

Department of Planning and Budget 2015 Fiscal Impact Statement

1. **Bill Number:** SB1038-ER

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Hanger

3. **Committee:** Passed Both Houses

4. **Title:** Investment in research and technology

5. **Summary:** Makes changes to the Commonwealth Research Commercialization Fund (CRCF), including adding a federal research facility located in the Commonwealth to the list of entities eligible to apply for a grant, and clarifies that the length of time that a business has been incorporated does not affect an entity's eligibility for an award. The bill provides for the Innovation and Entrepreneurship Investment Authority (IEIA) to consult with the Secretary of Technology on the guidelines developed for the administration of the CRCF. The bill also transfers the authority to appoint the five citizen members to the Research and Technology Investment Advisory Committee from the IEIA to the Governor and the General Assembly and streamlines the membership criteria of the Committee.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** Fiscal impact estimates are final. See Item 8.

8. **Fiscal Implications:** This bill modifies qualifications for the Commonwealth Research Commercialization Fund (CRCF) and requires program guidelines be developed by the Innovation and Entrepreneurship Investment Authority (IEIA) in consultation with the Secretary of Technology. As the nonprofit operating arm of IEIA, the Center for Innovative Technology (CIT) currently administers the CRCF and supports the Research and Technology Investment Advisory Committee (RTIAC), which reviews award applications and makes recommendations to the Authority.

The bill provides that the length of time a business has been incorporated shall not affect its eligibility for an award. Existing CRCF program guidelines do contain restrictions based on the age of qualifying private sector businesses. According to CIT, this change is expected to increase the number of CRCF applications by expanding the applicant pool to include more mature companies. CIT will be responsible for program management and application evaluation for any additional application volume. Also, existing CRCF award categories and guidelines will need to be adjusted to reflect the eligibility of businesses of all ages.

The impact to CRCF administrative costs will depend on changes to application volume. CIT estimates a 50 percent increase in applications is projected to result in \$99,200 additional administrative costs, based on its current cost per application. CIT is reimbursed

annually for administrative costs from the funds in the Commonwealth Research Commercialization Fund. Therefore, any additional administrative costs would reduce the funds available for award. The fund has historically retained balances, with total awards less than annual CRCF appropriation.

The bill designates that federal research facilities located in Virginia are qualifying institutions for CRCF awards. This is not expected to have an impact, as such facilities are currently considered to qualify for CRCF as “other research institutions” under the existing authority in § 2.2-2233.1 D 3, Code of Virginia.

A facilities enhancement loan program for higher education institutions and associated intellectual property foundations is eliminated in the bill. According to CIT, this is expected to have a nominal impact, as no awards have been executed for this program and inquiries and applications have been very limited.

9. Specific Agency or Political Subdivisions Affected: Innovation and Entrepreneurship Investment Authority/ Center for Innovative Technology, Secretary of Technology

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 3/6/2015

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