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HOUSE OF REPRESENTATIVES
COMMITTEE ON
COLLEGES & UNIVERSITIES
ANALYSIS

BILL #: HB 483

RELATING TO: State University System

SPONSOR(S): Representative Rob Wallace

COMPANION BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) COLLEGES & UNIVERSITIES
(2) FINANCE & TAXATION
(3) EDUCATION APPROPRIATIONS
(4)
(5)

I. SUMMARY:

This bill establishes industrial partnership professorships as a classification of instructional personnel within the State University System and allows these professorships to be established in any discipline for the purpose of allowing instructional and/or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting. This bill also stipulates that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship. The duration of a contract for an industrial partnership professorship must be at least 3 years and the contract may be renewed for additional periods of up to 3 years. The bill also identifies the specifications that each contract must contain and requires the sponsoring corporation or corporations to be responsible for at least 70% of the yearly total cost of the professorship.

The bill also provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax. This tax credit is equal to the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship.

This bill also provides that an amount equal to the amount of a credit that is not fully used in the first year for which it becomes available can be carried forward for a period not to exceed 5 years. The bill places 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.

The fiscal impact of the bill is indeterminate. The amount of state revenues generated as a result of the corporate income tax should experience a reduction as a result of an annual corporate income tax credit the bill creates for the corporation or corporations sponsoring the industrial partnership professorship.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

SUS FACULTY CLASSIFICATIONS

Regular personnel in the State University System are categorized into the following three pay plans: Faculty Employees, Administrative and Professional Employees, and University Support Personnel System Employees. The faculty pay plan includes positions assigned the primary responsibility of teaching, conducting research, performing public service activities, or performing administrative functions directly related to an institution's academic mission. Most faculty are classified as Professors, Associate Professors, Assistant Professors, Instructors, and Lecturers.

Professors, Associate Professors, and Assistant Professors are required to possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. These faculty members are usually required to publish professional writings, academic research, or creative work in refereed and professional journals. Furthermore, they must be recognized authorities in their field of specialization. A university president may confer the title of "Distinguished Professor" upon a faculty member in recognition of truly outstanding accomplishments in his or her field of specialization.

Instructors and Lecturers are primarily responsible for teaching, performing public service, and performing related activities. Their secondary responsibilities may include conducting research and providing academic advisement to students. These faculty members tend to be required to possess a master degree from an accredited institution in an appropriate field of specialization or possess equivalent qualifications based on professional experience.

Graduate Research Professors are primarily responsible for conducting research and performing related activities. Their secondary responsibilities may include teaching, performing public service, and providing academic advisement to students. Usually, these faculty members possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. These faculty members are usually required to publish professional writings, academic research, or significant creative work in refereed and professional journals. Furthermore, they must be recognized as national or international authorities in their field of specialization.

Eminent Scholars occupy an endowed chair established within a university and are primarily responsible for teaching, conducting research, performing public service, and performing related activities. Their secondary responsibility may include providing academic advisement to students. Typically, these faculty members possess a terminal degree from an accredited institution or the highest degree appropriate in their field of specialization and possess a demonstrated record of achievement in the areas of teaching, academic research, and public service. Furthermore, they must be recognized as foremost scholars in their field of specialization and serve at the discretion of the university president.

PERSONNEL EXCHANGE PROGRAM

Section 240.227(11), Florida Statutes, directs each state university president to develop rules that are necessary for the establishment and maintenance of a personnel exchange program. Individuals that are employed by a university as instructional and research faculty and as comparable administrative and professional staff may be exchanged with individuals employed in similar capacities by institutions of higher learning which are not under the jurisdiction of a university. These institutions of higher learning not under the jurisdiction of a university can include units of government or private industries. The salaries and benefits of State University System personnel and State of Florida personnel participating in the exchange program must be continued during the period of time they participate in the exchange program, while the salaries and benefits of individuals participating in the personnel exchange program who are employed by institutions of higher learning which are not under the jurisdiction of a university must be paid by the originating employers of those participants. 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 their article, *Bringing Corporate Know-How to Class*, Michael G. Kovac and Norman R. Augustine suggest that the direct interaction between experienced industry practitioners and students can enhance the cultural transfer of industrial ideas and attitudes into the classroom. Students can have the opportunity to learn first-hand about project management and relationships between design, manufacturing, and sales. Additionally, students can become familiar with typical work assignments and corporate work ethics, and learn the importance of group interaction when creating successful design teams.

According to Kovac and Augustine, an industrial professor might be involved in technology development activities such as facilitating the commercialization of technologies and patents derived from university research; writing proposals with other faculty for technology- related research when the proposal is submitted in collaboration with private industry; organizing seminars in which industries present their technology and research needs to faculty, students, and research staff; facilitating the interaction of faculty with private industry; facilitating the diffusion of 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), Florida Statutes, expresses that it is the intent of the Legislature to “impose a 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, such as perpetual life, transferable ownership represented by shares or certificates, and limited liability for all owners. It is the intent of the Legislature to subject such corporations and other entities to taxation hereunder for the privilege of conducting business, deriving income, or existing within this state.” However, chapter 220, Florida Statutes, does provide certain tax 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. Furthermore, the Legislature usually grants rulemaking authority to the Department of Revenue in order to administer the tax credits.

B. EFFECT OF PROPOSED CHANGES:

In order to respond to the issue that there are practical components of several disciplines which can be delivered to students in the most effective manner by individuals possessing significant practical expertise in a specific field, this bill establishes industrial partnership professorships as a classification of instructional personnel within the State University System. These professorships can be established in any discipline for the purpose of allowing instructional and/or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting. This bill also stipulates that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship. Additionally, the bill requires the sponsoring corporation or corporations to be responsible for at least 70% of the yearly total cost of the professorship. However, the bill provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax.

Permitting personnel from selected industries to teach and conduct research in a university setting can provide students with instruction and knowledge from personnel who have a strong industrial background, expertise in the transfer of technology, management experience, a good undergraduate and graduate academic record, and demonstrated teaching ability. Furthermore, permitting a corporation or corporations to sponsor an industrial partnership professorship at a state university should strengthen the relationship between the private sector and the state’s public universities and should expose traditional faculty to the needs of private industry and the changes needed in various curriculums in order to better prepare students for the work force.

INDUSTRIAL PARTNERSHIP PROFESSORSHIP TAX CREDIT

HB 483 provides a corporation sponsoring an industrial partnership professorship with an annual credit against the corporate income tax. This tax credit is equal to the annual amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship. This tax credit appears to differ from other corporate income tax credits authorized in chapter 220, Florida Statutes. The tax credit that HB 483 provides is not based on a percentage of the costs a corporation incurs as a result of establishing and maintaining an industrial partnership professorship. This tax credit is equal to the total annual amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship. In contrast, other authorized tax credits are limited to a percentage of the annual costs a corporation incurs. For instance, section 220.19(1)(a), Florida Statutes, limits a child care tax credit to 50% of the start-up costs of child care facilities operated by a corporation for its employees. The industrial partnership professorship tax credit also differs from other authorized tax credits in that the total credit is not capped annually. Again, section 220.19(2)(c), Florida Statutes, limits the total amount of the child care tax credit to $2 million annually. HB 483 does not contain a similar provision.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

This bill does not authorize the Department of Revenue to adopt rules pursuant to the Administrative Procedure Act in order to administer section 220.192, Florida Statutes.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

An agency or program is not eliminated or reduced.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A.

(2) what is the cost of such responsibility at the new level/agency?

N/A.

(3) how is the new agency accountable to the people governed?

N/A.

2. Lower Taxes:

   a. Does the bill increase anyone's taxes?

      No.

   b. Does the bill require or authorize an increase in any fees?

      No.

   c. Does the bill reduce total taxes, both rates and revenues?

      Yes. The bill reduces the amount of the corporate income tax paid by a corporation sponsoring an industrial partnership professorship as a result of the provision of an annual credit against the corporate income tax. The bill reduces the amount of state revenues generated by the corporate income tax as a result of the provision of an annual credit against the corporate income tax to a corporation sponsoring an industrial partnership professorship.

   d. Does the bill reduce total fees, both rates and revenues?

      No.

   e. Does the bill authorize any fee or tax increase by any local government?

      No.

3. Personal Responsibility:

   a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

      No.

   b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

      Yes. The corporation or corporations sponsoring an industrial partnership professorship must not assume less than 70% of the yearly total cost of the professorship.

4. Individual Freedom:

   a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

      No.

   b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

      No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

This bill does not purport to provide services to families or children.

(1) Who evaluates the family's needs?

N/A.

(2) Who makes the decisions?

N/A.

(3) Are private alternatives permitted?

N/A.

(4) Are families required to participate in a program?

N/A.

(5) Are families penalized for not participating in a program?

N/A.

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

This bill does not create or change a program providing services to families or children.

(1) parents and guardians?

N/A.

(2) service providers?

N/A.

(3) government employees/agencies?

N/A.

D. STATUTE(S) AFFECTED:

Creates sections 240.6065 and 220.192, Florida Statutes. Amends section 220.02(10), Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

SECTION 1: Creates section 240.6065, Florida Statutes, provides for the establishment of industrial partnership professorships as a classification of instructional personnel within the State University System; provides that these professorships may be established in any discipline for the purpose of allowing instructional and/or research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty or instructional personnel to teach and/or conduct research in a university setting; provides that the industrial partnership professorships can be established at any state university through a contract between the university and a corporation or corporations agreeing to sponsor the professorship;

provides that the duration of a contract for an industrial partnership professorship must be at least 3 years and the contract may be renewed for additional periods of up to 3 years; provides the specifications that each contract must contain; provides that the sponsoring corporation or corporations must be responsible for at least 70% of the yearly total cost of the professorship; and provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax.

SECTION 2: Creates section 220.192, Florida Statutes, provides any private corporation sponsoring an industrial partnership professorship with a credit against the tax imposed by chapter 220, Florida Statutes, and provides that the amount equal to the amount of a credit that is not fully used in the first year for which it becomes available can be carried forward for a period not to exceed 5 years.

SECTION 3: Amends section 220.02(10), Florida Statutes, places 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.

SECTION 4: Establishes that this act shall take effect upon becoming a law and shall be repealed 10 years after the effective date, unless it is reenacted by the Legislature.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Please see Fiscal Comments.

2. Recurring Effects:

Please see Fiscal Comments.

3. Long Run Effects Other Than Normal Growth:

Please see Fiscal Comments.

4. Total Revenues and Expenditures:

Please see Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   The corporation or corporations sponsoring an industrial partnership professorship must not assume less than 70% of the yearly total cost of the professorship.

2. Direct Private Sector Benefits:

   The bill provides the corporation or corporations sponsoring an industrial partnership professorship with an annual credit against the corporate income tax.

3. Effects on Competition, Private Enterprise and Employment Markets:

   An increase in professorships can be expected as a result of the establishment of industrial partnership professorships within the State University System.

D. FISCAL COMMENTS:

This bill requires the private corporation or corporations sponsoring the industrial partnership professorship to assume at least 70% of the yearly total cost of the professorship. In addition, the amount of recurring state revenues generated should decrease as a result of an annual credit against the corporate income tax that the bill provides to the corporation or corporations sponsoring the industrial partnership professorship. This tax credit is equal to the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

On page 3, line 29, HB 483 appears to erroneously reference section 220.19, Florida Statutes. A technical amendment should be filed that references section 220.192, Florida Statutes, in order to correct the error. Furthermore, the Department of Revenue suggests that the bill include a section granting rulemaking authority to the Department of Revenue.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COLLEGES & UNIVERSITIES:

Prepared by:	Staff Director:
Daniel Furman	Betty H. Tilton, Ph.D.