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HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMITTEE ON COLLEGES & UNIVERSITIES
ANALYSIS

BILL #: HB 443

RELATING TO: Industrial Partnership Professorship

SPONSOR(S): Representative(s) Wallace

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) COMMITTEE ON COLLEGES & UNIVERSITIES YEAS 10 NAYS 1
(2) FISCAL POLICY & RESOURCES
(3) COUNCIL FOR LIFELONG LEARNING
(4)
(5)

I. SUMMARY:

HB 443 establishes the Industrial Partnership Professorship Program within the State University System and permits the Board of Regents to establish up to 15 such professorships for the purpose of bringing into a university setting instructional and research personnel whose formal training and experience differ from the formal training and experience required of traditional university faculty. Industrial partnership professorships must be established through a contract between a state university and the corporation sponsoring the partnership. The duration of the contract must be for at least one year. The sponsoring corporation must agree to provide two-thirds of the cost of the professorship and the State University System must provide the remaining third. The bill prohibits the State University System from spending more than $500,000 in any fiscal year for this program.

HB 443 creates the industrial partnership professorship tax credit that provides a sponsoring corporation a credit equal to one-half of the amount of the corporation's contribution during the calendar year to the establishment and maintenance of an industrial partnership professorship. If the credit is not fully used during the first year for which it becomes available, the unused amount can be carried forward for up to five years. HB 443 places this 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The Industrial Partnership Professorship Program and industrial partnership professorship tax credit are repealed July 1, 2011.

HB 443 may have a negative impact on state revenues as a result of the tax credit provided corporations that sponsor an industrial partnership professorship.

HB 443 takes effect July 1, 2001.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [x]
2.	Lower Taxes	Yes [x]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [x]
4.	Personal Responsibility	Yes []	No []	N/A [x]
5.	Family Empowerment	Yes []	No []	N/A [x]

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

State University System Faculty Classifications

Regular personnel in the State University System (SUS) 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. Additional faculty classifications include Graduate Research Professors and Eminent Scholars.

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's 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), F.S., 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 of private industries. The salaries and benefits of SUS 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 discuss recent efforts to enhance the position of the United States as a worldwide leader in technology including initiatives such as R&D tax credits, national laboratory outreach programs, technology transfer programs, and small business research programs. They propose a complementary approach of "industrial professorships" in which people from industry work full-time at an engineering school. They 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 Credit

Section 220.02(1), F.S., provides 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 all 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."

Chapter 220, F.S., provides for a number of tax credits that can be applied against the corporate income tax including: enterprise zone job credit; enterprise zone property tax credit; community contribution tax credit; hazardous waste facility tax credit; contaminated site rehabilitation tax credit; state housing tax credit; credit for Florida alternative minimum tax; rural job credit and urban high-crime area job tax credit; child care tax credits; and capital investment tax credit. Most of these credits are limited to a percentage of the annual costs a corporation incurs, are capped at an annual amount, and can be carried forward for a certain amount of time. Subsection (8) of s. 220.02, F.S., specifies the order in which credits are to be applied against either the corporate income tax or the franchise tax.

Board of Regents

The Florida Education Governance Reorganization Act of 2000 (ch. 2000-321, L.O.F.) repeals the Florida Board of Regents (BOR) effective January 7, 2003. The Education Governance Reorganization Transition Task Force, created by ch. 2000-321, L.O.F., has recommended that the repeal be expedited to July 1, 2001.

C. EFFECT OF PROPOSED CHANGES:

Industrial Partnership Professorship Program

HB 443 establishes an Industrial Partnership Professorship Program within the SUS and permits the BOR to establish a maximum of 15 professorships for the purpose of bringing into a university setting instructional or research personnel whose formal training and experience may differ from that required of traditional university faculty.

The industrial partnership professorships may be established at any state university by means of a contract between the university and the sponsoring corporation. The contract must be for a minimum of one year and may be renewed for additional years. The contract must specify the terms and conditions of employment of the industrial partnership professor and the amount the sponsor is to contribute on an annual basis. The sponsoring corporation must provide at least two-thirds of the costs of each professorship; the SUS must provide one-third. Total expenditures by the SUS for the program are capped at $500,000 in any fiscal year. A university may use existing personnel classifications for an industrial partnership professorship.

The corporation or corporations sponsoring the professorship will be allowed an annual credit against the corporate income tax for one-half of the amount contributed to the establishment and maintenance of an industrial partnership professorship during any calendar year.

HB 443 repeals the industrial partnership professorship program July 1, 2011.

The Department of Revenue is authorized to adopt rules to administer the industrial partnership professorship program.

Industrial Partnership Tax Credit

HB 443 creates an industrial partnership professorship tax credit for any private corporation that enters into a contract with a state university for the establishment of an industrial partnership professorship. The credit is equal to one-half the amount of the corporation's contribution during the calendar year to the establishment and maintenance of an industrial partnership professorship. If the credit is not fully used in the first year it becomes available, the unused amount may be carried forward for a period not to exceed 5 years.

The Department of Revenue is authorized to adopt rules to administer the tax credit.

HB 443 also amends s. 220.02 (8), 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 are to be applied.

HB 443 repeals the industrial partnership professorship tax credit on July 1, 2011.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: Creates s. 240.6065, F.S. – provides legislative intent; establishes the Industrial Partnership Professorship Program within the SUS; permits the BOR to establish no more than 15 industrial partnership professorships for the purpose of bringing into a university setting instructional or research personnel whose formal training and experience differ from that of traditional university faculty; 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 the contract must be at least one year and may be renewed for additional periods; requires the sponsoring corporation to provide two-thirds of the cost of each professorship and the SUS to provide one-third; prohibits the SUS from expending more than $500,000 per year for the Industrial Partnership Professorship Program; provides the corporation or corporations sponsoring the professorship with an annual credit against the corporate income tax; authorizes the Department of Revenue to adopt rules.

Section 2. Creates s. 220.192, F.S. – provides any private corporation sponsoring an industrial partnership professorship with a credit against the tax imposed by chapter 220, F.S., that is equal to one-half of the annual amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship; 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 five years; permits the Department of Revenue to adopt rules in order to administer the tax credit.

Section 3. Amends s. 220.02(8), F.S. -- 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. Repeals ss. 240.6065 and 220.192, F.S. as created by HB 443 on July 1, 2011.

Section 5. Provides an effective date of July 1, 2001.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The amount of recurring state revenues generated may decrease as a result of the annual credit against the corporate income tax that the bill provides to the corporation or corporations sponsoring an industrial partnership professorship. This tax credit is equal to 50% of the amount a corporation contributes to the establishment and maintenance of the industrial partnership professorship. If the tax credit is not fully used in the first year for which it becomes available, the unused amount may be carried forward for a period not to exceed five years.

2. Expenditures:

   The SUS may spend up to $500,000 per year for the Industrial Partnership Professorship Program.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill requires the sponsoring corporation to provide two-thirds of the costs of each professorship and provides the corporation with an annual credit against the corporate income tax that is equal to one-half of the amount a corporation contributes to the establishment and maintenance of an industrial partnership professorship during any calendar year.

D. FISCAL COMMENTS:

None.

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 and 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 and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

The bill permits the Department of Revenue to adopt rules to administer the sections of law relating to industrial partnership professorships and the industrial partnership professorship tax credit.

C. OTHER COMMENTS:

The Department of Revenue submitted the following comments/recommendations regarding HB 443:

> Remove the tax-related provisions from Section 1 of HB 443 and provide the rule-making authority to the BOR rather than the Department of Revenue. Require the BOR to certify to the Department of Revenue each corporation that has qualified under s. 240.6065, F.S., and the amount each corporation contributed to the Industrial Partnership Professorship Program. The Department of Revenue indicates that these changes are consistent with other tax credit programs.
>
> HB 443 does not indicate whether a taxpayer may take this credit in addition to excluding amounts for certified university research under s. 220.15, F.S. That statutory provision allows universities to enter into certified research contracts (contracts between the taxpayer and certain universities whereby the taxpayer agrees to exclusively dedicate particular employees and/or property to university research) with taxpayers that wish to participate.
>
> Strike references to “calendar” with regard to year. Many corporations file their returns using a tax year that is different from a calendar year. The bill provides for a credit against the corporate income tax based upon the amount contributed during a calendar year rather than the corporation’s tax year.
>
> The July 1, 2001 effective date of HB 443 may not permit sufficient time in which to modify the corporate income tax form. Current year corporate income tax returns are generally mailed to taxpayers in December or January. As this bill has a July 1, 2001 effective date, corporations with tax years that end prior to December will be using tax returns that do not reflect the provisions of this bill. Using a later effective date will enable the Department of Revenue to notify taxpayers, revise forms, and establish procedures to effectively and efficiently implement this provision.

The role of the BOR with regard to the Industrial Partnership Professorship Program may need to be addressed to be consistent with changes in education governance.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON COLLEGES & UNIVERSITIES:

Prepared by:	Staff Director:
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