

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 593 Florida Research Commercialization Matching Grant Program

SPONSOR(S): Precourt & others

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

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Economic Development</u>	<u>10 Y, 0 N</u>	<u>West</u>	<u>Croom</u>
2) <u>Economic Expansion & Infrastructure Council</u>	<u></u>	<u>West</u>	<u>Tinker</u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

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 have its primary office and a majority of its employees domiciled in Florida; 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:

- No more than 25 percent of the funding may come from the Florida Research Commercialization Matching Grant Program; and
- Projects funded by this program must be conducted in the state.

The bill also:

- Designates Enterprise Florida, Inc., Technology, Entrepreneurship and Capital Committee, to develop program policy, ensure statewide applicability, establish criteria, approve grant awards, and review program progress and results;
- 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.

Note: Substantial amendments were adopted on March 6, 2008 by the Committee on Economic Development. See Section IV for a summary of amendments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0593b.EEIC.doc
DATE: 4/4/2008

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government - This bill directs Enterprise Florida's Technology, Entrepreneurship and Capital Committee to develop program policy, ensure statewide applicability, establish criteria, approve grant awards, and review program progress and results.

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 encourage 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 programs. 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 grants 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;
- Provide 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 Commercialization Matching Grant Program:

- Must be a small business that is registered with the Department of State (DOS) and have its primary office and a majority of its employees domiciled in Florida ;
- Must have applied or 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 designates Enterprise Florida's Technology, Entrepreneurship and Capital Committee, to administer the Florida Research Commercialization Matching Grant Program. The committee will develop program policy, ensure statewide applicability, establish criteria, approve grant awards, and review program progress and results.

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

- No more than 25 percent of project funding may come from the Florida Research Commercialization Matching Program; and
- Projects funded by this program must be conducted in the state.

The Florida Research Commercialization Matching Grant Program is directed to make one-time awards of up to \$250,000 to qualified applicants. The bill provides a \$5 million appropriation for FY 2008-2009.

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:

The program allows one-time grants of up to \$250,000 to be awarded to qualified applicants. The bill provides a \$5 million appropriation for FY 2008-2009.

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:

The bill provides a \$5 million appropriation for FY 2008-2009.

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:

None.

D. STATEMENT OF THE SPONSOR:

No statement submitted

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On Thursday March 6, 2008, the Committee on Economic Development reported the bill favorably with a strike-all amendment with a title amendment. The amendment:

- Removed language that provided for the establishment of a statewide advisory committee and grant-selection committee and replaced those committees with an existing Enterprise Florida, Inc., committee that will assume the responsibilities originally given to the statewide advisory committee;
- Added a requirement that review and approval or denial of applications for matching grants must be completed within 45 days;
- Changed the date on which an annual report is due from September 1st to December 1st;
- Added language that provides funds will not be disbursed to a qualified applicant until all contract requirements have been met;
- Removed language that provided unused legislative appropriations would carry forward to succeeding fiscal years;
- Deleted a provision that called for the establishment of a technical assistance network;
- Requires qualified applicants to have its primary office and a majority of its employees domiciled in Florida;
- Deleted a requirement that at least 20 percent of total funding for the project come from the federal government and at least 25 percent of total funding must come from sources other than the state award and federal award;
- Added a requirement that a qualified applicant must demonstrate funding from the private sector;
- Deleted a requirement that the program make 20-30 awards ranging from \$100,000 to \$250,000 each for a total of \$5 million annually and replaced it with a provision that the program may make one-time awards of up to \$250,000; and
- Added appropriation language that the nonrecurring sum of \$5 million is appropriated from the General Revenue Fund to Enterprise Florida, Inc., for the purposes of implementing the matching grant program.