

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 593 Florida Research Commercialization Matching Grant Program

SPONSOR(S): Precourt and others

TIED BILLS: IDEN./SIM. BILLS: SB 738, SB 1120

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Committee on Economic Development		West	Croom
2) Economic Expansion & Infrastructure Council			
3) Policy & Budget Council			
4)			
5)			

SUMMARY ANALYSIS

This bill creates the Florida Research Commercialization Matching Grant Program to assist small or startup companies that take advantage of federal and state partnerships to overcome a funding gap faced by many small companies for the creation of new technology-based products. All applicants for the Florida Research Grant Program:

- Must be a small business that is registered with the Department of State; and
- Must be in the process of applying for or have received a federal award under the Small Business Innovation Research Program or the Small Business Technology Transfer Program administered by the U.S. Small Business Administration Office of Technology

The following criteria must be met to qualify for the Florida Research Commercialization Matching Grant Program:

- At least 20 percent of the total project funding must come from the federal government;
- No more than 25 percent of the funding may come from the Florida Research Commercialization Matching Grant Program;
- At least 25 percent of the project funding must come from sources other than the federal government and the state program; and
- Projects funded by this program must be conducted in the state.

The bill also:

- Creates a statewide advisory committee to establish criteria and approve grant awards;
- Creates a grant-selection committee to review applications, implement consistent selection criteria, and recommend award recipients;
- Requires Enterprise Florida, Inc., to report on program progress and results; and
- Provides that the program shall make 20 to 30 awards ranging from \$100,000 to \$250,000 each, for a total of \$5 million. The bill does not contain an appropriation.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government - This bill creates a 15-person statewide advisory committee, a 5-person grant-selection committee, and names Enterprise Florida, Inc. as the program administrator.

B. EFFECT OF PROPOSED CHANGES:

Background

The commercialization of new ideas and technologies brings business startups in emerging industries to the marketplace. According to Enterprise Florida, Inc., once brought to market, these innovations spur economic productivity and growth. A state's ability to foster research and development and commercialization activities greatly determines its long-term economic vitality and its success in providing its citizens with high-wage, high value-added jobs that can prosper in the ever-changing global marketplace.¹

Federal Programs Supporting Technology Commercialization²

The U.S. Small Business Administration Office of Technology administers the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) to encourage small business to explore their technological potential and provide the incentive to profit from its commercialization.

The SBIR and the STTR target the entrepreneurial sector because that is where most innovation and innovators thrive. However, the risk and expense of conducting serious research and development efforts are often beyond the means of many small businesses. By reserving a specific percentage of federal research and development funds for small business, these businesses are protected and able to compete on the same level as larger businesses. SBIR and STTR fund the critical startup and development stages and it encourages the commercialization of the technology, product, or service, which, in turn, stimulates the U.S. economy. The only substantial difference between the programs is that the SBIR rewards for-profit businesses only, while a nonprofit research institution may qualify for the STTR.

Small businesses must meet certain eligibility criteria to participate in the SBIR and STTR program. The business must be American-owned and independently operated; must have a principal researcher employed by business; and must not have more than 500 employees.

¹ 2007 Legislative Proposal, Florida Research Commercialization Matching Grant Program, An Initiative of the Enterprise Florida Technology Entrepreneurship and Capital Committee.

² U.S. Small Business Administration, available online at: <http://www.sba.gov/sbir/indexsbir-sttr.html#sttr>.

Each year, eleven federal departments³ and agencies are required by SBIR (five by the STTR⁴) to reserve a portion of their research and development funds for award to small business. These agencies designate research and development topics and accept proposals.

The programs consist of three phases. Following submission of proposals, agencies make SBIR and STTR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards then begin a three-phase program.

- Phase I is the startup phase. Awards, up to \$100,000 for approximately 6 months, are provided to support the exploration of the technical merit or feasibility of an idea or technology;
- Phase II awards, up to \$750,000 for as many as 2 years, expand on Phase I results. During this time, the research and development work is performed, products are created, and the developer evaluates commercialization potential. Only Phase I award winners are considered for Phase II awards; and
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase. The small business must find funding in the private sector or other non-SBIR federal agency funding.

In 2004, Florida received a total of:

- 153 Phase I and Phase II SBIR awards totaling \$42,228,732 ranking Florida twelfth among all states; and
- 29 Phase I and Phase II STTR awards totaling \$7,764,217, ranking Florida seventh among all states.

Florida trails most states in participation of the federal programs, ranking 31st in the country in ability to move companies from Phase I to Phase II.

Effects of Proposed Changes

This bill creates the Florida Research Commercialization Matching Grant Program to:

- Increase federal research money received by small businesses in the state through the SBIR and SBTT programs;
- Accelerate the entry of new technology-based products into the marketplace;
- Produce additional technology-based jobs for the state;
- Provided leveraged resources to increase the effectiveness of applicant's projects;
- Speed up the commercialization of promising technologies;
- Encourage the establishment and growth of high-quality, advanced technology firms in the state; and
- Accelerate deal flow and enhance Florida's investment infrastructure.

All applicants for the Florida Research Grant Program:

- Must be a small business that is registered with the Department of State (DOS);
- Must be in the process of applying for or have received a federal award under the SBIR or STTR program.

³ U.S. Departments of: Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Transportation; and the Environmental Protection Agency, the National Aeronautics and Space Administration, and the National Science Foundation.

⁴ U.S. Departments of: Defense, Energy, Health and Human Services; the National Aeronautics and Space Administration, and the National Science Foundation.

For awards under Phase II of the SBIR or STTR, an applicant must have received a Phase I award and an invitation by the U.S. Small Business Administration to apply for the Phase II award.

The bill creates a 15-member statewide advisory committee to ensure inclusion of statewide perspectives in the development and administration of the Florida Research Commercialization Matching Grant Program, establish criteria for grant awards, approve grant awards, review program progress, and communicate with policy makers. Committee membership must reflect the diverse nature of research and development and capital investment industries in the state. The Governor, the President of the Senate, and the Speaker of the House of Representatives will each appoint one member apiece from the following four entities:

- A Florida university technology commercialization organization;
- A state research institute;
- Florida's early stage venture capital community; and
- Entrepreneurs representing a startup company.

In addition, the Governor shall appoint one committee member from a regional technology development organization in the state and one member of the board of the Florida Research Consortium. The chairperson of the Technology Entrepreneurship and Capital Board Committee of Enterprise Florida, Inc., shall serve as a member on the board.

Committee members will serve without compensation but may be reimbursed for travel and per diem expenses. The committee's initial meeting shall be held no later than October 1, 2008 and subsequent meetings will be held upon the call of the chairperson. The committee shall submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives on September 1 of every year starting in 2009.

The bill establishes a grant-selection committee to review applications, implement consistent selection criteria, and recommend award recipients to the statewide advisory committee. The members of the selection committee must be experienced in conducting, reviewing, and evaluating research and development projects, or persons who have been successful in developing commercialization programs and managing investment in early-stage companies. The committee will have no fewer than five members chosen by Enterprise Florida, Inc., the program administrator.

The following criteria must be met to qualify for the Florida Research Commercialization Matching Grant Program:

- At least 20 percent of project funding must come from the federal government.
- No more than 25 percent of project funding may come from the Florida Research Commercialization Matching Program.
- At least 25 percent of the project funding must come from sources other than the federal government and the state program.
- Projects funded by this program must be conducted in the state.

In order to assist companies that are awarded a Florida Research Commercialization Matching Grant transition from Phase II to Phase III under the SBIR or STTR the bill requires the program administrator to establish a database to track grant recipients progress and provide them access to investors and venture capital firms.

The Florida Research Commercialization Matching Grant Program is directed to make 20 to 30 awards ranging from \$100,000 to \$250,000 each, for a total of \$5 million annually.

C. SECTION DIRECTORY:

Section 1. Creates s. 288.9552, F.S., the Florida Research Commercialization Matching Grant Program.

Section 2. Provides the program shall take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The program created by this bill may attract new businesses and high-wage jobs to Florida. It is possible that a positive impact on state government revenues could result in increased tax revenues.

2. Expenditures:

There is no appropriation in the bill. The program allows 20 to 30 grants of \$100,000 to \$250,000 to be awarded annually, for a total of \$5 million.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The program created by this bill may attract new businesses and new high-wage jobs to Florida. It is possible that a positive impact on local government revenues could result in increased local tax revenues.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Companies that have received federal funding through the SBIR or STTR would be eligible for additional funding through the Florida Research Commercialization Matching Grant Program.

D. FISCAL COMMENTS:

There is no appropriation in this bill. However, the program will cost \$5 million annually.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The bill does not address whether the members of the grant-selection committee serve with or without compensation. The bill does not address the cost, if any, to the program administrator of establishing the database required by this bill.

D. STATEMENT OF THE SPONSOR:

No statement submitted

.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES