

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1334

SPONSOR: Commerce and Economic Opportunities Committee and Senator Klein

SUBJECT: Information Technology

DATE: March 30, 2000 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Schmeling</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>GO</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute, the “itflorida.com Act of 2000,” contains several principal elements:

- Creates itflorida.com, Inc., a not-for-profit corporation tasked to represent, promote, and enhance the information technology industry in Florida;
- Requires Enterprise Florida, Inc., to create a marketing campaign to help attract, retain, and grow information technology business in Florida;
- Requires the facilitation of efforts by itflorida.com, Inc., to ensure the development and maintenance of a website that informs the public about the information technology industry in Florida;
- Requires itflorida.com, Inc., to establish a study group to explore the feasibility of using state employee pension funds to support venture capital funds that are either domiciled in Florida or do regular investing in technology companies that are headquartered in this state;
- Provides for a five-year sales tax exemption, in the form of a refund, for equipment purchased by a telecommunications service provider that is necessary for use in the deployment of broadband technologies in the state as part of the direct participation by the provider in the NAP;
- Requires the Legislature to conduct a study to identify obstacles related to the ability of Internet service providers to have affordable access to consumers, including, when appropriate, the identification of solutions that potentially eliminate such obstacles; and

- Charges itflorida.com, Inc., with looking at existing incubators to determine if they are meeting the needs of information technology businesses, and, if necessary, to develop a plan for establishment of additional incubators.

This committee substitute amends section 212.08, Florida Statutes, and creates yet unnumbered sections of the Florida Statutes.

II. **Present Situation:**

Information Service Technology Development Task Force

Chapter 99-354, L.O.F., created the Information Service Technology Development Task Force for the purpose of developing policies that will benefit residents of this state by fostering the free market development and beneficial use of advanced communications networks and information technologies within this state. The task force, which dissolves July 1, 2001, must:

- Develop overarching principles to guide state policy decisions with respect to the free market development and beneficial use of advanced communications networks and information technologies, identify factors that will affect whether these technologies will flourish in Florida, and develop policy recommendations for each factor.
- By February 14 of the calendar years 2000 and 2001, submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives outlining principles, policy recommendations, and any suggested legislation.

Privatization of itflorida.com

The Information Service Technology Development Task Force, in its *1999 Annual Report to the Legislature*, proposes the establishment of a private-public partnership to further advance the efforts of the task force. This partnership would be tasked with representing, recruiting, and enhancing the expanding information technology business sector in Florida. (*1999 Annual Report to the Legislature*, Information Service Technology Development Task Force, page 10.)

Currently, members of the eBusiness Development, Retention, and Recruitment Subcommittee are examining models of privately driven, industry-sector advocate organizations within the state and across the country to identify an appropriate organizational framework for the privatization of itflorida.com initiative. The subcommittee will be developing a business plan and corporate structure recommendation for privatization in the near future.

Creation of an IT Marketing and Image Campaign for Florida

The eBusiness Development, Retention, and Recruitment Subcommittee of the Information Service Technology Development Task Force, in its *1999 Annual Report to the Legislature*, recommends that Enterprise Florida, Inc., be tasked with the creation and implementation of a marketing and image campaign to build a positive recognition of Florida as a leader in information technology. (*1999 Annual Report to the Legislature*, Information Service Technology

Development Task Force, page 11.) The Subcommittee further recommends that this campaign be funded with public funds that are leveraged with private sector funds.

Jobseeker Websites

The Information Service Technology Development Task Force has developed a website (www.itflorida.com) to promote the work of the task force, as well as to promote the information technology industry in Florida. This website provides profiles on Florida information technology companies, information technology venture capitalists, public Internet access sites, and information technology events. The itflorida.com website also provides a link (www.floridahightechjobs.com) to a website that provides information on high-tech jobs in Florida. This jobs website is an initiative by the task force, and is maintained and supported by the Florida Department of Labor and Employment Security. The website allows jobseekers to locate Florida's high-tech jobs, post an online resume, and find Florida high-tech employers by searching an online directory, and allows employers to list available jobs and receive potential jobseekers online, search online resumes, and list their companies in a high-tech directory.

Other websites, maintained by the private sector, exist which provide information about employment opportunities in the information technology industry. Some of these include: Monster Jobs (www.monster.com); Hot Jobs (www.hotjobs.com); and Jobs4IT (www.jobs4it.com).

Pension Fund Dollars and Venture Capital in Florida

In their *1999 Annual Report to the Legislature*, the Information Service Technology Development Task Force reports that a lack of capital availability in Florida is a major discussion item among information technology companies participating in the task force and its Subcommittees. To help address this situation, the task force recommends that a focus group should be established consisting of the task force's eBusiness Development, Retention, and Recruitment Subcommittee, the Florida State Board of Administration, and the venture capital community to further study and explore the feasibility of channeling state employee pension funds to venture capital funds that either are domiciled in Florida or do regular investing in state-headquartered technology companies. The task force further recommends that if feasibility of this concept is determined, a working proposal should be created by the focus group for further consideration. (*1999 Annual Report to the Legislature*, Information Service Technology Development Task Force, pages 21 and 33.)

Network Access Point

A Network Access Point (NAP) is an exchange point for Internet traffic, and the act of this information exchange is generally referred to as "peering." At a NAP, Internet Service Providers (ISPs) connect their networks for the purpose of exchanging traffic with other ISPs.

The *1999 Annual Report to the Legislature* of the Information Service Technology Development Task Force states that NAPs are "seen as the technological catalyst for sustained economic growth throughout the state, nationally, and in the continued effort to brand Florida as the gateway to Latin America," and have the capability to "attract huge investments in the latest and fastest technology from telecommunications carriers." (*1999 Annual Report to the Legislature*,

Information Service Technology Development Task Force, page 99.) Accordingly, the report recommends that the task force's eInfrastructure Subcommittee, in coordination with Enterprise Florida, Inc., investigate opportunities for placement of a NAP in Florida, as well as incentives and advantages for other companies to private peer in Florida.

Discussions on the development of a NAP in Florida are currently under way. Interested parties, including telecommunications providers, ISPs, and Internet solutions companies, have participated in meetings to determine benefits, feasibility, and costs of a NAP, as well as to determine appropriate roles for all interested parties.

A State Technology Office exists under s. 282.3093, F.S., in the Department of Management Services and is charged with providing support to various workgroups, such as the State Technology Council and the Chief Information Officers Council, and with facilitating educational and training efforts with respect to the state's use and management of information technology resources.

Sales and Use Tax

The state of Florida levies a 6 percent sales tax on most sales of tangible personal property in the state and on some services. (*See* ch. 212, F.S.) The statutes currently provide more than 200 exemptions from the sales tax. Exemptions generally take the form of identifying specifically exempt items, exempting items when used for particular purposes, and exempting certain types of organizations, such as the government, churches, and charitable organizations.

Incubators

Sections 240.3341 and 240.540, F.S., authorize community colleges and research and development parks, respectively, to provide incubator facilities to a business that is independently owned and operated, incorporated in Florida, not an affiliate or a subsidiary of a business dominant in its field of operation, and employs 25 or fewer full-time employees. An "incubator facility" is a facility where small business concerns share common space, equipment, and support personnel, and through which such concerns have access to professional consultants for advice related to the technical and business aspects of conducting a commercial enterprise.

The *1999 Annual Report to the Legislature* of the Information Service Technology Development Task Force reports that input from many small companies indicates that assistance in the form of shared office space, communications facilities and infrastructure, as well as management expertise and low-interest loans would be very beneficial for the success of an early stage business. Through its Front Porch Initiative, the governor's office is already exploring the implementation of a "pilot" venture capital incubator within the next three months, and the idea of private sector companies creating privately run technology incubators has emerged recently. The task force has recommended that its eBusiness Development, Retention, and Recruitment Subcommittee continue to explore these initiatives and prepare a compilation of "best practices" and successful models, and, at the same time, watch incubator initiatives to determine their success and, more specifically, what aspects of their implementation actually work. (*1999 Annual Report to the Legislature*, Information Service Technology Development Task Force, pages 22 & 23.)

III. Effect of Proposed Changes:

This committee substitute, the “itflorida.com Act of 2000,” contains several principal elements:

- Creates itflorida.com, Inc., a not-for-profit corporation tasked to represent, promote, and enhance the information technology industry in Florida;
- Requires Enterprise Florida, Inc., to create a marketing campaign to help attract, retain, and grow information technology business in Florida;
- Requires the facilitation of efforts by itflorida.com, Inc., to ensure the development and maintenance of a website that informs the public about the information technology industry in Florida;
- Requires itflorida.com, Inc., to establish a study group to explore the feasibility of using state employee pension funds to support venture capital funds that are either domiciled in Florida or do regular investing in technology companies that are headquartered in this state;
- Provides for a five-year sales tax exemption, in the form of a refund, for equipment purchased by a telecommunications service provider that is necessary for use in the deployment of broadband technologies in the state as part of the direct participation by the provider in the NAP;
- Requires the Legislature to conduct a study to identify obstacles related to the ability of Internet service providers to have affordable access to consumers, including, when appropriate, the identification of solutions that potentially eliminate such obstacles; and
- Charges itflorida.com, Inc., with looking at existing incubators to determine if they are meeting the needs of information technology businesses, and, if necessary, to develop a plan for establishment of additional incubators.

Section 1. States that this committee substitute may be cited as the itflorida.com Act of 2000.

Sections 2, 3, 4. Create itflorida.com, Inc., a not-for-profit corporation tasked to represent, promote, and enhance the information technology industry in Florida, including efforts that further advance the efforts of the Information Service Technology Development Task Force. This corporation must complement and not duplicate efforts of Enterprise Florida, Inc. The duties of itflorida.com, Inc., include, but are not limited to:

- monitoring and responding to the rapidly changing needs of the information technology industry in Florida;
- promoting Florida’s information technology industry globally;
- generating private-sector financial support for information technology activities which leverages any state appropriations for such activities;
- providing an ongoing forum for private and public leadership to identify, address, and resolve issues impacting the growth of information technology industry in the state;

- providing a focused message regarding research and development successes in Florida; and
- facilitating the development of a Network Access Point (NAP) in Florida.

The board of itflorida.com, Inc., is to be comprised of the director of the State Technology Office, the president of Enterprise Florida, Inc., a member of the Senate appointed by the President of the Senate as an ex officio, non-voting member, and a member of the House of Representatives appointed by the Speaker of the House of Representatives as an ex officio, non-voting member of the board. Other board members include thirteen private-sector members from the information technology industry, five of whom are appointed by the Governor, four of whom are appointed by the President of the Senate, and four of whom are appointed by the Speaker of the House of Representatives. Private-sector members must include, but are not limited to, representatives of businesses that are telecommunication providers or manufacturers, Internet service providers, Internet solutions businesses, computer software developers, and computer manufacturers.

The State Technology Office is required in this committee substitute to coordinate the initial organization of itflorida.com, Inc., and facilitate the development of a NAP until such time as itflorida.com, Inc., assumes such responsibility.

Section 5. Enterprise Florida, Inc., is required to create a marketing campaign to help attract, retain, and grow information technology business in Florida. This campaign must be jointly funded using private and public resources.

Section 6. Requires the facilitation of efforts by itflorida.com, Inc., to ensure the development and maintenance of a website that informs the public about the information technology industry in Florida. The website must address the workforce needs of the industry and include, through links or actual content, information about information technology businesses in the state (including links to those businesses), employment available at those businesses, and means by which a jobseeker may post a resume.

Section 7. Requires itflorida.com, Inc., to establish a study group to explore the feasibility of using state employee pension funds to support venture capital funds that are either domiciled in Florida or do regular investing in technology companies that are headquartered in this state. If the study group determines that this concept is feasible, the group must prepare a working proposal governing the use of such funds, including any recommendations for action by the Legislature. The report must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by October 1, 2000.

Section 8. Expresses the intent of the Legislature to actively support the development of a NAP in Florida.

Section 9. Amends s. 212.08(5), F.S., to provide for a five-year sales tax exemption, in the form of a refund, for equipment purchased by a telecommunications service provider that is necessary for use in the deployment of broadband technologies in the state as part of the direct participation by the provider in the NAP. In this section, a "NAP" is defined as a carrier-neutral, public-private Internet traffic exchange point; "broadband technology" is defined as packetized technology that

has the capability of supporting transmission speeds of at least 1.544 megabits per second in both directions; “communications service provider” means a company that supports or provides individuals and other companies with access to the Internet and other related services; and “equipment” means Asynchronous Transfer Mode switches, Digital Subscriber Line Access Multiplexers, routers, servers, multiplexers, fiber optic connector equipment, database equipment, and other network equipment used to provide broadband technology and information services.

Section 10. Requires the Legislature to conduct a study to identify obstacles related to the ability of Internet service providers to have affordable access to consumers, including, when appropriate, the identification of solutions that potentially eliminate such obstacles.

Section 11. Requires itflorida.com to review the state’s existing incubators to determine whether they are meeting industry’s needs. A plan must be developed by the office if it finds that additional incubators are needed to fill an unmet industry need. The review, and the plan if developed, must be presented to the Legislature by December 1, 2000.

Section 12. Provides an effective date of upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The Estimating Impact Conference has not reviewed this committee substitute to determine a fiscal impact of the tax exemption provided for in this committee substitute.

B. Private Sector Impact:

Telecommunication service providers would benefit from the equipment sales tax exemption provided for in this committee substitute.

C. Government Sector Impact:

Costs incurred by both itflorida.com, Inc., and Enterprise Florida, Inc., will be realized related to carrying out the requirements of this committee substitute; however, these costs are unknown at this time.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
