

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/CS/SB 74

SPONSOR: Fiscal Resource Committee, Education Committee and Senator Sebesta

SUBJECT: University System/Professorships

DATE: April 13, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	<u>Fournier</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The Committee Substitute for Committee Substitute for SB 74 authorizes the Board of Regents to establish up to 15 professorships sponsored by a corporate partner. These professorships may be established at any state university through a contract between the university and a corporation willing to support two-thirds of the cost of the professorship, in exchange for a tax credit equal to half of the corporate contribution for the industrial partnership professorship.

This bill creates ss. 240.6065 and 220.192, F.S., scheduled for automatic repeal in 10 years, and it amends ss. 220.02 and 220.13, F.S.

II. Present Situation:

In the State University System, most faculty are classified as Professors, Associate Professors, Assistant Professors, Instructors, and Lecturers.

Professors, Associate Professors, and Assistant Professors possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization. They are usually required to publish professional writings, academic research, or creative work in refereed and professional journals. They must be recognized authorities in their field of specialization.

Instructors and Lecturers are responsible for teaching, public service, and related activities. Their secondary responsibilities may include conducting research and providing academic advisement to students. Most are required to possess a master's degree from an accredited institution or the equivalent in professional experience.

Personnel Exchange Program

Section 240.227, F.S., directs state university presidents to establish a personnel exchange program. Instructional and research faculty and comparable administrative and professional staff may be exchanged with similar employees of independent postsecondary education institutions,

units of government, or private industries. The original employers continue to pay the salaries and benefits. The duties and responsibilities of a person participating in the exchange program must be the same as those of the person he or she replaces.

Practitioners in the Classroom

In an article titled, *Bringing Corporate Know-How to Class*, Michael G. Kovac and Norman R. Augustine argue for interaction between experienced industry practitioners and students. Students can learn about project management and relationships between design, manufacturing, and sales. They become familiar with typical work assignments, corporate work ethics, and group interaction of successful design teams.

According to Kovac and Augustine, an industrial professor might be involved in:

- commercializing technology related to patents derived from university research;
- writing proposals with other faculty for technology-related research when the proposals are submitted in collaboration with private industry;
- organizing seminars on industry needs for technology and research to inform students, faculty, and researchers;
- assisting faculty to interact with private industry;
- disseminating research results and technology from federal laboratories to private industry; and
- expediting the migration of new technology into the marketplace.

Corporate Income Tax Credits

Section 220.02(1), F.S., provides for an income tax “upon all corporations, organizations, associations, and other artificial entities which derive from this state or from any other jurisdiction permanent and inherent attributes not inherent in or available to natural persons . . . for the privilege of conducting business, deriving income, or existing within this state.” Chapter 220, F.S., also provides certain credits against the corporate income tax. Most of these tax credits are limited to a percentage of the annual costs a corporation incurs, are capped at an annual rate, and can be carried forward for a certain period of time. The Legislature usually grants rule-making authority to the Department of Revenue to administer the tax credits.

III. Effect of Proposed Changes:

Industrial Partnership Professorships

The Committee Substitute creates section 240.6065, F.S., to authorize the Board of Regents to establish industrial partnership professorships within the State University System. A university may use existing personnel classifications as appropriate for the professor’s duties.

Up to 15 professorships may be created annually to allow instructional or research personnel with different formal training and experience from that required of traditional university faculty to teach and conduct research in a university setting.

The committee substitute requires a contract between a university and a corporation that sponsor the professorship and requires the contract to include the terms of employment. The sponsoring corporation will contribute two-thirds of the cost of the professorship and the State University System will contribute one-third, up to an annual maximum SUS contribution of \$500,000.

A contract for an industrial partnership professorship must be for at least 1 year; the contract may be renewed for additional periods.

Industrial Partnership Professorship Tax Credit

The legislation creates s. 220.192, F.S., to provide the corporation with an annual credit against the corporate income tax. This tax credit is equal to one-half of the amount a corporation contributes annually to the establishment and maintenance of an industrial partnership professorship. The Department of Revenue is authorized to adopt rules to implement the law.

If the full amount is not fully used in the first year it becomes available, it may be carried forward for a period not to exceed 5 years.

The credit has an effective cap of \$0.5 million, because the maximum the SUS can contribute is \$500,000, which must be one-third of the cost. Therefore the corporations may contribute a maximum of \$1 million, two-thirds of the cost, and the tax credit is half of that. The committee substitute for the committee substitute provides that the same activity cannot receive credits under the Industrial Partnership Professor program for work done under sponsored research contracts.

The committee substitute also amends s. 220.02(10), F.S., to place the industrial partnership professorship tax credit at the end of the specific order in which credits against the corporate income tax or the franchise tax can be applied. Section 220.13, F.S., is amended to add the credit taken under this program back to “adjusted federal income.”

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 committee substitute reduces the amount of the corporate income tax paid by a corporation sponsoring an industrial partnership professorship by an annual credit against the corporate income tax equal to one-half of the cost of the professorship. The maximum will be \$500,000, because the total corporate cost in any year is limited to \$1 million.

B. Private Sector Impact:

A person employed in the private sector could be eligible for a professorship without necessarily attaining the educational and research credentials that are normally required for academia. The number will depend upon how vigorously universities pursue the options provided in the committee substitute.

C. Government Sector Impact:

The committee substitute reduces the amount of state revenues generated by the corporate income tax as a result of the annual credit against the corporate income tax to a corporation that sponsors an industrial partnership professorship. The maximum will be \$500,000, because the total corporate cost in any year is limited to \$1 million.

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.
