HOUSE OF REPRESENTATIVES

FISCAL RESPONSIBILITY COUNCIL ANALYSIS

BILL #: HB 1969

RELATING TO: Economic Development

SPONSOR(S): Workforce and Technical Skills and Andrews

TIED BILL(S):

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

- (1) WORKFORCE AND TECHNICAL SKILLS YEAS 8 NAYS 0
- (2) FISCAL RESPONSIBILITY COUNCIL
- (3)
- (4)
- (5)

I. SUMMARY:

THIS DOCUMENT IS NOT INTENDED TO BE USED FOR THE PURPOSE OF CONSTRUING STATUTES, OR TO BE CONSTRUED AS AFFECTING, DEFINING, LIMITING, CONTROLLING, SPECIFYING, CLARIFYING, OR MODIFYING ANY LEGISLATION OR STATUTE.

The bill would create the Commission on Intellectual Capital and Leading Edge Business Development administratively attached to the Office of Legislative Services for the purposes of fostering and facilitating the creation of intellectual capital, the promotion of product development and commercialization, the start-up of new businesses, and the expansion of existing businesses.

The Commission would be comprised of the chair of the State Board of Education, the chair of the Council for Education Policy, Research, and Improvement, and the chairs of Enterprise Florida, Inc., and Workforce Florida, Inc. Additional members of the commission would include six chief executive officers of innovative companies and six heads of venture capital companies equally appointed by the President of the Senate and the Speaker of the House of Representatives and one of each appointed by the Governor.

The bill requires that the Technological Research and Development Authority staff the commission through a contract with the Office of Legislative Services.

The Commission would be required to submit an annual report to the Legislature by June 30, 2003, and each year thereafter. The report would include an account of the activities and accomplishments of the Commission and participating businesses and institutions, the production of needed and sufficient graduates from postsecondary educational institutions, the impact of innovation initiatives to promote new technology, and of programs that support small businesses.

Although the total fiscal impact of the bill has yet to be determined in terms of the generation of revenue, it is estimated that initial costs for the commission would be \$250,000 for the first year of its existence. There is no appropriation in the bill.

The bill would take effect upon becoming a law.

II. <u>SUBSTANTIVE ANALYSIS</u>:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No [X]	N/A []
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

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

The bill would create a new commission and require the commission to engage in networking with numerous economic development, workforce development, public and private postsecondary education institutions, and the private business sector towards the goal of enhancing the state's economy. Responsibilities the bill would impose on the commission appear to overlap responsibilities presently assigned to and being performed by various other agencies and entities delineated in the following section of the bill analysis.

B. PRESENT SITUATION:

Office of Tourism, Trade, and Economic Development (OTTED)

Section 14.2015, F.S., creates OTTED within the Executive Office of the Governor and authorizes OTTED to assist the Governor in working with the Legislature, state agencies, business leaders, and economic development professionals to formulate and implement coherent and consistent policies and strategies for providing economic opportunities for all Floridians.

OTTED administers a number of programs, grants, and activities and serves as the contract administrator for the state with respect to any contract with Enterprise Florida, Inc., and other related entities. OTTED also is responsible for monitoring the activities of public-private partnerships and state agencies to avoid duplication of services and programs and promoting coordinated and consistent implementation of programs in areas including, but not limited to, business recruitment, creation, retention, and expansion and workforce development.

Enterprise Florida, Inc.

Part VII of Chapter 288, F.S., establishes and provides statutory authority and the functions, duties, and responsibilities for Enterprise Florida, Inc., (EFI). EFI was created by the Legislature in 1996 to replace and assume the responsibilities of the Florida Department of Commerce. EFI was established as a corporate not-for-profit entity for the purpose of partnering with Florida's business leaders and government agencies and to be the state's principal economic development and international trade organization. EFI's mission statement states that EFI is responsible for increasing economic opportunities for all Floridians by supporting the creation of quality jobs and globally competitive businesses.

Information Service Technology Development Task Force

The 1999 Legislature created the Information Service Technology Development Task Force within the Department of Management Services (ch. 99-354, L.O.F.). The task force, which operates under the name "ITFlorida.com" and which dissolves on July 1, 2001, is comprised of 34 members from the public and private sectors. The task force is charged with developing principles to guide state policy decisions with respect to the free-market development and beneficial use of advanced communications networks and information technologies, identifying factors affecting the ability of such technologies to expand and flourish in the state, and developing policy recommendations for each identified factor.

Among the numerous recommendations from the task force are the following:

- Facilitation of partnerships between the private sector and the education community in targeted activities.
- Development of joint-use advanced digital media research and production facilities at strategic locations in the state, with the facilities serving as focal points for collaboration between the digital media industry and educational institutions.

The work of the task force is being continued by ITFlorida.com, Inc., a private non-profit corporation funded entirely by private interests, to ensure that the task force's recommendations are effectively implemented.

Digital Media

The 2000 Legislature required the Board of Regents to create a Digital Media Education Coordination Group to develop a plan to enhance the state's ability to meet the current and future workforce needs of the digital media industry (ch. 2000-165, L.O.F.). The group issued its report to the Legislature in January 2001. A recommendation from the group was that there be created a Florida Digital Media Coordinating Council 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 and seek public and private funding for a series of regional joint-use digital media production facilities. The facilities are to encourage and facilitate collocation and collaboration between industry and educational entities and provide affordable access to state-ofthe-art facilities for academic and industry partner activities and provide professional development for students through their involvement with industry-based projects.

Spaceport Florida Authority

Part II of ch. 331, F.S., created the Spaceport Florida Authority (SFA) in 1989 for the purpose of providing a unified direction for space-related economic growth and education development, ensuring a stable and dynamic economic to attract and maintain space-related businesses, and to assist in the coordination of the state's economic development efforts. SFA has a board and partners with the federal government, private industry, and Florida's state and private universities and community colleges to conduct research and provide relevant and timely job training programs for the development and expansion of space-related industries.

Florida Space Research Institute

In 1999, the Legislature created the Florida Space Research Institute (s. 331.368, F.S.) as an industry-driven center for research, to leverage the state's resources in a collaborative effort to support space-related industries through research and development efforts and the transfer of

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inventions and products to the private sector. The institute functions as the academic center for space-related research and development in collaboration with state and private universities. The institute's board of directors consists of the chairs of the Spaceport Florida Authority, Enterprise Florida, Inc., and the Florida Aviation Aerospace Alliance. As of this report, the institute's board has decided to establish the institute as a not-for-profit educational corporation.

Technological Research and Development Authority

Chapter 87-455 created and incorporated the Technological Research and Development Authority (TRDA) for the purposes of promoting scientific research and development and for the purpose of fostering higher education which relates to the promotion of scientific research and development. The TRDA was created to target activities for Brevard County although since its inception, the TRDA has expanded its activities to the entire state.

A board of director whose members are nominated by the Legislature and appointed by the Governor and a staff of three including an executive director govern the TDRA.

Examples of activities of the TRDA include the following:

- Leveraging federal grant dollars for a program to train teachers how to access NASA resources via the Internet and to utilize innovative teaching methods and resources.
- Infusing more than \$4.5 million in venture capital funding and leveraging an additional \$10.5 million from partners in the energy field for innovative programs and the development of technology in the field of energy.
- Utilizing its expertise in business incubation to support the expansion of incubators across the state.

The TRDA has facilitated the delivery of successful and cost-effective transfer of cutting-edge technologies to schools and small businesses through strategic alliances with NASA, the aerospace industry and state partners, including the Department of Education, Enterprise Florida, Inc., and the Department of Community Affairs.

Divisions of Sponsored Research at State Universities

Section 240.241, F.S., authorizes each state university, with the approval of the Department of Education, to create divisions of sponsored research which serve the functions of administration and promotion of research programs in the university. Universities are required to set policies to regulate the activities of divisions of sponsored research and administer the research programs in a manner which assures efficiency and effectiveness and produces the maximum benefit for the educational programs and maximum service to the state. Divisions of sponsored research are under the supervision of the university presidents, who is authorized to appoint a director and additional staff and to enter into research contracts.

The Enterprise Florida Innovation Partnership and the Technology Development Board

Section 240.539, F.S., provides legislative intent language that greater collaboration should exist between private industry and universities in the development and application of new technologies and that mechanisms be established to facilitate such collaboration resulting in the enhancement of productivity and stability of Florida's businesses.

Subsection (3) of s. 240.536, F.S., requires the Enterprise Florida Innovation Partnership to recommend to the Board of Regents for funding consideration by the Legislature, research priorities

in technological areas including, but not limited to, computer technology, light wave technology, biomedical technology and sciences, materials sciences, microelectronics, sensors, or robotics.

Beginning in October 1, 1989, and every third year thereafter, the Enterprise Florida Innovation Partnership must submit a report to the Governor and the Legislature on the status of the research areas identified above and how each area affects the economic growth of the state. Recommendations are to be made to the Board of Regents regarding the allocation of funds provided in the General Appropriation Act for research programs in advanced technology. Section 240.539(5), F.S., authorizes the Board of Regents to "allocate or provide for the investment of moneys provided in the General Appropriations Act for advanced technology research to the Enterprise Florida Innovation Partnership and to universities or university-affiliated research agencies for the purpose of planning and program development for future designations as research programs in advanced technology." Funds are to be awarded to universities and institutions that can demonstrate the potential to yield a reasonable expectation of future research program priority designation. Three programs within the partnership were created. They were the Innovation and Commercialization Program, the Manufacturing Technology Center Program, and the Technology Research Investment Fund.

The goals of the Technology Research Investment Fund (TRIF) were to stimulate technological innovation by partnering with the private sector and the state's research universities to create marketable technologies and to make research and development affordable and accessible to small and mid-sized companies. For fiscal year 1993-94, the Innovative Partnership allocated \$1.2 million for the TRIF from its \$4.3 million appropriation. No funds were allocated for the TRIF in fiscal years 1994-95 and 1995-96. In FY 1993-94, the Innovative Partnership awarded the \$1.2 million to a total of 36 projects at eight Florida Universities.

In its October 18, 1995 reports (No. 95-08 and 09), the Office of Program Policy Analysis and Government Accountability (OPPAGA) found that the research design in allocating TRIF funds did not include performance measures that specified baselines, expected levels of future performance, or timelines for accomplishments. OPPAGA further found that all 36 TRIF projects were continuations of projects funded by a predecessor program and that little progress had been made towards desired outcomes. Only one of the projects resulted in sales of products and new jobs.

In 1996, the Innovation Partnership was renamed the Enterprise Florida Technology Development Board. In addition, no EFI staff are presently involved in prior partnership activities although EFI's sector strategies have been incorporated in state university strategic plans. According to Division of Colleges and Universities staff, there is no formal role that Enterprise Florida, Inc., has played under s. 240.539, F.S., although Enterprise Florida, Inc. hosts industry conferences, shares programs, and develops materials with the universities."

The Enterprise Florida Technology Development Board created six Innovation and Commercialization Centers (ICC) to assist entrepreneurs and emerging companies in moving technology from the university research laboratories to the marketplace. The ICC Program assisted 857 technology-based companies and entrepreneurs in FY 1997-98 and coordinated with universities in licensing technologies. In a December 1998 report (No. 98-30), OPPAGA found that the Innovation and Commercialization Centers exceeded their performance standards in FY 1997-98 and recommended that the Legislature should consider funding the centers for FY 1999-00.

Research and Development Authorities

Sections 159.701-159.7095, F.S., provides for the creation of county-based research and development authorities for the purpose of promoting scientific research and development in affiliation with and related to the research and development activities of one or more state-based,

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accredited, public or private university or college. An authority may also finance capital projects related to the establishment of a research and development park in affiliation with one or more universities or colleges. An authority so created must request to the Board of Regents to be designated a research and development authority and provide documentation for a plan for the establishment of a research and development park.

According to Division of Colleges and Universities staff, the following universities have research parks established under s. 159.701, F.S.: the University of Central Florida (Central Florida Research Park); Florida State University and Florida A and M University (Innovation Park); University of South Florida (University Park); Florida Atlantic University (Florida Atlantic University Research and Development Park): and University of North Florida (First Coast Technology Park).

Incubator Facilities Program

Section 240.540, F.S., authorizes any university-based research and development park established pursuant to ss. 159.701-159.7095, F.S., as described above, to provide incubator facilities to eligible small businesses for the purpose of providing support, technical assistance, equipment, and on-site location to assist the business grow and expand. Incubator facilities may also provide assistance to small businesses in the community and that are not physically located at the facility.

Section 240.3341, F.S., authorizes community colleges to establish incubator facilities for small businesses. A community college establishing such a facility must provide for its management and maintenance, support personnel, equipment, utilities, and mechanisms to assist with the acquisition of technical and other entrepreneurial expertise to residents of the incubator facility and other local small businesses.

Workforce Florida, Inc., and the Agency for Workforce Innovation

In 2000, the Legislature passed CS/SB 2050, which reorganized the state and regional workforce development and former WAGES systems by creating the Agency for Workforce Innovation (AWI) within, but not under the control of, the Department of Management Services, and creating a private nonprofit corporate entity called Workforce Florida, Inc., (WFI) which is responsible for developing workforce policy for the Agency for Workforce Innovation. AWI is the designated state agency for receiving federal workforce funds under the federal Workforce Investment Act and to provide services and programs under the federal Wagner-Peyser Act. AWI is responsible for implementing and administering policy developed by WFI into actions, through contracts with and the provision of services through regional workforce boards.

CS/SB 2050 merged regional workforce development and WAGES boards/systems into single boards/systems consisting of 24 regional workforce boards responsible for receiving workforce and related funds, establishing one-stop service delivery systems, developing programs, and offering services to link employers with persons seeking job training and employment-related services.

CS/SB 2050 enhanced the relationship between the workforce development system and the business and educational communities by identifying the workforce needs of employers and linking students and other persons seeking employment information and services through the use of Internet-based technology and private staffing agencies.

Leadership Board for Applied Research and Public Service

Section 240.706, F.S., creates the Leadership Board for Applied Research and Public Service which is staffed by the Institute of Science and Public Affairs at Florida State University The purpose of the board is to focus and coordinate applied research and public service activities

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> throughout the State University System (SUS) by expanding and facilitating the access that citizens and elected officials have to resources found throughout the SUS. The mission of the board is to help ensure that the SUS's applied research and public service activities are responsive to the needs of the state and local governments and that accurate, timely, useful, and relevant information is provided. The board is responsible for:

- Providing strategic direction and planning that supports a coordinated approach to applied research and public service in the state;
- Addressing SUS policy matters as they relate to applied research and public service;
- Making recommendations to the Board of Regents to provide policy direction and oversight for the SUS;
- Serving as a clearinghouse for services requested by public officials; and
- Providing analysis, endorsements, and support for funding and fiscal initiatives involving applied research and public service.

A part of the board's activities is the creation of the Florida ExpertNet [http://expertnet.org] that is a web-based network of applied research expertise in Florida's public universities. The network can be used to provide persons with university-based resources and expertise in providing practical solutions for government, business, and industry. The network is fully interactive and allows for persons to do a comprehensive search for research groups and university faculty researchers, identify research centers and institutes, and locate information on funded research projects. The network also provides links to state universities' offices of sponsored research.

The Florida Research Consortium

Florida's universities, including the University of Miami, have partnered with private industry in Florida to form the Florida Research Consortium (FRC) as part of IT.Florida.com. The FRC is patterned after the Georgia Research Alliance and was an initiative recommended by the Information Technology Services Development Task Force. The FRC is comprised of representatives from Florida's 11 state universities and the University of Miami, executives from technology companies doing business in Florida, members of the Technology Transfer Director's Group who are responsible for technology transfer initiatives and activities in universities, and Enterprise Florida, Inc.

The mission of the FRS is to:

- Identify specific science and technology disciplines where Florida has the greatest potential to achieve economic and academic success.
- Establish new and enhance existing leading edge technology-based research programs.
- Attract leading scholars and researchers in technology-based disciplines to Florida's universities.
- Promote the work of technology transfer offices at member universities.
- Promote the collaboration between academic and industrial researchers, scientists, and engineers.
- Advise the Legislature and the Governor on strategic policy initiatives for expanding and strengthening Florida's high-tech industries.

Because the FRC is a strategic partnership between all of Florida's universities and the private sector, resolution of issues are addressed through a collaborative process. The FRC is intended to address the current lack of consensus among university officials and industry leaders concerning technology transfer and the commercialization of products developed in university-based and private sector research centers.

University Offices of Technology Transfer

Each state university has an office of technology transfer whose purpose is to assist faculty, staff, and students in moving their innovative technologies into commercial use in public and private enterprises. For example, the mission of the Office of Technology Transfer at Florida State University, which was established in 1996 and is a unit of the university's Office of Research, is to facilitate the transfer of innovations developed in the university to business and industry and to:

"Encourage and assist technological development at FSU and facilitate the transfer of intellectual property to business and industry to provide benefits to the university, the economy, and to improve the quality of life."

The FSU Office of Technology Transfer has established four core goals. They are:

- Encouraging and assisting faculty members, staff, and students to consider alternative applications of technology developed as part of their research;
- Developing an effective and efficient technology transfer program and assess, document, and communicate the full value of technology transfer;
- Increasing research and development income to FSU from public and private sources by utilizing various technology licensing and research funding strategies; and
- Enhancing economic development in the region and state by building strong ties between the public and private sectors.

New York State Office of Science, Technology, and Academic Research (NYSTAR)

Created in law in 1999, NYSTAR is designed to foster and facilitate high technology academic research and economic development in New York. Goals of NYSTAR are the following.

- Encourage and expand high technology, academic research, and economic development in New York State by creating world-class academic research centers, attracting the best and brightest faculty to the state's research universities, and promoting the rapid transfer of technology innovations from the research labs to the marketplace.
- Coordinate and organize New York's wide array of science and technology informational resources and provide academic, business, and research communities' access the state's high-speed, fiber-optic network and create a comprehensive information resource database to which New York's academic, business, and research communities will have access. These initiatives and others are designed to facilitate limitless opportunities for unimpeded and instantaneous collaboration among the state's research community.
- Reform and improve New York's policies regarding royalties and licensing fees, enabling the state to realize a greater amount of revenue from its high technology investments and reinvest that revenue in new technology development programs.
- Substantially increase the amount of federal research dollars New York and its researchers obtain.
- Develop and recommend policies to the Governor and the Legislature that will allow the state to take greater advantage of the tremendous economic power of its inherent science, technology, and academic research assets.

In his 2001 State of the State address, Governor Pataki announced his \$1 billion five-year plan which will make New York the worldwide leader in university-based research, business creation, and job development. The Governor's plan uses \$283 million in state funds over the next five years to leverage more than \$700 million in combined federal, university, and private funds to among

other things, create new business incubators and business parks, train and recruit highly skilled employees, and increase support to emerging and growing high technology companies.

C. EFFECT OF PROPOSED CHANGES:

The bill creates the Commission on Intellectual Capital and Leading-Edge Business Development administratively attached to the Office of Legislative Services. The Commission would be constituted of the chairs of the State Board of Education, the Council for Education Policy, Research, and Improvement, Enterprise Florida, Inc., and Workforce Florida, Inc. In addition, the President of the Senate and the Speaker of the House of Representatives each appoint three chief executive officers of companies and three heads of venture capital companies and the Governor will appoint one CEO and one head of a venture capital company.

The bill would authorize the Commission to create and dissolve advisory committees, working groups, and task forces made up of Commission members and other persons selected for their expertise. The Commission would be required to meet at least two times a year and all members would be appointed by October 1, 2002.

The bill provides for purposes of the Commission to be to foster and facilitate the enhancement of intellectual capital, promote product development and commercialization, and to promote start-up of new businesses and expansion of existing businesses.

The Commission would be required to address the following and all related issues:

- Targeting industrial development in the state.
- Recommending to the Legislature and the Florida Board of Education funding initiatives to enhance university-based or university-affiliated scientific and technical research in targeted areas to create top-tiered employment in Florida's economy.
- Recommending to the Legislature initiatives and funding that will recruit outstanding university research faculty and to develop world-class research facilities.
- Promoting collaboration among multiple universities on research projects to create a force that will support economic development goals of the state.
- Ensuring that appropriate business, financial, and technical assistance is available in the early, high-risk stages of development.
- Identifying opportunities and mobilizing state efforts to establish government and private sector supported research labs.
- Building strong and long-term partnerships among worldwide industries, Florida's universities, and vocational training programs.
- Developing incentive mechanisms and performance measures for the activities of universities, vocational training programs, and other government programs that support technology-based industry.
- Building an entrepreneurial culture in Florida's universities and state agencies that supports and nurtures technology transfer and the formation of new products and new companies.
- Coordinating Commission efforts with Enterprise Florida, Inc., Workforce Florida, Inc., the Agency for Workforce Innovation, the Florida Board of Education, the Education K-20 Policy and Research Commission, and the state's postsecondary education institutions.

The bill would require the Commission to submit an annual report to the Legislature by June 30, 2003, and each year thereafter, describing activities and accomplishments of the Commission and participating institutions and businesses, including evaluating the impact of Commission and

legislative initiatives to promote the development of new technology, recommending new or amended initiatives, evaluating existing programs that support small businesses, and recommending if new programs are needed or if existing programs should be modified.

The bill requires the Office of Legislative Services to contract with the Technological Research and Developmental Authority to staff the Commission for the purpose of carrying out the Commission's responsibilities and functions.

The bill would take effect upon becoming law.

D. SECTION-BY-SECTION ANALYSIS:

See the Effect of Proposed Changes.

- III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:
 - A. FISCAL IMPACT ON STATE GOVERNMENT:
 - 1. <u>Revenues</u>:

It is anticipated that new revenues of indeterminate magnitude will be generated as a result of the enactment of the measures in the bill.

2. Expenditures:

Implementing the bill would require sufficient funding to pay the costs of the operations of the Commission and its staff, to pay per diem and reimburse travel expenses of the Commission. It is estimated that an amount of \$250,000 will be necessary in the first year of operation and that the Technological Research and Development Authority would provide matching funds or in-kind services for the operation of the Commission with the expectation that the Commission would be self-sustaining by year three of its existence. There is no appropriation in the bill.

- B. FISCAL IMPACT ON LOCAL GOVERNMENTS:
 - 1. <u>Revenues</u>:

Activities of the commission could result in indeterminate revenues for local government.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Activities of the commission could result in an indeterminate positive economic impact for the private sector.

D. FISCAL COMMENTS:

See comments under "Expenditures" in part III. A. 2. above.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

Enactment of the measures proposed by the bill would not require counties or municipalities to incur any expense or take any action requiring either to incur any expense.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Enactment of the measures proposed by the bill would not reduce the authority of counties or municipalities to raise revenues.

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

Enactment of the measures proposed by bill would not reduce the percentage of any state tax shared with counties or municipalities.

- V. <u>COMMENTS</u>:
 - A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. <u>SIGNATURES</u>:

COMMITTEE ON WORKFORCE AND TECHNICAL SKILLS:

Prepared by:

Staff Director:

Ken Winker

Ken Winker

AS REVISED BY THE FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

Staff Director:

Robert Cox

David K. Coburn