



*Analysis of Veterans Florida  
Workforce Training Grant and  
Entrepreneurship Programs*

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## EXECUTIVE SUMMARY

### Background and Purpose

Legislation enacted in 2013 and revised in 2014 directs the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to analyze and evaluate state economic development incentive programs on a recurring three-year schedule.<sup>1</sup> EDR is required to evaluate the economic benefits of each program, using project data from the most recent three-year period, and to provide an explanation of the model used in its analysis and the model's key assumptions. Economic Benefit is defined as "the direct, indirect, and induced gains in state revenues as a percentage of the state's investment" – which includes "state grants, tax exemptions, tax refunds, tax credits, and other state incentives."<sup>2</sup> EDR's evaluation also requires identification of jobs created, the increase or decrease in personal income, and the impact on state Gross Domestic Product (GDP) for each program.

In this report, two initiatives under the rubric of the Veterans Employment and Training Services Program are under review: the Veterans Florida Workforce Training Grant and the Veterans Florida Entrepreneurship programs. The review period covers Fiscal Years 2017-18, 2018-19, and 2019-20. This is EDR's second evaluation of these programs.<sup>3</sup>

### Explanation of Return-on-Investment

In this report, the term "Return on Investment" (ROI) is synonymous with economic benefit, and is used in lieu of the statutory term. This measure does not address issues of overall effectiveness or societal benefit; instead, it focuses on tangible financial gains or losses to state revenues.

The ROI is developed by summing state revenues generated by a program less state expenditures invested in the program, and dividing that calculation by the state's investment. It is most often used when a project is to be evaluated strictly on a monetary basis, and externalities and social costs and benefits—to the extent they exist—are excluded from the evaluation. The basic formula is:

$$\frac{(\text{Increase in State Revenue} - \text{State Investment})}{\text{State Investment}}$$

Since EDR's Statewide Model<sup>4</sup> is used to develop these computations and to model the induced and indirect effects, EDR is able to simultaneously generate State Revenue and State Investment from the model so all feedback effects mirror reality. The result (a net number) is used in the final ROI calculation.

As used by EDR for this analysis, the returns can be categorized as follows:

- **Greater Than One (>1.0)**...the program more than breaks even; the return to the state produces more revenues than the total cost of the investment.

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<sup>1</sup> Section 288.0001, F.S. As of 2021, nineteen programs are specified.

<sup>2</sup> Section 288.005(1), F.S.

<sup>3</sup> The previous report can be found at EDR's website: <http://edr.state.fl.us/Content/returnoninvestment/>

<sup>4</sup> See the Methodology section for a description of the Statewide Model.

- **Equal To One (=1.0)**...the program breaks even; the return to the state in additional revenues equals the total cost of the investment.
- **Less Than One, But Positive (+, <1)**...the program does not break even; however, the state generates enough revenues to recover a portion of its cost of the investment.
- **Less Than Zero (-, <0)**...the program does not recover any portion of the investment cost, and state revenues are less than they would have been in the absence of the program. This typically occurs because taxable activity is shifted to non-taxable activity.

The numerical ROI can be interpreted as return in tax revenues for each dollar spent by the state. For example, a ROI of 2.5 would mean that \$2.50 in tax revenues is received back from each dollar spent by the state.

The basic formula for ROI is always calculated in the same manner, but the inputs used in the calculation can differ depending on the needs of the investor. Florida law requires the return to be measured from the state's perspective as the investor, in the form of state tax revenues. In this regard, the ROI is ultimately shaped by the state's tax code.

### **Evaluation Considerations**

EDR is charged with evaluating the Workforce Training Grant and Entrepreneurship programs in the same way it evaluates other state economic development programs. To enable this evaluation, Veterans Florida provided related state program expenditures and project information regarding the economic output generated by recipient businesses, primarily from job creation and increases in business revenue.

As with previous evaluations, EDR's approach to the calculation of ROI is based on the net economic impact rather than the gross economic activity generated by or attributed to program projects. The impact is due to new economic activity induced by the state's investment after taking account of what would have occurred in the absence of this particular investment. EDR employs a number of approaches to isolate the new economic activity, including an assessment of the "but-for" assertion<sup>5</sup> and culling "Market and Resource Dependent" projects.<sup>6</sup> The resulting net economic benefit may then be proportionately attributed to all project contributors. Culling "Market and Resource Dependent" projects and proportionally attributing the economic benefit are strategies used to derive a credible estimate of the programs' ROI.

To the extent it exists, the new activity generated by or attributed to Veterans Florida Workforce Training Grant and Entrepreneurship programs includes job creation, wage growth of trained

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<sup>5</sup> This is the claim that "but for" the program subsidy, the initiation of economic activity would not have otherwise occurred – the incentive is the primary, or at least the determining factor, in business decisions. For the Veterans Florida Workforce Training Grant program, EDR does not consider whether employment of training-subsidized veterans displaces employment of similarly situated non-veterans, which would negate the "but for" assertion and the associated economic benefit of the subsidy. To some extent, culling "Market and Resource Dependent" projects addresses the "but-for" assertion.

<sup>6</sup> Culling refers to removing the economic benefit of a particular project if it is determined to rely on Florida's markets or resources and would have existed in Florida in the absence of the incentive. These are projects where the business' clients are predominantly based in Florida or the business is dependent on Florida's resources to produce its products or services. [General examples of market dependent projects include retail establishments and distribution centers.] Any new activity induced by the incentives simply displaces other employment and economic activity that would have occurred in the absence of the incentive. There is no net economic expansion, as one of two events occurs: (1) existing businesses shed jobs as their market share decreases; or, (2) a competitor that would have filled the same vacuum without receiving an incentive is displaced. In these cases, neither economic benefits nor a return to the state should be assigned to the projects.

employees, and business capital investment associated with construction, renovation or the purchase of equipment.

The statutory purpose and design of a program are also key considerations in its evaluation. The primary intent of the Workforce Training Grant and Entrepreneurial programs is to ensure that "... each veteran who is a resident of the state finds employment that meets his or her professional goals and receives the training or education necessary to meet those goals."<sup>7</sup> There are likely benefits to businesses and individuals participating in these programs that go beyond this intent, but do not contribute directly to the state's revenues.<sup>8</sup> Because of this, the ROI is but one measure of program success.

### **Overall Results and Conclusions**

The Veterans Florida's **Workforce Training Grant** provides "... funding to assist veterans in meeting the workforce-skill needs of businesses seeking to hire, promote or generally improve specialized skills of veterans..."<sup>9</sup> These grants reimburse qualified employers up to fifty percent of industry skills-based training costs for full-time Florida employees who are veterans, up to \$8,000 per trainee for training not to exceed 12 months.

Overall, the Workforce Training Grant program fails the "but for" test that would allow an assumption that trainees would not be employed, underemployed or underpaid but for the existence of this program. This is because the program duplicates other programs that are equally available to the trainees.

Even if it were assumed that the program met the "but-for" test, the program is unlikely to result in a positive ROI, as grants are not conditioned upon creation of new jobs or evidence of increased productivity. Further, most training grants are for low to mid-wage jobs and those wages do not appear to increase after the training is completed. These program features would by themselves adversely impact the ROI of the Workforce Grant program.

**The Entrepreneurship Program** offers tuition-free, online and on-campus instruction to qualified veterans. The program "... features several pathways to meet the needs of veteran entrepreneurs at different stages of their entrepreneurial journey."<sup>10</sup> The first pathway makes available an on-going, self-paced, online introduction to entrepreneurship.<sup>11</sup> Subsequent pathways offer periodic workshops and networking events, as well as more intensive instruction and mentoring to facilitate the establishment or growth of the businesses. While the first program tier accomplishes identified program purposes, EDR's analysis is limited to graduates of the subsequent pathways, where measurable economic activity is captured and reported by Veterans Florida.

EDR estimates that the return on investment for the Entrepreneurship Program is positive 0.04. That is, the program does not break even; however, the state generates enough revenues to recover a portion

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<sup>7</sup> Section 295.22(1), F.S.

<sup>8</sup> Economic development incentives are typically public subsidies intended to induce an economic activity or capital investment by a private business in a jurisdiction in which such activity or investment would not otherwise take place. For a discussion of other factors affecting ROI, see EDR's PowerPoint Presentation "Return on Investment in Florida Practice" [http://edr.state.fl.us/Content/returnoninvestment/ROI\\_InFloridaPractice.pdf](http://edr.state.fl.us/Content/returnoninvestment/ROI_InFloridaPractice.pdf)

<sup>9</sup> Section 295.22(3)(d), F.S.

<sup>10</sup> Veterans Florida 2020 Annual Report, p. 13. [2019-20-Annual-Report.pdf \(veteransflorida.org\)](https://www.veteransflorida.org/2019-20-Annual-Report.pdf).

<sup>11</sup> *Ibid.* Veterans Florida reports that while this tier was discontinued in FY 2019-20, it plans to contract with a new vendor to offer this service in the future.

of the state's investment. The ROI is low two reasons. First, the majority of the program's beneficiaries appear to be from service industries that have limited state tax interaction. Second, the businesses with the majority of output reported activity only in the last year of the analysis; consequently, much of the impact of the output is realized outside the review period.

EDR's analysis was limited by the low survey response by program graduates and the failure of those who did respond to provide the necessary information to assess the impact of their business activity. For example, while some respondents reported hiring employees, they did not report wages. Moreover, the reported capital investments capture the total amount invested in the business, but not the share of the capital investment associated with construction, renovation and purchase of equipment, which is an important factor in in EDR's ROI analysis.

It is important to reiterate that the statutory purpose and design of a program are key considerations in its evaluation. Given that the stated purpose of the Workforce Training Grant and Entrepreneurial programs is to first assist the veteran, a standard return on investment is likely not the best metric for these programs. The hope for future favorable returns could be characterized as byproducts or incidental effects unrelated to the primary legislative goal.

## OVERVIEW OF VETERANS FLORIDA'S WORKFORCE TRAINING GRANT AND ENTREPRENEURSHIP PROGRAMS

### Veterans Florida

In 2014, Veterans Florida<sup>12</sup> was created as a nonprofit corporation within the Florida Department of Veterans' Affairs to:

“... promote Florida as a veteran-friendly state that seeks to provide veterans with employment opportunities and that promotes the hiring of veterans by the business community... encourage retired and recently separated military personnel to remain in the state or to make the state their permanent residence.... promote the value of military skill sets to businesses in the state, assist in tailoring the training of veterans to match the needs of the employment marketplace, and enhance the entrepreneurial skills of veterans.”<sup>13</sup>

Veterans Florida is governed by a nine-member board of directors, appointed by the Governor, the President of the Senate, and the Speaker of the House of Representatives. These members and corporation staff are subject to statutory standards of conduct for public officers, restrictions on post-employment and voting conflicts. The corporation is subject to the statutory provisions relating to public records and meetings.<sup>14</sup>

Veterans Florida is charged with:

- Conducting research to identify the educational and employment needs of veterans;<sup>15</sup>
- Advising the Florida Tourism Industry Marketing Corporation (VISIT Florida) on the development and implementation of a marketing campaign to encourage veterans to remain in the state or to make the state their permanent residence;<sup>16</sup>

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<sup>12</sup> Veterans Florida is the “doing business as” name of Florida is for Veterans, Inc., the corporation designated in Section 295.21(1), F.S, as created in s. 12, Ch. 2014-01, L.O.F.

<sup>13</sup> Section 295.21(2), F.S. Also see [About Us - Veterans Florida](#)

For an Inventory of State-Funded Benefits for Veterans and Servicemembers, and their Dependents, see APPENDIX in EDR’s “Analysis of Veterans Florida’s Workforce Training Grant and Entrepreneurship Program,” January 2019, [Analysis of Veterans Florida’s Workforce Training Grant and Entrepreneurship Programs \(state.fl.us\)](#). Also see [Florida-Military-Friendly-Guide-2021.pdf \(enterpriseflorida.com\)](#).

<sup>14</sup> Section 295.21(4), F.S.

Veterans Florida may be considered a Private Organization with Public Purposes (POPP), which may be any public/private entity that is created, or that is authorized to be created, by general law to: (a) operate programs for or to provide services to, or on behalf of, a state governmental entity; (b) to provide benefits to or on behalf of a state governmental entity; or (c) to provide assistance or support to or on behalf of a state governmental entity. See “Model Contracted Services Corporation,” IPR 98-25, The Florida Senate. [http://archive.flsenate.gov/data/Publications/1998/Senate/reports/interim\\_reports/pdf/98-25go.pdf](http://archive.flsenate.gov/data/Publications/1998/Senate/reports/interim_reports/pdf/98-25go.pdf) POPPs may also be referred to as Public-Private Partnerships (PPPs), which generally include contractual agreements under which the public and private sectors collaborate to provide a public good, be it a facility or service. Veterans Florida is not required to contract with the Florida Department of Veterans' Affairs; however, the Department is authorized to contract with Veterans Florida for use of the department’s property, facilities, or personnel services. The provision governing Veterans Florida is similar to provisions governing CareerSource Florida until 2020, in Section 445.004(1), F.S. (see s. 12, ch. 2020-30, L.O.F.)

<sup>15</sup> Veteran is defined in Section 1.01(14), F.S., as a person who served in the active military, naval, or air service and who was discharged or released under honorable conditions or who later received an upgraded discharge under honorable conditions. The term is undefined in Sections 295.21 and 295.22, F.S., and does not reference the definition in Section 1.01(14), F.S. Veterans Florida has adopted an inclusive definition of the term, to include military reservists, National Guard servicemembers, and all veterans regardless of their discharge conditions, living in or desiring to move to Florida.

<sup>16</sup> Additionally, Enterprise Florida is required to provide information about Veterans Florida “and its services to prospective, new, expanding, and relocating businesses seeking to conduct business in this state...and to the greatest extent possible, collaborate

- Promoting and enhancing the value of military skill sets to businesses;
- Serving as the state’s principal assistance organization under the United States Department of Defense’s SkillBridge program for employers and transitioning servicemembers;<sup>17</sup> and
- Submitting an annual progress report and work plan by to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

Additionally, Veterans Florida is required to administer the Veterans Employment and Training Services (VETS) program, which requires it to:

- Conduct marketing and recruiting efforts directed at veterans residing in or interested in relocating to this state and who are seeking employment;
- Assist veterans who reside in or relocate to this state and who are seeking employment by offering personal assistance with skills assessments, establishing employment goals, resume preparation, referrals to career centers, and applying for employment;<sup>18</sup>
- Assist Florida businesses in recruiting and hiring veterans;
- Create a grant program to assist veterans in meeting the workforce-skill needs of businesses seeking to hire, promote, or generally improve specialized skills of veterans;<sup>19</sup> and
- Contract with one or more entities to administer an entrepreneur initiative program for veterans in this state.<sup>20</sup>

In the three-year review period, the Legislature appropriated \$4.98 million to Veterans Florida for these programs and related administration.

### **Veterans Florida Workforce Training Grants**

The Veterans Florida Workforce Training Grant provides “... funding to assist veterans in meeting the workforce-skill needs of businesses seeking to hire, promote or generally improve specialize skill of veterans...”<sup>21</sup> These grants reimburse qualified employers up to fifty percent of industry skills-based training costs for permanent full-time Florida employees who are veterans, up to \$8,000 per trainee for training not to exceed 12 months.<sup>22</sup>

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with the corporation (Veterans Florida) to meet the employment needs, including meeting the job-creation requirements, of any business receiving assistance or services from Enterprise Florida, Inc.” (Section 295.22(4), F.S.)

<sup>17</sup> This charge was added in 2021 by ch. 2021-66, L.O.F. The Department of Defense SkillBridge program connects servicemembers with participating companies that provide training, apprenticeships, and internships. A servicemember is eligible to participate during his or her last 180 days of military service. Once approved, a unit commander authorizes the servicemember up to 180 days of permissive leave for the servicemember to gain civilian experience with an industry participant. Companies benefit at no cost, and the servicemember continues to receive military compensation. Guard and Reserve members are also eligible to participate in SkillBridge, and if space is available, a veteran or a military spouse may seek a position in SkillBridge.

<sup>18</sup> One tool used to implement this requirement is the Veterans Florida Career Portal, which allow veterans to submit their resume, search and apply for jobs with companies that Veterans Florida has approved to receive Business Training Grants.

<sup>19</sup> Hereafter referred to as Workforce Training Grants.

<sup>20</sup> Hereafter referred to as the Entrepreneurship Program.

<sup>21</sup> Section 295.22(3)(d), F.S. A veteran employee for the purposes of the grant program is defined as an individual who is eligible to legally work in the U.S.; is a Florida resident working at a physical location in Florida; and has verifiable military service with a DD-214 or is a current or former member of the Florida National Guard with authorizing credentials. See “Veterans Florida Business Training Grants Standard Operating Procedures,” 2016:3.

<sup>22</sup> Prior to FY 2018-19, training grants could be awarded for up to 48 months, and was limited to new hires. *Also see* [2019-20-Annual-Report.pdf \(veteransflorida.org\)](#), p. 12.



Preference is given to target industry businesses,<sup>23</sup> and to businesses in the defense supply, cloud virtualization, or commercial aviation manufacturing industries. If grant funds are used to provide a technical certificate, a licensure, or a degree, the training entity must be properly accredited and licensed. Grants are only awarded in the absence of available veteran-specific federally funded programs.

Allocation of the grant is contingent upon a grant agreement which identifies the instructors, includes a description of the instructional program, and any vendors used to conduct the instructional program. The agreement must also identify the duration of the program, and all direct, training-related costs. Finally, the agreement must include “permission to access aggregate information specific to the wages and performance of participants upon the completion of instruction for evaluation purposes... provided that any evaluation published subsequent to the instruction will not identify the employer or any individual participant.”<sup>24</sup>

The business awarded a Veterans Florida Workforce Training Grant may also receive a Quick-Response Training Program grant from CareerSource Florida, Inc. (CSF), for the same veteran-trainee. CSF is authorized to contract as the grant administrator for both programs.<sup>25</sup>

### **Veterans Florida Entrepreneurship Program**

The Veterans Florida Entrepreneurship Program offers tuition-free, online and on-campus instruction to qualified veterans.<sup>26</sup> The program “features several pathways to meet the needs of veteran entrepreneurs at different stages of their entrepreneurial journey.”<sup>27</sup>

The first program pathway uses a self-paced, web-based system to familiarize veterans contemplating entrepreneurship with basic terminology and concepts and “acts as a gateway to the second and third pathways.”<sup>28</sup> Subsequent pathways are administered by competitively selected partners that are under contract with Veterans Florida. In the past, these entities were required to be public or private universities with military and veteran resource centers and regional partners of the Florida Small Business Development Center Network. In 2018 the law was amended to remove these requirements, which allows a wider range of service providers.<sup>29</sup>

The contracted partners offer workshops on how to use common accounting software and social media marketing. Partners also offer cohort-based entrepreneurship courses for “intensive study in entrepreneurship for veteran entrepreneurs with vetted business ideas or young companies that need

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<sup>23</sup> “Targeted industries” are high growth, recession resistant, and market independent industries as designated by Enterprise Florida, Inc., and the Department of Economic Opportunity pursuant to the statutory parameters in s. 288.106(2)(q), F.S. Retail and Hotel/Restaurants are specifically excluded in the definition of this term.

<sup>24</sup> Section 295.22(3)(d)3.e., F.S.

<sup>25</sup> Section 295.22(3)(d)4., F.S.

<sup>26</sup> Section 295.22(3)(e), F.S. Program participants must be Florida residents. In 2021, non-Florida residents were allowed to participate in the advanced stage of the Entrepreneurship program if they stated an intention to start a business in Florida. The program is also available to Active Duty servicemembers (with 1 year left before discharge) and current or former members of the National Guard or Reserves.

<sup>27</sup> Veterans Florida 2020 Annual Report, p. 13. [2019-20-Annual-Report.pdf \(veteransflorida.org\)](#).

<sup>28</sup> *Ibid.* Veterans Florida reports that while this tier was discontinued in FY 2019-20, it plans to contract with new vendor to offer this service in the future.

<sup>29</sup> Section 4, Ch. 2018-7, L.O.F. During the review period, Veterans Florida partnered with Florida Atlantic University, University of Central Florida, Florida Gulf Coast University, University of North Florida, University of West Florida, Tallahassee Community College, Hillsborough Community College, JULO Strategy, and Action Zone, Inc. At least two other state universities (Florida State and University of Florida) have entrepreneurship programs tailored to veterans within their broader entrepreneurship programs.

to accelerate growth.” Veterans Florida contracts with the various partners require them “... to include mentorship opportunities from business and community leaders, successful entrepreneurs and other professionals” as part of the coursework and to have relationships with business incubators and co-working spaces to assist program participants. The partners are required to collect and submit information about the veteran applicants, students, and their businesses, administer student satisfaction surveys, and provide other information as requested by Veterans Florida.<sup>30</sup>

Together, these pathways offer “... a pipeline for veteran entrepreneurs to take a business idea from conception through execution and scalability.”<sup>31</sup>

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<sup>30</sup> Veterans Florida ITN for the Veterans Florida Entrepreneurship Program Network Partner, 2019, p. 3.

<sup>31</sup> *Ibid.*, p. 4.

## DESCRIPTION OF THE DATA

The analysis relies on appropriations contained within the annual state appropriations acts and expenditure data provided by Veterans Florida for Fiscal Years 2017-18, 2018-19 and 2019-20. The Workforce Training Grant Program received \$1.8 million in state appropriations, and Veterans Florida reported \$3.5 million in program expenditures. The Entrepreneurship Program received \$2.15 million in state appropriations and essentially had the same amount in expenditures. The difference between appropriations and expenditures for grants is explained by the existence of unused funds from prior years. Specifically, Veterans Florida was authorized to use the unexpended balance of previously appropriated training grant funds for grants awarded in FY 2017-18 through FY 2019-20.

For the Veterans Florida **Business Training Grant Program**, Veterans Florida provided the following data for Fiscal Years 2017-18, 2018-19, and 2019-20:

- The Business Name and Address of grant recipients;
- An anonymized list of individual trainees who completed training and for which final payments were made by Veterans Florida to the employing business, identifying the:
  - Type of training provided;
  - Dates training started and completed;
  - Pre- and post-training trainee wages;
  - Veterans Florida Payment to business for training; and
  - The amount (dollar value) of any business match to qualify for Veterans Florida payment.
- The amount of payments for grants, the amount of funds used by Veterans Florida to administer the program, and the amount carried-over into the next year.

Veterans Florida reported that 52 businesses provided training for 890 employees during the review period.

For the Veterans Florida **Entrepreneurship Program**, EDR requested a list of program graduates, and the following information for each graduate creating or growing a business, for Fiscal Years 2017-18, 2018-19, and 2019-20:

- Business identifying information;
- Date business began operation;
- Total capital investments; and
- Number of employees hired and their wages by these businesses.

Veterans Florida reported that 1,093 veterans used services through network partners during the review period, with 286 completing the program. Veterans Florida provided survey responses from these completers, some of which provided the status of their business, revenues, total investments and the number and average wages of employees hired.

## METHODOLOGY

### Statewide Model

EDR used the Statewide Model to evaluate the economic impact of the programs under review. The Statewide Model is a dynamic computable general equilibrium (CGE) model that simulates Florida's economy and government finances.<sup>32</sup> The Statewide Model is enhanced and adjusted each year to reliably and accurately model Florida's economy. These enhancements include updating the base year the model uses, as well as adjustments to how the model estimates tax collections and distributions.<sup>33</sup>

Among other things, the Statewide Model captures the indirect and induced economic activity resulting from the state's incentive programs. This is accomplished by using large amounts of data specific to the Florida economy and fiscal structure. Mathematical equations<sup>34</sup> are used to account for the relationships (linkages and interactions) between the various economic agents, as well as likely responses by businesses and households to changes in the economy.<sup>35</sup> The model also has the ability to estimate the impact of economic changes on state revenue collections and state expenditures in order to maintain a balanced budget by fiscal year.

When using the Statewide Model to evaluate incentive programs, the model is shocked<sup>36</sup> using static analysis to develop the initial or direct effects attributable to the projects funded by the program. In this analysis, the annual direct effects are different for each program.

The Entrepreneurship Program direct effects ("shocks") are:

- Removal of the costs from the state budget.
- Increased output based on revenue as reported by survey respondents.

After review, no shocks were used for the Workforce Training Grant program. See Program Findings for detail.

After the direct effects are developed and estimated, the model is then used to estimate the additional—indirect and induced—economic effects generated by the program, as well as the supply-side responses to the new activity, where the supply-side responses are changes in investment and labor demand arising from the new activity. Indirect effects are the changes in employment, income, and output by local supplier industries that provide goods and services to support the direct economic activity. Induced effects are the changes in spending by households whose income is affected by the direct and indirect activity.

All of these effects can be measured by changes (relative to the baseline) in the following outcomes:

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<sup>32</sup> The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Monash University (Melbourne, Australia).

<sup>33</sup> Reports prior to January 1, 2017 have used 2009 as the base year. Reports as of January 1, 2017 have used 2011 as the base year.

<sup>34</sup> These equations represent the behavioral responses to economic stimuli – to changes in economic variables.

<sup>35</sup> The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).

<sup>36</sup> In economics, a shock typically refers to an unexpected or unpredictable event that affects the economy, either positively or negatively. In this regard, a shock refers to some action that affects the current equilibrium or baseline path of the economy. It can be something that affects demand, such as a shift in the export demand equation; or, it could be something that affects the price of a commodity or factor of production, such as a change in tax rates.

- State government revenues and expenditures
- Jobs
- Personal income
- Florida Gross Domestic Product
- Gross output
- Household consumption
- Investment
- Population

EDR's calculation of the Return on Investment (ROI) used the model's estimate of net state revenues and expenditures. Other required measures for this report include the number of jobs created, the increase or decrease in personal income, and the impact on gross domestic product, all of which are included in the model results.

## KEY ASSUMPTIONS

The following general assumptions are used in the Statewide Model to determine the outcomes of the programs under review. Some of the assumptions are used to resolve ambiguities in the literature, while others conform to the protocols and procedures adopted for the Statewide Model.

1. The analysis assumes all data provided by Veterans Florida and other entities is complete and accurate. The data was not independently audited or verified by EDR.
2. The analysis assumes, given the time span under review, applying discount rates would not prove material to the outcome.
3. The analysis assumes the state's budgetary allocation for the programs is a redirection from the general market basket of goods and services purchased by the state. Similarly, any revenue gains from increased business activities are fully spent by the state.
4. The analysis assumes the relevant geographic region is the whole state, not individual counties or regions. The Statewide Model does not recognize that any economic benefit arises from intrastate relocation. However, the model accounts and makes adjustments for the fact that industries within the state cannot supply all of the goods, services, capital, and labor needed to produce the state's output.
5. The analysis assumes businesses treated the assistance as subsidies that lowered the cost of operation for each individual firm.
6. The analysis assumes distribution of capital purchases by each business is the same as the industry in which it operates. This assumption is made because data is not available regarding the specific capital purchases associated with each project. It also assumes that the businesses within a program are not large enough to affect the rate of return on capital within the industries in which the businesses operated.
7. The analysis assumes the output from projects does not displace the market for goods and services of existing Florida businesses. To do this, output associated with the businesses is assumed to be exported to the rest of the world. The "rest of the world" is defined as other states or the international market.
8. The analysis assumes the revenue reported by graduates of the Entrepreneurship Program was the result of training provided through the program.

## KEY TERMS

In the pages that follow, diagnostic tables describing the composition and statistics of the analysis precede the discussion. Key terms are described below:

State Payments Used in Analysis \$(M) – Represents the amount of state payments made to the program in each fiscal year.

Total Net State Revenues \$(M) – Represents the amount of new state revenue generated by the program in each fiscal year.

Personal Income (Nominal \$(M)) – Reflects income received by persons from all sources. It includes income received from participation in production as well as from government and business transfer payments. It is the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance.

Real Disposable Personal Income (Fixed 2016-17 \$(M)) – Reflects total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2016-17 \$(M)) – Measures the state's output; it is the sum of value added from all industries in the state. GDP by state is the state counterpart to the Nation's gross domestic product.

Consumption by Households and Government (Fixed 2016-17 \$(M)) – Reflects the goods and services purchased by persons plus expenditures by governments consisting of compensation of general government employees, consumption of fixed capital (CFC), and intermediate purchases of goods and services less sales to other sectors and own-account production of structures and software. It excludes current transactions of government enterprises, interest paid or received by government, and subsidies.

Real Output (Fixed 2016-17 \$(M)) – Consists of sales, or receipts, and other operating income, plus commodity taxes and changes in inventories.

Total Employment (Jobs) – Provides estimates of the number of jobs, full time plus part time, by place of work. Full time and part time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.

Population (Persons) – Reflects first of year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

## PROGRAM FINDINGS

### **Veterans Florida Workforce Training Grant Program**

For the Workforce Training Grant program, Veterans Florida reported that fifty-two businesses received \$2,482,389 in payments for training 890 new or incumbent workers in the period of review. Veterans Florida had \$1,023,060 in grant program related administrative costs. These amounts are higher than the direct appropriations because a significant amount has been reverted and re-appropriated each year.

Veterans Florida does not track whether these trainees filled new or existing job positions, which is an important factor in EDR's economic analysis of ROI. Further, the reported trainee salaries increased after the training for only 98 of the 890 trainees.<sup>37</sup>

Overall, the Workforce Training Grant program fails the "but for" test that would allow an assumption that trainees would not be employed, underemployed or underpaid but for the existence of this program.<sup>38</sup> The result of this failure would be the removal of any economic benefits associated with the grants, leaving only the cost. This is primarily because the program duplicates other programs that are equally available to the trainees.

Since 1993, CareerSource Florida (CSF) Quick Response Training (QRT) grants have provided match funding to businesses for customized, skills-based training for new or retained jobs in Florida's targeted industries, which produce an exportable product or service. Since 1999, CSF Incumbent Worker (IWT) Training grants have provided match funding for customized, skills upgrade training for existing full-time employees of for-profit businesses. Moreover, the twenty-four Regional Workforce Development Boards (RWDBs) offer On-The-Job training programs for partial wage reimbursement of qualified employees. They also offer Employed Worker Training programs (EWT). EWT provides reimbursement for the cost of training prospective or current employees of qualified area businesses, and the training can be customized.

CSF, the RWDBs and the Department of Economic Opportunity have also have developed other incentives and initiatives to address the workforce training needs of veterans and their families.<sup>39</sup>

Even if it were assumed that the program met the "but-for" test, several test runs showed that the program was unlikely to result in a positive ROI. Primarily, this is because the grants are not conditioned upon creation of new jobs or evidence of increased productivity; most training grants are for low to mid-wage jobs; and those wages do not appear to increase after the training is completed. These program features adversely impact the ROI of the Workforce Grant program.

As previously noted, Veterans Florida was created to "... promote Florida as a veteran-friendly state" through a variety of prescribed programs and services, to include Workforce Training Grants and the Entrepreneurship Program. The Workforce Grant program provides "... funding to assist veterans in

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<sup>37</sup> Veterans Florida does not survey businesses for subsequent salary increases within the review period.

<sup>38</sup> The "but-for" assertion in EDR's analysis of economic development programs is the claim that "but for" the program subsidy, the initiation of economic activity would not have otherwise occurred – the incentive is the primary, or at least the determining factor, in business decisions.

<sup>39</sup> See [Jobs for Veterans' State Grant - FloridaJobs.org](#) For a description of the most recent initiative, see [Governor DeSantis Announces \\$8.6 Million to Expand Career and Workforce Training Opportunities for Military Veterans and Spouses \(flgov.com\)](#) 11-11-21.



meeting the workforce-skill needs of businesses seeking to hire, promote or generally improve specialized skills of veterans...”<sup>40</sup> Grants may never result in a net gain in jobs, as grants are not conditioned upon creation of new jobs. Further, in 2018 the Legislature removed the requirement that grants are contingent upon hiring veterans, thereby allowing grants be used to train current employees, provided they are military veterans.<sup>41</sup> EDR has not evaluated the extent to which employment of training-subsidized veterans displaces employment of similarly situated non-veterans. To the extent this occurs, it offsets the economic benefit of the subsidy.

The second program feature is that these training grants do not result in high-wage jobs. Veterans Florida markets the grant program, and preference is given, to:

“...businesses in Florida’s targeted, high-growth and high-wage industries (qualified targeted industries). These are high-skill industries producing goods or services and wages generally 125 percent above state or local wages.”<sup>42</sup>

However, Veterans Florida reports that 793 of the 890 trainees (89 percent) trained to date earned less than \$64,000. The targeted average statewide wage for “high-wage” jobs was \$63,990 for 2019. Even more problematic, 328 of the 890 trainees (36.9 percent) were trained for the jobs paying \$30,000 or less.<sup>43</sup>

There are several reasons why this may be an acceptable outcome from a programmatic standpoint. First, the grant program is marketed to “high-wage industries” – not specifically to subsidize training for high-wage jobs. Also, training for high-wage jobs is aspirational, as this is not a statutory requirement. Second, the training provided for relatively low-skill, low-wage jobs may correspond to the actual workforce needs of Florida employers, many of which have low-to-middle skilled jobs with relatively high turnover rates. Third, the training may correspond to the available supply of labor – veterans with minimal marketable skills, experience or credentials seeking assistance. In this regard, there is likely a well-established recruiting pipeline for high-skilled veterans, especially those with high-security clearances, so businesses are less likely to seek job-placement or training assistance from Veterans Florida to fill their higher wage jobs.<sup>44</sup>

Finally, the reported training costs to the state for the program may be understated. The statute governing the grant program allows for bundling of grants with CareerSource Florida training grants.<sup>45</sup> Both CareerSource Florida and Veterans Florida staff state they do not know whether, or to what extent

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<sup>40</sup> Section 295.22(3)(d), F.S.

<sup>41</sup> Section 4, ch. 2018-7, L.O.F. Veterans Florida staff state that this expansion allows them to address the “underemployment” of current employees who are veterans.

<sup>42</sup> “Veterans Florida Business Training Grants Standard Operating Procedures,” 2016:2.

<sup>43</sup> These jobs include Broadband Technicians, Customer Service Representatives, Commercial Roofers, Electronic Associates & Assemblers, Service Technicians, Security Officers, Drivers, Loaders, Warehouse Associates, Machine Operators, Technical Review Technicians, etc.

<sup>44</sup> For an article addressing this recruiting pipeline, see “Amazon’s D.C.-Area HQ2 a New Beachhead in Battle for Tech-Savvy Vets, Tech giant’s planned move to Pentagon’s backyard exacerbates local tussle for talent.” WSJ, 1/1/19.

<https://www.wsj.com/articles/amazons-d-c-area-hq2-a-new-beachhead-in-battle-for-tech-savvy-vets-11546344001?mod=searchresults&page=1&pos=1>

<sup>45</sup> Section 295.22(3)(d)4., F.S. states that: “A business may receive a grant under the Quick-Response Training Program created under s. 288.047 and a grant under this section for the same veteran trainee. If a business receives funds under both programs, one grant agreement may be entered into with CareerSource Florida, Inc., as the grant administrator.”

this feature is used. In 2018, OPPAGA reported that four of the ten businesses responding to their survey:

“...reported that they used other grant programs such as Regional Workforce Board On-the-Job Training or Employed Worker Training programs, and CareerSource Florida Quick Response Training or Incumbent Worker Training programs during the same period in which they received the Business Training Grants from Veterans Florida.”<sup>46</sup>

The report does not indicate whether training grants were bundled for the same trainee.

While many of these issues do not by themselves preclude the calculation of a return for the state’s investment, the total failure of the “but-for” test renders this calculation moot. Nevertheless, had a final ROI based on the other factors been completed, it would have been negative.

### **Veterans Florida Entrepreneurship Program**

For the Entrepreneurship Program, Veterans Florida reported that contracted partners received \$1,165,847 for program services and \$996,775 was used by Veterans Florida for program-related administrative costs. The contracted partners facilitate the establishment or growth of veteran-owned businesses through their program of instruction and mentoring. It is in this program pathway where measurable economic activity is captured and reported by Veterans Florida. Veterans Florida reported 286 veterans graduated in Fiscal Years 2017-18, 2018-19 and 2019-20.

Veterans Florida regularly surveys all program participants to ascertain whether:

- They are in business;
- The business existed before or was started after participating in the program;
- The business has generated revenue after participating in the program – and if so, how much;
- The business has hired employees – and if so, how many and their average wages; and
- Whether and how much capital they have invested in the business.

This information is maintained and updated with the most recent survey responses.

Of the 116 respondents reporting revenues, EDR evaluated whether their businesses were Florida market or resource dependent. Forty-seven of these businesses were determined not to be market or resource dependent. These respondents reported revenues of \$41 million – \$20 million of which was from one business, and \$8 million from another.<sup>47</sup>

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<sup>46</sup> See “Veterans Florida Promotes Florida as a Veteran-Friendly State and Provides Numerous Services; Performance Measurement and Outreach Could Be Improved,” OPPAGA Report No. 18-04, February 2018, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1804rpt.pdf>, p. 10.

<sup>47</sup> In both cases these businesses were not start-ups. The businesses were established in the early or mid-1980s and were subsequently acquired by or partnered with a veteran. Further, it is unspecified whether the revenues reported are for one year, for the years since the business was launched or acquired, or includes revenues preceding the acquisition of the business. In addition, aside from registration as a Florida corporation, the business reporting \$20 million in revenue has its principal operations facility in a state on the West coast. Notwithstanding these caveats, the analysis attributes all reported business revenue to Veterans Florida Growth and Start-up cohort graduates, assuming that “but for” completion of the program, no revenue would have been generated by businesses bought or launched by the veterans.

Using reported revenue as the output for the program,<sup>48</sup> this analysis estimates that the ROI of the Entrepreneurship program is positive 0.04. That is, the program does not break even; however, the state generates enough revenues to recover a portion of its investment. The ROI is low for two reasons. First, the majority of the program’s beneficiaries appear to be from service industries that have limited state tax interactions. Second, the businesses with the majority of output reported activity only in the last year of the analysis; consequently, much of the impact of the output is realized outside the review period.

COUNT OF BUSINESSES RECEIVING TRAINING GRANTS					
Industry Sector	2016	2017	2018	2019	Grand Total
Administrative Support		1		4	5
Ambulatory			1		1
Apparel		2	1		3
Broadcast Television		1			1
Nonresidential Construction		1			1
Crops				1	1
Electronic Equipment Manufacturing		1			1
Fabricated Metal Manufacturing		1			1
Food			1		1
Management	1				1
Other Professional Technical		6	6	8	20
Other Services excluding Government		1	1	1	3
Performing Arts Music				1	1
Retail				2	2
Wholesale		1	1	3	5
<b>Grand Total</b>	<b>1</b>	<b>15</b>	<b>11</b>	<b>20</b>	<b>47</b>

EDR’s analysis was limited by the low survey response by program graduates and the failure of those who did respond to provide the necessary information to assess the impact of their business activity. Further, a significant amount of each year’s appropriation has subsequently been reverted and re-appropriated to the next year. While authorized in the General Appropriations Act, these large continuing amounts of unspent dollars raise issues similar to escrowed funds, where the dollars have no productive use and have been effectively removed from the economy. Had EDR addressed this issue head on, it would have caused the ROI to turn negative.

As with the Workforce Training Grant program, the Entrepreneurship Program is not immune from being duplicative, but the linkage is less problematic. The second pathway of the program, which offers intensive instruction for growth businesses or start-ups, may be similar to existing university entrepreneurship programs; however, the cost structure and criteria for participating in those programs is likely more stringent.

<sup>48</sup> While some respondents reported hiring employees, they did not report wages. The reported capital investments capture the total amount invested in the business, but not the share of the capital investment associated with construction, renovation and purchase of equipment, which is an important factor in EDR’s analysis of ROI.

**Statewide Economic Model Impact Projections of the Veterans Florida Entrepreneurship Program**

		FY2018	FY2019	FY2020	Total
State Payments in the Window	Nominal \$ (M)	0.70	0.77	0.69	2.16
Total Net State Revenues	Nominal \$ (M)	(0.53)	(0.69)	1.31	0.09
Return-on-Investment by Year		(0.75)	(0.91)	1.90	
Return-on-Investment for the 3 year period					0.04

		FY2018	FY2019	FY2020	Total	Average per Year
Personal Income	Nominal \$ (M)	5.94	2.69	44.38	53.00	17.67
Real Disposable Personal Income	Fixed 2016-17 \$ (M)	4.78	2.11	35.78	42.67	14.22
Real Gross Domestic Product	Fixed 2016-17 \$ (M)	3.90	1.84	26.95	32.69	10.90
Consumption by Households and Government	Fixed 2016-17 \$ (M)	5.40	2.38	38.26	46.04	15.35
Real Output	Fixed 2016-17 \$ (M)	10.05	3.47	77.51	91.03	30.34

		FY2018	FY2019	FY2020	Minimum	Maximum	Average per Year
Total Employment	Jobs	35	5	293	5	293	111
Population	Persons	0	10	8	0	10	6

**Conclusion**

A key feature of the services and programs offered by Veterans Florida is to promote Florida as a veteran-friendly state. The Workforce Training Grant program duplicates similar state programs, thereby diminishing its cost-effectiveness to the state. While the Entrepreneurship program may also have areas of overlap, it can be best viewed as complementary – expanding the state’s efforts to provide a broad spectrum of training services to veterans in an area where few funds are available.

Cost savings in administration could be realized by shifting state funding for the Workforce Training Grant program to established training programs offered by CSF or the RWBs. Enhanced funding could continue to be designated to train veterans, either under current qualifying criteria or under the program criteria of CSF or RWB programs. However, implementing this option should be contingent upon demonstration of comparable marketing capacity. If so, tailoring veteran training grants to the requirements and restrictions of existing programs may increase the potential ROI of the state’s investments.

As previously addressed, the statutory purpose and design of a program are key considerations in its evaluation. A return-on-investment is a measure of financial returns and does not address issues of effectiveness or societal benefit. Overall, it is beneficial to the state to have more productive businesses and employees, even if the direct financial returns are not measurable in the short-run. Where the Workforce Training Grant program fails is in providing the same services provided elsewhere with higher costs and lower results. Until the program is redesigned, a ROI is not meaningful and is technically challenging.

While the return associated with the Entrepreneurship program is small, a more positive return may be realized in the future from the training provided during the current period of review. Returns that take years to develop are not captured in the required three-year window. Additionally, as this program matures and improved performance metrics are implemented, there may be more information from which to identify economic returns and evaluate the ROI to the state.