

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.)

BILL: CS/SB 1922

SPONSOR: Education and Senator Sebesta

SUBJECT: University System/Professorships

DATE: March 29, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>FR</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill establishes industrial partnership professorships in the State University System. These professorships may be established at any state university through a contract between the university and a corporation willing to support the professorship, in exchange for a tax credit equal to half of the corporate contribution for the industrial partnership professorship.

This bill creates ss. 240.6065 and 220.192, F.S., scheduled for automatic repeal in 10 years, and it amends s. 220.02, F.S.

II. Present Situation:

In the State University System, most faculty are classified as Professors, Associate Professors, Assistant Professors, Instructors, and Lecturers.

Professors, Associate Professors, and Assistant Professors possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization. They are usually required to publish professional writings, academic research, or creative work in refereed and professional journals. They must be recognized authorities in their field of specialization.

Instructors and Lecturers are responsible for teaching, public service, and related activities. Their secondary responsibilities may include conducting research and providing academic advisement to students. Most are required to possess a master's degree from an accredited institution or the equivalent in professional experience.

Personnel Exchange Program

Section 240.227, F.S., directs state university presidents to establish a personnel exchange program. Instructional and research faculty and comparable administrative and professional staff may be exchanged with similar employees of independent postsecondary education institutions, units of government, or private industries. The original employers continue to pay the salaries and

benefits. The duties and responsibilities of a person participating in the exchange program must be the same as those of the person he or she replaces.

Practitioners in the Classroom

In an article titled, *Bringing Corporate Know-How to Class*, Michael G. Kovac and Norman R. Augustine argue for interaction between experienced industry practitioners and students. Students can learn about project management and relationships between design, manufacturing, and sales. They become familiar with typical work assignments, corporate work ethics, and group interaction of successful design teams.

According to Kovac and Augustine, an industrial professor might be involved in:

- commercializing technology related to patents derived from university research;
- writing proposals with other faculty for technology-related research when the proposals are submitted in collaboration with private industry;
- organizing seminars on industry needs for technology and research to inform students, faculty, and researchers;
- assisting faculty to interact with private industry;
- disseminating research results and technology from federal laboratories to private industry;
- and
- expediting the migration of new technology into the marketplace.

Corporate Income Tax Credits

Section 220.02(1), F.S., provides for an income tax “upon all corporations, organizations, associations, and other artificial entities which derive from this state or from any other jurisdiction permanent and inherent attributes not inherent in or available to natural persons . . . for the privilege of conducting business, deriving income, or existing within this state.” Chapter 220, F.S., also provides certain credits against the corporate income tax. Most of these tax credits are limited to a percentage of the annual costs a corporation incurs, are capped at an annual rate, and can be carried forward for a certain period of time. The Legislature usually grants rule-making authority to the Department of Revenue to administer the tax credits.

III. Effect of Proposed Changes:

Industrial Partnership Professorships

The legislation under consideration creates section 240.6065, F.S., to establish industrial partnership professorships within the State University System. A university may use existing personnel classifications as appropriate for the professor’s duties.

These professorships may be established in any discipline to allow instructional or research personnel with different formal training and experience from that required of traditional university faculty to teach and conduct research in a university setting.

The bill requires a contract between a university and a corporation that sponsor the professorship and requires the contract to include the terms of employment and the amount the sponsoring corporation will contribute annually to the establishment and maintenance of the professorship.

A contract for an industrial partnership professorship must be for at least 1 year; the contract may be renewed for additional periods.

Industrial Partnership Professorship Tax Credit

The legislation creates s. 220.192, F.S., to provide the corporation with an annual credit against the corporate income tax. This tax credit is equal to one-half of the amount a corporation contributes annually to the establishment and maintenance of an industrial partnership professorship. The Department of Revenue is authorized to adopt rules to implement the law.

If the full amount is not fully used in the first year it becomes available, it may be carried forward for a period not to exceed 5 years.

The tax credit differs from other corporate income tax credits authorized in chapter 220, F.S., in that it is not capped annually.

An example of the typical limitations on tax credits are in s. 220.19, F.S., which authorizes child care tax credits. Paragraph (2)(c) of that statute limits the total amount of the child care tax credit to \$2 million annually.

The bill also amends s. 220.02(10), F.S., to place the industrial partnership professorship tax credit at the end of the specific order in which credits against the corporate income tax or the franchise tax can be applied.

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:

The bill reduces the amount of the corporate income tax paid by a corporation sponsoring an industrial partnership professorship by an annual credit against the corporate income tax equal to one-half of the cost of the professorship.

B. Private Sector Impact:

A person employed in the private sector could be eligible for a professorship without necessarily attaining the educational and research credentials that are normally required for academia. The number will depend upon how vigorously universities pursue the options provided in the bill.

C. Government Sector Impact:

The bill reduces the amount of state revenues generated by the corporate income tax as a result of the annual credit against the corporate income tax to a corporation that sponsors an industrial partnership professorship. The amount will be estimated by the Revenue Estimating Conference and will depend upon how many partnerships are created and how much the industry partner provides in support.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Chapter 98-325, L.O.F., authorizes taxpayers to exclude amounts for certified university research. That law allows taxpayers to enter into contracts with universities in which the taxpayer agrees to dedicate particular employees or property to university research. Committee Substitute for SB 1922 does not specify whether the university or the corporation will decide which type of tax credit to authorize for support of a corporate employee working at a university. The Board of Regents may wish to adopt rules for a uniform method that universities will use to decide which type of contract to pursue. If so, the board will need specific authority to do so.

VIII. Amendments:

None.