The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Transportation and Economic Development Appropriations Committee

BILL:	CS/SB 2778
INTRODUCER:	Transportation and Economic Development Appropriations Committee, Senator Fasano
SUBJECT:	SCRIPPS/Innovation Incentive Program
DATE:	April 10, 2008 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pugh	Cooper	CM	**Favorable**
2.	Rhea	Wilson	GO	**Favorable**
3.	Belcher	Noble	TA	**Fav/CS**
4.				
5.				
6.				

I. Summary:

CS/SB 2778 addresses a number of issues related to the state's economic development incentive programs. Briefly, the CS:

- Directs the Scripps Florida Funding Corporation, which oversees the state's multi-year contract with Scripps Research Institute, to also monitor some aspects of the Innovation Incentive Program created in s. 288.1089, F.S. The corporation is directed to review the performance and progress of the Innovation Incentive Program grant awardees, and prepare an annual report on its findings and any recommendations.
- Amends the Innovation Incentive Program statute, in line with most of the agreements signed to date, to require all future agreements to include a reinvestment component, whereby the state receives between 10 percent and 15 percent of royalties and revenue from royalties and naming rights. Ninety percent of reinvestment funds will be paid into either the Biomedical Research Trust or the Economic Development Trust Fund, whichever is appropriate. The remaining 10 percent will be deposited into the Building Florida's Future Revolving Loan Guarantee Trust Fund.
- Adds the annual average wage of anticipated non-management and non-research jobs as information to be included in the Innovation Incentive program grant application, and reviewed by Enterprise Florida, Inc. (EFI).
- Creates a uniform economic development incentive application review schedule for the various state business incentives reviewed by EFI and approved by the Governor's Office of Tourism, Trade and Economic Development (OTTED).
- Makes a number of largely technical changes to the Qualified Defense Contractor (QDC) incentive program, plus a more substantive change that allows local governments to use as their required local match the appraised market value of land and buildings they donate to the defense contractor.

- Makes several technical changes to the Qualified Target Industry (QTI) incentive program, and also one substantive change, clarifying that businesses applying for the incentive include only the new jobs to be created in its wage calculation.
- Deletes a number of obsolete provisions.

CS/SB 2778 amends ss. 288.063, 288.0655, 288.1045, 288.106, 288.107, 288.108, 288.1088, 288.1089, 288.955, and 288.9624, F.S. It creates s. 288.061, F.S.

II. Present Situation:

History of Major Technology Funding in Florida
Scripps Research Institute
In 2003, the Legislature created the Scripps Florida Funding Corporation (corporation),[1] a not-for-profit corporation with a nine-member board that is responsible for contracting with Scripps Research Institute (Scripps) to establish a state-of-the-art biomedical research institute and campus in the state.

The Legislature appropriated $310 million to the Scripps project; the source of the money was federal economic stimulus funds provided to Florida under the Jobs and Growth Tax Reconciliation Act of 2003. The Office of Tourism, Trade, and Economic Development (OTTED) was the initial recipient of the appropriation, but it later disbursed the funds to the corporation pursuant to a funding agreement. The corporation releases the funds (including interest) to Scripps in amounts based on Scripps' achievement of specified performance benchmarks enumerated in the 20-year agreement.

Originally, the funds were to be disbursed over a 7-year period, but because of delays outside of Scripps' or the state's control related to site selection, the disbursement period has been extended, with the corporation's approval, to 10 years. Undisbursed funds are being invested by the State Board of Administration, and the interest earnings also go to Scripps.

As of March 2008, the corporation has disbursed $163,070,250 (including about $10.4 million in interest earnings) to Scripps. Palm Beach County also has invested or committed at least $200 million to provide Scripps with land, temporary facilities, and permanent laboratory facilities for new operations in the county. Other local entities also have committed funds or in-kind contributions for Scripps.

Under the terms of its agreement, Scripps is required to reinvest $155 million to $200 million in the state's Biomedical Research Trust Fund.[2] These funds are expected to come from Scripps' revenues generated from royalties and naming rights. As of March 2008, Scripps has 242 employees. Scripps is operating from the Jupiter campus of Florida Atlantic University while its own facilities are being built nearby. The expected completion date of the new facilities is early 2009. Under the terms of its amended agreement, Scripps is required to hire 545 employees within the next 10 years.

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[1] Section 288.955, F.S. (Ch. 2003-420, L.O.F.)
[2] Created in s. 20.435(1)(h), F.S., the Biomedical Research Trust Fund receives a portion of the tobacco settlement dollars. The James and Esther King Biomedical Research Program and the William G. "Bill" Bankhead, Jr., and David Coley Cancer Research Program are funded by the Biomedical Research Trust Fund.

Centers of Excellence Program

In 2002, the Legislature passed the "Florida Technology Development Act" that directed the State Board of Education to designate Centers of Excellence at state universities.[3] The purpose of the centers is to stimulate university research and commercialization efforts in high-tech fields. In 2003, the Board of Education designated three centers: 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. Each center received $10 million from the state to fund its activities.

In 2006, the Legislature provided $30 million for an expanded Centers of Excellence Program,[4] now designed to foster and promote the research required to develop commercially-promising, advanced, and innovative science and technology and to transfer those discoveries to commercial sectors. The law established the Florida Technology, Research, and Scholarship Board within the Board of Governors of the State University System to recommend to the Board of Governors methods for implementing and administering the Centers of Excellence Program. In November 2006, the Board of Governors disbursed the entire amount to five universities to advance various research projects: Florida Atlantic University, Florida State University, the University of Central Florida, the University of Florida (which received two separate grants), and the University of South Florida. The research ranges from nanotechnology to alternative energy.

In 2007, the Legislature provided $100 million for additional Centers of Excellence Programs. The Florida Technology, Research, and Scholarship Board is in the process of reviewing and ranking a number of proposals from universities, and is expected to release a list of the finalists this month.

Creation of Innovation Incentive Grant Program

In 2006, the Legislature created the Innovation Incentive Program.[5] The purpose of the program is to provide resources for certain types of significant economic development projects, including the location in, or expansion of, research and development entities and innovation businesses in Florida.

While OTTED oversees the Innovation Incentive Program and enters into the ultimate agreements with the grant recipients,[6] EFI, the state's private economic development entity, is directed to evaluate the grant seekers' proposals and recommend to OTTED which entities should receive the grants and whether waiver of certain requirements is merited.[7]

The criteria used by EFI are detailed in the statute. Prospective businesses must submit an application that includes information about the type of business activity they are involved in, the number of employees they expect to hire, the amount of investment they intend to make in the operation, and why the incentive grant is needed.

[3] Chapter 2002-265, L.O.F.
[4] Chapter 2006-58, L.O.F.
[5] Chapter 2006-55, L.O.F.
[6] Section 288.1089, F.S.
[7] Section 288.1089(4) and(5), F.S.

The applicants also must meet the criteria of either a “research and development project” or an “innovation business project.” Both are defined in the statute. A requirement common to both types of applicants is a one-to-one match in financial commitment from the local community where they plan to locate.

OTTED, in consultation with EFI, may negotiate the amount of the grant to be awarded to an eligible applicant[8] and, later, review whether the entity is meeting the agreement’s benchmarks.

The Governor must consult with the President of the Senate and the Speaker of the House of Representatives before approving the grant award, and can release the funds with the approval of the Legislative Budget Commission.[9] Despite the wording of the statute, the funds are not actually “released” to a grant recipient. More accurately, the funds are designated or set aside for the recipient in OTTED’s Economic Development Trust Fund, and are awarded in amounts tied to the recipient’s attainment of job-creation and other benchmarks in its contractual agreement with OTTED.

After the funds are released, OTTED and the applicant must enter into an agreement that sets forth the conditions for payment of the incentive funds. The agreement must include: the total amount of funds awarded; the performance measures that the applicant must meet, including such as net new jobs, average wages, and total investment; schedule of payments; and sanctions for failing to meet the performance measures, including clawbacks. All of the current contracts are for 20-year terms.

In fiscal year 2006-2007, the Legislature appropriated $200 million in non-recurring general revenue to OTTED’s Economic Development Trust Fund for this Innovation Incentive Program. In the subsequent months, $155.255 million was designated for Burnham Institute for Medical Research; $24.728 million was designated for Torrey Pines; and $20 million was designated for SRI International in St. Petersburg.

The following [2007-2008] fiscal year, the Legislature appropriated $250 million for this program. Proviso language in the fiscal year 2007-2008 General Appropriations Act set aside $80 million of that amount to the University of Miami’s new Institute of Human Genomics. In December 2008, Senate President Ken Pruitt and Governor Charlie Crist announced a $93 million commitment to the Max Planck Bio-Imaging Institute.

Highlights of Scripps and Official Innovation Incentive Projects[10]

last updated March 2008

Entity	State Funding Committed	State Funding Released	Local/Other Match	Jobs Required by Agreement/ Jobs as of March 2008
Scripps	$310 million	$163.1 million, including about $10.4 million interest	At least $200 million	545/242

[8] Section 288.1089(6), F.S.
[9] Section 288.1089(7), F.S.
[10] Information in the chart provided by Jorge Nunez in the Governor’s Office of Tourism, Trade, and Economic Development.

Entity	State Funding Committed	State Funding Released	Local/Other Match	Jobs Required by Agreement/ Jobs as of March 2008
Burnham	$155.255 million	$51.440 million	$155.5 million	303/28
Torrey Pines	$24.728 million	$11.272 million	$71.52 million	189/19
SRI	$20 million	$11.4 million	at least $30 million	160/64
UM - IHG	$80 million	$20 million	at least $100 million in private philanthropy has been identified	296/111
Max Planck	$93 million	None	At least $86.9 million	No Contract Yet

Recipients of Innovation Incentive Program Grants

Burnham Institute for Medical Research

In October 2006, La Jolla, California-based Burnham Research Laboratories, entered into an agreement with OTTED to establish an independent research lab in Orange County. Burnham Florida intends to conduct cancer research, diabetes and obesity research, and pharmaceutical testing.

Designated for Burnham is $155.255 million in state Innovation Incentive Program grant funds. An equal amount has been committed by local governments and private entities, including Orange County and Orlando, the University of Central Florida and University of Florida, and a private donation of land, valued at $13.5 million, for its permanent facilities. Burnham's agreement is modeled after Scripps', except that there is no requirement for Burnham to return to the state a percentage of any royalties it may earn from commercialization of its discoveries.

Burnham currently is operating out of an Orlando-area blood bank, and has nine employees. It is expected to open its permanent facility in early 2009 at the planned Villages of Lake Nona development. This mixed-use development will have residential and commercial properties, as well as a medical cluster of schools, hospitals, and a research facility.

Torrey Pines Institute for Molecular Studies

In November 2006, the La Jolla, California-based Torrey Pines Institute for Molecular Studies entered into an agreement with OTTED to establish an independent research lab in St. Lucie County. Torrey Pines intends to move its headquarters to Port St. Lucie and most of its current employees within the next 2 years; its founder and president, Dr. Richard Houghten, already has moved to Florida and brought his key staff.

Torrey Pines Florida currently has 19 employees working in temporary laboratories at the Harbor Branch Oceanographic Institute in Fort Pierce.

Torrey Pines' expertise is developing methodologies that can quickly test the effectiveness of compounds in treating diseases. Its work is highly technical, and complementary to the pure research of a Scripps or Burnham.

Set aside for Torrey Pines is $24.728 million in Innovative Incentive Program grant funds and $7.272 million is provided by the Quick Closing Fund. The local community has committed $71.52 million to the project[11] – more than the required one-to-one match. Among the local commitments are: $40 million by the city of Port St. Lucie for buildings and equipment; $10 million in working capital from St. Lucie County; and land valued at $15 million donated by a private contributor that will be the site of Torrey Pines' permanent facilities. Florida Atlantic University also has made a $6.5 million, in-kind donation that includes the value of temporary facilities and the use of graduate assistants.

OTTED's agreement with Torrey Pines is modeled after the Scripps' agreement, and includes a provision for Torrey Pines to return to the state a percentage of any royalties it may earn from commercialization of any new research. Torrey Pines is required to employ 189 workers by the end of 2017.

SRI International-St. Petersburg
In November 2006, the California-based SRI International[12] entered into a 20-year agreement with OTTED to open a Florida facility focusing on marine technology research and development. Its main operations are located temporarily at the University of South Florida's St. Petersburg campus, but it expects to move into permanent facilities by March 2009 at the Port of St. Petersburg.

SRI is an independent, nonprofit research institute that performs research and development for government agencies, commercial businesses, foundations, and other organizations. Among its first projects in Florida was the August 2007 deployment of a prototype buoy-mounted, ocean wave-powered generator in Tampa Bay. The project is part of a program sponsored by a Japanese company focused on development and deployment of wave-powered generators around the world that operate on a renewable energy source.

Set aside for SRI is $20 million in Innovation Incentive Program funds. The local government and other commitments total $30 million, including $5 million each from the City of St. Petersburg and Pinellas County, a $5 million grant from the Florida Seaport Transportation and Economic Development program, and $15 million in-kind from the University of South Florida that includes facilities.
The SRI agreement is modeled after the Scripps agreement, and includes a provision for SRI to return to the state a percentage of any royalties it may earn from commercialization of any new research.

University of Miami's Institute of Human Genomics
The Institute of Human Genomics (the institute) was awarded an $80 million Innovation Incentive Program grant pursuant to proviso in the 2007-2008 General Appropriations Act. To date, $20 million in state funds has been released, with the signing of an agreement between the institute and OTTED last year.

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[11] Email from Sara Misselhorn, dated 8/13/07. On file with the Commerce Committee.
[12] SRI International originated in 1946 as the "Stanford Research Institute," and was a part of Stanford University. In 1970, it became independent of the university, and changed its name to SRI International.

University of Miami officials date the Institute's origin as Dec. 1, 2006, when its director started work. As of March 2008, the institute has 111 employees, and is operating out of temporary laboratories on the UM campus. Several of the Institute's key faculty members, and its director, were recruited from outside of Florida, and brought $40 million in National Institutes of Health research grants with them when they relocated here.

The institute's permanent facilities are under construction on campus, and are expected to be completed by the third quarter of 2008.

The institute's faculty and researchers hope to use information learned through the Human Genome Project, which "mapped" nearly all human genes, to create gene-based treatments or cures for afflictions such as Alzheimer's, cancer, and diabetes. Several of the Institute scientists were involved in the recent landmark discovery of a genetic link to multiple sclerosis.

The institute also is one of four research facilities in the United States that is receiving federal funding for a Hispanic Family Community Health Project, and is one of three facilities in the world with gene-sequencing equipment.

The institute's agreement is very similar in content and format to that of the Scripps contract, and includes a provision for the Institute to return to the state a percentage of any royalties it may earn from commercialization of any new research.

Max Planck Institute of Bio-Imaging
The newest of the Innovation Incentive program awardees, the Max Planck Institute is a spin-off from the German company that has been an international leader in bio-imaging. The institute plans to locate at FAU's Jupiter campus, near Scripps, later this year. At full strength, the institute is expected to have about 150 researchers from around the world. The state funds match the nearly $97 million, over 10 years, committed by Palm Beach County. OTTED and EFI are in the early stages of negotiating the state's agreement with the institute.

Florida's other economic development incentive programs
Chapter 288, F.S., includes at least a dozen economic development incentive programs to recruit, expand, or retain businesses to Florida. Each program is different, but can be accessed in various combinations by businesses, depending on their location, job creation, and other factors. EFI, the state's economic development entity, couples these incentives with various tax exemptions or tax refunds provided in other chapters of law, to broaden Florida's economic base.

Florida's economic incentive programs include: the Capital Investment Tax Credit; the transportation fund within OTTED's Economic Development Trust Fund; the Rural Infrastructure Fund; the Qualified Defense Contractor (QDC) incentive program; the Qualified Target Industry incentive program (QTI); the Brownfield Redevelopment program; the High Impact Business Incentive; and the Quick Action Closing Fund (QACF).

The individual statutes creating these programs explain the application, review and approval processes, and some include deadlines for each step of the process. Typically, a business seeking an incentive award must submit an application to EFI, which evaluates the application for eligibility, ensures application completeness, and prepares an economic analysis for each project. Based on this evaluation, EFI makes an official recommendation to OTTED for project approval. OTTED has the final authority to approve or deny an application, executes performance contracts with business applicants, and oversee claim payments. Currently an application may take from 23 days to 101 days to be approved or denied by OTTED.

QTI is the most used of the incentive programs. It was created by the Florida Legislature in 1994[13] to attract businesses that offer high-wage jobs and have a largely non-Florida customer base to relocate in Florida. Eligible businesses must represent one of the seven categories of industries on EFI's Targeted Industries List."[14]

Businesses that locate or expand in Florida are eligible for tax refunds of $3,000 per new job created. The tax refund increases to $6,000 per job for businesses that locate in an enterprise zone or rural county. In addition, a business is eligible for a $1,000 per job bonus if it pays more than 150 percent of the average area wage, and a $2,000 per job bonus if the wage exceeds 200 percent of the average area wage.

Another QTI requirement is local government support via a resolution passed by the county commission, and a match of at least 20 percent of the amount of the state's award. The local match can include the amount of ad valorem tax abatement or the appraised market value of public land and structures deeded to or leased by the QTI business. OTTED may waive the local match for rural communities that are unable to provide it.

Taxes eligible for refund under the QTI program are:

- Corporate income taxes under ch. 220, F.S.;
- Insurance premium tax under s. 624.509, F.S.;
- Taxes on the sales, use, and other transactions under ch. 212, F.S.;
- Intangible personal property taxes under ch. 199, F.S.;
- Emergency excise taxes under ch. 221, F.S.;
- Excise taxes on documents under ch. 201, F.S.;
- Ad valorem taxes paid, as defined in s. 220.03(1), F.S.; and
- Certain state communications services taxes administered under ch. 202, F.S.

In FY 2006-2007, OTTED approved 64 QTI applications, of which 61 were for projects still active in Florida.[15] The 61 approved projects have committed to create 8,773 new jobs, paying an average wage of $50,003. Since the program was created in 1994, OTTED has entered in to agreements with 606 companies, of which 317 either are still active or have completed the work, resulting in 64,415 jobs created and paying an average wage of $41,435.[16]

[13] CS/HB 2679 (ch. 94-136, L.O.F.)
[14] 2007 Incentives Report. Prepared by Enterprise Florida Inc. Information on page 51 of the report. Report available at: http://www.eflorida.com/uploadedFiles/Florida_Knowledge_Center/Resource_Center/Resource_Links/2007%20Incentives%20Report.pdf. Last visited April 10, 2008.
[15] Ibid, page 11 of the report.
[16] Ibid, page 13 of the report.

The Legislature created the QDC program in 1993[17] in response to the state's concerns that reductions in federal defense spending could result in losses of high-wage, high-technology jobs in Florida. Although the program has been amended several times in the intervening years, it retains the basic incentive that a qualified defense contractor would receive a $5,000 per job tax refund of certain state and local taxes for retaining or creating jobs. Pursuant to s. 288.1045, F.S., the QDC targets the following types of projects: consolidation of certain Department of Defense (DOD) contracts; conversion of DOD production jobs to non-defense production jobs; and projects involving the reuse of defense-related facilities for specific activities.

In order to qualify for certification as a qualified defense contractor, applicants must establish, in a written agreement, that the jobs created or retained will pay an estimated annual average wage of 115 percent of the average wage in the area where the project is located. If the project is the consolidation of a DOD contract, then the project also must result in a net increase of at least 25 percent in the number of jobs at the facility in Florida or the addition of at least 80 jobs at the applicant's facilities in Florida. If the applicant is converting defense production jobs to non-defense production jobs, it must show a net increase in non-defense employment at the facilities in Florida. The reuse of a defense-related facility also must result in the creation of at least 100 jobs at the Florida based facility.

To qualify for the state award, a project must receive a 20-percent match of the total award from a local government; the match may include certain types of excess utility payments.[18] The 20-percent local match may be waived in 26 counties impacted during 2004 hurricane season. [19]

After determining that the applicant meets the requirements of the program, OTTED reviews each application based on:
- Expected contributions to the state;
- The economic benefits of the jobs created or retained by the project;
- The amount of capital investment to be made by the applicant in the state;
- Local commitment and support for the applicant and the project;
- The impact of the project on the local community;
- The dependence of the local community on the defense industry;
- The impact of any tax refunds granted as a result of the project; and
- The length of the project or the long-term commitment to the state resulting from the project.

A qualified applicant may claim refunds from one or more of the following taxes paid:
- Sales and use taxes;
- Documentary stamp taxes;
- Emergency excise taxes;
- Ad valorem taxes;
- Corporate income taxes;
- Insurance premium taxes;

[17] CS/SB 32-C (ch.93-414, L.O.F.).
[18] Section 288.1045(1)(o), F.S.
[19] Section 288.1045(7), F.S.

- Intangible personal property taxes; and
- Certain state communications taxes under ch. 202, F.S.

A qualified applicant may receive a refund of up to $5,000 times the number of jobs created or retained under the terms of the refund agreement entered into with OTTED.

If the defense contractor does not meet its job creation objectives, it may still receive a prorated share of the refund minus a 5-percent penalty if it creates at least 80 percent of the jobs and pays at least 90 percent of the wage average specified in its agreement with OTTED, and meets the other requirements of its performance agreement.[20]

Since its inception, 38 QDC applications have been received, and 28 have been approved.[21] There are eight active or complete QDC projects, which have created or retained 1,697 jobs over the years with an average wage of nearly $69,000, and which have received a total of $6.96 million in tax refunds.[22] In FY 06-07, OTTED paid one QDC claim totaling $58,536.

The "2007 Incentives Report," prepared by Enterprise Florida, Inc., indicates that the number of QDC applications has increased in recent years because of increased federal spending on Homeland Security and defense-related projects. While it is not as widely used as the QTI program, one advantage is that it allows contractors to receive the incentive for retaining jobs. QTI and most of Florida's other business incentive programs require job creation.

<u>Florida Opportunity Fund</u>
In 2007, the Legislature created the Florida Opportunity Fund (fund), a private, not-for-profit corporation organized and operated under ch. 617, F.S., to invest in a fund-of-funds approach in seed and early-stage venture capital funds.[23] As envisioned by the Legislature, the fund's purpose is to support, through investments, emerging companies with potential to create high-wage jobs. The focus is on investment opportunities in Florida, in funds that represent companies involved in, for example, life sciences, information technology, advanced manufacturing processes, aviation and aerospace technologies, and homeland security and defense. Direct investment in individual companies is prohibited.

The Legislature appropriated $29.5 million in nonrecurring general revenue in FY 2007-2008 to the Florida Opportunity Fund for investments, and $500,000 for start-up activities.

The fund's five-member board of directors, selected by EFI, is interviewing applicants for its investment manager and expects to make a decision later this spring. No investments have been made, and will not be made until the investment manager has been hired.

<u>University business incubators</u>
"Business incubation" is generally defined as a business-support process that promotes the development of start-up and young companies by making available to them a variety of services

[20] Section 288.1045(5)(g), F.S.
[21] <u>2007 Incentives Report</u>. Prepared by Enterprise Florida Inc. Information on page 17 of report.
[22] Ibid. Page 18.
[23] CS/CS/HB 83 (ch. 2007-139, L.O.F.)

and resources, including work facilities, technical advice, and opportunities to market themselves to potential investors. Many incubators, even in Florida, are collaborations among universities. The University of Florida, the University of Central Florida, and the University of South Florida are among the state universities with business incubators.

III. Effect of Proposed Changes:

Section 1 creates s. 288.061, F.S., establishing a uniform timeline application process for economic development incentive programs. The new timelines are:

- EFI must review applications for completeness within 10 business days;
- EFI must evaluate the applications and recommend them for approval within 10 business days;
- OTTED has 10 calendar days to review the application for completeness; and
- OTTED has 35 calendar days to evaluate and approve the application.

This recommendation was developed with the concurrence of EFI and OTTED to replace the various current application review schedules. The new schedule will apply to transportation projects for local governments, the Rural Infrastructure Fund, the QDC program, the QTI program, the Brownfield Redevelopment Bonus Refund program, the High Impact Business Incentive, and the Quick Action Closing Fund.

Section 2 amends s. 288.063, F.S., to cross reference the standard timeline application process created in Section 1 of the bill, and delete the existing provision for the Economic Development Transportation Fund.

Section 3 amends s. 288.0655, F.S., to cross reference the standard timeline application process created in Section 1 of the bill, and delete the existing provision for the Rural Infrastructure Fund.

Section 4 amends s. 288.1045, F.S., relating to business incentives approved under the Qualified Defense Contractor Tax Refund Program. Specifically, the section:

- Cross-references the standard timeline application process created in Section 1 of the bill.
- Clarifies that the QDC refund for corporate income taxes is available to the business the first taxable year after the business signs the QDC agreement. This change was requested by the Department of Revenue.
- Deletes the requirements that the QDC application contain a notarized signature and an estimated amount of tax refunds to be claimed each year.
- Allows municipalities, rather than only counties, to adopt a resolution in support of a QDC project and to provide the necessary local match to qualify the applicant for the credits.
- Clarifies that the appraised market value of county or municipal land and improvements may be calculated into the local match requirement, consistent with the QTI program.
- Deletes a duplicative reporting requirement that is already in statute, in s. 288.095(3)(c), F.S.

Section 5 amends s. 288.106, F.S., relating to business incentives approved under the Qualified Target Industry Tax Refund Program. Specifically, the section:

- Cross-references the standard timeline application process created in Section 1 of the bill.
- Replaces a reference to the outdated "Standard Industrial Classification" (SIC) codes with the "North American Industry Classification System" (NAICS) codes, for the purposes of identifying businesses eligible for the QTI program.
- Clarifies the wage calculation requirement for QTI, by specifying that only the wages of new jobs can be used.

Section 6 amends s. 288.107, F.S., to cross-reference the standard timeline application process created in Section 1 of the bill, and delete the existing provision for the Brownfield Redevelopment Bonus Refund Program.

Section 7 amends s. 288.108, F.S., to cross-reference the standard timeline application process created in Section 1 of the bill, and delete the existing provision for the High Impact Performance Incentive Program. A provision for a duplicative OTTED report also is deleted.

Section 8 amends s. 288.1088, F.S., to cross-reference the standard timeline application process created in Section 1 of the bill, and delete the existing provision for the Quick Action Closing Fund.

Section 9 amends s. 288.1089, F.S., to make a number of changes to the Innovation Incentive program. It defines the terms "corporation," "naming opportunities," and "net royalty revenues," which are new to s. 288.1089, F.S.

A major addition to the existing law is the requirement that the agreement between OTTED and the grant awardee include a reinvestment provision, whereby the grant awardee returns a small portion of revenues earned through its activities to the state. The reinvestment will be between 10 percent and 15 percent of the awardee's naming rights and net royalties, including revenues from spin-off companies and revenues from the sale of stock received through its patentable inventions, methods, processes, or discoveries, either made or practiced using its Florida facilities or Florida-based employees, in whole or in part, and to which the awardee becomes entitled to during the 20 years following the effective date of its agreement with OTTED.

The reinvestment payments to the state commence no later than 6 months after the grant awardee has received its final disbursement of grant funds from the state, under the terms of the agreement. The reinvestment funds shall be deposited in either the Biomedical Research Trust Fund (or its successor) if they are contributed by an awardee that specializes in biomedical or life sciences research, or in the Economic Development Trust Fund (or its successor) for contributions from all other awardees. However, 10 percent of each reinvestment payment shall be deposited in the Building Florida's Future Revolving Loan Guarantee Trust Fund for its specified purposes.[24]

This section also:

[24] The Building Florida's Future Revolving Loan Guarantee Trust Fund is proposed in 2008 legislation, SB 2712.

- Adds the "average annual wage of non-management, non-research jobs" to the information that must be provided by a company in its Innovation Incentive grant application to OTTED, and which must be evaluated by EFI.
- Clarifies the application approval process, by specifying that the Executive Office of the Governor can release Innovation Incentive grant funds upon review and approval by the Legislative Budget Commission.
- Specifies that the provisions currently in law pertaining to what must be included in the Innovation Incentive agreement are simply the <u>minimum</u> requirements.
- Requires that the performance conditions stated in the agreement must be, at least, the same level as required for an applicant to qualify for consideration of an Innovation Incentive grant.
- Adds several requirements to the agreement between the awardee and OTTED. Awardees must establish internship programs or other educational opportunities for students and teachers; submit to OTTED and EFI quarterly and annual reports related to the awardees' activities and performance; and submit to OTTED an annual accounting of the expenditure of grant funds. Also, the agreement must include a process for amending it.

This section also deletes obsolete language, such as development of a set of business ethics standards by 2006.

<u>Section 10</u> amends s. 288.955, F.S., to broaden the Scripps Florida Funding Corporation's responsibilities to include some oversight of Innovation Incentive Program grant recipients. The new responsibilities are:

- Review of the business plans, quarterly and annual reports, and audits of companies that have received Innovation Incentive Program grants.
- Prepare an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, due Jan. 10 of each year, beginning in 2009.
- Invite Innovation Incentive Program grant recipients to appear at the corporation's board meetings to present progress reports on their activities.

The annual report must, at a minimum, include:

- An assessment of the progress made by each Innovation Incentive grant recipient in terms of achieving the agreement objectives, benchmarks, and performance standards, and a discussion of all relevant factors related to the recipient's progress.
- A review of the previous fiscal year's compliance and financial audits and any other records prepared by an independent CPA.
- Any recommended legislative changes or administrative improvements that may be undertaken by the Executive Office of the Governor.

This section also restructures the existing s. 288.955, F.S., as necessary, to improve clarity and deletes obsolete provisions, including the process for initial appointments to the Scripps board and deadlines for the signing of the original agreement with the Scripps Research Institute.

Section 11 amends s. 288.9624, F.S., relating to the Florida Opportunity Fund. The changes make state universities that have a venture capital fund eligible for investment partnerships with the Opportunity Fund. To be eligible, the university must:

- Be designated as a research university having a very high research activity according to the 2005 Carnegie Classifications;
- Invest directly in state-based seed or early stage venture capital funds; and
- Use the investments to support companies that are developing the commercialization of a particular product or service, and that are operating from laboratory or office space on campus which has been constructed by a private developer who is providing a minimum match of $3 for every $1 of state funds for construction and investment.

None of the Opportunity Fund monies can be used to directly invest in the individual companies.

Section 12 specifies that this act shall take effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

There is an indeterminate, but positive impact for businesses that are applying for any of the economic incentive programs utilized by EFI and OTTED. The streamlined review and notification of application approval or rejection process created in s. 288.061, F.S., will give businesses a quicker response to their requests. Also, businesses applying for the various state economic incentive programs likely will save time and money because of the modifications to the application forms.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by the Transportation & Economic Development Appropriations Committee on April 10, 2008:
The CS differs from the bill as filed in the following ways:

- Deletes the 50-percent cap on the amount of Innovation Incentive funding certain industries could receive.
- Makes eligible for Florida Opportunity Fund investments universities meeting certain requirements.
- Creates in s. 288.061, F.S., a streamlined and uniform process for EFI to review and evaluate, and for OTTED to review and approve, applications for state economic development incentive programs.
- Makes several technical changes to the QDC program's application requirements; deletes a duplicative report; extends to municipalities the ability to show support for a QDC contractor by passage of a resolution; and allows local governments to count the appraised market value of property or buildings deeded or leased to QDC contractors as the local match.
- Makes technical changes to the QTI program statute, and clarifies that only the wages of new jobs can be used in the QTI wage calculations.
- Amends the economic development transportation fund, the Rural Infrastructure Fund, the QDC program, QTI program, the Brownfield Redevelopment program, the High Impact Business Incentive program and the Quick Action Closing Fund statutes to delete existing application review and approval provisions, and replace them with a cross-reference to the new process in s. 288.061, F.S.
- Deletes a requirement for a duplicative report in the High Impact Business Incentive program statute.

B. Amendments:

None.