

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1237 CS

Advanced Science and Technology Research

SPONSOR(S): Mealor

TIED BILLS:

IDEN./SIM. BILLS: SB 2084

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Colleges & Universities Committee</u>	<u>10 Y, 0 N, w/CS</u>	<u>Hatfield</u>	<u>Tilton</u>
2) <u>Economic Development, Trade & Banking Committee</u>	<u>11 Y, 0 N</u>	<u>Olmedillo</u>	<u>Carlson</u>
3) <u>Education Appropriations Committee</u>	<u></u>	<u></u>	<u></u>
4) <u>Education Council</u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

In a January 30, 2006 press release, the Governor launched new economic development initiatives to bolster the state's efforts to diversify and build Florida's Innovation Economy. To coincide with this initiative, the Governor is recommending a \$630 million investment in the 2006-2007 budget for programs that will generate the innovation needed to create the industries of the future; this includes \$200 million to create and fund the 21st Century Technology, Research and Scholarship Enhancement Act.

The bill creates the 21st Century Technology, Research, and Scholarship Enhancement Act (the Act). The Act provides for the creation of the Florida Technology, Research, and Scholarship Board (the board) within the Board of Governors (BOG) to guide the establishment of Centers of Excellence and the attraction of world class scholars. The board is charged with recommending criteria to the BOG for the 21st Century World Class Scholars Program and with providing guidance to the BOG regarding the implementation and administration of the Centers of Excellence. The Act expires June 30, 2011.

The bill provides for the allocation of state matching funds to attract World Class Scholars to state universities. The bill requires a state university to raise no less than \$1 million to be eligible for state matching funds to recruit a World Class Scholar. Funds raised will be eligible for a one-to-one match from the state. The bill prohibits revenues received from state appropriations, student tuition and fees, and state funded contracts or grants to be eligible for the state match.

The bill provides for the creation or expansion of Centers of Excellence. Applicants may include entities other than state universities; however, all applicants must submit and demonstrate coordination with one or more state universities in order to be eligible for funding. The bill requires the board to recommend to the BOG criteria for the approval of proposals to create or expand a center and provides guidelines for the criteria. The bill also requires the board to recommend to the BOG for approval and funding the proposals that meet the approved criteria.

The bill appropriates \$100 million to the 21st Century World Class Scholars Program, \$100 million to the Centers of Excellence Program, and \$399,437 to the BOG for the fiscal year 2006-2007 to implement the Act. See the FISCAL COMMENTS section for further details.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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DATE: 3/23/2006

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government—The bill creates the Florida Technology, Research, and Scholarship Board (the board) within the Board of Governors (BOG), requires certain duties of the board, and requires the BOG to provide staff support and other support for the board.

B. EFFECT OF PROPOSED CHANGES:

Background

In 2002, the Governor proposed \$100 million for the creation of Centers of Excellence to increase technology research at state universities and diversify the state's economy by stimulating the high-tech economic job sector. Three Centers of Excellence were created: the Center of Excellence in Biomedical and Marine Biotechnology at Florida Atlantic University, the Florida Photonics Center of Excellence at the University of Central Florida, and the Center of Excellence in Regenerative Health Biotechnology at the University of Florida. The Legislature provided \$30 million for these Centers of Excellence in the 2002-2003 General Appropriations Act (GAA).¹

According to the BOG, as of January 2006, the centers have leveraged the state's investment to achieve the following outcomes:

FISCAL PERFORMANCE MEASURES	FAU	UCF	UF	TOTAL
Amount Of:				
Initial State Funds Awarded	\$10,000,000	\$10,000,000	\$10,000,000	\$30,000,000
Venture Funding Attracted	\$0	\$10,500,000	\$0	\$10,500,000
Other State Grants and Funds Awarded	\$827,138	\$5,062,900	\$0	\$5,890,038
Federal Research Funds Awarded	\$18,789,389	\$15,970,187	\$3,250,000	\$38,009,576
Private Research Funds Awarded	\$3,157,859	\$8,952,539	\$10,000	\$12,120,398
Foundation Funds Invested	\$2,300,000	\$0	\$10,000,000	\$12,300,000
License Income Earned	\$5,500	\$181,250	\$0	\$186,750
TOTAL				\$109,006,762

¹ 2002-2003 General Appropriations Act, Specific Appropriation 173A.

In addition to their performance on fiscal measures, the centers report the following measures of research productivity:

PRODUCTIVITY PERFORMANCE MEASURES²	FAU	UCF	UF	TOTAL
Number Of:				
Research Studies and Articles Published	55	138	125	318
Research Collaborations	27	29	2	58
K-20 Students and Teachers Served	2470	15	100	2585
Industry Internships Granted to Graduate Students	3	15	0	18
Patents Filed	21	40	0	61
Patents Issued	23	14	0	37
Technologies Licensed	3	3	0	6
Affiliated Companies	0	2	1	3
Start up Businesses	3	4	0	7
Out-of-State Businesses Contacted	31	34	5	70
Contacts with Venture Capitalists	14	10	3	27

In a January 30, 2006 press release, the Governor launched new economic development initiatives to bolster the state's efforts to diversify and build Florida's Innovation Economy. To coincide with this initiative, the Governor is recommending a \$630 million investment in the 2006-2007 budget for programs that will generate the innovation needed to create the industries of the future; this includes \$200 million to create and fund the 21st Century Technology, Research and Scholarship Enhancement Act.

- \$100 million is to be used to create and expand the Centers of Excellence around key sectors of the economy. According to the press release, this program would allow state universities and their research partners to leverage public and private dollars to build the infrastructure to support emerging research and development projects. The collaboration between industry and academia would help drive inventions and innovations from the lab to the marketplace.
- \$100 million is to be used to create the World Class Scholars Program. According to the press release, this program would give universities the financial resources to attract leading researchers from around the globe to Florida. Funds may be used for incentives, including building labs, providing high-tech equipment or funding support staff. The state would match the investment of universities dollar-for-dollar.

Effects of Proposed Changes

The bill creates the 21st Century Technology, Research, and Scholarship Enhancement Act (the Act) and provides legislative findings and intent on why this is important for Florida.

The purpose of the Act is to:

- Invest in programs that attract world class scholars and build Centers of Excellence, both of which are important means of increasing technology-based business in this state.
- Require coinvestment as a means of leveraging state dollars.
- Align research and development efforts with established, statewide economic-development strategies, including an emphasis on identified economic clusters.
- Facilitate value-added job creation through continuous improvement in university research, as well as entrepreneurship and capital-development programs.
- Establish Florida as a leading state for entrepreneurship and innovation, with continued commitment to university centers and an expanding base of research and development.

The bill defines the following terms for purposes of the Act:

- “A 21st Century World Class Scholar” means a principle researcher/investigator who has high academic credentials, demonstrated competence, and experience that meets the requirements established by the board for a 21st Century World Class Scholar.
- “Applicant” means any state university, private university located in this state, or any private or public research center, community college, or training center in this state which coordinates with a state university for purposes of this act.
- “Board” means the Florida Technology, Research, and Scholarship Board.
- “Center of Excellence” means an organization of personnel, facilities, and equipment established at or in collaboration with one or more state universities to accomplish the purposes and objectives of this act.
- “Research center” means an institute, center, or clinic that includes research and development or education as a principal mission of the organization.
- “State university” means a Florida public university as defined in s. 1000.21, F.S.

Florida Technology, Research, and Scholarship Board

The bill creates the Florida Technology, Research, and Scholarship Board (the board) within the Board of Governors (BOG) to guide the establishment of centers and the attraction of world class scholars. The board consists of 11 members, seven of whom must be appointed by the Governor, two appointed by the President of the Senate, and two appointed by the Speaker of the House. The Governor’s appointees must include a member of the board of directors of Enterprise Florida, Inc., and a member of the BOG. Appointed members must be representative of business leaders, industrial researchers, academic researchers, scientists, and leaders in the emerging and advanced technology sector and may not serve more than four years. The chair of the board is appointed by the Governor.

The board members serve without compensation, but are entitled to reimbursement for per diem and travel expenses in accordance with s. 112.061, F.S. The BOG must provide support staff for the activities of the board and per diem and travel expenses for board members.

The board is charged with recommending to the BOG criteria for the 21st Century World Class Scholars Program and with providing guidance to the BOG regarding the implementation and administration of the Centers of Excellence Program. In addition, the board must recommend to the BOG the qualifications, standards, and requirements for approval of investments in Centers of Excellence. The bill provides that the board may form committees of its members and encourages the board to consult with certain research entities whose input may be helpful in determining the requirements and standards for the Centers of Excellence Program.

21st Century World Class Scholars Program

The bill provides for the allocation of state matching funds to attract World Class Scholars to state universities. The bill requires the World Class Scholars Program to be used as a tool to develop the state’s capabilities in science and high-technology research, emphasizing Florida’s identified strengths in science and technology while also recognizing new technologies as they may emerge.

The bill requires the board to consult with certain state university officials, the Office of Tourism, Trade, and Economic Development, the board of directors of Enterprise Florida, Inc., and leading members of the private industry, to develop and recommend to the BOG the criteria for the World Class Scholars Program. The criteria recommended to the BOG must address, at a minimum:

- The presence of distinguished faculty members, outstanding students, and adequate research and scholarly support services.
- The existence of an academic environment having appropriate infrastructure
- The demonstration of concordance with Florida’s strategic plan for economic development or an emphasis on one or more emerging sciences or technologies that could favorably impact the state’s economic future.

The bill requires a state university to raise no less than \$1 million to be eligible for state matching funds to recruit a World Class Scholar. Funds raised will be eligible for a one-to-one match from the state. The bill prohibits revenues received from state appropriations, student tuition and fees, and state funded contracts or grants to be eligible for the state match. Upon verification by the BOG that a state university has met the criteria for a World Class Scholar, the BOG must release matching funds to the university. The bill requires funds to be used for the purpose of recruiting a World Class Scholar. Funds must also be expended according to an expenditure plan approved by the BOG.

The bill provides that the Act does not replace or obviate existing programs.

Centers of Excellence

The bill also specifies the purposes and objectives of Centers of Excellence, which include recruiting and retaining world class scholars. The bill requires the board to recommend to the BOG criteria for approving proposals to create or expand Centers of Excellence and provides certain factors that must be considered.

The bill requires the board to periodically solicit proposals for Centers of Excellence. Applicants may include entities other than state universities; however, all applicants must submit and demonstrate coordination with one or more state universities in order to be eligible for funding. The board must notify the president of each state university and applicable research centers in this state of the call for proposals.

The board must recommend to the BOG for approval and funding the proposals that meet the approved criteria. If no program is judged worthy of approval during a solicitation cycle, an approval does not have to be made. The bill provides that the Act does not establish a limit for an investment amount; however, any approval for a single center exceeding \$20 million must be documented to have superior prospects for success in its field of research and offer outstanding opportunities to leverage state dollars.

The bill requires a Center of Excellence that receives funding under the Act to provide at least annual reports to the board and the BOG concerning its achievement of objectives as identified in the approved proposal.

Other Provisions

The BOG is required to issue an annual report by December 31 of each year that provides information relating to the World Class Scholars Program and the created or expanded Centers of Excellence. The annual BOG report must be presented to the Governor, the President of the Senate, and the Speaker of the House of Representatives. The report must include a copy of an independent audit of the board and a review of the progress of the programs established pursuant to the Act.

The Act expires June 30, 2011.

The bill appropriates \$100 million to the 21st Century World Class Scholars Program, \$100 million to the Centers of Excellence Program, and \$399,437 to the BOG for the fiscal year 2006-2007 to implement this Act. See the FISCAL COMMENTS section for further details.

The bill provides an effective date of July 1, 2006.

C. SECTION DIRECTORY:

Section 1: Creates s. 1004.226, F.S., the 21st Century Technology, Research, and Scholarship Enhancement Act; providing legislative findings and intent; providing definitions; creating the Florida Technology, Research, and Scholarship Board within the Board of Governors; providing for members of the board and terms; providing for board members to be reimbursed for per diem and expenses incurred in the performance of their duties; requiring that the Board of Governors provide staff support and other support for the board; requiring that the board provide recommendations for the 21st Century

World Class Scholars Program and the Centers of Excellence Program; authorizing the board to form committees and consult with certain other entities; providing for the 21st Century World Class Scholar Program to provide matching funds to state universities; providing guidelines for the board in the development of criteria for recommendation to the Board of Governors; requiring a minimum investment of funds; specifying the purposes of the Centers of Excellence; requiring the board to recommend to the Board of Governors criteria for approving proposals to create or expand a Center of Excellence, to solicit proposals, and to recommend proposals that meet such criteria; requiring documentation if funds are approved for a Center of Excellence in excess of a specified amount; requiring reports by Centers of Excellence and the Board of Governors; and providing for the expiration of the act.

Section 2: Appropriates \$200 million from nonrecurring general revenue for the 2006-2007 fiscal year to the Board of Governors, of which \$100 million is allocated for the 21st Century World Class Scholars Program and \$100 million for the Centers of Excellence Program; and provides for carrying forward certain unexpended balances.

Section 3: Appropriates certain sums of money and full-time positions to the Board of Governors for the 2006-2007 fiscal year, for the purpose of administering this act.

Section 4: Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

See FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill does not appear to have a fiscal impact on local government revenues.

2. Expenditures:

The bill does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill provides for the establishment of the 21st Century World Class Scholars Program and the creation or expansion of Centers of Excellence. These programs may increase the economic development in this state which in turn may provide for additional employment opportunities for Florida citizens.

D. FISCAL COMMENTS:

For the fiscal year 2006-2007, the bill appropriates a total of \$200 million from nonrecurring general revenue to the BOG, of which \$100 million must be allocated for the 21st Century World Class Scholars Program and \$100 million for the Centers of Excellence Program. The bill requires any unexpended balance from this appropriation to be carried forward at the end of each fiscal year until the 2010-2011 fiscal year. At the end of the 2010-2011 fiscal year, any remaining balance that has not been distributed by the BOG must revert unallocated to the General Revenue Fund.

The bill also appropriates a total of \$399,437 and two full-time equivalent positions to the BOG for the 2006-2007 fiscal year for the purpose of administering this Act. The total appropriation provides for the following:

- Two full-time equivalent positions and \$130,000 in approved annual salary rate.
- The sum of \$162,959 from recurring general revenue funds for salaries and benefits.
- The sum of \$101,892 from recurring general revenue funds for expenses.
- The sum of \$3,800 from nonrecurring general revenue funds for operating capital outlay.
- The sum of \$786 from recurring general revenue funds for transfer to the Department of Management Services for the Human Resources Services Statewide Contract.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to spend funds or to take any action requiring the expenditure of funds.

2. Other:

In the 2002 General Election, the people amended the State Constitution to create a Statewide Board of Governors to govern, operate, regulate, control, and be fully responsible for the management of the state university system.² The responsibilities include defining university missions, defining articulation with public schools and community colleges, coordinating and operating the university system, and avoiding wasteful duplication of facilities or programs. In addition, the Board of Governors must establish the powers and duties of the university boards of trustees. The Board of Governors' management of the state university system is subject to the power of the Legislature to appropriate for the expenditure of funds. The Board of Governors must account for the expenditure of funds as provided by law.

On December 21, 2004, Floridians for Constitutional Integrity, Inc., filed a complaint for declaratory judgment against the State Board of Education seeking to clarify the powers of the Board of Governors.³ That suit has been partially settled by entry of an order ratifying a mediation agreement between the parties. The agreement declares that the Board of Governors has "full control and authority over the state university system" and that the Board has authority over all "non-appropriated funds administered by the state university system."⁴ The Florida Legislature was not a party to the lawsuit and is not bound by the agreement.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

² s. 7 art. IX, State Constitution.

³ Case No. 2004 CA 003040, filed in the Circuit Court for the Second Judicial Circuit of Florida, Leon County.

⁴ Mediation Agreement dated November 29, 2005, on file with Committee staff.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 14, 2006, the Colleges and Universities Committee adopted an amendment to HB 1237. The bill was reported favorably with a Committee Substitute (CS). The CS differs from the original bill in the following ways:

- Removes the endowment language.
- Prohibits revenues received from student tuition and fees and state funded contracts or grants from being eligible for a state match.
- Requires funds to be expended according to an expenditure plan approved by the BOG.
- Changes the dates funds are to be carried forward and reverted from 2009-2010 to 2010-2011.