

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: March 5, 1998 Revised: _____

Subject: Small Business

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Givens</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>WM</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill creates the Florida Small Business Technology Growth Program to be administered by the Technology Development Board of Enterprise Florida, Inc. A separate small business technology growth account is established by the board within the Florida Technology Research Investment Fund for the purpose of funding the provisions of this bill. This bill also specifies the sources and the use of funds in the account and provides criteria for awards of assistance from the program.

This bill creates section 288.95155, Florida Statutes.

II. Present Situation:

Section 288.9512, F.S., creates within the nonprofit corporate structure of Enterprise Florida, Inc., a nonprofit public private board for the purpose of fostering the growth of high technology and other value-added industries in this state. The Technology Development Board is to provide leadership and market-driven, performance-based economic development tools to create the diverse cross section of innovation driven firms that are essential to a competitive economy in this state and that are characterized by better employment opportunities leading to higher wages. The board shall be governed by a board of directors which consists of the following members:

- The Chancellor of the State University System or the Chancellor’s designee;
- The executive director of the State Community College System or the executive director’s designee;
- A member of the Senate and the House of Representatives appointed by the Senate President and the House Speaker both of whom serve as an ex officio member of the board; and

- Nine to eleven members from the public and private sector, consisting of, but not limited to, individuals who represent technology-based businesses and industrial interests throughout the state appointed by the Governor, subject to Senate confirmation.

Section 288.9514, F.S., provides for the powers and authority of the technology development board of directors. The board shall achieve the purposes stated in s. 288.9512, F.S., as described above, through technology application, technology commercialization, and technology development, as well as through other activities related to building a competitive, knowledge-based economy. The board shall also have all the powers and authority not explicitly prohibited by statute necessary or convenient to carry out its functions, duties and responsibilities, including, but not limited to:

- Advising and assisting in formulating and coordinating the state's economic development policy regarding technology development and expansion that are consistent with the policies of the board of directors of Enterprise Florida, Inc.;
- Taking action in partnerships with private enterprises, educational institutions, and other organizations;
- Using a corporate seal;
- Advising and assisting in developing the state's technology development strategic planning process;
- Evaluating the performance and effectiveness of the state's technology enhancement and development programs;
- Reporting to the board of directors of Enterprise Florida, Inc., regarding its recommendations, functions, duties and responsibilities;
- Soliciting, borrowing, accepting, receiving and investing funds from any public or private source;
- Contracting with public and private entities as necessary to further its directives, except that any contract made with an organization represented on the nominating council or on the board of directors must be approved by a two-thirds vote of the entire board of directors, and the board member representing such organization shall abstain from voting. No more than 65 percent of the dollar value of all contracts or other agreements entered into in any fiscal year, exclusive of grant programs, shall be made with an organization represented on the nominating council or the board of directors. An organization represented on the board or on the nominating council may not enter into a contract to receive a state-funded economic development incentive or similar grant, unless such incentive award is specifically endorsed by a two-thirds vote of the entire board. The board member representing such organization, if applicable, shall abstain from voting and refrain from discussing the issue with other members of the board. No more than 50 percent of the dollar value of grants issued by the board in any fiscal year may go to businesses associated with board members;
- Carrying forward any unexpended state appropriations into succeeding fiscal years;
- Providing an annual report to the board of directors of Enterprise Florida, Inc., by November 1 of each year setting forth: its operations and accomplishments during the fiscal year; its business, operations and technology development plan, including recommendations on methods for implementing and funding the technology development plan; its assets and

liabilities at the end of its most recent fiscal year; a copy of an annual financial and compliance audit of its accounts and records conducted by an independent certified public accountant performed in accordance with rules adopted by the Auditor General; and

- The board shall design specific programs or entities to address the actions listed above.

Section 288.9515, F.S., provides for the authorization of programs of the technology development board. The board may create a technology applications service, called the Florida Innovation Alliance. The Florida Innovation Alliance shall serve as an umbrella organization for technology applications service providers throughout the state which provide critical, managerial, technological, scientific, and related financial and business expertise essential for international and domestic competitiveness to small-sized and medium-sized manufacturing and knowledge-based serviced firms. The board is authorized the following powers in order to carry out the functions of the Florida Innovation Alliance:

- Provide communication and coordination services among technology applications service providers throughout the state;
- Provide coordinated marketing services to small and medium-sized manufacturers in the state on behalf of, and in partnership with, technology applications service providers;
- Secure additional sources of funds on behalf of, and in partnership with, technology applications service providers;
- Develop plans and policies to assist small and medium-sized manufacturing companies or other knowledge-based firms in Florida;
- Enter into to contracts with technology applications service providers for expanded availability of high-quality assistance to small and medium sized manufacturing companies or knowledge-based service firms, including, but not limited to, technological, human resources development, market planning, finance, and interfirm collaboration. Among other things, the board shall ensure that all contracts in excess of \$20,000 for the delivery of such assistance to Florida firms shall be based on competitive requests for proposals and the board shall establish clear standards for the delivery of services under such contracts;
- Assist other educational institutions, enterprises, or the entities providing business assistance to small and medium sized manufacturing enterprises;
- Establish a system to evaluate the effectiveness and efficiency of Florida Innovation Alliance services provided to small and medium sized enterprises;
- Establish special education and informational programs for Florida enterprises and for educational institutions and enterprises providing business assistance to Florida enterprises;
- Evaluate and document the needs of firms in this state for technology application services, and develop means to ensure that these needs are met;
- Maintain an office in such place or places as the board recommends and the board of directors of Enterprise Florida, Inc., approves;
- Make and execute contracts with any person, enterprise, educational institution, association, or any other entity necessary or convenient for the performance of its duties and the exercise of the board's powers and functions;
- Receive funds from any source to carry out the purposes of the Florida Innovation Alliance, including, but not limited to, gifts or grants from any department, agency, or instrumentality

of the United States or of the state, or any enterprise or person, for any purpose consistent with the provisions of the Florida Innovation Alliance; and

- Acquire or sell, convey, lease, exchange, transfer, or otherwise dispose of the alliance's property or interest therein.

When choosing contractors, preference shall be given to existing institutions, organizations, and enterprises so long as they demonstrate the ability to perform certain standards established by the board.

The board may create a technology development financing fund, to be called the Florida Technology Research Investment Fund (the fund). The fund shall increase technology development in this state by investing in technology development projects that have the potential to generate investment grade technologies of importance to the state's economy as evidenced by the willingness of private businesses to coinvest in such projects. The board shall try to maintain the fund as a self-supporting fund once the fund is sufficiently capitalized. Technology research investment projects may include, but are not limited to;

- Technology development projects expected to lead to a specific investment-grade technology that is of importance to industry in this state,
- Technology development centers and facilities expected to generate a stream of products and processes with commercial application of importance to industry in this state, and
- Technology development projects that have, or are currently using other federal or state funds such as federal Small Business Innovation Research awards.

The board shall invest moneys contained in the fund toward technology application research or for technology development projects that have the potential for commercial market application. The investment of moneys contained in the fund is limited to investments in qualified securities in which private enterprise in this state coinvests at least 40 percent of the total project costs, in conjunction with other cash or noncash investments from state educational institutions, state and federal agencies, or other institutions. For the purposes of this fund, qualified securities include loans with warrants attached that are beneficially owned by the board, royalty agreements, or any other contractual arrangement in which the board is providing scientific and technological services to any federal, state, county, or municipal agency, or to any individual, corporation, enterprise, association, or any other entity involving technology development. No more than \$175,000 or 5 percent, whichever is greater, of the revenues generated by investment of moneys contained in the fund may be used to pay the partnership's operating expenses associated with operation of the fund. In the event of the dissolution of Enterprise Florida, Inc., or the fund, any rights or interests in a qualified security purchased with moneys invested by the State of Florida shall vest in the state, under the control of the State Board of Administration. The investment of funds contained in the fund does not constitute a debt, liability, or obligation of the State of Florida or of any political subdivision thereof. The board may create technology commercialization programs in partnership with private enterprises, educational institutions, and other institutions to increase the rate at which technologies with potential commercial application are moved from university, public, and industry laboratories into the marketplace.

Section 288.9517, F.S., provides for the boards audits and confidentiality.

Section 288.9519, F.S., provides that it is the intent of the Legislature to promote the development of the state economy and to authorize the establishment of a not-for-profit organization that shall promote the competitiveness of high technology business and industry.

Section 288.9520, F.S., provides for public records exemptions for certain types information that are received or discovered by the technology development board.

III. Effect of Proposed Changes:

Section 1 of the bill creates the Florida Small Business Technology Growth Program. The bill provides that the program shall be established to provide financial assistance to businesses in Florida having high job growth and emerging technology potential and fewer than 100 employees. The program shall be administered and managed by the technology development board of Enterprise Florida, Inc. Under the provisions of the bill, the board shall establish a separate small business technology growth account in the Florida Technology Research Investment Fund. The account shall be funded via appropriation by the Legislature. In addition, moneys shall consist of the proceeds of any collateral used to secure assistance, transfers, fees assessed for providing or processing such financial assistance, grants, interest earning, earnings of financial assistance, and any moneys transferred to the account by the Department of Community Affairs from the Economic Opportunity Trust Fund for use in qualifying energy projects.

Pursuant to s. 216.351, F.S., relating to inconsistent planning and budgeting laws passed subsequent to ch. 216, unused moneys appropriated into the account are not subject to reversion under s. 216.301, F.S., relating to planning and budgeting appropriation and undisbursed balances. All moneys in and continuously appropriated to the account may be used for loan guarantees, letter of credit guarantees, cash reserves for loan and letter of credit guarantees, payments of claims pursuant to contracts for guarantees, subordinated loans, loans with warrants, royalty investments, equity investments, and operations of the program. Any claim against the program shall be paid solely from the account and neither the credit nor the taxing power of the state shall be pledged to secure the account or moneys in the account, other than those appropriated or assigned to the account. In addition, neither the state, the technology development board, nor Enterprise Florida, Inc., shall be liable in any way for any claims against the account.

Awards from the program shall be finalized at meetings of the technology development board and shall be subject to the policies of Enterprise Florida, Inc. The bill enumerates the responsibilities and powers of the board to:

- Leverage at least one dollar of matching investment for each dollar awarded from the program;
- Give the highest priority to moderate and high risk ventures that offer the greatest opportunity for compelling economic development impact;

- Establish for each award a risk reward timetable that profiles the risks of the assistance, estimates the potential economic development impact, and establishes a timetable for reviewing the success or failure of the assistance; and
- Evaluate on a portfolio basis, by December 31 of each year, the results of all awards of assistance made from the program during the year.

By January 1 of each year, the board shall prepare a report on the financial status of the program and the account. The board shall submit a copy of the report to the board of directors of Enterprise Florida, Inc., and the Legislature. The report shall also specify the assets and liabilities of the account within the current fiscal year and include a portfolio update that lists the growth in sales and in employment of all the businesses assisted.

Section 2 of the bill provides that it takes 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. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

To the extent small businesses qualify for the Florida Small Business Technology Growth Program, they may be able to receive financial assistance or guarantees enabling them to obtain financial assistance from the proposed Florida Technology Research Investment Fund to aid in the transfer of technology to the market place.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
