

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB1343

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron: Jones

3. Committee: Passed Both Houses

4. Title: Virginia Growth and Opportunity Board and Virginia Research, Development, and Commercialization Fund; established; report.

5. Summary: Establishes the Virginia Research Investment Fund (the Fund) to promote research, development, and commercialization in the Commonwealth, and economic development related thereto. Establishes the Virginia Research Investment Committee to evaluate and award grants and loans from the Fund. The bill provides that the State Council of Higher Education for Virginia (SCHEV) will establish guidelines related to administration and award of grants from the Fund. Upon receipt of completed grant applications, SCHEV will forward them to an entity with recognized science and technology expertise to review and rank the applications. The Committee would ultimately make award decisions taking into account the recommendations from these review panels. Further, the bill provides that the General Assembly may specifically designate that certain moneys appropriated to Fund be invested, reinvested, and managed by the Board of the Virginia Retirement System.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final. See item 8, below.

8. Fiscal Implications: This bill creates the Virginia Research Investment Committee (Committee) to administer grants from the Virginia Research Investment Fund (the Fund), which is also established by the legislation. The Committee is charged with establishing criteria for grants awarded from the Fund. While the bill does not identify a source of funding for the Fund, the Conference Budget contains an approved amendment to Item 255 of enrolled HB30 to provide \$8.0 million in FY2017 and \$14.0 million in FY2018 from the general fund for the Fund established by this legislation. Therefore, an additional budget amendment is not necessary.

The bill gives primary responsibility for developing procedures, criteria, and guidelines for the application and award of grants from the Fund to the State Council of Higher Education for Virginia (SCHEV). Additionally, SCHEV is responsible for initial review of applications for grant funding. Item 146 of HB30 as introduced included an additional \$250,000 and three positions in FY2017 and \$300,000 and three positions in FY2018 from the general fund to assist SCHEV in “addressing the responsibilities placed on the agency.” Conference budget amendments increase this funding by \$300,000 in each year to a total of \$550,000 in FY2017

and \$600,000 in FY2018. At this point, it is not known if SCHEV could absorb the workload related to supporting the Board's actions within existing and proposed staff and resources.

The bill provides that the General Assembly may specifically designate that certain moneys appropriated to the Fund be invested, reinvested, and managed by the Board of the Virginia Retirement System (VRS). The fiscal impact to VRS is indeterminate and would depend on the frequency of distributions from the invested funds and the scope of VRS' administrative responsibilities. The bill allows VRS to assess a reasonable administrative fee for its services, which would depend on its actual costs. VRS must fully recover such costs due to the exclusive benefit rule under § 401 of the Internal Revenue Code.

If the funds managed by VRS were invested alongside the VRS trust fund and limited to one annual distribution, a minimal administrative fee would be charged from the invested funds. This is the manner in which VRS currently administers assets of the Commonwealth Health Research Fund and the Commonwealth's Attorneys Training Fund. More frequent distributions may not be feasible and additional administrative responsibilities would be expected to have a greater impact. Since funds would be invested pro rata across all of the VRS asset classes, multiple distributions throughout the year would not be practicable with respect to liquidity and would create significant challenges related to required accounting for and tracking of inflows and outflows.

- 9. Specific Agency or Political Subdivisions Affected:** Innovation and Entrepreneurship Investment Authority, the State Council of Higher Education for Virginia, agencies within the Secretariats of Commerce and Trade, Technology, and Education.

10. Technical Amendment Necessary: No.

11. Other Comments: None.