

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 2950
 SPONSOR: Senator Garcia
 SUBJECT: Economic Development
 DATE: April 9, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Maclure</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>GO</u>	_____
3.	_____	_____	<u>ATD</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill reenacts statutory authority of Enterprise Florida, Inc., to create technology development and application services, saving the provisions from repeal scheduled for July 1, 2004. The bill, however, also revises this statutory authority by specifying that Enterprise Florida may provide managerial, technological, scientific, and financial expertise directly to businesses without using a contractor, reflecting the fact that Enterprise Florida is no longer affiliated with the former Florida Manufacturing Technology Center, which had provided these services under a contract with Enterprise Florida based on specific legislative appropriations for that purpose.

Further, the bill revises this statutory authority to provide that funds within the Florida Technology Research Investment Fund are continuously appropriated for investments in technologies that may have the potential for commercial success. These investments may take the form of loan guarantees, letter-of-credit guarantees, cash reserves for loan and letter-of-credit guarantees, payments of claims under contracts for guarantees, subordinated loans, loans with warrants, royalty investments, equity investments, and other contractual arrangements. Claims that may be made against the fund or Enterprise Florida, Inc., as the result of investments through the fund are payable solely from the fund.

The bill also authorizes Enterprise Florida to pay the combined annual operating expenses of the Florida Technology Research Investment Fund and the Florida Small Business Technology Growth Program by using no more than the lesser of \$175,000 or 5 percent of revenues from the investment of moneys in the fund plus 5 percent of the revenues generated by the Florida Small Business Technology Growth Program.

Lastly, the bill directs Enterprise Florida, in coordination with local and regional economic development organizations, to facilitate a statewide strategy designed to stimulate the growth of start-up businesses and technology innovations in this state.

This bill reenacts section 288.9511, Florida Statutes, and reenacts and substantially amends section 288.9515, Florida Statutes. The bill repeals section 288.9517, Florida Statutes; section 14 of chapter 93-187, Laws of Florida; and section 80 of chapter 2003-399, Laws of Florida.

II. Present Situation:

Enterprise Florida's Role in Technology Development

Enterprise Florida, Inc., is the principal economic development organization for the state. Part VIII of ch. 288, F.S., delineates authority for Enterprise Florida to engage in activities in support of the development of new technologies, the commercialization of technologies in the marketplace, and the application of technologies to manufacturing processes. Three of the relevant statutory sections – ss. 288.9511 (providing definitions), 288.9515 (authorizing technology development programs), and 288.9517 (providing for audits) – will expire on July 1, 2004, unless the Legislature saves the sections from repeal. The provisions originally were scheduled to repeal on December 31, 2003,¹ but the repeal date was extended to July 1, 2004, through the fiscal year 2003-2004 budget implementing bill.²

The Legislature had directed the Office of Program Policy Analysis and Government Accountability (OPPAGA) to review these provisions prior to their expiration. In its report,³ OPPAGA noted that part of the statutory authority for technology development activities stems from the Legislature's creation in 1993 of the Enterprise Florida Innovation Partnership. The Legislature established the Enterprise Florida Innovation Partnership as a public-private partnership charged with fostering the growth of small and medium-sized high technology manufacturers and increasing the number of high technology jobs in Florida. In 1996, the Innovation Partnership was renamed the Enterprise Florida Technology Development Board and brought under the umbrella of Enterprise Florida, Inc. The Technology Development Board, in turn, was eliminated as a separate entity within Enterprise Florida, Inc., in 1999.

Florida Manufacturing Technology Center

The Enterprise Florida Innovation Partnership used the authority granted by s. 288.9515(1)(a)-(f), F.S., to establish the Florida Manufacturing Technology Center, which was created to assist small-to-medium-sized manufacturers in using off-the-shelf technologies and methods to improve their efficiency and operations. The center was separated from Enterprise Florida in 1999 following the Governor's veto of state funding for this entity. The center is now operating as the Florida Manufacturing Extension Partnership⁴ and is funded by the U.S. Department of Commerce's National Institute of Standards and Technology.

¹ Section 14, ch. 93-187, L.O.F.

² Section 80, ch. 2003-399, L.O.F.

³ Office of Program Policy and Analysis and Government Accountability, *Statutes Authorizing Technology Commercialization and Development Initiatives Should be Re-Enacted*, Report No. 02-59, November 2002.

⁴ See <http://www.floridamep.org>.

Innovation and Commercialization Centers

The Enterprise Florida Innovation Partnership used the authority granted by s. 288.9515(5), F.S., to create regional innovation and commercialization centers, which were intended to help entrepreneurs bring new high technology products to the market. Six innovation and commercialization centers were initially established in Gainesville, Jacksonville, Orlando, Palm Beach, Tallahassee, and Tampa. The innovation and commercialization centers are no longer affiliated with Enterprise Florida. They were formally separated from Enterprise Florida in 1999.⁵ The OPPAGA report noted that three innovation and commercialization centers are still operating. These centers receive no state funding and no longer have contractual or funding relationships with Enterprise Florida.

Florida Technology Research Investment Fund

Section 288.9515(3) and (4), F.S., created the Florida Technology Research Investment Fund. It was established to partner with the private sector and the state's research universities to develop marketable technologies. The fund was to invest in projects that had potential to generate marketable products beneficial to the state's economy. Enterprise Florida still administers the Florida Technology Research Investment Fund. It presently administers contracts with 14 entities that were disbursed a total of \$2,403,871 from the fund during fiscal years 1997-98 and 1998-99. The fund's balance is approximately \$818,725. If the statutory provisions creating the Florida Technology Research Investment Fund repeal, any rights or interests in the fund vest in the state under the control of the State Board of Administration.⁶

Florida Small Business Technology Growth Program

In 1998, the Legislature authorized the Florida Small Business Technology Growth Program under s. 288.95155, F.S., to provide financial assistance to businesses having high job growth and emerging technology potential and fewer than 100 employees. The program is established as a separate account within the Florida Technology Research Investment Fund (see discussion above). Moneys in the account may be used for loan guarantees, letter-of-credit guarantees, cash reserves for loan and letter-of-credit guarantees, payment of claims pursuant to contracts for guarantees, subordinated loans, loans with warrants, royalty investments, equity investments, and operations of the program. Primarily the program provides guarantees to encourage banks to make loans to eligible businesses.

III. Effect of Proposed Changes:

This bill reenacts and revises statutory authority for Enterprise Florida, Inc., to promote technology development and application services. The bill saves ss. 288.9511 and 288.9515,

⁵ During that year, the Governor vetoed state funding for these entities. A 1998 report by the Office of Program Policy Analysis and Government Accountability noted that some of the centers were on the verge of becoming financially self-supporting and these centers would continue to operate if state funding was eliminated. See Office of Program Policy Analysis and Government Accountability, *Review of the Technology Board of Enterprise Florida, Inc.*, Report No. 98-30, December 1998.

⁶ OPPAGA, *supra* note 3, at 3.

F.S., from their scheduled repeal on July 1, 2004, and revises the statutory provisions to reflect changes that have occurred over time in Enterprise Florida's method of delivery of these types of services and to broaden the scope of Enterprise Florida's authority to engage in technology development activities.

Definitions

Section 1 of the bill reenacts and saves from repeal s. 288.9511, F.S., which prescribes definitions related to Enterprise Florida's authority for technology development programs. The terms defined under this section are: "educational institutions," "enterprise," "person," "product," "qualified security," "technology application," "technology commercialization," and "technology development."

"Technology application" refers to the introduction and adaptation of off-the-shelf technologies and state-of-the-art management practices to the particular circumstances of a single business. "Technology commercialization" refers to the process of bringing to the marketplace investment-grade technology from a university or similar setting. "Technology development" refers to strategically focused research that is designed to generate investment-grade technologies useful in the competitive marketplace.

Authorized Technology Development Programs

Section 2 of the bill saves from repeal and substantially revises s. 288.9515, F.S., which prescribes the authority of Enterprise Florida to implement technology development programs. In general, the revisions broaden Enterprise Florida's authority to conduct technology development activities and reflect the fact that Enterprise Florida is no longer affiliated with the former Florida Manufacturing Technology Center, which was authorized in 1993 and which provided technology assistance to businesses under a contract with Enterprise Florida.

Direct Provision of Technology Applications Services

The bill expands the scope of Enterprise Florida's authority beyond the creation of technology application services, to include technology development and technology application services. In addition, the bill authorizes Enterprise Florida to provide managerial, technological, scientific, and financial expertise directly to businesses, rather than serving as an umbrella organization for other organizations providing these services. This change appears to be designed to update the statute to account for the fact that Enterprise Florida is no longer affiliated with the former Florida Manufacturing Technology Center, which was created to assist small to medium-sized manufacturers in using off-the-shelf technologies and methods to improve their efficiency and operations. The center was separated from Enterprise Florida in 1999. Accordingly, the bill deletes provisions directing Enterprise Florida to enter into contracts with, and evaluate the effectiveness of, technology application service providers.

Florida Technology Research Investment Fund

Section 1 of bill also substantially revises the authority relating to the Florida Technology Research Investment Fund. The bill broadens Enterprise Florida's authority to invest moneys in

the fund, specifying that the moneys, including the moneys in the fund's separate account for the Florida Small Business Technology Growth Program, may be invested in:

- Technology application research;
- Technology development projects with potential for commercial market application; or
- The growth and development of small technology-based businesses.

In broadening Enterprise Florida's authority to invest moneys in the fund, the bill deletes a requirement that Enterprise Florida coordinate any investments in space-related technology projects with the Florida Space Authority and the Technology Research and Development Authority.

The bill further provides that all moneys in the Florida Technology Research Investment Fund are continuously appropriated for investments in technologies that may have the potential for commercial success. These investments may take the form of 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 other contractual arrangements. Claims that may be made against the fund or Enterprise Florida as the result of investments of the fund are payable solely from the fund. In addition, the bill specifies that the state is not pledging its credit or taxing power to secure the fund.

The bill authorizes Enterprise Florida to pay the combined operating expenses of the Florida Technology Research Investment Fund and the Florida Small Business Technology Growth Program each year by using the lesser of \$175,000 or 5 percent of the earnings on investment of moneys in the fund plus 5 percent of the revenues generated by the Florida Small Business Technology Growth Program.

Lastly, the bill directs Enterprise Florida to facilitate a statewide entrepreneurship strategy designed to spur the growth of start-up businesses and technology innovations in this state, in coordination with local and regional economic development organizations.

Repeals

The bill repeals the following provisions of law:

- Section 288.9517, F.S., which authorizes the Auditor General and the Office of Program Policy and Analysis and Government Accountability (OPPAGA) to audit the technology development board⁷ or related technology development programs. This audit authority is redundant with the authority of the Auditor General and OPPAGA to conduct audits codified elsewhere in Florida law.⁸

⁷ The Technology Development Board, which was originally named the Enterprise Florida Innovation Partnership, was an affiliated corporation under the umbrella of Enterprise Florida, Inc. The Technology Development Board was eliminated as a separate entity within Enterprise Florida, Inc., in 1999.

⁸ OPPAGA, *supra* note 3, at 4.

- Section 14, ch. 93-187, L.O.F., which provided for the repeal of the technology statutes on December 31, 2003.
- Section 80 of ch. 2003-399, L.O.F., which is the provision in the fiscal year 2003-2004 implementing bill which delayed the repeal of the technology statutes from December 31, 2003, to July 1, 2004.

Effective Date

The bill takes effect upon becoming a law, which will enable the affected statutory provisions to be reenacted and revised prior to their scheduled July 1, 2004, expiration.

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:

The bill preserves and broadens the statutory authority for Enterprise Florida, Inc., to engage in technology development activities and create technology development programs. Start-up and other businesses in high technology fields may benefit from the services and activities of Enterprise Florida in this area.

C. Government Sector Impact:

The bill specifies that all moneys in the Florida Technology Research Investment Fund, which is administered by Enterprise Florida, are continuously appropriated. The bill also authorizes Enterprise Florida to pay the combined operating costs of the investment fund and the related Florida Small Business Technology Growth Program each year by using the lesser of \$175,000 or 5 percent of the earnings on investment of moneys in the fund plus 5 percent of the revenues generated by the Florida Small Business Technology Growth Program.

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.
