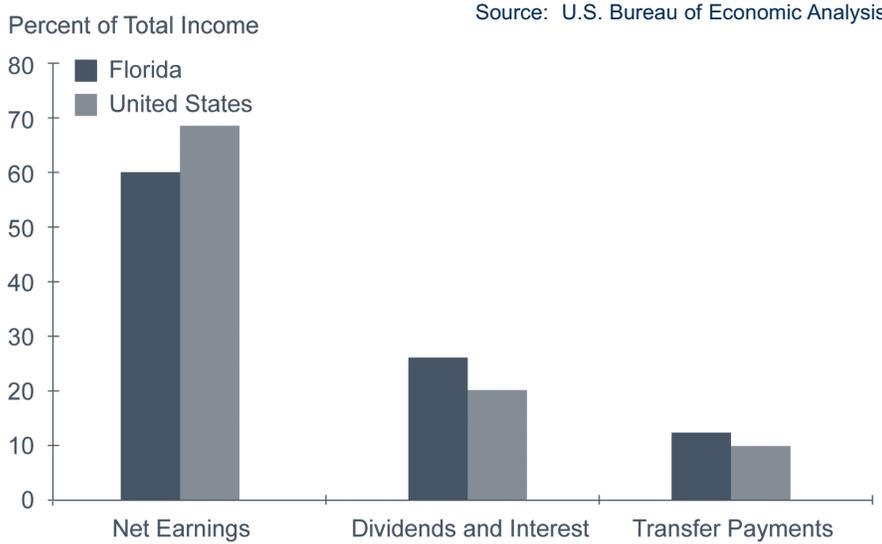
capita income was 5 percent below the U.S. total. While this gap was not unprecedented – the state fared worse up through 1969 and again in the late 1970s, the trend was disturbing because it erased solid gains made during the 1980s. The widening gap was due to sharp declines in both nominal non-wage income per capita and wages, the latter a reflection of an increase in returns to skill, an area where Florida is comparably weak.

Looking at the three main components of personal income – net earnings, dividends and interest, and transfer payments – Florida's growth lagged in each during the 1990s. The most pronounced shortfall, in terms of growth rate, was in dividends and interest. Starting from a much higher level in 1990 than the United States, Florida dividends and interest income per capita grew by only 24 percent between 1990 and 2000, compared to a growth rate of 41 percent for the United States. If dividends and interest in Florida had grown at the same rate as that of the United States during the 1990s, Florida's overall per capita income level would have been over \$1,000 higher in 2000.



**FIGURE 20. FLORIDA PER CAPITA INCOME AS A PERCENT OF U.S. AVERAGE**

percent gain. Between 1990 and 2000, net earnings increased from 57 percent to 59 percent of total Florida personal income. This trend, reflecting an increased reliance on wage and salary income, is expected to continue in the future. Compared to the U.S., however, Florida will remain relatively more reliant on transfer payments and dividends and interest payments.



**FIGURE 21. FLORIDA AND U.S. INCOME COMPOSITION, 2000**

Transfer payments grew at about the same rate in Florida (57 percent) as in the United States (59 percent). Florida's shortfalls in per capita income growth are therefore almost entirely due to slower growth in dividends and interest and net earnings per capita.

Average wages were nearly 15 percent below the national average in 2000, growing from 11 percent a decade earlier. The disparity existed across the board, with a double-digit wage gap for all major sectors except government and trade. As a result, adjusting for the state's industry mix shaves just two percentage points off the difference. To some extent, lower wages are to be expected – with a cheaper cost of living in the state, workers are willing to accept less. In fact, less expensive labor costs is one appeal of Florida to firms considering relocating. However, some of the wage gap also undoubtedly reflects the lower productivity levels in the state.

With workers and firms increasingly mobile in today's economy, however, it is hard for wages in any one part of the country to get too far out of line with the national average. As a result, the state's wage gap may have maxed out. By 2010, Florida's per capita income is expected to have closed to within 2.7 percent of

the national average, still behind the levels from the 1980s and most of the 1990s. Over the long term, lower per capita incomes in Florida limit the amount that consumer spending can contribute to economic growth, and personal consumption has been one of the largest factors in the long-running U.S. economic expansion. In addition, a reputation for lower incomes will decrease the perceived quality of life in Florida, making it harder to attract needed skilled workers.

### Employment by Major Industry

- Florida's economy is driven by growth in trade and tourism.
- Florida has become relatively immune to the manufacturing business cycle, because of the sector's low concentration in the state.
- Florida's employment growth will continue to outpace the national average, especially in services.

The state's warm, sunny climate has been integral in the development of theme parks, beaches, and cruise-ship ports, which form the backbone of a mammoth tourism industry. The prevalence of tourists and retirees has spawned a service-based economy. The service and trade sectors have long been dominant in Florida, accounting for 62 percent of employment in 2000 – the second-highest percentage in the country, behind Nevada (see Figure 22). Continued strong growth in the service sector over the next 10 years will push that sector alone to account for two of every five jobs in Florida by 2010.

Manufacturing jobs make up less than 7 percent of total employment, well below the national average of 14 percent. This low concentration has served the state well in that it is somewhat immune to that sector's long-term decline, and, as a result, Florida has suffered relatively few job losses. Limited manufacturing also means that the state is less prone to the manufacturing business cycle, although Florida remains susceptible to swings in tourism or trade activity. Over the next 10 years, the share of employment in manufacturing will decline, but not as quickly as in the rest of the country. Elsewhere, industries are still closing up shop and migrating to cheaper locales abroad. In many cases, Florida never developed these industries in the first place, and thus is not losing them now. Another reason for the state's better

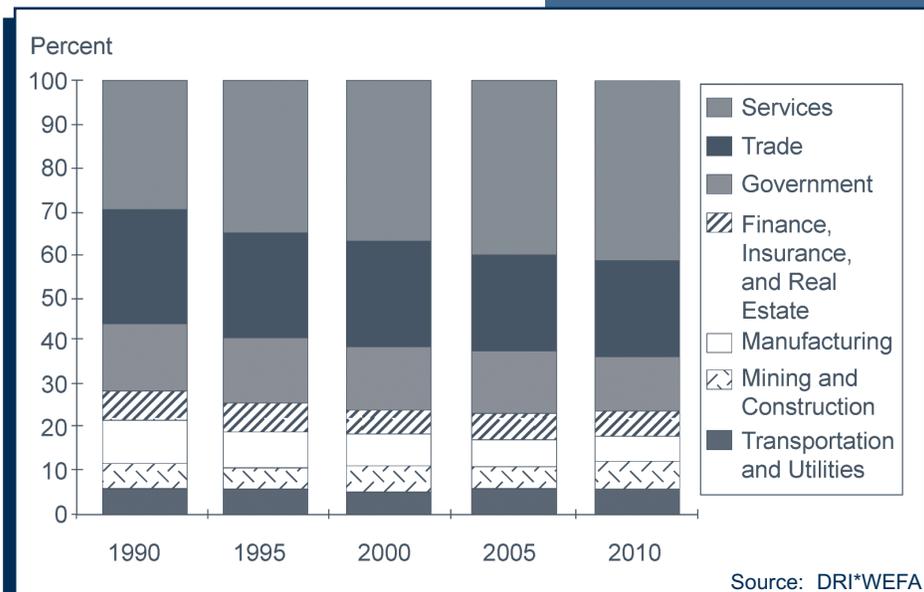


FIGURE 22. FLORIDA EMPLOYMENT BY MAJOR INDUSTRY

projected performance is that it is home to some major manufacturing players with ties to overseas. Given the rising aerospace industry in Brazil – which does more business with Florida than with any other U.S. state – there should continue to be opportunities for exporting high-end items such as airplane turbines and avionics.

Although employment gains in all other sectors in Florida are expected to be stronger than the national average, the faster growth in the service industries will eclipse everything else (see Table 4). Despite attempts to diversify Florida's economy, the reliance on key service sectors will only increase over time. Some of the increase in service employment is part of a national trend towards the sector, particularly business and health services. Tourism related industries also are expected to resume their historical growth. The quality of Florida's workforce, in terms of higher education, continues to be one of the biggest obstacles to attracting higher-paying, knowledge-based service industries to the state.

*TABLE 4. FLORIDA EMPLOYMENT GROWTH BY INDUSTRY (ANNUAL PERCENT CHANGE)*

<i>INDUSTRY SECTOR</i>	<i>1990-1995</i>	<i>1995-2000</i>	<i>2000-2005</i>	<i>2005-2010</i>
Services	5.1%	5.3%	3.6%	3.2%
Transportation & Utilities	1.9%	3.2%	2.4%	2.6%
Mining & Construction	-1.0%	4.7%	2.0%	2.7%
Finance, Insurance, & Real Estate	0.4%	3.2%	1.9%	1.6%
Government	1.6%	1.6%	1.5%	1.6%
Trade	1.5%	2.5%	1.5%	1.5%
Manufacturing	-1.4%	0.0%	-1.0%	-0.4%
Total Nonfarm Employment	2.2%	3.4%	2.3%	2.2%

Source: DRI\*WEFA

### **Key Industries**

- A mix of service and manufacturing industries contribute to Florida's industrial profile.
- Niche manufacturing industries will continue to grow.
- Service sector growth will continue but its employment concentration will gain at a slower pace than the national average. Florida's greatest challenge will be to maintain and attract investment into these industries.

Several industry groups (listed in Tables 5 and 6) are key to Florida's economic growth and performance over the next decade. These are industries that have an important historical or future role in the development of the state's economy, through either a large employment share, rapid growth, or a focused concentration within the state. These key industries are grouped into 12 large

industry groups; six are goods-producing, and six are service-providing. The key industry groups are defined in Appendix 3.<sup>9</sup>

As is well known, employment in manufacturing industries as a whole is on the decline across the country. Aerospace, Agriculture and Food Products, Apparel and Textiles, Boatbuilding and Marine, Computers and Electronics, and Wood and Paper Products are each large employers in Florida today, but almost all will face a decline over the next decade – both in Florida and nationally. The challenge and opportunity for Florida's manufacturing industries are to find niche markets that will allow them to take advantage of the skills and resources they already possess. If successful, then they may avoid or lessen the employment declines that are currently projected for them. Even those industries whose forecasts call for job growth will see their concentration fall in Florida relative to the nation. Nevertheless, the pursuit of niche markets is evident in the positive output growth that all these manufacturing industries are forecast to achieve over the next 10 years, with some industry groups outpacing the average output growth forecast for the Florida economy as a whole.

The other six key industry groups, which are almost entirely service-providing, have all experienced employment gains over the past decade and are expected to continue to do so through 2010. In fact, all of these groups are expected to grow faster than the national average. Nonetheless, their employment concentration in Florida will decline or remain flat. This is because at the national level these industries will be growing significantly faster than other sectors, allowing these key groups to make greater gains in terms of employment share nationally than in Florida. The implications are very challenging: if Florida is content to merely ride the rising tide of increased professional service employment in the economy, it will reap the gains of this rise at a lower pace than the rest of the country. In order to achieve a higher concentration of a key industry in Florida, the state will need to generate more reasons for firms to locate in the state over other regions. Higher concentrations of key industries can propel future growth by acting as a magnet for new businesses in those industries and contributing to efficiencies in scale for firms within the industry.

Within each key industry group there are industries that stand out because of their size, concentration, or growth. Table 7 highlights the top 10 industries in Florida based on three categories: those that produce the most, those that are growing the fastest, or those that are the most concentrated within the state.

Florida's overall economic portfolio is somewhat underrepresented in high-growth industries (see Figure 23). The strongest performers in the state – those industries with rapid output growth and above-average employment concentration – are the large service industries: business services, health and biomedical, financial services, and tourism. The most promising opportuni-

<sup>9</sup> The division between goods-producing and service-producing industry groups is at an aggregate level. Agriculture & Food Products includes related agricultural services, while the Health & Biomedical group includes production of pharmaceuticals and medical instruments and equipment.

*The challenge and opportunity for Florida's manufacturing industries are to find niche markets that will allow them to take advantage of the skills and resources they already possess.*

*ECONOMIC OUTLOOK FOR FLORIDA'S KEY INDUSTRY GROUPS*

**Business Services.** Across the nation, and Florida is no exception, business services is one of the fastest-growing industry groups. The demand for business services is rising rapidly as companies increasingly rely on outside firms for support work and temporary employees. The demand for temporary workers and outside consultants is reflected in the extraordinary annual growth rate of 6.6 percent projected over the next decade for personnel supply services.<sup>10</sup> Two industries within this group rank among the top 10 in output (management and consulting services and other business services), and management and consulting services and personnel supply services are among the top 10 most concentrated industries in the state.

**Financial Services.** Among the financial services industry group, the real estate industry stands out as a star producer, with the top place among all key industries in terms of output. While the real estate industry has long been the largest industry by value in Florida, it is rapidly being challenged. During 1990-2000, real estate produced more than double that of any other industry. By 2010, this will fall to only 50 percent more than the next most productive industry, computer processing. Other highly productive financial industries include security and commodity brokers, banks, and insurance carriers. While security and commodity brokers will continue to be a leader in employment growth, all the other financial services industries will have average growth. Thus, despite their large size in Florida's economy, the financial service industries face a challenge in the future to maintain their position and competitiveness compared to the rest of the United States.

**Health and Biomedical.** The health and biomedical industry group in Florida is another sector that, while large in size, faces considerable challenges in the future. Both doctors and hospitals are among the top 10 industries in output size in the state. However, the health-care services industry in Florida has been particularly affected by the national health-care cuts in Medicare and Medicaid reimbursement rates. Hospitals and nursing homes have lost millions in revenues and have been forced to cut services and staff. In addition, the industry has been faced with a nursing shortage, further restraining any potential growth. Low wages and low unemployment have reduced the desirability of these positions and the availability of workers. With reduced staffing and budgets available at hospitals and nursing homes, the importance of home health-care services is rising to meet the increasing demands of an aging population. As such, employment in the home health-care services is expected to lead all other key industries, with other medical care services also experiencing rapid growth as the state's large and growing elderly cohort ages.

**Telecom and Information Services.** The telecom and information services industry group is testimony that the information revolution has not completely left Florida behind. Both the telecommunications services and computer processing and software industry are among the largest producers in the state. The computer processing and software industry is also one of the most rapidly growing employers, fueled by the trend for companies to outsource their com-

<sup>10</sup> Correctly measuring employment in this sector has proved difficult for data collectors. The personnel supply services category includes professional employment organizations (PEOs), often called "leasing" companies. PEOs contract with client firms in many different industries and locations, but often do not report this data accurately, leading to misclassified employment figures. While this is more of a problem concerning local area data (particularly in the Sarasota area), state figures could be overstated as well.

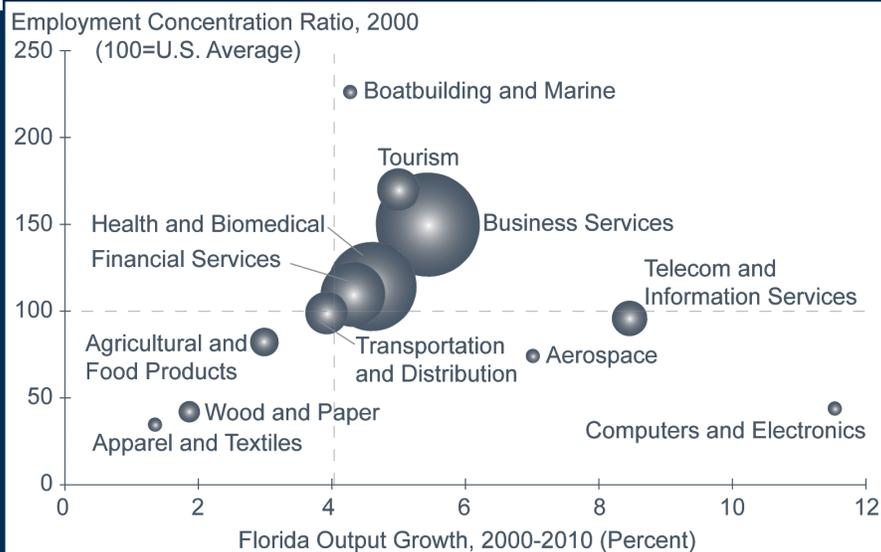
puting requirements. However, none of the industries within this group are particularly concentrated within Florida. While this industry group includes many coveted high-tech industries, strong growth in this sector (relative to the rest of the nation) has remained elusive. The quality of the local workforce has been one of the biggest detriments to high-tech growth in the state. As well, the state's existing industry is not concentrated in one area, a problem for this cluster-driven field. Instead, there are small groups of companies in south, central, and northern Florida. Not only does this mean that the regions are competing against each other to attract business, but the state as a whole may lack focus when trying to appeal to outsiders. For many of these reasons, venture capital funding in the state has been relatively weak, further limiting the development of this industry group.

**Tourism.** Florida's status as a tourist destination is reflected in that all of the industries within the tourism industry group are among the top 10 most concentrated key industries. However, only one tourism industry, amusement and recreation, is among the most rapidly growing employers. Indeed, tourism, while still a major industry in the state, will be particularly vulnerable in the current national slowdown. There has been growing concern that the industry could be oversaturated, given that seven major theme parks in central Florida are now vying for tourist dollars.

**Transportation and Distribution.** Both the tourist and the export focus of Florida have contributed to the development of its transportation and distribution industry group. Florida continues to be a major leader in air transport. Air travel has greatly enhanced Florida's giant tourism industry and the state has plans to reinforce this position. Indeed, air transportation will be a leader in employment growth over the next 10 years. At the same time, water transportation is one of the most concentrated industries in the state.

ties – industries with high growth rates but below-average employment concentrations – are computers and electronics, telecom and information services, and aerospace.

FIGURE 23. OUTLOOK FOR KEY INDUSTRIES IN FLORIDA



Note: Size of dot represents relative output in each industry.

Source: DRI\*WEFA

**TABLE 5. KEY INDUSTRIES IN FLORIDA - EMPLOYMENT  
(ANNUAL PERCENT GROWTH)**

	EMPLOYMENT (000s)			EMPLOYMENT CONCENTRATION 2000 <sup>1</sup>	FLORIDA 1990- 2000	FLORIDA 2000- 2010	U.S. 1990- 2000	U.S. 2000- 2010
	1990	2000	2010					
Aerospace	25	18	15	73	-2%	-2%	-3%	-3%
Agriculture & Food Products	89	103	106	78	1%	0%	1%	-0%
Apparel & Textiles	37	21	12	34	-5%	-5%	-3%	-4%
Boatbuilding & Marine	22	23	16	220	0%	-3%	-0%	-4%
Computers & Electronics	25	24	35	48	-0%	3%	0%	3%
Wood & Paper	50	47	43	43	-0%	-0%	0%	-0%
Total/Goods Producing	250	239	229	61	-0%	-0%	-0%	-0%
Business Services	470	982	1,513	146	7%	4%	4%	3%
Financial Services	370	443	527	108	1%	1%	1%	1%
Health & Biomedical	494	753	984	111	4%	2%	2%	2%
Telecom & Information Services	105	184	292	91	5%	4%	5%	4%
Tourism	256	316	418	170	2%	2%	2%	2%
Transportation & Distribution	167	233	302	95	3%	2%	2%	2%
Total/Service Providing	1,864	2,913	4,038	122	4%	3%	3%	2%
Other Industries	3,314	3,985	4,638		1%	1%	1%	0%
Grand Total	5,429	7,138	8,907		2%	2%	1%	1%

Source: DRI\*WEFA

<sup>1</sup> 100 represents share of employment equal to national average.

**TABLE 6. KEY INDUSTRIES IN FLORIDA - OUTPUT  
(ANNUAL PERCENT GROWTH)**

	REAL OUTPUT (BILLIONS OF \$1992)			FLORIDA 1990- 2000	FLORIDA 2000- 2010	U.S. 1990- 2000	U.S. 2000- 2010
	1990	2000	2010				
Aerospace	3.9	3.6	7.2	-1.9%	7.1%	-1.5%	5.7%
Agriculture & Food Products	14.2	16.9	22.5	1.8%	2.9%	2.3%	2.3%
Apparel & Textiles	2.5	2.6	3.0	0.5%	1.2%	1.7%	1.7%
Boatbuilding & Marine	1.9	2.0	3.0	0.2%	4.4%	-0.7%	2.8%
Computers & Electronics	3.3	9.5	27.8	11.2%	11.3%	14.1%	10.8%
Wood & Paper	6.3	7.4	8.9	1.5%	1.9%	1.9%	2.2%
Total/Goods-Producing	32.2	42.0	72.4	2.7%	5.6%	3.9%	5.5%
Business Services	36.7	65.8	111.2	6.0%	5.4%	3.8%	4.6%
Financial Services	72.2	104.6	158.2	3.8%	4.2%	3.5%	3.8%
Health & Biomedical	31.5	47.0	72.7	4.1%	4.5%	3.0%	4.3%
Telecom & Information Services	18.0	41.5	92.4	8.7%	8.3%	8.7%	8.0%
Tourism	14.6	21.3	33.8	3.9%	4.7%	4.3%	4.4%
Transportation & Distribution	18.6	28.4	41.3	4.3%	3.8%	3.8%	3.3%
Total/Service-Providing	191.7	308.5	509.3	4.9%	5.1%	4.2%	4.8%
Other Industries	178.6	253.8	367.4	3.6%	3.8%	3.1%	2.9%
Grand Total	402.4	604.3	949.1	4.2%	4.6%	3.6%	4.0%

Source: DRI\*WEFA

TABLE 7. *STRONGEST, FASTEST, FITTEST KEY INDUSTRIES*

<i>LARGEST KEY INDUSTRIES</i>	<i>REAL OUTPUT, 2000 (BILLIONS \$92)</i>
Real Estate	54.3
Computer Processing & Software	19.2
Telecommunications, Other Communications Services	17.9
Doctors & Dentists	17.0
Security & Commodity Brokers	15.9
Banking	15.0
Other Business Services	14.7
Hospitals	14.2
Management & Consulting Services	14.1
Insurance Carriers & Agents	14.1
<i>FASTEST GROWING KEY INDUSTRIES</i>	<i>EMPLOYMENT GROWTH, 2000-2010 (ANNUAL PERCENT CHANGE)</i>
Home Health Care Services	6.9%
Personnel Supply Services	6.6%
Computer Processing & Software	6.4%
Other Medical Services	6.3%
Air Transportation	4.5%
Semiconductors	4.2%
Miscellaneous Electronic Components	4.0%
Security & Commodity Brokers	4.0%
Computer Peripheral Equipment	3.9%
Amusement & Recreation Services	3.7%
<i>MOST CONCENTRATED KEY INDUSTRIES</i>	<i>EMPLOYMENT CONCENTRATION, 2000 (100=U.S. AVERAGE)</i>
Boatbuilding & Repairing	416.7
Pulp Mills	267.5
Water Transportation	253.7
Management & Consulting Services	199.9
Personnel Supply Services	191.4
Auto Rental & Leasing	184.7
Hotels & Lodging Places	172.3
Amusement & Recreation Services	165.8
Agriculture, Forestry, & Fishery Services	155.9
Aircraft & Missile Engines & Parts	154.9

Source: DRI/WEFA

## Regional Summary

### Overview

- Florida's regional economies vary greatly, from industry concentrations to urbanization to demographics. All of them, however, face a future of decelerating growth.
- The East Central and Southwest regions will remain growth leaders, while the Southeast will make gains because of increased trade with Latin America.

### Profile

To many outsiders, Florida is a place of theme parks, beaches, and retirees. That simple description masks a more complex picture of diversity throughout the state, however. Economic forecasts were developed for six regions in the state, as defined by Enterprise Florida (see Figure 24). The regions differ significantly in industry structure (see Table 8).

While central Florida and the Southeast have large service sectors to support their strong tourism industries, the northern regions have only an average share of service jobs. Appendix 1 shows the 10 most concentrated industries<sup>11</sup> in each region<sup>12</sup>, and no single industry makes every list. In fact, there are only two industries (management and consulting services in five regions and water transportation in three regions) that have heavy concentrations in more than two areas of the state. Clearly, each part of Florida has its own fields of specialization.

Similarly, there are population and demographic differences across the state. The Southeast region, home to the major metropolitan areas of Miami and Fort Lauderdale, is the most populous, with more than 5.3 million residents, about one-third of the state total (see Table 9). It is also among the most urbanized, with less than 4 percent of its residents living in counties that are not part of a metropolitan area. The northern and Southwest regions are the smallest and least urban, with about 15-20 percent in rural counties.

<sup>11</sup> The concentration ratio is the region's share of employment in a sector divided by the nation's share in that sector. Values greater than 100 indicate industries where the region has a specialization. In order to prevent the list from becoming dominated by small, insignificant industries, sectors were required to have at least 0.2 percent of that region's total employment to be included in the top 10 list.

<sup>12</sup> Because of data limitations, the detailed industry data is aggregated from only the metropolitan areas in each region. Fortunately, there are few non-metropolitan counties in the state, and those that do exist make up a small percentage of the employment base. Metro areas comprise about 98 percent of total employment in the West Central, East Central, and Southeast regions. In the Northwest, Northeast, and Southwest regions, the figure is around 87 percent. Thus, some of the detailed industry figures may be less accurate for these regions. Also, although the Daytona Beach metro area straddles a regional border, nearly all of the metro-area employment is in Volusia County in the East Central region, so Daytona's data is assigned there. This approach applies to the detailed industry data shown in the appendix. All other data are based on county aggregations and accurately measures the economic conditions in each region.

*Only two industries - management and consulting services and water transportation - have heavy concentrations in more than two areas of the state.*

TABLE 8. EMPLOYMENT SHARES BY MAJOR SECTOR, 2000

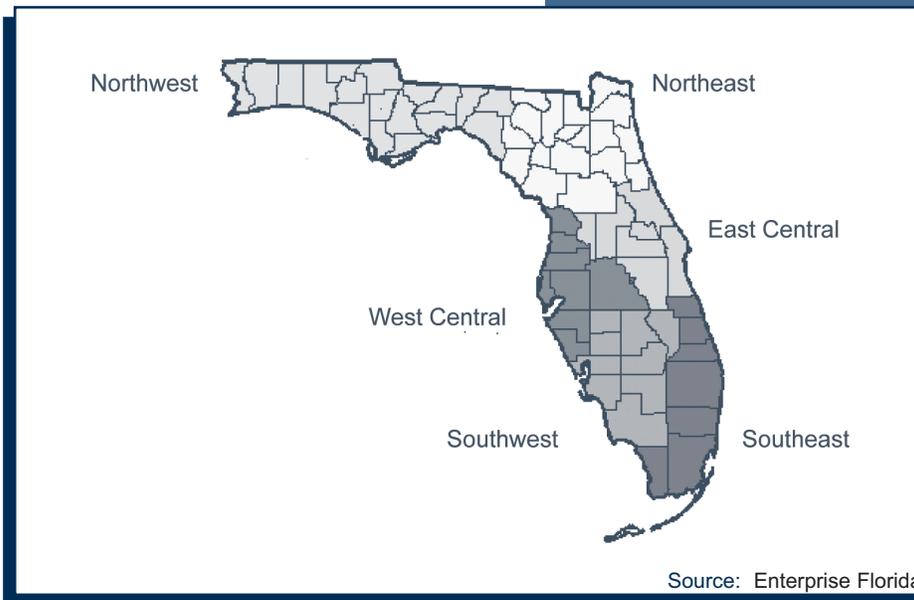
	SERVICES	TRADE	GOVERNMENT	FINANCIAL, INSURANCE AND REAL ESTATE	MANUFACTURING	MINING AND CONSTRUCTION	TRANSPORTATION AND UTILITIES
Northwest	31.4%	23.6%	25.2%	4.3%	5.6%	6.1%	3.8%
Northeast	31.5%	24.2%	17.2%	8.0%	7.9%	5.5%	5.7%
West Central	40.9%	23.3%	11.7%	6.5%	8.0%	5.4%	4.2%
East Central	41.8%	24.4%	11.3%	5.1%	7.4%	5.7%	4.3%
Southwest	35.6%	27.5%	15.3%	5.1%	3.7%	9.0%	3.9%
Southeast	37.6%	26.7%	12.7%	6.9%	5.8%	6.1%	4.1%
Florida	37.3%	24.8%	14.0%	6.3%	6.9%	5.6%	5.1%
U.S.	30.5%	23.1%	15.9%	5.8%	14.0%	5.5%	5.3%

Source: DRI\*WEFA

The age composition of the population also tells a different story around the state. The warm, sunny climate has drawn thousands of retirees to the Southwest, whose population is dominated by those age 55 and over (see Table 10). That cohort also has a large concentration, particularly compared to the national average, in the central and Southeast regions. Conversely, the Northwest again more closely mirrors the U.S. average than the state.

FIGURE 24. FLORIDA'S REGIONS

- NORTHWEST**
- Escambia
- Santa Rosa
- Okaloosa
- Walton
- Holmes
- Washington
- Bay
- Jackson
- Calhoun
- Gulf
- Franklin
- Liberty
- Gadsden
- Leon
- Wakulla
- Jefferson
- Madison
- Taylor
- WEST CENTRAL**
- Citrus
- Hernando
- Pasco
- Pinellas
- Hillsborough
- Polk
- Manatee
- Sarasota
- EAST CENTRAL**
- Sumter
- Volusia
- Lake
- Seminole
- Orange
- Brevard
- Osceola
- SOUTHWEST**
- Hardee
- Desoto
- Highlands
- Okeechobee
- Charlotte
- Glades



Source: Enterprise Florida

- Lee
- Hendry
- Collier
- SOUTHEAST**
- Indian River
- St. Lucie
- Martin
- Palm Beach
- Broward
- Miami-Dade
- Monroe

TABLE 9. REGIONAL DEMOGRAPHICS

	PERCENT URBAN, 2000	POPULATION (000s) 2000	POPULATION (000s) 2010	PERCENT OF STATE 2000	PERCENT OF STATE 2010
Northwest	80.8%	1,225.7	1,387.4	8.0%	7.8%
Northeast	84.2%	1,870.5	2,182.8	12.2%	12.2%
West Central	96.6%	3,455.4	3,912.1	22.5%	21.9%
East Central	98.3%	2,527.0	3,068.0	16.4%	17.2%
Southwest	79.9%	950.1	1,160.1	6.2%	6.5%
Southeast	96.6%	5,339.5	6,150.7	34.7%	34.4%

Source: DRI\*WEFA

With jobs in most regions heavily concentrated in services, particularly tourism and call centers, wages are below the national average throughout the state. Intrastate variation in wages and income partially represents sectoral differences, as regions with greater concentrations in financial services or manufacturing (which generally pay better) have higher wages. The salary gap is also a reflection of cost-of-living disparities because of urbanization levels. Miami and Fort Lauderdale are the most densely populated metro areas in the state, which leads to higher costs and, in turn, higher wages. The more rural Northwest, with no major metropolitan areas, does not have the same wage pressures (see Table 11).

TABLE 10. POPULATION BY AGE GROUP, 2000

AGE COHORT	0-24	25-54	55+
Northwest	37.0%	42.0%	21.0%
Northeast	35.6%	41.3%	23.1%
West Central	29.3%	38.7%	32.0%
East Central	33.0%	41.3%	25.7%
Southwest	27.5%	34.5%	38.0%
Southeast	31.1%	41.5%	27.4%
Florida	31.8%	40.4%	27.8%
United States	35.2%	43.4%	21.4%

Source: DRI\*WEFA

Although wages are not high in the Southwest, per capita income is, reflecting the fact that much of the region's income comes from non-wage sources. The area's heavy concentration of older residents, especially wealthy retirees, means that a great deal of income is coming from investments and social security.

**Performance**

Over the next decade, growth is expected to slow across all Florida regions, as the economy is unable to match the exceptional expansion recorded in the 1990s. Many of the trends from the past 10 years will carry over, however. The East Central and

TABLE 11. INCOME BY REGION, 2000

	AVERAGE ANNUAL WAGE (\$000S)	PERCENT INCOME FROM WAGES	PER CAPITA INCOME (\$000S)
Northwest	26.8	53%	23.5
Northeast	30.5	57%	26.3
West Central	30.1	50%	29.8
East Central	29.9	57%	26.3
Southwest	28.2	34%	31.2
Southeast	33.7	48%	31.2
Florida	31.0	50%	28.8
U.S.	36.2	58%	30.1

Source: DRI\*WEFA

Southwest regions will remain growth leaders, although for different reasons (see Table 12). The East Central region will continue to appeal to working-age migrants, attracted by the relatively low cost of living and favorable job market. Meanwhile, as the U.S. population ages, the Southwest will remain a popular destination for retirees.

The remaining regions will be clustered together, mostly below the state average in terms of both employment and population growth. The Southeast had the weakest job performance in the 1990s, but increasing trade with stronger Latin American economies will help the region have the smallest economic drop-off in the decade ahead. Conversely, moderating growth in the service sector will take a bite out of the West Central region, leading to a sharp reduction in total job gains. While most of the state will record healthy population gains thanks to the relocation of aging baby-boomers, the Northwest, not a retiree magnet, will grow more slowly.

TABLE 12. EMPLOYMENT AND POPULATION GROWTH BY REGION (AVERAGE ANNUAL PERCENT CHANGE)

	TOTAL EMPLOYMENT		POPULATION	
	1990-2000	2000-2010	1990-2000	2000-2010
Northwest	2.5%	1.9%	1.6%	1.2%
Northeast	2.8%	2.2%	1.7%	1.6%
West Central	3.1%	2.1%	1.1%	1.2%
East Central	3.4%	2.7%	2.1%	2.0%
Southwest	3.3%	2.9%	2.0%	2.0%
Southeast	2.2%	2.1%	1.6%	1.4%
Florida	2.8%	2.3%	1.6%	1.5%
U.S.	1.9%	1.4%	1.0%	0.9%

Source: DRI\*WEFA

## Northwest

- A large government sector adds stability to the northwest economy. Growth will not be too strong, but it is also cushioned against downturns.
- Growth will be strong among older population cohorts, but this will help neither the labor pool nor the region's consumer-based industries, as the Northwest generally has not attracted wealthy retirees.

### Profile

The Northwest region is the most removed geographically from the rest of the state; the same is true economically and demographically. While Florida is known for its mammoth tourism industry, that is not the case for this region, which boasts no theme parks, fewer tourist attractions, and few major urban areas.<sup>13</sup> The service sector is 31 percent of total employment, barely ahead of the national average (see Figure 25). Meanwhile, the government sector is more than 25 percent (far greater than the national and state averages), and dominates the economies of the region's biggest two metro areas – Pensacola, a major military hub, and Tallahassee, the state capital.

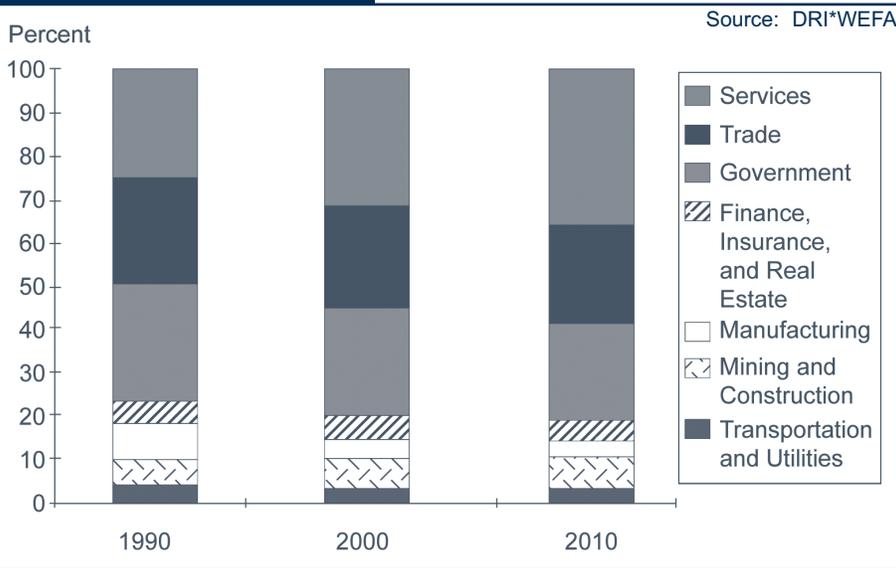
### NORTHWEST REGION AT A GLANCE

Population (2000, est.):  
1.2 million (8.0 percent  
of state).

Metropolitan areas:  
Pensacola (0.41 million),  
Tallahassee (0.26 mil-  
lion), Fort Walton Beach  
(0.17 million), Panama  
City (0.15 million).

18 Counties.

Employment (2000):  
535,000 (8.0 percent  
of state).



**FIGURE 25. NORTHWEST EMPLOYMENT SHARES BY MAJOR INDUSTRY**

With jobs skewed towards lower-paying industries, it is no surprise that the Northwest's average wages (\$26,800) are quite low, more than one-quarter below the national average. Some of these jobs are filled by the region's large population of military dependents. Because they cannot move in search of better work and higher pay, this labor pool serves to depress wages in the area. Also, the region's mostly rural and small-town composition contributes to a lower cost of living, which puts less pressure on salaries.

Furthermore, with a small concentration of wealthy retirees (compared to the rest of the state), the Northwest's per capita income is also the lowest in Florida.

### Performance

The Northwest region had healthy population growth during the 1990s (up 1.6 percent annually, even with the state average, and ahead of the national rate of 1.0 percent). With the percentage of prime working-age residents increasing over the decade, the labor

<sup>13</sup> The Northwest's biggest metropolitan area, Pensacola, is just the 11th-largest in Florida, with fewer than 500,000 residents. Furthermore, the region is the least densely populated in the state, with less than 100 persons per square mile.

force recorded solid gains, enabling employment to grow 2.5 percent annually on average. Although this was strong enough to outpace the national performance, it placed the region behind the state. Over the past 20 years, the Northwest has exceeded the state's annual employment growth just 4 times, usually because the state was doing poorly, not the region doing well.

The Northwest's mediocre performance reflects its concentration in the slower-growing government sector. Additionally, difficulties in the paper and pulp industry led to local mill closings and layoffs. Indeed, the Northwest was more concentrated than any other region in declining manufacturing sectors, suffering the largest percentage fall in manufacturing employment in the state.

The outlook for the region is mixed. The favorable climate and low cost of living will continue to attract migrants at an above-average pace, sustaining population gains greater than the U.S. average. Because of national demographic trends, however, much of the growth will come in older cohorts (see Figure 26). This trend will be accentuated by the St. Joe Company's decision to develop much of its land in the area into retirement communities, which will help the construction and real estate industries.

The increase in retirees will not do much to expand the labor pool, however, and since the Northwest does not generally woo wealthy retirees, it will not substantially augment the region's buying power, either.

As a result, services and retail trade will still grow at a steady, but unexceptional, pace (see Table 13). The government sector will continue to provide stability to the regional economy. The

FIGURE 26. NORTHWEST REGION POPULATION GROWTH, 2000-2010

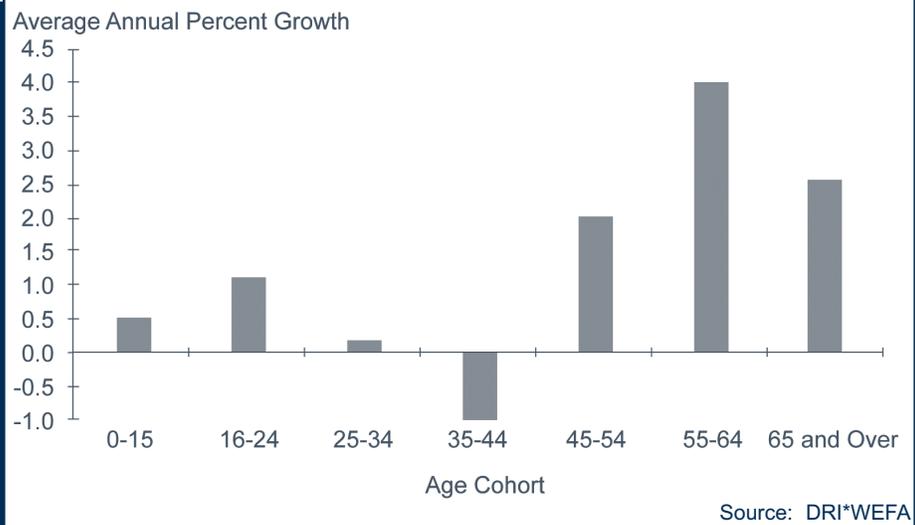


TABLE 13. EMPLOYMENT GROWTH BY SECTOR, NORTHWEST REGION (AVERAGE ANNUAL PERCENT CHANGE)

	1990-2000	2000-2010
Services	5.3%	3.1%
Trade	2.2%	1.3%
Government	0.8%	1.3%
Financial Services	2.7%	2.0%
Manufacturing	-2.0%	-1.3%
Construction and Mining	3.6%	2.2%
Transportation and Utilities	2.0%	2.5%
Total Employment	2.5%	1.9%

Source: DRI\*WEFA

Northwest was the only part of the state to avoid job declines in the recessions of both the early 1980s and 1990s. It was also the only region to record an annual employment gain less than 4 percent during the past decade. Thus, while government's lackluster growth keeps the region from achieving significant gains, it also buffers it against major losses.

Although manufacturing is a very small portion of the employment base, it does include some of the region's specialty industries (see Appendix 1), including synthetic fibers and paper and paperboard. These sectors are facing increasing levels of foreign competition and will continue to struggle in the decade ahead, depleting the region of some of its most highly concentrated fields. These are also industries that typically have had very high productivity levels. On the bright side, the Northwest has shown some progress in attracting research jobs, thanks, in part, to the presence of the military and Florida State University. Two service sectors, testing and research labs and management and consulting services, are growing to prominence in the region and should continue to record healthy gains in the next decade.

### Northeast

- Jacksonville's status a transportation hub should lead to increased trade with Latin America, spurring the region's transportation, shipping, and warehousing industries. The redevelopment of Cecil Field will aid this process.
- Financial-service jobs have increasingly shifted towards less-skilled customer-service and support work. These are vulnerable to labor cost increases.

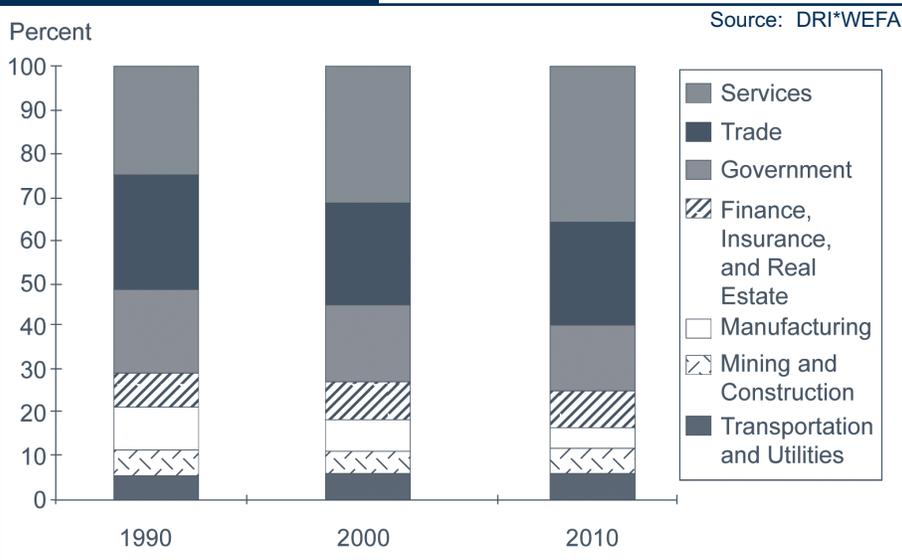
### Profile

Like the Northwest region, the Northeast is somewhat out of step with the rest of the state in both demographics and employment composition. Not the retiree magnet of its southern neighbors, the

region's population over 65 (14 percent) is above the national average (12.5 percent) but below the state figure (18 percent). In fact, thanks to the presence of a large under-16 cohort, the region has a fairly young average age.

Similar to its Northwest counterpart, the region has a relatively small share of its employment in the service sector (see Figure 27). Instead, among the six regions, the Northeast has the highest shares of employment in financial services and transportation, and the second-highest in manufacturing. With this more favorable job

FIGURE 27. NORTHEAST EMPLOYMENT SHARES BY MAJOR INDUSTRY



mix, average wages are second-highest in the state, though that still is about 15 percent below the national average. The region has a heavy concentration of low-paying call-center and back-office jobs, some of which are classified under financial services.

The Jacksonville metro area dominates the region, with about 60 percent of its employment and population. Due to its shipping ports; major operations by railroads CSX, Norfolk Southern, and the Florida East Coast Railway; and one of the nation's fastest-growing airports, the area has become a transportation hub. Jacksonville also has been Florida's banking center, but that status diminished after all the major banks were taken over by out-of-state companies in the late 1990s. Nevertheless, the metro area remains the state headquarters for several large banks, as well as a location for numerous credit institutions and insurance companies.

**Performance**

While services dominated the region's gains during the 1990s, the Northeast also got healthy contributions from other major sectors, notably transportation, trade, and financial services. Even the manufacturing sector added jobs. Overall, the region managed to keep pace with the state, each forging 2.8 percent average annual increases over the decade. Although the region's job composition is not very similar to the state's, the Northeast's growth pattern has been fairly close to Florida's in recent years.

The 1990s saw the establishment of several trends that will shape the region's future. On the plus side, increased trade with Latin America (and elsewhere) has helped buoy the transportation, shipping, and warehousing industries. All are expected to continue to grow over the next decade. Nationally, increased trade with Latin America is projected as those economies develop, particularly pending FTAA approval.

On the downside, there has been an ongoing shift in the composition of financial-services jobs. When Barnett Bank was based there, Jacksonville was a financial center. Now, the positions are increasingly in customer-service and support work. Not only are these jobs lower paying, they are also notoriously fickle. The operations have little overhead, making them easy to re-locate in search of a cheaper workforce. The region is thus faced with a double-edged sword: if local wages increase strongly, it stands a good chance of losing one of its main growth industries. Weak growth among younger cohorts (the less-expensive portion of the labor pool) will not help this situation (see Figure 28).

**NORTHEAST REGION AT A GLANCE**

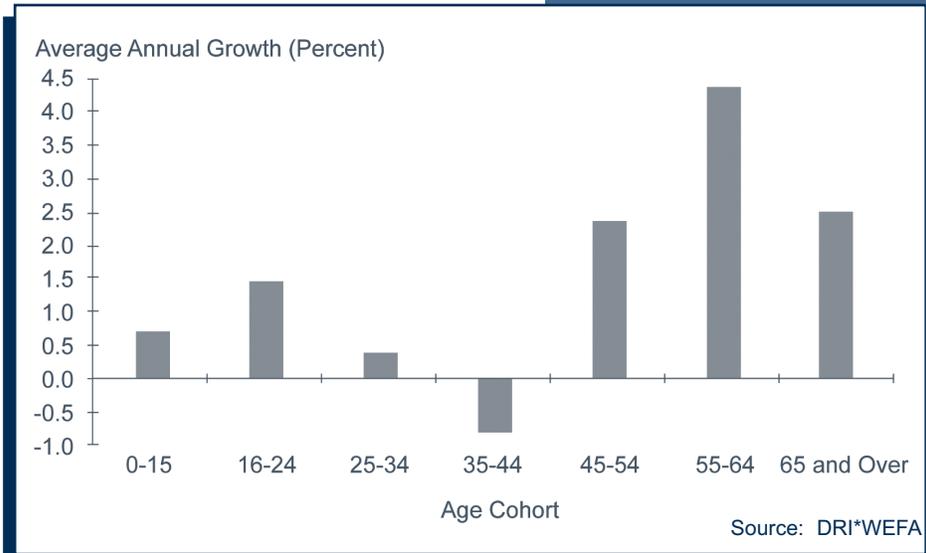
*Population (2000, est.): 1.9 million (12 percent of state).*

*Metropolitan areas: Jacksonville (1.07 million), Ocala (0.25 million), Gainesville (0.20 million), Daytona Beach (0.05 million here, 0.48 million total).*

*18 Counties.*

*Employment (2000): 865,000 (12 percent of state).*

**FIGURE 28. NORTHEAST REGION POPULATION GROWTH, 2000-2010**



**TABLE 14. EMPLOYMENT GROWTH BY SECTOR, NORTHEAST REGION  
(AVERAGE ANNUAL PERCENT CHANGE)**

	1990-2000	2000-2010
Services	5.3%	3.6%
Trade	2.3%	1.6%
Government	1.0%	1.5%
Financial Services	2.6%	1.7%
Manufacturing	0.6%	-0.7%
Construction and Mining	2.1%	2.5%
Transportation and Utilities	3.3%	2.8%
Total Employment	2.8%	2.2%

Source: DRI/WEFA

Another long-term trend to watch is the redevelopment of the Cecil Field Naval Air Station in Jacksonville. Its closing in 1999 was a blow to the local community, removing a major presence from the area and moving several thousand personnel out of state. Now the challenge is to turn the giant facility on the city's west side into a business hub. Northrop Grumman and Boeing already have aircraft-repair operations there, and plans are to use the runways for airfreight. The Jacksonville Port Authority expects to oversee \$26 million in capital improvements by 2005 to upgrade its facilities, renamed the Cecil Commerce Center. The business park could help spark growth on the west side, with a mix of aviation and distribution businesses currently planned.

With this type of redevelopment, as well as expanded trade, the transportation sector should continue to record healthy gains in the decade ahead. Still, services will lead overall job growth (see Table 14). Manufacturing is not expected to fare as well, with losses coming in some of the region's specialized industries, including ophthalmic goods and shipbuilding.

### West Central

- The service sector dominated growth during the 1990s, accounting for nearly 70 percent of new jobs. This lack of diversity leaves the region vulnerable to a service slowdown, causing overall employment growth to decelerate severely.
- Thanks, in part, to a collaboration with the East Central, the region has become Florida's largest provider of high-tech jobs, though the gains have been modest.

### Profile

With tourism, back office business services, and consumer-service providers (to support the large retiree population), the service industry dominates the West Central economy, supplying 41 percent of employment (see Figure 29). The region also has the highest concentration of manufacturing in the state, led by traditional industries such as fertilizers, boat-building, food production, and news-

### WEST CENTRAL REGION AT A GLANCE

*Population (2000, est.):  
3.5 million (22 percent  
of state).*

*Metropolitan areas:  
Tampa (2.32 million),  
Sarasota (0.56 million),  
Lakeland (0.46 million).*

*8 Counties.*

*Employment (2000):  
1,689,000 (24 percent  
of state).*

paper publishing, along with some newer high-tech fields.

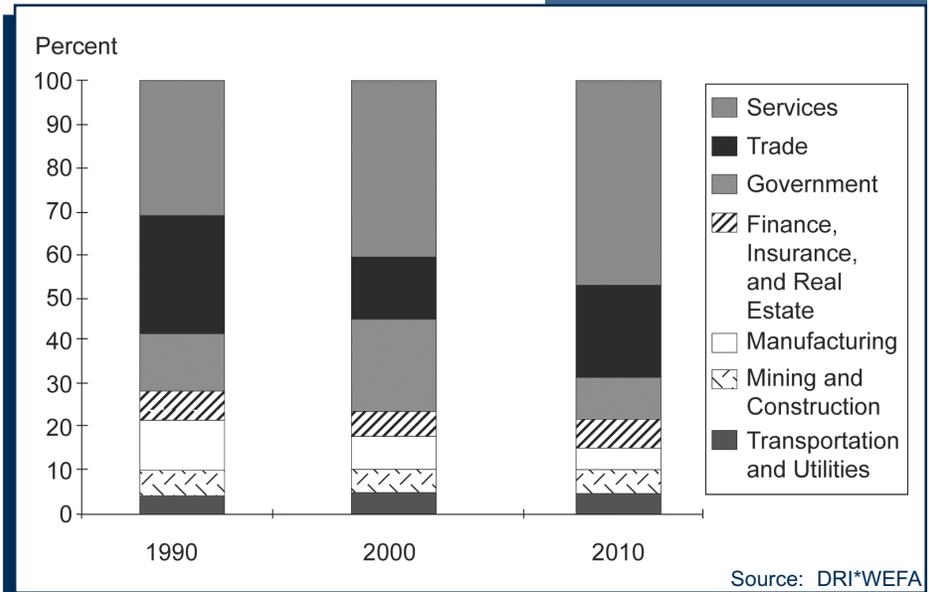
The Tampa-St. Petersburg metro area (the largest in the state) is the primary force in the West Central region, home to more than 70 percent of total employment. The fast-growing Sarasota metro area (seventh-largest in the state) is another notable piece of the regional economy. As with many other communities along the southern coasts, Sarasota has become a magnet for retirees, and the metro area possesses one of the highest

concentrations of residents over age 65 in the country. As a result, the West Central population is skewed heavily towards the older cohorts – nearly one-third of the inhabitants are 55 or older. Although this contingent is not as wealthy as the group that has settled in Naples or West Palm Beach, their income is high enough to raise the region's per capita income levels.

### Performance

The West Central economy boomed during the 1990s, with employment rising 3.1 percent per year on average. Services exploded, increasing 6 percent annually, and accounting for nearly 70 percent of the total jobs created. Conversely, the manufacturing sector was flat, with a mixed bag of performances from the region's specialized industries (see Appendix 1). The fertilizer and publishing industries were down, but medical instruments rose strongly.

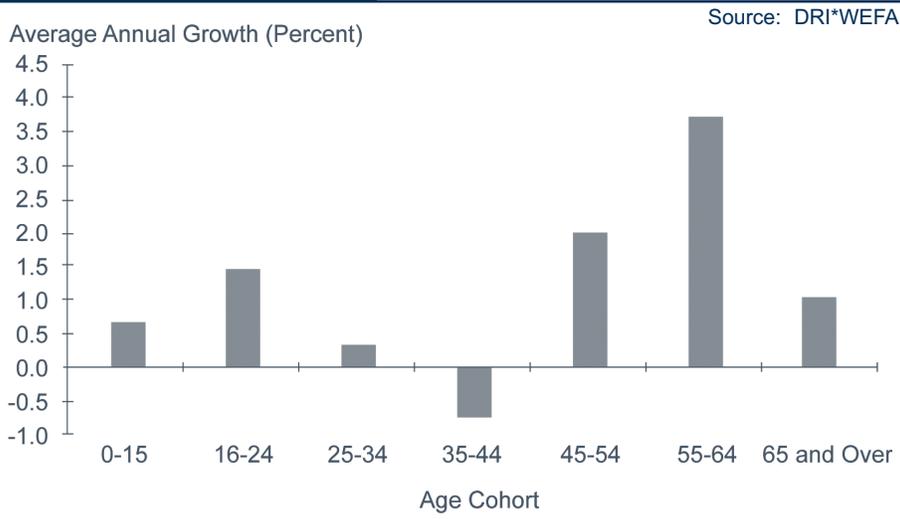
With an already high concentration of services employment, the West Central was in a great position to capitalize on that sector's explosive performance over the last decade. The region's low wages and young, less-skilled labor force made it a prime location for call centers, back-office operations, and employment agencies. The downside of this result, however, is that it can lead to an undiversified economy. Excluding services, employment rose 1.5 percent during the 1990s, below the state average. The gains are even more narrowly defined than that, however. Although the consulting and professional services categories are becoming bigger players in the local economy, the majority of the growth is coming from personnel supply services. The sector, less than 4 percent of total employment in 1990, accounted for an incredible one-third of all new jobs<sup>14</sup> over the past decade.



Source: DRI\*WEFA

FIGURE 29. WEST CENTRAL EMPLOYMENT SHARES BY MAJOR INDUSTRY

<sup>14</sup> Some of this may be due to misclassification of data. In reality, some of the new jobs assigned here may really belong to a different sector, overstating services growth and understating gains elsewhere. Unfortunately, without reliable data on where these jobs really are, it is hard to get an accurate sense of where the economy has been and, thus, where it is going. As a result, the West Central forecast probably has the greatest margin of error.



**FIGURE 30. WEST CENTRAL REGION POPULATION GROWTH, 2000-2010**

This lack of diversity means that the region is at the mercy of a single sector; if it slows, as is expected, then so will the whole economy. The gains of the 1990s were so phenomenal that it will not be possible for the region to match them going forward. Part of the reason for this will be weaker labor force growth. Participation rates rose strongly in the 1990s, ensuring a steady supply of workers even though population gains were limited. Weaker labor force growth will limit the pool of workers – in

the 1990s, the region benefited from a surge in labor force participation rates, which drew thousands into the workforce. Going forward, participation will level off and the prime-age population will grow slowly because of the baby-bust generation (see Figure 30). As a result, gains in services will be restrained and the region will suffer the biggest drop-off in employment growth over the next decade, decelerating from 3.1 percent to 2.1 percent (see Table 15).

**TABLE 15. EMPLOYMENT GROWTH BY SECTOR, WEST CENTRAL (AVERAGE ANNUAL PERCENT CHANGE)**

	1990-2000	2000-2010
Services	6.0%	3.3%
Trade	1.4%	1.2%
Government	1.8%	1.4%
Financial Services	2.4%	1.6%
Manufacturing	0.1%	-0.5%
Construction and Mining	1.7%	2.0%
Transportation and Utilities	2.4%	2.3%
Total Employment	3.1%	2.1%

Source: DRI\*WEFA

There are signs that higher-end service jobs are being attracted to the region. While the region has seen an influx of call-center jobs in the financial-services sector, a major expansion by Chase Manhattan will bring several thousand higher-paying, more-skilled positions to Tampa. Clearly Chase believes that the area has capable workers available for these slots. If they are successful, other financial companies may follow their lead.

The West Central region has also been trying, with some success, to make inroads in the high-tech sector and bring some top-dollar jobs to the area. The Tampa and Orlando areas have teamed up to attract high-tech industry through public-private partnerships

under the auspices of the High-Technology Corridor Council. So far, the West Central region has succeeded in growing the largest high-tech employment in the state, with more than 115,000 workers, according to estimates. Nevertheless, high-tech job concentration remains weak – among the region's three metro areas, only Tampa (48th) cracked the top 50 in the U.S.

### East Central

- Tourists spent freely during the booming 1990s, spurring strong advances for the East Central region. A weaker nationally economy in the future, particularly the near-term, will slow gains, but the region's appeal to migrants will keep it a growth leader in the state.
- Dependence on the tourism industry has led to wages below the U.S. average, and an economy overly sensitive to national downturns. With an abundance of theme parks, oversaturation is a concern.
- A successful partnership with the West Central region is leading to high-tech gains, but there is still additional room for improvement.

### Profile

As the home to Disney World and dozens of other theme parks and tourists attractions, it is no surprise that the East Central region's economy is service-oriented. The sector supplies 42 percent of the region's jobs – highest in the state (see Figure 31). Like the nearby West Central region, the East Central has an above-average share of manufacturing jobs (7.4 percent) compared to other parts of the state, but even that figure is quite low by national standards.

With so many jobs in theme parks, hotels, and other tourist-oriented businesses, wages are low – more than 15 percent below the national average. As one of the younger regions in Florida (the area has proved attractive to families because of its available jobs and low cost of living), the region does not get much of a boost from wealthy retiree income, unlike many other parts of the state (see Figure 32). Per capita income is tied for second lowest in Florida.

### Performance

The East Central economy had the strongest employment growth in the state from 1990 to 2000, increasing 3.4 percent on average. The Orlando metro area led

### EAST CENTRAL REGION AT A GLANCE

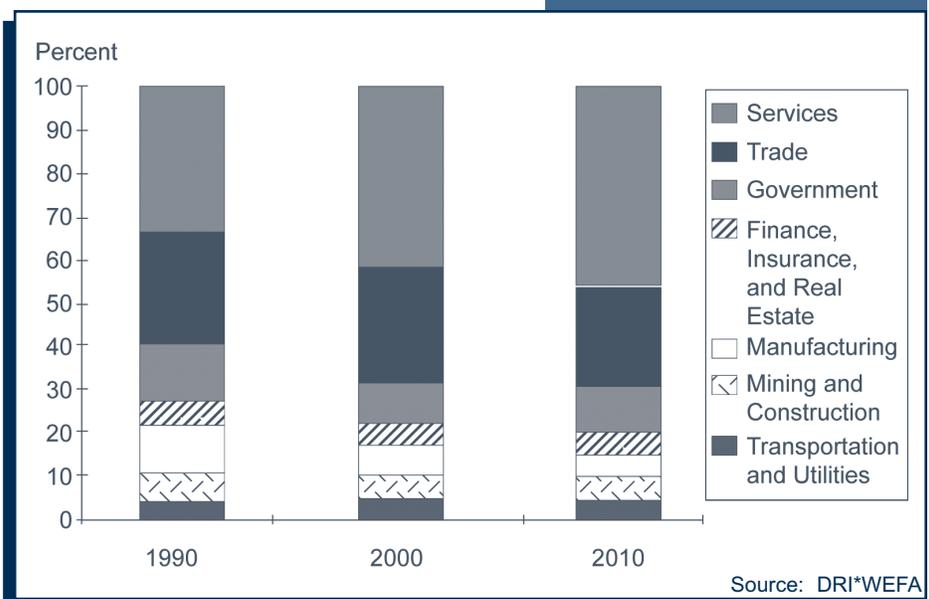
Population (2000, est.): 2.5 million (16 percent of state).

Metropolitan areas: Orlando (1.58 million), Melbourne (0.48 million), Daytona Beach (0.43 million in region, 0.48 million total).

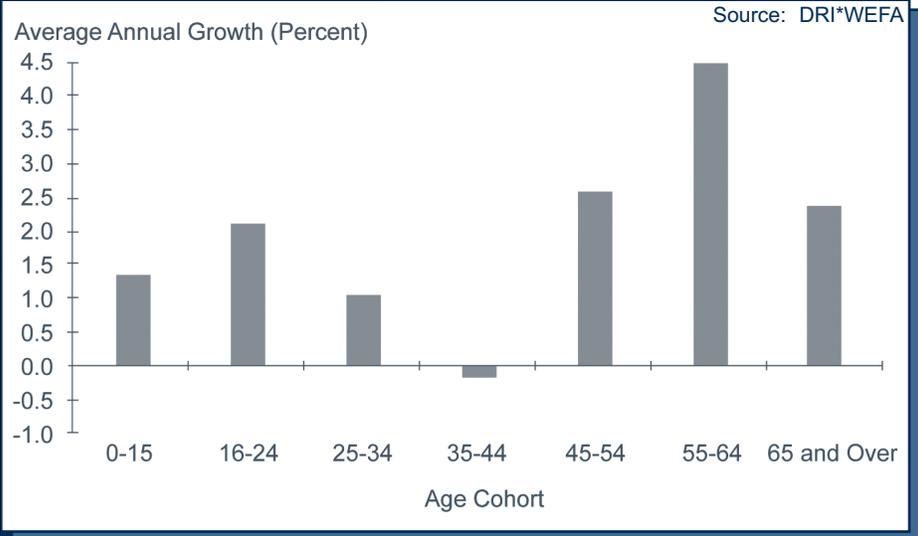
7 Counties.

Employment (2000): 1,261,000 (18 percent of state).

FIGURE 31. EAST CENTRAL EMPLOYMENT SHARES BY MAJOR INDUSTRY



the way: comprising 67 percent of regional employment at the beginning of the decade, it accounted for a whopping 84 percent of job gains by the end. Much of this was due to explosive growth in the services sector. With the national economy booming, more and more families could afford longer vacations, and the East Central



**FIGURE 32. EAST CENTRAL REGION POPULATION GROWTH, 2000-2010**

region was a major beneficiary of this trend. Additionally, competition increased dramatically and most theme parks felt the need to upgrade and expand their facilities to keep up with nearby attractions and further entice tourists.

With weaker economic growth expected for the decade ahead, the East Central tourism industry, and indeed the entire economy, is at risk for a slowdown in consumer spending that would cut the length and number of vacations. The historical precedent is not promising:

the 1991 recession brought the local economy to a halt, turning strong gains into losses. The region had the worst fall-off in activity in the state, with trade and services most affected. The tourism industry is also vulnerable to oversaturation, with seven major theme parks now vying for vacationers' dollars. They may start to crowd-out each other's business, as opposed to luring new tourists to the area. As a result, there will be a deceleration in the rate of expansion for both services and trade, weakening the entire economy, and the East Central region will no longer be the job-growth leader of Florida (see Table 16).

**TABLE 16. EMPLOYMENT GROWTH BY SECTOR, EAST CENTRAL (AVERAGE ANNUAL PERCENT CHANGE)**

	1990-2000	2000-2010
Services	5.6%	3.8%
Trade	2.7%	1.9%
Government	1.8%	2.1%
Financial Services	3.0%	2.2%
Manufacturing	-0.8%	-0.3%
Construction and Mining	2.3%	2.7%
Transportation and Utilities	2.9%	2.9%
Total Employment	3.3%	2.7%

Source: DRI\*WEFA

Despite the weaker gains for the tourism industry, however, the region will not slow significantly. The East Central's growth has been so strong for so long that even a drop off in activity will still leave it in fairly good shape. While the services, and in particu-

lar the tourism, sector will record smaller increases, it will still be healthy overall. Additionally, Daytona Beach and Melbourne, much less tourist-based than Orlando, will pick up some of the slack, offsetting some of the slowdown.

The region is also expected to benefit from its strengthening high-tech environment. Home to the "space coast" at Cape Canaveral, the East Central region has long had the highest concentration of high-tech employment in the state, according to estimates. A decade ago, this was dominated by space-related activities in the Melbourne area; now, however, the much larger Orlando area has finally taken the lead. The region's high-tech partnership with the West Central region ("Florida's High-Tech Corridor") has begun to pay dividends and increased the area's prominence in the industry. It already has a specialty in both electrical and telephone-equipment manufacturing. The biggest challenge for Florida's communities has always been the development of a high-tech workforce. Local collaboration with the University of Central Florida has helped improve training and provide skilled workers to the labor market, although there still is room for improvement. Nevertheless, central Florida seems to be making more progress than other parts of the state, and is thus closer to approaching the critical mass necessary to get greater notice on a national scale.

Over the past decade, average annual wages fell compared to the U.S. average, as tourism and other service industries increased their share of the economy. Now, with services slowing, manufacturing suffering fewer losses, and high-tech continuing to make gains, the quality of the region's jobs is expected to improve modestly, increasing relative salaries. There is a lot of ground to make up, however. Wages were just 12 percent below the national average in 1990 but fell to 17 percent below by 2000; even with an improving situation over the next decade, they are expected to only close within 16 percent.

## Southwest

- Because of the Southwest's appeal to retirees, it will be particularly affected by the graying of America. Consumer-based industries and real estate will continue to benefit, with demand for health-care services remaining on the rise as well.
- The continued influx of baby boomers will propel strong economic gains, but it will inhibit the regional development of industry.

### Profile

While central Florida is the tourism center of the state, the Southwest is the retiree center. Although the region does not have the largest overall elderly population because of its small size (less than 1.0 million residents total), it has the highest concentration by far. More than 26 percent of its residents are age 65 or over – double the national average, and far ahead of the

### SOUTHWEST REGION AT A GLANCE

*Population (2000, est.): 1.0 million (6.0 percent of state).*

*Metropolitan areas: Fort Myers (0.41 million), Naples (0.21 million), Punta Gorda (0.14 million).*

*9 Counties.*

*Employment (2000): 360,000 (5.0 percent of state).*

state average of 18 percent. Additionally, 11 percent of the Southwest's population is age 55 to 64, also the highest percentage in the state.

This type of age distribution makes the local economy much different than most other places. The labor force participation rate is about 53 percent while the national average is 66 percent. Similarly, just 38 percent of all residents have jobs; nationally, this figure is 48 percent. With so few workers, wage income is limited, and represents only one-third of total income in the region. Fortunately, the retirees have substantial resources – the region's per capita income is highest in the state, and is nearly 4 percent above the U.S. average.

Retirees typically are not big savers, so those large incomes mean lots of buying power. As a result, employment in services and trade is high (see Figure 33). Furthermore, a continuing influx of new residents (during the 1990s, the population increased 22 percent cumulatively) has helped maintain large numbers of jobs in real estate and construction. Manufacturing is limited, with concrete and gypsum (a supplier to the vibrant real estate market) the most prominent sector.

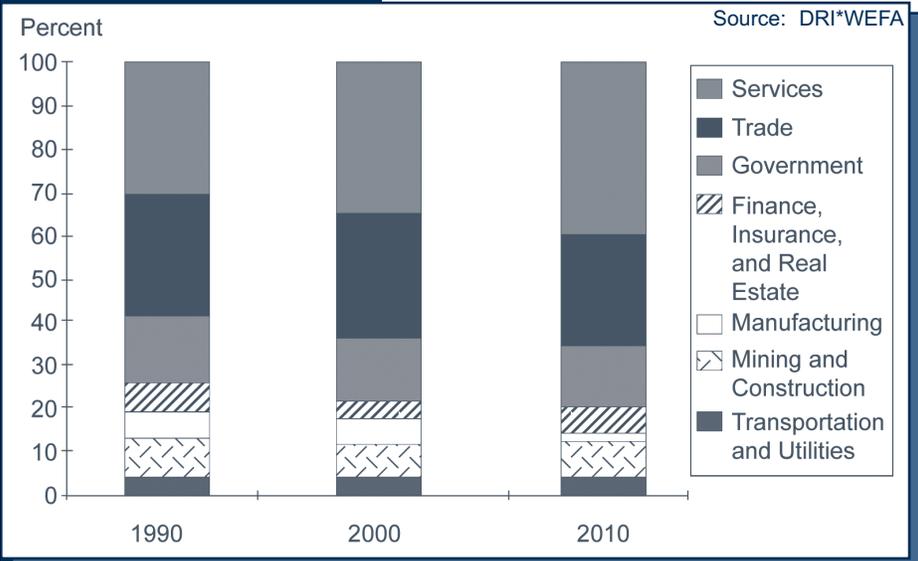
**Performance**

The Southwest continued its remarkable run of growth in the 1990s. With population surging, demand was high for goods and services, pushing robust expansions in the region's service and trade sectors. Combined, the two sectors accounted for nearly 80 percent of the Southwest's increase in jobs. The health-care and management and consulting sectors were particularly strong.

Although the gains over the past decade were exceptional throughout the region, they were most notable in Naples, where the rates of increase for both population and employment were among the highest in the country. Among the United States' 319 metro areas, Naples' population growth (3.4 percent annually) was fourth highest and its employment growth (4.8 percent annually) was seventh best. Unsurprisingly, it was an influx of wealthy retirees that propelled this performance.

More than one-third of the metro area's new residents were age 65 or over, and they drove non-wage per capita income up 5.5 percent annually, also one of the highest rates in the country.

Through 2010, the regional economy will become even more dominated by its older cohorts (see Figure 34). Because of the baby boom generation and health advances, the population distribution is aging throughout the country. But the Southwest will feel the effects more because of its appeal to retirees. This category of cit-



**FIGURE 33. SOUTHWEST EMPLOYMENT SHARES BY MAJOR INDUSTRY**

izens is becoming a larger group in the country, and the region will continue to receive a significant share of this expanding pool. The increase among older cohorts will be sufficiently large to maintain the region's population growth over the next decade (holding at 2.1 percent) even as national growth decelerates. Furthermore, the percentage of residents age 55 or over is expected to climb steadily over the next decade (and beyond), reaching 42 percent by 2010.

In response to these demographic factors, employment growth in health-services sectors, construction, and real estate will all remain strong (see Table 17 and Appendix 1). The in-migrants will continue to bring healthy bank accounts with them: per capita income will move even further ahead of the national average, thanks to strong non-wage gains, as salaries gain little ground (remaining more than 20 percent below U.S. totals).

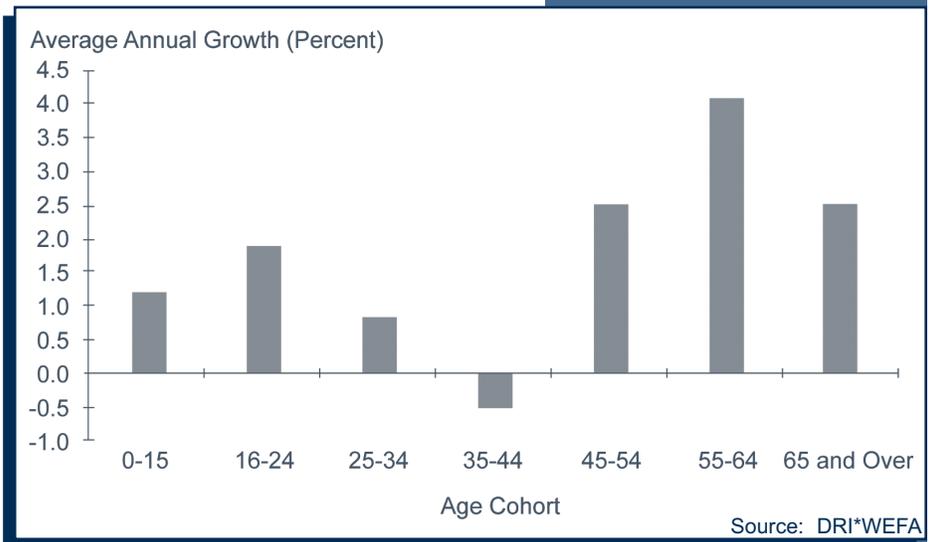


FIGURE 34. SOUTHWEST REGION POPULATION GROWTH, 2000-2010

TABLE 17. EMPLOYMENT GROWTH BY SECTOR, SOUTHWEST (AVERAGE ANNUAL PERCENT CHANGE)

	1990-2000	2000-2010
Services	5.5%	4.1%
Trade	2.8%	2.1%
Government	2.4%	2.1%
Financial Services	0.0%	2.1%
Manufacturing	0.7%	-0.8%
Construction and Mining	2.2%	2.9%
Transportation and Utilities	3.1%	3.5%
Total Employment	3.3%	2.9%

Source: DRI\*WEFA

On the downside, the region will remain largely without industry – an already small manufacturing sector is expected to shrink further in the decade ahead. Instead, the vast majority of the Southwest's growth depends on its continued desirability among well-off retirees, who drive the local economy. If the region loses popularity among this group or if stock-market troubles reduce wealth, the region could face greater difficulties ahead.

## Southeast

### SOUTHEAST REGION AT A GLANCE

Population (2000, est.): 5.3 million (35 percent of state).

Metropolitan areas: Miami (2.20 million), Fort Lauderdale (1.57 million), West Palm Beach (1.07 million), Fort Pierce (0.30 million).

7 Counties.

Employment (2000): 2,367,000 (34 percent of state).

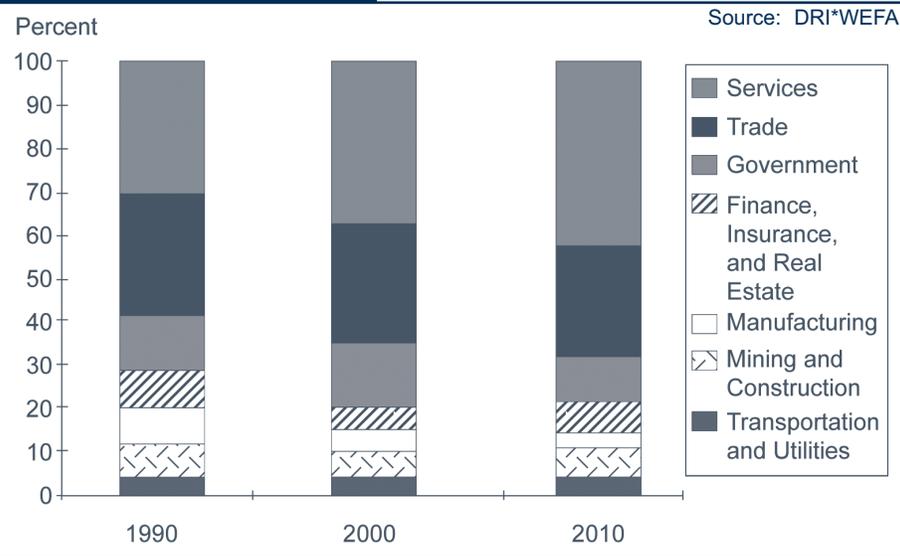
- The Southeast has long lagged its fast growing neighbors, but increased trade with burgeoning South American economies will help the region's performance during the next decade.
- High unemployment, congestion, crime, and other business climate issues, particularly in Miami, will continue to hamper growth.

### Profile

The Southeast region is the largest in Florida, with more than 5.0 million residents. Encompassing Miami and Fort Lauderdale, the second- and fourth-largest metro areas in the state, the region is also the most densely populated, with greater than 650 residents per square mile (the state average is less than 300). This drives up land costs, contributing to a higher cost of living.

The region is often known for its differences – its high degree of urbanization and its relatively weak growth rates have set it apart from much of the rest of the state. But, obviously its greatest distinction is a large Hispanic population, primarily in Miami. More than two-thirds of the state's Hispanics live in the Southeast, but only one-third of non-Hispanics do. This has not only influenced the language and culture of the region, but the economy as well, with a heavy degree of Hispanic-oriented businesses, serving both

FIGURE 35. SOUTHEAST EMPLOYMENT SHARES BY MAJOR INDUSTRY



the local community and Latin American countries.

Despite these differences, the region, surprisingly, has an employment composition fairly similar to the state (see Figure 35). For all major sectors, the Southeast has neither the highest nor lowest concentrations in the state, but usually is near the Florida average. In other words, compared to the rest of the country, Southeast Florida has heavy employment in services and limited involvement in manufacturing. Expanded detail (see Appendix 1) shows the region's specialties –

as an airline and cruise ship hub, the Southeast has a high concentration of jobs in transportation-related professions.

Average salaries are the highest in Florida, more than 10 percent greater than any other region. The sharp wage differential is not likely due to its employment distribution, however, since that is similar to the state's. Instead, the higher cost of living pushes salaries up, as workers require greater incomes to pay their own expenses.

### Performance

The Southeast region has typically been the slowest growing region in the Florida economy. While gains have been healthy in Fort Lauderdale and Fort Pierce, and strong in West Palm Beach, it has been the Miami metro area (home to two-fifths of the region's jobs) that has usually held back the region's growth. During the 1990s, the Southeast's employment rose 2.2 percent annually on average; the rest of the state's grew 3.0 percent. Excluding Miami, however, the remainder of the region saw its employment rise 2.9 percent. Thus, the real dichotomy is not so much between the Southeast and the rest of the state, but between Miami and everywhere else.

The growth of the non-Miami part of the Southeast region has followed the familiar Florida pattern – ample, inexpensive land and a favorable climate has attracted both jobs and residents. The steady stream of new businesses and in-migrants has contributed to fairly heavy construction activity and strong demand for consumer services and retail trade. Wealthy retirees have flocked to the West Palm Beach metro area, which has one of the highest per-capita income levels in the country.

Meanwhile, Miami has struggled. The metro area is hampered by concerns about its reputation as a place to live and do business. The quality of schools is generally regarded as low, diminishing the quality of the workforce both directly (by supplying less-skilled workers) and indirectly (as families move elsewhere, often just a few miles north to Broward County, so their children can attend better schools). Unemployment rates are typically among the highest in the country, an indication of a high degree of skill mismatch in the labor force (at least partially the result of a steady flow of immigrants who require some time to get assimilated). Traffic congestion is high. A seemingly endless string of scandals and bad publicity – from a fraudulent mayoral election in 1997 to the Elian Gonzalez affair in 2000 – has not enhanced the city's image, particularly at the national level. Outside of firms that deal with Latin America, the metro area has had difficulty attracting companies to the area.

Miami's strong ties to Latin America have been its saving grace. Its proximity to those countries and its large Spanish-speaking population has helped the area become the "gateway to the Americas," a center for Latin American business and trade. Indeed, Miami is now the United States' dominant trading site with the region, far ahead of its main competitors, Atlanta and Houston. Miami International Airport has more cargo flights to

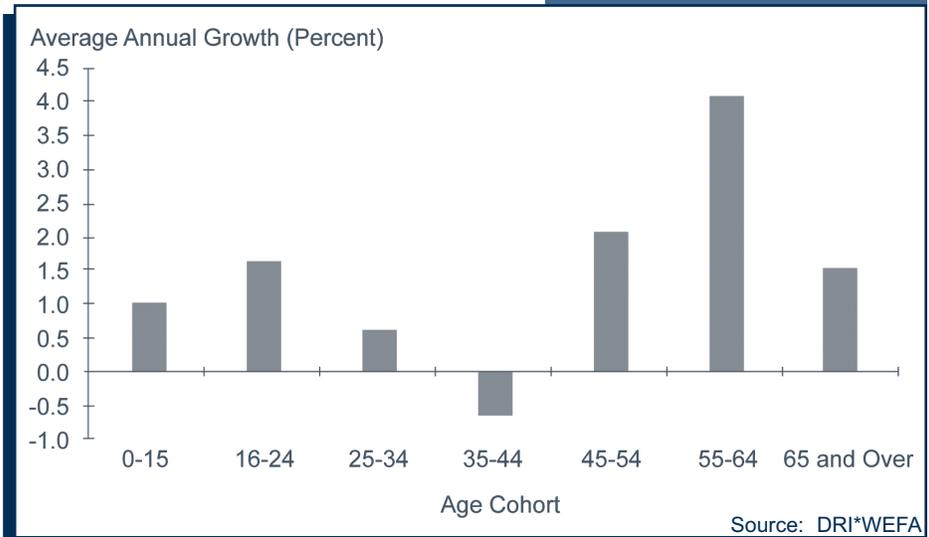


FIGURE 36. SOUTHEAST REGION POPULATION GROWTH, 2000-2010

*TABLE 18. EMPLOYMENT SHARES BY MAJOR SECTOR, 2000 (AVERAGE ANNUAL PERCENT CHANGE)*

	<i>ENTIRE REGION</i>		<i>MIAMI-DADE COUNTY</i>		<i>REGION EXCEPT MIAMI-DADE COUNTY</i>	
	<i>1990-2000</i>	<i>2000-2010</i>	<i>1990-2000</i>	<i>2000-2010</i>	<i>1990-2000</i>	<i>2000-2010</i>
Services	4.2%	3.2%	3.2%	2.7%	5.0%	3.6%
Trade	1.7%	1.3%	1.0%	0.8%	2.3%	1.7%
Government	2.0%	1.5%	1.6%	1.0%	2.2%	1.9%
Financial Services	0.8%	1.6%	-0.5%	1.0%	1.9%	2.0%
Manufacturing	-1.6%	-0.9%	-2.5%	-1.3%	-0.8%	-0.7%
Construction and Mining	0.9%	2.2%	-0.2%	1.6%	1.4%	2.5%
Transportation and Utilities	2.2%	2.3%	2.3%	2.0%	2.2%	2.8%
Total Employment	2.2%	2.1%	1.4%	1.5%	2.9%	2.5%

Source: DRI\*WEFA

Latin America than all other U.S. airports combined.

In the decade ahead, these ties are expected to strengthen. The maturation of South American economies is projected to lead to even greater trade, particularly if the FTAA is approved. Miami is in a prime position to benefit from this agreement since it is already well-acquainted with those markets. Latin American trade has also been increasing in the rest of the Southeast region, so it, too, stands to gain from the FTAA. With greater trade, there were also be more interaction between the two regions, spurring gains in the air transportation and real estate sectors.

The region will also benefit, in relative terms, from a slowdown in services growth statewide. The sector boomed throughout Florida during the 1990s, but not as much in the Miami area. As services decelerate in the decade ahead, the Southeast will feel the effects less. This will be a prime reason the region will have the smallest drop-off in growth in the state, slowing only from annual gains of 2.2 percent to 2.1 percent.

Nevertheless, the Southeast will still have a relatively slow rate of job growth. Although increased trade with Latin America will certainly help the Miami economy, its long-standing difficulties and will not disappear overnight.

# Appendix 1 - Major Industries in Urbanized Portions of Florida Regions<sup>15</sup>

	EMPLOYMENT (000s)			EMPLOYMENT CONC. (U.S.= 100) 2000	AVERAGE ANNUAL PERCENT CHANGE 1990-2000			AVERAGE ANNUAL PERCENT CHANGE 2000-2010		
	1990	2000	2010		REGION	FLORIDA	U.S.	REGION	FLORIDA	U.S.
<b>NORTHWEST</b>										
Synthetic Fibers	2.1	1.4	1.1	949.0	-4.1	-3.2	-5.1	-2.7	-4.8	-4.6
Federal Government	24.4	19.8	21.3	193.8	-2.1	-0.1	-1.1	0.7	1.1	0.2
Paper & Paperboard Mills	2.0	1.0	0.8	185.1	-6.3	-1.3	-2.7	-2.4	-2.7	-2.7
Testing & Research Labs	0.6	2.2	3.1	152.3	15.1	6.4	2.7	3.2	3.1	2.6
State & Local Government	83.2	93.4	107.3	145.9	1.2	1.9	1.6	1.4	1.6	1.0
Personnel Supply Services	3.3	20.5	38.2	141.0	20.0	13.7	10.7	6.4	6.6	6.2
Legal Services	3.4	5.1	5.8	138.1	4.1	2.7	1.3	1.3	1.3	0.8
Doctors & Dentists	7.2	12.0	14.9	132.9	5.2	3.7	2.5	2.2	2.2	1.7
Radio & TV Broadcasting	1.2	1.3	1.6	132.7	0.6	1.8	0.6	2.8	2.7	2.3
Management & Consulting Services	2.2	5.9	7.7	130.5	10.3	11.4	6.4	2.8	2.8	2.4
<b>NORTHEAST</b>										
Ophthalmic Goods	2.7	2.8	2.4	1,333.3	0.4	-1.4	-3.9	-1.4	-2.1	-2.5
Truck & Bus Bodies	1.7	2.0	2.1	771.5	1.6	0.4	-0.1	0.3	1.6	-1.4
Water Transportation	2.4	4.3	4.6	394.1	6.0	4.3	0.7	0.8	0.5	0.1
Shipbuilding & Repairing	1.9	1.8	1.5	277.5	-0.8	-5.5	-1.9	-1.3	-2.4	-3.6
Warehousing and Storage	0.6	2.0	2.7	211.9	11.9	7.0	5.3	3.2	2.8	2.4
Non-Bank Credit Institutions	6.6	10.5	13.3	191.5	4.8	3.0	2.4	2.4	2.0	1.6
Insurance Carriers & Agents	22.7	24.9	28.1	185.5	1.0	2.0	0.7	1.2	0.9	0.4
Other Medical Services	5.1	12.2	23.1	175.8	9.2	5.0	4.7	6.5	6.3	5.7
Structural Metal Products	1.3	2.8	2.5	161.9	7.8	2.6	2.1	-0.9	-1.4	-1.6
Concrete & Gypsum	2.1	2.3	2.1	159.5	1.0	0.7	1.5	-1.1	-1.2	-1.4
<b>WEST CENTRAL</b>										
Fertilizers	5.9	4.0	2.9	1,152.1	-4.0	-3.9	-1.3	-3.1	-4.1	-4.2
Personnel Supply Services	48.2	198.6	346.9	383.4	15.2	13.7	10.7	5.7	6.6	6.2
Boatbuilding & Repairing	3.7	3.9	2.9	351.2	0.6	2.2	2.3	-2.9	-3.6	-5.3
Management & Consulting Services	7.3	39.2	47.9	245.6	18.2	11.4	6.4	2.0	2.8	2.4
Canned & Frozen Food, Except Fish	6.7	5.9	5.6	233.3	-1.2	-0.9	-0.6	-0.6	-0.5	-1.3
Medical Instruments & Supplies	2.8	6.3	6.2	171.7	8.3	3.8	0.4	-0.1	-0.2	-0.6

<sup>15</sup> See footnotes at the beginning of the Regional Summary section for further explanation.

	EMPLOYMENT (000s)			EMPLOYMENT CONC. (U.S.= 100) 2000	AVERAGE ANNUAL PERCENT CHANGE 1990-2000			AVERAGE ANNUAL PERCENT CHANGE 2000-2010		
	1990	2000	2010		REGION	FLORIDA	U.S.	REGION	FLORIDA	U.S.
Accounting & Miscellaneous Professional Services	9.6	18.3	22.5	170.2	6.6	3.3	2.1	2.1	2.9	2.4
Newspapers	7.8	7.2	6.4	140.3	-0.8	-1.0	-1.1	-1.1	-1.4	-1.7
Agriculture, Forestry, & Fishery Services	8.7	12.7	14.0	139.7	3.8	4.0	4.5	0.9	0.9	0.9
Security & Commodity Brokers	3.7	14.5	21.3	136.1	14.7	11.8	7.3	3.9	4.0	3.3
<i><b>EAST CENTRAL</b></i>										
Electrical Equipment & Supplies	3.0	4.7	4.7	1,286.8	4.6	-0.2	-6.5	0.2	-0.1	-0.4
Boatbuilding & Repairing	3.6	6.1	4.3	719.2	5.4	2.2	2.3	-3.4	-3.6	-5.3
Amusement & Recreation Services	29.3	51.9	80.0	375.7	5.9	3.1	3.5	4.4	3.7	3.3
Hotels & Lodging Places	46.9	62.6	83.4	353.3	2.9	1.6	2.0	2.9	2.2	2.2
Auto Rental & Leasing	4.5	5.1	6.6	305.9	1.3	1.4	1.9	2.6	1.9	1.5
Telephone & Telegraph Equipment	3.0	3.1	2.8	271.4	0.1	0.1	1.6	-0.8	-1.0	-1.4
Management & Consulting Services	19.5	26.4	37.1	217.0	3.1	11.4	6.4	3.4	2.8	2.4
Equipment Rental & Leasing	2.7	4.8	6.5	203.2	5.9	2.7	1.8	3.1	2.4	2.0
Other Transportation Services	3.1	7.3	9.9	167.5	8.9	4.3	2.1	3.1	2.7	2.3
Miscellaneous Electronic Components	3.6	5.8	7.7	167.4	4.9	1.0	0.0	2.9	4.0	3.4
<i><b>SOUTHWEST</b></i>										
Management & Consulting Services	1.4	15.5	22.5	517.9	26.9	11.4	6.4	3.8	2.8	2.4
Water Transportation	0.6	1.1	1.3	251.2	6.1	4.3	0.7	1.5	0.5	0.1
Water & Sewer Services	0.5	0.9	1.5	243.8	6.0	-0.7	1.0	4.8	3.8	3.4
Hotels & Lodging Places	9.6	10.5	14.4	241.0	0.9	1.6	2.0	3.2	2.2	2.2
Real Estate	7.1	7.5	10.2	218.7	0.6	1.0	1.0	3.1	2.7	2.3
Agriculture, Forestry, & Fishery Services	2.3	3.6	3.9	209.0	4.4	4.0	4.5	0.9	0.9	0.9
Concrete & Gypsum	1.1	1.2	1.0	201.5	1.1	0.7	1.5	-1.3	-1.2	-1.4
Infrastructure Construction	9.0	11.6	16.3	199.7	2.6	2.0	3.0	3.5	2.8	2.4
Residential Construction	10.8	14.4	19.3	195.3	2.9	2.2	3.5	3.0	2.3	1.9
Amusement & Recreation Services	5.0	6.5	10.4	192.3	2.8	3.1	3.5	4.8	3.7	3.3

	<i>EMPLOYMENT (000s)</i>			<i>EMPLOYMENT CONC. (U.S.= 100) 2000</i>	<i>AVERAGE ANNUAL PERCENT CHANGE 1990-2000</i>			<i>AVERAGE ANNUAL PERCENT CHANGE 2000-2010</i>		
	<i>1990</i>	<i>2000</i>	<i>2010</i>		<i>REGION</i>	<i>FLORIDA</i>	<i>U.S.</i>	<i>REGION</i>	<i>FLORIDA</i>	<i>U.S.</i>
<i>SOUTHEAST</i>										
Water Transportation	9.5	14.5	14.7	466.0	4.4	4.3	0.7	0.1	0.5	0.1
Aircraft & Missile Engines & Parts	11.5	6.4	5.3	310.4	-5.8	-4.1	-4.1	-1.9	-2.3	-4.4
Other Transportation Services	13.8	19.3	24.2	251.1	3.4	4.3	2.1	2.3	2.7	2.3
Radio & TV Broadcasting Equipment	4.7	8.1	8.5	242.5	5.6	-1.5	1.7	0.6	0.1	-0.4
Auto Rental & Leasing	5.2	6.0	7.3	205.6	1.5	1.4	1.9	1.9	1.9	1.5
Air Transportation	29.6	30.9	46.2	205.3	0.4	2.0	2.4	4.1	4.5	4.1
Legal Services	26.1	32.7	37.3	187.5	2.3	2.7	1.3	1.3	1.3	0.8
Management & Consulting Services	13.0	39.4	52.3	184.5	11.7	11.4	6.4	2.9	2.8	2.4
Real Estate	43.3	44.7	57.3	182.0	0.3	1.0	1.0	2.5	2.7	2.3
Home Health Care Services	7.7	25.2	50.0	175.5	12.6	10.5	9.5	7.1	6.9	6.4

## Appendix 2 - World Region Definitions

North America Canada, United States

Western Europe Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom

Latin America Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, Venezuela

Caribbean Antigua and Barbuda, Aruba, Bahamas, Barbados, Bermuda, Cayman Islands, Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Netherlands Antilles, Puerto Rico, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago

Eastern Europe Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Federal Republic of Yugoslavia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

Asia Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, Hong Kong, India, Indonesia, Japan, Korea, South, Lao People's Dem. Repub., Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Taiwan, Thailand, Vanuatu, Vietnam

Middle East Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, West Bank and Gaza, Yemen (Unified)

Africa

Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Dem. Repub. Of), Congo (Republic of), Cote d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea-Bissau, Guinea, Kenya, Lesotho, Libyan Arab Jamahiriya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe

## Appendix 3 - Key Industry Group Definitions

<i>KEY INDUSTRY GROUP</i>	<i>DRI*WEFA INDUSTRIES</i>	<i>STANDARD INDUSTRIAL CLASSIFICATION CODES</i>
Aerospace	Aircraft	3721
	Aircraft & Missile Engines & Parts	3724, 3764
	Aircraft & Missile Parts, Not Elsewhere Classified	3728, 3769
Agriculture & Food Products	Forestry Products	081, 083, 097
	Commercial Fishing	091
	Agriculture, Forestry, & Fishery Services	Pt. 02, 071-8, 085, 092
	Meat Processing	2011, 2013
	Poultry Processing	2015
	Dairy Products	202
	Fresh, Frozen & Canned Seafood	2091-2
	Canned & Frozen Food, Except Fish	203
	Grain Mill Products	204
	Bakery Products	205
	Sugar & Confectionery Products	206
	Alcoholic Beverages	2082-5
	Non-Alcoholic Beverages	2086-7
	Fats & Oils	207
	Miscellaneous Food Products	209 excl. 2091-2
Apparel & Textiles	Fabric Mills	221-6 excl. 225, 2269
	Yarn & Thread Mills	2269, 228
	Floor Coverings	227
	Miscellaneous Textile Products	229
	Hosiery & Knitting Mills	225
	Apparel from Purchased Material	231-8
	Miscellaneous Fabricated Textile Products	239
	Boatbuilding & Marine	Shipbuilding & Repairing
Boatbuilding & Repairing		3732
Business Services	Advertising	731
	Equipment Rental & Leasing	735
	Personnel Supply Services	736
	Other Business Services, Not Elsewhere Classified	769, 732-4, 738
	Legal Services	81
	Engineering, Architecture, & Surveying	871

<i>KEY INDUSTRY GROUP</i>	<i>DRI*WEFA INDUSTRIES</i>	<i>STANDARD INDUSTRIAL CLASSIFICATION CODES</i>
	Management & Consulting Services	874
	Testing & Research Labs	873 excl. 8733
	Accounting & Miscellaneous Professional Services	872, 89
Computers & Electronics	Electronic Computers	3571
	Computer Peripheral Equipment	3572, 3575, 3577
	Calculating & Other Office Machinery	3578-9
	Electron Tubes	3671
	Semiconductors	3674
	Miscellaneous Electronic Components	3672, 3675-9
Financial Services	Banking	60
	Non-Bank Credit Institutions	61, 67 excl. 6732
	Security & Commodity Brokers	62
	Insurance Carriers & Agents	63-64
	Real Estate	65, excl. 6552
Health & Biomedical	Laboratory & Optical Instruments	3826-7
	Medical Instrument & Supplies	3841-3
	Electromedical & X-Ray Equipment	3844-5
	Drugs	283
	Doctors & Dentists	801-803, 8041
	Hospitals	806
	Nursing & Personal Care	805
	Home Health Care Services	808
	Other Medical Services	074, 8042-3, 8049, 807, 809
Telecom & Information Services	Telecommunication and Other Communication Services	481-2, 489
	Cable & Other Pay Television Services	484
	Radio & TV Broadcasting	483
	Computer Processing & Software	737
Tourism	Hotels & Lodging Places	70
	Auto Rental & Leasing	751
	Amusement & Recreation Services	79
Transportation & Distribution	Railroads & Rail-related Services	40, 474
	Passenger Transportation, Not Elsewhere Classified	41
	Trucking & Courier Services, Except Air	421, 423
	Warehousing & Storage	422
	Water Transportation	44
	Air Transportation	45
	Pipelines, Except Natural Gas	46
	Transportation Services, Not Elsewhere Classified	472, 473, 478

<i>KEY INDUSTRY GROUP</i>	<i>DRI*WEFA INDUSTRIES</i>	<i>STANDARD INDUSTRIAL CLASSIFICATION CODES</i>
Wood & Paper	Logging Camps & Contractors	241
	Sawmills	242
	Veneer & Plywood	2435-6
	Reconstituted Wood Products	2493
	Millwork & Wood Products	243-9 excl. 2435-6, 2451-2, 2493
	Mobile Homes	2451
	Prefabricated Wood Buildings & Components	2452
	Household Furniture	251
	Office Furniture	252-253
	Fixtures & Miscellaneous Furniture	254, 259
	Pulp Mills	261
	Paper & Paperboard Mills	262, 263
	Paper Coating & Laminating	2671-2, 2675
	Sanitary Paper Products	2676
	Stationery & Envelopes	2677-8
	Other Converted Paper & Board	2673-4, 2679
	Paperboard Containers & Boxes	265

# Appendix 1 – Performance Indicators

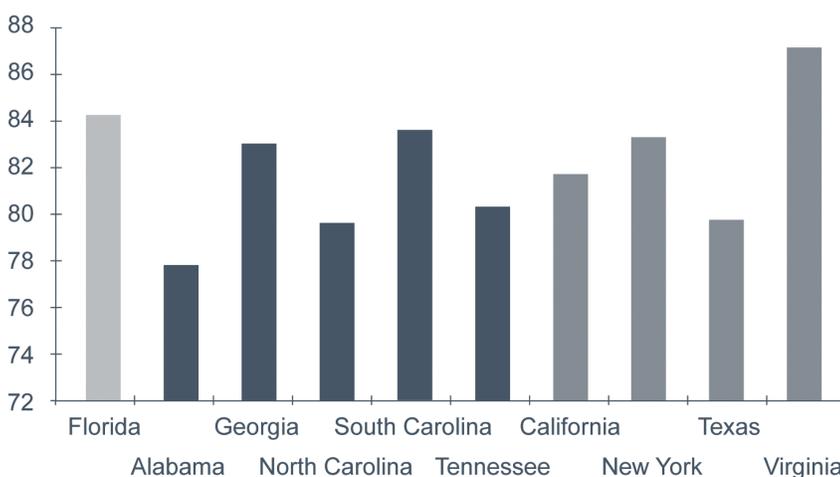
This appendix compares key aspects of Florida's intellectual infrastructure to those of its competitors. The competitor states selected for this analysis are those identified by Enterprise Florida. These include:

- Regional Competitors – Alabama, Georgia, North Carolina, South Carolina, and Tennessee; and
- National Competitors – California, New York, Texas, and Virginia.

## High-School Attainment

Among its competitor states in the Southeast, Florida compares well with regard to the attainment of high-school diplomas for individuals aged 25 and older (84 percent). It also compares well to its national competitors, with the exception of Virginia (86.6 percent), the only state in the group with an attainment rate higher than the national average (84.1 percent). It is important to note, however, that all of these states, save one, rank in the bottom 20.

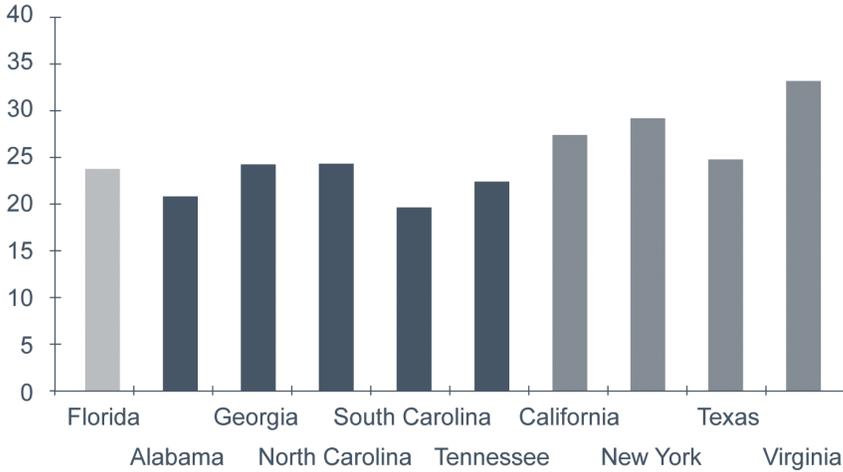
Percent of Persons 25 Years of Age and Older With High School or Higher Educational Attainment (March 2000)



**SOURCES:**

United States Department of Commerce, Bureau of the Census, *Educational Attainment of the Population 25 Years and Over, by State, Including Confidence Intervals of the Estimates: March 2000*. Retrieved October 10, 2001 from the World Wide Web: <http://www.census.gov/population/socdemo/education/p20-536/tab13.txt>.

Percent of Persons 25 Years of Age and Older With a Bachelor's Degree or Higher Educational Attainment (March 2000)



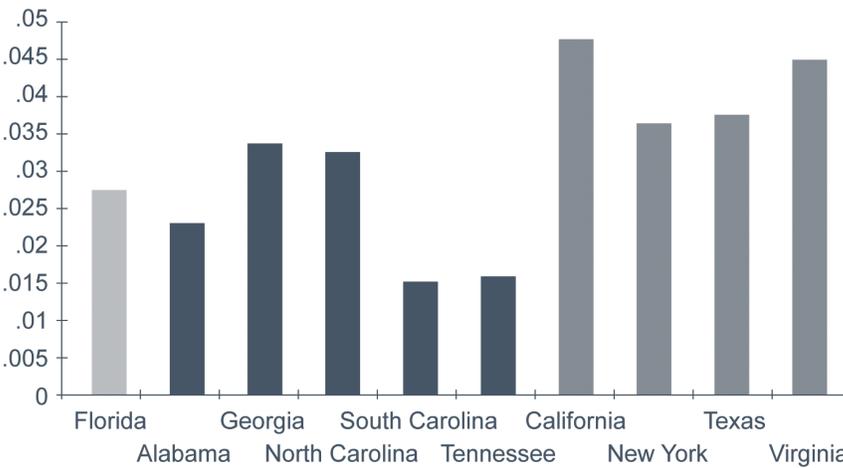
### College Attainment

An examination of Florida's regional and national competitor states reveals a less optimistic situation with regard to educational attainment rates for Bachelor's degrees, with Florida failing even to outperform these low-ranked states. With less than 23 percent of the working age population holding Bachelor's degrees, Florida falls behind all of its competitors except Alabama, South Carolina, and Tennessee, and fails to meet the national average (25.6 percent).

**SOURCES:**

United States Department of Commerce, Bureau of the Census, *Educational Attainment of the Population 25 Years and Over, by State, Including Confidence Intervals of the Estimates: March 2000*. Retrieved October 10, 2001 from the World Wide Web: <http://www.census.gov/population/socdemo/education/p20-536/tab13.txt>.

High-Tech Jobs as a Share of State's Civilian Labor Force (1998)



### High-Tech Employment

Florida's demand for high-tech workers is significant and growing. Florida ranked sixth among the states for total high-tech employment in 1998, with just under 194,000 high-tech jobs, or just over four percent of all such jobs in the nation, according to the U.S. Department of Labor. High-tech employment accounts for approximately 2.8 percent of Florida's total job base, placing Florida at the median of the 50 states. This share falls slightly behind that of Georgia and North Carolina, and trails all of Florida's national competitor states significantly.

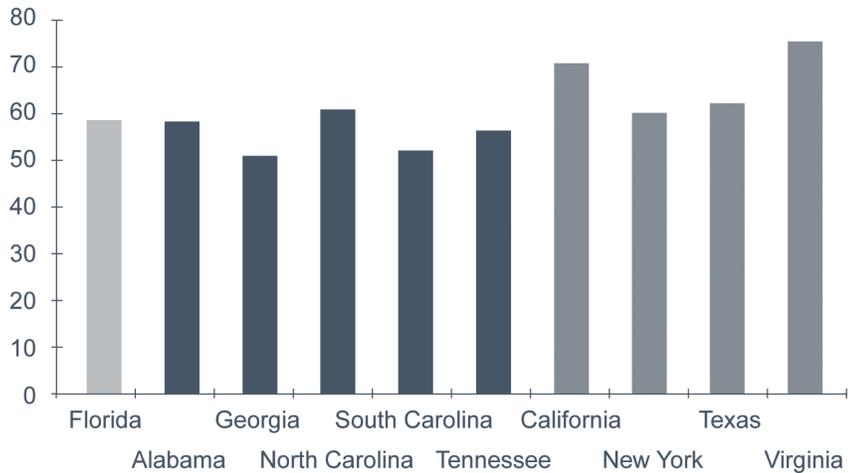
**SOURCES:**

High-Tech Jobs: American Electronics Association, *Cyberstates 4.0: A State-by-State Overview of the Technology Industry*; Labor Force: United States Department of Labor, Bureau of Labor Statistics, *Seasonally Adjusted Civilian Labor Force, 1991-2001*.

### High-School Graduation Rate

Florida compares poorly to other states with regard to high-school completions, ranking 45th in the nation at 56.0 percent, according to national data compiled by the U.S. Department of Education. Florida outperforms most of its neighbors in the Southeast with only North Carolina ranking higher on this statistic. Among the national competitor states, California, New York, Texas, and Virginia, each outrank Florida, although among this group only Virginia fares significantly better, having a 73.6 percent high-school graduation rate.

Percent High School Four-Year Graduation Rate (1998-1999)



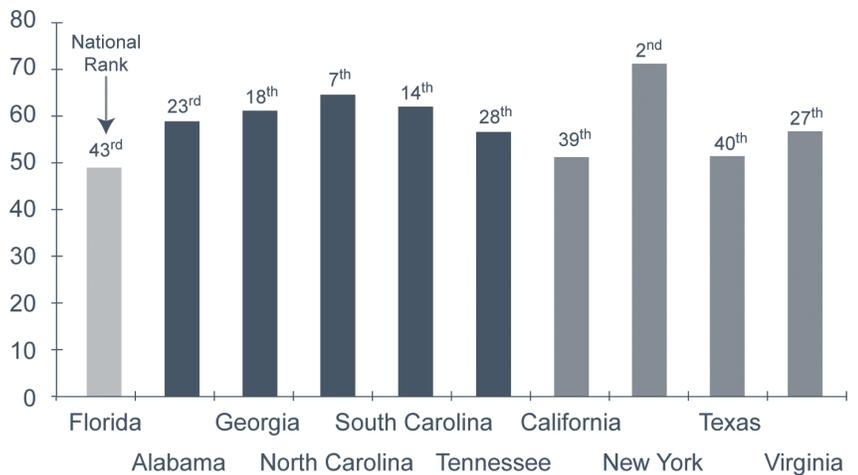
**SOURCES:**

Postsecondary Education Opportunity, *Public High-School Graduation Rates by State, 1981-1999*. Retrieved October 10, 2001 from the World Wide Web: <http://www.postsecondary.org/home/default.htm>.

### College Continuation Rate

In 1998, 49.5 percent of Florida's high-school graduates enrolled in college, placing the state 43rd in the nation. Although this is an increase over the 1988 rate of 42.7 percent, Florida's improvement has been outpaced by many states, and its national rank fell from its previous mark of 35th.

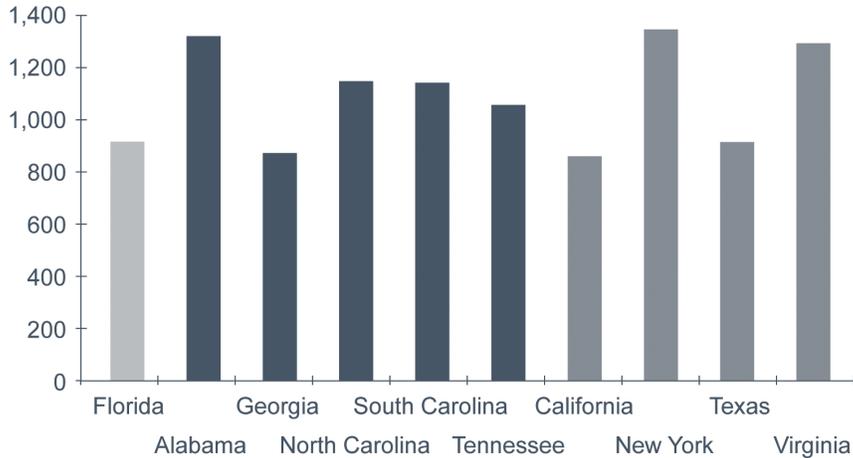
Percent College Continuation Rate (1998)



**SOURCES:**

Postsecondary Education Opportunity, *College Continuation Rate, 1998*.

Bachelor's Degrees Awarded Per 100,000 Population (18-44)



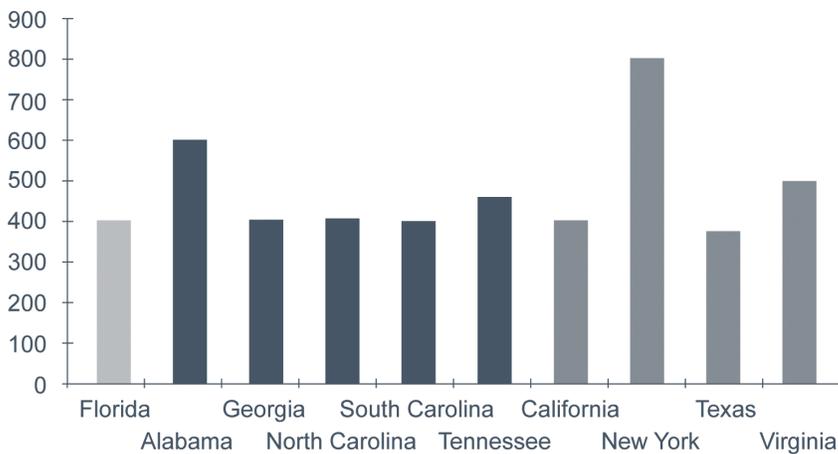
### Baccalaureate Degree Production Rate

The baccalaureate degree production rate is the number of new Bachelor's degrees issued each year relative to the size of the prime working age population (18 to 44). Florida produced just under 900 new Bachelor's degrees for every 100,000 residents ages 18 to 44 in the year 2000, a figure that ranked 44th in the nation. All of the regional and national competitor states, except for Georgia and California, produce more baccalaureate degrees per working age population.

**SOURCES:**

Degrees Awarded: National Center for Education Statistics, *Integrated Postsecondary Education Data System, Completions Survey, 2000*; Population Estimates: United States Department of Commerce, Bureau of the Census.

Graduate and Professional Degrees Awarded Per 100,000 Population (18-44)



### Graduate Degree Production Rate

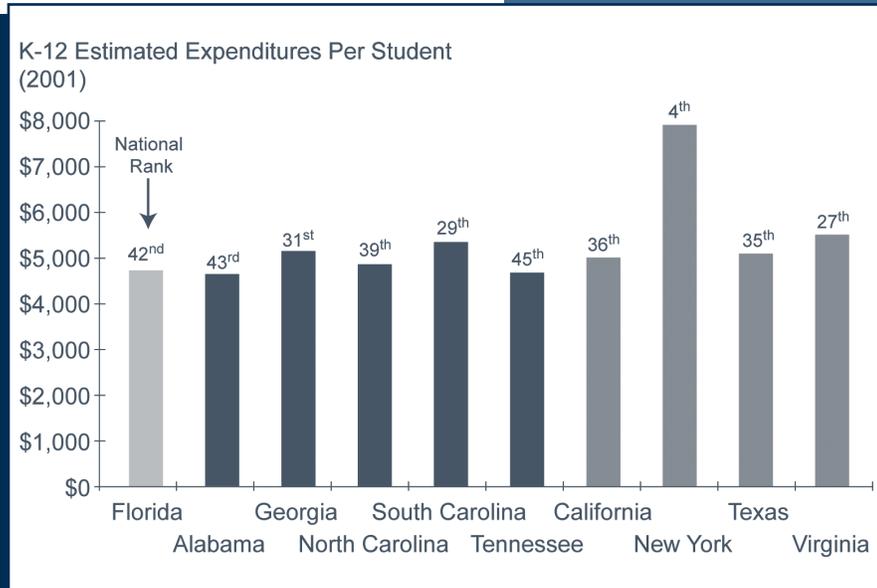
Florida also ranks in the bottom tier of the states for the rate of production of graduate and professional degrees per working age population. Florida produced just over 400 new graduate and professional degrees per 100,000 working age residents in the year 2000, which ranked 40th in the nation. All of the competitor states, except Texas, rank ahead of Florida by this measure, with New York, Alabama, and Virginia significantly higher.

**SOURCES:**

Degrees Awarded: National Center for Education Statistics, *Integrated Postsecondary Education Data System, Completions Survey 2000*; Population Estimates: United States Department of Commerce, Bureau of the Census.

### K-12 Spending

In 2000-01, total current governmental expenditures on public elementary and secondary education in Florida were \$4,601 per student (in constant 1991 dollars; \$5,982 in 2001 dollars). This figure includes all dollars going to current expenditures, including federal, state, and local sources. Excluded are expenditures for capital outlay and debt service. This was well below the national average of \$5,444 (\$7,079 in 2001 dollars). Florida ranked below all of its regional and national competitors for K-12 per pupil expenditures with the exception of Alabama (rank 43rd), and Tennessee (rank 45th).

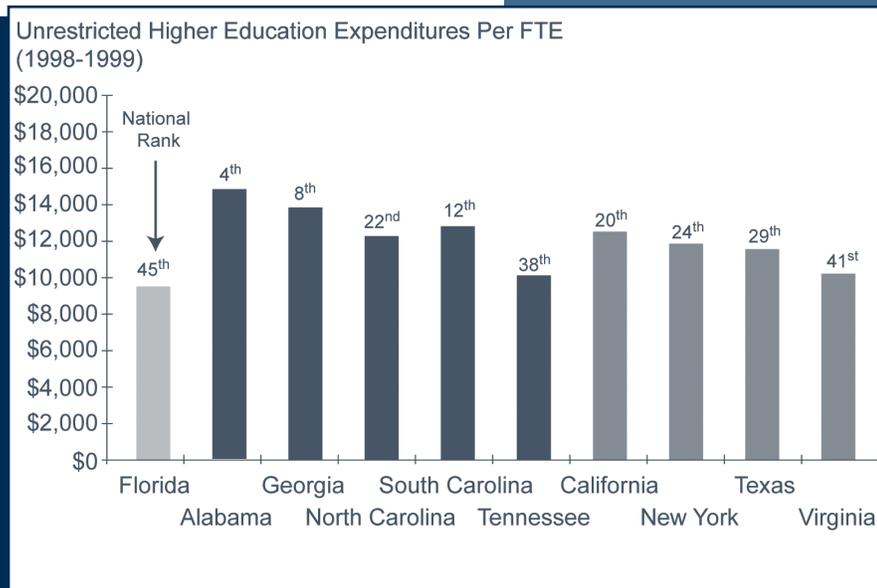


**SOURCES:**

U.S. Department of Education, National Center for Education Statistics, Common Core of Data, *Early Estimates of Public Elementary/Secondary Education Survey, 2000-2001*, *National Public Education Finance Survey and State Nonfiscal Survey of Public Elementary/Secondary Education, 1996-1997 through 1999-2000*, and *2000 Digest of Education Statistics*.

### Higher Education Spending

Per student, unrestricted educational and general expenditures per FTE for higher education also lagged behind the United States average. Florida expended \$9,792 per FTE student in 1999, compared to \$11,667, nationally. Florida failed to outspend any of its regional or national competitors in the Southeast and ranked 45th among all United States.



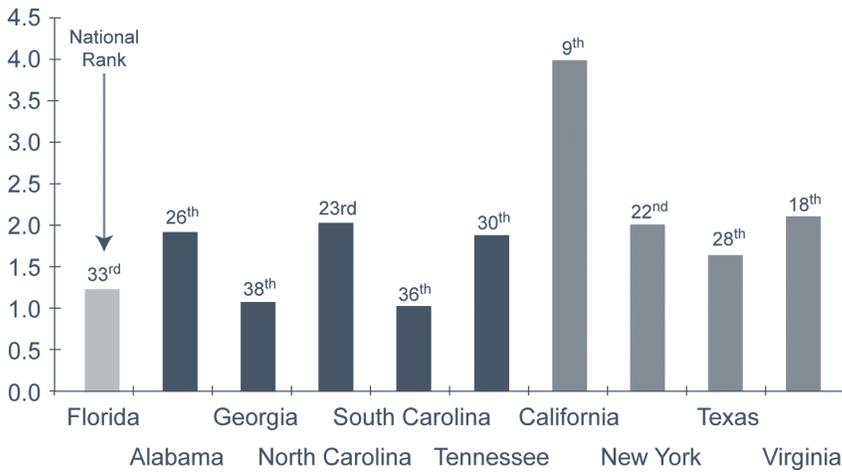
**SOURCES:**

National Center for Education Statistics, *Integrated Postsecondary Education Data System, 1999 Fall Finance Survey*. Covers public institutions only.

### R&D Intensity

Research and development spending as a percent of gross state product – a calculation often referred to as “R&D intensity” – measures the role of R&D activity in a regional economy. The absolute value of R&D performed is not entirely accurate as an indicator of support for R&D relative to other states, because the measure does not account for differences in the size of a state's economy or population. In general, the nation's largest states are also its highest-volume R&D performers. Because it controls for these factors, R&D intensity is a preferred measure.

R&D Intensity (1998)



R&D accounted for 2.5 percent of U.S. Gross Domestic Product in 1998. The state with the highest ratio was Delaware (7.5 percent). Florida ranked 33rd in the nation in R&D intensity, with total R&D comprising 1.14 percent of its gross state product (GSP). With respect to its regional and national competitors, Florida compares poorly. Only Georgia and South Carolina rank lower on this statistic.

*SOURCES:*

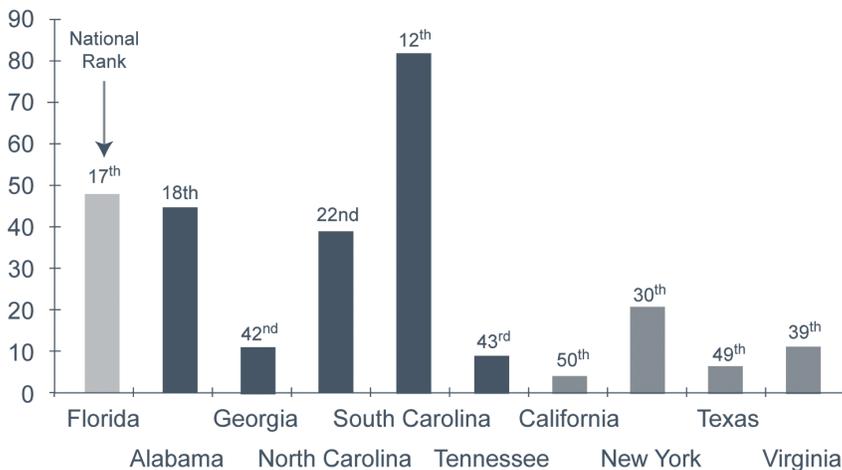
National Science Foundation, *Science & Engineering Indicators, 2000*. Retrieved October 10, 2001 from the World Wide Web: <http://www.nsf.gov/sbe/srs/seind00/append/c2/at02-21.xls>.

### Academic R&D Intensity

Although comprising only 15 percent of total R&D activity in Florida, academic R&D plays an important role in attracting top researchers to the state's institutions of higher education, thus ensuring their availability, not only as researchers, but also as resources for students. Academic R&D expenditures totaled \$712 million in 1998. This accounted for 0.5 percent of Florida's GSP, placing Florida 17th in the nation for academic R&D intensity.

Florida compares favorably to its competitors in academic R&D intensity. Only South Carolina is

Percent Academic R&D Intensity (1998)



ranked higher among the regional and national competitor states. California, which is among the top states as measured by most other R&D indicators, is 50th on this statistic.

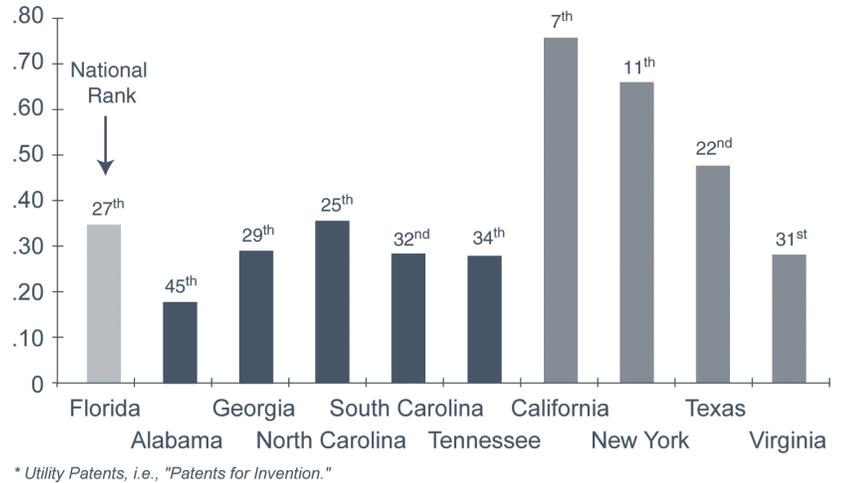
*SOURCES:*

National Science Foundation, *Academic Research and Development Expenditures: Fiscal Year 1998*.

### Patents Issued

Another core indicator of R&D activity in a state is the number of patents issued. In 1997, 0.32 patents were issued per 1,000 workers in Florida, below the national average of 0.48 patents per worker. Florida ranks 27th among the states. This somewhat low ranking is not surprising, given that Florida has a below average share of high-tech jobs, which are typically associated with higher numbers of patent issues. When compared to its regional and national competitors, Florida fares only slightly better – both California and New York have more than twice Florida's production of patents.

Number of Patents\* Issued Per 1,000 Workers (1996-1997)



*SOURCES:*

United States Department of Commerce, Patent and Trademark Office.



## Appendix 2 – Sources for Exhibits

**Figure 4** Poverty: United States Department of Commerce, Bureau of the Census, *Current Population Survey*. Retrieved February 2002 from the World Wide Web: <http://www.census.gov/hhes/wwwpoverty.html>.

Educational Attainment: U.S. Department of Commerce, Bureau of the Census, Education and Social Stratification Branch, Retrieved February 2002, from the World Wide Web: <http://www.census.gov/population/socdemo/education/p20-536/tab10.txt>

**Figure 5** Per Capita Personal Income: Tran, D. Personal Income and Per Capita Personal Income by State, 2000. *Survey of Current Business*, 2001, May, p. 34-35.

Educational Attainment: *Postsecondary Education OPPORTUNITY*, Educational Attainment, and Economic Welfare Measures. Retrieved October 10, 2001 from the World Wide Web: <http://www.postsecondary.org/home/default.htm>.

**Figure 6** *Postsecondary Education OPPORTUNITY*, Median Annual Income for People 25–64 Years by Educational Attainment, 1999.

**Figure 7** Florida Department of Education, Florida Education and Training Placement Information Program, *Initial Quarterly Earnings upon Completion, 1999-00 Graduates/Completers with Full-Time Employment in October-December 2000*.

**Figure 8** Occupation Projections: Florida Department of Labor and Employment Security, Office of Labor Market Statistics, *Florida Industry and Occupational Employment Projections to 2008*, 2001 Edition. Retrieved October 10, 2001 from the World Wide Web: <http://www.labormarketinfo.com/oes-proj/oes.htm>.

Education Requirements for Occupations: Florida Department of Education, Office of Workforce Education and Outcome Information Services, *1998 Occupational Forecasting Conference*.

**Figure 10** United States Department of Commerce, Bureau of the Census, *2000 Statistical Abstract of the United States*.

**Figure 11** Corporation for Enterprise Development, *2000 Report Card for the States*, Retrieved October 10, 2001 from the World Wide Web: <http://209.183.252.135/>.

**Figure 12** Gross State Product: United States Department of Commerce, Bureau of Economic Analysis.

Employment: United States Department of Labor, and the Bureau of Labor Statistics.

- Figure 13** United States Department of Commerce, Bureau of the Census, *Educational Attainment of the Population 25 Years and Over, by State, Including Confidence Intervals of the Estimates*, March 2000. Retrieved October 10, 2001 from the World Wide Web: <http://www.census.gov/population/socdemo/education/p20-536/tab13.txt>.
- Figure 14** United States Department of Commerce, Bureau of the Census, *Educational Attainment of the Population 25 Years and Over, by State, Including Confidence Intervals of the Estimates*, March 2000. Retrieved October 10, 2001 from the World Wide Web: <http://www.census.gov/population/socdemo/education/p20-536/tab13.txt>.
- Figure 15** *Postsecondary Education OPPORTUNITY*, Public High-School Graduation Rates by State, 1981-1999. Retrieved October 10, 2001 from the World Wide Web: <http://www.postsecondary.org/home/default.htm>.
- Figure 16** *Postsecondary Education OPPORTUNITY*, Public High-School Graduation Rates by State, 1981-1999. Retrieved October 10, 2001 from the World Wide Web: <http://www.postsecondary.org/home/default.htm>.
- Figure 17** *Postsecondary Education OPPORTUNITY*, Public High-School Graduation Rates by State, 1981-1999. Retrieved October 10, 2001 from the World Wide Web: <http://www.postsecondary.org/home/default.htm>.
- Figure 18** Degrees Awarded: National Center for Education Statistics, Integrated Postsecondary Education Data System, *Completions Survey 2000*.  
Population Estimates: United States Department of Commerce, Bureau of the Census.
- Figure 19** Degrees Awarded: National Center for Education Statistics, Integrated Postsecondary Education Data System, *Completions Survey 2000*.  
Population Estimates: United States Department of Commerce, Bureau of the Census.
- Figure 20** Science and Engineering Degrees Awarded: National Science Foundation, Division of Science Resource Studies, *Science and Engineering State Profiles, 1998-1999*. Retrieved October 10, 2001 from the World Wide Web: <http://www.nsf.gov/sbe/srs/nsf01317/htmstart.htm>.  
Population Estimates: United States Department of Commerce, Bureau of the Census.

**Figure 21** United States Department of Education, National Center for Education Statistics, Common Core of Data, *Early Estimates of Public Elementary/Secondary Education Survey*, 2000-2001, *National Public Education Finance Survey and State Nonfiscal Survey of Public Elementary/Secondary Education*, 1996-1997 through 1999-2000, and *2000 Digest of Education Statistics*. Inflation adjustments were made according to the United States Department of Labor, Bureau of Labor Statistics, average Consumer Price Index. Data for fiscal years 1999 through 2001 are estimated.

**Figure 22** Provided by staff from the Florida Legislature House Committee on Education Appropriation, January 2002.

**Figure 23** National Center for Education Statistics, Integrated Postsecondary Education Data System, *1999 Fall Finance Survey*. Inflation adjustments were made according to the United States Department of Labor, Bureau of Labor Statistics, Average Consumer Price Index.

# Preparing Florida's Intellectual Infrastructure for the 21<sup>st</sup> Century Economy

Florida's "intellectual infrastructure" – its workforce skills, its education system, and its research and development capacity – may be the critical determinant of the state's competitiveness in the 21<sup>st</sup> century economy. However, Florida's intellectual infrastructure is not keeping pace with the changing demands of the global economy, and is slipping behind its competition.

## *Why Does Intellectual Infrastructure Matter?*

Florida's intellectual infrastructure is critical to the state's economic performance because it determines:

- **The health of Florida's existing businesses.** Florida businesses produced an average of just under \$60,000 in gross state product per worker in 1999, about 20 percent behind the national average. In most major industries productivity is below that of the nation – suggesting a deficiency in workforce skill levels.
- **The growth capacity for the state's emerging industries.** As many as four out of five new jobs over the past new decade will require some form of postsecondary education and training. Five of the ten fastest-growing occupations will require a bachelor's degree or higher.
- **Individual and society-wide income levels.** Individual income levels increase dramatically with educational attainment. Each one percent increase in the share of the adult population with a college degree boosts per capita income by \$750 – suggesting that one way to return Florida's per capita income level to the national average would be to boost the educational attainment of the state's population.

## *How Does Florida's Intellectual Infrastructure Measure Up?*

Florida ranks near the bottom tier of states in most measures of educational performance, and in many cases lost ground during the 1990s.

- **Educational attainment.** The share of Florida's adult population (ages 25 and over) with a high school diploma increased from 80 percent in 1991 to 84 percent in 2000, but this growth lagged the national rate of improvement; Florida's rank among the 50 states dropped from 27<sup>th</sup> to 34<sup>th</sup> over this period. Similarly, the share of Florida's adult population with a college degree increased from 19.5 percent to 22.8 percent, but the state's rank fell from 32<sup>nd</sup> to 37<sup>th</sup>.
- **High school graduation.** National data published by the U.S. Department of Education indicate that Florida's four-year high school graduation rate dropped from 61 percent of entering first-



NEW CORNERSTONE

*Florida shows signs of lapsing into a vicious cycle, where the state's limited number of high-skilled workers inhibit creation of high-value jobs, limit income levels, and weaken the state's economy.*

year students in 1990 to 56 percent in 1999; the state's rank increased modestly from 47<sup>th</sup> to 45<sup>th</sup>. Florida Department of Education data, which adjusts for the mobility of the state's population, indicates that Florida's high school graduation rate is slightly higher, with 60 percent of first-year students completing high school in four years in 1999 and 64 percent in 2001.

- **College continuation.** The share of high school graduates who continue on to college increased from 42.7 percent in 1988 to 49.5 percent in 1998. Again, Florida lagged the national rate of improvement in this measure, and its rank fell from 35<sup>th</sup> to 43<sup>rd</sup>. The most current data from the Florida Education and Training Placement Information Program (FETPIP) which uses a sophisticated methodology to track education outcome data for high school graduates in Florida, indicate that Florida's rate is slightly higher, at 55 percent in 1999-2000.
- **College degree production.** Adjusted for the size of the state's prime working age population (ages 18 to 44), Florida ranks 44<sup>th</sup> among the states for production of new baccalaureate degrees, and 40<sup>th</sup> among the states for production of science and engineering doctoral degrees.

The cumulative impact of these and other breakdowns in Florida's education and workforce development systems is enormous. Of ten students who enter high school, today in Florida only approximately six will complete high school; three of these six will continue on to college; and two of these three will complete a baccalaureate degree program successfully. Consequently, Florida shows signs of lapsing into a vicious cycle, where the state's limited number of high-skilled workers inhibit creation of high-value jobs, limit income levels, and weaken the state's economy – prompting talented graduates to look for better opportunities elsewhere and discouraging the state's young people from pursuing higher education, thereby perpetuating the cycle.

### **Priorities for the Next Decade**

The Florida Chamber of Commerce Foundation recommends adopting the following goals for the next decade as part of the Board of Education's strategic plan:

- **Increase the high school graduation rate** from 60 percent of entering first-year students after four years to 75 percent by 2010 (increase in rank from 45<sup>th</sup> to 15<sup>th</sup> among the states using 2000 data).
- **Increase the college continuation rate** from 50 percent of high school graduates to 62 percent by 2010 (increase in rank from 43<sup>rd</sup> to 14<sup>th</sup> among the states using 1999 data).
- **Increase the baccalaureate degree production rate** to the national median by 2010 and the top 10 in the nation by 2020. Attaining the national median – roughly 1,200 degrees each year per 100,000 residents ages 18-44 – would require approximately 14,000 additional baccalaureate degrees each year.

- **Increase the science and engineering doctoral degree production rate** to the national median by 2010 and the top 10 in the nation by 2020. Attaining the national median – roughly 22 Ph.D.'s per 100,000 residents ages 18-44 – would require approximately 370 additional degrees per year.

#### *THE NEW ABCs FOR FLORIDA'S EDUCATION SYSTEM*

- **Accountability and performance-based management.** Develop an annual report on the status and performance of Florida's education system, and link planning, budgeting, and management decisions to performance indicators.
- **Borderless preK-20-plus lifelong learning system.** Complete the state's groundbreaking effort to establish a seamless education system between kindergarten and graduate and professional programs. Expand this system to incorporate preK readiness programs as well as the full array of post-secondary and incumbent worker training programs. Pay special attention to making this system truly seamless by focusing on preparation and transitions: in particular, between high school and college programs, and between two-year and four-year college programs.
- **Community leadership and engagement.** Expand programs such as WorldClass Schools and Communities in Schools, which brings community and business resources into the classroom, to all districts in the state. Challenge all Florida businesses should be challenged to adopt a student, teacher, classroom, school, or district, depending on available resources, to shape the future workforce one student at a time.
- **Discovery, development, and deployment of knowledge.** Redouble efforts to create an environment where ideas are exchanged and easily transferred to commercial products and services. Expand financial and other incentives for faculty and businesses to participate in partnerships and transfer knowledge; and for students to enroll in and complete graduate programs in science and engineering.
- **Early intervention for at-risk students, schools, and districts.** Increase funding for specialized assistance programs for at-risk students; eliminate or severely restrict social promotion or retention of under-performing students. Establish a program for identifying and intervening in at-risk schools.
- **Focused and flexible funding.** Increase funding for educational programs at all levels. Focus on high-risk students and schools with strategies that have demonstrated a high rate of return, including lower pupil/teacher ratios, readiness programs, and classroom resources. Provide greater flexibility to tailor educational funding and programs to community needs.
- **Governance and decision-making at the delivery level.** Continue to set high performance standards at the state level, but place authority for implementing decisions at the university, school, and community level.

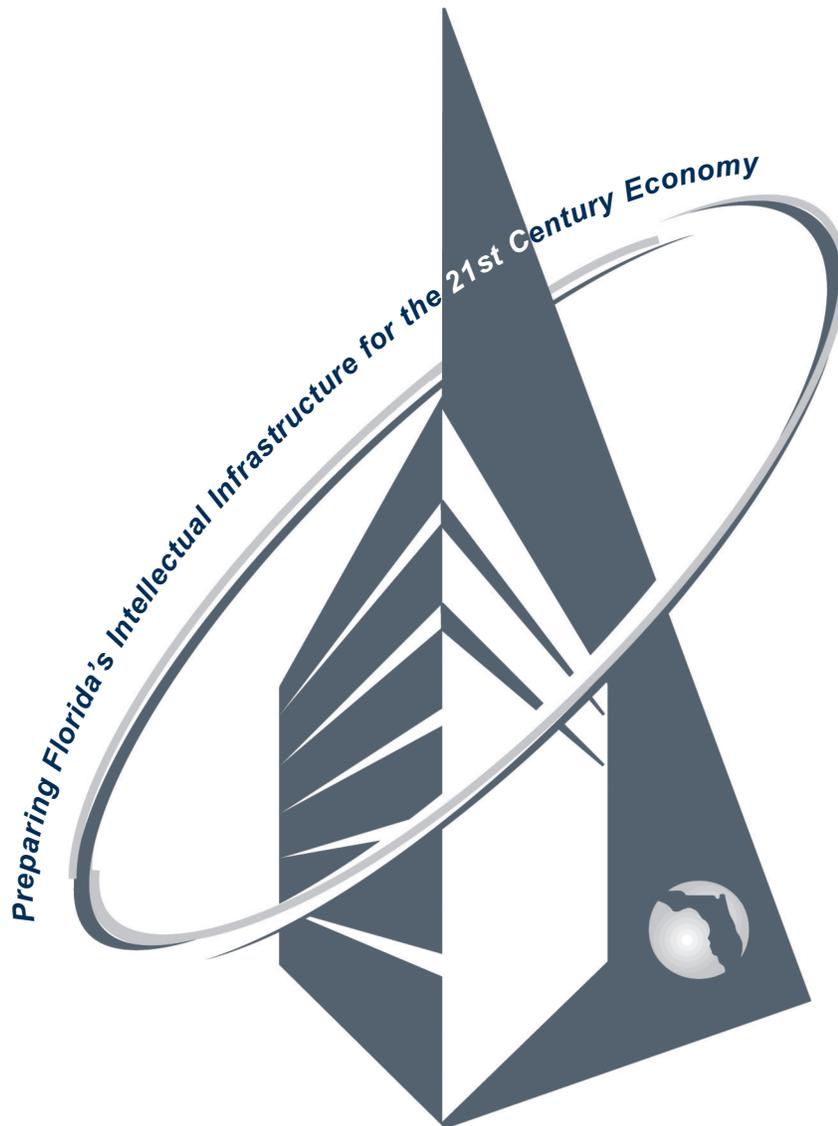
During the late 1990s Florida's public and private organizations made great strides at addressing the longstanding deficiencies of the state's education system, through initiatives such as the Sunshine State Standards, the A+ program, the reorganization of educational system governance into a seamless K-20 system, and the WorldClass Schools and Communities and Schools programs. The state now can build upon these successes to point the way toward a decade of knowledge and skills development.

**Implementation Plan**

- 1. Adopt the targets** for the high school graduation rate, college continuation rate, and baccalaureate and beyond degree production rates as part of the Board of Education's strategic plan.
- 2. Develop a multi-pronged program for increasing the high school graduation rate and graduate preparedness.** Key elements of this program should include: reaffirming the state's commitment to school reform; tailoring education programs to business and community needs; developing and implementing a process for identification of and intervention in low-performing schools; and targeting funding at proven strategies for improving performance.
- 3. Develop a multi-pronged program for increasing the number of college graduates in key fields as well as the level of research and development activity.** Key elements of this program should include: increasing baccalaureate degree production rates through increasing capacity at existing institutions and enhancing geographic and financial access to four-year programs; increasing science and engineering degree production through collaborative business/university partnerships and financial incentives for graduate students; improving the knowledge discovery-development-deployment cycle through ensuring the presence of a critical mass of scientists and engineers and streamlining processes for product or service commercialization; and continuing the process of devolving decision-making authority to university board of trustees initiated by the Florida Education Governance Reorganization Implementation Act of 2001.
- 4. Develop a strategy to bring education funding per student at all levels** – preK through graduate programs – closer in line with the national median. Future education funding increases, if any, should be implemented in a manner that allows for community flexibility over the use of these additional resources, as well as for the targeting of funding at high-return strategies for increasing student, school, or university performance.
- 5. Implement a public outreach initiative** – perhaps under the title “Education First” – to promote the value of education to the community at large. The initiative should promote support from parents, students, and community leaders for degree attainment, lifelong learning, participation in mentoring and other volunteer programs, financial support for education, and careers in education.
- 6. Implement a system for measuring and reporting the performance of Florida's education system.** Analysis and reporting responsibilities should be assigned the Council on Education Policy Research and Improvement (CEPRI), in collaboration with the Board of Education, the Florida Chamber of Commerce Foundation, and other research organizations.

*The state should develop a multi-pronged program for increasing the high school graduation rate and graduate preparedness.*

# Chapter 3



## NEW CORNERSTONE

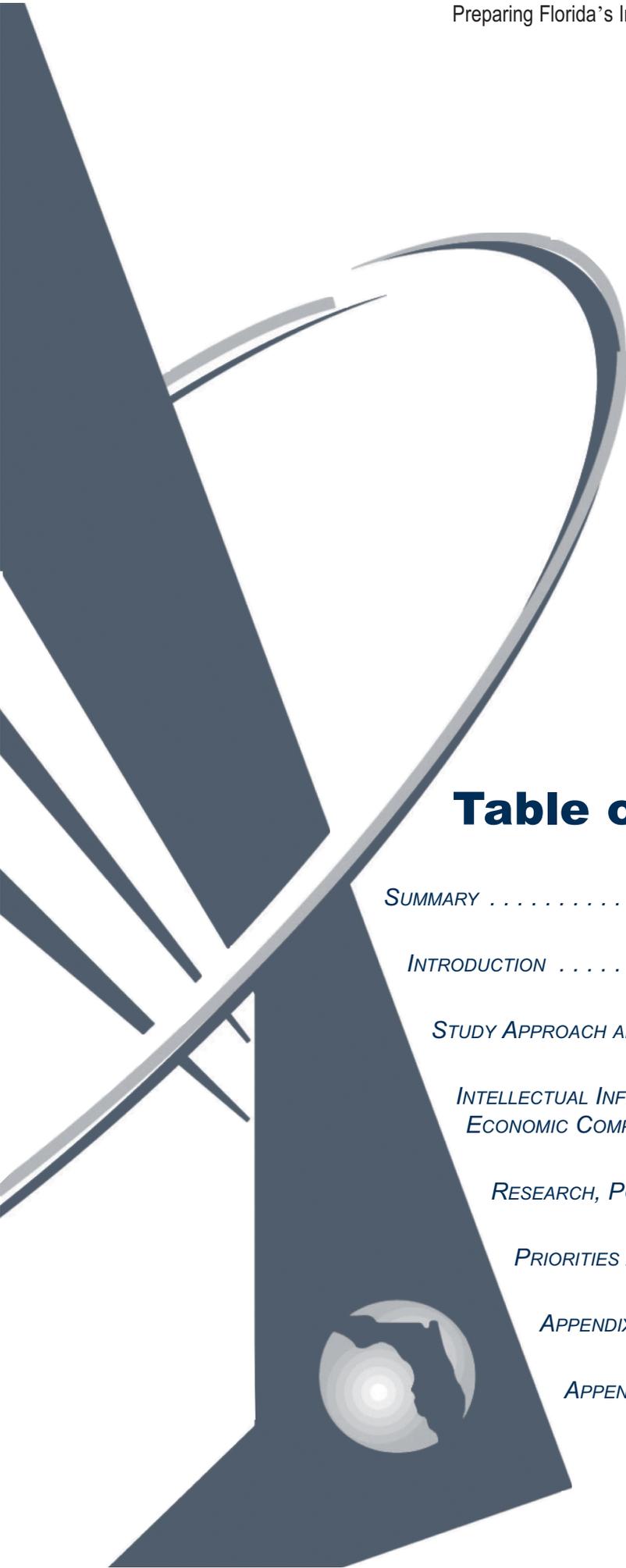
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# Preparing Florida's Intellectual Infrastructure for the 21st Century Economy

Florida's "intellectual infrastructure" – its workforce skills, its education system, and its research and development capacity – may be the critical determinant of the state's competitiveness in the 21st century economy. However, Florida's intellectual infrastructure is not keeping pace with the changing demands of the global economy and is slipping behind its competition. This chapter identifies critical priorities with respect to Florida's intellectual infrastructure and recommends strategies and actions for improving the state's performance in this crucial area.

## Summary

### *Why Does Intellectual Infrastructure Matter?*

Florida's intellectual infrastructure is critical to the state's economic performance because it determines:

- **The health of Florida's existing businesses.** Florida businesses produced an average of just under \$60,000 in gross state product per worker in 1999, about 10 percent below the average for Florida's regional competitors (Alabama, Georgia, North Carolina, South Carolina, and Tennessee), and about 20 percent below the national average as well as the average for the state's national competitors (California, New York, Texas, and Virginia). Although the state's emphasis on service and trade jobs lowers aggregate productivity statistics, productivity industry by industry is generally below that of the nation or Florida's key competitor states – suggesting a deficiency in workforce skill levels.
- **The growth capacity for the state's emerging industries.** The Florida Department of Labor and Employment Security estimates that four out of five new jobs over the next decade will require some form of postsecondary education and training. Of the 10 occupations where demand for workers is projected to increase most rapidly between 1998 and 2008, five will require a bachelor's degree or higher; three will require other postsecondary training; and only two will require no education beyond a high school degree.
- **The individual and society-wide income levels.** Individual income levels increase dramatically with educational attainment. Florida high school graduates entering the labor force earned on average just under \$16,100 per year in fiscal year 1999-2000. This figure is about 80 percent more than the poverty level for a single individual under the age of 65, and less than 150 percent of the poverty level for a family of two, placing them among the working poor. This starting salary nearly doubles for completors of baccalaureate programs, and nearly triples for completors of masters' programs – and



these gaps only widen over time. Analysis of state-by-state data indicates that each one percent increase in the share of the adult population with a college degree boosts per capita income by \$750 – suggesting that one way to raise Florida's per capita income level to the national average would be to boost the educational attainment of the state's population.

### ***How Does Florida's Intellectual Infrastructure Measure Up?***

Florida ranks near the bottom tier of states in most measures of educational performance, and in many cases lost ground during the 1990s:

- **Educational attainment.** The share of Florida's adult population (ages 25 and over) with a high school diploma increased from 80 percent in 1991 to 84 percent in 2000, but this growth lagged the national rate of improvement; Florida's rank among the 50 states dropped from 27th to 34th over this period. Similarly, the share of Florida's adult population with a college degree increased from 19.5 percent to 22.8 percent, but the state's rank fell from 32nd to 37th.
- **High school graduation.** The U.S. Department of Education (DOE) reports that Florida's four-year high school graduation rate dropped from 61 percent of entering first-year students in 1990 to 56 percent in 1999; the state's rank increased modestly from 47th to 45th. Florida DOE data, which adjusts for the mobility of the state's population, reported a slightly higher high school graduation rate in 1999, with 60 percent of first-year students completing high school in four years and 65 percent in five years. Even with these adjustments, Florida still ranks among the bottom tier of states. Although U.S. DOE data for 2001 were not available at the time of publication, the Florida DOE indicates that the four-year high-school graduation rate for that year increased to almost 64 percent.
- **College continuation.** The share of high school graduates who continue on to college in the fall term after graduation increased from 42.7 percent in 1988 to 49.5 percent in 1998. Again, Florida trailed the national rate of improvement in this measure, and its rank fell from 35th to 43rd. The most current data from the Florida Education and Training Placement Information Program (FETPIP), which utilizes a sophisticated methodology to track education outcome data for high-school graduates in Florida, indicate that the percentage of graduates continuing on to college in either the fall or winter terms following graduation was 55 percent in 1999-00. These data reflect students attending colleges in Florida but do not include those students attending colleges in other states. Comparable national level data for that year are not currently available.
- **College degree production.** Florida boasts one of the nation's strongest community college programs, ranking 11th among the states in the year 2000 for the number of associate degrees relative to the size of the prime working age population

*Florida ranks near the bottom tier of states in most measures of educational performance, and in many cases lost ground during the 1990s.*

(ages 18 to 44). Unfortunately, this strong two-year college program has not translated into comparable strength at higher levels of education. Florida's baccalaureate degree production rate ranks 44th among the states, and its science and engineering doctoral degree production rate ranks 40th. These data include both public and private institutions.

- **Educational funding and expenditures.** Several indicators suggest that educational spending in Florida is below what it could be:
  - K-12 expenditures did not keep pace with inflation and population growth during the 1990s, falling from almost \$4,900 to \$4,600 per pupil in constant 1991 dollars between 1991 and 2001, according to data published by the U.S. DOE. Florida's rank dropped from 21st to 42nd among the states during this period. Total estimated K-12 expenditures in 2001, as reported in *Early Estimates of Elementary and Secondary Education Statistics 2001-2002*, were \$14.6 billion. Total additional current dollars needed to bring Florida up to the national average in 2001 were \$2.7 billion (18 percent of current expenditures).
  - More current data from the Florida Legislative House Committee on Education Appropriations indicate that per pupil funding associated with the Florida Education Finance Program (FEFP) plus savings afforded the districts through a reduction in their required contribution to the Florida Retirement System (FRS), which amounted to \$4,011 in 2001-2002 (in constant 1991 dollars), was only slightly less than the 1991 level (-0.5 percent). The significant difference between national and state data sources reflects the fact that the former includes total K-12 expenditures from all governmental sources whereas the latter includes only those state and local funds calculated under the state funding formula for public school operations (FEFP funds) plus FRS savings. Fiscal 2001-2002 funding data for the 50 states were not available from the U.S. Department of Education at the time of publication.
  - Unrestricted higher education spending per student increased from \$8,320 in 1992 to \$9,800 in 1999 (both in constant 1999 dollars), but the state's rank fell slightly from 43rd to 45th, according to the U.S. DOE. Total unrestricted educational and general expenditures on higher education (public institutions only) were \$3.3 billion in 1999. This total includes figures only for those institutions reporting both enrollments and expenditures in the 1999 fiscal year. An additional \$700 million (21 percent of current expenditures) would have been required in 1999 to bring per student funding up to the national average.

The cumulative impact of these and other breakdowns in Florida's education and workforce development systems is enormous. Of 10 students who enter high school today in Florida, only six will complete high school; approximately three of these six will continue on to college; and two of these three will complete a baccalaureate

*Of 10 students who enter high school today in Florida, only six will complete high school; approximately three of these six will continue on to college; and two of these three will complete a baccalaureate degree program successfully.*

degree program successfully. Consequently, Florida shows signs of lapsing into a vicious cycle, where the state's limited number of high-skilled workers inhibit creation of high-value jobs, limit income levels, and weaken the state's economy – prompting talented graduates to look for better opportunities elsewhere and discouraging the state's young people from pursuing higher education, thereby perpetuating the cycle.

### **Priorities for the Next Decade**

In view of the importance of Florida's intellectual infrastructure to the state's economic competitiveness – as well as the lagging performance of the state in key measures today – the following goals are recommended for adoption as part of the Board of Education's strategic plan:

- **Increase the high school graduation rate** from 56 percent of entering first-year students after four years to 75 percent by 2010 (increase in rank from 45th to 15th among the states using 1999 data and the national methodology).
- **Increase the college continuation rate** from 50 percent of high school graduates to 62 percent by 2010 (increase in rank from 43rd to 14th among the states using 1998 data and the national methodology).
- **Increase the baccalaureate degree production rate** to the national median by 2010 and the top quintile of states by 2020. Attaining the national median – roughly 1,200 degrees each year per 100,000 residents ages 18-44 – would require approximately 14,000 additional baccalaureate degrees annually.
- **Increase the science and engineering doctoral degree production rate** to the national median by 2010 and the top quintile of states by 2020. Attaining the national median – roughly 22 Ph.D.s per 100,000 residents ages 18-44 – would require approximately 370 additional degrees per year.

### **Strategies for the Next Decade**

A seven-point program is proposed to guide the state in attaining these goals over the next decade – the new ABCs for Florida's education system (see Figure 1):

- A**ccountability and performance-based management
- B**orderless pre-K-20-plus lifelong learning system
- C**ommunity leadership and engagement
- D**iscovery, development, and deployment of knowledge
- E**arly intervention for at-risk students, schools, districts
- F**ocused and flexible funding
- G**overnance at the program delivery level

- **Accountability and performance-based management.** Florida adopted the Sunshine State Standards in the 1990s to define academic benchmarks for measuring students'

FIGURE 1. NEW ABCS FOR FLORIDA'S EDUCATION SYSTEM

progress. In conjunction, the Florida Comprehensive Assessment Test was designed to assess students' performance in meeting these standards. This effort should be reinforced and expanded to encompass key measures of student, school, and district performance at all levels of the pre-K-20 system. It is recommended that a statewide report card on the status and performance of Florida's education system be developed and widely reported annually; that the Council on Education Policy Research and Improvement (CEPRI) monitor and report on key metrics of the state's education, workforce, and research and development systems; and that these performance indicators be linked to planning, budgeting, and management decisions.

- **Borderless pre-K-20-plus lifelong learning system.** Florida was one of the first states to set a goal of establishing a seamless education system between kindergarten and graduate and professional programs. This system should be expanded to incorporate pre-K readiness programs, which are currently housed within the Agency for Workforce Innovation, as well as linked to the full array of postsecondary and incumbent worker training programs. In addition, special attention should be given to making this system truly seamless by focusing on preparedness and articulation and eliminating points of vulnerability at its borders: in particular, between high school and college programs, and between two-year and four-year college programs.
- **Community leadership and engagement.** The state's education, business, and governmental sectors must work together to create opportunities for greater community engagement in schools. Programs such as WorldClass Schools and Communities in Schools should be expanded to all districts in the state, with particular attention to ensuring that the full range of community resources is available to assist a troubled school. In addition, all Florida businesses should be challenged to adopt a student, teacher, classroom, school, or district, depending on available resources, to shape the future workforce one student at a time.
- **Discovery, development, and deployment of knowledge.** Florida's education system at all levels should affirm that one of its key goals is to discover, develop, and transfer knowledge and innovation. The state should redouble efforts to create an environment where ideas are exchanged and easily transferred to commercial products and services. These efforts should include financial and other incentives for faculty and businesses to participate in partnerships and transfer knowledge; and for students to enroll in and complete graduate programs in science and engineering.
- **Early intervention for at-risk students, schools, and districts.** The state should increase funding for specialized assistance programs for at-risk students, including reading and language instruction, teaching specialists, extra instruction time during the school year or summer, parental and community mentors and tutors, and technology-assisted learning tools. These have proven to be more

*All Florida businesses should be challenged to adopt a student, teacher, classroom, school, or district, depending on available resources, to shape the future workforce one student at a time.*

effective than social promotion or retention of students performing below grade-level, practices that should be eliminated or restricted. Similarly, the Board of Education should work in concert with CEPRI and the WorldClass Schools Foundation to establish a program for identifying and intervening in at-risk schools.

- **Focused and flexible funding.** Additional funding is needed for educational programs at all levels, but existing funding should become more focused and flexible. Funding should be focused on high-risk students and schools with strategies that have demonstrated a high rate of return, including lower pupil/teacher ratios, readiness programs, and classroom resources. Greater flexibility should be provided to tailor educational funding and programs to community needs, including adjusting the time and resources in the classroom to meet the needs of students. Additional funding for higher education is needed to boost degree production, build prominent science and engineering faculties and programs, and foster an atmosphere where the discovery, development, and deployment of knowledge and technology may flourish.
- **Governance and decision-making at the delivery level.** Florida should continue to set high-performance standards at the state level, but place authority for implementing decisions at the university, community college, school, and community level. School leadership needs the authority to apply resources where they will be most effective in a school or district, whether directed toward academic support services, curriculum enhancement, or teacher professional development. The Florida Education Governance Reorganization Act should be amended to clearly assign universities and their Boards of Trustees authority over the use of their resources.

*The Board of Education and key partners should develop a multi-pronged program for increasing the high school graduation rate and graduate preparedness.*

### **Implementation Plan**

Implementation of this program could begin through the following six steps:

**1. Adopt Targets.** The Board of Education should adopt the targets for the high school graduation rate, college continuation rate, and baccalaureate and beyond degree production rates identified by the *New Cornerstone* research as part of its strategic plan, and ensure that its full range of partners are aware of these targets and their role in achieving them.

**2. Increase High School Graduation Rate.** The Board of Education should work in conjunction with Workforce Florida, CEPRI, the Department of Juvenile Justice, the Department of Children and Families, the Florida Chamber of Commerce, the WorldClass Schools Foundation, and other partners to develop a multi-pronged program for increasing the high school graduation rate and graduate preparedness. Key elements of this program should include: maintaining the state's commitment to school reform; reflecting business and community needs in education programs; developing and implementing a process for identification of and intervention in low-performing schools; and

targeting funding at proven strategies for improving performance, as suggested in this report.

**3. Increase Responsiveness of Baccalaureate and Beyond Programs.** The Board of Education should work in conjunction with Workforce Florida, Enterprise Florida, the Florida Chamber of Commerce, CEPRI, and community colleges, colleges, and universities to develop a multi-pronged program for increasing the number of college graduates in key fields as well as the level of research and development activity. Key elements of this program should include: raising baccalaureate degree production rates through increasing capacity at existing institutions and enhancing geographic and financial access to four-year programs; increasing science and engineering degree production through collaborative business/university partnerships and financial incentives for graduate students; improving the research and development cycle through the presence of a critical mass of scientists and engineers and streamlined processes for new product commercialization; and continuing the process of devolving decision-making authority to university boards of trustees.

**4. Increase Education Funding.** The Legislature should develop a strategy to bring education funding per student at all levels – pre-K through graduate programs – closer in line with the national median. The state's budget should reflect the critical role that education plays in Florida's future. Future education funding increases, if any, should be implemented in a manner that allows for community and institutional flexibility over the use of these additional resources, as well as for the targeting of funding at high-return strategies for increasing student, school, college, or university performance.

**5. Build Community Consensus.** The Board of Education, Workforce Florida, the Florida Chamber Foundation, and other partners should implement a public outreach initiative – perhaps under the rubric of “Education First” – to promote the value of education to the community at large. The initiative should promote support from parents, students, and community leaders for degree attainment, life-long learning, participation in mentoring and other volunteer programs, financial support for education, and careers in education (both teachers and administrators). A state-level funding source related to economic development should be made available to support the outreach initiative.

**6. Implement Measuring and Reporting System.** The Florida Legislature should implement a system for measuring and reporting the performance of Florida's education system. Annual reports containing both annual and trend data on selected measures of student and school performance should be published and widely distributed. Analysis and reporting responsibilities should be assigned to CEPRI, in collaboration with the Board of Education, the Florida Chamber of Commerce Foundation, and other research organizations.

*The state's budget should reflect the critical role that education plays in Florida's future.*

## 3.1 Introduction

The global economy is transforming rapidly as the 21st century begins. Just as the Industrial Revolution transformed much of the United States from an agrarian to a manufacturing economy, so too the nation is now transitioning from a manufacturing to a service and information economy.

Florida's economy similarly is in transition. Growth leadership is shifting from the state's traditional economic base – agriculture, aerospace, and tourism – to information and services. The fastest growing industry sectors during the 1990s included business services, health care and biomedical industries and services, and telecommunications and information services. With low business costs and an attractive climate, Florida has the potential to emerge as part of the next generation of global high-tech centers, hosting research, production, and distribution functions in the electronics, communications, biomedical, and aerospace industries.

In the past, it was sufficient for states like Florida to compete on the basis of a large pool of available labor – fanned by continued in-migration from colder climates and other nations – coupled with below-average labor costs. Florida cannot effectively compete today in the global economy with low-skill labor; other countries provide low-skill labor for production and services at far lower wages. Instead, the critical ingredients of success are knowledge and talent. Florida must compete on the basis of its “intellectual infrastructure” – its skilled labor force, supported by a network of education and research institutions and a climate of innovation.

“The United States has been moving into the human capital economy since the early 1970s,” writes the Center for the Study of Opportunity in Higher Education. “Increasingly human welfare is determined by products of the labor of college-educated workers. This holds true beginning with individuals. It also holds true for all aggregations of individuals in families, households, cities, states and the country. Increasingly, this is also true for the world's population.”<sup>1</sup>

### ***What is Intellectual Infrastructure?***

Intellectual infrastructure is the framework of knowledge and skills that supports the economic competitiveness and development of Florida. While natural resources, agriculture, and tourism formed the base of the state's economy during the last century, the ability of people to access, use, and create knowledge across all industries will determine Florida's future. An economy built on knowledge and skills will offer Floridians opportunities to increase their financial status, provide for their families, and contribute to their communities – but only if they are prepared.

<sup>1</sup> Mortenson, T., *Education Attainment in the Human Capital Economy*, Postsecondary Education OPPORTUNITY, Center for Study of Opportunity in Higher Education, October 2000, p.1.

*Florida must compete on the basis of its “intellectual infrastructure” – its skilled labor force, supported by a network of education and research institutions and a climate of innovation.*

Jobs and careers that pay higher wages and offer advancement opportunity require that workers possess a range of skills, including the following:

- Strong general skills in basic education, communication, problem solving, and teamwork;
- Specific industry or job skills, including advanced science, engineering, and professional skills;
- Familiarity with computer and information technologies; and
- Ability to adapt to a rapidly changing world that affects the way businesses are operated. Workers and employers alike need to embrace the value of continuing learning throughout life.

Florida's workers must possess these skills to compete in the 21st-century economy, but a prepared workforce alone will not be sufficient to ensure the state's success. The evolving economy also requires innovation, including the discovery, development, and deployment of new knowledge and technologies that result in something not known before but that enriches Florida's communities – medicines, materials, processes, and techniques. The development and deployment of innovative ideas lead not only to new products and services, but also to businesses and jobs that emerge to produce and use them. New jobs and high-demand products translate into opportunity for individuals and the state. Innovative ideas, new jobs, and workers with critical skills underline the need for and benefits of a strong intellectual infrastructure.

This chapter analyzes the preparedness of Florida's intellectual infrastructure today, and identifies priorities and strategies for strengthening this cornerstone of the state's economy over the next decade. The chapter is organized in five sections, including this introduction. The remaining sections are:

- Section 3.2, **Study Approach and Methodology**, describes the quantitative and qualitative methods used in the study of intellectual infrastructure.
- Section 3.3, **Intellectual Infrastructure and Economic Competitiveness**, explores the relationship between workforce preparation, research and development, and education and the economic status of individuals and the state.
- Section 3.4, **Research, Policy, and Practice**, reviews state, regional, and national studies, initiatives, and programs aimed at improving intellectual infrastructure.
- Section 3.5, **Priorities and Strategies**, identifies the major priorities and strategies for strengthening Florida's intellectual infrastructure over the next decade.
- Appendix 1, **Performance Indicators**, benchmarks Florida's workforce, educational, and research and development systems against competitor states.
- Appendix 2, **Data Sources**, identifies data sources used in this report.

*The evolving economy also requires innovation, including the discovery, development, and deployment of new knowledge and technologies.*

## 3.2 Study Approach and Methodology

The research approach for this study involved a variety of quantitative and qualitative methods. The research team reviewed state and national measures, the findings from other studies and research, and the perspectives of business, industry, education, and community leaders throughout Florida. The data collected included:

- Quantitative demographic, educational, and employment data from state and national sources;
- Reviews of research literature and publications;
- Interviews with educators, public officials, and researchers; and
- Focus groups involving more than 140 community representatives from seven regions in Florida.

**Quantitative Data.** Data were collected and analyzed to look at the picture of how intellectual infrastructure in Florida has changed since the 1989 *Cornerstone* report was published, to compare Florida to the rest of the nation, and to compare Florida to states that have been identified by Enterprise Florida as national and regional competitors. National data sources included the U.S. Bureau of the Census, the National Center for Education Statistics, Integrated Postsecondary Education Data Systems, the National Science Foundation, the U.S. Bureau of Economic Analysis, the U.S. Department of Labor, and the U.S. Patent and Trademark Office. Florida data sources included the Department of Education, Enterprise Florida, and the Bureau of Labor Statistics. Competitor states identified by Enterprise Florida included national competitors (California, New York, Texas, and Virginia) and regional competitors (Alabama, Georgia, North Carolina, South Carolina, and Tennessee). The most recent data available from national and state sources are cited in this report; generally, the state sources are more current but not directly comparable with other states for benchmarking purposes.

**Research Literature and Reports.** A wealth of research related to education performance, benchmarks, quality, policy, programs, and reform has been published in recent years. The nation and its states are struggling to find answers to the pressing problems related to educating the populace, the quality of education, and educating the workforce to meet the needs of the new economy. These studies were reviewed by the research team and best practices were identified and assessed for their applicability to Florida.

**Interviews with Educators, Public Officials, Researchers, and Industry and Community Leaders.** While one part of Florida's story of economic status is told through quantitative data such as the state's national rankings on education and economic welfare issues, the story does not end there. A powerful source of information is the perceptions of the residents of the state, especially those of business, education, and community leaders. Those perceptions are based on everyday experiences in the communities of Florida. They know

*The nation and its states are struggling to find answers to the pressing problems related to educating the workforce to meet the needs of the new economy.*

whether businesses can find workers with the job skills they need, what barriers their businesses and communities confront, and how communities may work to address their most pressing problems. Throughout this project, individuals have contributed data, referred the research team to valuable resources, and offered their perspectives on problems in the state as well as ideas on how to strengthen Florida's intellectual infrastructure, and consequently, the state's economic competitiveness.

**Focus Groups.** The interviews were supplemented with a series of focus groups that convened business, education, economic development, and community leaders in seven regions to discuss intellectual infrastructure issues and strategies. Focus group participants received an overview of the data analysis and were asked to identify problems facing their communities. Participants ranked the problems and suggested strategies to address those problems viewed as most critical. The regional focus groups for intellectual infrastructure were held between June and August 2001 in:

- Ft. Myers,
- Gainesville,
- Jacksonville,
- Live Oak,
- Miami,
- Panama City, and
- Tampa.

In addition, the research team attended six regional strategic planning meetings sponsored by Enterprise Florida in July 2001.

### 3.3 Intellectual Infrastructure and Economic Competitiveness

#### *Why Is Intellectual Infrastructure Important?*

Florida's ability to compete in the new economy is largely determined by the quality of its workforce and its ability to discover, develop, and apply new technologies. The state's economic competitiveness is formed by the strength of its economic foundations, including intellectual infrastructure, technology, physical infrastructure, financial resources, tax and regulatory climates, and quality of life. These foundations are interrelated and build upon one another. By preparing the workforce and advancing innovation, intellectual infrastructure is central to the evolution of the economy.

When there are few high-skilled workers, a state can enter into a "vicious cycle" where the size and quality of the labor force limits the number of high value-added jobs in a region and stifles economic growth (see Figure 2). When an economy is weak, in turn, demand for specialized degrees is limited and talented graduates tend to leave a region for better opportunities elsewhere, perpet-

*When there are few high-skilled workers, a state can enter into a "vicious cycle" where the size and quality of the labor force limits the number of high value-added jobs in a region and stifles economic growth.*

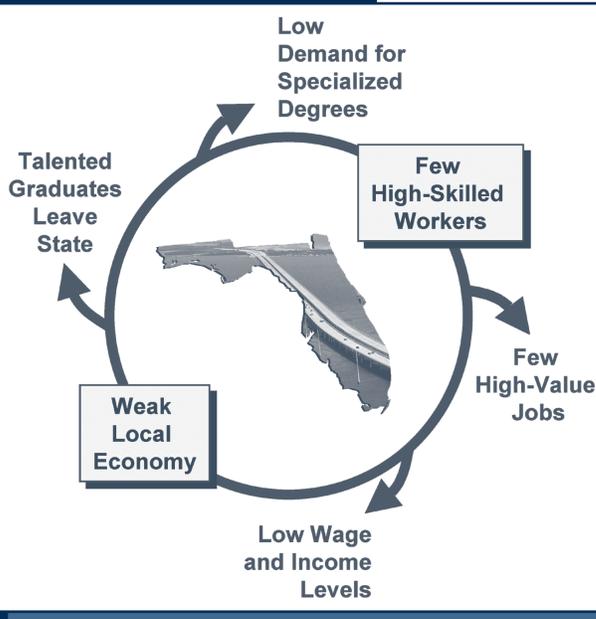


FIGURE 2. VICIOUS CYCLE?

Economic status and the intellectual infrastructure of a state are inextricably linked. There is a strong correlation between educational attainment levels and income or poverty measures. In general, a high school diploma qualifies recipients for jobs with annual earnings above the poverty threshold. A college degree affords recipients to earn average annual earnings and to keep ahead of inflation. An advanced degree opens the door to annual earnings in the upper-income level.

uating the cycle by undermining the competitiveness of the state's future work force.

In contrast, a large supply of high-skilled workers can create a "vital cycle" of high value-added jobs, rising wages, and accelerated economic growth (see Figure 3). When an economy is strong, students and workers invest in advanced degrees and specialized training, and talented graduates remain in a region, perpetuating the cycle by preparing the work force for the next wave of growth and change.

High-skilled workers are the core of the world's most competitive economies today, creating a vital cycle of rising wages and accelerated economic growth. Florida's economy risks lapsing into a vicious cycle, however, where fewer high-skilled workers limit the number of high-value added jobs and stifle economic growth.

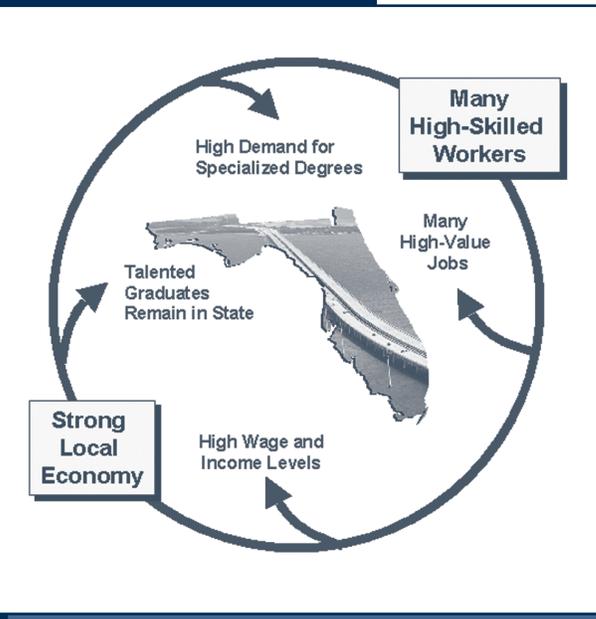


FIGURE 3. OR VITAL CYCLE?

The percentage of a state's population living in poverty generally declines as more of its adult population earns a high school diploma (see Figure 4). In 2000, 84 percent of Florida's population of individuals ages 25 years and older had earned a high school diploma, equaling the national average. Florida's poverty rate stood at 11.5 percent (1999-2000 average), also equal to the national rate. The analysis of this relationship in the 50 states suggests that for each additional percent of the population educated at the high school level or above, the poverty rate is reduced by 0.5 percent.

The percentage of persons attaining a bachelor's degree or higher has a significant influence on per capita personal income (see Figure 5). About 22.8 percent of Florida's population ages 25 years and older had earned a bachelor's degree or higher in 2000, below the national average of 25.1 percent. Florida's per capita personal income in 2000 was

\$28,145, about \$1,500 less than the national average of \$29,676. State-by-state data suggest that each one percent increase in the number of individuals attaining a bachelor's degree or higher is associated with an additional \$744 in per capita personal income. In other words, for Florida's per capita income to return to the national average, the percentage of the state's adult population with a college degree would need to increase by at least two percentage points, also matching the national average.

Nationally, average annual earnings increase with the level of educational attainment (see Figure 6). The average annual earnings of individuals nationwide without a high school diploma stood at \$16,053 in 1998, below the poverty threshold for a family of four (\$16,660). Earnings of individuals who had a high school diploma averaged \$23,594, which is significantly higher than this threshold. Bachelor's degree-holders' average annual earnings exceeded those of high school graduates by nearly 86 percent, and advanced degree-holders' earnings exceeded those of bachelor's degree-holders by 45 percent.

Moreover, the earnings gap between workers with different levels of educational attainment widened over the past 25 years. Between 1975 and 1998, the only attainment level where national average annual earnings decreased (in terms of constant 1998 dollars) was among individuals who had not attained a high school degree. The rate of growth in average annual real income between 1975 and 1998 increased for each educational level high school or beyond – about four percent for individuals holding high school diplomas, 13.5 percent for individuals with some college or an associate's degree, 22.4 percent for individuals with a bachelor's degree, and nearly 31 percent for individuals with advanced degrees.

A review of initial fourth quarter earnings of Floridians who completed academic programs during the previous academic year reveals a similar picture of earnings and economic welfare within Florida (see Figure 7). These data confirm that high school graduates are among the poorest of all Floridians. Although their initial earnings are approximately 80 percent higher than the poverty threshold for a single individual under the age of 65, they earn less than 150 percent of the poverty threshold for a family of two, placing them among the working poor. In general, higher educational attainment leads to higher wages. While the data indicate that workers with bachelor's degrees often initially earn less than those who gained community college vocational training or

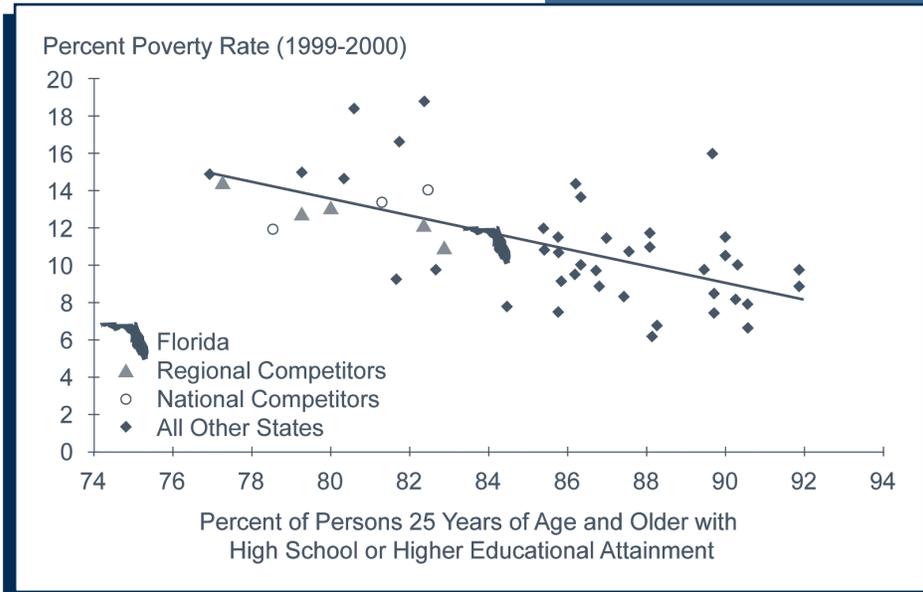


FIGURE 4. RELATIONSHIP BETWEEN EDUCATIONAL ATTAINMENT AND POVERTY

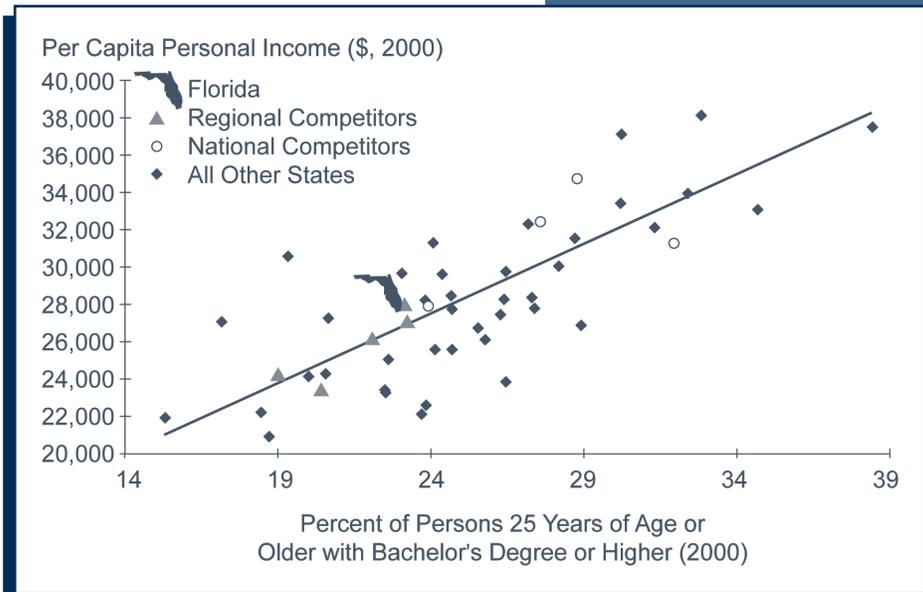
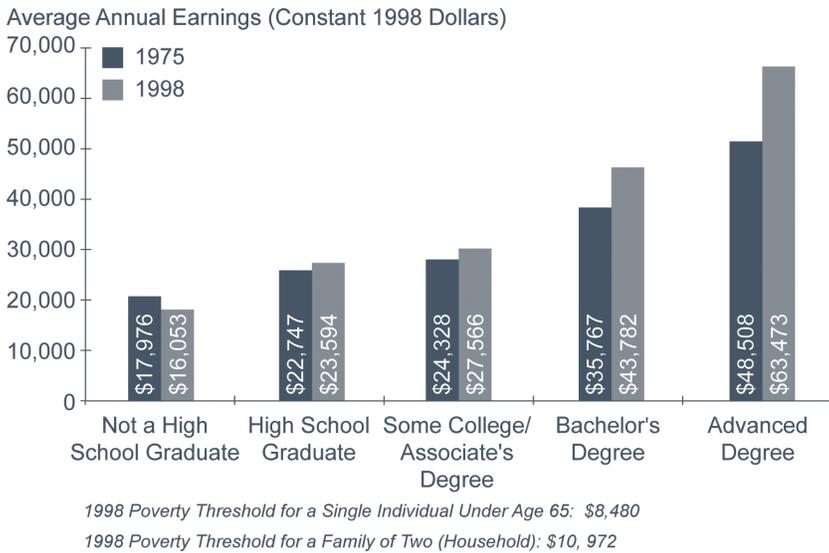
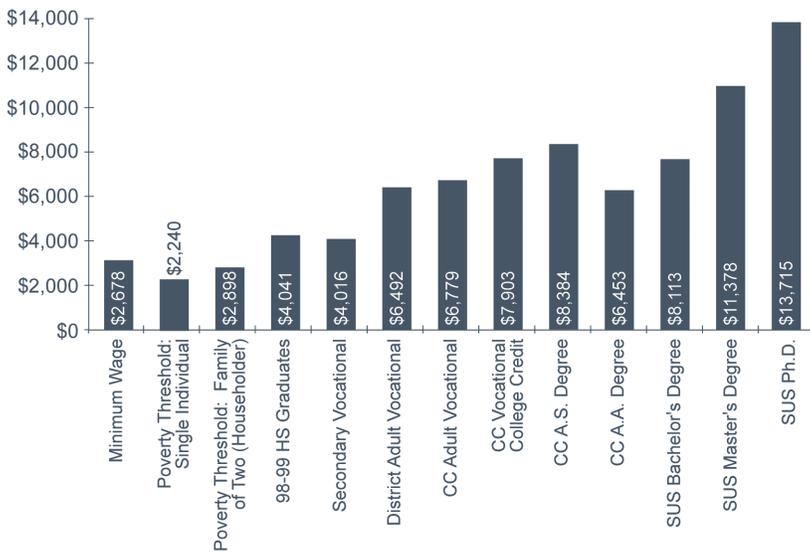


FIGURE 5. RELATIONSHIP BETWEEN BACHELOR'S DEGREE AND PERSONAL INCOME



**FIGURE 6. RELATIONSHIP BETWEEN BACHELOR'S DEGREE AND AVERAGE ANNUAL EARNINGS, 1975 AND 1998**

eight of the 10 fastest-growing occupations in Florida is postsecondary education and above (see Figure 8). These occupations would support the state's emerging high-tech industry (computer support specialists, systems analysts, computer engineers, instructional coordinators, and database administrators), or its burgeoning health care and professional services industries (surgical technicians, paralegals, and medical records technicians). Only two fast-growing occupations (medical assistants and packaging and filing machine operators) require no education beyond a high school degree. None of the fastest-growing occupations in Florida requires less than a high school degree. Estimates suggest that as many as four out of five new jobs in Florida over the next decade will require some form of postsecondary education or training.



**FIGURE 7. QUARTERLY EARNINGS OF NEW FLORIDA GRADUATES UPON COMPLETION (2000)**

### What Does Florida's Intellectual Infrastructure Comprise?

Intellectual infrastructure comprises three related components: 1) the workforce, 2) research and development, and 3) the education system. In Florida, each component plays a critical role in advancing the state in the new economy.

#### Workforce

Florida's labor market has grown at a rapid rate over the past decade; as of August 2001, total employment in Florida exceeded 7.2 million workers. Employment grew in Florida at a compound annual rate of 2.2 percent between 1990 and 1995, and growth

accelerated to 3.4 percent annually between 1995 and 2000. Between 2000 and 2010, employment growth is projected to slow to just over 2.2 percent per year. Florida's employment growth will continue to outpace the national average, especially in the service sector.

Services are the dominant industry in Florida. Currently accounting for 35 percent of employment, services are expected to experience continued strong growth over the next decade. Much of the service sector offers

lower-paying jobs related to tourism and hospitality; however, some of the increase in service employment is part of a national trend toward growth in business and health services. Sectors such as transportation and utilities; mining and construction; finance, insurance, and real estate; government; and trade also are projected to grow between 2000 and 2010, while manufacturing employment continues to decline.

Like the rest of the nation, Florida's unemployment rate declined significantly during the boom years of the 1990s, reaching 25-year lows in 2000. Unlike the rest of the United States, however, this decline in the unemployment rate did not encourage a significant rise in labor force participation rates (the share of the population over 16 employed or seeking employment). In 2000, approximately 62.5 percent of Florida's adult population was in the labor force, below the national average of 66 percent in large part due to the state's retiree population. Florida's labor force participation rate is expected to increase modestly toward the national average over the next decade, rising to 63.5 percent. The increase in the labor force participation rate over the next decade will only partially offset the overall demographic trends of a smaller working-age population, so the number of skilled workers in the state will likely remain a constraint on business expansion.

**Research and Development**

The development and innovation of new products, technology, and knowledge is a vital component of the state's intellectual infrastructure. Florida's support for research and development (R&D) is a critical factor in positioning the state for economic growth.

Investment in research and development originates from a variety of sources, including the federal government, state and local governments, industry, universities, and other institutions. Throughout the 1990s, Florida has been a national leader in total R&D expenditures, due mostly to a concentration of federal defense and space activity in some parts of the state. In 1998, the most recent year for which detailed state-by-state data are available,

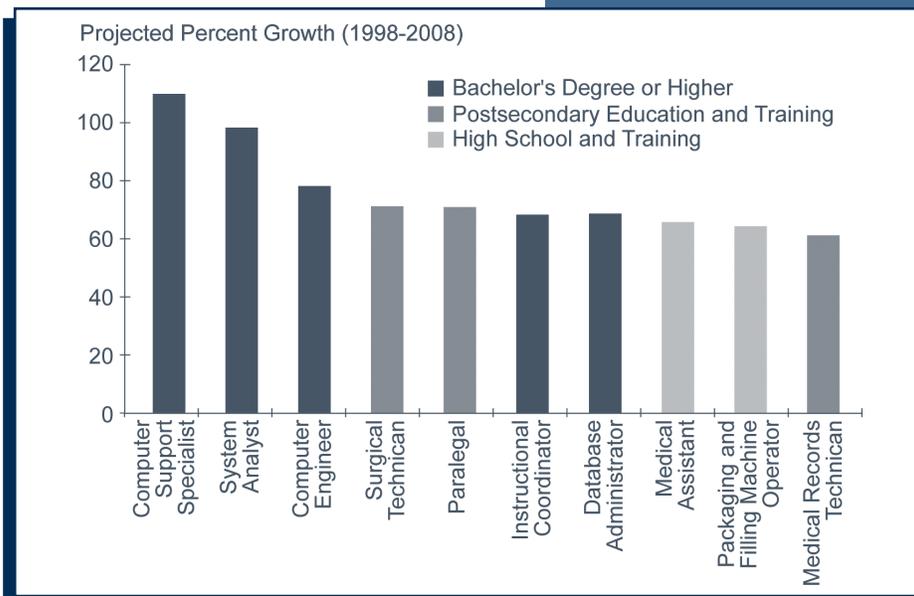


FIGURE 8. MINIMUM TYPICAL EDUCATION REQUIREMENTS OF FLORIDA'S FASTEST-GROWING OCCUPATIONS

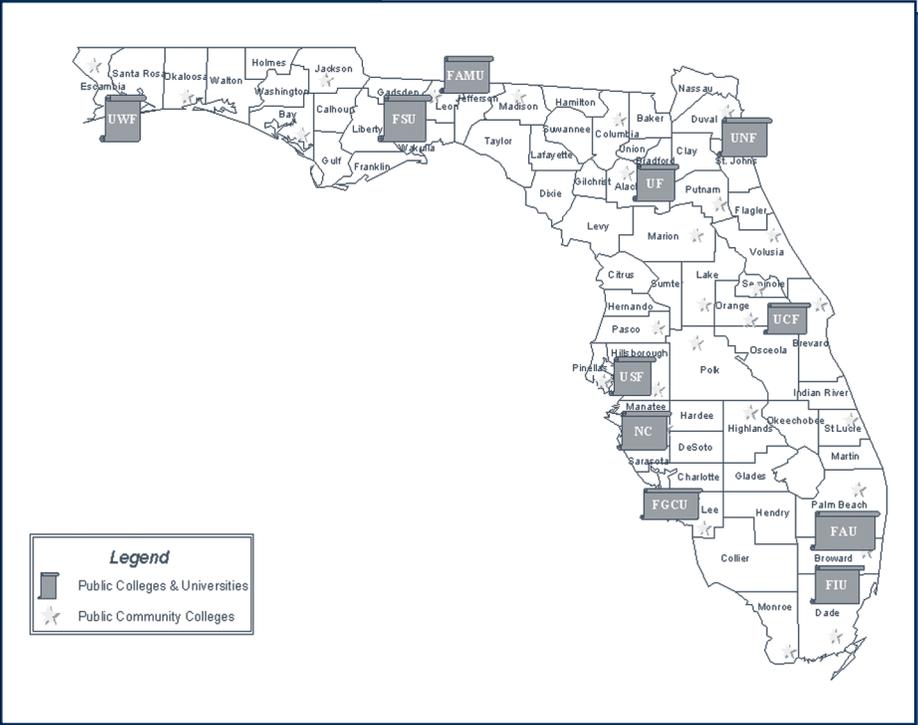


FIGURE 9. FLORIDA SCHOOL DISTRICTS AND UNIVERSITIES

nearly \$4.8 billion of R&D was performed in Florida, a total that ranked 13th among the 50 states.<sup>2</sup> There is room for improvement however: Florida accounted for 2.2 percent of total R&D funding in the United States – a share about half as large as the state's share of the national population.

### Education System

Educational programs are offered through 67 school districts, 28 community colleges, and 11 public colleges and universities (see Figure 9). Vocational and adult education programs may be offered by school districts and community colleges. Remedial education programs are

offered at community colleges for students not prepared for college level coursework. Educational programs and degrees also are offered at 247 private vocational institutions and 102 private two-year and four-year institutions.

Pre-kindergarten to 12th grade full-time equivalent (FTE) enrollments exceeded 2.45 million students in fall 2001 – an increase of more than 66,000 students from the previous year.<sup>3</sup> Enrollments for fall 2010 are projected to be 2.76 million students, a 13.1 percent increase over fall 2001. Enrollment growth of this magnitude and duration will continue to strain the system's ability to build classrooms and hire qualified teachers to minimize school overcrowding. Growth in enrollments is disproportionately concentrated in urban areas.

Florida's public university system attained headcount enrollments of almost 228,000 in fall 1999, an increase of 13.7 percent over fall 1994. Public community colleges in Florida enrolled 311,213 students in fall 1999. Private two-year and four-year institutions in Florida, combined, enrolled 129,391 students in fall 1998, an increase of approximately 21 percent over 1995.

Public schools in Florida awarded 106,147 standard diplomas in 2001, up from 102,598 the previous year.<sup>4</sup> In 2000, the Workforce Development Education Funding Formula System reported the following completions by fund category: 79,958 postsecondary adult vocational certificates; 2,822 college credit degree programs/postsecondary vocational certificates; 9,151 college credit degree programs/associate in science degrees;

<sup>2</sup> National Science Foundation, *National Patterns of R&D Resources, 2000 Data Update*.

<sup>3</sup> Office of Education Planning, Budget and Management, *State Totals: Final Program FTE Forecast by Grade*, Florida Department of Education, June 12, 2001.

<sup>4</sup> Profiles of Florida School Districts, 2000-2001 and 1999-2000.

8,897 apprenticeship completions;<sup>5</sup> and 354,114 adult general education completions. In addition, Florida community colleges and universities awarded 37,811 associate degrees (A.A. and A.S.); 50,002 bachelor's degrees; 17,240 master's degrees; 2,007 doctoral degrees; and 3,009 first-professional degrees.<sup>6</sup>

## How Does Florida's Intellectual Infrastructure Measure Up?

### Florida's Workforce

Florida's workforce is perhaps the state's most crucial ingredient for economic growth and development, but the state's workforce has room for improvement. The state's current labor force is in short supply, under-utilized, and in many cases ill-equipped for the demands of the 21st-century economy.

### Workforce Profile

**Unemployment Rate.** Florida's unemployment rate rose from 6.0 percent in 1990 to a high of 8.8 percent in 1992, and then dropped to 3.9 percent in 1999, indicating a stronger overall economy and more efficient use of its available human resources (see Figure 10). Florida ranked 22nd among the 50 states on this statistic in 1999, a significant improvement over its 1990 rank of 37th. In April 2001, Florida's unemployment rate stood at 3.8 percent, still a relatively low level historically. The tight labor markets may be problematic as they threaten wage inflation, particularly for the service industries that rely on inexpensive, available labor.

**Working Poor.** The percent of working parents earning incomes at or below 150 percent of the poverty threshold is an indicator of the quality of employment available to families in a state. In Florida, 19 percent of working families were classified as working poor between 1998 and 2000, placing the state 36th nationally (see Figure 11). The median value for this statistic among the 50 states was 15.3 percent, ranging from a low of 8.3 percent in Connecticut to a high of 28.1 percent in New Mexico.

Other indicators also raise concerns about the quality of Florida's jobs:

- Less than 60 percent of the non-elderly population was covered by employer-based health plans in 2000, according to the Employee Benefits Research Institute – a share that ranked 44th among the states. This share fell from 70 percent in 1986, following the national trend toward more uninsured workers.

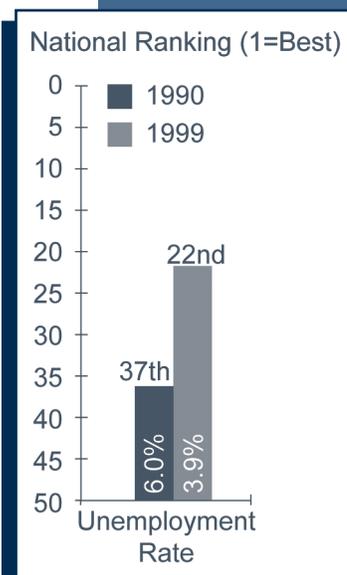


FIGURE 10.  
UNEMPLOYMENT  
RATE

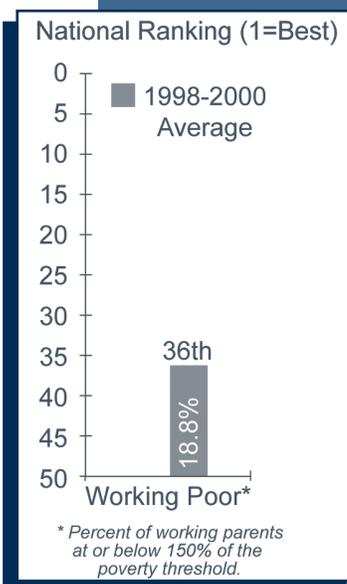
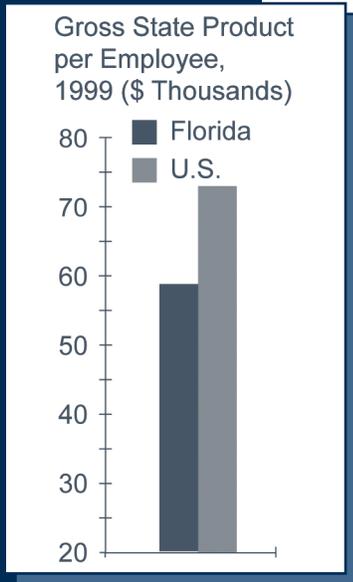


FIGURE 11.  
WORKING POOR

<sup>5</sup> Florida Workforce Development Education Funding Formula System, accessed November 19, 2001 at <http://www.firn.edu/doe/dgi-bin/doehome/menu.pl>.

<sup>6</sup> National Center for Education Statistics (2001), <http://nces.ed.gov/pubs2001/2001177.pdf>.



**FIGURE 12.**  
LABOR  
PRODUCTIVITY

- About 11 percent of all workers worked part-time for economic reasons, according to the U.S. Bureau of Labor Statistics. This share ranks 36th among the 50 states.
- Nearly one out of every six new jobs created in Florida over the past decade – some 266,000 jobs – were for temporary help, employee leasing organizations, and other personnel supply services. Many of these jobs lack full benefits, and most provide little if any job security. Nationally, just over one in 10 new jobs was in this category.

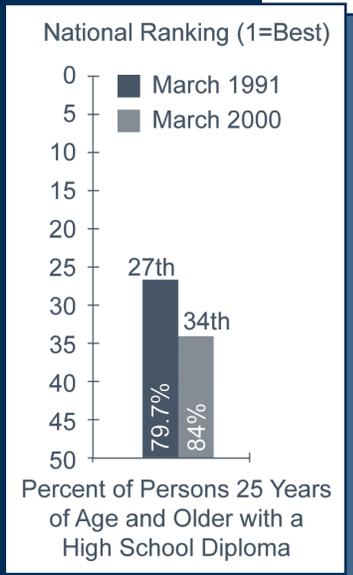
**Productivity.** Florida businesses produced an average of just under \$60,000 in gross state product per worker in 1999, about 20 percent below the national average (see Figure 12). This rate lagged about 10 percent behind the average for Florida's regional competitors (Alabama, Georgia, North Carolina, South Carolina, and Tennessee), and about 20 percent behind the average for the state's national competitors (California, New York, Texas, and Virginia). Although the state's emphasis on service and trade jobs lowers aggregate productivity statistics, productivity by industry is generally below that of the nation or Florida's key competitor states – suggesting a deficiency in workforce skill levels.

**Professional and Technical Skills.** Florida businesses are demanding better-educated and higher-skilled workers – a trend that will continue as the economy becomes more knowledge-based. Scientific and technological advances will have a significant effect on industry employment, reinforcing the trend in the global economy of replacing labor with capital. Computers will be used in almost every economic sector and every occupation. The professional, paraprofessional, and technical occupational group is expected to account for the largest number of new jobs between 1998 and 2008, with growth in demand for professional and technical workers across all major industry sectors in Florida.<sup>7</sup>

The use of technology and demand for professionals, paraprofessionals, and technicians will require strong education preparation for workers in knowledge jobs. In 2000, Florida ranked 32nd among the states in workforce education, a weighted measure of the education attainment of the workforce (advanced degrees, bachelor's degrees, associate's degrees, or some college course work).<sup>8</sup>

**Educational Attainment**

**High School Degree.** The percentage of the population ages 25 and over with at least a high school diploma increased from just 80 percent in 1991 to 84 percent in 2000, slightly below the national average (see Figure 13). This growth trailed the national rate of improvement in this measure;



**FIGURE 13.**  
HIGH SCHOOL  
ATTAINMENT

<sup>7</sup> Florida Department of Labor and Employment Security, Office of Labor Market Statistics, *Florida Industry and Occupational Employment Projections to 2008*, 2001.

<sup>8</sup> U.S. Census Bureau, 2000 Census Supplementary Survey Summary Tables, via American Fact Finder, <http://factfinder.census.gov>. Analysis by MGT of America, Inc.; methodology developed by the Progressive Policy Institute.

### *WORKFORCE POLICY AND INITIATIVES IN FLORIDA*

Workforce Florida, Inc. (WFI) is the state's chief workforce policy organization. Created by the Workforce Innovation Act of 2000, the public-private partnership supports and promotes economic growth through workforce development. WFI is the principal architect in the state's efforts to develop and retain a highly competitive workforce responsive to the needs of employers. To improve performance and accountability, the legislation establishing WFI consolidated under a single umbrella various workforce programs and funding streams, including Florida's welfare reform initiative.

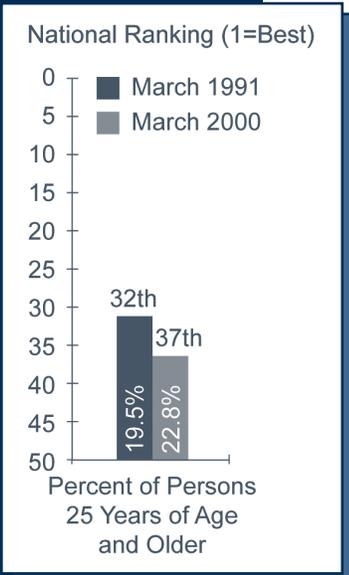
The Workforce Florida, Inc. board includes representatives from business and industry, the state community college and university systems, as well as leaders of state agencies such as the departments of Children and Families; Labor and Employment Security; Education; Elder Affairs; and Community Affairs.

Workforce Florida comprises three standing councils tasked with developing strategies to target the needs of job seekers and employers across the employment spectrum – from entry into the workforce to cultivating workers to fill coveted high-skill/high-demand jobs.

- **First Jobs/First Wages** promotes successful entry into the workforce through education and job experience, including school-to-work initiatives that enlist business and community support to ensure that students have the educational and occupational skills required to succeed in the workforce. It also addresses adults entering the workforce for the first time and youth programs related to welfare reform.
- **Better Jobs/Better Wages** assists families transitioning from welfare to work and former welfare recipients working in low-wage jobs with limited mobility. It also includes the Incumbent Worker Training program, which helps employers retrain and upgrade the skills of their employees to meet the changing demands of the economy and avert layoffs.
- **High Skills/High Wages** aligns Florida's education and training programs with higher-paying, high-demand jobs that advance careers, build a more skilled workforce and enhance the state's efforts to attract, grow, and expand job-creating businesses. The high-skills/high-wages strategy comprises several initiatives including identifying high-demand, well-paying occupations and linking performance to educators who graduate workers for these jobs; targeted industry sectors; regional high-skills/high-wages committees that bring economic developers, businesses, and educators together; and customized training programs (Quick Response and Incumbent Worker) for the state's existing and new-to-Florida businesses.

While WFI provides policy, planning and oversight at the state level, 24 regional workforce boards with significant representation from the business community are largely responsible for implementing programs in their communities. With entrepreneurial vision and in-depth local knowledge, these boards are encouraged to develop innovative programs that address the challenges and utilize the resources in their specific regions.

Workforce development services in Florida are available primarily through a system of more than 200 One-Stop Career Centers designed to provide easy access to diverse services including job placement and training, temporary cash assistance, and special support services such as subsidized childcare and transportation.



**FIGURE 14.**  
*BACHELOR'S DEGREE OR BEYOND ATTAINMENT*

Florida's rank among the 50 states dropped from 27th to 34th over this period. The population represented in this measure includes retirement-aged individuals (ages 65 and over), who are not typically considered a part of the workforce. The impact of including Florida's sizable retirement-aged population in the measure of educational attainment has not been assessed.

**College Attainment.** Florida falls even farther below the national average in terms of the percent of its adult population holding at least a bachelor's degree (22.8 percent). Florida ranked 37th among the states in 2000 (see Figure 14). This also is a relative decline from the 1991 level, when Florida ranked 32nd.

**Scientists and Engineers in the Workforce.** The number of employed Ph.D. scientists and engineers demonstrates the capacity of a state to develop and support high-tech industries, as these individuals serve as the principal innovators and labor supply for employers in this sector. Florida's average of 1.99 Ph.D. scientists or engineers per 1,000 workers ranks 48th in the nation. Nationally, the statewide spectrum for this rate ranges from a high of 9.91 in Delaware to a low of 1.80 in Arkansas. The national median for this statistic is 3.49, about 150 percent above the rate observed in Florida.

Because educational attainment and the number of scientists and engineers have a strong bearing on the economic welfare of the state, Florida's decline in the state rankings sends a strong warning signal. The correlation between educational attainment, poverty, and per capita income is evident; additionally, the economy increasingly will demand workers with higher skills. Without a reversal in this negative trend, Florida's ability to compete for high-skills jobs will erode.

**Florida's Research and Development System**

In 1998, Florida received almost \$4.8 billion in total R&D funding from all sources (see Table 1). The largest source of funding for R&D in the state was private industry, which accounted for 52 percent of the total. Federal sources provided an additional 42 percent, with state, local, and other sources providing the rest.

Florida ranked 13th nationally with respect to the value of R&D performed in the state (see Table 1). About \$3.3 billion (69 percent) was performed by industry. The federal government performed almost \$750 million in R&D, due primarily to a concentration of defense and space activity in Florida.

**TABLE 1. FLORIDA EXPENDITURES ON R&D, BY SOURCE OF FUNDS AND PERFORMING SECTOR (1998)**

	<i>FUNDING (THOUSANDS)</i>	<i>% OF TOTAL</i>	<i>PERFORMANCE (THOUSANDS)</i>	<i>% OF TOTAL</i>	<i>RANK (PERFORMANCE)</i>
FEDERAL GOVERNMENT	\$2,005,248	42%	\$749,648	16%	6
INDUSTRY	\$2,462,772	52%	\$3,300,000	69%	14
UNIVERSITIES & COLLEGES	\$184,475	4%	\$712,704	15%	12
NON-FEDERAL GOVERNMENT	\$80,720	2%	\$0	0%	-
NON-PROFIT INSTITUTIONS	\$39,845	1%	\$10,708	0%	26
<b>TOTAL R&amp;D</b>	<b>\$4,773,060</b>	<b>100%</b>	<b>\$4,773,060</b>	<b>100%</b>	<b>13</b>

The value of R&D performed is not entirely adequate as an indicator of support for R&D relative to other states, because the measure does not account for differences in the size of a state's economy or population. In general, the nation's largest states are also its highest-volume R&D performers. Because it controls for these factors, the ratio of total R&D spending to Gross State Product (GSP) – sometimes referred to as “R&D intensity” – is a better relative measure.

R&D accounted for 2.5 percent of U.S. Gross Domestic Product in 1998. The state with the highest ratio was Delaware (7.5 percent). Florida ranked 33rd in the nation in R&D intensity, with total R&D comprising 1.14 percent of its GSP. With respect to its regional and national competitors, Florida compares poorly; only Georgia and South Carolina rank lower by this measure.

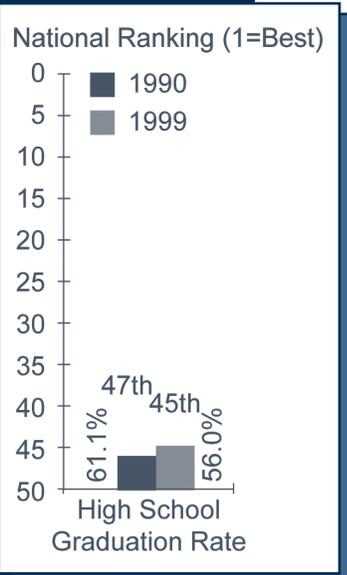
Although comprising only 15 percent of total R&D activity in Florida, academic R&D plays an important role in attracting top researchers and professors to the state's institutions of higher education. Academic R&D expenditures totaled \$712 million in 1998, which placed Florida 12th in the nation.

Exactly half of academic R&D funds in 1998 were derived from federal sources; universities and colleges were responsible for 26 percent, while other sources provided the remaining 24 percent. Fifty-one percent of the funds received were spent in life sciences, 14 percent in engineering, and 13 percent in physical sciences. Florida compares favorably to its competitors in academic R&D intensity, ranking 17th in the nation.

Another core indicator of R&D activity in a state is the number of patents issued. With 0.32 patents issued per 1,000 workers in 1997, Florida ranked 27th nationally (the national average is 0.48). This below-average ranking is not surprising, given that Florida has a below-average share of high-tech jobs, which are typically associated with higher numbers of patent issues. Both California and New York have more than twice Florida's production of patents.

In recent years, patent revenues have been a rich source of funds for Florida institutions of higher education. In 1999, Florida State University (FSU), the University of Florida (UF), and the University of South Florida (USF) together earned more than \$79

Source: National Patterns of R&D Resources, 2000 Data Update: National Science Foundation.



**FIGURE 15.**  
**HIGH SCHOOL GRADUATION RATE**

million in patent royalties. This was about 12.4 percent of the total earned by all institutions in the United States. FSU alone earned \$57 million, although the overwhelming majority (99.2 percent) was the result of a single patent for Taxol, an anti-cancer drug. It is likely that once revenues from Taxol dissipate, Florida's healthy ranking with regard to earned academic patent royalties will decline.

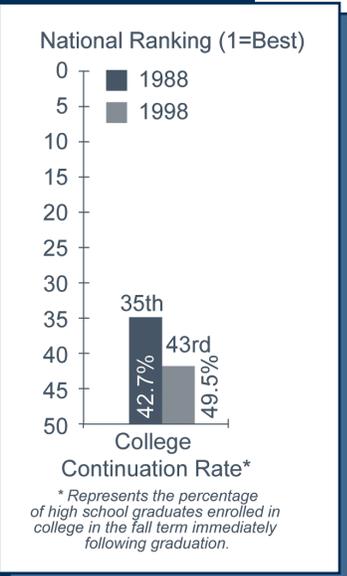
**Florida's Educational System**

Improving Florida's economic competitiveness through its workforce preparedness and research capacity ultimately will require raising educational attainment. Florida traditionally has attracted migrants from other states and nations, and therefore can seek to attract better educated people to live and work in the state. However, this approach currently is not meeting the intellectual infrastructure needs of the state, and its effectiveness may decline further as other states compete for workers with high-skills knowledge and experience.

A second way to improve the state's educational attainment involves Florida educating its own residents to higher skill levels. To be effective, this approach involves Florida's ability to move people through degree programs to completion, provide high-quality programs, and prepare Floridians for the current and future job demands of the new economy.

Measures of degree production and participation in higher education allow the examination of the education achievement levels of current students and recent graduates. To encourage an improvement in the economic welfare of Florida, an increasing share of its youth would need to participate in and complete higher levels of education, particularly in science and engineering fields. In addition, Florida's rank in education participation and degree production compared to other states ought to rise.

The data show a mixed picture. Some indicators reveal an improvement in rankings yet a decline in degree production. Other indicators reveal an improvement in participation yet a decline in rankings. On balance, the data reveal that Florida's education system is not preparing the state's youth for the challenges of the next decade. Consistently, the indicators show that Florida is not well-positioned to compete for high-value jobs and businesses regardless of whether the state attempts to attract those jobs and businesses to Florida or develop them from within the state's existing industrial and institutional framework.



**FIGURE 16.**  
**COLLEGE CONTINUATION RATE**

**High School Graduation Rate.** Four years after beginning their freshman year, Florida's high school students graduated at a rate of 56.0 percent in 1999 (see Figure 15). Although this was a decline from the rate of 61.1 percent observed in 1990, Florida's ranking relative to other states improved from 47th to 45th over this period. Using a methodology developed by Florida's Department of Education for tracking mobility of high school students within the state, additional graduates were identified for a 60 percent four-year graduation rate and a 65 percent five-year graduation rate. Although the state's methodology provides a more complete and improved pic-

ture, the rate still falls short of the national average of 67 percent. The most current data from the Florida Department of Education indicate that in 2001 the high school four-year graduation rate had increased to almost 64 percent. National level data for 2001 have not been released yet for the 50 states.

**College Continuation Rate.** The college continuation rate is the percentage of high school graduates enrolled in college in the fall term immediately following their graduation. Data from the U.S. Department of Education indicate that in 1998, 49.5 percent of Florida's high school graduates enrolled in college, placing the state 43rd in the nation (see Figure 16). Although this is an increase over the 1988 rate of 42.7 percent, Florida's improvement has been outpaced by many states, and its national rank fell from its previous mark of 35th. The Florida Education and Training Placement Information Program (FETPIP), which tracks outcomes and placement data for Florida high school graduates, reports that 55 percent of 1999 high school graduates continued on to college the following year (both fall and winter terms). Such recent data are not yet available at the national level. Moreover, the methodologies employed by the U.S. Department of Education and FETPIP differ in some respects. Hence, while FETPIP data are more comprehensive and current than those obtained from the U.S. Department of Education, no evaluation of Florida's position relative to other states can be made with respect to these 2000-2001 data.

**Chance for College.** The chance for college by age 19 represents a more inclusive measure of college participation, as it gauges all young persons (not just high school graduates) and their activities one year beyond the typical graduation age of 18. The rate increased from 26.9 percent of 19-year olds in 1988 to 28.2 percent in 1998, but the state's national rank declined from 44th to 47th during this period (see Figure 17).

**Associate Degrees Granted.** Production of associate's degrees is an indicator of a state's ability to fill jobs requiring skills beyond those of a high-school graduate but not requiring a four-year degree, including many technical jobs. Such occupations comprise a significant share of the total labor market. In 2000, Florida produced 668 associate's degrees per 100,000 individuals aged 18 to 44 (the prime working age population), ranking 11th in the nation (see Figure 18). The highest rate nationwide is found in Idaho, which produced 1,010 associate's degrees per 100,000 working-age individuals. The national median for this statistic was 454.

**Bachelor's Degrees Granted.** The number of bachelor's degrees granted per 100,000 population aged 18 to 44 demonstrates a state's general output in terms of "white-collar" labor supply. In 2000, Florida generated 883 bachelor's degrees per 100,000 working-age individuals, ranking 44th in the nation (see Figure 19). The highest rate observed in the United States occurred in Vermont, which produced bachelor's degrees at a rate of 2,264 per 100,000 working-age individuals. The national median for this statistic was 1,189.

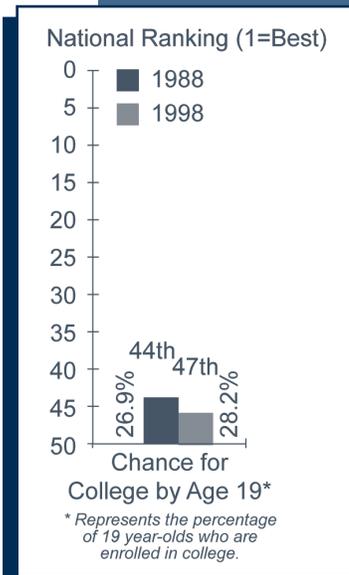


FIGURE 17.  
CHANCE FOR COLLEGE BY AGE 19

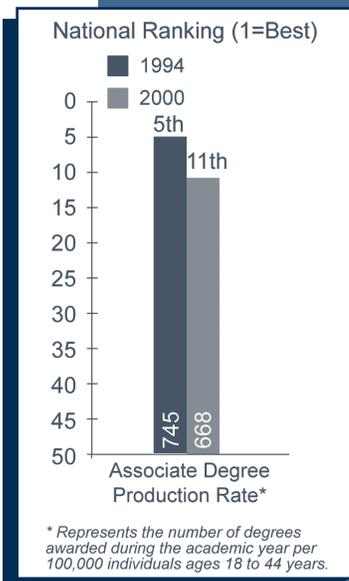
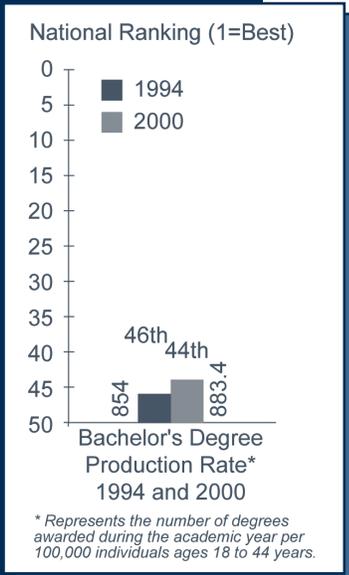
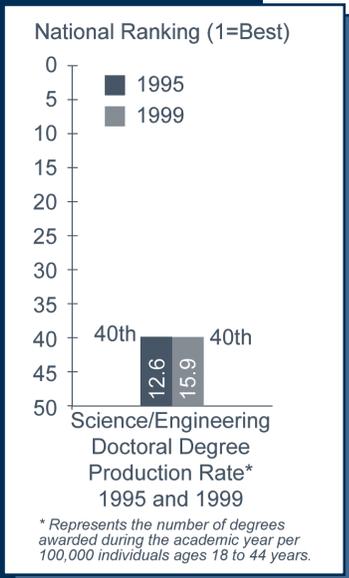


FIGURE 18.  
ASSOCIATE DEGREES GRANTED



**FIGURE 19.**  
BACHELORS'  
DEGREES  
GRANTED



**FIGURE 20.**  
SCIENCE/  
ENGINEERING  
DOCTORAL  
DEGREES  
GRANTED

**Science and Engineering Doctoral Degrees Granted.** The number of science and engineering doctoral degrees granted per 100,000 population ages 18 to 44 gauges a state's ability to provide labor to high-tech industries and to develop and deploy innovation. Florida ranked 40th in the nation in 1999, at 15.9 doctoral degrees per 100,000 working-age population (see Figure 20). The highest value seen in the nation occurred in Massachusetts, at 62.1, while the national median was 22.1.

**Investment in Human Capital**

While funding is not an absolute measure of the state's commitment to improving the production rate of degrees, Florida's level of investment in human capital must be considered. For K-12 and higher education alike, Florida's investment in human capital ranks in the lower quartile of states.

**K-12:** In 1990-1991, Florida ranked 21st in the nation for state K-12 expenditures per pupil, investing \$4,900 per pupil in constant 1991 dollars (see Figure 21). By 2000-2001, this rank declined to 42nd in the nation, as Florida invested only \$4,600 per pupil – a decline in constant dollars. In 2001, K-12 expenditures in Florida trailed the national average by over \$840 per pupil. To fund schools at the national average, Florida would have needed to expend an additional \$2 billion per year in constant 1991 dollars (an estimated \$2.7 billion in current 2001 dollars). These data from the U.S. Department of Education include all current expenditures, of which state and local funds calculated under the Florida Education Funding Program (FEFP) constitute the major portion. However, when only state and local FEFP funds, excluding funds for adult education programs and pre-K early intervention programs, are used to calculate per student funding, the trend since 1990-1991 is generally upward (see Figure 22). After declining from \$4,032 in the early part of the decade, per student FEFP funding started to rise. Beginning in the 1997-98 school year, reductions in the amount that school districts were required to contribute to the Florida Retirement System (FRS) contributed to a continued increase in per student funding after FEFP funding began to decline, which together totaled more than \$4,000 per pupil in 2001-2002.<sup>9</sup>

**Higher education:** Unrestricted higher education expenditures increased from \$8,320 per student in 1992 to \$9,792 per student in 1999, measured in constant 1999 dollars (see Figure 23).<sup>10</sup> Florida's ranking among the states in this cate-

<sup>9</sup> The figures reported by the U.S. Department of Education include all current expenditures of federal, state, and local funds, which include but are not limited to, FEFP formula funds. They exclude funds for capital outlay and debt service. The 2001-2002 data presented in Figure 22 include all FEFP formula and categorical program funds except for adult education and pre-K early intervention programs. They do not include funding provided through federal grants, discretionary state grant programs, funding for capital outlay, or funding from other local sources not reflected in the FEFP funding formula. Annual and cumulative savings for the districts from the reduced requirement for contributions to the FRS since 1997-1998 are noted.

<sup>10</sup> Unrestricted Educational and General expenditures are those for which no stipulation as to their purpose is given by the donor or external agency. This is in contrast to restricted funds, which are available for financing operations, but which donors or external agencies limit to specific purposes, programs, departments, or schools.

gory fluctuated over the period, ranging from a high of 42nd in 1998 to a low of 47th in 1995 and 1996, and ending at 45th in 1999. Higher education expenditures trailed the national average by \$1,875 per student. To fund public higher education at the national average, Florida would have needed to expend an additional \$700 million (estimated) per year.

**What are the Issues Related to Intellectual Infrastructure?**

The review of these quantitative measures of the state's workforce and educational performance – together with perceptions regarding the quality and applicability of the state's intellectual infrastructure gleaned from personal interviews and focus groups with business and community leaders – suggest six broad issues that Florida must address over the next decade. These represent points of vulnerability in Florida's lifelong learning cycle.

**Issue 1: K-12 Education May Not Be Adequately Preparing Youth for Employment and Continued Education**

Preparing youth for continued education and entry into the workforce is the responsibility of K-12 education. The process of educating children is designed to culminate with graduation, yet too often students are not achieving this rite of passage to a promising future. Students are vulnerable at three points:

- **Entering the school system:** Children need to begin kindergarten prepared to learn and master a challenging curriculum. Characteristics of their families, such as household income, mobility, language spoken at home, and parental education level, can contribute to barriers that impede young children from achieving developmental milestones that prepare them to learn in school. Children who are unprepared for kindergarten usually have trouble catching up later in school.

- **Moving through the system:** Children are required to master the academic content of their present grade before being promoted to the next grade. Not all children master

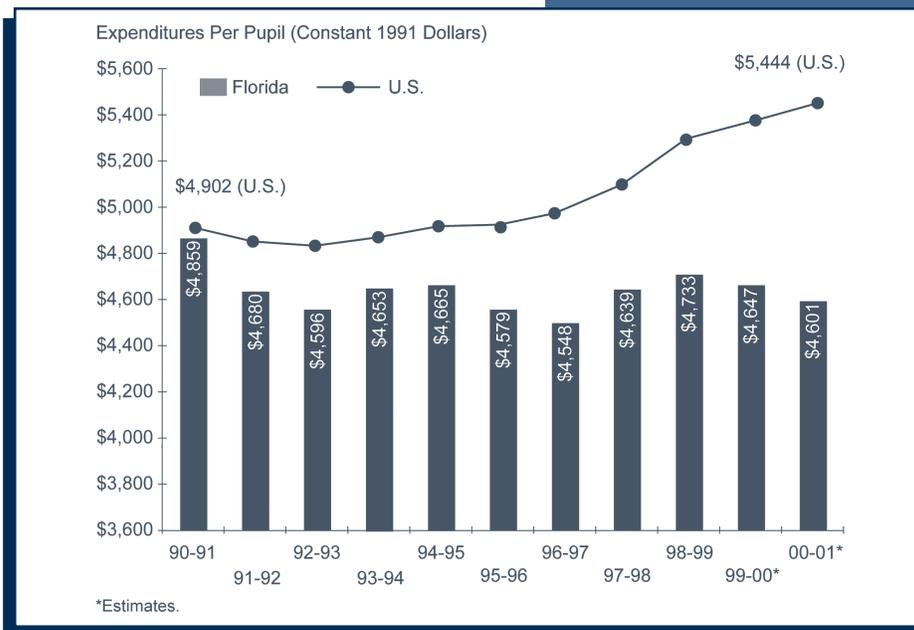


FIGURE 21. PUBLIC K-12 ESTIMATED AND REPORTED EXPENDITURES PER PUPIL (CONSTANT 1991 DOLLARS)

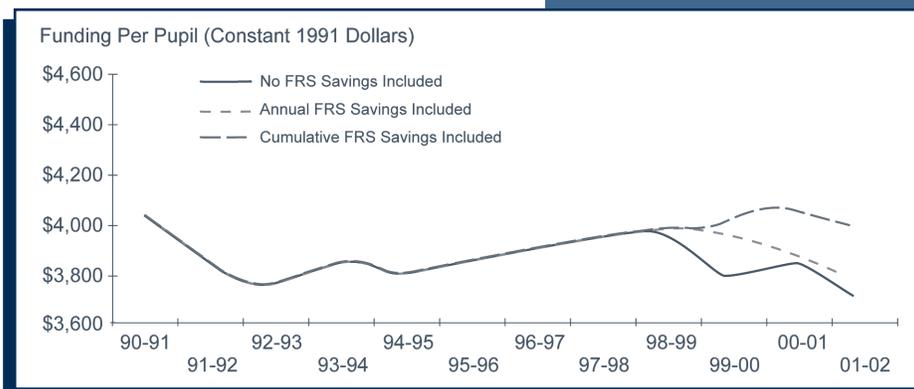
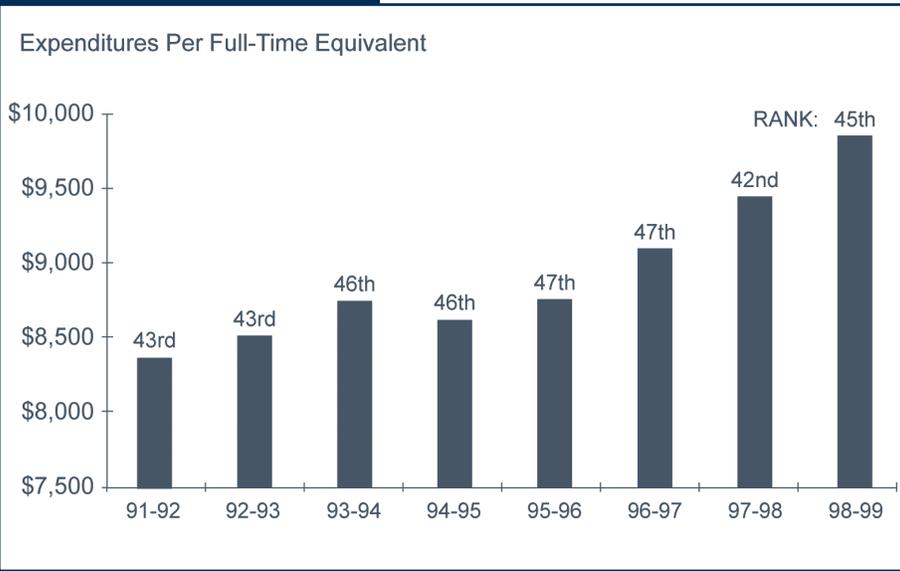


FIGURE 22. FLORIDA ANNUAL FEFP FUNDS PER PUPIL WITH AND WITHOUT FRS SAVINGS

grade-level standards through traditional teaching methods during the standard academic day and year.

- **Exiting the system:** Many students do not complete high school, and those that do may have received inadequate career preparation and skills training.



**FIGURE 23.**  
UNRESTRICTED EDUCATIONAL AND GENERAL EXPENDITURES PER FTE ON HIGHER EDUCATION IN FLORIDA (CONSTANT 1999 DOLLARS)

The inability of Florida's education system to fully address these three points of vulnerability helps explain why the state has a four-year high school graduation rank of just 56 percent, according to national data. While Florida outperforms most of its neighbors in the southeast, California, New York, Texas, and Virginia each out-rank Florida by this measure.

**Issue 2: Vocational and Technical Preparation Programs Do Not Consistently Meet Employer Needs.**

Employers perceive that a disconnect exists between preparation programs and completers and available jobs. For example, there is a lack of semi-skilled employees, skilled-trades workers, and skilled workers in clinical/health fields. While the opportunities for promising jobs and earnings exist with vocational/technical training, they are not broadly recognized. To the contrary, vocational/technical programs too often are viewed as being a last resort for high-risk students, rather than sound preparation for promising careers.

In particular, Florida's demand for high-tech workers is significant and growing. Many of these high-tech jobs require vocational or technical training. The number of high-tech jobs grew almost 33 percent between 1994 and 2000, placing Florida among the top 10 states nationally. Florida ranks sixth among the states for the number of high-tech jobs (at nearly 194,000, or four percent of the national total), and ranks 25th for high-tech jobs as a percent of the total civilian labor force (at just under three percent).

**Issue 3: Baccalaureate and Beyond Programs Are Not Reaching Their Full Potential.**

Florida's production of baccalaureate and advanced degrees is insufficient to meet the demands of the next decade. For example, all jobs are demanding higher levels of computer skills and employers perceive that there is a lack of skilled professional staff (management, client contact staff, technical staff) and scientists/engineers. Throughout the state, business people stated that education programs need to address the lifelong learning requirements of entrepreneurs who need more assistance with business skills related to management and finance (creating business and growth plans, tapping resources, dealing with regulations) and with business mentoring opportunities.

### *WHY IS THE HIGH SCHOOL GRADUATION RATE SO LOW?*

- **Population characteristics** – Florida's population includes a higher-than-average share of children who face multiple barriers to successful completion of school. These children belong to families that repeatedly move within the state, move in and out of the state, are poor, speak a primary language other than English, or have low levels of educational attainment in prior generations.
- **Limited readiness** – Children need to begin kindergarten prepared to learn and master a challenging curriculum. Many children enter kindergarten unprepared to learn due to barriers presented by population characteristics or personal disabilities. Students who are unprepared for kindergarten usually have trouble catching up later in school.
- **Over-reliance on social promotion or grade retention** as strategies for coping with students performing below grade level – Students who do not master grade level standards traditionally have been retained or have been given "social promotion" to move them to the next grade for which they were unprepared. Neither approach is effective, efficient, or beneficial to either the students or society. Recent research shows that early identification of and specialized assistance for students having academic difficulties and intervention using alternative teaching/learning methods enable children to reach and remain at grade level.
- **Competing opportunities** – Jobs that do not require a high school degree, despite being low-paying and without advancement opportunities, offer students an alternative to staying in school, especially if students perceive their chance of graduating as low or if they do not visualize themselves succeeding in the workforce.

Key points of vulnerability in the post-secondary system include continuation from high school into higher education programs, articulation between two-year and four-year institutions, retention in college degree programs through completion, and continuation to advanced education. The factors that affect higher education degree production include geographic and financial access to baccalaureate and graduate education and alignment of academic programs with employment demands.

Florida falls behind its regional and national competitors with respect to the production of bachelor's and graduate/professional degrees. All of the competitor states except Georgia and California produce more baccalaureate degrees per working age population than does Florida, and only Texas produces fewer graduate and professional degrees. In 2000, Florida ranked only 44th in the nation in the production of baccalaureates, and 40th in the production of graduate or professional degrees.

#### **Issue 4: Knowledge and Technology Discovery, Development, and Deployment Have Greater Potential to Benefit Florida.**

A cycle of the discovery of knowledge and technology, its development, and its deployment to business and industry fosters new product development, job creation, and, in turn, demand for further discovery, development, and deployment. The academic community plays a critical role in this cycle by

supporting research and development activities and by preparing gifted students to become the next generation of researchers. The contributions of Florida's academic community are critical in positioning the state for future growth.

*WHY ARE THE COLLEGE CONTINUATION RATE AND BACCALAUREATE DEGREE PRODUCTION RATE SO LOW?*

- **Population characteristics** – College continuation and attainment rates vary by factors such as family income, parent education level, high school performance, and minority status.
- **Limited financial access** – Students from low-income families are less likely to be prepared for and enter college following graduation from high school. Florida has an above average share of families living in poverty and among the working poor. However, less than 20 percent of undergraduate state aid was awarded on the basis of need in Florida in 1999-2000, a smaller share than all but five states.
- **Limited geographic access to four-year institutions** – Florida policy and practice encourages the majority of baccalaureate-bound students to enter and complete their first two years of college coursework at a community college. The state's "2+2 program" provides geographic access to the associate degree, but incorporates the need to transfer to complete a bachelor's degree, which serves as a strong barrier to baccalaureate completion. Initial attempts to link 2-year and 4-year programs show promise, but for many Floridians, Florida's 11 four-year colleges and universities are beyond commuting distance from their homes.
- **Competing opportunities** – Ample jobs that do not require a college education exist in Florida. Although these jobs are limited in future opportunities, they offer students an alternative to continuing their education.

R&D activity accounts for just over one percent of Florida's GSP, less than one-half of the national average. Despite strengths in academic and federal research, Florida trails many of its competitor states in terms of private industry R&D spending and performance.

R&D also benefits Florida's academic community by enhancing university recognition, strengthening the ability to attract and retain research talent, and generating patent revenues. Supporting an academic environment that enhances innovation and technology transfer involves factors such as building strong relationships between the university R&D and business and industry, attracting and retaining talented research faculty, and attracting and retaining gifted students to enter into and remain in the state's research cycle.

**Issue 5: The Current Workforce Does Not Provide Job Skills Desired by Today's Employers.**

In an era of rapid change in the way business is conducted, providing incumbent workers with training to upgrade their skills is essential to business productivity. In addition, with the largest concentration of retirees in the country and with a below average unemployment rate, Florida is challenged to meet the demands for workers. Re-entry and integration of retirees into the workforce may increase the labor force participation rate and ease the shortage of capable workers.

Business and community leaders throughout Florida express concern about the low literacy and poor math skills of their workers. Measurement of literacy and math skills for a population is difficult, yet estimates of adult literacy proficiency were made based on a National Adult Literacy Survey. The survey, conducted most recently in 1993, ranked Florida 39th among the states for basic adult literacy and math skills.

An additional concern was expressed by business and community leaders for the apparent lack of “soft skills” in workers – skills such as attendance, punctuality, appearance, and work ethic. This is perceived as a particular problem for younger employees.

Educational and business leaders stated that poor literacy and math skills combined with weak soft skills create a situation where businesses have great difficulty in finding job applicants with basic skills or the commitment to persist through training programs designed to raise their skills to a level where they can contribute to the productivity of the business.

In recent years, community colleges and businesses in Florida have joined together in an array of partnership arrangements to address the challenge of preparing workers for the jobs of tomorrow. In addition, the state has been appropriating a portion of community college funding based on performance in terms of student completers and placements in high demand fields. These efforts in partnerships and performance-based funding should help bridge the gap between current worker preparedness and the skills and knowledge needed for jobs in the new economy.

#### **Issue 6: Current Educational Resources and Funding Are Limited.**

In terms of K-12 and higher education per student funding and resources, Florida ranks 42nd and 45th among the states, respectively. Adequate educational funding is essential for developing the intellectual infrastructure needed by business and industry.

In 2001, Florida ranked below all of its regional and national competitors for K-12 per pupil expenditures with the exception of Alabama (43rd) and Tennessee (45th). In 2000-2001, total current expenditures from all governmental sources on public elementary and secondary education in Florida were \$4,601 per student (in constant 1991 dollars). This was well below the national average of \$5,444. In 2001 current dollars, Florida funding per pupil (\$5,982) trails the national average (\$7,079) by almost \$1,100.

Per student unrestricted educational and general expenditures per FTE for higher education also lagged behind the U.S. average – Florida expended \$9,792 per FTE student in 1999, compared to \$11,667 nationally. By this measure, Florida fails to outspend any of its regional or national competitors in the southeast and ranked 45th among all U.S. states.

*Throughout the state, business and community leaders in Florida express concern about the low literacy and poor math skills of their workers.*

## 3.4 Research, Policy, and Practice

Aggregate educational attainment of Floridians will determine the state's future living standards. To place Florida in an economically competitive position, performance on critical measures must move from among the weakest in the country to at least the national average within the next decade. Movement of this nature would be aggressive and would create an economic environment that is domestically and internationally competitive.

A commitment to reaching the national average is both difficult and meaningful. The critical measures that must move to national benchmark levels include:

- High school graduation rate;
- Continuation from high school to college rate;
- Baccalaureate and beyond degree production rates;
- Science and engineering degree production rates; and
- Pre-kindergarten, K-12th grade, and postsecondary education funding.

In consideration of the importance of educational attainment, the targeted national benchmarks, and the findings of the research, four high-priority areas were identified as a focus for future efforts:

- Increasing high school graduation rates and graduate preparedness;
- Increasing the responsiveness of baccalaureate and beyond programs to the needs of the new economy;
- Ensuring that all Floridians recognize the value of lifelong learning; and
- Measuring the effectiveness of educational policy and programs.

Research literature, policy initiatives, and implementation practices were explored for these priorities in order to identify strategies to attain these national benchmarks.

### ***Increasing High School Graduation Rates and Graduate Preparedness***

Graduation from high school with the skills and knowledge required for work and continued education is essential to the economic well being of individuals as well as the state in the aggregate. In Florida, high school attainment is below the national average, and falling relative to other states. High school graduation rates are among the lowest in the country. Employers voice concern about the quality of job applicants and their lack of basic skills (reading, writing, math), soft skills (attendance, appearance, work ethic), as well as technology skills applicable to the demands of the current job market.

*Florida's performance on critical measures must move from among the weakest in the country to at least the national average within the next decade.*

The data are cause for significant concern. The problem is complex and multifaceted. The need for improvement is urgent. The path to improvement is difficult. Where does Florida start?

Five general strategies were identified in a review of successful programs in Florida and other states:

- School reform;
- Readiness programs;
- Early intervention;
- Leadership development; and
- Schools-in-risk intervention.

### **School Reform**

States across the nation embarked on school reform efforts focused on raising student and school achievement in the 1980s and 1990s. These efforts included initiatives to establish high standards, align student and school assessment processes with standards, provide professional development for teachers, and design processes of accountability for schools. Additional initiatives included revising certification and recertification standards for teachers, subsidizing early education in pre-kindergarten programs for lower-income families, reducing class sizes in early grades, and authorizing charter schools, school choice, and/or contract schools.

In 1990, the U.S. Department of Education began assessing and comparing achievement across the states by using the National Assessment of Educational Progress (NAEP) test. Test findings from 1990 and 1996 were analyzed with respect to the effects and cost-effectiveness of educational resource allocation. The 2000 RAND report entitled, *Improving Student Achievement: What State NAEP Test Scores Tell Us*, concludes that other things being equal, NAEP scores are higher in states that have:

- Higher per-pupil expenditures;
- Lower pupil-teacher ratio in early elementary grades;
- Higher percentages of teachers reporting adequate resources for teaching;
- More children in public pre-kindergarten programs; and
- Lower teacher turnover.<sup>11</sup>

Like business productivity, educational productivity can be increased by targeted resource investment. While assuring the adequacy of teacher resources appears to be significantly cost-effective for all states, lowering pupil-teacher ratios and increasing pre-kindergarten program participation have greater and more cost-effective benefits in states with lower socioeconomic status. When considering socioeconomic differences, RAND states that significant gains in achievement could be produced by investing in better working conditions for teachers to make them more

*The data are cause for significant concern. The problem is complex and multifaceted. The need for improvement is urgent. The path to improvement is difficult. Where does Florida start?*

<sup>11</sup> Grissmer, D., Flanagan, A., Kawata, J., & Williamson, S., *Improving Student Achievement: What State NAEP Test Scores Tell Us*, RAND Education, 2000, pp. xxv-xxvi.

productive. These include provisions for lower pupil-teacher ratios, more discretionary resources for the classroom, and improved readiness for school from pre-kindergarten programs.

### **Readiness for School**

The 1999 Legislature enacted, within the handicap or high-risk condition prevention and early childhood assistance provisions of the Social Welfare statutes, the School Readiness Act. The act recognizes that school readiness programs increase children's chances of achieving future educational success and becoming productive members of society. The act states:

#### *RECENT EDUCATION POLICY INITIATIVES IN FLORIDA*

The state of Florida has a comprehensive web of policy that sets high goals and standards, measures performance, and holds schools accountable for student learning. Florida implemented school reform initiatives in the 1990s, comprising three important elements:<sup>12</sup>

- **Sunshine State Standards.** Florida educators created and adopted a rigorous set of academic standards. These standards define what students should know and be able to do from kindergarten through high school.
- **Florida Comprehensive Assessment Test (FCAT).** Florida educators designed a criterion-referenced test, the FCAT, specifically to measure mastery of the Sunshine State Standards.
- **Grading System/Performance Levels.** The State Board of Education approved the designation of five achievement levels for FCAT score results. Schools are graded using the five achievement levels (1-5).

The Florida plan for education, enacted in 1999, included additional steps toward a comprehensive system of school reform. Elements of the plan link to *New Cornerstone* priorities, including the following two principles:

- Each student should gain a year's worth of knowledge in a year's time in a Florida public school, and
- No student will be left behind.

The plan for education seeks to increase accountability; improve student learning; raise standards and improve training for educators; improve school safety; and reduce truancy. The plan identifies schools where students are not making appropriate annual learning gains, so that a new comprehensive school improvement plan be implemented. Schools receive a report card on how well they perform on student achievement – both overall, as well as how well the lowest performing students learn.

Initial results show progress. The FCAT Reading and Mathematics Sunshine State Standards (SSS) test is a criterion-referenced test. It assesses student achievement on the knowledge and skills described in the Sunshine State Standards. Between 1999 and 2001, mean scale scores for the state showed overall improvement. In addition, the share of students who performed below grade level declined.

*(continued on page 3-33)*

<sup>12</sup> My Florida web site (September 10, 2001), [www.myflorida.com/myflorida/education/learn/aplusplan/youKnow.html](http://www.myflorida.com/myflorida/education/learn/aplusplan/youKnow.html), CS/HBs 751, 753, 755, Third Engrossed (1999), and Section 229.001, Florida Statutes (2000).

### Student Performance Data

FCAT	Mean Scale Score 1999	% Students < 3.0, 1999*	Mean Scale Score 2000	% Students < 3.0, 2001*
Reading – Grade 4	288	53	298	47
Math – Grade 5	303	65	314	47
Reading – Grade 8	295	56	295	57
Math – Grade 8	296	56	308	45
Reading – Grade 10	302	70	307	62
Math – Grade 10	308	53	321	41

\*3.0 indicates performance at grade level.

Source: <<http://www.firn.edu/doe/sas/fcat/fcinfofg.htm>> District FCAT Reading and Mathematics Results, All Curriculum Groups, 1999 & 2001.

In addition, all of the 82 schools in Florida identified as performance grade F (or Level 1 based on 1998-1999 State School Board Rule) improved their grades by 2001-2002, with 40 schools achieving grades C or better.

In response to an amendment to the State Constitution requiring an appointed state board of education, the Legislature enacted the “Florida Education Governance Reorganization Act of 2000.” The act included sweeping revision to the governance of all levels of education to create a seamless system of education.

Recent initiatives in Florida have supplemented the education plan by focusing on what students need to perform at or above grade level and to gain at least a year’s worth of knowledge for each year in school. To name a few, student performance-focused programs include the Mentoring Initiative, Schools in the Workplace, Just Read, Florida!, and Volunteers in Schools. Other initiatives have introduced charter schools, vouchers, and learning resources for an increasing number of parents who choose to home school their children. In terms of funding, Supplemental Academic Instructional funds for K-12 are designed to increase the flexibility and availability of resources to assist students in gaining at least one year’s worth of knowledge for each year of school. School recognition grading criteria were amended in 2000 to refocus efforts and resources on assisting the lowest performing children, those in the lowest 25 percent of their grade level. These efforts are designed to address a range of problems that affect the performance of both individuals and schools. These concerns necessitate continued exploration of alternative approaches and careful assessment of their effectiveness in improving education in Florida.

*It is the intent of the Legislature that such programs be developmentally appropriate, research-based, involve parents as their child’s first teacher, serve as preventive measures for children at risk of future school failure, enhance the educational readiness of eligible children, and support family education. Each school readiness program shall provide the elements necessary to prepare at-risk, financially eligible, and disabled children for school, including health screening and referral and an appropriate educational program.<sup>13</sup>*

<sup>13</sup> Section 411.01(2)(a), Florida Statutes.

The act established the school readiness program through local, community-based School Readiness Coalitions with business representation. Each coalition is responsible for overseeing and funding early childhood and childcare programs using state, federal, and local funding sources. The program brings together private sector representatives, publicly-funded early childhood education professionals, childcare industry representatives, and community and government leaders to ensure consistent quality early childhood education programs.

The school readiness program targets children from birth to age five who are considered at risk because their parents who are migrant farm workers, are teenagers, or have incomes below 150 percent of the federal poverty level. The program also targets children who have disabilities or are economically disadvantaged. The program consists of an integrated seamless service delivery system for all publicly-funded early education and child care programs including First Start, Even Start, pre-K, Head Start, migrant pre-K, Title I, subsidized child care, and teen parent. The coalitions are governed by the Florida Partnership for School Readiness, a state-level board with responsibility for adopting and maintaining coordinated programmatic, administrative, and fiscal policies, and standards for all school readiness programs. The Partnership is assigned to the Agency for Workforce Innovation for administrative purposes. Therefore readiness programs currently are not integrated into the state's seamless K-20 system.

### **Early Intervention**

States that implemented challenging standards and assessment programs to measure student achievement have become increasingly concerned about social promotion – the tendency to allow children to advance to the next grade without mastering material in the current grade level. Advancement without basic skills does not prepare students for either additional education or work and, therefore, is not beneficial to students or to society. Unfortunately, too often, states turn to mandatory retention as an alternative to social promotion in hopes that children will learn the material during the second year that was not mastered the first year. Despite retention having been practiced for decades, research shows that it is rarely an effective strategy.

In *Finding Alternatives to Failure: Can States End Social Promotion and Reduce Retention Rates?*, the Southern Regional Education Board (SREB) identifies successful efforts to end social promotion and reduce grade retention:

- Identify student problems as early as possible in the school year instead of waiting until an entire year is lost;
- Intervene as soon as problems are identified to provide struggling students with the extra time and help they need;
- Design the extra help around each student's individual needs ("cookie-cutter" solutions rarely work); and
- Have strong quality controls and monitoring to ensure that the extra help and time are working.<sup>14</sup>

<sup>14</sup> Denton, D.R., *Finding Alternatives to Failure: Can States End Social Promotion and Reduce Retention Rates?*, Southern Regional Education Board, January 2001, p.1.

*Readiness programs currently are not integrated into the state's seamless K-20 system.*

The SREB report states that the research on retention is clear: “being required to repeat even one grade – even when individualized interventions are provided – dramatically increases the likelihood that a student will drop out of school.” The report also notes that few students who repeat more than one grade will complete high school.<sup>15</sup>

Struggling students benefit from targeted interventions, such as well-designed programs to solve their individual problems to reach and remain at grade level. Well-designed programs frequently include a focus on reading skills, teachers who have mastered a range of teaching and assessment skills, teacher specialists for complex problems, extra instruction time during the school year, continual assessment to monitor progress, parent and community involvement, and high-quality summer school.<sup>16</sup> Additional alternative teaching/learning strategies may include the use of tutors and mentors from the community, and computer-assisted learning technologies.

Intervention based on individual need will assist a large segment of the student population and operate in an efficient, systemic basis. This approach is more complicated and demanding than promoting or retaining struggling children, but it may be the only way to make education reform and accountability work for individual children and society.

#### WHAT WE KNOW ABOUT RETENTION RATES ACROSS THE NATION:

- 15 to 20 percent of all students repeat at least one grade between the ages of six and 17.
- Seven million of today's elementary and secondary students will be retained at least once. Many will be retained more than once.
- Poor and minority students are two to three times more likely than others to be retained.
- Boys are twice as likely to be retained as girls.
- The highest retention rates are in ninth grade, not early elementary school.

Source: *Finding Alternatives to Failure: Can States End Social Promotion and Reduce Retention Rates?* SREB, January 2001.

#### Leadership Development

Education reform efforts of the last 20 years have produced gradual gains in student performance, but not for all schools and not to the level desired. One reason for the slow progress is the lack of school leadership, according to research conducted by the Southern Regional Education Board. *Leading School Improvement: What Research Says*<sup>17</sup> focuses on the need to develop teachers, principals, superintendents, school board members, and other educators who direct and implement changes in curriculum, instruction, and school organization.

<sup>15</sup> Denton, p.15.

<sup>16</sup> Denton.

<sup>17</sup> Southern Regional Education Board, *Leading School Improvement: What Research Says*, March 2001.

To address the need for stronger school leadership, the Florida Chamber Foundation released in 1994 its research report, *No More Excuses: What Business Must Do To Help Improve Florida's Schools*,<sup>18</sup> which outlined an action plan that focused Foundation resources on building supportive communities. The plan called for business, government, educators, parents, students, and others who have a vision of what high-quality "WorldClass" schools look like and are committed to making sure their community provides this kind of education for their children. The vision includes training in each school district a WorldClass "champion" to promote change, and supporting the champions with further training, communications, and research and development.

#### THE WORLDCLASS STRATEGY

A focus on long-term, systemic improvement addressing eight central features of a WorldClass School:

- High standards for all students
- Accurate assessments to measure what students know and can do
- Challenging curriculums with real-world applications
- Competent and inspired teachers
- Leading-edge instructional technology
- Culture of continuous improvement
- Accountability tools that measure school system performance
- Supportive communities

Source: WorldClass Schools Foundation.

Seven years after inception, WorldClass has conducted over 100 academies, preparing almost 5,000 Champions in 27 school districts for leadership in Florida schools. In an independent evaluation of the program, Champions expressed strong commitment to remaining involved with schools. They also expressed the need and interest in ongoing support for their local efforts beyond Academy training – again confirming the value of WorldClass leadership preparation.<sup>19</sup> The WorldClass Schools Foundation is now being spun off from the Florida Chamber Foundation as a separate, not-for-profit entity.

#### Schools-In-Need Intervention

The leadership strategies practiced in WorldClass Schools could be expanded to include intervention in under-performing programs, schools, and communities. Participants in focus group discussions emphasized that the solutions for their problems cannot be designed by state leaders, but rather need to be specific to their communities. Participants in focus group discussions throughout Florida also commented on the value of bringing a cross section of leaders together to discuss the intellectual infrastructure needs of their communities. An external entity

<sup>18</sup> Florida Chamber Foundation, *No More Excuses: What Business Must Do To Help Improve Florida's Schools*, 1994.

<sup>19</sup> Doyle, D.P., and University of Florida, *WorldClass Works: The First Four Years: An Evaluation of the Florida Chamber Foundation's WorldClass Strategy*, Florida Chamber Foundation, February 22, 1999.

could assist communities by acting as a catalyst to bring leaders together. An external intervention process also could assist communities in identifying what their schools need and how to better meet those needs through community resources.

Intervention programs exist that focus on connecting community resources with schools in need. For example, Communities In Schools (CIS), a national organization with a branch in Florida, seeks to “champion the connection of needed community resources with schools to help young people learn, stay in school and prepare for life.”<sup>20</sup> CIS has been working in Florida for 16 years to give children what they need so they can concentrate on learning, and to bring additional resources to schools so teachers can concentrate on teaching.

CIS provides stay-in-school solutions at school sites by showing communities how to coordinate their public, private, and nonprofit resources so students receive the help they need. CIS mobilizes communities by building a network that brings existing resources into the school. It is a cost-efficient approach aimed at improving Florida's high school graduation rate and providing the state with better citizens and a more productive workforce through planning, community building, and partnerships.

CIS currently has programs in 16 counties, serving nearly 40,000 Florida students and their families. Sixteen additional counties have requested CIS programs. During 2000, CIS formed a task force to begin work on a sophisticated, state-of-the-art data management system for local programs designed to measure student outcomes and the effectiveness of programs and projects.<sup>21</sup>

#### *THE FIVE COMMUNITIES IN SCHOOLS BASICS*

- A safe place to learn and grow
- A marketable skill to use upon graduation
- A one-on-one relationship with a caring adult
- A chance to give back to community and peers
- A healthy start and a healthy future

### ***Improving the Responsiveness of Baccalaureate and Beyond Programs***

The efforts spanning pre-K through high school graduation culminate in individuals prepared for work and continued education. The next challenge for Florida is to ensure that its baccalaureate and beyond programs are providing the intellectual leadership and innovation that will shape the state's future economy.

In the foreword to *Measuring Up 2000: The State-by-State Report Card for Higher Education*, North Carolina Governor James B.

<sup>20</sup> Communities In Schools, *Annual Report: Their Dress Rehearsal For Life...Florida's Future*, 2000, p.1.

<sup>21</sup> Ibid.

Hunt Jr., chair of the National Center for Public Policy and Higher Education, frames the importance of education beyond high school:

*Over the last 60 years, our country has made remarkable progress in higher education. America has led the world in providing opportunities for its citizens to develop their talents through education and training beyond high school. But much is left to be done. The need to develop the talents of our citizens has accelerated even faster than the expansion of college opportunity and enrollment...Education and training beyond high school are now prerequisites for the employment that can support a middle-class lifestyle. Broad educational opportunity is as critical for the nation and states as it is for individuals. The economic and civic prospects for communities, states, and nations that fall behind educationally are dim.<sup>22</sup>*

Currently, the educational requirements of the labor market are not well aligned with the education levels of the workforce. A supply and demand analysis in *Postsecondary Education OPPORTUNITY* (October 2000) concluded:

*The labor market is somewhat over-supplied with insufficiently educated workers, and significantly under-supplied with workers at the level of bachelor's degree and above. Expressed another way, the production of college-educated workers by America's colleges and universities has failed to keep up with the growing educational attainment needs of the labor force.<sup>23</sup>*

Attaining the bachelor's degree or higher level of education has a significant influence on per capita personal income both for individuals and in the aggregate for the state. Postsecondary education will continue to be a pivotal factor in employability for workers in Florida. However, Florida continues to fall short on measures of its postsecondary education performance. The proportion of high school graduates continuing to college lags behind the national rate. Bachelor's degree or higher attainment is below the national average, and the attainment level experienced a relative decline among the states since 1991. Baccalaureate degree and science/engineering doctoral degree production rank in the lowest quartile of states. Florida is not successfully building, through in-migration or education of its youth, a workforce with the skills needed in the new economy.

What needs to happen to make Florida competitive? Four general strategies were identified in a review of successful programs in Florida and other states:

- Develop a seamless education system;
- Improve geographic access;

<sup>22</sup> The National Center for Public Policy and Higher Education, *Measuring Up 2000: The State-by-State Report Card for Higher Education*, 2000, pp.8-9.

<sup>23</sup> Mortenson, T., *Educational Attainment in the Human Capital Economy*, Postsecondary Education OPPORTUNITY, October 2000, p.5

*Florida is not successfully building, through in-migration or education of its youth, a workforce with the skills needed in the new economy.*

- Improve financial access; and
- Strengthen business-university partnerships.

### **Develop a Seamless Education System**

In response to an amendment to the State Constitution requiring an appointed state board of education, the Legislature enacted the Florida Education Governance Reorganization Act of 2000. The act included sweeping revision to the governance of all levels of education to create a seamless education system. The act provided legislative policy and guiding principles to:

- Achieve within existing resources true systemic change in education governance by establishing a seamless academic educational system that fosters an integrated continuum of kindergarten through graduate school education for Florida's citizens;
- Promote enhanced academic success and funding efficiency by centralizing the governance of educational delivery systems and aligning responsibility with accountability;
- Provide consistent education policy vertically and horizontally across all educational delivery systems; and
- Provide for devolution of authority to the schools, community colleges, universities, and other education institutions that are the actual deliverers of educational services in order to provide student-centered education services within the clear parameters of the overarching education policy established by the Legislature.<sup>24</sup>

Additional provisions in 2001 amendments revised educational governance in the state by abolishing the State Board of Community Colleges and the Board of Regents, creating independent boards of trustees for each public university, and establishing New College as a distinct institution from the University of South Florida.

For public universities in Florida, the reorganization acts eliminated their centralized governing board and set the stage for moving authority for service delivery to the institutions and their boards of trustees – much in the manner that the public community colleges have been structured. The Legislature provided for the devolution of authority to universities “to provide student-centered education service within the clear parameters of the overarching education policy established by the Legislature.”<sup>25</sup> Since the 2001 legislative session, university boards of trustees have been named, but the devolution of authority is not complete. The powers, duties, and functions of the former Board of Regents were transferred to the Florida Board of Education. University and board of trustees authority needs further clarification concerning resource allocation and corresponding accountability expectations.

*The Legislature enacted sweeping revision to the governance of all levels of education to create a seamless education system.*

<sup>24</sup> Section 229.001, Florida Statutes, 2000.

<sup>25</sup> Ibid.

### Improve Geographic Access

Responding to the needs of employers for bachelor's degree-prepared workers requires that high school graduates be adequately prepared for education and training beyond high school and that they continue their education. This implies both geographic and financial access to four-year programs. Participation in four-year programs is influenced by factors such as family income, geographic proximity, parent education level, time between high school graduation and college enrollment, individual's level of academic involvement, full-time enrollment, and ability to complete the bachelor's degree without transferring.<sup>26, 27</sup>

More than any other state, Florida relies heavily on a 2+2 structure to meet the access needs of its citizens. This structure uses as its primary point of entry to baccalaureate education community colleges for freshman and sophomore instruction. A strong state-level articulation agreement provides that upon completion of the Associate of Arts degree, students must be granted admission to the upper division of a state university. Further policy provides for statewide common course numbering, specified credit hour requirements for general education and degree completion, and common prerequisites at the lower level of instruction for academic majors.

*In Challenges and Choices: The Master Plan for Florida Postsecondary Education*, the Postsecondary Education Planning Commission (PEPC) recognized the need to provide additional capacity in higher education and to increase the ability of students to obtain baccalaureate degrees at one location without relocating. The Commission suggested the following responses to meet the future postsecondary access needs of the state:

- Increase enrollment at each existing state university system institution;
- Authorize community colleges to offer selected baccalaureate degrees;
- Increase the number of joint use facilities at community colleges and state universities;
- Increase the state subsidy to in-state students attending Florida private institutions; and
- Increase the use of distance learning and instructional technology.<sup>28</sup>

The state has since addressed the Commission's recommendation in a number of ways. Beside increasing university enrollments and increasing the subsidy to students attending private institutions, Florida has extended access to baccalaureate degree programs by authorizing community colleges to enter into

*More than any other state, Florida relies heavily on a 2+2 structure to meet the access needs of its citizens.*

<sup>26</sup> Pascarella, E.T. & Terenzini, P.T., *How College Affects Students*, Jossey-Bass, Publishers, San Francisco, 1991.

<sup>27</sup> National Center for Education Statistics, *High School and Beyond: Educational Attainment of 1980 High School Sophomores by 1992*, 1992.

<sup>28</sup> Postsecondary Education Planning Commission, *Challenges and Choices: The Master Plan for Florida Postsecondary Education*, January 1998.

formal agreements with four-year institutions from within or outside of the state. In addition, the Florida Legislature authorized community colleges to deliver specified baccalaureate degree programs for which local demand is identified and the community college has the facilities and academic resources needed.<sup>29</sup> These community college initiatives, while still in the early stages of development, offer promise in addressing geographic access to baccalaureate degree programs.

### **Improve Financial Access**

Baccalaureate degree attainment rates vary by family income: high school graduates from families in the top income quartile are more than twice as likely to attain bachelor's degrees than high school graduates from families in the other three income quartiles. High school graduates from the lowest income quartile are least likely to continue their education in college and, among those who make it to college, are least likely to complete a bachelor's degree by age 24.<sup>30</sup> Fewer than 10 percent of high school graduates from the bottom income quartile complete bachelor's degrees by age 24, compared to more than 60 percent of high school graduates from the top income quartile. Considering Florida's above average share of families living close to or below the poverty line, these data suggest that low degree production rates relate in part to the inability of many Floridians to pay for college.

States provide affordable access to higher education in a number of ways: lending support to colleges and universities, setting appropriate tuition levels, and offering financial assistance to students. In some cases, states authorize higher tuition levels complemented by high need-based financial assistance for students. In this funding approach, states expect students from families in the upper income brackets to assume the majority of the costs for their education. Students with financial need receive more generous aid packages to enable them to enroll.

Other states restrict tuition to low levels and place less emphasis on funding need-based financial assistance. This model keeps down the cost of attending college for all students, regardless of ability to pay. These states subsidize higher education for all students by funding institutions at higher levels and keeping tuition low without regard for family income. Thus, states with low tuition may present a greater financial barrier to enrollment of students from families in lower income brackets than states with high tuition.

Several national and state programs provide financial assistance to college students. The federal Pell Grant program provides need-based assistance to about 30 percent of undergraduate students.<sup>31</sup> At the state level, programs may provide need-based aid to all qualifying students, merit-based aid to attract and award the

*Low degree production rates relate in part to the ability of many Floridians to pay for college.*

<sup>29</sup> Section 240.001, Florida Statutes, 2001.

<sup>30</sup> Mortenson, T., *Trends in College Participation by Family Income 1970 to 1999*, Postsecondary Education OPPORTUNITY, April 2001.

<sup>31</sup> Mortenson, T., *State Student Financial Aid Efforts 1982 to 2000*, Postsecondary Education OPPORTUNITY, April 2001.

strongest academically performing students, subsidies to students attending private colleges and universities, and targeted funding to influence student choice of majors/professions (e.g., teaching, health professions, engineering). States vary tremendously on the combination of tuition, financial aid programs and funding levels, and pre-paid tuition programs. The policies, programs, and funding practices in each state influence the enrollment and persistence of students to degree completion.

**Need-Based Aid:** Florida statutes provide for a student financial aid program to supplement a basic national program that will provide equal access to postsecondary education to residents who have the ability and motivation to benefit from postsecondary education. Section 240.437(2)(a), Florida Statutes, states that it shall be the policy that “state student financial aid be provided primarily on the basis of financial need.”

Funding practices, however, do not reflect this stated priority. Florida is among eight states that funds non-need-based aid at a higher level than need-based aid. Substantially more merit-based aid was disbursed than need-based aid in 1999-2000 (\$131.9 million to \$45.4 million).<sup>32</sup> The national average for the proportion of total undergraduate state aid based on need in 1999-2000 was 78.5 percent; Florida's proportion was 19.9 percent.<sup>33</sup> In 1999-2000, 17 states limited the provision of state funds for student assistance to need-based aid. Compared to the best-performing states, “Florida makes very little investment in financial aid for low-income students and families,” according to the National Center for Public Policy and Higher Education.<sup>34</sup>

In *Challenges and Choices: The Master Plan for Florida Postsecondary Education*, PEPC stated:

*Policies and funding practices related to tuition and fees, need-based and merit-based financial assistance, and the Prepaid Tuition Program interact to determine not only how postsecondary education is supported but also who enters and completes programs. Since 1967-1968, Florida has changed from a state with annual tuition cost for a four-year college at 124 percent of the national average to a low-tuition state. Low tuition is not an efficient form of financial aid because it subsidizes all students regardless of ability to pay. Provision for adequate student need-based financial assistance is critical in ensuring access and program completion, as the estimated chance for a baccalaureate degree differs dramatically by family income; Florida ranks low in this area as well.*<sup>35</sup>

“Florida makes very little investment in financial aid for low-income students and families,” according to the National Center for Public Policy and Higher Education.

<sup>32</sup> Student Financial Assistance, Planning Budgeting & Management Support Services, Department of Education, <http://www.firn.edu/doe/brfutures/bffacts.htm>, 10/16/01.

<sup>33</sup> Mortenson, T., *State Student Financial Aid Efforts 1982 to 2000*, Postsecondary Education OPPORTUNITY, June 2001.

<sup>34</sup> The National Center for Public Policy and Higher Education, *Measuring Up 2000: The State-by-State Report Card for Higher Education*, 2000, p.34.

<sup>35</sup> Postsecondary Education Planning Commission, *Challenges and Choices: The Master Plan for Florida Postsecondary Education*, January 1998, p.26.

Florida Student Assistance Grant Programs (FSAG), the state's need-based programs, provide financial assistance to students attending state community colleges and universities, private universities, and private postsecondary institutions. The FSAG award levels range, depending on availability of funds, from \$200 to \$1,500 per academic year in the public sector, or, for the private and postsecondary sectors, the cost at a public institution plus \$1,000. In 1999-2000, the average cost of tuition and fees at a state university was \$2,160; the average public FSAG award was \$842, the average private FSAG award was \$911, and the average postsecondary FSAG award was \$611.<sup>36</sup>

**Merit-Based Aid.** During the 1990s, state merit-based scholarship programs experienced rapid growth and were designed to reward student academic performance in high school and/or standardized test scores. Florida is a national leader in the provision of merit-based aid through the Florida Bright Futures Scholarship Program, which rewards student achievement and helps to keep high-performing students from leaving the state for higher education. Bright Futures is funded through Florida lottery revenues. In 1999-2000, Bright Futures assisted over 70,000 students at state universities, private universities, community colleges, and private two-year institutions.<sup>37</sup> Awards for Bright Futures are based on levels of academic performance and cost of tuition and fees. Scholars may receive up to the cost of tuition and fees at a public postsecondary institution plus \$600 per year for college-related expenses.<sup>38</sup>

**Florida Resident Access Grant.** Another important program that provides tuition assistance to students attending eligible private nonprofit colleges or universities in Florida is the William L. Boyd, IV, Florida Resident Access Grant program (FRAG). The FRAG offers an incentive to students to attend one of Florida's private colleges. Through this incentive program, the state helps to preserve the diverse learning environments offered in the private sector of higher education. The private institutions serve as an integral part of Florida's higher education system and provide baccalaureate degree access to many residents.

The FRAG award is based on a percentage of the state's cost for a full-time undergraduate student to attend a state university or an amount specified in the General Appropriations Act. For the 1999-2000 academic year, 23,256 students received FRAG awards; the maximum award was \$2,074.<sup>39</sup>

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<sup>36</sup> Bureau of Student Financial Assistance, Annual Report to the Commission, 1999-2000, *Florida Student Assistance Grant Programs*, Florida Department of Education, November 2000.

<sup>37</sup> Student Financial Assistance, Planning Budgeting & Management Support Services, Department of Education, <http://www.firn.edu/doe/brfutures/bffacts.htm>, 10/16/01.

<sup>38</sup> Bureau of Student Financial Assistance, Annual Report to the Commission, 1999-2000, *Florida Bright Futures Scholarship Program*, Florida Department of Education, November 2000.

<sup>39</sup> Bureau of Student Financial Assistance, Annual Report to the Commission, 1999-2000, *The William L. Boyd, IV, Florida Resident Access Grants*, Florida Department of Education, November 2000.

*Florida is a national leader in the provision of merit-based aid through the Florida Bright Futures Scholarship Program.*

### Strengthen Business-University Partnerships

In addition to meeting the immediate needs of employers, baccalaureate and beyond programs help make long-term economic growth possible by supporting research activity. Long-term industry growth and economic success require sustained investment in research. Higher education contributes to this aspect by developing researchers and investing in research. In higher education, these activities involve graduate students (usually at the doctoral level) and university faculty.

With respect to graduate education and economic development, PEPC, in its 1998 master plan, stated that:

*The role of graduate education in Florida is to produce the intellectual leadership for the next century. Students with graduate degrees help create and impart valuable knowledge, attract high-technology industry and businesses, contribute to the health of the state economy, and enhance the reputation of Florida's universities.*<sup>40</sup>

An important factor in recruiting and retaining graduate students is the availability of graduate stipends, fee waivers, and other financial incentives that are distributed at institutions. Graduate degree production in Florida increased in the late 1990s, but low levels of financial support for graduate students limit university recruitment efforts. In 1999, PEPC reported that graduate deans from public universities in Florida "agreed overwhelmingly the 'paucity' of financial aid available for graduate students seriously affects the universities' ability to attract and retain top graduate students, particularly in the sciences, engineering, and other high wage fields."<sup>41</sup> Difficulty in attracting top quality graduate students has a direct impact on the institutions' research capabilities and hampers the discovery, development, and deployment of knowledge to industry.

The research aspect of graduate education serves a critical role in connecting universities to economic development. America's leading research universities play a crucial role in advancing knowledge in virtually all fields, from the arts and humanities through the social sciences to the mathematical, physical, and biological sciences.<sup>42</sup> Research universities serve in this role through a cycle of knowledge and technology discovery, development, and deployment to external industry for application in products and services. The discovery-development-deployment cycle is dependent on a high-quality research environment that is rich in student and faculty talent with access to space and equipment that will enhance their productivity.

Research universities extend their knowledge and technology discovery, development, and deployment capabilities by collabo-

<sup>40</sup> Postsecondary Education Planning Commission, *Challenges and Choices: The Master Plan for Florida Postsecondary Education*, January 1998, p.41.

<sup>41</sup> Postsecondary Education Planning Commission, *Graduate Education and Economic Development*, February 1999, p.8.

<sup>42</sup> Lombardi, J.V., Craig, D.D., Capaldi, E.D., Gater, D.S., & Mendonca, S.L., *The Top American Research Universities*, The Center, July 2001, p.7.

Graduate degree production in Florida increased in the late 1990s, but low levels of financial support for graduate students limit university recruitment efforts.

rating with business and industry. Through such collaboration, research universities apply their capabilities to addressing product and service needs of society. Numerous university and industry partnerships for collaboration exist in Florida, including the University of South Florida–University of Central Florida High-Technology Corridor partnership, the Florida Atlantic University/Florida International University Internet Coast initiative, and other partnerships.

The discovery, development, deployment cycle benefits society and the state by introducing new products and services, stimulating new and expanding businesses, and creating jobs, typically ones with higher wages. The discovery, development, deployment cycle also benefits the faculty and universities hosting the research. When knowledge or technology is discovered, developed, and deployed, patents and licenses are issued, and universities benefit from royalty revenues.

#### *FLORIDA HIGH-TECH CORRIDOR COUNCIL*

The Florida High-Tech Corridor Council's mission is attracting, retaining and growing high-tech industry along Florida's High-Tech Corridor. The Council convened in 1996, uniting the University of Central Florida, the University of South Florida, and 15 high-tech companies – many of which considered each other competitors – in a quest for a common goal of economic development.

Funded by the Florida Legislature and participating technology companies, the Council has achieved a number of significant successes resulting in thousands of jobs, over a billion dollars in investments, and millions of dollars in revenue for Florida. The most important sign of success is in the large number of jobs that have been created through expansions by existing employers, by startup and spin-off companies and by companies attracted by the corridor's resources: research universities, skilled workers, and the commitment of state and local governments to build a climate for high-tech business.

Conservative estimates by the University of South Florida Office of Economic Development indicate there are more than 100,000 high-tech jobs throughout the Corridor. These workers are employed by more than 6,000 companies in five key sectors – semiconductors, lasers and optics, medical technology, simulation and training, and information technology.

Source: Web site of The Florida High-Tech Corridor Council, October 18, 2001, 6:35 p.m., <<http://www.floridahightech.com/info/overview.htm>>.

### ***Measuring Effectiveness of Educational Policy and Programs***

True gains in the first two priority areas, increasing high school graduation rates and increasing the responsiveness of baccalaureate and beyond programs, require that critical indicators of performance be measured and reported. The choice of measures should reflect the specific areas in which Florida requires improvement and should allow for comparative analysis between states to highlight Florida's progress or regression in overall performance.

Uncertainty concerning the most effective methods to teach students and the most efficient allocation of resources exists because

of the absence of comprehensive research and development efforts on student learning. *In Improving Student Achievement*, the RAND researchers state:

*Successful R&D is the engine that drives productivity improvement in every sector of our economy. Until educational R&D can play the role that R&D does in virtually every other sector of our economy, continual educational improvement cannot be taken for granted.*<sup>43</sup>

Identifying the areas in which Florida requires improvement is the first step toward increasing performance in education. Educational attainment is a vital prerequisite for improving Florida's competitiveness, but progress will come only with accurate, consistent, and regular measurement and reporting of key indicators related to the state's overall educational performance.

Equipped with these data, Florida would be better prepared to answer questions about how it measures up to other states, whether its workforce is aligned with the demands of the labor market, and perhaps most importantly, where improvements could be made to ensure continued growth in economic and civic health. Measures of educational quality and performance must focus not only on the services provided and resources invested in education, but also on the characteristics and skills of the workforce produced. It is not productive merely to identify how a state's youth are being educated; to eliminate the gap between education and the needs of the job market, a state must identify how well it is meeting the demand for jobs and needs of employers in key and high-growth industries.

Some performance data exist and are accessible in Florida. What is lacking is a comprehensive plan for what indicators of performance need to be measured, how to measure those indicators, and a means to widely report annual measurement and progress, in understandable terms, to all Floridians.

Florida needs a reporting system that gives emphasis on how well its intellectual infrastructure performs with regard to the economic and civic welfare of its residents. Characteristics of highly effective studies of state education performance are identified in *Measuring Up 2000: The State-by-State Report Card for Higher Education*.<sup>44</sup> Designed as the first nationwide effort to measure the performance of higher education at the state level, *Measuring Up 2000* focused primarily on outcome measures as opposed to inputs into higher education. The characteristics are applicable to all levels of education. The report notes that "the things we keep track of, count, and monitor tend to be the ones we improve."<sup>45</sup>

*Some performance data exist and are accessible in Florida. What is lacking is a comprehensive plan for what indicators of performance need to be measured.*

<sup>43</sup> Grissmer, D., Flanagan, A., Kawata, J., & Williamson, S., *Improving Student Achievement: What State NAEP Test Scores Tell Us*, RAND Education, 2000.

<sup>44</sup> The National Center for Public Policy and Higher Education, *Measuring Up 2000: The State-by-State Report Card for Higher Education*, 2000, p.15.

<sup>45</sup> Ibid.

## Benchmarking Process

The benefits of a highly educated population are perhaps among the most important data to be monitored. It is in this group of indicators that the focus on outcomes of education is most evident. Florida must determine how the state's economy is changing, whether it produces enough graduates, the degree to which the state is importing or exporting its graduates, and whether the graduates it produces are well suited to the changing needs of its economy.

Publishing an annual report detailing performance and outcomes measures, including both annual and trend data, would provide Floridians with evidence of the progress or regression of their state as it compares to the nation as a whole. The focus on performance and outcomes includes analysis of the effectiveness and cost-efficiency of policies, programs, and resource allocation with an emphasis on areas in need of improvement. Current assessment approaches provide an initial foundation for needed measurement and analysis, including assessment approaches of workforce preparation, pre-kindergarten through 12th grade, higher education, and university research.

### *CHARACTERISTICS OF EFFECTIVE STUDIES OF STATE PERFORMANCE*

- Place primary or exclusive emphasis on results, outcomes, and performance, rather than measuring effort or progress.
- Rely heavily on quantitative measures or indicators, rather than only on the opinions or judgments of the authors or sponsors.
- Rely on independent organizations not connected directly to the providers of public services or the responsible state policy-makers.
- Present, interpret, and distribute findings to a broad public audience that includes, but is not limited to, specialists, professionals, and policy-makers.
- Repeat at regular intervals to monitor progress or regression.
- Begin with the most reliable, timely, and relevant information available, and work to refine and improve data and methodology in each successive edition.

**Workforce Preparation.** Florida has valuable resources for the collection and analysis of student outcomes data. The Florida Department of Education's Workforce Education and Outcome Information Services (WEOIS) collects, publishes, and analyzes data regarding vocational and adult general education. Within WEOIS, the Florida Education and Training Placement Information Program (FETPIP) employs a data collection system that obtains follow-up data on former students and others. The information collected includes data on employment, continuing postsecondary education, military service, public assistance participation, and incarceration data. These data are used to provide accurate outcomes information to education programs and workforce development programs.

FETPIP data can be used to establish where Florida's graduates are being placed in the workforce and to determine what types of education are preparing students for certain occupations. In addition to these data, WEOIS publishes the Florida Employer Opinion

Source: Measuring Up 2000: The State-by-State Report Card for Higher Education (2000). The National Center for Public Policy and Higher Education, p. 13.

Survey, which offers insight into how students moving into the workplace are meeting employer expectations. The survey covers topics relating to employer opinion on how well educational training and preparation of their employees meets their needs.

During the 1997-1998 fiscal year, FETPIP followed up on approximately 3.2 million former students from or participants in a variety of education programs. The education institutions in Florida that provided individual information for follow-up include universities; community colleges; school districts; and private vocational schools, colleges, and universities. FETPIP's service delivery areas include: Work and Gain Economic Self Sufficiency (WAGES) program, Workforce Investment Act (WIA), corrections system, adult migrant worker training programs, apprenticeships, and specialized and longitudinal studies.

To gauge how Florida's economy is developing and to target vocational and other education programs toward industries that are projected to have high demand, the Workforce Estimating Conference (formerly the Occupational Forecasting Conference), which is mandated by Florida statute and convenes annually, considers forecasts of job openings, employment, program placements, and earnings to determine high-demand, high-wage occupations. These occupations are ranked by their projected number of openings, projected growth rate, and expected average wage rates.

Like WEOIS and FETPIP, the Workforce Estimating Conference is a valuable source of data for determining what kinds of education require resources and attention. Taken together, these data should be analyzed to determine what Florida's future economy will look like, and whether Florida's educational system provides for current and future requirements and expectations of employers.

**Pre-Kindergarten Through 12th Grade.** Measuring and reporting the percentage of students who graduate from high school provides information concerning one outcome of public education. It does not address, however, the quality of education that students receive, and hence remains an inadequate performance measure on its own. Because the reporting effort should be designed to provide some gauge of how well Florida's students are prepared for higher education and the workforce, measures of the content and quality of education at the elementary and secondary levels must be monitored and reported.

The National Assessment of Educational Progress (NAEP) measures achievement across the states in the areas of math, reading, and writing.<sup>46</sup> *Measuring Up 2000* utilized these tests to provide an indication of the degree to which students are prepared for higher education. These national level and state-by-state data provide a useful frame of reference for comparison with Florida's own assessment tools.

*Florida has valuable resources for the collection and analysis of student outcomes data.*

<sup>46</sup> Grissmer, D., Flanagan, A., Kawarta, J., and Williamson, S., *Improving Student Achievement: What State NAEP Test Scores Tell Us*, Rand Education, 2000.

The Florida Comprehensive Assessment Test (FCAT) is the tool used to monitor achievement levels in reading and mathematics among Florida students. The FCAT also serves as the competency test for purposes of high school graduation. While student and school progress on the FCAT is reported, other states do not use the FCAT, and thus comparison is not possible. For comparison with other states and the nation, NAEP performance results should be reported and attempts to compare results from both tests should be explored. Such comparisons will provide an indication not only of how students perform on achievement measures, but also how Florida compares to other states.

*Measuring Up 2000* also reports on the courses high school students take.<sup>47</sup> This measure provides an indication of whether students have taken the courses they need to perform well in higher education and employment. Currently, Florida does not participate in national surveys for *Measuring Up* that measure the number of upper-level math and science courses taken by high school students; hence, comparative data for the state are not available. Such indicators, together with tests of achievement, would offer a picture of what students know when they complete secondary education and whether they are prepared for postsecondary education.

At the national level of assessment, *Improving Student Achievement* analyzed the outcomes of varied policies, practice, and funding initiatives that have been implemented in school improvement reform efforts to identify ones that are the most effective and cost-efficient in improving student and school performance. Research needs to identify the effectiveness of policies, practices, and funding initiatives designed to improve student or school performance in Florida. Findings need to be analyzed to determine whether current initiatives should be expanded, adjusted, or abandoned and whether new initiatives should be designed and implemented.

Research and evaluation of policies, practices, and funding of pre-kindergarten programs are intermittent and inadequate in Florida. Florida's reporting effort with regard to pre-K and K-12 education (preparedness for higher education and employment) should focus on specific quantitative measures and ensure that data are reported in a manner comparable with other state and national measures of performance.

**Baccalaureate and Beyond Education.** Measurement for baccalaureate and beyond education needs to be conducted to inform educators, policy-makers, and the public about progress made in Florida over time as well as the state's performance compared to other states. *Measuring Up 2000*, the first state-by-state report card on higher education, provides an example of a useful framework for both developing a system of reporting information related to baccalaureate degree production, focusing heavily on outcomes and performance indicators, and for comparison to other states. Although focused on baccalaureate education, the approach taken

*Research and evaluation of policies, practices, and funding of pre-kindergarten programs are intermittent and inadequate in Florida.*

<sup>47</sup> Grissmer, D., Flanagan, A., Kawarta, J., and Williamson, S., *Improving Student Achievement: What State NAEP Test Scores Tell Us*, Rand Education, 2000.

by *Measuring Up 2000* encompasses a broad range of education by placing emphasis not only on participation and completion of post-secondary education, but also on preparation for higher education.

This framework illustrates how the performance of the entire K-20 system of education must be addressed in order to ensure that Florida remains competitive and economically vital. Moreover, the framework focuses not only on measures directly related to effort or progress, but also on measures of outcomes and the applicability of educational performance to the broader economic health of a state. The framework is divided into six performance categories: preparation, participation, affordability, completion, benefits, and learning.<sup>48</sup>

The “grades” that Florida received as a result of the analysis in *Measuring Up 2000* are consistent with earlier analysis. The state received “D” grades for participation of students enrolling in college immediately after high school and for affordability of two-year and four-year, public and private institutions. Florida received “C” grades on the preparation of students for education and training beyond high school and on the benefits that the state enjoys as a result of having a highly educated population. The state received its strongest grade, a “B,” in the completion category, reflecting a high number of freshmen returning for their sophomore year.

*Measuring Up 2000*'s analysis of Florida can verify the state's own research findings, as well as permit comparisons between Florida and other states. Florida has the benefit of multiple sources of outcomes information that can enrich analysis beyond *Measuring Up 2000* by delving deeper into state issues and evaluation of programs, and also by offering analysis over time with trends, forecasts, and longitudinal studies. The public community college and university sectors have centralized databases and conduct multiple levels of analysis on the performance of programs and students in the aggregate. The Council on Education Policy Research and Improvement, CEPRI, (formerly the Postsecondary Education Planning Commission, PEPC) focuses its research on state-level planning and analysis of education programs outcomes. Taken together, Florida will have a comprehensive view of its baccalaureate and beyond education, including progress over time and comparison to other states.

**University Research.** A final area for measurement and reporting relates to research at Florida's institutions of higher education. University graduate programs and research provide the state with the intellectual leadership development, as well as the innovation and knowledge/technology development that is vital to the expansion of Florida's economy. The *Top American Research Universities* report concluded that sustaining research at nationally competitive levels of quality and productivity requires “constant measurement, close attention to revenues and expenditures, and close faculty and administrative management.”<sup>49</sup>

The state received “D” grades for participation of students enrolling in college immediately after high school and for affordability of two-year and four-year, public and private institutions.

<sup>48</sup> The National Center for Public Policy and Higher Education, *Measuring Up 2000: The State-by-State Report Card for Higher Education*, 2000, p.15.

<sup>49</sup> Lombardi, J.V., Craig, D.D., Elisabeth, D.C., Gater, D.S., and Mendonca, S.L., *The Top American Research Universities*, The Center, 2000, p.19.

### MEASURING UP 2000 PERFORMANCE CATEGORIES

**Preparation:** How adequately are students in each state being prepared for education and training beyond high school?

Measures include: high school completion, K-12 course taking, and K-12 achievement.

**Participation:** Do state residents have sufficient opportunities to enroll in education and training beyond high school?

Measures include: participation of young adults and participation of working-age adults.

**Affordability:** How affordable is higher education for students and their families?

Measures include: family ability to pay, state strategies for affordability, and reliance on loans.

**Completion:** Do students make progress toward and complete their certificates and degrees in a timely manner?

Measures include: persistence and certificate/degree completion

**Benefits:** What benefits does the state receive as a result of having a highly educated population?

Measures include: educational achievement, economic benefits, civic benefits, and adult skill levels.

**Learning:** What do we know about student learning as a result of education and training beyond high school?

Measures include: None available. All states lack information on the educational performance of college students that would permit systematic state or national comparisons. This highlights a gap in the ability as a nation to say something meaningful about what students learn in college.

To gauge performance and progress in research, the state needs to report trends annually detailing Florida's performance and national rank with regard to doctoral degrees granted, support for graduate students, and measures of the discovery-development-deployment cycle. Funding directed toward research from all sources, including federal, state, private, and other dollars, should be reported each year by institution.

### Responsibility for Analysis and Reporting

Important criteria for determining responsibility for analysis and reporting of measures related to intellectual infrastructure include independent analysis free from constituent or partisan influences, comprehensive analysis of the entire intellectual infrastructure resources in Florida, and coordinated analysis in a single clearinghouse.

Effective studies of state performance are conducted by independent organizations not connected directly to the providers of public services or the responsible state policy-makers.<sup>50</sup> Assigning research responsibilities to an independent group improves

Source: *Measuring Up 2000: The State-by-State Report Card for Higher Education.*  
The National Center for Public Policy and Higher Education, 2000, pp. 18-23.

<sup>50</sup> The National Center for Public Policy and Higher Education, *Measuring Up 2000: The State-by-State Report Card for Higher Education*, 2000, p.15.

objectivity. To ensure successful and useful data reporting, responsibility for the process should be assigned to an entity outside of the Florida Department of Education and the Florida Legislature. The external entity should be willing to collaborate with the Department of Education, the Florida Chamber of Commerce Foundation, and other research organizations to produce high-quality research and bipartisan support.

The Council on Education Policy Research and Improvement (CEPRI) was created in 2001 to conduct and review education research, provide independent analysis on education progress, and provide independent evaluation of education issues of statewide concern. CEPRI serves as a citizen board for independent policy research and analysis whose mission is to provide policy-makers and educators with useful research to support the state's K-20 education system. CEPRI is responsible for preparing and updating the state's master plan for education every five years. Previously as PEPC, CEPRI addressed postsecondary education issues, although its efforts in developing the master plan for postsecondary education involved consideration of elementary and secondary preparedness issues. CEPRI's research mandate is nearly comprehensive; it addresses education from kindergarten through graduate programs, including public and private institutions. It needs to include analysis of pre-kindergarten to complete its comprehensiveness.

While CEPRI is independent of the Department of Education, it is administratively housed in the Office of Legislative Services. No other policy research group exists that is independent from both the Department of Education and the Legislature. To ensure independent, unbiased research and analysis when developing the measures and reporting process for the state's intellectual infrastructure, CEPRI should increase its collaborative efforts with the Florida Chamber of Commerce Foundation and other external research organizations.

With its mandate of reporting for a seamless K-20 education system, CEPRI is well positioned to serve as a clearinghouse for a comprehensive and independent system of measuring and reporting the state's performance to ensure that Florida progresses and keeps pace with the nation and the needs of its economy. Measuring the effectiveness of intellectual infrastructure policy, programs, and funding is critical to the future economic well-being of the state and its residents.

### **3.5 Priorities and Strategies**

A strong intellectual infrastructure is critical for economic competitiveness in the 21st-century economy. Four major strategies are identified for strengthening Florida's intellectual infrastructure over the next decade:

*Effective studies of state performance are conducted by independent organizations not connected directly to the providers of public services or the responsible state policy-makers.*

- Increase high school graduation rates and graduate preparedness;
- Increase the responsiveness of baccalaureate and beyond programs to the needs of the new economy;
- Ensure that all Floridians recognize the value of life-long learning; and
- Measure the effectiveness of educational policy and programs and adapt programs according to need.

**Priority: Increase high school graduation rates and graduate preparedness.**

High school preparation and graduation is essential to the future economic development and well-being of Florida. The K-12 system serves as the primary source of training for preparing Florida's workforce for jobs and continued education. However, the K-12 system is falling short in the following areas:

- **Low high school graduation rate** – Florida high school graduation rates are among the lowest in the country and declined during the 1990s. Florida's four-year high school graduation rate was 56 percent to 60 percent in 1999, depending on whether national or state data sources are used. By either measure the state is well below the national average of 67 percent. Although recent data from the Florida DOE indicate that this figure increased to almost 64 percent in 2001, no 2001 national comparative data are available to gauge Florida's ranking relative to other states.
- **Deteriorating quality of high school degree** – Florida employers voice concern about the basic skills, soft skills, and technology skills of job applicants and employees with high school degrees.

It is recommended that the Board of Education adopt a target for the four-year high school graduation rate of 75 percent by 2010, a level that would rank 15th in the nation using 1999 data. The target for the five-year graduation rate should be 80 percent by 2010. This would represent an increase of 15 points for both measures.

Four broad strategies are suggested for increasing high school graduation rates, the quality of the degree, and the applicability of student preparation for the demands of the job market.

**Strategy: Reaffirm commitment to school reform.**

Florida's public and private sectors engaged in a series of school reform efforts during the mid- and late 1990s, including establishing the Sunshine State Standards and the WorldClass Schools program. Although it is too early to assess the long-term impacts of these changes, initial results are encouraging. The overall success of school reform requires sustained commitment of resources. Suggested actions include:

*It is recommended that the Board of Education adopt a target for the four-year high school graduation rate of 75 percent by 2010.*

*Early intervention is more complicated and demanding than social promotion or retaining students, but it may be the only way to make education reform and accountability work for individual children and society.*

- **Maintain commitment to the Sunshine State Standards** for student knowledge and ability through high school graduation. Input from teachers and business leaders should be gathered and used to periodically review and update the standards to reflect the evolving workforce needs of the new economy.
- **Employ targeted academic and other support interventions** to assist children who are struggling with grade-level coursework, including well-designed programs to solve individual problems and allow children to reach and remain at grade level. Schools should provide alternative teaching/learning methods as soon as students begin to struggle with coursework rather than waiting until the end of the school year. Examples of alternative methods include enhanced reading instruction, teachers with a wider range of assessment skills, teaching specialists, extra instruction time during the school year or summer, parents and community mentors and tutors, and technology-assisted learning tools. Strong quality controls should be established, and students receiving support intervention should be monitored to ensure that the alternative teaching/learning strategies are working. Intervention on individual need will assist a large segment of the student population and operate in an efficient, systemic manner. In adopting this approach, schools can eliminate social promotion and restrict retention of children performing below grade level. Neither of the two latter approaches has been proven to be effective in helping children master grade-level knowledge. Early intervention is more complicated and demanding than social promotion or retaining students, but it may be the only way to make education reform and accountability work for individual children and society.
- **Strengthen school leadership skills** needed for teachers, administrators, board members, and members of the community to implement changes in curriculum, instruction, and school organization. Over the next five years, Florida should build on the WorldClass Schools model and expand the participation of champions to all school districts.

**Strategy: Reflect community and business needs in education programs.**

School reform is most effective when implemented at the regional or community level. School leadership needs the authority to apply resources where they will be most effective in a school or district, whether directed toward academic support services, curriculum enhancement, or teacher professional development. Additionally, educational systems are most effective when linked closely with other community priorities and regarded as a critical element of each region's economic and community assets. Suggested actions include:

- **Increase district/school authority and flexibility** over use of resources. Florida should continue to set high performance standards at the state level, but place authority for

implementing decisions at the school and community level. Incentives such as reward money should be provided and dedicated to school efforts to improve student achievement. In business, when resources are scarce, unit managers are granted authority and given incentives to seek, obtain, and make maximum use of resources to boost productivity. Similarly, in education, unit managers (principals and superintendents) need authority over the acquisition and use of resources to increase productivity (student performance).

- **Increase the role of business and industry** in student-focused assistance, such as mentoring, tutoring, apprenticeships, and placement of students and graduates. All businesses in Florida should be challenged to “adopt” a student, class, or school, depending on available resources, to affect workforce preparedness one student at a time.
- **Increase time in the classroom** to allow students and teachers the time to address the learning needs of all students. For example, districts might provide one additional hour per day for specialized assistance for at-risk students, and one additional month per year for under-performing schools. Examples of programs that could be incorporated in the additional time include: additional or alternative teaching and learning methods for at-risk and low-performing students; additional curriculum options such as foreign language, the arts, college-level instruction, and career exploration; teaching of household and family economics and other practical living skills; deeper exploration in subjects of interest (for example, field trips, internships, and student exchange programs); and increased opportunities for collaboration with business and industry resources (for example, mentoring, guest speakers, and visits to businesses). Authorization and funding should be provided for schools to adjust the time in the classroom to meet the needs of their students.
- **Increase needed support services** such as tutors, reading teachers, computer-assisted learning technologies, health care for children without medical coverage, coordination of food and clothing services, and parenting classes. Each school has its own set of needs depending on the population characteristics of its residents, industry of the area, and availability of community resources. Funding, combining state with local, federal, and private education- and community-related sources, should be adequate and flexible to allow for resource allocation according to school and community needs.
- **Encourage high performance for all students.** The state should set high expectations for students through the Sunshine State Standards, measure achievement, and hold schools accountable for children's performance. Schools should offer enriching experiences beyond the classroom to students through public, private, and volunteer partnerships within each community. These might

*Florida should continue to set high performance standards at the state level, but place authority for implementing decisions at the school and community level.*

include dual enrollment classes with community colleges; introduction to science, math, and engineering careers with business partners; language instruction and/or enhancement through bilingual community members; enhanced exposure to the arts through community resources; and student volunteerism to address community needs and inspire civic responsibility.

**Strategy: Identify and intervene in low-performing schools.**

Research on school reform initiatives that have been implemented over the past two decades reveals that addressing the needs of low-performing schools is a highly cost-effective approach to raising the achievement levels of students. Intervention to assist low-performing schools is most effective when it is a community-based, collaborative effort. The intervention effort would build upon what the state already initiated through the Sunshine State Standards, but adopt a more community-focused, action-oriented approach.

- **Design a set of measures to identify at-risk communities or schools** and to trigger a business-driven reform process. Measures might include high school graduation rates, FCAT scores, student retention, or local economic conditions. The Council on Education Policy Research and Improvement (CEPRI) should design the set of measures and the evaluation process.
- **Use an external agent to catalyze a community** to identify the needs of a low-performing school and help coordinate public, private, and nonprofit resources to meet these needs. WorldClass Champions, with additional training on intervention strategies, are well positioned to assume the role of external catalyst.
- **Enlist a cross-section of community leaders** to address the needs of low-performing schools through an intervention action plan. A school improvement “SWAT” team, comprising business and community leaders, parents, school personnel, and WorldClass Champions, should be assembled to design and implement an intervention action plan.
- **Identify and bring into low-performing schools** a wide range of public, private, and nonprofit community resources needed to address the specific needs of each school to help young people learn, stay in school, and prepare for life.

**Strategy: Target additional funding for strategies that have demonstrated high-return results on student achievement.**

Just as business productivity can be enhanced through investment in new labor skills or technologies, education productivity can be increased through targeted resource investment. High priorities for additional funding should include activities that target at-risk students or provide better working conditions for teachers, such as the following:

*Intervention to assist low-performing schools is most effective when it is a community-based, collaborative effort.*

- **Lower primary classroom pupil-teacher ratios** to a maximum of 20 to one (especially in the most critical years of kindergarten to third grade)
- **Increase the availability of readiness/preparedness programs** for pre-kindergarten children, especially for at-risk children. Many children enter kindergarten unprepared to learn due to barriers presented by population characteristics or personal disabilities. Of the more than 407,000 children eligible for school readiness programs, 67 percent are not being served for a combination of reasons including limited resources, transportation problems, difficulties in identifying the children in need, and barriers in communicating with parents and guardians. The School Readiness Act should be evaluated to determine its effectiveness in meeting the needs of children from at-risk population groups, whether funding is sufficient to enroll all eligible children, and how to expand participation in readiness programs. Pre-K programs should be moved administratively under the Board of Education so that they may be incorporated as part of the seamless system.
- **Provide higher levels of classroom resources** to teachers to enable them to address the specific learning needs of their students.
- **Focus community/school-based efforts on at-risk students.** This is a recognized cost-efficient use of resources to raise academic performance of schools. Funding levels should be representative of the percentage of at-risk students in a school.

***Priority: Increase the responsiveness of baccalaureate and beyond programs to the needs of the new economy.***

The baccalaureate and beyond degree system is the primary source of Florida's future intellectual leadership, including skilled workers and managers, as well as discovery and innovation activity. However, the system is falling short in the following areas:

- **Low college continuation rate** – Between 1988 and 1998, Florida high school graduates continuing to college in the following fall semester increased nearly seven percentage points; however, the rate stood at just under 50 percent. Florida's ranking declined to 43rd among the states. More recent data from FETPIP indicate that 55 percent of high-school graduates in 1999 continued on to college the following fall or winter terms, although differing methodologies and a lack of more current national level data prevent an evaluation of Florida's ranking relative to other states in that year. These data reflect students attending colleges in Florida but do not include those students attending colleges in other states.
- **Low degree production rates** – Florida ranks 44th among the states for bachelor's degrees granted and 40th for master's degrees granted relative to the size of the state's

*Of the more than 407,000 children eligible for school readiness programs, 67 percent are not being served.*

prime working age (18 to 44) population.

- **Limited production of science and engineering degrees** – Florida ranks in the lower quartile of states for production of bachelor's, master's, and doctoral degrees in science and engineering fields of study.
- **Uneven discovery-development-deployment cycle** – Florida ranks 31st in the research and development funds expended in relation to the gross state product. Florida State University ranked third in the nation for patent royalties in 1999, but nearly all of its royalties earned were attributed to the development of one pharmaceutical.

It is recommended that the Board of Education adopt the following targets:

- **A college continuation rate** among the top 15 states by 2010 or at least 62 percent, an increase of 12 points above the 1998 level.
- **A baccalaureate degree production rate** on par with the national average by 2010, and among the top 10 states by 2020. For comparison purposes, reaching the national average degree production rate for the year 2000 would require an increase in baccalaureate degrees from 50,000 to 64,000 per year.
- **A science and engineering doctoral degree production rate** on par with the national average by 2010, and among the top 10 states by 2020. For comparison purposes, reaching the national average degree production rate for the year 1999 would require an increase in doctoral degrees from 900 to 1,270 per year.

Five broad strategies are suggested for enhancing the responsiveness of baccalaureate and beyond programs.

**Strategy: Increase baccalaureate and beyond degree production rates.**

Degree production rates appear to be low today due to limited geographic and financial access to baccalaureate programs. A multi-pronged strategy is needed to increase degree production:

- **Increase university enrollments** at current institutions, especially where additional capacity currently exists.
- **Improve geographic access** to baccalaureate degrees. Existing efforts to expand the geographic access to baccalaureate programs should be evaluated, and new efforts should be identified. Example efforts include:
  - **Site-based baccalaureate programs** – community colleges contracting with four-year institutions to deliver upper division coursework and confer degrees on-site;
  - **Authorization for community colleges to offer specified baccalaureate programs** – extending baccalaureate degree-granting authority to community colleges for programs addressing identified regional workforce needs;

*The target for the college continuation rate is to be among the top 15 states by 2010 or at least 62 percent, an increase of 12 points above the 1998 level.*

- **Joint-use programs** – community colleges and universities sharing the same facilities; and
- **Florida Resident Access Grant Program** – providing resident high school graduates with a state subsidy to attend private colleges or universities in Florida. Funding for this program should be expanded to permit all eligible Floridians to receive the maximum award level.
- **Increase support for need-based student financial assistance** to address financial access to post-secondary education. The state should fully implement Section 240.437(2)(a), Florida Statutes, to provide student financial aid primarily on the basis of financial need.
- **Provide adequate funding** for access to high quality faculty and programs in state-of-the-art facilities.

**Strategy: Increase science and engineering degree production.**

Unique strategies are required to increase knowledge about career and income opportunities in science and engineering fields, stimulate interest and participation in related courses and programs from an early age, and provide adequate funding for advanced degree program participants.

- **Promote participation in science and engineering degree programs** through collaborative partnerships between all levels of educational institutions and business to enhance teacher/faculty development and student involvement through field experiences, mentoring, internships, summer jobs, and ultimately placement in professional positions.
- **Increase the integration of applied technology** learning in all fields of post-secondary education through faculty development, faculty/industry exchange programs (where scientists/researchers spend blocks of time in the classroom and faculty spend time at the job site of the scientist/engineer), and business and industry involvement in curriculum development.
- **Increase graduate program access, enrollments, and completions** in science and engineering through generous financial packages for students (such as fee waivers and stipends, compensation to cover reasonable living expenses, and health insurance) and opportunities for involvement in business and industry partnerships.
- **Establish a college loan repayment program** to encourage graduates of science and engineering programs to work in these fields in Florida. These would be similar to existing programs for students in nursing and education programs.
- **Align science and engineering programs with Florida's most critical technologies.** The efforts of groups such as Enterprise Florida, the High-Tech Corridor Council, and the Internet Coast should be coordinated to identify key

*The state should fully implement Section 240.437(2)(a), Florida Statutes, to provide student financial aid primarily on the basis of financial need.*

industry areas that can propel Florida to be among the national leaders and fund faculty and facilities in related graduate science, technology, and engineering programs. Enterprise Florida, Workforce Florida, the Florida Education and Training Placement Information Program, and business/education partnerships should work together to identify Florida's strategic technologies and industries, associated workforce demand and research needs, and appropriate education/training programs. The evolving needs of the economy should be reviewed periodically (perhaps every three years) to update the list.

**Strategy: Improve the knowledge discovery-development-deployment cycle.**

The discovery-development-deployment cycle flourishes in an environment where ideas are exchanged and easily transferred to commercial products and services. Such an environment is characterized by the presence of a critical mass of scientists and engineers and by streamlined processes that eliminate barriers to product or service commercialization. Suggested actions include:

- **Provide consistent state incentive funding** for university economic development partnerships, such as the High-Tech Corridor model. Collaborative partnerships among colleges and universities should be encouraged to enhance research discovery, development, and deployment.
- **Provide significant financial recognition for faculty** involved in technology partnerships. Partnerships with businesses should not restrict faculty diversity of research or academic freedom. Participating faculty should qualify for incentive funding, which may increase as the scope of faculty involvement grows.
- **Set up and promote entrepreneurial centers of excellence** and collaborative incubator projects as public/private partnerships through universities. The centers should comprise founders, owners, and managers from local enterprises (particularly emerging businesses), serve as incubator networks, and support entrepreneurial businesses.
- **Expand research facilities** (both space and equipment) for university/business partnerships through capital expansion programs.

**Strategy: Amend the Florida Education Governance Reorganization Act to clearly assign universities authority over the use of their resources.**

The reorganization act of 2000 abolished the state-level Board of Regents and established boards of trustees for each public university in Florida. The Florida Education Governance Reorganization Implementation Act of 2001 stated it was the policy of the Legislature to provide for the devolution of authority to universities "to provide student-centered education service within the clear parameters of the overarching education policy established by the Legislature." University boards of trustees have been named, but the devolution of authority is not com-

*The discovery-development-deployment cycle flourishes in an environment where ideas are exchanged and easily transferred to commercial products and services.*

plete. The powers, duties, and functions of the former Board of Regents were transferred to the Florida Board of Education. Devolution to the universities and their boards of trustees must be completed, as follows:

- **Devolve authority over resource allocation** to university boards of trustees. In doing so, the Board of Education should define its accountability expectations for each university.
- **Devolve authority to universities for entrepreneurial decision-making**, particularly related to the relationship between faculty and private industry. Issues such as conflict of interest and intellectual property rights should be resolved where possible by the individual university.

**Priority: Ensure that all Floridians recognize the value of life-long learning.**

True gains in the first two priority areas will require widespread community, business, and political support for education, including the provision of leadership and financial resources. Encouraging all Floridians to continue their learning, to instill the importance of education in their children, and to promote education in their community with their personal and business resources will help achieve these other priorities.

**Strategy: Implement an “Education First” public outreach initiative.**

The Board of Education, Workforce Florida, the Florida Chamber Foundation, and other partners should implement a public outreach initiative – perhaps under the rubric of “Education First” – to promote the value of education to the community at large. The initiative should promote support from parents, students, and community leaders for degree attainment, life-long learning, participation in mentoring and other volunteer programs, financial support for education, and careers in education (both teachers and administrators). A state-level funding source related to economic development should be made available to support the outreach initiative.

**Priority: Measure and report the effectiveness of educational policy and programs.**

True gains in the first two priority areas will require that critical indicators of performance be measured and reported. Conducting meaningful analysis of the effectiveness of educational policy and programs requires resources that are often beyond the staff of individual programs. In addition, a state-level view of program effectiveness provides for greater consistency of measurement methodology and communication of the findings. While some data are currently collected, a comprehensive measurement and reporting methodology should be implemented.

*Encouraging all Floridians to continue their learning, to instill the importance of education in their children, and to promote education in their community with their personal and business resources will help achieve these other priorities.*

**Strategy: Implement a system of consistent and useful research and reporting.**

The Florida Legislature should implement a system for measuring and reporting the performance of Florida's education system. The system should include the following elements:

- **Measures that reflect the specific areas** in which Florida requires improvement and allow for comparative analysis between states in order to highlight Florida's progress or regression in overall performance (see Table 2). Annual reports containing both annual and trend data on selected measures of student and school performance should be published.
- **Annual reports to all Floridians** the status of education. These key metrics should be widely reported in a statewide report card on education.
- **Analysis and reporting responsibilities** assigned to an independent entity outside of the Department of Education to ensure high-quality research and bipartisan support. The lead role should be assigned to the Council on Education Policy Research and Improvement (CEPRI), in collaboration with the Board of Education, the Florida Chamber of Commerce Foundation, and other research organizations.

*The Florida Legislature should implement a system for measuring and reporting the performance of Florida's education system.*

TABLE 2. KEY INDICATORS OF EDUCATIONAL PERFORMANCE

<p><i>PRIORITY: INCREASE HIGH SCHOOL GRADUATION RATES AND GRADUATE PREPAREDNESS</i></p> <ul style="list-style-type: none"> <li>• <b>Share of Children Entering Kindergarten Prepared for Grade-Level Instruction</b> – The percent of children entering kindergarten ready to learn.</li> <li>• <b>Level of Participation and Outcomes in Pre-Kindergarten Readiness Programs</b> – Program participation and outcomes trends.</li> <li>• <b>Teacher/Pupil Ratios for Primary Classrooms</b> – Average class size of children's primary classroom and percent of classes that exceed the recommended level of 20 or fewer children.</li> <li>• <b>Student and School Progress on FCAT Results</b> – Annual FCAT results and trends and a comparative analysis of the FCAT with national and/or international measures (for example, the National Assessment of Education Progress [NAEP]).</li> <li>• <b>Retention by Grade Level</b> – The number and share of children retained annually.</li> <li>• <b>High School Four- and Five-Year Graduation Rates</b> – Annual data and trends, as calculated by Florida's Department of Education methodology to identify the graduation rate of high school students four years and five years following their freshman year.</li> <li>• <b>WorldClass Schools: Champions Trained and School Districts Involved</b> – The numbers of trained Champions, WorldClass training academies, and districts where Champions are available.</li> <li>• <b>K-12 Expenditures per Pupil</b> – Per pupil expenditures and trends in Florida and ranking among the states.</li> </ul>
<p><i>PRIORITY: INCREASE THE RESPONSIVENESS OF BACCALAUREATE AND BEYOND PROGRAMS TO THE NEEDS OF THE NEW ECONOMY</i></p> <ul style="list-style-type: none"> <li>• <b>College Continuation Rates</b> – The rate of high school graduates enrolling in college the following fall and rank among the states.</li> <li>• <b>Baccalaureate Degree Attainment in the Population</b> – Trends in the percent the working age population with bachelor's degrees.</li> <li>• <b>Baccalaureate Degrees Granted</b> – Progress in increasing the number of degrees produced.</li> <li>• <b>Science and Engineering Degrees Granted at All Levels</b> – Progress in increasing the number of science and engineering degrees produced.</li> <li>• <b>Higher Education Expenditures per Student</b> – Per student expenditures trends and rank among the states.</li> <li>• <b>Transfer of Human Capital into Higher Education and the Workforce</b> – Transfer of program completers and graduates into the workforce and analysis (on a state, regional, and community level) of whether placements in jobs are aligned with preparation programs, completers/graduates are finding jobs in Florida, and employers are satisfied with preparation programs.</li> <li>• <b>Research Funding by Institution</b> – Research funding trends, national rankings, and consistency with mission.</li> <li>• <b>Patents Generated by Universities</b> – Number of patents generated by universities by trends, national rankings, and available resources.</li> <li>• <b>Patent Revenues for Universities</b> – Patent revenues generated by universities by trends, national rankings, and impact on the university.</li> </ul>



# Chapter 4



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# Incubating, Growing, and Sustaining Emerging Businesses

## Why Are Emerging Businesses Important?

Small businesses are the lifeblood of Florida's economy. Small businesses with fewer than 100 employees represented 98 percent of all business establishments and 54 percent of all employees in Florida in 1999, according to the U.S. Census Bureau. Between 75 and 90 percent of all new jobs nationwide over the next decade are expected in this sector.

**Emerging businesses** are defined as those small firms that are characterized by recent start-up, high innovation and value added, high salaries, and high growth and export potential. Perhaps as many as one in every ten small businesses in Florida fall into this category. Although the entire small business sector is important, this subset of the small business sector is especially critical – particularly in industries such as information technology, biomedical products and services, and business and financial services, which are expected to provide the state's engine for economic growth and innovation over the next decade.

## How Do Florida's Emerging Businesses Measure Up?

Over the past decade, the Florida business community has demonstrated its vitality and adaptability. Florida enjoys the nation's 3rd highest business startup rate, and its eighth strongest job growth rate at new businesses less than five years old. The Sunshine State now ranks fifth in the nation for number of high-tech jobs, with notable growth along the High-Tech Corridor from Tampa through Orlando to the Space Coast and along the Internet Coast in Miami-Dade, Broward, and Palm Beach counties. Other surveys of entrepreneurial success have given higher marks to Florida. (see box on next page.)

Even so, there are indications that Florida can do more to incubate, grow, and sustain emerging businesses, particularly in value-added industry clusters. In interviews and focus groups, emerging business owners and operators indicate that the climate for success in Florida – while significantly improved just since the mid 1990s – is still only partly sunny. And while the number of high-tech companies and workers has grown steadily, Florida still ranks near the national average for technology companies as a share of all businesses.



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Moreover, analysis of business startup and failure rates indicates that the chance for survival for all types of small businesses in Florida remains among the lowest in the nation. According to statistics from the U.S. Small Business Administration (SBA) for the most recent year available, Florida's ranking for net new business formation is in the bottom 10 percent of the nation. Although new establishment birth rates are high, death rates are higher still, resulting in low net business formation rates for the key size categories between 5 and 99 employees where emerging businesses should thrive. This pattern holds true across virtually every region and industry group in the state. While a certain amount of "churn" is desirable, these statistics raise questions about the sustainability of small businesses in Florida and justify more research about the factors that determine the sustainability of emerging businesses.

#### RECENT SIGNS OF FLORIDA'S ENTREPRENEURIAL SPIRIT

- Florida's business startup rate ranks 3rd in the nation. Florida accounts for about one in seven of all new business incorporations in the United States (U.S. Small Business Administration).
- Employment at new companies less than five years old increased more than 25 percent between 1993 and 1998, the 8th strongest growth among the 50 states (Cognetics, Inc.).
- Gazelle companies – those with annual sales revenue that has grown 20 percent or more for four straight years – account for 16 percent of all jobs in Florida, compared to 14 percent nationwide (Cognetics, Inc.).
- The proceeds from initial public offerings relative to the number of firms in Florida was just above that national median in 2001, and higher than all Southeast states except Georgia and Tennessee (Thompson Financial Securities).
- 23 of *Inc.* magazine's 500 fastest-growing private companies in the United States are based in Florida.
- Orlando was ranked as the best metro area in the nation for entrepreneurs (*Entrepreneur* magazine).
- Orlando ranked 10th among 50 largest metro areas as an "entrepreneurial hot spot"; Miami-Fort Lauderdale is ranked 23rd and Tampa-St. Petersburg is ranked 26th (Cognetics, Inc.).

## What Are the Obstacles Facing Emerging Businesses?

Florida is blessed with the potential to create a strongly entrepreneurial economy: a high birth rate for new enterprises, opportunities in many sectors of the economy, a university system that is capable of supporting research and technology commercialization, a longstanding base of federal research centered around the aerospace industry, and large numbers of retirees with money to invest. Yet interviews and focus groups with entrepreneurs throughout the state point to a list of obstacles facing emerging businesses. Some of the key obstacles include:

- Difficulty **transitioning new university and other basic research** into commercial products and sustainable companies;
- A lack of awareness of how to develop a business plan, and where to turn to learn more **entrepreneurial skills**;
- A paucity of **risk capital** for seed and expansion financing;
- **Workforce constraints**, such as low levels of literacy, numeracy, office skills, and professionalism, on the one hand, and low numbers of science and engineering Ph.D.'s and other technical skills;
- Prohibitively **high costs** for employee health insurance and workers' compensation insurance;
- An **underdeveloped network of incubators** and related support services catering to fast-growth emerging businesses – together with limited attention given by many traditional economic development organizations to this critical need; and
- Perceptions outside the state that Florida's **business climate** is poor for entrepreneurs, along with stereotypes that the economy is restricted to citrus, tourism, retirement, and real estate.

## Priorities and Goals

To reverse these trends, Florida needs to appreciate the entrepreneurial lifecycle, and ensure that some support system exists to foster dynamic businesses at all stages of the cycle (see Figure 1). The entrepreneurial lifecycle depicts the major elements needed to carry an emerging business from the initial inspiration, on through the key hurdles of start-up and growth, to a sustainable, successful, growing business. Some are primary considerations in the conception stage prior to market entry (market research, product research, and business plan), and others are aspects that are relevant once the decision to start up has been taken (financial, physical and human capital, business climate, and networks). Use of this framework allows a comprehensive view of the needs of emerging businesses. Since no single organization in the state has responsibility for every aspect of this life cycle, it is important that Florida adopt this more comprehensive perspective.

Florida's goals for supporting the emerging business sector over the next decade are as follows:

- Create more “sparks” and convert these sparks to businesses (startup phase);

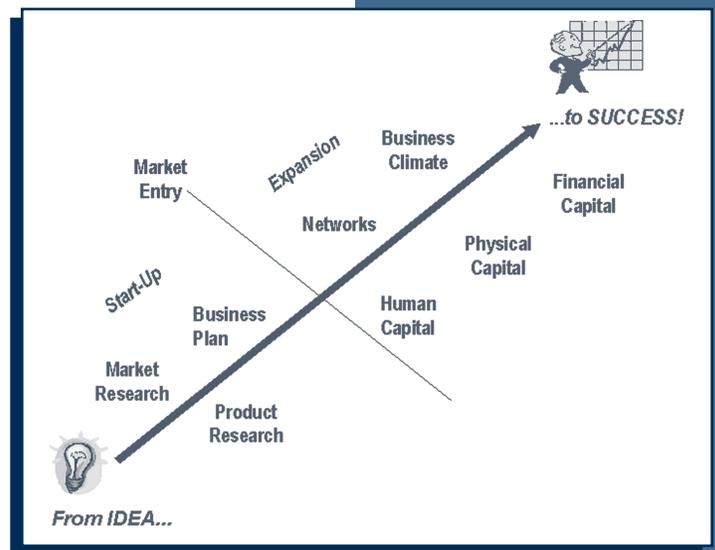


FIGURE 1. EMERGING LIFECYCLE

- Increase the likelihood that emerging businesses will sustain and grow (expansion phase); and
- Continue efforts to attract, retain, and grow high-tech businesses (throughout the entrepreneurial cycle of Florida’s small business strategy).

## Strategies

A three-part strategy is proposed to provide comprehensive support for emerging businesses and technology companies throughout the lifecycle. This strategy would have three elements:

1. **“Idea factories”** – Florida needs to encourage more settings through which innovation and emerging businesses can be seeded and tested. “Idea factories” provide research and development activities; skilled science and engineering faculty, students, and researchers; and lab space and equipment to help create new sparks – backed up with technology transfer and commercialization processes to help convert these sparks to new businesses. Examples of “idea factories” include universities, large high-tech companies, and federal research laboratories funded through the military, the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF).
2. **“Hot houses”** – Once these sparks are created and converted, critical inputs are needed to enable emerging businesses and technology companies to grow and flourish. A “hot house” environment includes services such as entrepreneurial mentoring, management support for business planning and market research, specialized legal and financial assistance, and risk capital. These services also should include ongoing relationships with the idea factories to provide feedback and spawn new innovation. Examples of “hot house” environments include incubators, accelerators, centers of excellence, technology and research parks, and venture capitalists. While these are critical resources, what’s most important is that the overall state business climate provide a “hot house” environment for emerging businesses, with access to critical resources statewide.
3. **“Mainstream”** – The ultimate goal is to proliferate emerging businesses and technology companies in Florida’s economy. This would require an entrepreneurial-friendly business climate, a skilled and a flexible workforce, a continuum of options for risk capital, and marketing of Florida as business and investment location. Regional economic development and technology partnerships and other traditional economic development organizations should work with their partners to create this type of environment.

## Implementation Plan

- 1. Enhance R&D funding.** Florida has more than five percent of the national population, but accounts for just over two percent of research and development funding by universities and by private industry. The state should continue and significantly expand and build upon the recently enacted Technology Deployment Act, which was proposed by Governor Bush and provides \$30 million annually toward technology research and transfer activities. The guidelines for this program should reflect the lessons learned by other state-funded R&D initiatives, including Pennsylvania's Ben Franklin Fund and Ohio's Edison Institute. Particular emphasis should be given to streamlining processes for technology transfer and commercialization activities, including providing greater decision-making authority to individual universities to make decisions regarding intellectual property and conflicts of interest.
- 2. Expand regional technology partnerships.** Florida's research universities are critical statewide assets, and must regard economic development as part of their mission. University/business partnerships should be strengthened statewide, building upon the successful models of the High-Tech Corridor Council and the Internet Coast initiatives. Florida's colleges and universities should establish informal emerging business advisory boards to provide guidance on a range of issues such as addressing labor shortages in particular fields, workforce preparedness of recent graduates, and accelerating technology commercialization. These linkages should be expanded by creating more direct incentives for both faculty and staff to become involved in these partnerships. Efforts should be accelerated to create a new technology partnership along the Interstate 10 corridor under the auspices of Florida's Great Northwest, Inc., encompassing Florida State University, the University of West Florida, and major federal research programs addressing regional strengths in magnetics, artificial intelligence, and military technologies.
- 3. Support incubators and centers of excellence.** Research by the National Business Incubator Association indicates that 87 percent of all firms that graduate from incubators are still in business, and 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors. However, Florida has only a handful of well-functioning incubators, and the system needs to be expanded to have a genuine impact on a state the size of Florida. Every region in Florida should have at least one organization focused on emerging business support, tailored to the specific needs, research capabilities, and industry concentrations of the region.

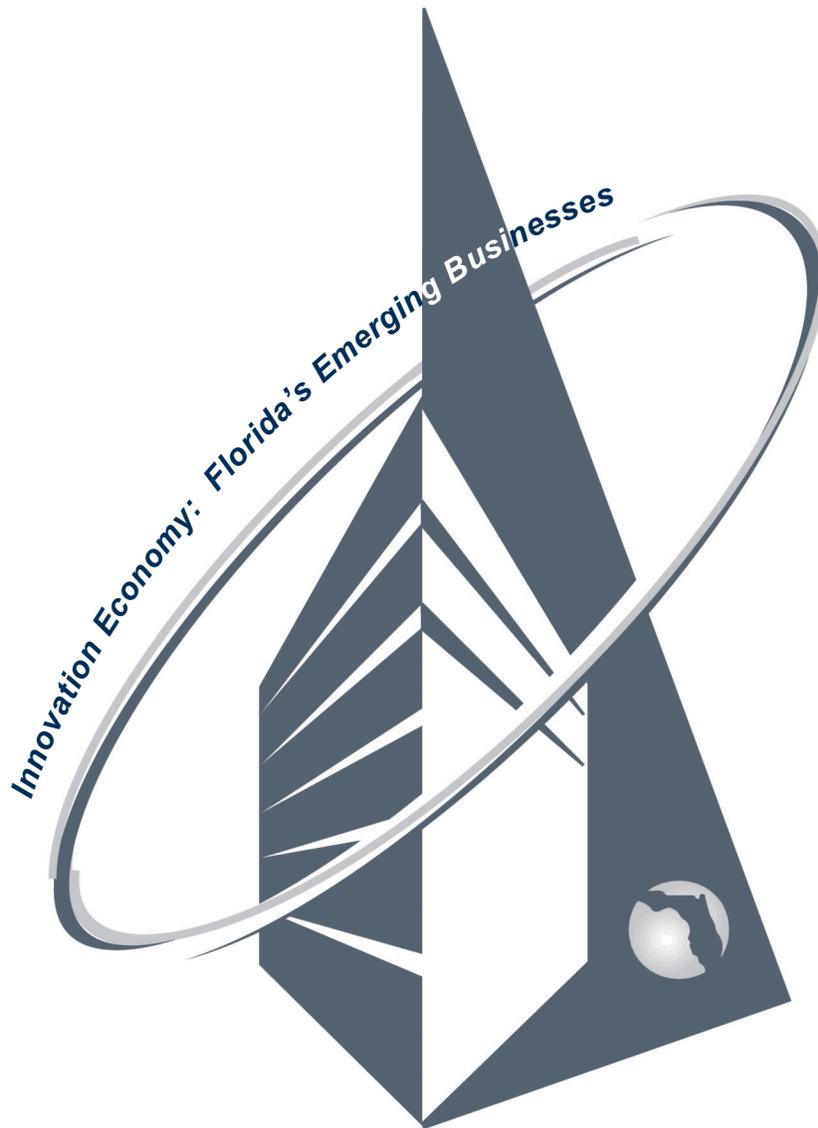
Like the majority of existing incubators in Florida today, these centers should be financially self-sustaining across most of their operations once they become established. However, to

facilitate rapid expansion of accessibility to these services across Florida, some state support would be appropriate to facilitate the set-up phase and to ensure stability during business cycles. Perhaps more importantly, some public involvement and funding can play a critical function of ensuring that the public partners address key issues of importance to emerging businesses. The legislature should expand funding for centers of excellence through future appropriations under the Technology Deployment Act, and consider diverting 5 percent of the annual Technology Deployment Act funding toward operation of incubators, focusing on critical gaps not served by the private sector. In addition, a region should prototype a “virtual incubator” using the Internet to share information and create networking opportunities.

4. **Cultivate risk capital.** Until Florida has a broad, diverse capital market, the financing options for emerging businesses are too limited. Provision of public venture capital would complement existing private venture capital in the state, and ensure that emerging businesses in Florida have a variety of options for early stage financing. Pilot programs demonstrated the viability of the CAPCO model, in which the state offered tax credits to insurance companies that invest in certified capital companies (or “CAPCOs”). The legislature now needs to fund full implementation of this high-return, self-sustaining financing mechanism. In addition, the state must continue to market Florida to venture capital firms, working through the Florida Venture Forum. The state also should organize more accessible angel investor networks to provide seed funding for start-ups, and work proactively with banks and other private lenders to expand loans to small businesses.
5. **Create pro-entrepreneur business climate.** The legislature should create a tax and regulatory climate that supports entrepreneurs, emerging businesses, and technology companies, and provides a level playing field with competitor states. Specific actions should include:
  - Revise current laws limiting group benefits for employee health insurance for which small firms are eligible, allowing for a wider variety of affordable health care packages;
  - Lower workers’ compensation costs and address the factors that prevent emerging businesses from securing workers’ compensation coverage, such as minimum premium levels and requirements that companies be at least three years old;
  - Reduce effective tax rates on productive inputs, such as R&D equipment, to rates comparable to Florida’s competitor states; and
  - Streamline environmental review and permitting processes, and provide guidance to emerging businesses seeking to work through the thicket of regulations, taxes, and fees.

- 6. Mainstream emerging businesses into economic development strategy.** Support for emerging businesses should be mainstreamed as a priority of state and regional economic development organizations, rather than treated as a stepchild to high-profile, big-ticket items such as business recruitment. Partnerships should be strengthened at the state level between Enterprise Florida, the Florida Economic Development Council, the Florida Chamber of Commerce, Leadership Florida, the Florida Business Incubators Association, itflorida.com, the Emerging Technologies Consortium, Workforce Florida, and the Board of Education. These partnerships should be mirrored at the regional and local level by closer coordination between economic development organizations, technology partnerships, chambers of commerce, universities, community colleges, incubators, and small business development centers. Performance measures for Enterprise Florida and local EDOs should be revised to give greater emphasis to measures appropriate to emerging business performance. The Florida Chamber Foundation should work with other research organizations to publish an annual report card on emerging business competitiveness, and convene an annual summit on emerging businesses and related support services.

# Chapter 4



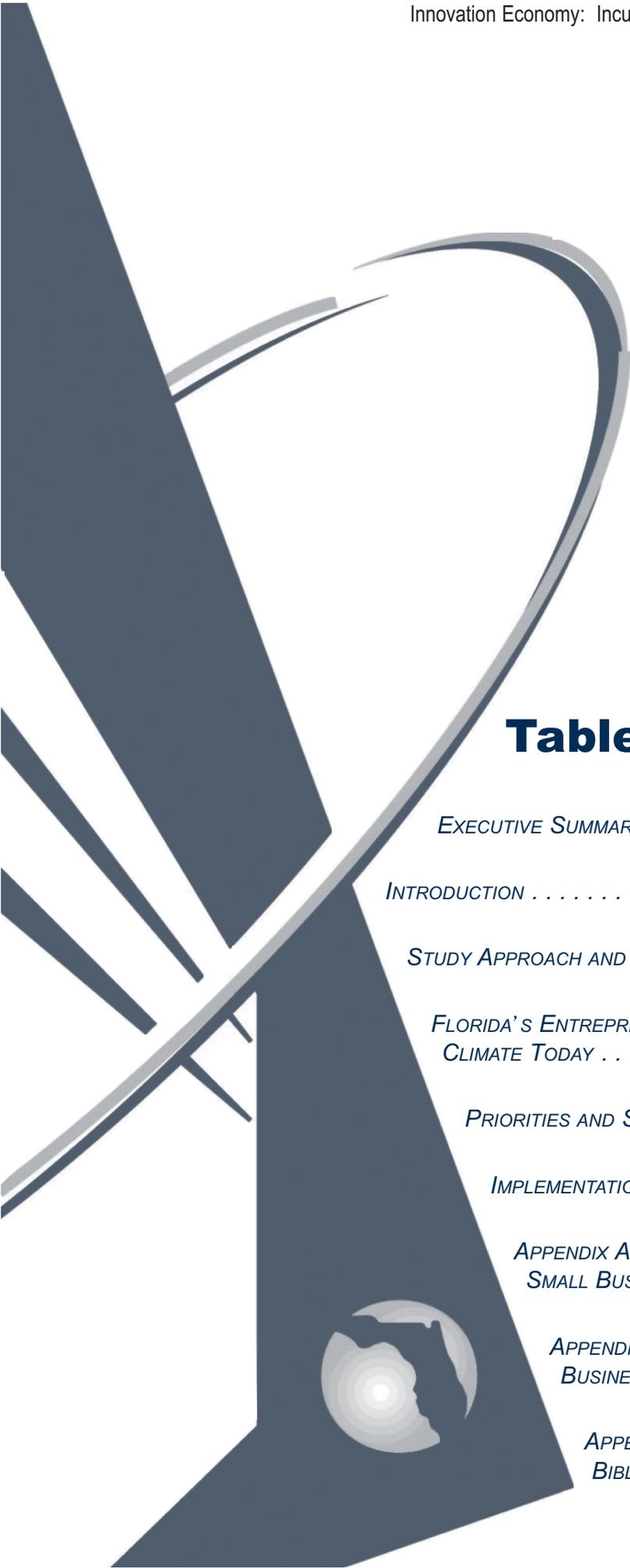
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## Executive Summary

Florida's success in developing and applying innovation and nurturing emerging businesses will define the state's economy in the next decade. Florida shows great potential to emerge as a world-class center of innovation and dynamic, technically advanced businesses. The jobs associated with these industries are higher paying and offer the potential to increase wealth and raise living standards in the state.

However, to achieve this status, the state must engage in a sweeping effort to create a "habitat for innovation" – an environment that encourages the development and application of advanced technologies and business practices while nourishing the businesses and workers that will produce this innovation. States and regions that have the dynamic foundation to support these businesses and the people who work in them will have an advantage in the global market of the 21st century.

## Why Are Emerging Businesses Important?

**Small businesses** are the lifeblood of Florida's economy. Businesses with fewer than 100 employees represented 98 percent of all business establishments and 52 percent of all employees in Florida in 2000, according to the U.S. Census Bureau. Between 75 and 90 percent of all new jobs nationwide over the next decade are expected to come from these small businesses, according to the U.S. Small Business Administration (SBA).

**Emerging businesses** are those small firms that are characterized by recent start-up, high innovation and value added, higher salaries, and high growth and export potential. Perhaps as many as one in every 10 small businesses in Florida fall into this category. Although the entire small business sector is important, this subset is especially critical. This is particularly true in industries such as information technology, biosciences, and professional services, which could provide the state's engine for economic growth and innovation over the next decade.

## How Does Florida's Emerging Business Climate Measure Up?

Over the past decade, the Florida business community has demonstrated its vitality and adaptability. Florida enjoys the nation's third-highest business startup rate and its eighth-strongest job growth rate at new businesses less than five years old. The Sunshine State now ranks fifth in the nation for number of high-tech jobs, with notable growth along the High-Tech Corridor from Tampa through Orlando to the Space Coast and along the Internet Coast in Miami-Dade, Broward, and Palm Beach counties. Recent surveys of entrepreneurial success have given high marks to Florida (see box).



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*RECENT SIGNS OF FLORIDA'S ENTREPRENEURIAL SPIRIT*

- Florida's business startup rate ranks third in the nation. Florida accounts for about one in seven new business incorporations in the United States (U.S. Small Business Administration).
- Employment at new companies less than five years old increased more than 25 percent between 1993 and 1998, the eighth-strongest growth among the 50 states (Cognetics, Inc.).
- Gazelle companies – those with annual sales revenue growth of 20 percent or more for four straight years – account for 16 percent of all jobs in Florida, compared to 14 percent nationwide (Cognetics, Inc.).
- Capital raised from initial public offerings by Florida companies averaged \$1.8 billion per year between 1998 and 2000, the seventh-highest total among the 50 states (Hale and Dorr LLP).
- A total of 31 of the nation's 500 fastest-growing private companies in the United States are based in Florida (*Inc.* magazine).
- Orlando is ranked as the best metro area in the nation for entrepreneurs (*Entrepreneur* magazine).
- Orlando is ranked 10th among the 50 largest metro areas as an “entrepreneurial hot spot”; Miami-Fort Lauderdale is ranked 23rd and Tampa St. Petersburg is ranked 26th (Cognetics, Inc.).

Even so, there are indications that Florida can do more to incubate, grow, and sustain emerging businesses, particularly in value-added industries. In interviews and focus groups, emerging business leaders indicate that the climate for success in Florida – while significantly improved since the mid 1990s – is still only partly sunny. And while the number of high-tech companies and workers has grown steadily, Florida still ranks near the national average for technology companies as a share of all businesses and below average for technology jobs as a share of all employment.

Moreover, analysis of business startup and failure rates indicates that the survival rate for all types of small businesses in Florida is unacceptably low. According to statistics for the most recent year available, Florida's ranking for net new business formation (business startups minus business failures) is in the bottom 10 percent of the nation. Although “birth” rates are high, “death” rates are higher still, resulting in low net business formation rates for the key size categories between five and 99 employees where emerging businesses should thrive. This pattern holds true across virtually every region and industry group in the state. While a certain amount of churn is expected and even desirable, these statistics raise questions about contributing factors that may undermine the sustainability of small businesses in Florida and justify more research about effective strategies for nurturing Florida's emerging businesses.

## What Are the Obstacles Facing Emerging Businesses?

Florida is blessed with the potential to create an innovation economy: a high birth rate for new enterprises, opportunities in many sectors of the economy, a university system that is capable of supporting research and technology commercialization, a long-standing base of federal research centered around the aerospace industry, and large numbers of retirees with money to invest. Yet interviews and focus groups with entrepreneurs throughout the state point to a list of obstacles facing emerging businesses. Some of the key obstacles include:

- Difficulty transitioning new university and other basic research into commercial products and sustainable companies;
- A lack of awareness of how to develop a comprehensive business plan, and where to turn to learn and enhance basic entrepreneurial skills;
- A paucity of risk capital for seed and expansion financing;
- Shortage of skilled labor, ranging from lower levels of literacy, mathematical skills, office skills, and professionalism among entry-level staff to inadequate numbers of workers with advanced science, engineering, and other technical skills;
- Prohibitively high costs for employee health insurance and workers' compensation insurance;
- An underdeveloped network of incubators and related support services catering to fast-growth emerging businesses – together with limited attention given by many traditional economic development organizations to this critical need; and
- Perceptions outside the state that Florida's business climate is poor for entrepreneurs, along with stereotypes that the economy is restricted to citrus, tourism, retirement, and real estate.

## Priorities and Goals

To reverse these trends and overcome these obstacles, Florida must appreciate the entrepreneurial life cycle typical of emerging businesses, and ensure that some support system exists to foster dynamic businesses at all stages of development (Figure ES.1). The entrepreneurial life cycle depicts the major elements needed to carry an emerging business from the initial inspiration, on through the key hurdles of start-up and growth, to a sustainable, successful, growing business. Use of this framework allows a comprehensive

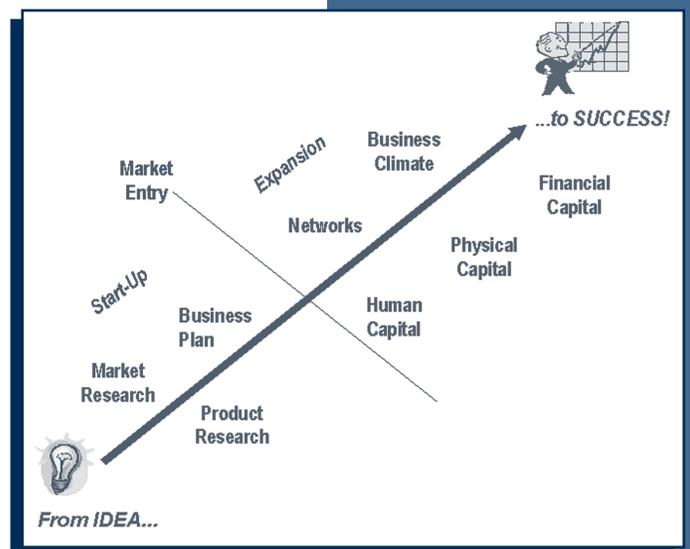


FIGURE ES.1. THE ENTREPRENEURIAL LIFE CYCLE

view of the needs of emerging businesses. Since no single organization in the state has responsibility for every aspect of this life cycle, it is important that Florida adopt this more comprehensive perspective.

Florida's goals and targets for supporting the emerging business sector over the next decade should be as follows:

- Create more “sparks” and convert these sparks to functioning businesses. The state should set a target of increasing the share of its economy represented by research and development activity from its current level (1.0 percent in 2000) to the national median (1.9 percent in 2000) by the year 2010.
- Increase the likelihood that emerging businesses will grow and flourish. The state should set a target of increasing the share of its businesses involved in technology from its current level (5.7 percent in 1998) to the top quartile of states (6.3 percent in 1998) by the year 2010.
- Increase the pool of innovation and knowledge workers who are able to support emerging businesses, including full use of the state's retired and semi-retired human capital. The state should set a target of increasing the number of Ph.D. scientists and engineers per 1,000 workers from its current level (1.99 in 1998) to the national median (3.49 in 1998) by the year 2010.

*Florida must create more “sparks” and convert these sparks to functioning businesses.*

## Strategies

A portfolio of strategies is proposed to provide comprehensive support for emerging entrepreneurs and their businesses and create an overall habitat for innovation in Florida. These strategies have two major themes: creation and support of emerging businesses, and development and retention of the emerging generation of innovative, creative workers. For each theme – emerging businesses and emerging workers – Florida should encourage three stages of activity:

- Seeding of new businesses and workers through *idea factories* – research centers of excellence – and *intellectual infrastructure* – education programs centered around the state's universities and laboratories;
- Nurturing the growth and development of these businesses and workers through *hot house* environments that provide focused support services and risk capital and *evergreen learning* initiatives that provide lifelong training; and
- Mainstreaming of these businesses and workers through the development of an *entrepreneurial business climate* and *creative communities* that appeal to the new generation of workers.

This framework of strategies represents a new approach for Florida's economic development strategy over the next decade – a decade in which “economic gardening,” or nurturing Florida's home-grown

businesses and workers, will become increasingly important. Business climate issues such as image, taxes, and regulatory structures long have been the domain of economic development organizations, but only recently has the state's economic development community begun to appreciate the importance of emerging businesses and the full range of activities necessary to support these businesses. The recognition of the linkage between economic development and workforce development also is recent. Moreover, the critical role of the vitality and creativity of the state's communities in attracting both workers and businesses is only now beginning to be understood.

### **Emerging Business Strategies**

Florida must encourage more settings through which innovation and emerging businesses can be seeded and tested. **Idea factories** should be nurtured to provide research and development (R&D) activities; skilled science and engineering faculty, students, and researchers; and lab space and equipment to help create new sparks – backed up with technology transfer and commercialization processes to help convert these sparks to new businesses. Examples of idea factories include universities, large high-tech companies, and federal research laboratories funded through the military, the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). Florida's research universities are critical statewide assets, and must regard economic development as one part of their mission. In addition, the state should invest in aggressive expansion of its R&D capacity, building on the centers of excellence being funded through the recently enacted Technology Development Act.

Once these sparks are created and converted, critical inputs are needed to enable emerging businesses to grow and flourish. A **hot house** environment should be fostered with services such as entrepreneurial mentoring, management support for business planning and market research, specialized legal and financial assistance, and risk capital. Examples of hot house environments include incubators, accelerators, entrepreneurial centers, and technology and research parks. Florida has only a handful of well-functioning hot houses today, and these successful models must be expanded to have a genuine impact on a state the size of Florida. Special emphasis should be given to improving access to both early- and later-stage risk capital for emerging businesses, and to critical services for emerging businesses including mentoring, networking, and spousal employment referrals.

Ultimately Florida must sustain an **entrepreneurial business climate**, characterized by access to these critical resources statewide, backed up by competitive regulatory regimes and flexible support services and networks. Major issues of concern to emerging businesses include complex and frequently changing regulations; comparatively high taxes on R&D equipment in some industries; and high health care and workers' compensation insurance costs.

*Florida's research universities are critical statewide assets, and must regard economic development as one part of their mission.*

## Emerging Worker Strategies

Florida must develop not only specialized services and an overall business climate that assist emerging businesses, but also education and training programs and an overall community climate that attract and retain the creative, knowledge workers who will start, grow, and lead these companies. Florida must invest in its **intellectual infrastructure** – its education and workforce development systems – so that the state nurtures workers with entrepreneurial, creative, and advanced technical skills. Florida currently ranks among the lowest tier of states in terms of the number of baccalaureate and advanced degrees awarded relative to the size of its labor force, and the state must work to close this gap. The gap in science and engineering graduates is a particular concern for Florida, because these skills already are in short supply in the state, and because innovation requires this expertise.

Business leaders across a range of industries – from health care to information technology to business services – express concerns about the availability of skilled workers to support future expansion. The state's workforce development, educational, and economic development institutions should collaborate to establish an **evergreen learning** initiative that promotes lifelong learning and training in emerging fields. This should include proactive initiatives to involve Florida's large pool of semi-retired workers in the state's home-grown companies.

Moreover, the state must begin investing in the **creative communities** that attract and retain the increasingly diverse, mobile workers who will drive tomorrow's economy. The factors most important in attracting what has been dubbed the "creative class" include more than job prospects and the presence of other talented workers. Other key factors include population diversity; the presence of cultural, historic, recreational, and environmental amenities; and access to high-quality health care and dependent care services. However, the ability to sustain the vibrant communities that make up Florida's economic fabric is increasingly under pressure from continued growth in Florida's economy and population. Although research and best practices in this area are still emerging, it is clear that Florida must begin to treat the health and vitality of its communities as a critical economic development asset.

## Implementation Plan

To create this habitat for innovation, the following steps are recommended for early action by Florida's business and government leaders.

### Implement High-Priority Initiatives

1. **Create the Thomas A. Edison Innovations Program**, a state-wide partnership of universities, businesses, and economic development organizations focused on increasing the breadth and depth of the state's research activity and intellectual talent

*Florida must invest in its intellectual infrastructure so that the state nurtures workers with entrepreneurial, creative, and advanced technical skills.*

in science and engineering. The program should be funded at \$1 billion over 10 years to support university centers of excellence, expansion of degree-granting programs in science and engineering, and partnerships among universities, research laboratories, K-12 schools, and businesses. It should build upon the recent Technology Development Act and the work of the Florida Research Consortium and the Emerging Technologies Commission, and move Florida to the forefront of the states with regard to statewide advocacy of innovation.

- 2. Develop a continuum of options for risk capital statewide**, with particular attention given to expanding the market for innovation and seed capital in the state. Enterprise Florida should develop a statewide risk capital strategy that reflects the life cycle of emerging businesses and entrepreneurs, focusing on critical gaps not served through existing programs today. The state should provide matching funds to incentivize small business innovation research, building upon federal programs in this area, and help launch a seed capital fund to transition promising new technologies into commercial businesses. The Legislature should extend and broaden Enterprise Florida's authority to operate technology investment funds; renew its commitment to the Certified Capital Company (CAPCO) program as a means of providing venture capital; signal the statewide commitment to emerging businesses by investing a portion of the state pension or general fund as Florida-based venture capital; and encourage angel investing by removing the current state securities law that prohibits private investments into start-up firms from individuals with less than \$1 million in assets.
- 3. Develop a new generation of incubators and related "hot house" support services**, whose emphasis is less on bricks and mortar and more on providing entrepreneurial training and support services and access to information and risk capital. Enterprise Florida and its regional partners should work aggressively to leverage the services available through the new Disney/Small Business Administration National Entrepreneurial Center in Orlando; expand mentoring and networking programs; and explore new delivery mechanisms such as "virtual incubators" using the Internet. They also should identify incentives for and reduce barriers to incubator funding partnerships among the private, public, and academic sectors.
- 4. Redouble efforts to create an entrepreneurial business climate**, including streamlining and stabilizing regulatory processes; reducing the cost of and enhancing access by emerging businesses to health care and workers' compensation insurance; and reducing taxes on productive inputs, including R&D equipment. The Florida Chamber of Commerce should work with the Legislature and Enterprise Florida to address these issues. In addition, the Legislature should fully fund a three-year, \$12 million statewide effort to market Florida as the "innovation hub of the Americas." This program should be reevaluated and expanded as necessary for the rest of the decade.

*A statewide partnership of universities, businesses, and economic development organizations should work to increase the breadth and depth of the state's research activity and intellectual talent in science and engineering.*

- 5. Work aggressively to increase the number of college and advanced degree recipients in key fields.** To support its future workforce and research needs, Florida should move its college degree production rates up to the national median by the year 2010, with emphasis in science and engineering. Attaining this goal will require an additional 14,000 baccalaureate degrees and 370 science and engineering Ph.D.'s each year. Key strategies should include: increasing capacity at existing institutions; enhancing geographic and financial access to four-year programs; increasing science and engineering degree production through collaborative business/university partnerships and financial incentives for graduate students; and ensuring the presence of a critical mass of scientists and engineers.
- 6. Engage business, government, and community leaders in a groundbreaking effort to develop creative communities** that attract and retain knowledge and innovation workers. This effort should identify issues inhibiting the vitality of Florida's communities – from embracing diversity to reducing traffic congestion to improving options for child and elder care – and develop strategies for overcoming these obstacles. The Florida Chamber Foundation should conduct research and convene partners to develop consensus on strategies in this area.

*There is no statewide organization with a clear mandate to lead strategy and policy development for emerging businesses, innovation, and technology.*

### **Improve Delivery of Emerging Business Services**

To make this vision a reality and advance these strategies, regional and local economic development organizations should work with their full range of partners to create a habitat for innovation. This will require the economic development community to be as innovative and flexible as the businesses it is trying to develop, and to take steps to improve coordination and delivery of services to emerging businesses and technology companies.

There is no statewide organization with a clear mandate to lead strategy and policy development for emerging businesses, innovation, and technology. Rather, there is a proliferation of organizations with responsibilities in these areas, including Enterprise Florida, the Florida Research Consortium, the Emerging Technologies Commission, ITFlorida, BioFlorida, the Florida Aerospace and Aviation Alliance, Florida's High-Tech Corridor Council, and InternetCoast. These organizations are rapidly expanding the number and range of Florida business, government, and university leaders involved in technology and innovation, but they currently are operating without a single voice.

Beyond these organizations, there is concern that Florida's broader political, business, and economic development community may not fully embrace the potential for the state as an entrepreneurial economy. Support for emerging businesses must be mainstreamed as a priority of state, regional, and local economic development organizations, rather than treated as a stepchild to higher-profile items such as business recruitment.

- 1. Strengthen Enterprise Florida's role in shaping Florida's statewide strategy for technology and innovation.** The Legislature should reenact statutory provisions authorizing Enterprise Florida to establish technology commercialization and development programs. Enterprise Florida should fully use its role as a convener to build partnerships in this area. The membership of Enterprise Florida's Technology Council should expand to include statewide research organizations (Florida Research Consortium and the Edison Program if enacted) and technology industry cluster groups (ITFlorida, BioFlorida, and the Florida Aviation and Aerospace Alliance). Enterprise Florida should build upon its recent emphasis on innovation in the 2003 Statewide Strategic Plan for Economic Development and the *New Cornerstone* recommendations, and focus on implementation of key strategies including risk capital. The Florida Economic Development Council, the Florida Chamber of Commerce and the Florida Business Incubators Association also should be involved in this effort.
- 2. Strengthen regional technology partnerships.** These statewide partnerships should be mirrored at the regional and local level by closer coordination between economic development organizations, technology partnerships, chambers of commerce, universities, community colleges, incubators, and small business development centers. Florida's High-Tech Corridor Council provide an excellent model for how technology development can be pursued as a regional priority and coordinated with ongoing economic development activities, although this model must be adapted to other parts of the state.
- 3. Develop performance measures** for Enterprise Florida and local economic development organizations that give greater emphasis to emerging business performance. In addition to existing measures reflective of business recruitment efforts (for example, job creation, dollars of investment), new measures regarding local firms served, success of recent start-ups, and venture capital funding acquired should be incorporated. These measures should be generated in consultation with Enterprise Florida and the Florida Research Consortium.
- 4. Publish an annual report on emerging business competitiveness** under the leadership of the Florida Chamber Foundation. The annual report should demonstrate performance at the state and regional levels. The Foundation should convene an annual summit on emerging businesses to discuss the latest annual report, current emerging business issues, and potential statewide and regional initiatives in support of a strong entrepreneurial climate. The Florida Chamber Foundation should facilitate this summit in coordination with the Florida Chamber Federation and other statewide and regional organizations.

*Support for emerging businesses must be mainstreamed as a priority of state, regional, and local economic development organizations.*

## 4.1 Introduction

As the domestic and world economies move forward, adopting innovative technologies and new ways to conduct business, some states and regions will lead the next wave of growth, successfully defining and growing economic opportunities. Others will accept complementary and secondary niches tied to industry and wealth generated elsewhere. Florida is straddled between these two categories – the Sunshine State has a proven record of entrepreneurialism and scientific advancements but has yet to achieve national prominence as a leader in technology and innovation.

Florida's success in developing and applying innovation and nurturing emerging businesses will define the state's economy for years to come. There is potential for Florida's economy, which has been led traditionally by robust population growth, retirees, tourism, and citrus, to benefit increasingly from advancements in such industries as information technology and biosciences. The jobs associated with these industries are higher paying and offer the potential to increase wealth and raise living standards in the state.

Florida has great potential to emerge as a world-class center of innovation and dynamic, technically advanced businesses. However, the state must engage in a sweeping effort to create a "habitat for innovation" – an environment that encourages the development and application of advanced technologies and business practices while nourishing the businesses and workers that will produce this innovation. States and regions with the dynamic foundation to support these businesses and the people who work in them will have an advantage in the global market of the 21st century.

*Florida has great potential to emerge as a world-class center of innovation and dynamic, technically advanced businesses.*

### **Why Are Emerging Businesses Important?**

**Small businesses** are the lifeblood of Florida's economy. Businesses with fewer than 100 employees represented 98 percent of all business establishments and 52 percent of all employees in Florida in 2000, according to the U.S. Census Bureau. Between 75 and 90 percent of all new jobs nationwide over the next decade are expected to come from these small businesses, according to the U.S. Small Business Administration (SBA).

**Emerging businesses** are those small firms that are characterized by recent start-up, high innovation and value added, higher salaries, and high growth and export potential. Perhaps as many as one in every 10 small businesses in Florida fall into this category. These businesses include new startups, spin-offs, and other businesses led by entrepreneurs. Although the entire small business sector is important, this subset is especially critical. This is particularly true in industries such as information technology, biosciences, and professional services, which could provide the state's engine for economic growth over the next decade.

## Why Do Entrepreneurs Matter?

Many classical economists (Adam Smith, Alfred Marshall, Joseph Schumpeter), as well as many contemporary ones (Paul Krugman, Michael Porter), emphasize the role of the entrepreneur in economic development.<sup>1</sup> The basic implication of their writings is that the contribution of new firm formation to economic development far exceeds new firms' share of total employment. Newer, smaller firms can compete with larger ones, despite the advantages that large firms derive from economies of scale, because smaller firms generally are able to adopt new technologies (both scientific and organizational) and enter new markets more readily than larger, more established firms are.

Emerging businesses are of particular importance because they are projected to make the largest contribution to economic growth in Florida over the next decade. The high growth rates in small, high-tech companies during the 1990s played a major role in job creation during that decade nationwide – and as the shift towards an information economy continues, the importance of such firms only will increase.

Measures such as job creation probably underestimate the importance of emerging businesses. High-growth, entrepreneurial firms can develop and adapt to new technologies rapidly, take advantage of new market opportunities, and actually create a new market dynamic.<sup>2</sup> By undertaking technological and market risks that larger firms avoid, emerging businesses can pioneer products and technologies that eventually can be used by other large or small firms.

This chapter provides an overview of Florida's strengths and challenges as it cultivates an entrepreneurial economy. Based on these conditions, strategies and an implementation plan are presented to bring Florida to the forefront of innovation and to create an environment that supports the growth of emerging businesses. The chapter is organized in five sections, including this introduction. The remaining sections are:

- Section 4.2, *Study Approach and Methodology*, describes the quantitative and qualitative methods used in the study of emerging businesses and entrepreneurs;
- Section 4.3, *Florida's Entrepreneurial Climate Today*, analyzes key indicators on the performance of Florida's emerging businesses and entrepreneurs as well as the presence of the economic resources most critical to their success;
- Section 4.4, *Priorities and Strategies*, identifies major priorities and strategies for strengthening Florida's entrepreneurial climate over the next decade;

<sup>1</sup> See *The Dynamics of New Firm Formation*, Vinod Sutaria, Asgate Publishing Co., 2001.

<sup>2</sup> Best, Michael H., *The Capabilities and Innovation Perspective: The Way Ahead in Northern Ireland*, Northern Ireland Economic Development Office, ISBN: 1 897614 60 8. December 2000.

*Emerging businesses are of particular importance because they are projected to make the largest contribution to economic growth in Florida over the next decade.*

*HOW DO EMERGING BUSINESSES FIT INTO NEW CORNERSTONE?*

For Florida, the 1990s were a period of robust job and population growth – nearly two million new jobs – but *limited income development*. Per capita personal income – the single most basic measure of a region's economic development – increased at a slower rate than the national average during the last 10 years, pushing Florida residents from almost three percent above to nearly five percent below the national per capita income level.

Florida faces two major choices at the dawn of the 21st century. One option is to continue the path the state has followed for the past several decades: attracting tourists, retirees, and service-sector businesses, and competing on the basis of its climate, location, and low cost of living. These competitive factors are likely to ensure continued economic growth for the state, but, as during the past few decades, this growth is likely to occur without major improvements in the quality of the state's jobs or the incomes of the state's workers. A second option is for Florida to redouble its efforts to compete as a location for high value-added production and services, through not only attracting new business investment but also nurturing home-grown businesses. If successful, Florida would realize a vital cycle of rising productivity and income levels; a period of both growth *and* development.

This vital cycle is possible for Florida – but only if Florida addresses gaps in its basic economic foundations. The state faces five major challenges over the next decade:

- Creating the intellectual infrastructure – the education system, research capacity, and workforce – to compete in the 21st century economy;
- Incubating, growing, and sustaining emerging businesses and entrepreneurs in high value-added industries;
- Growing Florida's role as a international crossroads for trade, tourism, and investment;
- Maintaining creative communities during a period of continued growth yet constrained social and natural resources; and
- Creating an environment of growth and opportunity for the diverse population of Florida.

The challenge of sustaining Florida's emerging businesses and entrepreneurs lies at the core of the state's economic development strategy over the next decade – a decade in which Florida will give greater emphasis to “economic gardening,” or nurturing its home-grown businesses and workers. Attaining this goal is fundamental to improving the state's competitiveness, but it cannot occur in isolation. To the contrary, there are important linkages among all of these challenges. The need for a better understanding of the technology commercialization process, from idea to start-up, as well as the demand of new businesses for skilled labor underscores the critical role of the state's intellectual infrastructure. In addition, globalization – and the related expansion of the Internet – has engaged more emerging businesses in international trade, but clearly more can be done to facilitate better access to international markets for smaller companies. Moreover, the critical roles that community vitality and population diversity play in creating the habitat for innovation are becoming increasingly clear.

- Section 4.5, *Implementation Plan*, identifies high-priority strategies for early action by Florida's business and community leaders;
- Appendix A, *Small Business Indicators*, discusses key indicators of the performance of all types of Florida's small businesses, including emerging businesses; and
- Appendix B, *Business Incubation in Florida*, reports on the current status of business incubators, accelerators, and related services in Florida.

## 4.2 Study Approach and Methodology

The research conducted for this study involved both qualitative and quantitative approaches. The research team held focus groups, meetings, and interviews throughout Florida to gain perspectives from university, business, industry, and economic development leaders. Data were collected from private and government sources to gauge the relative performance of Florida in key indicators that reflect the entrepreneurial environment and the vitality of emerging businesses. The outreach activities and data collection efforts were supplemented by literature reviews and case studies.

**Quantitative Data.** Data were collected and analyzed to benchmark Florida's performance compared to the nation and other states on a number of indicators relating to emerging businesses. Sources include the National Science Foundation, the National Venture Capital Association, the Federal Deposit Insurance Corporation, Cognetics, and the Florida Department of Insurance, among others. An extensive analysis of small business trends relating to firm births, deaths, and net formation, further categorized by establishment size and by industry, was derived from data prepared by the U.S. Census Bureau and the U.S. Small Business Administration (see Appendix A).

**Research Literature and Reports.** Existing research in the fields of small business and entrepreneurship, economic growth, technology commercialization, and venture capital was reviewed. This included a review of approaches being pursued by other regions as well as current Florida efforts, strategies to support emerging businesses, and methods for securing financial resources. Case studies were developed to illustrate best practices in Florida and from around the country (see Appendix B for best practices in incubators, accelerators, and other support services).

**Focus Groups, Meetings, and Interviews.** The research team engaged in considerable outreach efforts throughout Florida to identify current practices for assisting emerging businesses, existing challenges, and potential strategies to promote entrepreneurialism and innovation in the state. Regional focus groups were conducted in Gainesville, Jacksonville, Live Oak, Miami, Orlando, and Tampa. Emerging business owners and executives constituted the majority of the participants at these

*The challenge of sustaining Florida's emerging businesses and entrepreneurs lies at the core of the state's economic development strategy over the next decade.*

groups, which ranged in size up to 20 participants. Local economic development professionals or other public officials also were present in each group. Two meetings were conducted with university deans and research directors to learn about their successes in promoting innovation in Florida and to discuss strategies for improving Florida's competitiveness in developing new technologies. In addition to the focus groups and meetings, one-on-one interviews with public officials, economic development professionals, and local entrepreneurs were performed in the Fort Lauderdale, Fort Myers, Jacksonville, Melbourne, Miami, Naples, Orlando, Palm Beach, Pensacola, Tallahassee, and Tampa urban areas.

### 4.3 Florida's Entrepreneurial Climate Today

Emerging businesses thrive in an environment that combines a skilled and adaptable workforce, access to capital, a high quality of life, efficient physical infrastructure, predictable and non-excessive regulations, and opportunities to network. Regions that effectively combine these factors will be at an advantage in developing emerging businesses and competing with other regions as leaders in innovation and growth industries.

The health of Florida's entrepreneurial climate is difficult to measure because it requires newer indicators of economic vitality that only recently have been collected and analyzed by public or private entities. In the absence of a comprehensive database, the state's entrepreneurial climate is analyzed from two primary perspectives: first, the observance of fast-growing companies, entrepreneurial "hot spots," and other indicators of the *presence* of emerging businesses; and second, the assessment of the *preconditions* for emerging business growth, using the framework of a life cycle for emerging businesses and entrepreneurs. In addition, the study analyzed comprehensive federal databases of small business startup and failure rates to gauge the health of the state's broader small business sector (see box on page 4-17).

#### ***Presence of Emerging Businesses – Entrepreneurial "Hot Spots"***

Florida possesses much strength with demonstrated results in sustaining emerging businesses. Cognetics, Inc. uses a framework to identify the presence of entrepreneurial hot spots around the country. This framework combines measures of "significant starts" (recent startups that have maintained employment of at least five people), "young growers" (young firms that have grown significantly over the last four years), airports, universities, skilled labor pools, and quality of life. Using this framework, Cognetics identifies the nation's most entrepreneurial areas in three categories: large metropolitan areas, small metropolitan areas, and rural areas.

*The health of Florida's entrepreneurial climate is difficult to measure because it requires newer indicators of economic vitality.*

*SMALL BUSINESS SNAPSHOT*

Emerging businesses are a component of a larger universe of small businesses. For this reason, issues and trends discerned from establishment- and firm-level data concerning small businesses have implications for Florida's emerging businesses and the state's overall entrepreneurial environment. Based on data available from the U.S. Small Business Administration and the U.S. Census Bureau, small business trends were analyzed to examine the broader competitive issues facing Florida's small businesses. The analysis emphasized those businesses employing between 5 and 99 workers, the size classification that includes a large number of emerging businesses. The findings, presented in greater detail in Appendix A, include the following:

**Small business establishments and employment**

- In 2000, Florida had 428,000 business establishments. About 98 percent of these establishments employed fewer than 99 people.
- Small businesses employed 3.2 million Floridians in 2000, or 52 percent of all workers in the state.

**Net formation rates by employment size**

- Florida's "birth" rate for new firms consistently ranks among the highest in the nation. However, its "death" rate is the highest in the country. The difference between the birth and death rates, the "net business formation rate," was 0.8 percent in 1998-99, ranking the state 19th nationwide.
- Florida's positive performance in net business formation is entirely due to very small firms (one to four workers) and large firms (more than 100 employees). Florida's net establishment formation rate is significantly lower, however, in the firm size categories most relevant to emerging businesses – those employing between 5 and 99 people.

**Net formation rates by industry**

- Florida's weakness in net business formation for firms with 5 to 99 employees is not isolated to a small group of industry sectors. The net formation rate for firms in this key size category is low in Florida compared to most other states in industries such as construction, finance, manufacturing, retail, services, and wholesale trade.

**Issues**

- **Sustainability.** Between 1990 and 2000, Florida's net formation rate for business establishments with between 5 and 99 employees was consistently low. The net formation rates for this size category was negative in the late 1990s, ranking Florida close to last among the states. These trends merit further investigation to determine why a large number of firms are not surviving.
- **Concentration of employment in larger establishments.** A national trend towards increased employment concentration in very large business establishments (those employing more than 500 people) is significantly more pronounced in Florida.

Areas in Florida appear frequently as entrepreneurial hot spots:

- The top 50 large metropolitan areas include Orlando (10th), Miami-Ft. Lauderdale (23rd), and Tampa-St. Petersburg (26th). Phoenix and Salt Lake City are the top ranking large metro areas.
- The top 25 small metropolitan areas include Jacksonville (11th) and West Palm Beach (23rd). Topping the list are Las Vegas; Fargo-Moorehead, North Dakota-Minnesota; and Sioux Falls, South Dakota.
- In the list of top rural areas, rural South Florida is ranked 16th. Rural Utah and Western Colorado are ranked as the most entrepreneurial rural areas in the nation.

Other indicators of the presence of emerging businesses and entrepreneurs include:

- *Gazelle companies* – those with annual sales revenue growth of 20 percent or more for four straight years – account for 16 percent of all jobs in Florida, compared to 14 percent nationwide (Cognetics, Inc.).
- *Capital raised from initial public offerings* by Florida companies averaged \$1.8 billion per year between 1998 and 2000, the seventh highest in the nation (Hale and Dorr LLP).
- The proceeds from *initial public offerings*, relative to the number of firms in Florida, were just above the national median in 2001, and higher than all Southeast states except Georgia and Tennessee (Thompson Financial Securities).
- A total of 31 of the nation's 500 *fastest-growing private companies* in the United States are based in Florida (*Inc.* magazine).
- Orlando is ranked as the *best metropolitan area* in the nation for entrepreneurs (*Entrepreneur* magazine).
- The number of *high-tech jobs* in Florida reached 238,700 in 2001, ranking Florida 5th among the states (American Electronics Association).
- *High-tech exports*, valued at \$9.4 billion, accounted for 35 percent of Florida's overseas shipments in 2001 (Massachusetts Institute for Social and Economic Research).

### **Preconditions for Emerging Business Growth: The “Entrepreneurial Life Cycle”**

As an additional perspective on the vitality of Florida's emerging business sector, an analytical framework has been based on the entrepreneurial life cycle of an individual firm (Figure 1). The entrepreneurial life cycle depicts the major elements needed to carry an emerging business from the initial inspiration, on through the key hurdles of start-up and growth, to a sustainable, successful, growing business.

A total of 31 of the nation's 500 fastest-growing private companies in the United States are based in Florida.

These elements are arranged relative to the business' point of market entry. Some are primary considerations in the formative stages prior to market entry (research and development, business plan, and market research), and others are aspects that become increasingly relevant once a decision to start up has been made (intellectual infrastructure, physical capital, financial capital, business climate, quality of life, and networks). This framework provides a comprehensive view of the resources and conditions required by emerging businesses to succeed. Regions that show strengths in all or most of these areas are more likely to possess an environment that fosters the growth of emerging businesses.

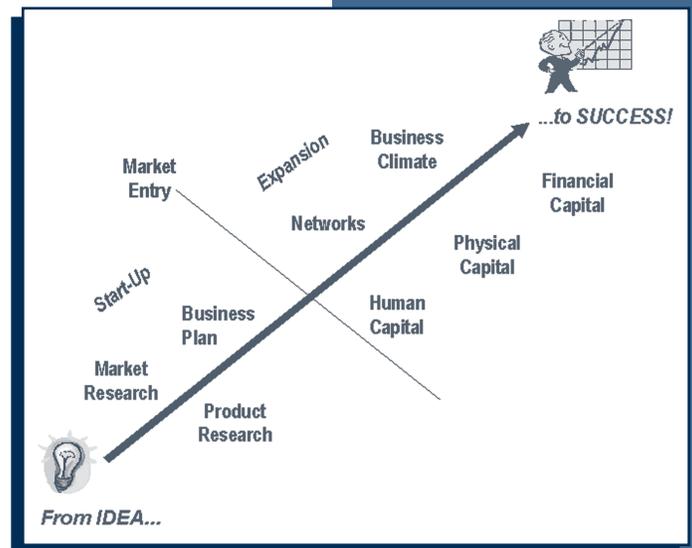


FIGURE 1. THE ENTREPRENEURIAL LIFE CYCLE

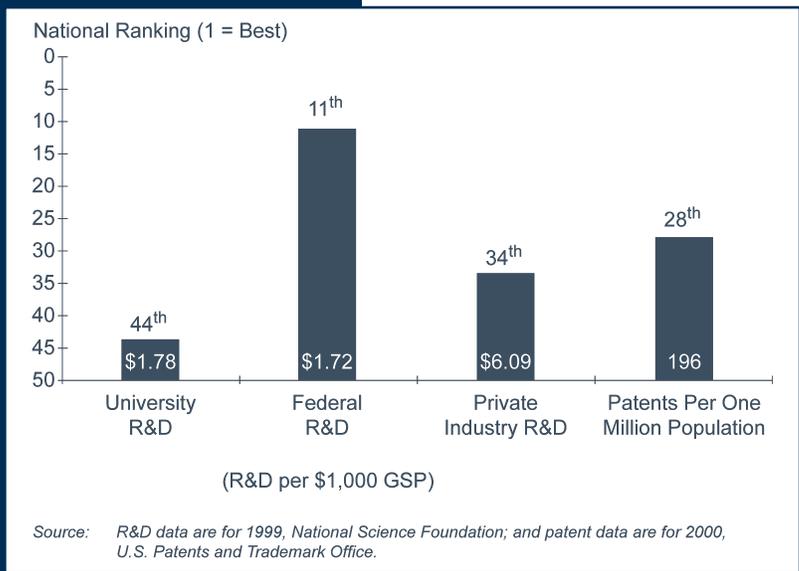
### Research and Development

Innovation and the commercialization of technologies to bring new or improved products to market require substantial R&D effort and resources. Regions with high levels of research spawn new companies that may become tomorrow's large corporations – as seen in the large companies that have grown in Silicon Valley or eastern Massachusetts. Research also keeps existing companies competitive – for example, Washington State and Michigan have high research expenditures that sustain their aerospace and automotive industries.

In Florida, total R&D expenditures by universities, the federal government, and industries reached \$4.3 billion in 1999, ranking the state 16th nationally. Only five states attracted more federal research dollars in 1999; at \$763 million, federal R&D spending accounted for 18 percent of total research expenditures in Florida. Private industry R&D in Florida was \$2.7 billion in 1999, placing Florida 16th in the nation.

Although total research dollars spent in Florida are substantial, they are not proportional to the size of the Florida economy – the fourth largest in the United States. R&D spending as a percent of gross regional product, often referred to as “R&D intensity,” measures the relative role of research activity in a regional economy. Total R&D spending accounted for 2.5 percent of U.S. gross domestic product in 1999, compared to 1.0 percent of Florida's gross state product (GSP). Florida ranked 36th among the states according to this measure.

Academic R&D also plays an important role in attracting leading researchers to institutions of higher learning. These researchers not only serve as catalysts for the development of technological discoveries, but also play a role in attracting top students to Florida's universities and colleges. Academic R&D expenditures in the state totaled \$789 million in 1999. This accounted for 0.2 percent of GSP, placing Florida 44th among the states for academic R&D intensity.



**FIGURE 2. RESEARCH AND DEVELOPMENT EXPENDITURES AND PATENTS**

Florida's performance in attracting dollars from the federal Small Business Innovation Research (SBIR) program is consistent with the state's relatively low level of research intensity overall. The SBIR program funds research to evaluate the feasibility and scientific merit of new technology and to develop the technology so it can be commercialized. During the 1998-2000 period, Florida attracted an average of \$22.3 million annually in SBIR awards. This amounted to \$0.05 per every \$1,000 of GSP, less than half of the \$0.11 average for the 50 states. There is opportunity to improve the degree to which small companies in

Florida are participating in the SBIR and other federally funded R&D programs.

Another core indicator of R&D activity in the state is the number of patents issued. Florida falls below the national average on this statistic, with 196 patents issued per one million state inhabitants, ranking 28th nationally. States such as Illinois, Ohio, Pennsylvania, and Texas produce more than two-thirds more patents on a per capita basis than Florida. Nevertheless, some universities within the state are having successes in commercializable research. The University of Florida produced nearly 200 invention disclosures, received 107 patents, and was issued 37 licenses in 2000.

Overall, Florida's performance in product research is mixed (Figure 2). Although Florida's university-based R&D is very low, other measures compare more favorably to other states.

**Business Planning and Market Research**

Upon starting their ventures, entrepreneurs often possess only a partial understanding of the many challenges involved in running an emerging business. The development of a comprehensive **business plan**, often with the assistance of mentors or other specialists, helps to increase survivability prospects. However, focus groups conducted throughout the state expressed concern that the current awareness among entrepreneurs of business planning best practices and the resources available to support their efforts is limited. The availability and accessibility of quality services such as mentoring, entrepreneur networks, one-stop-shopping support centers, and service directories connect entrepreneurs with the resources they need to build business plans that will provide their new businesses with stronger foundations.

Similarly, start-up firms often lack adequate awareness or resources to produce **market research** for their new product or service. Market research is essential to understand the supply and demand elements for a firm's product and the location of likely customers. Without it, a firm may be deeply out of touch regarding

likely operating revenues to cover initial expenses.

**Intellectual Infrastructure**

Intellectual infrastructure reflects the education and workforce skill levels of the Florida populace – a measure of the state's relative ability to develop new technologies and to staff emerging businesses. As discussed in chapter 3.0, *Preparing Florida's Intellectual Infrastructure for the 21st Century Economy*, Florida faces several challenges to better develop its human capital. These challenges include low educational attainment and

comparatively few workers with advanced scientific and technical degrees. These measures of human capital must be strengthened to create a more fertile environment for emerging businesses.

Education and workforce are shared concerns among Florida businesses and economic development officials, including whether the state's schools are producing sufficient numbers of technically and professionally trained graduates to support the expansion of emerging industries. Business leaders also raise concerns that semi-skilled and entry-level workers demonstrate poor educational outcomes, such as low levels of literacy and mathematical skills, insufficient office skills, and a lack of professionalism. There is general agreement that Florida's students and businesses would benefit from more programs in computer skills, financial literacy, language skills, career development, and workforce preparedness. Deficiencies in the K-12 system, including high dropout rates and lack of computer classes or other practical-skills programs are cited as affecting the ability emerging businesses to recruit, train, and retain employees.

**Educational attainment.** The share of Florida's adult population (ages 25 and over) with a high school diploma increased from 80 percent in 1991 to 84 percent in 2000. However, this growth lagged the national rate of improvement and Florida's rank among the 50 states dropped from 27th to 34th over this period. In a similar fashion, the share of Florida's adult population with a college degree increased from 19.5 percent to 22.8 percent, but this was insufficient to keep pace with national improvements and Florida's rank fell from 32nd to 37th (Figure 3).

**Degree production.** Florida boasts one of the nation's strongest community college programs, ranking 11th among the states in the year 2000 for the number of associate degrees relative to the size of the prime working age population (ages 18 to 44). This asset has not translated into comparable strength for the state's higher education levels. Florida's baccalaureate degree production ranks 44th among the states, and its science and engineering doctoral degree production rate ranks 40th (Figure 4).

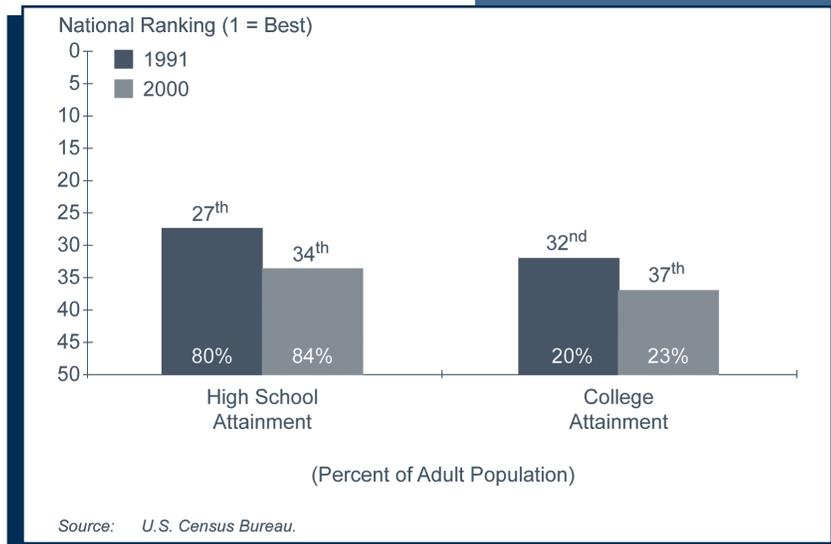


FIGURE 3. EDUCATIONAL ATTAINMENT

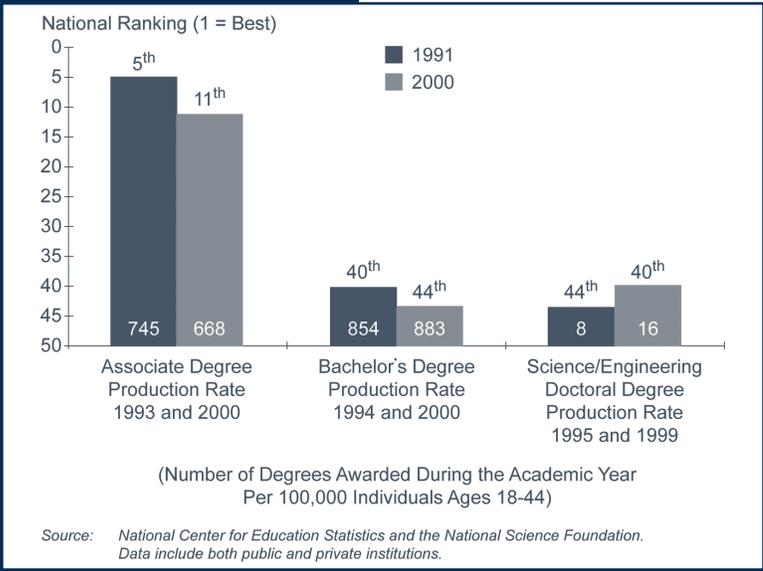


FIGURE 4. POSTSECONDARY DEGREE PRODUCTION

**Physical Capital**

Although less critical than the intellectual infrastructure, the state's physical capital – transportation, communications, water, energy, and building stock – are significant factors for both emerging and established industries in a region. For example, emerging businesses, particularly in the high-tech sector, require fast and reliable transportation for employees and goods, and are especially sensitive to the quality of air service. Similarly, access to high-speed Internet connections has become indispensable for emerging businesses and is a baseline expectation for technology companies considering relocation or expansion.

The availability of suitable office and research space at reasonable rates also affects emerging businesses. During the early stages of a new business, while market and product research are being conducted and the business model is under development, access to the types of research and office space frequently available at a business incubator can be invaluable.

**Transportation mobility and congestion.** The effectiveness of regional transportation systems – from the timing of traffic lights, to congestion on highways, to the extent of public transit services – is of growing concern to emerging businesses in most regions of Florida. Florida businesses worry that transportation mobility, for both people and goods, will continue to worsen. Highway congestion in Florida's major urban areas has increased significantly in recent years. Since 1990, annual hours of delay per person have more than doubled in Orlando and have tripled in Fort Lauderdale. In Orlando and Miami, Florida's most congested cities, the average person spends close to 70 hours each year stuck in traffic (Figure 5).

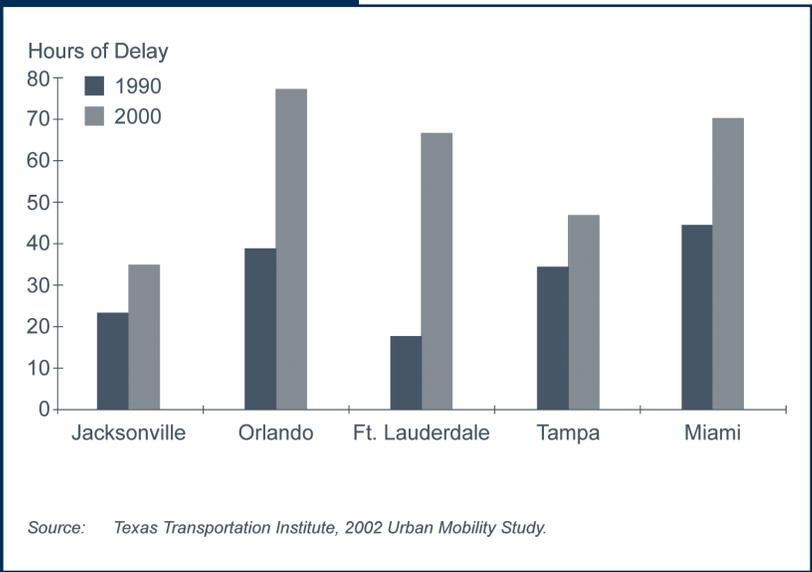


FIGURE 5. CONGESTION IN FLORIDA URBAN AREAS

**Air service.** Reflecting its popularity as a tourist destination and as a gateway to Latin America, the number of passengers served at Florida's airports is the third highest in the nation (Figure 6). Venture capitalists and specialists from other states typically prefer to work with businesses and incubators that are located near major airports. Technology-intensive

businesses depend on the speed and reliability of the air transportation system to ship products, receive critical parts, and visit with customers, financiers, and peers. Florida's top airports

provide direct or nonstop flights to most leading business centers in the United States and to several international markets, an advantage for emerging businesses. However, the relatively low number of flight options at the state's secondary and tertiary airports is a detriment to emerging businesses in these regions.

**Communications.** One-half of Florida households own computers and 43 percent had Internet access in 1999, placing Florida 29th and 17th, respectively, among the states (Figure 6). While larger metropolitan areas enjoy state-of-the-art broad-band communications, many of the state's smaller cities and rural areas have less effective services. As Florida's emerging businesses exchange information with universities, laboratories, and other businesses located throughout the world, the state's communications systems must remain powerful, using cutting-edge technologies.

**Financial Capital**

Florida's key finance indicators are mixed, generally showing that the state needs to boost the availability of financial capital (venture capital, bank loans, and grants) for its emerging businesses and entrepreneurs. Entrepreneurs and economic development professionals report difficulty in attracting out-of-state risk capital to Florida and a scarcity of locally available sources for venture capital. A lack of in-state seed capital, a preference by venture capitalists to invest in larger or later-stage deals, and a limited tradition of angel investing yield a challenging financial environment for emerging businesses seeking startup funding in Florida. Even businesses that successfully have secured startup capital may encounter ongoing difficulties in obtaining funds for expansion. On balance, most of the state's emerging businesses are not yet experiencing a truly capital-rich environment.

Financial needs of emerging businesses follow a continuum similar to the entrepreneurial life cycle. They can roughly be classified into the following categories:<sup>3</sup>

- Research and development capital;
- Innovation capital;
- Seed capital;
- Venture capital; and
- Mezzanine and expansion capital.

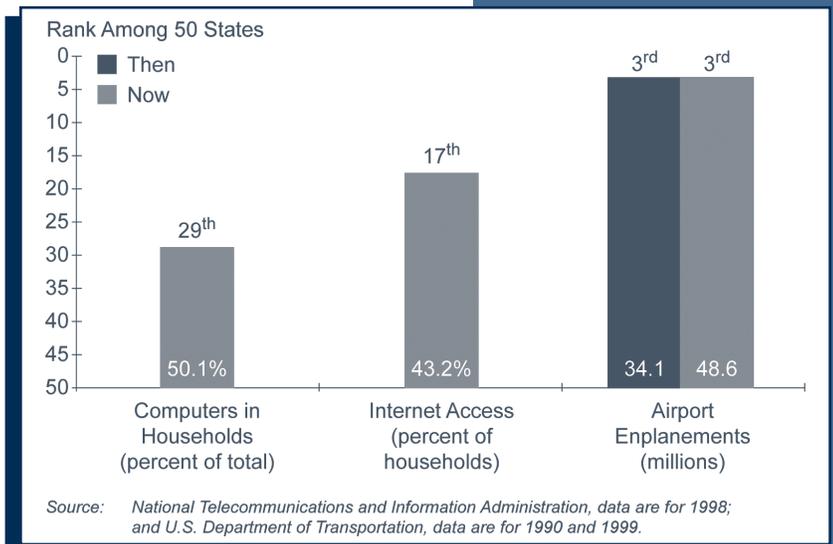


FIGURE 6. PHYSICAL INFRASTRUCTURE INDICATORS

<sup>3</sup> Adapted from Heard, Robert G. and Sibert, John, *Growing New Businesses with Seed and Venture Capital: State Experiences and Options*, National Governors' Association, Washington, D.C., 2000, p.9.

**Research and development capital** is invested in support of basic research and development. Sources of R&D capital may include universities, the federal or state governments, and private businesses. As discussed earlier, R&D spending as a share of gross state product in Florida lags the national average significantly, particularly with respect to university generated R&D.

**Innovation capital** is invested in applied research to develop new products. Sources of innovation capital may include universities, private businesses, and federal programs such as the Small Business Technology Transfer (STTR) program. Under the STTR program, participating federal agencies including the Department of Defense allocate a fixed percentage of applied research funding each year to partnerships between small businesses and research universities or labs. Private funding for applied research is important as well, but may be limited by comparatively high tax rates on R&D equipment in Florida, such as machinery for development of prototypes.

**Seed capital** is invested to support new and young companies without fully established commercial operations. Also known as pre-venture capital, seed capital is required by start-up businesses or by researchers attempting to commercialize a new product or continue research and product development. Seed capital needs include proof-of-concept studies, prototype development, initial product trials, and creation of a basic business structure. Because it typically is invested in companies without a proven product, seed capital investments typically are high-risk but also offer investors a high potential reward. Sources of seed capital may include angel investors, seed capital and other early-stage venture funds, and state and federal funding programs. The typical seed capital investment is between \$500,000 and \$2 million.

*Angel investors* are private investors who commit their own savings to emerging businesses in exchange for an equity stake. Angel investors can be particularly important for accommodating the smaller-scale financing needs of early-stage companies, which often are perceived as too small or high-risk for institutional seed and venture funds. The typical angel investor is an individual with high net worth and an interest and knowledge in a particular business sector. An estimated 250,000 angel investors – private, non-institutional investors who commit their personal savings to projects – are now financing businesses across the country. Yet these angels represent only a fraction of the potential investors with investable assets of more than \$1 million. While these types of investments are difficult to document, their influence over the availability of funding for emerging businesses can be significant. The volume of angel and other non-institutional investments has been estimated to be three to five times greater than traditional venture capital investments.<sup>4</sup> Florida's retiree population offers significant pockets of wealth and management talent, much of which appears to be relatively untapped in the state. Other

*Florida's retiree population offers significant pockets of wealth and management talent, much of which appears to be relatively untapped in the state.*

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<sup>4</sup> Heard and Sibert, p.12.

states and regions are more actively developing networks of angel investors, such as Seattle's Alliance of Angels, Silicon Valley's Band of Angels, and Southern California's Tech Coast Angels.

*Seed funds* are professionally managed investment partnerships that invest in young companies. Seed capital investments nation-wide grew rapidly during the dot-com boom of the late 1990s, then retrenched during the 2000-2001 recession. Data comparing seed capital investments across states are scarce, but anecdotal evidence suggests that this market is relatively undeveloped in Florida. No large-scale seed capital fund exists in Florida today. Enterprise Florida operates a Technology Investment Research Fund, which was designed to invest in projects with the potential to generate marketable projects beneficial to the state's economy. Enterprise Florida presently administers contracts with a total of 14 entities that were disbursed a total of \$2.4 million during fiscal years 1998 and 1999. The fund's balance on June 30, 2002 was approximately \$700,000.<sup>5</sup>

Under the federal *Small Business Innovation Research* (SBIR) program, 11 participating federal agencies allocate 2.5 percent of applied research funding each year to small businesses through a phased process that includes a feasibility study and development and testing of prototypes. Total SBIR funding nationwide exceeds \$1 billion per year. Florida lags the national average for SBIR funding as a percentage of gross state product, suggesting that its businesses are not effectively competing for such awards. Many states are offering matching funds or technical assistance to help home-grown businesses apply for SBIR and STTR grants, but Florida has no formal assistance program in place today.

**Venture capital** focuses on start-up companies that are making the transition from research and development to production and distribution. Venture capital typically is in the form of long-term equity investments in rapidly expanding businesses with an expectation of significant capital gains. The typical recipients of venture capital investments have demonstrated a marketable product but are not yet profitable. The average venture capital investment nationwide was \$8.7 million in 2001, according to Pricewaterhouse Coopers/Venture Economics.

Venture capital investments in Florida companies increased significantly, from \$73 million in 1992 to \$2.3 billion in 2000. Despite this large increase, the share of venture capital invested in Florida relative to the nation actually declined in recent years (Figure 7).

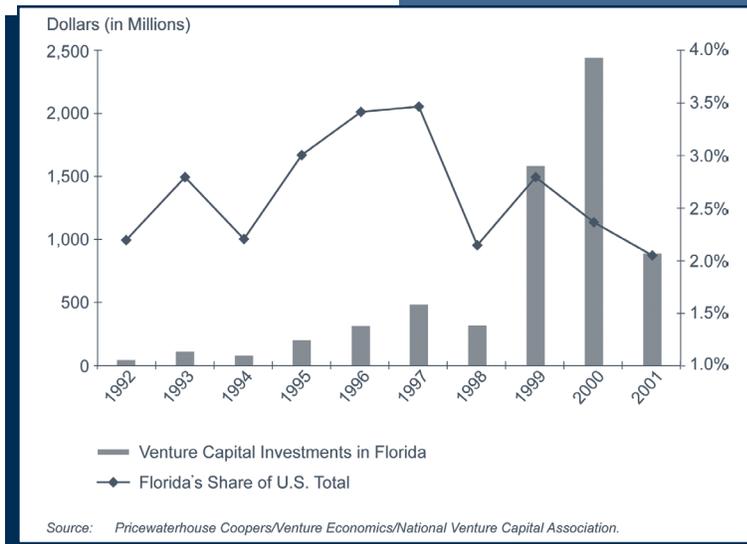


FIGURE 7. VENTURE CAPITAL INVESTMENTS IN FLORIDA COMPANIES

<sup>5</sup> Office of Program Policy Analysis and Governmental Accountability, *Special Review Report No 02-59, Statutes Authorizing Technology Commercialization and Development Initiatives Should Be Re-Enacted*, November 2002, p.2.

The decrease in Florida's share of national venture capital investments reflects large spikes in other states such as California, Massachusetts, and Texas. Although 2000 was a record year for venture capital investments in Florida, the majority of this capital flow was due to a handful of very large deals. In 2001, national venture capital investments fell steeply and Florida's share of the national total continued to decline. In 2001, Florida companies attracted \$763 million in venture capital, ranking 11th in the nation.

The majority of venture capital is invested by large, professionally managed investment partnerships. The lack of venture capital companies with headquarters in Florida is a concern as venture capitalists tend to invest in nearby firms. According to Pricewaterhouse Cooper's MoneyTree survey, Florida is home to seven venture capital funds, accounting for 1.2 percent of the nation's 554 funds. By comparison, North Carolina and Texas have 15 and 29 venture capital funds, respectively, on the MoneyTree listing.

Florida is one of a handful of states to pilot the Certified Capital Company (CAPCO) program, which provides venture capital indirectly through offering tax credits to insurance firms that invest in certified capital companies. The CAPCO program is credited with the direct creation of several hundred jobs in Florida. Many firms have reported that CAPCO investment allowed them to keep their emerging businesses from closing and, in half of the surveyed cases, enabled them to secure follow-on funding as well. However, a recent initiative to expand Florida's CAPCO program failed in the state legislature.

The Small Business Investment Company (SBIC) program was created by the U.S. Congress to fill the gap between available venture capital and the financial needs of small businesses in start-up and growth situations. SBICs are licensed by the Small Business Administration (SBA) and leverage their own capital with low-interest

loans guaranteed by the SBA. During the three-year 1998-2000 period, the SBICs disbursed an average of \$4.3 billion annually in the United States, or \$0.46 per \$1,000 of United States gross domestic product. In Florida, annual SBIC disbursements averaged \$129 million, or \$0.29 per \$1,000 of gross state product. If Florida's share of SBIC disbursements were proportionate in size to its share of United States gross domestic product, an additional \$75 million annually would become available for the state's emerging businesses.

**Mezzanine** (second-stage) and other **expansion capital** focuses on helping businesses grow and expand their

products, markets, and size. Sources of expansion capital include more traditional sources like debt financing through banks and investment companies and equity markets.

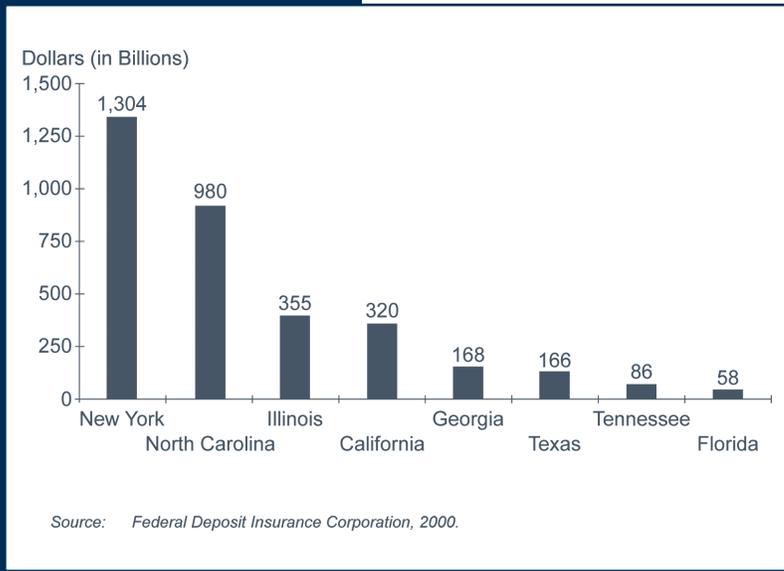


FIGURE 8. BANK ASSETS IN FLORIDA AND COMPETITOR STATES

Following years of bank mergers and acquisitions, Florida now has fewer in-state bank assets, \$58 billion, than its peer states (Figure 8). Moreover, the bank loan dollars that are available may not be reaching emerging businesses. Banks often are hesitant to extend credit to smaller enterprises and emerging businesses, which fall outside a defined profile of creditworthy projects. The extent to which Florida bank branches provide loans to the state’s small businesses is about average compared to other states. In 1999, private lending to small businesses in Florida totaled \$1,068 per worker, ranking the state 31st nationally.

Initial public offerings (IPOs) are another method by which companies raise capital for growth and expansion. IPOs occur when a privately owned company offers shares of its common stock to the public. Between 1998 and 2000, United States companies raised an average of \$49.6 billion annually through IPOs. Florida companies raised an average of \$1.8 billion annually during the three-year period, ranking seventh among the 50 states.

Table 1 identifies major sources of each type of risk capital in Florida today, and identifies potential gaps.

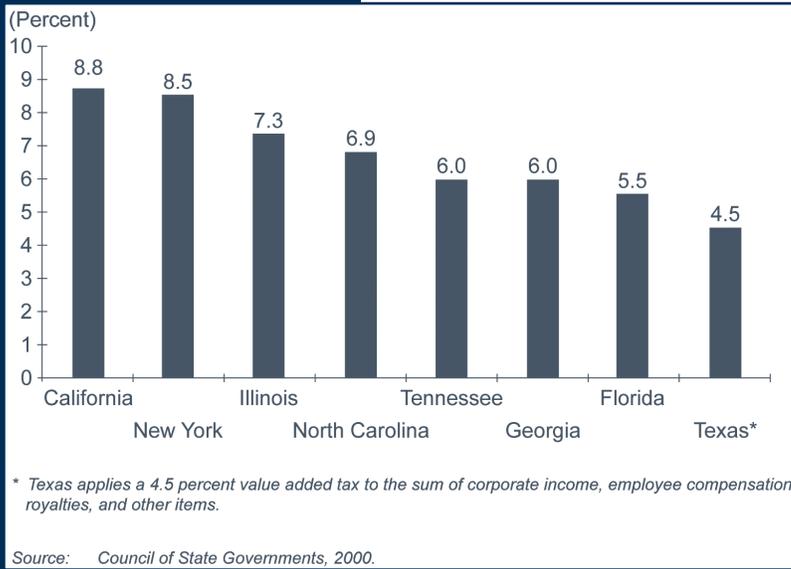
TABLE 1. SOURCES OF RISK CAPITAL

Type of Risk Capital	Existing Sources in Florida	Potential Gaps
Research and development	Federal grants (NSF, NASA, DOD, etc.)	R&D funding is 1% of gross state product, well below the national average (2.5%)
	Universities	Centers of excellence funding is not recurring, and at \$30 million in 2002 lags comparable efforts in other states
	Technology Development Act (centers of excellence)	
	Private businesses	
Innovation	Federal programs (SBIR, STTR)	No state matching fund or technical assistance program for SBIR/STTR; limited grants to Florida firms
	Private businesses	
Seed	Seed/pre-venture funds	No state seed capital fund
	Angel investors	Relatively untapped market for angel investors
	Federal programs (SBIR, STTR)	
Venture	Venture funds	Few venture funds based in Florida
	CAPCOs	
	Small Business Investment Companies	
Mezzanine and expansion	Debt financing	Reduction in number and assets of commercial banks based in Florida
	Equity markets (IPOs)	

**Business Climate and Image**

Florida’s business climate, including the state’s regulatory, permitting, and tax structures, can encourage or inhibit the development of emerging businesses. Florida’s business image today is seen as an obstacle in the development of high-tech industry in the state.

**Regulatory processes.** Businesses view Florida’s regulatory processes such as permitting as not streamlined or otherwise not



**FIGURE 9. CORPORATE INCOME TAX RATES IN FLORIDA AND COMPETITOR STATES**

“small business-friendly.” Business and technology leaders in the state also indicate that laws and regulations that affect businesses change frequently, removing predictability from the system. This lack of predictability hinders planning efforts and is a source of frustration to Florida businesses.

**Taxation.** Floridians, who pay no personal income tax, enjoy a relatively light tax burden. Per capita state and local taxes totaled just \$1,500 in 1998, the 11th lowest tax burden in the country, and corporate income tax rates in Florida are lower than those found in most competitor states (Figure 9).

Florida depends on its six percent sales tax as well as property taxes to generate revenues. Lower taxes may encourage businesses to relocate and invest but also may limit the availability of resources to support the development of emerging businesses. Sales tax rates on research and development equipment in certain industries do not compare favorably with other states.

**Health insurance.** The provision and cost of health insurance is a national issue. These costs, which represent a substantial overhead expense for emerging businesses, may be aggravated in Florida by state policies. State regulations that were put in place to protect workers in small businesses from being underinsured provide for a relatively high standard of health insurance. For employees of firms that can afford the high rates, health care insurance is an excellent benefit. But these regulations reduce the flexibility of smaller firms to offer health insurance packages suited to their buying power. Other states allow smaller firms to use their memberships in trade associations or chambers of commerce to qualify for lower group rates, but Florida's existing regulations do not permit similar arrangements. Firms face two options: pay the high health care premiums or cease offering health insurance packages. If firms do not offer these key benefits, they are at a considerable disadvantage in attracting or retaining high-skilled, high-quality workers, compared to those businesses that do include full health care coverage. An emerging national crisis in malpractice insurance costs, which are passed along to businesses and workers in the form of higher health care premiums, further complicates this situation. Evidence suggests these costs are higher in Florida, particularly in south Florida. Florida should support national efforts to restrict non-economic damages awarded in malpractice cases.

**Workers' compensation.** Another business expense for small firms is workers' compensation insurance, which is required to cover the company in case an employee is injured on the job. Florida's workers' compensation rates are currently the highest in the nation (Figure 10), and have withstood multiple efforts at reform over the past decade. To maintain control over costs, firm

owners have an incentive to minimize claims, as even one claim can result in raised rates in future years. However, there are obstacles to controlling these costs. If a firm owner believes that a claim has been fabricated, the costs of investigating and proving any fraudulence often are prohibitive.

**Business image.** Businesses in the United States and worldwide share a perception that Florida's economy is limited to citrus, tourism, and retirement. Although Florida ranks among the leading states in terms of number of high-tech jobs, this reality has not been matched by Florida's business image, nationally or internationally. A 1996 image study indicated that corporate executives have a poor perception of Florida as a location for business, and a 1997 survey showed that Florida lacked a business image overseas.<sup>6</sup> These perceptions undermine efforts to recruit out-of-state skilled workers and corporations, who may dismiss the idea that Florida could be a dynamic center for high-tech industry.

Despite this image, the state's technology leaders believe that once high-tech businesses and skilled workers arrive in Florida, they will stay – that overcoming the initial skepticism is the problem. Other businesses within the state believe there may be an underlying truth to Florida's image – that the state lacks industrial diversity and a solid foundation in advanced technologies. This image may limit the production of skilled workers, with Florida high school graduates often opting for jobs in the hospitality or health care industries rather than choosing to pursue post-secondary education. For these reasons, Florida's business and economic development communities have identified a need to cultivate a more technologically advanced image for the state.

**Quality of Life**

Quality of life is gaining increased recognition as a significant factor contributing to an environment that cultivates innovation. The most technologically possess attributes that attract smart, creative, driven, and innovative people. These attributes include sophisticated urban spaces, art, and social diversity. Walkable, human-scale downtowns that offer a variety of businesses catering to many tastes and income levels help to create communities that draw the nation's most talented and innovative people. High levels of personal safety, a clean environment, and access to recreational opportunities further enhance the appeal of these areas.

**Housing costs.** Although some technology centers, such as Silicon Valley, also have some of the nation's highest home prices, people

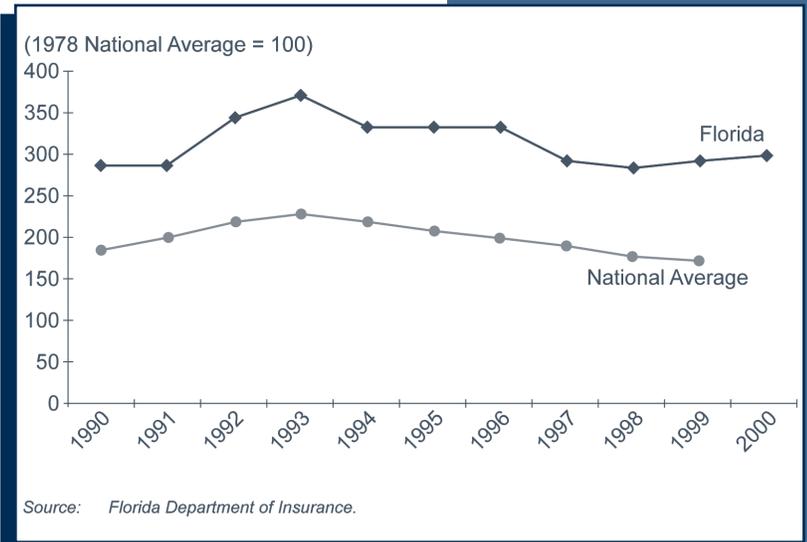


FIGURE 10. WORKERS' COMPENSATION INSURANCE RATES: FLORIDA AND UNITED STATES

<sup>6</sup> DCI/Gallup Business Image Study, 1996 and a Burson-Martseller study on Florida's international image, 1997, as reported in Enterprise Florida's *Strategic Plan for Economic Development, 2001-2006*.

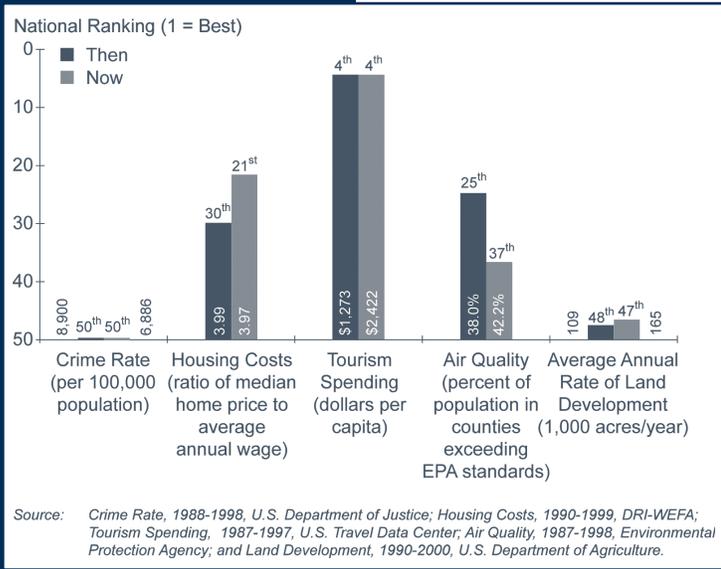


FIGURE 11. QUALITY OF LIFE INDICATORS

and businesses find areas with more affordable housing costs appealing. Relatively low home prices have benefited cities like Austin and Raleigh, which have attracted skilled workers and high-tech business expansions. Florida has competitive housing costs compared to several other leading high-technology states such as California, Colorado, New York, Massachusetts, and Washington. In 1999, Florida ranked 21st nationally in housing affordability – the ratio of median home price to the average annual wage (Figure 11).

**Tourism.** Florida's natural and man-made attractions have a global appeal, reflected in visitor numbers that exceed 70 million annually. Per capita tourism spending in Florida ranked fourth in the nation in 1997 (Figure 11). The attractions that tourists enjoy are also a quality of life asset for people working in the state, although synergies between the tourism economy and the innovation economy in Florida can be further developed.

**Crime.** Urban commercial and residential areas that are relatively free of violent crime are better situated to become centers of innovation than less safe areas. Crime is a concern in Florida. Although Florida's crime rate declined markedly during the 1990s, the state's crime rate in 1998 – 7,000 crimes committed per 100,000 residents – remained the highest in the nation (Figure 11).

**Land development.** In 2000, Florida developed 165,000 acres of land – more than all but four states. The magnitude of land consumption in Florida is not surprising given the state's high population growth. Sprawling development and environmental degradation, however, would not enhance the state's appeal to innovative workers.

**Networks and Support Services**

Innovation is fostered in regions that can provide an industry (or industries) with a network of specialized suppliers, funding opportunities, advanced research, and highly skilled workers. When each of these factors are present in a region, an industry cluster can form. The strength of the cluster evolves from the academic, business, and personal exchanges that take place between people working in cluster-related jobs. The archetypal cluster is Silicon Valley (electronics and information technology), but other well-known examples include Austin (semiconductor manufacturing equipment), Boston (software, Internet, and biotech), Houston (oil and gasfield technologies), and San Diego (biosciences). Each of these clusters is supported by university ties: Stanford University in Silicon Valley; the University of Texas in Austin; the Massachusetts Institute of Technology and Harvard University, among many others, in Boston; petroleum engineering programs at Texas' public universities in Houston; and the University of California in San Diego.

In Florida, several organizations and associations provide forums to bring together businesses, universities, and state agencies to strengthen key industries. Organizations such as ITFlorida, BioFlorida, the Florida Aviation Aerospace Alliance, the Florida High-Tech Corridor Council, and the InternetCoast (see profiles on page 4-30) advocate for policies that will promote the vitality of their industries, create stronger intra-industry ties, develop market opportunities, and act as a clearinghouse for topical industry issues and information. Focus group participants recognize the value of these networks, but also observe that their coverage has not yet expanded to include all key industries or geographic regions in the state.

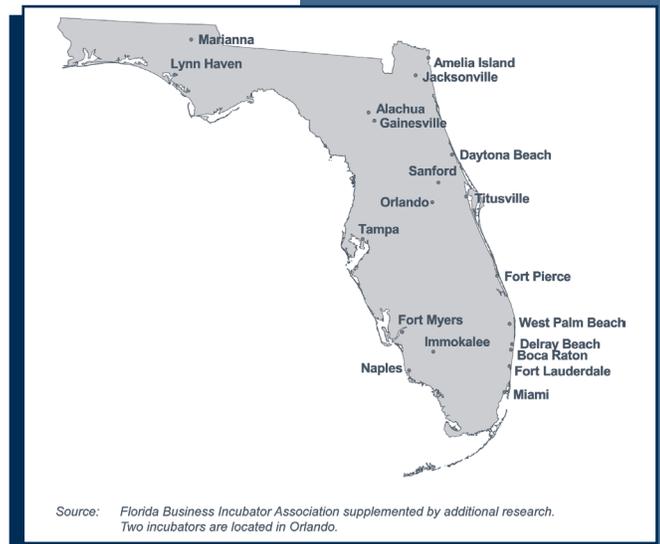


FIGURE 12. SELECTED BUSINESS INCUBATORS IN FLORIDA

**Business Incubators.** Business incubators are another important facet of the state's support services for emerging businesses. There are 21 business incubators in the state that assist with the development of new businesses (Figure 12), which operate alongside with other innovation corporations, private-sector accelerators, and related services.

Incubators provide selected businesses with services and facilities to facilitate their success in the marketplace. Typical incubator services include office and manufacturing space (often at reduced rates); access to accounting, legal and other business services; reviews of business plans and market research; assistance in obtaining financing; and networking and synergy opportunities with other incubator firms and local contacts. Incubators often are connected with local community colleges and research universities. Those affiliated with community colleges tend to focus more on applied technology firms, as opposed to the research university incubators that often emphasize science and technology innovation.

The goal of incubators is to help firms "graduate," or become self-sufficient, within two to three years and remain in the area after they graduate. County and city governments, local colleges, federal research organizations, and client fees such as rent provide funding for business incubators. The mix of these funding sources varies among the incubators in the state based on their location and mission. There currently is no funding at the state level for business incubation. Appendix B describes the state of incubation activities in Florida, and highlights a number of case studies.

In addition to pure incubation activities, mentoring programs can be an effective method of helping to support young firms. Mentoring programs aim to match a small emerging business with a local executive with extensive experience relevant to the direction and goals of the new firm. For example, the Enterprise Development Corporation of South Florida houses an incubator at Florida Atlantic University and runs a mentoring program in the region with funding support from a SBA grant. The program's annual goal is to create 70 local matches to help firms in the areas of

**BEST PRACTICES****ITFlorida**

Formed in October 2001, ITFlorida is a not-for-profit membership organization designed to encourage growth in Florida's technology sector. Its members include high-tech employers and regional technology partnerships. ITFlorida has three missions: advocate legislation favorable to the technology sector at the federal, state, and local levels; to gather and disseminate information on legislative, educational, workforce, business, and trade issues; and to sponsor seminars, conferences, and symposia on technology-related subjects and provide other networking and professional development opportunities for the high-tech community. ITFlorida works closely with Florida public agencies including the State Technology Office, the Agency for Workforce Innovation, the Department of Education, Enterprise Florida, and the Office of Tourism, Trade, and Economic Development.

**BioFlorida**

BioFlorida, Inc. is a non-profit biomedical trade association whose mission is to promote biotechnology and related sciences in Florida. Its members consist of life science firms, including makers of medical devices, drugs, and related products and services. Florida currently ranks 10th nationally in the number of biotech firms.<sup>7</sup> BioFlorida's initiatives aim to strengthen Florida's biotech companies and the state's competitiveness in this key industry. BioFlorida's goals are to provide a forum for its members to exchange information and ideas; provide education and other programs to assist biotechnology companies; promote interaction between its members and the research community, both private and government; and advocate for the interests of the biomedical community at the state and federal level. The association has close ties to the University of Florida and the University of Miami School of Medicine, both recipients of significant research and development funding.

**Florida Aviation Aerospace Alliance**

The Tallahassee-based Florida Aviation Aerospace Alliance (FAAA) was established in 1998. The FAAA is a private, dues-paying non-profit organization that operates in close partnership with the state of Florida. Its members include aviation, space, and aerospace defense firms from across the state. Aviation and aerospace is a \$15 billion dollar industry in Florida, comprising 1,500 companies and providing 228,000 direct and indirect jobs. The FAAA's mission is to locally source aerospace supplier and subcontract work, valued at nearly \$8.5 billion annually, that currently goes to out-of-state firms. It attempts to do this through legislative advocacy at the state and federal levels, an FAAA Business Network that links aerospace buyers and sellers via the Internet, education and training programs to help companies find qualified workers, and seminars statewide.

**Florida High-Tech Corridor**

Stretching from Tampa to Orlando to the Space Coast, the Florida High-Tech Corridor represents 160,000 high-tech jobs. Its development is supported by the state-funded High-Tech Corridor Council, which was established in 1996 to prevent the imminent loss of major high-tech firms to overseas locations. The Council targets six emerging industries: aerospace; medical technologies; modeling, simulation and training; optics and photonics; information technology; and microelectronics. The Council's research partnerships with the University of

<sup>7</sup> Ernst & Young, *Focus on Fundamentals: The Biotechnology Report*, 2000. Note that there is no set definition for "biotechnology" so state rankings can vary depending on how the industry is classified.

South Florida and the University of Central Florida have matched \$25 million in state money with more than \$55 million in corporate and federal funds directed to more than 290 joint projects between the two schools and over 150 industry partners. To ensure that the region produces enough high-tech graduates, the Council created the “Tech 4” consortium with local school districts and community colleges as well as the two major partner universities. The consortium’s initiatives include electronics camps for high school students and two-year associate’s degrees in high-tech disciplines.

### **InternetCoast**

The “InternetCoast” is a branding initiative to foster the application and development of advanced communications technologies in an area that extends from Miami to Palm Beach. The region is home to some 6,000 high-tech companies and several colleges and universities. The InternetCoast was created in 1999 as an association of over 2,000 South Florida Internet companies, economic development organizations, and educational institutions to establish the region as a worldwide Internet hub. The InternetCoast initiative also is intended to produce more cohesive economic development efforts in the region, promoting regional cooperation between Miami-Dade, Broward, and Palm Beach counties. The InternetCoast initiative has included activities to create awareness of the InternetCoast brand on a global level; encourage the continued migration of high-tech workers, companies, and investment capital to South Florida; improve the communications infrastructure in South Florida; and address the gap between technology and applications, including South Florida’s “digital divide.” In an effort to improve dialogue between local educational institutions, businesses, and industries, the InternetCoast has helped create an alliance of six local colleges and universities: Florida International University, Florida Atlantic University, Miami-Dade Community College, Nova Southeastern University, Barry University, and the University of Miami.

### **Florida Institute for Human and Machine Cognition, Pensacola, Florida**

The Institute for Human and Machine Cognition (IHMC) was founded in 1990 at the University of West Florida (UWF) in Pensacola. Over the 14 years of IHMC’s existence, the Institute has grown from 2 people in small offices on the campus of UWF to 110 scientists and staff in roughly 32,000 square feet of offices in downtown Pensacola and Silicon Valley, California. The funding profile has grown from the initial \$300,000 of state funding to over \$25 million of funding-in-force, the vast majority of which comes from grants and contracts from federal research agencies.

In October of 1999, IHMC moved from campus to a renovated 27,000 square foot building in Pensacola’s Seville Historic District that had at one point housed the city jail and police station. IHMC researchers enjoy the district’s stimulating, human-scale urban environment and have contributed substantially to the economic revitalization of the area. In addition to being a direct economic engine, IHMC serves as a magnet for highly talented and creative people. Over 90 percent of IHMC’s employees have relocated to Pensacola from out of state — typically from places like Silicon Valley, Washington, Austin, Boston, and Seattle.

On May 22, 2002, the UWF Board of Trustees adopted a resolution to begin the process of transforming IHMC into a not-for-profit research corporation. In 2003 the legislature enacted and Governor Bush signed legislation to create the Florida Institute for Human and Machine Cognition (FIHMC), a public-benefit corporation. This innovative structure is designed to permit IHMC the entrepreneurial flexibility it needs to continue its growth as a world-class research enterprise and to facilitate collaborations with industry.

commercialization, legal issues and patents, product testing, and marketing. Thus far, it has enjoyed active local business participation, as mentors devote an average of 15 hours of consultation over a three-month period.

### **Summary of Key Issues**

Florida is blessed with the potential to create a strongly entrepreneurial economy: a high birth rate for new enterprises, opportunities in many sectors of the economy, a university system that is capable of supporting research and technology commercialization, a longstanding base of federal research centered around the aerospace industry, and large numbers of retirees with money to invest. Yet interviews and focus groups with entrepreneurs throughout the state point to a list of obstacles facing emerging businesses. Some of the key obstacles include:

- Difficulty transitioning new university and other basic research into commercial products and sustainable companies;
- A lack of awareness of how to develop a comprehensive business plan, and where to turn to learn and enhance basic entrepreneurial skills;
- A paucity of risk capital for seed and expansion financing;
- Shortage of skilled labor, ranging from lower levels of literacy, mathematical skills, office skills, and professionalism among entry level staff to inadequate numbers of workers with advanced science, engineering, and other technical skills;
- Prohibitively high costs for employee health insurance and workers' compensation insurance;
- An underdeveloped network of incubators and related support services catering to fast-growth emerging businesses – together with limited attention given by many traditional economic development organizations to this critical need; and
- Perceptions outside the state that Florida's business climate is poor for entrepreneurs, along with stereotypes that the economy is restricted to citrus, tourism, retirement, and real estate.

Florida's response to these challenges will determine the state's economic performance for the next decade.

*Interviews and focus groups with entrepreneurs throughout the state point to a list of obstacles facing emerging businesses.*

## 4.4 Priorities and Strategies

### *A Vision for Florida's Entrepreneurial Economy*

Until the 1960s and 1970s, Florida's economy was dependent on a steady influx of retirees, tourists, and seasonal residents; resource-based industries such as agriculture, mining, and wood and paper; and small niche markets in manufacturing such as the aerospace and boatbuilding industries. The state competed on the basis of its low costs, warm climate, and natural resources.

By the 1980s and 1990s, Florida's economy began changing. Tourism became a year-round industry attracting families and business travelers worldwide. International trade expanded dramatically with growth of the Latin American and Caribbean markets. Business and financial services grew to support this trade activity, and also as Florida attracted call centers and other back-office operations. A small but fast-growing high-tech industry began to develop along the I-4 corridor in Central Florida and the I-95 corridor in Southeast Florida. Florida's traditional advantages remained, but increasingly Florida competed on the basis of its large supply of affordable labor, its emerging technology base, and its transportation and communications links to global markets.

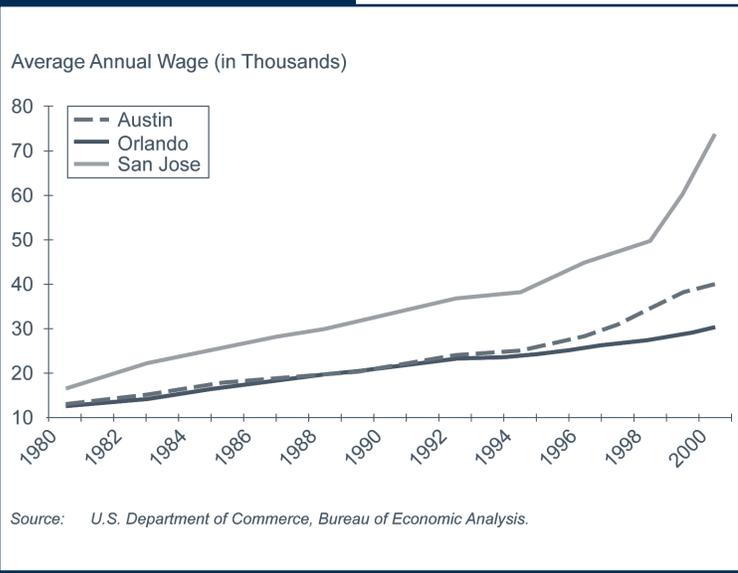
As the 21st century begins, Florida's economy may transition yet again. Tourism, trade, agriculture, and services to retirees will remain critical elements of the state's economic fabric. But new areas of leadership are emerging in industries like information technology, optics, biosciences, and professional services. Florida possesses many key ingredients for success in these emerging markets – an attractive climate and quality of life; a diverse and growing population; land for development; global leadership in key industries such as tourism, trade, and aerospace; unique niches in emerging technologies such as space launch, optics, simulation, and nanosciences; and a competitive cost of doing business in many industries.

These growth industries are characterized by high-value, high-skill jobs; by high-risk yet high-reward opportunities; and by emerging businesses and entrepreneurs. By embracing and encouraging growth of these industries, Florida stands to increase wage and income levels and the overall standard of living in the state.

The growth of emerging businesses and the development of highly skilled workers characterized the most successful regional economies in the 1980s and 1990s. Technology companies have been an important driver of these successful regions – Silicon Valley, Boston, Austin, Raleigh-Durham, Seattle – but the ultimate driver of success has been the innovation and flexibility of these regions, not the technologies themselves. Florida now has an opportunity to follow these examples and create its own habitat for innovation.

The potential benefits of an entrepreneurial, innovation economy are demonstrated by a comparison of the experiences of Austin, Orlando, and San Jose during the past two decades (Figure 13).

*New areas of leadership are emerging in industries like information technology, optics, biosciences, and professional services.*



**FIGURE 13. WAGE GROWTH IN ORLANDO HAS LAGGED OTHER MARKETS**

In 1980, Austin and Orlando both were essentially single-industry economies, dominated by state government and tourism, respectively. The average annual wage per worker in both urban areas was slightly over \$12,000, more than 10 percent below the national average. San Jose, which was beginning to earn its reputation as Silicon Valley with the rise of the semiconductor, enjoyed an average annual wage of \$16,600, 18 percent above the national average but still within striking distance of communities like Austin and Orlando.

Over the past 20 years, San Jose has reinvented itself again and again in increasingly shorter cycles, as its leadership on semiconductors has shifted to software,

the Internet, and wireless communications. The average annual wage in San Jose has increased more than fourfold during that period, with a spectacular run-up during the late 1990s that has started to bid San Jose out of the labor market and contributed to the dot-com bust. Meanwhile, Austin successfully diversified its economy to include a mix of large high-tech companies like Dell Computer and Applied Materials as well as many smaller emerging businesses. Consequently, wage growth accelerated sharply during the mid-1990s, with Austin recording annual gains in the 6 to 14 percent range since 1995. Austin's average wage has exceeded the national mean since 1997, and reached a level nearly 17 percent above the national average by 2000.

Orlando, in contrast, has retained its traditional focus in tourism, albeit with some diversification during the 1990s. The urban area has experienced steady gains in wage and income levels, generally recording growth of three to five percent per year. Without the radical shift in business structure that Silicon Valley or Austin has experienced, Orlando has not been able to keep pace. By 2000, its average annual wage was 13 percent below the national average, 25 percent below Austin's, and a whopping 60 percent below San Jose's. Other major urban areas in Florida repeat this pattern. As Florida looks to the next decade, the challenge is clear: can Florida also build on current assets and diversify its economy by increasing its emphasis on innovation?

### Goals and Strategies

A vibrant emerging business sector and entrepreneurial climate are critical if Florida is to emulate the experience of these other regions. Florida's goals for supporting emerging businesses and entrepreneurs over the next decade should be as follows:

- Create more "sparks" and convert these sparks to functioning businesses. The state should set a target of increasing the share of its economy represented by research and development activity from its current level (1.0 percent in

2000) to the national medium (2.5 percent in 2000) by the year 2010.

- Increase the likelihood that emerging businesses will grow and flourish. The state should set a target of increasing the share of its businesses involved in technology from its current level (5.7 percent in 1998) to the top quartile of states (6.3 percent in 1998) by the year 2010.
- Increase the pool of innovation and knowledge workers who are able to support emerging businesses, including full use of the state's retired and semi-retired human capital. The state should set a target of increasing the number of Ph.D. scientists and engineers per 1,000 workers from its current level (1.99 in 1998) to the national median (3.49 in 1998) by the year 2010.

A portfolio of strategies is proposed to provide comprehensive support for emerging businesses and entrepreneurs and create an overall habitat for innovation in Florida. This portfolio has two major themes: creating and supporting emerging businesses, and developing and retaining the emerging generation of creative workers. For each theme – emerging businesses and emerging workers – Florida should encourage three stages of activity:

- Seeding of new businesses and workers through **idea factories** and **intellectual infrastructure** centered around the state's universities and laboratories;
- Support for the growth and development of emerging businesses and workers through **hot house** and **evergreen learning** initiatives; and
- Mainstreaming of these businesses and workers through the development of an **entrepreneurial business climate** and **creative communities** that appeal to the new generation of workers.

These strategies are described in the remainder of this section. This framework of strategies represents a new approach for Florida's economic development strategy over the next decade – a decade in which “economic gardening,” or nurturing Florida's home-grown businesses and workers, will become increasingly important. Business climate issues such as image, incentives, and regulatory structures long have been the domain of economic development organizations, but only recently has the state's economic development community begun to appreciate the importance of emerging businesses and the full range of activities necessary to support these businesses. The recognition of the linkage between economic development and workforce development also is recent. Moreover, the critical role played by the vitality and creativity of the state's communities in attracting both workers and businesses is only now beginning to be understood.

*Florida's strategy has two major themes: creating and supporting emerging businesses, and developing and retaining the emerging generation of creative workers.*

*RECENT TECHNOLOGY DEVELOPMENT ACTIVITIES IN FLORIDA*

The state of Florida has implemented a series of policies and programs during the past few years to increase the emphasis on technology and innovation.

In May 2002, Governor Jeb Bush signed into law the Florida **Technology Development Act**. The Act directs the Board of Education to establish at least two centers of excellence within the state university system, as well as an **Emerging Technology Commission** to guide the development of the centers. The centers will encourage collaboration between private enterprise and higher education to create high-tech jobs. The Act also creates a Technology Fund to back technological research projects. Although the Governor originally proposed \$100 million in funding for the program, a more modest \$30 million ultimately was allocated. Florida universities can competitively bid – either individually or collectively – for the Technology Fund money. The Fund will support research projects in need of early-stage financing, when venture capital is difficult to obtain, thus contributing to technology transfer between universities and businesses.

The Technology Development Act builds upon recent initiatives to strengthen Florida's technology infrastructure. In 1999, Governor Bush created the Information Services Development Task Force to help guide state policy concerning technology deployment and e-commerce in particular. This task force eventually transitioned into **ITFlorida**, which was created in 2001 as a not-for-profit membership organization designed to encourage growth in Florida's technology sector.

ITFlorida is affiliated with the **Florida Research Consortium**, which uses a diverse board of high-tech industry leaders and university heads to advise the Legislature and Office of the Governor on strategic policy initiatives for expanding and strengthening Florida's high-tech industries. The Research Consortium is focusing on establishing progressive research programs at Florida's universities; attracting leading scholars and researchers in technology-based disciplines to Florida's universities; endowing faculty and research chairs in targeted disciplines; facilitating the work of transfer technology offices at member universities; promoting collaboration between academic and industrial researchers, scientists, and engineers; and promoting collaboration between Florida industry and academia to facilitate the development and deployment of new technologies.

Prior to these recent initiatives, in 1997 the **State Technology Office** was created to recommend a statewide technology vision and policies. This Office later became the manager of information resources and coordinating mechanism for information technology staff among state agencies.

**Enterprise Florida, Inc.** was created in 1996 as a public/private partnership to oversee economic development for the state. Enterprise Florida adopted a focused sector strategy for business retention and recruitment with a heavy emphasis on high-tech and aerospace industries. Enterprise Florida has identified seven target industries as part of its strategic plan: information technology; health and biotechnology; space, aerospace, aviation, and defense; simulation and modeling; photonics; plastics; and digital entertainment.

Enterprise Florida's attention to entrepreneurship and innovation has accelerated during the past few years. Recent initiatives have included establishment of a Technology Council to bring together partners; the convening of a statewide seminar in October 2002; incorporation of entrepreneurial goals and strategies in its Florida's nationwide strategic plan for economic development; and initiation of a nationwide marketing campaign to brand Florida as innovation helping the Americas.

Enterprise Florida's predecessor in the technology commercialization area was the Enterprise Florida Innovation Partnership, which was created in 1993 by the Legislature to foster the growth of small and midsize high-technology manufacturers and increasing the number of high-technology jobs in Florida. In 1996, the Innovation Partnership was renamed the Enterprise Florida Technology Development Board and brought under the umbrella of Enterprise Florida. The Technology Development Board was eliminated as a separate entity within Enterprise Florida in 1999, but Enterprise Florida retains its functions.

The Innovation Partnership, and later Enterprise Florida, was granted legislative authority to create six regional innovation and commercialization centers (ICC) as well as the Florida Manufacturing Technology Center. These centers were separated from Enterprise Florida in 1999 following the Governor's veto of state funding for continuing their functions. Some of the ICCs restructured into purely private organizations, while the Manufacturing Technology Center, now operating as the Florida Manufacturing Extension Partnership, is funded through the U.S. Department of Commerce's National Institute of Standards and Technology.

The state also nurtured regional coalitions of businesses, universities, and economic development organizations to promote high-tech industry development. The High-Tech Corridor Council, covering the region from Tampa through Orlando to the Space Coast, was created in 1996 to prevent the imminent loss of major high-tech firms to overseas locations. More recently, the InternetCoast initiative was created in 1999 as an association of over 2,000 South Florida Internet companies, economic development organizations, and educational institutions.

These technology initiatives have been supported by a series of initiatives related to other aspects of the state's business climate:

- **Capital.** In 1998, Florida was one of a handful of states to pilot the certified capital companies (CAPCO) program, which provides venture capital indirectly through offering tax credits to insurance firms that invest in CAPCOs. The state created three CAPCOs, but a recent initiative to expand Florida's CAPCO program failed in the state legislature. In addition, the Florida Venture Forum was established as a non-profit organization charged with helping later-stage Florida firms find and attract venture capital. Enterprise Florida also administers the Technology Research Investment Fund, which was created to invest in projects that had the potential to generate marketable products beneficial to the state's economy.
- **Workforce.** The state's workforce development system was significantly restructured in 2000 with the creation of Workforce Florida, Inc., a public/private partnership, as the state's chief workforce policy organization. Legislation also created the Agency for Workforce Innovation to consolidate under a single umbrella various workforce development programs and funding streams.
- **Education.** The state's education system was reorganized beginning in 2000 with the creation of a seamless system covering all grades from kindergarten through postsecondary education under the auspices of the new Board of Education. As part of this reorganization, the state Board of Community Colleges and Board of Regents were dissolved and independent boards of trustees were created for each public university.

## Emerging Business Strategies

The first set of strategies addresses how Florida incubates, supports, and grows its emerging businesses throughout all stages of the entrepreneurial cycle. There are three strategies for accomplishing this goal.

### 1. Idea Factories

Florida must encourage more settings through which innovation and emerging businesses can be seeded and tested. Idea factories provide a setting that encourages new technological breakthroughs or improvements in the application of existing technologies. Idea factories provide R&D activities; skilled science and engineering faculty, students, and researchers; and lab space and equipment to help create new sparks – backed up with technology transfer and commercialization processes to help convert these sparks to new businesses. Examples of idea factories include universities, large high-tech companies, and research laboratories funded through sources including the military, the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). Florida has more than five percent of the national population, but attracts only two percent of the nation's R&D expenditures by universities and by private industry. A joint public/private effort is needed to expand R&D activity and keep Florida at the forefront of innovation in its most promising industries. The state should set a target of increasing R&D spending as a percentage of gross state product to the national median by 2010 – an increase from 1.0 to 1.9 percent using 2000 data.

To reach this goal, Florida's public, private, and academic sectors should work together on the following strategies:

1. Strengthen university/business partnerships;
2. Expand university and laboratory centers of excellence;
3. Create a statewide innovation program;
4. Pursue new federal research laboratories; and
5. Catalyze private company applied research and development, particularly among small businesses.

#### 1. Strengthen University/Business Partnerships

Florida's research universities are critical statewide assets, and must regard economic development as one part of their mission. This requires development of stronger partnerships between individual universities and their communities, under the overall umbrella of a statewide innovation partnership.

**Strengthen existing partnerships.** Two initiatives, the Florida High-Tech Corridor and the InternetCoast, have improved the dialogue between regional businesses and local universities and colleges. These efforts further strengthen the innovative capacity of the state's most concentrated high-technology regions in Central Florida and Southeast Florida (Figure 14). These linkages should

*Florida must encourage more settings through which innovation and emerging businesses can be seeded and tested.*

be expanded by creating more direct incentives for both faculty and staff to become involved in these partnerships, and by increasing emerging business representation on university boards.

**Create new partnerships in other regions.**

Similar opportunities exist to better integrate the University of Florida, Florida State University, the University of North Florida, the University of West Florida, Florida Gulf Coast University, and other institutions with their respective business communities. Particular emphasis should be given to linking business, universities, and major federal research programs in magnetics, artificial intelligence, and military technologies located in the northern part of the state. However, due to the sparser population and less developed business community in this region, the corridor models that have been successful in Central Florida and Southeast Florida would not be directly transferable.

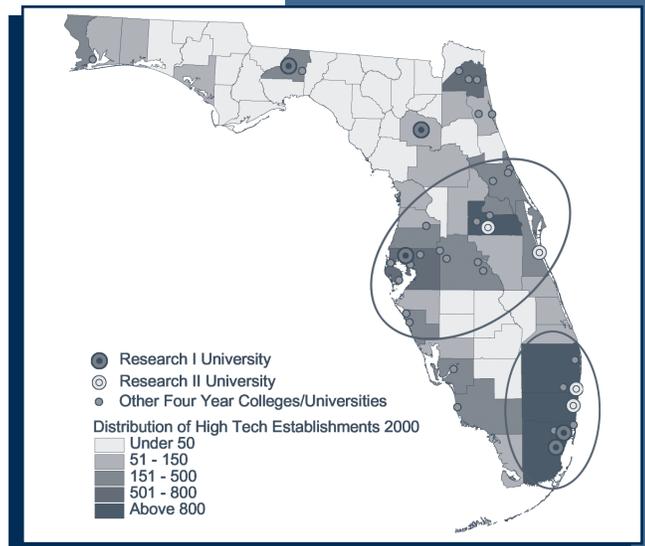
**Recruit entrepreneurial expertise for university boards.**

Universities and colleges in Florida have recently undergone major changes, most notably the replacement of state-level control with local boards of trustees for each institution. These new boards represent a major window of opportunity for Florida's emerging business sector. New board members can be informed about the importance and needs of economic development and emerging business, and this "new blood" in Florida's education system should be solicited as potential partners in innovative commercialization projects. Broad-based boards should be appointed including members with expertise in areas critical to entrepreneurial success, including specific technology expertise as well as experience with finance, legal, and other marketing issues. Florida's universities also should consider establishing emerging business advisory boards to provide guidance on a range of issues such as addressing labor shortages in particular fields, workforce preparedness of recent graduates, and accelerating technology commercialization.

**2. Expand University and Laboratory Centers of Excellence**

Centers of excellence or technology research centers represent the most promising avenue for creating a pipeline of innovation from the university or laboratory to main street. Building on recent initial steps, Florida should create a sustained program for funding these centers.

**Expand Technology Development Act.** The Legislature should continue and significantly expand the recently enacted Technology Development Act (TDA), which was proposed by Governor Bush and provided \$30 million in 2002 toward technology research and transfer activities. The TDA funded development of three university centers of excellence. It is anticipated that these centers will attract additional research, investment, and jobs to the state, and will help to diversify Florida's economy. Initial drafts of the



**FIGURE 14. FLORIDA'S UNIVERSITIES ARE CATALYSTS TO HIGH-TECH GROWTH**

Source: Florida Department of Education, Carnegie Foundation, and InfoUSA. Carnegie classifications for institutions of higher learning include "Research I" (universities that grant 50 or more doctoral degrees in at least 15 disciplines on an annual basis) and "Research II" (universities that grant 20 or more doctoral degrees in at least three disciplines annually).

legislation for the TDA allotted \$100 million in state funds annually, but the approved version earmarks less than a third of this initial amount. While this initiative is a positive step, the economic benefits of creating a more substantial program would be considerable. The program should be expanded in size, scope, and duration so that it becomes an ongoing source of funding for innovation and new business creation.

**Commit \$1 billion over next 10 years.** Florida's competitors, several already national leaders in research, are accelerating their own research efforts (Table 2). Michigan's plan to invest \$1 billion over the next 20 years (\$50 million per year) in biotechnology corridors represents just one focus of that state's technology initiatives. Capitalizing on its historical transportation strengths, Michigan also is exploring strategies to ensure that it is a world center for in emerging fuel cell technologies. New York's proposed biotechnology initiative represents an annual investment of over \$100 million in a single industry. A \$1 billion research and technology commitment by Florida over the next 10 years would be more in line with the level of effort going into research initiatives by other large states. Such a commitment would aid the efforts of Florida's universities and laboratories to develop world-class facilities and attract leading researchers. It also would enable expansion of the scope of the Technology Development Act to include more research centers or to enhance the capabilities of existing centers.

TABLE 2. RECENTLY ANNOUNCED OR ENACTED TECHNOLOGY INITIATIVES

	Investment	Technology Focus	Period of Investment
Michigan	\$1 billion	Biotechnology	20 years
New York*	\$530 million	Biotechnology	5 years
Arizona*	\$250 million	High Technology	10 years
Louisiana	\$187 million	Biosciences	
Wisconsin	\$159 million	Biotechnology	10 years
Kansas	\$133 million	Biomedicine, Food Safety, Aviation	
Alabama	\$35 million	Biomedical	
Florida	\$30 million	High Technology	One-time

\*Proposed

Source: State Capitals Newsletter, various issues.

**Develop technology transfer strategies.** The centers of excellence must be designed with a deliberate performance strategy that promotes excellence in research as level as the matching of technologies invented in these centers with businesses that successfully can commercialize the innovation. Florida universities already are expediting this process by creating technology transfer offices to help professors take their research finds from the lab to the marketplace, and these successful models should be continued. The Florida Research Consortium is bringing a diverse board of high-tech leaders and university research directors together to address statewide policy and processes in this area. Each center

of excellence should be required to develop and regularly update a technology transfer strategy, including performance measures that could help guide future funding decisions. To support this goal, the Legislature should continue the process of devolving authority for entrepreneurial decision-making, including issues related to intellectual property ownership, to individual university boards of trustees. University trustees also should consider transforming successful laboratories into separate public benefit corporations – an approach used by the University of West Florida in establishing the Institute for Human and Machine Cognition. Technology transfer has the added benefit of being able to generate significant revenues through licensing fees and equity stakes that can be reinvested into university research programs, a mechanism that further strengthens the state's research structure. As an example, a scientist at Florida State University developed a method that made the mass production of an anticancer drug, Taxol, possible. By licensing this technology to a pharmaceutical company, \$67 million was generated in 2000 that can be used to fund additional research.

### **3. Create a Statewide Innovation Program**

In addition to these strategies focusing on individual universities and businesses, Florida should create a statewide partnership of research universities and laboratories, businesses, and economic development organizations focused on increasing the breadth and depth of the state's technology and intellectual talent in science and engineering.

**Create Edison Innovations Program.** The Thomas A. Edison Innovations Program should be established as a statewide partnership between Florida's research universities and laboratories, the business community, and state government. The Edison Program should be designed to improve educational and research opportunities in science and engineering; create or strengthen strategic partnerships among universities and laboratories, K-12 schools, and businesses; and create or strengthen innovation programs at individual universities, and laboratories. Examples of programs that could be funded and directed through this program include centers of excellence; partnerships with industry to develop transferable workforce skills in critical technologies; endowed chairs and equipment to attract eminent scholars to Florida universities; and summer education and other focused programs for pre-K-12 teachers and students.

A proposal for such a program has received the endorsements of the Engineering Deans Council and the Florida Chamber Foundation Board of Trustees. The deans proposed naming the program after Edison, who made his winter home in Florida from 1886 to his death in 1931. Edison is generally regarded as the most prolific inventor in history, with over 1,000 patents including the incandescent light bulb, the phonograph, and the motion picture projector.

The Edison Program should be formalized with a corporate board of directors (including representation from Enterprise Florida,

*Florida's Edison Innovation program would have a dual mission of supporting investment in promising technologies and inspiring the children of Florida to seek promising careers in science and engineering.*

the Florida Chamber, and the member universities and laboratories) and a full-time executive director. It should provide an institutional forum for future management of the expanded TDA, replacing the Emerging Technologies Commission and perhaps encompassing the Florida Research Consortium. Up to five percent of annual funding under the expanded TDA should be allocated for management and operation of the Edison Program.

The guidelines for this program should reflect the lessons learned by other state-funded science and engineering initiatives, including Pennsylvania's Ben Franklin Fund, Ohio's Edison Institute, and the Georgia Research Alliance (see box on page 4-44). Unlike these programs, Florida's Edison Innovation program would have a dual mission of supporting investment in promising technologies and inspiring the children of Florida to seek promising careers in science and engineering – in keeping with the strategy of developing both emerging businesses and emerging workers in the state.

**Appoint State-Level Research Liaison.** Such a program also could provide a much-needed focal point for coordinating multi-disciplinary or multi-institutional research initiatives in the state. Although the devolution of decision-making authority to local university boards has created opportunities to improve linkages between universities and local business communities, it also has complicated the process of launching cross-cutting efforts. Research professionals in Florida note that previous coups like Florida's attraction of the National High Magnetic Laboratory to Tallahassee from the Massachusetts Institute of Technology in 1990 would be difficult to replicate today. The Magnet Lab was pursued as a partnership between Florida State University and the University of Florida, with \$50 million in state investment committed to a proposal that was organized and submitted in less than six months of time. Given the fragmentation of decision-making authority, it would be difficult to assemble this type of partnership today – a concern as science becomes more multi-disciplinary and competitor states become more cohesive in their efforts to attract laboratories and other specialized research institutions of national significance.

A non-partisan research liaison should work in partnership with the Governor's office, Enterprise Florida, the Board of Education, and individual universities to facilitate multi-institutional partnerships, expedite state-level decisions on funding and permitting, and spearhead the state's response to major federal or corporate research initiatives. The research liaison should be housed within the proposed Edison Innovation Program and should be a statutory member of the Enterprise Florida Technology Council. Other states, such as New York and Georgia, have such mechanisms in place to coordinate technology-related economic development efforts. The New York State Office of Science, Technology, and Academic Research works to secure a greater proportion of federal research grants and encourage policies to foster technology development while Georgia's Office of Economic Development and Technology Ventures coordinates state government and university resources to implement and manage technology-focused initiatives.

*Previous coups like Florida's attraction of the National High Magnetic Laboratory may be difficult to replicate today.*

*BEST PRACTICES***Ben Franklin Technology Development Authority, Pennsylvania**

The Ben Franklin Technology Development Authority (BFTDA), which recently merged with the Pennsylvania Technology Investment Authority, is one of the largest single-state technology development centers in the United States. A \$56 million seed venture program, the BFTDA offers financial and technical assistance to businesses, entrepreneurs, communities, local governments, educators, and non-profit organizations. Its board of directors comprises public and private sector representatives from the business and technology communities. The BFTDA manages four programs:

- **Ben Franklin Technology Partners** program, a statewide network with four regional centers throughout the commonwealth;
- **Technology Company Investment** program, a flexible financing and investment program for technology-oriented companies that require non-asset backed, equity-like investment;
- **Technology Development Grants** program, providing grants to local grass-roots ventures, including non-profit businesses, economic development organizations, community development organizations, and local governments; and
- **University Research and Economic Development** program, helping to promote cooperation between universities and the private sector.

**Thomas Edison Institute, Ohio**

Ohio's Thomas Edison program, launched in 1984, promotes economic competitiveness through technology development. The program has created seven technology centers that encourage partnerships between companies, universities, and federal research facilities. Each center has its own area of specialization, such as advanced manufacturing, polymers, materials and process, welding and materials joining, biotechnology, and environmental.

Companies participate in the Thomas Edison program for a fee, benefiting from their association with academic and government research institutions as well as from a range of technical services provided by the centers. These include testing, technology analysis and assessment, training, hotlines, business and economic studies, information database retrieval, pilot plant and microfactory assistance, and computer modeling. Participants further benefit from networking opportunities provided by frequent seminars, forums, and conferences.

The Edison program also created 10 technology incubators designed to nurture new small businesses during the start-up stage. The incubators provide their tenants with below-market office space, laboratories, clean rooms, and shared office services. Professional management teams from each incubator dispense business advice and offer referrals to other resources within the community, including access to the Edison technology centers and local universities.

**Georgia Research Alliance**

The Georgia Research Alliance (GRA) was created in 1990 as a partnership between Georgia's six research universities, the business community, and state government. GRA's mission is to foster economic development in Georgia by developing and leveraging the research capabilities of the universities in the state and to assist and develop technology businesses.

GRA focuses on constructing new research facilities, installing state-of-the-art research equipment, and recruiting top scholars in three strategic areas: advanced communications, biotechnology, and environmental technologies. Facility and equipment funding is dedicated to construction or new research facilities or renovation and buildout of existing facilities for applied research involving collaborative partnerships led by one of the member universities. In addition, GRA's Eminent Scholar's Program recruits leading national and international researchers to Georgia through endowed chairs and up to \$5 million of equipment per researcher.

Between 1990 and 1999, the state invested approximately \$242 million through GRA in R&D programs in the state's universities, which have been matched by \$65 million in private funds. These investments have helped attract \$600 million in additional sponsored research. In addition, 37 eminent scholar chairs have been established.

#### **4. Pursue New Federal Research Laboratories**

Federal research funding traditionally has been a relative strength for Florida, but there are opportunities to expand Florida's role in federal research. NASA activity around the Kennedy Space Center emphasizes applied technology rather than new research, and efforts should be redoubled to expand aerospace research in Florida as NASA reorganizes its research laboratories. Similarly, Florida should begin now to position itself for potential new federal research laboratories and centers of excellence in fields such as nanosciences, bioterrorism, or international trade and logistics, which would fit well with Florida's existing research capabilities. The state also must prepare to retain the National High Magnetic Laboratory, currently located in Tallahassee, when its lease is up for renewal in 2006.

#### **5. Catalyze Private-Sector Research and Development**

Expanded university and federal research spending will leverage additional private R&D spending in Florida. However, state policy also should help catalyze applied private-sector R&D, particularly among small and medium-sized companies. The greatest impact here could be a reduction or exemption of sales taxes on R&D equipment. This exemption should focus on the state's most critical technologies and eventually become across-the-board, replacing the piecemeal approach today. This exemption could be phased in gradually over the decade to manage the impact on state revenues; overall, it is anticipated the loss in sales tax revenue will be more than outweighed by a increase in business profits, jobs, and wage levels.

In a similar vein, state agencies conducting external research could create set-asides or give preferential treatment to small businesses in procurement activities, similar to the federal Small Business Innovation Research (SBIR) program (see discussion below).

## **2. Hot Houses**

Once the sparks of entrepreneurialism have been created through idea factories, attention must shift to ensuring that these sparks succeed as businesses. The state should set a target of increasing

the share of its businesses involved in technology from its current level (5.8 percent in 1998) to the top quartile of states (6.3 percent in 1998) by the year 2010.

Florida's business climate and support systems must enable emerging businesses and technology companies to grow and flourish. Emerging businesses, especially younger firms, often need support services that reach beyond the traditional concept of the business climate, with its focus on taxes and regulations. A hot house environment includes services such as entrepreneurial mentoring, management support for business planning and market research, specialized legal and financial assistance, and risk capital. These services also should include ongoing relationships with the idea factories to provide feedback and spawn new innovation.

Examples of hot house environments include incubators, accelerators, technology and research parks, and entrepreneurial centers. These environments typically provide physical facilities (including lab space, office space, and meeting rooms), high-speed telecommunication and Internet access, and shared administrative personnel to support nascent businesses. While these resources are important, the greatest value of incubators and other hot houses most often are the networking opportunities and access to mentoring, specialized legal and management assistance, and risk capital that they facilitate. These critical needs must be a part of any hot house strategy.

Florida should expand and strengthen these hot house activities, with particular attention to the following strategies:

1. Create next-generation incubators and entrepreneurial centers; and
2. Cultivate a continuum of options for risk capital.

### **Create Next-Generation Incubators and Entrepreneurial Centers**

Incubators, accelerators, and entrepreneurial centers represent important delivery strategies for providing specialized resources to emerging businesses. There is no "one size fits all" model that will work in an economy as diverse as Florida's. Rather, attention should be given to how to deliver a range of services to emerging businesses – mentoring, business planning, management and legal expertise, risk capital, and other support services – through a toolkit of strategies. Florida has only a handful of well-functioning hot houses today, and these successful models must be expanded to have a genuine impact on a state the size of Florida. Every region in Florida should have at least one organization focused on emerging business support, tailored to the specific needs, research capabilities, and industry concentrations of the region.

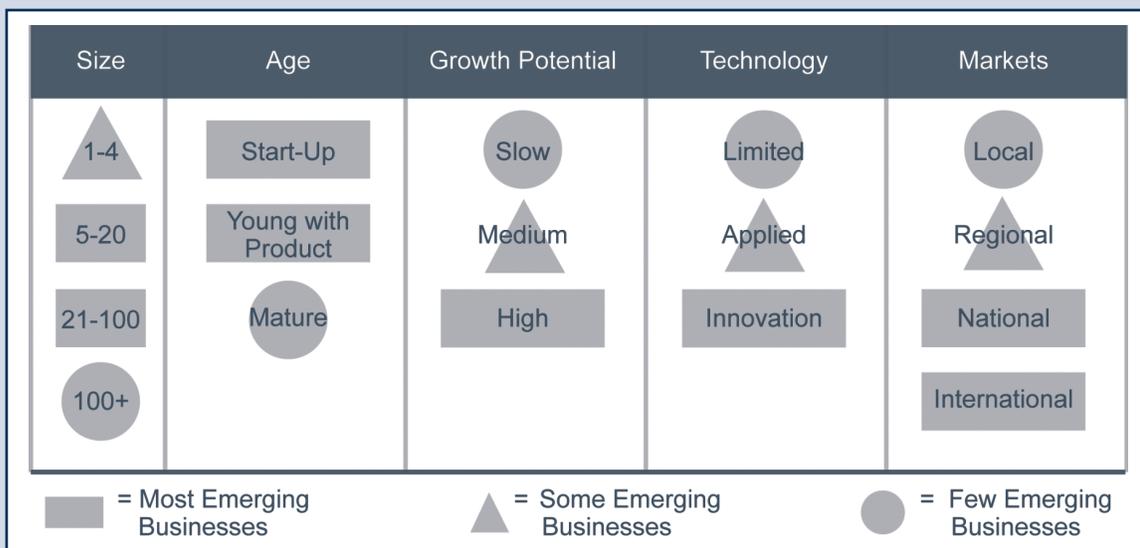
Incubators traditionally have garnered the most attention in Florida and other states, given their track record of success. Research by the National Business Incubator Association indicates that 87 percent of all firms that graduate from incubators are still in business, and 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors.

*Every region in Florida should have at least one organization focused on emerging business support.*

*EMERGING BUSINESS TACTICS: MATCHING STRATEGY TO FIRM TYPE*

Prior to designing emerging business support strategies, it is important to recognize the many dimensions on which firms can vary, so that the right strategies are applied to the right firms. Firms differ on many dimensions, including size, age and stage of development (start-up, young but have product, mature), growth potential (low, medium, high), use of technology (limited, applied technology, innovative technology), and markets (local, regional, national, and international). Figure 15 displays the various dimensions of firms and highlights those traits that are consistent with the emerging business concept. The emerging businesses of greatest interest are those that have fewer than 100 employees; are in the startup phase or initial stage of development, with no product or a new product; have high growth potential; emphasize innovative technologies; and serve national and international markets.

*FIGURE 15. EMERGING BUSINESS TRAITS*



The key to supporting such varied businesses is to focus resources at the right companies. The strategies that are developed to assist Florida's emerging businesses must suit the specific needs of firms based on their level of maturity, technological capabilities, and markets.

For example, a small applied technology start-up with medium growth potential may be a candidate for support at a community college-based incubator, but perhaps not at a research university's center for excellence. The financing needs of such a company are unlikely to include venture capital, but may include small business loans as well as investments from family and friends. In contrast, cutting-edge, research-oriented firms are most likely to develop near a university, a technology incubator, or a center of excellence. These firms frequently require venture capital to support early development stages such as research and product commercialization.

Moreover, emerging businesses must have the potential to produce a service or good that has or will have demand in national or overseas markets. If there is no export potential for the good or service because it is designed only to meet local market needs, then the firm should not be considered an emerging business because it has limited potential to bring export sales into Florida. In contrast, a small business with significant export potential should be a priority for focused assistance because it can generate new wealth for Florida.

Research and technology professionals in Florida recognize the value of incubators but also caution that incubators need to be selective regarding the firms they serve, so as not to “throw good money at bad investments.” There is a risk that incubators may prop up weak firms, rather than catalyzing the most promising firms.

In addition, Florida should fully leverage the activities at university centers of excellence and research institutes, building close relationships between them and local chambers of commerce, small business development centers, and incubators. Private sector business accelerators, such as eFiltro in southern Florida and the Central Florida Innovation Corporation (CFIC) also provide a model for other regions of the state. Small business development centers (SBDC) are an additional institutional model for blending federal, state, and private sector resources.

Well-known examples of successful hot house environments and initiatives include the Research Triangle Park in North Carolina and the Austin Technology Park in Texas (see box on page 4-48). Some of the more successful hot houses in Florida include Cenetec Ventures in Boca Raton and the UCF incubator and CFIC in Orlando (see profiles of CFIC and other incubators and accelerators in Florida in Appendix B). Currently, Florida does have the beginnings of many hot house programs but many of these are fairly new initiatives, not widely spread throughout the state, and typically operating with limited funding and at a scale not sufficient to create overall change in the entrepreneurial climate. The challenge for Florida is to leverage some of the existing developments already underway, learn from some of the more successful initiatives in the rest of the country, and develop new models for the new decade.

Florida has opportunities to lead the nation in development of a new generation of incubators and related support services, whose emphasis is less on bricks and mortar and more on providing entrepreneurial training and support services and access to information and risk capital. Key recommendations include the following:

**Ensure success of the Disney/SBA National Entrepreneurial Center.** The U.S. Small Business Administration (SBA), with the assistance of public and corporate funding, including a major gift from the Walt Disney World Company, is developing a National Entrepreneurial Center in Orlando. The Orlando facility, which opened in March 2003, is the second center of this type in the country, with the first in Silicon Valley. The center combines entrepreneurship training and seminars with other complementary services. Ensuring the success of this center should be a high priority for Enterprise Florida and its regional partners. The center's effectiveness should be evaluated after two years of operation to identify mid-course corrections and also determine the potential benefits of creating a network of regional entrepreneurial centers linked to the Orlando national center.

**Emphasize mentoring and networking.** Emerging businesses should be connected with individuals possessing the technical and business expertise to guide them. While approaches such as the

*The new generation of entrepreneurial centers emphasizes training, mentoring, and access to capital, not just office space and support staff.*

*BEST PRACTICES***Research Triangle Park, North Carolina**

Research Triangle Park, owned by the private, not-for-profit Research Triangle Foundation, is the largest research park in the United States. The term “Research Triangle” was derived from the location of the three nearby universities that founded the Park in 1958: the University of North Carolina at Chapel Hill, Duke University in Durham, and the North Carolina State University in Raleigh.

In the 1950s, North Carolina had the second-lowest per capita income in the United States. It was dependent on three industries: textiles, tobacco, and furniture. The airport was small and regional. Talented graduates from the state's three main universities were leaving the area in search of jobs elsewhere. Establishing an R&D park, with a research institute owned by the universities, was seen as the best means of reversing the brain drain and diversifying the state's economy.

Today, the Park encompasses 7,000 acres and employs 45,000 people in 136 organizations, 106 of which are R&D-related. Industries and research currently represented in the park include pharmaceuticals, microelectronics, semiconductors, telecommunications, instrumentation, medical devices, biotechnology, environmental science, chemistry, and textiles. The Park is widely regarded as one of the nation's most successful industrial and government research centers, with total development surpassing 17 million square feet, capital investment exceeding \$2 billion, and total payroll estimated at \$2.7 billion. As a result, the surrounding counties have some of the highest growth rates and lowest unemployment rates in the country. By 2000, North Carolina's per capita income had grown to 30th highest in the nation, a significant improvement over its second to last ranking in the 1950s.

**Austin Technology Incubator, Texas**

The Austin Technology Incubator was established in 1989 as a strategic partnership between local industry, government, and the University of Texas at Austin. Over the past 13 years, the incubator has grown from 4,000 square feet to 40,000 square feet of space on UT Austin's J.J. Pickle Research Campus, while the number of resident companies has grown from two to 19. These 19 residents, together with the 60 graduates that preceded them, have created over 2,000 jobs, over \$900 million in revenue, and over \$300 million in capital. Five graduates have become publicly traded companies.

The Austin Technology Incubator's strength lies in its selectivity. The incubator requires applicants to submit a business plan for an innovative, technology-based product or service that has the potential to create jobs. The applicants must have the beginnings of a sound management or product development team, six months of working capital, and a product that is less than 18 months from market. Finally, they must demonstrate significant revenues within the first five to seven years. Just one in 10 applicants are accepted.

Once inside the incubator, residents benefit from a variety of services: turn-key office space; consulting by professional staff and mentoring by external experts; assistance with recruiting and other human resource needs; guidance with venture funding and referrals to appropriate funding sources. Most importantly, residents benefit from their association with UT Austin, which has forged a strong working relationship with the Greater Austin Chamber of Commerce and the City of Austin.

### Cenetec Ventures

Cenetec Ventures, a technology accelerator company headquartered in Boca Raton, provides an interesting case study of the differences between public and private ventures, which are accentuated during boom and bust economic business cycles. Its focus is on technology sectors, including medical technology, wireless communications, microelectronics, software development, and Internet technology infrastructure. Cenetec's partners believe that there are many good business opportunities in Florida that are often overlooked by venture capital firms in other states, and they are working to support high-growth potential firms in the state.

In 2001, the firm was essentially a private-sector business incubator, providing technology commercialization and other business planning and investment services to existing and start-up-level companies. It has worked with more than a dozen companies, six of which have launched their products and are generating sales. Cenetec has filed 15 patent applications and established 13 strategic alliances and reseller agreements.

However, when the technology bubble burst in 2001, Cenetec realized that private sector incubation was not a successful venture as its firms were struggling to obtain funding and reach an IPO stage in a time frame that would keep their operations profitable. Thus, Cenetec is in the process of transitioning into a pure early-stage venture capital firm that more narrowly focuses on investing in firms ready for technology commercialization. Cenetec is partnering with other venture capital firms to expand the venture capital market in Florida, with focus on opportunities in south Florida, Tampa, and Gainesville.

Cenetec's experience shows why pure private-sector incubation models may struggle in the long-run, especially during economic recessions, but also demonstrates that there are innovative opportunities being developed in Florida and that there is room for additional venture capital investments in the state.

Service Corps of Retired Executives (SCORE) may be appropriate for the majority of small businesses in the state, emerging businesses will benefit from more specialized assistance with a thorough knowledge of e-commerce and related technologies. For example, firms developing new technology products often face complicated legal issues, such as patent law, which require specialized assistance from experienced business professionals. Mentoring programs, such as the one run by Enterprise Development Corporation of South Florida, or peer review structures, similar to the familiar "Toastmaster" model, can provide important assistance to emerging firms and help generate key local contacts. The National Entrepreneurial Center will be developing programs in this area, but there also are opportunities for the involvement of colleges of business (e.g., Rollins College's Center for Entrepreneurship); cluster-based networking organizations such as ITFlorida and BioFlorida; and small business development centers. Leadership Florida also should include emerging business leaders in its leadership development activities.

**Include spousal employment referrals.** Emerging businesses in Florida report that recruitment of key staff often is hindered by concerns about limited opportunities for spousal employment.

A high-skilled worker from another state may be hesitant to relocate to Florida due to fear that a spouse may not find comparable employment as easily as in a more established innovation economy like Boston or Silicon Valley. The networking structure established through hot houses also should provide employment referral services for spouses, in coordination with Workforce Florida, regional workforce development boards, and the state's extensive employee leasing industry.

**Develop virtual incubators for information delivery.** The Internet provides opportunities to create "virtual incubators" and entrepreneurial centers that share information and provide networking opportunities without creating a formal organization or a physical facility. Enterprise Florida and the Florida Business Incubation Association should identify a regional partner to pilot test this concept, perhaps linked to a new research and technology park. In addition, Enterprise Florida should as part of its on-line resources publish a directory of critical entrepreneurial resources including successful innovators, university and other incubators and technology parks, lawyers specializing in business creation and initial public offering, venture capital firms, and other financial consultants.

**Expand funding options for hot houses.** Florida's experience with incubators over the past decade has been that they succeed when planned, managed, and funded as a public/private partnership tailored to regional needs. Enterprise Florida and its partners should identify incentives for and reduce barriers to such partnerships among the private, public, and academic sectors.

There is an appropriate goal of encouraging incubators and other hot houses to become financially self-sustaining once they are fully established. However, to facilitate rapid expansion of accessibility to these services across Florida, some state and federal support would be appropriate to facilitate the set-up phase of incubators and to ensure stability during business cycles. Such funding should be linked to a broader risk capital strategy for the state (see discussion below), with emphasis on technology commercialization and related mentoring, networking, and information delivery rather than construction and operation of new facilities.

Funding strategies that might be explored include the following:

- Provide incentives for private sector investment in incubators, including revolving funds financed by incubator graduates;
- Encourage university investment in incubators directly linked to centers of excellence;
- Provide limited matching state funds as "challenge grants" for locally generated business incubation activities, with emphasis on start-up incubators or those serving designated Rural Areas of Critical Economic Concern and urban enterprise zones; and
- Streamline the provision of federal funding for incubation through the Economic Development Administration (EDA). Such funding is routed today through regional planning

*"Virtual incubators" and entrepreneurial centers can share information and provide networking opportunities without creating a formal organization or a physical facility.*

councils (RPCs) but a more direct link to regional economic development organizations or actual incubators would improve the ability to access key federal funding opportunities.

### **Cultivate Continuum of Options for Risk Capital**

Until Florida has a broad, diverse capital market, the financing options for emerging businesses are too limited. As discussed in section 4.3, risk capital follows a spectrum similar to the entrepreneurial life cycle, with five major stages: research and development capital, innovation capital, seed capital, venture capital, and mezzanine or expansion capital. The capital market in Florida can improve in each of these areas, but the need appears greatest today at the early points in the spectrum – the need for sustained R&D funding at a level comparable to Florida's competitor states (as discussed earlier), and the need to create a viable market for innovation and seed capital to help transition the results of this research into successful companies.

Florida's private and public sectors should work together under the leadership of Enterprise Florida to develop a continuum of options for risk capital, so that promising emerging businesses can find the financing they need regardless of their stage in the entrepreneurial life cycle. Key opportunities include the following:

**Create a Florida innovation research program.** Relatively few states have elevated applied research and innovation capital – such as developing prototypes and proof of concepts for new products – as a statewide economic development priority. Florida should consider creating a state-level innovation research program modeled after the federal SBIR program. This initiative could support innovation by requiring participating state agencies to set aside a fixed percentage of their R&D budget for small businesses meeting particular requirements; by providing grant-writing assistance for Florida firms applying for federal SBIR and STTR awards (as in South Dakota and other states); by matching federal SBIR awards; or by providing bridge funding to sustain small businesses between phases of SBIR grants or to move successful prototypes into commercial products. Enterprise Florida should continue to explore opportunities in this area and develop a proposal for consideration by the Legislature. For example, the California Technology Investment Partnership (CalTIP) provides matching grants of up to \$250,000 to support California companies that receive federal SBIR grants. Since its inception in 1993, CalTIP has provided a total of \$46 million through 237 awards, with the typical grant leveraging 10 times its value in federal and private sector funding.<sup>8</sup> Depending on the approach recommended, this innovation research program could involve reprogramming of existing research dollars; a modest technical assistance initiative; or a more robust revolving fund that is recapitalized by businesses that startup with its assistance.

**Create a Florida seed capital fund.** The state should create targeted seed capital funds to invest in promising new businesses.

*Until Florida has a broad, diverse capital market, the financing options for emerging businesses are too limited.*

<sup>8</sup> Statewide CalTIP impact assessment on [www.sdrta.org](http://www.sdrta.org).

The Legislature should extend Enterprise Florida's authority to operate the Technology Investment Research Fund, which ends December 31, 2003, and broaden the authority to encompass options including funding for business planning and other startup activities. While this fund can be an important tool for Enterprise Florida, its current capitalization (a balance of \$700,000 as of June 30, 2002) is too low to have a meaningful impact in a state the size of Florida, and Enterprise Florida or other state agencies are not likely to be able to attract and retain the professional staff with expertise to manage an expanded fund. Therefore, a privately managed Florida seed capital fund should be created with an initial capitalization on the magnitude of \$25 million, and the initial capitalization for the fund could come from a one-time allocation of state general funds or the state pension fund, or through private donations encouraged through tax incentives. The fund could be expanded over time through equity investments in the firms that benefit from this seed funding.

**Recruit and mobilize angel investors.** By creating easily accessible angel investor networks, Florida can encourage more of its residents to become angel investors, and more of its emerging businesses to tap into this source of finance. Where possible, Florida should recruit and mobilize angel investors who can bring additional benefits to the firms in which they invest, such as management experience, business contacts, or other resources. The Legislature should encourage angel investing by removing the current state securities law that prohibits private investments into start-up firms from individuals with less than \$1 million in assets. Enterprise Florida also should explore the benefits and costs of offering tax credits to individual angel investors, a practice used in Maine and Ohio.

**Expand marketing of Florida to private venture and seed capital firms.** The statewide e-florida marketing effort should include a focused effort to market the state's technology and emerging businesses to private venture and seed capital funds based in other states. This marketing effort should leverage the work of the Florida Venture Forum, a non-profit organization charged with helping later-stage Florida firms find and attract venture capital. Since there are relatively few venture capital firms in Florida, many former participants are out-of-state investors, first learning about the many good business opportunities in the state. Although there is significant demand from Florida firms to use the Forum's services, its reach is fairly limited as it has only two part-time staff. Still, the Forum is making a difference by accelerating the risk capital financing acquisition of Florida firms and providing joint venture investor seminars and business plan reviews. Additional support for such networking organizations should be pursued.

**Expand direct state support for the venture capital market.** While marketing can be an effective strategy for attracting more venture capital to Florida, the state also should consider expanding direct state support for the venture capital industry. Two policy options that should be considered include the following:

*The risk capital needs are greatest at the early points in the spectrum-sustained R&D funding and a viable market for innovation and seed capital.*

- Expand the **Certified Capital Company (CAPCO) program**. The CAPCO program provides venture capital indirectly through offering tax credits to insurance firms that invest in certified capital companies. A renewed commitment to this initiative, which failed to pass the Legislature in 2002, would improve the state's image in the financial community. Since the pilot program demonstrated a positive rate of return, the impact on the state budget of expanding the program would be positive, providing a win for taxpayers and entrepreneurs alike.
- Invest a portion of the **state pension or general fund** in a home-grown venture fund. This practice, which is becoming more common nationwide, would help prime the pump for similar private investments, in part because it signals the state's commitment to developing a venture capital market. A relatively small share of the state pension fund (e.g., one to two percent, typical of other states such as Michigan, Maryland, Oklahoma, and Pennsylvania) would have immediate impact and could be divided between venture funds and the proposed statewide seed capital fund. However, this would require changes to stationary requirements governing the acceptable risk and return for the pension fund.

Enterprise Florida should provide leadership in this area by developing a statewide risk capital strategic plan in conjunction with its partners. Enterprise Florida should work with the Florida Chamber of Commerce and the Florida Economic Development Council to develop and implement outreach programs to make the state's emerging businesses and economic development organizations more aware of the full range of risk capital options available to them.

### 3. *Pro-Entrepreneur Business Climate*

The state also should work to ensure that its business climate is conducive to emerging businesses and entrepreneurs. The state should create a regulatory climate that supports entrepreneurs, emerging businesses, and technology companies, and provides a level playing field with competitor states. Florida's emerging businesses struggle with a complex and evolving regulatory structure and high costs for health insurance, workers' compensation, and some taxes and fees. While these costs are a concern for all businesses in the state, they may be particularly burdensome for emerging businesses, which often operate with narrow profit margins or before a product has become commercial.

A related aspect of an entrepreneurial climate is the business image of the state. Many businesses and economic development leaders reported that their regions, and Florida in general, do not have a well-defined image as a place to do business. This lack of a clear pro-emerging business image can limit industrial recruitment, worker recruitment, venture capital investments, and trade opportunities with other suppliers and buyers located in the rest of the country and rest of the world. Businesses located in regions with a strong image or brand identity (such as Silicon Valley, Boston, and Research Triangle) report an advantage in

*Enterprise Florida should develop a statewide risk capital strategic plan in conjunction with its partners.*

that investors, clients, and suppliers are more likely to trust the professionalism of, and seek to build relationships with, firms located in these regions. Some Florida regions, most notably the High-Tech Corridor and InternetCoast, are making progress, but work remains at both the state and regional levels.

The Florida Chamber, Enterprise Florida, and other statewide organizations are working toward improvements in the state's business climate, but these efforts must be accelerated. Specific actions to support a pro-entrepreneur climate should include:

- **Reduce health care insurance costs and expand options for small businesses.** Provision of a wider variety of health care packages would encourage more emerging businesses to offer affordable health coverage as a means of attracting and retaining employees. Florida should establish a mechanism to ameliorate the drivers of increasing health care costs, especially for small businesses. The Legislature should revise current laws limiting group benefits for employee health insurance for which small firms are eligible, allowing for a wider variety of affordable health care packages. The Legislature also should reduce the number of mandates that apply to businesses from the 54 that exist today. The Legislature should create an entity to monitor the costs of benefit-level mandates and other health care regulations, and task this entity to conduct an annual review and modification process to ensure that affordable packages are available to small businesses. Finally, the Legislature should encourage use of the state's existing independent review system, rather than the civil justice system, to resolve care-related disputes, and impose limits for non-economic damages awarded in malpractice cases.
- **Reform workers' compensation programs.** The impact of workers compensation reforms initiated in 2003 should be monitored to ensure their positive impact. The Legislature should address the factors that prevent emerging businesses from securing workers' compensation coverage, such as minimum premium levels and requirements that companies be at least three years old. As with larger businesses, small business worker's compensation should be offered in tandem with other coverage, such as property or general liability.
- **Reduce effective tax rates on productive inputs,** such as R&D equipment, to rates comparable to those of Florida's competitor states.
- **Streamline and stabilize environmental review and permitting processes,** and provide guidance to emerging businesses seeking to work through the thicket of regulations, taxes, and fees.
- **Support state identity branding** to ensure that both out-of-state companies and Floridians are aware of the inherent strengths of the state to foster dynamic, growing businesses. The state should expand its marketing budget, working

*Florida should ameliorate the drivers of increasing health care costs, especially for small businesses.*

under the auspices of Enterprise Florida and Team Florida, to support branding initiatives for marketing the state as a whole as a diverse, innovative economy. Enterprise Florida received \$1 million in funding in FY 2002 for a statewide marketing campaign to brand Florida as “innovation hub of the Americas.” This funding should be increased to at least \$12 million over a three-year period, the original amount requested by Enterprise Florida, and then reevaluated and extended as appropriate for the rest of the decade.

### **Emerging Worker Strategies**

The second set of strategies address how Florida can develop, attract, and retain the emerging generation of workers. These workers are characterized by science, engineering, and technical skills; a high degree of knowledge, innovation, and creativity; and a heretofore rare level of flexibility and mobility. There are three strategies for developing and retaining these workers in Florida.

#### **4. Intellectual Infrastructure**

Florida's universities and colleges are the primary engine for development of the state's future workforce, and must embrace the goal of developing the next generation of knowledge workers. Florida's baccalaureate degree production rate ranks 44th among the states, and its science and engineering doctoral degree production rate ranks 40th. Moving these measures up to today's national median would require an additional 14,000 baccalaureate degrees and 370 science and engineering Ph D's each year.<sup>9</sup>

The gap in science and engineering degrees is a particular concern for Florida because these skills already are in short supply in the state and because future jobs increasingly require this expertise. Despite noteworthy growth in many post-secondary programs, the size and scope of science and engineering education in Florida lags those of other states. Existing science education programs focus on the life sciences, with limited research in engineering and information technology. Engineering and applied technology resources also are not well distributed across the state.

As discussed in Chapter 3 of *New Cornerstone: Preparing Florida's Intellectual Infrastructure for the 21st Century Economy*, the Board of Education should work in conjunction with Workforce Florida, Enterprise Florida, the Florida Chamber of Commerce, community colleges, and universities to develop a multipronged program for increasing the number of college graduates in key fields. This program should:

- **Increase university enrollments** at existing institutions, especially where additional capacity exists.

<sup>9</sup> The degree production rate is a ratio of the number of new degrees awarded annually relative to the size of the population between ages 18 and 44. Reaching the national average baccalaureate degree production rate for the year 2000 would require an increase from 50,000 to 64,000 four-year degrees each year. Reaching the national average science and engineering doctoral degree production rate for the year 1999 would require an increase from 900 to 1,270 degrees each year.

*The emerging worker is characterized by technical skills, a high degree of innovation, creativity, and a heretofore rare level of mobility.*

*Improving education programs will not be sufficient to address the immediate shortage of skilled labor in many industries, given the long-term nature of these investments.*

- **Improve geographic access to baccalaureate degrees** through expanded efforts to provide site-based baccalaureate programs at community colleges, authorization for community colleges to offer specified four-year degrees, and other joint programs.
- **Improve financial access to baccalaureate degrees** through increases in need-based student financial assistance and expansion of the Florida Resident Access Grant, which provides resident high school graduates with a state subsidy to attend private colleges or universities in Florida.
- **Promote participation in science and engineering degree programs** through collaborative partnerships between all levels of educational institutions and businesses to enhance teacher/faculty development and student involvement, such as field experiences, mentoring, internships, summer jobs, and ultimately placement in professional positions.
- **Increase the integration of applied technology learning** in all fields of post-secondary education through faculty development, faculty/industry exchange programs, and business involvement in curriculum development.
- **Increase graduate program access, enrollments, and completions** in science and engineering through generous financial packages for students (such as fee waivers and stipends, compensation to cover reasonable living expenses, and health insurance) and opportunities to participate in industry partnerships.
- **Establish a college loan repayment program** to encourage graduates of science and engineering programs to work in these fields in Florida.

## 5. Evergreen Learning

Improving education programs will not be sufficient to address the immediate shortage of skilled labor in many industries, given the long-term nature of these investments. Unemployment rates have approached four percent statewide and have fallen below that level in key metropolitan markets. Business leaders across a range of industries – from health-care to information technology to business services – express concerns about the availability of skilled workers to support future expansion. This is of particular concern for Florida, which traditionally has relied upon in-migration from other states to expand its work force.

Florida must increase the pool of innovation and knowledge workers who are able to support emerging businesses, including full use of the state's retired and semi-retired human capital. The state should set a target of increasing the number of Ph.D. scientists and engineers per 1,000 workers its current level (1.99 in 1998) to the national median (3.49 in 1998) by the year 2010.

To accomplish this goal, the state's workforce development, educational, and economic development institutions should collaborate

to establish an “evergreen learning” initiative that promotes lifelong learning and training in emerging fields. Enterprise Florida, Workforce Florida, the Florida Training and Education Placement Information Program, and business/education partnerships should identify Florida’s strategic technologies and industries, associated workforce demand and research needs, and appropriate education and training programs. The evolving needs of the economy should be reviewed periodically to refocus this initiative. Particular emphasis should be given to retraining opportunities for Florida’s large pool of semi-retired workers.

Workforce Florida should expand its High Skills/High Wages initiative, which aligns Florida’s education and training programs with high-paying, high-demand jobs that advance careers, build a more skilled workforce, and enhance the state’s efforts to attract, grow, and expand job-creating businesses. The High Skills/High Wages strategy includes several initiatives: identifying high-demand, well-paying occupations and linking performance to educators who graduate workers for these jobs; targeted industry sectors; regional committees that bring economic developers, businesses, and educators together; and customized training programs (Quick Response and Incumbent Worker) for the state’s existing and new-to-Florida businesses.

## 6. Creative Communities

Just as emerging business support requires a combination of focused actions to establish idea factories and hot houses and general efforts to enhance the business climate for entrepreneurs, the strategy for developing and attracting the next generation of workers will require both targeted educational and training initiatives and a general effort to improve the vitality of the state’s communities.

Recent research has confirmed the rise of what has been dubbed the “creative class.” As outlined by Dr. Richard Florida, H. John Heinz Professor of Economic Development at Carnegie Mellon University in his groundbreaking book, *The Rise of the Creative Class*, a new class of workers is emerging in the United States, led by workers with skills in technology, innovation, design, and the arts. This creative class is estimated to include 38 million workers, or about 30 percent of the total workforce nationwide. It includes musicians, artists, scientists, teachers, and researchers.

With advancements in communications technologies and the advent of reliable high-speed transportation to and from major markets, this class of workers is freed from the need to locate close to corporate headquarters and manufacturing plants, and increasingly can locate in any community of their choosing. Dr. Florida’s research ranked urban areas on a “creativity index” composing multiple measures including workforce composition, research capacity, and diversity. The top-ranked major Florida urban areas include Tampa-St. Petersburg (26th), Miami-Fort Lauderdale (29th), Orlando (32nd), and Jacksonville (37th). A forward-looking measure of creative workers only ranks Gainesville second and Melbourne eighth nationally.

*The state’s workforce development, educational, and economic development institutions should collaborate to establish an “evergreen learning” initiative.*

The work of Dr. Florida and other researchers suggests that the factors most important in attracting the creative class include not only economic factors such as appealing job opportunities and the presence of other talented workers, but broader factors such as the diversity of a region's population; the presence of cultural, historic, recreational, and environmental amenities; and access to high-quality child care, health care, and dependent care services.

Traditionally, Florida's high quality of life has been an under-appreciated element of its competitiveness. The state's climate, scenic beauty, and cultural and recreational amenities attract residents, tourists, and business alike. Indeed, for four years, Florida has topped an annual Harris poll asking adults in which state they most would like to live. Winter Park near Orlando; Hyde Park and Ybor City in Tampa; Los Olas Boulevard in Fort Lauderdale; South Beach in Miami; Fort Myers; Seville Park in Pensacola; and St. Augustine are but a few examples of historic Florida communities that are enjoying a resurgence as part of the "café culture" that attracts today's creative worker. These historic communities are joined by award-winning planned communities such as Seaside along the Gulf Coast; Celebration near Orlando; and Southwood in Tallahassee.

The ability to sustain the vibrant communities that make up Florida's economic fabric is increasingly under pressure from continued growth in Florida's economy and population. Indeed, most population forecasts for Florida indicate that high levels of growth are expected to continue over the next 20 years. Despite numerous attempts, the state has not been able to fashion a consensus-based approach to growth management that balances

#### *BEST PRACTICES*

##### **Joint Venture Silicon Valley**

In response to concerns about slowing economic growth, increasing business costs, and an overall decline in competitiveness in Silicon Valley during the early 1990s, Joint Venture Silicon Valley was formed in 1992 to return the Valley to economic leadership and prosperity. Key to this rebirth was the recognition that quality of life issues and the economy rose and fell together and that a regional vision must be shared among business, government, labor, and educational institutions.

Initiatives engendered by Joint Venture Silicon Valley were based on three themes – business climate; business development and fostering entrepreneurship; and social infrastructure and quality of life. Teams were formed to address tax and fiscal policy, economic development, and regulations while technology and entrepreneurialism were encouraged through the development of specific industry incubators, commercialization of defense technologies, export promotion, and business mentoring. Recognizing the importance of quality of life as a foundation to the region's success, Joint Venture Silicon Valley also led efforts to improve education, solve environmental problems, improve health, and promote technology deployment by the public and private sectors. Joint Venture Silicon Valley's efforts have yielded impressive results, including a program to improve math, writing, and science achievement; the streamlining of building regulations; and a regional approach to economic development.

the state's business, environmental, and community needs. To the contrary, there is evidence that as the state's strong growth has continued, its quality of life may be deteriorating, as seen in increasing sprawl and traffic congestion, overcrowded schools, growing concerns about air and water quality, and related issues.

Although research and best practices in this area are still emerging, (see box on page 4-58) it appears that Florida must begin to treat the health and vitality of its communities as a critical economic development asset. Future research as part of the *New Cornerstone* initiative will examine how Florida can nourish creative communities and embrace a diverse population over the next decade.

## 4.5 Implementation Plan

Creating a habitat for innovation will require a statewide partnership over the next decade. The following steps are recommended for early action by Florida's business and government leaders.

### *Implement High-Priority Initiatives*

- 1. Create the Thomas A. Edison Innovations Program,** a statewide partnership of universities, businesses, and economic development organizations focused on increasing the breadth and depth of the state's research activity and intellectual talent in science and engineering. The Edison program should be funded at \$1 billion over 10 years to support university centers of excellence, expansion of degree-granting programs in science and engineering, and partnerships among universities, research laboratories, K-12 schools, and businesses. It should build upon the recent Technology Development Act and the work of the Florida Research Consortium and the Emerging Technologies Commission, and move Florida to the forefront of the states with regard to statewide advocacy of innovation.
- 2. Develop a continuum of options for risk capital statewide,** with particular attention given to expanding the market for innovation and seed capital in the state focusing on critical gaps not served through existing programs today. Enterprise Florida should develop a statewide risk capital strategy that reflects the life cycle of emerging businesses and entrepreneurs. The state should provide matching funds to incentivize small business innovation research, building upon federal programs in this area, and help launch a seed capital fund to transition promising new technologies into commercial businesses. The Legislature should extend and broaden Enterprise Florida's authority to operate technology investment funds; renew its commitment to the Certified Capital Company (CAPCO) program; signal the statewide commitment to emerging businesses by investing a portion of the state general or pension fund as Florida-based venture capital; and encourage angel investing by removing the current state securities law that prohibits

*The Edison program should be funded at \$1 billion over 10 years to support university centers of excellence, expansion of degree-granting programs in science and engineering, and partnerships among universities, K-12 schools, and businesses.*

private investments into start-up firms from individuals with less than \$1 million in assets.

- 3. Develop a new generation of incubators and related “hot house” support services,** whose emphasis is less on bricks and mortar and more on providing entrepreneurial training and support services and access to information and risk capital. Enterprise Florida and its regional partners should work aggressively to leverage the services available through the new Disney/SBA National Entrepreneurial Center in Orlando; expand mentoring and networking programs; and explore new delivery mechanisms such as “virtual incubators” using the Internet. They also should identify incentives for and reduce barriers to incubator funding partnerships among the private, public, and academic sectors.
- 4. Redouble efforts to create an entrepreneurial business climate,** including streamlining and stabilizing regulatory processes; reducing the cost of and enhancing access by emerging businesses to health care and workers' compensation insurance; and reducing taxes on productive inputs, including R&D equipment. The Florida Chamber of Commerce should work with the Legislature and Enterprise Florida to address these issues. In addition, the Legislature should fully fund a three-year, \$12 million statewide effort to market Florida as the “innovation hub of the Americas.” This program should be reevaluated and expanded as necessary for the rest of the decade.
- 5. Work aggressively to increase the number of college and advanced degree recipients in key fields.** To support its future workforce and research needs, Florida should move its college degree production rates up to the national median by the year 2010, with emphasis in science and engineering. Attaining this goal will require an additional 14,000 baccalaureate degrees and 370 science and engineering Ph.D.'s each year. Key strategies should include: increasing capacity at existing institutions; enhancing geographic and financial access to four-year programs; increasing science and engineering degree production through collaborative business/university partnerships and financial incentives for graduate students; and ensuring the presence of a critical mass of scientists and engineers.
- 6. Engage business, government, and community leaders in a ground-breaking effort to develop creative communities** that attract and retain knowledge and innovation workers. This effort should identify issues inhibiting the vitality of Florida's communities – from embracing diversity to reducing traffic congestion to improving options for child and elder care – and develop strategies for overcoming these obstacles. The Florida Chamber Foundation should conduct research on this topic and convene partners to develop consensus on strategies.

*The economic development community must be as innovative and flexible as the businesses it is trying to develop.*

## **Improve Delivery of Emerging Business Services**

To make this vision a reality and advance these strategies, regional and local economic development organizations should work with their full range of partners to create a habitat for innovation. This will require the economic development community to be as innovative and flexible as the businesses it is trying to develop, and to take steps to improve coordination and delivery of services to emerging businesses and technology companies.

There is no statewide organization with a clear mandate to lead strategy and policy development for emerging businesses, innovation, and technology. Rather, there is a proliferation of organizations with responsibilities in these areas, including Enterprise Florida, the Florida Research Consortium, the Emerging Technologies Commission, ITFlorida, BioFlorida, the Florida Aerospace and Aviation Alliance, Florida's High-Tech Corridor Council, and InternetCoast. These organizations are rapidly expanding the number and range of Florida business, government, and university leaders involved in technology and innovation, but they currently are operating without a single voice.

Beyond these organizations, there is concern that Florida's broader political, business, and economic development community may not fully embrace the potential for the state as an entrepreneurial economy. Support for emerging businesses must be mainstreamed as a priority of state, regional, and local economic development organizations, rather than treated as a stepchild to higher-profile items such as business recruitment.

**1. Strengthen Enterprise Florida's role in shaping Florida's statewide strategy for technology and innovation.** The Legislature should reenact statutory provisions authorizing Enterprise Florida to establish technology commercialization and development programs. Enterprise Florida should fully use its role as a convener to build partnerships in this area. The membership of Enterprise Florida's Technology Council should expand to include statewide research organizations (Florida Research Consortium and the Edison Program if enacted) and technology industry cluster groups (ITFlorida, BioFlorida, and the Florida Aviation and Aerospace Alliance). Enterprise Florida should build upon its recent emphasis on innovation in the 2003 Statewide Strategic Plan for Economic Development and the *New Cornerstone* recommendations, and focus on implementation of key strategies including risk capital. The Florida Economic Development Council, the Florida Chamber of Commerce and the Florida Business Incubators Association also should be involved in this effort.

**2. Strengthen regional technology partnerships.** These statewide partnerships should be mirrored at the regional and local level by closer coordination between economic development organizations, technology partnerships, chambers of commerce, universities, community colleges, incubators, and small business development centers. Florida's High-Tech Corridor Council provide an excellent model for how technology development can

*Support for emerging businesses should be mainstreamed as a priority of state, regional, and local economic development organizations.*

be pursued as a regional priority and coordinated with ongoing economic development activities, although this model must be adapted to other plans of the state.

- 3. Develop performance measures** for Enterprise Florida and local economic development organizations that give greater emphasis to emerging business performance. In addition to existing measures reflective of business recruitment efforts (for example, job creation, dollars of investment), new measures regarding local firms served, success of recent start-ups, and venture capital funding acquired should be incorporated. These measures should be generated in consultation with Enterprise Florida and the Florida Research Consortium.
- 4. Publish an annual report on emerging business competitiveness** under the leadership of the Florida Chamber Foundation. The annual report should demonstrate performance at the state and regional levels. The Foundation should convene an annual summit on emerging businesses to discuss the latest annual report, current emerging business issues, and potential statewide and regional initiatives in support of a strong entrepreneurial climate. The Florida Chamber Foundation should sponsor this summit in coordination with the Florida Chamber Federation and other statewide and regional organizations.

# Appendix A – Small Business Indicators

## Introduction

Emerging businesses are generally small in size, employing fewer than 100 people. Small businesses with fewer than 100 employees represented 98 percent of all business establishments and 52 percent of all employees in Florida in 2000, according to the U.S. Census Bureau. Businesses with fewer than five employees account for nearly 60 percent of all establishments in the state. While these smaller establishments are important, the success of slightly larger businesses (5 to 99 employees) reflects of the ability of Florida companies to enter a trajectory of sustained, long-term growth.

Using data available on business establishments and firms from the U.S. Census Bureau and the U.S. Small Business Administration (SBA), this appendix summarizes Florida’s small business trends, emphasizing businesses with five to 99 workers. Although the data do not distinguish between emerging businesses and other small businesses (for example, local service providers such as restaurants, dry cleaners, and landscapers), they do underline trends concerning firm survivability and business formation that reflect the overall entrepreneurial environment in Florida.

### WHAT IS AN EMERGING BUSINESS?

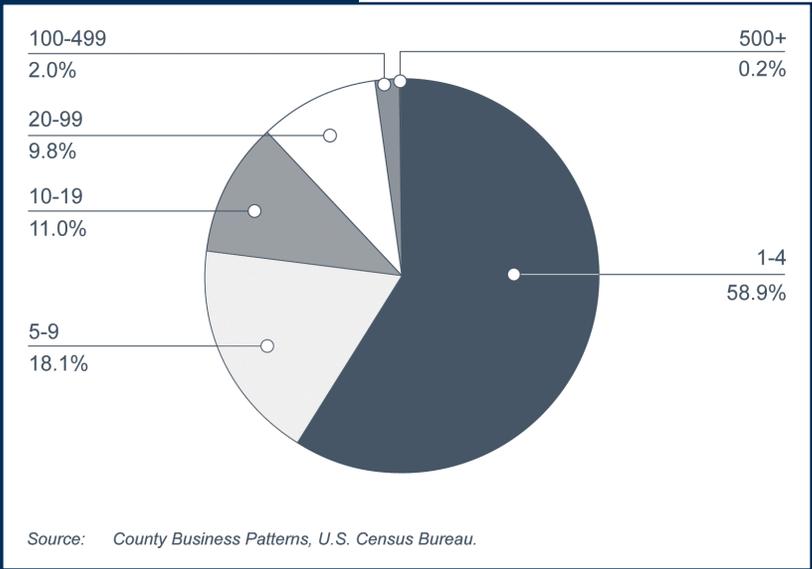
In defining the role of emerging businesses in the Florida economy, it is useful to distinguish *emerging businesses* from *small businesses*.

**Small businesses** are defined by their size – most often by number of employees, but also by the level of their payroll or revenue. Small businesses often serve local markets, providing standard products and services required by a businesses and residents. Small businesses may include “mom and pop” grocery stores, hairdressers, restaurants, or auto repair shops.

**Emerging businesses** are a subset of this broader category of small businesses. Emerging businesses may be small in terms of employment size, but they are distinguished by their potential to increase employment and salary levels, innovation and technology (new products or services), and market potential (demand for products or services from beyond the local region). Examples of emerging businesses may include a medical firm involved with the research and commercialization of cutting-edge products, a retailer earning market share through the application of innovative marketing and distribution practices, or a plastics manufacturer gaining an advantage over its competition by automating the design of dyes for injection molds. Because of the natural dynamics of business growth and decline, today’s emerging businesses will form the basis of the economy in future years. Economic development policies and programs therefore should cater to the specific needs and characteristics – age, size, level of innovation, use of technology, and markets – of emerging businesses.

## Small Business Indicators

This analysis clarifies the importance of smaller firms to the Florida economy and reviews trends concerning the formation of new

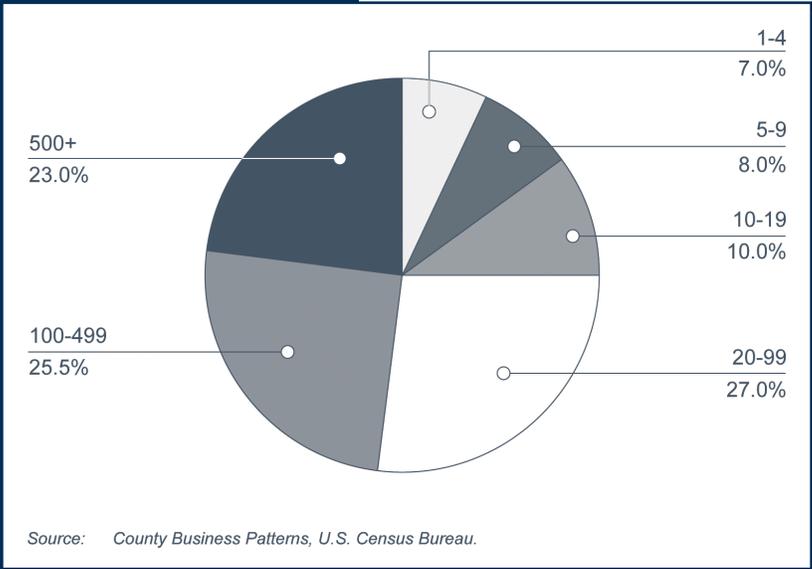


**FIGURE A1. DISTRIBUTION OF FLORIDA BUSINESS ESTABLISHMENTS BY EMPLOYMENT SIZE, 2000**

firms in the state. To understand the role of small businesses in Florida, it is useful to start by looking at how Florida's existing businesses break down by size class. It should be noted that the following analysis includes data on all firms, not just emerging businesses. Establishment-level data do not differentiate between emerging businesses and all businesses. For this reason, the analysis focuses on the smaller establishment-size classes (those with 5 to 99 workers) that best represent the formative growth stages of a business.

Small businesses account for 98 percent of all business establishments in Florida, according to the U.S. Census Bureau's County Business Patterns (Figure A1). Nearly 59 percent of Florida business establishments employ fewer than 5 workers; an additional 39 percent of Florida's businesses employ between 5 and 99 workers.

Small businesses also comprise a significant segment of Florida's total employment. The three size categories of greatest interest to this study (those with 5 to 9, 10 to 19, or 20 to 99 employees) account for nearly 46 percent of the total employment in the state (Figure A2). Firms in these size categories not only represent a large share of total employment today, but also are disproportionately influential in shaping the economy of the future, since Florida's larger and most dynamic firms 10 years from now will be drawn from today's emerging businesses.



**FIGURE A2. DISTRIBUTION OF EMPLOYMENT BY ESTABLISHMENT SIZE IN FLORIDA, 2000**

Over the past decade, Florida business growth has been concentrated at the small and large ends of the spectrum (Figure A3). The number of businesses in Florida with fewer than 5 employees increased by 24 percent between 1990 and 2000, approximately twice the national rate of growth in this category. This rapid growth is likely associated with Florida's high rate of population growth, and associated increases in demand for the types of personal services (e.g., dry cleaning, hair-dressing, landscaping) that typically are provided by smaller companies.

At the same time, the national trend toward greater concentration of business activity among larger firms was more pronounced in Florida. The number of establishments employing between 100 and 499 workers increased 42 percent in Florida, compared to 28 percent nationwide. The number of

establishments with more than 500 workers increased more than 50 percent, or more than twice the national average.

In contrast, the number of businesses in the critical size categories between 5 and 99 employees increased more slowly than for the nation as whole. The slow growth and low state rankings in these smaller size categories raise concerns regarding how well Florida is nourishing the development of small businesses.

This trend toward greater concentration in activity among the smallest and largest firms is even more pronounced when examining employment data. The 1990s were a period of extraordinary employment growth in Florida and the United States. The number of non-farm jobs in Florida increased from 4.6 million in 1990 to 6.2 million in 2000, a gain of 35 percent, while the United States posted a growth rate of 22 percent during the same period.<sup>1</sup> In Florida these increases were led by a sharp rise in employment at the largest business establishments, those with more than 100 workers (Figure A4). Employment at Florida establishments with more than 500 workers doubled, from 716,000 in 1990 to 1.4 million in 2000. By comparison, the increase for the United States was a more modest 26 percent. Employment growth in Florida for establishments with 5 to 99 workers lagged U.S. growth rates.

The presence and relative dynamism of emerging businesses also can be assessed by identifying states with high rates of new business formation in the key size categories between 5 and 99 employees, the size classifications representing businesses that have emerged successfully from the smallest (and most volatile) size category (one to four employees). An analysis of establishment data from County Business Patterns reveals that Florida's net formation rate for establishments in the 5 to 99 employee size categories was consistently low throughout the 1990s. The net establishment formation rate is defined as the establishment "birth" rate (number of new establishments) minus the establishment "death" rate (number of establishments from the prior year that no longer exist). Florida's national ranking compared to other

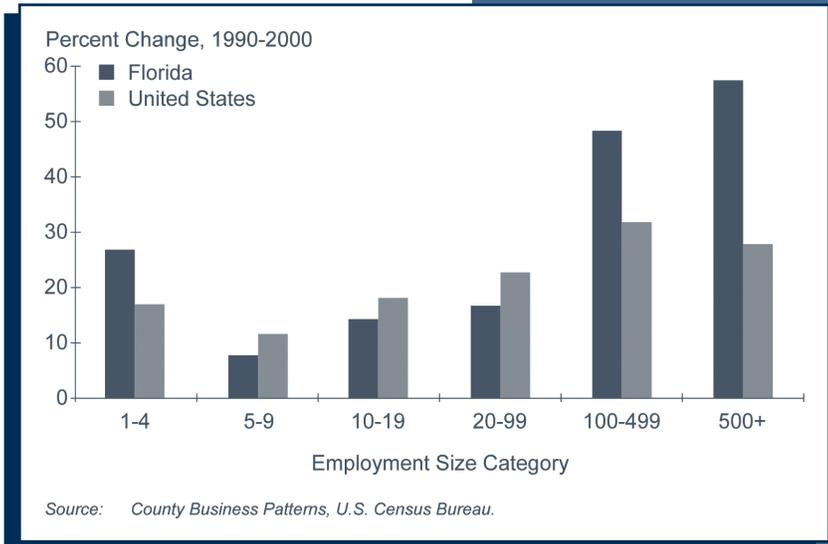


FIGURE A3. GROWTH IN ESTABLISHMENTS IN FLORIDA AND UNITED STATES, 1990-2000

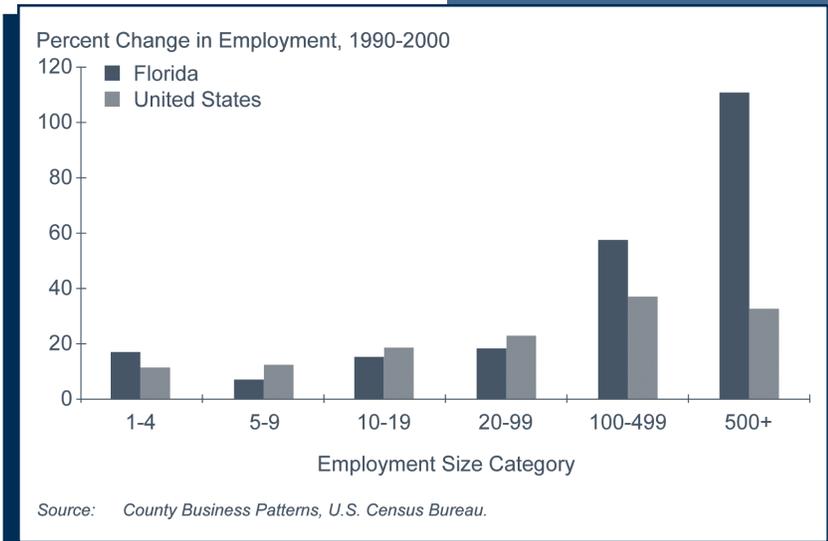


FIGURE A4. GROWTH IN EMPLOYMENT BY SIZE CLASS. FLORIDA AND UNITED STATES, 1990-2000

<sup>1</sup> Employment data from 1990 and 2000 County Business Patterns.

states (and the District of Columbia) in net establishment formation by employment size category, on a year-over-year basis, tended to be in the lowest third of the country. That is, Florida often ranked between 33 and 51 among the states in the growth of new establishments employing 5 to 99 workers.

While a certain amount of “churn” – the dynamic mix of firm births and deaths – is desirable, these statistics raise questions about the sustainability of small businesses in Florida. Florida’s relatively poor performance, based on County Business Patterns data, in the net business formation rate for establishments employing 5 to 99 people is further corroborated by detailed data concerning firm births and firm deaths available from the Small Business Administration (SBA). While County Business Patterns is based on data at the establishment level, the SBA presents data at the firm level.<sup>2</sup>

According to statistics from the SBA concerning firm “birth” and “death” rates for the most recent year available (1998-99), Florida’s ranking for net business formation is in the bottom five states in the nation in all of these size classes (Figure A5). Although new firm birth rates are high, death rates are higher still, resulting in low net business formation rates for the key size categories that represent the earlier stages of growth for emerging businesses.

Table A1 summarizes the most recent detailed data (1998-1999) for Florida’s firm formation rate. The table provides for each firm size category Florida’s rate and rank among the 50 states and the District of Columbia, in terms of births, deaths, and the net formation. Once again, Florida performs well in the smallest (one to four workers) and largest (more than 100 workers) firm size categories. However, this solid performance is offset by the poor showings for firms within the 5-to-99 employee size range.

**TABLE A1. FLORIDA FORMATION RATES FOR BUSINESS FIRMS – 1998-1999**

Firm Size (# Workers)	Birth Rate	Birth Rate Rank	Death Rate	Death Rate Rank	Net Formation Rate	Net Formation Rate Rank
1-4	19.3%	8	17.3%	5	2.0%	16
5-9	8.9%	11	9.6%	4	-0.7%	48
10-19	6.2%	11	9.0%	1	-2.8%	51
20-99	5.3%	5	9.6%	1	-4.3%	51
100-499	10.2%	7	7.7%	2	2.6%	7
500+	12.5%	10	8.6%	12	3.9%	15
<b>All Firms</b>	<b>12.3%</b>	<b>4</b>	<b>11.5%</b>	<b>1</b>	<b>0.8%</b>	<b>19</b>

Source: Office of Advocacy, U.S. Small Business Administration.

Florida’s birth rate of new firms consistently ranks among the top 15 states. However, the state’s death rate rankings for existing

<sup>2</sup> A firm is an aggregation of all establishments owned by a parent company (within a geographic location and/or industry). A firm may be a single location or can include multiple locations.

firms is even higher.<sup>3</sup> For 1998-1999, Florida's birth rate for all firm sizes ranked fourth in the nation, but in the same year, Florida's death rate was highest in the nation. The difference between the birth and death rates – the net business formation rate – was 0.8 percent in that year, ranking Florida 19th among all states. The state's positive performance was entirely due to strong growth among the very small firms (1 to 4 workers) and among larger firms (100 or more workers).

Florida's firm formation rate, however, is significantly lower in the firm size categories of greatest interest to this study – those with 5 to 9, 10 to 19, and 20 to 99 employees. In each of these three firm size categories, birth rates are relatively high, but death rates are among the very highest in the nation. In fact, between 1998 and 1999, all three of these firm sizes showed *negative* net business formation rates. The data for the 1997 to 1998 period exhibit the same trend.

The substandard rankings for Florida in net formation is not just a single-year outlier, unique to 1998 and 1999. The overall pattern, high firm death rates combined with high firm death rates, particularly in the 5 to 9, 10 to 19, and 20 to 99 employment size categories, was very similar to the findings for the 1996-1997 and 1997-1998 periods. Although these results can vary, the problem of low net formation rates for smaller firms in Florida seems to hold fairly constant from year to year.

These data are derived from quarterly employment tax records aggregated at the firm-level and are produced by the U.S. Census Bureau on behalf of the SBA. Due to confidentiality, few outside researchers may gain access to the raw data, making it difficult to obtain the highly detailed information that may explain, in greater detail, Florida's apparent weaknesses in the formation rates of firms employing five to 99 workers. The 1998-1999 data are the most recent available as of June 2002. The patterns that are revealed here are long-term in nature and, although improvement is possible, these trends are not likely to have experienced a drastic shift since the late 1990s.

### Industry Variation in Net Formation Rates for Firms

The SBA compiles data concerning the births, deaths, and net formation rates of firms by industry as well as by employment size. These data can be used to further isolate Florida's relative strengths and weaknesses in terms of which industries are exhibiting the

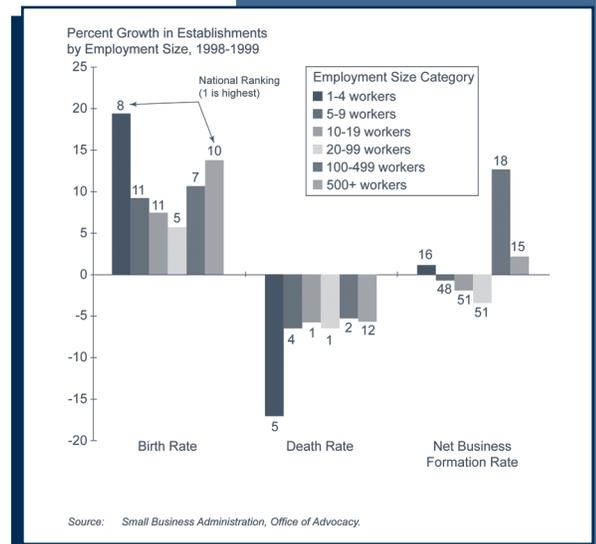


FIGURE A5. FIRM BIRTH RATES ARE HIGH, BUT DEATH RATES ARE HIGHER STILL

<sup>3</sup> The "death rate" is the number of firms that existed last year that are no longer in existence this year. For Florida, only about 10 percent of these deaths are either declared bankruptcies or "business failures" (i.e., business closures resulting in a loss to a creditor). The death rate is a broader measure, encompassing relocation to another county, a new name, change in business type (i.e., from a proprietorship to a corporation), and mergers, in addition to bankruptcies and failures. Although these latter forms of "death" are milder, unless they are offset by a corresponding birth, they still represent a reduction in entrepreneurial success in a given county or state. This is why the "net business formation" rate, which is simply the births minus deaths, is so important.

lowest and highest net formation rates. Florida's rankings for net formation rates by industry among the 50 U.S. states (and the District of Columbia) are shown in Table A2.

**TABLE A2. NET FORMATION RATE RANKINGS BY INDUSTRY IN FLORIDA, 1998-1999**

TYPE OF INDUSTRY	Workers (in Thousands)	Size of Firm (Employment)					
		1-4	5-9	10-19	20-99	100-499	500+
Agriculture, Forestry, Fishing	na	25	<b>20</b>	45	<b>14</b>	<b>7</b>	<b>8</b>
Construction	341.5	<b>18</b>	51	51	50	<b>15</b>	33
Finance, Insurance, Real Estate	426.6	<b>8</b>	22	44	49	<b>18</b>	21
Manufacturing	428.6	32	50	50	51	39	<b>15</b>
Mining	8.2	<b>12</b>	<b>14</b>	<b>3</b>	<b>13</b>	50	36
Retail Trade	872.3	<b>6</b>	23	48	50	27	21
Services	3,001.1	<b>11</b>	42	51	51	21	22
Utilities	28.0	<b>15</b>	<b>15</b>	42	48	<b>19</b>	<b>10</b>
Transportation	182.8	31	42	38	41	<b>20</b>	28
Wholesale Trade	298.6	25	36	37	50	27	21
<b>ALL INDUSTRIES</b>	<b>5,735.1</b>	<b>16</b>	<b>48</b>	<b>51</b>	<b>51</b>	<b>18</b>	<b>15</b>

Source: Small Business Association.

Florida ranks in the top 20 states nationwide for net formation rate in 20 out of 60 cells (highlighted). Although six of the highlighted cells are in the crucial 5 to 99 employment size category, these higher rankings are in relatively small industries – agriculture, mining, and utilities. The net formation rate for firms in larger industries, including construction, finance, manufacturing, retail trade, services, and wholesale trade, is low in Florida compared to most other states.

Florida fares more favorably in the net formation rate of larger firms. In the largest firm size category, those with over 500 employees, Florida ranks 15th in the nation in the manufacturing sector. However, this does not carry over to the smaller firm size categories in this industry sector – Florida had about the lowest formation rate among the states for manufacturing firms in the crucial 5 to 99 size range in 1998-1999. Data for firm formation by industry sector in 1997-1998 show similar weaknesses in the 5 to 99 categories for most sectors.

The actual percentage growth rates by industry sector for each employment size category are shown in Table A3. The net decline in numbers of small firms in such sectors as manufacturing, construction, transportation, services, retail, wholesale trade, and finance are surprising, especially during a period when the United States economy was expanding rapidly.

**TABLE A3. PERCENT CHANGE IN NUMBER OF ESTABLISHMENTS BY INDUSTRY IN FLORIDA, 1998-99**

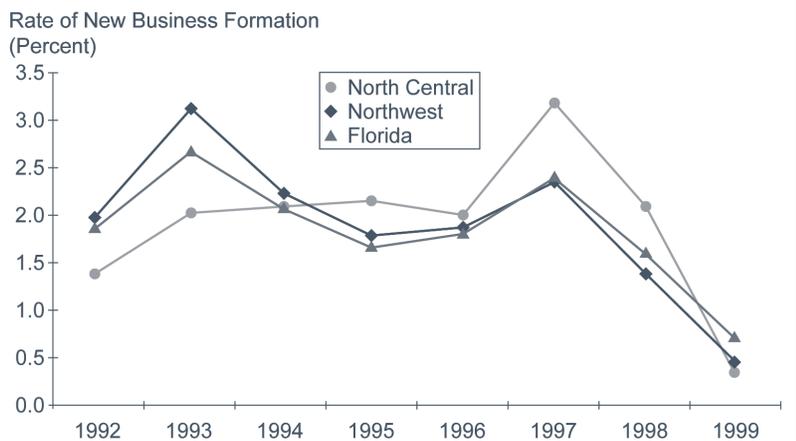
TYPE OF INDUSTRY	Size of Establishment (Employment)					
	1-4	5-9	10-19	20-99	100-499	500+
Agriculture, Forestry, Fishing	1.2	0.5	-5.1	0.0	6.1	0.0
Construction	3.4	-1.4	-3.9	-4.0	0.3	1.5
Finance, Insurance, Real Estate	3.0	0.5	-3.1	-5.8	4.8	7.1
Manufacturing	-2.6	-3.6	-5.2	-5.6	-1.3	0.3
Mining	0.0	0.0	12.5	0.0	1.1	2.4
Retail	-0.4	-1.1	-2.9	-4.3	21.1	-1.8
Services	2.0	-0.4	-2.1	-3.8	3.0	3.7
Utilities	4.4	2.0	-9.4	-14	0.0	10.1
Transportation	3.3	-2.9	-3.9	-3.2	2.3	1.4
Wholesale Trade	-1.8	-2.0	-3.3	-5.2	2.4	0.0
<b>ALL INDUSTRIES</b>	<b>2.0</b>	<b>-0.7</b>	<b>-2.8</b>	<b>-4.3</b>	<b>2.5</b>	<b>3.9</b>

Source: Small Business Association.

**Regional Variation in Net Business Formation**

This pattern also appears to hold true across regions within Florida. County Business Patterns trend data in net establishment formation rates are available for each county in Florida, and these have been grouped together for each of the six regions defined by Enterprise Florida in its 2001-2006 Strategic Plan. The net establishment formation rates by region are depicted in Figures A6 through A8.

The six regions generally show a similar pattern in which the net formation rate declines from two to three percent per year during the mid 1990s to less than one percent per year by the end of the decade. The two exceptions are the North Central region, which includes Jacksonville and Gainesville and has an industry mix more oriented toward manufacturing and distribution than the rest of the state; and the Southwest region around Fort Myers and Naples, which was the fastest-growing part of the state during most of the 1990s.



Source: County Business Patterns, U.S. Census Bureau.

Overall, the strongest regions for net establishment formation rate have been East Central Florida (Orlando and the Space Coast), which exceeded the state rate during all eight years analyzed, and the Southwest Florida region, which remained well above two percent per year through the end of the decade. The East Central region's strength is consistent with the high ratings Orlando has received as an entrepreneurial center. The lowest

**FIGURE A6. RATE OF NEW ESTABLISHMENT FORMATION IN NORTHERN FLORIDA**

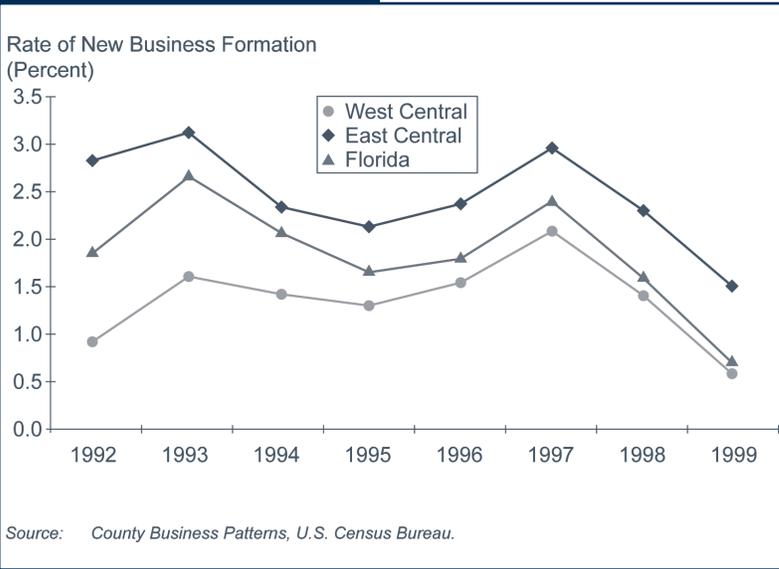


FIGURE A7. RATE OF NEW ESTABLISHMENT FORMATION IN CENTRAL FLORIDA

net formation rates during the past few years have been experienced in the Southeast Florida region, which reflects that region's more mature economy. The low net formation rates for businesses in the five to 99 employee category raise concerns about the health of Florida's small business sector – and these low rates appear to occur across major industry groups and regions in the state. Given data limitations, it is difficult to isolate the emerging businesses of greatest interest and determine if they are susceptible to this trend. Additional research should be conducted to track emerging businesses in Florida's target industries and determine whether their chance for survival is greater than that of small businesses in general. Moreover, greater attention needs to be given to the factors that may be reducing the survivability of the broader class of small businesses in the state.

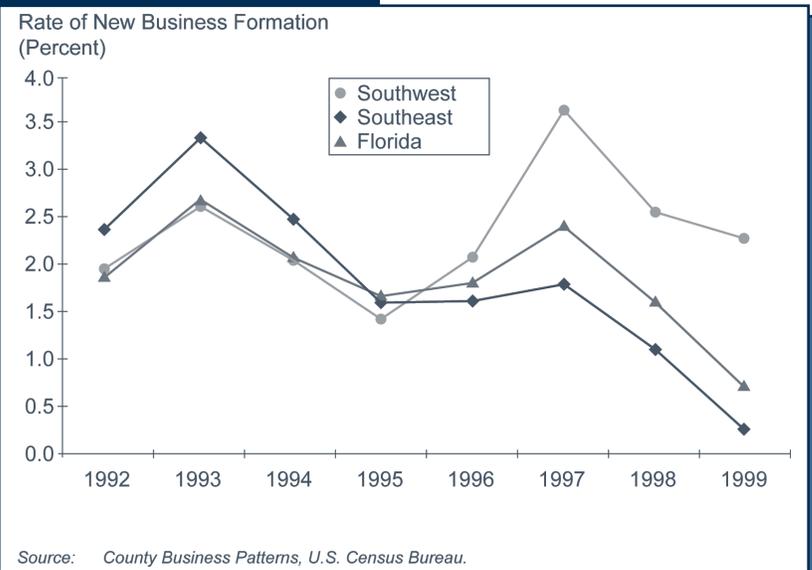


FIGURE A8. RATE OF NEW ESTABLISHMENT FORMATION IN SOUTHERN FLORIDA

## Appendix B – Business Incubation in Florida

Business incubation is an important approach to growing new companies. This appendix reviews the state of business incubation in Florida today, identifies best practices in business incubation in Florida and in other states, and suggests steps that Florida might take to strengthen the value of its incubators.

### *What Is a Business Incubator?*

Incubators provide selected businesses with services and facilities to facilitate their success in the marketplace. Incubators typically serve local start-up firms that are small and lack capital, but have a product or service with potential. Typical incubator services include office and manufacturing space (often at reduced rates); access to accounting, legal, and other business services; reviews of business plans and market research; assistance in obtaining financing; and networking and synergy opportunities with other incubator firms and local contacts.

Some incubators focus solely on science and technology firms, while others serve a broader clientele with light manufacturing or service-oriented firms. Incubators often are connected with local community colleges and research universities. Those affiliated with community colleges tend to focus more on applied technology firms, as opposed to the research university incubators that often emphasize science and technology innovation.

The goal of incubators is to help firms graduate, or become self-sufficient, within two to three years, and remain in the area after they graduate. Research by the National Business Incubator Association indicates that 87 percent of all firms that graduate from incubators are still in business, and 84 percent of incubator graduates stay in their communities and continue to provide a return to their investors.

Similar approaches to growing emerging businesses include:

- **Accelerator** – similar to a traditional business incubator, providing free or inexpensive accounting, marketing, legal, financial, and other business services. The key difference is that accelerators tend to be private-sector based (and therefore less reliant on public funding) and usually take equity positions in the firms that they serve.
- **Venture capitalist** – firms (or individuals from firms) that seek to invest in emerging firms by taking equity positions in the hope that the inflow of financing will help transition a firm into a fast-growing company, leading to an initial public offering (IPO) and big return for the investor. Venture capital funds tend to be directed at firms with an emphasis on science and technology innovation and those that already have a prototype product ready for the market.

*87 percent of all firms that graduate from incubators are still in business, and 84 percent of incubator graduates stay in their communities.*

- **Center of excellence** – an organization aimed at commercializing technology development. Typically the centers are located at major research universities and focus on research strengths of the university, encouraging the process of transforming basic research into applied commercial research and marketable products. The recent Technology Development Act will help fund such centers.
- **Small business development centers (SBDC)** – federally funded centers that link federal, state, university, and private sector resources to provide small business owners with counseling, management training, and information. The Florida SBDC Network, staffed through the University of West Florida, is a statewide network of 32 centers involving seven state universities, six community colleges, two chambers of commerce, and one county economic development council. Additional outreach is provided through partners including banks, chambers of commerce, and economic development organizations.

### What Business Incubators Exist Today?

There are 21 business incubators in Florida (including two in Orlando) to assist with the development of new businesses (Figure B1), along with other innovation corporations, private-sector accelerators, and related services.

However, Florida has only a handful of well-functioning incubators, and the system needs to be expanded to have a genuine impact on a state the size of Florida. Every region in Florida should have at least one organization focused on emerging business support, tailored to the specific needs, research capabilities, and industry concentrations of the region.

Business incubation in Florida varies across regions, depending on factors such as the presence of research universities, the workforce, and the mix of industries. It is still a fairly young activity for Florida when compared to other states, such as California, and there are a number of new and emerging incubators.

The activities of five business incubators and two private-based accelerators are profiled in the box on page 4-77.

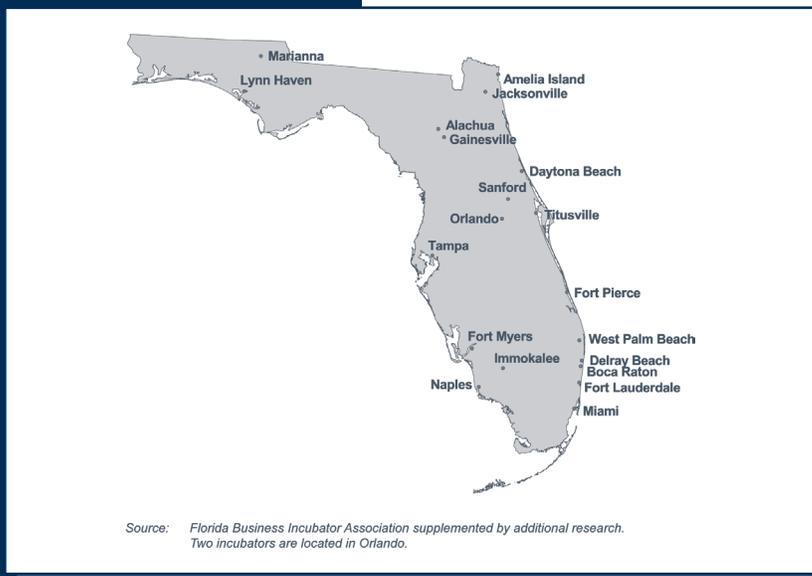


FIGURE B1. SELECTED BUSINESS INCUBATORS IN FLORIDA

*BUSINESS INCUBATORS AND ACCELERATORS IN FLORIDA***Central Florida Innovation Corporation**

The Central Florida Innovation Corporation (CFIC) was founded in 1995 as a public/private not-for-profit incubator and accelerator to help bring high-paying, technology-related jobs to the Central Florida region. Over the past seven years, CFIC has helped hundreds of local entrepreneurs and created several new local companies, while its partners and clients have raised over \$250 million in out-of-state capital.

The mission of CFIC is to grow the technology economy of its region. This is in contrast to the typical incubator, whose focus is on assisting walk-in entrepreneurs. CFIC observes an oversupply of small (\$2 to 3 million) technology firms with inexperienced entrepreneurs, and a lack of large and stable technology firms. CFIC, through investments and support of emerging technology firms in the region, is hoping to develop more medium to large technology firms and have an impact at the macroeconomic scale. CFIC takes equity positions in firms, which builds close working relationships and helps generate revenue for CFIC.

CFIC concentrates its efforts in three areas. First, it licenses technology from large corporations, government labs, and universities. The universities include the University of Central Florida (UCF), where CFIC works closely with the UCF Technology Incubator. Second, CFIC selects companies that show promise, helps to incorporate them, define their markets, build their infrastructure, and raise their investment capital. The chosen companies participate in a "Success Solutions" business development workshop (taught in conjunction with Orlando's Valencia Community College), are offered pro-bono professional advice to refine their business plans, and are given access to CFIC's network of private investors. Finally, CFIC actively seeks local investment capital, which it pools through its "Innovation Club," a group of Central Florida private investors. The investors meet monthly to hear from the most promising new companies that have completed the "Success Solutions" workshop.

CFIC was one of a number of innovation corporation centers (ICC) around the state that received state funding in the 1990s. State funding gradually has disappeared and CFIC, which used to rely also on local government funding, is now completely private.

**eFiltro New Idea Center**

The eFiltro New Idea Center serves entrepreneurs and investors in the South Florida region, with the goal of facilitating the development and funding of new and established businesses through investor networks, industry alliances, and business planning services. It is a purely private venture of experienced high-tech business experts.

eFiltro provides venture capital consulting, business plan development, and assorted other entrepreneurial support services. It helps identify funding opportunities, evaluate business plans, provide a referral service to other entrepreneurial services, and assist in business plan competitions. Fairly unique in the accelerator market, eFiltro's services extend to international markets.

**Enterprise North Florida Corporation (ENFC)**

Enterprise North Florida Corporation (ENFC) is as a tax-exempt not-for-profit corporation in partnership with academic, public, and private entities in North

Florida. ENFC develops partnerships with companies with high growth potential, defined as \$30 to \$50 million in projected annual revenue by the fifth year after commercial launch.

ENFC follows a specific interview process with prospective companies to increase the likelihood for success. If a good match is found during an initial screening, a preliminary assessment of the company is conducted where ENFC reviews the company's business plan to assess commercial viability and outline the steps needed to develop the company to an "investable" level. ENFC then works with the company for up to five years, assisting with networking, documentation of the company's strategy, and commercialization and capitalization strategy planning. ENFC offers a wide range of services to assist in business planning including technology assessment, market research and planning, operations and financial management, management team recruiting, access to investment capital, and information technology.

Selected companies operate out of ENFC's Technology Enterprise Centers, which provide a professional setting designed for entrepreneurs. These Technology Enterprise Centers offer low-cost high-tech facilities, flexible leases, and on-site support in Jacksonville at the Southpoint Business District or Liberty Business Park. ENFC partners with two other business incubators to offer clients access to additional facilities.

#### **Metro Broward Economic Development Corporation Incubator**

The Metro Broward Economic Development Corporation (EDC) runs a few small business programs, including a new mixed-use business incubator. The incubator currently serves six companies, which pay below market rent for office space. These companies receive assistance with business plans, accounting, marketing, and other small business activities. The goal is to graduate firms from the incubator in three years.

The incubator's biggest challenge is to find operational funding. The incubator is not set up to be truly self-sufficient, and it relies on funding from the county. One challenge is that the lack of state funding and difficulty acquiring federal funds through the regional planning council significantly limits funding options. The EDC has found that funding for "bricks and mortar" activities such as building the incubator site is easier to obtain than operational funding for staffing and service. The incubator only has two staff members today, and staff believes that with more operational funding funds, they could easily support 12 to 20 firms.

#### **Seminole Technology Business Incubation Center (STBIC)**

The Seminole Technology Business Incubation Center (STBIC) is a joint venture of Seminole County, Seminole County Port Authority, and Seminole Community College. It is part of a network of incubators supported by grants from the Technological Research and Development Authority (TRDA) and NASA. STBIC has helped launch over 200 businesses and has helped clients to raise over \$15 million in capital.

The STBIC is focused on facilitating technology-based businesses in their early stages. The staff assists with business plan development and marketing. The facility, located along the High-Technology Corridor in Sanford, offers services essential to the success of small businesses including secretarial and bookkeeping, as well as workshops for emerging businesses. The STBIC currently is operating slightly under capacity now due to the economic slowdown. Meanwhile, the nearby

Central Florida Business Incubator, also in Sanford, is at full capacity. The Central Florida Business Incubator focuses on light manufacturing applied technology firms.

The biggest challenge faced by firms and STBIC is finding enough capital to expand operations. The success of the incubator would not be possible without the close relationship it enjoys with the community college and local government.

### **Technology Business Incubator (TBI) at Florida Atlantic University**

The Technology Business Incubator (TBI), run by the Enterprise Development Corporation of South Florida (EDC), is part of the Florida Atlantic Research and Development Authority and is located in the Research and Development Park at Florida Atlantic University. TBI assists the start-up and growth of science and technology-based businesses associated with the university and the Florida Atlantic Research Corporation (FARC). The incubator is relatively young, but quickly growing to meet the needs of the local economy. It currently serves 14 firms.

TBI offers office space at below market prices and arrangements can be made for access to laboratory space, libraries, and expert scientists and engineers. Business assistance is provided, under separate contracts and agreements, by the South Florida EDC. The EDC offers legal, intellectual property, marketing, accounting, product development, financial, and technical expertise through a professional team of advisors.

### **University of Central Florida Technology Incubator**

The University of Central Florida (UCF) Technology Incubator, founded in 1999, is located in the Central Florida Research Park, adjacent to the UCF campus in East Orlando. Together with its new Center for Entrepreneurship in downtown Orlando, the incubator operates 64,000 square feet of office and laboratory space. A university-driven partnership, roughly 40 percent of the incubator's 37 residents and graduates have come from UCF. Cumulatively they have raised \$60 million in venture capital and created more than 200 jobs in Central Florida. The incubator was recognized in 2002 by the U.S. Department of Commerce as one of the best performing incubators in the country, both in terms of jobs and revenues generated by its client companies.<sup>4</sup>

The UCF facility provides its residents with business development services, as well as office space and secretarial services. Most importantly, it provides its residents with a high level of technical expertise drawn from the extensive resources of UCF. These resources include the Center for Research in Education in Optics and Lasers, the Florida Solar Energy Center, and the Advanced Materials Processing and Characterization Center. Firms in the incubator benefit from synergies associated with this proximity.

The UCF Technology Incubator assists start-up companies as well as university faculty, providing the latter with an effective means to commercialize technology through licensing and strategic partnerships. The incubator receives financial support from Orange County, the City of Orlando, UCF, and the Technological Research and Development Authority (TRDA), a Florida agency created in 1987 for the purposes of transferring technology to schools and small businesses throughout Florida. In addition, the incubator collects rent and fees for service from its clients.

<sup>4</sup> Based on results from a benchmarking study conducted by the National Business Incubation Association for the U.S. Department of Commerce's Office of Technology Policy.

## **How Could Florida's Business Incubators Be Strengthened?**

In general, those incubators with the greatest chance for success are located close to research universities and community colleges, carefully select the firms to bring into the incubator, host a strong mix of technology and manufacturing firms, and provide good access to major airports so that interested parties, such as potential venture capital investors easily can fly in and out for a site visit.

The biggest challenge for incubators in Florida is funding – for their own operations and capital for the firms they serve. The most common sources of funding for public/private incubators in Florida are city and county governments, community colleges and universities, and federal research funds such as those routed through the National Science Foundation, the Department of Defense, or the National Aeronautics and Space Administration (NASA). Client fees such as rent also can be a significant element of incubator funding.

There currently is no funding at the state level for business incubation. The TRDA, established by the State Legislature in 1987, provides incubation services and funding using federal funding from NASA. Previously the state sponsored a number of innovation corporation centers (ICC) in different locations around the state. Over the years, state funding for the ICCs was eliminated. Some of the former ICCs, such as the Central Florida Innovation Corporation, restructured into purely private organizations. Other Florida ICCs vanished as state funding dropped and local investments were not sufficient to meet operational requirements.

The mix of these funding sources varies based on the location and mission and mission of incubators. Most public/private incubators are not set up to be self-sufficient as they often assist firms over a number of years. This is in contrast to private-based incubators that take equity positions in firms and hope for a quick turnaround and an IPO. This model has been viewed by the state as the future direction of incubation and is the rationale for for the current lack of state funding. However, the recent failures of many private incubators in Florida and the rest of the country due to business market cycles (most notably, the dot-com busts) and product development uncertainty have generated renewed interest in public/private incubation efforts.

Incubators interviewed across the state indicate that there is sufficient demand for their services, but often a lack of recognition of the value that is generated by business incubation. Three steps to improve business incubation in Florida include:

- **Increase the level of advocacy and research for incubation.** Additional research is needed to demonstrate the positive impacts of business incubation to generate support from both local and state organizations. Increased advocacy by the Florida Business Incubation Association (FBIA) to the state legislature and local and county governments would

*The biggest challenge for incubators in Florida is funding – for their own operations and capital for the firms they serve.*

increase public awareness of the important role business incubation can play in an entrepreneurial business climate.

- **Provide state funds for critical business incubation activities.** There currently is no business incubation funding available at the state level in Florida. The case studies demonstrate the importance of allowing local and regional entities to determine the appropriate business incubation model for their region. There is an appropriate goal of approaching business incubation as a public/private activity, and encouraging incubators to become financially self-sustaining once they are fully established. However, to facilitate rapid expansion of accessibility to these services across Florida, some state support would be appropriate to facilitate the set-up phase of incubators and to ensure stability during business cycles. Perhaps more importantly, public involvement and funding can play a critical function of ensuring that the public partners address key issues of importance to emerging businesses. The state could providing matching state funds for locally generated business incubation activities. This approach would increase the funding opportunities for incubators throughout the state, while maintaining local flexibility regarding the incubation activities and necessitating local initiative so that incubation is a “bottom up” rather than a “top down” initiative. In addition, the state could expand funding for centers of excellence through future appropriations under the Technology Development Act.
- **Increase access to federal incubation funding.** Incubators in Florida currently help firms access federal funding opportunities such as Small Business Innovation Research (SBIR) awards and some receive direct funding for operational activities from NASA. These efforts should be continued and enhanced, if possible. Federal funding for incubation is available through the Economic Development Administration (EDA). However, the direct link is through regional planning councils (RPCs), which tend not to be involved in business incubation. Therefore, potential funding dollars are very difficult to access. Increased coordination with the RPCs to link more directly with local/regional economic development organizations or actual incubators would improve the ability to access key federal funding opportunities.

*Business incubation is a public/private activity and incubators should become financially self-sustaining once they are fully established.*

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# Chapter 5



## NEW CORNERSTONE

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**CHAMBER**  
*Foundation*

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# Executive Summary

International commerce was one of the brightest lights of the Florida economy during the 1990s. International trade, investment, and tourism activity in Florida doubled during the past decade, a time during which Florida began to diversify its international markets and broaden the range of its businesses and communities participating in the global economy. This market expansion contributed to the state's strong gains in population, employment, and gross state product during the decade.

Florida is poised to repeat and even exceed this record during the next decade – and as its economy becomes more global, the rewards are greater but so are the competitive risks. Florida has not fully realized its potential as a center for global trade, tourism, and investment – so while the state celebrates the successes of the 1990s it also must prepare for the decade to come. This report analyzes Florida's position in the global marketplace today, and identifies strategies to help Florida become one of the world's leading trading states – a “crossroads economy” – during the 21st century.

## Why Does Globalization Matter?

Major changes are sweeping the global economy as this new millennium begins. Advancements in transportation and communications have expanded the geographical scope of business while broadening consumer choices. The explosive growth of the Internet is applying newfound global connectivity to transact business, move information and goods, and communicate at a higher rate of speed than ever before in history. Fewer and fewer businesses and industries are isolated from the threat of global competition; but, even more significantly, more and more global markets are opening for flows of people, goods, services, and information.

More than 80 percent of worldwide consumption and 95 percent of global population is situated outside of the United States – meaning that the best market expansion opportunities for many Florida businesses lie outside of the Sunshine State, even given its relatively strong population gains within the United States. International market expansion is important in an economy like Florida's because of the potential impacts of trade, foreign direct investment, and tourism on the state's prosperity. According to the U.S. Department of Commerce, exporting companies have 15 percent higher average wages, 15 to 20 percent faster growth, and 15 to 20 percent more profitability than non-exporting firms. They also have greater resilience to domestic market disruptions and downturns in business cycles.



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much as half of the imports and exports moving through Florida's seaports and airports are neither consumed nor produced in Florida – and in some cases, the only value Florida adds to these goods is transportation and logistics.

*FLORIDA IN THE INTERNATIONAL MARKETPLACE: DEBUNKING THE MYTHS*

**Myth:** Exports are more important to Florida's economy than to the rest of the United States.

**Fact:** It depends how you count them. Merchandise exports totaled \$30 billion in 2000. In analyzing these export flows one must bear in mind that some of these goods are just passing through Florida to or from other states or nations, with little economic impact beyond the physical transportation of the good. Florida-origin exports – those produced by local businesses and sold to other nations – represent a smaller percentage of gross state product than the national average (6.2 percent compared to 7.8 percent). However, these lower values are in part due to undercounting of services exports, which total \$15 to \$20 billion per year. Services exports represent between 3.1 and 4.3 percent of Florida's gross state product, ahead of the 2.9 percent average nationwide.

**Myth:** Trade means movement of goods.

**Fact:** Yes, but it also means flows of people, services, and information. Tourism is one of Florida's largest "export" industries, with an estimated value of \$18 billion per year. "Exports" of services such as health care and education are estimated by Florida International University to have generated between \$15 and \$20 billion in revenues in 2000. With the growth of the Internet, international flows of information have become critical as well.

**Myth:** Florida's only major export goods are citrus and phosphates.

**Fact:** Natural resources such as agriculture and citrus are important exports, but high-tech goods represent about 40 percent of the value of Florida-origin exports. The top five industries are industrial machinery (including computers), electronics, transportation equipment (including aerospace), chemicals (including pharmaceuticals), and scientific instruments. The industrial machinery, electronics, and scientific instruments industries accounted for almost 70 percent of Florida's net increase in exports during the 1992 to 2000 period.

**Myth:** Florida's only major trading partners are in Latin America and the Caribbean.

**Fact:** Latin America and the Caribbean include many of Florida's leading markets, but a surprising number of major markets are located in Europe or Asia. Canada is Florida's second-largest export market, while the United Kingdom, Japan, Germany, and China are among the top 15. Japan and Germany are the largest markets for imports to Florida; China and France are also among the top 10. France, Germany, the United Kingdom, the Netherlands, Canada, and Japan are among the largest foreign investors in Florida, while Canada and the United Kingdom are the two largest origin markets for foreign visitors.

**Myth:** Foreign direct investment in Florida is almost entirely in real estate.

**Fact:** Much of Florida's foreign direct investment is in manufacturing and a wide variety of service industries. Multinational firms invest more heavily in industries with higher concentrations in the state, including real estate but also information industries such as data processing, telecommunications, and publishing; and tourism industries such as retail trade, hotels, and food services.

## What Are Florida's Successes and Challenges?

Florida's public and private organizations made significant strides in positioning Florida in the global market over the past decade. Major initiatives have included the following:

- Establishment of **Enterprise Florida, Inc.** a public-private partnership, as the state's chief economic development organization, with an array of international business development programs.
- Development of the **Florida Trade Network**, a unique alliance that helps Florida companies gain access to the export development programs and services of the U.S. Department of Commerce Export Assistance Center, the Florida World Trade Center Association, and Enterprise Florida's trade development staff.
- Establishment of the **Team Florida** partnership, which brings together senior business leaders, economic development organizations, and elected officials who travel to a target market (or region) to advocate the location of a particular industry or institution to Florida or the opening of the market to new Florida exports. Recent missions have helped bring the negotiating secretariat for the Free Trade Area of the Americas (FTAA) trade negotiations to Miami, and have generated over \$170 million in new or expected Florida export sales to the Mexican market.
- Creation of the **Florida Services Network**, Florida's first online business center to facilitate commerce between Florida's service providers and companies around the world.
- Establishment of a wide range of programs addressing **international protocol, diplomacy, and partnerships**, including the Free Trade Area of the Americas Agreement and Secretariat, the Florida Association of Voluntary Agencies for Caribbean Action, the Gulf of Mexico States Accord institutions and programs, Sister Cities, and International Visitors Council association.

Many of these initiatives have become national models for trade promotion and state-level diplomacy; they provide Florida with a tremendous base for the next decade. However, the crossroads of the 21st century will face greater competition than in the previous era. In today's faster, better and cheaper environment, business and government must work collaboratively to leverage Florida's assets and address its competitive challenges. These challenges include the following:

- The state's exports are heavily concentrated in fast-growing but volatile Latin American and Caribbean markets – putting the state at the double risk of overexposure to market cycles and erosion of market share as other states target these nations as trading partners.

*Florida has created national models for trade promotion and state level diplomacy – a tremendous starting point for the next decade.*

- The state's foreign direct investment is heavily concentrated in retail and real estate, rather than value-added industries such as manufacturing and professional services.
- Capacity constraints at the state's seaports and airports – as well as along the highway and rail corridors serving these gateways – limit the state's ability to absorb growth in international trade and tourism.
- Florida is recognized worldwide for tourism, citrus, and space industries, but this strong name recognition has not translated into a perception of Florida as a pro-business state.
- Florida's public and private organizations are not functioning with a single voice in the international market. Trade, tourism, and economic development activities tend to function independently. Therefore there is little opportunity for synergy and limited enhancement of Florida's business image.

## Priorities and Strategies

For Florida to position itself as a world leader in the commerce of goods, services, visitors, investment, and information, coordinated steps must be taken by government, economic development organizations, and the private sector to strengthen Florida's global competitiveness. Florida's objectives in the international market should be as follows:

- **Increase exports' share of Florida gross state product to the national average.** Florida-origin exports – those produced by the state's businesses and sold to other nations – represent a smaller percentage of gross state product (GSP) than the national average (6.2 percent compared to 7.8 percent in 2000). Florida should strive to increase its merchandise export share of GSP to the national average by the year 2010.
- **Increase services exports' share of Florida gross state product.** Florida exported between \$14.5 and \$20.1 billion in services in 2000, or between 3.1 and 4.3 percent of GSP, compared to about 2.9 percent nationwide. While comparable data are not available for other states, this amount surely ranks Florida among the leading states nationally (Florida accounted for as much as 6.9 percent of the country's \$292 billion services exports in 2000). This share should increase over the next 10 years.
- **Increase foreign direct investment as a share of gross state product to the national average.** Florida experienced substantial increases in foreign direct investment (FDI) during the 1990s, reaching \$36.6 billion in 1999. Despite this growth, total FDI in the state was equivalent to only 8.3 percent of GSP in 1999, compared to 11.5 percent

*Florida-origin exports represent a smaller percentage of gross state product than the national average.*

for the nation. By 2010, the state should attain at least the 50-state median (9.8 percent in 1999) on this measure.

- **Make Florida the top state for foreign visitors.** International visitors accounted for about \$18.2 billion, or nearly one-third of total tourism expenditures in Florida in 2000. In recent years, Florida has been vying with California as the leading destination for foreign travelers. Florida should implement tourism strategies to ensure that the state maintains its appeal and cements a position as the number one choice for international visitors vacationing in the United States.
- **Enhance the value-added that Florida brings to international goods and services flows.** Prior estimates suggest that as much as half of the international merchandise trade moving through the state's seaports and airports is neither consumed nor produced in Florida, but merely passing through. Florida should seek opportunities to add value to goods leaving the state for overseas markets, through hosting functions such as assembly, final finishing, and customization of products. The limited transportation capacity suggests that Florida would be wise to focus trade flows on these higher-value shipments.
- **Increase the number and range of Florida companies and workers involved in international commerce.** Florida should ensure that more of its export-ready companies are selling to international markets by 2010. An estimated 30 to 40,000 Florida companies have been identified as export ready but only 10,000 of these are presently accessing overseas markets. Florida's businesses and overall economy would benefit if more of these companies expanded sales beyond local and domestic markets. By 2010, at least half of Florida's export-ready businesses should be exporting.
- **Strengthen the global view of Florida as a place to work, live, and play.** Florida's strengths in quality of life attributes that have been so effective in attracting retirees, domestic migrants, and visitors must be recast to appeal to the needs of international investors. Florida should strive to rank among the top five states in international perception as a place to do business by 2010. To gauge progress toward this goal, perception surveys regarding Florida's business image should be conducted in overseas markets every two years through 2010.

To accomplish these goals, Florida must begin approaching the global market as if Florida were a nation-state or an international corporate conglomerate. Florida must recognize that its economy has a large international "portfolio," covering exports, imports, investment, visitors, and information. The state aggressively should manage this portfolio over the next decade in the following manner:

1. **Implement a "Whole Florida" market expansion strategy.** Florida should knit together the disparate elements of its inter-

*Florida should implement strategies to ensure that the state is the number one choice for international visitors vacationing in the United States.*

national portfolio – exports, imports, tourism, investment, and information – and look for synergies among them. The state can fill gaps in its portfolio by strengthening across-the-board bilateral relations with existing and emerging trade partners, and cross-sell trade and tourism so that every Florida visitor is regarded as the next worker, customer, or investor in the state.

**2. Create next-generation international programs.** Florida should seek to be a global leader in emerging approaches to international programs in all aspects of its portfolio. Florida should build on the successful programs implemented during the past decade, and reorient these programs to emerging opportunities including:

- Deep mine its traditional trading partners, with a focus on creating opportunities for small and medium-sized businesses;
- Target new frontier export markets such as China and Africa (and eventually Cuba);
- Expand exports of services such as education, health care, and management and formalize and perfect the measurement of services exports;
- Sharpen the state's foreign direct investment strategy to focus on attracting global capital in bricks and mortar facilities that form a crucial link in global supply chains, as well as in Florida's emerging technology industries;
- Recruit multiplier organizations, including new consulates and trade associations; and
- Design innovative exchange-type programs to help build long-term relationships with international students, faculty, and other professional visitors.

**3. Build an international portal.** The crossroads of international commerce is transforming from the market square to the Internet portal. Florida must prepare now to secure its role as a global leader in e-business and trade flows of information, with increasing recognition of its telecommunications hubs and Internet network access points as critical international gateways.

**4. Strengthen Florida's international economic foundations.** Florida's business and government leaders must engage in continuous improvement of the state's supporting international infrastructure and business climate. Emphasis should be given to maintaining world-class transportation and telecommunications networks, state-of-the-art technology, and a skilled, globally oriented workforce. A high priority should be the establishment and funding of Florida's Strategic Intermodal System, which will provide seamless linkages for goods and passengers using Florida's major seaports, airports, and other international gateways.

**5. Build Florida's global image.** Florida should create a global image that it is open for business, open for life, and open to international markets. The strengths of the state's tourism

*Florida must begin approaching the global market as if Florida were a nation-state or an international corporate conglomerate.*

promotion, trade development, and economic development communities should be brought together to create a one-Florida brand and marketing message.

- 6. Advocate Florida's global interests.** The diverse and often divergent interests of Florida's international portfolio must unite to define and advocate mutual interests in a foreign policy that gives Florida a competitive edge in the competition for international markets and investment. Florida must maintain the high standards for state-level international diplomacy, protocol, and cultural exchange that have been set over the past decade. Highest priority should be given to efforts to attract the Secretariat of the Free Trade Agreement of the Americas to Miami, which could become the Brussels of the Western Hemisphere.

## Implementation Plan

- 1. Provide high-level, sustained statewide leadership for Florida's international priorities.** The Governor should continue to serve as the state's leading ambassador to overseas governments, an advocate for global trade and development, and a convener of agencies and broker of resources to ensure that Florida's international goals are met. The Governor should assign specific responsibility and authority to one cabinet-level office for implementing the state's international strategic plan and other priorities, a best practice recommended by the National Governors' Association for all states. This office should be the governor's chief spokesperson (and the state's chief advocate) with respect to state-level diplomacy and United States trade policy.
- 2. Develop an international commerce element of Florida's Strategic Plan for Economic Development.** Florida's public and private organizations should create and regularly update a statewide international commerce strategy under the auspices of Florida's Strategic Plan for Economic Development, which is updated annually by Enterprise Florida and its partners. Key partners in this international strategic plan should include the Executive Office of the Governor, Visit Florida, the Department of Agriculture and Consumer Affairs, the Department of Citrus, the Florida World Trade Center Association, the Florida Chamber of Commerce, research universities, and key regional and local organizations. This plan should provide the structure to support implementation of Florida's international goals at the state, county, and community levels. It should ensure that the many organizations involved in guiding Florida's international commerce speak with a single voice. It also should ensure that international competitiveness is pursued as a statewide priority cutting across agencies, rather than as a narrow focus on "trade development."

*Highest priority should be given to efforts to attract the Secretariat of the Free Trade Agreement of the Americas to Miami, which could become the Brussels of the Western Hemisphere.*

- 3. Maintain the high level of state funding for international competitiveness programs and initiatives.** In 1998, the latest year for which comparative data are available, Enterprise Florida funded more than \$4.2 million in international trade development and investment attraction programs – more than all states except for California and Pennsylvania. This represented 22 percent of total EFI funding that year – the largest share among the nation's 50 lead state economic development organizations and well ahead of the national average of three percent, according to the National Association of State Development Agencies. Florida should maintain this high priority for international initiatives within the state budget.
- 4. Fully fund a unified “One Florida” marketing program.** To enhance Florida's image in global markets, the state's public and private leaders should fund a multi-year marketing program that builds off the successful “Visit Florida” and “e-florida” efforts. The \$1 million, one-time funding provided by the Legislature to Enterprise Florida in 2002 should be expanded to a three-year, \$12 million effort as originally proposed, with the expectation of a strong private sector match. This program should be reevaluated and expanded as necessary for the rest of the decade.
- 5. Mainstream international commerce into the traditional economic development community.** International trade, tourism, and investment appear to be a limited priority for many of the state's traditional economic development organizations and chambers of commerce, particularly in small to medium sized markets. The support of these groups is critical if a greater range of Florida's businesses and communities are to tap into the global market. Specific activities that should be undertaken to heighten the importance of international market expansion at the regional and local levels include the following:
  - Develop and expand performance measures for regional and local economic development organizations that give greater emphasis to international market expansion, such as foreign direct investment generated or number of new exporting businesses.
  - Continue the trade development grants and professional development activities sponsored by Enterprise Florida to build leadership capacity at the regional and local levels in international commerce. The Florida Economic Development Council should partner in future training programs for economic development professionals, and the Florida Chamber of Commerce and Florida Chamber Federation should support outreach to local chambers of commerce.
  - Expand membership of the Florida Trade Network to accommodate economic development organizations with a strong interest in and capacity to provide export assistance.
  - Build partnerships between economic development organizations and tourism development organizations to facilitate synergies between business and tourist marketing.

*International competitiveness must be pursued as a statewide priority cutting across agencies, rather than as a narrow focus on trade development.*

**6. Heighten the attention to international marketplace.**

Finally, steps should be taken at all levels to increase the attention that Florida's business, political, and media leaders give to the international market.

- Publish an annual report on international competitiveness under the leadership of the Florida Chamber Foundation. The annual report could be used as a benchmark to compare Florida's performance to other leading states and countries in international activity (e.g., foreign direct investment, exports, imports, foreign student enrollments, overseas visitors) and in the foundations that support international commerce (e.g., intellectual infrastructure, research and development, seaport and airport traffic, telecommunications, Internet access, computer usage, finance, and quality of life).
- Convene an annual summit on international competitiveness and related support services to discuss the annual report, current international business issues, and potential statewide and regional initiatives in support of a strong global business climate. The Florida Chamber Foundation should facilitate this summit in coordination with the Florida Chamber of Commerce Federation and other statewide and regional organizations.
- Develop programs to increase the awareness of Florida's business and government leaders of the potential of the international market, Florida's competitive strengths and weaknesses, and strategies for positioning the state for the next decade. The Florida Chamber of Commerce, Leadership Florida, and the Florida League of Cities should play a key role in generating these programs.

The international opportunities for Florida business are limited only by the imagination of its entrepreneurs, economic developers, and public officials. Coordinated actions today to position Florida for these opportunities can yield benefits for decades to come.

*The international opportunities for Florida business are limited only by the imagination of its entrepreneurs, economic developers, and public officials.*

## 5.1 Introduction

Florida is a thriving member of the global village. In 2000, Florida's merchandise exports, \$30 billion, accounted for 6 percent of the state's \$481 billion gross state product, while services exports were estimated at additional \$15 to \$20 billion. The value of imports entering the United States through Florida's seaports and airports amounted to some \$39 billion. Foreign investors, recognizing the economic opportunities available in Florida, had investments totaling \$37 billion in the state in 1999. Add to these figures the spending of over eight million foreign tourists arriving in Florida annually, estimated at \$18 billion per year, and it is clear that international trade, investment, and tourism form a pillar of the Florida economy.

### What Is Globalization?

Thomas Friedman, in his book, *The Lexus and the Olive Tree* describes the “three democratizations of technology, finance, and information” that have led to what today we call “globalization.”<sup>1</sup> The way we communicate, the way we invest, and the way in which we learn about the world has changed completely. Consider just a few of the changes sweeping the global economy:

- **Transportation and communications have expanded the geographical scope of business while broadening consumer choice.** Distances are shorter, time has shrunk and old-thinking about conducting international business has gone the way of the Pentium I computer chip. Companies that formerly sourced inputs locally to supply nearby markets now may sell their products throughout the world. Producers accustomed to sharing a large local market with only a few other businesses now may encounter fierce competition from companies based anywhere in the United States or on other continents. Labor increasingly flows freely as well, with the most sought-after class of creative workers settling in the most attractive places to live, rather than in proximity to production centers.
- **The traditional market square is becoming a global portal.** International trade and business transactions previously took place in the market square of a crossroads economy. Cultures met and mixed at the crossroads, ideas were exchanged, and new inventions were hatched. The crossroads provided the physical location for traders to sell to middlemen, for financiers to loan and collect actual money, for consumers to find high-quality, low-cost goods, and for innovators to display the newest inventions and discuss the latest ideas. The same activity in today's environment takes place faster, more efficiently and less expensively through an electronic portal. Exporting and importing have changed dramatically with the ubiquity of the Internet and

*Distances are shorter, time has shrunk and old-thinking about conducting international business has gone the way of the Pentium I computer chip.*

<sup>1</sup> Friedman, Thomas L., *The Lexus and the Olive Tree*, Anchor Books, April 2000, p. 45 forward.

the emergence of e-business. If the original development of the Internet was all about connectivity, the second wave of development is applying this connectivity to transact business, move information and goods, and communicate at a higher rate of speed than ever before in history.

- **Competition for foreign direct investment is significantly different than before.** The incorporation of developing nations into the world trading order, accomplished with the establishment of the World Trade Organization in 1994 as well as the continuing trend toward open trading economic development, have helped to redirect manufacturing investment into a myriad of foreign markets. One does not have to invest in the United States to do business here, and the same is true of most developed and developing markets today. Today, higher value-added investment – headquarters operations, portfolio investment, research and development, services and systems development – is the type of foreign direct investment that looks at markets like Florida as investment sites.

### ***What Is Florida's Global Position?***

International trade and tourism have been important aspects of Florida's economy for most of the 20th century, but in the past decade globalization has emerged as perhaps the state's key driver. While the state's citrus and phosphate industries have provided Florida with an international beachhead into foreign markets for decades, these traditional exports have been joined by more technology-intensive products as the Florida and world economies have evolved. Reliable, fast, and long-range passenger airplanes and cruise ships have made Florida accessible to visitors from all over the world. Already the melding point between the United States and Latin America, the opportunity exists for Florida to grow as a pivotal worldwide "crossroads economy," a global center for trade, tourism, and investment.

Florida can expand from the foundation it has established in Latin America. Geographic proximity, deep water seaports, and well-developed airports, combined with a legacy of cultural ties and business relationships with Latin America and the Caribbean have been critical drivers of the state's success, and Florida now controls a commanding share of United States trade with these regions. Florida has the potential to repeat this success with Africa, capitalizing on its geographic location as the closest U.S. state to that continent. As a centrally located business and logistics hub, Florida also can benefit from the increase in trade between Europe and South America.

Despite these successes, Florida has room to grow as a crossroads economy. Florida-origin exports account for 6.2 percent of gross state product (GSP), a smaller share than the nation and most key competitor states. It is estimated that as much as half of the merchandise exports and imports moving through Florida are neither consumed nor produced in the state; they are passing

*Reliable, fast, and long-range passenger airplanes and cruise ships have made Florida accessible to visitors from all over the world.*

through en route to other states or nations. Florida businesses have opportunities to add value to this merchandise through consolidation, repackaging, labeling, and final assembly. Similarly, Florida ranks seventh nationally as a recipient of foreign direct investment (FDI), and fourth for employment by foreign-affiliated firms. Still, FDI was equivalent to 8.3 percent of GSP in 1999, well behind the national average. Florida FDI is disproportionately concentrated in retail and real estate, rather than higher value-added industries such as manufacturing.

The international opportunities for Florida business are limited only by the imagination of the entrepreneurs, economic developers, and public officials. When considering international market expansion priorities, Floridians should remember that 80 percent of the world's consumption and 95 percent of the world's population is outside the United States border. Florida has a clear and present interest in maintaining its commercial and economic ties around the world, as well as expanding the global view of Florida as a place to work, live and play.

In today's faster, better, and cheaper competitive environment, Florida must upgrade its overall statewide strategy for developing international connections and business – ensuring that goods, services, ideas, and people are linked together in a single vision, an integrated international market expansion strategy. This report seeks to map out international market expansion opportunities, priorities, and strategies to seize the opportunities of today, while building a systematic approach to take advantage of the opportunities of tomorrow.

The chapter is organized in five sections, including this introduction. The remaining sections are:

- Section 5.2, *Study Approach and Methodology*, describes the quantitative and qualitative methods used in the study of Florida's global position and strategies;
- Section 5.3, *Florida's Global Position Today*, analyzes key indicators on the performance of Florida's international sectors;
- Section 5.4, *Florida's International Programs Today*, presents an overview of existing international trade, investment, and tourism programs in Florida;
- Section 5.5, *Priorities and Strategies*, identifies major priorities and strategies for strengthening Florida's global climate over the next decade;
- Section 5.6, *Implementation Plan*, outlines high-priority strategies for early action by Florida's business and government leaders;
- Appendix A, *A Snapshot of Florida's International Portfolio*, provides a detailed profile of Florida's existing global trade, investment, and tourism activity;

*80 percent of the world's consumption and 95 percent of the world's population is outside the United States border.*

*HOW DOES THE CROSSROADS ECONOMY FIT INTO NEW CORNERSTONE?*

For Florida, the 1990s were a period of *robust job and population growth* – nearly 2 million new jobs – but *limited income development*. Per capita personal income – the single most basic measure of a region's economic development – increased at a slower rate than the national average during the last 10 years, pushing Florida residents from almost three percent above to nearly five percent below the national per capita income level.

Florida faces two major options at the dawn of the 21st century. One option is to continue the path the state has followed for the past several decades: attracting tourists, retirees, and service-sector businesses, and competing on the basis of its climate, location, and low cost of living. These competitive factors are likely to ensure continued economic growth for the state, but, as during the past few decades, this growth would occur without major improvements in the quality of the state's jobs or the incomes of the state's workers. A second option is for Florida to redouble its efforts to compete as a location for high value-added production and services, through not only attracting new business investment but also nurturing home-grown businesses and selling its goods and services to a broader global market. If successful, Florida would realize a vital cycle of rising productivity and income levels; a period of both growth and development.

This vital cycle is possible for Florida – but only if Florida addresses gaps in its basic economic foundations. The state faces five major challenges over the next decade:

- Creating the intellectual infrastructure – the education system, research capacity, and workforce – to compete in the 21st century economy;
- Incubating, growing, and sustaining emerging businesses and entrepreneurs in high value-added industries;
- Growing Florida's role as a international crossroads for trade, tourism, and investment;
- Sustaining creative communities during a period of continued growth yet constrained social and natural resources; and
- Creating an environment of growth and opportunity for the diverse population of Florida.

Positioning Florida in the global economy is a critical strategy for success over the next decade, but it cannot occur in isolation. To the contrary, there are important linkages between all of these challenge areas. The quality of Florida's workforce, the entrepreneurial success of its businesses, the vitality of its communities, and the diversity of its population are critical elements of the state's global competitiveness. As is often said, the best strategy for improving Florida's position in global markets is to strengthen the state's competitiveness in domestic markets – a strong domestic economy begets a strong global economy, creating prosperity and wealth for all businesses and workers.

- Appendix B, *Florida's Next-Frontier Markets*, provides an overview of Florida's opportunities in three next-frontier international markets – China, Africa, and Cuba;
- Appendix C, *Methods for Measuring Florida's Exports and Imports*, provides additional detail on data sources and methodologies;

- Appendix D, *Florida and United States Exports by Industry*, provides detailed tables describing Florida's exports to world markets; and
- Appendix E, *Composite International Ranking*, describes the methodology used to rank Florida's international partners.

## 5.2 Study Approach and Methodology

This chapter looks at ways to create an integrated strategy for international market expansion, and therefore examines existing conditions and recommendations that look at the whole of Florida's global market, rather than its parts. To help paint this picture, the analysis takes the perspective of Florida's international portfolio. It reviews the impact of exports of goods and services, imports, foreign direct investment, and international visitors on the Florida economy. This view of Florida and the corresponding strategies for international market expansion is inclusive, collaborative, and an extension of what exists today.

The research conducted for this study involved both qualitative and quantitative approaches.

**Quantitative Data** – Data were collected and analyzed to measure Florida's performance and potential in international markets from the perspective of international trade (exports and imports), foreign direct investment, and international tourism. The U.S. Bureau of the Census is the primary source for export data, producing two distinct tabulations of export data, the Exporter Location Series and the Origin of Movement Series. In collaboration with the U.S. Customs Service, the Census Bureau also collects data on the value of goods exported through customs districts and their assigned ports. All three of these export data series are considered in this report (see Appendix C for an explanation of the differences between these series and Appendix D for summary tables). Data research and analysis was carried out in collaboration with the Center for Economic Development Research of the University of South Florida.

**Research Literature and Reports** – Existing research in the fields of international economic development, information technology, and other relevant studies and publications was reviewed. This included approaches to international economic development being pursued by other regions as well as current Florida efforts. Throughout the study, case studies were developed to illustrate best practices in Florida and around the world.

**Presentations, Meetings, and Interviews** – During a year-long period, the research team engaged in substantial outreach efforts throughout Florida to gather opinions on the types of challenges faced by economic developers, businesses, universities, and state agencies, as well as potential strategies to promote international economic development. Presentations and discussion groups were held at statewide meetings hosted by the Florida Chamber of

*Florida's international portfolio includes exports of goods and services, imports, foreign direct investment, and international visitors.*

Commerce, Enterprise Florida, and the Florida League of Cities. Regional discussions were held in Jacksonville, Miami, Orlando, Sarasota, Tallahassee, and Tampa. In addition to the discussion groups, presentations and meetings, one-on-one interviews with public officials, economic development professionals, and local entrepreneurs were performed in the Fort Lauderdale, Fort Myers, Jacksonville, Miami, Orlando, Palm Beach, Tallahassee, and Tampa areas. Nationally, telephone interviews were held with economic development professionals in California, Texas, North Carolina, Louisiana and Washington. Internationally, economic developers from Japan, Mexico, the Netherlands, Germany, Ghana, South Africa and the United Kingdom were interviewed during visits to Florida or via telephone.

### **5.3 Florida in the International Marketplace**

Florida's overall international competitiveness is a reflection of several factors, some more quantifiable than others. Measurable aspects of Florida's success in the international economy include exports, imports, foreign direct investment, and tourism. Florida's performance in these measures exemplifies Florida's position within the global economy and, given the growth of international trade and investment, also provides insight on the state's overall economic health. This section profiles Florida's existing global trade, investment, and tourism activity and identifies key strengths, opportunities, and issues for the state. Further documentation of this analysis are provided in Appendix A.

#### ***International Commerce and the Florida Economy***

International commerce is a critical driver of Florida's economy. In 2000, Florida's merchandise exports, \$30 billion, accounted for 6.2 percent of the state's \$481 billion gross state product (GSP), while services exports were estimated at additional \$15 to \$20 billion. The value of imports entering the United States through Florida's seaports and airports amounted to some \$39 billion. Foreign investors, recognizing the economic opportunities available in Florida, had investments totaling \$37 billion in the state in 1999 and \$12 billion in payroll. Add to these figures the spending of over eight million foreign tourists arriving in Florida annually, estimated at \$18 billion per year, and over one-quarter of the Florida economy is involved in some aspect of global commerce.

Although economic uncertainties in Latin America may reduce short-term growth, these markets are expected to resume a growth trend over the next 10 years (Figure 1). As Florida's primary markets expand, the state will benefit from increased trade, tourism, and investment.

*Over one-quarter of the Florida economy is involved in some aspect of global commerce.*

*FLORIDA'S GLOBAL POSITION: STRENGTH*

**Size of Market**

- Now approaching \$500 billion per year, Florida's gross state product recently surpassed Illinois' to become the fourth largest among the 50 states. If Florida was a separate nation, it would have the 17th largest economy in the world – larger than Australia's.
- With over 16 million people, Florida is the fourth most populous state in the country.
- Florida is the fifth largest state in terms of high-technology employment.
- Florida has 400,000 business establishments, including 17,000 manufacturers.

**Strategic Location**

- Florida offers a strategic location in the Americas for north-south trade and a strong transshipment location for Asian and European trade with the Americas.

**Infrastructure**

- Florida's 12 international airports and 14 deepwater seaports handled \$71.6 billion in imports and exports in 2001.
- Florida airports handled over 19 million international passengers and served 60 international destinations with scheduled non-stop flights.
- A total of 14 Foreign Trade Zones (FTZs) are located in Florida.

**Commercial, Cultural, and Institutional Ties to International Markets**

- Florida has longstanding ties to Latin American markets which are projected to be among the world's fastest-growing regions. The state's ties to Latin American and world markets include:
  - 76 international financial institutions;
  - 92 foreign consulates located in Florida (the third largest consular corps in the United States);
  - 12 foreign representation offices operated by Florida in strategic markets and regions;
  - \$37 billion in foreign direct investment;
  - 1,560 affiliates of foreign-owned companies employing 286,000 Floridians;
  - 8 million overseas visitors annually;
  - A culturally diverse population speaking over 90 world languages; and
  - 2.7 million foreign-born residents (17 percent of the state's population).

**Business Climate and Resources**

- Florida's higher education system includes several nationally ranked universities and research institutions, along with a strong network of community colleges and technical institutes.
- Corporate tax rates are below those of most competitor states.
- The state's network of regional and local economic development and trade organizations is strong and growing.

*OPPORTUNITIES***Diversify Export Markets**

- While Florida is very strong in exports to Central America, South America, and the Caribbean, the state accounts for much lower shares of United States exports to such key markets as Mexico, Asia, and Europe. Florida's dependence on trade with South America and the Caribbean magnifies the state's exposure to economic cycles in those regions, and Florida's leadership role in United States trade with these markets may erode due to growing competition from other states. By developing closer relationships with major import partners in Europe and Asia, Florida could diversify its markets and spur significant growth in international trade.

**Encourage Existing Businesses to Market Overseas**

- It is estimated that 20,000 to 30,000 of the state's manufacturers and service firms are "export-ready," but not currently participating in the international market. Educating Florida's businesses and citizens on the importance of the international marketplace to their economic futures would help fulfill the economic opportunities afforded by global trade.

**Enhance Foreign Direct Investment**

- Although foreign direct investment in Florida demonstrated healthy growth during the 1990s, the state's share of the United States total remains disproportionately small relative to the size of its population and economy. Foreign direct investment also remains disproportionately focused in real estate and retail activities, rather than in higher value-added manufacturing or technology firms.

*ISSUES***Infrastructure Investments to Maintain Competitiveness**

- Capacity constraints at major seaports and airports, a concern in Florida as well as throughout much of the nation, limit the state's ability to absorb growth in international trade and tourism. Merchandise trade and visitors that are not able to move conveniently through Florida's gateway facilities may shift to competing facilities in other states. Significant investment is necessary in Florida's transportation infrastructure to increase capacity at key international gateways and trade corridors and link individual parts of the system together into an efficient statewide intermodal transportation network.

**Improve Global Business Image**

- Florida's global image for business remains weak. The state's strong international name recognition, closely associated with tourism, citrus, and retirement, has not yet translated into a stronger perception of Florida as a leading location to conduct other types of businesses.

**Strengthen Intellectual and Financial Foundations to Attract Investment**

- A combination of a skilled and innovative workforce, active research and development activity, and accessible financial capital are required to attract the advanced operating units of foreign companies to Florida. While offering substantial advantages, Florida must strengthen these key foundations of the 21st century economy.

## Florida Exports

Exports are a key indicator of a state's or a country's economic ties to foreign markets. Overall, Florida exports are robust, having grown rapidly in the 1990s. Florida's exports reached \$30 billion in 2000, the seventh highest total among the 50 states (see Table 1). Between 1992 and 2000, Florida's exports grew from \$18.7 billion to \$30.0 billion, a growth rate of about 60 percent.<sup>2</sup> Although this increase was substantial, several other large states, including Texas, Illinois, and Indiana, grew at even faster rates. In general, the states that experienced the strongest export growth during the 1990s were located either on the border with Mexico, or in the Midwestern automotive belt next to Canada, and therefore likely to be the most direct beneficiaries of the North American Free Trade Agreement (NAFTA).

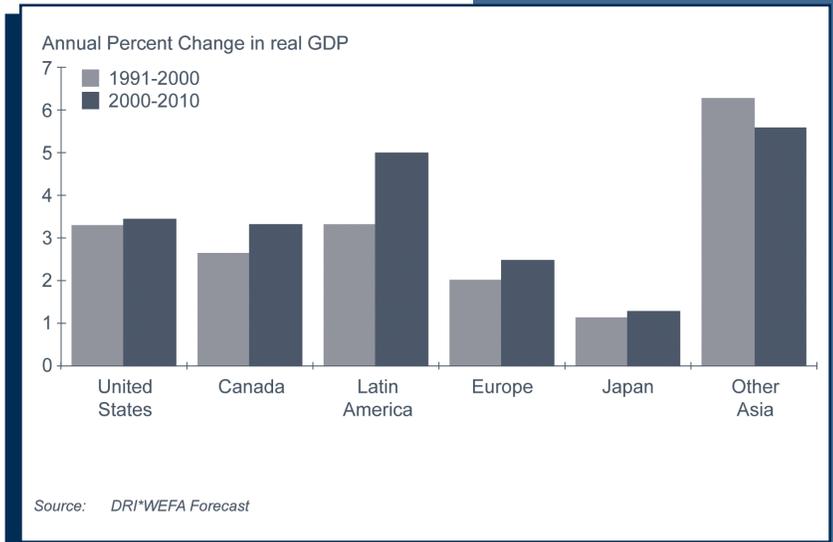


FIGURE 1. ECONOMIC GROWTH IN KEY MARKETS WILL SUPPORT EXPANSION OF FLORIDA TRADE

TABLE 1. TOP EXPORTING STATES, 1992-2000 (IN BILLIONS OF DOLLARS)

Top 15 States	1992	2000	Percent Change
California	68.9	129.7	88.3%
Texas	49.9	112.4	125.2%
New York	29.4	46.7	59.0%
Michigan	22.5	36.2	60.9%
Washington	30.6	34.0	11.1%
Illinois	17.6	33.7	91.4%
<b>Florida</b>	<b>18.7</b>	<b>30.0</b>	<b>59.8%</b>
Ohio	18.3	28.2	53.8%
Massachusetts	12.2	22.1	81.5%
Pennsylvania	12.1	20.6	70.4%
New Jersey	11.1	20.2	81.3%
North Carolina	11.9	19.4	62.3%
Louisiana	17.0	18.1	6.9%
Indiana	6.8	16.5	141.7%
Georgia	9.0	16.2	79.7%
<b>United States</b>	<b>447.5</b>	<b>780.4</b>	<b>74.4%</b>

Source: Massachusetts Institute of Social and Economic Research, Origin of Movement Series; data include MISER allocations for exports not attributable to a particular state.

<sup>2</sup> Due to a change in how merchandise exports were tabulated in 2001, direct comparisons with early 1990s data (to draw a trend) are imprecise. For compatibility with earlier years (i.e., 1992), the data used in this study go through 2000. Short-term trends using a consistent data set, show a 2.4 percent (\$600 million) increase for 2000-2001. However, Florida's exports, along with the nation's, were in decline through the first half of 2002.

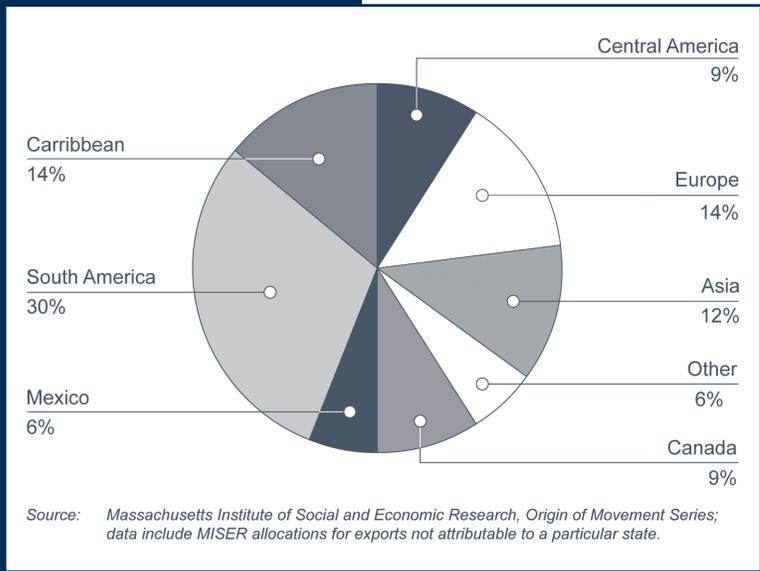
Although Florida ranks highly among the states based on the overall value of exports, the state's "export intensity" (the ratio of total exports to GSP) is below the national average. Florida's exports equaled 6.2 percent of GSP in 2000, while overall United States exports accounted for 7.8 percent of United States gross domestic product (GDP). Several competitor states, including Texas and California, have much higher export intensities than Florida. Florida's relatively small manufacturing sector (Florida is the fourth-largest state but ranks only 11th in manufacturing employment nationwide) explains, at least in part, the state's low export intensity because manufactured goods account for the large majority of United States merchandise exports.

While the state's manufacturing-dominated merchandise exports are relatively low compared to the nation's, existing sources of export data tend to undercount one of Florida's greatest strengths – services. The services sector includes a wide range of industries including education, health care, software development, and film production. These services are in demand overseas and are "exported" in the form of fees for services rather than as a material good (the type of export that typically is measured). Because the large services sector of the Florida economy is uncounted in the export data, *total* Florida exports (which would include both merchandise *and* services exports) may be understated to a larger degree than exports from many other states (see discussion of Florida services exports in Appendix A). A study conducted by the Florida International University estimated that services exports generated between \$14.5 and \$20.1 billion in revenues in 2000.

**Florida Exports by Market**

Florida's reputation as the "Gateway of the Americas" is well-deserved. Florida ranks first among the states in exports to South America, the Caribbean, and Central America. Florida is the top exporting state to most countries in Latin America, with the notable exception of Mexico. Latin American countries including Brazil, Mexico, the Dominican Republic, Venezuela, Colombia, Argentina, and Chile each rank among Florida's top 10 export markets. Including Canada, Florida's second-largest export partner following Brazil, the Americas account for over two-thirds of total Florida exports (Figure 2).

Florida's export profile is significantly different from the nation's as a whole. Florida does not rank among the top 10 states exporting to Canada, Mexico, and Japan, the nation's three largest trading partners. The expansion of exports to large and established United States trading partners represents an opportunity for Florida. Canada is the nation's largest export market and is a key market for Florida exports, but 16 U.S. states export more goods to Canada



**FIGURE 2. LATIN AMERICA IS FLORIDA'S KEY EXPORT MARKET**

than Florida. A total of 13 states export more to Mexico, Florida's closest major export market geographically, and 10 export more to Japan. In most of the remaining large United States export markets, Florida generally ranks between 11th and 17th. Clearly, Florida is most competitive in Caribbean, Central American, and South American exports.

The concentration of Florida exports in the Western Hemisphere is graphically demonstrated by a world map depicting the state's top export markets by dollar volume (Figure 3). Nevertheless, it is evident that the state is conducting significant trade with three other major continents (Europe, Asia, and Australia). Still, there is potential for Florida to make further gains in markets where United States exports are already strong.

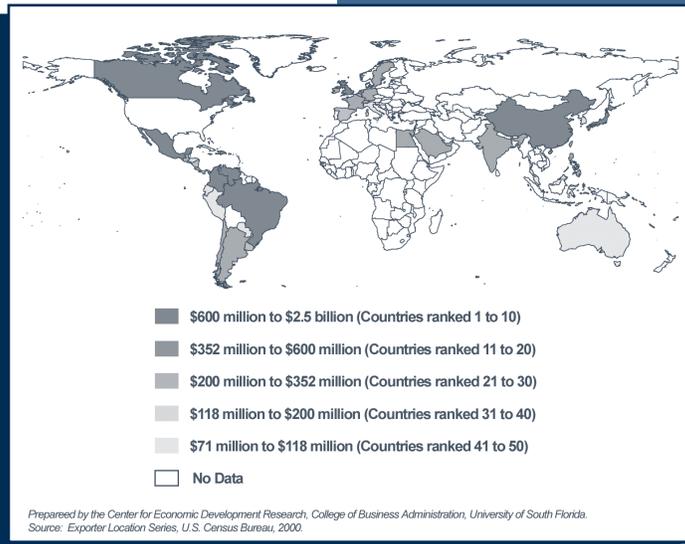


FIGURE 3. FLORIDA EXPORT MARKETS, 2000

### Florida Exports by Industry

Five industries account for nearly 70 percent of Florida's exports: industrial machinery (including computers), electronics, transportation equipment, chemicals, and instruments. The transportation equipment sector includes aerospace and boatbuilding as well as motor vehicles and parts. The chemicals sector includes phosphate-based fertilizers as well as pharmaceutical goods. Other leading Florida exports include apparel, food products, and paper.

Between 1992 and 2000, Florida's export growth was led by three industries closely associated with technology – industrial machinery, electronics, and instruments (Figure 4). Combined, these three industries accounted for almost 70 percent of Florida's net increase in exports during the 1992 to 2000 period, underscoring the importance of emerging technologies and advanced products as a pillar of Florida's export growth. Future export growth, at least in part, will be a function of the relative competitiveness of these industries in Florida.

A comparison of Florida and United States exports by industry to leading trading partners highlights the state's relative strength in Latin American exports. Small Latin American markets (e.g., Paraguay, Honduras, and Ecuador) frequently included as top 10 markets for Florida exports by industry generally are not leading destinations for United States exports in the same industries. At the same time, Florida's share of national exports by industry fails to reach one percent of the United States total to many of the top European and Asian export markets.

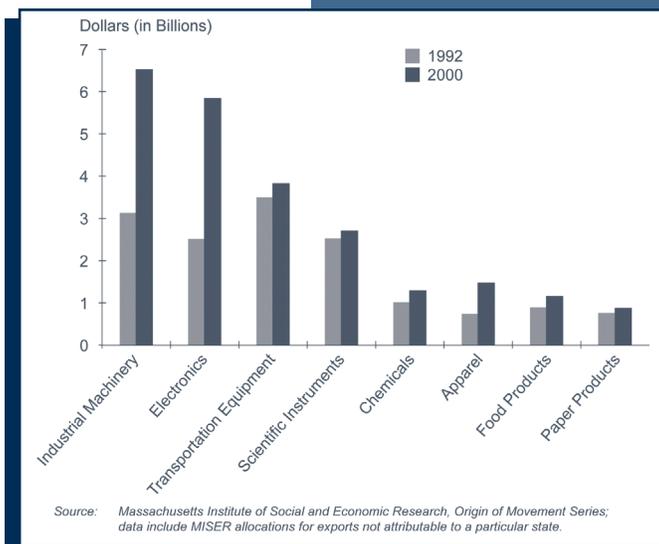
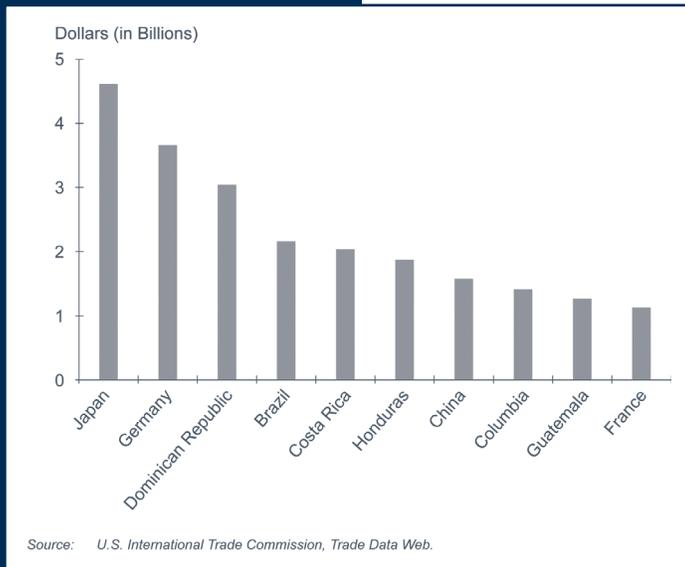


FIGURE 4. FLORIDA'S TOP EXPORT INDUSTRIES, 1992-2000



**FIGURE 5. FLORIDA IMPORTS – TOP 10 COUNTRIES OF ORIGIN**

Among services industries, education and health care stand out as large contributors. Foreign students are a critical component of graduate education in the United States, and they bring important educational, economic, and cultural benefits to colleges, universities, and communities across the country. Foreign students represent an over \$500 million export value to the state of Florida, and make higher education institutions an integral component of Florida's international ties – academic, social, and economic (see additional discussion in Appendix A).

### **Florida Imports: Completing the Circle of Trade**

Imports play a critical role in the United States and Florida economies by supplying key inputs used in the manufacturing process, increasing competition and reducing price pressures, and providing a wider selection of consumer products. The leading industries and countries of origin for Florida imports are somewhat similar to the state's top export industries and export markets.<sup>3</sup> Florida shows strengths, again, in trade with Latin America while also recording large volumes of imports from leading United States trade partners, such as Japan and Germany (Figure 5). Total imports entering Florida in 2000 were valued at \$39.4 billion.

Transportation equipment is the largest industry sector for imports, accounting for 28 percent of all Florida imports. Over \$11 billion, or 5.5 percent of all United States imports of transportation equipment entered the country through Florida in 2000. The majority of transportation equipment was imported from Japan, Germany, and Brazil. Because transportation equipment comprises such a large percentage of Florida imports, the top three countries of origin for transportation equipment are also the top three origin countries for overall Florida imports.

The second-largest import industry, apparel and related products, accounts for nearly 20 percent of total import value. These imports come primarily from Latin America. The Dominican Republic, Honduras, Guatemala, El Salvador, Costa Rica, Colombia, Haiti, Nicaragua, Peru and Jamaica, combined, account for 90 percent of total Florida imports of apparel. Florida's location, shipping routes, and historic trade relationships with the Caribbean and Latin America provide a comparative advantage for importing apparel. In fact, 11.4 percent of all apparel and related products imported into the United States enters the country through Florida.

<sup>3</sup> Note that the export analysis in the previous section, based on "origin of movement" and "exporter location" trade data, is not directly comparable to the import data discussed in this section, which are based on the value of goods handled at the customs district level. While the two export series attempt to tie Florida businesses and producers with the state's exports, the import data only indicate that a good has entered the United States through a Florida seaport or airport. The import data do not indicate the ultimate destination of these goods.

Florida firms offer services such as freight consolidation, transportation, finance, and insurance to expedite the flow of apparel and other imports into the United States.

Extensive trade ties offer Florida businesses a conduit to expand and diversify trade to other products as well as to expand Florida sales to major exporting countries. The top countries of origin for Florida imports demonstrate the diversity of Florida's import markets (Figure 6). With relationships established through transportation and business ties, many of Florida's strongest import partners can be targets for increased two-way trade.

Florida's import strengths draw from its strategic location between Caribbean, Central American, and South American countries and the mass of the United States economy. Florida's seaports, airports, railways, and highways are gateways for importing goods and then redistributing them throughout the United States. The state's geographical advantages and transportation systems position Florida well for future trade growth.

### Total Florida Trade

Florida's leading trade partners represent a combination of large world economies (e.g., Japan, Germany, and the United Kingdom) and major Latin American countries with which Florida traditionally has held strong economic ties (e.g., Dominican Republic, Costa Rica, and Venezuela). Countries such as Brazil and Mexico straddle both categories. Opportunities exist to increase Florida exports to these markets by helping the state's businesses leverage existing trade relationships into more sales.

Mexico, in particular, is physically close to Florida. While many Mexican goods are produced in factories on the United States-Mexico border and then distributed across the United States via inland gateways such as Laredo, El Paso, and San Diego, there is an opportunity for Florida to serve as a gateway for goods produced elsewhere in Mexico. Florida's seaports and airports provide excellent access to the East and Midwest United States for goods produced in interior Mexico, the country's traditional economic heartland. Building a new "NAFTA Superhighway" based on marine shipments across the Gulf of Mexico rather than rail and truck shipments across the Rio Grande would be a key strategy for Florida's competitiveness, economic development, and job creation.

Certain industries are especially significant to Florida's international trade (exports and imports combined). The top industries include transportation equipment, apparel, electronics, industrial machinery, and agricultural products. State officials and economic development professionals should be aware of these industries' importance to Florida trade and establish strategies to capitalize

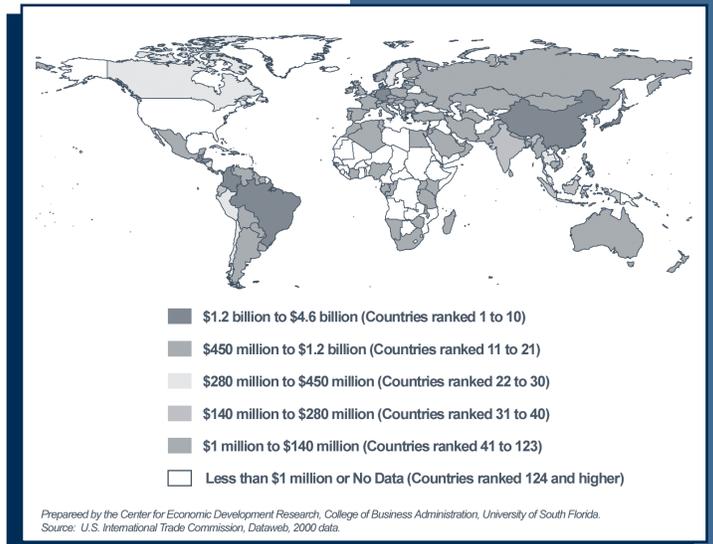


FIGURE 6. FLORIDA IMPORTS – COUNTRIES OF ORIGIN

on these trade ties. As an example, trade synergies and other factors combined to attract Embraer, the world's fourth largest passenger jet manufacturer with headquarters outside São Paulo, to locate an engineering facility in Palm Beach Gardens. This success leveraged Florida's strengths in overall trade with Brazil, notably in transportation equipment, and the presence of a technically advanced aerospace industry in the state.

### **Foreign Direct Investment**

The total value of property, plants, and equipment owned by foreign businesses and individuals in Florida reached \$36.6 billion in 1999, the most recent year for which data are available.<sup>4</sup> Payroll at foreign-owned firms in the state totaled \$12 billion in 1999. These foreign affiliates employed 286,000 Floridians in 1999, accounting for about four percent of all jobs.

Foreign direct investment (FDI) is an important component of international commerce and economic development for several reasons. Foreign firms, like domestic companies, seek to expand their markets and increase revenues and profitability. The decision by a foreign company to expand either through expansion or acquisition may be based on several goals, including: improve service to a local or regional market; take advantage of lower-cost inputs; access new technologies; diversify assets; and participate in expanding markets.

Offering the potential for new jobs, new technologies, and higher incomes, the competition for FDI between states as well as between countries has become intense. Nations and regions throughout the world are engaged in aggressive marketing, research, and relationship-building for a share of the investments being made by overseas companies. This competition is a consequence of the benefits that FDI brings to an economy. The ability to attract FDI is a reflection of Florida's overall international competitiveness.

As evidenced by its national standing and robust growth during the 1990s, Florida is a competitive place for foreign firms to invest. Florida ranks seventh among the states for total FDI. Florida's growth in FDI exceeded the national average and most other leading states during the 1990s, increasing from \$18.7 billion in 1990 to \$36.6 billion in 1999 (see Table 2). Despite this growth, Florida accounted for only 3.4 percent of FDI in the United States in 1999, a disproportionately small share compared to the state's economic size.

*Florida's growth in foreign direct investment exceeded the national average and most other leading states during the 1990s.*

<sup>4</sup> The FDI figures included in this report represent the value of foreign-owned investments in Florida as of 1999. The values represent years of cumulative investment by foreign entities, not the amount of new investment for a given year.

**TABLE 2. FLORIDA IS A LEADING STATE FOR FDI GROWTH (IN BILLIONS OF DOLLARS)**

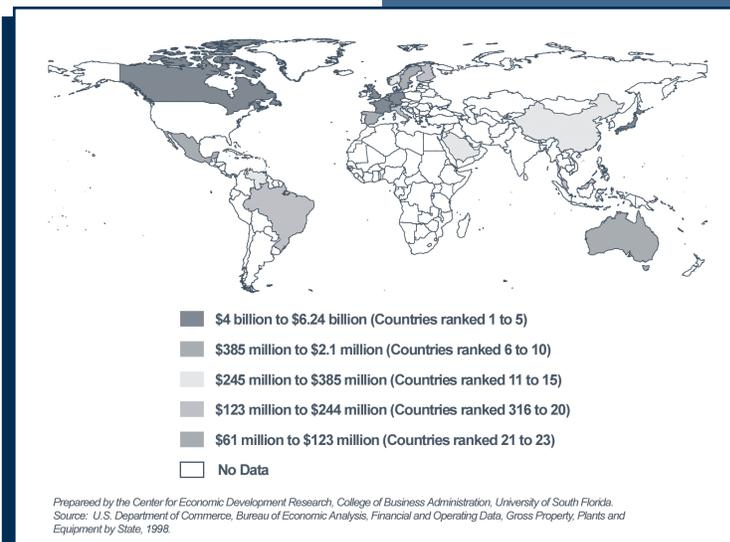
	1990	1999	Percent Change
California	75.8	115.6	53%
Texas	57.1	96.6	69%
New York	36.4	63.1	73%
Illinois	23.4	45.3	93%
Michigan	12.0	42.0	249%
Ohio	20.5	38.8	89%
<b>Florida</b>	<b>18.7</b>	<b>36.6</b>	<b>96%</b>
New Jersey	18.6	35.4	90%
Pennsylvania	16.6	34.1	105%
Louisiana	17.4	31.9	83%
<b>United States</b>	<b>578.4</b>	<b>1,069.2</b>	<b>85%</b>

Source: Bureau of Economic Analysis, value of gross property, plants, and equipment of foreign-owned affiliates.

As in the United States, European countries account for the majority of FDI in Florida (Figure 7). Europe's investment in Florida, \$22.1 billion in 1999, comes primarily from four major investor countries: France, Germany, the United Kingdom, and the Netherlands. In fact, France has invested more in Florida, \$6.9 billion, than any other country. Following France, Florida's second largest investor country is Canada, which accounted for 16.1 percent (\$5.9 billion) of all FDI in Florida in 1999. Asian and Pacific countries, mostly Japan and Australia, accounted for 14.2 percent of the state total. Although Latin American countries comprise just over four percent of FDI in the United States, they account for a much larger share, 7.4 percent, of total foreign investments in Florida. Venezuela and Brazil are the top Latin American investors in Florida – indeed, over one-quarter of Brazilian fixed assets in the United States are in Florida.

While Florida's exports and imports are heavily weighted towards Latin America, FDI in the state is generally similar to national patterns. Although the United States garners a larger share of FDI from Asia and a smaller percentage from Latin America than Florida, the same large investor countries (United Kingdom, France, Germany, the Netherlands, Canada, and Japan) comprise the majority of FDI in both the state and the nation. Thus, while Florida depends heavily on Latin American and Caribbean countries for export markets and imports, it is more reliant on other Europe, Canada, and Asia for FDI.

Much of Florida's foreign direct investment is in manufacturing and a wide variety of service industries – health care, education,



**FIGURE 7. SOURCES OF FOREIGN DIRECT INVESTMENT IN FLORIDA**

and tourism (Table 3). Foreign investments in the state's industries reflect Florida's relative economic strengths (e.g., tourism, retail, data processing) compared to other states in the nation.

**TABLE 3. FOREIGN DIRECT INVESTMENT BY INDUSTRY IN FLORIDA AND THE UNITED STATES, 1999 (IN BILLIONS OF DOLLARS)**

Industry	Florida	U.S. Total	Florida as a Percent of U.S. Total
Manufacturing	9.7	540.8	1.8%
Other Industries (Health Care, Education, Tourism)	7.7	147.1	5.2%*
Real Estate and Renting and Leasing	6.5	108.5	6.0%*
Information	6.0	77.8	7.7%*
Wholesale Trade	3.7	99.3	3.7%
Retail Trade	2.1	37.7	5.6%*
Finance and Insurance	0.8	51.9	1.5%
Professional, Scientific, and Technical Services	0.1	6.1	1.3%
<b>Totals, Florida and the United States</b>	<b>36.6</b>	<b>1,069.2</b>	<b>3.4%</b>

Source: Bureau of Economic Analysis.

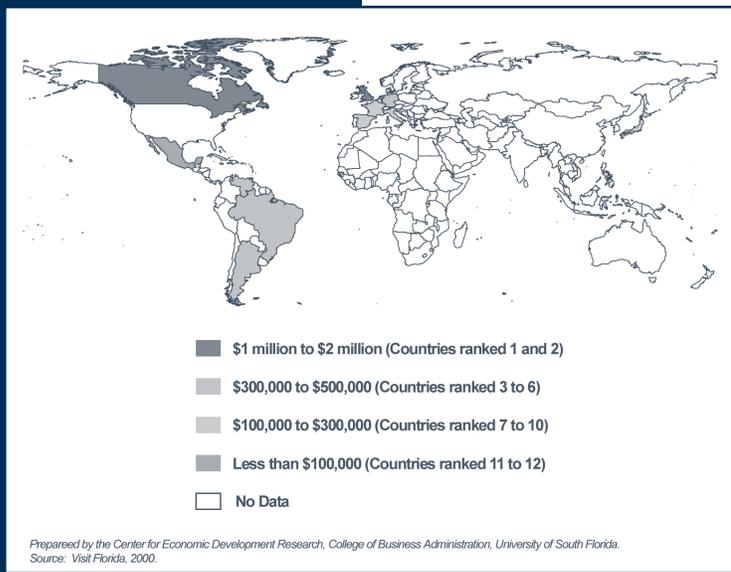
\* Indicates industries with relative concentrations of foreign investment in Florida.

### Visitors

Florida is renowned worldwide for its recreational and cultural attractions. With millions of foreign tourists traveling to the state every year, tourism comprises a key contribution to Florida's international competitiveness. According to the U.S. Department of Commerce's International Trade Administration, "international travel to the United States is an export just like the sale of our agricultural products, automobiles, or consumer goods and that strength plays over into our GDP."<sup>6</sup> Foreign tourism injects the

Florida economy with an estimated \$18 billion in spending annually. In addition, by creating an interface between Florida and foreign residents (many of whom are business owners or business executives), tourism helps create opportunities for exports, imports, and FDI. As a major tourism state, Florida is well-positioned to capitalize on the magnitude and variety of foreign visitors that have made the state a leading global destination.

Florida is the second most popular destination, following California, for overseas visitors to the United States (Table 4).<sup>7</sup> Over six million international visitors arrived by air in Florida in 2000, according to the International Trade Administration. These



**FIGURE 8. ORIGINS OF INTERNATIONAL TOURISTS TO FLORIDA**

6 Doggett, Leslie R., Former Deputy Assistant Secretary for Tourism industries, International Trade Administration, Department of Commerce, <http://tinet.ita.doc.gov/about/index.html>.

7 According to figures that tabulate all foreign visitors to the United States, excluding those from Canada and Mexico.

totals exclude visitors from Canada and Mexico. Estimates developed by Visit Florida and Statistics Canada indicate that two million Canadians visited Florida in 2000, making Canada the largest country of origin for international tourists in Florida (Table 5 and Figure 8).

**TABLE 4. OVERSEAS VISITORS TO THE UNITED STATES, LEADING STATES, 2000**

State	Visitation (in thousands)	Market Share
California	6,364	24.5%
<b>Florida</b>	<b>6,026</b>	<b>23.2%</b>
New York	5,922	22.8%
Hawaii	2,727	10.5%
Nevada	2,364	9.1%
Massachusetts	1,429	5.5%
Illinois	1,377	5.3%
Guam	1,325	5.1%
Texas	1,169	4.5%
New Jersey	909	3.5%

Source: U.S. Department of Commerce, International Trade Administration.

Notes: Data exclude Canada and Mexico; market share figures do not sum to 100 due to travelers visiting multiple states.

**TABLE 5. ORIGINS OF FOREIGN VISITORS TO FLORIDA, 2000**

Country	Visitors (person trips, in thousands)
Canada	1,977
United Kingdom	1,651
Venezuela	451
Brazil	365
Argentina	338
Germany	325
France	160
Italy	151
Japan	147
Spain	101

Sources: Visit Florida, U.S. Department of Commerce, and Statistics Canada.

The tourism industry is important to the Florida economy both directly (because it generates business sales, tax receipts, and jobs) and indirectly (for its potential role in increasing trade and attracting FDI). A significant part of the state's employment, income, and revenues depend on the continuing flow of international visitors. With such a solid foundation in international tourism, opportunities should be explored to expand this advantage to other facets of international commerce, including exports and FDI. Synergies may exist to more closely integrate export promotion and international business recruitment with tourism marketing.

## 5.4 Florida's International Programs Today

Florida's public and private organizations made significant strides in positioning Florida in the global market over the past decade. Many of the policy recommendations framed by the *International Cornerstone Florida* study completed in 1997 have spawned successful new programs, including the Florida Trade Network and the Team Florida partnership. These and other efforts such as the Florida Services Network have put Florida in a better position to identify and capitalize on significant international opportunities that will benefit the state's companies, institutions, and citizens.

However, even as Florida's international programs gain national recognition for their innovation and effectiveness, the state must maintain focus and continue to bolster these initiatives. This can be facilitated by ensuring that the state's leaders, businesses, and populace have a clear understanding about the linkages between international commerce and the continued growth and prosperity of the Florida economy. The state's international programs are the vehicles that create awareness and make international opportunities available to more Floridians.

This section profiles Florida's primary international programs operated by state agencies and public-private organizations. The programs are designed to support key elements of the state's international competitiveness, ranging from trade promotion and business networking to tourist information. As a group, the programs cover most aspects of the state's international portfolio and provide the institutional structure that can support an integrated international strategy.

The international programs of five statewide organizations are described: Enterprise Florida, the Executive Office of the Governor, the Florida Department of Agriculture and Consumer Services, the Florida Department of Citrus, and the Florida Tourism Industry Marketing Corporation. Regional international programs generally emanate from and link to these state programs.

Underlining the importance of establishing personal relationships with businesses worldwide as a stepping stone to increased commerce and investment, a profile of Florida's initiatives relating to the U.S. Department of Commerce's International Visitors Program is presented. In recognition of the significant contribution of services to international trade, a profile of the Florida Services Network, a program designed to foster ties between Florida service providers and companies worldwide, is included. The importance of international networks to foster ties and trade is further underlined in a description of the World Trade Centers of Florida. Finally, major regional initiatives are noted.

*Even as Florida's international programs gain national recognition for their innovation and effectiveness, the state must maintain focus and continue to bolster these initiatives.*

## **Enterprise Florida: International Business Development Programs**

Enterprise Florida, Inc., a public-private partnership, is the principal economic development organization for the state of Florida. Its mission is to increase economic opportunities for all Floridians by supporting the creation of quality jobs, a well-trained workforce, and globally competitive businesses. It pursues this mission in cooperation with its statewide network of economic development partners. International business development is one aspect of Enterprise Florida's mission and programs.

Enterprise Florida expended nearly \$4.8 million in FY 2000–2001 on international business-related programs. EFI's International Trade and Business Development (ITBD) division is pursuing a strategy that includes the following:

- Helping existing Florida businesses with limited or no product export experience expand their revenues and profits through international sales;
- Building a network of service providers that focuses on expanding international sales for Florida businesses;
- Encouraging Florida business leaders to pursue international trade and foreign direct investment opportunities;
- Promoting Florida as a strategic location for international business expansion; and
- Identifying and implementing strategies to diversify international investment in Florida and establish Florida as the primary international business site for access to Western markets. As part of this effort the ITBD division is concentrating significant resources to expand marketing efforts in the mature markets of Europe and the NAFTA region (Canada and Mexico).

The ITBD division pursues 10 distinct programs or missions. These are:

- **Export Counseling** – Helps Florida companies with all aspects of the export process, including export preparation, market identification and research, and payment methods and financing. EFI maintains seven professionally staffed field offices statewide.
- **Florida Trade Network** – Helps Florida companies gain access to the export development programs and services of the U.S. Department of Commerce Export Assistance Center, the Florida World Trade Center Association, and Enterprise Florida's trade development staff through a formalized alliance. Such an alliance is unique in the United States and has received nationwide recognition.
- **Trade Missions and Exhibitions** – Organizes and executes export marketing missions and exhibitions worldwide, helping Florida high-tech companies gain valuable international

*The Florida Trade  
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nationwide recognition.*

exposure. In a number of cases, the division also organizes trade missions that feature one-on-one business appointments for participating Florida companies.

- **Florida Certified Trade Events Program** – Promotes regional trade by providing financial, technical, and logistical support to local partners that organize trade missions or participate in trade exhibitions abroad. The program has helped Enterprise Florida significantly expand the reach of Florida companies to markets where staff limitations otherwise would have made it impossible.
- **Trade Link: Trade Leads Program** – Helps Florida businesses find international trading partners by working with the Florida World Trade Centers and Enterprise Florida's statewide network of field offices. The program uses a database of export-ready companies, and places solid leads in the hands of Florida firms.
- **Florida Supplier Service** – Matches small and medium-sized Florida manufacturers who are export ready but choose not to export directly with experienced Florida exporters.
- **International Services Export Program** – Encourages exports of knowledge-based services from Florida companies into the Americas market. Because of Miami's location as the primary hub for international services related to Latin America and the Caribbean, the program is managed by the Greater Miami Chamber of Commerce with technical and logistical support from the ITBD division, which is based in Miami (see case study at the end of this section).
- **"Made in Florida" Campaign** – Markets Florida's industries, labor force, and products at home and abroad through interviews, speeches, advertisements, and supplements.
- **Team Florida Advocacy and Market Opening Missions** – Brings together senior business leaders, economic development organizations, and elected officials who travel to a target market (or region) to advocate the location of a particular industry or institution to Florida or the opening of the market to new Florida exports. Recent missions have helped bring the negotiating secretariat for the Free Trade Area of the Americas (FTAA) trade negotiations to Miami, and have generated over \$170 million in new and expected Florida export sales in the Mexican market.
- **Florida International Representation Network** – Assists Florida companies by providing international market advice on products and services and by identifying potential buyers, agents, and joint-venture partners. The network provides advice on business practices in specific foreign markets and helps bridge language and cultural barriers. Enterprise Florida maintains 12 Florida international representation offices around the world.

*Recent Team Florida missions have generated over \$170 million in new and expected Florida export sales in the Mexican market.*

## **Executive Office of the Governor: Indirect Trade Promotion**

Until 2002, the Florida Department of State was charged with indirectly promoting development of the state's international business interests through cultural and artistic programs. In addition, the secretary of state, through collaboration with Enterprise Florida and other entities, was encouraged to initiate and develop relationships between the state and foreign government officials to promote Florida interests.

As of January 1, 2003, the secretary of state is an appointed position within the Executive Office of the Governor. Programs that were managed by the former Department of State and now will be managed in the Executive Office of the Governor include the following:

- **Florida FTAA, Inc.** – An independent, non-profit organization funded through Miami-Dade County and private contributions. Its mission is to make Miami the “Brussels of the Americas” by ensuring the city becomes host to the permanent secretariat of the Free Trade Area of the Americas (FTAA).<sup>8</sup> The secretariat for the FTAA will be the administrative headquarters for the largest free trade area in the world, encompassing over 780 million consumers in 34 democratic nations with a combined gross domestic product of \$14 trillion. Bringing the FTAA secretariat to Miami could be the single most important international market opportunity for Florida in this generation. Florida FTAA's activities include:
  - Informing state and federal government, legislative, and executive branch officials about the goals and progress of the FTAA negotiations;
  - Building support for free trade and for Florida as the site of the permanent secretariat via regular briefings and communications with the U.S. Congress;
  - Promoting sustained contact with Floridians, and with government and business sectors throughout the Americas, to develop a consensus favorable to Florida as the site of the permanent secretariat; and
  - Organizing and supporting activities in Florida that will emphasize Florida's credentials as the site.
- **Gulf of Mexico States Accord Secretariat (GoMSA)** – An organization under the aegis of the North American Free Trade Agreement (NAFTA) that seeks to foster trade, tourism, infrastructure development, and educational and cultural exchanges among its 11 member states. These include the Mexican states of Campeche, Quintana Roo, Tabasco,

<sup>8</sup> In the 1950s, the Belgian capital was chosen as the site of four institutions important to the (then) European Economic Community – the Commission, the Parliament, the Council of Ministers Secretariat, and the Economic and Social Committee. Today, Brussels is a popular synonym for the European Union, having justly earned its nickname, “the capital of Europe.”

*Bringing the FTAA secretariat to Miami could be the single most important international market opportunity for Florida in this generation.*

Tamaulipas, Veracruz, and Yucatán together with the U.S. states of Florida, Alabama, Mississippi, Louisiana, and Texas, all of which share a coastline on the Gulf of Mexico. The collective population of this region is over 60 million. The GoMSA's "Border States Initiative" is helping Gulf states win designation as a new United States-Mexico border region so that they will be eligible for funding from the North American Development Bank, the U.S. Department of Transportation's Maritime Administration, and other sources. The GoMSA Secretariat is based in Tampa and is housed at the University of South Florida's Center for International Business.

- **Florida Association of Voluntary Agencies for Caribbean Action, Inc. (FAVA/CA)** – An organization whose mission is to improve social and economic conditions in Central America and the Caribbean, strengthen ties, and build partnerships with Florida's neighboring countries. The FAVA/CA regularly conducts missions, executes agreements, and seeks public and private sector funding to support its programs.
- **Florida Delegation of the Southeast United States-Japan Association (SEUS)** – A private, non-profit statewide organization devoted to promoting increased trade, investment, and friendship between Florida and Japan through an annual joint meeting and other programs and events. The Executive Office of the Governor, along with Enterprise Florida and other organizations statewide, works closely with the Florida delegation of the SEUS.
- **Florida/Korea Economic Cooperation Committee (FLOR/KOR)** – FLOR/KOR is a private, non-profit organization that promotes the development of trade, commerce, investment, and technology transfer between Florida and Korea. Through high-level business, industry, and government contacts, the organization provides Florida businesses with a vehicle for accessing the Korean market. In 2001, the Florida Department of State worked with the Florida/Korea Economic Cooperation Committee to host the 15th SEUS-Korea Joint Conference. On a rotating basis, this meeting comes to Florida once every 14 years.
- **Sister City/Sister State Program** – Florida has the second greatest number of active sister city relationships in the nation. Florida is expanding Sister City and Sister State partnerships by emphasizing economic development-based exchanges. The Department of State's efforts included the launching of a grant program that infused nearly \$150,000 in Sister City programs in FY 2000–2001 around the state and created positive economic, cultural, historical and educational exchanges between partnering cities.
- **International Education Linkage Institutes** – Organizations whose purpose is to strengthen economic and social ties between Florida and other countries by promoting

*Florida has the second greatest number of active sister city relationships in the nation.*

student and faculty exchanges; public and private cooperative research and technical assistance activities; and cultural and linguistic exchanges. There are 11 linkage institutes in Florida, strengthening ties with Brazil, Canada, the Caribbean, China, Costa Rica, Eastern Europe, France, Israel, Japan, Mexico, and West Africa.

- **International Days** – An annual world affairs conference held in Tallahassee. Florida's Consular Corps and Legislature compare a portion of the more than 400 participants.
- **Office of Protocol** – An office that serves as the central point of contact to support international affairs throughout the state of Florida, working in conjunction with the Florida Consular Corps, other state agencies, city and county governments, and private sector entities. The Office of Protocol also manages the state's credentialing program for new members of the consular corps; serves as the liaison on services provided by the state, and supports educational programs. Through the International Visitors Program, the Office of Protocol manages international visits to the state and the official programs of international dignitaries, senior-level government and private sector officials.
- **International Civil Law Notary Program 1997** – A program that helps attorneys obtain a public appointment equivalent to that of a notary (notario/notaire/notaio) from civil law jurisdictions, an appointment similar in function and in legal and educational prerequisites to those of the comparable civil law officials. Most of the world operates under a civil law system, unlike the common-law system of the United States, United Kingdom, and many of the Commonwealth countries. Under the civil-law system, notaries are highly trained legal professionals with extensive powers to help private parties to conclude contracts, wills, sales, and other legal transactions. As the first state in the nation to offer such a program, Florida has become the model for other states. There are currently 82 practicing international/civil law notaries in Florida, and the number is increasing steadily.
- **International Interagency Networking and Communication Group** – An organization that brings together international policy-making professionals from Florida's government, private and non-profit sectors for presentations on and discussions about current developments and initiatives in Florida international affairs. Informally known as the International Breakfast Club, the group meets monthly.

### ***Florida Department of Agriculture and Consumer Services (DACs) International Marketing Program***

The mission of the Florida Department of Agriculture and Consumer Services International Marketing program is to extend the distribution and sale of Florida agricultural products and services throughout world markets under the slogan "Fresh from Florida."

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Consumer Services  
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services throughout  
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Florida."*

In FY 2000–2001, expenditures for international business promotion and support were slightly over \$500,000. International program activities include:

- **Marketing** – Activities in global markets include trade mission participation, reverse trade missions, seminars, and shows. The Department also produces the Florida Agricultural Export Directory, an export primer, and agriculture facts brochures. The international marketing program also compiles and disseminates trade leads, and maintains a bilingual web site that includes international programs and calendars of events.
- **Trade Liaison and Counseling** – The department employs specialists in international trade and maintains an office in China. Department representatives work through global distribution channels to market Florida commodities. The department also helps state producers to begin or expand their export activities. Liaison services are extended to international buyers who visit Florida seeking information, farm tours, and meetings with government officials.
- **Market Research** – The Department provides farmers, ranchers, transportation firms, state and federal policy-makers, and foreign buyers of agricultural products with information and trade leads to assist them in making production and marketing decisions.

### **Florida Department of Citrus**

The Florida Department of Citrus seeks to protect and enhance the quality and reputation of Florida citrus fruit and processed citrus products in both domestic and foreign markets. Internationally, the department focuses its resources on Japan, France, the United Kingdom, Scandinavia, China, Taiwan, and Canada. Its international activities include:

- **Marketing** – Activities consist of various combinations of advertising, public relations, and merchandising in targeted countries. In Asia, these activities are handled by in-country promotion agencies that work for the department as outside contractors. The department also maintains public relations agencies in Japan, China, Canada, France, and England.
- **Trade Counseling/Liaison** – The department provides state exporters with news, information, and assistance through regular meetings, individual contacts with staff, e-mail and fax lists, as well as through its web site, [www.floridajuice.com](http://www.floridajuice.com).
- **Market Research** – The department provides industry decision-makers pertinent product and market information for investment decisions affecting the Florida citrus industry in general and Florida citrus growers in particular.

*The Florida Department of Citrus seeks to protect and enhance the quality and reputation of Florida citrus fruit and processed citrus products in both domestic and foreign markets.*

## ***Florida Tourism Commission and Visit Florida (Florida Tourism Industry Marketing Corporation)***

Within the Governor's Office of Tourism, Trade, and Economic Development, the Florida Commission on Tourism (FCT) oversees the state's efforts to support tourism and maintain Florida's image as an attractive leisure destination. The FCT is responsible for making policy decisions on promoting and developing tourism throughout the state. Created in 1991, it contracts with the Florida Tourism Industry Marketing Corporation to carry out the programs and activities identified in the commission's four-year marketing plan. The Florida Tourism Industry Marketing Corporation conducts its business as Visit Florida. Its activities are funded by the state and by private sector businesses participating in a partners program. Visit Florida's international efforts include:

- **Advertising** – Visit Florida's advertising department develops media that targets specific audiences with customized messages that generate maximum appeal. It also crafts cooperative advertising programs to help the state's small tourism businesses cost-effectively reach large numbers of potential visitors.
- **International Sales** – Visit Florida maintains offices in London, Frankfurt, São Paulo, and Tokyo. It also contracts private companies to provide services in Canada (two offices in Montreal and Toronto), Argentina, Mexico, and Venezuela. These offices all maintain direct daily contact with travel agents, tour operators, and airlines. They provide Visit Florida partners and the Florida tourism industry with sales opportunities through travel trade shows, sales missions, familiarization tours, and educational seminars.
- **New Product Development** – The new product development department works to develop products designed to increase repeat visits, extended visits, and special interest visits such as ecotourism, nature tourism, and heritage tourism in Florida.
- **Partner Development** – Through the partners program, Visit Florida provides businesses with print and online marketing opportunities. These are especially beneficial for smaller firms that might otherwise be unable to take advantage of such opportunities on their own. Partners receive a highlighted listing and hyperlink on Visit Florida's consumer web site, listing attractions, accommodations, and other vacation opportunities in the state's eight vacation regions. Partner listings include a description of the partner's business, amenities and contact information. Partners' listings are included in Visit Florida's publication, *The Florida Vacation Guide*.
- **Public Relations** – Visit Florida's public relations department works with other units, such as advertising, sales, new product development, visitor services and promotions

*The Florida Commission on Tourism oversees the state's efforts to support tourism and maintain Florida's image as an attractive leisure destination.*

to integrate a strategy that delivers positive exposure for Florida's tourism industry. The department focuses its efforts on broadcast and print media in key international and domestic markets by providing stories designed to communicate Visit Florida's marketing messages.

- **Promotions** – The promotions department generates exposure for Florida tourism by creating market-specific cooperative promotions involving broadcast, print, retail, and packaged good outlets. Each promotion is designed to reach specific target audiences in the state's top domestic origin markets, based on each area's current visitation and market share. In addition, the promotions department represents Florida at numerous consumer shows and conducts in-person sales calls to key promotional outlets to generate additional opportunities for the state and its tourism industry to reach prospective visitors.
- **Research** – The Visit Florida research department tracks and monitors domestic and international travel trends. It supplies the rest of the corporation, its advertising agency, state officials, partners, and other members of the tourism industry with tourism-related information.

*The International Visitor Program annually brings to the United States approximately 5,000 foreign nationals.*

### **International Exchanges – International Visitors Councils**

Florida's success in international markets depends largely on the ability of individuals to forge personal, business, and political relationships. As a Florida Senate Committee on Commerce and Economic Opportunities recently concluded, "Diplomatic and cultural relationships between countries often serve as a basis for private business dealings. State entities should continue to establish such relationships with foreign cities and nations in order to lay a foundation upon which commercial ties can be forged."<sup>9</sup>

One national organization that is helping Florida to strengthen its relationships is the International Visitors Program of the U.S. Department of State. Founded in 1948 by an act of Congress, the program annually brings to the United States approximately 5,000 foreign nationals from all over the world to meet and confer with their professional counterparts and to experience America firsthand. The visitors, who are selected by American Foreign Service officers overseas, are current or potential leaders in government, politics, the media, education, labor relations, the arts, business and other fields.

By the end of 1999, more than 100,000 international visitors had traveled under the program, and 188 former international visitors had achieved positions of chief of state or head of government. Margaret Thatcher, Anwar Sadat, Valerie Giscard D'Estaing, Indira Gandhi, Julius Nyerere, Oscar Arias, and F.W. deKlerk count among its alumni.

<sup>9</sup> October 2001 issue of The Florida Senate, Interim Project Report, 2002-124, p.8, the Committee on Commerce and Economic Opportunities.

*CASE STUDY: THE WEST CENTRAL FLORIDA INTERNATIONAL VISITORS COUNCIL AND THE VISITING INTERNATIONAL PROFESSIONAL PROGRAM*

The West Central Florida International Visitors Council is a non-profit corporation founded in 2000 for the purpose of overseeing the U.S. Department of State's International Visitors Program and the Visiting International Professional Program (VIPP) of Tampa Bay. The organization was designed to meet an expressed need in the Tampa Bay area for a program that would ensure that distinguished foreign visitors were welcomed and appropriately hosted from the moment they arrived in the region until the moment of departure – a “wheels down to wheels up” approach. In addition to a full agenda of meetings for visitors, the VIPP arranges all logistics including, transportation, hotel, interpretation and translation services, security, press and media coverage, and special needs requirements. The organization was founded by the University of South Florida, the University of Tampa, Tampa Bay Women in International Trade, the Tampa Bay International Business Council, the Tampa Bay Partnership, and two private companies. Since its inception, the VIPP has hosted 42 visitors from 15 countries.<sup>10</sup>

The VIPP seeks to showcase the best of the area's international resources; contribute to Tampa Bay's reputation as a globally engaged region; create brand awareness for visiting foreign dignitaries and companies; and raise the visibility of the region it's many assets to foreign visitors.

Two aspects of the program set the VIPP apart from other Councils for International Visitors, both in Florida and the rest of the United States. First, the program is closely affiliated with institutions of higher education. This has brought the program an academic and research dimension that has proven highly valuable to international visitors and has opened up new opportunities for academic exchange and distance learning. As a consequence, the Department of State has recommended that Councils for International Visitors nationwide consider collaborating with educational institutions. Second, the VIPP focuses on future economic development, academic exchange and new business opportunities for the Tampa Bay region, and follows up with visitors on issues of mutual interest. Foreign journalists, for example, who visit the area for journalism seminars at the Poynter Institute in St. Petersburg, frequently return to their countries and publish stories about the Gulf beaches of the region, the Florida High-Technology Corridor, and the Salvador Dali Museum. These are all quantifiable, indirect benefits to community economic development efforts.

The International Visitors Program relies on the commitment and skills of volunteer-based community organizations across the country whose members offer program assistance and home hospitality to international visitors. These volunteer organizations are often called Councils for International Visitors or CIVs. There are nearly 100 CIVs in 44 states, including six in Florida: the International Resource Center of Jacksonville, the Florida Space Coast Council for International Visitors in Melbourne, the Miami Council for International Visitors in Coral Gables, the International Council of Central Florida, Inc. in Longwood, the North Florida International Visitors Council in Tallahassee, and the newly established West Central Florida International Visitors Council in Tampa Bay (see

<sup>10</sup> Visiting International Professionals Program of Tampa Bay, 2000-2002 Program and Results Reports.

profile in sidebar). According to the U.S. Department of State Office of International Visitors, approximately 457 international visitors under this program had an economic impact of \$361,478 in 2001.<sup>11</sup>

All CIVs are associated under the umbrella organization of the National Council for International Visitors (NCIV), also located in Washington, D.C. Founded in partnership with the U.S. Department of State and incorporated in the District of Columbia in 1961, the NCIV's mission is to bridge cultures and build mutually beneficial relationships through person-to-person international exchanges.

### **Florida Services Network**

Recognizing the importance of services to the Florida economy, Enterprise Florida has supported the development of the Florida Services Network, Florida's first online business center created to facilitate commerce between Florida's service providers and companies around the world. The web site features a unique database of service providers classified by over 1,000 specialties – professional services, healthcare services, real estate, and financial services, among numerous others. The program represents an excellent step toward finding new ways of marketing state business opportunities worldwide.

The Network is a hemisphere-wide partnership of business organizations, including chambers of commerce, economic development agencies, and trade organizations, dedicated exclusively to Florida service industries through an online business center. This center facilitates business between Florida firms and companies abroad, linking international clients and visitors to a detailed profile of Florida service companies.

The web site showcases the vast classifications of a comprehensive database of service industries in the state of Florida. In addition, events are conducted throughout Florida to inform companies about export opportunities, available programs and resources. Events are also conducted abroad to educate foreign audiences about Florida. In addition, there is an outbound and inbound trade mission component of the Network project.

“Americas Linkage” is a highly successful program that was created in 2000 by the Greater Miami Chamber of Commerce in partnership with American Airlines, to market Florida as a business services center, stimulate trade, and establish strategic alliances between Florida, Latin America, and the Caribbean. The program subsequently became an integral part of the Florida Services Export Program, a state-funded initiative, endorsed by the Governor and the Florida Legislature, dedicated to promoting Florida services abroad.

The program facilitates exchanges with business executives from Florida, Latin America, the Caribbean and Mexico. The 15 cities comprising the program's itinerary range from established business

*The Florida Services Network, is the first online business center created to facilitate commerce between Florida's service providers and companies around the world.*

<sup>11</sup> Data provided by Ms. Carmen Marrero, Chief, Program Resources Branch, Office of International Visitors, Bureau of Educational and Cultural Affairs, U.S. Department of State.

centers such as São Paulo, Buenos Aires, Santiago, and Mexico City, to up-and-coming markets, including Montevideo, Panama, and Port of Spain. Participants may choose to visit one or more cities. Upon arrival in their chosen city, the U.S. Embassy briefs delegates. Thereafter, they attend group meetings and a networking event arranged by the Florida Services Export Program, the U.S. Commercial Service, U.S. Embassies and local chambers of commerce.

American Airlines offers discounted airfares departing Miami. Airfares range from \$125 to \$250 per person, excluding taxes. Hotel rates are discounted and range from \$70 to \$232 per night. A nominal registration fee of \$100 is charged. An advanced preparation workshop is held to brief the delegates on their programs. Each company receives a company listing in the program directory. Invitations are extended to attend luncheons and networking opportunities during their visits. There is no charge for group appointments with trade associations and chambers of commerce. Past sponsors and participants include: American Airlines, BellSouth, J.W. Marriott Hotel, Royal Caribbean Cruise Line, Union Planters Bank, United Parcel Service of America, Inc. (UPS), and Baptist Health Systems of South Florida.<sup>12</sup>

To date, the performance of the Florida Services Network as a tool for the Florida services sector has been outstanding:

- Over 3,000 Florida companies registered in the database;
- Close to 5,000 companies served;
- Almost \$700 million in actual and projected sales;
- Close to 100 foreign businesses brought to Florida for trade and investment;
- Over 50 promotional events conducted in Florida and abroad; and
- 67 partnerships with business organizations worldwide.

### **World Trade Centers of Florida**

Florida has six World Trade Centers that provide trade services and information to member companies. The centers are located in Fort Lauderdale, Jacksonville, Miami, Orlando, Palm Beach, and Tampa. Member companies receive qualified research and contacts to foster stronger international ties, primarily through exports and imports. Members gain access to a network of 338 trade centers in 103 countries. The average size of the member companies is 150 employees.

By offering these services worldwide, World Trade Centers provide a forum that connects companies to international business opportunities. The World Trade Centers of Florida has memorandums of understanding with Enterprise Florida and several economic

*Florida has six World Trade Centers that provide trade services and information to member companies.*

<sup>12</sup> Americas Linkage. [www.americaslinkage.com](http://www.americaslinkage.com).

development organizations throughout the state to help the state become stronger economically by working together to help companies tap foreign markets.

### ***The Role of Regional Programs in International Economic Development***

The geographic size and dispersion of Florida's population as well as its services, manufacturing, agriculture, and tourism industries have birthed a natural and positive trend to organize along regional lines. Regional economic development initiatives reflect the strengths of Florida's distinct productive regions. Regional initiatives capitalize on local economic strengths, bringing together diverse interests of the international portfolio for a common purpose. The Tampa Bay Partnership, for example, includes counties that have major tourism destinations, significant manufacturing operations, and diverse agricultural and natural resources products. More often than not, that common purpose is geared toward greater branding of a region in domestic (and often, international) markets. In addition, regional initiatives do not supplant or diminish city-specific marketing programs, but rather embrace them as components of the larger regional projects.

On a regional basis, many international-related initiatives are active in Florida. For example, the Tampa Bay Partnership has developed an international component of its programs, including the establishment of a regional international web site which includes a calendar of international events and information related to the activities of its partners and investors. The Florida Services Network, managed by the Greater Miami Chamber of Commerce, has become a statewide program designed to market Florida's services industries worldwide. The results of this program are measurable and have yielded significant results, particularly by bringing small and medium enterprises into the international marketplace.

*With the exceptions of metropolitan New York, Southern California, and the Pacific Northwest, few United States regions offer the potential to be as well integrated into the global economy as Florida.*

## **5.5 Priorities and Strategies**

### ***Vision and Goals***

Imagine a state where international commerce is woven throughout the fabric of the economy. Trade flows in and out of the state, and the state's businesses support it with world-class services for those goods: international financing, insurance, warehousing, logistics and distribution, marketing, value-added assembly and packaging. Not only do goods move through the state, but so do new ideas, skills, ways of doing businesses, and people with diverse perspectives. Hotels are full, restaurants are active, and shopping malls are busy. And capital follows these opportunities, creating yet more opportunities to expand global markets and a critical mass for further economic growth.

### *WHAT IS A CROSSROADS ECONOMY?*

Crossroads economies through history have maximized their geographical advantage to play a brokering role among various regions of the world, bringing one region's goods into the marketplace of another, and adding value to the transaction through shipping, insurance, finance and other services. Well-known crossroads economies today include Amsterdam, Hong Kong, and Singapore, as well as United States markets such as New York City and Los Angeles.

Typical characteristics of crossroads economies include the following:

- They open new markets through trade, maximizing the advantages of their ports and shipping networks for exports and imports.
- Their foreign representatives are business-focused, organized like powerful trading companies.
- Citizens are imbued with a sense of mission, which is pragmatically applied in their dealings in world markets.
- Citizens are typically cosmopolitan due to their contact with diverse cultures. As such, they embrace new ideas, new technologies, and new ways of doing business.
- Crossroads are centers of wealth, and typically areas of low unemployment and higher standards of living. This relatively high standard of living allows the crossroads economies the opportunity to invest in the quality of their communities, leading to excellent physical and social infrastructure, universities, and cultural institutions.
- Crossroads also have a sense of their place in the global economy, access to international capital, ideas and technology to grow their own indigenous industry, and a level of economic and political security that is the envy of other nations.

Florida is among the handful of states with the potential to achieve this vision of becoming a true crossroads economy. Florida's international asset base is impressive: a large business and consumer market, a growing and outward-looking technology base, a strategic location at the junction of major north-south and east-west trade flows, a world-renowned climate and recreational amenities, a proliferation of seaports and airports, and longstanding cultural and commercial ties with Latin American markets. With the exceptions of metropolitan New York, Southern California, and the Pacific Northwest, few United States regions offer the potential to be as well integrated into the global economy as Florida.

This international market expansion is important in an economy like Florida's because of the potential impacts of trade, foreign direct investment and tourism on the state's prosperity. According to the U.S. Department of Commerce, exporting companies have the following advantages compared to non-exporting firms:

- 15 percent higher average wages;
- 15 to 20 percent faster business growth;
- 15 to 20 percent more profitability; and

- Greater resilience to domestic market disruptions and downturns in business cycles.

Florida has room to grow in all aspects of international commerce. As a percentage of gross state product, both exports and foreign direct investment are smaller than the national average and most of Florida's competitor states. An estimated 20,000 to 30,000 Florida business are export ready but not currently participating in the international market. As much as half of the imports and exports moving through Florida's seaports and airports are neither consumed nor produced in Florida – and in some cases, the only value Florida adds to these goods is transportation and logistics.

The crossroads of the 21st century will face greater competition than in the previous era. In today's faster, better, and cheaper environment, business and government must work collaboratively to leverage Florida's assets and address its competitive challenges. The analysis of Florida's international competitiveness today (see Section 5.3) highlighted several challenges facing the state:

- The state's exports are heavily concentrated in fast-growing but volatile Latin American and Caribbean markets – putting the state at the double risk of overexposure to market cycles and erosion of market share as other states target these nations.
- The state's foreign direct investment is heavily concentrated in retail and real estate, rather than value-added industries such as manufacturing and technical services.
- Capacity constraints at the state's seaports and airports – as well as along the highway and rail corridors serving these gateways – limits the state's ability to absorb growth in international trade and tourism.
- Florida's global business image remains weak. Florida is recognized worldwide for tourism, citrus, and space industries, but this strong name recognition has not translated into a perception of Florida as a pro-business state.

For Florida to increase its success as a world-class crossroads for international commerce, coordinated steps must be taken by government, economic development organizations, and the private sector to advance trade, investment, and international marketing. Florida's goals in the international market should be as follows:

- **Increase exports' share of Florida gross state product to the national average.** Florida-origin exports – those produced by the state's businesses and sold to other nations – represent a smaller percentage of gross state product (GSP) than the national average (6.2 percent compared to 7.8 percent in 2000). Florida should strive to increase its merchandise export share of GSP to the national average by the year 2010. This would result in billions of dollars of additional exports on an annual basis (\$7.6 billion higher in 2000), creating new opportunities for thousands of Florida businesses.

*An estimated 20,000 to 30,000 Florida business are export ready but not currently participating in the international market.*

- **Increase services exports' share of Florida gross state product.** Florida exported between \$14.5 and \$20.1 billion in services in 2000, or between 3.1 and 4.3 percent of GSP, compared to about 2.9 percent nationwide. While comparable data are not available for other states, this amount surely ranks Florida among the leading states nationally (Florida accounted for as much as 6.9 percent of the country's \$292 billion services exports in 2000). This share should increase over the next 10 years. In order to mark progress toward this goal, efforts should be made to estimate services exports on an annual basis as well as to perfect approaches used for their measurement.
- **Increase foreign direct investment as a share of gross state product to the national average.** Florida experienced substantial increases in foreign direct investment (FDI) during the 1990s, reaching \$36.6 billion in 1999. Despite this growth, total FDI in the state was equivalent to only 8.3 percent of GSP in 1999, compared to 11.5 percent for the nation. By 2010, the state should attain at least the 50-state median (9.8 percent in 1999) on this measure. If this goal was realized, the state would have attracted an additional \$7 billion in foreign investment.
- **Make Florida the top state for foreign visitors.** International visitors accounted for about \$18.2 billion, or nearly one-third of total tourism expenditures in Florida in 2000. In recent years, Florida has been vying with California as the leading destination for foreign travelers. Florida should implement strategies to ensure that the state maintains its appeal and cements a position as the number one choice for international visitors vacationing in the United States.
- **Enhance the value-added that Florida brings to international goods and services flows.** With Florida's relatively small manufacturing sector and large number of distributors and freight forwarders, significant quantities of goods produced in other states are transshipped through Florida for export. Between 1992 and 2000, the value of Florida-sourced exports (based on "origin of movement" series trade data) generally equaled about 81 percent of the total value of exports handled by the Miami and Tampa Customs Districts. Considering imports and exports together, prior estimates by the Florida Chamber Foundation using alternative data sources have suggested that as much as half of the international merchandise trade moving through the state's seaports and airports is neither consumed nor produced in Florida, but merely passing through. Florida should seek opportunities to add value to goods leaving the state for overseas markets, through hosting functions such as assembly, final finishing, and customization of products. Additional effort also should be committed to determine the types (and the quantity) of goods that are transshipped through Florida to identify value-added opportunities for the state. Given constraints on future expansion

*As much as half of the international merchandise trade moving through the state's seaports and airports is neither consumed nor produced in Florida, but merely passing through.*

of Florida's transportation system and the negative impacts of freight movement on communities, Florida trade flows must be oriented toward goods with local value-added.

- **Increase the number and range of Florida companies and workers involved in international commerce.** Florida should ensure that more of its export-ready companies are selling to international markets by 2010. An estimated 30 to 40,000 Florida companies have been identified as export ready but only 10,000 of these are presently accessing overseas markets. Florida's businesses and overall economy would benefit if more of these companies expanded sales beyond local and domestic markets. By 2010, at least half of Florida's export-ready businesses should be exporting. This would result in an additional 10,000 or more exporting businesses based on today's figures.
- **Strengthen the global view of Florida as a place to work, live, and play.** A 1997 Burson-Martins study of Florida's international image showed that Florida had no business image overseas. Florida's strengths in quality of life attributes that have been so effective in attracting retirees, domestic migrants, and visitors must recast to appeal to the needs of international investors. Florida should strive to rank among the top five states in international perception as a place to do business by 2010. To gauge progress toward this goal, perception surveys regarding Florida's business image should be conducted in overseas markets every two years through 2010.

*Florida should strive to rank among the top five states in international perception as a place to do business by 2010.*

### **Strategy Framework**

To accomplish these goals, Florida must begin approaching the global market as if Florida were a nation-state or an international corporate conglomerate. Florida must recognize that its economy has a large international portfolio, covering exports, imports, investment, and tourism. The state aggressively should manage this portfolio over the next decade in the following manner:

- 1. Implement a "Whole Florida" market expansion strategy.** Florida should knit together the disparate elements of its international portfolio – exports, imports, tourism, investment, and information – and look for synergies among them. The state can fill gaps in its portfolio by strengthening across-the-board bilateral relations with existing and emerging trade partners, and cross-sell trade and tourism so that every Florida visitor is regarded as the next worker, customer, or investor in the state.
- 2. Create next-generation international programs.** Florida should seek to be a global leader in emerging approaches to international programs in all aspects of its portfolio. Florida should build on the successful programs implemented during the past decade, and reorient these programs to emerging opportunities including:

- Deep mine its traditional trading partners, with a focus on creating opportunities for small and medium-sized businesses;
- Target new frontier export markets such as China and Africa (and eventually Cuba);
- Expand exports of services such as education, health care, and management and formalize and perfect the measurement of services exports;
- Sharpen the state's foreign direct investment strategy to focus on attracting global capital in bricks and mortar facilities that form a crucial link in global supply chains, as well as in Florida's emerging technology industries;
- Recruit multiplier organizations, including new consulates and trade associations; and
- Design innovative exchange-type programs to help build long-term relationships with international students, faculty, and other professional visitors.

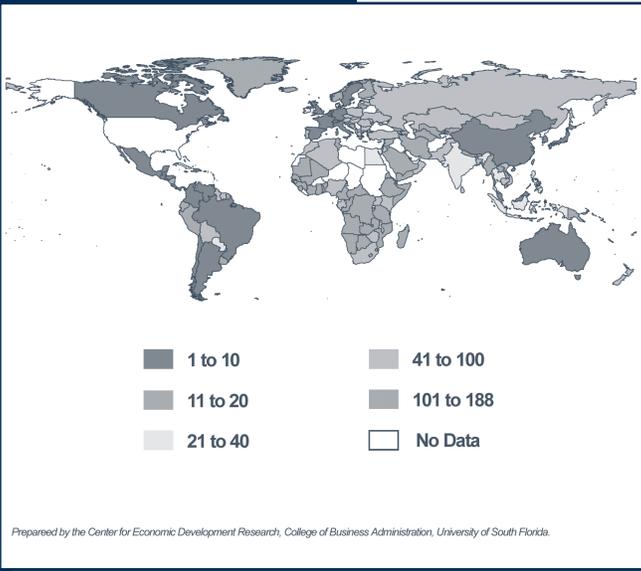
**3. Build an international portal.** The crossroads of international commerce is transforming from the market square to the Internet portal. Florida must prepare now to secure its role as a global leader in e-business and trade flows of information, with increasing recognition of its telecommunications hubs and Internet network access points as critical international gateways.

**4. Strengthen Florida's international economic foundations.** Florida's business and government leaders must engage in continuous improvement of the state's supporting international infrastructure and business climate. Emphasis should be given to maintaining world-class transportation and telecommunications networks, state-of-the-art technology, and a skilled, globally oriented workforce. A high-priority should be the establishment and funding of Florida's Strategic Intermodal System, which will provide seamless linkages for goods and passengers using Florida's major seaports, airports, and other international gateways.

**5. Build Florida's global image.** Florida should create a global image that it is open for business, open for life, and open to international markets. The strengths of the state's tourism promotion, trade development, and economic development communities should be brought together to create a one-Florida brand and marketing message.

**6. Advocate Florida's global interests.** The diverse and often divergent interests of Florida's international portfolio must unite to define and advocate mutual interests in a foreign policy that gives Florida a competitive edge in the competition for international markets and investment. Florida must maintain the high standards for state-level international diplomacy, protocol, and cultural exchange that have been set over the past decade. Highest priority should be given to efforts to attract the Secretariat of the Free Trade Agreement of the

*Florida must prepare now to secure its role as a global leader in e-business and trade flows of information.*



**FIGURE 9. COMPOSITE INTERNATIONAL PORTFOLIO**

Note: See Appendix E for composite ranking methodology.

Americas to Miami, which could become the Brussels of the Western Hemisphere.

The remainder of this section discusses each of these strategies in greater detail.

**Strategy 1 – Implement a “Whole Florida” Market Expansion Strategy**

Florida’s international portfolio today includes exports, imports, foreign direct investment, and tourism. Florida is already actively engaged in each of these areas, and in many cases is a world-wide leader, whether for exports of particular goods or services or attraction of particular types of visitors or investment. Florida’s public and private sectors have implemented a wide range of programs to help develop these global oppor-

tunities, with many of Florida’s programs regarded as national benchmarks for other states.

The next step for Florida’s international programs is to become part of an integrated strategy. Rather than simply resolving to sell more exports or transship more imports or host more tourists, Florida must consider how these pieces work together in the context of long-term relationship with its existing and emerging trading partners.

Florida is a trading state, both domestically and internationally. Traditionally, trading states spend their time developing new relationships. Florida must focus over the next decade on maintaining old relationships, nurturing emerging ties, and developing new long-term business partners around the world. These long-term ties do not spring up overnight; neither do they occur by serendipity. They require a systematic approach that includes strategic commercial initiatives, a comprehensive image and marketing strategy, and a focus on long-term results rather than immediate benefits. As these relationship grow, Florida can determine how best to leverage its strengths.

Based on a composite ranking of international investment, trade, and tourism data, Figure 9 provides an integrated view of Florida’s top markets based on all of the elements of the international portfolio.<sup>13</sup> The map graphically illustrates the following:

- **Strength Markets** – Florida’s strongest international relationships include the following regions, which should be tapped further to increase investment, trade, and tourism:
  - Latin America;
  - Canada;
  - Western Europe;

<sup>13</sup> Appendix E describes the methodology for producing this composite portfolio.

- Japan; and
- Australia.
- Next Markets – Growth regions that offer trade potential for Florida include:
  - India;
  - Southeast Asia;
  - Eastern Europe and some Middle Eastern nations (for example, Saudi Arabia and Egypt), depending on the region's political stability.
- Next Frontier Markets – In anticipation of future growth, long-term strategic marketing activities may be considered to develop trade opportunities in:
  - China, which is already among Florida's top markets but has significant untapped potential;
  - Africa, with a focus on Morocco, Nigeria, Algeria, and South Africa – a continent with long-term prospects for the patient investor and closer proximity to Florida than any other state; and
  - Russia, emerging from its long and painful economic restructuring.

This classification omits one notable market: Florida's closest neighbor, Cuba. If the United States lifts its trade embargo and the Cuban economy is reintegrated into the global market, Florida stands to gain more than any other state.

Florida should develop strategies for each of these markets, tailored to each region's place in the international market cycle. These strategies should identify opportunities to leverage existing strengths to grow new international markets – whether by filling gaps with trading partners that might be strong markets for select Florida goods or services, or by reducing mismatches among markets that are strong for the United States as a whole but not for Florida. Both strategies could help Florida increase its global market share, particularly among major United States trading partners in Europe and the NAFTA countries.

#### **Fill Gaps in the International Portfolio**

To bolster its position as a world class center of international commerce, Florida must move beyond its existing strengths in Latin America and increase its global market share in other regions. Assessment of Florida's export, import, investment, and tourism relationships throughout the global community demonstrates that Florida's marketing for business development, tourism, agribusiness, and transshipment services has the potential to be more effective through the use of collaborative efforts.

Internationally, Florida is most successful in the Latin American and Caribbean regions. Brazil and Venezuela rank highly in every category of the international portfolio (Table 6). It is important

*If the United States lifts its trade embargo and the Cuban economy is reintegrated into the global market, Florida stands to gain more than any other state.*

to continue to nurture and build upon these solid foundations. However, substantial growth opportunities exist for Florida to increase commerce with other regions, including many of world's largest economic powers. For example, Italy and Spain rank highly in every international portfolio category, but owing to the purchasing power of these markets, each could become a more sizeable commerce partner for Florida, as they are for the United States as a whole. Cultivating relationships with the larger markets will help propel Florida to build a larger presence in the global economy and a more diversified international base. Reflecting the importance of diversifying the state's markets, Enterprise Florida is concentrating significant resources to expand marketing efforts in the mature markets of Europe and the NAFTA region.

TABLE 6. FLORIDA'S INTERNATIONAL ACTIVITIES AND PARTNER COUNTRIES

Country	Exports (Millions of Dollars) (2000)	Export Rank	Imports (Millions of Dollars) (2000)	Import Rank	FDI (Millions of Dollars) (1998)	FDI Rank	Visitors (Thousands of Person-Trips) (2000)	Visitors Rank
Canada	2,494	1	319	27	4,425	3	1,977	1
Brazil	2,026	2	3,052	3	220	16	365	4
Mexico	1,954	3	613	17	105	22	<50	
Japan	1,401	4	4,575	1	4,021	4	147	9
Venezuela	1,200	5	985	15	245	15	451	3
Dominican Republic	1,080	6	2,220	4	NA		NA	
United Kingdom	1,014	7	1,009	14	4,794	2	1,651	2
Columbia	703	8	1,475	8	NA		NA	
Germany	626	9	3,593	2	4,008	5	325	6
Argentina	583	10	490	18	NA		338	5
China	529	11	1,702	7	NA		NA	
Chile	505	12	450	21	NA		NA	
Bahamas	497	13	172	38	301	12	NA	
Guatemala	455	14	1,331	9	NA		NA	
France	431	15	1,295	10	6,238	1	160	7

Future international growth opportunities, based on gaps in the international portfolio, may include:

- **Target FDI and Visitors** – China and Korea both rank well in exports and imports, but show no significant FDI or visitors; these markets should be targeted for tourism and investment. Florida's smaller neighbors in Central America, the Caribbean, and South America also follow this pattern – although many of these countries, such as the Dominican Republic, Guatemala, El Salvador, and Costa Rica, have neither the population nor economic size that would result in a high ranking for FDI or visitors.

- **Target Trade and Visitors** – Norway and Finland both have relatively high rankings for FDI, but low rankings for exports, imports, and visitors.
- **Target Imports** – Canada ranks as a leading export destination and as top source of international visitors and investment for Florida. However, Florida handles only small quantities of Canadian imports into the United States.<sup>14</sup>
- **Target Trade, FDI, and Visitors** – Compared to overall United States figures, Florida lags in exports, imports, FDI, and visitors from Mexico. Proximity and economic size make Mexico a large potential market for Florida.

A critical element for filling these gaps is leveraging the state's traditional strengths in tourism to market trade and investment opportunities. Every visitor to Florida should be regarded as potential customer or investor in Florida's business sector. Consideration should be given to cross-sell the state as a location for targeted trade relationships and foreign direct investment through a collaborative marketing program between Enterprise Florida and the Florida Tourism Commission (see discussion under Strategy 5, "Build Florida's Global Image.")

#### **Exploit Market Mismatches**

In markets where existing United States trade is strong, but Florida has minimal market share, strategies should be developed to increase Florida's share of both exports and imports, thereby garnering a larger share of trade with that country. By comparing industry exports to top markets from Florida and the United States, relative weaknesses in Florida exports can be identified (see table in Appendix D comparing the top 10 markets for Florida and the United States by industry). A mismatch occurs when Florida industry exports are not particularly strong to a market that is a strength of the United States. Especially when these markets are large, and the industry corresponds to an existing Florida economic strength, these markets represent areas of potential export growth for the state. In particular, Florida industry exports are frequently weak to Asian and European markets, often failing to account for even one percent of the United States total.

One conclusion to be drawn from this analysis is that Florida, as a large service economy with a small manufacturing sector, does not produce goods in sufficient quantity to be a large exporter to all global regions. Production and transportation costs may not justify expanding export activities to places geographically far from Florida, since these goods can be produced and exported from other states. For example, Florida's exports to Hong Kong, valued at \$261 million, account for less than 1.8 percent of United States exports to that region, ranking Florida only 14th among the states. In a corresponding fashion, many Florida

*Florida, as a large service economy with a small manufacturing sector, does not produce goods in sufficient quantity to be a large exporter to all global regions.*

<sup>14</sup> Most imports from Canada are handled by truck or rail through border states. However, if sufficient demand is shown to exist, additional Canadian goods may be able to be processed through Florida seaports and airports.

exporters concentrate on selling products to nearby Caribbean and Latin American markets and, thus, Florida accounts for a very high share of United States exports to those areas. Nevertheless, states that should be disadvantaged by geographic remoteness can do very well in distant markets – California is a major exporter to Europe, despite being an ocean and a continent away. New York is a major exporter to Asia, despite its location on the eastern seaboard of the United States. This demonstrates that Florida can succeed in diversifying its markets to more distant locations such as the Asia-Pacific region.

*CASE STUDY: HOW THAI IMPORTS COULD BE LEVERAGED INTO A NEW EXPORT MARKET*

An opportunity exists for Florida to increase trade with a non-traditional export market, Thailand, by leveraging a known strength (i.e., fish imports). Thailand is already a significant destination for United States exports, but plays a much smaller role in Florida trade. Florida businesses can analyze the existing mix of United States products being traded with Thailand to identify potential opportunities for their own trade.

Thailand's top imports from the United States are consistent with Florida's export strengths: machinery, electronics and electrical equipment, transportation equipment, chemicals and allied products, and agricultural products. Apparel, one of Florida's largest imports, is also one of Thailand's top exports. Thailand's top two exports are machinery and electronics, products that also rank among the leading imports into Florida.

By building on a relationship that has already been established in fish imports, Florida has a means to capitalize on trade, both imports and exports, with Thailand, a growing Southeast Asian market. To convert an import market into an export opportunity, Florida's trade promotion initiatives could assist businesses in tapping into the existing relationships with Thailand. Such efforts would diversify the Florida products sold to Thailand as well as increase overall trade volumes. Such a strategy is supported by the fact that there are existing transportation linkages, business networks, and connections between Florida and Thailand.

Finally, by diversifying export activity to more export destinations, Florida can reduce the risks associated with economic fluctuations in other global regions. Florida businesses and their economic development partners should actively pursue new export markets while continuing to build on the state's traditional strengths in Latin America. As the Asian financial crisis demonstrated, when economic problems occur in a region with a strong global interdependence, it can be a contagion to the economies of all partners. Thus, by diversifying trade, Florida would be able to reduce its exposure to Latin America's economic cycles.

***Strategy 2 – Create Next-Generation International Programs***

The international marketing and programmatic strategies that were successful in the past need continuous retooling if Florida is to remain competitive in today's better, faster, cheaper environment. Florida should seek to be a global leader in emerging

approaches to international programs. Building on its previous successes, Florida should work to:

- Deep mine its traditional trading partners, with a focus on creating opportunities for small and medium-sized businesses;
- Target new frontier export markets such as China and Africa (and eventually, Cuba);
- Expand exports of services such as education, health care, and management;
- Formalize and perfect the measurement of services exports;
- Sharpen the state's foreign direct investment strategy to focus on attracting global capital in bricks and mortar facilities that form a crucial link in global supply chains, as well as in Florida's emerging technology industries;
- Recruit multiplier organizations, including new consulates and trade associations; and
- Design innovative exchange-type programs to help build long-term relationships with international students, faculty, and other professional visitors.

#### **Exports: Deep-Mining Florida's Big Markets**

Opportunities exist to introduce more Florida companies to exports by making further use of the state's large existing overseas markets. Florida currently has about 10,000 companies that export, and an estimated 30,000 to 40,000 additional companies that have export potential. Through increased sales revenues, Florida's export-ready companies would benefit by successfully expanding their markets beyond the state and the country. However, the complexities (real or perceived) of exporting can discourage businesses from actively pursuing exports as part of a growth strategy. To reduce these complexities and ease the exporting process, first-time exporters should be encouraged initially to seek sales in large markets that already have strong trading ties with Florida.

Florida's top 15 export markets account for more than three-fifths of the state's exports and many of these markets (e.g., Brazil, Germany, Canada, Mexico, and the United Kingdom) rank among the largest economies in the world. Florida has direct transportation linkages to most of these countries and offers a range of services (e.g., freight forwarders, marketing experts, etc.) to expedite the opening of new markets for export-ready companies. Deep-mining large existing markets would lift Florida's overall trade levels, introduce more companies to the advantages of exporting, and create new sales opportunities for the state's businesses. As businesses increase their familiarity with the exporting process, their willingness to test new markets will increase, further raising sales prospects.

The process typically used by Enterprise Florida to develop trade leads is to work through companies that are identified as ready to export (e.g., makers or providers of competitive products or

*The complexities (real or perceived) of exporting can discourage businesses from actively pursuing exports as part of a growth strategy.*

services that meet international quality standards). If a trade lead matches a company's product line and offers sufficient awards, the company is encouraged to pursue the sale, and the state's export assistance programs can be applied to assist the company in making contacts, filling out customs forms, and making shipping arrangements. While this process works for most trade leads, it could be further enhanced by the active participation of local chambers of commerce and economic development organizations to raise the awareness of the benefits of exporting. With greater awareness, companies that receive trade leads from Enterprise Florida would be more likely to complete the necessary steps to tap international markets.

### **Exports: Expanding Trade in Services and Education**

An economic asset of Florida is the size of its services industry, which translates into substantial overseas sales for the state's businesses. Florida service exports were estimated to be as high as \$20 billion in 1999.<sup>15</sup> Major opportunities exist for Florida to increase international commerce through leveraging its strengths in health care, education, and professional services. Immediate opportunities have been identified to increase the role of education as a means for increasing international trade and investment.

**Education.** Florida's colleges and universities enroll more foreign students than those of all but a handful of states. Beyond the direct economic benefits tied to the purchases made by foreign students, all of these students have the potential to serve as economic bridges between Florida and their home countries, cultivating investment and trade opportunities between the state and overseas markets. Florida can leverage its educational system to expand international commerce in the following manner:

- **Include university and community college resources in statewide international strategic planning activities.** University international affairs deans or their designees should be responsible for university input and liaison with the international economic development activities.
- **Design and build a foreign alumni database and web site.** The first step in organizing a Florida university/ community college foreign alumni network would be the creation of a uniform database. Each institution already has a readily available database of its foreign students that could be drawn upon for the larger program.
- **Develop and host "foreign alumni reunions" as "in-bound reunion missions."** In collaboration with local and state international economic development efforts, universities and community colleges could plan and execute annual or biannual reunions to bring international alumni back to their alma mater regions. Activities could include, among other events unique to the area:

*Florida's colleges and universities enroll more foreign students than those of all but a handful of states.*

<sup>15</sup> See Section 3 for more information concerning recent efforts to measure service exports.

- A special one-half-day certificate program on a business, cultural, or economic development topic;
- An international economic development trade show highlighting the area's international activities and capacity, including local business and trade associations, economic development organizations, seaports, and airports, among others.
- Cultural, sightseeing activities, and sporting events.

The benefits of this approach would be significant for both the alumni institution as well as the local community. First, such a global gathering would have the potential economic impact of a major convention. Second, the host institution would benefit from the potential impact of foreign philanthropy. Third, the potential for recruiting new students during the event would benefit the host institution. Fourth, local corporations seeking new business in a given region or country of the world would have an instant network of connections. Finally, the host community would gain cross-selling benefits for foreign direct investment in both real estate and in corporate operations.

- **Match and include international students and professors with other international portfolio activities.** One of the successes of the International Visitors Program in Florida and around the United States has been the inclusion of international students and professors with visitor programs that feature nationals from their home country. For a distinguished visitor from Ghana to meet with students and teachers from Ghana when visiting Florida gives the visitor a feeling of home away from home. All of the elements of the international portfolio host visitors from around the world to Florida, and a systematic effort should be made to include, where appropriate, nationals attending Florida institutions of higher education wherever possible.

**Other Services.** In addition to these focused strategies related to education, Florida can enhance its opportunities for foreign sales in the service sector by expanding the Florida Services Network. Enterprise Florida's support of the Florida Services Network, combined with the Florida International University Institute for International Professional Services, may be the single most effective vehicle for Florida services firms to go global, and indeed may be a model for international replication.

#### **Exports: Formalize and Perfect the Measurement of Services Exports**

Florida International University's efforts to measure Florida's services exports underlines the importance of these exports to the Florida economy. Perhaps as high as \$20 billion in 1999, services exports may account for as much as four percent of Florida's gross state product. Given their importance, efforts should continue to perfect the measurement of services exports. An annual data series would allow the state to benchmark progress and to hone programs to encourage more services companies to tap overseas markets.

*Enterprise Florida's support of the Florida Services Network may be the single most effective vehicle for Florida services firms to go global.*

### Exports: Next Frontier Markets

In anticipation of future growth, strategies need to be developed today for Florida to increase trade with “next frontier markets” – countries or regions with great trade potential for the state. Next frontier markets include China and Africa. Both represent populous and diverse emerging international trade markets.

- *China* – Florida citrus and phosphate exports have made significant commercial inroads, recently moving China into Florida's top 10 export partners. These exports have created business opportunities for Florida's seaports, airports, and agribusiness. In addition, the Chinese government has shown interest in developing closer ties with Florida business due to the state's strategic location in the Gulf and Caribbean. In recognition of these ties, Enterprise Florida recently opened its first office in China.
- *Africa* – The African Growth and Opportunity Act, a new federal trade initiative, has been developed to assist Africa and significant federal dollars are now available to help companies in exploring business opportunities. Enterprise Florida has designed its Africa Trade Expansion Program to tap this continent's potential. Recent initiatives include a Team Florida mission to South Africa and opening a representative office. A number of counties have welcomed a “reverse” mission from South Africa back to Florida as a result. In addition, there are many other Africa nations that have yet to be explored for business opportunities.

A third potential frontier market, Cuba, is currently subject to a United States economic embargo, and thus not presently an option for developing trade, business, and tourism for Florida. However, the eventual opening of the Cuban market for Florida trade represents enormous potential, and is considered here as a strategic positioning opportunity for future business. Florida's academic and cultural communities have renewed contacts in recent years, and there should be a clear geographic and historic advantage for Florida upon resumption of normal relations with Cuba. Enterprise Florida has developed a plan to position Florida during the redevelopment of Cuba, and this plan must be embraced by all parties so that Florida is prepared to take immediate advantage of these opportunities when the embargo is lifted.

Appendix B includes an overview of these three next-frontier markets and suggests strategies for how Florida might approach trade, tourism, and investment opportunities in these markets.

### Investment: Focus on Bricks and Chips

Foreign-based multinational companies are lead actors in the world economy, accounting for huge sales revenues as well as substantial shares of global patent generation and spending on research and development. Additionally, these companies pay higher wages than prevailing averages, acting as a stimulus for local economies. The total value of foreign direct investment in Florida reached \$37 billion in 1999 and has grown significantly since 1990. However, FDI is still relatively low in Florida compared

*Florida should encourage major exporters to the United States that use Florida as a gateway to establish bricks and mortar facilities in the state where additional value can be added to their products.*

to the United States. FDI is a source of economic growth and a barometer of the attractiveness of a region for business investment. Florida must continue to pursue initiatives to make the state a top choice for foreign investors. Florida's efforts to attract foreign direct investment should be based on the underlying strategies:

- Encourage major exporters to the United State that use Florida as a gateway to establish bricks and mortar facilities in the state where additional value can be added to their products; and
- Encourage appropriate foreign firms to expand in Florida to complement emerging businesses and research institutions engaged in the development and application of new technologies.

Florida's trading economy is ideally situated to attract higher flows of foreign direct investment. Identifying foreign firms trading through Florida is the first step for Enterprise Florida to identify targets of opportunity under this strategy. With a large percentage of Florida's exports and imports merely passing through the state, there is an opportunity for the state to add more value to these goods (e.g., by encouraging final assembly, packaging, marketing, and related activities to take place in Florida). Capturing new flows of foreign direct investment will mean that new flows of international trade will pass through Florida. In today's global economy, more trade means, eventually, more foreign direct investment and vice versa. As trade flows increase, foreign companies will become more interested in sourcing United States sales locally, spurring them to invest in new property, plants, and equipment. Florida needs to continue offering a competitive workforce, infrastructure, and business climate to be considered a serious contender for these companies' investments.

Technically advanced foreign firms can complement and enhance Florida's technological capacities through local research and development (R&D) spending by their affiliates and technology transfer. In combination with Florida's research institutions and emerging businesses, these foreign firms can contribute to an environment that stimulates technology development.

Some states are already tying foreign direct investment with strategies to further develop technical strengths. In Maryland, for example, the state is using its competitive advantage in medical R&D to attract domestic and foreign biomedical, pharmaceutical, and medical equipment companies to the state. Maryland is already home to some of the world's leading medical research facilities, such as the National Institutes of Health and Johns Hopkins University, and is further developing its medical-related industries by attracting appropriate foreign companies to the state. By combining all of these elements – research institutions, universities, and advanced foreign and domestic companies – Maryland expects to reap significant spill-over impacts that will spawn new enterprises and make existing medical businesses more productive.

*In today's global economy, more trade means, eventually, more foreign direct investment.*

Florida similarly should adopt an FDI strategy designed to enhance the state's technological development capacities. This would involve an examination of the state's technical assets, identifying competitive advantages, and then identifying the foreign companies that would augment Florida's indigenous technical capabilities. Foreign companies would be drawn to Florida, as they are to Maryland, to participate in the opportunities for growth and innovation offered by a dynamic world-class industry. As leading multinationals seek and want to be active participants in this type of environment, little or no inducements are required to attract them to regions offering these technical strengths.

Investment attraction is a major component of Enterprise Florida's operating strategy and part of its legislative mandate, and Enterprise Florida therefore should take the lead in attracting foreign investors to the state. Major elements of Enterprise Florida's strategy should include the following:

- **Expand and fund the statewide foreign direct investment strategy.** The elements of such a strategy would be the following:
  - Determine industry targets and investment priorities. Focus attraction efforts on companies in strategic industries, whose site-selection criteria match Florida's competitive advantages. In addition, focus complementary efforts on those industries that will increase the production in the state of products that are currently transshipped.
  - Profile potential investors and determine decision triggers. Conduct statistical trend analysis of companies in these industries to create strategic, demographic and decision-trigger profiles of companies most likely to make significant investments.
  - Assess competitor activities in these industry sectors. Create competitive intelligence through an ongoing program to research and monitor strategies and tools utilized by Florida competitors to attract the same prospective investors.
  - Create tailored promotion and incentive tools. Tailor marketing messages and attraction package to the factors that most strongly influence their decisions.
- **Emphasize FDI attraction in Florida's foreign representation office network.** Enterprise Florida's foreign office network will play an increasingly key role in these efforts, primarily in the area of identifying and marketing Florida overseas to targeted potential investors. Enterprise Florida should become the key one stop shopping organization for potential foreign investors and should lead statewide efforts – in collaboration with its economic development partners – to define and promote Florida's strengths as an investment location.

*Enterprise Florida should become the key one stop shopping organization for potential foreign investors and should lead statewide efforts to define and promote Florida's strengths as an investment location.*

- **Incorporate local economic development organization knowledge to build a state FDI attraction package.** Such knowledge includes identifying the specific strengths and capabilities of their own regions, and marketing these to foreign investors within the context of a statewide foreign direct investment attraction campaign – an “Investment Florida.” This also includes contacts with existing foreign investors, as well as providing Enterprise Florida with the kind of information about their regions that potential foreign investors will require to make site-selection decisions. In addition, by including information on specific regions and local communities as part of an overall package, Enterprise Florida and its partner organizations will put a better, more complete, face of Florida in the eyes of foreign direct investment decision-makers.
- **Commit funding for FDI attraction.** Effective FDI attraction requires a full-time, well-staffed, research-intensive, and focused effort. Enterprise Florida already dedicates significant resources to attracting investment generally to Florida. The targeted foreign investment attraction approach would involve modifications to the current strategy and initiatives, and not the development of an entirely new strategy. It therefore represents a more efficient use of existing resources rather than significant new expenditures. Nevertheless, the need to conduct extensive research on target industries and potential investors may involve additional costs, as would a targeted marketing campaign designed to reach potential investors. Rewards for EFI’s contractors in their foreign office network should be commensurate with the level of activity and success involved in pursuing and landing a major foreign direct investment. Well-connected consultants in foreign markets who are contracted to recruit FDI expect to be well-paid (success fee-based) for access to their clients and contacts. In addition, certain industrial sectors will require a continually improved, flexible package of incentives as a means to ensure that Florida retains its competitive edge when seeking to attract foreign direct investment to the state.

**Investment: Recruit Multiplier Organizations**

Florida’s consular corps is among the largest in the United States, and offers economic developers with excellent opportunities for networking and recruitment. National trade associations, such as Trade & Investment South Africa, which is working with Enterprise Florida to open a representative office in south Florida, also are potential lucrative multiplier organizations that could be recruited to the Florida market. Even though their own focus is typically in-bound investment and trade to their countries, these organizations can provide excellent networking and connections into their home markets. Some consulates, such as the British and the Canadian, house not only diplomats but business and trade-oriented organizations and individuals.

*Florida’s consular corps is among the largest in the United States, and offers economic developers with excellent opportunities for networking and recruitment.*

### Visitors: Focus on International Exchanges

To increase its competitive edge in global markets, Florida must put in place regional and community programs that respond positively to international visitors – business executives and tourists alike – in a secure, forward-looking, welcoming way in light of the challenges created in the post-September 11th world. International outreach programs – including recruitment of international students, professors, and other “exchange”-type initiatives – should be created and supported from the community level up to the highest levels of state government. Protocol, international visitor’s programs, welcome centers, and history and culture are more and more important to attract visitors from foreign markets.

Through the U.S. Department of State’s International Visitors Program, thousands of current and future leaders in government, politics, the media, education, labor relations, the arts, business, and other fields visit the United States every year. In 2001, Florida alone welcomed 457 visitors under the program. The key to success of the International Visitors Program is the network of nearly 100 volunteer organizations known collectively as Councils for International Visitors (CIVs). In Florida, a strong, statewide network of CIVs could form a critical component of the state’s international market expansion strategy. International visitors, past and present, represent excellent human resources for chambers of commerce, universities, and businesses. The International Visitors Program in Florida can be strengthened in the following manner:

- **Position the International Visitors Program as part of the international portfolio.** Awareness of the International Visitors Program and Florida’s six CIVs is limited today, and the initiative lacks a formal state government sponsor and clear ties to the rest of Florida’s international programs. State government should recognize this program and embrace its results. The Executive Office of the Governor should lead an effort to identify permanent housing for CIV participants and permanent locations for some CIV programs.
- **Expand funding options for the International Visitors Program.** The Legislature should consider creating permanent funding through the Executive Office of the Governor for distribution to qualified CIVs in Florida. In addition, state and local partners should leverage available federal sources to support qualified CIVs, using the Florida Congressional delegation “Community Connections” grants and increased Sister Cities grants, among other discretionary funding.
- **Extend program boundaries.** CIV-eligible regions should be extended to include Florida’s rural communities so as to showcase the state’s agricultural strengths.
- **Increase university involvement.** Like the Tampa Bay VIPP program, CIVs in Florida would be strengthened by creating partnerships with local community colleges and

*International outreach programs should be created and supported from the community level up to the highest levels of state government.*

universities. Such partnerships would engender new initiatives, including international student exchanges, research opportunities, and chances to develop new federally funded programs.

### **Strategy 3 – E-Commerce Portal**

The crossroads of international commerce is transforming from the market square to the Internet portal. Florida must prepare now to secure its role as a global leader in e-business and emerging trade flows of information, with increasing recognition of its telecommunications hubs and Internet network access points as critical international gateways.

The explosive growth of the Internet is reshaping retailing, distribution, and now international commerce – and the real growth is still yet to come. The global Internet audience grew from 513.4 million users in August 2001 to 544.2 million in February 2002, according to newly released figures from Nua Internet Surveys. The addition of nearly 31 million new users in just six months is impressive, but what is truly breathtaking is the long-term potential of the Internet: just nine percent of the world's population have access to the Internet today.

The greatest potential for growth in e-commerce is in foreign markets, particularly developing nations. In 2001, the United States represented 43 percent of all Internet users; by 2003, this percentage is expected to fall to 33 percent. E-commerce sales to customers outside the United States is projected to exceed those to customers inside the United States by 2003. The United States portion of e-commerce revenue will fall from 61 percent (of \$130.5 billion) to 44 percent (of \$1.6 trillion).<sup>16</sup> United States-based e-businesses that fail to offer multilingual support, global shipping, and multi-currency options will still have access to a \$704 billion market for United States online sales – but they will be foregoing \$896 billion of available revenue from international markets.

For United States businesses, the implication is clear – a huge untapped market that requires a new way of thinking. “Throw the word ‘domestic’ right out the window,” says e-commerce expert Laura Rush. “One of the most common mistakes made by many e-businesses (both here and abroad) is that they still think they are competing in a local environment. Once a business has launched its e-commerce capability, it's time to consider [itself] global.”<sup>17</sup>

The way business is conducted over the Internet has broken down barriers for both buyers and sellers. Now with a relatively small investment even a “mom and pop” business has the capability of connecting with millions of potential customers worldwide, becoming a global business virtually overnight. “Every organization can be a player in this economy, depending on the

*The long-term potential of the Internet is truly breathtaking; just nine percent of the world's population have access to the Internet today.*

<sup>16</sup> *The Road Ahead for B2B e-Commerce*. Steve Butler. February 2, 2001. [www.eMarketer.com](http://www.eMarketer.com).

<sup>17</sup> *International Flavor: Accepting Foreign Currency*. Laura Rush, April 30, 2002. [www.ecommerce.internet.com](http://www.ecommerce.internet.com).

extent to which it digitizes its business operations and takes advantage of the essential elements of an online world: information, knowledge, relationships, and increased velocity of operations throughout the value chain," concludes a recent study by the University of Texas at Austin's Center for E-commerce Research. "...there remains substantial potential to expand the Internet economy as more and more traditional businesses adopt e-business practices. Ultimately when every business becomes an e-business enterprise, there will be no distinction between the Internet and traditional economies."<sup>18</sup>

#### FLORIDA RESPONDS TO E-COMMERCE TRENDS

Florida has recognized the critical nature of building e-commerce trade capacity within the state as a way of leveling the playing field in international markets for Florida's small- and medium-enterprises. ITFlorida's 2001 Annual Report of the Information Service Technology Development Task Force proposes utilizing the resources of Enterprise Florida's International Trade and Business Development Division to develop internationally oriented IT programs. Information technology is one of Enterprise Florida's key target industries for international trade and investment recruitment. Enterprise Florida already has programs in place and key contacts throughout Latin America, Asia, and Europe. Additionally, the IT Task Force recommends expanded cooperation with the Florida Latin America Internet Task Force and the Miami Internet Alliance to develop and promote Florida resources to benefit e-business and high-tech trade between Florida, Latin America, and the Caribbean.

The report also recommends using baseline Enterprise Florida International Development programs such as the International Services Export Program, Marketsite Target Industry Trade events, and Made in Florida advertorial (editorial-style advertising) activities to target worldwide promotion of Florida's information technology industry, with particular emphasis on Florida's role as a gateway to the Americas market. The International Trade and Business Development division also is targeting multinational IT companies for relocation or expansion to Florida. In coordination with its partners in the Florida Trade Network, the E-commerce Latin America Task Force and ITFlorida, Enterprise Florida will leverage the resources statewide to maximize the effectiveness of outreach efforts.<sup>19</sup>

E-commerce has drastically changed the global marketplace. The ability to become an e-business has fueled demand for electronics including personal computers, telephones, televisions, and new products waiting to be invented. The requirement for faster and easier connectivity has boosted demand for the sectors that transmit information such as telecommunications, cable television, and radio. The need for virtual ordering, accounts payables and receivables, and inventory control has opened up the door for the development of new software programs and management consultancies.

<sup>18</sup> *Managing E-business Transformation: Opportunities and Value Assessment*. Revised version forthcoming in Sloan Management Review. Anitesh Barua, Prabhudev Konana, Andrew B. Whinston, Fang Yin. Center for Research in Electronic Commerce, McCombs School of Business, The University of Texas at Austin.

<sup>19</sup> *Capitalize on Florida's international base to expand the IT Market*. Itflorida.com. 2001 Annual Report of the Information Service Technology Development Task Force. February 14, 2001. Summary of Recommendations, p. 102. As of the writing of the present report, ITFlorida's 2002 report has not been released.

Moreover, the full potential of the Internet has not been realized, as businesses begin to use the Internet to reshape supply chain management and redefine fundamental relationships among suppliers, producers, distributors, and consumers.

Florida's capabilities related to the Internet offer enormous potential. The American Electronics Association (AEA) ranks Florida as the fifth-largest "cyberstate" in the United States, based on number of high-tech employees. The high-tech industry employs over 231,000 workers in over 10,100 firms, at an average wage of \$50,270.<sup>20</sup> An estimated 36 percent of total exports are high-technology goods. Florida houses some of the largest concentrations of telecommunications companies, financial institutions, call centers, and technology companies within Florida's High-Technology Corridor and the Internet Coast. The state university system has numerous information technology programs in place, attracting students from throughout the United States and overseas.

Florida must build upon these strengths to position itself as a global e-business portal. Specific actions that should be considered include the following:

- **Undertake e-commerce "market readiness" study in key foreign markets.** Funding should be provided through Enterprise Florida's foreign representation network to conduct market studies to determine the readiness of key trading partners for engaging in e-commerce with Florida companies. Likely subjects for such a study would include Canada, the United Kingdom, Germany, Japan, Korea, China, and other developed markets. The study would collate information on market size, potential, and readiness, and begin the process of providing connections for Florida companies through the Internet. Future marketing initiatives for e-commerce could be included under the e-florida marketing program.
- **Provide e-commerce export assistance.** Enterprise Florida and local economic development organizations should provide specialized export assistance to help Florida e-businesses go global. These programs should provide technical assistance on issues related to web sites, shipping, trade and tariffs, currency, and multilingual customer service, among other topics.
- **Integrate e-commerce into existing international programs.** Florida's existing international programs should consider how they can integrate e-commerce and e-business functions into their ongoing activities. For example, programs could be created under aegis of the Florida Association of Voluntary Agencies for Caribbean Action to train Caribbean government and business leaders on e-commerce and entrepreneurialism while marketing Florida's technology capabilities. In addition, the Gulf of Mexico States Accord is looking at ways of building a NAFTA cyber-highway

*"Throw the word 'domestic' right out the window: Once a business has launched its e-commerce capability, it's time to consider [itself] global."*

<sup>20</sup> *Cyberstates 2001*, American Electronics Association. Ranking is based on employment levels.

between and among learning institutions in Florida and the Mexican Gulf states, involving distance learning, technology transfer and entrepreneurial training, student exchange, and incubator formation. As part of the effort to integrate e-commerce into existing programs, Enterprise Florida should place links to existing international programs (e.g., GOMSA and FAVA/CA) on the Enterprise Florida web site while also looking for other international resources with which to partner by links through the web.

#### *CASE STUDY: MONTEREY BAY INTERNATIONAL TRADE ASSOCIATION (MBITA)*

The Monterey Bay International Trade Association (MBITA – [www.mbita.org](http://www.mbita.org)) was founded in 1987 to promote international business and trade in the Santa Cruz, Monterey and Salinas area. MBITA is directed by experienced leaders in global trade, who understand the innovative methods of international business development. MBITA members benefit from this in-depth business and cross-cultural expertise.

In 1994, MBITA, representing the counties of Monterey, Santa Cruz and San Benito, became a partner in Northern California's BAYTRADE consortium to help enterprises in diverse industries (including agriculture) export products and services to the Pacific Rim, Latin American, European, and other global destinations. MBITA is a non-profit international trade center dedicated to provide trade promotion services to the California, United States, and foreign country business communities. While providing most traditional trade assistance services, MBITA utilizes advanced global e-commerce technologies for its clients and members to maximize global trade opportunities.

MBITA's most innovative and relevant programs include the following:

- Global E-commerce 2002 instructor-led, on-line desktop-to-desktop seminar series. These seminars include 11 courses covering topics from "Global E-commerce 101" to market research to contracts to shipping to banking.
- Global Trade Cyber Community (GTCC), a private cyber-community comprising EMCs, ETCS, sales, marketing, facilitating and sourcing agents, buyers, information brokers, investment principals, and agents with a proven track record in e-commerce. The GTCC system shares information on trade opportunities, offerings, alliances, subcontractors, joint ventures, and other business leads that meet criteria for certification by MBITA.
- Partnership with the Global Technology Network (GTN), a program designed to help small- and medium-sized firms build international partnerships. GTN is operated by the USAID and implemented by the International Executive Service Corps (IESC), a non-profit business development organization. The goal of the GTN program is to facilitate trade and business linkages between United States technology companies and firms in emerging market countries by providing free, prequalified trade leads. Located by in-country specialists, the trade leads are matched to GTN registered clients through a user-friendly computer platform. GTN business opportunities are focused in four primary sectors: information and communications technology, environment and energy, health and medical, and agricultural equipment and technology.

## Strategy 4 – Strengthen Florida's International Economic Foundations

The success of any region's efforts to promote and expand international trade, investments and tourism is dependent not only on trade missions, foreign contacts, and trade agreements, but also on the economic assets that support those activities. Foundations for a vital crossroads economy include: an advanced transportation and telecommunications infrastructure; a well-developed intellectual infrastructure (education and workforce); plentiful access to capital; pro-competitive tax and regulatory environments; and an attractive quality of life. While these foundations are necessary for the health and competitiveness of virtually any sector of Florida's economy, there are specific needs with respect to Florida's international sectors.

### Transportation Infrastructure and Services

Transportation connections to global markets is a critical element of Florida's success in the international marketplace. Florida's transportation system is one of the most intermodal in the nation, but the system struggles to keep up with the requirements of its global customers during a time of continued trade and tourism growth and rising competition from neighboring states and nations for a share of the lucrative global market.

**Seaports.** Florida's coastline is the site of 14 deepwater ports, which handle nearly 70 percent of the state's international trade by value. The 14 deepwater ports processed nearly 110 million tons of freight in 2000, split roughly evenly between domestic and international markets. Freight throughput is expected to increase steadily to 140 million tons in 2004-2005, according to projections developed by the Florida Seaport Transportation and Economic Development Council (FSTED). Containerized traffic will drive much of this growth, rising from 2.5 million 20-foot equivalent units (TEUs, the standard measure of containers) in 2000-2001 to 3.5 million in 2004-2005. The state's largest ports ranked by tonnage are the Port of Tampa (46 million tons in 2000), Port Everglades in Fort Lauderdale (24 million tons), and the Port of Jacksonville (18 million tons). The Port of Miami, which handles more than one million containers per year, is the state's largest seaport by value, handling more than \$13 billion in trade in 2000 (Figure 10).

Many of these seaports also handle a burgeoning cruise business. Florida accounts for more than 80 percent of the nation's cruise industry, with more than 12 million embarking and disembarking passengers in 2000. This figure is projected to rise to more than 17 million by 2005. Port Canaveral, the Port of Miami, and Port Everglades are the state's largest cruise ports, each handling more than three million passengers in 2000.

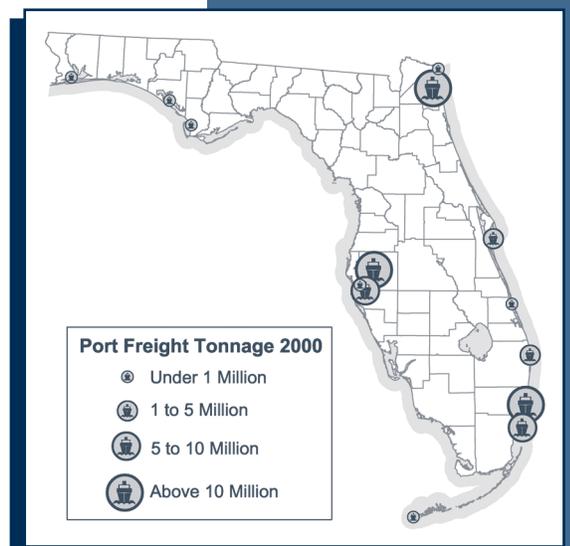


FIGURE 10. TONNAGE HANDLED AT FLORIDA SEAPORTS, 2000

Source: Florida Seaport Transportation and Economic Development Council, Seaport Mission Plan.

Many of these seaports face capacity constraints at the waterside or the landside that may limit their future growth. Only seven seaports have primary channel depth of more than 35 feet, and no seaport in the state currently offers channel depth greater than 45 feet, the level necessary to accommodate the newer generation of container “megaships.”

Perhaps more significantly, landside connections serve as choke-points for movements of goods, particularly containerized cargo. FSTED research indicates that inland transportation costs account for nearly 50 percent of the cost of a long-distance container move to or from Florida seaports. Primary truck access to many Florida seaports is through downtown business districts (Miami), historic districts (parts of the Port of Tampa, Pensacola), or residential neighborhoods (parts of Jaxport). On-dock rail connections are provided at only five seaports; in other cases, cargo must be moved via truck to inland rail terminals that can be 10 or more miles away.

**Airports.** Florida’s 19 commercial airports handled nearly 60 million passenger enplanements in 1998, a figure that is anticipated to rise to 133 million by 2020, according to the Florida Department of Transportation (FDOT) Statewide Aviation Systems Plan.<sup>21</sup> Miami International Airport handles the state’s largest passenger volumes at just under 17 million per year in 2000, with Orlando International Airport close behind with 15.3 million enplanements (Figure 11).

The level of international air service available from Florida airports is a relative strength of the state. Miami International Airport handles the third largest international passenger volume in the country, following John F. Kennedy International Airport in New York and Los Angeles International Airport, while Orlando International Airport ranks among the top 20 international airports in the country.<sup>22</sup> Business and leisure travelers to and from Florida

can access 62 international destinations in Canada, Europe, and Latin America on scheduled non-stop flights offered by commercial air carriers (Figure 12). While air service is excellent to Europe and Latin America, Florida would benefit from the inauguration of non-stop flight service to Asia, notably to Tokyo.

Air freight now accounts for more than one-third of all international trade by value. Air freight is projected to expand rapidly over the next two decades, from just over three million tons per year in 1999 to more than nine million tons in 2020. Miami International dominates the state’s air cargo activity, handling more than two-thirds of all domestic tonnage and over 90 percent of all international air freight.

Accommodating projected growth in passenger and freight movements will be a major challenge for Florida’s airports

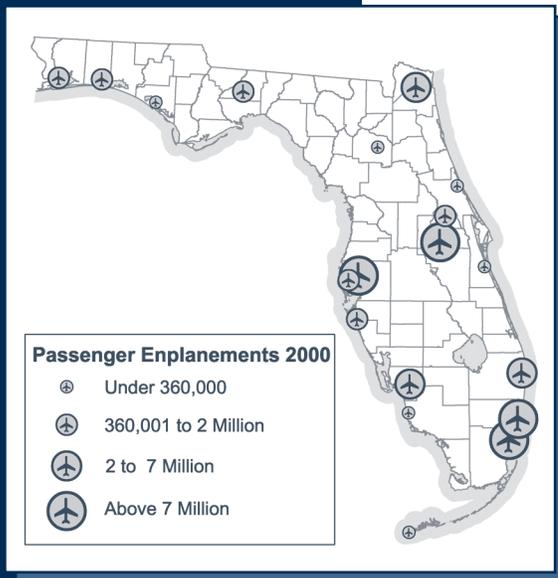


FIGURE 11. PASSENGER ENPLANEMENTS AT FLORIDA AIRPORTS, 2000

<sup>21</sup> These forecasts were developed prior to the terrorist attacks of September 11, 2001.

<sup>22</sup> Bureau of Transportation Statistics, data are for 2000.

over the next two decades. Thirteen of Florida's 19 major commercial airports operated at more than 60 percent of operational capacity in 1999 – a threshold at which airports should be planning future expansion. Five of these airports – Miami, Fort Lauderdale-Hollywood International, Daytona Beach International, St. Petersburg International, and Sarasota/Bradenton International – operated at more than 80 percent of capacity – a threshold at which airports should be in the construction phase of future expansion (Figure 13). By 2020, FDOT estimates that 15 large commercial airports will have reached this 80 percent threshold.

Ground access for passenger and freight is a growing concern at many of Florida's largest airports. Congested highway corridors and access roads serve as bottlenecks for employees, visitors, and motor carriers. Transit service is provided only to nine commercial airports, and in most cases this is bus service rather than the light rail or other high-speed passenger service typically available at major European and Asian airports.

**Rail.** Nearly 3,000 miles of rail lines are operated in Florida, of which 97 percent are privately owned. CSX Transportation, one of the four major railroads nationwide, is headquartered in Jacksonville and operates substantial service across northern Florida and much of the peninsula. Norfolk Southern, another major national railroad, provides limited service to northern Florida. Florida East Coast Railways provides critical service between Jacksonville and Miami and serves most of the east coast ports. Florida railroads moved approximately 170 million tons of freight in 1999, primarily consisting of non-metallic minerals, chemicals, and coal, and containerized goods.

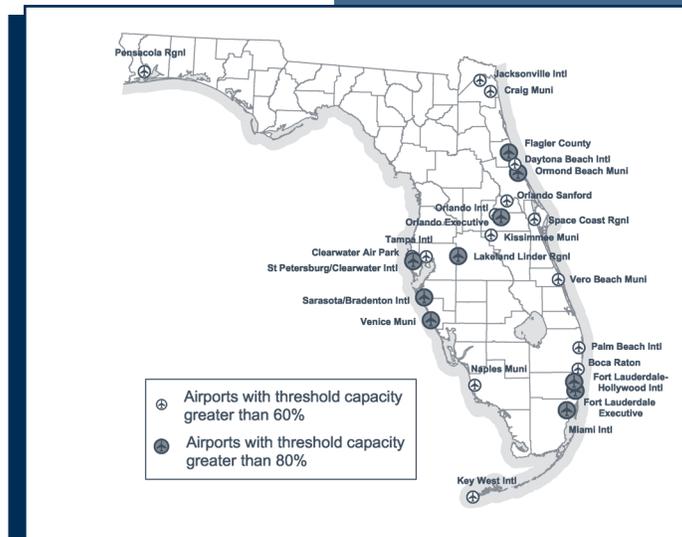
**Highway.** Florida's highway system provides critical connections between the state's seaports and airports and markets in other states, and also is the primary mode for trade flows with Canada and Mexico to major truck flows follow the I-95 corridor to the Northeast, the I-75 corridor to the Midwest; and the I-10 corridor from the West and Southwest (Figure 14).

Travel efficiency and reliability is deteriorating along key segments of Florida's highway system, as growth travel demand continues to outpace increases in capacity. FDOT estimates that vehicle-miles of travel are increasing four percent per year, nearly twice as fast as growth in population. However, lane-miles of the Florida Intrastate Highway System (FIHS) – the center-piece of the state system that includes critical intercity corridors – are increasing less than one percent per year. The result is an



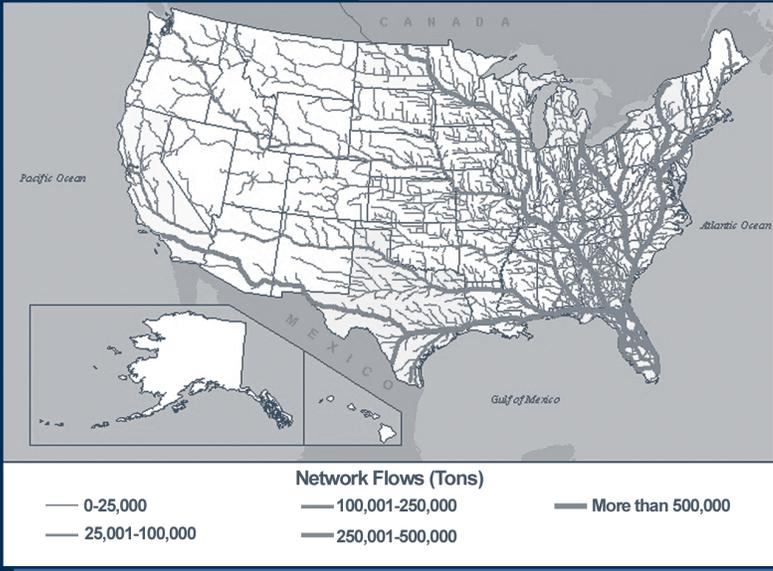
**FIGURE 12. INTERNATIONAL DESTINATIONS SERVED NON-STOP FROM FLORIDA AIRPORTS, 2002**

Source: Official Airline Guide (OAG) and Florida airports.



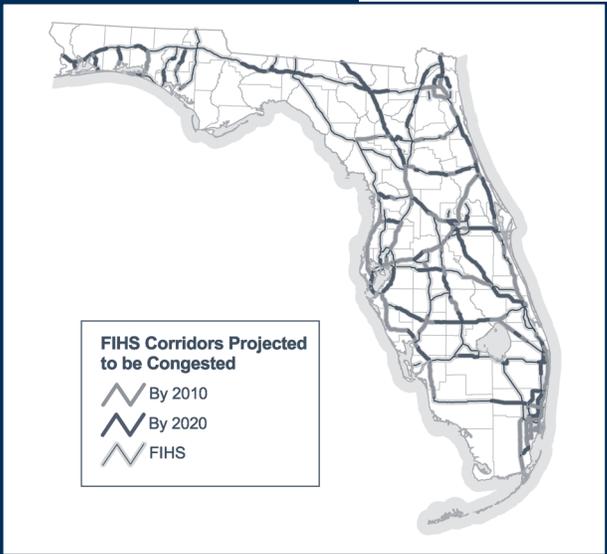
**FIGURE 13. AIRPORT CAPACITY IN 1999**

Source: Florida Department of Transportation, Aviation Systems Plan.



**FIGURE 14.**  
*INTERNATIONAL TRUCK FLOWS BETWEEN FLORIDA AND OTHER STATES*

Source: Federal Highway Administration.



**FIGURE 15.** *FUTURE CONGESTION ON THE FLORIDA INTRASTATE HIGHWAY SYSTEM*

Source: Florida DOT, Office of Systems Planning.

inexorable increase in delay, which is growing almost six percent per year and may continue unless the state makes the highway system operate more efficiently, using new technologies like Intelligent Transportation Systems (ITS); reduces the demand on the FIHS by moving traffic to other modes or other roads; or provides more capacity. Current projections suggest that most urbanized segments of the FIHS as well as key intercity corridors such as segments of I-95, I-75, and I-4 will be congested by 2020 (Figure 15).

Key strategies for addressing the transportation needs of Florida's international commerce include the following:

- **Implement Florida's Strategic Intermodal System.** The Florida Department of Transportation, in conjunction with its partners, is designating a Strategic Intermodal System that will comprise corridors, facilities, and services of statewide and regional significance. Designation of the SIS responds to guidance provided by the Florida Chamber Foundation in its 1999 report, *Transportation Cornerstone*, as well as similar calls from other partners. The SIS will provide a strategic, seamless, statewide transportation system that efficiently serves Florida's citizens, businesses, and visitors; helps Florida become a worldwide economic leader; enhances economic prosperity and competitiveness; enriches the state's quality of life; and reflects responsible environmental stewardship. Designation of the SIS is anticipated during the 2003 legislative session. Implementation of the SIS – including the prioritization of potential future improvements to this system – should reflect the key principles outlined in *Transportation Cornerstone*, including the following:

- Strengthen the state's major trade and economic corridors, including I-95, I-75, I-10, and I-4 and the rail lines that parallel these facilities;
- Increase the capacity and efficiency of the state's major seaports and airports, including seamless truck and rail access to these gateways;
- Continue aggressive deployment of ITS technologies to improve the safety, efficiency, and security of the trade corridors and gateways;

- Improve coordination of transportation planning and economic development planning at the state and regional levels, including heightened attention to international trade and tourist needs in the transportation planning process; and
- “Fast-track” transportation projects that meet critical economic competitiveness needs.

- **Address Florida's transportation funding shortfall.**

Current estimates are that transportation funding needs exceed available revenues by \$29 billion over the next 20 years for the FIHS alone, and as much as \$50 billion across all modes. In response to the Transportation Cornerstone study, the Governor and Legislature implemented the Florida DOT's Mobility 2000 initiative, which committed \$2.5 billion in statewide transportation investment to accelerate \$6 billion in projects over the next decade. Additional actions will be needed to fully fund the SIS and other key statewide and regional priorities, including reductions in the diversions of monies from the State Transportation Trust Fund to other programs and aggressive efforts to increase federal transportation funding in Florida as part of the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21).

### **Telecommunications Infrastructure**

One-half of Florida households owned computers and 43 percent had Internet access, placing Florida 29th and 17th, respectively, among the states in 1998, according to the National Telecommunications Information Administration (latest data available). While certain metropolitan areas, such as Miami, Fort Lauderdale, and West Palm Beach, enjoy state-of-the-art broadband communications, many of the state's smaller cities and rural areas have less effective services.

Competition among telecom companies serves to keep prices down and spur Internet use. The United States has substantially more competition for Internet subscribers than any other Organization of Economic Cooperation and Development (OECD) member nation. In the United States, the largest public telecommunications operators command only eight percent of the country's total Internet subscribers. Research by the OECD shows that the cost of surfing during peak periods for 40 hours a month – including fixed-line telephone charges, telephone usage charges and ISP costs – ranges from approximately \$150 in Hungary to less than \$24 in the United States.<sup>23</sup> Across Europe, Asia, and Latin America, the gradual opening of telephone and ISP markets to competition has had a salutary effect on Internet use and has helped lower-market consumers and businesses enjoy the benefits of access.

The workplace has always been the best place to reach Internet users with a broadband connection, and that will not be changing anytime soon. Jupiter Research found that the number of people

*Current estimates are that transportation funding needs exceed available revenues by \$29 billion over the next 20 years for the FIHS alone, and as much as \$50 billion across all modes.*

<sup>23</sup> *How to Beat the High Cost of Internet Access.* Noah Elkin. December 19, 2001. [www.emarketer.com](http://www.emarketer.com).

with at-work access to broadband connectivity will more than double from 24 million in 2000 to 55 million by 2005.<sup>24</sup> In contrast, only 8.6 million people currently use broadband in the home. More than one million United States businesses will turn to xDSL technologies for broadband Internet access within the next three years, according to e-Marketer.<sup>25</sup>

Strategies for strengthening Florida's telecommunications infrastructure include the following:

- **Increase bandwidth and redundancy.** The InternetCoast initiative in southeast Florida recently led an initiative to obtain a Network Access Point (NAP) in their region that can serve Miami-Dade, Broward, and Palm Beach counties. The NAP provides a substantial amount of telecommunications capacity for the region. Additional NAPs in Orlando, Tampa, or other areas of Florida also could be pursued. Additional redundancy and statewide access to advanced telecommunications services could be provided through installation of fiber optic cable, wireless towers, or other telecommunications devices along the right-of-way of the Interstate highway and other major intercity highway corridors – efforts under review by the Florida DOT for the past few years.
- **Avoid Internet sales taxes for as long as possible.** Florida should be vigilant regarding what other competitive markets are doing relative to taxing Internet transactions. Online sales are eroding the sales tax base in many states, with the cumulative impact estimated at more than \$16 billion in 2001 and nearly \$45 billion in 2006.<sup>26</sup> State and local governments will be confronted with difficult choices in the face of these revenue losses: cut expenditures, increase existing sales tax rates, shift to another tax source such as the property or income tax, or begin levying taxes on Internet sales. Going in one direction and making choices too early in the game may cause Florida to lose its international competitiveness in one of the areas where growth potential is greatest.

### Other Economic Foundations

Other aspects of Florida's economic foundations that should be strengthened from an international perspective include the following:

- **Intellectual Infrastructure** – Highly educated and skilled workforces are key attributes to compete in today's global economy. As profiled in Chapter 3 of *New Cornerstone*,

<sup>24</sup> Jupiter defined broadband as Internet access speeds of at least 256 kbps, therefore excluding ISDN services. The definition also requires persistent connectivity, or access without substantial delay in dialing up or establishing a connection to an ISP.

<sup>25</sup> *Broadband Access to Increase in Workplace*. Michael Pastore. [www.cyberatlas.internet.com](http://www.cyberatlas.internet.com).

<sup>26</sup> *State and Local Sales Tax Revenue Losses from E-Commerce: Updated Estimates*. Donald Bruce and William Fox. Center for Business and Economic Research, The University of Tennessee, September 2001. <http://cber.bus.utk.edu/>.

*Florida should be vigilant regarding what other competitive markets are doing relative to taxing Internet transactions.*

*Creating the Intellectual Infrastructure for Florida's 21st Century Economy*, Florida's education and workforce development systems face major challenges with respect to educational attainment and school performance. From an international perspective, the most important educational challenge may be improving the workforce's foreign language skills and knowledge of geography and foreign cultures. Although many Florida workers already speak different languages (especially Spanish in southern Florida), an increased emphasis on language skills (e.g., Spanish, Japanese, French, Chinese) will help the state be prepared for successful foreign trade relationships. In particular, the proximity of the state to the Caribbean and Latin America and the diversity of the state's population demands that Florida's bilingual educational efforts keep pace with the rest of the world.

- **Access to Capital** – Capital availability is an important issue for all firms as they seek to grow and expand market reach. It is especially true for firms in Florida that seek international trade opportunities or for foreign firms with investments and operations in the state. Both types of operations are inherently more risky than Florida-based firms that seek to reach domestic markets, which can make it more difficult for internationally oriented businesses to obtain funding. There are many stages at which firms need funding, whether it be an initial start-up loan or later-stage venture or expansion capital.
- **Tax and Regulatory Environment** – A state's tax and regulatory environment is a basic element of its competitiveness. Stable, streamlined, and competitive tax and regulatory structures increase the likelihood that businesses will be able to quickly receive the proper permitting and licenses for international trade, and that Florida will be sought after as a good place to do business by foreign firms.
- **Quality of Life** – One of Florida's traditional strengths is quality of life, reflected by the large number of domestic and international visitors, and the abundance of retiree migrants. Wage rate comparison studies between Florida and the rest of the United States often highlight the fact that the state's firms can pay slightly less in wages because people are willing to locate in Florida due to the high level of amenities (beaches, climate, and recreational opportunities). Regarding international activities, this is especially important for drawing tourists and the state's ability to attract foreign direct investment. While overall quality of life continues to be a strength for Florida, there are threats. For example, Florida continues to have the highest crime rate in the nation, rapid population growth has outpaced public infrastructure, and economic opportunities are lacking in some inner cities and rural areas.

*From an international perspective, the most important educational challenge may be improving the workforce's foreign language skills and knowledge of geography and foreign cultures.*

## Strategy 5 – Build Florida's Global Image

Florida is branded in innumerable ways:

- The “Sunshine State” evokes visions of eternal summer;
- “Visit Florida” is an imperative for tourists;
- “Fresh From Florida” suggests that global consumers buy Florida foods;
- “E-florida: Innovation Hub of the Americas” markets the state’s high-technology location message;
- “Florida’s Beach” lets visitors know where the sun and fun is; and
- “Margaritaville®” suggests Jimmy Buffett’s trademarked lifestyle message.

Florida is more than orange groves, retirement communities, and tourist attractions. Yet these are enduring images in the minds of many of Florida’s customers. No one would dispute that the citrus industry, the retirement home-building industry, and the tourism industry are dynamic, big-business drivers of the state’s economy. But the impression abroad remains that Florida is little more than a great place to vacation. This image is the result of a highly successful, well-funded, long-term promotion of Florida as a tourism destination, both in the United States and around the world.

Florida’s business image is a business climate issue for expansion and start-up companies alike. A 1996 image study indicated that corporate executives have a poor perception of Florida as a location for business, and a 1997 survey showed that Florida lacked a business image overseas.<sup>27</sup> These perceptions undermine efforts to recruit international investment and workers and corporations, who may dismiss the idea that Florida could be a dynamic center for business.

What is lacking is a unified vision of what Florida is – a unified brand message backed up with a systematic delivery system. Such a unified vision – “Florida: A great place to live, work, and play” – sends a simple message around which every sub-brand – tourism or trade or economic development – can organize.

Image-building efforts can build upon two ongoing initiatives:

- Enterprise Florida and its economic development partners have taken the key step to implement a statewide single brand marketing program for “e-florida,” geared toward promoting the state as a location for high-technology. For FY 2002-2003, the Florida Legislature passed legislation approved by the Governor committing \$1 million to a marketing fund for the state’s economic development efforts to promote Florida as the innovation hub of the Americas.

*Florida is more than orange groves, retirement communities, and tourist attractions. Yet these are enduring images in the minds of many of Florida’s customers.*

<sup>27</sup> DCI/Gallup Business Image Study, 1996 and a Burson-Martsteller study on Florida’s international image, 1997, as reported in Enterprise Florida’s *Strategic Plan for Economic Development, 2001-2006*.

- Florida's highly successful tourism advertising and public relations efforts provide an excellent model for an economic development campaign to promote Florida's business and commercial strengths in international markets. A Visit Florida campaign geared toward promoting new trade flows, foreign direct investment, and tourism would link these efforts and strengthen the state's image in foreign markets.

A multi-layered, multimedia strategy should reinforce the Florida business message by using traditional marketing tools, including general advertising (print and television), sponsorship of promotional events, direct marketing to targeted investors and companies, local offices in target countries, publications focused by industry and special issues of concern to investors, seminars, investment missions, and Internet sites.

There is no shortage of good marketing plans available; a number of them were reviewed by the Team Florida effort to develop the new e-florida campaign. However, there is a significant shortage of long-term commitment and funding for global marketing for international economic development. The following recommendations are intended to give a longer view of Florida's needs for global image-building:

- **Fully fund the e-florida plan so that it can be fully implemented in international markets.** The \$1 million approved by the Legislature in 2002 represents only 25 percent of the total marketing package in the first year of what was proposed as a \$12 million, three-year program. The marketing plan and budget priorities should be reviewed again with a view toward fully funding the program for the three-year period.
- **Develop a unified, statewide marketing program, with a single Florida theme under which all others can organize.** Florida's marketing efforts must be integrated while also acknowledging the diversity of its regions, its target audiences and its residents. The Florida 2012 marketing vision geared toward winning the 2012 Summer Olympics for the state was an excellent example of cross-selling Florida's varied strengths. A quality of life message that is strongly linked to a quality of business message could serve as a pivot point for appropriately addressing the very diverse goals of a wide range of agencies and organizations around the state.
- **Reconsider the separation of tourism promotion from international economic development and investment attraction activities and programs.** Combining these two activities would rationalize expenditures and create a more consistent image for the state in foreign markets. Partnerships should be established between Enterprise Florida, Visit Florida, and their regional and local partners to fully leverage this unified vision.

*There is no shortage of good marketing plans available. There is a significant shortage of long-term commitment and funding for global marketing for international economic development.*

## Strategy 6 – Advocate Florida's Global Interests

The diverse and often divergent interests of Florida's international portfolio must unite to define and advocate mutual interests in a foreign policy that gives Florida a competitive edge in the competition for international markets and investment. The state should maintain its high standard for state-level international diplomacy, protocol, and cultural exchange. Highest priority should be given to efforts to attract the Secretariat of the Free Trade Agreement of the Americas to Miami, which could become the Brussels of the Western Hemisphere.

### Encourage Federal Policy Toward Continued Trade Liberalization

With its 14 seaports, 1,350 miles of coastline, eight million foreign visitors annually, and 2.7 million foreign-born residents, Florida is considerably more international in its outlook than the average U.S. state. In terms of international exposure, it has more in common with California, a state 3,000 miles to the west, than it does with its immediate neighbors in the Southeast. Florida's success in boosting its crossroads economy depends in part on its ability to make its needs better understood in Washington. This is crucial because the strength and scope of Florida's international agenda is in large measure determined by decisions at the federal level.

Some federal policies favor Florida's crossroads economy, while others work against it. Several examples of federal-level actions or positions that could impede Florida's ability to increase international trade, investment, and tourism follow:

- **Application of sanctions on imported steel** – Recently imposed tariffs on imported steel have angered many countries in Latin America, a region that is by far Florida's largest trading partner. Steel and scrap metal imports that normally pass through Florida's seaports have virtually ended. Meanwhile, the European Union has placed citrus and citrus products at the top of a list of goods that could be subject to retaliatory tariffs.
- **Resistance to further NAFTA accessions** – United States trade negotiators have resisted efforts by Venezuela and Argentina to join the North American Free Trade Agreement (NAFTA). Venezuela and Argentina are Florida's fifth- and eighth-largest export markets, respectively. Their accession to NAFTA would be in Florida's best interests.
- **More restrictive visa policies** – The recent decision by the U.S. Immigration and Naturalization Service to issue 30-day visas rather than six-month visas to international visitors poses a challenge to Florida's tourism industry and may depress real estate values in areas where vacation property ownership among foreigners is high.
- **Limited response to Argentina's financial crisis** – As a consequence of its recent financial crisis, Argentina, the eighth-largest buyer of Florida products in the world, has

*Florida's success in boosting its crossroads economy depends in part on its ability to make its needs better understood in Washington.*

fallen off the economic radar screen. While the United States actively monitored the situation in Argentina over the past year, it did not intervene to stabilize the economy as it did during the Mexican financial crisis of 1994–1995.

### **Improve Florida's International Visibility**

In addition to helping shape policy in Washington, Florida should step up its advocacy and strategic relationship-building efforts to improve its visibility abroad. Among the strategies the state should pursue are the following:

- **Redouble efforts to attract the FTAA Permanent Secretariat.** Florida has an unprecedented opportunity to become the business and commercial capital of the Americas if the permanent FTAA Secretariat is located in the state. While Florida is a logical location, the state will need the consensus agreement of all 34 participating nations in order to secure the Secretariat. A secretariat has been rotating from Miami to Panama to Mexico to assist trade negotiators during the process. A final decision on where to site the permanent Secretariat will not likely be made until negotiations end in 2005. Other U.S. cities such as Atlanta are aggressively seeking this prize. The Executive Office of the Governor, Enterprise Florida, and Florida FTAA, Inc., among others, should intensify their efforts to maintain Florida's status as the frontrunner. These groups also should promote Florida interests on a systematic basis within the FTAA process, including negotiating venues, ministerial meetings, and Americas Business Forums. High-level state government officials should remain involved in Team Florida advocacy missions to the FTAA.
- **Support Florida's international programs,** such as protocol, diplomacy, and international project funding (FAVA/CA, Free Trade Area of the Americas Agreement and Secretariat, Gulf of Mexico States Accord institutions and programs, Sister Cities, International Visitors Council association). As a leader and coordinator of state international policies, the portfolio of international programs once under the department of state has no equal. Steps should be taken to preserve and support its functions as they translate to the Executive Office of the Governor.

### **Inform Floridians about International Issues**

Florida's business people and legislators need to be familiar with international protocol, global economic trends, and foreign policies that affect the state's efforts to promote international trade, tourism, and investment. With more Floridians versed in global commerce practices and issues, Florida can more effectively define, articulate, and promote policies that would strengthen international commerce opportunities in the state. Approaches for improving the awareness of international trends and protocol include:

- **Identify new international players and strengthen industry/business associations.** New issues in international commercial agreements – including e-commerce rules,

*As a leader and coordinator of state international policies, Florida's portfolio of international programs has no equal.*

*ADVOCACY IN ACTION: LANDING THE FREE TRADE AREA OF THE AMERICAS  
PERMANENT SECRETARIAT*

The Secretariat for the Free Trade Area of the Americas (FTAA) will be the administrative headquarters for the largest free trade area in the world, encompassing over 780 million consumers throughout North and South America. The FTAA will include 34 democratic nations with a combined gross domestic product of \$14 trillion. The negotiations leading to the creation of the FTAA are taking place on a rotating basis in the United States, Panama, and Mexico. The city that secures the permanent Secretariat will become the business and trade capital of the western hemisphere, the "Brussels of the Americas." For Florida, landing the Secretariat could be the single most important international job creation opportunity in a generation.

The overall impact on the United States economy of removing United States and other FTAA countries' tariff barriers may be relatively small since the total United States trade with non-NAFTA FTAA countries is only about one percent of the \$11 trillion United States economy and most imports from the region already enter the United States duty-free. An FTAA agreement, however, would cover much more than merchandise trade. Services, investment, intellectual property rights, and government procurement are commercially important areas in which the United States may gain improved market access and privileges. The FTAA would provide new coverage in investment and government procurement because the United States currently has only a few bilateral agreements with other FTAA countries in those areas. The United States also hopes to expand coverage in services and intellectual property rights beyond existing WTO agreements.

United States trade and investment in the Western Hemisphere have increased rapidly over the past decade. Over 80 percent of United States merchandise trade and about half of services trade and investment in the region are with NAFTA partners Canada and Mexico. However, merchandise trade with non-NAFTA FTAA countries has more than doubled over the past decade, and services trade and foreign direct investment have increased in both value and share relative to the rest of the world.

Source: "Free Trade Area of the Americas," U.S. Government Accounting Office, 7 September 2001.

intellectual property rights protection, financial and other services – will impact Florida's emerging high-tech sector as well as its services industries. National associations such as the American Electronics Association and the Coalition for Services Industries are effective voices for these issues, and Florida participation in such associations showed be increased. Florida may need to find statewide vehicles that adequately can represent these industries in international forums, and before the Florida Congressional delegation.

- **Internationally educate Florida's legislators.** The Florida Chamber International Committee could hold an international college for new legislators and members of Congress, modeled along the lines of the Harvard University's Kennedy School of Government training seminars for newly elected United States congressional representatives. Other possible models include the Florida League of Cities International Academy, which helps municipal officials understand the

impact of international issues on their cities and provides practical training in cultural sensitivity, protocol, and programs in international affairs; and the well-known Leadership Florida programs.

- **Develop centers of excellence on international trade** in partnership with the state's leading universities. Enterprise Florida should work with university leaders and the Florida Chamber Foundation to discuss how centers of excellence in international trade can be established.
- **Inform members of the media** by encouraging them to attend international conferences, symposia, and trade shows. Not be confused with a public relations or a marketing campaign, this practice would emphasize direct contacts between business executives, public officials, educators, economic developers, and television and newspaper reporters.

## 5.6 Implementation Plan

Positioning Florida as the leading crossroads economy in the 21st century will require a statewide partnership over the next decade. The following steps are recommended for early action by Florida's business and government leaders.

- 1. Provide high-level, sustained statewide leadership for Florida's international priorities.** The Governor should continue to serve as the state's leading ambassador to overseas governments, an advocate for global trade and development, and a convener of agencies and broker of resources to ensure that Florida's international goals are met. The Governor should assign specific responsibility and authority to one cabinet-level office for implementing the state's international strategic plan and other priorities, a best practice recommended by the National Governors' Association for all states. This office should be the governor's chief spokesperson (and the state's chief advocate) with respect to state-level diplomacy and United States trade policy.
- 2. Develop an international commerce element of Florida's Strategic Plan for Economic Development.** Florida's public and private organizations should create and regularly update a statewide international commerce strategy under the auspices of Florida's Strategic Plan for Economic Development, which is updated annually by Enterprise Florida and its partners. Key partners in this international strategic plan should include the Executive office of the Governor, Enterprise Florida, Visit Florida, the Department of Agriculture and Consumer Affairs, the Department of Citrus, the Florida World Trade Center Association, the Florida Chamber of Commerce, research universities, and key regional and local organizations. This plan should provide the structure to support implementation of Florida's international goals at the state, county, and community

*Florida's public and private organizations should create and regularly update a statewide international commerce strategy under the auspices of Florida's Strategic Plan for Economic Development*

levels. It also should ensure that the many organizations involved in guiding Florida's international commerce speak with a single voice. It should ensure that international competitiveness is pursued as a statewide priority cutting across agencies, rather than as a narrow focus on "trade development." Initial priorities for this plan are shown in the sidebar on page 78.

**3. Maintain the high level of state funding for international competitiveness programs and initiatives.**

In 1998, the latest year for which comparative data are available, Enterprise Florida funded more than \$4.2 million in international trade development and investment attraction programs – more than all states except for California and Pennsylvania. This represented 22 percent of total Enterprise Florida funding that year – the largest share among the nation's 50 lead state economic development organizations and well ahead of the national average of three percent, according to the National Association of State Development Agencies. Florida should maintain this high priority for international initiatives within the state budget.

**4. Fully fund a unified "One Florida" marketing program.**

To enhance Florida's image in global markets, the state's public and private leaders should fund a multi-year marketing program that builds off the successful "Visit Florida" and "e-Florida" efforts. The \$1 million, one-time funding provided by the Legislature to Enterprise Florida in 2002 should be expanded to a three-year, \$12 million effort as originally proposed, with the expectation of a strong private sector match. This program should be reevaluated and expanded as necessary for rest of the decade.

**5. Mainstream international commerce into the traditional economic development community.**

International markets are a priority today of Enterprise Florida and the state's larger economic development organizations – from the Jacksonville Chamber of Commerce to the Greater Miami Chamber of Commerce. Yet international trade, tourism, and investment appear to be a limited priority for many of the state's traditional economic development organizations and chambers of commerce, particularly in small to medium sized markets. The support of these groups is critical if a greater range of Florida's businesses and communities are to tap into the global market. Specific activities that should be undertaken to heighten the importance of international market expansion at the regional and local levels include the following:

- Develop and expand performance measures that give greater emphasis to international market expansion, such as foreign direct investment generated or number of new exporting businesses. Standard business-based and economic development performance measures, representing best practices from the United States and around the world, are already in place for Enterprise Florida and other elements of the international portfolio. These include return

*International trade, tourism, and investment appear to be a limited priority for many of the state's traditional economic development organizations and chambers of commerce, particularly in small to medium sized markets.*

on investment, trade and investment leads generated, new expected sales, actual sales, number of visitors, and so forth. Similar measures should be applied for regional and local economic development organizations, as incentives to pay ample attention to international opportunities.

*INITIAL PRIORITIES FOR INTERNATIONAL COMMERCE ELEMENT OF FLORIDA'S STRATEGIC PLAN FOR ECONOMIC DEVELOPMENT*

The international commerce element of Florida's Strategic Plan for Economic Development should set priorities among the following types of programs:

**1. Preserve and Expand Florida Best Practices in International Market Expansion**

The successes of the 1990s point to several ongoing programs and initiatives that are models for international market expansion in Florida and for other states. These programs should be preserved and expanded where possible. They include the following:

- **Executive Office of the Governor** international programs addressing protocol, diplomacy, and international partnerships, including the Free Trade Area of the Americas Agreement and Secretariat, the FAVA/CA, the Gulf of Mexico States Accord institutions and programs, Sister Cities, and International Visitors Council association.
- **Enterprise Florida's** international trade and business development programs, which could be augmented with a new international research and marketing group.
- **Florida Services Network**, which could be expanded and used as a model for other aspects of Florida's international programs.
- **Visit Florida's** successful marketing efforts to tourists worldwide.
- **Florida Department of Agriculture and Consumer Services'** and **Florida Department of Citrus'** international marketing activities.

**2. Integrate and Develop Synergies Among Existing Programs**

Existing international programs can be elevated to the next level through integration with related activities to create cross-selling and cross-fertilization opportunities among different aspects of the international portfolio. Early opportunities include the following:

- **Market matchmaking techniques** to focus strategically on Florida's strength markets and next markets.
- **Deep-mining activities** to expand the presence of Florida's medium and smaller businesses in the state's largest trading partners.
- **Sharpening of the state's foreign direct investment strategy** to focus on attracting global capital in bricks and mortar facilities that form a crucial link in global supply chains, as well as in Florida's emerging technology industries.
- **Recruitment of multiplier organizations**, including new consulates and trade associations.

- **Development of a unified “One Florida”** marketing message building off of the successful “Visit Florida” and “e-Florida” efforts.

### 3. Expand Promising Regional and Local Initiatives Statewide

Several local or regional initiatives are diamonds in the rough that could be expanded statewide for broader benefits. These include the following:

- **International Visitors Council Florida-wide association** – new program that would integrate the existing infrastructure of federal-based program into Florida's ongoing programs.
- **International education alumni networks** – activities to identify and leverage market connections; recruit student, faculty and businesses; and transfer technologies across cultures and geographies.
- **In-Bound trade missions** – strategic reverse missions to Florida as an efficient method for expanding markets.

### 4. Invest in Long-Term Market Expansion Initiatives

Finally, Florida's business and government leaders should embrace long-term initiatives to strengthen Florida's international portfolio, and identify actions to start moving in these directions today. These include the following:

- **FTAA** – aggressive efforts to recruit the FTAA Secretariat to Miami (high, near-term priority);
- **Global portal** – technology development and transfer activities to position Florida businesses for the emerging wave of global commerce facilitated by the Internet.
- **Next frontier markets** – strategic initiatives to position Florida for future growth of trade and commerce with China, Africa, and Cuba.
- **International foundations** – ongoing investments to strengthen Florida's transportation, telecommunications, and intellectual infrastructure to better position the state to compete in global markets.

- Continue the trade development grants and professional development activities sponsored by Enterprise Florida to build leadership capacity at the regional and local levels in international commerce. Outreach and awareness activities should build upon the successful programs sponsored by Enterprise Florida in cooperation with the U.S. Department of Commerce, the World Trade Center Association, the District Export Councils in 1999, which trained economic development professionals in nine regions of the state on international commerce. The Florida Economic Development Council should partner in future training programs for economic development professionals, and the Florida Chamber of Commerce and Florida Chamber Federation should support outreach to local chamber of commerce.
- Expand membership of the Florida Trade Network to accommodate economic development organizations with a strong interest in and capacity to provide export assistance.

- Build partnerships between economic development organizations and tourism development organizations to facilitate synergies between business and tourist marketing.

#### **6. Heighten the attention to international marketplace.**

Finally, steps should be taken at all levels to increase the attention that Florida's business, political, and media leaders give to the international market.

- Publish an annual report on international competitiveness under the leadership of the Florida Chamber Foundation. The annual report could include data on international issues, concerns, state strengths and weaknesses, institutional responsiveness, and international business information availability. Specifically, the annual report could be used as a benchmark to compare Florida's performance to other leading states and countries in international activity (e.g., foreign direct investment, exports, imports, foreign student enrollments, overseas visitors) and in the foundations that support international commerce (e.g., intellectual infrastructure, research and development, seaport and airport traffic, telecommunications, Internet access, computer usage, finance, and quality of life). As the 17th-largest world economy, Florida needs to benchmark itself carefully. Florida should evaluate itself against other states or countries that are comparable in economic scope, population, and international outlook. These comparison regions should be similar to Florida or represent the aspirations of where Florida wants to be in the future.
- Convene an annual summit on international competitiveness and related support services to discuss the latest annual report, current international business issues, and potential statewide and regional initiatives in support of a strong global business climate. The Florida Chamber Foundation should facilitate this summit in coordination with the Florida Chamber of Commerce Federation and other statewide and regional organizations.
- Develop programs to increase the awareness of Florida's business and government leaders of the potential of the international market, Florida's competitive strengths and weaknesses, and strategies for positioning the state for the next decade. The Florida Chamber of Commerce, Leadership Florida, and the Florida League of Cities should play a key role in generating these programs.

*An annual report is needed to benchmark Florida's performance to other leading states and countries in international activity,*



## Appendix A – A Snapshot of Florida's International Portfolio

Florida's overall international competitiveness is a reflection of several factors, some more quantifiable than others. Measurable aspects of Florida's success in the international economy include exports, imports, foreign direct investment, and tourism. Florida's performance in these measures exemplifies its position within the global economy and, given the growth of international trade and investment, also provides insight on the state's overall economic health. This section profiles Florida's existing global trade, investment, and tourism activity, and identifies key strengths, opportunities, and issues for the state.

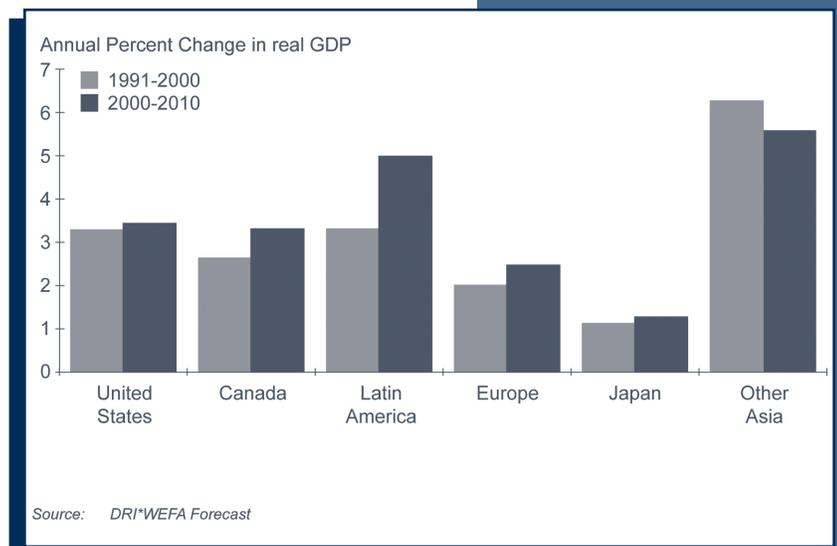
### International Commerce and the Florida Economy

International commerce is a critical driver of Florida's economy. In 2000, Florida's merchandise exports, \$30 billion, accounted for 6.2 percent of the state's \$481 billion gross state product (GSP), while the value of imports entering the United States through Florida's seaports and airports amounted to some \$39.4 billion. Foreign investors, recognizing the economic opportunities available in Florida, had total investments valued at \$37 billion in the state in 1999. Add to these figures the spending of over eight million foreign tourists arriving in Florida annually, estimated at \$18 billion per year, and it is clear that international trade, investment, and tourism form a pillar of the Florida economy.

Although economic uncertainties in Latin America may reduce short-term growth, these markets are expected to resume a growth trend over the next 10 years (Figure A.1). As Florida's primary markets expand, the state will benefit from increased trade, tourism, and investment.

### Florida Exports

Exports are a key indicator of a state's or a country's economic ties to foreign markets. Overall, Florida exports are robust, having grown rapidly in the 1990s. Florida's exports reached \$30 billion in 2000, the seventh highest total among the 50 states (Table A.1). Between 1992 and 2000, Florida's exports grew from \$18.7 billion to \$30.0 billion, a growth rate of about 60 percent.<sup>1</sup> Although this increase was substantial, several



<sup>1</sup> Due to a change in how merchandise exports were tabulated in 2001, direct comparisons with early 1990s data are imprecise. For compatibility with earlier years (i.e., 1992), the data used in this study go through 2000. Short-term trends using a consistent data set, show a 2.4 percent (\$600 million) increase for 2000-2001. However, Florida's exports, along with the nation's, were in decline through the first half of 2002.

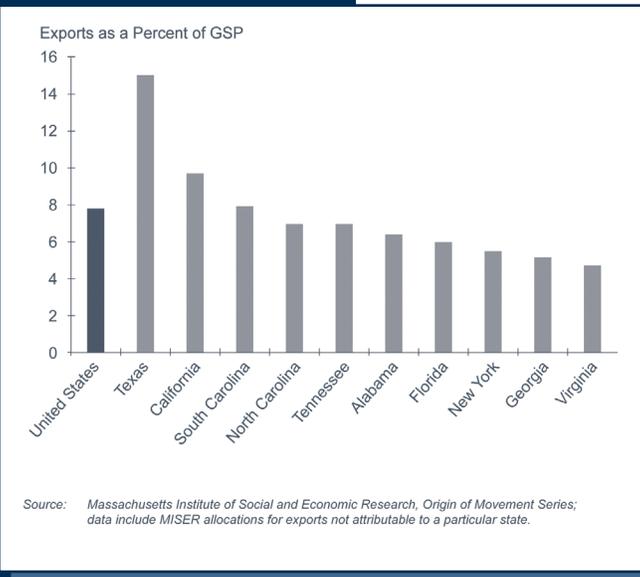
FIGURE A1. ECONOMIC GROWTH IN KEY MARKETS WILL SUPPORT EXPANSION OF FLORIDA TRADE

other states, including Texas, Illinois, and Indiana, grew at even faster rates. In general, the states that experienced the strongest export growth during the 1990s were located either on the border with Mexico, or in the Midwestern automotive belt next to Canada, and therefore likely to be the most direct beneficiaries of the North American Free Trade Agreement (NAFTA).

TABLE A1. TOP EXPORTING STATES, 1992-2000 (IN BILLIONS OF DOLLARS)

Top 15 States	1992	2000	Percent Change 1992-2000
California	68.9	129.7	88.3%
Texas	49.9	112.4	125.2%
New York	29.4	46.7	59.0%
Michigan	22.5	36.2	60.9%
Washington	30.6	34.0	11.1%
Illinois	17.6	33.7	91.4%
<b>Florida</b>	<b>18.7</b>	<b>30.0</b>	<b>59.8%</b>
Ohio	18.3	28.2	53.8%
Massachusetts	12.2	22.1	81.5%
Pennsylvania	12.1	20.6	70.4%
New Jersey	11.1	20.2	81.3%
North Carolina	11.9	19.4	62.3%
Louisiana	17.0	18.1	6.9%
Indiana	6.8	16.5	141.7%
Georgia	9.0	16.2	79.7%
<b>United States</b>	<b>447.5</b>	<b>780.4</b>	<b>74.4%</b>

Source: Massachusetts Institute of Social and Economic Research, Origin of Movement Series; data include MISER allocations for exports not attributable to a particular state.



Although Florida ranks highly among the states based on the overall value of exports, the state's "export intensity" (the ratio of total exports to gross state product) is below the national average. Florida's exports equaled 6.2 percent of GSP in 2000, while overall United States exports accounted for 7.8 percent of United States gross domestic product (GDP). Several competitor states, including Texas and California (Figure A.2), have much higher export intensities than Florida. Florida's relatively small manufacturing sector explains, at least in part, the state's low export intensity because manufactured goods account for the large majority of United States merchandise exports. Florida is the fourth-largest state but ranks only 11th in manufacturing employment nationwide.

FIGURE A2. EXPORTS AS A PERCENT OF GROSS STATE PRODUCT, FLORIDA AND COMPETITOR STATES

Existing sources of export data tend to undercount one of Florida's greatest strengths – services. The services sector represents 25 percent of Florida's GSP, compared to 22 percent of the United

States gross domestic product (GDP). The services sector includes a wide range of industries including education, health care, software development, and film production. These services are in demand overseas and are “exported” in the form of fees for services rather than as a material good (the type of export that typically is measured). Because the large services sector of the Florida economy is uncounted in the export data, total Florida exports (which would include both merchandise and services exports) may be understated to a larger degree than exports from many other states (see box on Florida services exports).

#### *FLORIDA SERVICES EXPORTS*

The services industry is the main driver for Florida's economic and employment growth. According to the U.S. Department of Commerce, Bureau of Economic Analysis, services account for a larger share of gross state product in Florida than in all but one other state (Nevada). The services sector includes the health care, education, recreational, legal, engineering, and architectural industries, among others. The services produced by these employers can be exported in terms of fees earned for services provided. However, traditional export data are oriented primarily toward the export of manufactured goods and agricultural products. Due to the prominence of the services sector, significant research concerning the role of services exports in the Florida economy has been initiated.

In fall 1999, Florida International University (FIU) created the Institute for International Professional Services (IIPS) with a mandate to gather statistical information on services industries and to track trade initiatives that can facilitate the export of services. The goal of the IIPS is to maximize Florida's strengths as a global services center.

In 2000 FIU conducted a business survey to determine the economic impacts of Florida's international services industries. Among the companies responding to the survey, 79 percent had experienced growth in their international services clientele over the previous five years; 56 percent reported that international services had generated new employment; and 73 percent indicated electronic and other means of telecommunications as the most important method to provide international services to clients.

The regions considered by the respondents to have the most potential for growth in international services over the next five years were South America (78 percent), North America (78 percent), Central America (74 percent), the Caribbean (74 percent), Europe (64 percent), and Asia (43 percent). Personal connections were cited by 84 percent of respondents as the chief approach to both learn about and sell new international services contracts. Clearly, two of Florida's main international strengths – geographic proximity and cross-cultural connections – play important roles in cultivating services exports.

FIU's analysis estimated that services exports generated between \$14.5 and \$20.1 billion in revenues in 2000, resulting in \$28.9 to \$40.2 billion in direct and indirect economic benefits for Florida. International services exports were estimated to generate between \$10.3 billion and \$14.4 billion in earnings for Florida workers in 2000 and account for 384,000 to 535,000 jobs in the state.

Source: Florida's Service Sector: A Needs Assessment and Impact Study, Eduardo Gamarra and Mercedes Ponce, Institute for International Professional Services, Latin American & Caribbean Center, Florida International University, May 2001, available at [http://lacc.fiu.edu/centers\\_institutes/iips](http://lacc.fiu.edu/centers_institutes/iips).

### Florida Exports by Market

Florida's reputation as the "Gateway of the Americas" is well-deserved. Florida ranks first among the states in exports to South America, the Caribbean, and Central America. Florida is the top exporting state to most countries in Latin America, with the notable exception of Mexico. Latin American countries including Brazil, Mexico, the Dominican Republic, Venezuela, Colombia, Argentina, and Chile each rank among Florida's top 10 export markets (see Table A.2). Including Canada, Florida's second-largest export partner following Brazil, the Americas account for over two-thirds of total Florida exports (Figure A.3).

TABLE A2. FLORIDA'S TOP 15 EXPORT DESTINATIONS

Country	2000 Exports (in Millions of Dollars)	Percent of Total Exports
Brazil	3,459.5	11.5%
Canada	2,738.1	9.1%
Mexico	1,811.2	6.0%
Dominican Republic	1,558.7	5.2%
Venezuela	1,367.9	4.6%
Colombia	1,052.2	3.5%
United Kingdom	1,043.7	3.5%
Argentina	991.2	3.3%
Japan	860.2	2.9%
Chile	778.7	2.6%
Bahamas	654.5	2.2%
China	607.5	2.0%
Germany	599.5	2.0%
Guatemala	581.4	1.9%
Honduras	572.7	1.9%
<b>Top 15 Markets</b>	<b>18,677.0</b>	<b>62.3%</b>
<b>All Other Markets</b>	<b>11,283.2</b>	<b>37.7%</b>
<b>Total Florida Exports</b>	<b>29,960.2</b>	<b>100.0%</b>

Source: Massachusetts Institute of Social and Economic Research, Origin of Movement Series; data include MISER allocations for exports not attributable to a particular state.

Florida's export profile is significantly different from the nation's as a whole. Florida does not rank in the top 10 for states exporting to Canada, Mexico, and Japan, the nation's three largest trading partners. Canada is the nation's largest export market and is a key market for Florida exports, but 16 U.S. states export more goods to Canada than Florida. A total of 13 states export more to Mexico, Florida's closest major export market geographically, and 10 export more to Japan. Clearly, Florida is most competitive in Caribbean, Central American, and South American exports.

Although Florida has enviable strengths in trade with Latin America, the state is not selling goods in proportion to its economic size to most other large United States export markets.

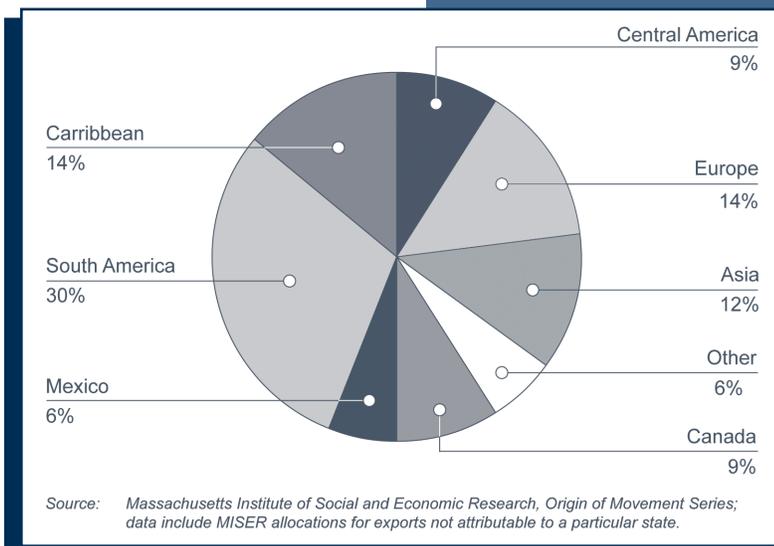
Excluding the Latin American countries, Florida ranks among the top 10 states for exports only to China (with an eighth-place ranking). In most of the remaining large United States export markets, Florida generally ranks between 11th and 17th. The expansion of exports to large and established United States trading partners represents an opportunity for Florida.

The concentration of Florida exports in the Western Hemisphere is graphically demonstrated by a world map depicting the state's top export markets by dollar volume (Figure A.4). Nevertheless, it is evident that the state is conducting significant trade with three other major continents (Europe, Asia, and Australia). Clearly, there is potential for Florida to make further gains in markets where United States exports are already strong.

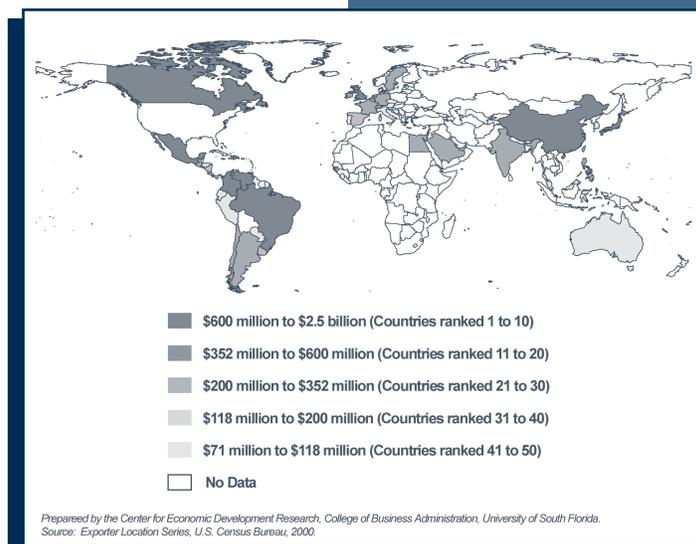
Opportunities for Florida exports abound, notably where Florida is under-represented in large United States export markets such as Mexico and Canada). The following statistics underscore the potential for Florida exports to grow:

- Florida accounts for about five percent of the United States economy, yet the state's share of national exports is less than three percent for most of the nation's major markets.
- In 2000, the United States exported \$176.5 billion worth of goods to Canada. Florida accounted for only 1.4 percent of this total.
- Florida's share of the more than \$111.7 billion in United States goods exported to Mexico – geographically the state's closest major market – amounted to 1.7 percent.
- Among the nation's top 15 export markets, Florida accounted for more than 3.5 percent of United States exports to only one market – Brazil.

Export data for the 1996-2000 period reveals that Florida is making strides to increase trade with the nation's top export markets. Florida's exports to Mexico and Japan both grew by more than 150 percent since 1996, while exports to Canada, the United Kingdom, and Germany grew by over 50 percent during the period. These are the five largest export markets for the United States.



**FIGURE A3. LATIN AMERICA IS FLORIDA'S KEY EXPORT MARKET**



**FIGURE A4. FLORIDA EXPORT MARKETS, 2000**

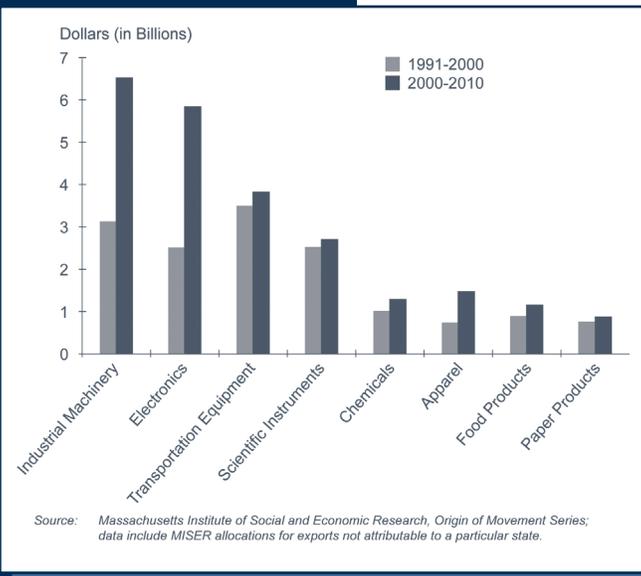
TABLE A3. FLORIDA'S TOP 15 EXPORTING INDUSTRIES, 2000

Industry	2000 Exports (in Millions of Dollars)	Percent of Total Exports
Industrial Machinery, Computer Equipment	6,492.1	21.7%
Electronics (excluding computers)	5,853.1	19.5%
Transportation Equipment	3,794.8	12.7%
Chemicals	2,646.3	8.8%
Scientific Instruments	2,039.9	6.8%
Apparel and Other Textile Products	1,367.0	4.6%
Food and Kindred Products	1,201.5	4.0%
Paper and Allied Products	902.0	3.0%
Miscellaneous Manufacturing	692.2	2.3%
Primary Metals	603.1	2.0%
Fabricated Metals	600.0	2.0%
Rubber and Plastics Products	586.7	2.0%
Agricultural Production-Crops	573.9	1.9%
Textile Mill Products	434.8	1.5%
Lumber and Wood Products	262.7	0.9%
<b>Top 15 Industries</b>	<b>28,050.1</b>	<b>93.6%</b>
<b>All Other Industries</b>	<b>1,910.1</b>	<b>6.4%</b>
<b>Total Florida Exports</b>	<b>29,960.2</b>	<b>100.0%</b>

Source: Massachusetts Institute of Social and Economic Research, Origin of Movement Series; data include MISER allocations for exports not attributable to a particular state.

### Florida Exports by Industry

Five industries account for nearly 70 percent of Florida's exports: industrial machinery (including computers), electronics, transportation equipment, chemicals, and instruments. The chemicals sector includes phosphate-based fertilizers as well as pharmaceutical goods. Other leading Florida exports include apparel, food products, and paper (Table A.3).



Between 1992 and 2000, Florida's export growth was led by three industries closely associated with technology: industrial machinery (including computers), electronics, and scientific instruments (see Figure A.5). Combined, these three industries accounted for almost 70 percent of Florida's net increase in exports during the 1992 to 2000 period. This trend underscores the importance of emerging technologies and advanced products as a pillar of Florida's export growth. Future export growth, at least in part, will be a function of the relative competitiveness of these industries in Florida. Among services industries, education (see box on page 5-87) and health care stand out as large contributors, in addition to the state's traditional strength in tourism.

FIGURE A5. FLORIDA'S TOP EXPORT INDUSTRIES, GROWTH 1992-2000

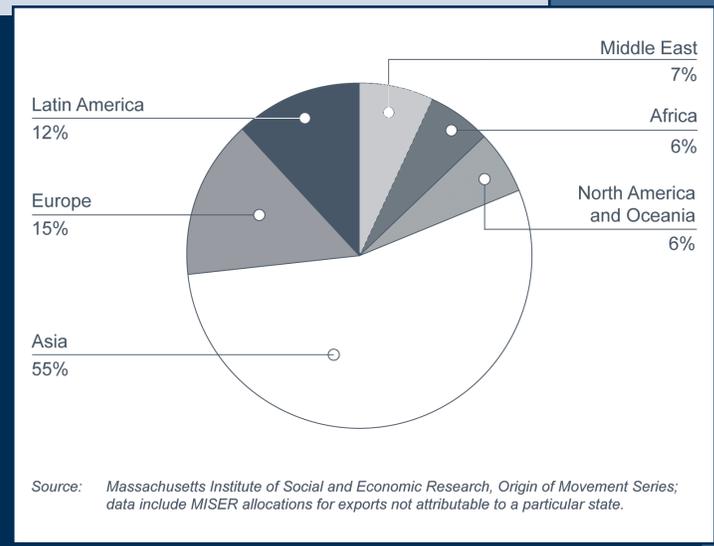
*EDUCATION AS AN EXPORT*

“It is through international education that we will continue to renew our capacity for global leadership by educating successive generations of future world leaders, who come to the United States as international students,” concluded the Association of International Educators in a recent report. “...foreign students are overwhelmingly a net asset for United States security. They are a critical component of graduate education in the United States, and they bring important educational, economic, and cultural benefits to colleges, universities, and communities across the country. Most importantly, they are possibly the most under-appreciated success of United States foreign policy. Secretary of State Colin Powell has said, ‘I can think of no more valuable asset to our country than the friendship of future world leaders who have been educated here.’ Granted that appropriate immigration controls are necessary, the United States must continue to welcome foreign students.”

Foreign students represent an over \$500 million export value to the state of Florida, and make higher education institutions an integral component of Florida's international ties – academic, social, and economic.

Nationwide, the Association of International Educators estimates that foreign students and their dependents contributed more than \$11 billion to the United States economy during the academic year 2000-2001. By many measures, international education makes a significant contribution to the United States economy:

- During the 2000-2001 academic year, 548,000 foreign students studied in the United States, approximately 3.8 percent of total enrollment in United States colleges and universities. They brought over \$11 billion into the United States economy.
- The United States remains the leading destination for international students.<sup>2</sup>
- During the 2000-2001 academic year, the top 10 countries of origin of foreign students in the United States were (in descending order): China, India, Japan, Republic of Korea, Taiwan, Canada, Indonesia, Thailand, Turkey, and Mexico. On a regional basis, Asia sends the most students to the United States, accounting for 55 percent of the total. Asia is followed by Europe, Latin America, and the Middle East (Figure A.6).
- In 2000-2001, California led the nation in numbers of foreign students, with over 74,000. Florida, with 25,366 students, ranked fifth in the nation, following California, New York, Texas, and Massachusetts.
- Of all foreign students in the United States in 2000-2001, 75 percent were self sponsored or fully funded by overseas sources.



<sup>2</sup> January 2002 press release, NAFSA: Association of International Educators, <http://www.nafsa.org>.

**FIGURE A6. ORIGINS OF FOREIGN STUDENTS IN THE UNITED STATES**

With the exception of transportation equipment (which has a smaller presence in Florida compared to United States industry concentrations in the Midwest and West Coast regions), the distribution of Florida and United States exports by industry is similar. Transportation equipment does maintain a third ranking in Florida, like the United States, but accounts for a far smaller share of state exports compared to national exports.

Analysis of Florida and United States exports by industry to leading trading partners highlight the state's relative strength in Latin American exports. Small Latin American markets (e.g., Paraguay, Honduras, and Ecuador) frequently included as top 10 markets for Florida exports by industry generally are not leading destinations for United States exports in the same industries. At the same time, Florida's share of national exports by industry fails to reach one percent of the United States total to many of the top European and Asian export markets.

### Florida Imports – Completing the Circle of Trade

Imports play a critical role in the United States and Florida economies. Imports supply key inputs used in the manufacturing process; imports increase competition, thus reducing price pressures; and imports provide Americans with a wider selection of consumer products. Total imports entering Florida in 2000 were valued at \$39.4 billion.

The leading industries and countries of origin for Florida imports are somewhat similar to the state's top export industries and export markets.<sup>3</sup> Florida shows strengths, again, in trade with Latin

America while also recording large volumes of imports from leading United States trade partners such as Japan and Germany (Figure A.7).

Transportation equipment (e.g., motor vehicles, motor vehicle parts, ships, and aircraft) is the largest industry sector for imports, accounting for 28 percent of all Florida imports (Figure A.8). Over \$11 billion, or 5.5 percent of all United States imports of transportation equipment entered the country through Florida in 2000. The majority of transportation equipment was imported from three countries: Japan, Germany, and Brazil. Motor vehicles and car bodies account for 83 percent of all Japanese goods shipped to Florida. Germany exports a mix of motor vehicles and aircraft to

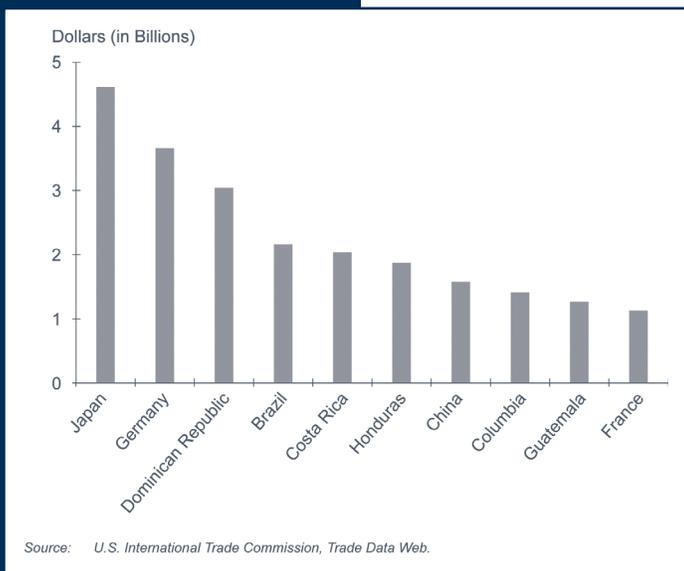


FIGURE A7. FLORIDA IMPORTS – TOP 10 COUNTRIES OF ORIGIN

<sup>3</sup> Note that the export analysis in the previous section, based on “origin of movement” and “exporter location” trade data, is not directly comparable to the import data discussed in this section, which are based on the value of goods handled at the customs district level. While the two export series attempt to tie Florida businesses and producers with the state's exports, the import data only indicate that a good has entered the United States through a Florida seaport or airport. The import data do not indicate the ultimate destination of these goods.

Florida, while Brazil mostly sends aircraft to Florida. Because transportation equipment comprises such a large percentage of Florida imports, the top three countries of origin for transportation equipment are also the top three origin countries for overall Florida imports.

Florida serves as a major gateway to the United States for several other industries, including agricultural products, fish and marine products, and tobacco. Florida receives 55 percent of all tobacco imported into the United States. Over two-thirds of the tobacco arriving in Florida comes from the Dominican Republic, Honduras, and Switzerland. Florida businesses dominate the tobacco import market. Florida receives 12 percent of the nation's agricultural imports and 16 percent of fish and marine product imports. With the exception of fish imported from Thailand, most agricultural crops and fish and marine products imported into Florida originate from the Caribbean, Central America, and South America.

Extensive trade ties, such as these, offer Florida businesses a conduit to expand and diversify trade to other products as well as to expand Florida sales to major exporting countries. Figure A.9 (a map depicting the top countries of origin for Florida imports) demonstrates the diversity of Florida's import markets. With relationships established through transportation and business ties, many of Florida's strongest import partners can be targets for increased two-way trade. For example, vessel capacity (in ships or planes) likely exists to increase Florida exports to such markets as China, Western Europe, and large Latin American markets.

Florida's import strengths draw from its strategic location between Caribbean, Central American or South American countries, and the mass of the United States economy. Florida's seaports, airports, railways, and highways are gateways for importing goods and then redistributing them throughout the United States. The state's geographical advantages and transportation systems position Florida well for future trade growth.

### Total Florida Trade

The value of imports, exports, and total trade with Florida's top trading partners is shown in Figure A.10. The state's leading trade partners represent a combination of large world economies (e.g., Japan, Germany, and the United Kingdom) and Latin American countries (e.g., Dominican Republic, Costa Rica, and Venezuela) with which Florida traditionally has held strong economic ties. Countries such as Brazil and Mexico straddle both categories. Opportunities exist to increase Florida exports

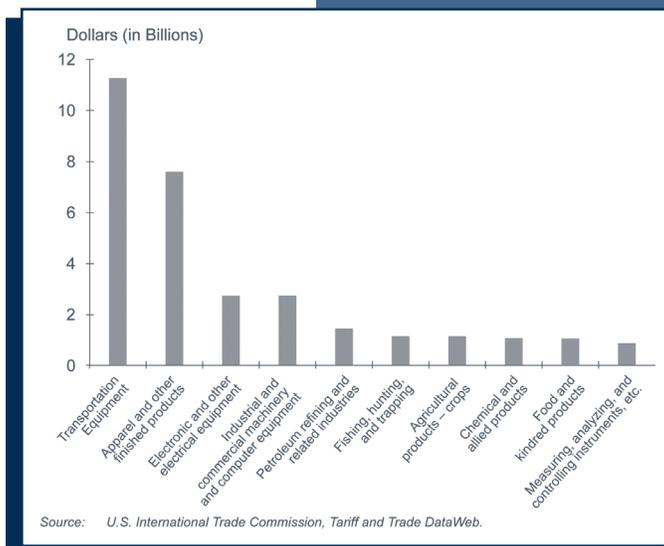


FIGURE A8. FLORIDA IMPORTS BY INDUSTRY, 2000

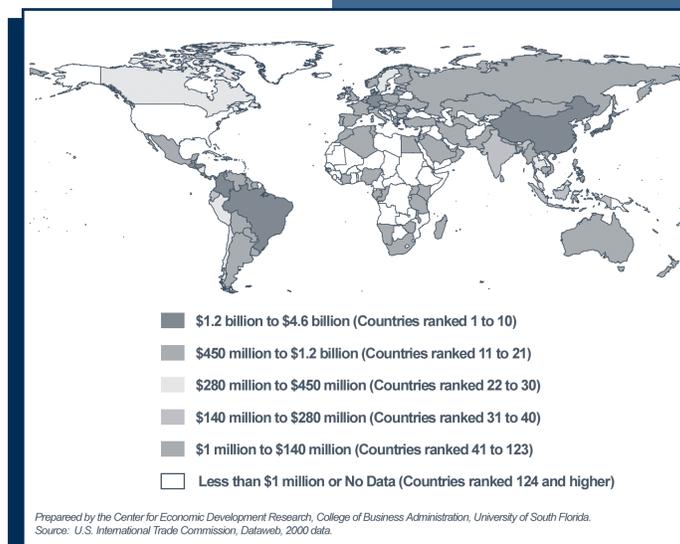
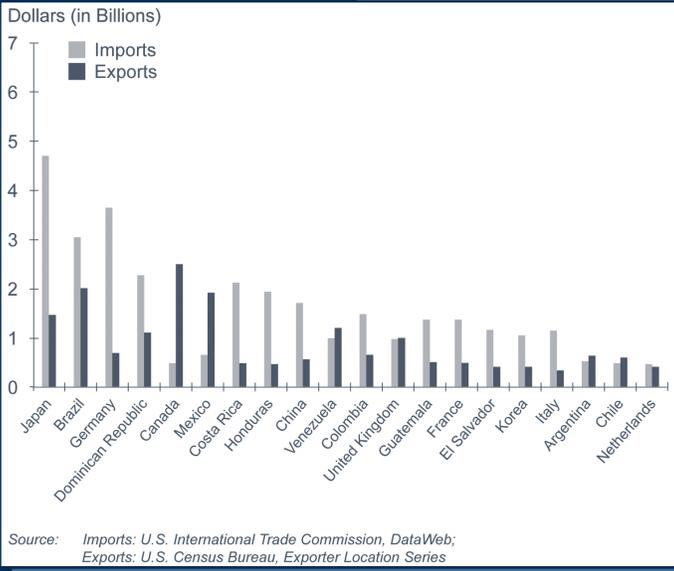


FIGURE A9. FLORIDA IMPORTS – COUNTRIES OF ORIGIN



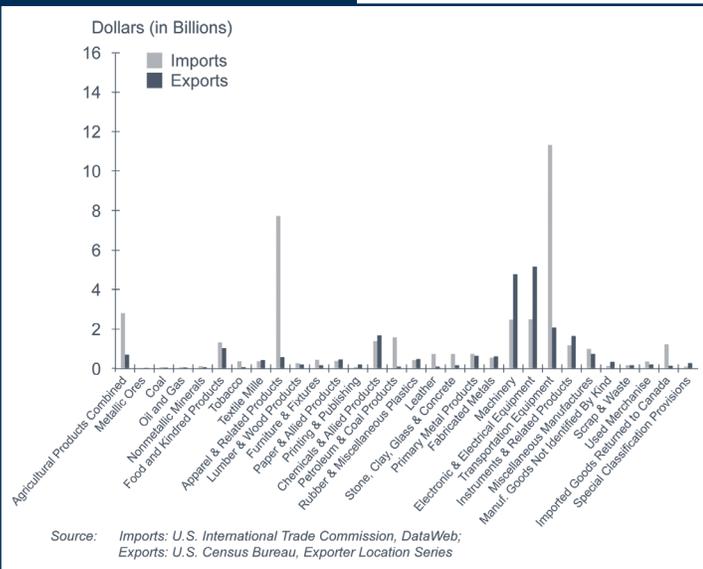
**FIGURE A10. FLORIDA'S TOP 20 TRADING PARTNERS, 2000**

to these markets by helping the state's businesses leverage existing trade relationships into more sales.

Mexico, in particular, is physically close to Florida. While many Mexican goods are produced in factories on the United States-Mexico border and then distributed across the United States via inland gateways such as Laredo, El Paso, and San Diego, there is an opportunity for Florida to serve as a gateway for goods produced elsewhere in Mexico. Florida's seaports and airports provide excellent access to the East and Midwest United States for goods produced in interior Mexico, the country's traditional economic heartland. Building a new "NAFTA Superhighway" based on marine shipments across the Gulf of Mexico rather than

rail and truck shipments across the Rio Grande would be a key strategy for Florida's competitiveness, economic development, and job creation.

The illustration of total trade by industry (see Figure A.11) emphasizes the importance of certain industries to Florida's international commerce.<sup>4</sup> The top tier of industries includes transportation equipment, apparel, electronics, industrial machinery, and agricultural products. State officials and economic development professionals should be aware of these industries' importance to Florida trade and establish strategies to capitalize on these trade ties. As an example, trade synergies and other factors combined to attract Embraer, the world's fourth-largest passenger jet manufacturer with headquarters outside São Paulo, to locate an engineering facility in Palm Beach Gardens. This success leveraged Florida's strengths in overall trade with Brazil, notably in transportation equipment (including aircraft), and the presence of a technically advanced aerospace industry in the state.



**FIGURE A11. FLORIDA TOTAL TRADE BY MAJOR INDUSTRY, 2000**

### Foreign Direct Investment

The total value of property, plants, and equipment owned by foreign businesses and individuals in Florida reached some \$36.6 billion in 1999, the most recent year for which data are available. These foreign affiliates employed 286,000 Floridians in 1999, accounting for about four percent of all the state's jobs.

<sup>4</sup> These figures are an illustration of the magnitude of trade by industry in Florida and are not to be interpreted as a state trade "deficit" or "surplus" within the particular industry.

Foreign direct investment (FDI) reflects a lasting interest and control of an entity resident in one economy (the direct investor) in an entity resident in an economy other than that of the investor (the direct investment enterprise). This lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise.<sup>5</sup> Basically, FDI represents a controlling ownership of fixed assets by an entity (e.g., business or individual) based outside the home country.

FDI is an important component of international commerce and economic development for several reasons. Investments from foreign companies create jobs and income, as well as introduce new technologies, management strategies, and workforce practices to communities. These advancements can strengthen the industrial base and add to the overall competitiveness of a region. FDI also may increase a region's exports and foster international business ties from which new trade opportunities may be developed.

Offering the potential for new jobs, new technologies, and higher incomes, the competition for foreign direct investment between states as well as between countries has become intense. Nations and regions throughout the world are engaged in aggressive marketing, research, and relationship-building for a share of the investments being made by overseas companies. This competition is a consequence of the real benefits that FDI brings to an economy. The ability to attract foreign direct investment is a reflection of Florida's overall international competitiveness and the availability of economic opportunities in the state.

As evidenced by its national standing and robust growth during the 1990s, Florida is a competitive place for foreign firms to invest. Florida ranks seventh among the states in foreign direct investment. Florida's growth in FDI exceeded the national average and most other leading states during the 1990s. Total FDI in the state increased from \$18.7 billion in 1990 to \$36.6 billion in 1999, a growth rate of 96 percent (Table A.4 and Figure A.12). Compared to the other leading states, only Michigan and Pennsylvania exceeded Florida in growth during the nine-year period.

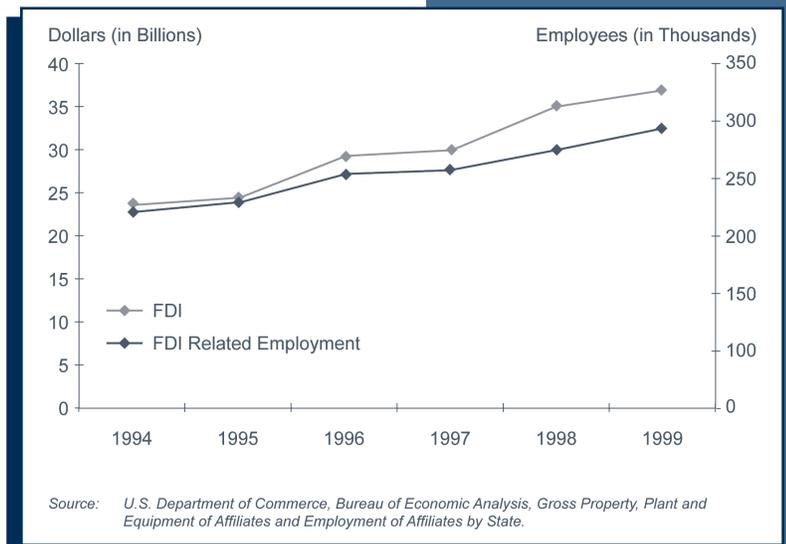


FIGURE A12. GROWTH IN FDI AND RELATED EMPLOYMENT

<sup>5</sup> *Benchmark Definition of Foreign Direct Investment*, Organization for Economic Cooperation and Development, 1996. The definition used by the U.S. Department of Commerce to measure FDI in the United States follows: "Foreign Direct Investment" is the ownership or control by one foreign person of 10 percent or more of the voting securities of a U.S. business enterprise. A "U.S. affiliate" is a United States business in which there is a foreign investment. A "person" is any individual, corporation, branch, partnership, associated group, estate, trust, or other organization, and any government (including any instrumentality of a government).

Despite this growth, however, Florida accounted for only 3.4 percent of FDI in the United States in 1999, a disproportionately small share compared to the state's economic size.

TABLE A4. FLORIDA IS A LEADING STATE FOR FDI GROWTH (IN BILLIONS OF DOLLARS)

	1990	1999	Percent Change
California	75.8	115.6	53%
Texas	57.1	96.6	69%
New York	36.4	63.1	73%
Illinois	23.4	45.3	93%
Michigan	12.0	42.0	249%
Ohio	20.5	38.8	89%
<b>Florida</b>	<b>18.7</b>	<b>36.6</b>	<b>96%</b>
New Jersey	18.6	35.4	90%
Pennsylvania	16.6	34.1	105%
Louisiana	17.4	31.9	83%
<b>United States</b>	<b>578.4</b>	<b>1,069.2</b>	<b>85%</b>

Source: Bureau of Economic Analysis, value of gross property, plants, and equipment of foreign-owned affiliates.

As in the United States, European countries account for the majority of foreign direct investment in Florida (Table A.5 and Figure A.13). Europe's investment in Florida, \$22.1 billion in 1999, comes principally from four major investor countries: France, Germany, the United Kingdom, and the Netherlands. In fact, France has invested more in Florida, \$6.9 billion, than any other country. Following France, Florida's second-largest investor country is Canada, which accounted for 16.1 percent (\$5.9 billion) of all FDI in Florida in 1999. Asian and Pacific countries,

mostly Japan and Australia, also invest heavily in Florida, accounting for 14.2 percent of the state total. Although Latin American countries comprise just over four percent of FDI in the United States, they account for a much larger share, 7.4 percent, of total foreign investments in Florida. Venezuela and Brazil are the top Latin American investors in Florida – indeed, over one-quarter of Brazilian fixed assets in the United States are in Florida.

While Florida's exports and imports are heavily weighted towards Latin America, foreign direct investment in the state is generally similar to national patterns. Although the United States garners a larger share of FDI from Asia and a smaller percentage from Latin America than Florida, the same large investor countries (United Kingdom, France, Germany, the Netherlands, Canada, and Japan) comprise the large majority of FDI in both the state and the nation. Thus, while Florida depends

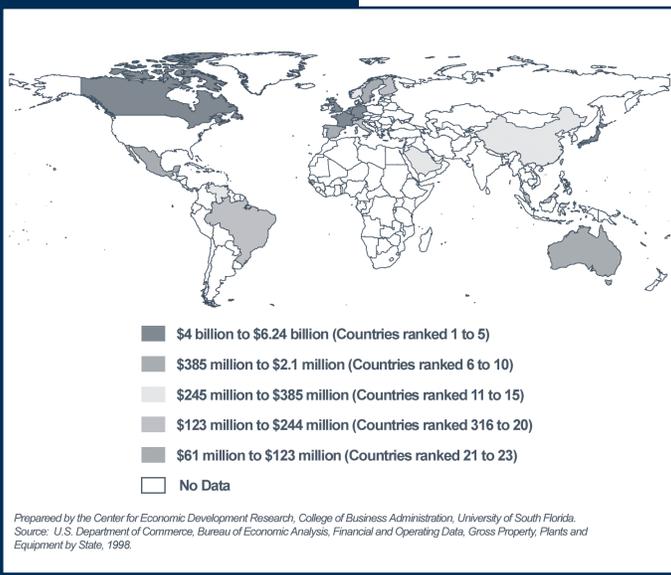


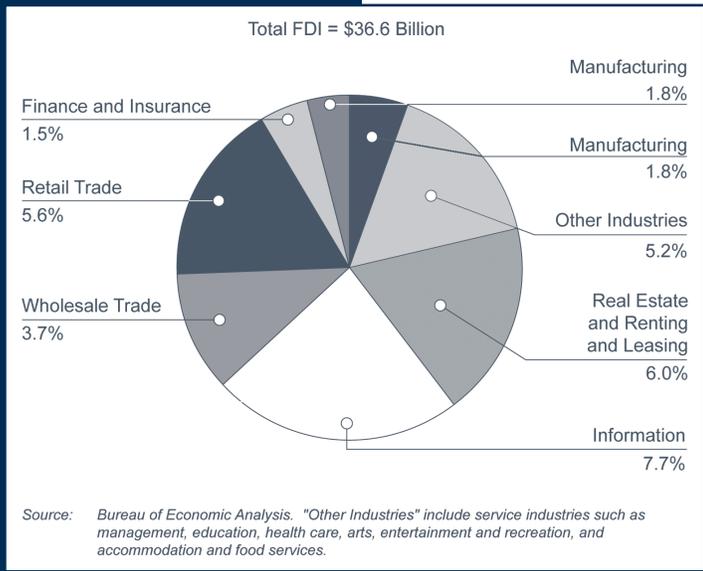
FIGURE A13. SOURCES OF FOREIGN DIRECT INVESTMENT IN FLORIDA

heavily on Latin American and Caribbean countries for export markets and imports, it is more reliant on emanating Europe, Canada, and Asia for FDI. Nevertheless, there is a strong tie to Latin America for foreign direct investment, albeit investment from other regions. One need only see the Latin American regional headquarters operations of European, Canadian, and Japanese firms in South Florida to understand that Florida's connections with Latin America generate significant interest and investment from businesses worldwide.

**TABLE A5. FOREIGN DIRECT INVESTMENT, FLORIDA COMPARED TO THE UNITED STATES, 1999**

Country	Foreign Direct Investment (in Millions of Dollars)		Florida as a Percent of U.S.
	Florida	United States	
<b>Canada</b>	<b>5,917</b>	<b>102,411</b>	<b>5.8%</b>
<b>Europe</b>	<b>22,125</b>	<b>634,501</b>	<b>3.5%</b>
Belgium	562	10,050	5.6%
Finland	274	4,760	5.8%
France	6,910	107,917	6.4%
Germany	4,436	155,303	2.9%
Ireland	(D)	8,397	na
Italy	184	9,455	1.9%
Netherlands	2,213	97,944	2.3%
Norway	304	4,380	6.9%
Spain	149	3,746	4.0%
Sweden	666	14,920	4.5%
Switzerland	617	31,919	1.9%
United Kingdom	4,115	179,499	2.3%
<b>Latin America and Other Western Hemisphere</b>	<b>2,709</b>	<b>44,437</b>	<b>6.1%</b>
Brazil	346	1,277	27.1%
Mexico	111	5,253	2.1%
Venezuela	825	10,566	7.8%
<b>Africa</b>	<b>21</b>	<b>3,012</b>	<b>0.7%</b>
<b>Middle East</b>	<b>495</b>	<b>10,500</b>	<b>4.7%</b>
<b>Asia and Pacific</b>	<b>5,217</b>	<b>243,584</b>	<b>2.1%</b>
Australia	1,059	18,219	5.8%
Hong Kong	219	6,600	3.3%
Japan	3,534	193,203	1.8%
Korea, Republic of	44	7,097	0.6%
Singapore	(D)	4,894	na
Taiwan	27	10,376	0.3%
<b>Total Foreign Direct Investment</b>	<b>36,632</b>	<b>1,069,209</b>	<b>3.4%</b>

Source: Bureau of Economic Analysis, Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies, Preliminary 1999 Estimates. (D) Data suppressed to avoid disclosure of data of individual companies.



The distribution of investment in Florida by industry sector is shown in Figure A.14 and Table A.6. Much of Florida's foreign direct investment is in manufacturing and the wide variety of service (health care, education, and tourism) industries included in the "other industries" category.<sup>6</sup> Foreign investments in the state's industries reflect Florida's relative economic strengths compared to other states in the nation. For example, Florida accounts for a relatively small share of total foreign investments placed into United States manufacturing, in keeping with the small size of Florida's manufacturing sector. On the other hand, multinational firms invest more heavily in industries with higher concentrations in the state, including real estate, information (e.g., data processing, telecommunications, and publishing), retail trade, and "other industries", which include much of the state's tourism-related industries (e.g., accommodation and food services).

**FIGURE A14. FOREIGN DIRECT INVESTMENT BY INDUSTRY, 1999**

Source: Bureau of Economic Analysis.

**TABLE A6. FOREIGN DIRECT INVESTMENT BY INDUSTRY IN FLORIDA AND THE UNITED STATES, 1999 (IN BILLIONS OF DOLLARS)**

Industry	Florida	U.S. Total	Florida as a Percent of U.S. Total
Manufacturing	9.7	540.8	1.8%
Other Industries	7.7	147.1	5.2%*
Real Estate and Renting and Leasing	6.5	108.5	6.0%*
Information	6.0	77.8	7.7%*
Wholesale Trade	3.7	99.3	3.7%
Retail Trade	2.1	37.7	5.6%*
Finance and Insurance	0.8	51.9	1.5%
Professional, Scientific, and Technical Services	0.1	6.1	1.3%
<b>Totals, Florida and the United States</b>	<b>36.6</b>	<b>1,069.2</b>	<b>3.4%</b>

Source: Bureau of Economic Analysis.

\* Indicate industries with relative concentrations of foreign investment in Florida.

### Tourism

Florida is renowned worldwide for its recreational and cultural attractions. With millions of foreign tourists traveling to the state every year, tourism comprises a key component of Florida's international competitiveness. According to the U.S. Department of Commerce's International Trade Administration, "international travel to the United States is an export just like the sale of our agricultural products, automobiles, or consumer goods and that strength plays over into our GDP."<sup>7</sup> Foreign tourism injects the

<sup>6</sup> "Other industries" includes agriculture, mining, construction, utilities, transportation/warehousing, healthcare, accommodation and food services, etc. Industry definitions are based on the North American Industry Classification System (NAICs).

<sup>7</sup> Doggett, Leslie R., Former Deputy Assistant Secretary for Tourism industries, International Trade Administration, Department of Commerce, <http://tinet.ita.doc.gov/about/index.html>.

Florida economy an estimated \$18 billion in spending annually. In addition, by creating an interface between Florida and foreign residents (many of whom are business owners or business executives), tourism helps create opportunities for exports, imports, and foreign direct investment. As a major tourism state, Florida is well-positioned to capitalize on the magnitude and variety of foreign visitors that have made the state a leading global destination.

Florida is the second most popular destination, following California, for overseas visitors to the United States (Table A.7).<sup>8</sup> Over six million international visitors arrived by air in Florida in 2000, according to the International Trade Administration. These totals exclude visitors from Canada and Mexico. Estimates developed by Visit Florida and Statistics Canada indicate that two million Canadians visited Florida in 2000, making Canada the largest country of origin for international tourists in Florida (see Table A.8). Only New York, which shares a border with the most populated part of Canada, had a greater number of visits from Canadians. However, most of those visits were day-trips and the number of nights Canadians spent in Florida outnumbers nights spent in New York by more than five-to-one.

About 1.7 million people from the United Kingdom visited Florida in 2000, ranking that country second behind Canada. Populous South American countries – Venezuela, Brazil, and Argentina – also rank among the largest origin countries for overseas visitors to Florida.

**TABLE A7. OVERSEAS VISITORS TO THE UNITED STATES, LEADING STATES, 2000**

State	Visitation (in thousands)	Market Share
California	6,364	24.5%
<b>Florida</b>	<b>6,026</b>	<b>23.2%</b>
New York	5,922	22.8%
Hawaii	2,727	10.5%
Nevada	2,364	9.1%
Massachusetts	1,429	5.5%
Illinois	1,377	5.3%
Guam	1,325	5.1%
Texas	1,169	4.5%
New Jersey	909	3.5%

Source: U.S. Department of Commerce, International Trade Administration.

The tourism industry is important to the Florida economy both directly (because it generates business sales, tax receipts, and jobs) and indirectly (for its potential role in increasing trade and attracting FDI). A significant part of the state's employment, income, and revenues depend on the continuing flow of international visitors.

Notes: Data exclude Canada and Mexico; market share figures do not sum to 100 due to travelers visiting multiple states.

<sup>8</sup> According to figures that tabulate all foreign visitors to the United States, excluding those from Canada and Mexico.

With such a solid foundation in international tourism, opportunities should be explored to expand this advantage to other facets of international commerce, including exports and foreign direct investment. Synergies may exist to more closely integrate export promotion and international business recruitment with tourism marketing.

TABLE A8. ORIGINS OF FOREIGN VISITORS TO FLORIDA, 2000

Country	Visitors (person trips, in thousands)
Canada	1,977
United Kingdom	1,651
Venezuela	451
Brazil	365
Argentina	338
Germany	325
France	160
Italy	151
Japan	147
Spain	101

Sources: Visit Florida, U.S. Department of Commerce, and Statistics Canada.

## Appendix B – Florida's Next Frontier Markets: China, Africa, and Cuba

This appendix provides an overview of Florida's opportunities in three next-frontier international markets: China, Africa, and Cuba.

### China

#### Market Overview

China, already Florida's ninth-largest trading partner, is growing in importance to the state. China's accession to the World Trade Organization (WTO) on December 11, 2001 further opened its market to United States goods and services. China recently became the world's fourth-largest trade economy, exceeding Canada, and trailing only the European Union, the United States, and Japan.<sup>9</sup> China's exports reached U.S. \$266 billion in 2001, up seven percent from the previous year, while its imports rose eight percent to reach U.S. \$244 billion. In the long run, adherence to WTO rules and international norms should encourage structural reform and promote the rule of law throughout China to further the growth of this market.

With a population of 1.3 billion, China offers a vast potential market for foreign goods and services. Over the past 20 years, China has made important progress in opening its market to foreign products and investment. Economic and financial reforms have introduced market forces into China, and privileges accorded state-owned firms are gradually being removed. China's shift away from a

<sup>9</sup> China Online, May 6, 2002, and [www.insidetrade.com](http://www.insidetrade.com), May 2, 2002 Update.

planned economy model to a market economy has been difficult but is being rewarded by sustained economic growth and improving living standards.

The process leading to China's WTO accession was a flurry of activity aimed at reviewing all of China's national-level laws and regulations in light of new WTO obligations. China has revised a large number of laws and regulations with potentially major implications for United States producers and investors. For example, China's revision of its patent, trademark, and copyright laws to better accord with WTO rules could have positive consequences for foreign and Chinese businesses alike. Likewise, to implement commitments made in its accession agreement, China opened venture funds to foreign investors; revised rules regulating foreign investment in telecommunications, insurance, banking, and other sectors; combined the domestic and quarantine testing agencies with a goal of eliminating double testing of imports; and lowered tariff rates on a wide range of products. China also has issued new measures in such areas as international courier services, legal services, audio-visual services, maritime services, import and export administration, import and export licensing, customs valuation and standards.<sup>10</sup>

The United States trade deficit with China was \$83.0 billion in 2001, a slight decrease of \$787 million from \$83.8 billion in 2000. United States goods exports in 2001 were \$19.2 billion, up 18.8 percent from the previous year. Corresponding United States imports from China were \$102.3 billion, up 2.3 percent. China is currently the ninth-largest export market for United States goods.

United States exports of private commercial services (excluding military and government) to China were \$4.6 billion in 2000, and United States imports were \$2.8 billion. Sales of services in China by majority United States-owned affiliates were \$1.7 billion in 1999 (latest data available), while sales of services in the United States by majority China-owned firms were \$61 million. The stock of United States foreign direct investment (FDI) in China in 2000 was \$9.6 billion, up from \$8.1 billion in 1999. United States FDI in China is concentrated largely in electronics, manufacturing, petroleum, and financial sectors.

China's economy has been expanding at a remarkable rate but recently has shown signs of slowing to a more sustainable pace. China officially estimated real GDP growth at 7.3 percent in 2001, a decrease of 0.7 percent from that recorded for the previous year, and amazingly China's second-worst economic performance in a decade. After posting 28 percent annual export growth in 2000, export growth slowed dramatically to 6.8 percent in 2001. Annual growth in imports similarly slowed from 36 percent in 2000 to 8.2 percent in 2001. Slower growth in exports combined with relatively greater increases in levels of imports meant that net exports made a negative contribution to GDP growth for the third year in a row, although China still maintained an overall trade surplus.

*With a population of 1.3 billion, China offers a vast potential market for foreign goods and services.*

<sup>10</sup> 2002 National Trade Estimate, Office of the United States Trade Representative, April 2002.

### Best Prospects for Florida Companies in China <sup>11</sup>

Matching Florida products, including services, with the best prospects in the Chinese market uncovers significant long-term opportunities for Florida companies. More information regarding these opportunities can be found through the International Trade Administration's country commercial guides.

- *Telecommunications Equipment* – The best subsector prospects within this sector include: cellular networks, optical fiber and broadband transmission technologies, wireless broadband access network products, and telecommunications consulting services.
- *Medical Equipment* – China is the second-largest medical device market in Asia (after Japan), roughly estimated at more than \$4 billion for 2000. The market is now the third largest in the world for high-technology equipment including computed topography, nuclear medicine, magnetic resonance imaging, and ultrasound equipment. Imports account for between 40 and 50 percent of the market, with the United States controlling around 36 percent of all imports.
- *Pharmaceuticals* – WTO accession will further open the distribution system by allowing private and foreign firms to operate in China's distribution system. Furthermore, China will reduce its average tariff on pharmaceuticals by about 60 percent, from its current average tariff of 9.6 percent to 4.2 percent.
- *Audio-Visual/ Cable Television Sector* – The value of China's cable television equipment market is estimated to be \$2 billion in 2001. Growing at about 45 percent per year, the equipment market is expected to be worth \$6 billion by 2005. The size of the entire cable TV market, including programming services, is projected to reach \$12 billion.
- *Pollution-control Equipment* – China has plans to reduce its total pollutant discharge by 10 percent in 2005 when compared with 2000 levels. Spending on environmental protection during the 10th Five-year Plan period (2001-2005) is projected to reach 1.2 percent of China's GDP, approximately \$84 billion. China's WTO environmental services commitments cover sewage services, solid waste disposal services, cleaning services for exhaust gases, noise abatement services, nature and landscape protection services, and other environmental protection services. Under the bilateral WTO agreement, foreign service suppliers may provide environmental consultation services through cross-border delivery, without having to establish a representative office in China. All other foreign service suppliers may operate in China through a joint venture.
- *Airport and Ground Support Equipment* – Industry analysts estimate that the Chinese authorities have available funding and the interest in purchasing nearly \$500 million of air

Significant long-term opportunities for Florida companies in China include medical equipment, telecommunications equipment, pollution control devices, and education.

<sup>11</sup> China Country Commercial Guide, U.S. Department of Commerce, International Trade Administration, 2002.

traffic control equipment during the next five years. Meanwhile, United States companies are seen by the Chinese as the world leaders in many airport development products and services. Key components include initial design and engineering services, construction equipment, specialized runway and air traffic control equipment, cargo inventory management facilities, telecommunications, x-ray equipment, and airport management and traffic controller services.

- *Computers and Peripherals* – The Chinese personal computer market increased 45 percent in 2000 with 7.2 million units sold. Internet usage increased 155 percent during the same period. As of December 2000, China has 22,500 million Internet users and 8.9 million PCs connected to the Internet.
- *Home Decorating Materials* – Among the hottest market sectors in China is the home building/decorations materials industry. Liberalization of ownership restrictions by the government coupled with rapid growth in housing construction makes investing in this market increasingly attractive. The home decorations market is expected to expand more than 25 percent annually over the next five years, only slightly slower than in recent years.
- *Education and Training* – According to the American Education Research Center, in the 1999-2000 school year, the number of students studying in the United States from China reached 54,466 – a 13 percent increase over the previous year. According to a Chinese report, students from China brought \$354 million in revenues to the American economy in 2000 and accounted for 10.6 percent of all foreign students in the United States. In particular, China needs more masters of business administration (MBA) graduates to meet the demands of the country's modernization drive. Chinese educational institutions started offering MBA programs in 1991, but most of these institutions are still in the throes of developing their programs, and therefore represent an opportunity for Florida universities. In addition, distance education networks (using computers and television) are being deployed to provide basic education in poor, remote regions of China. Distance learning also will be used for post-graduate education, vocational programs, teacher training and specialized instruction for urban and rural laborers.
- *Plastic Materials and Resins* – Demand for general synthetic resins is projected to be increase 6.8 percent annually from 2001 to 2005, while sales of engineering plastics materials will increase 10 percent per year. However, the local output of plastics materials and resins can satisfy only 50 percent of market demand. As a result, China must import large quantities of plastics materials each year. China's accession to the WTO will provide significant benefits to United States plastics and resins exporters. China will reduce average chemical tariffs by more than 50 percent by January 1, 2005.

*United States companies  
are seen by the Chinese  
as the world leaders  
in many airport  
development products  
and services.*

Quotas were eliminated on virtually all chemical products upon accession.

- *Chemicals and Products* – China's accession to the WTO will provide dramatic benefits to United States fertilizer exporters. Tariffs will drop six percent from the current 11 percent import duty rate. Quotas are being replaced by a tariff-rate quota system with in-quota tonnage limits expanding each year. Perhaps most significantly, foreign firms will gain the right to import and distribute fertilizers after a five-year transition period, gradually dismantling the state-controlled trading monopoly. Agricultural products from Florida also should benefit from China's WTO accession.

### **Strategy – Expand Florida Market Positioning and Presence in China**

Florida should pursue various tactics to increase its potential for international trade, foreign direct investment, and tourism with China. Several ongoing activities are designed to surround the state of Florida relative to developing new Chinese relationships. The Florida Chamber's China Permanent Normal Trade Relations (PNTR) Coalition brought together over 300 Florida businesses to advocate permanent normal trade relations with China as well as support for China's membership in the WTO. The Chinese government responded by sending its Consul General (located in Houston, Texas and covering the Southeast United States) on a number of missions, including International Days in Tallahassee. There has been a clear demonstration of interest, therefore, from both sides of the Florida-China relationship signaling that the time is ripe to create a "Florida-China Initiative" with the following components:

- A strategic plan covering one, five, and 10 years, flexible to changing circumstances, but consistently implemented.
- Databases chronicling Florida companies currently engaged in or with an interest in doing business with China and linking Florida business with appropriate counterparts in the Chinese market, as well as with Chinese alumni of Florida colleges and universities.
- A "One Florida" marketing approach to strategically combine trade, investment, and tourism. A particularly strong opportunity exists to capitalize on Chinese students, alumni, and professors in Florida.
- A "Florida House" pilot project located either in Hong Kong or Shanghai, the centers of finance and industry. Florida House would create a focal point to identify trade and investment opportunities for Florida companies and support agriculture, tourism, and education.
- Efforts to petition the Chinese government to open a Consulate General in Florida. China currently covers the entire Southeastern United States from its Consulate General in Houston, Texas. The size and scope of business

*The time is ripe  
to create a  
"Florida-China  
Initiative."*

ties, cultural and student ties as well as potential merit a Consulate General in Florida.

- Creation of a Florida-China Business Council, an ongoing corps of business advocates and supporters for the Florida-China initiative. This council could build upon the Florida Chamber's China PNTR Coalition.

## Africa

### Market Overview

With the passage of the African Growth and Opportunity Act (AGOA) in 2000, the United States government has signaled the current strategic importance and future potential of increasing business ties with the African continent. The AGOA establishes a new framework for United States trade, investment, and development policy for sub-Saharan Africa (35 countries).<sup>12</sup> The current United States administration plans to fully implement the AGOA and to broaden and deepen United States relations with the countries of sub-Saharan Africa, while pursuing a strategy to expand free markets, trade, and economic growth in region.

The AGOA reflects the United States' recognition of the significance of sub-Saharan Africa. Over one-tenth of the world's population lives in sub-Saharan Africa. The United States exported more to sub-Saharan Africa in 2000 than to all of the former Soviet Union (including Russia) combined, and sub-Saharan Africa supplies 18 percent of United States oil needs. A total of 38 sub-Saharan African countries are WTO members, the largest bloc in the organization. The AGOA is also a tangible demonstration of the United States commitment to assisting sub-Saharan African countries, among the poorest in the world, to develop and participate more fully in the global economy.

Building on the AGOA, the Florida Legislature created an Africa trade promotion program within the Enterprise Florida International Trade and Business Development Division in 2001 to emphasize trade opportunities with Africa. Most recently, on April 24, 2002 Deputy U.S. Trade Representative, Ambassador Jon Huntsman signed the Trade and Investment Framework Agreement (TIFA) with the West African Economic Monetary Union (WAEMU) on behalf of the United States. The eight WAEMU members already have a flourishing trade relationship with the United States. Last year the total two-way trade increased by 12 percent to more than \$760 million.

### Best Prospects for Florida Companies in Africa

Gross regional product in sub-Saharan Africa increased 3.3 percent in 2000 and was expected to expand to 4.3 percent in 2001. However, there is significant divergence in rates of economic growth among African countries. The improving growth rates resulted

*The United States government has signaled the current strategic importance and future potential of increasing business ties with the African continent.*

<sup>12</sup> The First Annual Report on the AGOA, entitled *U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act* can be found in its entirety at [www.ustr.gov](http://www.ustr.gov), the website of the Office of the United States Trade Representative.

mainly from stronger economic reforms in many countries that have implemented market-oriented policies. Others have suffered from conflict, poor governance, corruption, and inward looking economic policies.

United States trade with sub-Saharan Africa was \$29.4 billion in 2000. United States exports to the region were \$5.9 billion while imports from the region were \$23.5 billion, representing a major trade imbalance. Recent increases in United States exports to sub-Saharan Africa were led by exports of aircraft and oil field equipment. The increase in imports was largely the result of increased oil prices.

Trade with Africa is highly concentrated among a few products and a few countries. Four markets – South Africa, Nigeria, Kenya, and Angola – accounted for 72 percent of United States exports. Four countries – Nigeria, South Africa, Angola, and Gabon – accounted for more than 87 percent of United States imports.

United States exports were concentrated in aircraft and parts, oil and gas field equipment, wheat, motor vehicles and parts, industrial chemicals, computers, peripherals and software, construction machinery and parts, and telecommunications equipment (see Table B.1). United States purchases of oil and platinum group metals accounted for over 70 percent of United States imports from the region.

*TABLE B1. LEADING UNITED STATES EXPORTS TO SUB-SAHARAN AFRICA*

Item	2000 Export Value (in Millions of Dollars)
Aircraft and parts	780.5
Oil and gas field equipment	343.0
Wheat	309.8
Motor vehicles and parts	257.5
Industrial chemicals	231.9
Computers, peripherals and parts	219.3
Construction machinery and parts	189.3
Telecommunications equipment	139.5
Agricultural machinery	68.5
Used clothing and textiles	60.7

Source: AGOA First Annual Report.

Sub-Saharan African countries are participating more actively in the World Trade Organization and other multilateral trade discussions but face capacity and human resource constraints. The countries also called for greater technical assistance and capacity building efforts to help reverse their declining share of global trade flows and to assist them in meeting WTO obligations. The Office of the U.S. Trade Representative, the U.S. Agency for International Development, and the U.S. Department of Agriculture have implemented various programs to assist sub-Saharan African countries.

### **Strategy – Develop Africa as a Strategic Market for Florida**

Florida is the closest U.S. state to Africa, and has opportunities to expand its market presence in Africa. Key action include the following:

- **Maintain Enterprise Florida's Africa Initiative** – Upon completion of a performance review, Enterprise Florida should continue to sponsor trade promotion and development, with a concentration on in-bound business missions, educational exchange and distance learning, and at least one annual outbound trade mission. A series of programs on the AGOA Initiative for Florida companies should be planned as a means to ensure that Florida companies have an opportunity to take advantage of the federal funding available for technical assistance, new sales, and capacity-building.
- **Identify and Leverage Existing Connections** – The state should develop African student and professor networks in Florida to enhance university enrollment, distance learning, and technology ties, as the African continent is already well represented among Florida's institutions of higher education. The state also should build a database of Florida companies with an interest in doing business with Africa and linking Florida business with appropriate counterparts in the African continent, and with African alumni of Florida colleges and universities. Finally, Florida can link some of the state's key international web sites to the official AGOA web site ([www.agoa.gov](http://www.agoa.gov)).
- **Network and Cultivate New Partners** – An effort to increase Florida's economic relationship with Africa will require a more extensive network of partners that may include the African embassy in Washington, DC., the Africa Development Bank, and other United States trade, agriculture, and education agencies. In addition, the state should disperse in-bound trade and marketing missions around the state, using existing trade and marketing events, and create a representation network in sub-Saharan Africa.

## **Cuba**

### **Market Overview**

Florida is positioned better than any other U.S. state to benefit from the resumption of Cuba trade and diplomatic ties with Cuba. These ties currently are prohibited under the United States embargo, but their eventual removal is anticipated. Florida's location, infrastructure, and deep, longstanding Cuban cultural ties should put the state at the forefront of the opening of the relationship. Approximately 11 million new consumers will be 90 miles from Florida's shores. Florida manufacturing and services should benefit tremendously from the expected demand caused by a renewal of economic ties with Cuba and the anticipated economic reconstruction of the island.

*Florida is positioned better than any other U.S. state to benefit from the resumption of Cuba trade and diplomatic ties with Cuba. Approximately 11 million new consumers will be 90 miles from Florida's shores.*

**Florida Opportunities in Post-Embargo Cuba** <sup>13</sup>

Business opportunities in Florida following United States trade relationships with Cuba will be linked directly to Cuba's import needs and export sources. Rebuilding and upgrading Cuba's physical infrastructure (including roads, bridges, ports, airports, water and sewage and telecommunications) represents a major opportunity for Florida business. In the infrastructure sector alone, the United States-Cuba Business Council has estimated that nearly \$500 million investment is needed for telecommunications; \$500 million for mass transit; \$540 million for rail; and \$575 million for airports.

In the short term, following renewed trade relations, Cuba is likely to increase its exports to the United States to help generate hard currency earnings. The industries that would benefit from this strategy will be the traditional exporters of the Cuban economy: raw sugar, nickel, tourism, citrus, and seafood. However, other industries such as tobacco, coffee, rum, marble, honey, and cocoa also are export opportunities for Cuba. Florida's seaports, airports, and freight carriers will be well positioned to process and move this flow of goods. The Ports of Miami, Jacksonville, Tampa, Palm Beach, Manatee, and Port Everglades, in addition to Miami International Airport, are the logical points through which Cuba could export many of its commodities. Also, the Port of Pensacola has historical shipping ties with Cuba.

Perhaps more importantly in terms of value-added, there would be numerous immediate export opportunities from Florida to Cuba, including:

- Construction materials such as tiles, doors, and windows;
- Furniture;
- Phosphate for fertilizers;
- Fabricated metal products;
- Surplus equipment of all types;
- Tallow and other grease products;
- Juice and citrus concentrate equipment;
- Paper products; and
- Textiles for sewing and assembly in Cuba.

Additionally, Florida will be able to provide much needed services in areas such as management, marketing, finance, health care, architectural, trading, and, in the longer-term, remediation services. Professionals in the state are experienced and have provided services to international corporations for years. A substantial number of services providers in the state are also multicultural

<sup>13</sup> Substantial research on this topic has been published by the Florida Trade Data Center in its 1999 study, *Economic Impact and Opportunities Analysis for the State of Florida Upon Resumption of Trade Between the United States and Cuba*. The authors have drawn significant information from this report.

*Rebuilding and upgrading Cuba's physical infrastructure (including roads, bridges, ports, airports, water and sewage and telecommunications) represents a major opportunity for Florida business.*

and bilingual, a significant competitive advantage for operating in the post-embargo Cuba.

In addition, Florida is likely to experience a growth in southbound tourism from the United States to Cuba. Tourist businesses can develop packages that will incorporate Florida and Cuba attractions. A substantial northbound tourist market is likely to develop after a period of time.

Finally, South Florida businesses would have an excellent opportunity for establishing branches, franchises, and subsidiaries in Cuba. These smaller businesses are also interested in joint ventures, and in marketing imported and exported products. South Florida businesses owned by Cuban Americans are likely to consider themselves more aware of the inherent market opportunities in Cuba; and more importantly, more aware of how to get a business started immediately. In fact, numerous Florida businesses already have contingency plans for trade with and investment in Cuba once trade relations are normalized.

### **Challenges for Florida**

Florida will face competition, both from within the United States and from foreign markets, for business with Cuba. Within the United States, obvious trade competitors will arise from the Gulf States (Alabama, Mississippi, Louisiana and Texas) with their seaports, highway and rail infrastructure feeding into the Midwest and Pacific Coast; and from the Southeast (Georgia, South Carolina, North Carolina, and Virginia), with a similar capacity to reach the large Middle Atlantic and Northeast markets.

Foreign direct investment in Cuba totals nearly \$1.8 billion, with close to \$6.0 billion committed for future investment.<sup>14</sup> These foreign investors are primarily from Europe and Canada, with a significant presence of investment from Mexico, Spain, Israel, Italy, and the United Kingdom. Investments are primarily in the tourism, agribusiness, infrastructure (primarily telecommunications), and mining/energy sectors – all areas of interest to Florida in a free market, democratically governed Cuba. Once the United States embargo is lifted, new flows of foreign direct investment can be expected from these same investors in direct competition with Florida interests.

Table B.2 presents Cuba's current foreign trade portfolio, which is spread among Europe, Latin America, and Asia. Given the relationship between foreign direct investments and Cuba's trade patterns, Florida interests will be challenged to quickly catch up and capture market share, notwithstanding the enormous needs in Cuba.

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<sup>14</sup> *Update On Foreign Investment In Cuba 1997-98 And Focus on The Energy Sector*, Maria C. Werlau, prepared for the Association for the Study of the Cuban Economy, conference proceedings 1998.

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TABLE B2. CUBA'S MAJOR TRADE PARTNERS

Top Trade Partners			
Country	Total Trade Volume (in Millions)	Main Export to Cuba	Main Import for Cuba
Russia	\$988	Fuel	Sugar
Spain	\$596	Semifinished Goods	Fish
Canada	\$491	Foodstuffs	Nickel
Mexico	\$341	Semifinished Goods	Sugar
Netherlands	\$284	Foodstuffs	Nickel (re-export)
France	\$245	Wheat	Fish
China	\$239	Vegetables	Sugar
Italy	\$152	Machinery	Fruit
Argentina	\$133	Feed and Corn (?)	Medicinal Products
Germany	\$92	Machinery	Fruit
Japan	\$91	Machinery	Sugar, Honey

Source: Florida Trade Data Center "Summary of Opportunities," from Central Intelligence Agency Pamphlet APLA 97-10006, Cuba: Handbook Of Trade Statistics, 1997 (Nov. 1997). Data Provided By Cuba's Trade Partners.

**Strategy – Prepare Florida to Take Advantage of Post-Embargo Cuba**

Florida should prepare now to leverage its geographic, historic, and cultural advantages and mobilize in response to a potential resumption of normalized relations with Cuba. Appropriate state and local agencies and businesses should partner now to consider the following action items:

- 1. Request a Section 332 Study from the International Trade Commission** – Florida’s Congressional delegation, led by legislators on the U.S. Senate Finance Committee and the House Ways and Means Committee, should ask the International Trade Commission to conduct an investigation under section 332(g) of the Tariff Act of 1930 on the effects of a market opening in Cuba on the United States economy, with a special chapter on Florida. Such a report would have the effect of establishing a “base case” for planning the approach to the eventual normalization of economic relations with Cuba.
- 2. Form a State Advisory Committee on Cuba** – The Office of Tourism, Trade, and Economic Development (OTTED) in the Executive Office of the Governor should create an advisory committee on Cuba comprising business and government leaders statewide. This group would be available to state government for advice on strategy for Florida to maximize its advantages in a free and democratic Cuba upon resumption of economic relations.
- 3. Prepare of a Strategic Response Plan** – Under the leadership of OTTED, a task force comprised of all state agencies that play a role in the resumption of economic relations with Cuba should prepare a “state preparedness plan.” To the extent feasible, state-based federal agencies (such as the Coast Guard and U.S. Customs Service) should be asked to participate in the planning process. OTTED also should request that the

Florida Chamber, local chambers, economic development organizations, and other key stakeholders be involved.

Upon resumption of normal economic relations with Cuba, the following actions could be part of the plan:

- 4. Announce and Open a Cuba Office** – Immediately upon resumption of economic relations with Cuba, Enterprise Florida could announce plans to open a foreign representation office in Cuba. The Legislature could appropriate contingency funds for this office. The office could use the response plans prepared by state agencies and identify immediate opportunities for export of goods and services by Florida companies.
- 5. Organize a “Team Florida” Delegation to Cuba** – EFI could announce a Team Florida mission to Cuba with the objective of securing a major foothold in the infrastructure reconstruction activities. Particular emphasis could be focused in the area of professional services (banking, accounting, insurance, environmental remediation, and education) and transportation.
- 6. Plan and Execute Follow-Up Trade Missions** – Once the Team Florida mission is accomplished, EFI could organize a series of business services and trade missions to Cuba, focused carefully on sectors with the highest rate of return for Florida companies. These could include merchandise exports such as construction materials, furniture, phosphates, fabricated metal products, and surplus equipment; and service exports such as management, marketing, accounting, finance, architecture, and environmental remediation.

## Appendix C – Methods for Measuring Florida's Exports and Imports

Several distinct approaches are used to collect export data, each of which has its advantages and disadvantages. The U.S. Census Bureau is the primary source for export data, producing two state-level export series – the Exporter Location (EL) and the Origin of Movement (OM) Series. In collaboration with the U.S. Customs Service, the Census Bureau also collects trade data on the value of goods exported and imported through customs districts and their assigned ports. The trade analysis in this report includes statistics from all three data series.

- The *Customs District Data* series, collected by the U.S. Census Bureau, assigns merchandise exports and imports to the Customs District from which a good left (or entered) the United States, either via a seaport, airport, or surface border crossing. Customs District data are an excellent measure of how gateway facilities are used for exports and imports, but do not reflect where a good was produced. For example, cars produced in Michigan and exported to Latin America via Jacksonville are recorded as Florida

*A task force comprised of all state agencies that play a role in the resumption of economic relations with Cuba should prepare a “state preparedness plan.”*

exports using this data. Florida has two Customs Districts, Tampa and Miami, which encompass the entire state.

- The *Origin of Movement* (OM) export series is based on data tabulated by the U.S. Census Bureau using information from Shipper's Export Declaration (SED) forms, which must be presented to U.S. Customs before a good can be exported. The OM data are tabulated from a question on the SED form that requires shippers to identify the state from which the merchandise shipment physically arrived prior to being shipped from a gateway as an export. An advantage of the OM series is that some level of value-added activity (e.g., production or warehousing/distribution) must occur in the state to which the export is ascribed. However, the OM data tend to overstate exports from border and coastal states while underestimating exports, especially agricultural shipments, from inland states. The Massachusetts Institute for Social and Economic Research (MISER) has developed an algorithm in order to allocate exports of unknown origin (i.e., the state of origin on the SED was not identifiable) using the OM series. For this reason, MISER is frequently cited as the source for export data.
- The *Exporter Location* (EL) export series, like the OM series, is tabulated based on data collected from SED forms. While the OM series is based on the location from which a good started its "export journey," the EL series is based on the address (specifically, the zip code) of the exporter. Despite its name, this series may not reflect the actual origin (location of production or warehousing) of the goods being exported, because the exporter address may not be located in the same state where the merchandise was produced, stored, or shipped. This is especially true for multi-unit large companies. Consequently the EL series tends to favor states with concentrations of corporate headquarters facilities (e.g., Connecticut and Delaware). For example, paperwork for a General Electric export may indicate its Connecticut headquarters address and zip code (and thus be counted as a Connecticut export) even if the good was produced and warehoused in Florida and shipped to Brazil from a Florida gateway. The benefit of the EL series is that it may reflect the location of the ultimate beneficiary of the export sale (e.g., General Electric in Connecticut will benefit from an export sale regardless of where it was produced or shipped in the United States). The Census Bureau has noted that export data using the EL series have become increasingly concentrated to headquarter locations as more exporters file their SED forms electronically.

Several distinct approaches are used to collect export data, each of which has its advantages and disadvantages.

## Appendix D. Florida and United States Exports by Industry, Leading Markets

Rank	Industry Description	Top 10 Destination Countries for U.S. Exports	U.S. Exports in Millions of Dollars (2000)	Florida Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports	Top 10 Destination Countries for Florida Exports	Florida Exports in Millions of Dollars (2000)	U.S. Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports
1	Electronics and Electronic Parts	Mexico	27,533.98	562.90	2.04%	Japan	646.47	10,084.75	6.41%
		Canada	24,879.81	357.51	1.44%	Brazil	624.09	3,383.76	18.44%
		Japan	10,084.75	646.47	6.41%	Mexico	562.90	27,533.98	2.04%
		Korea	8,542.01	133.76	1.57%	Canada	357.51	24,879.81	1.44%
		Taiwan	6,980.96	22.69	0.33%	Malaysia	292.67	6,596.89	4.44%
		Malaysia	6,596.89	292.67	4.44%	Venezuela	287.41	653.40	43.99%
		United Kingdom	6,255.79	204.15	3.26%	United Kingdom	204.15	6,255.79	3.26%
		Singapore	5,872.51	63.31	1.08%	Germany	195.00	3,874.21	5.03%
		Philippines	5,417.27	32.91	0.61%	Israel	179.99	1,601.70	11.24%
		Hong Kong	4,561.21	69.26	1.52%	China	151.70	2,611.22	5.81%
2	Industrial Machinery and Computers	Canada	28,897.98	434.76	1.50%	Brazil	663.75	3,402.11	19.51%
		Mexico	13,896.94	268.04	1.93%	Canada	434.76	28,897.98	1.50%
		Japan	10,587.42	282.35	2.67%	Venezuela	403.72	1,598.24	25.26%
		United Kingdom	8,607.36	165.68	1.92%	Japan	282.35	10,587.42	2.67%
		Germany	6,371.83	84.07	1.32%	Mexico	268.04	13,896.94	1.93%
		Netherlands	6,229.38	47.31	0.76%	Colombia	246.91	851.40	29.00%
		Taiwan	5,780.77	18.12	0.31%	Argentina	212.60	1,228.20	17.31%
		Korea	5,666.33	38.90	0.69%	Chile	194.85	1,128.40	17.27%
		Singapore	4,893.38	36.98	0.76%	Paraguay	174.53	215.59	80.96%
		France	3,898.21	32.72	0.84%	United Kingdom	165.68	8,607.36	1.92%
3	Transportation Equipment	Canada	40,867.53	293.92	0.72%	Canada	293.92	40,867.53	0.72%
		Mexico	13,186.33	106.38	0.81%	Brazil	263.92	2,076.54	12.71%
		United Kingdom	7,861.54	188.29	2.40%	United Kingdom	188.29	7,861.54	2.40%
		Japan	6,997.35	45.11	0.64%	Venezuela	128.32	628.76	20.41%
		Germany	6,615.22	109.75	1.66%	Germany	109.75	6,615.22	1.66%
		France	4,924.20	65.77	1.34%	Mexico	106.38	13,186.33	0.81%
		Saudi Arabia	2,805.42	35.67	1.27%	Bahamas	70.11	164.33	42.66%
		Korea	2,584.42	46.10	1.78%	France	65.77	4,924.20	1.34%
		Australia	2,484.75	18.28	0.74%	Colombia	63.44	230.51	27.52%
		Netherlands	2,284.04	43.58	1.91%	Dominican Republic	58.93	163.03	36.14%
4	Scientific Instruments	Canada	7,070.59	213.51	3.02%	Canada	213.51	7,070.59	3.02%
		Japan	6,438.18	133.27	2.07%	United Kingdom	193.86	3,721.68	5.21%
		United Kingdom	3,721.68	193.86	5.21%	Brazil	146.18	1,169.06	12.50%
		Mexico	3,655.25	128.30	3.51%	Japan	133.27	6,438.18	2.07%
		Germany	3,510.66	95.99	2.73%	Mexico	128.30	3,655.25	3.51%
		France	2,497.54	128.07	5.13%	France	128.07	2,497.54	5.13%
		Netherlands	2,326.15	52.22	2.25%	Germany	95.99	3,510.66	2.73%
		Taiwan	2,286.75	15.05	0.66%	Argentina	71.60	306.55	23.36%
		Korea	1,594.31	25.50	1.60%	Italy	57.30	1,124.26	5.10%
		Singapore	1,462.38	24.97	1.71%	Netherlands	52.22	2,326.15	2.25%
5	Chemicals And Allied Products	Canada	15,110.89	194.74	1.29%	China	235.56	2,302.64	10.23%
		Mexico	7,834.31	93.44	1.19%	Canada	194.74	15,110.89	1.29%
		Japan	5,863.49	35.64	0.61%	Brazil	136.71	2,863.13	4.77%
		Belgium	4,414.10	21.09	0.48%	Australia	100.98	1,611.74	6.27%
		United Kingdom	3,690.34	50.23	1.36%	Mexico	93.44	7,834.31	1.19%
		Netherlands	3,686.49	32.61	0.88%	Argentina	64.47	1,049.16	6.14%

(continued)

Rank	Industry Description	Top 10 Destination Countries for U.S. Exports	U.S. Exports in Millions of Dollars (2000)	Florida Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports	Top 10 Destination Countries for Florida Exports	Florida Exports in Millions of Dollars (2000)	U.S. Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports
6	Food and Kindred Products	Brazil	2,863.13	136.71	4.77%	Colombia	60.03	871.73	6.89%
		Taiwan	2,484.84	6.15	0.25%	United Kingdom	50.23	3,690.34	1.36%
		France	2,456.65	47.14	1.92%	France	47.14	2,456.65	1.92%
		Japan	5,413.94	54.12	1.00%	Canada	98.96	5,304.02	1.87%
		Canada	5,304.02	98.96	1.87%	Netherlands	97.47	679.46	14.35%
		Mexico	3,421.51	35.33	1.03%	Haiti	75.56	148.96	50.72%
		Korea	1,695.35	10.84	0.64%	Bahamas	56.35	112.16	50.24%
		Hong Kong	882.06	7.84	0.89%	Japan	54.12	5,413.94	1.00%
		United Kingdom	713.53	22.24	3.12%	Dominican Republic	46.97	235.63	19.94%
		Taiwan	700.91	4.24	0.61%	Mexico	35.33	3,421.51	1.03%
		Netherlands	679.46	97.47	14.35%	Guatemala	33.63	145.31	23.14%
		Russia	677.78	No Data	N/A	Cayman Islands	28.40	38.53	73.71%
		China	593.01	1.98	0.33%	Honduras	25.57	113.27	22.58%
7	Apparel and Related Products	Mexico	2,954.24	35.32	1.20%	Dominican Republic	306.05	1,123.05	27.25%
		Canada	1,308.43	28.84	2.20%	El Salvador	49.47	623.04	7.94%
		Honduras	1,184.69	40.36	3.41%	Honduras	40.36	1,184.69	3.41%
		Dominican Rep	1,123.05	306.05	27.25%	Mexico	35.32	2,954.24	1.20%
		El Salvador	623.04	49.47	7.94%	Guatemala	34.49	214.75	16.06%
		Japan	516.72	4.95	0.96%	Canada	28.84	1,308.43	2.20%
		Costa Rica	446.04	4.05	0.91%	Colombia	22.14	86.91	25.47%
		Guatemala	214.75	34.49	16.06%	Chile	13.27	33.07	40.15%
		Haiti	151.74	11.59	7.64%	Nicaragua	12.40	54.69	22.68%
		United Kingdom	125.62	5.40	4.30%	Haiti	11.59	151.74	7.64%
		8	Paper and Allied Products	Canada	4,107.33	25.47	0.62%	Mexico	90.51
Mexico	2,987.00			90.51	3.03%	Costa Rica	51.01	159.75	31.93%
Japan	1,355.03			21.27	1.57%	Dominican Republic	42.24	134.49	31.41%
China	580.41			1.48	0.26%	Ecuador	38.23	134.38	28.45%
United Kingdom	577.40			18.54	3.21%	El Salvador	35.36	70.60	50.09%
Germany	543.92			0.76	0.14%	Guatemala	34.36	102.83	33.41%
Italy	492.57			15.72	3.19%	Korea, South	31.94	476.75	6.70%
Korea	476.75			31.94	6.70%	Canada	25.47	4,107.33	0.62%
Netherlands	422.72			7.37	1.74%	Colombia	23.72	107.18	22.13%
France	286.67			12.30	4.29%	Japan	21.27	1,355.03	1.57%
9	Agricultural Products Combined	Japan	5,394.68	38.62	0.72%	Canada	294.46	3,802.23	7.74%
		Canada	3,802.23	294.46	7.74%	Japan	38.62	5,394.68	0.72%
		Mexico	3,346.70	10.54	0.31%	Netherlands	31.63	793.91	3.98%
		Taiwan	1,393.29	6.89	0.49%	France	28.55	228.91	12.47%
		China	1,300.94	0.91	0.07%	Dominican Republic	28.23	283.00	9.97%
		Korea	1,166.17	4.65	0.40%	Venezuela	20.08	236.85	8.48%
		Egypt	887.50	0.01	0.00%	Bahamas	16.48	25.16	65.51%

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		Netherlands	793.91	31.63	3.98%	United Kingdom	16.24	399.46	4.06%
		Germany	560.72	11.86	2.12%	Germany	11.86	560.72	2.12%
		Turkey	492.70	No Data	N/A	Mexico	10.54	3,346.70	0.31%
10	Miscellaneous Manufactured Commodities	Canada	2,208.09	30.37	1.38%	Mexico	136.47	1,050.02	13.00%
		Israel	1,505.12	16.15	1.07%	Canada	30.37	2,208.09	1.38%
		Japan	1,144.82	10.56	0.92%	Netherlands Antilles	19.86	153.33	12.95%
		Belgium	1,089.80	10.75	0.99%	United Kingdom	19.69	864.31	2.28%
		Mexico	1,050.02	136.47	13.00%	Bahamas	19.61	29.14	67.31%
		Hong Kong	1,017.97	13.97	1.37%	Venezuela	19.14	53.41	35.84%
		United Kingdom	864.31	19.69	2.28%	Colombia	18.50	46.76	39.56%
		Switzerland	601.20	8.72	1.45%	Brazil	17.97	72.77	24.70%
		Germany	330.81	10.88	3.29%	Paraguay	17.52	28.72	60.98%
		France	287.03	6.62	2.31%	Guatemala	16.84	41.37	40.70%
11	Fabricated Metal Products	Canada	9,346.95	54.77	0.59%	Mexico	109.53	4,905.39	2.23%
		Mexico	4,905.39	109.53	2.23%	Canada	54.77	9,346.95	0.59%
		United Kingdom	976.95	28.43	2.91%	Guatemala	39.74	66.85	59.45%
		Japan	902.63	9.71	1.08%	Dominican Republic	33.86	83.95	40.34%
		Germany	593.05	8.07	1.36%	Venezuela	32.72	167.67	19.52%
		Taiwan	508.91	2.36	0.46%	United Kingdom	28.43	976.95	2.91%
		Korea	388.76	3.81	0.98%	Bahamas	28.17	42.21	66.75%
		France	317.85	3.53	1.11%	Trinidad and Tobago	16.92	37.24	45.44%
		Singapore	312.44	2.45	0.78%	Brazil	14.36	198.47	7.23%
		China	287.87	2.52	0.88%	Honduras	13.68	29.57	46.25%
12	Primary Metal Products	Canada	7,343.34	168.09	2.29%	Canada	168.09	7,343.34	2.29%
		Mexico	4,887.71	130.52	2.67%	Mexico	130.52	4,887.71	2.67%
		Switzerland	3,494.50	1.30	0.04%	Venezuela	38.71	262.38	14.75%
		United Kingdom	2,183.67	6.91	0.32%	Brazil	25.11	429.86	5.84%
		Japan	1,396.33	6.50	0.47%	Dominican Republic	19.89	53.67	37.06%
		Germany	607.65	4.36	0.72%	Peru	18.45	97.00	19.02%
		France	495.74	14.24	2.87%	France	14.24	495.74	2.87%
		Korea	485.74	1.45	0.30%	Colombia	13.72	58.37	23.50%
		China	454.42	1.26	0.28%	Bahamas	12.06	23.57	51.16%
		Netherlands	440.35	2.60	0.59%	Argentina	10.16	83.90	12.10%
13	Rubber and Miscellaneous Plastics Products	Mexico	5,662.98	72.44	1.28%	Mexico	72.44	5,662.98	1.28%
		Canada	5,652.72	46.67	0.83%	Brazil	47.54	261.12	18.21%
		Japan	881.06	4.89	0.55%	Canada	46.67	5,652.72	0.83%
		United Kingdom	623.84	15.55	2.49%	Venezuela	44.29	122.53	36.15%
		Germany	504.15	4.72	0.94%	Dominican Republic	29.43	103.50	28.44%
		Belgium	398.98	2.52	0.63%	Jamaica	19.66	40.70	48.30%

(continued)

Rank	Industry Description	Top 10 Destination Countries for U.S. Exports	U.S. Exports in Millions of Dollars (2000)	Florida Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports	Top 10 Destination Countries for Florida Exports	Florida Exports in Millions of Dollars (2000)	U.S. Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports
		Netherlands	316.00	4.13	1.31%	Guatemala	17.02	48.91	34.79%
		France	315.68	3.15	1.00%	Colombia	16.99	68.53	24.80%
		Australia	299.69	15.79	5.27%	Honduras	15.88	65.68	24.18%
		Taiwan	263.13	8.34	3.17%	Australia	15.79	299.69	5.27%
14	Textile Mill Products	Mexico	3,345.30	98.43	2.94%	Mexico	98.43	3,345.30	2.94%
		Canada	2,093.72	14.37	0.69%	El Salvador	85.61	180.46	47.44%
		Honduras	277.99	27.53	9.90%	Dominican Republic	63.12	263.23	23.98%
		Dominican Rep	263.23	63.12	23.98%	Jamaica	33.61	95.48	35.20%
		United Kingdom	247.53	3.14	1.27%	Honduras	27.53	277.99	9.90%
		Belgium	226.85	0.87	0.38%	Canada	14.37	2,093.72	0.69%
		Hong Kong	213.80	4.76	2.23%	Colombia	14.00	72.12	19.41%
		Japan	209.17	1.05	0.50%	Guatemala	9.98	90.81	10.99%
		El Salvador	180.46	85.61	47.44%	Chile	8.38	48.92	17.12%
		Germany	126.47	1.57	1.24%	Costa Rica	7.60	114.43	6.65%
15	Manufactured Goods Not Identified By Kind	Mexico	4,478.03	23.47	0.52%	Jamaica	38.69	103.38	37.42%
		Canada	1,989.23	23.96	1.20%	El Salvador	28.98	107.56	26.95%
		United Kingdom	1,222.56	8.56	0.70%	Canada	23.96	1,989.23	1.20%
		Germany	971.65	2.53	0.26%	Mexico	23.47	4,478.03	0.52%
		Japan	920.17	4.88	0.53%	Bahamas	20.52	136.70	15.01%
		Australia	559.25	0.78	0.14%	Nicaragua	19.26	40.89	47.10%
		France	552.78	1.85	0.33%	Netherlands	16.62	344.68	4.82%
		Singapore	470.15	1.33	0.28%	Haiti	15.87	54.09	29.33%
		Taiwan	363.80	0.88	0.24%	Cayman Islands	15.47	108.93	14.20%
		Hong Kong	362.59	1.04	0.29%	Dominican Republic	13.29	126.98	10.46%
16	Special Classification Provisions	Canada	735.39	33.70	4.58%	Japan	72.16	452.48	15.95%
		Japan	452.48	72.16	15.95%	Canada	33.70	735.39	4.58%
		United Kingdom	244.03	11.13	4.56%	Brazil	18.49	46.78	39.53%
		Mexico	223.26	9.62	4.31%	Colombia	11.30	18.72	60.37%
		Saudi Arabia	178.59	0.14	0.08%	United Kingdom	11.13	244.03	4.56%
		Germany	133.61	3.01	2.25%	Mexico	9.62	223.26	4.31%
		Korea	131.87	2.11	1.60%	Argentina	6.03	19.56	30.83%
		France	109.57	4.75	4.34%	Taiwan	5.82	89.57	6.50%
		Singapore	99.56	1.94	1.95%	Hong Kong	5.30	75.74	7.00%
		China	91.21	3.81	4.18%	France	4.75	109.57	4.34%
17	Lumber and Wood Products, Except Furniture	Canada	1,940.60	9.11	0.47%	Bahamas	45.62	58.88	77.47%
		Japan	1,501.99	3.36	0.22%	Dominican Republic	29.99	92.20	32.53%
		Mexico	493.33	7.22	1.46%	Jamaica	26.18	38.03	68.85%
		United Kingdom	266.86	3.06	1.15%	Cayman Islands	16.71	20.92	79.87%
		Spain	245.81	3.08	1.25%	Barbados	13.60	21.76	62.50%

Rank	Industry Description	Top 10 Destination Countries for U.S. Exports	U.S. Exports in Millions of Dollars (2000)	Florida Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports	Top 10 Destination Countries for Florida Exports	Florida Exports in Millions of Dollars (2000)	U.S. Exports in Millions of Dollars (2000)	Florida's Share of U.S. Exports
		Germany	220.41	0.46	0.21%	Trinidad and Tobago	9.80	15.67	62.54%
		Italy	204.61	0.33	0.16%	Canada	9.11	1,940.60	0.47%
		Korea	159.44	1.94	1.22%	Mexico	7.22	493.33	1.46%
		Hong Kong	124.84	0.39	0.31%	Netherlands Antilles	7.08	12.90	54.86%
		China	95.66	0.09	0.10%	Haiti	5.58	6.17	90.42%
18	Printing, Publishing, and Allied Products	Canada	2,162.96	30.26	1.40%	Canada	30.26	2,162.96	1.40%
		United Kingdom	556.97	22.45	4.03%	United Kingdom	22.45	556.97	4.03%
		Mexico	531.67	9.73	1.83%	Japan	15.37	255.98	6.00%
		Japan	255.98	15.37	6.00%	Venezuela	14.33	32.05	44.71%
		Australia	197.74	1.54	0.78%	Taiwan	12.44	59.97	20.75%
		Netherlands	127.55	0.13	0.10%	Mexico	9.73	531.67	1.83%
		Germany	111.48	1.22	1.09%	Hong Kong	9.00	89.81	10.02%
		Singapore	96.99	0.68	0.70%	Brazil	6.62	46.02	14.38%
		Hong Kong	89.81	9.00	10.02%	Colombia	5.54	17.53	31.60%
		France	76.46	0.76	0.99%	Jamaica	4.32	9.81	44.03%
19	Stone, Clay, Glass, and Concrete Products	Canada	2,265.91	13.98	0.62%	Bahamas	19.92	25.93	76.81%
		Mexico	974.45	8.20	0.84%	Canada	13.98	2,265.91	0.62%
		Japan	629.66	2.08	0.33%	Dominican Republic	9.92	33.92	29.24%
		Germany	336.22	1.58	0.47%	Venezuela	8.32	61.73	13.47%
		United Kingdom	244.65	6.08	2.48%	Mexico	8.20	974.45	0.84%
		Korea	160.08	0.76	0.47%	Jamaica	7.90	13.75	57.45%
		China	153.16	0.24	0.16%	Brazil	6.77	91.49	7.40%
		Malaysia	149.36	0.32	0.22%	Colombia	6.46	24.26	26.65%
		France	124.39	1.46	1.18%	Costa Rica	6.09	13.25	45.96%
		Belgium	122.45	0.71	0.58%	United Kingdom	6.08	244.65	2.48%
20	Used or Second-Hand Merchandise	Switzerland	958.03	4.93	0.51%	Germany	50.82	304.77	16.67%
		United Kingdom	917.60	16.64	1.81%	United Kingdom	16.64	917.60	1.81%
		Japan	346.68	0.95	0.27%	Venezuela	9.96	23.43	42.50%
		France	320.09	2.11	0.66%	Canada	6.84	198.04	3.45%
		Germany	304.77	50.82	16.67%	Switzerland	4.93	958.03	0.51%
		Canada	198.04	6.84	3.45%	Bahamas	4.93	6.28	78.42%
		Mexico	134.41	3.24	2.41%	Dominican Republic	4.56	5.72	79.62%
		Netherlands	84.35	0.36	0.43%	Haiti	3.90	7.87	49.54%
		Spain	79.64	1.08	1.36%	Jamaica	3.37	8.32	40.55%
		Italy	51.82	0.59	1.14%	Mexico	3.24	134.41	2.41%

## Appendix E – Composite International Ranking: Methodology

The composite international ranking is a measure of a country's competitiveness and importance in Florida's international trade and development efforts. The ranking is derived wholly from data relating to a country's position in Florida's markets. As such, this ranking does not reflect in any manner the relative competitiveness of Florida to other states with a given country. Additionally, the ranking does not consider the relative strength of a country (Florida's percent of market) or differences between countries (such as size of market).

The ranking is calculated by averaging each country's rank for all categories over the square of the number of categories for which a country is ranked. The formula for the rank for country  $i$  is as follows:

$$CR_i = \frac{(ExportRank_i + ImportRank_i + FDI Rank_i + TourismRank_i)}{N^2}$$

where:

$CR_i$  is the composite rank for country  $i$ ;

$ExportRank_i$  is country  $i$ 's rank among Florida's export markets;

$ImportRank_i$  is country  $i$ 's rank among Florida's import markets;

$FDIRank_i$  is country  $i$ 's rank among countries with Foreign Direct Investment in Florida;

$TourismRank_i$  is country  $i$ 's rank among Florida's tourists' home countries; and

$N$  is the number of categories for which country  $i$  is ranked (i.e., has data).

The average international ranking would be calculated by summing the ranks over the number of categories for which a country is ranked. In this case, the denominator is squared to increase the value of receiving a rank in each category.

Given relatively equal average rankings for two countries, this technique results in promoting that country which has more diversified international activities with Florida. However, this technique does not completely dilute the strength of high rankings in just a few categories. As an example, the Dominican Republic has considerably high rankings in two categories, which result in the second-highest average ranking. By squaring the number of categories in which the country is ranked, the Dominican Republic's ranking falls to number 8.

The composite international ranking is scaled with the lowest number equivalent to the highest ranking. The highest possible ranking a country could receive, if it were first in all categories, is 0.25. Actual rankings range from 1.1 to 188.

*The composite international ranking is a measure of a country's competitiveness and importance in Florida's international trade and development efforts.*

# Chapter 6



## NEW CORNERSTONE

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*Foundation*

Tallahassee, Florida  
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## Executive Summary

In the 21st Century economy, quality of life has reemerged as a critical determinant of a region's competitiveness. When deciding where to live, members of today's highly mobile workforce now value their lifestyle interests as highly as the employment opportunities a community has to offer. Standard quality of life amenities, which are found in some form (if not the same form) in every metropolitan area, are no longer sufficient to set a community apart from its competitors.

Firms that require highly skilled and educated employees are basing their location decisions primarily on the size and quality of the local workforce, rather than on the size of incentive packages offered by states and local governments. These realities have turned the traditional model of economic development on its head. Focusing on the development, retention, and attraction of talent – an economic gardening strategy – is proving to be a more effective economic development strategy than simply emphasizing the recruitment of new businesses.

## What Are Creative Communities, and Why Are They Important?

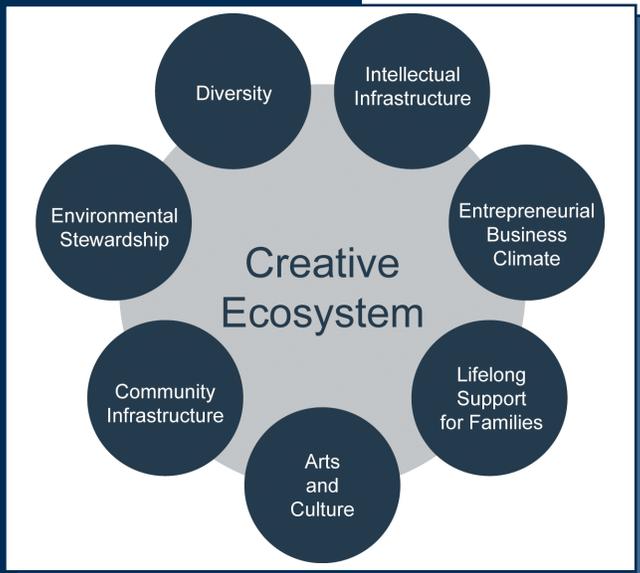
America's most successful regions have expanded their pools of talented and skilled workers by investing in their strengths and unique attributes, making themselves more attractive places to live. There has been a large scale resorting of people nationwide along geographic and economic lines as a small number of communities have reaped substantial rewards from the information- and knowledge-based economy. These "creative communities" have become centers of culture, innovation, and entrepreneurial activity.

"Creative communities" are characterized by two types of creativity:

- Creativity in the workplace, involving entrepreneurs, scientists, engineers, architects, designers, artists, musicians, writers, and others for whom innovation is key to work. Carnegie Mellon professor Dr. Richard Florida, author of the widely publicized book *The Rise of the Creative Class*, found a strong correlation between concentrations of this "creative class" and regional economic growth during the past two decades. Communities that have large pools of talented workers have been able to develop or attract the fastest-growing firms and the highest-paying jobs.
- Creativity in the common space, as government, education, and private industry leaders develop and implement innovative solutions to community issues. In Florida, long-standing growth management and sustainability issues could threaten the state's quality of life and future prosperity if neglected. Community leaders must develop creative



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**FIGURE ES.1. ELEMENTS OF THE CREATIVE ECOSYSTEM**

solutions to local and regional problems that inhibit community livability.

America's most successful communities did not attract a new generation of talent overnight. By building upon their inherent assets and investing in new ones, these communities enhanced the characteristics that make them most attractive to innovative and entrepreneurial workers. Many factors work together to create an environment that is attractive to a high-quality workforce and is able to convert sparks of innovation into successful businesses. The communities that have been most successful at generating innovations and producing new business activity – while maintaining a strong quality of life – have nurtured and invested in their “creative ecosystems,” which consist of seven elements (Figure ES.1):

- **Diversity** that promotes free and open sharing of ideas among people from different backgrounds, socioeconomic groups, geographies, and ways of thinking;
- **Intellectual infrastructure**, ranging from public and private schools and universities to lifelong learning centers and community colleges;
- An **entrepreneurial business climate** that lowers obstacles to new business start-ups, rewards improvisation and risk-taking, and connects mentors, venture capitalists, and other support services with new business owners;
- **Lifelong support for families**, with access to superior child care, dependent care, health care, and other community services provided by the public and private sectors;
- **Arts and culture** of all forms, which provide a creative outlet for some, inspire creativity in others, and allow people to blur the lines between work and leisure by identifying themselves on the basis of their interests and activities rather than solely on their careers;
- **Community infrastructure**, including places for people to live, work, and play at all stages of their lives and the transportation, utility, and communications infrastructure that are necessary to bring people and their ideas together; and
- **Environmental stewardship** that ensures responsible use of natural resources and avoidance of negative impacts on the natural environment.

## How Do Florida's Communities Measure Up?

Florida's **diversity** is embodied in its 2.7 million foreign born residents, large ethnic and racial minority groups, and people from a range of age groups. One-third of the state's population belongs to one or more minority groups, according to the 2000 Census, and people over age 55 make up 27 percent of Florida's population – both well above the national average. Approximately 215,000 students from all parts of the state, country, and world were enrolled full-time in Florida's colleges and universities in 2001. Members of these diverse groups engage in healthy discussion, criticism, and debate in order to spawn innovation and develop creative solutions to problems. Foreign-born residents create ties to their home countries, fostering international commerce. Experience, resources, and activism make Florida's large senior population a unique asset, while the state's youth offer energy, enthusiasm, and future potential.

Creative communities use the framework of knowledge and skills known as the **intellectual infrastructure** to fuel innovation and encourage the workforce to engage in lifelong learning. As previous research has shown, Florida's K-20 system is having difficulty producing the intellectual talent to support future growth. Florida ranks among the lowest quartile of states on several key measures of workforce preparedness, including the high school graduation rate, the percentage of high school seniors who continue education in college, and the number of baccalaureate and advanced degree recipients relative to the size of the working-age population.

The value of an innovation depends on the ability of the business community to convert sparks of creativity into functioning businesses and value-added products. Creative communities must have an **entrepreneurial business climate** that recognizes and rewards risk-taking, improvisation, and new ways of thinking. An available pool of innovation and knowledge workers can support emerging businesses and attract new businesses. Florida ranks 3rd in the nation in new business start ups, accounting for approximately one out of every seven new business incorporations in the United States. However, Florida's entrepreneurial businesses struggle to maintain access to skilled labor, risk capital, and needed support services.

Convenient access to high-quality health care, child care, dependent care, and other services that provide **lifelong support for families** can protect and preserve the health and strength of Florida's families. Florida's expanding population has put pressures on its physical infrastructure, but its support systems such as health care, child care, and elder care are also bearing an additional burden. The low-paying jobs that were added by the state's services-driven economy often lack health or child care benefits. High-paying jobs that accompany creative communities are more likely to include these types of benefits, reducing the burden on

*Florida's expanding population has put pressures on its physical infrastructure, but its support systems such as health care, child care, and elder care are also bearing an additional burden.*

state and federal programs. Florida’s current health care crisis is fueled by rapidly rising prescription drug and patient care costs, and mounting malpractice insurance premiums.

**Arts and culture** have long been underappreciated as an economic asset. Artists, performers, writers, and other “cultural creatives” fuel the creativity of those who experience their work. These “cultural creatives” influence not only those for whom creativity is an essential component of work, but any worker who has a role in innovation. The public and private sectors are both responsible for supporting the arts by creating accessible performance spaces, providing affordable housing and studio space, and funding art in public places. Florida’s arts and cultural industry generated approximately \$1.4 billion in statewide impacts and employed an estimated 22,000 people, according to a 1997 study.<sup>1</sup> Among the 50 states, Florida ranks 15th in per capita spending on the arts, with 2001 spending at \$1.08 per resident. Recent budget constraints have forced cuts in spending on arts and culture, but given the returns on investment, these cuts may be short-sighted. Preserving, restoring, and creatively reusing historic structures is another way a community can maintain a unique ambiance. During 2000, historic preservation created 123,000 jobs in Florida and tourists spent \$3.7 billion in Florida while visiting historic sites.

**Communities infrastructure** is a prerequisite for a healthy quality of life. Vibrant neighborhoods, accessible workplaces, well-maintained parks and public spaces, uncongested transportation systems, reliable and widespread communications services, and dependable utilities all are necessary for a community to function. Creative communities not only function, but thrive and prosper by continuously reinventing themselves while maintaining their local character and authenticity.

Key community infrastructure issues include:

- **Affordable housing.** In 1999, one in four Florida homeowners spent at least 30 percent of annual household income on housing costs. More than two in five renters in Florida spent at least 30 percent of their household income on rent, the threshold for housing affordability set by the federal government according to the U.S. Census Bureau. While Florida has relatively inexpensive housing compared to the rest of the United States, this traditional cost advantage may be eroding.
- **Urban sprawl and growth management.** Florida’s urbanized areas expanded rapidly over the past 10 years, largely due to market forces that made low-density, auto-oriented development profitable for developers and builders. Most counties and small towns do not have adequate growth management policies and procedures in place due to the substantial cost and time involved in developing and updating comprehensive plans and zoning codes. In addition, local

*The state’s failure to address the costs of urban sprawl may be the most significant risk to its future quality of life and, in turn, its economic growth.*

<sup>1</sup> Dr. William Stronge, “The Economic Impacts of the Florida Arts Industry.” Regional Research Associates, 1997.

governments typically focus on local interests, leading to developments that have impacts across jurisdictional boundaries. The state's failure to address the costs of urban sprawl may be the most significant risk to its future quality of life and, in turn, its economic growth. Figure ES.2 shows how urbanized areas grew in size and extent in Florida between 1990 and 2000.

- **Telecommunications, power, water, and other utilities.** Florida has a finite quantity of farmland, wildlife, potable water, and other natural resources that are being rapidly depleted by growth and development. Creative communities depend on reliable, cheap, and efficient utilities to sustain daily operations and maintain communication. However, price spikes associated with fluctuating and unpredictable supplies of energy sources and depleted fresh water sources threaten Florida's potential for future growth.

Florida's **natural environment** provides scenic beauty, recreation opportunities, and a diversity of wildlife that attracts tourists and makes the state a better place to live. However, Florida's rapid population growth and economic expansion over the past 20 years has forced urbanized areas to expand into sensitive environmental areas and wildlife habitats. Almost 100 species of plants and animals in Florida are listed as endangered or threatened, and the list grows longer each year as habitats are diminished and fragile ecosystems are disrupted. In the Florida Forever Conservation Needs Assessment in 2002, the University of Florida has estimated that the state needs to increase its system of protected land from 25 percent to approximately 33 percent of all land area to preserve the state's biodiversity, its natural heritage, and the health and economic benefits provided to citizens and visitors by conservation lands and open space.

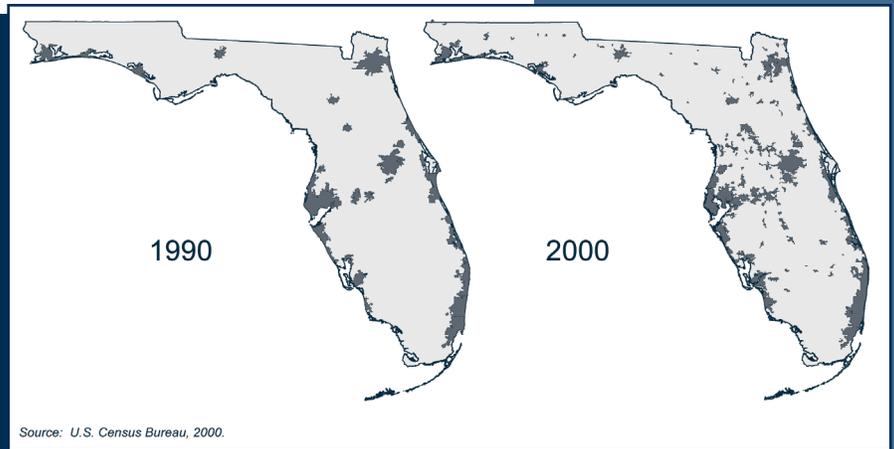


FIGURE ES.2. U.S. CENSUS URBANIZED AREAS IN 1990 AND 2000

## Goals and Strategies

Creative communities should be used primarily to retain, develop, and attract a creative, innovative, and skilled workforce. Florida's economic competitiveness in the next decade will depend on the quality of its talent and its ability to market itself as a place where innovations and new ideas are embraced.

At the same time, creative communities should embrace new solutions to growth and development that protect natural resources and sustain economic growth. The form and function of new

developments will determine the success or failure of creative communities in Florida. If new development is not sustainable and environmentally friendly, Florida risks degradation of quality of life, which in turn will make the state a less attractive place to live and do business.

Florida's creative communities must be underscored by three themes:

- 1. Environment matters.** Shift from growth management to growth leadership to ensure that future growth and development in Florida is sustainable and manageable. Florida's state agencies and regional organizations should develop and adopt innovative and proactive economic development, land use, and transportation policies that then can be implemented at the local level.
- 2. Place matters.** Invest in community livability as an economic asset. Local governments, neighborhood organizations, universities, the arts community, developers, and entrepreneurs share in the responsibility for making their communities more attractive places live. Economic development efforts must acknowledge the importance of community livability to economic growth and encourage these groups to form partnerships to leverage their unique strengths and abilities.
- 3. Diversity matters.** Expand the share of the workforce that is creative, innovative, and capable of fueling economic growth. Innovation and economic growth comes from people, and all people have inherent creativity that can either be utilized or wasted. Florida's economic development and marketing efforts should be expanded to include development, retention, and attraction of a diverse, skilled, and educated workforce.

Each of these strategies is discussed in detail in the remainder of this section.

### **1. Shift from growth management to growth leadership.**

The term "growth management" implies reactive, backward-looking policies for responding to and mitigating the impacts of development. Decades of such reactive policies have produced urban sprawl, auto dependency, and growing backlogs of infrastructure projects. Florida's creative communities will require growth leadership that can plan for and accommodate future growth in a proactive manner, offering Floridians a choice of lifestyles in communities that are sustainable and environmentally friendly.

Florida's Growth Management Study Commission's final report, published in February 2001, contained a number of recommendations for amending planning processes and establishing guidelines for sustainable development. Some of the commission's recommendations were adopted, others were rejected as too extreme or too costly, and others are awaiting implementation pending further study. The recommendations, taken together, suggest that the need for better growth management policy is so significant that dramatic change is necessary.

*Shift from growth management to growth leadership to ensure that future growth and development is sustainable and manageable.*

Florida should undertake the following growth leadership strategies:

- **Overhaul the comprehensive planning and Development of Regional Impact (DRI) processes.** Existing efforts to coordinate economic development, land use, and infrastructure investment policies and decisions on a regional level should be expanded in scope and reproduced in all multicounty urbanized areas in Florida. Both single-entity and coalition-based models should be explored so that the appropriate model can be implemented in each area of the state. The responsibility for reviewing local comprehensive plans should shift from the state-level Department of Community Affairs to the regional planning councils to foster regional dialogue on growth and development plans. The DRI program should be reoriented toward regional cooperation agreements, based on full-cost accounting of the impacts of new developments at the regional level. Provisions for conserving natural resources and protecting environmental quality should be strengthened, but without slowing the process for implementing development projects that do not threaten the environment.
- **Leverage private and public funding for promising urban revitalization initiatives.** By directing growth and development to areas where infrastructure is already in place, Florida can preserve open spaces and agricultural land and reduce passenger miles traveled on the transportation system. Available state, local, and private sector funding should be leveraged to support promising urban revitalization initiatives. “Fix it first” policies for infrastructure and educational investments should be fully implemented so that older communities benefit from current technologies and improved services. As recommended by the Growth Management Study Commission, Infrastructure Development Encouragement Area (IDEA) Districts, which could qualify for state funding and relaxation of regulatory requirements, should be established in distressed urban areas.
- **Provide public and market incentives for “smart growth.”** Florida should experiment with both tax and market-based incentives for encouraging smart growth and responsible development patterns. These would include location-efficient mortgage program, which consider a home buyer’s transportation costs when assessing the applicant’s borrowing ability; split-rate property taxes, which assess land at a higher rate than the structures on the land; and tax credits or abatements for developers of smart growth and for residents of localized areas that bear the impact of higher density developments.
- **Expand personal mobility options in urban areas.** The Florida DOT and its partners should develop a statewide initiative to promote public transit, walking, bicycling, and other alternatives to single-occupancy vehicles. Transportation planning should approach urban mobility

*Provisions for conserving natural resources and protecting environmental quality should be strengthened, but without slowing the process for implementing development projects that do not threaten the environment.*

from a trip perspective, concentrating on the movement of passengers and freight rather than the movement of vehicles. FDOT and its partners should explore new revenue options to finance urban initiatives, and should improve the efficiency of existing infrastructure and the attractiveness of transportation alternatives by increasing the use of intelligent transportation system technology and travel demand management strategies. Florida's business community and public sector must develop a plan to fund the state's more than \$50 billion in unfunded transportation needs.

- **Landbank right-of-way for future transportation and utility corridors.** The Florida DOT, transportation authorities, local governments, and public and private utilities should proactively preserve right-of-way for future infrastructure so that landowners are given sufficient notice of future improvements. Care must be taken during the planning process to avoid land speculation which can drive up prices for right-of-way.
- **Develop long-term resource water and energy policies.** Although water shortages and non-renewable energy dependence are understood by policy makers, few regions have developed plans and solutions to conserve these precious resources. The Florida Department of Environment Protection and other appropriate state agencies should work with regional and local partners and operators of utilities to develop long-term state water and energy policies.

*Although water shortages and non-renewable energy dependence are understood by policy makers, few regions have developed plans and solutions to conserve these precious resources.*

## **2. Invest in community livability as an economic asset.**

Community livability is essential to a community's economic well-being. The presence of unique and highly visible lifestyle amenities can set a community apart and make it more attractive to new residents and visitors. The availability of family support services – child care, elder care, and health care – make a community livable for workers of all ages. Key recommendations include the following:

- **Stimulate investment in programs that have an economic development impact.** The Florida Chamber Foundation and the Florida Division of Cultural Affairs should identify best practices in funding of arts and culture and investigate programs that integrate arts and culture with economic development and encourage public and private sector involvement. Private sector incentives to contribute to nonprofit arts organizations, such as tax incentives, should be expanded where possible to maximize private sector participation in the arts. Public assistance to arts and culture should be maintained at predictable levels so that arts organizations better can perform long-range planning.
- **Integrate the arts and economic development communities.** Economic development organizations should reach out to arts organizations and involve them in planning and

new local economic development initiatives. At the same time, arts organizations should consider how their investments can contribute to the economic development mission of the state. Enterprise Florida should set the tone by explicitly addressing the role of arts in the update of Florida's Statewide Strategic Plan for Economic Development, and expanding its Partners Council to include representatives of arts organizations.

- **Ensure effective, available, and affordable support services for families.** There is an immediate need to bring health care costs under control and ensure access to effective, available, and affordable medical care statewide. Appropriate legislative or regulatory action should be taken to address health care costs, with a particular emphasis in the near-term on medical malpractice. The Florida Chamber Foundation should assess the needs for family support services statewide to determine relative access and cost of health care, child care, and dependent care services in communities statewide, and identify steps to ensure these needs in a holistic manner.

### 3. *Promote a diverse, creative workforce.*

Creative communities are welcoming to all types of people and provide opportunities for people to interact and share their ideas and beliefs. Florida already has a wealth of diversity in its residents, and visitors and students who come to Florida also can contribute their experiences. The following strategies are recommended to strengthen the state's commitment to diversity:

- **Market Florida as the best location for young, mobile workers.** Each community in Florida must determine what makes it uniquely attractive to young talent, how it can enhance and build on those features, and how it can market itself as the best place for young workers to live. In addition, efforts should be accelerated to involve young professionals in organizations that promote economic development and improve community livability.
- **Engage seniors and new retirees as mentors, volunteers, and part-time workers.** Promising mentoring, volunteer, and flexible work-hour programs should be expanded, such as the Service Corps of Retired Executives (SCORE), the Enterprise Development Corporation of South Florida's mentorship program, and the Institute for Human and Machine Cognition's (IHMC) human capital initiative.
- **Embrace diversity.** To compete for the best and brightest talent, Florida's business and civic leaders must set an example by forcefully opposing discrimination on the basis of race, color, creed, religion, age, gender, national origin, ancestry, physical or mental disability, or sexual orientation. Leadership Florida's "Faces of Florida" initiative is working to raise awareness about the power of diversity and the

*Florida's business community should support the efforts of Faces of Florida and similar groups working to eliminate hate and promote tolerance.*

importance of eliminating discrimination, prejudice, and stereotyping. Florida's business community should support the efforts of Faces of Florida and similar groups working to eliminate hate and promote tolerance in communities throughout Florida in order to send a message to the rest of the world that Florida celebrates and values its diversity.

## Implementation Plan

The concept of creative communities is new and largely untested. This approach to economic development is fresh and exciting, but it should not be accepted as gospel. Research for this chapter has begun to validate the concept in Florida, but the Florida Chamber Foundation and its partners should carefully explore the concept of creative communities to determine if Florida can benefit from these ideas.

In the short term, the Florida Chamber Foundation should create and maintain a comprehensive community vitality index for Florida's communities to measure each component of the creative ecosystem. The index can help regions determine the focus of new local and regional initiatives to enhance their creativity and attractiveness.

The Florida Chamber Foundation should work with the Department of State and the Department of Community Affairs, as well as local and regional partners, to develop one or more creative communities demonstration projects around the state. State, regional, and local decision-makers should maintain the creative communities discussion and establish increased regional cooperation in economic development among the various stakeholder groups, many of whom have not regularly communicated or worked with each other in the past.

Creative communities offer great potential to sustain Florida's economic growth while improving the state's quality of life. The Florida Chamber Foundation, working with state, regional, and local partners, should continue research in this area. Long-term public and private sector commitment to the strategies suggested in this report would position Florida and its communities to compete in this critical emerging aspect of economic competitiveness.

*The Florida Chamber Foundation should create and maintain a comprehensive community vitality index for Florida's communities to measure each component of the creative ecosystem.*

## 6.1 Introduction

Florida's climate, scenic beauty, and natural resources have driven the state's economic growth throughout its history. Resource-based industries, such as phosphates, agriculture, and wood and paper, powered the state's economy during much of the last century. At the same time, tourists, retirees, and seasonal residents were drawn to Florida by year-round sunshine, world-class recreational opportunities, inexpensive and ample land for development, and a low cost of living.

During the 1980s and 1990s, the state's economic growth shifted to the trade and service sectors. Firms were drawn to Florida's large consumer markets and its strategic location along key trade routes with emerging markets in Latin America and the Caribbean. Responding to the new economic climate, economic development officials targeted recruitment efforts to high-value industry clusters, emphasizing the creation of high-paying jobs. Economic development professionals highlighted Florida's quality of life in their marketing efforts, but gave more emphasis to other strengths of the state, such as the low cost of doing business, or to tools such as incentive packages.

In the information age, quality of life has reemerged as a critical determinant of a region's competitiveness. When deciding where to live, members of today's highly mobile workforce now value their lifestyle interests as highly as the employment opportunities a community has to offer. Standard quality of life amenities, such as professional sports teams, national retail and restaurant chains, and symphony orchestras are found in some form (if not the same form) in every metropolitan area, and therefore are no longer sufficient to set a community apart from its competitors.

Firms that require highly skilled and educated employees are basing their location decisions primarily on the size and quality of the local workforce, rather than on the size of incentive packages offered by states and local governments. These realities have turned the traditional model of economic development on its head. Focusing on the development, retention, and attraction of talent – an economic gardening strategy – is proving to be a more effective economic development strategy than simply emphasizing the recruitment of new businesses.

The *New Cornerstone* study's three-part vision – global leadership, prosperous families, and vibrant communities – acknowledges the roles that strong communities and talented workers play in economic development. However, the types of growth and development that have occurred in Florida over the past few decades have threatened essential components of quality of life, including the state's natural resources and amenities. By setting priorities for quality of life, sustainability, and growth management, Florida can increase its economic competitiveness while preserving and enhancing the built and natural amenities that contribute to its quality of life.

*Standard quality of life amenities are found in some form (if not the same form) in every metropolitan area, and therefore are no longer sufficient to set a community apart from its competitors.*

*DR. RICHARD FLORIDA, THE RISE OF THE CREATIVE CLASS, AND THE MEMPHIS MANIFESTO*

In 2002, Carnegie Mellon professor Dr. Richard Florida published *The Rise of the Creative Class*, a groundbreaking analysis of economic development trends in the United States during the high-tech boom of the 1990s. Dr. Florida's research concluded that creativity is the key to economic growth and that a community's success can be predicted by how well it develops and attracts what he calls the "creative class."

Dr. Florida defines the creative class as an economic class made up of people who contribute to the economy primarily through their creativity. Ideas and knowledge are the biggest assets of the creative class, and time is its biggest constraint. People at the core of the creative class are scientists, engineers, educators, writers, artists, entertainers, designers, researchers, analysts, and others who process and analyze information to produce new ideas, strategies, and innovations.

As technology grows in importance across industries, a growing number of job categories that were once thought of as blue collar or working class are moving into the creative class. Already the creative class makes up approximately 30 percent of the workforce in the United States and 28 percent in Florida, according to Dr. Florida's definition.<sup>2</sup>

Although previous research had identified some of the basic components of Dr. Florida's theory, he clarified the links between key demographic trends, cultural trends, and the emergence of America's high-tech centers during the past 20 years. Working with detailed demographic and economic data, as well as analysis performed by others, Dr. Florida developed a "creativity index" to rank U.S. metropolitan areas. The index quantifies the share of regional employment in creative class industries, the relative size of the region's high-tech sector, the number innovations per capita developed by the region, and the social and cultural diversity of the region, relative to other regions. Figure 1 shows the cities with the top 10 creativity indices. They are: San Francisco, Austin, San Diego, Boston, Seattle, Raleigh-Durham, Houston, Albuquerque, Washington-Baltimore, and New York.<sup>3</sup>



**FIGURE 1. TOP 10 CREATIVE CENTERS IN THE UNITED STATES**

Out of all 268 regions compared in the book, Gainesville's workforce has the second-largest concentration of creative class jobs. Also, Gainesville ranks second overall among metropolitan areas with fewer than 250,000 people. Melbourne, Pensacola, Tallahassee, and Jacksonville also rank among the top 50 cities on this measure. With over 40 percent of its population born in a foreign country, the Miami-Ft. Lauderdale

Table 1 shows how Florida's metropolitan areas rank when compared to the 268 U.S. metropolitan areas identified by the U.S. Census Bureau. Melbourne, with an overall rank of 29, is the highest-ranked Florida city, primarily due to the large share of the region's workforce in defense, aerospace, and other high-tech industries. All Florida metropolitan areas with populations greater than one million rank in the top 25 percent of all U.S. regions.

<sup>2</sup> U.S. Bureau of Labor Statistics, 2001 data. Calculations by Cambridge Systematics, Inc.

<sup>3</sup> Richard Florida, *The Rise of the Creative Class*. New York: Basic Books, 2002, p 256.

area has the country’s second-highest diversity index. Orlando’s diversity index is ninth-highest in the country. Florida’s cities are not the top creative centers in the United States, but they do have elements of creativity that are strengths upon which the cities can build.

*TABLE 1. CREATIVITY INDEX RANKS FOR FLORIDA METROPOLITAN AREAS, OUT OF 268 U.S. METROPOLITAN AREAS*

Metropolitan Area	Overall Creativity Index	Components			
		Creative Class <sup>4</sup>	High-Tech Index <sup>5</sup>	Innovation Index <sup>6</sup>	Diversity Index <sup>7</sup>
Melbourne	29	8	45	37	133
West Palm Beach	32	123	40	44	17
Gainesville	34	2	170	30	48
Tampa Bay	38	76	42	128	26
Miami-Ft. Lauderdale	43	99	62	138	2
Orlando	49	108	43	164	9
Jacksonville	64	50	95	168	47
Tallahassee	80	37	97	142	123
Pensacola	102	35	154	182	89
Sarasota-Bradenton	107	199	144	100	33
Ft. Myers-Cape Coral	108	151	141	158	28
Ft. Pierce-St. Lucie	136	147	221	133	57
Daytona Beach	142	136	152	202	79
Fort Walton Beach	146	155	135	139	154
Naples	170	254	216	143	29
Lakeland-Winter Haven	196	245	195	219	32
Panama City	203	244	220	106	147
Punta Gorda	209	213	233	153	146
Ocala	237	264	229	217	101

 Represents top quarter of U.S. metropolitan areas.

<sup>4</sup> Share of regional employment in creative class industries. Source: U.S. Bureau of Labor Statistics, 1999.

<sup>5</sup> The Milken Institute’s Tech Pole Index (which Dr. Florida calls the “high-tech index”), ranks metropolitan areas on two criteria: (1) the share of total U.S. high-tech output contributed by the region (which favors large metropolitan areas) and (2) the relative size of the region’s high-tech industry sector compared to other cities (which favors small regions with economies dominated by high-tech).

<sup>6</sup> The number of patented innovations per capita produced by the region. Source: U.S. Patent and Trademark Office, 1999.

<sup>7</sup> A composite “diversity index” composed of (1) the percentage of cohabiting gay couples in a region, relative to the entire United States (the “gay index”); (2) the percentage of authors, designers, musicians, composers, actors, directors, painters, sculptors, artist printmakers, photographers, dancers, artists, and performers in a region, relative to the entire United States (the “bohemian index”); and (3) the relative percentage of foreign-born people in a region (the “melting pot index”). Source for all: 1990 U.S. Decennial Census Public Use Microdata Sample; the Gay Index was also recalculated in 2000.

Both Richard Florida and those in academia and the news media who have commented on his work are careful to offer caveats related to the creative class theory:

**Correlation does not imply causation.** Although the author finds a correlation between the relative size of an area’s gay, bohemian, and foreign-born population and the share of its employment in high-tech industries, areas with large gay, bohemian, and foreign-born populations are not guaranteed to become creative centers, just as the presence of a major research university does not ensure economic prosperity. Many factors work together to shape a city’s urban form, demographics, local culture, and economy, as discussed in this chapter.

**High-tech is not the only industry that matters.** High-paying jobs are found in many fields outside those defined by the U.S. Bureau of Labor Statistics as “high-tech.” In addition, technology and scientific research has become essential to almost every business, from fast food restaurants to auto factories to citrus farms. As emphasized in *New Cornerstone* Chapter 3, Florida must continually provide opportunities for workforce educate and training so that every Floridian is capable and prepared for technological advances in the workplace and in daily life.

**Creativity is not limited to members of the creative class.** An emphasis on the word “class” is distasteful to some, because it implies that only the creative class is worth the attention of community leaders and policy makers. Indeed, politicians who cater exclusively to the creative class do so at their own peril – at best one-third of the workforce falls into the definition of “creative class.” However, just as technology is applicable to all jobs and even daily tasks, creativity is present in all people. Workers in a creative community are more likely to develop less costly and more productive ways to do their jobs, and these innovations can spread to coworkers, supervisors, and even competitors over time. Many of these workers have jobs supported or created by creative workers. Also, while the primary source of income for two-thirds of the population is derived from a non-creative profession, many people have hobbies and interests involving arts, culture, and other creative activities.

Dr. Florida has visited several cities in Florida to hold seminars and discuss his work with local policy makers. In addition, in spring 2003 the author and Carol Colleta, host of Nation Public Radio’s “Smart Cities” program, hosted a gathering of the “Creative 100” in Memphis to discuss how cities can develop the creative class. As part of the research for this *New Cornerstone* chapter, representatives from the Florida Chamber Foundation and its research team joined the Tampa Bay Partnership and representatives from 48 cities from the United States, Canada, and Puerto Rico at the summit in Memphis.

The Creative 100 produced the *Memphis Manifesto*, a 10-point call to action for communities seeking to become centers for creativity and to compete in today’s economy. Here is an excerpt of their recommendations:

*“Creativity resides in everyone everywhere, so building a community of ideas means empowering all people with the ability to express and use the genius of their own creativity and bring it to bear as responsible citizens... Embrace diversity... Invest in opportunity-making, not just problem-solving... Be authentic... Resist monoculture and homogeneity... Remove barriers to creativity, such as mediocrity, intolerance, disconnectedness, sprawl, poverty, bad schools, exclusivity, and social and environmental degradation.”*

The complete document and related summit materials can be viewed on the web at [www.memphismanifesto.com](http://www.memphismanifesto.com).

America's most successful regions have expanded their pools of talented and skilled workers by investing in their strengths and unique attributes, making themselves more attractive places to live. There has been a large scale resorting of people nationwide along geographic and economic lines as a small number of communities have reaped substantial rewards from the information- and knowledge-based economy. These "creative communities" have become centers of culture, innovation, and entrepreneurial activity.

The concept of "creative communities" has a double meaning:

- First, creative communities are attractive to the "creative class" – a diverse group of people including entrepreneurs, scientists, engineers, architects, designers, artists, musicians, writers, and others for whom creativity is key to work. Carnegie Mellon professor Dr. Richard Florida, author of the widely publicized book *The Rise of the Creative Class*, found a strong correlation between concentrations of the creative class and regional economic growth during the past two decades (pages 6-12 to 6-14). Communities that have large pools of talented workers have been able to develop or attract the fastest-growing firms and the highest-paying jobs. America's most successful communities did not attract a new generation of talent overnight. By building upon their inherent assets and investing in new ones, these communities enhanced the characteristics that make them most attractive to innovative and entrepreneurial workers.
- Second, in addition to a creative workforce, creative communities have creative leaders in government, education, and private industry that are able to develop and implement innovative solutions to community issues. In Florida, long-standing growth management and sustainability issues could threaten the state's quality of life and future prosperity if neglected. Unfortunately, despite numerous attempts, the state has been unable to develop a consensus-based approach to growth management that balances business, environmental, and community needs.

Florida's robust population growth in recent years was accompanied by rapid job creation, but most of the new jobs that were created were not in high-paying industries. Although Florida's employment growth rate outpaced the national average significantly during the 1990s, the state's per capita income dropped below the national average over the same period. Details on Florida's current economic climate and outlook can be found in Chapter 2.

The *New Cornerstone* initiative emphasizes strategies for strengthening Florida's economy by investing in intellectual infrastructure, cultivating emerging businesses and innovative talent, and expanding international commerce, with an emphasis on the "four Ts": trade, tourism, technology, and talent. Creative communities that have strong entrepreneurial support structures, sustainable development patterns, and a high quality of life are necessary to support the each of four Ts:

*There has been a large scale resorting of people nationwide along geographic and economic lines as a small number of communities have reaped substantial rewards from the information- and knowledge-based economy.*

*Many of the same qualities that make Florida an attractive place to visit make the state an attractive place to live.*

- **Trade.** Diversity and tolerance are hallmarks of creative communities. By creating a more welcoming environment for foreign businesses, students, and workers, Florida can expand opportunities for foreign investment and open export markets for Florida-produced goods. Florida's proximity to Latin America and the Caribbean already has allowed the state to attract a sizable foreign-born population, and these newcomers have proven their ability and willingness to pursue trade opportunities with their home countries. Service industries such as finance, health care, and education also can benefit tremendously from expanded foreign trade. Domestic trade also can grow if Florida can attract more businesses, students, and workers from other parts of the country.
- **Tourism.** Many of the same qualities that make Florida an attractive place to visit make the state an attractive place to live. Development of more livable and appealing communities directly benefits business and personal travel, and quality of life and availability of recreation, culture, and nightlife are necessary to retain and grow a skilled and productive workforce.
- **Technology.** Creative communities foster innovation and creative problem solving by allowing a diversity of people and ideas to interact. Interactions between creative people – whether they are artists, entertainers, entrepreneurs, policy makers, professionals, factory technicians, service providers, students, or retirees – allow for a sharing of ideas that leads to new ways to thinking. Scientists and engineers channel creative energy into their work to produce technological advances, and entrepreneurs bring these advances to the marketplace.
- **Talent.** Economic development strategies of the past decade have focused on developing clusters of industries. In the next 10 years, Florida also must concentrate on developing clusters of workers with the skills necessary to compete on a global scale. Firms that depend on human capital more than natural resources base their location decisions on the quality of a community's workforce. The key to expanding the innovative and entrepreneurial segments of the workforce is to create appealing places for Floridians to live, work, and play.

This chapter examines how Florida can develop creative communities to grow an innovative and entrepreneurial work force while enhancing Florida's unique environmental, historical, and cultural assets. The remainder of this chapter explores the characteristics of Florida's communities, existing growth and development policies and programs, best practices in growth management and sustainable urban design, and access to essential services such as dependent care and health care. Including this introduction, the chapter is organized into five sections. The remaining sections are:

- Section 6.2, *Study Approach and Methodology*, which describes the quantitative and qualitative methods used in the study of creative communities;
- Section 6.3, *Florida's Communities*, which further explores the concept of creative communities and investigates which elements of creative communities are already present in Florida, which elements are absent or in need of attention, and which unique assets favor the state; and
- Section 6.4, *Priorities and Strategies*, which identifies major priorities and strategies for developing creative communities in Florida over the next decade.
- Section 6.5, *Implementation Plan*, identifies early actions for the state's public and private partners.

## 6.2 Study Approach and Methodology

The research team organized meetings, input sessions, and interviews with economic development officials, planners, land use specialists, developers, and members of the business community throughout Florida to gather input from experts in community development, planning, and growth management. Data from government and private sources supported an analysis of several key indicators of the health and creativity of Florida's communities. Outreach activities and data collection efforts were supported by an extensive literature review and case studies of best practices in planning and community development in Florida.

**Quantitative data.** Data from a variety of sources were collected and analyzed to benchmark Florida's communities compared to national averages and data for other states and regions. Sources include the U.S. Census Bureau, the Bureau of Labor Statistics, the National Science Foundation, the U.S. Patent and Trademark Office, the Florida Department of Transportation, the Florida Department of Community Affairs, the Florida Department of Environmental Protection, various metropolitan planning organizations in Florida, and various local governments, among others.

**Research literature and reports.** Richard Florida's *Rise of the Creative Class*, works by other prominent urban planning and economic development experts, research reports published by urban economic development and planning think tanks such as the Brookings Institution, and recent publications of local, regional, state, and federal agencies involved in transportation and land use planning and economic development were reviewed by the research team. The literature review yielded information on best practices in community and regional planning, current economic development strategies that support creative communities, and innovative solutions to growth management and sustainability challenges.

**Meetings, input sessions, and interviews.** The research team conducted outreach efforts throughout Florida to identify current

*The key to expanding the innovative and entrepreneurial segments of the workforce is to create appealing places for Floridians to live, work, and play.*

trends, issues, and challenges faced by decision-makers involved in community planning and development. Members of the research team attended a national summit of economic development officials, planners, and entrepreneurs in Memphis, where they gathered and shared information and insight about creative communities, learned about best practices in community planning and economic development throughout North America, and helped draft a set of recommendations for cities interested in developing creative communities. As a follow-up to the summit, the research team organized an input session with economic developers, planners, and representatives from universities, the arts, and the business community in the Tampa Bay region to discuss how the creative communities concept might be implemented in Florida. Personal and telephone interviews also were conducted with local, regional, and state policy makers, leaders of regional and community economic development organizations, and members of the arts and business communities.

### 6.3 Florida's Communities

Florida's 54,000 square miles offer the state's 16 million residents every lifestyle imaginable, from dense, mixed-use, urban neighborhoods to rural and sparsely developed areas. As of the 2000 Census, about 93 percent of Floridians had chosen to live in one of the 21 urbanized areas of the state; these areas also contained 93 percent of the state's employment in 2000.

Although availability of employment may be the primary reason so many Florida residents choose to live in or near cities, the other factors that people take into consideration in their location decisions have been the subject of volumes of investigations and analysis. Why do people choose to move to Florida? More specifically, why do they choose certain regions and specific neighborhoods within those regions?

Understanding the reasons people migrate to some communities and not to others has come to the forefront of economic development priorities as the U.S. economy has shifted to an information and knowledge base. According to social capital theories advanced in the past two decades and more recent evolutions such as Richard Florida's creative capital theory, the size and quality of a region's workforce are often the most important factor in location decisions for high-tech, information-driven, and service-oriented firms.

This section analyzes the specific characteristics of creative communities that have motivated creative, educated, and skilled workers to migrate to the relatively few centers of technology and innovation that exist in the United States today. Each characteristic is described and analyzed in relation to Florida's communities. Trends in growth and development in Florida are discussed, and the state and regions within the state are compared to other areas of the country.

<sup>8</sup> The term "creative ecosystem" has been used in a narrower connotation by Dr. Richard Florida and other researchers. The definition presented here is part of a broader framework consistent with the holistic view of *New Cornerstone*.

*Florida's 54,000 square miles offer the state's 16 million residents every lifestyle imaginable, from dense, mixed-use, urban neighborhoods to rural and sparsely developed areas.*

## The Creative Ecosystem

Many factors work together to create an environment that is attractive to a high-quality workforce and is able to convert sparks of innovation into successful businesses. The communities that have been most successful at generating innovations and producing new business activity have nurtured and invested in their “creative ecosystems,”<sup>8</sup> which consist of seven elements (Figure 1):

- **Diversity** that promotes free and open sharing of ideas among people from different backgrounds, socio-economic groups, geographies, and ways of thinking;
- **Intellectual infrastructure**, from public and private schools and universities to lifelong learning centers and community colleges.
- An **entrepreneurial business climate** that lowers obstacles to new business start-ups, rewards improvisation and risk-taking, and connects mentors, venture capitalists, and other forms of support with new business owners;
- **Lifelong support for families**, with access to superior child care, dependent care, health care, and other community services provided by the public and private sectors;
- **Arts and culture** of all forms, which provide a creative outlet for some, inspire creativity in others, and allow people to blur the lines between work and leisure by identifying themselves on the basis of their interests and activities rather than solely on their careers;
- **Community infrastructure**, including places for people to live, work, and play at all stages of their lives and the transportation, utility, and communications infrastructure that are necessary to bring people and their ideas together; and
- **Environmental stewardship** that ensures responsible use of natural resources and avoidance of negative impacts on the natural environment.

Each of these components will be explored in the remainder of this section, with a discussion of the health of the creative ecosystem in Florida’s communities and how Florida compares to peer states.

### Diversity

Interaction, healthy discussion, criticism, and debate between diverse members of a community spawn innovation and creative problem-solving. It is no coincidence that regions with diverse populations are today’s centers of creativity. Tolerance and acceptance of diversity are signs that a place is open to new ideas and people who are different. In particular, members of the creative class are attracted to places where they feel their ideas and innovations are welcome. Furthermore, regions with diverse populations portray themselves as places where merit and hard work are valued more than personal relationships.



FIGURE 1. ELEMENTS OF THE CREATIVE ECOSYSTEM

Due to its proximity to Latin America and the Caribbean, Florida has the benefit of a large foreign-born population. Over 2.7 million people, or 17 percent, of Florida's population was born outside the country, compared to 11 percent of the entire U.S. population.<sup>9</sup> Just over one million, or 39 percent, of those born outside the United States entered the country between 1990 and 2000. Florida's foreign-born population presents opportunities for foreign investment in the state as well as exports of Florida-produced goods and services to foreign markets. For example, many Latin American and Caribbean nations do more business with Florida than with any other U.S. state. As mentioned in Chapter 5, Florida can capitalize on its foreign-born population and its status as a "crossroads" for global trade, tourism, and investment.

Florida's racial diversity also contributes a wide variety of backgrounds, beliefs, and life experiences to its communities. One-third of the state's population belongs to one or more minority groups, according to the 2000 Census. Florida's Latino population is the largest minority, comprising almost 17 percent of the population. African Americans make up 15 percent of the population. In the United States as a whole, Latinos comprise 12.5 percent of the population and African Americans comprise 12.3 percent.

Florida's diversity is not limited to people of various races and nationalities. People of all ages, from university students to seniors, have chosen to study, work, and retire in Florida, bringing with them a diversity of age, experience, and regional culture. At both ends of the age spectrum, people can make contributions to Florida's creative economy.

Approximately 215,000 students were enrolled full-time in Florida's colleges and universities in 2001. In the state university system, 11 percent of students were from out of state in 2002, bringing with them experiences, cultural backgrounds, and ideas that helped their fellow students gain a broader perspective on national and world issues and events.<sup>10</sup> As discussed in Chapters 3 and 4, universities, as centers of knowledge, debate, and innovation, can enhance the creativity of a community and function as idea factories through their research and development and workforce training activities.

The notion that only young, energetic people are valued in the new economy seems to marginalize seniors and retirees. However, seniors and retirees are themselves unique assets for Florida in the following ways:

- **Experience.** Retirees from all parts of the United States and Canada have vast accumulations of business and life experience and knowledge that could benefit students, recent graduates, and entrepreneurs of all ages.
- **Resources.** Retirees have the time and financial resources to mentor entrepreneurs and artists, invest in new business

<sup>9</sup> U.S. Census Bureau, 2000 Census.

<sup>10</sup> Florida Division of Colleges and Universities, 2002.

*Regions with diverse populations are today's centers of creativity. Tolerance and acceptance of diversity are signs that a place is open to new ideas.*

startups as venture capitalists and angel investors, contribute to arts, culture and other philanthropic causes, and volunteer in community organizations and schools.

- **Activism.** Considering the activist and participatory history of the Baby Boomer generation, which is adding to the ranks of the retired with each passing year, Florida has a remarkable opportunity to tap into new retirees' optimism and desire to maintain active lifestyles. Moreover, many of Florida's recent and upcoming retirees spent the majority of their business careers in the Sunshine State, and retain their civic and community interests.

People over age 55 make up 27 percent of Florida's population, compared to 21 percent of the population of the U.S. as a whole. Although secluded, self-contained retirement communities have been successful in Florida, unfair stereotypes of seniors and retirees leading leisurely, unrewarding lives ignore the large proportion of the population with a desire to stay active in their communities and contribute to society. Florida can tap into this resource by creating opportunities for its seniors to get involved in economic development, community advocacy, and entrepreneurial mentorship. The University of West Florida's Institute for Human and Machine Cognition (IHMC) has launched a "human capital initiative" to recruit eminent scientists and engineers who are nearing retirement from around the nation for short visits of a week, a month, or even a semester at nearby Seaside or Pensacola Beach. Those who are energized about discovery are invited to join the IHMC staff on a part-time, flexible basis to do research. IHMC staff has facilitated several to relocate permanently to the area.

One of the most striking and controversial findings of Richard Florida's research was a strong correlation between the location choices of the gay population and concentrations of high-tech industries.<sup>11</sup> America's most tolerant and welcoming cities are able to attract not just gays, but also sizable numbers of immigrants and others whose appearance, customs, or beliefs are outside the mainstream. Florida argues, "To some extent, homosexuality represents the last frontier of diversity in our society, and thus a place that welcomes the gay community welcomes all kinds of people."<sup>12</sup>

### **Intellectual Infrastructure**

Creative communities use the framework of knowledge and skills known as the intellectual infrastructure to fuel innovation and encourage the workforce to engage in lifelong learning. As mentioned in Chapter 3 of *New Cornerstone*, innovation produces not only new ideas and products, but the businesses and jobs that emerge to produce and use them. Thus, a community's intellectual infrastructure becomes the fuel for the creative ecosystem.

<sup>11</sup> For a detailed statistical analysis, see: Richard Florida and Sam Youl Lee, "Innovation, Human Capital, and Diversity." Paper presented at the annual conference of the Association of Public Policy and Management, Washington, D.C., November 2001.

<sup>12</sup> Richard Florida, *The Rise of the Creative Class*. New York: Basic Books, 2002, p 256.

*Florida has a remarkable opportunity to tap into new retirees' optimism and desire to maintain active lifestyles.*

*Universities with significant research and development activities can form mutually beneficial partnerships with the surrounding community and become strong economic assets.*

Universities with significant research and development activities can form mutually beneficial partnerships with the surrounding community and become strong economic assets. Universities often are major employers in a community, but they can increase their visibility in the community by becoming leaders in workforce development, providing instruction and facilities to update the skills and knowledge of the local workforce. Partnerships between universities and the business community also can attract research and development funding, strengthening universities' roles as idea factories.

By coordinating the construction of campus infrastructure with community plans and allowing for local input, universities can build trust with their neighbors and avoid creating an adversarial environment. Often universities develop master plans independent of their neighbors, but universities that design their campuses in context to the surrounding neighborhoods can reduce visual and physical barriers between the campus and the community.

Finally, by creating opportunities for students and faculty to interact with the surrounding community, universities promote the sharing of ideas across campus boundaries. Universities are also the best opportunities for bringing diversity of people and ideas to a community. Unfortunately, university recruiting efforts often do not promote the surrounding community along with their campuses, and students are rarely given an opportunity to establish roots and connections in the places they live for four or more years. Florida ranks 44th in Baccalaureate degree production and 40th in Doctoral degree production, relative to the size of the workforce. Florida ranks 49th in the number of employed scientists and engineers with PhDs per 1,000 workers. This statistic indicates that many graduates leave the state to pursue employment opportunities in other communities.

Community colleges and high schools play an important role in workforce development. A seamless K-20 education system, a key goal of recent education governance changes, would establish a lifelong learning system, with special attention given to preparedness and articulation and eliminating points of vulnerability at transition points, such as between high school and college and between two-year and four-year college programs. Increasing Florida's high school graduation rate and college continuation rate, both of which are well below the national average, would better equip Florida's workforce with the skills necessary to compete in the information economy, and would make the state more attractive to prospective employers.

As a result of rapid population growth, schools across Florida have become overcrowded. Larger class sizes cause deterioration in educational quality, and voters responded to school crowding at the polls in 2002 by approving a constitutional amendment to limit class sizes. Concurrency provisions in Florida's growth management laws require adequate schools before new developments can be approved, but the widespread use of portable classrooms at Florida's public schools indicates that construction of public education facilities has not kept pace with growth.

Outside formal educational institutions, connections between experienced mentors and creative beginners of all types also lead to innovations. Florida's seniors can be important sources of knowledge and experience if they are given the opportunity to put their skills to use. Education is a lifelong process, and members of creative communities can educate each other through daily interactions.

### ***Entrepreneurial Business Climate***

The value of an innovation depends on the ability of the business community to convert sparks of creativity into functioning businesses and value-added products. Creative communities must have an entrepreneurial business climate that recognizes and rewards risk-taking, improvisation, and new ways of thinking. An available pool of innovation and knowledge workers can support emerging businesses and attract new businesses.

According to the 2002 annual report card published by the Corporation for Enterprise Development, Florida ranked 11th among the 50 states in the number of new business startups per 1,000 workers, 17th in proceeds from initial public offerings per 1,000 workers, and 23rd in venture capital investments per worker. The state ranked 46th in research and development (R&D) spending per capita by universities, 25th in R&D spending per capita by federal government, and 31st in R&D spending per capita by the private sector.<sup>13</sup>

Florida ranks 3rd in the nation in new business start-ups accounting for approximately one out of every seven new business incorporations in the United States. However, Florida ranks in the bottom 10 percent in the nation in net new business formation for all types of businesses (business startups minus business failures).<sup>14</sup> This low survival rate indicates the high degree of churn in a growing economy, but also suggests some of the pressures small businesses face finding skilled labor, accessing capital, and managing health care and workers compensation costs.

A key strategy of the *New Cornerstone* initiative is to create a pipeline that carries innovations from universities and labs into the mainstream. A collaborative atmosphere with free sharing of ideas leads to a “hot house” environment, as discussed in Chapter 4. For businesses, hot houses are resource-intensive environments rather than bricks and mortar incubators. For workers, creative communities are hot houses. Creative communities include the support structures that enable fledgling businesses to grow and flourish. Examples of support structures are entrepreneurial mentoring, management support for business planning and market research, specialized legal and financial assistance, risk capital, and networking structures.

*Creative communities must have an entrepreneurial business climate that recognizes and rewards risk-taking, improvisation, and new ways of thinking.*

<sup>13</sup> Corporation for Enterprise Development's 2002 Development Report Card.

<sup>14</sup> U.S. Small Business Administration, 2002.

## ***Lifelong Support for Families***

Convenient access to high-quality health care, child care, dependent care, and other social services is important to the health and strength of Florida's families. Florida's expanding population has put pressures on its physical infrastructure, but support systems such as health care and child care are also bearing an additional burden. The low-paying jobs that were added by the state's services-driven economy often lack health or child care benefits. In 2001, Florida ranked 42nd among all states in the share of the non-elderly population covered by employer-based health plans.<sup>15</sup> The high-paying jobs that accompany creative communities are more likely to include these types of benefits, reducing the burden on state and Federal health care programs.

Florida's current health care crisis is fueled by rapidly rising malpractice insurance, prescription drug, and patient care costs, which reduce access to the system for less affluent residents and those without health insurance. The increased cost of malpractice insurance has forced hospitals to cut services or reduce the availability of high-risk procedures, and some doctors are limiting the range of services or procedures that they offer in order to limit their exposure to liability.

Lower-income people and seniors are especially vulnerable to service reductions at local hospitals and medical centers. Often a new hospital or doctor's office translates to a longer drive and associated increases in travel expenses, which are particularly burdensome for people dependent on public transportation. Creative communities that encourage higher population densities and mixed-use developments can improve access to health care.

An aging population also requires more families to care for or financially support elderly relatives. In some households care for an elderly relative is in addition to the cost and time needed to raise children. Families with both elderly and juvenile dependents require creative arrangements with their employers, possibly including flexible work hours and additional leave time in lieu of salary. Compared to the United States as a whole, Florida is home to fewer children (23 percent of Florida's population is under age 18, compared to 26 percent of the entire country) but more seniors (18 percent in Florida compared to 13 percent nationwide).

Families in which both parents work sometimes must depend on affordable, convenient child care during the workday. Like most states, Florida has been successful at encouraging companies to fund on-site child care centers. For parents who work at smaller companies that do not offer child care, there are usually several options for child care services near work and home. However, increasing congestion in the transportation system is making child care more costly for parents who must pay fines by the minute if they arrive after their child care center closes.

*In 2001, Florida ranked 42nd among all states in the share of the non-elderly population covered by employer-based health plans.*

<sup>15</sup> Corporation for Enterprise Development's 2002 Development Report Card.

While creative communities help alleviate some health care access issues, others may take their place. Creative communities are attractive to diverse populations, including foreign-born people. As Florida’s foreign-born population grows, people that do not speak English fluently may be at a disadvantage when trying to communicate with the staff of family support services. Fortunately, language barriers are not new to Florida’s health care providers, and multilingual staff is present at many facilities.

### **Arts, Culture, and Recreation**

In addition to the places people work and live, so called “third places” are the activities, events, and locations where people spend their free time outside home and work interacting with other members of society. People increasingly prefer to define themselves by their interests and activities rather than by their occupation or place of work. Arts, culture, recreation, sports, and entertainment can serve as outlets for creative energy and also provide inspiration and fodder for new ideas. The more varied the activities in a region, the more diverse the population that will be attracted to that region to live, work, study, and vacation.

“Arts and culture” is a broad, all encompassing term that includes a range of activities and experiences, such as symphonies, orchestras, ballets, museums, local music venues, neighborhood art galleries and studios, community theaters, street entertainment, and public artwork and architecture. Both “high art” and street culture contribute to a region’s character and identity, but impromptu, improvisational, unexpected experiences such as discovering a local band at a live music venue or stumbling across a local art gallery help create a distinctive sense of place for a community. Street-level culture also has greater potential to affect a large share of a region’s population because these activities are more accessible, less costly, and involve a smaller time commitment than symphony, ballet, opera, and theater performances.

Artists, performers, writers, and other “cultural creatives” fuel the creativity of those who experience their work. These “cultural creatives” influence not only those for whom creativity is an essential component of work, but any worker who has a role in innovation. Creativity is an integral part of the work of software designers and engineers, but productivity growth also comes from workers in machine shops who suggest new designs for tools or equipment, or from office workers who invent time-saving procedures and share them with coworkers and supervisors.

The public and private sectors are both responsible for supporting the arts by creating accessible performance spaces, providing affordable housing and studio space, and funding art in public places. According to a 1997 study of the economic impacts of arts and culture, Florida’s arts and cultural industry generated approximately \$1.4 billion in statewide impacts and employed an estimated 22,000 people.<sup>16</sup> Among the 50 states, Florida ranks

*Arts, culture, recreation, sports, and entertainment can serve as outlets for creative energy and also provide inspiration and fodder for new ideas.*

<sup>16</sup> Dr. William Stronge, “The Economic Impacts of the Florida Arts Industry.” Regional Research Associates, 1997.

15th in per capita spending on the arts, with 2001 spending at \$1.08 per resident. Recent budget constraints have forced cuts in spending on arts and culture, but given the returns on investment, these cuts may be short-sighted.

In addition to arts and culture, Floridians spend their free time – and tourists spend their vacation time – participating in recreational activities, attending sporting events, and enjoying other forms of entertainment. Florida’s natural amenities provide a wide variety of recreation opportunities for residents and tourists, and every medium and large city has at least one spectator sport that promotes regional unity and identity.

For the same reasons that street-level culture impacts more of the population than high art, participatory sports and recreation activities appeal to a wider range of people than professional sports. In addition, the value of public expenditures on stadiums, related infrastructure, and security has been called into question by a number of recent studies.<sup>17</sup>

### **Community Infrastructure**

Communities are only as healthy as their basic infrastructure. Vibrant neighborhoods, accessible workplaces, well-maintained parks and public spaces, uncongested transportation systems, reliable and widespread communications services, and dependable utilities all are necessary for a community to function. Creative communities not only function, but thrive and prosper by continuously reinventing themselves while maintaining their local character and authenticity.

Innovative, entrepreneurial workers are attracted to communities with unique characteristics that create a sense of place and provide outlets for creativity. Urban planners and geographers such as Jane Jacobs have long understood the ingredients that make a city work. Attractive, livable cities include the public and private facilities necessary to support and encourage street-level interactions between diverse members of the community, including:

- Multiple urban and suburban neighborhoods with distinct identities, composed of a mix of subsidized, affordable, and market-rate residential, commercial, and industrial space for people from a range of income levels and businesses from various stages of the entrepreneurial life cycle;
- Schools, libraries, post offices, shops, restaurants, dry cleaners, banks, churches, and other neighborhood amenities that are integrated into residential areas and accessible by safe walking and biking routes;
- Retail, office, and industrial space at various densities and levels of agglomeration, with higher-density, mixed-use developments located where existing and planned infrastructure can support them;

<sup>17</sup> See, for example: Roger Noll and Andrew Zimbalist, Editors. *Sports, Jobs & Taxes: The Economic Impact of Sports Teams and Stadiums*. Washington, D.C.: The Brookings Institution, 1997.

*Communities are only as healthy as their basic infrastructure: vibrant neighborhoods, accessible workplaces, well-maintained parks and public spaces, uncongested transportation systems, reliable and widespread communications services, and dependable utilities.*

- Structures and open spaces that serve as distinctive community hubs and focal points and create a unique sense of place through their design and visual appeal;
- Reliable, efficient, and widely accessible telecommunications, power, water, and other utility infrastructure; and
- Adequate, unobtrusive, safe, and secure transportation infrastructure, including interconnected streets and highways, sidewalks, bike lanes, multi-use paths, and public transportation services to efficiently move passengers and freight.

Creative communities can exist in many forms, including high-rise buildings, multifamily residential units located above or near street-level shops, or lower-density individual structures typical of suburban and rural areas. Vibrant, mixed-use, 24-hour urban neighborhoods and business districts are attractive to both young professionals and empty nesters. Urban neighborhoods are gaining population as college graduates delay marriage to pursue their careers and enjoy single life.<sup>18</sup> Later in life, more empty-nesters are choosing to move back to cities to be close to restaurants and cultural amenities.

However, high-density development is not appealing to everyone. The successes of Florida's many self contained, amenity-filled, "active lifestyle" retirement villages, located on the urban fringe or outside urban areas, have revealed that there are plenty of seniors interested in self-contained, amenity-filled communities separated from the bustle and confusion of large cities. Meanwhile, low-density suburban areas with superior school systems, affordable single-family homes, and a perception of safety and security continue to be the choice for families with school-age children. Lower-density suburbs also may be the only option for others who are priced out of homes in central cities.

Indeed, a healthy economy requires an adequate supply of affordable housing. In 1999, the most recent year for which data are available, one in four Florida homeowners spent at least 30 percent of their annual household income on housing costs. More than two in five renters in Florida spent at least 30 percent of their household income on rent.<sup>19</sup> Thirty percent of household income is the threshold for housing affordability set by the Federal government. While Florida has relatively inexpensive housing compared to the rest of the United States, this traditional cost advantage may be eroding.

Similar to individuals and families, businesses require commercial spaces that suit their needs at various points in their development. Urban redevelopment projects that make use of existing structures can provide affordable artist studios or flexible spaces for emerging

*While Florida has relatively inexpensive housing compared to the rest of the United States, this traditional cost advantage may be eroding.*

<sup>18</sup> Between 1970 and 2000, the median age of marriage increased by 3.6 years for men (to 26.8 years) and by 4.3 years for women (to 25.1 years). Source: Jason Fields and Lynn L. Casper, "Current Population Reports: America's Families and Living Arrangements, 2000." Washington, D.C.: U.S. Census Bureau Report p 20-537, June 2001.

<sup>19</sup> U.S. Census Bureau, 1999.

businesses, for example, while allowing occupants to make a statement about their progressive image. More established firms can begin to move into higher-quality buildings with higher levels of amenities that might be created on urban infill and brownfield redevelopment sites. Back-office functions and service-oriented establishments might locate in lower-cost facilities in the suburbs near middle-class workers.

While the public sector is responsible for planning and regulating development to ensure that growth occurs in a sustainable manner, the private sector also has a role to play in community development. Beyond making prudent location decisions, the private sector can provide financial support for affordable housing, support historic preservation, and ensure that the aesthetics of local architecture and community infrastructure provides a sense of local character and authenticity.

Preserving, restoring, and creatively reusing historic structures is one way a community can maintain a unique ambiance. Like spending on arts and culture, investments in historic preservation have measurable economic impacts in addition to community livability benefits. During 2000, historic preservation created 123,000 jobs in Florida and tourists spent \$3.7 billion in Florida while visiting historic sites. The state has invested \$212.1 million in 2,751 historic preservation projects in every Florida county since 1983. According to the Secretary of State's office, this investment has been more than doubled by leveraged public and private funds in local communities.<sup>20</sup>

Unfortunately, while there are many examples of well-planned developments in Florida, planning often is driven by the developers rather than broader community interests. Therefore, urban sprawl has continued unabated in much of the state. Florida's urbanized areas expanded rapidly over the past 10 years, largely due to market forces that made low-density, auto-oriented development profitable for developers and builders. The shaded areas on the maps in Figure 2 are classified as "urbanized areas" or "urban clusters" by the U.S. Census Bureau, meaning their cores have population densities exceeding 1,000 persons per square mile. Between 1990 and 2000, existing urban areas expanded in size and in density. Development expanded along major transportation corridors, in some cases causing adjacent urban areas to combine. For example, between 1990 and 2000:

- The urbanized areas in the Tampa Bay and Orlando regions continued to grow together along the Interstate 4 corridor. As development moves north from Tampa and northwest from Orlando towards Ocala and Gainesville, this "high-tech corridor" is expected to develop into a "creative triangle."
- The South Florida megalopolis expanded northward along the Atlantic Coast as communities in Martin and St. Lucie Counties gained population.

*While there are many examples of well-planned developments in Florida, planning often is driven by the developers rather than broader community interests.*

<sup>20</sup> Florida Department of State, Division of Historical Resources. *Economic Impacts of Historic Preservation in Florida*, 2002.

- Urbanized areas in emerging economic regions in southwest Florida and northwest Florida grew in size. Development extended north and south of Tampa Bay towards Hernando and Collier Counties, and Gulf Coast communities in northwest Florida gained population.

Urban sprawl has social and environmental costs that are difficult to quantify despite decades of debate and analysis, and therefore these costs are not fully offset by current tax structures and other direct assessments. In addition, Florida has a finite quantity of farm-land, wildlife, potable water, and other valuable natural resources that are being rapidly depleted by growth and development.

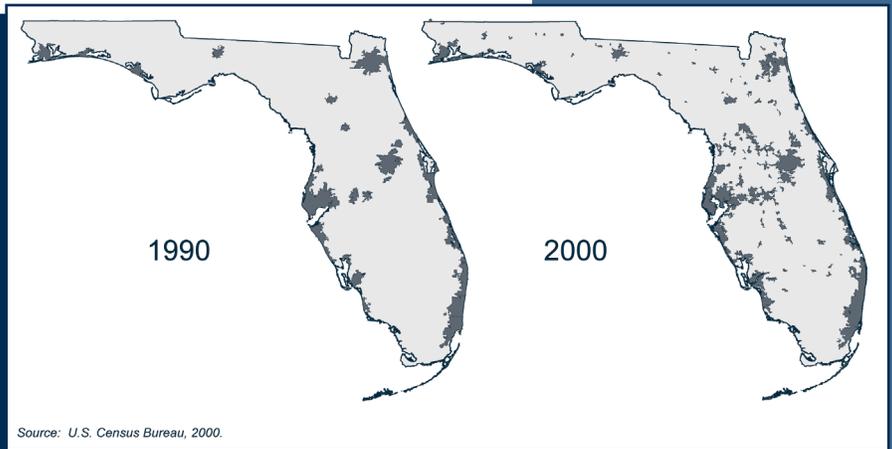


FIGURE 2. U.S. CENSUS  
URBANIZED AREAS IN  
1990 AND 2000

Most counties and small towns do not have adequate growth management policies and procedures in place due to the substantial cost and time involved in developing and updating comprehensive plans and zoning codes. In addition, local governments are often more concerned with local interests than regional concerns, leading to developments that have impacts across jurisdictional boundaries. Transportation planning is perhaps most affected by parochialism (pages 6-30 to 6-32).

Recent advances in the planning and design of “smart growth” development, including New Urbanism and Traditional Neighborhood Development (TND) guidelines, provide models for more sustainable and livable communities. Unfortunately, in practice these development concepts are works in progress, and have not delivered fully yet on their promises. Many “smart growth” developments are located far from major employment centers, requiring residents to continue to make long commutes via private automobile. Those developments that do incorporate office space, easy access to transit facilities, and proximity to other employment centers are often unaffordable to most of the workforce. Over time the smart growth movement has learned from its mistakes and newer developments are incorporating better design and planning to make them truly sustainable.

### **Environmental Stewardship**

Florida’s natural environment provides scenic beauty, recreation opportunities, and a diversity of wildlife that attracts tourists to the state and makes it a better place to live. Recognizing the value of the environment to the state’s economy, Florida has enacted strong environmental protection laws and regulations as well as the Florida Forever conservation program.

### TRANSPORTATION AND LAND USE PLANNING FOR CREATIVE COMMUNITIES

Florida has a complex, multimodal transportation system that carries 65 million passengers by air, water, and rail and another 176 million passengers on public transit each year, accommodates 137 billion vehicle-miles of travel on roads and highways, and moves 440 million tons of freight by all modes.<sup>21</sup> Demand for transportation services is growing more rapidly than population, and current revenue sources do not provide sufficient resources to expand the system to keep up with demand. Between 1990 and 2000, vehicle-miles traveled on Florida's highways increased 24.3 percent, or just over two percent per year, but lane miles increased by less than one percent per year. These trends are expected to continue over the next 10 years. As a result, system congestion, delays, and degradation of reliability can be expected to worsen along with environmental impacts, such as air pollution.

One measure of Florida's transportation system congestion that is directly related to livability is the length of commute trips. Figure 3 shows the distribution of travel times to work for Florida in 1990 and 2000. Compared to 1990, fewer people had commutes of fewer than 30 minutes in 2000, and the share of the working population that commuted more than 45 minutes to work jumped from 10 percent to 15 percent over 10 years. The mean travel time to work in Florida was below the U.S. average in 1990, but travel times had surpassed the national average by 2000. Travel times in Florida increased from a mean of 21.8 minutes in 1990 to 26.2 minutes in 2000. In the United States as a whole, mean work travel times increased from 22.4 minutes in 1990 to 25.5 minutes in 2000.

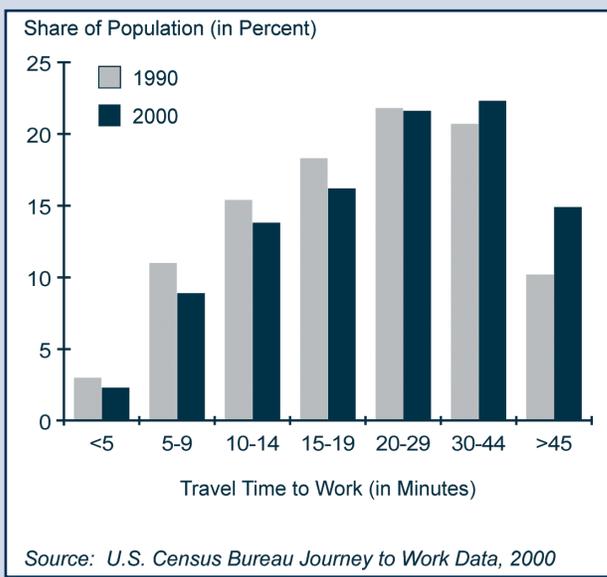


FIGURE 3. DISTRIBUTION OF TRAVEL TIME TO WORK FOR FLORIDA WORKERS, 1990 AND 2000

transportation and land use planning. Metropolitan planning organizations (MPOs) were established to coordinate federal, state, and local funding for transportation and to plan land use and transportation jointly.

In Florida, MPOs were established separately in each county, and over time neighboring organizations have at times developed conflicting agendas and goals. There are several promising examples of regional coordination in land use and transportation planning, however:

Faced with increasing congestion and a shortage of funding, the Florida Department of Transportation (FDOT) and its partners at the regional and local level are working to prioritize state spending on transportation so that resources can be allocated where they have the greatest economic impact. FDOT is developing a Strategic Intermodal System to address interregional passenger and freight movement and at key gateways with a multimodal planning emphasis. Currently there are no plans in place to prioritize urban mobility needs in a similar manner.

Since the passage of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, metropolitan areas have been required to coordinate trans-

<sup>21</sup> Florida Department of Transportation, Trends and Conditions Report, 1998.

- **METROPLAN ORLANDO**, whose jurisdiction covers Orange, Osceola, and Seminole Counties, is the state's only MPO responsible for transportation and land use planning in three counties. The organization is also part of the Central Florida MPO alliance along with adjacent Volusia and Lake Counties, and it has participated in joint studies with neighboring Brevard County.
- The **Chair's Coordination Committee (CCC)**, a formal process for coordinating among various MPOs in the eight-county West Central Florida region, allows local governments, the Tampa Bay Regional Planning Council, and Florida DOT to cooperate in transportation and land use planning decisions that have a regional impact.
- The **South Florida Regional Transportation Authority** was created by the Legislature in 2003 to assume control over the operations of all transit systems in Miami-Dade, Broward, and Palm Beach counties, including the Tri-County Commuter Rail Authority (Tri-Rail). The new transportation authority will plan, develop, and operate transit facilities and services in the three counties and is intended to improve regional transit service.

Each of these organizations has initiated a regional discourse on land use and transportation planning issues, involving all jurisdictions in the planning and decision-making process. Over time, as more Florida metropolitan areas grow in geographic area and merge, regional cooperation may expand to other areas of the state. Florida's 11 Regional Planning Councils (RPCs) were established to facilitate multijurisdictional planning and cooperation. Each RPC employs a professional planning staff to perform state-mandated duties and assist local governments.

Regional cooperation in land use and multimodal transportation policy can bring economic and social benefits, such as:

- **Reduced auto dependency.** Floridians make an overwhelming share of their trips by private automobile. According to data obtained from the 2000 Census, 79 percent of Florida residents drive alone to work, compared to 76 percent in the U.S. (Figure 4). A mix of residential, office, retail, and open space makes each of these uses more accessible to the others via non-motorized modes such as walking or biking, thus freeing up space on streets and highways for higher-value and/or longer-distance passenger and freight trips.
- **Better access to family support services and community amenities.** People who cannot drive, including children and seniors, have better access to essential services like schools and health care facilities when their destinations are easily accessible via safe walking and biking routes. In addition, children below driving age who live in pedestrian- and bicycle-oriented communities are able to experience diversity, culture, and intellectual stimulation that are not available in isolated, auto-dependent suburbs.

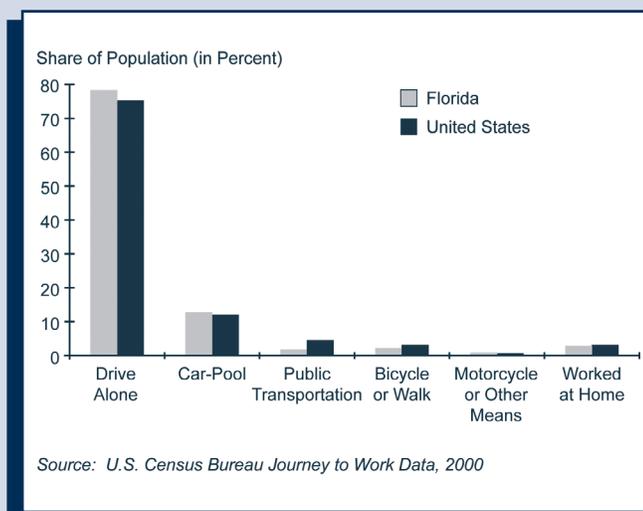


FIGURE 4. MODE OF TRAVEL TO WORK IN FLORIDA AND THE U.S.

- **A healthier population.** Low-density, auto-oriented development not only has significant environmental consequences, but also impacts the health of children and others who live there. Research suggests strong links between increases in obesity, chronic asthma, diabetes, and stress and Americans' increasingly sedentary lifestyle.<sup>22</sup> By creating communities that encourage walking, biking, and other forms of exercise as part of routine daily travel, Florida can reconcile growth management objectives with public health advisories that exercise is essential to physical well being. Safe facilities for non-motorized travelers also can help reduce pedestrian and bicycle fatalities and injuries.

Florida's rapid population growth and economic expansion over the past 20 years has forced urbanized areas to expand into sensitive environmental areas and wildlife habitats. Almost 100 species of plants and animals in Florida are listed as endangered or threatened, and the list grows longer each year as habitats are diminished and fragile ecosystems are disrupted. The University of Florida has estimated that the state needs to increase its system of protected land from 25 percent to approximately 33 percent of all land area to preserve the state's biodiversity, its natural heritage, and the health and economic benefits provided to citizens and visitors by conservation lands and open space.<sup>23</sup>

The Florida Forever program was established by the Florida Department of Environmental Protection to protect environmentally sensitive land from development, restore damaged environmental systems, invest in water resource development and supply, manage and maintain public lands and increase public access where appropriate, and increase protection of land by acquisition of conservation easements. Florida Forever's predecessor, P-2000, acquired 1.25 million acres of property for conservation, and the new initiative commits \$3 billion in state funding to conservation and restoration efforts over the next 10 years. Already approximately 25 percent of the state's land is held by the state or federal governments and functions as important wildlife habitats and recreation areas. Many more square miles of environmentally sensitive land are privately held.

The Florida Greenways and Trails System was established in part with money from P-2000 and Florida Forever. The greenways include hiking, biking, equestrian, and paddling trails throughout Florida, plus the 110-mile Marjorie Harris Carr Cross Florida Greenway running through Putnam, Marion, Citrus, and Levy counties in north central Florida. In urban areas, multi-use trails such as the Pinellas Trail increase the range of recreation opportunities for Florida residents and provide safe alternatives to travel by car.

Investments in established urban areas, comprehensive plans and zoning regulations that prevent urban sprawl and leapfrog

<sup>22</sup> Centers for Disease Control. "Creating a Healthy Environment: The Impact of the Built Environment on Public Health," Atlanta: 2002.

<sup>23</sup> Florida Natural Areas Inventory, 2002. *Florida Forever Conservation Needs Assessment*. Prepared for the Florida Forever Advisory Council under direction of the Division of State Lands, Florida Department of Environmental Protection.

development, and incentives that encourage compact, pedestrian- and transit-oriented development all can protect environmentally sensitive lands (box on pages 6-33 to 6-34). However, additional steps must be taken during the planning process to avoid contamination of Florida's already short supply of drinking water and preserve air quality.

#### *ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY*

Urbanized area growth is threatening Florida's natural resources, causing strain on infrastructure, depleting natural resources, and affecting quality of life for all citizens. As shown in Figure 2, all of Florida's metropolitan areas expanded between 1990 and 2000. New pockets of urbanization are emerging along corridors connecting the largest cities. For example, development along I-4 in Central Florida is rapidly blurring the distinction between the Tampa Bay and Orlando metropolitan areas, and the South Florida megalopolis is expanding northward into Martin and St. Lucie Counties.

Development and growth have had serious implications for Florida's communities, its natural environment, and its quality of life, including:

- **Air quality.** Almost one-half of Florida's population lives in counties where air pollution exceeds thresholds determined by the U.S. Environmental Protection Agency to be detrimental to public health.
- **Historic and cultural preservation.** Development has encroached on historic sites and Native American land. Noise, vibration, and aesthetic impacts reduce the value of these sites and cause accelerated deterioration of fragile structures.
- **Water shortages.** Drinking water shortages have brought about serious conservation measures in most of the state. The Tampa Bay area also is investing in desalination to provide sufficient drinking water to an expanding population.
- **Loss of agricultural land.** Florida ranks 6th in the nation in the acreage of farmland converted to new development in 2000.
- **Loss of wildlife habitats.** Wildlife habitats around urban areas have shrunk, and new transportation infrastructure necessary to support new development has severed important wildlife migration routes.
- **Traffic congestion.** Low-density development patterns, combined with an inability to fund transportation improvements at levels necessary to accommodate growth, have led to increased congestion, delays, and decline of reliability. Commute travel times for Florida workers increased from a mean of 21.8 minutes in 1990 to 26.2 minutes in 2000.

A recent emphasis on growth management and sustainability has encouraged communities to develop innovative and creative solutions in land use and transportation planning. Florida's comprehensive growth management laws need modifications. The Growth Management Study Commission, created by the Governor in 2000 to examine Florida's growth management process, produced a series of recommendations for overhauling growth management legislation and regulations.<sup>24</sup> The commission's recommendations included:

<sup>24</sup> See Growth Management Study Commission Final Report, 2001. "A Livable Florida for Today and Tomorrow." Available online at [www.floridagrowth.org](http://www.floridagrowth.org).

- Amending the State Comprehensive Plan to emphasize the importance of economic development to the state’s economy;
- Developing a full cost accounting system to estimate the true costs of new development;
- Increasing public involvement in and understanding of policy decisions that affect growth and development;
- Focusing state review of local comprehensive plan amendments on items that have an impact on a compelling state interest;
- Encouraging regional cooperation in planning of developments that have extra-jurisdictional impacts;
- Requiring local governments to plan sufficient schools and other public infrastructure to accommodate future growth;
- Providing incentives for investments in established urban areas, including a “fix it first” funding strategy to address urban infrastructure needs; and
- Protecting private property rights and land values in rural areas, dedicating sufficient revenue to purchase conservation and agricultural easements, and directing growth to resource appropriate locations.

Addressing growth management issues can ensure that the state’s quality of life can be preserved and enhanced for future generations of workers and residents. Managing growth and development also can affect air quality in Florida’s most populous communities. With limited financial resources to expand the transportation system to keep pace with growth, Florida has experienced an increase in traffic congestion that, in turn, has led to a reduction in air quality. Low-density development has led to an increase in vehicle miles of travel as people drive farther to work, school, shopping, recreation opportunities, and other destinations, and a corresponding increase in air pollution. Currently no counties in Florida are classified as air quality non-attainment areas by the U.S. Environmental Protection Agency, but six counties (Duval, Hillsborough, Pinellas, Palm Beach, Broward, and Miami-Dade) are air quality maintenance areas, meaning they must take into account the effects of all transportation and land use decisions on air quality and develop a long-range plan to improve regional air quality (Figure 5). In 2000, 48 percent of Florida’s population lived in one of these six counties.

The most successful cities and communities are those that have recognized and responded to the needs of individuals and families at all stages of their lives, and to businesses at all stages in the entrepreneurial life cycle. In Florida, the planning of creative communities has occurred at several scales, from broad, regional initiatives to local, community-driven projects.

Planners, developers, and lenders in Florida have worked together to prove that livable, sustainable communities can be successful and marketable. A wide variety of developments of all scales, densities, and designs have been created in recent years, offering Floridians more alternatives in housing types and lifestyles. For example:

- Seville Historic District in Pensacola, Thornton Park in Orlando, historic downtown St. Petersburg, and the South Beach Art Deco District in Miami Beach are successful outcomes of urban revitalization and renewal projects. Each city reused existing historic structures in established urban areas to preserve the character of the community rather than attempting to artificially create a sense of place. Commercial office and retail uses are adjacent to residences and artist studios, promoting street-level interactions and increasing the likelihood that short trips by foot or by bike will replace longer automobile trips.
- Developments like Celebration in Osceola County and Southwood in Leon County have shown that careful planning and design can produce communities with character in a suburban area. Traditional Neighborhood Development (TND) and New Urbanism guidelines encourage pedestrian-friendly communities with narrow streets and traffic calming measures, reduced parking requirements, small lot sizes, and proximity of neighborhood retail and commercial uses to residential units. While early New Urbanism and TND communities in suburban areas typically do not contain enough employment to substantially reduce commute trips, they do represent a shift towards more sustainable models of suburban development and have provided valuable lessons for future developments.
- Seaside and Rosemary Beach in Walton County are classic beach resort towns produced under TND guidelines. In rural and environmentally sensitive areas, careful planning is necessary to preserve the natural resources (in this case the beach, its dunes, and surrounding wildlife habitat) that motivated the development in the first place.

These success stories highlight the need for a wide range of choices in the scale, density, and design of urban, suburban, and rural communities. Several ongoing planning and development initiatives in Florida represent local, regional, and state efforts to develop creative communities (see case studies on pages 6-49 to 6-57).

Much of transportation and land use planning is regulated and controlled by the public sector, but the private sector is largely responsible for telecommunications, power, water, and other utilities. Creative communities depend on reliable, cheap, and efficient utilities to sustain daily operations and maintain communication. However, price spikes associated with fluctuating and unpredictable supplies of energy sources and depleted fresh water sources threaten Florida's potential for future growth.

Utility companies have always recognized the connection between infrastructure and economic development. While utilities continue to pursue rural economic development opportunities, in urban

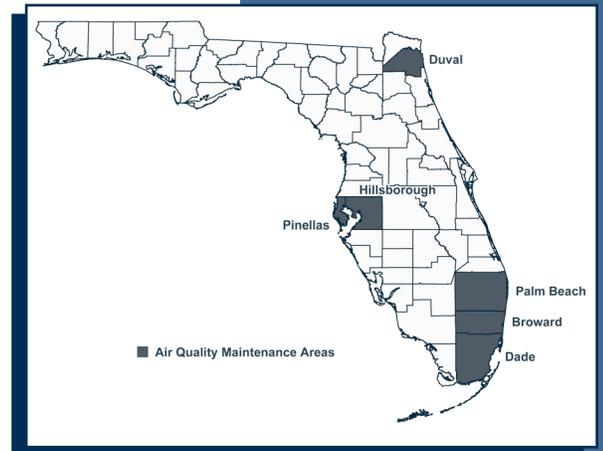


FIGURE 5. AIR QUALITY MAINTENANCE AREAS IN FLORIDA

areas research and development in new and emerging technologies has risen to the forefront. Florida is a national leader in desalination research. Growth of the state's telecommunications industry has been driven by the information economy, in which the near-instant dissemination of ideas and knowledge is essential. From oil exploration to research into renewable energy sources and "green building" techniques, the energy industry is ensuring its future through innovation and adaptation to new technologies.

While creative communities depend on the services and physical infrastructure provided utilities, the research and development arms of energy, telecommunications, and water companies depend on the availability of a skilled and educated workforce to discover and develop technological advancements.

## 6.4 Priorities and Strategies

While the terms innovation, improvisation, and risk-taking often are associated with entrepreneurs and business people, planners and policy-makers also must take an entrepreneurial view towards new development. Regions must take advantage of and market their inherited assets rather than trying to imitate the successes of others. By building unique places and symbols and encouraging innovation and risk-taking in the architecture, form, and elements of new development, regions can create stimulating, exciting places.

Some elements of creative communities are controlled by decision-makers and community leaders. Community infrastructure, architecture, and built amenities can be further invested in, developed, and marketed. Other elements, like climate and geographic location, are inherent but still can be used as assets.

The goals and strategies presented in this section are general guidelines that must be tailored to each community's specific circumstances. There is no one-size-fits-all solution. Rather, regions should pursue economic development opportunities in the spirit of these recommendations.

### Goals of Creative Communities

Creative communities should be used primarily to retain, develop, and attract a creative, innovative, and skilled workforce. Florida's economic competitiveness in the next decade will depend on the quality of its talent and its ability to market itself as a place where innovations and new ideas are embraced.

At the same time, creative communities should embrace new solutions to growth and development that protect natural resources and sustain economic growth. The form and function of new developments will determine the success or failure of creative communities in Florida. If new development is not sustainable and environmentally friendly, Florida risks degradation of quality

*While the terms innovation, improvisation, and risk-taking often are associated with business, planners and policy-makers must take an entrepreneurial view towards new development.*

of life, which in turn will make the state a less attractive place to live and do business.

The core themes of this chapter are reflected in three goals:

- 1. Environment matters.** Shift from growth management to growth leadership to ensure that future growth and development in Florida is sustainable and manageable. Florida's state agencies and regional organizations should develop and adopt innovative and proactive economic development, land use, and transportation policies that can then be implemented at the local level.
- 2. Place matters.** Invest in community livability as an economic asset. Local governments, neighborhood organizations, universities, the arts community, developers, and entrepreneurs are ultimately responsible for making their communities more attractive places live. Economic development efforts must acknowledge the importance of community livability to economic growth and encourage these groups to form partnerships to leverage their unique strengths and abilities.
- 3. Diversity matters.** Expand the share of the workforce that is creative, innovative, and capable of fueling economic growth. Innovation and economic growth comes from people, and all people have inherent creativity that can either be utilized or wasted. Florida's economic development and marketing efforts should be expanded to include development, retention, and attraction of a diverse, skilled, and educated workforce.

Each of these strategies is discussed in detail in the remainder of this section.

### **1. Shift from growth management to growth leadership.**

The term "growth management" implies reactive, backward-looking policies for responding to or mitigating the impacts of development. Decades of such reactive planning have produced urban sprawl, auto dependency, and growing backlogs of infrastructure projects. Florida's creative communities will require growth leadership that can plan for and accommodate future growth in a proactive manner, offering Floridians a choice of lifestyles in communities that are sustainable and environmentally friendly.

Florida's Growth Management Study Commission's final report, published in February 2001, contained a number of recommendations for amending planning processes and establishing guidelines for sustainable development. Some of the commission's recommendations were adopted, others were rejected as too extreme or too costly, and others are awaiting implementation pending further study. While the commission's recommendations are too lengthy and numerous to summarize here, some of their recommendations form the basis for the strategies listed below. The recommendations, taken together, suggest that the need for better growth management policy is so significant that dramatic change is necessary.

*If new development is not sustainable and environmentally friendly, Florida risks degradation of its quality of life.*

Florida should undertake the following growth leadership strategies:

**Overhaul the comprehensive planning and Development of Regional Impact (DRI) processes.** Existing efforts to coordinate economic development, land use, and infrastructure investment policies and decisions on a regional level should be expanded in scope and reproduced in all multicounty urbanized areas in Florida. Both single-entity and coalition-based models should be explored so that the appropriate model can be implemented in each area of the state. Regions without existing regional growth planning partnerships can build off promising organizational structures like METROPLAN ORLANDO, Tampa Bay’s Chairs Coordinating Committee, and the South Florida Regional Transportation Organization. Regional planning councils (RPCs), which were expressly created to facilitate regional cooperation, could play a larger role in regional land use and economic development decisions where multicounty MPOs or economic development organizations do not yet exist. In addition, the Urban Land Institute’s regional chapters can bring together leaders from various public and private organizations that play a role in planning and land use.

The Growth Management Study Commission recommended that the Developments of Regional Impact program, originally created in 1972, be dropped in favor of “regional cooperation agreements,” which would be developed by RPCs with local government input. The commission also recommended that responsibility for reviewing local comprehensive plans should shift from the State-level Department of Community Affairs to the RPCs in order to foster regional dialogue on growth and development plans.

To help internalize the economic impacts of new development, local and regional authorities should determine the true cost of new developments and modify their fee and tax structures accordingly. One key recommendation of the Growth Management Study Commission, a proposed “balanced growth-balance sheet model,” would use the type, scale, and location of various land uses to estimate the full economic impacts of proposed developments, including changes in economic output, gross regional product, income levels, employment, and the cost of additional government services that would be required to serve the development. The Florida Department of Environmental Protection’s Fiscal Impact Analysis Model (FIAM), currently being tested by several local governments in Florida, should be completed, revised as necessary, and fully implemented to measure the regional impacts of growth and development.

In addition, to improve opportunities for economic development, growth leadership policies must conserve natural resources and protect environmental quality. As Florida’s population grows, the public and private sector must minimize and mitigate impacts of development on the natural environment in order to protect Florida’s quality of life. The Efficient Transportation Decision-Making (ETDM) process requires early involvement of resource agencies in the planning process and streamlined review of major

*The need for better growth management policy is so significant that dramatic change is necessary.*

projects. ETDM is a collaborative effort between Florida DOT, Florida DEP, Florida DCA, and other resource agencies at the federal, state, and local levels to reduce the regulatory burden and ensure timely decision-making without compromising environmental quality.

**Leverage private and public funding for promising urban revitalization initiatives.** By directing growth and development to areas where infrastructure is already in place, Florida can preserve open spaces and agricultural land and reduce passenger miles traveled on the transportation system. Available state, local, and private sector funding should be leveraged to support promising urban revitalization initiatives. “Fix it first” policies for infrastructure and educational investments can bring current technologies and improved community services to older communities, making them more attractive for investment.

The public sector should set a positive example for others by locating government offices, schools, and other public buildings in areas needing revitalization. When schools are built on the outskirts of towns and government buildings are located in suburban office parks, the private sector and the public view growth management policies as little more than words. State, and regional programs such as Eastward Ho!, the Urban Infill and Redevelopment Assistance Program, Enterprise Zones, and Front Porch Florida are using public funding to promote community involvement in redevelopment activities and stimulate private investment in established urban areas. In addition to these promising initiatives, establishment of Urban Areas of Critical Economic Opportunity (described in Chapter 7) would help focus financial resources and technical assistance to help areas with disadvantaged populations create new business opportunities and expand existing businesses.

Often, a maze of bureaucracy makes urban investment unpredictable and cost prohibitive for private developers. Regulatory barriers to brownfield redevelopment and other urban investments should be reduced or eliminated where possible. Tax credits, tax abatements, and other financial incentives can reduce financial barriers to private development, and early review and fast-tracking of permitting can reduce the uncertainty that leads to increased financing costs. The Growth Management Study Commission recommended that state and local governments establish Infrastructure Development Encouragement Area (IDEA) Districts, which could qualify for state funding and relaxation of regulatory requirements.

Finally, developers must keep in mind that Florida’s history is an irreplaceable asset. Communities should resist proposals that raze existing architecture and attempt to artificially create a sense of place from scratch. Communities should support projects that recycle infrastructure where possible, preserve historic structures, and maintain or build upon the existing character of the community. In many cases, renovation of existing structures can be as costly as building new structures, but local developers

*The public sector should set a positive example for others by locating government offices, schools, and other public buildings in areas needing revitalization.*

and planning and permitting officials should consider the value of historic structures when making decisions on the design of urban redevelopment projects.

**Provide public and market incentives for “smart growth.”**

Communities nationwide are experimenting with both tax and market-based incentives for encouraging smart growth and responsible development patterns. For example, Fannie Mae’s location-efficient mortgage program takes into account a home buyer’s reduced transportation costs when assessing the applicant’s borrowing ability, and can be used to encourage home buyers to locate closer to employment centers or in areas more accessible by public transportation. The program has been implemented in Chicago, Los Angeles County, the San Francisco Bay, and Seattle.

Another strategy, split-rate property taxes, assesses land at a higher rate than the structures on the land, encouraging more rapid redevelopment of vacant property and property that is more accessible, and therefore more costly. Also, developers are more likely to build at higher densities and construct more valuable structures when the taxes on those structures are lower. Other incentives for smart growth development include various tax breaks and tax abatements for developers of smart growth and for residents of localized areas that bear the impact of higher density developments.

The private sector has begun to take advantage of increased auto ownership costs in urban areas by offering short-term car rental and car sharing services in urban neighborhoods. By locating cars for rent within walking distance of potential customers, these companies reduce the need for households to own multiple cars. In addition, since pedestrian- and transit-oriented communities require fewer vehicle trips and may further reduce auto ownership needs of residents, local governments should consider relaxing parking requirements where possible. Unnecessary parking raises costs for developers and increases impermeable land cover.

**Expand personal mobility options in urban areas.** Communities cannot function without adequate access and mobility. Highway congestion is already severe in some parts of the state, and congestion is expected to worsen as Florida’s population continues to grow. Transportation system congestion increases the cost of doing business and reduces the state’s livability. Workers with high values of time will not choose to live in a location that requires a long commute. In the absence of a new, significant funding source for transportation system improvements, Florida must develop creative solutions for mobility and access problems.

The Florida DOT and its partners should develop a statewide initiative to promote public transit, walking, bicycling, and other alternatives to single-occupancy vehicles. Transportation planning should approach urban mobility from a trip perspective, concentrating on the movement of passengers and freight rather than the movement of vehicles. Multimodal solutions to bottlenecks and congestion can increase mobility and ensure that scarce resources are used in the most efficient manner possible.

*Florida’s history is an  
irreplaceable asset.*

*Communities should  
resist proposals that raze  
existing architecture and  
attempt to artificially  
create a sense of place  
from scratch.*

FDOT, MPOs, and other urban stakeholders should develop a multimodal urban mobility program that complements the Strategic Intermodal System (SIS), with its focus on interregional passenger and freight travel. Components of the transportation system that are not included on the SIS, such as transit services and local arterials, should receive sufficient attention and funding in order to maintain an adequate level of urban mobility in Florida's cities. FDOT and its partners should explore new revenue options to finance urban, intercity, and rural initiatives, and should improve the efficiency of existing infrastructure and the attractiveness of transportation alternatives by increasing the use of intelligent transportation system technology and travel demand management strategies. Florida's business community and public sector must develop a plan to fund the state's more than \$50 billion in unfunded transportation needs.

Decision-makers must acknowledge that many travel choices are predetermined by previously discussed development patterns that exist in Florida. Currently, public transit is not a viable method of congestion relief in most transportation corridors in Florida, but long-term structural changes in land use that increase density and provide more transit-oriented development can make transit viable in the future. In the near term, Florida DOT and local transportation planning organizations should investigate and implement, where feasible, incentives to carpool, bike, walk, and use transit. Disincentives to solo driving during peak travel periods, such as congestion pricing and distance-based insurance premiums, also have potential to reduce congestion. Transportation planners should continue to educate employers about effective and innovative demand management strategies and push for free-market solutions like mileage-based insurance premiums. The Florida Chamber of Commerce should sponsor a program to recognize creative employer approaches to travel demand management.

As travel demand grows and necessary improvements to the transportation system are made, steps should be taken to avoid or mitigate the negative impacts of transportation on communities. Vehicle exhaust, noise and vibration, and poor aesthetics of transportation facilities reduce property values and overall community livability. FDOT's Transportation Design for Livability Communities initiative encourages flexible, context-sensitive design features on transportation facilities in order to minimize negative externalities. Sound barriers, noise-minimizing pavement materials, landscaping, and consideration of aesthetics during design are examples of measures that FDOT and others can take to ensure that transportation improvements do not cause undue impacts to the communities in which they are located.

In addition, urban transportation planning must consider the unique needs and impacts of freight movement, especially via truck. DRI procedures specifically should address truck access needs to new developments, rather than treating trucks as part of the general traffic stream. Greater consideration should be given to focusing freight and distribution activity in suitable locations away from downtowns, tourist attractions, and historic districts.

*Florida's business community and public sector must develop a plan to fund the state's more than \$50 billion in unfunded transportation needs.*

The “freight village” concept, which has been tested in Europe, offers potential for Florida urban areas like Fort Lauderdale, Jacksonville, and Tampa where freight and distribution facilities are located in close proximity.

**Landbank right-of-way for future transportation and utility corridors.** Many inefficiencies and capacity issues in local infrastructure are difficult to resolve due to the cost of and limitations on right-of-way. In urban areas, existing communities and structures adjacent to existing transportation and utility rights-of-way prohibit major expansions and improvements due to political pressures and “not in my back yard” (NIMBY) special interests. Increasingly, NIMBY is morphing into “build absolutely nothing anywhere near anything” (BANANA) as special interests and community groups become savvier with the political and legal process. The Florida DOT, MPOs transportation authorities, local governments, and public and private utilities proactively should preserve right-of-way for future infrastructure so that landowners are given sufficient notice of future improvements. Care must be taken during the planning process to avoid land speculation which can drive up prices for right-of-way.

**Develop long-term resource water and energy policies.** Although water shortages and non-renewable energy dependence are understood by policy makers, few regions have developed plans and solutions to conserve resources. Research and development of new sources or methods of obtaining resources, such as desalination, also may be appropriate. The Florida Department of Environment Protection and other appropriate state agencies should work with water management districts and operators of utilities to develop long-term state water and energy policies.

## **2. Invest in community livability as an economic asset.**

Community livability is essential to a community’s economic well-being. The presence of unique and highly visible lifestyle amenities can set a community apart and make it more attractive to new residents and visitors. Florida should maintain and expand state and regional funding programs for arts, culture, historic preservation, and public lifestyle amenities to grow, retain, and attract a creative workforce.

Mayors, city councilors, county commissioners, other civic leaders, and business leaders are ultimately responsible for implementing strategies for developing creative communities. Communities should make careful investments in amenities that build on existing assets, rather than attempting to artificially recreate the successes of other places. Efforts should focus on developing and improving the workforce that already lives in the region, cultivating civic pride, and letting existing residents advertise the community to their friends and colleagues by word of mouth. A community cannot be attractive to newcomers if it is not attractive to natives.

Keeping in mind that arts, culture, and recreation provide a community’s soul and identity, the following recommendations

*“Not in my back yard”  
(NIMBY) is morphing into  
“build absolutely nothing  
anywhere near  
anything” (BANANA).*

are intended to focus attention on the investments that most effectively use limited resources:

**Stimulate investment in programs that have an economic development impact.** In many regions in Florida there is a disconnect between arts and culture programs and a community's economic development goals, even though arts and culture have a clear connection to a community's economic health. Economic development organizations should reach out to arts organizations and involve them in planning and new local economic development initiatives.

At the same time, arts organizations should consider how their investments can contribute to the economic development mission of the state. Enterprise Florida's Strategic Plan addresses quality of life issues, but does not explicitly mention the role of arts and culture in economic development. The Secretary of State should work with Enterprise Florida to incorporate arts and culture into strategic plan. Enterprise Florida should expand its Partner Council to include representatives of arts organizations. The business community should be involved in funding and supporting arts and culture in all of its many forms. Community arts organizations need support as much as more visible "high art" like symphonies and ballet companies. Investing extra resources in architecture and design and making artwork available for public enjoyment can enhance a community's sense of place.

The Florida Chamber Foundation and the Florida Division of Cultural Affairs should identify best practices in funding of arts and culture and investigate programs that integrate arts and culture with economic development and encourage public and private sector involvement. The programs that have the largest potential impact should be tailored to suit the individual needs of Florida communities and tested in pilot projects before being expanded statewide. Investments that address multiple pillars of Florida's economy, such as talent and tourism, should be given priority.

Private sector incentives to contribute to nonprofit arts organizations, such as tax incentives, should be expanded where possible to maximize private sector participation in the arts. Public assistance to arts and culture should be maintained at predictable levels so that arts organizations can better perform long-range planning.

Cities, counties, and private developers should continue to provide parks and other public recreation venues, preserve open spaces, and support a variety of participatory and spectator entertainment options. Maintaining clean, safe public spaces is as important as creating new spaces. Small parks should be oriented to the neighborhoods in which they are located, and should incorporate unique design features that allow them to function as community gathering places.

When new public recreation facilities are proposed, decisions on allocation of scarce resources should be made only after careful deliberation of all alternatives, since not all investments in arts, culture, recreation, and entertainment have equal benefits. As mentioned previously, a large number of fine-grained investments in

*Florida should maintain and expand state and regional funding programs for arts, culture, historic preservation, and public lifestyle amenities.*

community livability can have greater benefits than a single large public investment.

**Involve universities and the business community in enhancing community livability.** Chapters 3 and 4 recommended several strategies for strengthening the relationship between universities and the business community. The business community and universities should be partners with the public sector in efforts to attract and grow the workforce and enhance community livability. Efforts to recruit workers and students should focus on selling each community's quality of life, rather than just attracting workers to a company and students to a campus.

Rather than treating university campuses like islands (or allowing them to act like islands), community and university planners should work together to integrate the university into the surrounding community, allowing interactions and the exchange of ideas among students and residents, and helping traditionally transient students establish more permanent connections to the community. When student housing, university-oriented businesses, and related community services are located in close proximity to campus, more trips can be made by biking or walking and universities can reduce the amount of land devoted to parking. In one of the state's most innovative examples, the University of West Florida located its premier research institute, the Institute for Human and Machine Cognition, in an emerging downtown neighborhood.

**Ensure effective, available, and affordable support services for families.** There is an immediate need to bring health care costs under control. The rapidly rising cost of health care services and prescription drugs, combined with escalating malpractice premiums, make health insurance less affordable to Floridians. Appropriate legislative or regulatory action should be taken to address health care costs, with a particular emphasis in the near term on medical malpractice.

Longer-term, the Florida Chamber Foundation should complete a needs assessment of family support services to determine relative access to health care, child care, and dependent care services in communities statewide. The needs assessment should determine if there are variations in access across geographical (rural versus urban), racial, ethnic, income, or language lines. The assessment also should evaluate the transportation needs of population segments needing access to each service and measure the economic capacity of populations to pay for family support services.

### **3. Promote a diverse, creative workforce.**

Tolerance to new ideas is essential in business and in community life. Entrepreneurs who create innovations and help advance new business concepts and technologies inevitably operate outside the mainstream of the business community, and they tend to be outside the mainstream of culture and society as well. Thus, a community that wants to attract entrepreneurs must have both a business and a social environment that welcomes creative people and their sometimes provocative or challenging ideas.

*Rather than treating university campuses like islands, community and university planners should work together to integrate the university into the surrounding community.*

In business, an open-minded, opportunity-making environment that rewards risk-taking can cultivate and nurture innovators and decision-makers. However, the capacity to innovate is not limited to upper management. Ideas that increase productivity on the factory floor or in the back office can translate to increased profits. In creative communities, the stimulation provided by the arts and the challenges to conventional thoughts encouraged by interactions with diverse people lead to new ideas and positive economic impacts.

Social tolerance is brought about by education, experience, and interactions between people with different life experiences and beliefs. Creative communities are welcoming to all types of people and provide opportunities for people to interact and share their ideas and beliefs. Florida already has a wealth of diversity in its residents, and visitors and students who come to Florida also can contribute their experiences.

Florida should implement the following recommendations to promote diversity in its workforce and create a business and social environment that is attractive to creative workers:

**Market Florida as the best location for young, mobile workers.**

Today's workforce is highly mobile. When deciding where to live, young workers evaluate what a community has to offer above and beyond the standard lifestyle amenities that are now found in more or less the same form in all parts of the country. Each community in Florida must determine what makes it uniquely attractive to young talent, how it can enhance and build on those features, and how it can market itself as the best place for young workers to live.

The audience for these marketing efforts might include students attending colleges and universities in Florida and throughout the country and young workers early in their careers who may be dissatisfied with their current living situations. International students who want to stay in the United States after graduation often have no ties to a particular city or region in the country and are willing to consider a wide variety of locations when conducting their job searches.

By involving young professionals in organizations that promote economic development and improve community livability, young people become more invested in their community and are more likely to advertise the positive attributes of their home regions to peers who live outside the state. Youth have optimism, enthusiasm, and fresh ideas for developing stronger communities. Chambers of commerce, civic boosters, and community groups in many cities have taken steps to gather input from young workers, from establishing advisory councils to encouraging young professionals to take leadership positions in their organizations. Young blood helps the organizations help maintain a constant supply of fresh ideas and advances a perception among outsiders that risk taking and innovation are valued more than conservatism and risk-aversion.

*Each community in Florida must determine what makes it uniquely attractive to young talent.*

For example, the Young Professionals of Milwaukee was launched in 2001 by the Metropolitan Milwaukee Association of Commerce. The group's "We Choose Milwaukee" marketing campaign uses media, events, and word of mouth to demonstrate the enthusiasm and dedication of young Milwaukee professionals to their community. Established business groups in Florida communities can work with area youth to achieve similar visibility.

**Engage seniors and new retirees as mentors, volunteers, and part-time workers.** Seniors have a lifetime of experience from which to draw. Members of the baby boomer generation who have a life history of active community involvement will have the time, financial resources, and motivation in retirement to become involved in local organizations.

Initiatives such as the Service Corps of Retired Executives (SCORE) and the Enterprise Development Corporation of South Florida's mentorship program can help establish connections between experienced mentors and young entrepreneurs. Experience in entrepreneurship and emerging business strategies can be tapped by university boards, economic development organizations, business incubators, and networking organizations. The human capital initiative at the University of West Florida's Institute for Human and Machine Cognition (IHMC) enables talented scientists and engineers to continue to produce innovations during retirement and mentor younger scientists and graduate students at IHMC.

**Embrace diversity.** Companies and communities alike cannot prosper in the 21st century without clearly demonstrating tolerance and embracing diversity. To compete for the best and brightest talent, Florida's business and civic leaders must set an example by forcefully opposing discrimination on the basis of race, color, creed, religion, age, gender, national origin, ancestry, physical or mental disability, or sexual orientation. Acts of prejudice and discrimination must be dealt with decisively, because even a perception of intolerance can hurt a community or a company that is hoping to attract quality workers.

Sexual orientation policies, while controversial, have become a benchmark by which many creative workers judge a community's or a firm's tolerance. Those organizations that offer same-sex domestic partnership benefits and include sexual orientation in their non-discrimination policies can attract the most competent, innovative, and skilled workers and advance in the new economy.

Leadership Florida's "Faces of Florida" initiative is working to raise awareness about the power of diversity and the importance of eliminating discrimination, prejudice, and stereotyping. Faces of Florida recognizes that every human being has creative potential and can contribute a diversity of ideas, talents, and perspectives to a community. Florida's business community should support the efforts of Faces of Florida and similar groups working to eliminate hate and promote tolerance in communities throughout Florida in order to send a message to the rest of the world that Florida celebrates and values its diversity.

*Companies and communities alike cannot prosper in the 21st century without clearly demonstrating tolerance and embracing diversity.*

The United States Department of State's International Visitors program offers an opportunity for world leaders in government and the private sector to share their experiences and outlook with their counterparts in the United States. The program has expanded rapidly throughout Florida in the past several years as regions within the state take advantage of their existing tourism and trade links with foreign countries to arrange focused meetings and larger gatherings with foreign officials and business people. The International Visitors program offers an opportunity for Florida's business community to expand trade opportunities, and it also offers a unique educational opportunity and a method for disseminating information about the variety of cultures and experiences that Florida's foreign-born population can contribute to the state's creative communities.

## 6.5 Implementation Plan

The concept of creative communities is new and largely untested. Richard Florida's theories in *The Rise of the Creative Class* are fresh and exciting, but they should not be accepted as gospel. Research for this chapter has begun to validate the concept in Florida, but the Florida Chamber Foundation and its partners should carefully explore the concept of creative communities to determine if Florida can benefit from these ideas. The following strategies can be implemented in the short term:

- 1. Create and maintain a community vitality index.** The Florida Chamber Foundation should build on existing research, such as Dr. Florida's creativity index, the Corporation for Enterprise Development's Development Report Card, and nascent efforts in other states like Colorado, to develop a comprehensive quality of life index for Florida's communities. This index would measure each component of the creative ecosystem in Florida's urban and rural areas, providing an initial baseline and, in subsequent years, a progress report to help policy makers determine the effectiveness of economic development programs. The index can help regions determine the focus of new local and regional initiatives to enhance their creativity and attractiveness. Future research by the Florida Chamber Foundation could help identify additional quantitative measures of community livability, entrepreneurial opportunity, and quality of access to family support services.
- 2. Implement a creative communities demonstration project.** The Florida Chamber Foundation should work with the Department of State and the Department of Community Affairs, as well as local and regional partners, to develop one or more creative communities demonstration projects around the state. Tampa, which created an Office of Creative Industries in 2003, is one potential candidate for such a project. These demonstration projects would convene regional leaders to develop a creative community action plan. The progress and success of

*The Florida Chamber Foundation and its partners should carefully explore the concept of creative communities to determine if Florida can benefit from these ideas.*

the project's implementation could be monitored on the basis of a list of evaluation criteria, and over time an array of data would be available for analysis.

- 3. Maintain the creative communities discussion among decision-makers.** Following the success of the Memphis Manifesto Summit, Florida could host its own gathering of creative professionals, economic development officials, and representatives from the arts, universities, financial institutions, and business communities. This group would be an initial effort to establish increased regional cooperation in economic development among the various stake-holder groups, many of whom have not regularly communicated or worked with each other in the past.

Creative communities offer great potential to sustain Florida's economic growth while improving the state's quality of life. The Florida Chamber Foundation, working with state, regional, and local partners, should continue research in this area, address immediate opportunities. Long-term public and private sector commitment to the strategies suggested in this report would position Florida and its communities to compete in this critical emerging aspect of economic competitiveness.

#### *SUCCESSFUL IMPLEMENTATION OF CREATIVE COMMUNITIES IN FLORIDA*

##### **Eastward Ho!: Regional Planning and Cooperation**

Eastward Ho!, founded in 1995, is an initiative to slow the westward movement of development in Southeast Florida by focusing new growth closer to the coast and away from the Everglades. Its goal is to promote mixed-use development, help governments fund new and expanded infrastructure, stimulate infill development, encourage moderately higher urban densities, increase varieties of housing, and improve housing affordability in the region. The Eastward Ho! boundaries generally parallel Interstate 95 in a one- to two-mile wide corridor that includes the area between the Florida East Coast (FEC) and Seaboard Coast (CSX) rail lines from the area south of Miami to north central Palm Beach County.

The Florida Department of Community Affairs (DCA) serves as the lead agency for Eastward Ho! and has contracted with the South Florida Regional Planning Council (SFRPC) and the Treasure Coast Regional Planning Council (TCRPC) to compile a land use database as an aid to planners and developers. In the process, the SFRPC has solicited comments and support from elected officials, the general public, other public agencies, and the private sector. Council staff has met with planning directors and others at 50 local governments in the Eastward Ho! corridor. It is beginning an educational campaign to inform the business community, local governments, neighborhoods, media, and nonprofit organizations about the initiative.

"Every public dollar spent is a decision made," Eastward Ho! reminds visitors to its Web site. "Meeting the needs of expanding growth areas rather than encouraging growth in developed areas uses money that could be spent on maintaining and upgrading existing public facilities and services such as schools, parks, libraries, public landscaping, sidewalks, public transit, or public art."<sup>25</sup>

<sup>25</sup> "South Florida Regional Planning Council: Why Eastward Ho?," available at <http://www.sfrpc.com/eho/ehowhy.htm>.

Eastward Ho! offers the following examples of responsible and environmentally sustainable development projects:

- The conversion of the abandoned Delray Beach school complex into an active arts and culture hub. The original school house, built in 1913, houses the Cornell Museum of Art and History. The auditorium, built in 1925, is now the 322-seat Crest Theater, which brings in traveling shows throughout the year. The 1926 gymnasium is a function hall that is used for a variety of events from trade shows to weddings.
- The restoration of Harrison Street in downtown Hollywood. This \$2.4 million project has helped make the stretch of Harrison between U.S. 1 and Dixie Highway more pedestrian-friendly, with wide sidewalks, brick layers, decorative lighting, and new landscaping. Thanks to its new look, Harrison Street has attracted \$2.5 million in private sector development, including the relocation of 15 new businesses to downtown Hollywood.
- The redevelopment of a 35-block area in Northwest Fort Lauderdale. Since the early 1990s, a public/private partnership between the City of Fort Lauderdale and Jones Development Corporation has resulted in the construction of 408 affordable rental apartments, recreational facilities, and a day care center; a luxury garden apartment complex; and a commercial center including a drugstore and shops.

### **The Better Jacksonville Plan: Metropolitan Revitalization**

The Better Jacksonville Plan is a \$2.25 billion capital improvement plan designed to fix roads, preserve land, encourage smart development, and build public facilities in Jacksonville. The Plan is financed through the sale of revenue bonds, which eventually will total \$900 million, and by pay-as-you-go and state loans.

Projects include road resurfacing, drainage, sidewalks, bike paths, landscaping, safety grade crossings, acquisition of rapid transit rights-of-way, environmental land preservation, parks, and environmental cleanup. The Jacksonville Zoo and Cecil Field, a former U.S. Navy air station, are slated for improvements. A new main library, a new sports arena, a new baseball park, and a courthouse also will be built. The City maintains a comprehensive Web site, <http://www.betterjax.com>, where residents can see the status of any project and ask questions.

Highlights of the Better Jacksonville Plan include:

- \$1.5 billion in transportation and roadway improvements. A restructuring of the Jacksonville Transportation Authority's local option sales tax and the City's local option gas tax revenues provides one-half the funding for these projects. The remaining \$750 million comes from the new one-half-cent sales tax passed by voters in September 2000.
- A new sports and entertainment arena, now under construction. With 16,000 seats, the arena will have nearly double the capacity of the 42-year-old Veterans Memorial Coliseum. The new arena will be suitable for hosting professional and college football, hockey, and basketball games.
- A new, 900,000 square-foot county courthouse complex. The design features a classic column facade and an interior atrium with a domed roof.
- \$150 million in library construction to more than double the size of facilities. A new main library and six new branch libraries will be built, and improvements will take place at 12 branches. The new main library, now under construction,

will be nearly three times the size of the current main library. It will be five stories high, with a 400-seat auditorium, a 5,000 square-foot multipurpose room, and a café-bookstore.

- \$25 million in environmental clean-up for nine sites across the City.
- \$15 million to improve parks throughout the City and County.

### **South Beach: Local Leadership in Historic Preservation**

The historic Art Deco district of South Beach extends southward from 24th Street to First Street in the City of Miami Beach. It is, in the words of one observer, “arguably one of the most successful urban restoration projects in the history of American architecture.”<sup>26</sup> In 1979, 800 mostly dilapidated low-rise hotels and apartment buildings dating from the 1920s to 1940s were placed on the National Register of Historic Places. Today, 795 of those buildings have been refurbished and the Art Deco district has reemerged on the international scene. Four streets in particular, Ocean Drive, Lincoln Road, Collins Avenue, and Washington Avenue, are packed with sidewalk restaurants, contemporary art galleries, artists, models, boutiques, and design shops.

South Beach owes its renaissance in part to the efforts of forward-thinking city officials, including Miami Beach’s current mayor, Neisen Kasdin. Since 1980 (17 years before he won the mayor’s seat) Kasdin has been active in the preservation movement that helped save many of the buildings in the district from the wrecking ball. Throughout the 1980s, real estate developers sought to build high-rise towers in the district, introduce casino gambling, and open the Lincoln Road pedestrian mall to vehicular traffic. Today, the thinking has changed, and developers and businesses have come to see the economic value of preserving traditional architecture and neighborhoods. Eight million visitors a year visit Miami Beach, 80 percent of the tourists who come to Miami-Dade County. Media, entertainment, and Internet companies have discovered the area. Every January, the Miami Design Preservation League celebrates South Beach’s architectural heritage by staging an enormous street fair that takes over most of Ocean Drive. Visitors shop for art deco antiques, vintage clothing, and artwork, and listen to music from that era. The City has encouraged cultural events such as Art Deco Weekend by funding the Miami Beach Cultural Arts Council.

### **St. Petersburg: Reinvestment in the Urban Core**

St. Petersburg, famous as a middle-income retirement haven, is quietly changing its image. Since the 1980s, millions of dollars in redevelopment investment – office buildings, retail, entertainment, hotels, cultural institutions, a Major League Baseball stadium, a university regional campus, a medical complex, and residential apartments and condominiums – have poured into the downtown. “The cradle of retirement has become a Center of Opportunity,” boasts the St. Petersburg Chamber of Commerce. “The laid back beach atmosphere has embraced the energetic drive of East Coast savvy and West Coast entrepreneurialism.”<sup>27</sup>

Tourism is still a staple industry in St. Petersburg, but since the 1990s the City has attracted high-tech and marine science companies, medical manufacturers, and health care services. With over two million square-feet of commercial office space,

<sup>26</sup> Steven Allan, “Art Deco South Beach,” Architecture Week, 30 October 2002.

<sup>27</sup> St. Petersburg Chamber of Commerce web site, [http://www.stpete.com/chamber/business\\_relocation](http://www.stpete.com/chamber/business_relocation).

in addition to corporately owned and occupied offices, downtown St. Petersburg hosts the largest concentration of businesses in Pinellas County.

The St. Petersburg Downtown Partnership, a business-supported, non profit organization whose mission is to promote business growth and redevelopment in the downtown, credits downtown's diversity with driving growth. The area has taken on some of the characteristics of an urban village, with a mix of entertainment, business, and residential development. At the center of this development is the BayWalk, a 200,000 square-foot entertainment and retail complex located at the end of The Pier. Completed in 2000 at a cost of \$40 million, the complex houses a 20-screen cinema, shops, bars, and restaurants arranged around a two-story open-air plaza. The opening of the BayWalk followed the reopening of the 1925 Vinoy Hotel, which for years was abandoned and boarded up. In 1992, it emerged after \$93 million in renovations as the Renaissance Vinoy Resort and Golf Club, a four-diamond resort with five restaurants. Mobility in the downtown area has been improved thanks to a bright pink trolley called the Looper that provides free rides on a loop that stops at major attractions.

Recent St. Petersburg developments include: The BayWalk retail/entertainment complex and parking garage; the Renaissance Vinoy Conference Center; expansion of Tropicana Field to host "Sweet 16" and Tampa Bay Devil Rays; luxury condos such as Florencia, the Cloisters, and Vinoy Place; townhouse developments such as Huntington, Fareham Place, and Straub Court; multitenant offices such as Bayview Tower, the Florida Arcade, and the Kress Building; single-tenant offices such as Central Station and Bayboro Station; and landscape and streetscape improvements in the Dome District.

### **Seville Historic District: An Emerging Habitat for Innovation**

Pensacola's Seville Historic District, comprised of approximately 20 blocks of mostly 18th and 19th Century French influenced Gulf Coast Vernacular cottages with some excellent examples of Greek Revival and Victorian-era houses, is emerging as a vibrant mixed-use community of residences, shops, restaurants, galleries, small high tech firms, museums, and a major research lab. Over the last few decades, homes and other structures were carefully renovated and restored. Many of the most historic properties in the district are maintained and operated by West Florida Historic Preservation, Inc., which is a direct support organization of the University of West Florida. The district is bordered on the south by Pensacola Bay and on the north by Aragon Court – a Traditional Neighborhood Development (TND) built on New Urbanist principles.

In October of 1999, the University of West Florida relocated its Institute for Human and Machine Cognition (IHMC) from its campus to a renovated 27,000 square foot building that had at one point housed the city jail and police station. IHMC, with approximately 110 scientists and staff, has found that its researchers enjoy the district's stimulating, human-scale urban environment. The University of West Florida is planning other educational and research operations in the district.

# Chapter 7

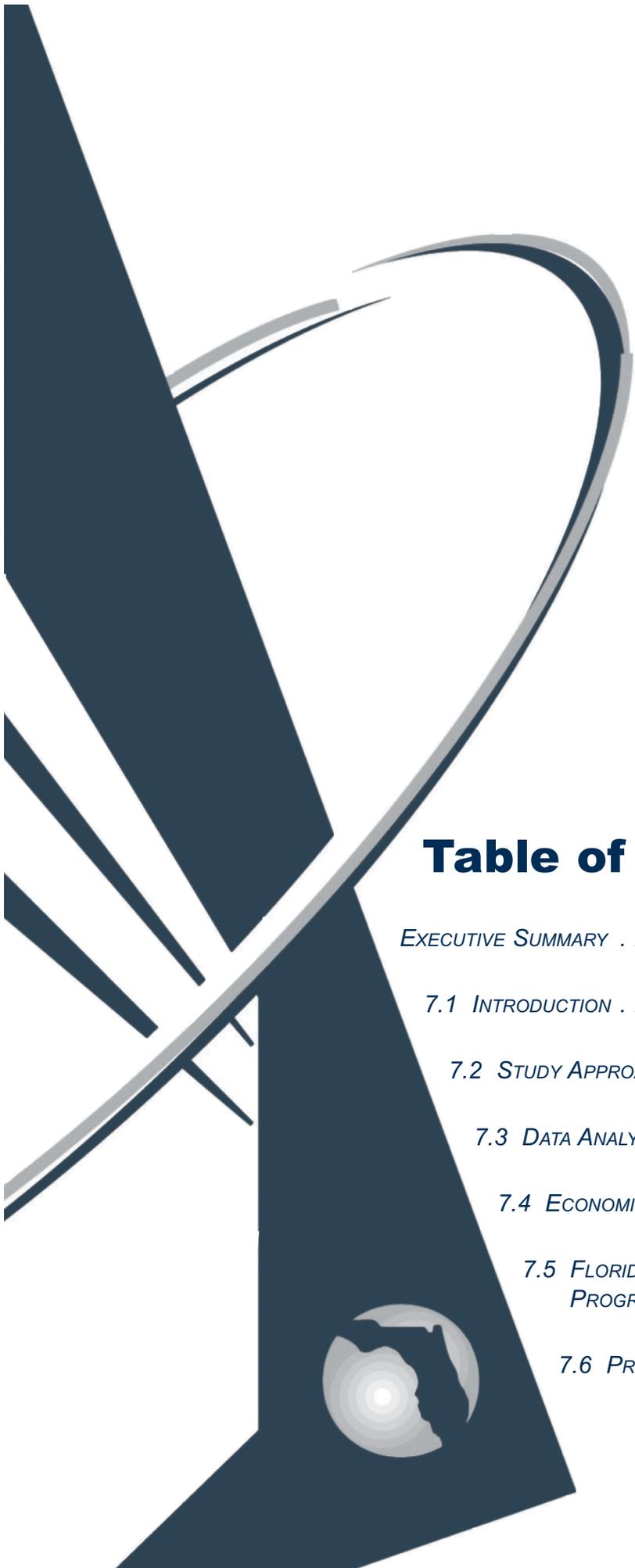


## NEW CORNERSTONE

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**CHAMBER**  
*Foundation*

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## Executive Summary

Florida possesses a strong image of place and has a name that is instantly recognizable throughout the world. Despite this strong image, however, there is no single Florida. Instead, there are many Floridas that compose the state's diverse economy. Florida is not dominated by a single city, but is a loose confederation of city-states that includes Southeast Florida with its international flavor, the bustling technology corridor from Tampa through Orlando to the Space Coast, and the more industrialized Northeast. Florida is also a rural state with vast stretches of piney forests, farms, ranch lands, beaches, and wetlands punctuated by small communities.

Florida is as diverse in its people as it is in its land. The state has higher concentrations of Hispanics, African-Americans, and foreign-born populations than the nation and most other states. Combined with in-migrants and retirees from throughout the United States, this makes Florida a dynamic melting-pot with a strong sense of opportunity and future. Florida's diversity is a source of its strength, yet there are differences in economic opportunity among Florida's multiple faces. While most groups in Florida made progress during the 1990s, the rising economic tide did not lift all boats equally. This report assesses the economic progress of Florida's diverse regions and demographic groups and presents options concerning how the state can build on its diversity and create economic opportunities for all Floridians.

### Key Findings

**Rural Areas.** In measures such as high school attainment and poverty rates, Florida's rural areas have made significant progress. Yet, even as rural counties added population and jobs during the last decade, income levels remained low, if not declining relative to the rest of Florida and the nation. In particular, the most economically distressed counties have been losing ground. Florida's designated Rural Areas of Critical Economic Concern (RACEC) have a per capita income that has fallen to only 60 percent of the U.S. average, and 26 rural Florida counties are in "persistent poverty," placing among the bottom quartile of U.S. counties in 1980, 1990, and 2000. The disparities in wage income is great between Florida's rural and metropolitan areas. The dependence on non-wage income sources is a significant risk for rural Florida as aging populations and declining economic opportunities force communities to rely more on transfer payments and government services.

Income distribution in Florida's rural areas is also a concern. The share of households with annual incomes above \$50,000 is significantly below national and state averages, while rural Florida has a much higher percentage of households with incomes below \$25,000.

The differences between rural areas and state averages in many measures, including population with a bachelor's degree, poverty, and income remain stubbornly high. The rural population with a high school degree is seven percentage points below the U.S.



and the percentage with a bachelor's is only a little more than half the U.S. average. A lack of economic opportunity pushes young people raised in rural Florida to move to urban centers. In addition, many rural counties lack the transportation, water/wastewater, and telecommunications infrastructure to nourish the growth of new firms or compete for business locations effectively. These problems are compounded by fiscal issues that limit the ability of rural counties to fund needed improvements.

**Central Cities.** Florida's central cities have many assets as well as significant impediments to greater economic opportunity. Central cities often have higher income levels than rural areas, better access to transportation, and a greater share of people with advanced degrees. Per capita income is just two percent below the state average, and residents of central cities are eight percent more likely to have a bachelor's degree the state average.

However, central cities also have higher rates of poverty and unemployment, and high crime rates persist in some neighborhoods. People who live in central cities are 33 percent more likely to be living in poverty and experience crime rates that are 45 percent higher than the state average. Poorer neighborhoods may lack needed commercial and social services, and affordable housing can be scarce. A significantly larger portion of urban residents' income goes to rent than the national average, even as a greater share of central city residents rely on public assistance. As in rural areas, budget constraints prevent many needed infrastructure improvements from being started. The complex social, economic, and fiscal issues facing inner cities – coupled with their diverse mix of racial and ethnic backgrounds – makes progress for many of Florida's inner cities elusive.

**Racial and Ethnic Groups.** Florida's racial composition is somewhat different from the country's. African-Americans and Hispanics account for a larger share of the Florida population than the U.S. average, while Whites represent a somewhat smaller portion. Foreign-born people already compose 17 percent of the Florida population today, and the state is forecast to become even more diverse in the future, with Hispanics, African-Americans, and Asian-Americans accounting for an increasing share of the population. In coming decades, the rest of the country will more closely come to resemble Florida's population mix. Florida's experience adapting to the needs and opportunities of a changing population will provide guidance to the United States tomorrow.

Florida's diverse racial and ethnic groups made many improvements in educational attainment, income, employment, and reduced poverty between 1990 and 2000. However, significant differences persist in economic opportunity between these groups and the rest of the state's population. Per capita income levels for Florida's racial and ethnic groups are well below the state average, unemployment rates are higher, and a larger share of households are within lower income categories. Florida's African-Americans and Hispanics are much less likely to have a high school or bachelor's degree than other people in the state.

*Complex social, economic, and fiscal issues facing inner cities – coupled with their diverse mix of racial and ethnic backgrounds – makes progress for many of Florida's inner cities elusive.*

Florida's Hispanic population, however, outperforms their counterparts, nationwide, in educational attainment, income distribution, income levels, and lower incidence of poverty. While Hispanics in Florida do better than their counterparts in other parts of the country in most measures, African-Americans in Florida, despite recent improvements, have not enjoyed as much economic success as African-Americans in the rest of the country. Critical issues identified 20 years ago related to access to capital, economic opportunity, and technical assistance continue today.

### ***Economic Equity and Diversity Issues***

The issues and constraints faced by rural and inner city regions within Florida are varied, ranging from infrastructure and education to public finance and affordable housing.

#### **Rural Issues**

Florida's rural counties, like much of the country's rural areas, are in the midst of a vicious cycle that impedes economic growth. Rural counties need jobs to build a tax base (i.e., taxable housing, and commercial properties); they need revenue to pay for schools, roads, and other infrastructure; and they need a skilled workforce and infrastructure to attract jobs. Without good jobs, the tax base is limited and municipalities are strained to build and maintain infrastructure and provide adequate public services such as education and health care. Furthermore, the lack of diversified employment opportunities erodes the social fabric by encouraging rural Florida's young adults to seek jobs elsewhere.

While the obstacles to progress seem daunting, there are examples in both Florida and nationally of rural regions that have transcended such constraints. However, there is a general feeling among rural officials that progress may be difficult over the next 10 years because of substantial cuts in rural programs beginning in fiscal year 2003/2004. Major issues confronted by rural Florida include:

- **Educational attainment.** A lower share of the Florida population has a high school degree than the U.S. average, and this issue is most pronounced for rural areas, although a solid improvement has occurred since 1990. Progress, however, has been slower in rural areas in increasing the share of the population with a bachelor's degree. In particular, far fewer rural residents in the critical 25 to 34 age group have a bachelor's degree than the state average.
- **Infrastructure.** Industries have minimum requirements in terms of roads, water, wastewater, and telecommunications and will locate only where infrastructure is in place. Areas that do not meet any one of these requirements often are eliminated from consideration by prospective companies. Deficiencies in water and wastewater infrastructure are both an economic development and an environmental concern, while the lack of broadband connectivity in rural areas limits the communications and business advantages of the Internet in rural areas.

*Florida's rural counties, like much of the country's rural areas, are in the midst of a vicious cycle. They need revenue to pay for schools and roads; and they need a skilled workforce and infrastructure to attract jobs.*

- **Accessibility.** Isolation, an issue intertwined with transportation infrastructure, is an issue in many of Florida's rural counties. Economic opportunity, health, and education are affected by ease of access—the convenience for people and businesses to reach or obtain needed customers, services, and products. The general trend is that the more rural parts of the state have less accessibility, and this is especially true for access to major hospitals, universities, airports, and employment centers.
- **Fiscal capacity.** Many rural counties and communities in Florida do not have sufficient revenues to implement critical initiatives to improve their economic well-being, and will not be able to generate these resources internally without attracting significant economic growth. Twelve rural counties are taxing at the statewide cap on millage rates. Concurrently, many faster-growing rural counties on the fringe of urban areas are struggling with the costs of providing new residents and businesses with schools, roads, water/wastewater, and other public amenities.

### Urban Issues

Florida's urban areas offer great potential as centers of business growth, creativity, culture, technology, and tourism. At once, central cities have more people in poverty than state averages while also having greater shares of people with at least a bachelor's degree. Crime rates, though still high, have experienced dramatic declines since the mid-1990s. In order to meet the potential of Florida's inner cities, there are a number of issues that remain to be addressed, including:

- **Workforce and education.** Continued progress and the well-being of Florida's inner city residents is at a crossroads that ultimately depends on the quality of the education system. Lower-income people, minorities, and immigrants must become better educated in order to make economic gains. Without strong educational programs, there is a risk of a dual-class, wealthy and poor, society developing in Florida's cities, with the middle class living predominantly in the suburbs.
- **Infrastructure.** Florida's urban areas compete by the adequacy of their infrastructure, but educational facilities, water and wastewater treatment facilities, and transportation systems are deteriorating in many inner cities. The adequacy of urban water and wastewater systems has become a paramount concern. In addition, a lack of transportation options limits economic opportunity for Floridians in some inner cities, particularly for the eight percent of Florida residents who do not own a vehicle.
- **Access to capital.** Small business is an integral component of the economic development process as it creates jobs and wealth, introducing new income streams into central cities. However, access to capital is a critical barrier that limits growth opportunities for start-ups and small businesses

*The well-being of Florida's inner city residents ultimately depends on the quality of the education system.*

statewide. Inner city businesses and entrepreneurs may encounter particular difficulties securing equity and debt capital. Compared to their counterparts in the suburbs, business owners in inner cities are less likely to have sufficient collateral from their homes or may have more difficulties obtaining capital from family or friends.

- **Planning and coordination.** Strategic planning and program delivery for inner cities is an outcome of a mixture of local, state, federal, private, and faith-based efforts. The delivery areas for these initiatives can range from several blocks to an entire urban county. Given the variety of jurisdictions, programs, and geographies, creating a cohesive vision for inner cities is complex. These myriad programs and entities must operate within a coordinated framework to eliminate duplication and better apply scarce resources to address inner city issues and create opportunities.

### **Priorities and Strategies**

Rural and core urban areas form an integral component of Florida's economy, and the blueprint for Florida advanced by *New Cornerstone* should be reflected in rural and urban development policies and strategies. Florida's Strategic Plan for Economic Development should increase its emphasis on rural areas and central cities in this manner, integrating them in statewide strategies rather than treating them as islands. The ultimate goal is to provide all Floridians with the capabilities and resources to participate in a dynamic, global economy.

Similarly, Florida's diverse population groups should be regarded as economic assets rather than as isolated groups incapable of competing in the global economy. The goals for Florida's diverse regions and population groups are the same as the statewide vision – that of creating jobs, increasing standards of learning, and enhancing quality of life. Ultimately, these goals will be realized by integrating all of these regions and population groups more fully into Florida's economy and reducing barriers to opportunity. The following strategies are recommended to accomplish these goals.

#### **Implement Targeted Programs in Florida's Rural Areas of Critical Economic Opportunity**

The Rural Areas of Critical Economic Concern (RACEC) program covers many of Florida's poorest counties and communities, a group with incomes averaging about 60 percent of the U.S. average. While the program successfully targets distressed regions, its reach and ability to bring about sustained economic improvements can be enhanced in several ways, including:

- **Retitle to the “Rural Areas of Critical Economic Opportunity.”** While the present name, Rural Areas of Critical Economic Concern, forms a rallying cry to bring state agencies and other entities into action to address the economic needs of Florida's rural areas, the RACEC designation may also stigmatize rural counties, damaging their

*Florida must integrate central cities and rural areas into statewide economic development strategies, rather than treating them as islands incapable of competing in the global economy.*

marketing image. The program must be recast to help Florida's rural areas capitalize on opportunity and meet long-term economic potential.

- **Develop long-term vision and strategic plan for each region.** Each of the three RACEC areas should develop a long-term economic development strategic plan. The plan should be created by coalitions involving economic development organizations, school systems, colleges and universities, workforce development boards, transportation agencies, utilities, hospitals, the military, and other key employers. The Executive Office of the Governor and Enterprise Florida should provide institutional leadership for the initial round of plans, backed up with seed funding through a restored Regional Rural Development Grant. The strategic planning process should transition to become more locally driven over time, working through existing regional forums such as Florida Heartland Rural Economic Development Initiative (FHREDI) and Florida's Great Northwest, as well as with adjacent urban areas. Leadership Florida should work with local partners to groom capable leaders who can become champions of these regions.
- **Require consideration of RACEC needs in relevant agency strategic plans.** All state agencies that deliver a service or enforce regulations affecting RACEC should reflect the unique needs of these areas in their strategic plans. This would include the development of explicit initiatives or programs that would be tailored to RACEC needs and an assessment of how RACEC areas can conform to mandates and regulations (including the possibility of flexible mandates in RACEC areas).
- **Target incentives and support for business investment in rural regions.** Rural enterprises should be encouraged to tap the expertise of Florida's manufacturing and agricultural extension centers, which can assist them in making practicable technology decisions to improve their productivity. Partnerships between rural businesses and universities should also be encouraged to disseminate new or newly commercialized technologies to rural areas. Florida's Enterprise Zone program should be broadened to include all RACEC-designated areas. Incentives for companies locating in Enterprise Zones should be adjusted to better reflect the needs of the businesses in these areas. Efforts must be reinforced to prepare rural businesses for bidding by assisting them with certification, bonding, or any other requirements that must be fulfilled to enable them to qualify for state contracts.
- **Create a Rural Opportunity Fund to provide flexible infrastructure funding and integrate diffuse programs.** Multiple smaller funding programs, including those that lost funding for FY 2003/2004, should be rolled together to create a larger, \$100 million "Rural Opportunity Fund"

*Multiple smaller programs should be rolled together into a larger, \$100 million Rural Opportunity Fund with the flexibility to cover diverse needs in Florida's most distressed rural regions.*

with the flexibility to cover diverse needs, including access to high-technology infrastructure and communications, transportation, and water and wastewater systems, as well as workforce initiatives. A Rural Opportunity Fund would reduce the administrative costs of operating multiple smaller programs and would be able to leverage resources to fund larger, more strategic projects.

### **Create Urban Areas of Critical Economic Opportunity Program**

The creation of economic opportunity in inner cities is the needed catalyst for solving other inner city problems including housing, crime, and education. While numerous programs exist for rural areas (though sometimes disjointed or under-funded), new ideas are needed for inner cities.

- **Create Urban Areas of Critical Economic Opportunity program.** A program similar to Florida’s Rural Areas of Critical Economic Concern should be created for the state’s urban areas. “Urban Areas of Critical Economic Opportunity” (UACEO) would provide economically distressed central city communities, based on such measures as unemployment, per capita income, and poverty rate, with incentives and technical assistance to encourage the expansion and formation of businesses. Similar to the recommendation presented for rural areas, the UACEO initiative should include strategic planning, stronger incentives, a requirement that state agencies incorporate UACEO needs into their plans, and streamlined funding programs that offer flexibility to address multiple needs.
- **Coordinate area-wide strategic plans, visions, and leadership development programs.** Efforts must be made to better coordinate the activities of different groups and formulate a more cohesive visioning process for Florida’s inner cities. Beyond the geographic scale of planning efforts, improved coordination also is needed among local, state, and federal agencies, as well as with the private and nonprofit organizations and urban/regional economic development organizations, that fund and implement programs. The Governor’s Front Porch initiative could provide the institutional structure and vision for these planning efforts.
- **Develop innovative financing partnerships and targeted incentives for business investment.** Innovative finance mechanisms should be explored from two perspectives: leveraging public, nonprofit, faith-based, and private dollars for projects related to economic development, housing, and infrastructure; and creating funding streams to support the formation and expansion of small businesses in inner cities. An Inner City Opportunity Fund could provide resources, coordination, and flexibility to address urban issues. Pivotal to the success of these initiatives will be the successful transition of the Florida Black Business Investment Board into a private non-profit corporation.

*The creation of economic opportunity is the needed catalyst for solving other inner city problems including housing, crime, and education.*

The Board has improved access to capital, especially for inner city areas in Florida, but its reach has been limited by funding levels. It will be important to monitor the performance and growth of this potentially key broker for inner city business finances.

### **Expand economic opportunity for all Floridians**

In addition to these strategies that are focused specifically on Florida's rural areas and inner cities, the public and private sectors should expand initiatives that address the full range of the state's diverse demographic groups. The goal of these strategies should be to enhance the well-being and opportunities of lower-income and less-educated Floridians across the state, as well as to encourage Florida to continue to leverage and benefit from its diverse population.

- **Extend breadth of state training, adult education, and literacy programs.** Florida can assist its population in meeting evolving workforce requirements by strengthening its training, adult education, and literacy programs. Public and private organizations statewide should invest in an "Education First" initiative to encourage lifelong learning among Florida's population by promoting the value of education to students, businesses, and residents.
- **Expand access to health care, workers' compensation, unemployment insurance, and pensions.** By expanding access to health care, worker's compensation, unemployment insurance, and pensions, the working poor will be better able to withstand changes that may otherwise jeopardize their finances, and increase their ability to make productive investments for improving their livelihoods.
- **Improve financial and economic literacy.** A foundation in the basic principles of economics and financial management provides individuals and businesses with the tools to exercise judgment and plan for the future. Efforts should be made to add emphasis to these concepts in secondary schools and to provide small businesses and entrepreneurs with greater access to practicable technical counseling in finance.
- **Continue to promote a diverse workforce through the expansion of the Faces of Florida initiative.** The Faces of Florida project, which is designed to encourage Florida's residents to recognize and respect the strength of the state's diversity, and to work toward the elimination of discrimination, prejudice, and stereotyping, should be expanded and promoted statewide.

*Florida can assist its population in meeting evolving workforce requirements by strengthening its training, adult education, and literacy programs.*

## 7.1 Introduction

Florida is a vibrant, multi-cultural state composed of large city centers, sprawling metropolitan areas, and rural regions. The state is also very diverse in population and ethnicity, with Blacks and Hispanics accounting for a larger share of the population than the U.S. average. In addition, Florida's demographics are fairly unique with respect to the number of retired and elderly residing in the state, and Florida has a relatively large foreign-born population compared to the United States overall.

Florida's diverse economic regions and diverse populations represent both opportunities and challenges. The goal of this chapter is to assess the economic equity and diversity conditions of the state, and answer these questions:

- What are the differences among regions and population groups within the state? Are these differences larger in Florida than the United States overall? How have these differences changed over time?
- What are the primary factors that lead to differences in economic conditions for the various regions and population groups of the state?
- What current programs and policies are available in Florida to address these differences?
- What strategies would help ensure that the next wave of economic growth benefits all Floridians?

Florida has enjoyed significant success in creating new jobs and attracting new residents over the past several decades. While there is reason to be confident in the state's potential for future growth, at least two questions remain. First, the growth in jobs and people did not coincide with as robust gains in per capita income and wages for the state's residents. Which population groups and regions are leading in income growth, and which are lagging? And second, what is the current condition of the economic foundations that contribute to opportunity for regions and demographic groups?

The *New Cornerstone* study emphasizes these issues from a statewide perspective. The strategic vision is for Florida to achieve global leadership in key industries; increase the income and prosperity of workers and families in the state; and ensure healthy communities and a vibrant quality of life. To accomplish these goals, Florida's economic competitiveness strategy should be oriented around four opportunities:

- **Trade**, including international and domestic commerce of goods, services, capital, and information;
- **Tourism**, including international and domestic flows of business and personal travelers, including seasonal residents;
- **Technology**, including emerging businesses and entrepreneurs in innovation industries such as biosciences, information technologies, and advanced professional services; and

*Florida has enjoyed significant success in creating new jobs and attracting new residents – but some regions and population groups have lagged behind the state.*

- **Talent**, including intellectual and creative workers, scholars, and researchers.

While it is expected that enhancing the state’s performance in these areas will raise the overall economic position and well-being of all of Florida’s citizens, these “4 T’s” do not address directly the issues of economic equity and diversity. This chapter is intended to address these issues, recognizing that a rising tide does not necessarily lift all boats. The analysis is concentrated on three types of differences in the state:

1. Between rural (i.e., non-metropolitan) and metropolitan regions;
2. Between urban city centers and broader metropolitan areas;
3. Between various demographic groups within Florida (defined by race, nationality, and age).

For each concept, the chapter presents relevant data to assess the magnitude of the differences, key factors that lead to the differences in economic performance and opportunity, programs and policies currently in place to address these issues, and potential strategies for bridging these gaps in the future.

The chapter is organized as follows:

- Section 7.2, *Study Approach and Methodology*, reviews the research activities used in the study;
- Section 7.3, *Data Analysis and Trends*, assesses relevant data on the differences between regions within Florida and its demographic groups;
- Section 7.4, *Economic Diversity Issues*, describes key obstacles to economic success encountered by regions and demographic groups within Florida;
- Section 7.5, *Florida’s Diversity Programs and Initiatives*, describes existing local, regional, and state efforts and highlights areas for improved coordination and strengthened programs; and
- Section 7.6, *Priorities and Strategies*, provides strategies to create economic opportunity for all of Florida’s regions and population groups in the future.

## 7.2 Study Approach and Methodology

The research conducted for this study involved both qualitative and quantitative approaches. The research team conducted interviews by phone and in-person with program specialists throughout Florida to gain local, regional, state, and federal perspectives concerning diversity and access to economic opportunities. Additional interviews were held with chambers of commerce, economic development organizations, and state organizations such as the Governor’s Office of Tourism, Trade, and Economic

*Statewide economic growth does not always imply gains for all residents or regions. A rising tide may not lift all boats.*

Development (OTTED) and Enterprise Florida. Data were collected and analyzed from state and federal government sources to illustrate trends affecting Florida's rural areas, inner cities, and demographic groups, as well as to identify key issues.

**Quantitative Data.** The majority of the data analyzed in this report is from the U.S. Census Bureau and is supplemented by data from Florida's Office of Economic and Demographic Research. The timing of the study coincided with the recent release of detailed statistics from the 2000 Census. The availability of these data made it possible to make numerous comparisons between 1990 and 2000, allowing the study to identify key trends at a high level of geographic and demographic detail. For example, data for Florida's center cities (a sub-county level of geographical detail) could be extracted and aggregated, providing a means for comparing the performance of the inner cities with metropolitan and non-metropolitan areas as well as with the state and the nation. Unless otherwise noted, the data presented in this chapter can be assumed to be from the U.S. Census.

The demographic component of the study analyzes data available from the Census Bureau for Florida's racial and ethnic populations. The economic trends and demographic changes affecting these groups are analyzed for the 1990 to 2000 period. The Census Bureau changed its racial definitions during this period, and this has a slight affect on the comparability of the data for the two periods. However, the trends affecting the racial groups remain discernable and germane despite these changes.

**Qualitative Information.** The research team engaged in over a dozen interviews, following an established questionnaire and format, with officials throughout Florida. The interviews were conducted by phone and in person in May and June 2003. The people and organizations interviewed represented local, regional, state, federal, public, private, and faith-based programs and initiatives designed to improve economic opportunity in Florida. These interviews and the statistical data analysis were augmented by reviewing and incorporating the key findings of relevant reports. Most notably, the chapter highlights key findings from a parallel effort of the Florida Chamber Foundation and the Orlando Regional Chamber of Commerce to study the working poor. Florida was one of five pilot study states involved in the effort, which was sponsored by the Annie E. Casey Foundation.

### 7.3 Data Analysis and Trends

This section analyzes key differences in economic opportunities for the following groups:

- **Rural Areas** – based on data availability, rural regions are considered to be non-metropolitan areas as defined by the Executive Office of the President's Office of Management and Budget. Because of the size of some of the urbanized

*In 2000, 11.5 percent of Florida's population was living in poverty – a significant decline from the early 1990s.*

areas in Florida, any county not classified within a metropolitan statistical area (MSA) is very likely to be what most would consider to be a rural region.

- **Inner Cities** – the U.S. Census provides data on center city areas within larger county and metropolitan regions. These data are the basis for comparisons of performance to assess to what extent inner cities are lagging greater metropolitan areas and the state overall.
- **Demographic Groups** – again, the U.S. Census is the primary data source for examining differences in opportunities and performance between demographic groups in Florida. The demographic groups considered are: Whites (non-Hispanic), Blacks, Hispanics, Asians, elderly, and foreign-born populations. The names of the demographic groups (e.g., “Blacks” and “Hispanics”) follow the naming conventions of the U.S. Census Bureau.

### Florida Statewide Data Indicators

This section presents data on Florida as a whole, setting the stage for the regional analyses. The data cover income distribution, employee support, and other working poor data indicators (see box on pages 7-13 to 7-15).

**Poverty Rate.** In 2000, Florida’s poverty rate, defined as the percentage of population living in households with incomes at or below the poverty line, was 11.5 percent. This represents a significant drop since 1992, when the rate was 15.3 percent. Still, the state is ranked 31st in the country, a slight improvement from 33rd in 1992.

**Income Distribution.** The wealthiest 20 percent of Florida families earned 10.5 times as much income as the poorest 20 percent of families, a ratio that ranks 34th in the nation. By comparison, this ratio for the United States is 10.0.<sup>1</sup> The state’s rank is essentially unchanged since the early 1990s. Consistent with national trends, overall income inequality in Florida has increased during this period.

**Employer Health Coverage.** Florida ranked 42nd in the nation in terms of the percent of non-elderly population covered by employer-based health plans in 2001, at 61.4 percent. This ranking has improved slightly over the past 10 years, when the state was ranked 47th, and the coverage has improved significantly, up from 53.7 percent in 1992. The U.S. average was 65.6 percent in 2001, up roughly 1 percent since 1992, according to the Employee Benefit Research Institute.

**Hunger and Food Insecurity.** Data collected from 1998 to 2000 indicate that 12.3 percent of households in Florida experienced food insecurity, ranking as the 14th highest rate in the country, according to the Current Population Survey. The U.S. average is

*The wealthiest 20 percent of Florida families earned 10.5 times as much income in 2001 as the poorest 20 percent of families, a ratio that ranks 34th in the nation.*

<sup>1</sup> Median value of the 50 states based on an analysis of Current Population Survey data.

10.8 percent. Those with both food insecurity and hunger represented four percent of households, the eighth highest rate in the country. Food insecurity refers to the uncertain availability of nutritionally adequate foods, and hunger relates to the painful sensation caused by a lack of food.<sup>2</sup>

**Rural/Urban Disparity.** As part of its *2002 Development Report Card*, the Corporation for Enterprise Development generated a composite index of the disparity between rural and urban areas based on long and short-term employment growth, long and short-term earnings growth, average earnings, and unemployment rates. Florida's current rank among states, using 1996 to 2001 data, is 22nd, indicating that the disparity is slightly less than the median U.S. state. The relative position worsened a bit over the past 10 years as the rank was 12th when based on 1986 to 1992 data.

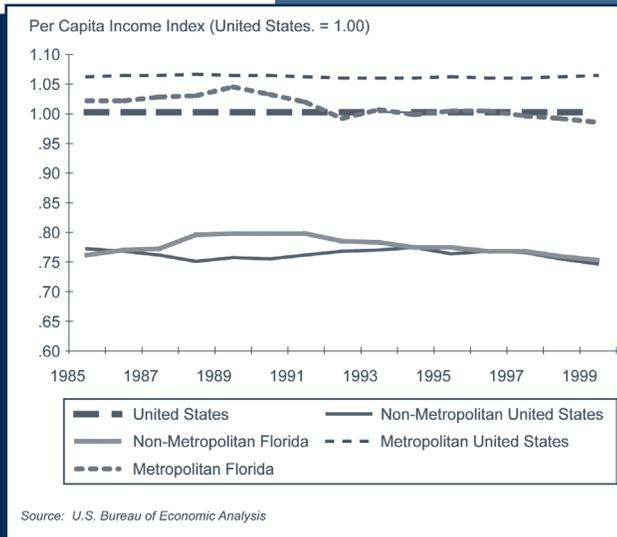


FIGURE 1. FLORIDA'S METROPOLITAN AND NON-METROPOLITAN PER CAPITA INCOME RELATIVE TO THE NATION, 1985-2000

**Regional Diversity – Rural, Metropolitan, and Central City**

This section examines the differences between rural, metropolitan, and central city regions within Florida. The purpose of the analysis is to measure the magnitude of the differences, determine if the differences are better or worse than the United States overall, and assess whether the differences have grown or declined over the past decade.

**Wages and Income**

Metropolitan per capita income is significantly above the non-metropolitan income for both Florida and the United States, although the current gap is larger in the United States than in Florida (Figure 1). Interestingly, while the metropolitan per capita income for the United States has been consistently six percent above the overall U.S. rate, Florida's metropolitan income has varied compared to the United States, mirroring the pattern for the state overall. Non-metropolitan Florida per capita income was higher than non-metropolitan U.S. per capita income from 1986 to 1993, but essentially identical since 1994.

Florida's per capita income is lower than the United States in both metropolitan (\$2,750 lower) and non-metropolitan areas (\$410 lower) (Figure 2). However, the differences in per capita income between Florida's metropolitan areas and non-metropolitan areas are less pronounced than they

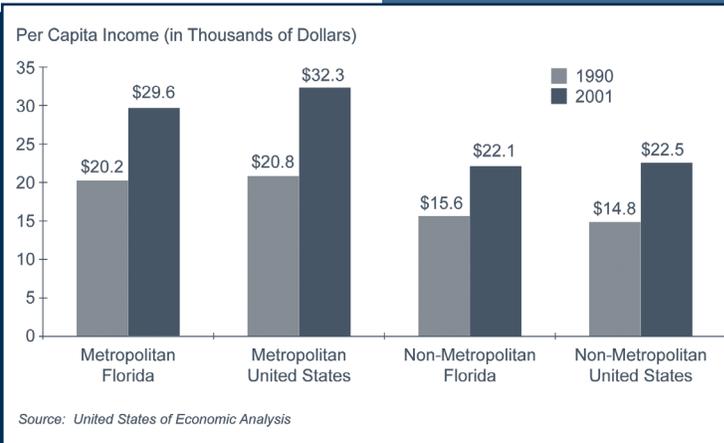


FIGURE 2. METROPOLITAN AND NON-METROPOLITAN PER CAPITA INCOME, FLORIDA AND THE UNITED STATES, 1990 AND 2001

<sup>2</sup> *Hunger and Food Insecurity in the Fifty States: 1998-2000*, Food Security Institute of the Center on Hunger and Poverty at the Heller School for Social Policy and Management at Brandeis University, August 2002.

*STRENGTHENING FLORIDA'S WORKFORCE – STRENGTHENING THE ECONOMY:  
AN ASSESSMENT OF CONDITIONS AND POLICIES ENCOURAGING ECONOMIC  
SELF-SUFFICIENCY IN FLORIDA*

Over the past 18 months, the Florida Chamber Foundation, partnering with the Orlando Regional Chamber of Commerce, participated in a pilot study funded by the Annie E. Casey Foundation to develop a framework of indicators that assesses states' efforts to aid the working poor in achieving economic self-sufficiency. The emphasis of this study was to provide a better understanding of the working poor in Florida and other states, and the characteristics of this population, such as educational and training opportunities and performance. In addition, the framework details the policies and programs intended to support the working poor, and assesses the performance of these efforts both within Florida and compared to other states. This section reports some of the key findings and data from that effort.<sup>3</sup>

Even though most working families (almost 92 percent in Florida) are not in poverty, many families below the poverty line do work day-to-day to earn wages to meet basic needs such as food, shelter, and health care. The report illustrates how Florida should recognize the working poor as an asset to the state and transition these workers into careers and jobs that will lead to economic self-sufficiency. Data prepared by the Population Reference Bureau from the 2000 Census files show how working families in Florida compare to working families across the 50 states (Table 1).

*TABLE 1. WORKING POOR INDICATORS FOR FLORIDA AND UNITED STATES, 2000*

<b>Indicator</b>	<b>Percent Florida</b>	<b>Percent United States</b>	<b>Florida Rank Among 50 States</b>
1. Poor Families Engaged in Work	46.1	47.2	19
2. Working Families that Are in Poverty	7.9	7.5	32
3. Working Families with a Minority Parent that Are in Poverty	13.0	13.1	26
4. Working Families with Income less than 200 Percent of Poverty Level	31.0	27.8	35
5. Working Families in Poverty Spending over one-third of Income on Housing	77.0	72.5	34
6. Working Families in Poverty with a Parent without High School Degree or General Education Development (GED) Degree	43.8	43.6	40
7. Working Families in Poverty with a Parent with some Postsecondary Education	31.6	32.4	NA
8. Working Families in Poverty with one Parent without Health Insurance	52.3	46.7	NA

Relative to the United States, Florida is at best a middle-of-the-road state in terms of the economic characteristics of working poor families. The indicators typically show Florida in the middle third of the 50 states, and not in the top 15 states or bottom 10 states for any indicator. These indicators highlight at least three areas of concern for Florida compared to the United States. First, Florida has a high percentage of working families that earn less than 200

<sup>3</sup> The full report, completed May 2003, and data references can be found at the Florida Chamber web site ([www.flchamber.com](http://www.flchamber.com)).

percent of the poverty level. Second, despite relatively low housing prices across the state, more Florida working families in poverty spend over one-third of their income on housing, compared to the U.S. average (77 percent compared to 72.5 percent). Third, a greater percentage of working poor families in Florida lack health insurance (52 percent compared to 47 percent for the United States).

Additional indicators reveal that:

- Almost 44 percent of working poor families lack a parent with a high school degree.
- About 51 percent of Florida adults are at literacy levels 1 and 2, the measure used by the National Institute of Literacy to capture poor literacy skills.
- About 66 percent of Floridians age 25 to 54 have no degree beyond high school, another key measure of workforce capacity.
- Florida has a lower overall labor force participation rate (63 percent) compared to the United States (67 percent), and this is true for both men and women. Interestingly, the labor force participation rate for non-whites in Florida (69 percent) is higher than the national average and the rate for whites, according to the U.S Bureau of Labor Statistics (BLS). This may be partially due to the active economies in southern Florida, which feature a relatively high concentration of non-white population.
- While the state's overall unemployment rate has been less than the United States in recent years, more of those workers who are unemployed have been out of work for more than 26 weeks in Florida (12.3 percent) than the U.S. average (11.4 percent), according to the BLS.
- Significantly more of Florida's jobs are in low-wage occupations compared to the U.S. average (30.2 percent compared to 22.3 percent), according to the BLS. This concentration reflects the state's industry mix, with its orientation toward the trade and services sectors.

Since 1996, the United States has been transitioning welfare clients into the workforce, and that transition was highly successful at moving people off of welfare, especially in the booming late 1990s. The critical next step is the transition from entry-level and low-paying jobs to self-sufficiency. Findings from this study indicate that Florida is doing well in some areas, but has great potential to further enhance the opportunities of the working poor to achieve quality jobs with reasonable pay and benefits.

Florida is recognized as a leader in measuring the performance of the working poor through various programs (Temporary Assistance for Needy Families [TANF], Workforce Investment Act [WIA], and Perkins) and has a robust community college system. Still, Florida rarely ranks in the top third of states on the study's indicators and there are other states implementing more worker-friendly policies. Specifically, the study found that:

- Florida has some significant working poor concerns, and ranks in the bottom-half of the country on most indicators, suggesting needs for improved education, access to health care, and affordable housing. Florida employers need a productive workforce and the data indicate that there currently is a large pool of working poor who are unlikely to be successful in the labor market, and therefore unlikely to provide a positive contribution to the Florida economy.

- Florida, like much of the country, has significant numbers of adults without a high school education or reasonable literacy levels. This is likely the leading contributing factor to the status of the working poor. Some of Florida's post-secondary policies do support the working poor, and the community college system is generally a strength, but there is room for improvement, especially at improving the connection between community college students and employers.
- Florida is generally strong at measuring the performance of the working poor and has a solid system of accountability. The ability to track the performance of TANF, WIA, and Perkins exiters should be commended. The state now should focus on ways to improve the impact on these program participants and the breadth of coverage provided.
- The state's policies with respect to WIA are supportive and proactive and Florida is looked at as a national leader in this area. Still, the amount of working poor with access to WIA training activities could be expanded, and the state may want to reconsider allowing TANF participants to receive education and training activities to bolster their chances of success upon exiting TANF and entering the workplace.
- The state's adult education policy is roughly similar with the United States overall, but this may not be sufficient to achieve the levels of high school degrees and literacy for the state's workforce that will produce a healthy economy. Today's employers require skilled employees more than ever and business location decisions are increasingly affected by the quality of the labor force, suggesting that investments in adult education and literacy produce positive net results for the state.
- Florida's policies and programs do not provide employment conditions on par with national averages with respect to access to wages, health insurance, pensions, unemployment insurance, and workers' compensation.

Integrating the working poor into self-sufficient jobs with benefits is a necessary component of a healthy workforce. Regular performance measurement can help to evaluate the status of this resource and help the state's policymakers to continue the progress of moving the working poor into self-sufficient jobs.

are for the United States. The gaps in per capita income levels between metropolitan and non-metropolitan areas in Florida and the United States are \$7,500 and \$9,800, respectively. Since 1985, per capita income in metropolitan and non-metropolitan Florida have grown at about the same rates although growth for the non-metropolitan areas has slowed in recent years. In 2001, the per capita income for non-metropolitan Florida was 76 percent as high as the average for metropolitan Florida, compared to 70 percent for the United States.

The disparity between metropolitan and non-metropolitan areas is greater in Florida when looking at private earnings (or wage income) rather than all sources of income (Figure 3). This reflects Florida's relatively large retired population, which relies on social security, investment income, and other non-wage earnings for income. The dependence on non-wage income sources is a significant risk for rural America as aging populations and declining economic opportunities force these communities to rely more heavily

on transfer payments and government services. The risk is even more significant in Florida, however, due to the below-average wage levels across the state.

Most of the counties experiencing relatively low per capita income are located in rural regions within Florida, especially in the northern half of the state, as well as the south central part of Florida (also known as the Heartland) (Figure 4). Low incomes in non-metropolitan areas translate to lower tax bases in many of these rural counties. Without an adequate tax base, these counties encounter difficulties affording public services and financing needed infrastructure improvements.

**Income Distribution**

Florida has more households earning less than \$25,000 per year and between \$25,000 and \$50,000 per year than the United States, and fewer households earning more than \$50,000 per year (Figure 5). This trend is especially true for the non-metropolitan areas in Florida, with over 35 percent of households earning less than \$25,000 per year. Central city areas, on average, fare better than the non-metropolitan regions, but not as well as the broader metropolitan areas.

In terms of median household income, a similar pattern emerges. Non-metropolitan areas have a median household income (\$30,330) that is less than 77 percent as high as the figure for metropolitan areas (\$39,520). Central city median household income (\$35,285) is less than the state and the metropolitan-wide average, but significantly higher than non-metropolitan areas. Between 1990 and 2000, non-metropolitan areas and central cities had faster growth in household income than metropolitan areas, but metropolitan areas, starting at a higher base, posted a larger absolute increase.

**Housing Affordability**

Despite relatively inexpensive housing in Florida, the state spends more on average rent as a percent of household income than the United States (Figure 6). This is particularly true in metropolitan and central city regions, where renting is more common than in rural areas. Households are spending less of their income on rent than they did in 1990, although the decline was smaller than the national trend. The sharpest decline in the state was for renters in non-metropolitan areas. Median home values in Florida (\$105,500) are slightly lower than in the United States overall (\$119,600). Median home values are significantly lower in Florida’s non-metropolitan areas (\$71,700), which is good news in terms of

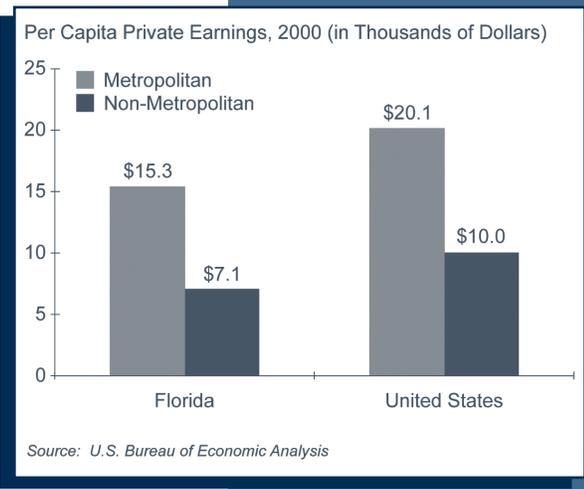


FIGURE 3. PER CAPITA PRIVATE EARNINGS (WAGE INCOME), 2000

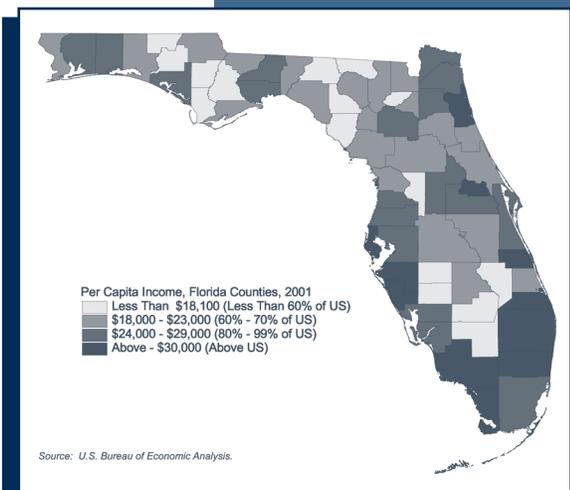


FIGURE 4. PER CAPITA INCOME BY COUNTY, 2001

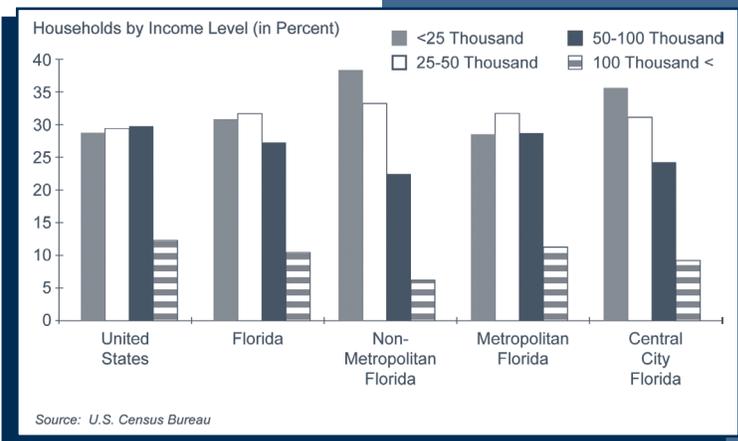
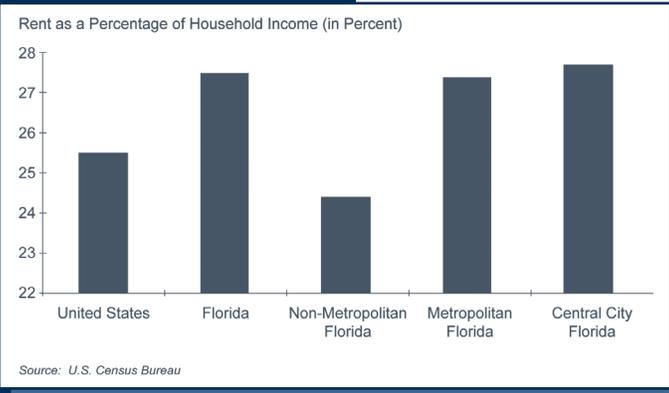
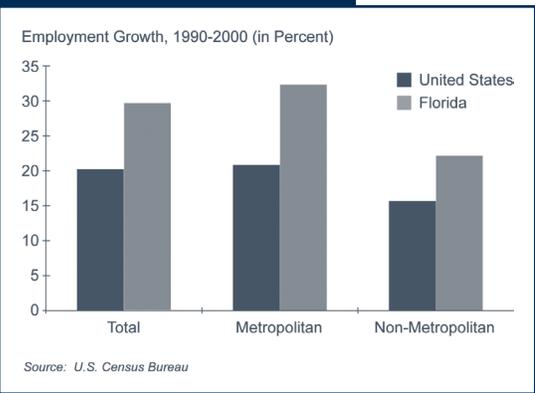


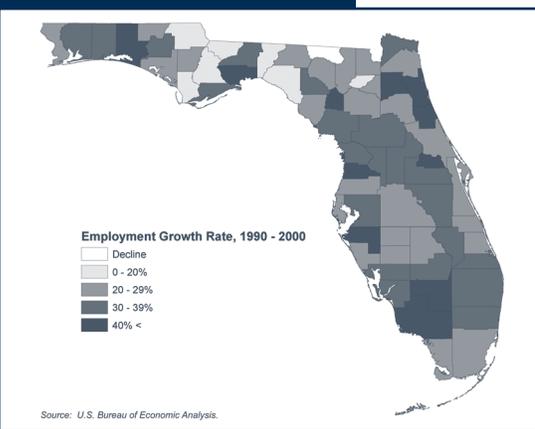
FIGURE 5. DISTRIBUTION OF HOUSEHOLDS BY INCOME LEVEL, 2000



**FIGURE 6. MEDIAN GROSS RENT AS A PERCENT OF HOUSEHOLD INCOME, 2000**



**FIGURE 7. GROWTH IN METROPOLITAN AND NON-METROPOLITAN EMPLOYMENT, FLORIDA AND THE UNITED STATES COMPARED, 1990-2000**



**FIGURE 8. PERCENT CHANGE IN EMPLOYMENT BY COUNTY, 1990-2000**

housing affordability and the cost of living, but also reflects a lower demand for housing given a more sparse and lower income population.

**Employment and Unemployment**

Florida’s employment growth easily out-paced the national average for both metropolitan and non-metropolitan areas during the 1990s, with slightly higher growth in metropolitan areas (Figure 7).

Employment growth was distributed fairly well across the state from 1990 to 2000 (Figure 8).

Still, several counties in the northern and north-west parts of the state experienced slow employment growth, and one county experienced a decline (Hamilton County).

The spatial pattern of unemployment rates by county is significantly different (Figure 9). Some of the highest rates of unemployment are in large metropolitan counties in Florida (e.g., Duval, Miami-Dade, Broward, and Palm Beach). Still, the highest rates of unemployment are in rural counties such as Hendry, Taylor, and De Soto. The low unemployment rates in rural counties of northern and northwest Florida do not indicate strong economies, but rather lower labor force participation rates due to aging populations. In addition, a lack of quality job opportunities in many rural areas leads to the departure of the younger, primeworking age population.

Unemployment rates in Florida’s central cities consistently are higher than the broader metropolitan areas in which they are located (Table 2). This is especially true in the three large southeastern Florida cities (Miami, Fort Lauderdale, and West Palm Beach), and is also significant in the Tampa Bay region.

**Public Assistance**

Florida on average is less dependent on public assistance such as welfare and food stamps than the United States (Figure 10). Florida’s central cities are most reliant on public assistance, followed by non-metropolitan areas. Since 1990, there has been a sharp and uniform drop for all geographies in the percentage of households receiving some form of public assistance. The decline for non-metropolitan areas was particularly pronounced. This decline is consistent with the 1996 Welfare Reform Act, which encouraged welfare time limits and work over training, but also is reflective of the economic surge of the late 1990s.

**Poverty**

Despite the economic growth in Florida over the past decade and the lesser reliance on public assistance, the state’s poverty rate remains slightly above the national average (Figure 11). Poverty rates are significantly higher in non-metropolitan areas and central cities. Poverty declined between 1990 and 2000 nationwide,

although the drop in Florida was less pronounced. While the state’s central cities and non-metropolitan areas posted decreases, the poverty rate in Florida’s metropolitan areas inched upward. This may be indicative of a more uniform dispersion of people below the poverty level throughout the state, consistent with a national trend away from concentrations of poverty in fewer locations.

The highest rates of poverty are concentrated in the northern and northwest parts of the state, with some pockets of significant poverty in selected rural and urban areas of southern Florida (Figure 12). A recent report by the Carl Vinson Institute of Government at the University of Georgia, *Dismantling Persistent Poverty in the Southeastern United States*, found that 26 of Florida’s 67 counties have demonstrated persistent poverty as measured over the U.S Censuses of 1980, 1990, and 2000.<sup>4</sup> These counties consistently have had higher than average rates of poverty than the United States overall during the past 20 years. Most of the 26 counties are northern or northwest rural counties, but the analysis also included some metropolitan areas. While the findings are significant for Florida, they are even more alarming in Mississippi, Alabama, Louisiana, and Arkansas.

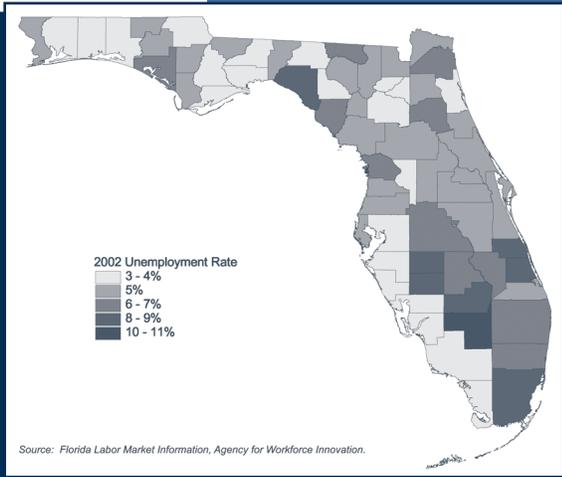


FIGURE 9. UNEMPLOYMENT RATES BY COUNTY, 2002

TABLE 2. CENTRAL CITY AND METRO UNEMPLOYMENT RATES, 2002

City	Metropolitan Statistical Area	Central City
Jacksonville	5.3	5.8
Fort lauderdale	6.0	7.4
Miami	7.7	11.1
Orlando	5.3	5.7
Tampa	4.6	5.4
St. Petersburg	4.6	5.4
West Palm Beach	5.9	7.4
Florida	5.5	
United States	5.8	

**Demographic Diversity**

This section presents data findings on the differences between demographic groups. The purpose is to compare conditions and trends for four racial/ethnic groups: Whites (non-Hispanic), Blacks, Hispanics, and Asians, both within Florida and relative to the United States overall. In addition, conditions of the elderly and foreign-born populations are examined.

<sup>4</sup> The 26 persistent poverty counties are: Alachua, Baker, Bay, Bradford, Calhoun, Columbia, Dixie, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Holmes, Jackson, Jefferson, Lafayette, Leon, Levy, Liberty, Madison, Putnam, Suwannee, Taylor, Union, Walton, and Washington.

### Population Diversity

Florida's racial composition is somewhat different than the country's (Figure 13). Blacks and Hispanics account for a larger share of the Florida population than the U.S. average, while Whites represent a somewhat smaller portion of the population. Florida has proportionately many fewer people of Asian descent than the United States overall. Accounting for almost 17 percent of the state population, Hispanics are 30 percent better represented in Florida than the United States. In some

parts of Florida, notably Miami-Dade county, Hispanics account for the majority of the population.<sup>5</sup>

The population growth rate in Florida was significantly above the overall U.S. growth rate for all major races and ethnicities (Figure 14). While Whites accounted for a slightly higher share of total population growth, Florida's Hispanic community is growing at a significantly faster pace. The slower White growth rate in Florida is consistent with the rest of the nation and shows how traditional minorities are gaining in population share. This trend is true nationwide, but accelerated in Florida.

Despite the large number of Hispanics in Florida, it is interesting to note that Hispanics accounted for a slightly smaller share of total growth in Florida in the 1990s than they did for the United States overall. While Hispanics were the largest source of population growth

in the United States, they ranked as the second largest source of growth in Florida. Blacks accounted for a higher portion of population growth in Florida than in the United States, while the share of the state's population growth represented by Asians is significantly lower.

Looking over the next 10 years, the largest component of growth is expected to come from Hispanics for both Florida and the United States.<sup>6</sup> Similar to the past decade, Florida is expected to have a larger share of growth than the United States for Whites and Blacks, but smaller for Asians. In the future, the demographic profile of the United States will be more like Florida is today, as population increases among Hispanics, and to a lesser Blacks, continue to exceed those of Whites. By 2025, the United States will be nearly one-fifth Hispanic and 12.6 percent Black. This trend will be even more pronounced in Florida, with Hispanics accounting

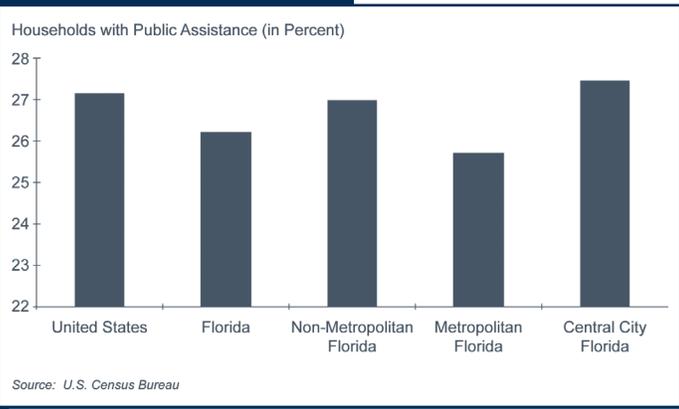


FIGURE 10. SHARE OF HOUSEHOLDS ON PUBLIC ASSISTANCE, 2000

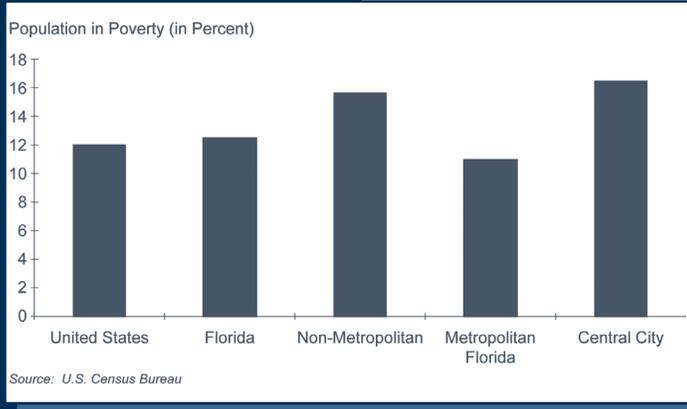


FIGURE 11. SHARE OF POPULATION AT OR BELOW THE POVERTY LEVEL, 2000

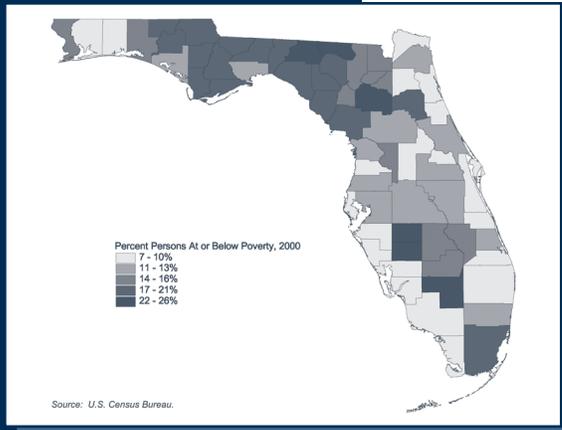


FIGURE 12. POVERTY RATES BY COUNTY, 2000

<sup>5</sup> People of Latin descent accounted for about 60 percent of Miami-Dade County's 2.3 million people in 2000 according to the U.S. Census.

<sup>6</sup> Woods and Poole, 2002; Woods and Poole's forecasts are consistent with those presented in *New Cornerstone* Chapter 2, "Florida's Economic Outlook," which go through 2015. The Woods and Poole data are used in this analysis because they are available through 2025.

for nearly one-quarter of the population by 2025.

**Income Levels by Race**

Per capita income differences among major racial groups in 1999 in Florida were fairly similar to the United States, but with a notable exception (Figure 15). While the overall per capita income in the state is slightly less than the U.S. average, it is higher in Florida for Whites (barely) and Hispanics (25 percent higher). Meanwhile, per capita income for Blacks in Florida is only 87 percent of that for Blacks in the nation – a significant issue given Florida’s above-average share of Black residents. Since 1989, there were some relative gains made by Blacks, so this disparity with the United States may be diminishing. Hispanics, though wealthier in Florida, did not experience as much growth in per capita income between 1989 and 1999 as the United States.

**Income Distribution by Race**

Florida has more households with incomes below \$25,000 than the United States across all major racial groups, with the lone exception being Hispanics (Table 3). About 45 percent of Black households in Florida had incomes less than \$25,000 in 2000, compared to 36 percent of Hispanics, 27 percent of Whites, and 26 percent of Asians. Households with incomes between \$25,000 and \$50,000 were fairly evenly distributed across racial groups, accounting for 29 to 32 percent of households for each race category. The grouping of households earning over \$50,000 are essentially opposite from those earning less than \$25,000, as Florida has fewer households in these categories than the United States for all racial groups, again with the exception of Hispanics. Again, Blacks fare the poorest of all groups in these middle-to-upper income categories, and are less well-represented in Florida than the United States.

**Unemployment by Race**

Unemployment rates are highest for Blacks and Hispanics in both Florida and the United States with the Black unemployment rate (10.3 percent) more than double the rate for Whites (4.1 percent) in Florida (Figure 16). Still, unemployment rates in Florida were below the U.S. average for every racial group and there were across-the-board declines between 1990 and 2000. Disparities between groups that existed in 1990 are still present in 2000. The Black population, in particular, experienced a sharp decline in unemployment, although it remained far higher than other groups in both 1990 and 2000.

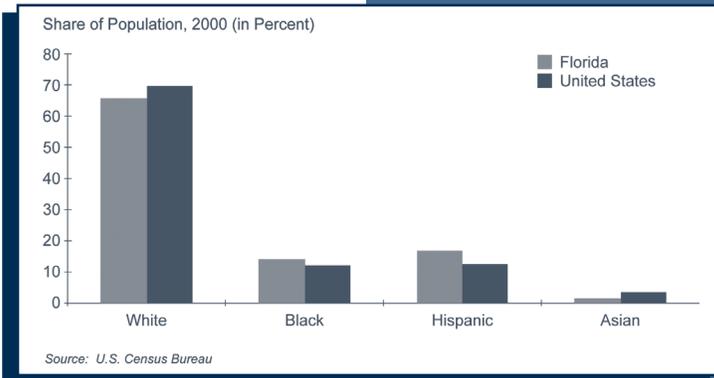


FIGURE 13. POPULATION SHARES BY RACE, 2000

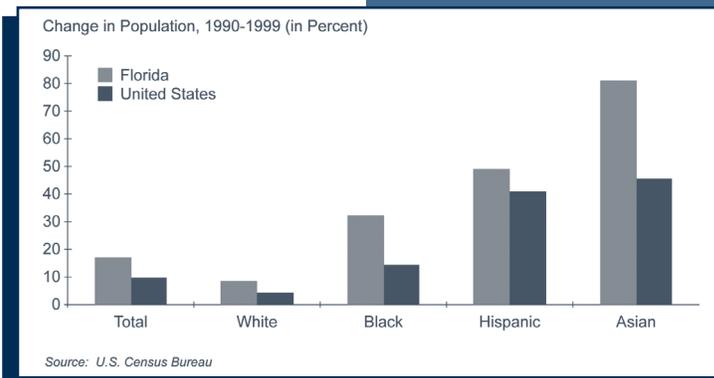


FIGURE 14. POPULATION GROWTH RATES BY RACE, 1990-1999

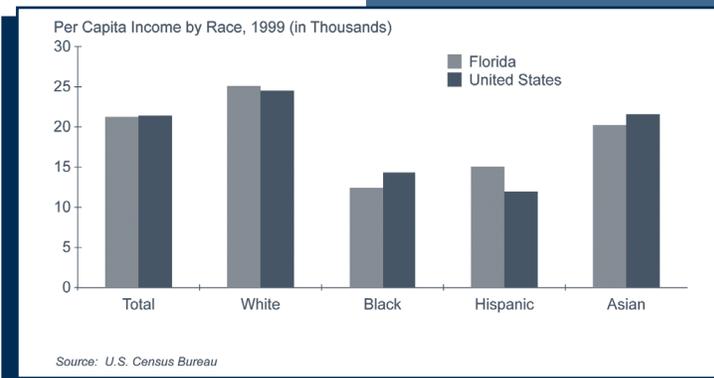


FIGURE 15. PER CAPITA INCOME BY RACE

TABLE 3. DISTRIBUTION OF HOUSEHOLDS BY INCOME AND RACE (PERCENT, 2000)

Household Type	Household Income Level (in Thousands)							
	Less than \$25		\$25-\$50		\$50-\$100		Over \$100	
	Florida	U.S.	Florida	U.S.	Florida	U.S.	Florida	U.S.
White	27.5%	25.5%	31.7%	29.2%	28.9%	31.6%	12.0%	13.7%
Black	44.9%	43.5%	30.9%	29.1%	20.1%	21.6%	4.2%	5.8%
Hispanic	36.0%	36.5%	32.2%	32.6%	24.3%	24.3%	7.6%	6.6%
Asian	26.3%	24.1%	28.9%	23.7%	30.3%	32.3%	14.5%	19.9%
ALL	30.8%	28.7%	31.6%	29.3%	27.2%	29.7%	10.4%	12.3%

Source: U.S. Census Bureau.

### Poverty Levels by Race

Similarly, poverty rates tend to be highest for Blacks and Hispanics, and significantly above the rates for Whites (Figure 17). However, the poverty rates for Florida are generally higher than in the United States, the most substantial exception being Hispanics, whose poverty rate is 20 percent lower than for Hispanics in the United States. Since 1990, poverty levels in the United States and Florida decreased with the United States recording a larger drop. Most dramatic was the decline in the percent of Blacks in Florida living below poverty (from 31.5 percent to 25.9 percent). Poverty rates also declined for Hispanics and Asians, but remained essentially unchanged for Whites.

### Educational Attainment by Race

Florida has a slightly lower percent of people with a high school degree than the United States (Figure 18). This trend is exacerbated by the particularly low rate of degrees by Blacks and Hispanics, although the Hispanic rate is higher in Florida than the United States. Florida and the United States made significant strides in education between 1990 and 2000. The Black population, in particular, showed substantial gains in high school attainment levels. Florida's Hispanic population continued to be much more educated than the United States average in 2000, although the 10-year gain lagged national growth. This may indicate that recent Hispanic immigrants to Florida are less educated than the prevailing population.

Just over 22 percent of Florida's population holds a bachelor's degree (or higher), compared to over 24 percent for the United States. Florida trailed the country in each racial group except for Hispanics on this measure in 2000. Both the United States and Florida experienced gains in the share of the population with bachelor's degrees since 1990. While the rate of growth recorded by Blacks and Hispanics outpaced the state, the absolute increase (in terms of percentage points) lagged Whites and Asians. Blacks in

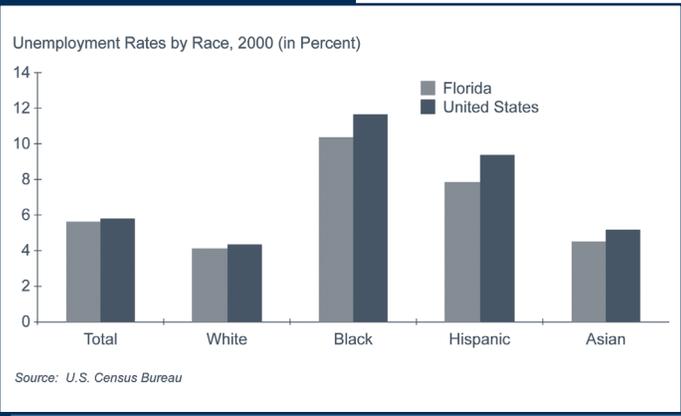


FIGURE 16. UNEMPLOYMENT RATES BY RACE, 2000

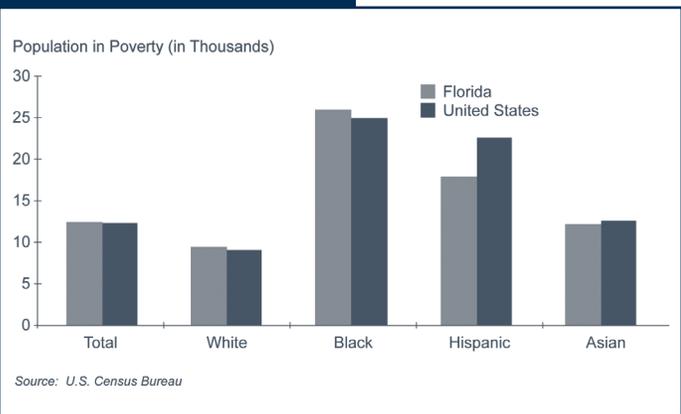


FIGURE 17. POVERTY RATES BY RACE, 2000

Florida continue to lag significantly behind state and United States averages.

Florida’s Hispanic population shows characteristics unlike the United States as they are 70 percent more likely to have bachelor’s degrees than their counterparts around the nation. These higher levels of educational attainment likely are a significant reason why Hispanics in Florida are outperforming Hispanics in the rest of the country in income. Looking back to the 1960s, Cubans and other Latin Americans entering Florida generally were well-educated, unlike most other large in-migrations in U.S. history. While Cubans did not always succeed in transferring their wealth off the island, they often had the education, perspective, and motivation to work their way up quickly, many returning to school to earn U.S. professional degrees. The professional Cuban community is now a leading economic force in Miami-Dade County. In contrast, some of the impediments to the development of the Black business community identified 20 years ago still exist (see box on next page).

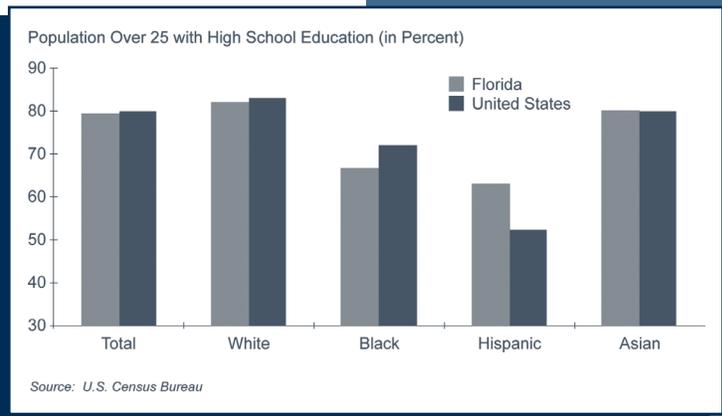


FIGURE 18. PERCENT OF POPULATION OVER 25 WITH AT LEAST A HIGH SCHOOL EDUCATION, 2000

**Elderly Population and Retiree Demographics**

Florida has a relatively small population of people age 44 and younger and a relatively large population above age 45 (Figure 19). This is especially true for those over 65, representing many of the retired population of the state.

Florida population growth over the past decade outpaced the United States in every age cohort, with substantial growth for those age 45 to 64 (Figure 20). Much of this growth can be attributed to the aging of the “baby boomers.”

Over the next two decades, Florida will face some challenges as the share of people age 25 to 44 is expected to decline, while the share of people over age 45 is expected to increase significantly (Figure 21). While older populations represent opportunities in terms of experienced labor force and spending power, they also demand more social and health services. Meanwhile, a decreasing share of people from 25 to 44 reduces the relative number of people in their prime working and earning years. For example, the labor force participation rate for those ages 25 to 54 was over 83 percent in 2002, but dropped to 62 percent for those ages 55 to 64, and is only 13 percent for those ages 65 and older, according to the U.S. Bureau of Labor Statistics.

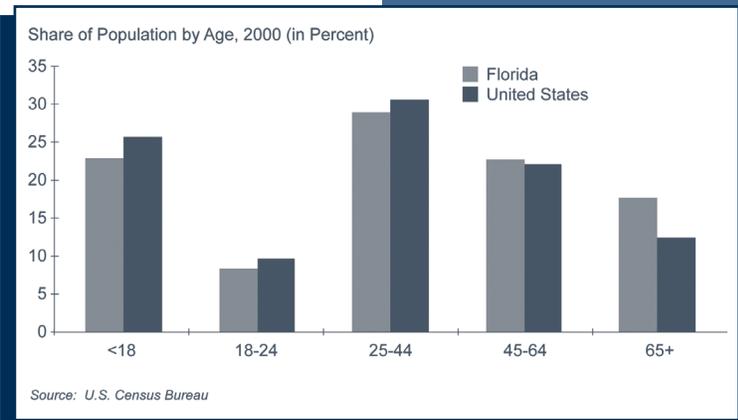


FIGURE 19. POPULATION SHARE BY AGE GROUP, FLORIDA AND THE UNITED STATES, 2000

Although Florida has a lower median household income than the U.S. average, older households in the state are wealthier than comparable households across the nation. This demonstrates

*BLACKS IN FLORIDA—SOLID GAINS IN THE 1990s BUT ISSUES PERSIST*

The Black population in Florida made significant gains in educational attainment, per capita income, and reduced poverty during the 1990s. However, Blacks remain well-below national and state averages in many measures. Major issues affecting Blacks in Florida include the following:

- **Limited Access to Capital and Technical Assistance.** A 1984 study by a Governor’s commission identified several impediments to Black business development in Florida, including limited access to capital, technical assistance, and economic opportunities.<sup>7</sup> In response, Florida established the Florida Black Business Investment Board (FBBIB) to address these deficiencies (see profile of the FBBIB in section 7.5). A FBBIB study, completed in 2002, showed that the disparities identified in 1984 still exist today and remain substantial.<sup>8</sup> The 2002 report also showed that the growth of Black businesses has not kept pace with the growth of other minority businesses and that Black businesses have not had the same success in tapping into state procurement opportunities.
- **Low relative number of Black business establishments.** According to the Census Bureau’s 1997 Survey of Minority and Women-owned Business, only 4.6 percent (59,732) of the state’s businesses were Black-owned. This is only a fraction of the number that would be expected, given that Blacks represent 14.5 percent of the Florida population. By contrast, non-Black minority firms (in Florida, Hispanics account for the majority of this category) account for 18.3 percent of the state’s businesses, which is proportional to their share of the Florida population. Black businesses had revenues of \$4.1 billion in 1997, accounting for only 0.5 percent of total revenues for all Florida firms. Non-Black minorities fared better, but still only accounted for 5.7 percent of business revenues in the state.
- **Prosperity of Blacks not up to levels experienced by other groups.** Income levels are varied in Florida depending on race. The White majority has per capita and household income levels that are close to the U.S. average, but Hispanics, Florida’s second largest group, enjoy income levels substantially higher than fellow Latinos in other parts of the nation. Blacks in Florida, however, have the lowest income levels of any major group in Florida and also trail the national average for all Blacks. Although Blacks in Florida narrowed these gaps somewhat between 1990 and 2000, efforts must continue to raise economic opportunities.
- **Few major Black institutions.** A lack of major Black institutions inhibits the formation of Black wealth in the state. There are no large Black banks in the state, and only small manufacturing and technology activities that would attract capital. With few economic hubs to produce viable spin-offs of economic activity, it has proven difficult for Blacks to narrow the gaps with other groups in Florida. The trend over the past few decades nationwide has seen more Blacks reach senior management positions, creating a talented corps experienced in entrepreneurship. It is anticipated that this trend will expand more extensively to Florida in the future.

<sup>7</sup> *Governor’s Advisory Council on Minority Enterprise Development Study*, 1984.

<sup>8</sup> KPMG Consulting, *Feasibility Study for Service Expansion*, Final Report for the Florida Black Business Investment Board, September 27, 2002.

that higher income people that have flexibility in choosing a place to retire are often selecting Florida. In Florida, 12.5 percent of households headed by an individual over the age of 65 have incomes above \$75,000, compared to 11.7 percent for the United States. Elder households in Florida are about 25 percent more likely to be extremely wealthy (household income above \$200,000) than the U.S. average.

While Florida overall has a poverty rate higher than the nation's, Floridians over 65 are less likely to have income levels at or below poverty than the U.S. average. In 2000, the poverty rates for people over 65 in Florida and the United States were 9.1 and 9.9 percent, respectively. On the other end of the age spectrum, however, 17.6 percent of Floridian children live in poverty, somewhat higher than the 16.6 percent figure for the nation.

**Foreign-Born Population Demographics**

Florida has the fourth largest foreign-born population of all states, and the number grew by over 60 percent from 1990 to 2000 (Table 4).

The foreign-born share of Florida's population has steadily risen from 4.1 percent in 1940 to 16.7 percent in 2000 (Figure 22). In 1940, this share was much smaller than the United States overall and now it is substantially higher. It was equal to the U.S. share by 1960 and has been above ever since. This trend was strengthened by the large Cuban influx in the early 1960s. The foreign-born share of the population has been increasing in both Florida and the United States since 1970, reflecting continued immigration.

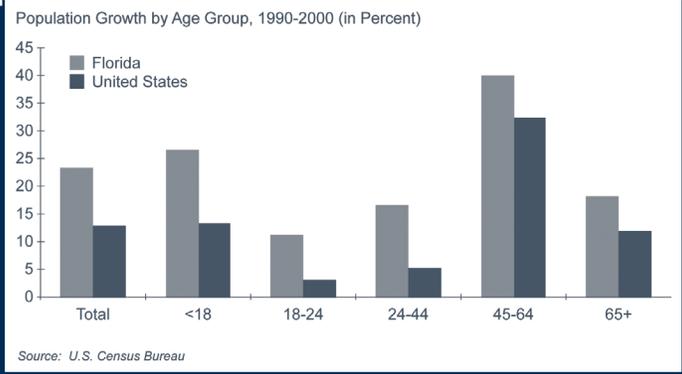


FIGURE 20. POPULATION GROWTH BY AGE GROUP, 1990-2000

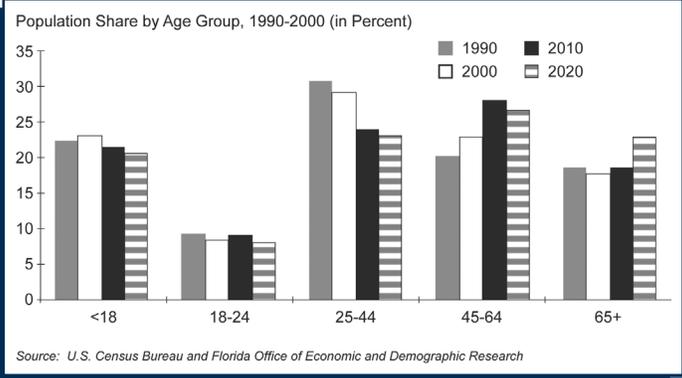


FIGURE 21. SHARE OF POPULATION BY AGE GROUP IN FLORIDA, 1990-2020

TABLE 4. FOREIGN-BORN POPULATION, TOP STATES, 2000

Rank	State	1990 (in Thousands)	2000 (in Thousands)	Percent Change	Share of Population
1	California	6,458.8	8,864.3	37.2%	26.2%
2	New York	2,851.9	3,868.1	35.6%	20.4%
3	Texas	1,524.4	2,899.6	90.2%	13.9%
4	<b>FLORIDA</b>	<b>1,662.6</b>	<b>2,670.8</b>	<b>60.6%</b>	<b>16.7%</b>
5	Illinois	952.3	1,529.1	60.6%	12.3%
6	New Jersey	966.6	1,476.3	52.7%	17.5%
7	Massachusetts	573.7	773.0	34.7%	12.2%
8	Arizona	278.2	656.2	135.9%	12.8%
9	Washington	322.1	614.5	90.7%	10.4%
10	Georgia	173.1	577.3	233.4%	7.1%
	<b>United States</b>	<b>19,767.3</b>	<b>31,107.8</b>	<b>57.4%</b>	<b>11.1%</b>

Source: U.S. Census Bureau

Not surprisingly, over 41 percent of Florida's foreign-born population was born in the Caribbean, and almost 73 percent were born either in the Caribbean, Central America, or South America (Figure 23).

## 7.4 Economic Equity and Diversity Issues

This section highlights key issues and constraints faced by rural and inner city regions and underprivileged demographic groups within Florida.

### Rural Issues

Florida's rural counties, like much of the country's rural areas, are in the midst of a vicious cycle that impedes economic growth. Rural counties need jobs to build a tax base (i.e., taxable housing, and commercial properties); they need revenue to pay for schools, roads, and other infrastructure; and they need a skilled workforce and infrastructure to attract jobs. Without good jobs, the tax base is limited and municipalities are strained to build and maintain infrastructure and provide adequate public services such as education and health care. Furthermore, the lack of diversified employment opportunities erodes the social fabric by encouraging rural Florida's young adults to seek jobs elsewhere.

While the obstacles to progress seem daunting, there are examples in both Florida and nationally of rural regions that have transcended such constraints. However, there is a general feeling among rural officials that progress may be difficult over the next 10 years because of substantial cuts in rural programs beginning in fiscal year 2003/2004. This may slow or reverse progress that was made between 1990 and 2000, as evidenced in the Census data.

### Workforce and Education

**Educational attainment.** A lower share of the Florida population has a high school degree than the U.S. average (Figure 24). This issue is most pronounced for non-metropolitan (rural) areas, although a solid improvement has occurred since 1990. Between 1990 and 2000, Florida's overall performance compared to the United States was held back by slower rates of improvement posted by the state's metropolitan areas. About 72 percent of Florida's rural adult population has earned at least a high school degree, up from 67 percent in 1990.

Unlike the high school degree trends, non-metropolitan areas did not keep up with the significant improvements in college graduates recorded by metropolitan areas between 1990 and 2000. While the share of people with bachelor's degrees in metropolitan areas rose by four percentage points, it only increased by two percentage points in

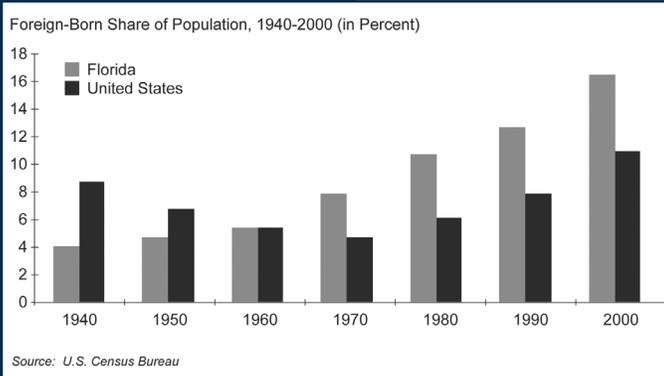


FIGURE 22. FOREIGN-BORN SHARE OF POPULATION, 1940-2000

Florida’s non-metropolitan areas. This is a substantial concern for rural areas as they often lack the type of highly skilled labor force that helps attract quality jobs to a region.

These gaps in education attainment are difficult to address given the fiscal capacity of rural counties. Without an adequate tax base, it is difficult for rural communities to raise sufficient funds to upgrade facilities, purchase text books, and provide competitive teacher salaries without some reliance on state aid. Gifted rural students may not have access to elective college-preparatory courses such as advanced science and advanced math, while the lack of vocational training (e.g., plumbing, carpentry) at the secondary school level limits the opportunities for young people not planning to pursue undergraduate degrees.

In particular, rural areas in Florida are concerned that the Sparsity Supplement is not fully funded, thereby impacting the ability of rural areas to recruit and retain high-quality teachers and staff. The Sparsity Supplement is a component of the Florida Education Funding Program and is designed to offset inequities in local school district funding arising from small populations. Full funding of the supplement was estimated to be \$49.6 million for FY 2002-2003, yet Legislatively appropriated funds were just \$31 million.<sup>9</sup>

**Loss of educated working age people.** People seeking higher wages, especially those with higher levels of education, are moving to cities like Jacksonville, Orlando, and Tampa, or to other states. Underlining this trend, the percentage of 25-to-34 year olds with a bachelor’s degree or higher in Florida’s non-metropolitan areas is well less than half the state average (see Figure 25). Unlike the figures for Florida’s metropolitan areas and central cities, the share of 25-to-34 year olds in rural Florida with at least a bachelor’s degree, 9.6 percent, is less than the share, 13.5 percent, for all age groups in rural Florida that are older than 25. This “brain drain” reduces the availability of skilled labor that could help attract employers and results in an aging rural population. Without higher paying jobs and the workers attracted to them, county buying power also declines, thus limiting the appeal of rural areas to retailers. The sales taxes generated by retailers are a key source of revenues that rural governments need to fund improvements.

**Infrastructure**

Industries have minimum requirements in terms of roads, water, wastewater, and telecommunications and will locate only where

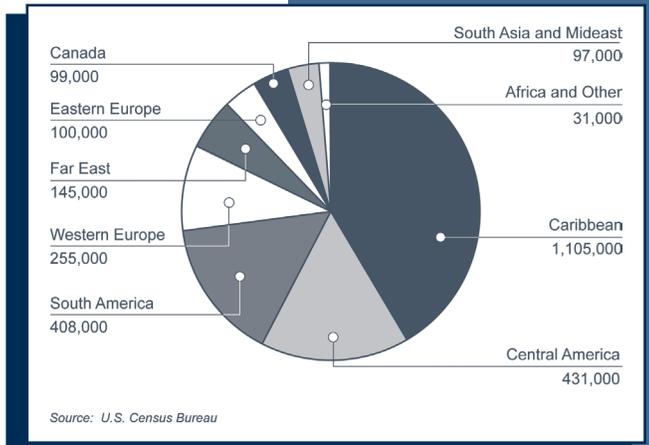


FIGURE 23. PLACE OF BIRTH, FLORIDA’S FOREIGN-BORN POPULATION, 2000

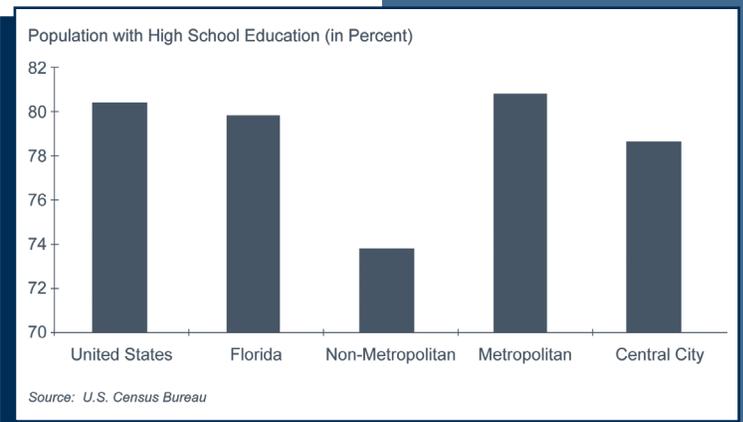
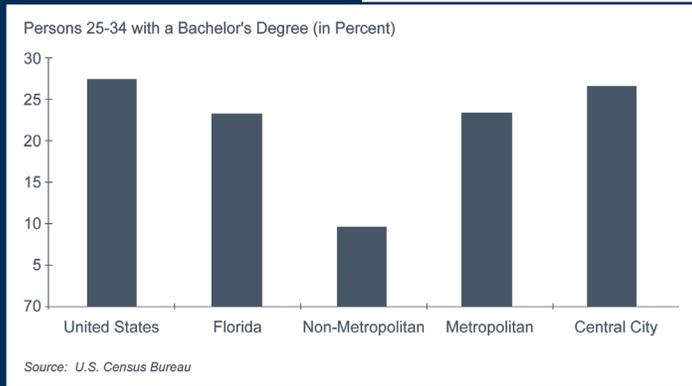


FIGURE 24. SHARE OF POPULATION OVER 25 WITH AT LEAST A HIGH SCHOOL DEGREE

<sup>9</sup> An Overview of the Sparsity Supplement, prepared for the Small School District Council Consortium by Robert P. Jones & Associates, September 2002.



**FIGURE 25. SHARE OF 25-TO-34 YEAR-OLDS WITH AT LEAST A BACHELOR'S DEGREE**

infrastructure is in place. Areas that do not meet any one of these requirements often are eliminated from consideration by prospective companies. Economic development projects in rural areas, when accompanied by transportation, water, wastewater, and telecommunications investments, provide incremental improvements to rural infrastructure. These improvements, in turn, better situate rural areas to secure additional economic development opportunities in the future.

**Transportation.** Transportation is a major impediment to the growth of many rural areas and is considered a high priority issue by rural leaders. The costs associated with transportation improvements and maintenance are high and rural areas often lack the capital to make necessary investments. While state roads through rural regions generally are in good condition, the local and county roads needed to reach the state roads frequently are poor. Rural areas often are transportation deficient, lacking four-lane roads, commercial airports, deepwater port facilities, rail service, and intermodal facilities. Moreover, the adequacy of highway and rail connections to other transportation facilities in the state also may be limited. These deficiencies can make it difficult for rural areas to attract and retain transportation-dependent businesses.

Improved interregional transportation connections offer significant potential to rural economic development. Although Florida is a very large state, its geography (about 800 miles long, but no more than 140 miles wide) lessens the extreme isolation often experienced by rural areas in other parts of the country. No Florida community or business is more than 70 miles from the recreational opportunities of the coast, most communities are within 50 miles of a commercial service airport, and much of rural Florida is in proximity to a deepwater seaport, with notable exceptions in north central Florida and south central Florida (the Heartland). The greatest transportation deficiency is the distance of many rural communities from limited access highways, as well as the limited options (or high costs) for commercial air service and interregional freight and passenger rail service in many smaller communities.

**Water and wastewater.** Many communities in rural Florida still depend on antiquated wells and septic tanks for water and wastewater treatment. This has become a disadvantage in attracting business as manufacturers and other industries generally require connections to central water and wastewater systems that can better meet environmental guidelines such as the secondary and tertiary cleaning of effluent. In addition to being an impediment to economic development, septic systems create environmental concerns and add to fiscal pressures if they require costly modification or replacement. Even rural communities with central wastewater systems are finding that they need (or are mandated) to make substantial investments in their aging systems to meet

both business expectations and environmental requirements (e.g., statewide standards for reducing dangerous substances found in water such as trihalomethane).

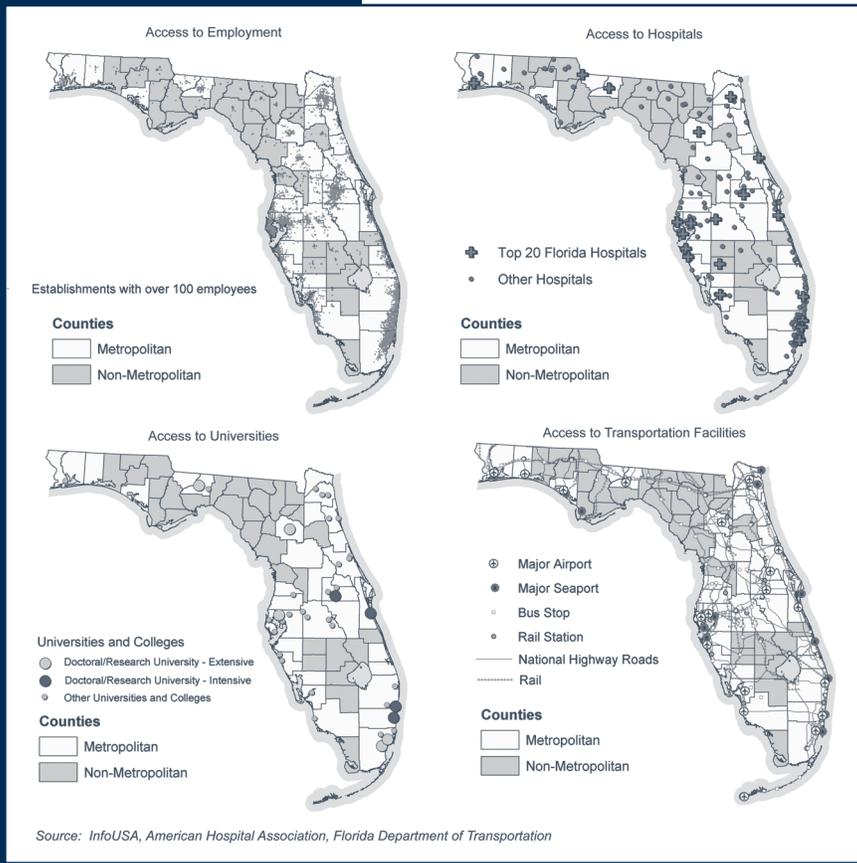
New or upgraded water systems are expensive and rural communities can find it difficult to assemble sufficient resources to make these investments. Even programs designed to help communities with these improvements can be out of reach. For example, U.S. Department of Agriculture programs (USDA Rural Utilities Service and the Water and Wastewater Loan and Grant) require a loan/grant application that must be accompanied by a completed engineering plan. Rural jurisdictions often lack the engineering expertise needed to complete the applications and do not have enough money to outsource preparation of the plan. The USDA has made grants available to help cover engineering costs but they cover only a fraction of the total cost (the grants are for \$15,000, but the engineering plans are routinely in the \$200,000 range). The USDA loans are paid back over a 40-year period, which is attractive to rural communities, but the lack of money to cover the upfront engineering costs pushes many of them to the more expensive State Revolving Fund, which covers water and wastewater treatment. The state program covers the engineering costs but must be paid back over 20 years – increasing annual costs for end users.

Several rural counties in Florida also are under consent orders from the Department of Environmental Protection (DEP) that prevent them from adding water hook-ups without DEP permission. According to rural economic development officials, this can be a deal breaker with prospective companies.

**Telecommunications.** Businesses today expect access to high-speed telecommunications, so the lack of broadband connectivity in rural areas stymies their ability to attract new companies and retain jobs. The building of telecommunications infrastructure is largely market driven and rural areas do not have the density nor critical mass necessary to attract private investment. A proposed Florida Department of Transportation (DOT) program to install fiber optics or wireless devices on the Florida Intrastate Highway System right-of-way could provide a statewide backbone, but supplemental private investment will be needed.

Internet access offers substantial benefits for rural households and businesses including the ability to market their goods and services worldwide. However, rural businesses may find sales taken away by competitors that more fully can take advantage of e-commerce technologies. In conjunction with having an adequate telecommunications infrastructure, rural businesses also need to be made aware that the Internet is as much a rural tool to enhance business as it is an urban tool. However, rural areas may increasingly be left behind if they do not have similar access to and training in state-of-the-art telecommunications technologies as urban areas. This trend is often referred to as the “digital divide.”

*Rural areas often are transportation deficient, lacking four-lane roads, commercial airports, deepwater ports, rail service, and intermodal facilities.*



**FIGURE 26.**  
ACCESSIBILITY FOR  
METROPOLITAN AND NON-  
METROPOLITAN AREAS IN  
FLORIDA

## Access to Jobs, Hospitals, Universities, and Transportation Facilities

Isolation, an issue intertwined with transportation infrastructure, is an issue in many of Florida's rural counties. Economic opportunity, health, and education are affected by ease of access – the convenience for people and businesses to reach or obtain needed customers, services, and products. The following maps (Figure 26) display accessibility to employment, hospitals, universities, and transportation facilities. The general trend is that the more rural parts of the state have less accessibility, and this is especially true for access to major hospitals, universities, airports, and employment centers.

## Competition with Neighboring States

The rural counties in northern Florida compete intensely with neighboring Alabama and Georgia. Business climate deficiencies such as high workers' compensation rates and fewer (or smaller) incentives in Florida make this economic development competition more challenging, and northern Florida counties have seen manufacturers and distributors opt for locations in the two adjacent states. Georgia offers up to \$4,000 jobs tax credit for each of five years to companies expanding in designated rural counties. This compares favorably to Florida's Qualified Target Industry (QTI) tax refund, which is \$6,000 per job in rural counties for the first year only. Georgia also has a county-level Special Purpose Local Option Sales Tax, designed primarily for infrastructure projects, that also may be used for economic development initiatives (e.g., workforce, bonds for industrial sites, and tourism). The greater incentives and financial resources available in the rural areas of neighboring states, such as Georgia, add to the obstacles faced by rural Florida to secure economic opportunities.

## Government Finance and Fiscal Capacity

**Funding formulas and tax rates.** Changes in state funding formulas are putting an increasing burden on counties and municipalities to finance public services. For example, counties must absorb higher nursing home and court system costs, and may have to increase their share of medical transportation expenses. While these changes are difficult for large counties with diverse tax bases, they are even more challenging for rural counties. Many rural counties are levying property taxes at the maximum rates

allowed by Florida law.<sup>10</sup> These rural counties are more likely to become fiscally constrained while many larger counties still have the option of raising tax rates.

Rural communities compete with other areas for economic development, and if fiscal capacity becomes over-extended, services and infrastructure that are needed to keep the areas competitive may fall short of expectations. For example, prospective companies often require communities to meet specified fire protection standards. If these criteria (e.g., trained fire department, modern equipment, and 24-hour service) are not met due to financial constraints, the community is likely to be eliminated from consideration. If rural counties have to pay a larger share of Medicaid expenses, medical services may decline (due to lack of funding) and retirees may opt to choose other locations. Similarly, many rural areas do not meet federal standards for library square footage per capita, but are unable to invest in expansion of libraries or other public facilities because these types of capital projects would absorb several years' worth of county discretionary spending.

The financial shortfalls of rural areas are exacerbated by factors such as the large percentage of rural land that is not included in the tax rolls because it is under government ownership, particularly for military bases, state parks, forests, and other recreation and conservation areas.<sup>11</sup> Payments in lieu of taxes do not always compensate for the loss of such taxable property. Government, whether federal, state, or local, is the largest employer in many rural areas, so a lot of economic activity is off the tax rolls and there is limited locally generated revenue to support local government operations. Similarly, mobile homes in rental parks are not assessed property taxes and those on purchased land pay license fees in lieu of property taxes for the first year of ownership. These conditions tend to generate less local revenue even though mobile home residents require the same municipal services (school, ambulance, etc.) as homeowners.

Most RACEC areas do not have sufficient revenues to implement critical initiatives to improve their economic well-being, and will not be able to generate these resources internally without attracting significant economic growth. At the same time, many emerging counties are struggling with an influx of new residents and businesses and associated costs for new capital investment including schools, roads, water/wastewater, and public amenities. Options are limited for many rural counties to raise revenues and 12 RACEC counties already are levying the 10 mil cap (\$10 property tax per \$1,000 in assessed value) imposed by the state on county governments. Raising millage rates (which would require legislative action)

<sup>10</sup> As of June 2003, 12 of the 13 counties in Florida taxing at the maximum millage rate were rural (all within the Rural Areas of Critical Economic Concern designation). Duval County was the only exception.

<sup>11</sup> For example, the Everglades clean-up and restoration has prompted the state to purchase huge tracts of land, removing them from the tax rolls. As counties receive less ad-valorem taxes on these lands, they have fewer dollars for other projects. Although Florida is providing the affected counties with payments in lieu of taxes, these payments are likely temporary.

*Rural areas increasingly may be left behind if they do not have similar access to and training in state-of-the-art telecommunications technologies as urban areas.*

is not considered an option among rural officials because the 10 mil rate puts significant pressure on rural property owners and already has a negative effect on the business climate in rural areas. Unless new revenue streams are identified, many rural counties will find themselves unable to build the foundations necessary to secure control over their economic futures. Options for improving the fiscal well-being of Florida's small counties may include:

- Change the state revenue sharing formula to increase rural allotments (this option likely would be difficult to pass);
- Create local option sales tax for economic development. Georgia and Texas have enacted similar taxes, generating millions each year for economic development-related initiatives;
- Allow sales or ad-valorem tax increases by super majority of county commissioners rather than voter referendum;
- Move homestead exemption on property taxes from the first \$25,000 of a home's value to the second \$25,000; and
- Change payment in lieu of taxes (PILT) formula to generate more public revenues from non-tax paying institutions and from properties removed from economic production (e.g., lands set aside by for water conservation).

### **Planning and Coordination**

**Strategic planning.** A lack of vision or strategic planning also can impede rural development efforts. Rural regions must develop a picture of what they want to be over the next 15 to 20 years and the types of economic activities where they can be most competitive. Many rural areas face choices – maintaining their rural character and resource-based economy, or developing small cities or suburbs with more significant commerce and industry. As rural areas struggle to meet day-to-day requirements, they can lose sight of the importance of having a long-term vision for the community, a framework that channels public and private investments, as they become available, into a coherent development strategy. Without such a framework, existing efforts become ad-hoc, limiting potential synergies and resources. Rural counties also must consider zoning and long-term land use plans to prevent development accompanying urbanization (e.g., spillover from larger, neighboring counties) from putting excessive pressure on infrastructure and services. In some instances, rural communities do not have the planning and engineering staffs to develop and implement these plans nor to respond to grant proposals that may help them secure resources for meeting long-term goals.

**Political voice.** Due to a shift in population to urban areas, redistricting, changes to single-member districts, and term limits, rural communities have experienced a gradual erosion in their ability to be heard and advocate for what they need. Accustomed to a more powerful role historically in the Florida legislative process, rural areas are having to adjust to a smaller political voice. Redistricting has resulted in rural areas becoming absorbed by metropolitan districts. Due to the overwhelming population size of the urban parts of districts, legislators may direct their attention

*Options are limited for many rural counties to raise revenues. Twelve RACEC counties already are levying the 10 mil cap imposed by the state on county governments.*

to urban issues, potentially subsuming rural needs. Recent cuts in rural funding programs provide further evidence that Florida's rural areas are losing their political voice (see pages 7-40 to 7-41 for a listing of recent cuts). These problems may worsen in the future as urban areas continue to experience most of Florida's population growth.

**State and federal mandates.** The state and federal governments inadvertently can create broad-brush policies and mandates that have inordinate effects or put financial burdens on rural regions. For example, rural counties are required to meet the same mandates as metropolitan areas in maintaining roadways, staffing schools, handling waste, recycling tires, and maintaining water supplies. While these requirements serve valid public purposes, rural areas often do not have sufficient funding to address the mandates adequately without compromising other initiatives. The federal and state governments may not be aware of how legislation will affect rural areas and the financing capacity of rural governments, rural officials say. In other cases, such as the Sparsity Supplement, the unique constraints of rural areas have been recognized but the mechanisms for addressing these gaps have not been fully funded.

### Urban Issues

#### Workforce and Education

Continued progress and the well-being of Florida's inner city residents is at a crossroads that ultimately depends on the quality of the education system. Lower-income people, minorities, and immigrants must become better educated in order to make economic gains, a point stressed by the Annie E. Casey Foundation's Working Poor study as well as prior research for Chapter 3 of *New Cornerstone*. Without strong educational programs, there is a risk of a dual-class, wealthy and poor, society developing in Florida's cities, with the middle class living predominantly in the suburbs. This potential dichotomy already is evidenced by educational attainment in Florida's cities, which concurrently have a *lower* high school attainment rate than the state average while having a *higher* share of their population with at least a bachelor's degree.

While working people in the inner cities can maintain a middle class lifestyle, many are just one paycheck away from poverty. Should less-educated people lose their jobs, they often do not have the flexibility in job skills to find new positions. Training programs and educational funding are available for people in such circumstances (e.g., from regional workforce boards, industry associations, community colleges, public schools, the Small Business Administration, and similar groups), but they often are unaware of these opportunities. There is also a perception that training initiatives (such as those with Workforce Florida) are concentrated on higher paying occupations (e.g., those that pay \$10 to \$15 per hour), for which lower skilled urban residents may find themselves ineligible. Workforce Florida does have tiered programs designed to assist people of varied skill levels and job

*Many rural areas face choices – maintaining their rural character and resource based economy, or developing small cities or suburbs with more significant commerce and industry.*

experience. People with little or no job experience need to become aware of the specialized training opportunities that are available.

### **Infrastructure**

**Limited funding and concurrency requirements.** Florida's urban areas compete by the adequacy of their infrastructure, but educational facilities, water and wastewater treatment facilities, and transportation systems are deteriorating in many inner cities. The adequacy of urban water and wastewater systems has become a paramount concern. Limited funding capacity for improvements increasingly has put the onus on developers to make infrastructure improvements, such as upgrades to wastewater and water pipes that are not immediately adjacent to their properties. Concurrency requirements (infrastructure standards that must be in place to accommodate new development) are law in Florida, but strained public finances put an increasing burden on developers to provide for a larger range of improvements. While businesses have the resources and responsibility to make needed upgrades in public infrastructure to accommodate their projects, excessive costs can become a deterrent to development.

**Lack of transportation options.** A lack of transportation options limits economic opportunity for Floridians in some inner cities. In particular, for the eight percent of Florida residents who do not own a vehicle, and for the many two-worker households with only one vehicle, infrequent schedules and limited geographic extent of bus routes and other transit services reduce options for employment. Large numbers of jobs in low-density areas are either difficult to access with public transit or completely inaccessible because few transit service providers offer reverse commute services. Poor connections between local and interregional public transportation services also limit the ability of those without a car to make trips to destinations outside their communities.

### **Housing and Retailing**

**Neighborhood gentrification and displacement.** Neighborhoods in Florida's inner cities, such as Overtown Park West in Miami and Thornton Park in Orlando, that have a strong architectural fabric, proximity to jobs and entertainment, and vibrant culture are attracting higher-income people. The influx of new, wealthier people, however, pushes up property values and can make these neighborhoods unaffordable to their traditional, generally lower income, residents. As gentrification continues and limits choices, housing (and employment) options must be maintained for the displaced residents.

**Uncertain future for affordable housing.** For FY 2003-2004 the Florida Legislature preserved the use of documentary tax revenues (generated through property sales) as a dedicated source of revenues for the state's housing trust funds. These funds (\$250 million in FY 2002-2003) are used to leverage private sector and federal investments and provide access and home ownership opportunities to low-cost houses and apartments. However, a diversion of roughly half (\$126 million in FY 2003-2004) of these trust funds to general revenue to pay for class size reductions may limit available funds for housing programs in the future.

*While working people in the inner cities can maintain a middle class lifestyle, many are just one paycheck away from poverty.*

As counties seek new revenue sources in order to meet financial and public service commitments, they have started to levy property taxes on low income housing complexes owned by not-for-profit corporations. This is further undermining the availability of low-cost housing in rural and urban parts of Florida. In Palm Beach County, only very low income units are now exempted from property taxes, forcing the not-for-profit property owners to raise rents on remaining units. In some instances, this has led to rent increases of about \$100 per month, effectively making the housing units less accessible to the low income families for whom they were built.

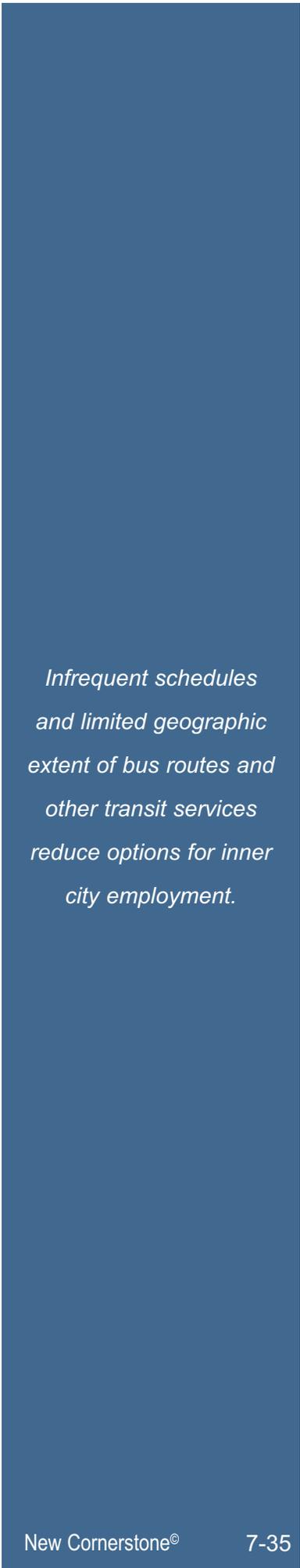
**Lack of commercial establishments to serve local needs.** Inner cities often do not have the commercial establishments (grocery stores, pharmacies, hardware supplies, etc.) necessary to fulfill local needs. Beyond being an inconvenience to city dwellers, inner city dollars (and their multiplier effects, including job effects) shift to other neighborhoods or communities that can offer retail outlets and services. Although inner city communities often have the buying power to support a greater range of commercial establishments, the market has not discovered fully the potential of inner city retailing. Existing retail transactions data for inner cities may leave a false impression to prospective retailers that the area has less buying power than it actually has. A strong network of retailers and local service providers can form an economic foundation for the inner cities, providing job opportunities, a more cohesive urban fabric, and a heightened sense of community.

**Access to Capital**

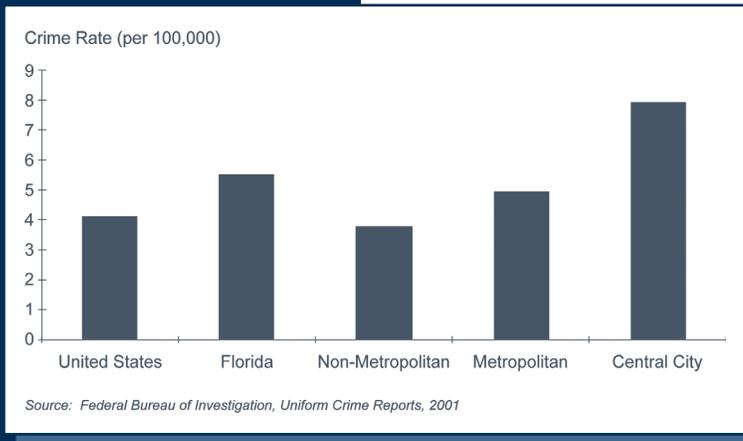
Small business is an integral component of the economic development process as it creates jobs and wealth, introducing new income streams into central cities. However, access to capital is a critical barrier that limits growth opportunities for start-ups and small businesses statewide. Inner city businesses and entrepreneurs may encounter particular difficulties securing equity and debt capital. Compared to their counterparts in the suburbs, business owners in inner cities are less likely to have sufficient collateral from their homes or may have more difficulties obtaining capital from family or friends. Without equity, it thus becomes more difficult to secure traditional bank loans.

**Crime**

Florida’s crime rate, notably in central cities, remains one of the highest in the nation with over 5,500 crimes per 100,000 population (compared to 4,160 for the United States). Crime rates are well under the national average in non-metropolitan areas in Florida, but approximately twice as high than the United States rate in Florida’s central cities (Figure 27). Crime in Florida’s cities, however, is on a downward trend, as evidenced by a 39 percent decrease in Miami’s crime rate between 1995 and 2001. By comparison, the decline for the state was 27 percent over the same period. The crime rate is a criterion used by businesses and organizations when selecting site locations. Florida’s cities will need to continue their successful efforts at reducing crime to fortify their image as a place to expand, relocate, or visit. Crime is not



*Infrequent schedules and limited geographic extent of bus routes and other transit services reduce options for inner city employment.*



**FIGURE 27. TOTAL CRIME RATE, 2001**

uniform in Florida's central cities and many neighborhoods are safe, even when compared to outlying suburbs.

### **Government Finance and Fiscal Capacity**

Many factors add to the challenges of adequately serving the needs of inner city residents. Population growth increases demand for government services, but the demographics and low income levels of the new residents limits new revenue to make needed infrastructure improvements. For example, extended families live together in single family homes in inner city neighborhoods, so a home designed for one family may house two or three. This puts significant burdens on municipal services and finances. Although property taxes are being paid on a single home, the municipality must supply services such as roads, water/ wastewater, and education to the equivalent of three families to support the household. These dynamics add to the difficulties of maintaining and improving infrastructure in the inner cities.

### **Planning and Coordination**

Strategic planning and program delivery for inner cities is an outcome of a mixture of local, state, federal, private, and faith-based efforts. The delivery areas for these initiatives can range from several blocks to an entire urban county. Given the variety of jurisdictions, programs, and geographies, creating a cohesive vision for inner cities is complex. These myriad programs and entities must operate within a coordinated framework to eliminate duplication and better apply scarce resources to address inner city issues and create opportunities.

## **7.5 Florida's Equity and Diversity Programs and Initiatives**

A common goal of economic development is to encourage the growth of opportunities for regions and ethnic or racial groups that have not enjoyed the same levels of prosperity as the prevailing population. In response, local, state, federal, private, non-profit, and faith-based entities have created numerous programs and incentives to foster improvements in the livelihoods of people who reside in distressed areas or are members of an economically disadvantaged group. This section summarizes programs that have been implemented in Florida, highlighting accomplishments and opportunities for improvement. Given the range and breadth of programs, this analysis is neither comprehensive nor exhaustive. It draws common themes and provides a segue for the priorities and strategies section that follows.

## Rural Development Programs and Initiatives

### Rural Economic Development Initiative and Rural Areas of Critical Economic Concern

The Rural Economic Development Initiative (REDI) is a multi-agency effort mandated by Florida statute to assist rural counties and communities in solving problems that affect their fiscal and economic viability. The initiative is coordinated by OTTED and undertakes outreach, capacity building, and advocacy to enhance the quality of life by creating jobs, increasing skill levels, and developing area resources. REDI works with local governments, community-based partnerships, and private organizations to mitigate the adverse impacts of statutes and rules on rural communities. In some cases, REDI accomplishes this goal by waiving financial matching requirements for particular programs.<sup>12</sup> Thirty agencies are members of REDI, covering economic development, environmental, transportation, social, and educational interests. Each has designated staff that can implement REDI priorities.

Since 1999, the Governor, with support from REDI, has designated four cities and 28 counties (Figure 28) as Rural Areas of Critical Economic Concern (RACEC).<sup>13</sup> These areas are selected based on adverse economic conditions (e.g., low per capita income and wages; high poverty and unemployment) or the existence of an economic development opportunity that will create at least 1,000 jobs over a five-year period. The designated counties rank among the most economically distressed in the state. Per capita income in the RACEC counties had fallen to only 60 percent of the national average by 2001 (Figure 29). The RACEC designation provides incentives and waivers to help level the playing field between rural and urban Florida, giving rural communities a chance to compete for a wider variety of projects. Some state agencies are including rural areas of critical concern designation as a factor in future program decisions. For example, the Florida DOT is using the designation as a consideration in the development of the Strategic Intermodal System, which comprises highways, railways, seaports, airports, and other transportation facilities of statewide and interregional significance.

As an example of how the program works, RACEC contributed to a large retailer's decision to select DeSoto County for a new distribution center by allowing it to apply incentives such as the

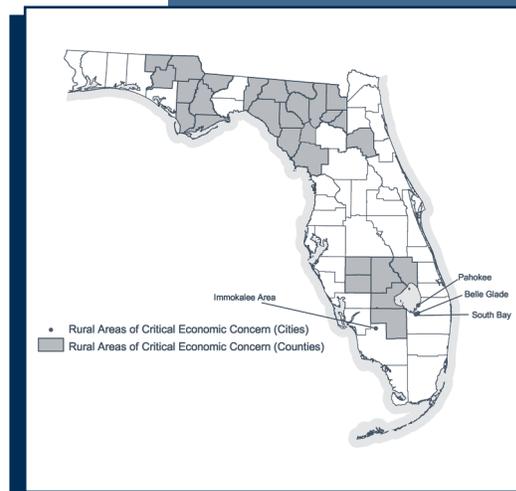


FIGURE 28. RURAL AREAS OF CRITICAL ECONOMIC CONCERN

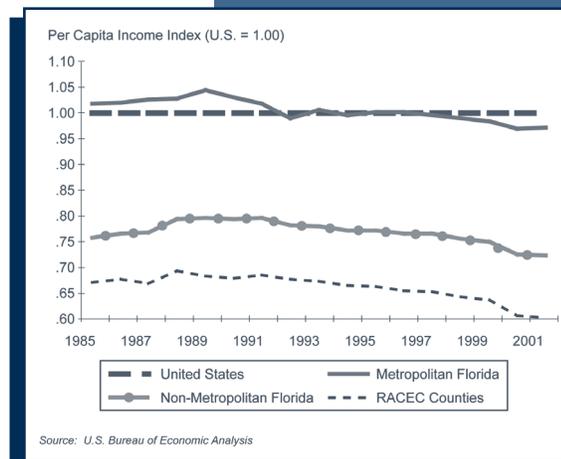


FIGURE 29. RURAL AREAS OF CRITICAL ECONOMIC CONCERN ARE LOSING GROUND IN PER CAPITA INCOME

<sup>12</sup> For example, REDI initiated a change in state statutes so rural counties would not have to pay a \$25,000 fee required as part of the process to close landfills. Rural counties could not afford this charge nor the fines that accumulated for not making this payment.

<sup>13</sup> RACEC-designated counties include Baker, Bradford, Calhoun, Columbia, DeSoto, Dixie, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Okeechobee, Putnam, Suwannee, Taylor, Union, and Washington. Pahokee, Belle Glade, South Bay, and the area around Immokalee are the four RACEC-designated communities.

Qualified Target Industry tax refund and the Economic Development Transportation Fund.<sup>14</sup> These incentives combined with special appropriations and grants for water/wastewater improvements helped DeSoto County win the project.

Although the DeSoto County experience points to a success for the RACEC initiative, other communities have seen few benefits from the program thus far or are hampered by other deficiencies. For example, even with the incentives and waivers offered by RACEC, another county had difficulties competing due to a lack of industrial parks and available buildings. While RACEC incentives may spark an interest, they alone may not compensate for other deficiencies that deter businesses from expanding to rural areas. While RACEC is a good initiative in principle, it has produced only limited results thus far. Few state agencies have incorporated RACEC into their plans and programs and there is a sense that efforts to date have been cursory.

### Regional Partnerships

#### **Florida Heartland Rural Economic Development Initiative.**

In South Central Florida, six contiguous RACEC-designated counties (DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee) have joined forces to form the FHREDI. Sharing common concerns and recognizing that economic development is a unifying issue, these counties are taking a regional approach, including the use of the tools available to them through the RACEC designation, to encourage business and tourism in their area. FHREDI also developed a regional initiative to encourage tourism, “Florida’s Freshwater Frontier.”

**Florida’s Great Northwest and Opportunity Florida.** Florida’s Great Northwest, Inc. comprises 16 counties (Escambia, Santa Rosa, Okaloosa, Walton, Holmes, Washington, Bay, Jackson, Calhoun, Gulf, Gadsden, Liberty, Franklin, Leon, Wakulla, and Jefferson), most of them rural, committed to a collaborative pursuit of the region’s business, academic, and economic growth. More than 50 public and private sector organizations have partnered to pursue the expansion and diversification of the region’s economy. This large grouping of counties was pursued partially to create a large constituency since the region lacks any cities with the size and draw of its southern neighbors. Florida’s Great Northwest, in turn, has teamed with various state and regional organizations, including Enterprise Florida, Visit Florida, and Workforce Florida, to further support the region’s economic development opportunities. The strong focus of Florida’s Great Northwest in marketing and branding the region, creating an identity, and generating leads encourages cooperation between the counties and contributes to the organization’s success. In the same region of the state and a member of Florida’s Great Northwest, Opportunity Florida is a grouping of eight RACEC counties (Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, and Washington) working in parallel to promote area businesses, coordinate prospect development

*The Rural Areas of Critical Economic Concern are among the most economically distressed regions in the state. Per capita income is 60 percent of the national average.*

<sup>14</sup> Florida’s inducement clause can be waived for RACEC counties. In non-RACEC counties, the clause would prohibit the use of incentives for businesses that would choose a Florida location regardless of the incentives.

and marketing for the region, and help with the preparation of grant applications.

**North Central Florida.** A regional organization similar to Opportunity Florida in the Northwest and FHREDI in South Central Florida has not yet formed to cover the 13 RACEC counties (Jefferson, Madison, Taylor, Hamilton, Suwannee, Lafayette, Dixie, Columbia, Baker, Union, Bradford, Levy, and Putnam) in the North Central part of the state. The local economic development organizations are discussing how to put together such an organization, whether to expand an existing entity such as a regional planning council to incorporate additional counties or create an entirely new organization.

### **Federal Enterprise Communities and Empowerment Zones**

The Empowerment Zone/Enterprise Community (EZ/EC) program is a Presidential initiative designed to create self-sustaining, long-term economic development in areas of deep poverty and unemployment. The program, administered by the U.S. Department of Housing and Urban Development (HUD) and Florida's Department of Community Affairs, provides federal dollars, economic incentives, and other assistance to federally designated rural and urban communities. Two Florida communities have been selected as Enterprise Communities: the Empowerment Alliance of Southwest Florida Enterprise Community and the Jackson County Enterprise Community. Each community receives Social Services Block Grant funds as well as priority in the competitive grant programs of most federal agencies.

As an example, Jackson County is using funding for economic development and planning activities from a \$3 million grant covering the 1995 to 2005 period to build a system of community centers that will provide a wide range of social, health, recreational, educational, job readiness, and related support services. The development of a sustainable economy in the area has been furthered by the establishment of the Jackson County Economic Development Council (JCEDC) to focus and coordinate economic development activities and provide assistance to existing small business and entrepreneurs. This includes establishing and operating a Jackson County branch of the Gulf Coast Community College Small Business Development Center.

### **Adequacy of Program Funding and Duplication in Effort**

Myriad efforts at the federal, state, regional, and local levels are designed to assist rural areas in economic development, ranging from U.S. Department of Agriculture programs to encourage improvements in water/wastewater infrastructure to the state's RACEC program to provide waivers and incentives to encourage economic development in economically distressed rural regions. There is concern that there are too many programs with different missions covering a range of jurisdictions and potentially diluting efforts. For example, an economic development leader in a RACEC county was not certain about what that designation entailed, perhaps indicating that the effort is difficult to distinguish among the dozens of state and federal development initiatives

*While the Rural Areas of Critical Economic Concern is a good initiative in principle, few state agencies have incorporated RACEC into their plans and programs and there is a sense that efforts to date have been cursory.*

and programs offered to rural regions. While some initiatives have been effective at bringing people together, it has been more difficult to show tangible, larger-scale, results. The lack of resources, even when programs are conceptually strong, may prevent effective assistance to rural communities. Rural economic development organizations also may be unaware of the opportunities that are available to them through federal and state programs or may lack the staff expertise to develop and win competitive grant applications.

### **Funding Cuts in State Programs for Rural Areas**

The State of Florida has many programs in place designed to balance the inequities between rural and urban areas, including initiatives to induce industries to locate in rural areas and assistance to existing rural businesses. However, due to the financial constraints encountered by the State, many of these programs were cut back or eliminated starting in FY 2003/2004.

- **Small County Road Assistance Program (SCRAP) and Small County Outreach Program (SCOP).** SCRAP, a Florida DOT program to help local governments design, build, and maintain transportation projects, did not receive any funding for FY 2003/2004. In FY 2001/2002, SCRAP had funding of \$27.3 million. Funding also was eliminated for Florida DOT's Small County Outreach Program (SCOP), which assists small county governments in resurfacing or reconstructing county roads, or in constructing capacity or safety improvements to county roads. In FY 2001/2002, SCOP had funding of \$37.3 million.<sup>15</sup>
- **Regional Rural Development Grant (RRDG).** The RRDG provides matching grants of between \$35,000 and \$100,000 to encourage regional approaches to economic development and leverage limited resources in RACEC. Funding for this program (\$400,000 in FY 2002/2003), administered by Enterprise Florida, was eliminated for FY 2003/2004.
- **Rural Infrastructure Funds.** This resource is available to rural communities to plan, prepare, and finance (up to 30 percent of a project cost) infrastructure projects that result in job creation and capital investment. The grants are made to local governments on behalf of a business for public infrastructure upgrades. The resources available for this program have been whittled down over the past few years from \$4 million in FY 2001/2002 to \$500,000 for FY 2003/2004, and are no longer sufficient to meet existing demand or make a significant contribution to rural Florida.
- **Rural Revolving Loan Fund.** This program allowed rural counties to borrow funds for land purchases and infrastructure improvements related to economic development projects. Funding for the program, which had been as high as \$2 million in FY 1999/2000, was eliminated for FY 2003/2004.

*There is concern that there are too many programs with different missions covering a range of jurisdictions and potentially diluting efforts to help rural Florida.*

<sup>15</sup> FDOT Office of Planning and Policy, *Selected State Funded Transportation Programs Targeted for Counties and Rural Economic Assistance*, November 19, 2002.

- **Economic Development Transportation Fund.** Available to all municipalities in Florida, including rural, the Economic Development Transportation Fund, commonly known as the Roads Fund, provides funding to local governments for transportation projects that facilitate job creation or retention. Typically the Roads Fund covers small-scale projects such as access roads to new business establishments. Rural counties, such as Jackson County, which was awarded \$5 million from the Roads Fund over a three-year period, consider the Fund key for securing job-producing projects. Funded at \$20 million in FY 2002-2003, the Fund was reduced to \$10 million for FY 2003-2004.

## **Inner City Programs and Initiatives**

### **Florida Enterprise Zone Program**

Initially established in 1982, the present day Florida Enterprise Zone program was created in 1994, largely based on the federal government's EZ/EC programs. Through the use of incentives, enterprise zones target development to designated areas, both urban and rural, that demonstrate significantly higher levels of economic distress than statewide averages (e.g., poverty levels higher than 20 percent). As stipulated by Florida law, the tax credit is only available if the wages paid are at least on par with average private sector wages in the state. The Governor named four new enterprise zones within the cities of Cocoa, Pensacola, Tallahassee, and Hillsborough County in 2003, bringing the total number of enterprise zones to 51 statewide, divided between "urban" (23) and "rural" designations (28).<sup>16</sup>

OTTED is responsible for overseeing the activities of local enterprise zones and has been authorized by the Florida Legislature to review and approve eligible enterprise zone application packages. Enterprise Florida plays a role in marketing the program, while the Florida Department of Revenue processes all enterprise zone tax incentive applications. Businesses located in enterprise zones benefit from economic incentives such as corporate and sales tax credits for job creation, sales tax refunds on the purchase of business equipment and materials, property tax credits, sales tax exemptions for electricity, and tax credits for making contributions to community development projects. The tax credits and exemptions generally are greater for rural-designated enterprise zones. Between 1997 and 2002, 26,000 jobs have been created in Florida's Enterprise Zones, assisted by \$26.6 million in tax incentives.<sup>17</sup>

### **Office of Urban Opportunity and the Governor's Front Porch Florida Initiative**

Operated by the Governor's Office of Urban Opportunity, the Front Porch Florida Initiative is designed to help communities revitalize their neighborhoods, making them better places to live, work, and play. The Front Porch initiative is a process that brings

*The lack of resources, even when programs are conceptually strong, may prevent effective assistance to rural communities.*

<sup>16</sup> <http://www.floridaenterprisezone.com/Map.htm>.

<sup>17</sup> [www.floridaenterprisezone.com](http://www.floridaenterprisezone.com), Tallahassee Democrat, "Businesses Welcome Incentives," April 4, 2003.

community leaders, citizens, and service providers together to improve the health of the state's communities. These groups develop a Community Action Plan that forms a blueprint for attaining neighborhood goals. Although Front Porch Florida has established minimum requirements for developing these plans, the plans are locally driven. The Front Porch Florida initiative seeks a holistic approach to community development, realizing that many interrelated elements (education, social needs and issues, family development services, economic opportunities, and community-based services) contribute to the vitality of a neighborhood. As such, an "A Team" of core state agencies may be invited to assist the communities in drafting and implementing the Community Action Plans. Private corporations also are invited to participate in these forums. Once fully implemented, these plans should lead to sustainable community changes that result in physical and social improvement. Front Porch Florida requires communities to match state funds with applicable federal, state, and private or non-profit funding resources. In FY 2001-2002, the Office of Urban Opportunity had a budget of about \$1.2 million.

#### **Urban High-Crime Area Job Tax Credit (Urban Job Tax Credit Program)**

The Urban Job Tax Credit Program (UJTCP), known statutorily as the "Urban High-Crime Job Tax Credit," became available to businesses in 1999. The program, which provides eligible businesses with tax credits against either the Florida Corporate Income Tax or the Sales and Use Tax, was established to create new jobs, improve the quality of life of those employed, and promote expansion of new and existing businesses in Florida's urban areas. The program is administered by OTTED and marketed by Enterprise Florida, and makes available a total of \$5 million in tax credits on an annual basis. OTTED has designated 13 locations (one or more locations in Jacksonville, Ocala, Orlando, Palm Beach County, Tampa, Fort Lauderdale, Miami-Dade, Pompano Beach, Tallahassee, Lakeland, and St. Petersburg) as eligible for the tax credits. These locations are divided into three tiers, with businesses located in (or expanding to) Tier One urban areas earning credits of up to \$1,500 per new job. In order to be eligible, businesses must be engaged in activities within a designated set of industries. While these incentives have led to new jobs and investments in Florida's urban areas, the UJTCP has been comparatively under utilized compared to other state incentive programs. In recent years, only about half of the \$5 million authorized annually has been awarded according to Enterprise Florida. In 2003, a legislative bill (SB 2328) was proposed to increase the UJTCP's coverage area, remove stigmatizing references to high crime from the program, expand eligible industries to include those targeted under the Qualified Target Industry Tax Refund (QTI), eliminate the zone tiers with different award and job thresholds, and allow the transfer of unused tax credits. Often, businesses considering rehabilitation in urban areas have insufficient tax liability to fully benefit from the credits awarded, making the credits unusable. Eligible companies could raise capital by being able to transfer unused credits.

*The Front Porch Florida Initiative is designed to help communities revitalize their neighborhoods, making them better places to live, work, and play.*

### **Local Initiatives Support Corporation and Community Development Corporations**

The Local Initiatives Support Corporation (LISC) is a national non-profit community development organization that provides capital, training, and technical expertise to community-based development organizations to foster the development of stronger local leadership and the creation of housing, commercial development, and economic opportunities. The LISC has Florida programs in greater Miami, greater Tampa, Jacksonville, and Palm Beach County. The LISC relies on contributions to fund the initiatives of community development corporations (CDCs) which address specified needs such as child care, crime prevention, housing preservation, commercial development, and recreational initiatives. Florida's four LISC programs support the efforts of many CDCs within their areas. In addition to money from the national LISC, the regional LISC programs and CDCs may receive funding from local entities, including municipalities, corporations, and foundations. For example, the Greater Miami LISC has raised \$10 million, including a match from the LISC's national office, to help 15 local CDCs develop housing and commercial space. Fundraising for the project was spearheaded by local public and corporate leaders. The total economic impact of this initiative is expected to be in the \$50 million to \$175 million range.<sup>18</sup>

### **Task Force on Urban Economic Revitalization (Miami)**

The Task Force on Urban Economic Revitalization was created in 1997 to help provide focus to Miami's economic development efforts, encourage the formation of public/private partnerships to revitalize Targeted Urban Areas (TUAs, areas that have lagged the rest of Miami-Dade County in economic opportunity), and provide more local control of economic development funding for these areas. Currently, there are 17 TUAs that have been designated in Miami-Dade County. Although the program includes historical preservation and other initiatives, the most significant effort of the Task Force is its Targeted Urban Area Revolving Loan Fund. This fund provides financial assistance, in the form of fixed-rate loans, to businesses in TUAs to promote business expansion and retention. The funds are expected to be used for purchases of machinery, the construction and renovation of commercial properties, and the acquisition of real estate. Each \$35,000 in loans provided must be accompanied by a permanent job for a resident of a TUA. The seed money for program is from the U.S. Department of Housing and Community Development. Total resources for the fund were \$39.2 million in 2002, of which \$30 million was committed.

## **Racial Equity Programs and Initiatives**

### **Florida Black Business Investment Board**

In 1985, the Florida legislature passed the Small and Minority Business Assistance Act, establishing the Florida Black Business Investment Board (FBBIB). The FBBIB was created to strengthen the economy of the state by increasing the number of qualified

<sup>18</sup> Local Initiatives Support Corporation (press release), "Civic Leaders Launch Campaign to Rebuild Miami Neighborhoods," January 18, 2002.

*The Urban Job Tax Credit Program has been comparatively underutilized compared to other state incentive programs.*

*JACKSONVILLE – INNER CITY PROGRAMS*

Numerous organizations in the Jacksonville area provide a variety of programs, ranging from business recruitment to Internet connectivity, targeted to inner city neighborhoods and areas of high unemployment. While it is beyond the scope of this study to cover every major city in similar detail, this case study demonstrates the breadth of initiatives that are available in Florida's inner cities to foster greater economic opportunities.

- **Full-time business development.** The primary economic development agency for Jacksonville and northeast Florida, the Jacksonville Cornerstone has dedicated a full-time position to attracting businesses to areas of high unemployment, including the inner city. First Coast Workforce Development, Inc. and the Jacksonville Chamber of Commerce have contributed to the position, which has been involved in the creation of \$5 million in investment and 350 jobs over the past two years.
- **Resources for infrastructure improvements.** The city-run Jacksonville Economic Development Commission (JEDC) administers the Business Infrastructure Grant/Loan (BIG) program to attract economic development to targeted areas (e.g., Northwest Jacksonville) by providing access to capital for infrastructure improvements (e.g., water, sewage lines, building rehabilitation) serving commercial businesses that increase the tax base. The maximum loan/grant amount is \$250,000 and may not exceed \$15,000 per new job created or job retained. The JEDC BIG program also includes a facade improvement grant designed to encourage investment from private industry by providing funds for the improvement of exterior storefronts. The initiative contributes to urban redevelopment by improving pride of ownership and drawing clientele to inner city retail and services establishments. Rehabilitation in combination with infrastructure improvements can be an effective recruitment tool, attracting movie theatres, restaurants, drugstores, offices, and manufacturers to economically distressed areas.
- **One-stop shop for business assistance and technical services.** To fill gaps and eliminate duplication between technical assistance providers, Jacksonville spearheaded an effort, the Small Business Center, to create a one-stop shop to help those who wish to own and grow a successful small business. The SBC is a collaborative effort between the Business Development Corporation of Northeast Florida, City of Jacksonville, First Coast Black Chamber of Commerce, Florida Procurement Technical Assistance Center, Service Corps of Retired Executives, the U.S. Small Business Administration, Small Business Resource Network, the University of North Florida's Small Business Development Center, and the Jacksonville Chamber Alliance for Small Enterprises. A microloan program is now offered by the center and consumer credit counseling has also become available. By bringing together a variety of services under one roof, the Small Business Center provides an effective vehicle for making technical assistance available to inner city enterprises.
- **Inner-city incubator.** The Beaver Street Enterprise Center (BSEC) provides services to residents and businesses in Jacksonville's inner city New Town, College Gardens, Durkeeville, and North Riverside neighborhoods. The BSEC was developed by Fresh Ministries and is run by Core City Business Incubators, a non-profit entity. Fresh Ministries is a Jacksonville-based interfaith organization working to create opportunity in the center city. It chose to develop the incubator following a study showing economic development as an urgent and

fundamental need in inner cities. Funding, in the form of grants and loans, is provided by HUD, the U.S. Department of Commerce, the City of Jacksonville, and Wachovia Bank. Designed to help early-stage businesses, the BSEC will graduate 20 to 25 businesses into the community every 18 to 24 months. The program targets non-retail businesses that can bring higher-wage jobs, investment, and commerce to the inner city. Participating in the program is likened to earning an MBA as businesses gain new administrative, planning, marketing, and accounting skills while gaining access to networking opportunities that will help sustain them in the future.

- **Internet connectivity.** A joint effort of the City of Jacksonville, the Jacksonville Chamber of Commerce, and a number of private firms, including Bell South, the Jacksonville Wireless Internet Zone (Jax WIZ) initiative was inaugurated in 2001 to connect more homes and businesses to the Internet. The program provides computers and technical assistance free of charge (contributed by private partner organizations) to low income households and to businesses in central city neighborhoods that would not otherwise have had Internet access due to financial constraints. The Jax WIZ program provides a low-cost means for inner city residents to benefit from the opportunities available through the Internet. The program is progressively expanding its coverage to include more of the city's neighborhoods. In its first year, the program connected about 90 households and businesses to the Internet.<sup>19</sup>
- **Social Compact's National Pilot Initiative.** The Social Compact is a Bethesda, Maryland-based organization that brings together a coalition of business leaders to promote business investment that will benefit the residents of economically disadvantaged communities. The Social Compact addresses key impediments to private investment in inner-city communities by counteracting negative stereotypes through the intensive analysis of inner-city markets. The market analysis process ("Neighborhood Markets Drill Down") reveals hidden strengths of inner-city neighborhoods and captures populations, economies, and micro-market opportunities that exist below the radar of traditional market information sources. Jacksonville, specifically, its northwest quadrant, is a pilot market city, along with New Orleans, for the Social Compact's (in cooperation with the President Bush Administration and the King family) National Pilot Initiative, a three-year effort, spearheaded locally by municipal, business, and community leaders, to assess key business attributes and investment opportunities in African American communities. Using the research findings, the Social Compact will assist neighborhood residents and stakeholders with community visioning to help define development goals. The market studies in combination with the visioning process are expected to lead to new private investment and tangible improvements to Jacksonville's northwest quadrant.

black business enterprises. The goals of the FBBIB were to improve the welfare of economically depressed neighborhoods; increase opportunities for the employment of Blacks, as well as the general population; provide role models and establish business networks that will benefit future generations of entrepreneurs; and increase access of Black businesses to both debt and equity capital.

FBBIB is a public-private partnership (and a not-for-profit corporation) that provides access to capital, technical assistance and business opportunities. FBBIB partners with financial institutions

<sup>19</sup> Jacksonville and Northeast Florida Business Journal, March 27, 2003.

and other organizations to leverage public dollars, and its services are delivered to Florida constituents through eight regional Black Business Investment Corporations (Daytona Beach, Ft. Lauderdale, Jacksonville, Miami, Orlando, Tallahassee, Tampa, and West Palm Beach). Since its inception in 1985, the FBBIB has disbursed \$51.2 million in loans.<sup>20</sup> State funding for FBBIB (partnered with and administered by OTTED) was about \$1.3 million for FY 2001-2002.

Despite its successes, the program is too small to have had significant impacts on the well-being of Florida's Black population. Legislation was passed in 2002 to transform the FBBIB from a "body politic" within OTTED into a private not-for-profit corporation. By working with the state and the private sector, it is expected that the new entity will be able to provide more capitalization to Florida's Black owned businesses.

### **Local Hispanic Chambers of Commerce and Florida State Hispanic Chamber of Commerce.**

Florida has 20 organizations, forming a statewide network, that are members of the U.S. Hispanic Chamber of Commerce. Examples of these organizations include the Southwest Florida Hispanic Chamber of Commerce in Fort Myers, the South Beach and Greater Miami Hispanic Chamber of Commerce in Miami, and the First Coast Hispanic Chamber of Commerce in Jacksonville. The goals of these Hispanic Chambers are centered on assisting in the development of Hispanic-owned businesses. Initiatives include encouraging ties to other private and public sector entities, providing advocacy for Hispanic businesses, and promoting trade with Latin American counterparts. Frequent meetings provide members with the opportunity to network, a chance to learn about business prospects, and a forum to discuss social, economic, and political issues affecting their businesses and communities.

In 2000, the Florida State Hispanic Chamber of Commerce (FSHCC) was incorporated to represent and support Florida's Hispanic business community as an umbrella organization for the state's local Hispanic and Hispanic-responsive chambers and economic development groups. By bringing together regional groups from throughout the state, the FSHCC provides a single voice for Florida's Hispanic business community. The FSHCC advocates for policy changes that will foster economic development, and provides resources for organizations seeking to promote Hispanic entrepreneurship and commerce in Florida. The goals of the FSHCC were furthered in 2002 by entering a partnership with the Florida Chamber Federation. The partnership provides the FSHCC with access to the Chamber Federation's public affairs team and Legislative Policy Council, while allowing the Federation to better represent a large and growing part of the Florida populace and economy.

### **Faces of Florida Project**

A program of Leadership Florida, the Faces of Florida project is designed to encourage Florida's residents to recognize and respect

*Despite its successes, the Florida Black Business Investment Board is too small to have significant impacts on the well-being of Florida's Black population.*

<sup>20</sup> Florida Black Business Investment Board, "Feasibility Study for Service Expansion, Final Report," September 27, 2002.

the strength of the state's diversity, and to work toward the elimination of discrimination, prejudice, and stereotyping.<sup>21</sup> Faces of Florida is an initiative communicating a new, positive, and consistent message about the strength of the state's diversity and the challenges of prejudice and discrimination. Dozens of organizations have joined this effort, many education-related organizations, the Florida Association of Counties, and the National Council for Communities and Justice (NCCJ). An early initiative of Faces of Florida was to create community-based diversity projects in each of Leadership Florida's eight regions.

### **Retiree Initiatives**

#### **Destination Florida Commission and Communities for a Lifetime**

Destination Florida is an initiative of the Executive Office of the Governor and the Florida Department of Elder Affairs to maintain and improve Florida's attractiveness as a haven for retirees. Retirees' demand for consumer goods, real estate, and services has been an underpinning of the Florida economy for decades, and Florida's older population is wealthier than its equivalents in other parts of the nation. Destination Florida was established in 2002 and recently completed an evaluation of Florida's competitive position in attracting retirees. Based on the findings of this evaluation, recommendations are being developed to make Florida more retiree friendly in the future.

Destination Florida will continue the Governor's Communities for a Lifetime initiative, which encourages communities to prepare for the retirement of the baby boomer generation. The Communities for a Lifetime initiative currently involves 51 Florida counties and communities that have made a commitment to becoming "senior ready."<sup>22</sup> These communities seek to become more senior-friendly by conducting a self-assessment of traffic signals, street signage, access to affordable housing, medical services, and many other aspects of daily life. Through this program, the Department of Elder Affairs seeks greater commitment from a variety of state, county, and city agencies and organizations in an effort to raise awareness of the needs of seniors.

## **7.6 Priorities and Strategies**

This section presents strategies to catalyze economic opportunity among Florida's diverse regions and population groups. Rural and core urban areas form an integral component of Florida's economy, and the blueprint for Florida advanced by *New Cornerstone* should be reflected in state, rural, and urban development policies and strategies. Florida's Strategic Plan for Economic Development

<sup>21</sup> Leadership Florida is a non-partisan, non-profit organization dedicated to building a diverse, statewide network of leaders.

<sup>22</sup> Florida Department of Elder Affairs web site, May 14, 2003.

*By bringing together regional groups from throughout the state, the Florida State Hispanic Chamber of Commerce provides a single voice for Florida's Hispanic business community.*

should increase its emphasis on rural areas and central cities in this manner, integrating them in statewide strategies rather than treating them as islands. The ultimate goal is to provide all Floridians with the capabilities and resources to participate in a dynamic, global economy. Similarly, Florida's diverse population groups should be regarded as economic assets available to support the growth of Florida's trade, tourism, technology, and talent activities rather than as isolated groups incapable of competing in the global economy. The goals for Florida's diverse regions and population groups are the same as the statewide vision – that of creating jobs, increasing standards of learning, and enhancing quality of life. Ultimately, these goals will be realized by integrating all of these regions and population groups more fully into Florida's economy and reducing barriers to opportunity. In this spirit, the core strategies that are recommended focus on integrating and providing access to economic opportunity through expanded tools and enhancing partnerships. These include:

- Implement targeted programs in Florida's Rural Areas of Critical Economic Concern;
- Create an Urban Areas of Critical Economic Opportunity program; and
- Expand economic opportunity for all Floridians.

### ***Implement targeted programs in Florida's Rural Areas of Critical Economic Opportunity***

Differences in economic opportunity persist between urban and rural Florida. Rural Florida needs a commitment that it will share in the growth and prosperity of the state, a commitment that will translate into more higher-paying jobs and a larger tax base. Until a commitment that would involve state, regional, local, and private-sector leaders is made, tangible accomplishments will be limited and progress toward rural development goals will be erratic. While rural areas do have assets and opportunities, existing deficiencies in roads, sewers, telecommunications, and education, combined with a fiscal system that is at its limits, form barriers to attaining economic growth and prosperity.

Rural Florida is not a homogenous grouping and strategies must be tailored to suit the needs of specific rural regions. Many rural counties in north-central and northwest Florida, for example, are not distant geographically from economic "anchor cities" or "growth poles" such as Pensacola, Panama City, Tallahassee, Gainesville, and Jacksonville, and the industry mix of these rural counties often complements those of the anchor cities. Other rural counties are benefiting from rapid redevelopment of coastal properties sought after by retirees, seasonal residents, and tourists. Some of these counties are projected to rank among the fastest growing in the state; their priority is less economic development than growth management. On the other hand, rural counties in the south central part of the state as well as some northern counties are

*Ultimately these goals will be realized by integrating all of these regions and population groups more fully into Florida's economy.*

more isolated and more dissimilar economically and culturally from the coastal urban areas that ring them. So, while some rural areas in the northern part of the state may absorb the outgrowth of the cities in the region, rural communities in southern Florida counties are less well situated for this type of growth. Regional differences and distinct attributes must be acknowledged and reflected in strategies to create more economic opportunity throughout rural Florida.

The RACEC program covers many of Florida's poorest counties and communities, a group with incomes averaging about 60 percent of the U.S. average. While the program successfully targets distressed regions, its reach and ability to bring about sustained economic improvements can be enhanced in several ways, including:

- **Retitle RACEC program to “Rural Areas of Critical Economic Opportunity.”** While the present name, Rural Areas of Critical Economic Concern, forms a rallying cry to bring state agencies and other entities into action to address the economic needs of Florida's rural areas, the RACEC designation may also stigmatize rural counties, damaging their marketing image. A strengthened RACEC program, while continuing to focus on mitigating deficiencies in rural areas, needs to be recast as a program designed to help Florida's rural areas capitalize on opportunity and meet long-term economic potential. A possible retitling would be “Rural Areas of Critical Economic Opportunity,” which would build on existing rural strengths including the availability of land and water, lower business costs, and lifestyle.
- **Develop long-term vision and strategic plan for each region.** The initial success of organizations such as Florida's Heartland Rural Economic Development Initiative underscores the effectiveness of regional initiatives to secure resources, attract employers, and improve strategic planning. Each of the three RACEC areas should develop a long-term economic development strategic plan. The plan should be created by coalitions involving economic development organizations, school systems, colleges and universities, workforce development boards, transportation agencies, utilities, hospitals, the military, and other key employers. There are few anchor businesses in rural regions so these quasi-public institutions can provide an organizational framework for planning, a different model from most urban economic development strategies. The Executive Office of the Governor and Enterprise Florida should provide institutional leadership for the initial round of plans, backed up with seed funding through a restored Regional Rural Development Grant. The strategic planning process should transition to become more locally driven over time, working through existing regional forums such as FHREDI and Florida's Great Northwest. The plans developed by each region should be informed by and also provide input to Florida's Strategic Plan for Economic Development.

*Rural Florida needs a commitment that it will share in the growth and prosperity of the state, a commitment that will translate into more high-paying jobs and a larger tax base.*

*The Rural Areas of Critical Economic Concern designation may stigmatize rural counties, damaging their marketing image.*

- **Form partnerships between RACEC counties and adjacent urban areas.** RACEC counties and other rural portions of urban counties should partner with adjacent anchor urban areas on shared, mutually beneficial initiatives. These anchor areas are “growth poles” that can advance the entire region and offer significant organizational resources to move economic development initiatives forward. The growth poles, in turn, benefit from being surrounded by healthy, growing rural areas. As companies evolve and urban areas expand, there also may be opportunities to target business expansion/retention projects in rural areas for basic manufacturing, distribution, and similar businesses that are no longer suitable to expand in urban areas because of increasing labor and land costs or congestion. Examples of successful partnerships between rural and urban areas include the Jacksonville Cornerstone initiative, where the Jacksonville EDC and Chamber of Commerce are coordinating economic development and marketing for Baker, Clay, Duval, Nassau, Putnam, and St. Johns counties; and the Southwest Florida Transportation Initiative, involving Charlotte, Collier, Glades, Hendry, and Lee counties. In instances where urban economic development organizations’ territories overlap with rural areas, efforts should be made to ensure the adequate treatment of rural needs. This may include weighing performance measures to encourage rural projects or linking state funding to initiatives that demonstrate progress towards meeting rural development goals.
- **Initiate rural leadership development program.** In cooperation with Leadership Florida, efforts should be made to ensure that rural Florida grooms capable leaders that may become champions of their regions. In order to realize long-term goals, rural Florida will continue to need leaders with the foresight to spearhead the development of a vision and the organizational skills to fulfill it.
- **Target industries within the “4 T’s” framework.** The “4 T’s” help to define the strategic direction for all of Florida, including rural areas. Together, they encapsulate endemic Florida strengths with a vision for positioning the state for a more prosperous, competitive future. Rural Areas of Critical Economic Opportunity should hone their economic development marketing efforts, growth strategies, and initiatives to cultivate and attract industries affiliated with the 4 T’s, such as:
  - Trade: distribution and logistics;
  - Tourism: Eco-tourism, corporate retreats, and resorts;
  - Technology: Biotech, homeland security, and spin-offs from rural universities and research labs such as the University of West Florida’s Institute for Human and Machine Cognition; and

- Talent: Skilled workers attracted by the rural lifestyle.
- **Require consideration of RACEC needs in relevant agency strategic plans.** All state agencies that deliver a service or enforce regulations affecting RACEC should reflect the unique needs of these areas in their strategic plans. This would include the development of explicit initiatives or programs that would be tailored to RACEC needs and an assessment of how RACEC areas can conform to mandates and regulations (including the possibility of flexible mandates in RACEC areas). In some instances (e.g., transportation and community development grants), agencies should establish set-asides to ensure more reliable funding streams for RACEC initiatives and projects. Draft legislation should be reviewed before it is enrolled to identify potential impacts on rural areas. While the efforts of REDI are effective for addressing mandates after they are passed, the potential impacts of legislation on RACEC must be considered before legislation is enacted.
- **Target incentives and support for business investment in rural regions.**
  - **Use applied research and technology to increase rural business productivity.** Rural businesses must be able to compete successfully on price, quality, and innovation, or they may risk losing market share to domestic and foreign competitors. Declines in competitiveness may result in lost wages and jobs, further eroding progress towards attaining economic development goals. In order to increase competitiveness and improve sales, rural businesses must identify and apply appropriate technologies to improve their productivity. Rural enterprises should be encouraged to tap the expertise of Florida’s manufacturing and agricultural extension centers, which can assist them in making practicable technology decisions to improve their productivity.<sup>23</sup> Partnerships between rural businesses and universities should also be encouraged to disseminate new or newly commercialized technologies to rural areas.
  - **Expand enterprise zones to match RACEC territory; reduce threshold for Enterprise Zone Tax Credit.** Florida’s Enterprise Zone program should be broadened to include all RACEC-designated areas. Applicable to both rural and inner city areas, incentives for companies locating in Enterprise Zones should be adjusted to better reflect the needs of the businesses in these areas. Sales tax refunds for business machinery and equipment should become available for smaller purchases (perhaps \$500) than the current \$5,000 minimum to encourage more small-scale investments (e.g., personal computers).

*“Rural Areas of Critical Economic Opportunity” would build on existing rural strengths including the availability of land and water, lower business costs, and attractive lifestyle.*

<sup>23</sup> The Florida Manufacturing Extension Partnership, with engineers located throughout the state, provides services to rural manufacturers, while the University of Florida’s Institute of Food and Agricultural Services offers its services statewide through a network of offices.

Increasing sales tax refunds for building materials and making the incentives more applicable to manufacturers also should be considered. Florida's economic development incentives also should be evaluated and adjusted so RACEC areas can better compete with the rural development incentives offered by Alabama and Georgia.

**– Strengthen incentives for business investment in rural regions – preference in state agency purchasing.**

Efforts must be reinforced to prepare rural businesses for bidding by assisting them with certification, bonding, or any other requirements that must be fulfilled to enable them to qualify for state contracts. By better preparing rural firms for the bidding process, they will receive greater consideration in state procurement contracts, ultimately winning more deals. The state procurement process also could provide extra weighting for scoring bids emanating from RACEC. Rural firms will become more visible and improve their chances for success if they consistently satisfy or exceed bidding requirements.

**– Increase weighting/greater focus on rural activities in Enterprise Florida/regional EDO performance measures.**

In measuring the performance of statewide and regional economic development-related programs, increased weighting should be allotted to accomplishments taking place in RACEC counties and communities. For example, job creation is a performance measure of Enterprise Florida and most regional EDOs. Due to the greater challenge in creating and retaining jobs in RACEC areas, these performance measures should be adjusted so that explicit targets are established for RACEC jobs, or greater weight is given to RACEC jobs than is assigned to urban jobs (i.e., an urban job may have a weight of 1.0, while a job in a RACEC area would be ascribed a weight of 1.5 or 2.0). This would require changes to Enterprise Florida's performance agreement with OTTED and to overall legislative requirements for Enterprise Florida.

**• Create Rural Opportunity Fund to provide flexible infrastructure funding and integrate diffuse programs.**

Rural counties have a myriad of needs, but most programs designed to help these counties do not have sufficient funding to provide more than a handful of counties with assistance. Multiple smaller funding programs, including those that lost funding for FY 2003/2004, should be rolled together to create a larger, \$100 million "Rural Opportunity Fund" with the flexibility to cover diverse needs, including access to high-technology infrastructure and communications, transportation, and water and wastewater systems, as well as workforce initiatives. A Rural Opportunity Fund would reduce the administrative costs of operating multiple smaller programs and would be able to leverage resources to fund larger, more strategic projects. The fund would provide rural areas with a large pool of resources (grants

*Rural businesses must identify and apply appropriate technologies to increase their productivity.*

and loan opportunities) that could be applied flexibly to varied initiatives. The Rural Infrastructure Fund could be used as a framework for developing the Rural Opportunity Fund, although its mandate would have to be broadened to include high priority public works projects in addition to targeted infrastructure improvements responding to the needs of specific businesses.

While programs and strategies have been established to address the needs of RACEC counties, other rural counties that are not included within this designation face significant challenges of their own. Most of the non-metropolitan counties that are not included in RACEC are collar counties to urban areas or fast-growing coastal regions, such as Citrus, Indian River, Monroe, Sumter, Wakulla, and Walton. Some of these counties are projected to be among the fastest-growing in the state over the next two decades, with growth driven by the outgrowth of the urban areas or coastal development. In these counties the primary need is not to attract growth or reduce barriers to economic opportunity, but rather to ensure that future growth occurs without harm to community fabric or environmental quality. Enterprise Florida, the Florida Department of Community Affairs, the Florida Department of Environmental Protection, the Florida Department of Transportation, and other key partners should create initiatives and provide resources for strategic planning that links economic development, land use, and transportation planning in these regions.

**Create Urban Areas of Critical Economic Opportunity Program**

The creation of economic opportunity in inner cities is the needed catalyst for solving other inner city problems including housing, crime, and education. Inner city improvements to date largely have been incremental. While initiatives for façade improvement and small-business loans have been effective, inner cities must continue to strive for improved infrastructure, expanded business opportunities, public safety and security, and higher educational standards, the foundations of a vibrant inner city economy. While numerous programs exist for rural areas (though sometimes disjointed or under-funded), new ideas are needed for inner cities.

- **Create Urban Areas of Critical Economic Opportunity program.** A program similar to Florida’s Rural Areas of Critical Economic Concern should be created for the state’s urban areas. “Urban Areas of Critical Economic Opportunity” (UACEO) would provide economically distressed central city communities, based on such measures as unemployment, per capita income, and poverty rate, with incentives and technical assistance to encourage the expansion and formation of businesses. Similar to the recommendation presented for rural areas, the UACEO initiative should include strategic planning, stronger incentives, a requirement that state agencies incorporate UACEO needs into their plans,

*Performance measures should be adjusted so that explicit targets are established for RACEC jobs, or greater weight is given to these jobs.*

and streamlined funding programs that offer flexibility to address multiple needs.<sup>24</sup>

- **Coordinate area-wide strategic plans, visions, and leadership development programs.** Urban Areas of Critical Economic Opportunity must be tightly defined and form the basis for strategic planning efforts in Florida’s inner cities. Strategic planning today is carried out at a variety of levels, ranging from a few city blocks to city or county-wide. Efforts must be made to better coordinate the activities of different groups and formulate a more cohesive visioning process for Florida’s inner cities. Beyond the geographic scale of planning efforts, improved coordination also is needed among local, state, and federal agencies, as well as with the private and nonprofit organizations and urban/regional economic development organizations that fund and implement programs. The resources earmarked for inner city improvements by these jurisdictions must be organized so they may complement one another to meet defined community goals. The Front Porch initiative could provide the institutional structure and vision for these planning efforts. In addition to strengthening strategic planning, efforts should be made, as in rural counties, to develop local leaders that can recognize opportunities, envision a robust economic future, and implement initiatives that can move urban areas forward. A coordinated effort between nonprofit, faith-based, public, and private organizations should be made to identify and prepare new leaders capable of achieving these goals.
- **Target industries within the “4 T’s” framework.** Urban Areas of Critical Economic Opportunity should hone their economic development growth strategies and initiatives to cultivate and attract industries affiliated with the 4 T’s:
  - Trade: Distribution, freight forwarding, brokering, and logistics;
  - Tourism: Historical and cultural events;
  - Technology: Biotech, homeland security, software, and applications research; and
  - Talent: Cross-fertilization of skilled workers attracted to and developed in urban areas.
- **Require consideration of Urban Area of Critical Economic Opportunity needs in relevant agency strategic plans.** State agencies should be required to incorporate UACEO needs into their strategic plans and to include an assessment of the practical effects of new or revised mandates and regulations on central cities.

*“Urban Areas of Critical Economic Opportunity” would provide economically distressed central cities with incentives and technical assistance to encourage business creation and growth.*

<sup>24</sup> The 2003 Florida Senate introduced a bill (HB 1629) to create the “Tax-Free Urban Revitalization Pilot Project Act” but it did not pass. This bill attempted to set up a pilot project in Miami-Dade County to enable a sales taxes exemption for relevant businesses and establish a task force unit to monitor and approve the tax exemptions.

- **Develop innovative financing partnerships and targeted incentives for business investment.** Innovative finance mechanisms should be explored from two perspectives: leveraging public, nonprofit, faith-based, and private dollars for projects related to economic development, housing, and infrastructure; and creating funding streams to support the formation and expansion of small businesses in inner cities. Significant investments are needed in Florida’s inner cities to improve their physical and human capacity to support the growth of economic opportunity. To mitigate state and local budget constraints, efforts should be made to develop and apply innovative financing mechanisms that increase private investment, accelerate projects, and recycle funds so they may be reinvested for additional projects. Private funding for urban initiatives should be incentivized through market-based solutions such as an urban area tax credit to support urban revitalization and affordable housing. Similar to the Rural Opportunity Fund, an Inner City Opportunity Fund could provide resources, coordination, and flexibility to address urban issues. Improving the coordination between financing entities through the formation of partnerships would also increase available resources for selected projects.

Difficulties accessing capital also limit the ability for inner city entrepreneurs and small businesses to hatch new ideas and grow into thriving concerns. Innovative finance, including microloan programs which would provide small loans to inner city enterprises, would offer inner cities with the means for establishing a thriving network of local businesses. Such strategies should be considered as part of the state’s broader commitment to emerging businesses and the entrepreneurial sector. Pivotal to the success of these initiatives will be the successful transition of the Florida Black Business Investment Board into a private non-profit corporation. The Board has improved access to capital, especially for inner city areas in Florida, but its reach has been limited by funding levels. It will be important to monitor the performance and growth of this potentially key broker for inner city business finances.

- **Implement “creative community” solutions.** Investments should be made to expand state and regional funding programs for arts, culture, historic preservation, parks, recreation, and other amenities that enhance community livability and stimulate the development of thriving, creative urban areas. Initiatives that stimulate livability in Florida’s urban areas include expanding personal mobility, linking arts and culture programs with economic development goals, maintaining safe neighborhood-oriented public spaces, integrating universities with surrounding neighborhoods, and ensuring access to health care, child care, and dependent care services. A tolerant, experimental, risk-taking business and social environment can help a

*Significant investments are needed in Florida’s inner cities to improve their physical and human capacity to support the growth of economic opportunity.*

community attract a diverse workforce, including entrepreneurs and community leaders that can develop innovative solutions to technological and social problems.

- **Create explicit performance targets or higher weighting for UACEO jobs.** Similar to the recommendation for RACEC counties, increased weighting should be allotted in measuring the performance of statewide and regional economic development-related programs to accomplishments taking place in UACEO counties and communities. Performance measures also could be adjusted so that explicit targets are established for UACEO jobs.

### *Expand economic opportunity for all Floridians*

In addition to these strategies that are focused specifically on Florida's rural areas and inner cities, the public and private sectors should expand initiatives that address the full range of the state's diverse demographic groups. The goal of these strategies should be to enhance the well-being and opportunities of lower-income and less-educated Floridians across the state, as well as to encourage Florida to continue to leverage and benefit from its diverse population.

- **Improve education and access to training.** Lower income people, minorities, and immigrants must become better educated in order to make economic gains. This is consistent with findings from the Annie E. Casey Foundation's Working Poor study, which suggests that the state should increase resources to improve adult basic education and literacy; expand the reach of the Workforce Investment Act (WIA) programs given its high rates of economic success; consider allowing Temporary Aid for Needy Families (TANF) participants to receive education and training activities to bolster their post-TANF opportunities to reach economic self-sufficiency; and continue to work to improve employment conditions (e.g., access to health insurance, pensions, and unemployment insurance) to be on par with national standards. As recommended in Chapter 3 of *New Cornerstone*, public and private organizations statewide should invest in an "Education First" initiative to encourage lifelong learning among Florida's population by promoting the value of education to students, businesses, and residents.
- **Expand access to health care, workers' compensation, unemployment insurance, and pensions.** The working poor often faces financial distress when confronted by health problems, injuries, or lost jobs. These unanticipated events can undermine long-term efforts by people to save for education, improved housing, or starting a business as available resources must be redirected to meet day-to-day needs. As opportunities become fewer, poverty is more likely to be perpetuated. However, by expanding access to health care, worker's compensation, unemployment insurance,

*Efforts should be made to develop and apply innovative financing mechanisms that increase private investment, accelerate projects, and recycle funds so that they may be reinvested for additional projects.*

and pensions, the working poor will be better able to withstand changes that may otherwise jeopardize their finances, and increase their ability to make productive investments for improving their livelihoods.

- **Improve financial and economic literacy.** Individuals and businesses in rural and urban Florida need adequate financial decision-making skills to maintain solvency at the household level and to guide the growth of their businesses. Households that recognize their financial resources and live within their means have greater opportunity to make the targeted investments (e.g., in education, home improvements, business ventures) that will lead to improved living standards. In addition to financial management, people that are educated in basic economic principles are less likely to fall prey to the predatory practices (e.g., payday lending, inordinate credit card debt, sub-prime market loans) that fall outside the financial mainstream, and more likely to save for retirement. Similar standards apply to business owners and entrepreneurs developing new companies and business plans. Businesses that maintain a tighter control over their finances will be postured to make productive investments in labor and capital and be able to take advantage of opportunities as they arise.

Florida's low-income and less educated populations are most likely to require these services. A foundation in the basic principles of economics and financial management provides individuals and businesses with the tools to exercise judgment and plan for the future. Efforts should be made to add emphasis to these concepts in secondary schools and to provide small businesses and entrepreneurs with greater access to practicable technical counseling in finance. In addition, there are non-profit organizations in other states specifically organized around these concepts and charged with improving personal and small business financial literacy. In Boston, the Organization for a New Equality (O.N.E.) is working on a curriculum to assist minorities in improving credit worthiness and access to capital. This includes initiatives to raise the awareness consumer economics, household budgeting, financial planning, insurance coverage, and business entrepreneurship. O.N.E.'s outreach efforts for its programs are presently focused on the Boston church community. Participants of the program are reporting improvements in attaining financial goals and home ownership. Florida could benefit from the development of similar non-profit organizations. The Florida Chamber Foundation should convene a statewide summit on economic and consumer education to fully assess current initiatives and advance new programs in this area.

- **Continue to promote a diverse workforce through the expansion of the Faces of Florida initiative.** The Faces of Florida project is designed to encourage Florida's residents to recognize and respect the strength of the state's diversity,

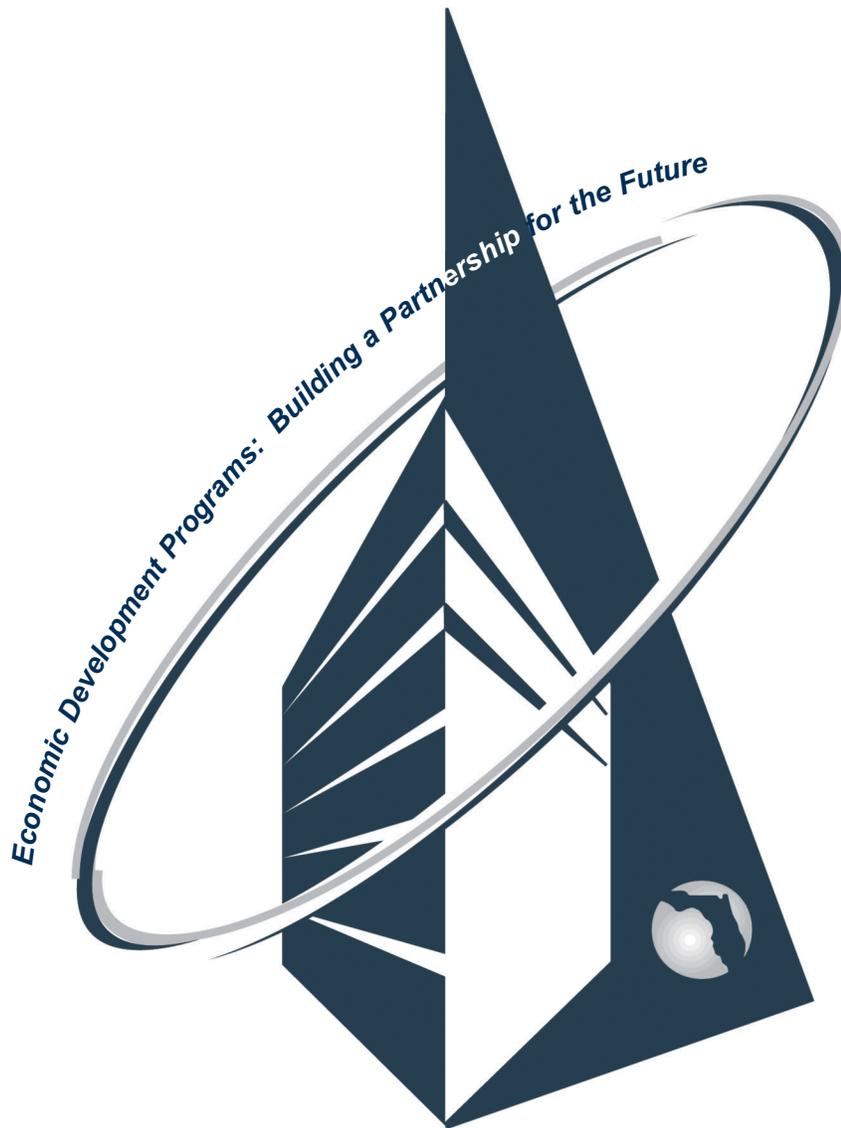
*Individuals and businesses in rural and urban Florida need adequate financial decision-making skills to maintain solvency and to guide the growth of their businesses.*

and to work toward the elimination of discrimination, prejudice, and stereotyping. Faces of Florida is a new initiative that is trying to communicate a new, positive, and consistent message about the strength of the state's diversity and the challenges of prejudice and discrimination. Thus far, over one dozen organizations have joined this effort. Considering the dynamic and diverse population of Florida, Leadership Florida and its partners must find ways to expand this project by committing more resources to it, proactively engaging local leaders and communities, and promoting the project statewide to increase the shared knowledge of the benefits of diversity.

These general strategies are intended to stimulate and focus attention on the broad diversity issues of the state. Continued research in this area is needed to fully understand and communicate the benefits of diversity to help accomplish the goal of enhanced economic opportunities for all Floridians. Increased attention and expanded programs could make an important difference in improving the economic well-being of all areas and demographic groups within Florida.

*The Florida Chamber  
Foundation should  
convene a statewide  
summit on economic and  
consumer education to  
fully assess current  
initiatives.*

# Chapter 8



## NEW CORNERSTONE

**FLORIDA**  
**CHAMBER**  
*Foundation*

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## Executive Summary

Florida's economic vision for the year 2010 is to achieve global leadership in key industries; increase the income and prosperity of workers and families in the state; and ensure healthy communities and a vibrant quality of life. This vision requires strategies for diversifying Florida's economy – strategies that would enable the state to retain its existing strengths in tourism, agriculture, real estate development, and retiree services but also develop new strengths in areas consistent with Florida's existing assets and global economic trends.

These strategies are intended to augment but not replace the business recruitment and retention that traditionally have been the focus of Florida's economic development organizations. These core strategies will require that Florida develops and strengthens the foundations of a competitive economy: a skilled labor force, advanced physical infrastructure, a competitive tax and regulatory climate, a healthy quality of life, and a worldwide business image. This report examines how Florida's public and private economic development partners can work together to implement these strategies and enhance these economic foundations.

### Florida's Economic Development Structure: Does It Work?

Florida's economic development structure is a unique blend of state, regional, and local organizations. There are few other states with comparable structures, other than other large states with multiple economic centers, such as California and Texas. Within Florida, three levels of organizations address economic development:

- **State** – Enterprise Florida, a public/private partnership, is the state's principal economic development organization (EDO). Visit Florida and Workforce Florida, both public/private partnerships, are the state's principal organizations for tourism promotion and workforce development, respectively. Other partners at the state level include other state organizations whose activities touch on economic development (education, transportation, agriculture, citrus, and others), as well as other statewide business associations and foundations.
- **Regional** – Organizations with economic development missions at the regional level primarily are public/private partnerships focused on regional business or technology development, although a few multi-county EDOs do exist. These initiatives reflect the reality that business and consumer markets typically span more than one county and do not fit neatly along jurisdictional boundaries. The experience is that there is no "one-size-fits-all" approach to regional



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economic development, but rather that successful regional organizations reflect the unique economic and political environments of their regions. Barriers to the development of regional partnerships include the difficulties bringing together jurisdictions that traditionally have competed for jobs; competition for funding; and differences in regional definitions across existing state and regional organizations.

- **Local** – The over 130 county and municipal economic development entities throughout Florida are the principal implementers of economic development projects in the state and the front line of economic development for many businesses. Most of the primary, county-level EDOs are structured as private/public partnerships; the majority of city-level EDOs are public agencies. Many local organizations operate with relatively small budgets and staff, and lack funding for substantial programmatic, marketing, planning, and research activities. Regional organizations are assuming some of the responsibilities previously held by local EDOs in many parts of the state.

The strength of this “patchwork quilt” is that it enables each region, county, or city to pursue the economic goals that are most suitable for its existing assets, maintaining the state’s diversity but also building on the “Florida” brand name. This structure also helps focus resources, particularly by reducing the need for each local EDO to maintain a full spectrum of economic development and marketing programs. However, the complexity of this structure can be a challenge, particularly when roles are not clear, when partnerships are not developed, or when performance is not measured appropriately. Key issues that must be addressed for Florida’s economic development structure to succeed in the future are as follows:

- Clarifying the mission and roles of organizations at each level;
- Building partnerships with non-traditional organizations like convention and visitors bureaus or universities;
- Facilitating private/public partnerships by removing barriers to success and increasing private funding for these partnerships;
- Facilitating public/public cross-jurisdictional partnerships, particularly at the regional level; and
- Improving performance measurement and reporting, and linking performance to future planning and budgeting activities.

*The strength of this “patchwork quilt” is that it enables each region, county, or city to pursue the economic goals that are most suitable for its existing assets.*

## Economic Development Funding: Is It Sufficient?

Economic development funding in Florida is estimated at \$138 million per year, when combining state, regional, and local spending by the public and private sectors. This total represents 0.029 percent of Florida's gross domestic product.

**State.** At the state level, the Office of Tourism, Trade, and Economic Development (OTTED) in the Executive Office of the Governor (EOG) manages an annual budget of \$121 million in fiscal year 2003. This total supports financial incentive programs and funding for statewide partnerships such as Visit Florida, Workforce Florida, and Enterprise Florida. The annual state budget for Enterprise Florida is equivalent to about 10 percent of all funding allocated to OTTED each year, or about \$10 to \$12 million on an annual basis.

Enterprise Florida's programmatic mission and strategic priorities suggest that its annual budget should be significantly higher. When combining Enterprise Florida's budget with the value of the major incentive programs, Florida spends approximately \$92 million in public funding for economic development at the state level, or 0.019 percent of GSP. This amount is smaller than key competitor states such as North Carolina and Georgia, but roughly equal to that of California and Virginia.

Moreover, Enterprise Florida has not attained the balance between public and private funding that was originally envisioned for the partnership. In FY 2003, corporate contributions are estimated at seven percent of Enterprise Florida's operating budget. Because it operates on the basis of these annual state appropriations and corporate gifts, Enterprise Florida has difficulty projecting future revenues and planning long-term investments and programs. Unlike its counterparts in some other states, Enterprise Florida also cannot draw upon a significant endowment or trust fund.

**Regional and Local EDOs.** Compared to the state, local and regional organizations tend to have greater access to a more diverse variety of funding options, including city- and county-level general revenues, membership fees, private grants, and in a few instances, dedicated funding sources. A survey of 40 EDOs conducted in 2002 by the Florida Economic Development Council (FEDC) and the Florida Chamber Foundation revealed that:

- Total resources available to regional and local EDOs were about \$46 million per year in 2001.
- The resources available for regional and local EDOs grew by an estimated 23 percent between 1996 and 2001, slightly behind the pace of gross state product, at 29 percent over this period.
- Regional and local EDOs receive almost two-thirds of their funding from the public sector (primarily general revenues from counties) and the remaining 36 percent from private entities.

*Enterprise Florida's programmatic mission and strategic priorities suggest that its annual budget should be significantly higher.*

- The median annual budget for large EDOs, defined as those serving areas with more than 150,000 people, is approximately \$750,000 per year. The large EDOs have been more successful in diversifying their revenue streams to include significant private sector funding, primarily in the form of membership fees. However, they typically must hire membership directors or outside fund-raising specialists to achieve this level of private giving, which reduces the funding available for programmatic activities.
- The median annual budget for small EDOs, defined as those serving areas with fewer than 150,000 people, is approximately \$132,000 per year. Budget constraints often require smaller EDOs to devote a high proportion of staff time to fund-raising and administrative requirements rather than program needs.
- About half of all EDO funds are used to support programs related to marketing, recruiting missions, and business assistance. Although most EDOs indicated that 70 to 80 percent of their new jobs are from existing businesses, EDOs allocate a larger share of their budgets to business recruitment rather than to business retention and expansion. Although recruitment is a more expensive activity, the tendency of both regional and local EDOs to commit significant resources to recruiting suggests some duplication of effort.
- Workforce development and trade promotion are growing in importance in EDO budgets, but EDO resources for these programs are still limited and dependent on partnerships with other agencies.

*Economic development  
funding levels are  
difficult to predict from  
year-to-year.*

## **Economic Development Funding: Is It Predictable?**

Economic development funding levels are difficult to predict from year-to-year: public funding most often is from general fund appropriations that may change based on available funds and other priorities during each budget cycle, and private sector funding most often is from corporate donations that are subject to the business cycle.

With the exception of a rental car surcharge to support international trade and promotion, there is no dedicated funding source in Florida to support state-level economic development efforts. At the regional and local levels, only eight economic development organizations responding to the survey reported receiving revenues from a dedicated funding source. Most often this was an occupational license fee, which is issued by county or municipal tax collectors for the privilege of operating a business.

At least 13 states have developed dedicated funding sources for economic development, ranging from the lottery and tobacco

settlements to bed, estate, and sales taxes. There is neither rhyme nor reason to how these funding sources are used, and few practicable models for Florida given its unique economy and political system and the earmarking of potential dedicated funding sources such as the lottery for other purposes.

## Priorities and Strategies

Florida should refocus its economic development programs, oriented around six primary principles:

**1. Heighten attention to economic development.** Florida's statewide elected officials and business leaders must view economic development as one of their primary missions and devote sufficient time, attention, and financial resources to ensure that the vision of global leadership, prosperous workers, and vibrant communities is realized. State policy must be oriented around positioning Florida as a global leader in trade, tourism, technology, and talent, and to building partnerships across agencies and regions and between the private and public sectors to create the foundations for success in these markets. This will require the continued vigorous leadership of the Governor, who must serve as the state's lead marketer, its chief convener of partners, and its ultimate source of accountability to ensure that Florida's competitive goals are met. It will require the continued attention and commitment of the Legislature during a time of competing priorities and constrained funding. It also will require critical support from the following statewide organizations:

- Enterprise Florida must continue to serve as Florida's principal economic development organization, with primary responsibility for global image-building and market expansion, research and planning, and facilitating business assistance programs.
- The Executive Office of the Governor should continue to provide state-level policy direction and manage state funding for Enterprise Florida and other statewide organizations.
- The full range of state organizations with a stake in economic development should reflect these needs in their planning activities.
- The Florida Chamber Foundation should conduct ongoing economic policy research and regularly benchmark Florida's economic performance.
- The Florida Chamber of Commerce, the Council of 100, TaxWatch, Associated Industries of Florida, and other statewide business associations should advocate a healthy business climate and forward-looking economic development strategies. The Florida Chamber should augment its annual Florida Business Agenda, which focuses on

*Florida's statewide elected officials and business leaders must view economic development as one of their primary missions.*

immediate legislative priorities, with a long-term business agenda that addresses competitive goals for the next decade.

- Leadership Florida and its regional partners should develop the next generation of economic and policy leaders in the state through ongoing education and networking activities.
- FEDC should provide advocacy and technical support for regional and local EDOs, focusing on building professional capacity for these organizations.

**2. Clarify roles and responsibilities.** There is no single model for allocation of responsibilities among state, regional, and local EDOs, but there are implicit rules of engagement and commonalities in approaches across the state. Although it is imperative that some flexibility remain, efforts should be made to clarify the missions and roles of Florida's economic development organizations, and then ensure that staffing and funding levels reflect these divisions of responsibility. Potential roles for each layer of EDOs are as follows:

- *State organizations* (Enterprise Florida and EOG) should focus on client management, including generating and distributing leads to regional and local partners and facilitating business incentive programs; branding, image-building, and reputation management; international commerce and investment promotion; support for emerging businesses through research and risk capital; economic research and data collection; and statewide strategic planning including policy coordination with other statewide agencies.
- *Regional organizations* should focus on developing clusters of businesses and clusters of skilled workers. Key areas of focus should include business recruitment and targeted marketing; lead development, tracking, and placement and related support to local EDOs; and providing an economic development perspective to workforce, transportation, and other infrastructure issues that are more regional than local in nature.
- *Local EDOs* should focus on business expansion, retention, and creation; follow-through and implementation of leads support for workforce development, recruitment, and retention initiatives; and support for community development initiatives.

These roles are important to make sure that the system works, but the entire structure needs to be more transparent to the private sector. Existing businesses in the state often report that the number and range of organizations involved in economic development are bewildering, and prospective new businesses may not know who to contact if they seek information about the state. Therefore, while state, regional, and local groups may focus on different items, they also must become more nimble at referring businesses to the right organization,

*There is no single model for allocation of responsibilities among state, regional, and local EDOs, but there are implicit rules of engagement.*

perhaps adopting a “one-stop-shopping” model of joint staffing in some of the state’s largest markets.

**3. Strengthen Enterprise Florida as the state’s principal economic development organization.** Enterprise Florida’s critical functions will be met only if its mission and structure are refined. Enterprise Florida was an experiment when it was created in 1996 – one of the first efforts in the United States to create a statewide public/private partnership for economic development. The experience to date has been successful in most respects, but has suggested ways in which the model can be better refined, including the following:

- Redouble efforts to operate more like a business, with a strong private sector board, a regularly updated corporate business plan, competitive compensation packages, exemption of sensitive corporate information from public records laws, and a performance-based approach to planning and budgeting;
- Strengthen Enterprise Florida’s Statewide Strategic Plan for Economic Development and use this plan as a tool for focusing attention on a short list of priorities each year;
- Maintain vital and well-defined partnerships with a wide range of public and private organizations so that Enterprise Florida remains the state’s primary convener for economic strategy;
- Target resources at the core strategies of growing Florida’s emerging business and international markets by refocusing the large number of programs it supports today to a tighter, targeted program; and
- Revise methods of measuring performance, focused on emerging businesses, international markets, and improving the quality of jobs.

The Legislature should support this transition by streamlining reporting requirements and reducing mandates on Enterprise Florida. This would include reduction in the number of performance audits required of Enterprise Florida, and refocusing of the audits as well as Enterprise Florida’s overall performance agreement with OTTED on the organization’s long-term impact on the state’s economic competitiveness rather than short-term job creation. Legislative mandates regarding staffing and compensation also should be eased so that Enterprise Florida has flexibility to hire and retain the most qualified staff.

**4. Strengthen regional partnerships.** Florida also must strengthen and expand the emerging regional approaches to economic development that are taking hold across the state. The successful growth of the regional partnerships will require dismantling the barriers to public/public coordination across jurisdictions, which have inhibited the growth of many of these partnerships. In addition, expanded funding options must be developed for regional partnerships, so that they are

*Enterprise Florida’s critical functions will be met only if its mission and structure are refined.*

not competing with their statewide and local partners for limited public or private sector funding. The eight economic regions adopted by Enterprise Florida as part of its statewide economic development strategic plan reflect a market-based, bottom-up approach to economic development, and should serve as a basis for cross-agency planning and coordination.

**5. Enhance performance measures and accountability.** A cohesive, consistent process for measuring and reporting the performance of economic development organizations must be developed and linked to planning and management decisions. Statewide reporting of new jobs and investment generated, led by Enterprise Florida, should be built up from the local and regional performance measurement. In addition, Enterprise Florida and its regional partners should adopt new performance and activity measures to reflect their primary roles in economic development and to measure success in achieving the broad goals of supporting growth in trade, tourism, technology, and talent. The focus of performance measurement should shift from taking credit to moving the ball; from short-term jobs to long-term competitiveness; and from institutional effectiveness to statewide competitiveness.

**6. Provide predictable funding.** Florida must approach economic development as a long-term investment, not an operational expense. With greater stability and increased funding, Florida would be able to implement long-term economic development strategies more effectively, and firms doing business with the state will have confidence in the reliability of multi-year agreements. In addition, Florida's economic development organizations should strive to be self-sufficient where possible. Over time, dependence on annual appropriations from state or local general funds or annual corporate campaigns should be shifted to recurring funding streams that are based on dedicated funding sources, long-term business partnerships, and endowments with the potential to generate sufficient return on investment to fund future operations. Finally, Florida should approach economic development funding in a holistic manner and examine the overall level of investment across agencies and programs. This could be accomplished through the use of a unified development budget that would include funds spent through both annual appropriations and tax incentives. In keeping with these general principles, Florida should develop a multi-year economic development investment program that includes the following actions:

- **Provide reliable funding for Enterprise Florida.** There are immediate needs today to increase the marketing budget for Enterprise Florida to levels comparable with other states, and to ensure that Enterprise Florida's core programs can continue to expand even as the state faces an unusual confluence of fiscal pressures. Beyond that, OTTED should establish a multi-year investment strategy that examines Enterprise Florida to fulfill its mission and strategic plan and is based on programmatic needs rather

*Florida must approach economic development as a long-term investment, not an operational expense.*

than annual budget cycles. The private share of funding for Enterprise Florida, currently seven percent, should move toward the share reported by all local EDOs, 36 percent (or higher if possible), through more aggressive fund-raising and additional financial incentives such as a tax credit. Finally, Enterprise Florida should explore new models such as an investment fund or other business ventures that would enable it to become self-sustaining over the long term. Working with the EOG and the Legislature, Enterprise Florida might set a goal of diversifying its funding base by the year 2010, so that it is supported by three roughly equivalent sources: state dedicated funds or recurring general funding appropriations, private corporate contributions (incentivized by a tax credit), and self-generated revenues.

- **Expand options for funding regional partnerships.** Florida should provide incentives to encourage regions to form collaborative economic development efforts. Through Enterprise Florida, Florida should provide matching grants to regions that have formalized collaborative economic development initiatives. The Legislature also could enable additional counties to use the occupational license tax to fund local or regional economic development groups, potentially offering a higher tax rate to counties that are pooling resources to create regional organizations. Finally, the Legislature should work to remove barriers to pooling funds across jurisdictions through innovative strategies such as streamlined contracting or creation of virtual multi-jurisdictional coalitions.
- **Focus resources for local economic development organizations.** Florida's smaller economic development organizations, representing less populated counties and municipalities, often operate with minimal resources. EDOs should evaluate their program funding to ensure that they are providing sufficient resources toward business retention and expansion and not duplicating recruitment activities of regional groups. EDOs also should begin measuring funding for business creation and entrepreneurship activities, as well as their impacts. Through Enterprise Florida the state should provide basic operational grants of approximately \$100,000 per year to county EDOs to formalize strategic planning and provide resources for staff and data, with a sliding scale for those counties that pool resources at a regional level.
- **Provide tax credits for private contributions to economic development organizations.** To encourage private sector businesses to make contributions to public/private economic development partnerships, Florida should create corporate income tax credits for these donations. These tax benefits could raise funding as well as increase private-sector participation in economic development planning in the state. They also could encourage investments when they are most needed but hardest to attract – during economic downturns.

*Enterprise Florida should explore new models such as an investment fund or other business ventures that would enable it to become self-sustaining over the long term.*

- **Reduce competition for scarce private and nonprofit donations.** Enterprise Florida and its regional and local partners should look for opportunities to coordinate fund-raising activities. Rather than receiving multiple, separate appeals for donations, large companies in Florida could receive a single fund-raising call from a joint state/regional/local team, and be encouraged to invest in a portfolio of linked programs at the three levels.
- **Implement special economic development and infrastructure funding programs for rural regions and inner cities.** The state should explore “infrastructure bank”-type funding mechanisms to accelerate projects in rural areas and inner cities that promote economic development. These infrastructure banks could be used to ensure that the precursors to business recruitment or expansion are in place in these areas, such as workforce training, transportation, telecommunications, and energy.

*Enterprise Florida’s Statewide Strategic Plan for Economic Development should be elevated in importance so it truly becomes the Governor’s plan – and therefore the state’s plan – for economic development.*

## Implementation Plan

The following steps are recommended for early action by Florida’s business and government leaders.

- 1. Build the state’s next generation of economic leadership.** The Florida Chamber Foundation should sponsor a series of statewide and regional summits to roll out the findings of the *New Cornerstone* study and create a constituency in support of the recommendations. Leadership Florida should integrate the principles of the Four Ts – trade, tourism, technology, and talent – into its activities, while Enterprise Florida and FEDC should work with their partners to build awareness of and support for these recommendations.
- 2. Strengthen statewide strategic planning process.** Enterprise Florida’s Statewide Strategic Plan for Economic Development should be elevated in importance so it truly becomes the Governor’s plan – and therefore the state’s plan – for economic development. All state agencies should consider how they are supporting the plan’s core goals and strategies. In early 2003, Governor Bush accepted a recommendation by Enterprise Florida and the Governor’s Transition Team to place a higher profile on economic diversification. This approach should reinforce the importance and relevance of the plan. In addition, Enterprise Florida and its partners must begin to set priorities so that the plan becomes a guide for resource allocation and decision-making. To help make tough decisions, the plan should identify a manageable number of priority actions (perhaps five statewide and three for each region in any given year) and focus resources and accountability at moving those actions forward.
- 3. Enhance performance measures and accountability.** Enterprise Florida and regional and local EDOs should adopt

new performance and activity measures to reflect their primary roles in economic development and measure the state's progress in growing its tourism, trade, technology, and talent capabilities. State and regional performance on key measures should be linked back to economic development strategies, planning, and budgeting. Finally, the Florida Chamber Foundation, as an independent, nonprofit organization, should develop an annual report and summit on the state's economic competitiveness. The Foundation's effort should focus on the broad question of how successfully the state is competing in global markets, rather than the narrow question of the performance of any single organization.

- 4. Create a tax credit for private donations to economic development organizations.** To increase private giving to Enterprise Florida and other EDOs, the Legislature should enact a tax credit similar to the existing Community Contribution Tax Credit which allows a 50 percent tax credit for private donations in enterprise zones. The amount of credit should not exceed a firm's corporate income tax liability and it should grow over time on a sliding scale to encourage long-term funding commitments to EDOs. The tax credit should be targeted at encouraging new giving to EDOs, not rewarding existing donors, perhaps by limiting eligibility only to those gifts in excess of \$25,000 per year. A ceiling could be placed on the total annual value of tax credits and then increased each year, so that the total fiscal impact on the state general fund is tempered. Increased private donations to Enterprise Florida could be balanced with a reduction in state general revenue appropriations for the organization, so that in its initial years the tax credit might result in a net cost savings to the state. To minimize the cumulative fiscal impact to the state, the tax credit could be implemented in stages, first for Enterprise Florida only and then to its partners. Finally, as a further incentive to the growth of regional partnerships, the tax credit could be limited to contributions to Enterprise Florida and certified regional or multi-county EDOs.
- 5. Enable dedicated funding through expanded use of occupational license tax or similar initiatives.** Occupational license taxes generate significant funding for economic development in some of Florida's larger counties. The legislation that created this dedicated funding source for economic development using the occupational license tax only applied to charter (Constitutional Home Rule) and bordering counties. This legislation should be renewed and other counties in Florida also should have the ability to increase the occupational license tax levy and use the revenues for economic development purposes. The Legislature could offer a higher tax rate to counties that are pooling resources to create regional organizations.

*Enterprise Florida and regional and local EDOs should adopt new performance and activity measures.*



## 8.1 Introduction

In Florida, for decades, “economic development” largely meant tourism promotion and agricultural marketing, with the state department of commerce providing business assistance in nascent sectors. In 1989 the original *Cornerstone* report elevated the importance of economic development and catalyzed a shift in strategy toward high value-added industry clusters. The Legislature responded by creating Enterprise Florida, Inc. to manage the state’s economic development functions and arming it with an arsenal of incentive programs. The economic development community responded by expanding in size and scope and building new regional partnerships.

After a decade of experience, it is time to reexamine how these partnerships and programs are working and refine them for another decade of growth and development. Through the *New Cornerstone* initiative, the Florida Chamber Foundation and its partners are outlining an aggressive, 10-year strategy for enhancing Florida’s economic competitiveness. The vision for Florida is by 2010 to achieve global leadership in key industries; increase the income and prosperity of workers and families in the state; and ensure healthy communities and a vibrant quality of life.

This vision will require that Florida diversify its economy – that the state *retain* its existing strengths in tourism, agriculture, real estate development, and retiree services but also *develop* new strengths in areas consistent with Florida’s existing assets and global economic trends. Florida’s prospects for global leadership over the next decade appear strongest in four areas – the “Four Ts” of Florida’s economic competitiveness strategy:

- **Trade**, including international and domestic commerce of goods, services, capital, and information;
- **Tourism**, including international and domestic flows of business and personal travelers, including seasonal residents;
- **Technology**, including emerging businesses and entrepreneurs in innovation industries such as biosciences, information technologies, and advanced professional services; and
- **Talent**, including the state’s base of intellectual and creative workers, scholars, and researchers.

The core strategies can be referred to as “economic gardening,” or growing Florida’s home-grown businesses and workers and the global markets for Florida goods and services. These strategies are intended to augment but not replace business recruitment and retention efforts that traditionally have been the focus of Florida’s economic development organizations or the state’s long-standing successes in attracting tourists, retirees, and seasonal residents. These core strategies will require that Florida develops and strengthens the foundations of a competitive economy: a skilled labor force, advanced physical infrastructure, a competitive tax and regulatory climate, a healthy quality of life, and a worldwide business image.

*Florida’s prospects for global leadership over the next decade appear strongest in four areas – the “Four Ts” of Florida’s economic competitiveness strategy.*

This chapter examines how Florida’s public and private economic development partners can work together to implement these strategies and enhance these economic foundations. The *New Cornerstone* strategy envisions a broader view of economic development encompassing a wider range of public and private organizations at the state, regional, and local levels. The chapter envisions how the delivery of economic development services and programs could benefit from heightened statewide attention to this critical need, increased coordination of planning and investments across activities and across regions, stronger institutional capacity at all levels, and a multi-year investment program.

The chapter is organized as follows:

- Section 8.2, *Study Approach and Methodology*, reviews the research activities used in the study;
- Section 8.3, *Florida’s Economic Development Programs: Delivery and Function*, describes the variety of local, regional, and state economic development efforts and highlights some areas for improved coordination and more tightly defined roles;
- Section 8.4, *Economic Development Resources*, covers the funding of economic development at each jurisdictional level and compares Florida’s resources to other states;
- Section 8.5, *Priorities and Strategies*, provides a vision and strategies for an integrated system of economic development program delivery, including recommendations for state leadership and regional partnerships, funding and resources, and performance measurement; and
- Section 8.6, *Implementation Plan* identifies high-priority recommendations for early action by Florida’s private and public partners.

*The New Cornerstone strategy envisions a broader view of economic development encompassing a wider range of public and private organizations.*

## 8.2 Study Approach and Methodology

The research conducted for this study involved both qualitative and quantitative approaches. The research team held meetings, interviews, and focus groups throughout Florida to gain perspectives from economic development organizations at the local, regional, and state level. Additional meetings with chambers of commerce, and state organizations such as the Governor’s Office of Tourism, Trade, and Economic Development (OTTED); Enterprise Florida, Inc.; and the Florida Economic Development Council (FEDC) also were conducted. Data were collected from state and federal government sources to gauge the relative performance and funding of Florida economic development efforts. The outreach activities and data collection efforts were supplemented by best practices from around the country and by Florida-specific case studies.

**Quantitative Data.** Data were collected and analyzed on Florida’s economic development resources compared to the nation and

other states. The main source of data for this comparison is an annual survey by the National Association of State Development Agencies. To better understand in-state funding, detailed budget and expenditure data were collected directly from OTTED, Enterprise Florida, and Visit Florida.

**FEDC/Florida Chamber Foundation Survey.** An integral source of information used in the preparation of this chapter was a joint FEDC and Florida Chamber Foundation survey conducted in 2002 of economic development organizations (EDO) around the state. There were 40 survey responses from EDOs, representing approximately 75 percent of the state's population. The survey provides invaluable information on the amounts and sources of local and regional EDO funding (covered in detail in Section 8.4). It also includes responses focused on the key challenges to the Florida economy, and the roles that local, regional, and state economic development organizations can and should play.

**Best practices.** Economic development efforts (programs and funding sources) around the country and in Florida were researched to develop best practice examples and case studies of Florida-specific initiatives. Much of this research was done through personal interviews and Internet sources, and it highlights funding, program emphasis, organizational structures, and combinations of state, regional, and local organizations.

**Focus groups, meetings, and interviews.** The research team engaged in outreach efforts throughout Florida to identify current economic development initiatives and marketing efforts at the local, regional, and state levels, and to develop potential strategies for a more efficient and effective organizational, delivery, and funding structure. Input sessions were held with FEDC members, the Enterprise Florida Partners Council, and other economic development professionals. These meetings helped interpret the research and data gathering efforts of this chapter and the direction of the policy recommendations. In addition to the meetings, one-on-one interviews with economic development professionals were performed in Alachua, Brevard, Broward, Collier, Duval, Escambia, Hillsborough, Lee, Miami-Dade, Orange, Osceola, Palm Beach, Pinellas, Polk, Seminole, and Volusia counties.

## 8.3 Florida's Economic Development Programs – Delivery and Function

The Council for Urban Economic Development (CUED) has defined economic development as efforts to raise a region's level of economic activity through providing more jobs, wealth, tax base, and quality of life on a continuing rather than temporary basis.<sup>1</sup> In this broad sense, economic development involves a wide range

<sup>1</sup> *What is Economic Development?*, Council for Urban Economic Development, Washington, D.C., 1997.

*Enterprise Florida, a public/private partnership, is the state's principal economic development organization.*

of organizations and programs at the state, regional, and local levels. These include two types of organizations:

- *Traditional* economic development organizations (EDO), whose core mission is related to economic welfare and opportunities. EDOs engage in activities related to job creation; business retention, expansion, and attraction; marketing and business image; and regional economic equity. Examples of traditional EDOs include Enterprise Florida, regional economic development partnerships, and county or city economic development commissions. In addition, there are many state, regional, and local organizations that are involved in supporting specific industries, including Visit Florida and other tourism development organizations, technology partnerships, and industry associations.
- *Partner* organizations, who are involved in some aspects of the state's economic competitiveness, particularly key foundation areas such as workforce, technology, infrastructure, or quality of life. Economic competitiveness typically is a goal but not the core mission of these organizations, and must be balanced against other priorities. Examples of partner organizations include the state departments of education and transportation, regional planning councils, universities, and airport or seaport authorities. As Florida's economic strategy focuses on the core elements of trade, tourism, technology, and talent, the number and range of partner organizations with a role in economic development will increase.

This section identifies the types of traditional EDOs and partner organizations who must be engaged in Florida's statewide economic competitiveness strategy. The focus is on the traditional EDOs, because they are the primary source of economic development services and the building blocks for these broader partnerships.

Within Florida, there are essentially three levels of organizations that address economic development:

- **State** – Enterprise Florida, a public/private partnership, is the state's principal economic development organization. Enterprise Florida receives policy guidance from its joint public and private board of directors, which is chaired by the Governor and includes representatives of the state's leading private businesses. Enterprise Florida works closely with the state's wide range of regional and local EDOs, as well as the Florida Economic Development Council (FEDC), which represents these EDOs. Enterprise Florida also works closely with statewide business associations and public/private partnerships focused on either the overall business climate (e.g., the Florida Chamber of Commerce, the Council of 100, TaxWatch, and Associated Industries of Florida) or individual industries or clusters (e.g., ITFlorida, BioFlorida, Visit Florida, the Florida Aerospace and Aviation Alliance, and the Florida Defense Alliance). Other partner

*A well-designed and well-staffed traditional EDO can touch on each of these activities, but, even more importantly, a well-structured partnership of many organizations can accomplish all of these goals.*

organizations include state agencies whose activities touch on economic development (Workforce Florida, Education, Transportation, Agriculture, Citrus, and others), as well as other statewide business associations and foundations.

- **Regional** – Organizations with economic development missions at the regional level primarily are regional business and technology partnerships, although a few multi-county EDOs do exist. Partner organizations include regional planning councils and other regional business associations.
- **Local** – The most common local EDOs are county- or city-funded organizations. In many cases these are public/private partnerships that receive funding from both private sector contributions and county and/or city governments. In addition, most counties and cities have a local chamber of commerce, and some also have industry cluster groups. Partner organizations include chambers of commerce, universities and community colleges, small business development centers, incubators, seaport and airport authorities, as well as other county and city government agencies.

The entire system of economic development program and service delivery encompasses all of these organizations as well as their partners. Together these partners are responsible for maintaining Florida's business image; enabling business attraction, retention, and expansion; promoting international trade and investment; facilitating emerging businesses and innovation; maintaining Florida's existing strength businesses; diversifying Florida's economic base; and providing economic research and information. A well-designed and well-staffed traditional EDO can touch on each of these activities, but, even more importantly, a well-structured partnership of many organizations can accomplish all of these goals.

### **Local Economic Development Initiatives**

The over 130 county and municipal economic development entities throughout Florida are the principal implementers of economic development projects in the state and for many businesses and communities the front line of economic development. They should have the closest relationship with the local businesses in their area, the most knowledge about the strengths and weaknesses of the region, and the deepest understanding of local workforce, infrastructure, and other community and business climate issues. Local EDOs usually lead county/city economic development planning, lead or participate in business retention and expansion activities, and work with regional and state EDOs on business recruitment leads. In addition, they also may participate in efforts to connect community colleges and workforce training to the private sector; support and sometimes help run small business development centers and business incubators; and work on a range of local issues that affect economic development. These organizations also may partner with local chambers of commerce, minority and small business development offices, and nonprofit organizations to enhance the local business climate.

*The over 130 county and municipal economic development entities throughout Florida are for many businesses and communities the front line of economic development.*

Most county or city EDOs are public agencies, although many receive some share of their funding from the private sector (see discussion in Section 8.4). Some counties have established formal public/private partnerships for economic development, such as the Beacon Council in Miami-Dade County or the Palm Beach County Business Development Board. These public/private organizations benefit from increased access to private contributions and provide vital research, industry cluster, and marketing services for their counties. Typically, these public/private organizations are most successful in larger local areas with a substantial business market.

Successful local economic development leaders are generalists and networkers. Leadership capabilities and reach vary by EDO. Given the vast number of topics under the umbrella of economic development, local EDOs should require significant resources and staff. The reality is that many local organizations operate with relatively small budgets and staff, and lack funding for substantial programmatic, marketing, planning, and research activities. The FEDC survey results reveal widespread variation in funding and staffing levels among the larger and smaller EDOs in the state, but also indicate that most EDOs have neither sufficient staff nor sufficient funding to accomplish their increasingly complex missions. Neither public nor private funding at the local level is predictable from year-to-year, so local EDO staff have difficulty developing and implementing long-term programs and spend an inordinate amount of time fund-raising. Staff of many EDOs express a need for a dedicated funding source or some other means of achieving a predictable funding stream that will enable multi-year planning and budgeting. They also express a need for facilitating private-sector contributions and reducing competition among organizations for private funding.

While these resource concerns are valid, the experience of the past decade has been that regional organizations are assuming some of the responsibilities previously held by local EDOs. Where this transition has been effective, it has reduced the need for each county to maintain a full spectrum of business recruitment and marketing programs, and reduced staffing and financial demands for the counties. Expected future development of the regional coalitions should continue to reduce some of the programmatic pressures at the local level in the future. However, there is no single model for this type of consolidation, and even the most established regional partnerships continue to struggle with resource allocation today.

The limited staff size and experience reinforces a tendency to concentrate on business retention and domestic markets. There are noteworthy examples of EDOs that are leaders in international trade marketing or support services to emerging businesses, but many of the traditional local EDOs have not made these activities a priority. If the state is to achieve the vision of becoming a leader in the innovation economy and the crossroads economy, local EDOs must build programmatic capacity or become part of

*Many local organizations operate with relatively small budgets and staff, and lack funding for substantial programmatic, marketing, planning, and research activities.*

effective regional initiatives focused on these opportunities. In addition, EDOs may need to broaden their performance measures, which tend to be focused on job creation rather than international sales, innovation, or the success of homegrown firms.

Given their size and resources, most local EDOs also must partner with other private and public organizations at the local level, recognizing that their mission now exceeds the traditional focus on business retention and expansion. Critical partners typically include workforce development boards, community colleges and universities, convention and visitors bureaus and other tourism development organizations, chambers of commerce, and seaport and airport authorities.

### **Regional Economic Development Initiatives**

Local EDOs increasingly are complemented by regional or multi-county economic development initiatives. These initiatives reflect the reality that business and consumer markets typically span more than one county and do not fit neatly along jurisdictional boundaries. Consumers frequently shop at nearby cities and towns. Commuters often travel from one county to the next for their place of work. Businesses purchase supplies and sell their product and services in broad geographic regions. In addition, airports and seaports often serve multi-county regions, and water supply issues are rarely only a local matter. Accordingly, economists and planners have accepted the notion that the most relevant economic unit is a regional economy, typically a group of counties. These regions may be defined by metropolitan statistical areas (MSA), but as in the case of the Tampa Bay region or southeast Florida, they may transcend even these boundaries.

Regional partnerships and coalitions with a role in supporting economic development are much more common now than they were 20 years ago. The original *Cornerstone* report included the following recommendations for stronger initiatives at the regional economic development level:

1. Encourage regions to develop strategies for attracting, retaining, and growing value-added industries appropriate to each region;
2. Provide state economic development support tailored to regional needs; and
3. Establish a rural revitalization program that would help rural regions promote strategies appropriate to their needs.

Significant progress has been made on each of these recommendations, particularly with the growth of regional partnerships covering Florida's major metropolitan and rural regions. However, the growth of these partnerships has been driven more by regional markets than by top-down state policy.

The trend toward regional partnerships reflects several factors, most fundamentally that economic development gains in one county (e.g., a new plant opening) will have benefits for nearby regions as well. There also are benefits of collaborative efforts rather than competing

*Business and consumer markets typically span more than one county and do not fit neatly along jurisdictional boundaries.*

ones among counties. For example, the Internet Coast in southeastern Florida is developing an agreement between Palm Beach, Broward, and Miami-Dade counties such that business incentives will not be given to firms that are attempting to re-locate from one county in the region to the next. Regional partnerships often can have a larger impact on issues like workforce or transportation that are too large in scope for most local EDOs to impact in a meaningful manner – issues where groups like the Tampa Bay Partnership or the Orlando Regional Chamber of Commerce have made great progress. Finally, regional partnerships provide an opportunity to rationalize resources and provide better service at lower cost during a time of staffing and financial constraints.

The current group of regional organizations cover much of the state, representing both rural and urban areas. Most of them are public/private partnerships, but with a range of missions, organizational structures, and funding sources. The experience is that there is no “one-size-fits-all” approach to regional economic development, but rather that successful regional organizations reflect the unique economic and political environments of their regions. Examples include (see more detailed profiles in the box on page 21):

- **Florida’s Great Northwest, Inc.** – A 16-county regional organization formed to raise corporate awareness and brand a relatively untapped region for business development.
- **Florida’s High Tech Corridor Council** – A 21-county region organization that connects the Tampa Bay, Orlando, and Space Coast regions to promote and enhance technology-based economic development.
- **Internet Coast** – A three-county region in southeast Florida focused on branding the area as a technology center, with successful initiatives to obtain a network access point and develop a high-tech workforce training center.
- **Jacksonville Cornerstone** – A six-county region that pools together county resources, as well as the Jacksonville Chamber of Commerce, to market the region nationally and internationally as Greater Jacksonville, and to assist with business retention and expansion.
- **Metro Orlando Economic Development Commission** – A four-county EDO that not only plays a role in marketing the region for industrial recruitment, but in essence, plays the role of a hands-on local EDO for three counties in the region that do not have their own active EDO (Lake, Seminole, and Orange; Osceola County has retained its own separate county EDO).
- **Opportunity Florida** – An eight-county regional economic development partnership in Northwest Florida (with some overlap in membership with Florida’s Great Northwest). This partnership helps promote the region and provide services to businesses and local developers such as information on business incentives and funding opportunities, workforce training, and enterprise zones.

*There is no “one-size-fits-all” approach to regional economic development, successful regional organizations reflect the unique economic and political environments of their regions.*

- **Tampa Bay Partnership** – A seven-county business partnership focused on marketing the metropolitan area as one solidified economic region and addressing regional public policy issues such as workforce and transportation.

#### *A SAMPLE OF REGIONAL ECONOMIC DEVELOPMENT INITIATIVES IN FLORIDA*

##### **Florida's Great Northwest**

Florida's Great Northwest, Inc. (FGN) comprises 16 counties committed to a collaborative pursuit of the region's business, academic, and economic growth. More than 50 public and private sector organizations have partnered to pursue the expansion and diversification of the region's economy. This large grouping of counties was pursued partially to create a large constituency since the area lacks any cities with the size and draw of its southern neighbors.

FGN, in turn, has teamed with various state and regional organizations, including Enterprise Florida, Visit Florida, and Workforce Florida, to further support the region's economic development opportunities. The region is branding itself as a place of both great economic opportunity and high quality of life.

##### **Florida High Tech Corridor**

One of Florida's most prominent cluster initiatives is the Florida High Tech Corridor. Stretching from Tampa to Orlando to the Space Coast, this regional corridor represents 160,000 high-tech jobs. Its development is supported by the state-funded High Tech Corridor Council, which was established in 1996 to prevent the imminent loss of major high-tech firms to overseas locations.

The Council targets six emerging industries: aerospace; medical technologies; modeling, simulation and training; optics and photonics; information technology; and microelectronics. The Council's research partnerships with the University of South Florida and the University of Central Florida have matched \$25 million in state money with more than \$55 million in corporate and Federal funds directed to more than 290 joint projects between the two schools and over 150 industry partners. To ensure that the region produces enough high-tech graduates, the Council has created the "Tech 4" consortium with local school districts and community colleges as well as the two major partner universities. The consortium's initiatives include electronics camps for high school students and two-year associate's degrees in high-tech disciplines.

##### **Internet Coast, Florida**

The "Internet Coast" is a branding initiative to foster the application and development of advanced communications technologies as part of a regional economic development strategy. Geographically, the Internet Coast is located on the southeast coast of Florida, in an area that extends from Miami to Palm Beach. Like Silicon Valley, Boston's Route 128, or North Carolina's Research Triangle, the region possesses a high concentration of high-tech companies – some 6,000 – and is in close proximity to several nearby universities. As a branding initiative, the Internet Coast was created in 1999 as an association of over 2,000 South Florida Internet companies, economic development organizations, and educational institutions to establish the region as a worldwide Internet hub. The Internet Coast initiative has begun to produce more cohesive economic development efforts in the region, promoting regional cooperation between Miami-Dade, Broward, and Palm Beach counties.

The Internet Coast initiative has included activities to create awareness of the Internet Coast brand on a global level; encourage the continued migration of high-tech workers, companies, and investment capital to South Florida; improve the communications infrastructure in South Florida; and address the gap between technology and applications, including South Florida's "digital divide." Their first and most significant accomplishment thus far was to attract a network access point (NAP) to the region to enhance telecommunications capacity. The NAP is located in Miami-Dade, but each county worked together to attract it. In an effort to improve dialogue between local educational institutions, businesses, and industries, the Internet Coast has helped create an alliance of six local colleges and universities: Florida International University, Florida Atlantic University, Miami-Dade Community College, Nova Southeastern University, Barry University, and the University of Miami.

### **Jacksonville Cornerstone Regional Development Partnership**

The Jacksonville Cornerstone Regional Development Partnership is the economic development division of the Jacksonville Regional Chamber of Commerce. It comprises 300 top private sector investor corporate entities in the Jacksonville area and functions in partnership with the Jacksonville Regional Chamber of Commerce; the Jacksonville Economic Development Commission (JEDC); Jacksonville Electric Authority (JEA); the Jacksonville Port Authority; the Jacksonville Airport Authority; the regional county partners in Baker, Clay, Duval, Nassau, Putnam, and St. Johns counties; Work Source; and others. The Partnership, through grants, membership, and private donations, markets the region to expand economic opportunities. One of the most successful marketing tools is its web site, [www.expandingjax.com](http://www.expandingjax.com), for which it was awarded The Internet Award by the International Economic Development Council (IEDC). Another way in which the Partnership helps promote the region is through strategic alliances with multiple agencies, such as Enterprise Florida, the Jacksonville Transportation Authority, and the U.S. Small Business Administration. The Jacksonville Cornerstone receives most of its funding from private sources (76 percent) and county/city funds (17 percent).

The Jacksonville Cornerstone Regional Development Partnership recognizes that the region's growing and developing workforce is one of its most valuable assets. With 50 percent of the region's population growth stemming from people relocating to the area for employment opportunities, the Partnership provides incentives for new job creation, job development, and infrastructure improvements. The Partnership provides tailored incentives to individual businesses and advises on a variety of issues, such as non-traditional access capital; contracting opportunities with Federal, state, and local governments; employee recruitment; and international trade.

### **Metro Orlando Economic Development Commission**

The Metro Orlando Economic Development Commission (EDC) is a not-for-profit, public-private partnership which seeks to attract new businesses and grow international investment and export opportunities in the region. The EDC serves the city of Orlando and the counties of Orange, Osceola, Lake, and Seminole. The EDC creates a competitive economic environment through its efforts marketing the region as home to corporate and technology innovation, and by establishing a pro-business reputation for the region. The EDC functions as the EDO for Orange, Lake, and Seminole Counties. Alone among the four member counties, Osceola County has decided to retain its own county EDO.

The EDC serves the business community through four main business development teams: 1) Corporate Business Development Team; 2) Technology Industry Development Team; 3) International Trade and Investment Team; and 4) Film, Television and Digital Media Production Team (also known as the Metro Orlando Film & Entertainment Commission). These teams work with local agencies to encourage economic development in the region by offering various business services, such as incentive packages, fast-track permitting, and financing programs. The EDC also supports economic development through partnerships with various state and local agencies, such as Enterprise Florida, the Orlando/Orange County Convention and Visitors Bureau, and the Manufacturers Association. The EDC receives most of its funding from a combination of city and county governments (40 percent) and private sector contributions (54 percent).

The Metro Orlando EDC has made significant contributions to the region's business development growth. In the past five years, the EDC has, with support of community partners, assisted hundreds of businesses in the region, generating \$7 billion in capital investment and 40,000 jobs. The region has been home to more than 750 film or television productions in the past 10 years. The EDO's efforts also have helped secure the region's ranking as the fastest-growing export market in the state, and the distinction of being named the best metropolitan area in the country for entrepreneurs (Entrepreneur magazine).

### **Tampa Bay Partnership**

The Tampa Bay Partnership is a private, independent, not-for-profit, economic development organization serving Hernando, Hillsborough, Manatee, Pasco, Pinellas, Polk, and Sarasota counties. The Partnership is a regional organization which strives to market the region nationally and internationally, conduct regional research, and promote economic growth and development through involvement with local business and government issues. The Partnership's two main public policy issues include infrastructure/transportation and workforce development. The Partnership has 155 public and private investors.

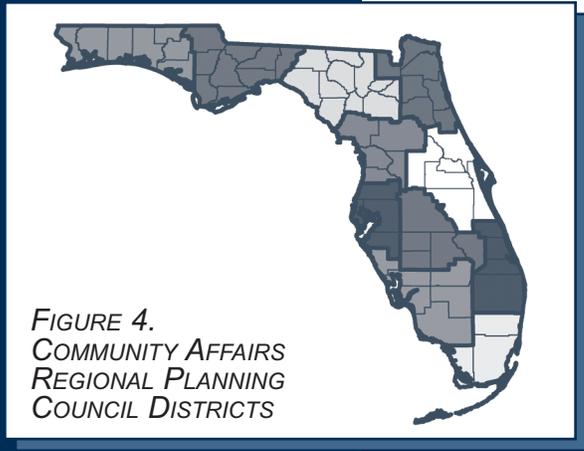
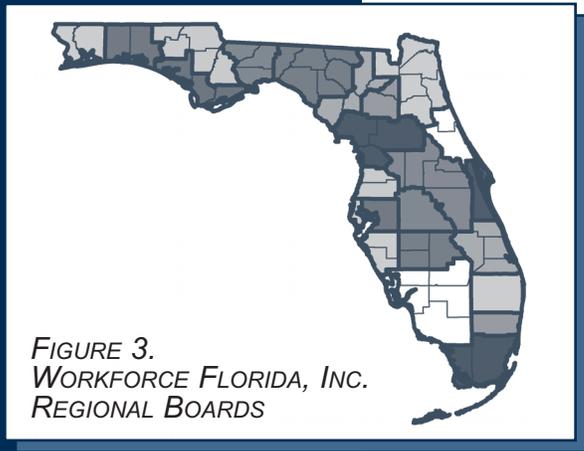
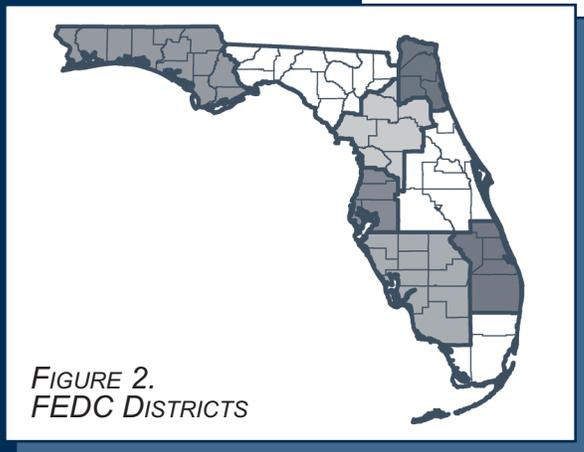
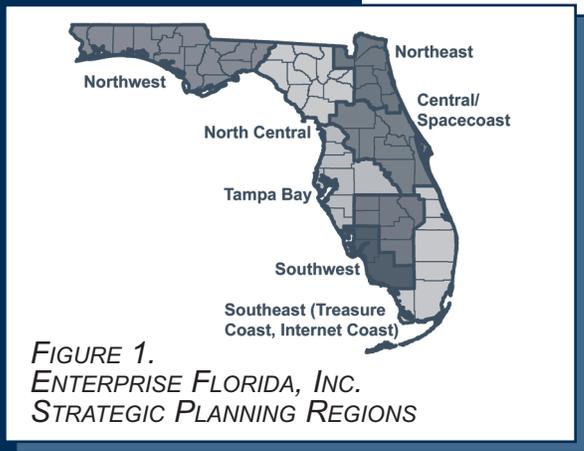
The Tampa Bay region is one of the largest consumer markets in the southeastern United States and is predicted to be home to 338,000 new jobs within the next 10 years. In response to this, the Tampa Bay Partnership supports economic growth and development of the region through many outreach efforts, including promotion of the "Tampa Bay Shines" campaign; working with partners throughout the Florida High Tech Corridor to create an Internet-based resource for employers, workforce professionals, and employees seeking information on occupations, training, and job opportunities; support of a clearinghouse for international firms interested in doing business in the region; publication of its annual Tampa Bay Corporate Guide, which highlights the region's centers of excellence; and offering confidential relocation and expansion services for companies interested in the Tampa Bay region. The Partnership receives roughly 75 percent of its funding from private sources and 25 percent from public sources.

Despite these advancements, and the clear benefits of pursuing regional approaches to economic development, most of Florida's regional EDOs have not reached their full potential. Key issues include the following:

- **Need for focused mission and role.** Successful regional partnerships are able to define a clear mission and role. They either substitute for local EDOs – as in the case of the

Metro Orlando EDC or the Jacksonville Cornerstone initiative – or complement the activities of these local partners – as in the case of the Florida High Tech Corridor Council. They do not duplicate local or state activities. Regional organizations that have not developed this clear mission and vision often have difficulty gaining traction and impacting their regional economies in a meaningful way.

- Lack of public/public partnerships.** Most of Florida’s regional organizations today have been more successful in bringing together businesses than they have been bringing together government leaders across jurisdictions. The barrier often is that elected officials ultimately are accountable to the voters in their jurisdiction. Regional cooperation can be a challenge among independently operating counties or cities more accustomed to competing for jobs and business investment. Osceola County cites such concerns as the reason that it maintains its own county EDO in addition to participating in the Metro Orlando EDC, and these factors appear to have slowed the movement toward greater regionalization in south-east Florida.
- Competition for funding.** Regional organizations need funding just like any other organization, whether it be public or private, and there is the potential for competition for funding sources between county and regional (or state and regional) organizations. Monies for economic development are scarce and results from the FEDC/Florida Chamber Foundation survey highlight the needs felt by most local and regional EDOs for increased funding. Funding efforts, whether they be targeted at county, city, or private contributors, should be clearly defined and understood by the EDOs to minimize conflict.
- Inconsistent regional jurisdictions.** The current regional definitions used by Florida state agencies are extremely varied and do not form consistent regional groups. For example, Polk County is included in a south west Florida region by the Department of Transportation, is included in a Tampa Bay region by Enterprise Florida, was grouped in a central Florida region (without Orlando or Tampa) by the Department of Community Affairs, and is divided into two separate water management districts (Figures 1 through 7). The eight economic regions adopted by Enterprise Florida as part of its statewide economic development strategic plan reflect a market-based, bottom-up approach, and could serve as a basis for cross-agency planning and coordination in the future.



## State Economic Development Initiatives

**Enterprise Florida.** Enterprise Florida, Inc., a public/private partnership, is defined in the Florida Statutes, Title XIX, Chapter 288 to be “the principal economic development organization for the state.” The Enterprise Florida mission is “is to increase economic opportunities for all Floridians through the creation and retention of quality jobs and the active support of strong and growing businesses.”

The key purpose, duties, and responsibilities of Enterprise Florida include:

- Aggressively establish a unified approach to Florida’s efforts of international trade and reverse investment; aggressively market the state as a pro-business location for potential new investment and aggressively assist in the retention and expansion of existing businesses and creation of new businesses;
- Aggressively market and assist in the retention and expansion of existing businesses in Florida’s rural communities, distressed urban communities, and enterprise zones as locations for potential new investment;
- Market state incentive programs such as the Qualified Target Industry Tax Refund and the Quick Action Closing Fund in economically distressed areas;
- Develop a comprehensive approach to workforce development that will result in better work employment opportunities for residents of the state;
- Assess Florida’s economic development competitiveness as measured against other business locations, evaluate the state’s strengths and weaknesses, and incorporate such information into the strategic planning process;
- Incorporate the needs of small and minority businesses into economic development, international trade, and workforce development initiatives;
- Coordinate its operations with local economic development organizations to maximize the state and local return-on-investment to create jobs for Floridians;
- Provide the Legislature with information quantifying the public’s return-on-investment as part of its annual report, including results of a customer satisfaction survey of businesses served and each local economic development organization;

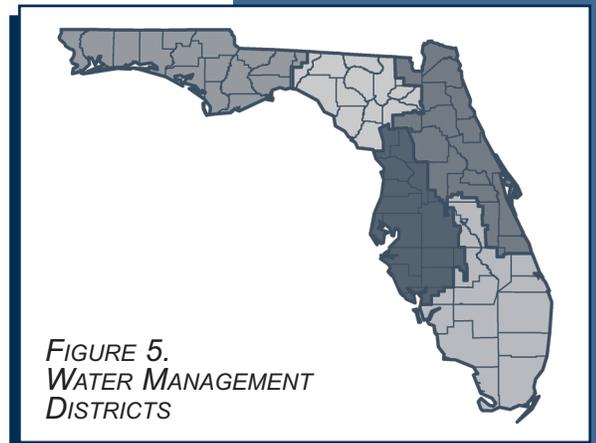


FIGURE 5.  
WATER MANAGEMENT  
DISTRICTS

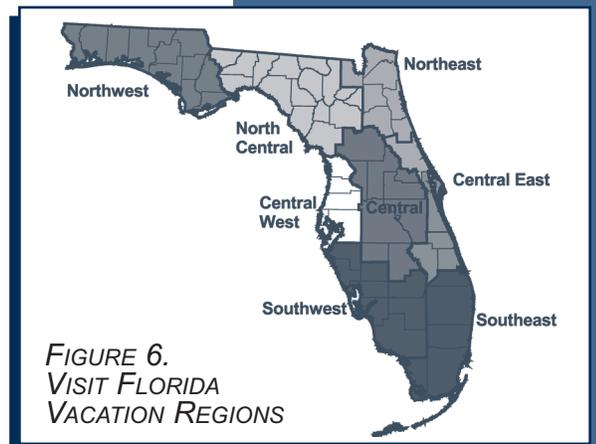


FIGURE 6.  
VISIT FLORIDA  
VACATION REGIONS

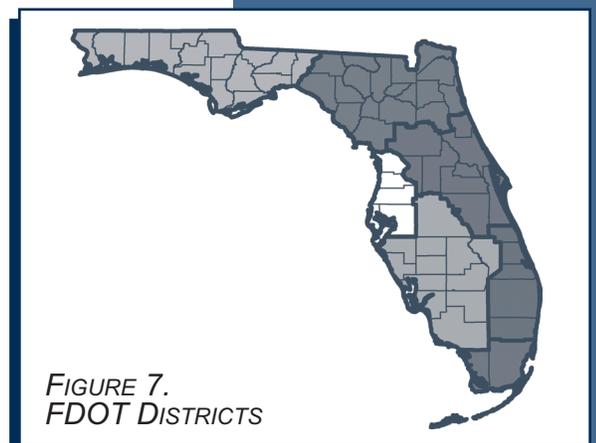


FIGURE 7.  
FDOT DISTRICTS

- Develop a strategic plan for economic development for Florida in conjunction with the Office of Tourism, Trade, and Economic Development, the Office of Urban Opportunities, and local and regional economic development partners; and
- Create, in collaboration with the private sector, a marketing campaign to help attract, develop, and retain information technology businesses in the state.

In addition to this list of duties, the Florida Statutes also describe in detail performance measures for Enterprise Florida, requirements for independent audits, and other duties.

Enterprise Florida is governed by a board of directors that comprises top business, economic development, and government leaders in the state. The board is chaired by the Governor, and the vice-chair position is reserved for a prominent business leader. The private sector represents 27 positions on the 37 person board.<sup>2</sup> The board also includes healthcare, business alliance, economic development, and university leaders. Government leaders include a member of the House and a member of the Senate, the Secretary of Education, the chairperson of the board of directors of Workforce Florida, and the Secretary of State.

In addition, Enterprise Florida has a 44 member Partner Council comprised of economic development professionals that provides a local perspective on issues affecting Florida's competitiveness. The Partner Council addresses issues through key working groups. These groups have helped Enterprise Florida with marketing, urban/inner cities, rural development, and international trade and investment.

EDOs that participated in the FEDC/FCF survey or personal interviews with the *New Cornerstone* research team reported a high degree of satisfaction in Enterprise Florida's current programs and activities, but also pointed to areas for potential improvement. Areas of *success* reported across the state include:

- International trade promotion programs and resources;
- Implementation and administration of business incentives such as the Qualified Target Industry (QTI) and Quick Response Training (QRT);
- Implementation of a statewide strategic planning process for economic development; and
- Efforts to begin greater coordination of economic development initiatives between local, regional, and state organizations.

Some areas that were mentioned by economic development leaders around the state for *improvement* include:

- Greater use of the statewide strategic planning process to set priorities among potential actions for Florida's state, regional, public, and private partners;

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<sup>2</sup> Composition of the Enterprise Florida board as presented on the organization's eflorida.com web site as of January 30, 2003.

*Enterprise Florida is governed by a board of directors that comprises top business, economic development, and government leaders in the state.*

*ORIGINAL CORNERSTONE RECOMMENDATIONS FOR STATE ECONOMIC DEVELOPMENT LEADERSHIP*

The original *Cornerstone* study (published in 1989) recommended a number of new ideas for economic development program delivery in Florida. Three of the key recommendations and subsequent implementation are highlighted below:

**1. Recommendation** – Promote a balanced state economic development strategy focused on attracting, retaining, and growing high-value industry clusters.

**Implementation** – Enterprise Florida, Inc. was created in 1996 as a public/private partnership to be the principal economic development organization for the state. Enterprise Florida has developed focused industry sector strategies for business retention and recruitment, and in 2002 launched a “creation” strategy focused on growing technologies and innovation businesses. Enterprise Florida has identified seven target industries as part of its strategic plan: information technology; health and biotechnology; space, aerospace, aviation, and defense; simulation and modeling; photonics; plastics; and digital entertainment. Enterprise Florida also works closely with various industry groups such as ITFlorida, BioFlorida, and the Florida Aviation and Aerospace Alliance. Still, the organization has had limited success in attracting large high-tech and aerospace firms to Florida.

**2. Recommendation** – Strengthen support networks that provide management assistance and referrals to new firms.

**Implementation** – Enterprise Florida’s programs link Florida companies to opportunities and assistance. It administers financing programs to help Florida companies obtain loans, disseminates trade leads, and coordinates overseas trade missions to help firms tap foreign markets. Enterprise Florida delivers these services through partnerships with organizations that focus on particular regions, industries, or markets.

These programs include the Florida Trade Network, which helps Florida companies gain access to the export development programs and services; the Team Florida advocacy and market opening missions; and the Florida Services Network, Florida’s first online business center created to facilitate commerce between Florida’s service providers and companies around the world.

Enterprise Florida is now working to create a similar level of excellence in its technology and entrepreneurial programs. Enterprise Florida’s predecessor in the technology area was the Enterprise Florida Innovation Partnership, which was created in 1993 by the Legislature to foster the growth of small and midsize high-technology manufacturers and increase the number of high-technology jobs in Florida. The Innovation Partnership was granted legislative authority to create six regional innovation and commercialization centers (ICC). These centers were separated from Enterprise Florida in 1999 following the Governor’s veto of state funding for continuing their functions. Enterprise Florida staff currently are exploring innovative strategies to provide seed capital and support technology commercialization in the state.

**3. Recommendation** – Create a unified economic development marketing image of Florida based on quality, value added, and the advantage of regional diversity.

**Implementation** – Enterprise Florida is attempting to create a strong international and national image of Florida as a good place to do business, in addition to vacation and retire. Limited funding has hamstrung such efforts thus far. The recent \$1 million Enterprise Florida/Team Florida marketing initiative is the first ever coordinated statewide effort to promote the business image of the state.

- Coordination of economic development, land use, and infrastructure, including increasing Enterprise Florida's involvement in shaping state policy for land use and infrastructure;
- Better communication of economic development issues and needs to the Legislature;
- Provision of more accessible, comprehensive economic data to regional and local partners;
- Heightened efforts to build a better climate for emerging technology companies, including attracting seed and venture capital to the state;
- More aggressive marketing and branding efforts;
- Better coordination of private funding for economic development that avoids competition between local/regional and state efforts; and
- Working more effectively with local organizations on large business recruitment projects (especially for headquarters operations).

The Office of Program Policy Analysis and Government Accountability (OPPAGA) and other legislative reviews have suggested changes to Enterprise Florida's programs and structure in the past, and Enterprise Florida has taken steps to address these concerns as it perfects its model. OPPAGA also has recognized Enterprise Florida accomplishments in its reviews.

Audits of Enterprise Florida's impacts on the state economy have shown tangible benefits. Included in the Enterprise Florida 2000-2001 Annual Report is a return on investment (ROI) analysis performed by Ernst & Young. The analysis found that Enterprise Florida's economic development activities have a significant and positive impact on the Florida economy. Conclusions from the study include:

- Economic development related to Enterprise Florida programs resulted in 54,302 new or retained jobs statewide in fiscal year 2000-2001;
- The higher level of employment supported by Enterprise Florida activities added almost \$2.0 billion to Florida's labor income in 2000-2001;
- Major state and local tax revenues increased by \$113.0 million due to Enterprise Florida activities in fiscal year 2000-2001; and
- Florida's return on its investment in Enterprise Florida, including operating expenditures and project incentives, was \$3.27 for every dollar spent in 2000-2001.

Other state organizations with economic development responsibilities include:

*Enterprise Florida's economic development activities have a significant and positive impact on the Florida economy.*

- **Executive Office of the Governor (EOG).** The Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of Governor provides funding and state-level policy direction for Enterprise Florida. The OTTED mission is: “Developing a common vision for the economic future of Florida.” OTTED manages a host of permitting, incentives, and other programs to pursue economic development. OTTED receives the majority of its funding from general revenues and works closely with (and administers funds to) a number of state agencies, offices, and authorities, including Enterprise Florida, Visit Florida, Florida Sports Foundation, Florida Space Authority, Office of Film and Entertainment, Black Business Investment Board, and the Office of Urban Opportunity (Front Porch Florida). Programs under the direction of the Secretary of State, now an appointed position within the EOG, related to growth management also have a critical impact on economic development.
- **Florida Tourism Commission and Visit Florida.** Within the EOG, the Florida Commission on Tourism (FCT) oversees the state’s efforts to support tourism and maintain Florida’s image as an attractive leisure destination. The FCT is responsible for making policy decisions on promoting and developing tourism throughout the state. Created in 1991, it contracts with the Florida Tourism Industry Marketing Corporation to carry out the programs and activities identified in the commission’s four-year marketing plan. The Florida Tourism Industry Marketing Corporation conducts its business as Visit Florida. Its activities are funded by the state and by private sector businesses participating in a partners program. Visit Florida activities include advertising, international sales, encouragement of new market niches, promotions, public relations, and research.
- **Workforce Florida.** Workforce Florida, Inc. is the state’s chief workforce policy organization. Created by the Workforce Innovation Act of 2000, the public-private partnership supports and promotes economic growth through workforce development. Workforce Florida is the principal architect in the state’s efforts to develop and retain a highly competitive workforce responsive to the needs of employers. To improve performance and accountability, the legislation establishing Workforce Florida consolidated various workforce programs and funding streams, including Florida’s welfare reform initiative under a single umbrella. The Workforce Florida board includes representatives from business and industry, the state community college and university systems, as well as leaders of state agencies such as the departments of children and families, labor and employment security, and education.
- **Other statewide organizations.** In addition, other state agencies have an important role in aspects of economic development, such as the departments of education, transportation, revenue, labor and employment security, agriculture and

*Florida’s economic development structure is a unique blend of state, regional, and local organizations. There are few other states with comparable structures.*

consumer affairs, and citrus, among others. Other state organizations also play key roles in economic development, such as the Florida Chamber of Commerce, which provides advocacy for business interests in the state; the Council of 100, which advises the Governor on business climate issues; Florida TaxWatch, which advocates for efficient and effective taxation policy; and Associated Industries of Florida, a group of diverse businesses pursuing a healthy climate for Florida businesses.

## **Summary: Florida's Economic Development Structure: Does It Work?**

Florida's economic development structure is a unique blend of state, regional, and local organizations. There are few other states with comparable structures, other than other large states with multiple economic centers, such as California and Texas. The Florida approach perhaps is best described as a patchwork quilt, with regional and local groups pursuing a range of strategies and target industries, and the state organizations making a noble attempt to bind the quilt together. The strength of this structure is that it enables each region, county, or city to pursue the economic goals that are most suitable for its existing assets, maintaining the state's diversity but also building on the "Florida" brand name. This structure also helps focus resources, particularly by reducing the need for each local EDO to maintain a full spectrum of economic development and marketing programs.

However, the complexity of this structure can be a challenge, particularly when roles are not clear, when partnerships are not developed, or when performance is not measured appropriately. Key issues that must be addressed for Florida's economic development structure to succeed in the future are as follows:

- Clarifying the mission and roles of organizations at each level;
- Building partnerships with non-traditional organizations like visitors bureaus and universities;
- Facilitating private/public partnerships through removing barriers to success and increasing private funding for these partnerships;
- Facilitating public/public cross-jurisdictional partnerships at the regional level; and
- Improving performance measurement and reporting, and linking performance to future planning and budgeting activities.

Strategies for addressing each of these issues are outlined in Section 5.0 of this report.

*The complexity of this structure can be a challenge, particularly when roles are not clear, when partnerships are not developed, or when performance is not measured appropriately.*

## 8.4 Economic Development Resources

Economic development funding in Florida is estimated at \$138 million per year, when combining state, regional, and local spending by the public and private sectors. This total represents 0.029 percent of Florida's gross domestic product.

Economic development organizations in Florida receive funding from a variety of public and private sources. Enterprise Florida, the lead economic development organization for the state, is funded primarily through state appropriations and to a lesser extent, private contributions and fees. Compared to the state, local and regional organizations tend to have access to a more diverse variety of funding options, including city- and county-level general revenues, membership fees, private grants, and in a few instances, dedicated funding sources.

This section demonstrates the overall level of effort that Florida, at both the state and local levels, allocates for economic development. The analysis includes funding for economic development organizations and business assistance programs as well as funding for tourism and workforce initiatives. The state of Florida's appropriations also are compared to other states to determine Florida's relative level of effort for economic development initiatives. This analysis of economic development funding in Florida identifies deficiencies and issues and develops recommendations to expand the state's economic development resources, diversify its funding options, and create more reliable funding streams.

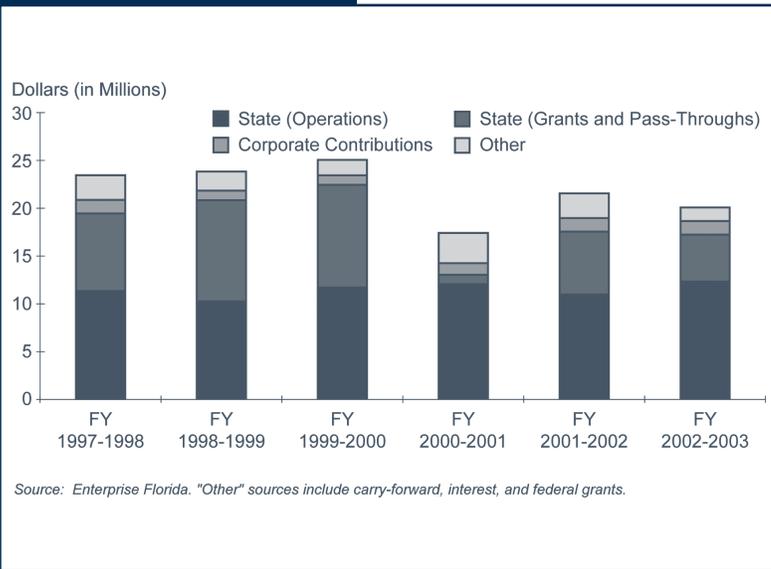
### *Economic Development Funding – State Level Initiatives*

**Enterprise Florida.** Enterprise Florida receives the majority of its funding from state appropriations. State appropriations are divided into two categories, operations and grants/pass-through. Since the 1997-1998 fiscal year, state appropriations to Enterprise Florida for operations have remained nearly constant, ranging from \$10.4 to \$11.9 million on an annual basis (Figure 8). Enterprise Florida carries out its core operations, including marketing, business recruitment and retention, international trade, and administration, with these appropriations.

This operations budget includes a portion of the state's \$2 surcharge on rental cars, which provided \$5.2 million in revenue for economic development in FY2002-2003.<sup>3</sup> While in essence a dedicated source of funding for economic development, the rental car surcharge has been inconsistent in recent years due to a drop in airport arrivals and business travelers. After increasing for years, the number of rental car days charged peaked at 75.1 million in

<sup>3</sup> The proceeds from this tax are distributed to the State Transportation Trust Fund (80 percent), Tourism Promotional Trust Fund (15.75 percent), and Florida International Trade and Promotion Trust Fund (4.25 percent). The Tourism Promotion Trust Fund is administered by OTTED as funding for Visit Florida; the International Trade and Promotion Trust Fund is administered by OTTED as funding for Enterprise Florida.

*Economic development funding in Florida is estimated at \$138 million per year. This total represents 0.029 percent of Florida's gross domestic product.*



**FIGURE 8. TOTAL FUNDING FOR ENTERPRISE FLORIDA, FY 1997/1998 TO FY 2002/2003**

FY 2000-2001. These levels are not expected to return until FY 2007-2008.<sup>4</sup> This decline has forced reductions in Enterprise Florida's budget.

In contrast to the relatively flat level of appropriations, revenue from grants and pass-through has declined, falling from \$8 to \$11 million per year in the late 1990s to \$5.7 million for FY 2002-2003 (with a particularly sharp drop in grants and pass-through in FY 2000-2001). The state grants and pass-through are earmarked entirely by the Legislature to assist defense communities and to support other initiatives, such as the Florida Services Network, a program that operates autonomously from Enterprise Florida. These revenues are not for discretionary use by Enterprise Florida and go directly to the communities or to other initiatives. Enterprise Florida generally does not retain a portion of these funds to cover administrative costs.

Corporate contributions, ranging from \$750,000 to \$1 million for the six fiscal years between 1997 and 2003, account for a much smaller share of Enterprise Florida funding than state appropriations. These corporate contributions often are recurring from Florida's leading businesses, but generally do not represent a predictable revenue stream from year to year.

Total Enterprise Florida revenues have been on a slight downward trend, largely due to the decline in state grants and pass-through appropriations and the volatility in the rental car surcharge (Figure 8). This contrasts with the overall growth in the state budget during this period. Because it operates on the basis of these annual state appropriations and corporate gifts, Enterprise Florida has difficulty projecting future revenues and planning long-term investments and programs. Unlike its counterparts in some other states, Enterprise Florida also cannot draw upon a significant endowment or trust fund.

**Other OTTED programs.** Although Enterprise Florida is the lead organization for economic development in Florida, OTTED continues to administer incentive and grant programs for economic development, urban revitalization, and bond financing as well as manage the contracts for Enterprise Florida and Visit Florida. OTTED also handles funding for Spaceport Florida Authority, the Florida Film Commission, the Black Business Investment Board, Front Porch Florida, and the Florida Sports Foundation. The total budget for OTTED in FY 2001-2002 is \$123.5 million. Financial incentives such as the Qualified Targeted Industries Tax Refund Program (\$20 million) and Economic Development Transportation Fund (\$20 million) comprise a large share of the OTTED budget (Table 1).

<sup>4</sup> Transportation Estimating Conference, Revised Forecast, March 2003.

TABLE 1. 2001-2002 FUNDING FOR OTTED ECONOMIC DEVELOPMENT PROGRAMS

Program	Dollars (in Millions)
Enterprise Florida	14.1
Florida Sports Foundation	3.9
Office of Film and Entertainment	.6
Office of Urban Opportunity	1.2
Florida Space Authority	20.6
Black Business Investment Board	1.3
Visit Florida	21.6
One-Time post September 11 Appropriation to Visit Florida	20.0
Qualified Target Industries/Qualified Defense Contractors	20.3
Economic Development Transportation Fund	20.0
<b>2001-2002 Total</b>	<b>123.5</b>

Source: Office of Tourism, Trade, and Economic Development.

**Visit Florida.** State appropriations to Visit Florida totaled \$21.6 million in FY 2001-2002 (not including a special a one-time appropriation of \$20 million in marketing funds following the September 11, 2001 terrorist attacks). Private sector contributions for fiscal year 2001-2002 totaled \$67.2 million, including \$3.2 million in direct corporate gifts, \$17.1 million in cooperative advertising (contributions to buy advertising in bulk), and \$42 million in in-kind donations (Table 2). The in-kind donations represent non-cash contributions that can be used in marketing, such as tickets to attractions and lodging discounts, which can be given a cash value.

**Florida Black Business Investment Board.** In 1985, the Florida legislature passed the Small and Minority Business Assistance Act, establishing the Florida Black Business Investment Board (FBBIB). The FBBIB was created to strengthen the economy of the state by increasing the number of qualified black business enterprises. Its services are delivered to Florida constituents through eight regional Black Business Investment Corporations (locations include Daytona Beach, Ft. Lauderdale, Jacksonville, Miami, Orlando, Tallahassee, Tampa, and West Palm Beach). Since its inception in 1985, the FBBIB has disbursed \$51.2 million in loans.<sup>5</sup> State funding (administered by OTTED) for the program was about \$1.3 million for FY 2001-2002.

**Workforce Florida.** Workforce Florida’s Quick Response Training (QRT) received \$6 million in funding for the 2001-2002 fiscal year. This program supports economic development efforts by providing customized training to new and expanding businesses in the state. Total available funding (includes State and Federal) for all Workforce Florida programs was \$167.6 million in FY 2001-2002.<sup>6</sup>

<sup>5</sup> Florida Black Business Investment Board, “Feasibility Study for Service Expansion, Final Report,” September 27, 2002.

**Other state agencies.** In addition to these targeted programs, numerous other state agencies expend some public funds on activities that contribute to economic development, such as transportation, education, and community development. Funding by these agencies is not included in this analysis.

TABLE 2. FUNDING FOR ENTERPRISE FLORIDA AND VISIT FLORIDA, FY 2001-2002

	State Appropriations	Private Sector Contributions	Total Funding	
Enterprise Florida, Inc.	10.8	1.3	19.1*	
Visit Florida	21.6	67.2	88.8	

	Corporate Contributions	Cooperative Advertising	In-Kind Contributions	Fees for Service
Enterprise Florida, Inc.	1.0	0.2	0.1	
Visit Florida	3.2	17.1	42.0	4.8

Source: Enterprise Florida and Visit Florida.

\* Includes state pass-through monies not used for Enterprise Florida Programs.

## How Does Economic Development Funding Compare to Other States?

Due to the range of institutional and structural approaches to economic development, comparing funding for economic development in a consistent manner between states is complicated. Based on information from individual agencies, state budget offices, and the National Association of State Development Agencies, efforts were made to compare total state-level funding for international trade, marketing, business attraction, business retention, incentives, and agency administrative costs. Using this approach, state-level economic development funding in Florida was estimated to be 0.019 percent of gross state product in 2001 (or \$92 million), one of the lower values among the comparison states. This total includes OTTED's funding for Enterprise Florida, plus the Office of Urban Opportunity, the Qualified Target Industries Tax Refund Program, the Office of Film and Entertainment, a portion of Florida Space Authority funding, Black Business Investment Board, Florida Sports Foundation, the Economic Development Transportation Fund, and Workforce Florida's Quick Response Training incentive.

Most states share a common objective in economic development which is to maximize the economic vitality of their firms and citizens. Beyond this general goal, however, the approaches promulgated for attaining this end vary greatly by state. Some states, such as North Carolina, have strong state-led economic development programs, while others, such as Texas, have a reduced state role with a much greater emphasis on local initiatives (and locally sourced funding). As a result, state funding per capita for economic development in North Carolina is substantially higher than the figure for Texas (Table 3).

<sup>6</sup> Includes Federal Workforce Innovation Act funding.

TABLE 3. STATE RESOURCES COMMITTED TO ECONOMIC DEVELOPMENT, 2001

State	Non-Tourism ED Funding (Dollars in Millions)	Tourism Funding (Dollars in Millions)	Total ED Funding (Dollars in Millions)	Non-Tourism ED Spending As a Percent of GSP
North Carolina	97.9	9.5	107.4	.035%
Georgia	92.2	4.1	96.3	.031%
California	295.2	19.6	314.8	.022%
Florida	91.9	21.6	113.5	.019%
Virginia	41.4	22.0	63.4	.016%
Texas	8.9	19.8	28.7	.001%

Source: National Association of State Development Agencies (NASDA) and state budget offices.

Adding to the disparities between states in their approaches to economic development, functions such as industrial recruitment, tourism, business expansion and retention, international trade, and technology development are often housed in different agencies, with few, if any, states sharing the same institutional structure. In Florida, the delivery of economic development programs is further differentiated from some other states because it is handled by public/private partnerships (e.g., Enterprise Florida and Visit Florida) rather than by state agencies.

This comparative analysis suggests that economic development funding in Florida, when adjusted for the state’s institutional structure, is slightly below most of Florida’s competitor states. Because of these programmatic differences – and because the way that these funds are spent is much more important than how much is available – it is difficult to conclude based on these data that economic development funding in Florida is too low. As part of the state’s commitment to economic diversification, the Governor and Legislature ought to work to more accurately benchmark the level of effort Florida is devoting to economic development to that of other states as well as to the programmatic needs in Florida. This analysis might drill down to compare funding for specific types of economic development functions – most notably, incentives and marketing – across the states. Given the difficulties involved in obtaining meaningful data to compare economic development funding across states, OPPAGA should work with other state legislative auditors to request and analyze the data needed to create such a benchmark.

Nevertheless, it is important to note that out of the total statewide economic development funding (\$92 million), only 13 percent is managed directly by Enterprise Florida, which statutorily is defined as the state’s principal economic development organization. As part of the broadening of Florida’s Strategic Plan for Economic Development, OTTED should explore reallocation of its overall budget to ensure that Enterprise Florida has the resources necessary to accomplish its critical tasks. This could be accomplished through development of a zero-based budget for Enterprise Florida that estimates the organization’s ongoing operational needs as well as strategic funding for accomplishing the goal of economic diversification.

*STATE-LEVEL ECONOMIC DEVELOPMENT INITIATIVES IN THE UNITED STATES***Pennsylvania Department of Community and Economic Development**

Pennsylvania, led by the Department of Community and Economic Development (DCED), is widely regarded as having a proactive, cohesive approach to economic development. The DCED has formed several program offices to provide information to businesses, business assistance programs, support international trade, encourage technology development, and direct workforce development. Two teams were created to help coordinate resources and provide technical assistance to companies: the Governor's Action Team and Team Pennsylvania.

The **Governor's Action Team** works with domestic and international businesses, as well as professional site consultants on projects involving significant investment and job creation opportunities. The Governor's Action Team makes recommendations for the economic development budget programs.

**Team Pennsylvania** is a public-private partnership that was formed to bring business, government, community and economic development leaders together. Its goal is to present a unified Pennsylvania image and to create a regionally based economic development delivery system. Team Pennsylvania's role is to: 1) mobilize business and government leaders to assist with high-priority projects; and 2) shape the Commonwealth's economic development strategies through shared leadership and vision.

Team Pennsylvania manages a comprehensive web site "Business Resource Network (BRN)" which provides state, regional, and county data critical to businesses making decisions about location, expansion, and workforce development. The "Business Calling Program" is a proactive effort to identify business needs and concerns through interviews. Team Pennsylvania also has a Workforce Investment Board, consisting of private and public sector members, who concentrate on aligning the existing and future workforce with the needs of Pennsylvania businesses.

Present efforts of the DECD include:

- Management of the Center for Entrepreneurial Assistance (CEA), which is the lead agency in Pennsylvania government for small business development. CEA oversees the Small Business Resource Center, Minority Business Advocate, and the Women's Business Advocate.
- Implementation of the "Keystone Export Strategy" through the Team Pennsylvania Export Network and the 17 worldwide export assistance network offices, which is designed to introduce Pennsylvania products and services to the international market.
- Support for an Ambassador program consisting of 500 leading business, academic, and cultural leaders situated throughout Pennsylvania, who help corporate bodies throughout Pennsylvania tap into economic opportunities.
- Commitment of \$2 billion, in part stemming from tobacco settlement money, to support efforts to transform Pennsylvania into a world leader in the life sciences.

The 2002-2003 budget for the DCED reflects Pennsylvania's commitment to economic development:

- \$238 million in Workforce Investment Federal funds and \$5 million for workforce leadership grants for meeting workforce needs of employers;
- \$56 million for infrastructure development and incentive grants to employers

wishing to expand or relocate in the Commonwealth and \$17 million for the Machinery and Equipment Loan Fund to support business expansion;

- \$50 million for job training programs;
- \$8 million for international trade;
- \$7 million in SciTech and Technology Scholarships and Cyberscholarships Programs;
- \$7 million for interactive Internet-based marketing to attract new business and retain students (Brain Gain Initiative); and
- \$6 million for Small Business Development Centers and \$25 million for small business loans.

### **Michigan Economic Development Corporation**

The Michigan Economic Development Corporation (MEDC) was formed by a partnership between the state of Michigan and local communities. Communities that have created economic development corporations are eligible to designate a representative to sit on the MEDC corporate board. The MEDC's mission is to keep good jobs in Michigan and to attract new businesses to the state. Other communities also may form partnerships with the MEDC for economic development services. The partners promote MEDC as a single point of contact for new and developing businesses. Confidential assistance is provided about site location selection, business incentives, financial assistance, employee recruiting and training, permit assistance, and other resources and services in Michigan. Michigan is concentrating on three main industries: life sciences, advanced manufacturing, and information technology (IT). In addition to assisting business, the MEDC helps prepare communities in Michigan to compete in the new, high-technology environment.

MEDC funding is mainly from state appropriated funds (\$87.8 million in FY 2002) and corporate funds (\$20.0 million in FY 2002). The major areas of spending are the Life Sciences Corridor Grants and Customized Job Training Grants.

*The Michigan Life Sciences Corridor* is a billion-dollar initiative funded from the state's settlement with the tobacco companies. Private companies, Pfizer and Pharmacia invest over \$1.2 billion annually into research and development while Michigan's major research institutions add an additional \$400 million. The \$1 billion Van Andel Research Institute in Grand Rapids also demonstrates that life sciences are becoming an important part of the Michigan economy. In 2001, 22 new "life sciences" companies started in Michigan, proof that the growth of the Life Sciences Corridor is underway.

The MEDC places a special emphasis on improving the job skills of Michigan employees. Grants are provided to employers to train new employees and to upgrade the skills of existing employees. *Michigan's Economic Development Job Training (EDJT) Program* provides \$30 million annually to companies.

MEDC grant funds are available for fostering more entrepreneurial activity on university campuses. The state realizes the increasingly important role universities play in economic development efforts. Grants are intended to help increase the number of development opportunities that arise from the research and technology developed at Michigan universities. In addition, the state has launched a \$5 million advertising effort to recruit professionals.

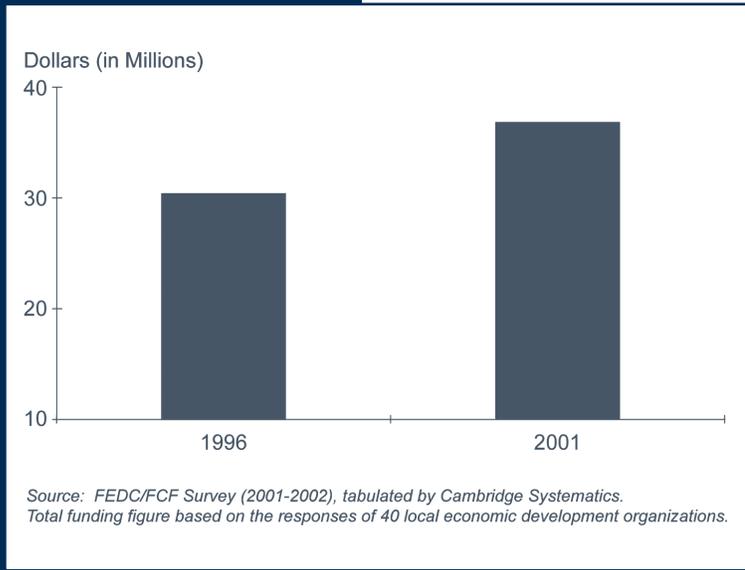
## Economic Development Funding at the Local/Regional Level

Compared to the state, local and regional organizations tend to have greater access to a more diverse variety of funding options, including city- and county-level general revenues, membership fees, private grants, and in a few instances, dedicated funding sources. The FEDC/Florida Chamber Foundation survey provides a detailed look at the funding resources available to local and regional economic development organizations in Florida. The groups responding to the survey deliver economic development services for areas representing about three-quarters of the state's population and thus provide a solid foundation for distinguishing salient funding trends at the local level. The survey results illustrate the differences in funding between small and large EDOs, the overall growth in revenues during the past five years, and changes in revenue by funding source.

The late 1990s were marked by strong economic growth in Florida, with employment and gross state product experiencing substantial gains. During the period, local funding for economic development also showed a sizeable increase. Based on survey responses, the resources available for local economic development organizations grew by an estimated 23 percent between 1996 and 2001 (Figure 9), reaching \$37 million in 2001 (by adding \$9 million to this figure to account for the organizations that did not respond to the survey, total local economic development revenues in Florida would be about \$46 million, or four times higher than the discretionary funds available to Enterprise Florida).<sup>7</sup> Even so,

growth in Florida's gross state product (29 percent) outpaced growth in economic development revenues over the period.

Local and regional economic development organizations also receive the majority of their funds from the public sector, though private contributions constitute a relatively larger share of their funding. According to the survey results, the local and regional EDOs obtain about two-thirds of their funding from the public sector (primarily general revenues from counties) and the remaining 36 percent from private entities (Figure 10). In contrast, Enterprise Florida receives about seven percent of its funding from the private sector.



**FIGURE 9. LOCAL AND REGIONAL FUNDING FOR ECONOMIC DEVELOPMENT, 1996-2001**

To discern trends that may affect the operations of different size organizations, the surveys were divided into two categories – “small” EDOs (those that serve areas with fewer than 150,000

<sup>7</sup> Survey responses represented about 75 percent of the Florida population. By adding 25 percent to the total economic development revenues recorded in the survey, a total local economic development resources were estimated to be \$46 million.

people) and “large” EDOs (those that serve areas with more than 150,000 people). The “large” EDOs include regional or multi-county EDOs that responded to the survey. Key findings include the following (Tables 3 and 4):

- Average budget.** The median annual budgets for the small and large EDOs responding to the survey were \$132,000 and \$753,000, respectively. These budgets generally correspond to the 2000-2001 fiscal year. Because large EDOs have a larger constituency, it is no surprise that they also possess greater resources. However, the lower budgets of the smaller EDOs can translate to higher shares of available staff time going to administrative rather than program needs. The time needed by a small staff to meet administrative requirements can reduce the effectiveness of the organization in meeting its core economic development responsibilities.

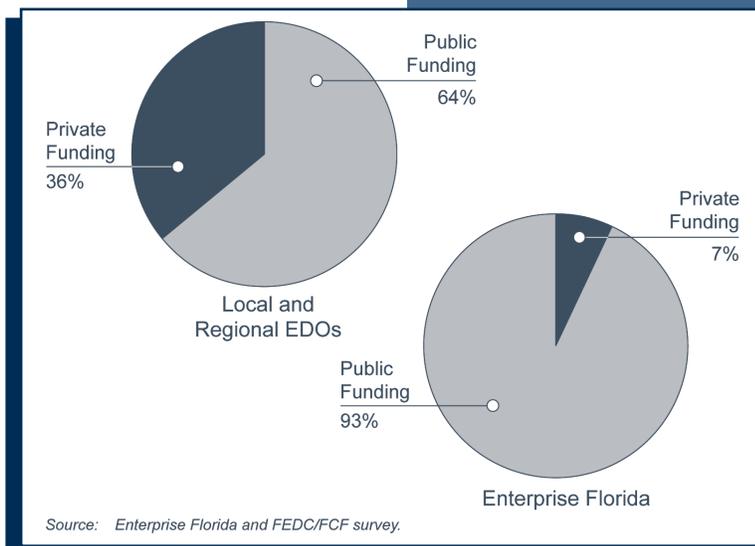


FIGURE 10. PUBLIC AND PRIVATE FUNDING FOR ECONOMIC DEVELOPMENT, 2001

TABLE 3. BUDGETS AND FUNDING SOURCES FOR SMALL AND LARGE EDOs

	Small EDOs	Large EDOs
Median Budget	\$132,000	\$753,000
Median 5-Year Increase	\$39,000	\$200,000
Recording an Increase	72%	86%
Receiving More than Half of Funding from County	89%	64%
Receiving Some Level of Private Funding	72%	86%
EDOs with a Dedicated Funding Source	11%	23%
Number of Respondents	18	22

Source: FEDC/FCF survey.

- Five-year funding increase.** Most EDOs reported funding increases over the past five years, with a slightly higher percentage of large EDOs seeing gains. The median increase for large EDOs was \$200,000 (+36 percent) compared to \$39,000 (+42 percent) for the small organizations. On a percentage basis, small EDOs had faster growth, but the larger absolute gains for the large EDOs may point to a better ability to raise funds, especially membership fees and private contributions. The short-term sustainability of economic development funding is a concern as the revenue increases documented by the survey occurred during a period (1996-2001) of robust economic expansion in Florida. The recent economic slowdown and corresponding fiscal strains

Note: Small and large designations based on population of EDO's coverage areas. Small EDOs cover areas with less than 150,000 people, and large EDOs cover areas with more than 150,000 people.

at the state and local levels may at least temporarily bring the recent gains in economic development funding to a halt.

**TABLE 4. LOCAL AND REGIONAL ECONOMIC DEVELOPMENT REVENUES BY SOURCE**

Funding Source	Number of EDOs		Median Funding Level (Dollars in Thousands)	
	Small	Large	Small	Large
County	15	20	86	450
City	8	10	13	105
Membership Fees	11	14	35	211
Grants/Contributions	9	10	5	71
Number of Respondents	18	22		

Source: FEDCI/FCF survey.

- County and city funding.** County general revenues are by far the most important source of funding for economic development organizations in Florida. The small EDOs are particularly dependent on this funding source, with 89 percent reporting that they receive more than half their funding from county appropriations. By contrast, less than two-thirds of large EDOs obtain more than half their total funding from the county. About half the EDOs reported that they received some level of funding from cities. However, this amount tended to be much lower than the revenues received from the counties.
- Private funding.** The large EDOs have been more successful in diversifying their revenue streams to include significant private sector funding. While 72 percent of small EDOs reported some level of private funding, 86 percent of large EDOs obtained these types of funds. More significantly, the volume of private funds received by large EDOs was much higher than those received by smaller EDOs. The median level of private funding for small and large EDOs, was \$40,000 and \$282,000, respectively. While the average large EDO receives five times more total revenue than the average small EDO, it gets more than seven times more private funding. Membership fees (such as the “purchase” of a seat on the board of governors) are the leading source of private funding, with a number of large EDOs receiving significant revenues from this source. About half of the large EDOs also received sizeable revenues from grants and contributions, which may be made to non-profit foundations affiliated with the EDO to enable the grant to be tax deductible. The large EDOs typically must hire membership directors or outside fund-raising specialists to achieve this level of private giving, which reduces the funding available for programmatic activities. One large EDO indicated that these professional fund-raising costs approach \$300,000 per year.

- **Dedicated funding.** Only eight economic development organizations reported receiving revenues from a dedicated funding source (one of these organizations received funding from two dedicated sources; Table 5). The main dedicated funding source is the occupational license fee (a license issued by county or municipal tax collectors for the privilege of operating a business). One organization uses a special assessment with an indirect tie to economic development and another EDO that also has tourism promotion responsibilities is able to levy the tourist development tax.

TABLE 5. EXAMPLES OF DEDICATED FUNDING SOURCES

Dedicated Funding Source	Participating EDOs
Occupational License Tax	<ul style="list-style-type: none"> <li>- Beacon Council</li> <li>- Broward Alliance</li> <li>- Business Development Board of Martin County</li> <li>- Central Florida Economic Development Council</li> <li>- Citrus County Economic Development Commission</li> <li>- Metro Orlando Economic Development Commission (Seminole County only)</li> <li>- Sarasota County</li> </ul>
Special Assessment	<ul style="list-style-type: none"> <li>- Economic Development Commission of Okaloosa County</li> </ul>
Tourist Development Tax	<ul style="list-style-type: none"> <li>- Central Florida Economic Development Council</li> </ul>

Source: FEDC/FCF survey

EDOs channel revenues to fund a variety of programs, and the level of funding that goes into these programs reflects the priorities of the local economic development organization. The findings from the survey concerning program funding include the following (Table 6).<sup>8</sup>

- **Business attraction.** Business attraction commands the largest share of funding by economic development organizations in Florida. About 31 percent of regional and local EDO funding in the state goes to business recruitment activities such as marketing and recruiting missions. During the past five years, programs related to business attraction also experienced significant increases in funding. The funding to support these programs at smaller EDOs is very low compared to the resources available at the larger EDOs. Larger EDOs have median business attraction budgets of \$600,000, while the smaller EDOs spend about \$30,000. Although most EDOs indicated that 70 to 80 percent of their new jobs are from existing businesses,

<sup>8</sup> The large funding figure shown in the table for tourism development reflects the response of one county, as the majority of the surveyed EDOs indicated limited involvement in tourism promotion. Tourism programs in Florida generally are handled by tourism development councils or convention and visitors bureaus rather than EDOs. The response of this county underlines the capability of the local option tourist development tax to generate significant revenues that can be dedicated to supporting the foundations needed to sustain and expand the tourism industry.

EDOs allocate a larger share of their budgets to business recruitment than to business retention and expansion. This reflects the nature of business attraction, which often requires substantial marketing, travel, entertainment, and consultant costs. However, this allocation also may suggest that local EDOs are focusing too heavily on business recruitment tasks that could be more effectively and efficiently handled at the state or regional level.

**TABLE 6. LOCAL AND REGIONAL EDOs – FUNDING BY PROGRAM AREA**

Program Areas	Number of EDOs		Funding (Dollars in Millions)		5-Year Change (Dollars in Millions)	
	Small	Large	Small	Large	Small	Large
Business Recruitment	11	17	0.4	10.8	0.05	1.4
Business Retention/ Expansion	8	18	0.3	7.2	0.06	1.3
Tourism Development	4	1	0.2	5.1	0.01	0.5
Workforce Development	2	10	0.01	1.7	0	1.7
Trade Promotion	1	7	0.002	1.7	0	0.01
Infrastructure Development	3	1	0.8	0.02	0.06	0.2
<b>Total Program Funding</b>	<b>18</b>	<b>22</b>	<b>2.4</b>	<b>34.8</b>	<b>0.6</b>	<b>6.5</b>

Source: FEDC/FCF survey.

- Business retention and expansion.** Following business attraction, the second largest funding priority for regional and local EDOs in Florida is business retention and expansion. About one out of every five regional and local economic development dollars in the state is earmarked for activities, such as finance and technical assistance, that encourage existing companies to become more successful and ultimately to expand. Similar to business attraction, the level of resources that are available to smaller EDOs for business retention and expansion is dwarfed by the funding available to the larger EDOs. While the large EDOs have about \$400,000, on average, to fund business retention and expansion programs, smaller EDOs have less than \$37,000 to perform similar activities.
- Workforce development.** Workforce development has become a larger priority for Florida's economic development organizations, but in most cases they address these needs by supporting workforce development boards and other partner organizations. Only 30 percent of the survey respondents indicated that they operate their own workforce program. Workforce development among these small number of EDOs increased dramatically over the past five years, from less than \$100,000 to \$1.7 million in spending per year. However, with regional workforce development boards

affiliated with Workforce Florida located throughout the state, this \$1.7 million represents just a fraction of available workforce funds. Total available Workforce Florida funds were \$167.6M in FY 2001/2002.

- **Trade promotion.** Only 20 percent of EDOs, mostly larger ones, reported having a trade promotion program. According to the survey responses, funding for these programs remained constant between 1996 and 2001. During that period local resources for economic development were increasingly committed to other programs, including business recruitment, business retention, and workforce development. By providing significant resources and a number of services to encourage businesses to export, Enterprise Florida is responsible for handling much of the state's trade promotion efforts. For these reasons, assisting companies with accessing foreign markets is often perceived by local EDOs to be primarily a state role.
- **Technology development and marketing.** The FEDC survey did not specifically request data on technology development and marketing by regional and local EDOs, but discussions with major EDOs suggest these activities are growing in importance. A recent study completed for the High Tech Corridor Council estimated public sector marketing and support dollars for high technology at a total of \$33 million per year.<sup>9</sup> The study estimated that every new dollar invested in high technology marketing produced an estimated \$987 in wages.

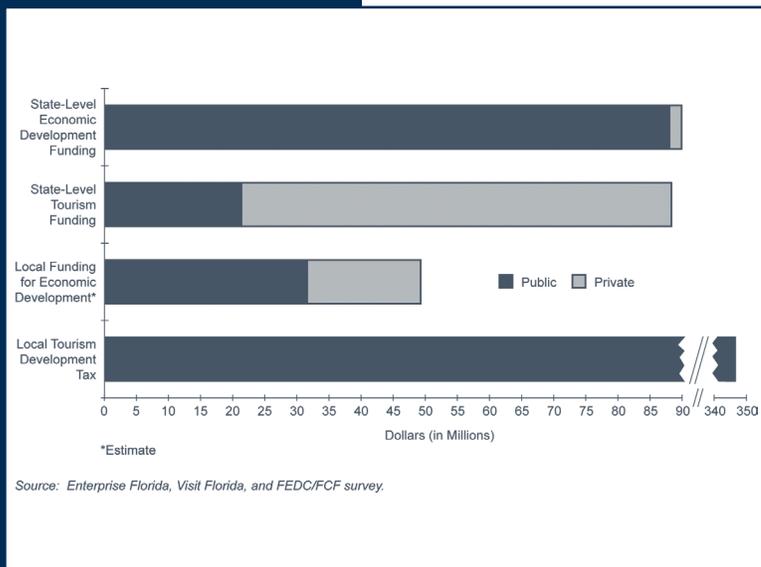
### **Local Resources for Tourism Development**

At the local level, tourism resources are supported by a dedicated funding source, the local option tourist development tax, which generated about \$350 million per in FY 2001/2002. The tourist development tax is a 1 to 6 percent levy on hotels, motels, and other temporary living quarters. The revenues generated by this tax may be earmarked to a variety of purposes, as specified in local ordinances, to benefit the tourism industry. Tourism-related expenditure categories that the Tourist Development Tax may fund include promotion and advertising, beach improvements, capital facilities, convention centers, visitor centers, venues and attractions (e.g., stadiums and zoos), and cultural events. These expenditures market Florida to prospective visitors and provide significant support to the tourism foundations (e.g., attractions, culture, and physical infrastructure) that keep Florida competitive as a leisure destination.

These tourism development activities also help support an increasingly large and vital convention and meeting industry, as well as other amenities and services required by business travelers.

<sup>9</sup> Real Estate Research Consultants, *Successfully Marketing High Technology and Tourism in Florida, A Summary of the Job and Related Impacts*, prepared for the High Technology Corridor Council, September 2002.

*The benefits of a sustained, dedicated investment in tourism marketing and infrastructure are evident.*



**FIGURE 11. ESTIMATED ANNUAL RESOURCES FOR ECONOMIC DEVELOPMENT AND TOURISM**

Visit Florida estimates that travel for business purposes accounts for nearly one-fifth of all Florida visitors. Moreover, business travelers spend about 50 percent more per day in Florida visits than leisure travelers.<sup>10</sup> In recognition of these benefits, some of the state's larger counties are dedicating significant amounts of their tourist development tax revenues to marketing convention centers and business meetings and building related infrastructure. For example, the Orlando-Orange County Convention and Visitors Bureau allocated 67 percent of Orange County's tourist development tax revenues over the past 16 years – \$591 million – to the Orange County

Convention Center. This investment has paid off, with Orlando now ranking among the world's leading sites for conventions and business meetings.

During the 2001-2002 period, combined state and local-level revenues for tourism exceeded \$435 million, while total resources available for state and local economic development initiatives were estimated to be \$138 million (Figure 11). With Florida remaining among the world's leading destinations for both business and personal travelers, the benefits of a sustained, dedicated investment in tourism marketing and infrastructure are evident. Moreover, while tourism and economic development funding cannot be easily compared dollar-per-dollar, the potential benefits of a sustained, focused investment in Florida's trade, technology, and talent assets also are appealing.

### ***Dedicated Funding for Economic Development***

When a state, county, or municipality levies a tax, it may choose to secure a portion or all of the receipts for a specific purpose as defined by law. The revenues generated by these taxes are “dedicated funds” – funds that must be used in a manner that is consistent with those expressed by the law. Dedicated funds are most commonly used to support transportation investments (e.g., sales and fuel taxes dedicated to transit or infrastructure) and education (e.g., property taxes or lottery revenues to support school district operations). These funds also may be used to support programs related to health care and the environment. Dedicated funding sources offer the potential to raise significant revenues; provide a measure of consistency and reliability to revenue streams; limit the potential for arbitrary allocations resulting from the annual budget cycle; and foster long-term strategies and solutions by making long-term planning practicable. For these reasons, a dedicated funding source is requested by many economic development professionals in Florida.

<sup>10</sup> Visit Florida, 2001 Florida Visitors Study.

With the exception of the rental car surcharge, which is intended to support international trade and promotion, there is no dedicated funding source in Florida to support state-level economic development efforts. Enterprise Florida is otherwise dependent on year-to-year state appropriations and private grants and contributions.

The occupational license fee, a license issued by county or municipal tax collectors for the privilege of operating a business (often for a medical or law practice), is the leading source of dedicated funds to aid local economic development efforts, according to the FEDC/Florida Chamber Foundation survey. Occupational license fees range from about \$30 to \$10,000, depending the type and size of the business. In total, the occupational license tax raises about \$150 million per year for Florida's municipalities and counties.<sup>11</sup> This money is allocated mostly to general revenues. Now expired Florida statutes stipulate that charter or home-rule counties (and adjacent counties) can levy an additional occupational license tax (up to 50 percent of the imposed tax) for *an organization or agency designated by the governing body of the county to oversee and implement a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques*.<sup>12</sup> Seven larger EDOs, all in or adjacent to charter/home-rule counties, indicated on the survey that they receive this type of funding: Broward, Citrus, Martin, Miami-Dade, Sarasota, and Seminole. These additional occupational license fees can generate significant funds for economic development; for example, the Broward Alliance received \$1.1 million in Broward County occupational license fees in 2001. Smaller counties also benefit from this funding source. The Citrus County Economic Development Council reported receiving about 60 percent of its economic development funding from occupational license fees. Eligible counties needed to have exercised this funding option by January 1, 1995; counties that had not imposed this surcharge by that date cannot take advantage of this opportunity.

Research conducted for this chapter identified 14 examples from other states demonstrating the use of dedicated funding sources for economic development-related programs (Table 7).

Other than the lottery and bed taxes, which generally are for tourism-related purposes, states do not follow a consistent pattern in the types of taxes used as dedicated funding sources for economic development. The examples from other states may or may not be practicable as models for Florida to follow in creating a dedicated funding source for economic development, but they do underline the effectiveness of these funds in generating significant resources to be used for economic development-related activities and programs. This section provides an overview of two dedicated funding sources that produce substantial revenues for economic development, the lottery in Kansas and a local option

*With the exception of the rental car surcharge, there is no dedicated funding source in Florida to support state-level economic development efforts.*

<sup>11</sup> Compiled by the Florida Legislative Committee on Intergovernmental Relations, data are for FY 1999-2000.

<sup>12</sup> Florida Statute, 205.033, Subsection 6(b).

half-cent sales tax in Texas. The lottery in Kansas funds state-level economic development agencies while the sales tax in Texas funds local economic development initiatives.

TABLE 7. DEDICATED FUNDING – OTHER STATES

State	Dedicated Funding Source	Agency Program	Funding from Dedicated Source (Dollars in Millions)
Alabama	Cigarette and Tobacco Tax	Industrial Development Authority	11.2
Arizona	Lottery	Arizona Department of Commerce	3.2
Arkansas	Estate Taxes	Economic Development of Arkansas Fund Commission	10.0
Georgia	Tobacco Settlement	Georgia Department of Industry, Trade, and Tourism	62.0
Illinois	Sales Tax	Private Development Promotion in Economically Depressed Areas	14.1
Kansas	Lottery	Kansas Department of Commerce; Kansas, Inc; Kansas Technology Enterprise Corporation	46.9
Louisiana	Hotel Occupancy Tax	Local Tourism Promotion, Economic Development, and Workforce Development	24.1
North Dakota	Agricultural Fuel Tax and Highway Tax Distribution Fund	Department of Economic Development and Finance	1.5
Oklahoma	Tourism Promotion Tax	Oklahoma Tourism and Recreation Department	3.9
Oregon	Lottery	Oregon Economic and Community Development	48.2
Texas	Unemployment Insurance Tax	Texas Workforce Commission	60.0
Texas	Local Option Half-Cent Sales Tax	Community-Initiated Economic Development Projects	241.3
West Virginia	Lottery	West Virginia Development Office	6.9

Source: Cambridge Systematics, various sources.

**Lottery – Kansas.** State-level economic development funding in Kansas is sourced from the Economic Development Initiatives Fund (EDIF). The EDIF is generated entirely from lottery sales and funds Kansas’s three economic development-related agencies, Kansas, Inc., the Kansas Technology Enterprise Corporation (KTEC), and the Kansas Department of Commerce & Housing (KDOC&H). The lottery provides these agencies with reliable funding, enabling them to maintain consistency in programs and to form ongoing relationships with companies and local economic development organizations. However, while the lottery generates significant

revenues for the EDIF (\$46.9 million in FY 2001, accounting for 85 percent of Kansas lottery revenues), lottery receipts are stagnating. As a result, Kansas, Inc., KTEC, and KDOC&H are likely to either see their future funding levels decline (in real terms) or remain at existing levels. In a practical sense, it would be very difficult to shift the Florida Lottery's funding priorities to economic development from its present allocations which go entirely to education.<sup>13</sup>

**Local Option Half-Cent Sales Tax – Texas.** Since 1989, Texas cities and communities have had the option to levy a sales tax (up to a half-cent) to fund economic development-related activities. Today, about 500 communities in the state levy the tax, which raises about \$250 million per year. These funds are used for a wide variety of purposes, including marketing, cash incentives, infrastructure improvements, training, and the administration of economic development organizations. While economic development activities are well-funded in Texas at the local level, there is no dedicated fund (with the exception of a bed tax for tourism) to support the state economic development agency, Texas Economic Development (TxED). TxED has very low overall funding relative to the size of the state. The success of the local option half-cent sales tax in Texas is debatable. The tax provides opportunities for rural communities, and has been a useful tool in attracting new companies to the state and retaining companies that may have otherwise moved. However, economic development organizations in Texas, using the local option half-cent sales tax, effectively can poach companies from neighboring communities. When used in this manner, the taxes are essentially a zero-sum gain in terms of their effectiveness for stimulating the state economy. As with the lottery, competing uses for sales taxes and the difficulty of enacting new sales taxes would pose serious obstacles for implementing a similar funding mechanism for economic development in Florida.

## 8.5 Priorities and Strategies

The previous sections highlighted the current state of economic development program delivery in Florida; the key state, regional, and local issues; and funding resources and strategies. This section presents priorities and strategies for Florida and its delivery of economic development services and programs consistent with a dynamic, entrepreneurial, global economy.

Florida should refocus its economic development programs, oriented around six primary principles:

1. Heighten the attention to economic development by the state's public and private leadership.
2. Clarify roles and responsibilities at the state, regional, and local levels.

<sup>13</sup> The Florida Lottery does not fund any state programs other than education. 38 percent of lottery revenues go to education while the remainder covers prizes and administrative costs.

3. Strengthen Enterprise Florida as the state's principal economic development organization.
4. Strengthen regional economic development partnerships.
5. Enhance performance measurement and accountability for results.
6. Provide predictable, focused funding for economic development organizations.

### **1. Heighten Attention to Economic Development**

Florida's statewide elected officials and business leaders must view economic development as one of their primary missions and devote sufficient time, attention, and financial resources to ensure that the vision of global leadership, prosperous workers, and vibrant communities is realized. State policy must be oriented around positioning Florida as a global leader in trade, tourism, technology, and talent, and to building partnerships across agencies and regions and between the private and public sectors to create the foundations for success in these markets.

This will require the continued vigorous leadership of the Governor, who must serve as the state's lead marketer, its chief convener of partners, and its ultimate accountability to ensure that Florida's competitive goals are met. It will require the continued attention and commitment of the Legislature during a time of competing priorities and constrained funding. It also will require critical support from the following statewide organizations:

- Enterprise Florida must continue to serve as Florida's principal economic development organization, with primary responsibility for global image-building and market expansion, research and planning, and facilitating business assistance programs. Enterprise Florida's role and ways to solidify the organization are described below.
- The Executive Office of the Governor should continue to provide state-level policy direction and manage state funding for Enterprise Florida and other statewide organizations. The EOG also should ensure coordination of economic development strategies with growth management, international relations, infrastructure, workforce, education, and other initiatives.
- The full range of state organizations with a stake in economic development should reflect these needs in their planning activities. These should include the agencies responsible for developing particular markets (such as the Department of Agriculture and Consumer Services, the Department of Citrus, and Visit Florida) as well as the agencies responsible for building the state's economic foundations (such as Workforce Florida, the Board of Education, and the Department of Transportation).

*Florida's statewide elected officials and business leaders must view economic development as one of their primary missions and devote sufficient time, attention, and financial resources.*

- The Florida Chamber Foundation should conduct ongoing economic policy research and regularly benchmark Florida’s economic performance, working in partnership with Enterprise Florida and other statewide and regional organizations.
- The Florida Chamber of Commerce, the Council of 100, TaxWatch, Associated Industries of Florida, and other statewide business associations should advocate a healthy business climate and forward-looking economic development strategies. The Florida Chamber should augment its annual Florida Business Agenda, which focuses on immediate legislative priorities, with a long-term business agenda that addresses competitive goals for the next decade.
- Leadership Florida and its regional partners should develop the next generation of economic and policy leaders in the state through ongoing education and networking activities. FEDC should provide advocacy and technical support for regional and local EDOs, focusing on building professional capacity for these organizations. One of the greatest economic successes over the past decade has been a significant increase in the number of government and business leaders who have become engaged in economic development activities in Florida through Enterprise Florida, the Florida Chamber, industry associations, regional coalitions, local economic development organizations and chambers of commerce, and an informal network of professionals statewide. Keeping this corps of economic development advocates focused on a unified message of innovation and globalization is a critical prerequisite for success. The leadership development activities of Leadership Florida and regional organizations, as well as the training and professional capacity-building provided through FEDC, are critical elements of this strategy.

## 2. Clarify Roles and Responsibilities

The experience of the past decade has indicated that a coordinated structure is necessary to make economic development work, but that each type of organization – state, regional, or local – must focus on its relative strengths rather than trying to “do it all.” There is no single model for allocation of responsibilities among state, regional, and local EDOs, but there are implicit rules of engagement and commonalities in approaches across the state. Although it is imperative that some flexibility remain, efforts should be made to clarify the missions and roles of Florida’s economic development organizations, and then ensure that staffing and funding levels reflect these divisions of responsibility. Potential roles for each layer of EDOs are as follows:

- *State organizations* (Enterprise Florida and EOG) should focus on client management, including generating and distributing leads to regional and local partners and facilitating business incentive programs; branding, image-building, and reputation management for the state; international commerce

*Keeping this corps of economic development advocates focused on a unified message of innovation and globalization is a critical prerequisite for success.*

and investment promotion; support for emerging businesses through research and risk capital; economic research and data collection; and statewide strategic planning, including policy coordination with other statewide agencies. Primary responsibility for business retention and expansion projects, with the exception of extremely high-impact deals, should be assigned to regional and local organizations.

TABLE 8. KEY ROLES FOR STATE, REGIONAL, AND LOCAL EDOs

	Marketing	Business Recruitment	Business Expansion/ Retention	Business Creation	International	Foundations (Workforce, Transport, etc.)	Planning and Other
State	Global image-building	Lead generation	High-priority projects	Statewide entrepreneurial climate	Market development and bilateral relations	Statewide policy coordination	Statewide strategic plan
	Branding	High-priority lead development	Statewide business climate issues	R&D and risk capital development	Lead generation	Critical infrastructure projects	State economic research and data collection
		One-stop shopping and referral to regional/local partners			Trade and investment promotion		
		Facilitation of incentives					
Regional	Targeted marketing consistent with statewide	Industry cluster development	Industry cluster development	Industry cluster development	Market development in partnership with state	Coordinating with infrastructure planning and development	Regional strategic plan
		Lead development, placement, tracking, and support to local EDOs	Support to local EDOs (lead role on major projects)	University/business partnerships, centers of excellence	Lead development, placement, tracking, and support to local EDOs		Coordination with statewide plan
							Regional research and data collection
Local	Limited role	Implementation on and project	Lead on most projects	Business incubators	Implementation and project monitoring	Project implementation	Local strategic plan
							Coordination with regional plan
							Limited research and data collection

– *Regional organizations* should focus on developing clusters of businesses and clusters of skilled workers. Key areas of focus should include business recruitment and targeted marketing to prospect businesses, which are cost-intensive activities more

suited for regional organizations; lead development, tracking, and placement and related support to local EDOs; industry cluster development, particularly with regard to emerging businesses; and providing an economic development perspective to workforce, trans-portation, and other infrastructure issues that are more regional than local in nature.

- *Local EDOs* should focus on business expansion, retention, and creation; follow-through and implementation of leads provided through statewide and regional organizations; support for workforce development, recruitment, and retention initiatives; and support for community development initiatives to maintain each county or city’s quality of life.

TABLE 9. KEY PARTNER ORGANIZATIONS

	Trade	Tourism	Technology	Talent
State	Enterprise Florida	Visit Florida	Enterprise Florida	Board of Education
	Executive Office of the Governor	Florida Tourism Commission	Florida Research Consortium	Workforce Florida
	Department of Agriculture and Consumer Services	Florida Ports Council	Emerging Technologies Commission	
	Department of Citrus	Florida Airports Council	Industry groups (itFlorida, BioFlorida, Florida Aviation and Aerospace Alliance, ...)	
	FEDC	Industry associations (attractions, hotels, restaurants, ...)	FEDC	
	World Trade Center Association			
	Florida Ports Council			
	Florida Airports Council			
Regional	Regional EDOs	Regional EDOs	Regional technology partnerships	Workforce development boards
	Seaport and airport authorities		Regional EDOs	Research universities
			Research universities	
Local	Local EDOs	Convention and visitor bureaus	Business incubators and accelerators	Workforce development boards
	Chamber of Commerce		Technology parks	Community colleges
	World Trade Centers		Other four-year and two-year colleges	Vo-Tech centers
				School districts

Table 8 suggests the critical roles for state, regional, and local EDOs across the critical economic development functions. These roles are important to make sure that the system works, but the entire structure needs to be more transparent to the private sector.

Existing businesses in the state often report that the number and range of organizations involved in economic development are bewildering, and prospective new businesses may not know who to contact if they seek information about the state. Therefore, while state, regional, and local groups may focus on different items, they also must become more nimble at referring businesses to the right organization, perhaps adopting a “one-stop-shopping” model of joint staffing in some of the state’s largest markets.

To fulfill these primary responsibilities, the EDOs at all levels will need to partner with a range of organizations. As Florida focuses on a strategy of developing its 4 T’s – trade, tourism, technology, and talent, the number and range of partner organizations at the state, regional, and local levels will only increase. Table 9 identifies key partners at each level. Efforts should be made to more fully engage these partners, in most cases using a strategic planning process as a device for bringing additional partners to the table and addressing their unique needs as part of a coordinated strategy.

Many of these partnerships will require that private and public organizations work together toward common goals. Florida’s state, regional, and local EDOs have made great strides toward bringing the private and public sectors together, but more work remains. From a private sector perspective, there are opportunities to bring a wider range of businesses into economic development partnerships and to strengthen their financial contribution to these partnerships. From a public sector perspective, there is a need to increase the level of comfort with partnerships and to encourage public officials to give these partnerships freer rein in terms of staffing and programs so that they can more easily respond to the dynamics of a competitive economy.

### ***3. Strengthen Enterprise Florida as the State’s Principal Economic Development Organization***

To ensure a smooth and collaborative delivery of programs, it is essential that the role of Enterprise Florida is clearly defined, understood, and implemented. Consistent with best practices in other states and findings from surveys of EDOs around the state, the most important roles and responsibilities for Enterprise Florida are:

- Convening statewide and regional partners to develop and update the Florida Strategic Plan for Economic Development;
- Global image-building;
- Client management, including generation, development, and tracking of high-priority leads;
- International market expansion;
- Enhancing the innovation economy, with a particular emphasis on risk capital;
- Ensuring a balanced approach to economic development that encompasses rural areas and inner cities; and

- Conducting statewide economic research and analysis to support these other activities.

**Strategic Plan.** Enterprise Florida plays a critical coordination role among Florida's diverse partners to develop Florida's Strategic Plan for Economic Development. This increasingly vital plan is a bottom-up, consensus-based effort to define Florida's economic development priorities and a multi-institutional action plan for accomplishing these goals. The plan has evolved tremendously over the past few years, and has gained traction as a planning tool and resource for a wide range of partners. Enterprise Florida has made significant progress in bringing together regional and local partners from across the state, and must maintain this momentum. Recent efforts have included extensive public meetings across all parts of the state to receive feedback on the development of the strategic plan, to supplement the insights of the long-range task force.

The next step is to elevate this plan in importance so it truly becomes the Governor's plan – and therefore the state's plan – for economic development. All state agencies should consider how they are supporting the plan's core goals and strategies. In early 2003, Governor Bush accepted a recommendation by Enterprise Florida and the Governor's Transition Team to step up the statewide strategic planning process to place a higher profile on economic diversification. Because of the importance of workforce development and growth management to economic development, the Governor designated Secretary Susan Pareigis of the Agency for Workforce Innovation and Secretary of State Glenda Hood to co-chair the statewide strategic plan along with Enterprise Florida President and CEO Darrell Kelley. This approach should reinforce the importance and relevance of the plan.

In addition, Enterprise Florida and its partners must begin to set priorities so that the plan becomes a guide for resource allocation and decision-making. Early editions of the plan have been little more than compilations of wish lists of Enterprise Florida's partners. To help make tough decisions, the plan should identify a manageable number of priority actions (perhaps five statewide and three for each region in any given year) and focus resources and accountability at moving those actions forward.

**Global Image-Building and Market Expansion.** National and global image-building and marketing the state as a good place to do business has consistently been cited as the most important role for Enterprise Florida. It has been pointed out that the number one most important brand in the state is just that – Florida. The state should fund a multi-year marketing program to enhance Florida's image in global markets as a place to live, work, and play, building off the successful Visit Florida and e-florida efforts. The \$1 million, one-time funding provided by the Legislature to Enterprise Florida in 2001 should be expanded to a three-year, \$12 million effort as originally proposed, with the expectation of a strong private sector match. This program should be reevaluated and expanded as necessary for the rest of the decade.

*Enterprise Florida and its partners must begin to set priorities so that the plan becomes a guide for resource allocation and decision-making.*

**Client Management.** Enterprise Florida should continue to assign high priority to working with large businesses and high-priority leads, and steering these leads through Florida’s complex economic development structure. The organization should provide the function of a state embassy for networking and partnerships. It also should serve as a clearinghouse for business recruitment and sales leads – alerting local and regional EDOs across the state of opportunities and then working with those groups, as needed, to ensure a seamless and professional recruitment and sales process.

Enterprise Florida also is a vital facilitator of critical business incentive programs for local and regional EDOs. EDOs frequently comment on the importance of this activity as part of their success. The major incentive programs that Enterprise Florida markets and provides assistance on are grouped into four categories:

1. Targeted industry incentives (Qualified Target Industry Tax Refund, High-Impact Performance Incentive Grant, and Capital Investment Tax Credit);
2. Workforce training incentives (Quick Response Training Incentives, and Incumbent Worker Training Program);
3. Road infrastructure incentive (Economic Development Transportation Fund); and
4. Special opportunity incentives (Rural Incentives, Urban Incentives, Enterprise Zone Incentives, and Brownfield Incentives).

The Qualified Target Industry (QTI) Tax Refund, Quick Response Training (QRT) Incentives, and Economic Development Transportation Funds are some of the most frequently cited programs by local EDOs as essential to the success of economic development efforts in Florida.<sup>14</sup>

**International market expansion.** Enterprise Florida plays a strong role in international trade promotion and foreign direct investment through such programs as the Florida Trade Network, Trade Links, and the Florida Certified Trade Events Program. Florida’s Strategic Plan for Economic Development should include a focused international strategy, which should provide the structure to support implementation of Florida’s international goals at the state, county, and community levels. It also should ensure that the many organizations involved in guiding Florida’s international commerce speak with a single voice. Key partners in this international strategic plan should include the Executive Office of the Governor, Visit Florida, the Department of Agriculture and Consumer Services, the Department of Citrus, the Florida World Trade Center Association, research universities, and key regional and local organizations.

**Innovation economy.** Enterprise Florida has always marketed Florida as a high-tech industry location, but should provide even more focused leadership and vision for Florida to become an

*The state should fund a multi-year marketing program to enhance Florida’s image in global markets as a place to live, work, and play, building off the successful Visit Florida and e-florida efforts.*

<sup>14</sup> The incentive programs are marketed by Enterprise Florida, but funding is distributed through the Office of Tourism, Trade, and Economic Development.

innovation economy. The Legislature should reenact statutory provisions authorizing Enterprise Florida to establish technology commercialization and development programs, and fully use Enterprise Florida's role as a convener to build partnerships in this area. The membership of Enterprise Florida's Technology Council should expand to include all relevant statewide research organizations and technology industry cluster groups. Enterprise Florida should build upon its recent emphasis on innovation and creation in the 2003 Statewide Strategic Plan for Economic Development and the *New Cornerstone* recommendations, and focus on implementation of key strategies including risk capital.

**Balanced economic development programs.** As the lead statewide economic development organization, part of Enterprise Florida's role is to look after regions struggling economically that may not have the resources to help themselves. Enterprise Florida can step in to help balance and equity of opportunities to all areas of Florida, including rural areas and inner cities. This requires specialized assistance for economic development organizations in these areas, including both technical support and funding.

**Research and analysis.** Finally, Enterprise Florida should continue to conduct statewide research and data collection in an accessible format – something that is typically beyond the resources and capabilities of many smaller local EDOs.

These critical functions will be met only if Enterprise Florida's mission and structure are refined. Enterprise Florida was an experiment when it was created in 1996 – one of the first efforts in the United States to create a statewide public/private partnership for economic development. The experiment has been successful, but the experience to date also has suggested ways in which the model can be better refined. A spectrum of options are available to Florida (or any state) for managing economic development at the statewide level:

- A purely public model, such as a state department of commerce, that works in cooperation with private businesses and associations;
- A public/private partnership, such as Enterprise Florida today or similar initiatives in other states;
- A nonprofit model, such as a foundation with responsibility for long-term strategic planning or for serving underprivileged areas; or
- Privatization of certain economic development functions, such as entrepreneurial development and risk capital. A complete privatization of all economic development functions is not desirable because of the public good nature of economic development.

Within this spectrum, it is recommended that Enterprise Florida continue as a public/private partnership but with modifications to the existing approach. The rationale for establishing Enterprise Florida was to create a forum for bringing the public and private

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will be met only if  
Enterprise Florida's  
mission and structure  
are refined.*

sectors together, and to enable delivery of economic development programs at the speed of a business. Enterprise Florida has succeeded in meeting the first goal and has made great strides at the second, but at times has been hampered by being subject to the vagaries of the economic cycle and the bureaucracy and politics associated with the public sector, rather than harnessing the collective power of both sectors.

For this reason, Enterprise Florida should refine its public/private partnership model in the following ways:

- Redouble efforts to operate more like a business, with a strong private sector board, a regularly updated corporate business plan, competitive compensation packages, exemption of sensitive corporate information from public records laws, and a performance-based approach to planning and budgeting;
- Maintain vital and well-defined partnerships with a wide range of public and private organizations so that Enterprise Florida remains the state's primary convener for economic strategy;
- Target resources at the core strategies of growing Florida's emerging business and international markets by refocusing the large number of programs it supports today to a tighter, targeted program; and
- Revise methods of measuring performance, focused on emerging businesses, international markets, and improving the quality of jobs (see discussion below).

The Legislature should support this transition by streamlining reporting requirements and reducing mandates on Enterprise Florida. This last point is important because cumbersome reporting, legislative "pet projects," and mandates with strings attached to the Enterprise Florida budget divert the organization from its core mission. Enterprise Florida is subject to as many as five audits annually today, covering the state Comptroller, the Inspector General, and legislative committees. These multiple audits require significant resources and are a chronic distraction for management and other professional staff as well as a burden for the board. Legislative mandates regarding staffing and compensation also should be eased so that Enterprise Florida has flexibility to hire and retain the most qualified staff. Enterprise Florida's partnership structure may need to be revised to enable non-traditional partners like tourist development organizations or universities to join at a different level of financial commitment.

In addition, Enterprise Florida should explore opportunities for self-funded delivery options, focusing on areas where a purely business model would be optimal. The best opportunity may be related to catalyzing innovation by providing access to a fuller spectrum of options for risk capital, particularly in terms of seed and pre-venture capital. For example, a privately managed seed capital fund could be created to invest in promising new businesses.

*Enterprise Florida has been hampered by being subject to the vagaries of the economic cycle and the bureaucracy and politics associated with the public sector, rather than harnessing the collective power of both sectors.*

This fund could cover proof-of-concept studies, prototype development, initial product trials, and creation of a basic business structure. In this case, the public sector could provide initial monies to set up the seed capital fund, but would be unlikely to be able to attract and retain the professional staff with the expertise to manage and grow the fund, nor to operate the fund on a fast-turnaround basis. Initial capitalization, which would likely need to be on the order of magnitude of \$25 million, could come from a one-time allocation of state general funds or the state pension fund, or through private donations encouraged through tax incentives. The fund could be expanded over time through equity investments in the firms that benefit from the seed capital.

Finally, statewide foundations and other nonprofit organizations should take on a lead role in certain aspects of economic development, particularly those related to long-range strategic planning, community development, and serving underperforming regions or socioeconomic groups. The Florida Chamber Foundation, Florida TaxWatch, the Florida Council of 100, and the Collins Center for Public Policy are examples of Florida-based nonprofit organizations that are conducting economic research, engaging partners, and supporting long-term strategic planning for the state or economic regions. The work of these organizations should be encouraged and integrated with Enterprise Florida's operational activities.

#### 4. Strengthen Regional Partnerships

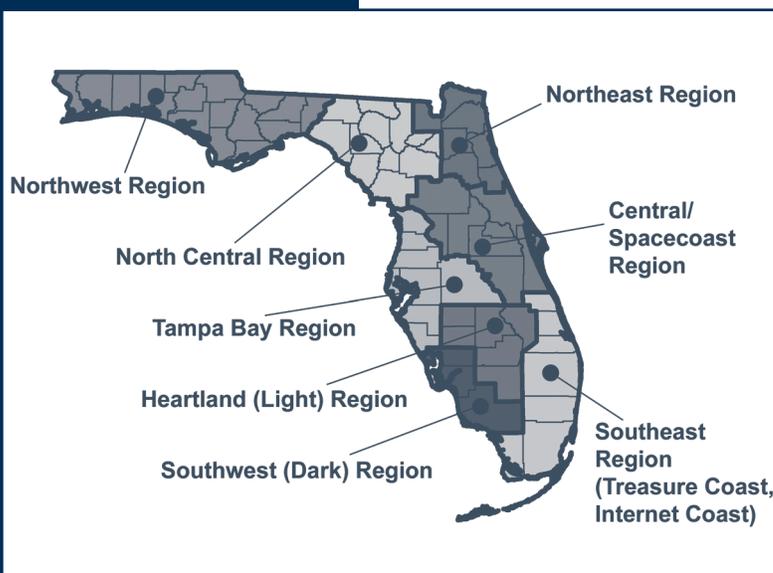
Florida also must strengthen and expand the emerging regional approaches to economic development that are taking hold across the state – from the High Tech Corridor Council in central Florida to the InternetCoast in Southeast Florida to the Jacksonville Cornerstone and Florida's Great Northwest initiatives. Through an examination of best practices around the country and surveys of Florida organizations, it is clear that each region needs to define its own regional approach to economic development. However, there are a few core functions that regional EDOs are best suited to provide that should be central to the mission of Florida regional initiatives:

- **Targeted regional marketing.** There are many regional marketing campaigns underway in Florida and these efforts should be maintained and expanded, where appropriate. Wherever possible these efforts should be coordinated with the statewide marketing initiative under direction of Enterprise Florida so that Florida maintains its single brand in the international market.
- **Lead development, placement, and tracking.** Business site location searches typically start out with a broad view and are gradually narrowed down to individual sites. It is natural for this process to work through the regional level, and regional marketing can help develop these leads. Regional EDOs should be careful to include locals in the process as soon as possible, and to ensure that leads are distributed to maximize the regional benefits and make certain the leads are approached equitably.

*The Legislature should support this transition by streamlining reporting requirements and reducing mandates on Enterprise Florida.*

- **Industry cluster development.** Industry clusters typically function best at the regional level, with common labor pools and nearby suppliers and buyers. These partnerships can be most effective where they pool resources and leverage the activities of multiple counties, as well as where they address issues such as workforce and transportation that are beyond the purview of traditional economic development organizations.
- **Support for local EDOs.** The regional coalitions can work with their local partners to place leads and close deals, deliver programs focused on targeted business expansion and retention, and support workforce and community development efforts. Special emphasis should be given to creating relevant, viable programs in smaller counties and rural areas, building professional capacity, and mainstreaming emerging business and international marketing among local economic development organizations still focused on business expansion and domestic markets.

The successful growth of the regional partnerships will require dismantling the barriers to public/public coordination across jurisdictions, which has inhibited the growth of many of these partnerships. To be successful, regional organizations must make the interests of the region as their first priority, but also must treat each county fairly. Regional benefits of particular retention or recruitment projects rarely will be equitable for all counties, but the cumulative results of all activities managed by the regional organization must be perceived as fair for all participants. In addition, expanded funding options must be provided so that regional organizations are not simply competing with their state and local partners for limited private and public funding.



The eight economic regions (Figure 12) adopted by Enterprise Florida as part of its statewide economic development strategic plan reflect a market-based, bottom-up approach to economic development, and should serve as a basis for cross-agency planning and coordination. Since supporting and encouraging economic development is a multi-disciplinary activity, efforts to define regions in Florida more consistently across agencies would help create a common ground for planning and investments in all areas and increase county-to-county cooperation, familiarity, and efficiency. Political constraints may require that the regional definitions remain fluid, but the Enterprise Florida

strategic planning process can provide an important focal point around a core set of regions each year.

FIGURE 12. ENTERPRISE FLORIDA, INC. STRATEGIC PLANNING REGIONS

### 5. Enhance Performance Measures and Accountability

To accompany initiatives to adjust the emphasis and funding of economic development program delivery, it is necessary to make sure that a process for measuring and reporting performance is in place and linked to planning and management decisions. The performance measurement system should be consistently applied in a cohesive fashion across all levels (local, regional, and state). There are four key questions regarding performance measurement and accountability for Florida to consider:

- Are Florida EDOs using the appropriate performance measures, consistent with the trends of today’s and tomorrow’s economy?
- Is there overlap or conflict between local, regional, and state EDO performance measurement and their primary missions?
- How can the accountability of economic development programs and business tax incentives be improved?
- Who should provide statewide oversight of economic development program delivery, and their effectiveness at meeting stated goals and objectives?

Traditionally, EDOs have focused their attention of performance measures onto new jobs and investment created. The emphasis typically is placed on industrial recruitment-related activities. The numbers reported by EDOs are the most readily available and commonly used, even if the role that any individual EDO may have played in a business location decision is difficult to determine. However, performance measures and data that better target the state’s economic goal areas (such as trade, tourism, technology, and talent) are relatively scarce. What is gathered is typically not consistent across geographies, and therefore difficult to compare. There is little measurement at the regional level, where an increasing share of activity takes place. In addition, the frequency with which the data are collected hinders the responsiveness of long-term planning.

Innovative economic development performance measurement will require increased funding for economic research and data collection. New research and data collection should emphasize emerging business measures such as venture capital availability by region; small business loans and surviving firms; and a closer examination of the cause and prevention of business failures. In addition, international trade and investment measures include as annual estimates of exports of services; a “census” of exporting companies in Florida; transshipment volume and Florida-valued added for exports; and foreign direct investment in targeted value-added industries. Traditional measures are still appropriate, but should be supplemented by these new measures to give a more complete assessment of how Florida’s EDOs are succeeding in the areas that will determine the future economic competitiveness of the state.

*The focus of performance measurement should shift from taking credit to moving the ball; from short-term jobs to long-term competitiveness; and from institutional effectiveness to statewide competitiveness.*

In addition, the focus of performance measurement should shift from taking credit to moving the ball; from short-term jobs to long-term competitiveness; and from institutional effectiveness to statewide competitiveness. There is an appropriate role for traditional, agency-based return-on-investment measures, but they should be augmented by measure that look at the economy-wide impacts.

EDOs around the country, and in Florida, typically use similar indicators of performance measurement. Because EDOs must justify their funding each year and performance measurement is one way to demonstrate the return-on-investment that they provide, there may be an inherent bias in the reporting. At the same time, the three levels of EDOs have different missions and goals in economic development, and it is important that they measure their success in attaining these goals and the effectiveness of the resources they are using. With these multiple layers of performance measurement in place, there is potential for double-counting or inconsistent results. A typical occurrence is for a state or regional EDO, whose primary role may be to promote the business climate, to claim credit for new jobs generated that also are claimed as new jobs created by the local EDO. This double-counting is acceptable when used to evaluate the regional and local EDO individually, but must be eliminated when evaluating the effectiveness of the full range of economic development activities.

To increase the coordination of performance measurement among Florida's EDOs, two steps should be taken. First, statewide reporting of new jobs and investment generated (led by Enterprise Florida) should be built up from the local EDOs performance measurement. This approach will avoid double-counting and enhance the collaboration between local EDOs and Enterprise Florida. The statewide results will reflect the contribution of each local area. Second, state and regional EDOs should adopt new performance and activity measures to reflect their primary roles in economic development (marketing, research, leads distributed, policy and planning, etc.). The general goal is to develop an integrated approach and recognition that performance measurement often will be broader than the immediate activities of any single economic development organization.

Even with more clearly defined roles for economic development program delivery, increased accountability and a continuous improvement process must be achieved for all EDOs. Key issues include determining how to increase accountability, transparency, and the connection between funding and performance. While Enterprise Florida has been making strides in this area and includes specific targets as economic goals, this type of monitoring might be best performed by an independent group, whose funding is not determined by the results of this analysis.

To improve accountability, three steps should be taken. First, the state's performance on key measures should be linked back to economic development strategies, planning and budgeting. Second, the state should consider adopting a unified development

*Increased accountability  
and a continuous  
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EDOs.*

budget rather than a traditional line-item budget to allow for full-cost accounting of economic development programs and their benefits.<sup>15</sup> In particular, business tax incentives, which effectively act as “tax expenditures,” are costs to the state in the form of foregone revenues but are not regularly reported. A unified development budget would allow key stakeholders to better understand the total amount of spending on economic development and to compare these investments to the state’s economic goals.

#### *UNIFIED DEVELOPMENT BUDGET*

Creating a unified development budget that increases the reporting and awareness of all economic development expenditures, both traditional line-item as well as tax expenditures (such as business incentives that reduce a firm’s tax liability), has various benefits and challenges. Benefits include:

- Better decisions and better results as a unified development budget can lead to more informed decisions about financing business services and supports, leading to a more effective use of resources and economic development results.
- Improved coordination and efficiency as better information about common services and functions increases cross agency knowledge of spending and programs. It also leads to more support for building partnerships as a unified development budget provides better information about the many players in economic development at the state, regional and local level, helps identify shared policy and financial interests, and supports existing and new partnerships.
- Shift toward wiser investments as better information about financial and political stakes of investing well, or failing to invest, can help make the case for a higher return investment approach to business incentives.
- More effective advocacy since a unified budget can educate decision-makers, the media, and the general public about economic development issues, making the budget process more accessible and improving advocacy for development policy reforms and sensible tax policies.

Challenges to creating an unified development budget include:

- The level of effort involved in putting one together on annual basis, largely due to difficulties obtaining data;
- The difficulty involved in defining what should be considered “economic development,” because almost any activity can be considered economic development by some definition; and
- The political risks involved in comparing spending levels for individual programs and organizations, particularly if the goal primary goal is to depict overall spending rather than to optimize spending across programs.

Source: Budgeting and Economic Development Performance: A Guide to Unified Development Budgets, Corporation for Enterprise Development, December 2000.

Finally, the Florida Chamber Foundation should develop an annual report on economic competitiveness. The Foundation’s effort should focus on the broad question of how successful the state

<sup>15</sup> For more information on this topic, see “Budgeting and Economic Development Performance: A Guide to Unified Development Budgets,” Corporation for Enterprise Development, December 2000.

is competing in global markets, rather than the narrow question of the performance of any single organization. It should focus on traditional measures, but also devote increased attention to emerging business and international competitiveness measures. This annual report should be linked to an annual economic summit with the state's leaders from a broad set of disciplines and organizations to assess the effectiveness of current economic development initiatives and suggest policy refinements for greater future success.

## **6. Provide Predictable Funding**

Economic development organizations at all levels in Florida would benefit from predictable, multi-year funding streams. With greater stability and increased funding, Florida would be able to implement long-term economic development strategies more effectively, and firms doing business with the state would have confidence in the reliability of multi-year agreements. By underpinning its economic development programs with reliable resources over time, Florida can improve technology development and assimilation, international trade and investment, workforce skills, and its business image – all critical needs to achieve the state's long-term goals.

As a general principle, Florida must approach economic development as a long-term investment, not an operational expense. As such, economic development funding strategies should be similar to those of a state transportation or education agency and not tied to the vagaries of the annual budget cycle. Other state agencies have reliable funding streams from dedicated sources, enabling them to develop coordinated investment strategies that address short-, medium-, and long-term priorities. This is important because overarching economic development goals, such as raising income levels, cannot be achieved overnight. North Carolina, one of the poorest states in the country as recently as 1950, experienced significant income gains following the development of the Research Triangle as part of a strategy to link the state's university assets with business growth and innovation. Today, the Research Triangle is a recognized paradigm for economic development, North Carolina no longer ranks among the poorest states in the country, and the state is internationally renowned as a technology hub. These gains took years to achieve, but demonstrate that a strong vision combined with years of implementation can result in measurable improvements in economic well-being. To realize the types of gains experienced in North Carolina, economic development in Florida, at both the local and state levels, must be seen as a long-term investment.

Reliable funding streams would enhance Florida's ability to convert economic development strategies into tangible improvements in the livelihoods of its citizens and the competitiveness of its businesses. Economic development agencies require predictability in funding so they can maintain or improve programs and adhere to strategies. On the program side, reliable funding allows programs to meet expectations by serving targeted customers in

*Florida must approach economic development as a long-term investment, not an operational expense.*

a consistent manner over time. As program quality and benefits become more widely recognized, existing customers will return and new customers will be attracted to the services provided by the program. A sudden drop in program funding will result in either a decline in quality, a reduced breadth of services, or both, potentially damaging the goodwill of customers and jeopardizing the economic benefits generated by the program. In terms of strategic planning, reliable funding streams allow initiatives to be implemented, evaluated, and improved over time, thus increasing the likelihood that the strategy will have a discernible impact on meeting economic development goals.

As a second principle, Florida's economic development organizations should strive to be self-sufficient where possible. This would mean that over time, dependable or accurate appropriations from state or local general funds or annual corporate campaigns would be shifted to recurring funding streams that are based on dedicated funding sources, long-term business partnerships, and endowments with the potential to generate sufficient return on investment to fund future operations.

As a third principle, Florida should approach economic development funding in a holistic manner and examine the overall level of investment across agencies and programs. This could be accomplished through the use of a unified development budget that would include funds spent through both annual appropriations and tax incentives. A unified development budget would provide greater accountability and flexibility than a traditional line-item budget; make all state economic development activity available in a single document for direct comparison, regardless of the agency or organization involved; and make it easier to measure the effectiveness of each government program through appropriate performance measures.

In keeping with these three general principles, Florida should develop a multi-year economic development investment program that includes the following actions:

#### **A. Provide Reliable Funding for Enterprise Florida**

Analysis of Florida's economic development funding compared with other states suggest that the primary need at the statewide level is for more reliable funding for Enterprise Florida as the state's primary economic development organization.

There are immediate needs today to increase the marketing budget for Enterprise Florida to levels comparable with other states, and to ensure that Enterprise Florida's core programs can continue to expand. For long-term planning purposes, a zero-based budget should be developed that estimates the total funding needed by Enterprise Florida to fulfill its mission and strategic plan. Based on this budget, OTTED should work to establish a multi-year investment strategy for Enterprise Florida that is based on programmatic needs rather than annual budget cycles. OPPAGA should work with legislative audit offices in other states to develop more accurate estimates of funding by Florida's competitor states

*The primary need at the statewide level is for more reliable funding for Enterprise Florida as the state's primary economic development organization.*

for comparable economic development activities, so that there are long-term competitive benchmarks for overall program levels.

In addition to benchmarking public funding for Enterprise Florida, the state should take steps to increase private funding for the organization. The private share of funding for Enterprise Florida, currently seven percent, should move toward the share reported by all local EDOs responding to the survey, 36 percent (or higher if possible) through more aggressive fund-raising and additional financial incentives such as a tax credit. Over time, as private giving increases, the need for state general fund appropriations may be reduced.

Finally, Enterprise Florida should explore new models that would enable it to become self-sustaining over the long term. The \$25 million seed capital fund described earlier, if successful, could expand over time based on returns from the initial round of investments. This fund, particularly when supplemented with private giving through a tax credit, could become the basis for an endowment that could fully fund Enterprise Florida's programmatic needs and enable Enterprise Florida to make grants to regional and local EDOs. The efficacy of such a model, which would be revolutionary for a state EDO, should be explored over the next year. Working with the EOG and the Legislature, Enterprise Florida might set a goal of diversifying its funding base by the year 2010, so that it is supported by three roughly equivalent sources: state dedicated funds or recurring general funding appropriations, private corporate contributions (incorporated by a tax credit), and self-generated revenues.

### **B. Expand Options for Funding Regional Partnerships**

Florida should provide incentives to encourage regions to form collaborative economic development efforts. There already are many examples of regional partnerships in Florida, but greater levels of effort could expand current partnerships and encourage new ones. Additional options for funding regional partnerships include the following:

- **Provide matching grants.** Through Enterprise Florida, the state should provide matching grants to regions that have formalized collaborative economic development initiatives. The matching grants could be used for the creation of regional economic development strategies and other programs that demonstrate a clear regional breadth. This initiative would encourage regional synergies and a more efficient use of economic development resources.
- **Facilitate pooling of public funds.** Particular attention could be given to development of public/public partnerships among counties that rationalize expenditures and reduce intraregional competition. Barriers to pooling funds across jurisdictions should be removed, through innovative strategies such as streamlined contracting or creation of virtual multi-jurisdictional coalitions.

*Supported by three roughly equivalent sources: state dedicated funds or recurring general funding appropriations, private corporate contributions and self-generated revenues.*

- **Enable dedicated funding through expanded use of occupational license tax or similar initiatives.** Occupational license taxes generate significant funding for economic development in some of Florida's larger counties. The Legislature could renew the ability of counties to impose new occupational license tax surcharges to fund local or regional economic development groups, which expired in 1995, and expand the eligibility for such taxes beyond the charter counties and adjacent counties. As an incentive to the growth of regional partnerships, the Legislature could offer a higher tax rate to counties that are pooling resources to create regional organizations.

### **C. Focus Local Resources**

Florida's smaller economic development organizations, representing less populated counties and municipalities, often operate with minimum resources. After meeting administrative obligations (including mandated fund-raising that sometimes only covers basic operational expenses), there is frequently little staff time and few resources remaining to research, design, and implement strategic economic development programs. When administrative burdens overwhelm an EDO, the likelihood that the organization can deliver effective services and make a tangible difference in the community is greatly reduced.

The FEDC/Florida Chamber Foundation survey revealed that local EDOs spend 50 percent more on business recruitment than on business expansion and retention, but report that as many as 70 to 80 percent of all new jobs are created by existing companies. Recruitment is a critical but expensive activity, and EDOs should evaluate their program funding to ensure that they are providing sufficient resources toward business retention and expansion and not duplicating recruitment activities of regional groups. EDOs also should begin measuring funding for business creation and entrepreneurship activities, as well as their impacts.

Enterprise Florida should provide basic state operational grants so counties can formulate cohesive and practicable economic development strategies. These grants could be on the order of magnitude of \$100,000 per year, with a sliding scale for those counties that pool resources at a regional level. This would provide greater focus to economic development efforts and increase their effectiveness, while also relieving some of the fund-raising burden. Prior to applying for operational grants, economic development organizations should be required to complete a business plan. To gauge the success of the grants and to further hone economic development strategies, organizations receiving the grants also should be required to monitor the success of their programs and record an established set of measures.

### **D. Provide Tax Credits for Private Contributions to Economic Development Organizations.**

To encourage businesses to make contributions to public/private economic development partnerships, Florida should create corporate income tax credits for private sector donations. Currently, private

*Enterprise Florida should provide basic state operational grants so counties can formulate cohesive and practicable economic development strategies.*

donations to a 501(c)(6) economic development partnership (e.g., Enterprise Florida and most public/private organizations) provide no tax benefits and simply are counted as business expenses. To encourage private donations, some EDOs such as the Beacon Council or Lee County have formed 501(c)(3) organizations to enhance fund-raising so that private contributions will be tax deductible. Other EDOs such as the Palm Beach Development Board are in the process of creating such organizations. Such foundations have helped attract private investment, but these gifts are restricted to research and educational expenses.

An even stronger incentive would be to create a tax credit for private donations to public/private partnership EDOs. This tax law could be written similar to the existing Community Contribution Tax Credit (Florida Statutes 220.183), which allows a 50 percent tax credit for private donations (related primarily to housing) in enterprise zones. There are several important restrictions that should be placed on these tax credits:

- Similar to the QTI and QRT tax rebates, the amount of credit should not exceed a firm's corporate income tax liability.
- The value of the tax credit should grow over time on a sliding scale to encourage long-term funding commitments to EDOs. For example, the tax credit could be set initially at 50 or 60 percent of the value of the contribution, and grow over time to 70 or 80 percent.
- A ceiling could be placed on the total annual value of tax credits and then increased each year, so that the total fiscal impact on the state general fund is tempered. Increased private donations to Enterprise Florida could be balanced with a reduction in state general revenue appropriations for the organization, so that in its initial years the tax credit might result in a net cost savings to the state. To minimize the fiscal impact, implementation of the tax credit could be staged, so that it applies in the first year only to giving to Enterprise Florida, and then is expanded to partner organizations.
- The tax credit should only be available for contributions to Enterprise Florida and its primary economic development partners (regional and countywide) to ensure appropriate use of the funds.<sup>16</sup> As a further incentive to the growth of regional partnerships, the tax credit could be restricted to Enterprise Florida and multi-county EDOs only.
- The tax credit should be targeted at encouraging new giving to EDOs, not rewarding existing donors. Many regional and local EDOs today have established relationships with businesses that effectively purchase a seat on their board of directors through an annual gift in the vicinity of \$25,000.

*Florida should create corporate income tax credits for private sector donations.*

<sup>16</sup> To better coordinate economic development efforts between the state and regions, Enterprise Florida has designated a group of economic development organizations as "primary partners." Through a memorandum of understanding, the primary partners are certified as regional liaisons to work with Enterprise Florida on shared initiatives.

The tax credit should encourage these core businesses to provide additional unrestricted giving, perhaps by limiting eligibility only to gifts in excess of \$25,000.

These tax benefits could raise funding as well as increase private-sector participation in economic development planning in the state. They also could encourage investments when they are most needed but hardest to attract – during economic downturns. Greater participation would enable state and regional economic development organizations to better align economic development strategies with industry trends and be more responsive to private sector needs.

#### **E. Reduce Competition for Scarce Private and Nonprofit Donations**

Enterprise Florida and many local and regional economic development organizations throughout the state currently compete for donations from similar potential private sector and nonprofit investors. In many instances, these groups are competing for the same funds (e.g., those from large companies with a statewide image or presence). To reduce duplication in fund-raising efforts and foster stronger local, regional, and statewide synergies in planning, Florida's economic development organizations should coordinate the collection and use of private donations. Enterprise Florida and its regional and local partners should look for opportunities to coordinate fund-raising activities. Rather than receiving multiple, separate appeals for donations, large companies in Florida could receive a single fund-raising call from a joint state/regional/ local team, and be encouraged to invest in a portfolio of linked programs at the three levels. This strategy, if properly managed, could save time for both businesses and economic development partners, reduce competition for large donors, and increase the overall pool of gifts. Ultimately, coordinated fund-raising could create a single economic development fund pooled from private donations and channeled to all organizations.

#### **F. Implement Special Economic Development and Infrastructure Funding Programs for Rural Regions and Inner Cities**

Economic opportunities, at times, can be limited for people residing in Florida's rural regions and inner cities. Compounding these difficulties, the ability of rural and inner city areas to make constructive changes often is constrained by a lack of resources. As reflected in the survey, economic development organizations in rural counties have significantly lower budgets than regional or large county EDOs. While this would seem justifiable due to their smaller populations, funding in many rural areas is insufficient for operating a viable and effective economic development organization. The state should explore infrastructure bank-type funding mechanisms to accelerate projects in rural areas and inner cities that promote economic development. These infrastructure banks could be used to ensure that the precursors to business recruitment or expansion are in place in rural areas and inner cities – for example, workforce training, transportation,

*The state should explore infrastructure bank-type funding mechanisms to accelerate projects in rural areas and inner cities that promote economic development.*

telecommunications, and energy. If approached in this broad manner, infrastructure banks could provide the flexibility to address the dynamic needs of these communities. The banks should link to the enterprise zones and Rural Areas of Critical Economic Concern initiatives sponsored by the Legislature and Governor.

## 8.6 Implementation Plan

The following steps are recommended for early action by Florida's business and government leaders.

### 1. Build the state's next generation of economic leadership.

The Florida Chamber Foundation should sponsor a series of statewide and regional summits to roll out the findings of the *New Cornerstone* study and create a constituency in support of the recommendations. Leadership Florida should integrate the principles of the four T's into its activities, while Enterprise Florida and FEDC should work with their partners to build awareness of and support for these recommendations.

**2. Strengthen statewide strategic planning process.** Enterprise Florida's Statewide Strategic Plan for Economic Development should be elevated in importance so it truly becomes the Governor's plan – and therefore the state's plan – for economic development. All state agencies should consider how they are supporting the plan's core goals and strategies. In early 2003, Governor Bush accepted a recommendation by Enterprise Florida and the Governor's Transition Team to place a higher profile on economic diversification. The Governor designated Secretary Susan Pareigis of the Agency for Workforce Innovation and Secretary of State Glenda Hood to co-chair the statewide strategic plan along with Enterprise Florida President and CEO Darrell Kelley. This approach should reinforce the importance and relevance of the plan. In addition, Enterprise Florida and its partners must begin to set priorities so that the plan becomes a guide for resource allocation and decision-making. To help make tough decisions, the plan should identify a manageable number of priority actions (perhaps five statewide and three for each region in any given year) and focus resources and accountability at moving those actions forward.

### 3. Enhance performance measures and accountability.

Enterprise Florida and regional and local EDOs should adopt new performance and activity measures to reflect their primary roles in economic development and measure the state's progress in growing its trade, tourism, technology, and talent capabilities. State and regional performance on key measures should be linked back to economic development strategies, planning, and budgeting. The state should consider adopting a unified development budget rather than a traditional line-item budget to allow for full-cost accounting of economic development programs and their benefits. Finally, the Florida Chamber Foundation,

*Florida's Statewide Strategic Plan for Economic Development should be elevated in importance so it truly becomes the Governor's plan – and therefore the state's plan – for economic development.*

as an independent, nonprofit organization, should develop an annual report and summit on the state's economic competitiveness. The Foundation's effort should focus on the broad question of how successful the state is competing in global markets, rather than the narrow question of the performance of any single organization.

**4. Create a tax credit for private donations to economic development organizations.**

To increase private giving to Enterprise Florida and other EDOs, the Legislature should enact a tax credit similar to the existing Community Contribution Tax Credit (Florida Statutes 220.183), which allows a 50 percent tax credit for private donations (related primarily to housing) in enterprise zones. The value of the tax credit should grow over time on a sliding scale to encourage long-term funding commitments to EDOs. The tax credit should be targeted at encouraging new giving to EDOs, not rewarding existing donors, perhaps by limiting eligibility only to those gifts in excess of \$25,000 per year. A ceiling could be placed on the total annual value of tax credits and then increased each year, so that the total fiscal impact on the state general fund is tempered. Increased private donations to Enterprise Florida could be balanced with a reduction in state general revenue appropriations for the organization, so that in its initial years the tax credit might result in a net cost savings to the state. To minimize the cumulative fiscal impact to the state, the tax credit could be implemented in stages, first for Enterprise Florida and then to its partners. Finally, as a further incentive to the growth of regional partnerships, the tax credit could be limited to contributions to Enterprise Florida and certified regional or multi-county EDOs.

**5. Enable dedicated funding through expanded use of occupational license tax or similar initiatives.**

Occupational license taxes generate significant funding for economic development in some of Florida's larger counties. The legislation that created this dedicated funding source for economic development using the occupational license tax only applied to charter (Constitutional Home Rule) and bordering counties. This legislation should be renewed and other counties in Florida also should have the ability to increase the occupational license tax levy and use the revenues for economic development purposes. The Legislature could offer a higher tax rate to counties that are pooling resources to create regional organizations.

*The Florida Chamber Foundation, as an independent, nonprofit organization, should develop an annual report and summit on the state's economic competitiveness.*

# Chapter 9



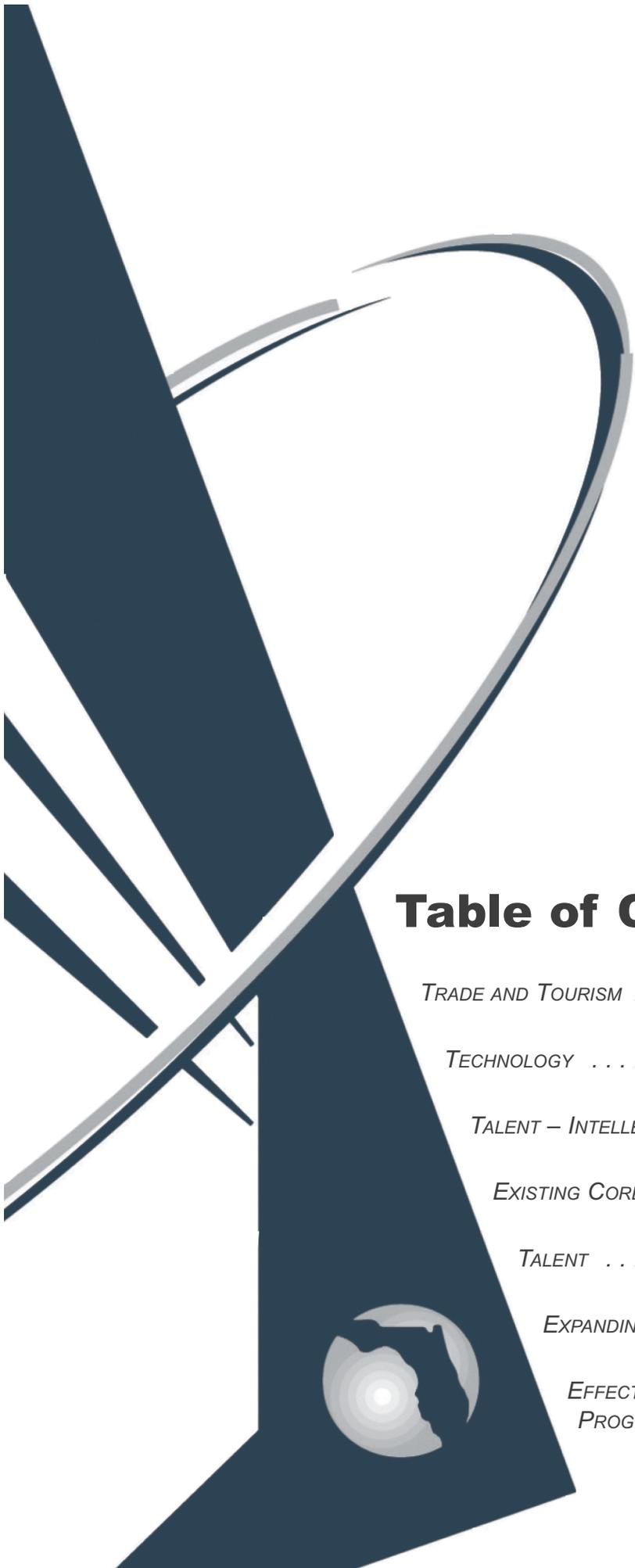
Summary of Recommendations

## NEW CORNERSTONE

**FLORIDA**  
**CHAMBER**  
*Foundation*

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TRADE AND TOURISM

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b>Global Leadership</b>				
1. Attract Secretariat of the Free Trade Agreement of the Americas to Miami	a. Provide focused leadership from public and private sectors	<ul style="list-style-type: none"> <li>Executive Office of the Governor</li> <li>Florida FTAA, Inc.</li> </ul>	2003/2004	Medium
2. Provide high-level, sustained leadership for Florida's international priorities and foreign policy	a. Assign specific responsibility and authority to one cabinet-level office	<ul style="list-style-type: none"> <li>Executive Office of the Governor</li> <li>Enterprise Florida</li> </ul>	Ongoing; 1st plan in 2004	Medium
	b. Develop and implement international commerce element of Florida's Strategic Plan for Economic Development	<ul style="list-style-type: none"> <li>Visit Florida</li> <li>Department of Agriculture and Consumer Affairs</li> </ul>		
	c. Maintain high level of state funding for international competitiveness programs and initiatives	<ul style="list-style-type: none"> <li>Department of Citrus</li> <li>Florida World Trade Center Association</li> <li>Florida Chamber of Commerce</li> <li>Board of Education</li> </ul>		
3. Preserve, expand, and integrate Florida's best practices in international market expansion – create a "Whole Florida" market expansion strategy	a. Preserve and expand Executive Office of the Governor protocol and diplomacy programs	<ul style="list-style-type: none"> <li>Executive Office of the Governor</li> <li>Enterprise Florida</li> </ul>	Medium-term	Medium
	b. Preserve and expand Enterprise Florida international trade and business development programs	<ul style="list-style-type: none"> <li>Visit Florida</li> <li>Department of Agriculture and Consumer Affairs</li> </ul>		
	c. Preserve and expand Florida Services Network	<ul style="list-style-type: none"> <li>Department of Citrus</li> </ul>		
	d. Expand membership of the Florida Trade Network to accommodate EDOs with a strong interest and capacity to provide export assistance	<ul style="list-style-type: none"> <li>Florida Economic Development Council</li> <li>Florida Chamber of Commerce</li> <li>Florida World Trade Center Association</li> </ul>		
	e. Preserve and expand marketing efforts; fully fund integrated statewide effort to market Florida as the "Innovation Hub of the Americas"			
	f. Expand promising regional and local initiatives (International Visitors Council, international education alumni networks, inbound trade missions)			
	g. Integrate and develop synergies among existing programs (market matchmaking and cross-selling)			

## TRADE AND TOURISM

Suggested Recommendation	Approach	Level of Partners	Timing	Effort
<b><i>Global Leadership</i></b>				
4 Invest in long-term market expansion initiatives and next-generation international programs	<p>a. Deep mine traditional trading partners, with focus on creating opportunities for small and medium-sized businesses</p> <p>b. Target new frontier markets (China, Africa, Cuba)</p> <p>c. Expand exports of services such as education, health care, and management; improve the measurement of services exports</p> <p>d. Sharpen the state's foreign direct investment strategy to focus on supply chains and emerging technologies industries</p> <p>e. Recruit new consulates and trade associations</p> <p>f. Design innovative exchange programs to build long-term relationships with international students, faculty, and other professional visitors</p> <p>g. Position Florida as a global e-business portal – conduct market readiness studies, provide market assistance</p>	<ul style="list-style-type: none"> <li>• Executive Office of the Governor</li> <li>• Enterprise Florida</li> <li>• Visit Florida</li> <li>• Department of Agriculture and Consumer Affairs</li> <li>• Department of Citrus</li> <li>• Florida World Trade Center Association</li> <li>• Florida Chamber of Commerce</li> <li>• Board of Education</li> </ul>	Long-term	High

TRADE AND TOURISM

<b><i>Global Connectivity</i></b>							
5. Enhance world-class intermodal transportation system	a. Implement and fund Florida's Strategic Intermodal System	<ul style="list-style-type: none"> <li>• Florida Department of Transportation</li> </ul>	2004 Session	\$1 billion in new funding per year			
	b. Improve the efficiency, safety, and security of major trade and tourism corridors	<ul style="list-style-type: none"> <li>• Florida Transportation Commission</li> <li>• Floridians for Better Transportation</li> </ul>					
	c. Increase capacity and efficiency of major seaports and airports, including seamless truck and rail access to these gateways	<ul style="list-style-type: none"> <li>• MPO Advisory Council</li> <li>• Florida Ports Council</li> <li>• Florida Airports Council</li> </ul>					
	d. Continue aggressive deployment of Intelligent Transportation Systems (ITS) technologies	<ul style="list-style-type: none"> <li>• Florida Trade and Transport Council</li> <li>• Florida Railroad Association</li> </ul>					
	e. Improve coordination of transportation planning and economic development planning at state and regional level	<ul style="list-style-type: none"> <li>• Florida Trucking Association</li> <li>• Enterprise Florida</li> </ul>					
	f. Fast-track transportation projects that support critical economic opportunities	<ul style="list-style-type: none"> <li>• Florida Chamber of Commerce</li> </ul>					
	g. Eliminate diversions from State Transportation Trust Fund and explore new revenue sources						
	<hr/>						
	6. Enhance world-class telecommunications system	a. Increase bandwidth and redundancy			<ul style="list-style-type: none"> <li>• itflorida.com</li> </ul>	Medium-term	Medium
b. Determine need for additional Internet Network Access Points in Florida		<ul style="list-style-type: none"> <li>• Florida Department of Transportation</li> <li>• Enterprise Florida</li> </ul>					
c. Install fiber optic or wireless systems in right-of-way or major interregional highway corridors							
d. Integrate telecommunications, transportation, and other infrastructure planning							
<hr/>							
<b><i>Global Business Image</i></b>							
7. Enhance Florida's global image as a place to do business	a. Fully fund statewide effort to market Florida as the "Innovation Hub of the Americas"; reevaluate and expand as needed after three years	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Florida Economic Development Council</li> </ul>	2004 Session	\$12 million over 3 years			

## TECHNOLOGY

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b><i>Idea Factories</i></b>				
8. Create idea factories centered around Florida's research universities and labs	<p>a. Create Thomas A. Edison Innovations Program to support university centers of excellence, expansion of degree-granting programs in science and engineering, and partnerships among universities, K-12 schools, and businesses; expand Technology Development Act</p> <p>b. Strengthen existing and create new university/business partnerships</p> <p>c. Recruit entrepreneurial expertise for university boards; continue process of devolving decision-making authority to university boards</p> <p>d. Develop technology transfer strategies including revenue reinvestment processes</p> <p>e. Appoint state-level research liaison</p> <p>f. Pursue new and protect existing federal civilian and military research laboratories</p>	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Board of Education</li> <li>• Florida Chamber of Commerce</li> <li>• Florida Research Consortium</li> <li>• Emerging Technologies Commission</li> <li>• Florida Engineering Society</li> <li>• Florida Engineering Deans Council</li> <li>• High-Tech Corridor Council</li> </ul>	Initiate in 2004 legislative session; 10-year program	\$1 billion in state funding over 10 years leveraging additional federal, state, university and private sector funds

TECHNOLOGY

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b><u>Hot Houses</u></b>				
9. Cultivate continuum of options for risk capital statewide	a. Create small business innovation research matching fund	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Florida Venture Forum</li> </ul>	2004 Session	\$25 million one-time capitalization for seed fund  Other costs TBD
	b. Create seed capital fund to transition promising new technologies into commercial businesses			
	c. Extend and broaden Enterprise Florida's authority to operate technology investment funds			
	d. Expand marketing to private venture and seed capital funds			
	e. Renew commitment to Certified Capital Company program			
	f. Invest portion of state pension fund as Florida-based venture capital			
	g. Remove current securities law prohibiting private investments in start-up firms from individuals with less than \$1M in assets			
<b><u>Hot Houses</u></b>				
10. Develop new generation of incubators and related support services	a. Leverage services available at Disney/Small Business Administration National Entrepreneurial Center	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Small Business Administration</li> </ul>	Medium-term	Medium
	b. Expand mentoring, networking, and employment referral programs; engage retired and semi-retired professionals	<ul style="list-style-type: none"> <li>• Florida Economic Development Council</li> <li>• Florida Business Incubators Association</li> <li>• Board of Education</li> </ul>		
	c. Explore new delivery mechanisms such as "virtual incubators"	<ul style="list-style-type: none"> <li>• High-Tech Corridor Council</li> </ul>		
	d. Identify incentives for and reduce barriers to public/private/academic partnerships			
	e. Expand funding options for "hothouses" (state matching funds, enhanced access to federal funds)			

## TECHNOLOGY

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b><i>Entrepreneurial Business Climate</i></b>				
11. Reduce health care costs and improve accessibility	a. Reduce cost of and enhance access by workers and businesses to health care insurance	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Florida Chamber of Commerce</li> </ul>	2003/2004	TBD
	b. Streamline and monitor costs of benefit-level mandates	<ul style="list-style-type: none"> <li>• Florida Chamber Foundation</li> </ul>		
	c. Cap non-economic damages in malpractice cases (monitor impacts of 2003 session)			
	d. Conduct additional research on health care reform			
12. Reduce workers' compensation costs for Florida businesses	a. Reform workers' compensation programs; reduce cost of and enhance access by Florida businesses	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Florida Chamber of Commerce</li> </ul>	2003	TBD
	b. Monitor impacts of reforms adopted in 2003 session			
13. Update tax and regulatory policy to reflect the dynamic needs of Florida's entrepreneurial sector	a. Reduce effective tax rates on productive inputs including R&D equipment	<ul style="list-style-type: none"> <li>• Florida Chamber of Commerce</li> <li>• Florida TaxWatch</li> </ul>	2004 Session	Fiscal impact of tax reduction to be determined
	b. Keep state approach to Internet sales taxes in line with competitor states			
	c. Streamline and stabilize environmental review and permitting processes			

*TALENT – INTELLECTUAL INFRASTRUCTURE*

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
14. Increase high school graduation rates and graduate preparedness	<p>a. Reaffirm commitment to school reform: maintain commitment to Sunshine State Standards; complete transition to seamless pre-K-20 system; employ targeted academic and other support interventions; strengthen school leadership skills</p> <p>b. Reflect community and business needs in education programs: increase district/school authority and flexibility over resources; increase business role in student assistance; increase time in classroom and support services</p> <p>c. Identify and intervene in low-performing schools</p> <p>d. Create State Scholars Initiative to encourage high school coursework to prepare students for workforce and higher education</p>	<ul style="list-style-type: none"> <li>• Board of Education</li> <li>• Department of Juvenile Justice</li> <li>• Department of Children and Families</li> <li>• Florida Chamber of</li> <li>• Florida Chamber of</li> <li>• WorldClass Schools Foundation</li> <li>• Workforce Florida</li> </ul>	Long-term	High
15. Increase baccalaureate and advanced degree production rates in key fields	<p>a. Increase university enrollments at existing institutions where possible</p> <p>b. Improve geographic access to four-year degree programs through site-based baccalaureate programs at community colleges, authorization for community colleges to offer specified four-year degrees, and other joint programs</p> <p>c. Increase support for need-based student financial assistance; expand Florida Resident Access Grant</p> <p>d. Continue process of devolving decision-making authority to university boards</p>	<ul style="list-style-type: none"> <li>• Board of Education</li> <li>• Enterprise Florida</li> <li>• Workforce Florida</li> <li>• Florida Chamber of Commerce</li> </ul>	Long-term	High

## TALENT – INTELLECTUAL INFRASTRUCTURE

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
16. Increase science and engineering degree production rates	a. Promote participation in science and engineering degree programs through collaborative partnerships	<ul style="list-style-type: none"> <li>• Board of Education</li> <li>• Enterprise Florida</li> <li>• Workforce Florida</li> </ul>	Long-term	High
	b. Integrate applied technology learning in all fields of post-secondary education	<ul style="list-style-type: none"> <li>• Florida Chamber of Commerce</li> </ul>		
	c. Increase graduate program access, enrollments, and completions through generous financial packages			
	d. Establish college loan repayment program to encourage graduates to remain in Florida			
	e. Align science and engineering programs with Florida's most critical technologies			
17. Increase education funding	a. Develop strategy to increase education funding per pupil, considering recent constitutional amendments and best practices in other states	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Board of Education</li> <li>• Florida Chamber of Commerce</li> </ul>	Long-term	High
	b. Allow for community and institutional flexibility over use of additional resources			
	c. Target resources at proven high-return strategies for increasing student, teacher, or institutional performance			
18. Build awareness of importance of education	a. Implement "Education First" public outreach initiative	<ul style="list-style-type: none"> <li>• Board of Education</li> <li>• Workforce Florida</li> <li>• Florida Chamber Foundation</li> </ul>	Medium-term	\$5 million/ 3 years
19. Measure effectiveness of educational policy and programs	a. Produce annual report on state of Florida's pre-K-20 educational programs	<ul style="list-style-type: none"> <li>• Florida Chamber Foundation</li> <li>• WorldClass Schools Foundation</li> <li>• Council for Education Policy Research and Improvement</li> </ul>	Begin in 2004	\$100,000/ year

## Summary of Recommendations

### EXISTING CORE INDUSTRIES

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
20. Preserve and expand Florida's defense industry	<p>a. Ensure that Florida military bases, labs, and installations remain open during next round of Base Realignment and Closures</p> <p>b. Expand defense and homeland security activities at military bases and spin-off businesses</p>	<ul style="list-style-type: none"> <li>Executive Office of the Governor</li> <li>Florida Defense Alliance</li> <li>Florida Aviation and Aerospace Alliance</li> <li>Enterprise Florida</li> </ul>	Short-term	TBD
21. Maintain Florida's status as leading destination for retirees	a. Implement key recommendations from Destination Florida commission	<ul style="list-style-type: none"> <li>Executive Office of the Governor/Department of Elder Affairs</li> <li>Destination Florida</li> </ul>	Medium-term	TBD
22. Preserve Florida's resource-based industries	a. Work with industry groups to preserve competitiveness of Florida's agriculture, fishery, food processing, mining, and forest products industries	<ul style="list-style-type: none"> <li>Department of Agriculture and Consumer Services</li> <li>Department of Citrus</li> </ul>	Long-term	TBD

### TALENT

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b><u>Growth Leadership</u></b>				
23. Provide forward-looking "growth leadership"	<p>a. Revise comprehensive planning and Development of Regional Impact processes to implement regional models for coordinating economic development, land use, and infrastructure investments; implement full cost accounting for new development</p> <p>b. Leverage available state, local, and private sector funding to support promising urban revitalization initiatives</p> <p>c. Provide incentives for "smart growth" (location-efficient mortgages, split-base property taxes)</p> <p>d. Preserve right of way for future transportation and utility corridor</p> <p>e. Protect sensitive natural habitats; expand public conservation and recreation land</p>	<ul style="list-style-type: none"> <li>Department of Community Affairs</li> <li>Secretary of State</li> <li>Enterprise Florida</li> <li>Department of Transportation</li> <li>Department of Environmental Protection</li> <li>Florida Regional Councils Association</li> <li>Urban Land Institute</li> <li>Banking Industry</li> </ul>	Medium-term	TBD

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
24. Expand personal mobility options in urban areas	<p>a. Develop statewide initiative to promote public transit, walking, bicycling and other alternatives to single-occupancy vehicles</p> <p>b. Develop and recognize creative employer approaches to reduce commuting costs</p> <p>c. Plan “freight villages” at appropriate urban and rural sites with good transportation access</p> <p>d. Expand transportation funding options</p>	<ul style="list-style-type: none"> <li>• Department of Transportation</li> <li>• Florida Chamber of Commerce</li> <li>• Metropolitan Planning Organization Advisory Council</li> <li>• Floridians for Better Transportation</li> </ul>	Medium-term	High
25. Develop long-term state water and energy policies	a. Determine needs, strategies, and funding approaches to ensure long-term energy and water availability	<ul style="list-style-type: none"> <li>• Utilities</li> <li>• Water management districts</li> <li>• Department of Environmental Protection</li> <li>• Florida Chamber Foundation</li> </ul>	Medium-term	Initial study; additional efforts TBD
<b><i>Community Livability</i></b>				
26. Invest in community livability projects with high economic impact	a. Maintain and expand state and local funding for arts, culture, historic preservation, and public amenities	<ul style="list-style-type: none"> <li>• Secretary of State</li> <li>• Department of Community Affairs</li> <li>• Florida Chamber of Commerce</li> </ul>	Long-term	Medium
27. Provide effective, accessible and affordable support services for entire family lifecycle	<p>a. Conduct needs assessment of family support services in major communities (health care, child care, elder care, etc.)</p> <p>b. Reform state health care delivery system to lower costs and improve access</p>	<ul style="list-style-type: none"> <li>• Secretary of State</li> <li>• Department of Community Affairs</li> <li>• Department of Children and Families</li> <li>• Florida Chamber Foundation</li> <li>• Florida Chamber of Commerce</li> </ul>	Long-term	Medium

*TALENT*

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
<b><i>Diversity</i></b>				
28. Develop and retain creative workforce	a. Create eminent scholar program	<ul style="list-style-type: none"> <li>• Workforce Florida</li> <li>• Board of Education</li> </ul>	Medium-term	High
	b. Expand International Visitors support programs	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> </ul>		
	c. Reemphasize arts, humanities, and languages in K-20 programs	<ul style="list-style-type: none"> <li>• Florida Chamber Federation</li> <li>• Leadership Florida</li> </ul>		
	d. Market Florida as location for young, mobile workers	<ul style="list-style-type: none"> <li>• Executive Office of the Governor</li> </ul>		
	e. Expand Faces of Florida program			
29. Measure Florida's communities' performance on key indicators of creative ecology	a. Develop Florida quality of life index	<ul style="list-style-type: none"> <li>• Florida Chamber Foundation</li> </ul>	Short-term	\$100,000/year
30. Develop and test "creative community" concept in Florida	a. Make focal point of New Cornerstone community engagement events	<ul style="list-style-type: none"> <li>• Florida Chamber Federation</li> <li>• Secretary of State</li> </ul>	Short-term	\$1 million
	b. Host Florida "Creative 100" conference	<ul style="list-style-type: none"> <li>• Department of Community Affairs</li> </ul>		
	c. Develop demonstration project(s)	<ul style="list-style-type: none"> <li>• Regional Partners</li> </ul>		

## EXPANDING ECONOMIC OPPORTUNITIES

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
31. Implement targeted programs in Florida's Rural Areas of Critical Economic Opportunity (RACEO)	<p>a. Develop long-term vision and strategic plans for each region with link to Florida's Strategic Plan for Economic Development</p> <p>b. Develop economic leadership for rural areas</p> <p>c. Form partnerships with adjacent urban counties</p> <p>d. Require consideration of rural needs in relevant agency strategic plans and mandates</p> <p>e. Target appropriate industries consistent with statewide vision; implement marketing campaign within overall "Innovation Hub of the Americas" brand identity</p> <p>f. Help rural businesses increase productivity through applied research and technology development (e.g., manufacturing and agricultural extension centers, university/business partnerships)</p> <p>g. Strengthen incentives for business investment in these regions including: matching enterprise zone territory to RACEO regions; reducing minimum equipment purchase to qualify for sales tax exemption; assistance in state and federal agency purchasing, provision of incentives for relocation of businesses no longer suitable for expansion in urban areas</p> <p>h. Increase weighting of RACEO jobs and investment in EDO performance agreements</p> <p>i. Create Rural Opportunity Fund to integrate existing programs and provide flexible infrastructure funding</p>	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Executive Office of the Governor</li> <li>• Florida Chamber Foundation</li> <li>• Rural Economic Development Initiative</li> <li>• Small County Coalition</li> <li>• Florida's Great Northwest, Inc.</li> <li>• Opportunity Florida</li> <li>• Florida Heartland Rural Economic Development Initiative</li> </ul>	Medium-term	100 million per year, restoring funding levels prior to FY 2002/2003

EXPANDING ECONOMIC OPPORTUNITIES

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
32. Identify and implement targeted programs in Florida’s distressed urban areas	a. Create Urban Areas of Critical Economic Opportunity program	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Executive Office of the Governor</li> <li>• Florida Chamber Foundation</li> <li>• Urban Economic Development Organization</li> </ul>	Medium-term	Low for planning
	b. Develop long-term visions strategic plans for each area under leadership of urban and regional EDOs			Medium/high for implementation
	c. Develop urban core economic leadership			
	d. Require consideration of inner city needs in relevant agency strategic plans and mandates			
	e. Target appropriate industries consistent with statewide vision and brand identity			
	f. Strengthen incentives for business investment in these regions including: reducing minimum equipment purchase to qualify for sales tax exemption; assistance in state and federal agency purchasing			
	g. Increase weighting for urban core jobs and capital investment in EDO performance agreements			
	h. Explore innovative financing models for inner city development			
33. Improve opportunities for working poor	a. Extend breadth of state training, adult education, and literacy programs	<ul style="list-style-type: none"> <li>• Workforce Florida</li> <li>• Board of Education</li> </ul>	Medium-term	TBD
	b. Expand access to health care, workers’ compensation, unemployment insurance, and pensions			
34. Expand opportunities for all Floridians	a. Improve financial and economic literacy	<ul style="list-style-type: none"> <li>• Workforce Florida</li> <li>• Board of Education</li> </ul>		
	b. Increase commitment to lifelong learning programs (access to education and training, “Education First” outreach effort)			
	c. Continue to promote diverse workforce; expand Faces of Florida initiative			

## EFFECTIVE ECONOMIC DEVELOPMENT PROGRAMS

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
35. Provide sustained economic leadership	a. Maintain high attention on economic competitiveness among public and private leaders	<ul style="list-style-type: none"> <li>Executive Office of the Governor</li> <li>Legislature</li> </ul>	Ongoing	\$1 million/year
	b. Conduct community engagement events statewide to share New Cornerstone recommendations	<ul style="list-style-type: none"> <li>Florida Chamber of Commerce</li> <li>Florida Chamber Foundation</li> </ul>		
	c. Advocate for healthy business climate and forward looking investments; develop long-term Florida Business Agenda	<ul style="list-style-type: none"> <li>Council of 100</li> <li>Florida TaxWatch</li> <li>Associated Industries of Florida</li> <li>Leadership Florida</li> </ul>		
	d. Develop next generation of economic and policy leaders in the state through ongoing education and networking activities; create Florida Economic Competitiveness Leadership Institute	<ul style="list-style-type: none"> <li>Florida Economic Development Council</li> </ul>		
	e. Build professional capacity among regional and local EDOs			
	f. Develop an annual report and summit on the state's economic competitiveness			
36. Strengthen statewide strategic planning process	a. Elevate importance of Florida's Statewide Strategic Plan for Economic Development	<ul style="list-style-type: none"> <li>Enterprise Florida</li> <li>Executive Office of the Governor</li> </ul>	Short-term/ongoing	Low; \$1 million/year
	b. Focus on key priorities (five statewide, three per region) each year	<ul style="list-style-type: none"> <li>Secretary of State</li> <li>Workforce Florida</li> </ul>		
	c. Emphasize economic diversification through trade, tourism, technology, talent	<ul style="list-style-type: none"> <li>Florida Economic Development Council</li> <li>Florida Chamber of Commerce</li> </ul>		

EFFECTIVE ECONOMIC DEVELOPMENT PROGRAMS

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
37. Strengthen Enterprise Florida as state's principal EDO	<p>a. Redouble efforts to operate more like a business</p> <p>b. Maintain vital and well-defined partnerships; amend partnership structure to work with nontraditional organizations (tourism, university, arts, culture, community, etc.)</p> <p>c. Create young professionals and retirees advisory councils</p> <p>d. Target resources at core strategies of growing Florida's emerging business and international markets</p> <p>e. Reduce legislative mandates regarding audits, compensation</p> <p>f. Explore opportunities for self-funded delivery</p>	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Office of Tourism, Trade, and Economic Development</li> <li>• Legislature</li> <li>• Florida Chamber of Commerce</li> </ul>	Medium-term	Low
38. Strengthen regional economic development and technology partnerships	<p>a. Clarify state, regional, local roles</p> <p>b. Dismantle barriers to public/public coordination and pooling of funding across jurisdictions</p> <p>c. Encourage use of Enterprise Florida regions as common framework</p> <p>d. Provide matching grants to encourage regional coordination</p>	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Enterprise Florida</li> <li>• Regional partnerships</li> </ul>	Medium-term	Low/ Medium
39. Enhance performance measures and accountability	<p>a. Adopt new performance measures to assess state's progress in growing its tourism, trade, technology, and talent capabilities</p> <p>b. Develop an annual report and summit on the State's economic</p>	<ul style="list-style-type: none"> <li>• Enterprise Florida</li> <li>• Office of Tourism, Trade, and Economic Development</li> <li>• Florida Economic Development Council</li> <li>• Florida Chamber Foundation</li> </ul>	Short-term	Low

*EFFECTIVE ECONOMIC DEVELOPMENT PROGRAMS*

Recommendation	Approach	Suggested Partners	Timing	Level of Effort
40. Provide focused, reliable funding for economic development	<ul style="list-style-type: none"> <li>a. Protect/expand funding for core Enterprise Florida programs</li> <li>b. Develop multi-year investment strategy for Enterprise Florida; benchmark to other states</li> <li>c. Expand use of occupational license tax, especially for regional groups</li> <li>d. Provide tax credits for private contributions to Economic Development Organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Legislature</li> <li>• Executive Office of the Governor</li> <li>• Florida Chamber of Commerce</li> </ul>	2004 session	Medium