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**HOUSE OF REPRESENTATIVES
COMMITTEE ON
INFORMATION TECHNOLOGY
ANALYSIS**

BILL #: HB 1953 (Formerly PCB IT 01-05)
RELATING TO: Emerging and Strategic Technologies
SPONSOR(S): Committee on Information Technology and Representative Hart
TIED BILL(S):

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

- (1) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

HB 1953 seeks to promote Florida's emerging and strategic technologies by implementing several recommendations made by the Information Service Technology Development Task Force. The Task Force recommended providing economic incentives for information technology businesses, increasing the state's efforts to market Florida as an ideal location for information technology businesses and enacting various provisions to encourage the development of Florida's high-tech workforce. HB 1953 would also enact various other provisions related to these goals. Specifically, HB 1953 would:

- Encourage Florida Retirement System Trust Fund Investments In IT Businesses, but not require that any funds be invested;
- Make IT facility construction eligible for Industrial Revenue Bond financing;
- Create a targeted workforce development tax credit for corporations defined as a small business to permit their employees to enroll in information technology courses;
- Reassign the Digital Media Education Coordination Group from the Board of Regents to the Division of Universities at the Department of Education;
- Provide legislative intent that the postsecondary education system be used to support the state's economic development goals by using the patent and licensing system to transfer technology to the private sector;
- Provide for the licensing of the student advising system to recover development costs;
- Increase the Qualified Target Industry Trust Fund cap to \$35 million for FY 2002-2003;
- Designate Information Technology as a high-impact sector of Florida's economy;
- Revise the legislative direction for the information technology industry marketing campaign conducted by Enterprise Florida and appropriate \$1.5 million to fund the campaign;
- Create the Florida Research Consortium to unite research universities and businesses;
- Transfer responsibility for the IT workforce website to Workforce Florida, Inc.;
- Expand the Careers for Florida's Future Incentive Grant Program to include graduate programs;
- Create a pilot youth internship program matching underprivileged youths with high-tech companies;
- Create a program at OTTED to develop joint-use advanced digital media research and production facilities throughout the state and appropriate \$3.0 million for such program;
- Reappropriate funds for sales tax reimbursements for equipment related to the NAP; and
- Create a Workforce Development Technology Center at Seminole Community College.

SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

The Bill would require governmental oversight and administration of various incentive and other programs.

B. PRESENT SITUATION:

Findings of the Information Service Technology Development Task Force

The Information Service Technology Development Task Force (“Task Force”) was created by the Legislature in 1999.¹ The Legislature charged the Task Force with “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 was required to submit a report to the Legislature and the Governor containing any principles, policy recommendations and suggested legislation identified by the Task Force. The Task Force divided itself into 8 subcommittees, and the eBusiness Development, Retention & Recruitment subcommittee was charged with identifying recommendations needed to improve Florida’s IT industry. The Task Force’s final report, submitted on February 14, 2001, contained various recommendations to promote economic development in the information technology industry.²

The eBusiness subcommittee of the Task Force made the following recommendations related to HB 1953:

1. **Enterprise Florida to Conduct an IT Marketing Campaign** – Section 288.91, F.S., requires that Enterprise Florida, Inc. develop and implement an advertising campaign to help the state attract, develop and retain IT businesses. Section 288.91 also gives direction as to the message of the campaign. Because Florida has not effectively marketed itself as a high-tech center, the Task Force found that development of the ‘right’ campaign was necessary. The Task Force suggested that Enterprise Florida consult with the Office of Tourism, Trade and Economic Development (OTTED), the State Technology Office (STO), itflorida.com, and other organizations in developing the campaign. The Task Force stated that no legislative action was necessary to implement this recommendation.
2. **Raise the QTI annual cap from \$30 million to \$35 million** –The QTI tax refund, s. 288.106, F.S., is a tool available to Florida communities to encourage quality, high-wage job

¹ See s. 11, 1999-354 Laws of Florida.

² See 2001 Annual Report to the Legislature, Information Service Technology Development Task Force §3.4, 3.5, available at http://www.itflorida.com/pdfs/2001_legislative_report.pdf (February 14, 2001).

growth in targeted industries. Businesses in targeted industries that create high-wage jobs receive tax refunds of a minimum of \$3,000 per new job created or \$6,000 if created in an Enterprise Zone or Rural County. Bonus refunds for extremely high-wage jobs are also available. The Task Force found that IT jobs represented 42% of all jobs created by businesses receiving QTI funds. The current cap for total QTI tax refunds is set at \$30 million. Current estimates indicate that QTI requests will exceed the cap next year. The Task Force recommended that s. 288.095 be amended to increase the cap to \$35 million for FY 2002-2003 and subsequent years. Without the cap increase, the Task Force found that approval of new projects would cease during the next fiscal year. By increasing the cap to \$35 million, the Task Force found that the program could continue to meet its needs for the next 6-8 years.

3. **Include Information Technology Business in Florida's Industrial Revenue Bond Statute** – Industrial Revenue Bonds (IRBs) are tax exempt debt securities issued by local governments to provide assistance for various quasi-public projects – including pollution control, hospital construction, and airport construction – as well as expansion of commercial and industrial firms. Security for the debt is provided by the assisted firms, rather than by the issuing government. Thus, IRBs are essentially corporate bonds whose interest is exempt from federal income tax. Although the Internal Revenue Code determines whether a project is eligible, the Task Force recommended that Florida's Industrial Revenue Bond statute, s. 159.26, be amended to include "information technology" projects among categories considered eligible.
4. **Designate Information Technology as a High-Impact Sector of the Florida Economy** – The Task Force stated that the IT sector is a high-impact sector of the Florida economy. The Task Force cited the significant growth of IT in all areas of the state and in government. Section 288.108, F.S., provides for the payment of grants to a business in a high-impact sector that makes a cumulative investment in the state of \$100 million and creates at least 100 full-time jobs. In the case of a research-and-development facility, the investment must be \$75 million, with 75 full-time jobs. The statute prescribes a process under which Enterprise Florida, Inc., and the Office of Tourism, Trade, and Economic Development select and designate the high-impact sectors eligible for the program. The statute currently specifies that the silicon-technology sector is a high-impact sector (s. 288.108(6)(i), F.S.). Although the information technology sector has been designated through the prescribed process as a high-tech sector, the Task Force recommended that the information technology be specifically cited in statute to communicate the state's commitment to fostering the IT industry in Florida and to ensure that IT economic growth remains a priority for OTTED and for Enterprise Florida.

The eWorkforce Subcommittee of the Task Force reported the following:

According to a study conducted by the Information Technology Association of America, "Employers will create a demand in this country for 1.6 million IT workers this year ... half of these positions (843,328) will likely go unfilled."³ This study also indicated the following trends:

- 10 million workers in IT (excluding government and not-for-profits)
957,106 in IT companies; 9,052,397 in non-IT companies
- The southern United States has the largest number of IT workers overall
(3.5 million)

³ *Bridging the Gap: Information Technology Skills for a New Millennium*, Information Technology Association of America, April, 2000

- 70% of the total demand for all new IT workers is in smaller (50 – 99 employees) non-IT firms

According to a recent survey by Pricewaterhouse Coopers, “70 percent of Fortune 1000 companies cite the lack of skilled workers as their top barrier to sustained growth.”⁴

Many of the rapidly expanding job groupings in the IT industry do not require training at the level of the bachelor’s degree or higher. The necessary training can be obtained at the community colleges or at vocational-technical schools in six months to two years and through continuing education options at colleges and universities. Some of these career areas are:

- Technical Support
- Database Development/Administration
- Programming/Software Engineer
- Web Development/Administration
- Network Design/Administration

To help fulfill the state’s need for IT workers, the Task Force recommended that the Careers for Florida’s Future Incentive Grant Program, created in s. 445.012, F.S., to encourage students to enter into degree programs leading to high-tech and IT jobs.

The Florida’s Future Incentive Grant Program was proposed by the Senate Select Committee on Workforce Innovation and passed by the 2000 Legislature, but funding was subsequently vetoed by the Governor. The State University System and Workforce Florida are supporting similar legislation to ensure adequate funding from the 2001 session. The SUS has recommended that the program be expanded to include master’s and doctoral programs because industry representatives have indicated the importance of producing graduates at those levels. The Task Force stated that many graduate IT programs suffer from low graduation rates because students find immediate attractive employment prior to completion of a program and do not pursue advanced degrees. However, there is an existing market need for this level of education. Accordingly, the Task Force recommended that the program be expanded to include graduate degrees and be fully funded.

Digital Media

During the 2000 regular session, the Legislature required the Board of Regents to create a Digital Media Education Coordination Group to develop a plan to enhance Florida’s ability to meet the current and future workforce needs of the digital media industry (s. 153, ch. 2000-165, L.O.F., as codified in s. 240.710, F.S.). The group issued its report to the Legislature in January 2001. One of the recommendations of the group was that a Florida Digital Media Coordinating Council be created to serve as a coordinating council for digital media education, research, and workforce development. The group provided that one of the council’s functions would be to plan for and seek public and private funding for a series of regional joint-use advanced digital media production facilities. The facilities would be designed to encourage collocation and collaboration between industry and educational entities. Among other purposes, the facilities would provide affordable access to state-of-the-art facilities for both academic and industry partner activities and would provide professional development of students through involvement with actual industry projects (State University System of Florida, *Digital Media Education Coordination Group Report to the Florida Legislature*, January 1, 2001, p. 10).

⁴ *Work America*, Vol. 17, Issue 9, November, 2000, National Alliance of Business

C. EFFECT OF PROPOSED CHANGES:

HB 1953 would implement the recommendations of the Task Force discussed above relating to economic development and workforce development initiatives to encourage the development of emerging and strategic technologies. With respect to the defense and space technology industries, HB 1953 would expand the existing 25 percent exemption on machinery and equipment used to manufacture defense or space technology products to a full 100 percent exemption.

For a more detailed discussion of the changes HB 1953 seeks to make, see the Section-by-Section analysis below.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Title of the Act

Section 1 provides that HB 1953 may be cited as the "Florida Emerging and Strategic Technologies Act."

Section 2: Create s. 121.155, Encourage System Trust Fund Investment In IT Businesses

Section 2 would create a new statute, s. 121.155, relating to investment of funds from the Florida Retirement System in support of the state's economic development goals. Section 2 would state legislative findings that access to capital affects the growth of high-technology businesses and that the board, by virtue of its authority to invest state retirement system dollars, can influence the availability of capital for such businesses. The proposed s. 121.155 would state the legislature's intent that the State Board of Administration should, consistent with sound investment policies required by current law, maximize opportunities to invest funds of the Florida Retirement System Trust Fund in a manner that supports the economic development strategies of the state, including investment in Florida's emerging and strategic high-technology businesses. Section 121.155 would also state the legislature's intent that the Board may establish partnerships with venture capital firms to encourage investment of venture capital funds in these industries.

Section 2 would not require that the Board of Administration invest any funds in these industries. Section 2 would require that staff of the Board of Administration regularly solicit information from Enterprise Florida, Inc., on high-tech sectors with significant potential for contributing to the state's economic development. This information would then be provided to the Investment Advisory Council, the six-member body that advises the Board on investment policy. Section 2 would also permit the Board to establish partnerships with venture capital firms where such a partnership would facilitate fulfillment of the state's economic development strategies. As part of its annual report to Legislature required by s. 215.44(5), the Board would be required by Section 2 to describe its investment activities related to economic development of emerging and strategic technologies.

Section 3: Amend s. 159.26, Modify Legislative Intent to Make IT Facilities Eligible for Industrial Revenue Bond Financing

Industrial revenue bonds (IRBs) are bonds issued by the governmental to finance a capital project of a private sector entity. The private developer who obtains IRB financing takes possession of the project under a contract with the government issuer. The contract may be a lease, lease-purchase, or installment purchase agreements. The service on the bonds is paid through the revenues the government receives from the private developer pursuant to the contract. Because the interest received from IRBs is exempt from federal income tax, IRBs can be offered at lower interest rates than market bonds. The governmental issuer passes along these savings to the private developer in the form of lower lease, purchase or loan payments. Although IRBs do not pledge the full faith

and credit of the governmental entity issuing the bond, the bond is still issued by a governmental entity and must thus serve a valid public purpose. Whether bond financing serves a public purpose depends on a judicial interpretation of the legislative findings.

Part II of chapter 159, Florida Statutes, contains the Florida Industrial Development Financing Act. Implementing a recommendation from the Task Force, Section 3 would amend s. 159.26 to state the Legislature's intent that the information technology industry is vital to the economy of the state and that financing information technology projects through IRBs furthers public purposes.

Section 4: Amend s. 159.27, Define "Information Technology Facility"

Subsection (5) of s. 159.27 defines the term "project" to include authorized projects that serve a valid public purpose. Both the construction of and addition to these projects are available for IRB financing. Among those projects currently authorized are manufacturing plants, agricultural processing and storage facilities, warehousing and distribution facilities, and motion picture production facilities.

Section 4 of the bill would amend the definition of "project" in s. 159.27(5) to include "information technology facilities" as projects serving a valid public purpose and eligible for IRB financing. Section 3 would create a new subsection (25) of s. 159.27 to provide a definition for the term "information technology facility."

Section 4 proposes to define "information technology facility" as a building or structure, including the infrastructure leading to the structure, which is used to house businesses that are classified within several stated standard industrial classifications. Section 3 would utilize classifications from the North American Industry Classification System (NAICS) to define which facilities constitute an information technology facility. The NAICS is a system of six digit numerical codes developed by the U.S. Census Bureau to classify all businesses by the types of products and services they make available.⁵ In 1997, the NAICS replaced the older Standard Industrial Code (SIC) system and added several categories of codes, including more specific codes in the information technology industry. NAICS codes are widely used by the federal government and businesses to classify facilities. Section 4 would thus define the term "information technology facility" to mean any facility classified within the listed NAICS codes. All of the codes in the definition generally relate to the IT industry.

Section 5-6: Amends s. 220.02 and 220.16 to include the Targeted Workforce Development Tax Credit

Section 6 would amend s. 220.02 and s. 220.13, F.S., respectively to provide that the Targeted Workforce Development Tax Credit proposed by Section 7 of the bill would be applied to a corporation's corporate income tax calculations.

Section 7: Create s. 220.192, Targeted Workforce Development Tax Credit for Small Corporations

Section 7 creates s. 220.192, F.S., which authorizes the credit – equal to 50 percent of the matriculation and other fees paid to an employee or prospective employee who enrolls in a college degree or certificate program in information technology. The credit would only be offered to corporations that qualify as a small business as defined by s. 288.703. The maximum amount of annual credits that a corporation may receive for payments made in any one year is \$50,000. In addition, the total amount of credits for all corporations in any one year is capped at \$5 million. Workforce Florida, Inc., must develop and update annually the approved list of information

⁵ See U.S. Census Bureau website at <http://www.census.gov/epcd/www/naicscod.htm>.

technology programs that provide a basis for the credit. To receive the credit, a corporation must apply to and be approved by the Office of Student Financial Assistance.

Section 8: Amend s. 240.710, Digital Media Education Coordination Group

Section 8 amends s. 240.710, F.S., to provide for continued functioning of the Digital Media Education Coordination Group that was created in 2000 to develop a plan for enhancing the state's ability to meet the workforce needs of the digital media industry. The bill provides for the coordination group to be formed within the purview of the Division of Universities at the Department of Education, rather than by the Board of Regents. Obsolete provisions related to the development of the plan are deleted, as the plan was submitted to the Legislature in January 2001. The bill provides, however, for the coordination group to continue to work on the issue of enhancing the state's ability to meet the industry's workforce needs. This section specifies that the coordination group shall work with the Division of Community Colleges; the Office of Tourism, Trade, and Economic Development; and the Articulation Coordinating Committee. The coordination group is required to report annually to the State Board of Education.

Section 9: Create s. 240.1055 Economic Development Mission and Technology Transfer

Section 9 creates s. 240.1055, F.S., which provides that the mission of the state system of postsecondary education includes complementing, facilitating, and supporting state and local economic development goals. This section further specifies that it is the policy of state to use the patent system and technology-licensing operations of public universities to promote the transfer of technology from the university setting to the private sector.

Section 10: Amend s. 240.2099: Computer Assisted Student Advising System

Section 10 amends s. 240.2099 that currently provides that the Board of Regents and the State Board of Community Colleges (SBCC) develop a single, statewide computer-assisted student advising system. Section 10 would add a new subsection (4) to s. 240.2099 to provide that the Board of Regents and the SBCC may secure patents, trademarks and copyrights on any work product developed as a result of developing the system. These two groups would also be permitted to enter into agreements with organizations, corporations or other governmental entities to license the system to those entities and to collect royalties for the license. All or a portion of the proceeds from such licensing activities would be permitted to be expended for recuperating the costs associated with development of the system. Thus, once the system is developed, the Board of Regents and the SBCC would be permitted to license the product in order to recover the state's investment costs.

Section 11: Amend s. 288.095, Increase the QTI Trust Fund Cap to \$35 million

The Economic Development Trust Fund is created by s. 288.095, F.S., within the Office of Tourism, Trade and Economic Development (OTTED) to support the authorized activities and operations of OTTED. One program supported by the trust fund is the QTI Tax Refund program established by s. 288.106. The cap on the amount of payments that can be scheduled in future years affects the ability to enroll new businesses in the program today, because a new business cannot be enrolled if the enrollment would mean that the amount of payments scheduled in a future year would exceed the cap. The current cap on the trust fund is \$30 million and as the Task Force indicated, without an increase in the cap, QTI projects will cease being approved during this fiscal year.

Implementing the recommendation of the Task Force, Section 11 would amend s. 288.095 to raise the trust fund cap from \$30 million to \$35 million. The cap increase would not affect the current

year's appropriations and would allow the state to continue offering this incentive throughout the next fiscal year.

Section 12: Amend s. 288.108, Making Information Technology a High-Impact Sector

The Task Force found that while public and private entities in Florida have invested substantial resources in the information technology sector of Florida's economy in recent years, the state has not recognized the IT sector as a high impact sector. The Task Force recommended that the IT sector be designated a high-impact sector.

Section 12 would amend s. 288.108 to make the IT sector a high-impact sector of Florida's economy. Qualified high-impact businesses in the IT sector would thus be able to compete for the high-impact sector performance grants established by s. 288.108(3).

Section 13: Amend s. 288.911, Marketing Campaign Conducted by Enterprise Florida

The Task Force indicated that Enterprise Florida should conduct a marketing campaign to promote Florida as a high-tech state. Section 288.911, F.S., currently provides direction to Enterprise Florida relating to its marketing campaign. Although the Task Force indicated that no legislative action was needed to implement this recommendation, Section 13 would substantially revise and clarify s. 288.911.

Section 13 would provide that Enterprise Florida is to develop the themes and messages of the marketing campaign and that the campaign develop one brand for promoting the entire state as a location for high-tech industries. Under Section 13, to ensure that all affected groups approve of the product, Enterprise Florida would be required to submit the campaign for the approval from a steering committee prior to the campaign's launch. The director of OTTED would chair the committee. Members of the committee would include the CIO; board members from Enterprise Florida, Workforce Florida, and itflorida.com, Inc.; and two members from Florida high-tech business organizations. The committee, in approving the campaign, would be required to seek input from local and regional economic development organizations and from high-technology businesses.

Enterprise Florida would also be required to use the Internet-based system for IT industry promotion required by s. 445.045 as one of the vehicles for promoting the campaign. Section 13 would also permit the campaign to be funded with resources from the private sector.

Section 14: Create s. 288.9522 Create the Florida Research Consortium

Section 14 provides for the creation of the Florida Research Consortium, which is to be the principal organization for uniting research universities and the business community in order to encourage development and commercialization of technologies and for focusing university activities toward fulfillment of state economic development goals. The consortium is to be structured as a not-for-profit corporation with a board of directors that includes:

- Ten chief executive officers (CEOs) of Florida-based businesses appointed by the Governor;
- Two CEOs of Florida-based businesses appointed by the President of the Senate;
- Two CEOs of Florida-based businesses appointed by the Speaker of the House of Representatives;
- The presidents of the following universities:
 - University of Florida;

- Florida Gulf Coast University;
- Florida State University;
- University of Central Florida;
- University of North Florida;
- University of South Florida;
- University of West Florida; and
- Florida Atlantic University;
- Florida International University;
- Florida Agricultural and Mechanical University; and
- University of Miami;
- The Chair of itflorida.com, Inc.
- The presidents of Enterprise Florida, Inc., and Workforce Florida, Inc.;
- One representative from each of two not-for-profit research institutes located in the state which are not public or private universities, appointed by the Governor;
- The Governor or the Governor's designee, who shall serve as an ex-officio, nonvoting member; and
- The Commissioner of Education or the commissioner's designee, who shall serve as an ex-officio, non-voting member.
- The Chief Information Officer (CIO), or the CIO's designee, who shall serve as an ex-officio, non-voting member.

The bill prescribes the powers of the consortium, the principal ones of which include:

- Identifying three specific disciplines in science or technology which shall be the focus of the consortium's activities, with these disciplines being narrowly defined areas where the state has the potential to achieve success in terms of economic and academic development;
- Attracting preeminent researchers in science and technology-based disciplines to universities in the state, including endowing faculty or research chairs in the target disciplines;
- Creating a culture at the member universities that emphasizes applied research and the transfer of technology;
- Assessing the performance of technology transfer offices at member universities, in terms of their success in facilitating technology transfer;
- Developing and maintaining an Internet-based database for sharing information on research that is being conducted at universities in the state; and
- Raising funds from non-state sources to leverage any legislative appropriations.

The bill would require technology transfer offices at member universities to report annually to the consortium board on the office's activities, including information on the achievement of performance measures developed by the board. The bill would require the board, in turn, to report annually to the Legislature on the board's activities and to include in the report any policy recommendations on how to enhance technology transfer.

Sections 15-19: Expand the Career's for Florida's Future Incentive Grant Program

Sections 15-19 would expand the Career's for Florida's Future Incentive Grant Program to make students pursuing coursework in graduate degree programs eligible for the grants. These

provisions would implement a recommendation of the Task Force that was suggested by the State University System.

Section 20: Amend s. 445.045 Relating to Development of IT Workforce Website

Section 20 amends s. 445.045, F.S., relating to development of an Internet-based system for information technology industry promotion and workforce recruitment. The bill would reassign responsibility for the development and maintenance of this website to Workforce Florida, Inc. (WFI), from the Department of Labor and Employment Security and would charge WFI with ensuring coordination and compatibility between the website operated under this section and the larger workforce information system required under s. 445.011, F.S. WFI would also be required coordinate its efforts with the efforts of Enterprise Florida, Inc., to develop a high-technology marketing campaign as required by s. 288.911, F.S. (See discussion of section 14 of the bill, above.)

In addition, WFI would be required to work with the State Technology Office to ensure consistency with the state's information system strategy and enterprise architecture. The bill would authorize WFI to contract with public agencies for assistance in developing and maintaining the website and to procure services necessary to fulfill its responsibilities under this section, provided it utilizes competitive procurement practices.

Section 21-23: Reenacts various statutes for the purpose of incorporating substantive changes made by the bill

Section 21 incorporates amendments to s. 159.27 by reenacting s. 159.416 and s. 373.1963. Section 22 incorporates amendments to s. 288.1045 by reenacting s. 288.1045, 288.1234, 288.107 and 288.107. Section 23 incorporates amendments to s. 288.108 by reenacting s. 220.191.

Section 24: Create a Pilot Program for Youth Internships for Underprivileged Youth with High-Tech Companies

Section 24 creates a pilot matching grant program to promote internships for financially needy youth between the ages of 15 and 18 with high-technology businesses. One of the stated purposes of the program is to help financially needy youth acquire and develop information technology skills to help close the "digital divide." Under the pilot program, which is to be administered by Workforce Florida, Inc. (WFI), grants may be used to supplement stipends paid to the youth by eligible businesses, provided, however, that the maximum grant amount that may be awarded on behalf of a single eligible youth is \$2,000. The youth must be from a family whose income does not exceed 200 percent of the federal poverty level.

To participate in the program, an eligible business must submit a work plan that describes, among other elements, the nature of the work to be performed by the youth, the supervision and training to be provided to the youth, and the prospects for unsubsidized employment of the youth after the internship. One of the factors to be used by WFI in evaluating applications for funding is the potential skills to be gained by the youth – particularly relating to computers and other technologies that may help address the "digital divide."

Section 25: Creation of Joint-Use Advanced Digital Media Research and Production Facilities

Section 25 expresses the Legislature's intent to support the creation of joint-use advanced digital-media research and production facilities in Florida, to provide opportunities for collaboration between research and education programs and the digital-media industry. To that end, the PCB authorizes the OTTED to create a program to facilitate establishment and maintenance of such

facilities. OTTED would be required to administer the program in consultation with the Office of the Film Commissioner, itflorida.com, Inc., the STO, Enterprise Florida, Workforce Florida, and the Digital Media Education Coordination Group of the State University System. OTTED is required to develop a strategic plan addressing the governance and funding of such facilities and may contract for the establishment of the facilities – maximizing the use and integration of existing facilities in the state that would be suitable as advanced digital-media facilities. The PCB authorizes funding provided under this section to be used to lease or refurbish existing facilities.

Any entity receiving state funds under this program is required to match such funding with non-state sources. In addition, any facility receiving funds must submit an operating plan to OTTED for approval, which plan must provide for the creation of a tenant association and for the collection of dues from tenants to support operation and maintenance of the facility. The bill would define “digital media” to be a “discipline based on the creative convergence of art, science, and technology for human expression, communication, and social interaction.” The bill would authorize OTTED, in coordination with the organizations mentioned above, to identify the specific types of businesses to be included within the meaning of “digital media” for the purposes of this section.

Section 26: \$3.0 Million Appropriation for Joint Use Advanced Digital Media Research and Production Facilities

Section 26 would appropriate \$3.0 million to OTTED to establish the program to establish and maintain the joint-use advanced digital media research and production facilities created by Section 25 of the bill.

Section 27: \$1.5 Million Appropriation for Enterprise Florida Advertising Campaign

Section 27 would appropriate \$1.5 million from the General Revenue Fund to OTTED for FY 2001-2002 for use by Enterprise Florida to create and implement the marketing campaign described in Section 13 of the bill.

Section 28: Reappropriate Funds for the NAP

Section 28 reappropriates to the Department of Revenue for fiscal year 2001-2002 the unexpended balance of funds that the Legislature appropriated in FY 2000-2001, see s. 38, ch. 2000-164, L.O.F., for reimbursing eligible businesses under s. 212.08(5)(p), F.S., for sales taxes paid on equipment purchased in connection with the creation of a network access point.

Section 29: Establishment of a Workforce Development Technology Center at Seminole Community College

Section 29 would create a Workforce Development Technology Center at Seminole Community College (“SCC”). Section 26 would provide that the Center’s purpose is to train Florida’s workers; increase the capacity of the state to attract and retain hi-tech workers; facilitate education, training and access throughout the state. The Tech Center, which would be centrally located, would serve as a model for the development of similar centers throughout the state. The Center would be used as a strategic partnership between SCC, University of Central Florida, the University of South Florida, the Florida High Tech Corridor, Daytona Beach Community College, Florida Community College—Jacksonville, Valencia Community College, Workforce Florida, and various municipal entities in the Orlando area. The Center would be authorized to offer traditional classroom courses, and web-based or distance learning courses. The Center would be authorized to acquire advanced technology resources necessary to accomplish its goals.

Section 30: Effective date

Section 27 provides that the effective date of the bill would be July 1, 2001.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

<u>Fiscal Impact for Section 5 of the PCB</u>		
	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>
General Revenue	(\$4.6M)	(\$5.1M)
Solid Waste Management TF	(insignificant)	(insignificant)

2. Expenditures:

Section 23 of the bill would appropriate \$3 million for Fiscal Year 2001-2002 to OTTED for a program to facilitate the creation of the joint-use advanced digital media facilities described in Section 22 of the bill.

Section 24 of the bill would appropriate \$1.5 million for the high-technology marketing campaign to be conducted by Enterprise Florida.

Section 25 of the bill would reappropriate funds appropriated by 2000-164, Laws of Florida, for reimbursing businesses for sales tax paid on equipment purchases associated with creation of the network access point.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

<u>Fiscal Impact for Section 5 of the bill – providing full exemption for space and defense technology equipment purchases</u>		
	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>
Local Government Half-Cent Revenue Sharing	(\$.5M)	(\$.5M)
Local Option	(\$.2M)	(\$.2M)
	(\$.3M)	(\$.3M)

2. Expenditures:

HB 1953 would not require that local governments expend any funds.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Space and defense businesses certified for the tax exemptions in Section 5 would not pay the sales tax on machinery and equipment used to produce defense or space technology products or used in defense or space research and development activities.

D. FISCAL COMMENTS:

See fiscal impact discussion above.

III. 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:

Subsection (b) of s. 18 of Art. VII, Florida Constitution, requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority of municipalities and counties to raise revenues in the aggregate. By adding an exemption to the state sales tax for space technology and defense technology machinery and equipment, Section 5 would also exempt these products from the local option county sales surtax. The annual local revenue loss is estimated to be less than \$1.6 million. Although Section 5 will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution.

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

While Sections 5 of HB 1953 would reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(c), Florida Constitution, does not apply.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

HB 1953 does not appear to present any constitutional issues.

B. RULE-MAKING AUTHORITY:

Section 7 of the bill authorizes the Bureau of Student Financial Assistance to adopt rules to implement the Targeted Workforce Development Tax Credit, including rules for the approval and disapproval of applications by corporations, and rules to provide for arrangements between for-profit and not-for-profit corporations. Section 7 also authorizes the Department of Revenue to adopt rules to implement the Targeted Workforce Development Tax Credit.

C. OTHER COMMENTS:

N/A

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V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

A strike everything amendment was adopted by the Committee on Information Technology on April 4, 2001. The amendment added joint-use advanced digital media research and production facilities to the definition of the term "information technology facility" defined for the purposes of the Industrial Revenue Bond Financing Act. The amendment would make these facilities eligible for such financing.

VI. SIGNATURES:

COMMITTEE ON INFORMATION TECHNOLOGY:

Prepared by:

Staff Director:

Charles Davidson & Richard Martin

Charles Davidson