The Florida Senate

Interim Project Report 2003-114 *January 2003*

Committee on Commerce and Economic Opportunities Senator James E. "Jim" King, Jr., President

OPTIMIZING ACCOUNTABILITY REQUIREMENTS FOR STATE ECONOMIC DEVELOPMENT PUBLIC-PRIVATE PARTNERSHIPS

SUMMARY

Florida has moved from using state government as its primary economic development service-provider to the use of multiple public-private partnerships, coordinated by the Governor's Office of Tourism, Trade, and Economic Development. Using such partnerships to provide economic development services enables government to continue to provide funds and imprimatur to the state's economic development efforts while capturing the benefits of working with non-state actors.

However, existing partnership accountability tools do not appear to be providing policymakers with optimal information or the state's current partners with operating environments that afford the best opportunity to meet both the short- and long-term economic development needs of the state. For example, although the partners' reporting of performance data to the state is important to accountability, the nature of that economic development performance data does not lend itself to measurement within the existing statutory framework for legislatively approved performance measures. Moreover, the existing framework's emphasis on short-term results over long-term strategies and its inherent limitation on the types of results that can be reported could be detrimental to the establishment of valuable long-term economic development policies that could provide an array of benefits to the state.

Another key accountability tool for policymakers is the auditing of the state's economic development partners. With regard to such audits, committee staff has found that the publicizing of an auditing entity's preliminary audit findings or recommendations can be detrimental to the effective completion of an audit and to the auditee's ability to implement necessary changes.

BACKGROUND

Economic Development Defined and Described

According to the U.S. Department of Commerce, "Economic development is fundamentally about enhancing the factors of productive capacity – land, labor, capital, and technology – of a national, state or local economy. By using its resources and powers to reduce the risks and costs which could prohibit investment, the public sector often has been responsible for setting the stage for employment-generating investment by the private sector."[1] Economic development includes a wide array of activities, such as business retention, recruitment, and creation; tourism development; facilitation of international trade; business sector development; workforce development; infrastructure development; and education.

Using Public-Private Partnerships for State-Level Economic Development

Loosely defined, a public-private partnership (PPP) is a form of privatization in which the "state conducts projects in cooperation with the private sector, sharing ideas and resources or relying on private resources instead of spending state funds."[2] In fact, as noted by the staff of the former Senate Committee on Governmental Reform and Oversight, the state "relies upon a large number of state created or authorized private organizations with public purposes either to

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[1] U.S. Department of Commerce, *What Is Economic Development?, at* http://www.osec.doc.gov/eda/html/2a1_whatised.htm, (accessed December 11, 2002).

[2] In contrast, "contracting out" is another form of privatization in which the "state, after taking bids from the private sector, enters into agreements with private for-profit or not-for-profit firms to produce or deliver a public good or service, to manage state programs, or conduct public projects with state funds." *See* Florida House of Representatives, Committee on Governmental Operations, *Final Report on Privatization*, December 1995, pp. 13-14.

perform governmental functions or to assist governmental agencies in the performance of their duties. These entities vary in purpose, scope of duty and power, by method of creation, and level of accountability."[3]

During the past 15 years, Florida has moved from using state government as its primary economic development service-provider to the use of multiple PPPs, coordinated by the Governor's Office of Tourism, Trade, and Economic Development (OTTED).[4] Although the state's implementation of the PPP-concept with regard to economic development has been emulated by numerous states across the country, research indicates that Florida remains a trailblazer in terms of its state-level economic development delivery structure. Currently, OTTED contracts with several legislatively created, economic-development-related PPPs, including the "partners" – Enterprise Florida, Inc.; the Florida Commission on Tourism/Florida Tourism Industry Marketing Corporation, Inc. (Visit Florida); the Florida Sports Foundation, Inc.; the Florida Space Authority; the Florida Commercial Space Financing Corporation; and the Florida Black Business Investment Board, Inc. (*See* Exhibit 1 on page 3 of this report for descriptions of these entities.)

Using the government-coordinated partners to provide economic development services enables government to continue to provide funds and imprimatur to the state's economic development efforts while capturing the benefits of working with non-state actors, including obtaining topical expertise, access to corporate social networks, and funding. In theory, the state's use of the partners also allows many state economic development programs to be implemented within a more flexible operating environment than provided by government.[5]

Because the state provides the partners with a majority of their non-pass-through revenues, the state has required the partners to be accountable for the use of their funds. There are four main tools that the state uses, in concert, to assure itself and the public that the partners are performing their duties efficiently, effectively, and appropriately: statutory requirements (*e.g.*, private matching of public funds, return-on-investment reporting); contracts with OTTED (which require quarterly reporting on performance and fulfillment of statutory responsibilities as a precondition for receiving state funds); audits and reviews (by public and private audit entities); and legislatively approved performance measures. Use of these accountability tools comes at a cost, however. It is estimated that, in terms of direct expenditures and the value of staff time, state accountability requirements have cost the state an amount equal to approximately 5.5 percent of the partners' non-pass-through appropriations over the past three years.[6]

Purpose of the Interim Project

As the partners have matured, issues of accountability have arisen. Existing accountability tools do not appear to be providing policymakers with optimal information or the partners with operating environments that afford the best opportunity to meet both the short- and long-term economic development needs of the state. Thus, the purpose of this project is to determine ways to improve the state's accountability tools in order to provide better information to policymakers and to enable the partners to more effectively facilitate economic development.

METHODOLOGY

Staff of the Committee on Commerce and Economic Opportunities solicited information regarding the state's use of economic development accountability tools from the partners; the Governor's Office of Tourism, Trade, and Economic Development; and public and private entities responsible for assessing the performance of the partners. Entities were also asked to suggest ways to improve existing accountability tools. Additionally, staff performed literature and Internet reviews regarding both theoretical and existing accountability systems for public-private partnerships engaged in economic development.

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[3] Senate Committee on Governmental Reform and Oversight, *Model Contracted Services Corporation*, Interim Project Report 98-25, October 1998, p. 1.

[4] The defining event of this period was the dissolution of the Department of Commerce in 1996, which resulted in the creation of OTTED and the redistribution of many of the department's responsibilities to PPPs. Currently, OTTED assists the Governor in working with the Legislature, state agencies, business leaders, and economic development professionals to formulate and implement coherent and consistent policies and strategies designed to provide economic opportunities for all Floridians. (s. 14.2015, F.S.) OTTED is also responsible for monitoring the activities of PPPs and state agencies in order to avoid duplication and promote coordinated and consistent implementation of economic development programs.

[5] For example, a governmental entity is typically more limited than a corporation in its ability to accept private donations, "wine and dine" clients, and carry out certain administrative functions such as human resource management.

[6] This estimate includes costs incurred by state audit entities, OTTED, and the partners themselves. In this estimate, the value of staff time represents approximately 57 percent of the total cost.

Exhibit 1: Descriptions Of Select Economic Development Public-Private Partnerships That Contract With OTTED

Entity	Description
Florida Commission on Tourism / Florida Tourism Industry Marketing Corporation, Inc. (Visit Florida)	The Florida Commission on Tourism's purpose is to oversee the state's efforts to increase the positive impact of tourism; continually upgrade the image of Florida as a quality destination; and promote tourism objectives with all geographic, socioeconomic, and community sectors considered equitably. (s. 288.1223, F.S.) The commission contracts with the legislatively created, non-profit Florida Tourism Industry Marketing Corporation, Inc., (Visit Florida) to carry out the programs and activities identified in the commission's four-year marketing plan. (s. 288.1226, F.S.) The corporation's primary responsibilities include administering domestic and international advertising campaigns designed to promote the entire state as a tourism destination; conducting domestic and international promotional activities; managing the state's welcome centers; and conducting research on tourism and travel trends. *Full-Time Equivalent Positions (FY 2001-02)*[1]: 122.5 (includes approximately 43 welcome center staff); *Total Revenue (FY 2001-02)*[1,2]: $46.4 million; *State-Appropriated Revenue (FY 2001-02)*[2]: $21.6 million; *Estimated Percentage of Revenue Provided by State (FY 2001-02 and three-year average)*: 46.5% and 46.0%
Enterprise Florida, Inc.	The non-profit Enterprise Florida, Inc., is the principal economic development organization for the state. (s. 288.901, F.S.) Its mission is to increase economic opportunities for all Floridians by supporting the creation of quality jobs and globally competitive businesses. Enterprise Florida is responsible for developing programs and strategies that address creation, expansion, and retention of Florida business; development of import and export trade; and recruitment of worldwide business. In addition, Enterprise Florida is responsible for aggressively marketing Florida's rural and distressed urban communities as locations for potential new investment; assessing Florida's competitiveness against other business locations; and incorporating the needs of small and minority businesses into its economic development programs. *Full-Time Equivalent Positions (FY 2001-02)*[1]: 88; *Total Revenue (FY 2001-02)*[1]: $20.2 million; *State-Appropriated Non-Pass-Through Revenue (FY 2001-02)*: $10.8 million; *State-Appropriated Pass-Through Revenue (FY 2001-02)*: $7.0 million; *Estimated Percentage of Non-Pass-Through Revenue Provided by State (FY 2001-02 and three-year average)*: 81.5% and 80.9%
Florida Sports Foundation, Inc.	The non-profit Florida Sports Foundation, Inc., is the state's official sports promotion and development organization. (s. 288.1229, F.S.) Its mission is to develop and promote professional, amateur, and recreational sports and physical fitness opportunities that produce a thriving Florida sports industry and environment. The Florida Sports Foundation's programs include developing a number of publications (sports guides) that are used to promote various recreational sports opportunities available in Florida, administering sports grant programs funded from the sales of professional sports license plates, and helping orchestrate the annual Sunshine State Games and Florida Senior Games State Championships. *Full-Time Equivalent Positions (FY 2001-02)*[1]: 13; *Total Revenue (FY 2001-02)*[1]: $4.1 million; *State-Appropriated Non-Pass-Through Revenue (FY 2001-02)*: $2.8 million; *State-Appropriated Pass-Through Revenue (FY 2001-02)*: $900,000; *Estimated Percentage of Non-Pass-Through Revenue Provided by State (FY 2001-02 and three-year average)*: 86.6% and 84.8%
Florida Black Business Investment Board, Inc.	Effective July 1, 2002, the Florida Black Business Investment Board was removed from OTTED and became a non-profit corporation. (*See* ch. 2002-180, L.O.F., and s. 288.707, F.S.) The mission of the Florida Black Business Investment Board, Inc., (FBBIB) is to be a catalyst for the development of competitive domestic and international black-owned businesses in the state. Working in concert with the FBBIB are the Black Business Investment Corporations (BBICs) and the Florida Black Business Support Corporation (FBBSC). The BBICs are subsidiaries of financial institutions or a consortium of financial institutions investing in or lending to black business enterprises. Specifically, BBICs provide loan guarantees and direct lending products to black business enterprises. The FBBSC is a non-profit corporation that administers technical assistance programs and coordinates events to promote the flow of information to FBBIB program participants. *Full-Time Equivalent Positions (FY 2001-02)*[1]: 6; *Total Revenue (FY 2001-02)*[1]: $1.7 million; *State-Appropriated Non-Pass-Through Revenue (FY 2001-02)*: $458,000; *State-Appropriated Pass-Through Revenue (FY 2001-02)*: $1.2 million; *Estimated Percentage of Non-Pass-Through Revenue Provided by State (FY 2001-02 and three-year average)*: 100% and 100%
Florida Commercial Space Financing Corporation	The Legislature established the non-profit Florida Commercial Space Financing Corporation to expand the employment and income opportunities of Florida residents and increase the development of commercial aerospace products, activities, services, and facilities. (s. 331.407, F.S.) These goals are to be achieved by providing information, technical assistance, and financial assistance to space-related businesses in the state. *Full-Time Equivalent Positions (FY 2001-02)*[1]: 3; *Total Revenue (FY 2001-02)*[1]: $1.1 million; *State-Appropriated Non-Pass-Through Revenue (FY 2001-02)*: $300,000; *State-Appropriated Pass-Through Revenue (FY 2001-02)*: $650,000; *Estimated Percentage of Non-Pass-Through Revenue Provided by State (FY 2001-02 and three-year average)*: 73.2% and 87.1%
Florida Space Authority	The Florida Space Authority's mission is to retain, expand, and diversify the state's space-related industry.[3] (s. 331.302, F.S.) The authority establishes facilities and activities to enhance and provide space-related development opportunities for business, education, and government. The authority is broadly empowered to own, operate, construct, finance, acquire, extend, equip, and improve numerous types of spaceport infrastructure and to support facilities and equipment for the construction of payloads, space flight hardware, rockets, and other launch vehicles. The authority is also responsible for developing and implementing a strategy for accelerating space-related economic growth and educational development within the state. *For the state's Fiscal Year 2001-02, the Legislature appropriated $2.2 million to the authority for its various programs and operations and appropriated $16 million (to be administered by the authority under the direct oversight of OTTED) for the development of the Space Experiment Research and Processing Lab (SERPL), a project that has received approximately $26 million in total state funding. During that fiscal year, the authority had approximately 23 FTEs. However, effective October 2000, the authority changed its fiscal year-end from September 30 to June 30. Based on available financial information, it is estimated that, between October 1, 1999, and June 30, 2001, the authority received approximately $4.9 million in state-appropriated programmatic funds and earned approximately $2.3 million in non-state, non-donated-inventory-related operating revenues.*

[1] The FTE amounts shown in this exhibit are approximate. The revenue amounts shown in this exhibit are approximate and do not include "in-kind" contributions. For example, for the past three fiscal years, the Florida Sports Foundation reports approximately $800,000 in total in-kind contributions, and Visit Florida reports approximately $101.4 million in industry-contributed promotional value (complimentary advertising).

[2] This data does not reflect a non-recurring $20 million economic stimulus appropriation or the associated $26.5 million in cooperative advertising revenues.

[3] Although s. 331.302, F.S., creates the authority as a "public corporation, body politic, and subdivision of the state," s. 331.305, F.S., provides that the authority may exercise the powers of a for-profit corporation; the authority is incorporated as a non-profit corporation; and the Attorney General and the Department of Community Affairs have recognized the authority as an independent special district. Authority staff indicates that this variety of identities facilitates its handling of the wide range of public and private issues regarding the space industry.

FINDINGS

The four key accountability tools (statutory requirements; contracts with the Governor's Office of Tourism, Trade, and Economic Development; audits; and legislatively approved performance measures) work together to assure both the government and the public that the partners are performing their duties efficiently, effectively, and appropriately. Although committee staff examined each tool individually, a review of the relationships among the tools also raised key issues. Thus, the following findings address some accountability tools in isolation and some in concert.

Measurements of Performance

Legislatively Approved Performance Measures

A primary purpose of legislatively approved performance measures is to enable the Legislature to match an entity's performance in a given year with the entity's funding for that year in order to see how effectively the entity used those funds and to gauge how much money should be appropriated in the future in order to achieve desired results. Thus, in order for the Legislature to effectively use this type of performance data, the data for an entity in a given year should reflect the results of that entity's activities during that year, which were funded with dollars appropriated for that year. For four main reasons, though, state-level economic development activities do not fit this measurement model, thus rendering their measurement via the legislatively approved performance measures under s. 216.023, F.S., ineffective or counterproductive.

First, multiple actors are typically involved in economic development activities. For example, Enterprise Florida works with local economic development organizations to recruit businesses to the state, and Visit Florida partners with tourism businesses and local tourist development organizations to increase the tourism activities of both visitors and residents.[7] Because several actors might have contributed to a single economic development outcome (*e.g.*, new jobs brought to the state or new tourism-related revenues generated), the state is unable to attribute such performance measure data to any one entity.[8] Moreover, the involvement of multiple entities creates a potential for double-counting impacts among cooperating partners.

Second, economic development activities typically span multiple fiscal years. For example, recruiting a new business to the state can take many years because of complex activities such as lead generation, site selection, and incentive negotiation.[9] Moreover, moving an entire business can obviously take a great deal of time; thus, after announcing that it is relocating to Florida, a business will often phase in new jobs and capital investment (and receive state incentive dollars) over a period of years rather than in the fiscal year in which the announcement is made. Because many economic development activities begin in different fiscal years than they generate results in, the state is often unable to attribute performance measure data to a specific year.[10] More importantly, holding the partners to one-year, economic-impact-related performance standards provides an incentive for dedicating resources to activities that yield results in the short-term at the expense of implementing long-term or innovative strategies that might pay bigger economic development dividends in the future (*e.g.*, nurturing a new industry or entering a new tourism market).

Third, uncontrollable factors greatly affect the ability of entities to perform economic development. For example, a bad national economy might decrease the number of businesses wanting to expand (or relocate) or reduce the number of vacationers in Florida. Likewise, the amount of dollars committed by competing states for economic development incentives or tourism marketing can affect the ability of the partners to increase economic development in the state. Thus, a partner might not have full control over the performance being measured in a given year because of the effects of uncontrollable phenomena either in that

[7] Pursuant to proviso language for Specific Appropriation 2480 in the 2002 General Appropriations Act, Enterprise Florida has developed a method for classifying the degree of its involvement in each economic development project. However, it does not appear that this type of information has been integrated into Enterprise Florida's legislatively approved performance measures.

[8] The measurement of the economic impacts of tourism is further complicated by the state's use of taxable sales categories for tourism and recreational activities which combine the spending of residents, non-residents, and residents-as-tourists and which include potentially non-tourist-related revenues such as purchases at newsstands and at gift/card/novelty shops. Moreover, because of factors such as the $2-per-day state rental car surcharge being imposed at the same rate on the first 30 days of every new Florida car lease, Visit Florida estimates that less than two-thirds of total surcharges stem from visitor car rentals.

[9] As a result of complexities such as these, in FY 2001-02, almost one-third of Enterprise Florida projects (yielding nearly one-half of the jobs facilitated by Enterprise Florida for the year) were not opened and closed in FY 2001-02.

[10] For example, as a result of these temporal effects, Enterprise Florida must annually report a combination of the projected performance of its projects (*e.g.*, new jobs facilitated) and the actual results.

year or in a previous year (because economic development activities often span multiple years).

Finally, there can be many different types of positive economic development results. For example, projects can yield jobs (new and retained), capital investment, and high wages – all of which can be important in different ways depending on many factors, including the geography, industry, demographic, and local economy affected, and how the results are benchmarked regionally and nationally. Tourism activities also generate a similar variety of benefits, such as jobs and revenues. However, the legislatively approved measurement of only a few types of such benefits might result in a partner focusing its efforts on generating those results being measured, to the neglect and detriment of other important kinds of performance.

Measurement of Customer Satisfaction

Because a key role of state-level economic development entities is to leverage system-wide resources by facilitating economic development activity among businesses and local communities, measuring the satisfaction of the partners' customers is very important.[11] However, the state's use of this metric is inconsistent and unnecessarily unreliable and costly. Committee staff has found that:

- Although the Florida Sports Foundation and Visit Florida have legislatively approved customer satisfaction performance measures and the Florida Space Authority, on its own, measures the satisfaction of its customers, Enterprise Florida is the only partner statutorily required to measure its customers' satisfaction.
- Surveys conducted for the Florida Sports Foundation and Visit Florida have higher response rates than those conducted for Enterprise Florida and the Florida Space Authority. This difference might be due, at least in part, to the Florida Sports Foundation and Visit Florida surveys being conducted by telephone.
- The partners' methods of reporting customer satisfaction results to the state differ. For example, Enterprise Florida reports the percentage of customers rating it 5 or above on a 10-point satisfaction scale; the Florida Sports Foundation reports the percentage of customers rating it 9 or 10 on a 10-point satisfaction scale; and Visit Florida reports the average amount of satisfaction of its customers.
- The Governor's Office of Tourism, Trade, and Economic Development (OTTED) contracts with a survey firm to conduct customer satisfaction surveys for the Florida Sports Foundation and Visit Florida. It appears that these surveys are more comprehensive, have better response rates, and are less expensive than the surveys done by Enterprise Florida's accounting firm or the Florida Space Authority's space-business development firm.[12]

State-Revenue Matching Requirements

Although a key reason to use public-private partnerships is their ability to access non-state revenue sources, statutory revenue-matching requirements are inconsistent and either unnecessary or counterproductive. Committee staff has found that:

- Of the partners, only Visit Florida, Enterprise Florida, and the Florida Black Business Investment Board have statutory revenue-matching requirements.
- Visit Florida has met (and greatly exceeds on an annual basis) its statutory requirement to reach a one-to-one match of private to public contributions. (s. 288.1224, F.S.)
- Although Enterprise Florida has typically generated more than enough service fees to meet its annual statutory requirements, it has struggled in past years to raise at least $1 million in direct private-sector cash contributions, as required by s. 288.90151, F.S. The main reason for this difficulty is that Enterprise Florida is careful not to compete with local economic development organizations for business contributions. Additionally, the static statutory thresholds regarding the amounts of cash contributions and service fees that Enterprise Florida must raise every year do not, by definition, change based on funding levels or legislative priorities and do not provide an incentive for developing new services or programs that could generate even more non-state revenues than are currently required by statute.
- Although Visit Florida includes contributions from certain non-state governmental and quasi-governmental entities in its "private"-sector match calculations, the exclusion of these types of entities from statutory match requirements could be a

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[11] *See* Ted K. Bradshaw and Edward J. Blakely, "What Are 'Third Wave' State Economic Development Efforts? From Incentives to Industrial Policy," *Economic Development Quarterly*, August 1999, p. 242.

[12] OTTED reports paying a total of approximately $12,000 for the FY 2001-02 Visit Florida and Florida Sports Foundation customer satisfaction surveys. Statutorily required to use an accounting firm to conduct its annual customer satisfaction survey, Enterprise Florida paid approximately $25,000 for its FY 2001-02 survey. (s. 288.90151, F.S.) The Florida Space Authority paid approximately $8,000 for its FY 2001-02 survey.

disincentive to the cultivation of potentially valuable contributors (*e.g.*, federal government).

Return-on-Investment Reporting Requirements

Although "return-on-investment" (ROI) is typically a good measure for a profit-making enterprise, the state's use of this metric with regard to the economic development partners is inconsistent, lacks validity, and can be counterproductive. Committee staff has found that:

- Of the partners, only Enterprise Florida and the Florida Black Business Investment Board have a statutory obligation to measure ROI. Visit Florida has a new, yet-to-be-used ROI performance measure limited to its advertising activities.
- Because ROI calculations are typically based on economic development performance data affected by the factors described in the "Legislatively Approved Performance Measures" section of this report, they suffer from the same validity problems and can also counterproductively drive partner behavior.
- Requiring the partners to report annual ROI calculations provides an incentive for dedicating resources to activities that yield results in the short-term at the expense of implementing long-term or innovative strategies that might pay bigger economic development dividends in the future (*e.g.*, nurturing a new industry or entering a new tourism market).

Annual Reports

The annual report is an important tool that the partners can use to quantitatively and qualitatively describe past activities, the effects of those activities, and future plans to policymakers. Moreover, associated audit reports typically provide policymakers with assurances that taxpayer dollars are being used appropriately. However, statutory requirements regarding the partners' submission of annual reports are inconsistent. For example:

- The Florida Sports Foundation is the only partner not required to submit an annual report to state policymakers.
- Although the partners are typically required to submit their annual reports to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Senate Minority Leader, and the House Minority Leader, the Florida Black Business Investment Board is not required to submit its report to the minority leaders but is required, as is Visit Florida, to submit its report to the director of OTTED.
- Report submission deadlines range from November 30 to February 1.
- The statutory reporting provisions for each partner do not require one or more of the following important annual report elements: description of current operations and activities; qualitative and quantitative contextual descriptions of both short-term and long-term accomplishments; identification of major trends, initiatives, or developments that affect or might affect performance; discussion of future organizational plans; and annual financial statements and audit report.[13]

Audits and Reviews of the Partners

In addition to being required to undergo annual private-sector financial and compliance audits, the partners may be audited or reviewed by state government entities, such as the Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), the Chief Inspector General, and the Department of Banking and Finance. Since 1995, there have been approximately 27 state government audits/reviews ("audits") of the partners' activities.[14] Committee staff's review of these audits has indicated that:

- More than three-quarters of the audits were performance or program evaluations conducted by OPPAGA at the Legislature's request.
- Approximately three-quarters of the audits conducted since 1995 were related to Enterprise Florida. (OPPAGA performed nearly all of these audits.) Although approximately two-thirds of these audits occurred before 1999, Enterprise Florida has been audited at least once per year since 1998 and has been audited by multiple entities in the same year at least two times since 1999.

Additionally, committee staff has found that the publicizing of preliminary audit findings can be detrimental to the effective completion of an audit and to an auditee's ability to implement necessary changes. After completing fieldwork for an audit, a state audit entity typically provides the auditee with a preliminary audit report.[15] The auditee then has a period of time to

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[13] For example, *see Chief Executive* and Sid Cato, "What Makes the Best?" *at* http://www.chiefexecutive.net/bench/bwannual/criteria.htm, (accessed December 10, 2002).

[14] This total includes follow-up audits and reviews.

[15] This report might include findings or findings and recommendations. For most types of audits, the Auditor General, OPPAGA, and the Chief Inspector General are statutorily required to provide an auditee with, at least, preliminary findings. (*See* ss. 11.45, 11.51, and 20.055, F.S.)

review the report and notify the audit entity of errors or omissions it believes should be corrected before publication of the final audit report.[16]

Although a preliminary audit report prepared by the Auditor General or OPPAGA is not a public record when possessed by the auditing entity, the following are, in fact, public record:

- A preliminary audit report transmitted by the Auditor General or OPPAGA to another entity, such as the auditee.[17]
- A preliminary audit report prepared by the Chief Inspector General or the Department of Banking and Finance, regardless of who possesses it.[18]
- Unlike those of the Auditor General or OPPAGA, audit workpapers and notes of the Chief Inspector General or the Department of Banking and Finance.

The public-record status of these preliminary audit documents has enabled the press, in at least two recent instances, to publish preliminary audit results before auditees have been able to note errors, propose revisions, or respond to preliminary findings or recommendations. As a result, auditees have sometimes been forced to expend resources to publicly defend themselves against charges that might have been amended via the response process preceding final audit report publication. State audit entities have faced similar difficulties in that they have sometimes had to explain why final audit findings or recommendations might differ from preliminary results that have been published in the press. Not only does the publicizing of preliminary audit information interfere with the pre-final-audit response process, it can also generate unnecessary ill-will between auditor and auditee which can affect the post-audit recommendation-implementation process, especially if the auditee needs the auditor's technical expertise.

RECOMMENDATIONS

Reporting of Performance Data

The partners' reporting of performance data to the state is a key accountability tool. However, the nature of that economic development performance data (*e.g.*, affected by multiple entities, generated over multiple years, affected by uncontrollable factors) does not lend itself to measurement within the framework established under s. 216.023, F.S., for legislatively approved performance measures. Moreover, the existing framework's emphasis on short-term results over long-term strategies and its inherent limitation on the types of results that can be reported could be detrimental to the establishment of valuable long-term economic development policies that could provide an array of benefits to the state. Thus, the goal of economic development performance measurement should be to report broad, relatively short-term results via the statutory framework under s. 216.023(4)(g)-(i), F.S., while reporting longer-term, economic-impact-related data in documents in which context can be provided and key data can be synthesized. Committee staff therefore recommends that:

The Legislature direct the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to propose in its FY 2004-05 Legislative Budget Request, after consulting with legislative appropriations and substantive committees, the revision of its list of legislatively approved performance measures to include only the following performance measures for each partner:

- Amount of non-state contributions (cash/in-kind). This measure is important because the leveraging of non-state funds is a primary reason for using public-private partnerships to implement state economic development policy.
- Percentage of customers at least 75 percent satisfied with the types of services provided by the partner and percentage of customers at least 75 percent satisfied with the partner's performance of its current services. These measures are important because many of the partners' activities are ultimately intended to benefit customers other than state government. Thus, customer satisfaction is often used as a proxy for quantitative outcomes that are designed to benefit customers.

  Furthermore, regarding the measurement of customer satisfaction, committee staff recommends that the Legislature direct OTTED to contract for the annual surveying of each partner's customers. OTTED should annually consult with each partner with regard to the customers surveyed and the questions asked.
- Two or three workload or intermediate outcome measures (*e.g.*, number of leads generated, number of marketing impressions generated). These measures should reflect the activities of the partner

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Pursuant to industry standard, the Department of Banking and Finance also typically provides an auditee with a preliminary report, especially following an extensive review.

[16] Additionally, an auditee often provides a written response to the preliminary report for publication with the final report.

[17] *See* s. 11.45, F.S., and Attorney General Opinion 79-75.

[18] Regarding the Chief Inspector General, *see* s. 20.055, F.S.

as broadly as possible in terms of the expenditure of state resources.

In complying with these FY 2004-05 performance measure proposal requirements, OTTED should not be precluded from proposing the use of an existing legislatively approved performance measure that satisfies the above criteria. In addition, as a conforming change, committee staff recommends that the Legislature strike, effective July 1, 2004, language regarding Enterprise Florida's performance measures which is woven into s. 288.905, F.S., (related to a statewide economic development strategic plan).

In order to provide context to the types of performance data that, as a result of the above recommendation, would not be provided to policymakers via the statutory performance measure framework, committee staff further recommends that the Legislature, effective July 1, 2004, amend statutory requirements relating to the partners' annual reports in the following ways:

- The Florida Sports Foundation should be required to submit an annual report to state policymakers.
- The statutory reporting provisions for each partner should be amended, as necessary, to require that each partner's annual report include the following elements: a description of current operations and activities; the identification of major trends, initiatives, or developments that affect or might affect performance; a discussion of future organizational plans; annual financial statements and audit report; and qualitative and quantitative contextual descriptions of both short-term and long-term accomplishments.

  These accomplishment descriptions should include an analysis of the short-term and long-term economic impacts and/or return-on-investment of the partner's activities. In presenting such analysis, the partner should differentiate between actual and expected results and between verified and unverified data. If estimating results, the partner should describe methodologies and assumptions used. The partner should also disclose when multiple entities contributed to a result and describe, in general, the nature of the contribution.

  Additionally, in order to enhance Visit Florida's ability to assess its impact on state tourism, committee staff recommends that the Legislature direct Visit Florida to report, by December 1, 2003, to the Governor and the Legislature on options for improving the state's tourism-impact estimates. In developing this report, Visit Florida should consult, at a minimum, with the principals of the Revenue Estimating Conference and with the Department of Revenue, and these entities should provide Visit Florida with data, as appropriate. The report should discuss the positives and negatives of each option presented and disclose and explain alternative viewpoints of the principals of the Revenue Estimating Conference and of the Department of Revenue.
- Each partner should submit its annual report by December 1 to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Senate Minority Leader, the House Minority Leader, and the director of OTTED. This submission schedule would ensure maximum distribution by a deadline that allows for adequate review prior to the Regular Legislative Session.
- Obsolete or unnecessary language in the reporting provisions for the partners should be stricken.

Committee staff also recommends that the Legislature, effective July 1, 2004, repeal the statutory state-revenue matching requirements for Enterprise Florida, Visit Florida, and the Florida Black Business Investment Board because such requirements are inconsistent and either unnecessary or counterproductive. However, as recommended above, each partner would be required to report, as a legislatively approved performance measure, the amount of non-state contributions it receives each year.

Finally, committee staff recommends that the Legislature repeal, effective July 1, 2004, the statutory return-on-investment reporting provisions relating to Enterprise Florida and the Florida Black Business Investment Board because such provisions are inconsistently applied and because the measurement of return-on-investment within the context of state economic development efforts lacks validity and can be counterproductive. However, as noted in the annual report recommendations, partners may still report return-on-investment estimates in their annual reports if they believe that they can provide enough context to mitigate any problems with the measure, including differentiating between actual and expected results and between verified and unverified data; describing methodologies and assumptions used; and disclosing and describing when multiple entities contributed to a result.

Audits and Reviews of the Partners

Because the publicizing of a preliminary audit report can be detrimental to the effective completion of an audit and to an auditee's ability to implement necessary changes, committee staff recommends that the Legislature: (1) extend the confidentiality of a preliminary audit report prepared by the Auditor General or OPPAGA to apply to the report when held by the auditee and other entities designated by the Legislature (*e.g.*, government entities responsible for oversight of the auditee) until such time as the audit is complete and the audit report becomes final, and, similarly, (2) make confidential, for each audit, the workpapers, notes, and preliminary audit report of the Chief Inspector General and the Department of Banking and Finance's successor(s) until the audit is complete and the audit report becomes final.