

COMMITTEE MEETING EXPANDED AGENDA**BUDGET SUBCOMMITTEE ON TRANSPORTATION,
TOURISM, AND ECONOMIC DEVELOPMENT
APPROPRIATIONS****Senator Gaetz, Chair
Senator Margolis, Vice Chair****MEETING DATE:** Wednesday, January 12, 2011**TIME:** 2:00 —3:30 p.m.**PLACE:** *Toni Jennings Committee Room, 110 Senate Office Building***MEMBERS:** Senator Gaetz, Chair; Senator Margolis, Vice Chair; Senators Sobel, Alexander, Benacquisto, Bennett, Bogdanoff, Bullard, Dean, Diaz de la Portilla, Evers, Fasano, Hill, Latvala, Norman, Sachs, and Smith

BILL DESCRIPTION and SENATE COMMITTEE ACTIONS			
TAB	BILL NO. and INTRODUCER		COMMITTEE ACTION
		Presentation of Return on Investment Analysis Utilized by the Office of Tourism, Trade and Economic Development (OTTED)	

Governor's Office of Tourism, Trade, & Economic Development

Overview of Enterprise Florida's Economic Impact Analysis

January 12, 2011

Economic Impact Analysis Tools

- RIMS II – Regional Input-Output Modeling System, U.S. Bureau of Economic Analysis (BEA)
- IMPLAN – Minnesota IMPLAN Group
- REMI – Regional Economic Models, Inc.

Regional Impact Modeling is used to estimate the effects of a one-time or sustained increase in economic activity in a particular region.

Impact Modeling Assumptions

- Assumes an increase or decrease in output will result in a proportional increase or decrease in inputs
- Assumes goods and services, including labor that are available in a region will be sourced within that region
- Assumes goods and services that cannot be supplied by the region will be sourced elsewhere creating leakages

Outputs of Standard Impact Analysis Models

- Trace the economic impact of industries and household expenditures
- Total Impact = Direct + Indirect + Induced
 - Direct – the direct inputs (jobs, earnings, capital investment) supplied by the company
 - Indirect – the extra impacts created as a direct result of the project (example, construction workers hired for the project)
 - Induced – the impacts of households spending money

Enterprise Florida's Model

- Estimate the State tax revenue generated from the project (**direct**), the project's purchases (**indirect**), and its employees spending (**induced**)
- Ability to factor in the amount and schedule of incentives
- Impacts over multiple years
- Calculates a Payback Ratio to the State

Estimating State Tax Revenue

- Look at State tax revenue collections by source (Revenue Estimating Conference Report)
- Calculate the effective tax rate based on personal income
- Calculate the sales or output for the company based on industry standards (earnings as a percent of total output) using BEA data

Payback Ratio (ROI)

ANALYSIS OF PAYBACK RATIO BASED ON TEN YEARS OF FULL OPERATING EMPLOYMENT:										
Fiscal Years	Direct Empl.	Indirect Empl.	Total Earnings	Total Tax Refund	Total Fisc.Imp.	PVIF 5.0%	Pres.Val. Tax Refnd	Pres.Val. Fsc. Imp.	Exp.Val. Probab.	Pres.Val. Prob.Adj.
2010/11	0	0	0	0	0	1.000	0	0	1.00	0
2011/12	46	70	3,847,995	0	209,846	0.952	0	199,854	1.00	199,854
2012/13	89	153	7,527,697	18,000	489,130	0.907	16,327	443,656	1.00	443,656
2013/14	174	250	13,913,490	45,000	959,343	0.864	38,873	828,716	1.00	828,716
2014/15	100	188	8,672,747	60,000	570,351	0.823	49,362	469,229	1.00	469,229
2015/16	100	188	8,672,747	60,000	570,351	0.784	47,012	446,885	1.00	446,885
2016/17	100	188	8,672,747	42,000	570,351	0.746	31,341	425,605	1.00	425,605
2017/18	100	188	8,672,747	15,000	570,351	0.711	10,660	405,338	0.95	385,071
2018/19	100	188	8,672,747	0	570,351	0.677	0	386,036	0.90	347,432
2019/20	100	188	8,672,747	0	570,351	0.645	0	367,653	0.85	312,505
2020/21	100	188	8,672,747	0	570,351	0.614	0	350,146	0.80	280,117
2021/22	100	188	8,672,747	0	570,351	0.585	0	333,472	0.75	250,104
10-Yr.Totals			103,343,901	240,000	6,791,477		193,574	4,974,182		4,611,488
Payback Ratio:		25.70				Return on Investment (QTI Only)		2592%		
Expected Pay-back Ratio:		23.82				Return on Investment (All Incentives)		2382%		
Economic Impacts of Capital Investment										
Output		\$ 27,595,275								
Earnings		\$ 9,871,705								
Employment		198								

The Payback Ratio produced by the model is not a true Return on Investment analysis because ROI analysis does not include the indirect and induced effects of a project.

10 Year Payback Ratio

High Impact Performance Incentive	6.64
Quick Action Closing Fund	10.59
Qualified Defense and Space Contractor Tax Refund	19.09
Qualified Target Industry Tax Refund	14.64
Qualified Target Industry Tax Refund with Brownfield Bonus	8.77
Brownfield	21.37

*Average 10 Year Payback Ratio as reported in Enterprise Florida's 2010 Annual Incentives Report since program inception for active projects.

Governor's Office of Tourism, Trade, & Economic Development

