

STORAGE NAME: h4519.ft

DATE: April 20, 1998

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 4519

RELATING TO: State University System Industrial Partnership Professorships

SPONSOR(S): Committee on Education Innovation

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) EDUCATION INNOVATION YEAS 8 NAYS 0
- (2) FINANCE AND TAXATION
- (3)
- (4)
- (5)

I. SUMMARY:

HB 4519 establishes industrial partnership professorships as a classification of instructional personnel in the State University System. The professorships will include personnel who have training and backgrounds different from traditional university faculty. This will permit persons who have significant expertise or practical experience in a particular field, but not necessarily an advanced degree or the traditional credentials for a university professorship, to teach and share their expertise with university students studying that field.

The professorship contracts will be for a minimum of three years and potential renewal for a period of a minimum of 3 years. The contract will contain specifications regarding the purpose of the professorship, the qualifications for an individual holding the professorship, the means of selection of the individual to hold a professorship, the length of term of a professorship, the renewability of contract if renewability is agreed upon by both parties, the research and/or teaching duties of the individual holding the professorship, the interest in intellectual property for the university and the corporation, and the annual contribution amount of the sponsoring corporation to establish and maintain the professorship. The value to the university and the corporation of any produced intellectual property will be equivalent to the percentage contribution made by each entity.

The basic cost of establishing and maintaining the professorship will be calculated on a per-position basis and will include the salary and benefits of the professorship. The sponsoring corporation will furnish at least 70 percent of the yearly total cost of establishing and maintaining the professorship.

For their sponsorship, the corporation will be allowed an annual credit against their corporate income tax in the amount they have contributed to the professorship for the year. If the tax credit is not fully used in the first year, the unused credit may be carried forward for up to 5 years. In subsequent years the unused credit may be applied to taxes; however, other credits and unused credit carryovers must be applied to the taxes first and the corporate income tax due for that year must be more than the unused credit. The bill provides for repeal after 10 years unless the Legislature chooses to re-enact.

The April 10 Impact Conference has adopted a negative fiscal impact to the General Revenue Fund of (\$9.9) million in FY 1998-99 and a negative fiscal impact to the General Revenue Fund of (\$13.0) in FY 1999-00.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Section 240.209, F.S., outlines the powers and duties of the Board of Regents. They are charged with appointing a president of each university and establishing and maintaining a systemwide personnel program for all State University System employees, including a systemwide personnel classification and pay plan. The Board may adopt rules delegating its authority to the Chancellor or the universities [s. 240.209(3)(f), F.S.].

Each university president has the duty to appoint university personnel and provide for the compensation and other conditions of employment consistent with the Board of Regents rule for university personnel, pursuant to s. 240.227(5), F.S.

Each university, with Department of Education approval, is authorized to establish divisions of sponsored research [s. 240.241, F.S.]. Divisions of sponsored research are under the supervision of the university president, who is authorized to employ research staff; to negotiate, enter into, and execute research contracts; to solicit and accept grants; and to fix and collect fees, other payments, and donations that may accrue. All moneys deposited or received for use in the research or related programs of the university are deposited by the university into a permanent sponsored research development fund in a depository approved and audited by the Auditor General.

Section 240.2605, F.S., provides for endowed professorships based on certain monetary requirements. Each university has an opportunity to provide donors with an incentive in the form of matching grants for donations for the establishment of permanent endowments. A donation of at least \$600,000 and associated state matching funds may be designated as an Eminent Scholar Endowed Chair pursuant to procedures specified by the Board of Regents [s. 240.2605(5)(c), F.S.]. However, there are no provisions for more short term endowed professorships.

Corporate Income Tax Credits

Chapter 220, F.S., imposes the Florida corporate income tax. The tax is equal to 5.5 percent of the taxpayer's net income for the taxable year. Section 220.12, F.S., defines net income as the taxpayer's adjusted federal income, or the amount apportioned to Florida under s. 220.15, F.S., plus nonbusiness income, less child-care facility start-up costs, and less a \$5000 exemption. The State of Florida currently offers a number of tax credits against corporate income tax. These credits include credits for new and expanding businesses, enterprise zone credits, gasohol development credits, and hazardous waste facility development credits. Specific statutory references are:

- Gasohol development tax incentive credit (s. 220.18, F.S.)
- Enterprise zone jobs credit (s. 220.181, F.S.)
- Enterprise zone property tax credit (s. 220.182, F.S.)
- Community contribution tax credit (s. 220.183, F.S.)
- Hazardous waste facility tax credit (s. 220.184, F.S.)
- Credit for Florida alternative minimum tax (s. 220.186, F.S.)
- Export finance corporation investment credit (s. 220.188, F.S.)
- Rural Job Tax Credit and Urban High-Crime Area Job Tax Credit (s. 220.1895, F.S.)

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- Assessments against member HMOs; income tax credit for assessments paid (s. 631.828, F.S.)
- Credit for emergency excise tax paid (s. 221.02, F.S.)

B. EFFECT OF PROPOSED CHANGES:

HB 4519 establishes industrial partnership professorships as a classification of instructional personnel in the State University System. The professorships will include personnel who have training and backgrounds different from traditional university faculty. This will permit persons who have significant expertise or practical experience in a particular field, but not necessarily an advanced degree or the traditional credentials for a university professorship, to teach and share their expertise with university students studying that field. The professor could be involved in activities such as writing proposals with other faculty for related research when the proposal is submitted in collaboration with the industry, organizing seminars in which industries present their technology and research needs to faculty, students, and research staff, facilitating the interaction of faculty with industry, preparing educational materials, and organizing projects supervised by the industry and which benefit the company.

The students can benefit from the practical experience of the professor and possibly receive more recent applicable information than is available through more traditional methods and materials. The direct interaction between experienced professionals and students could enhance the transfer of ideas and attitudes into the classroom. Students could learn firsthand about management, business relationships, typical work assignments, group and team interaction and corporate work ethics. The sponsoring company would benefit through the constant, formal access to students and a corporate income tax credit.

The professorship contracts will be for a minimum of three years and potential renewal for a period of a minimum of three years.

The contract will contain the following specifications:

- Purpose of professorship
- Qualifications for individual holding the professorship
- Means of selection of individual to hold professorship
- Length of term of professorship
- Renewability of contract if renewability is agreed upon by both parties
- Research and/or teaching duties of individual holding professorship
- University and corporation's interest in value of any intellectual property will be the same as the percentage each has invested in the sponsorship
- Annual contribution amount of sponsoring corporation to establish and maintain professorship

The basic cost of establishing and maintaining the professorship will be calculated on a per-position basis and will include the salary and benefits of the professorship. The sponsoring corporation will furnish at least 70 percent of the yearly total cost of establishing and maintaining the professorship. For their sponsorship, the corporation will be allowed an annual credit against their corporate income tax in the amount they have contributed to the professorship for the year.

If the tax credit is not fully used in the first year, the unused credit may be carried forward for up to 5 years. In subsequent years the unused credit may be applied to taxes; however, other credits and unused credit carryovers must be applied to the taxes first and the corporate income tax due for that year must be more than the unused credit.

The bill provides for repeal after 10 years unless the Legislature chooses to re-enact.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

Corporations will be eligible to receive a corporate income tax credit for the amount of their contribution to the industrial partnership professorship.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

A corporation can receive a tax credit for the amount of their contribution to the industrial partnership professorship.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Corporations which benefit from the tax credit given for their contribution are financial sponsors of the professorship.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Creating Sections 240.6065 and 220.19, Florida Statutes; amending Section 220.02, Florida Statutes.

E. SECTION-BY-SECTION RESEARCH:

Section 1 Establishes industrial partnership professorships, a classification of instructional personnel in the State University System, to include personnel who have training and backgrounds different from traditional university faculty. Provides that professorships are by contracts for minimum of 3 years, with contract renewal periods of a minimum of 3 years. Provides contract specifications and provides for contribution by the sponsoring corporation of 70 percent of the yearly total cost of establishing and maintaining the professorship.

Section 2 Provides for credit against the corporate income tax for contribution by sponsoring corporation; provides for carryover of the credit; provides order of credits against the tax.

Section 3 Adds tax credit to ordered list of credits to be applied against corporate income tax.

Section 4 Provides an effective date upon becoming a law. Provides for repeal after 10 years unless re-enacted by the Legislature.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Fiscal impact on revenues from corporate income tax will depend on how many corporations contribute to a professorship and take advantage of the tax credit. However, it is estimated that there will be a 10 percent participation rate by corporations and based on that data, the April 10 Impact Conference has adopted a negative fiscal impact to the General revenue Fund of (\$9.9) million in FY 1998-99 and a negative fiscal impact to the General Revenue Fund of (\$13.0) in FY 1999-00.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

See 2. above.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Corporations who qualify realize a reduction in corporate income tax.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

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D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

HB 4519 was originally discussed in the Education Innovation Committee on March 19, 1998 as PCB EI 98-11. As a result of that discussion in Committee, the following changes were made in the proposed committee bill:

- Name is changed from private industry partnership professorships to industrial partnership professorships.
- Length of sponsorship contracts between the university and the corporations is changed from a minimum of five years with renewability periods for up to five years to a minimum of three years with renewability periods for up to 3 years.
- Contract specifications are required to include the interest in the value of any intellectual property produced as a result of the professorship. The interest will be equal to the percentage of contribution made to the sponsorship.
- Percentage of contribution by sponsoring corporation is changed from minimum of 60 percent to minimum of 70 percent of cost of professorship.
- A repeal clause is added to require repeal after 10 years unless it is re-enacted by the Legislature.

HB 4519 passed the Committee on Education Innovation as PCB EI 98-11 on March 26, 1998.

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON EDUCATION INNOVATION:

Prepared by:

Legislative Research Director:

Quida J. Ashworth

Peter C. Doherty

AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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