

## Business incentive foes, advocates clash over impact of takeaway bill



*Gov. Rick Scott reacts during a roundtable discussion supporting the Enterprise Florida and Visit Florida incentives programs at Process Map in Sunrise. Amy Beth Bennett, Sun Sentinel (Amy Beth Bennett / Sun Sentinel)*

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February 14, 2017

Business incentives, or money given to multi-million dollar corporations to establish offices and jobs around the state, have come under frequent attack in Florida over the years. Now there's state legislation that would do away with them.

Critics call them "corporate welfare," saying too often business incentives are given to companies that would have elected to relocate in Florida anyway.

But economic development leaders and site selectors maintain that incentives are necessary to compete with other states that offer them, especially for prized headquarter relocations that bring the most jobs and revenue to the state.

John Boyd, a long-time location consultant in Princeton, N.J., who has worked on deals in Florida, said the state has enjoyed a “hugely successful run” in attracting company relocations in all major metropolitan areas. The prime example was Florida’s landing of Hertz to Southwest Florida in 2013 with \$85 million in incentives.

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“The reality is that all these projects could have gone elsewhere if it wasn't for the hard work of the state's economic development foot soldiers, Florida's positive business climate and robust incentive program,” Boyd said.

As for incentives, they are now the norm — not the exception — in the corporate site selection process, he said.

Jim Kane, a Chicago site selection consultant who also works on corporate deals in states including Florida, said 85 percent of relocations occur without any incentives. But headquarters relocations often have “challenges” that must be overcome. That’s when incentives are a valuable tool for state or local government.

If Florida ends its incentives program, “a number of projects are not going to happen in Florida. There are other places with nice weather,” he said.

He noted that Arizona did away with most incentives. As a result, Arizona recently lost a 300-job relocation to Texas because it had nothing to offer the company, Kane said. North Carolina removed its incentives but has since brought them back, and even Illinois, which is beset by protracted financial troubles, recently voted to extend its expiring incentive program.

The Republican governor and Democrat-led Legislature of Illinois “know full well we can’t go without an incentive program,” Kane said of his home state.

In Florida, Gov. Rick Scott has been holding “Fighting for Florida Jobs” events across the state, including Sunrise last week, to lobby to retain Enterprise Florida and the state’s economic incentives, as well as Visit Florida, the state’s tourism promotion agency. A House bill would eliminate the two agencies and specialized incentives, but faces hurdles in upcoming weeks.

Kelly Smallridge, president of Palm Beach County’s Business Development Board, recently testified before House and Senate committees that the county’s economic development agency has not received a single call from a site consultant scouting for relocating companies since October. She said that’s highly unusual and attributes the lack of calls to the “rhetoric” coming out of Tallahassee.

“Businesses want certainty if they’re going to invest in Florida. They do not want to move into an uncertain environment,” she said.

Smallridge said the state's Quick Action Closing Fund has been the "tipping point" to closing mega deals, including United Technologies Corp.'s Center for Intelligence Buildings, now being constructed in Palm Beach Gardens. State and local governments awarded a nearly \$11 million package to UTC for the promise of 380 jobs and a \$115 million capital investment. The package included \$4.9 million from the Quick Action Closing Fund.

In a study of Florida's incentives programs since 2013, the Qualified Targeted Industry program — mostly used by local governments — makes money for the state.

What doesn't break even for the state is the Quick Action Closing Fund, a discretionary fund for the governor to close competitive deals such as the relocation of corporate headquarters. Negatively affecting the return for the state was the use of escrow, said Amy Baker, the state economist who wrote the report and presented it to the Legislature.

Quick Action Closing Fund incentives awarded by the governor are kept in escrow, which means they're "locked" from other uses for up to five years or until the company fulfills its investment and job requirements under its contract.

While some say using escrow helps minimize risk to taxpayers, Baker said the state would benefit from a "pay-as-you-go" system where companies get paid incentives as they meet certain milestones. Then state revenue would keep cycling through the economy instead of being tied up in escrow.

"For the economy and return on investment for the state, pay-as-you-go is better," she said.

Bob Swindell, president of Broward's economic development agency, the Greater Fort Lauderdale Alliance, said the escrow provision has been just one of the issues with the incentive program that rile some lawmakers.

"When legislators see big amounts of money in escrow, they get frustrated," Swindell said. But "if the company doesn't perform, the money goes back into the general fund."

Swindell argued that killing the incentives, along with Enterprise Florida and Visit Florida, isn't the answer. That would "tarnish the Florida brand. This impacts our reputation as a state," Swindell said.

Business incentives take many forms including cash awards to close deals, tax refunds, workforce training grants and infrastructure improvements.

Greg LeRoy, executive director of Good Jobs First, an organization that tracks corporate subsidies, credits Florida for becoming more transparent in the use of incentives. Florida also tweaked its incentives programs so employers don't get tax rebates or other benefits until they reach the required number of jobs or capital investment.

But while state and local governments have the ability to “claw back” incentives if companies don’t meet their promises, LeRoy said that doesn’t mean the incentives should be given in the first place.

Companies don’t base their relocation decisions on where they’ll get tax refunds or other incentives, he said. Other factors include costs such as land, tax structure, infrastructure needs and workforce availability.

“The tax breaks almost never matter,” LeRoy said. He said taxes make up about 2 percent of the cost of operating a business anywhere. “It’s whacked out math. It’s the dirty little secret that governors and site consultants don’t want anybody to understand.”

LeRoy has been especially critical of states including Florida that have subsidized the growth of Amazon’s distribution network while the company has avoided or minimized sales tax collections in some locations.

Since 2015, governments in two dozen places have committed at least \$241 million in subsidies to Amazon for opening fulfillment centers, according to Good Jobs First. In Florida, Jacksonville provided \$26.7 million in potential incentives to Amazon that include tax refunds, grants, workforce training and infrastructure improvements. Miami awarded \$6.2 million while Lakeland delivered \$4.5 million.

Amazon spokeswoman Jill Kerr declined to comment on the company’s pursuit of incentives in states where it opens fulfillment centers.

LeRoy said Amazon must open those distribution centers around the country to provide quick delivery to its customers as it continues to expand.

“Shame on anybody to pay for what their business model requires them to do,” he said.