

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government - The bill creates the Florida Research Commercialization Matching Grant Program but does not specify what entity will administer the grant program.

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, once brought to market, these innovations spur economic productivity and growth, becoming the main sources of wealth and prosperity for a society in which change is the norm and high-speed evolution is vital to financial success and survival. 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 programs protect the small business and enables it to compete on the same level as larger businesses. SBIR and STTR funds 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.

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.

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>.

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.

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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 of up to \$100,000 for approximately 6 months support exploration of the technical merit or feasibility of an idea or technology.
- Phase II awards of up to \$750,000, for as many as 2 years, expand Phase I results. During this time, the research and development work is performed and the developer evaluates commercialization potential. Only Phase I award winners are considered for Phase II.
- 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 twelfth in the country in state funding. In 2004, Florida received a total of 29 Phase I and Phase II STTR awards totaling \$7,764,217, ranking seventh in the country in state funding.

Effects of Proposed Changes

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 accelerate their growth and market penetration. All applicants for the Florida Research Grant Program:

- Must be a small business that is registered with the Department of State (DOS). If they are not, their eligibility for this program is contingent upon registering with DOS.
- Must be in the process of applying for or have received a federal award under the SBIR or STTR within the previous 12 months prior to the proposed project.

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 statewide advisory committee to ensure inclusion of statewide perspectives in the development and administration of the Florida Research Commercialization Matching Grant Program. Committee membership must reflect the diverse nature of research and development and capital investment industries in the state.

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 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 the state must be located in the state.

The bill establishes a selection committee to review applications, implement consistent selection criteria, and select award recipients. 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 bill provides selection committee must solicit applications for the matching grant program. Once the application has been received the selection committee must review and vote on whether to award the grant within ten days. The amount of funds awarded for each grant will be determined based on the funding available, program constraints, and the discretion of the selection committee.

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 establishment of a database to track grant recipients progress and provide them access to investors and venture capital firms.

The bill provides that in order to monitor the success and impact of the Florida Research Commercialization Matching Grant Program, the following assessments will be made when appropriate:

- Award recipients must submit a quarterly report documenting their progress and use of funds, and a final report upon conclusion of Phase II of the SBIR or STTR activities.
- A database of award recipients must be maintained with company profiles and contact information.
- The statewide advisory committee must be provided with an annual report regarding awards issued, progress made by award recipients, overall program results, and suggestions for enhancing the program.

The bill provides the Florida Research Commercialization Matching Grant 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 provide an appropriation.

C. SECTION DIRECTORY:

Section 1. Creates s. 288.9552, F.S., creating: the Florida Research Commercialization Matching Grant Program; the statewide advisory committee; applicant eligibility guidelines; the selection committee, and other program requirements.

Section 2. Provides and effective date of July 1, 2007.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None. See Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

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 does not specify what agency or entity will be responsible for administering the Florida Research Commercialization Matching Grant Program. There will be administrative costs associated with the program, but the amount is not known at this time.

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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 creates a statewide advisory committee and a selection committee but does not specify who chooses the members; how many members will serve on the committees; whether members are compensated or receive per diem; or what entity will administratively support the committees.

The bill assigns duties to a program administrator but does not specify what entity the administrator works for.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES