

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: HB2550

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

2. Patron: Jones, S.C.

3. Committee: Appropriations

4. Title: Research and development in the Commonwealth.

5. Summary: The introduced bill creates the Commonwealth of Virginia Research Consortium Authority (the Consortium) to oversee and support research and commercialization in the Commonwealth. The Consortium will be advised by an Investment Advisory Committee and a Research and Technology Advisory Committee. Existing grant, loan, and investment funds currently administered by the Innovation and Entrepreneurship Investment Authority and the Virginia Research Investment Committee would be consolidated under the Consortium, and the Consortium would be responsible for the Commonwealth Research and Technology Strategic Roadmap. The Consortium also would be responsible for allocating research-related funds to the Virginia Biosciences Health Research Consortium and the Commonwealth Center for Advanced Manufacturing. The bill repeals the existing Virginia Research Investment Committee.

6. Budget Amendment Necessary: Yes, to Items 126.10, 143, and 252. In addition, a new budget Item will be required to establish the Consortium.

7. Fiscal Impact Estimates: Preliminary. See item 8.

8. Fiscal Implications: Enactment #3 of the introduced bill transfers balances in the affected programs but specifically does not address the intended disposition of the related appropriations. Because Enactment #3 of this legislation transfers balances from the affected programs, this fiscal impact estimate assumes that the resources (funds and positions) included in HB1700/SB1100 will be transferred and continued under the new Consortium. If it is not intended that these funds be transferred, then the funding could be eliminated.

The following depicts the estimated appropriations that may be transferred from the affected programs to a new item that will need to be established for the new Consortium:

Item 126.10, Innovation and Entrepreneurship Investment Authority

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	n/a	n/a	n/a
2020	(\$5,266,000)	(10)	General Fund
2021	(\$5,900,000)	(10)	General Fund

2022	(\$5,900,000)	(10)	General Fund
2023	(\$5,900,000)	(10)	General Fund
2024	(\$5,900,000)	(10)	General Fund
2025	(\$5,900,000)	(10)	General Fund

Item 143, State Council of Higher Education for Virginia

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	n/a	n/a	n/a
2020	(\$534,036)	Indeterminate	General Fund
2021	(\$534,036)	Indeterminate	General Fund
2022	(\$534,036)	Indeterminate	General Fund
2023	(\$534,036)	Indeterminate	General Fund
2024	(\$534,036)	Indeterminate	General Fund
2025	(\$534,036)	Indeterminate	General Fund

Item 252, Higher Education Research Initiative

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	n/a	n/a	n/a
2020	(\$28,000,000)	n/a	General Fund
2021	(\$28,000,000)	n/a	General Fund
2022	(\$28,000,000)	n/a	General Fund
2023	(\$28,000,000)	n/a	General Fund
2024	(\$28,000,000)	n/a	General Fund
2025	(\$28,000,000)	n/a	General Fund

New Item, Commonwealth of Virginia Research Consortium Authority (minimum amounts)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	n/a	n/a	n/a
2020	33,800,036	Indeterminate	General Fund
2021	34,434,036	Indeterminate	General Fund
2022	34,434,036	Indeterminate	General Fund
2023	34,434,036	Indeterminate	General Fund
2024	34,434,036	Indeterminate	General Fund
2025	34,434,036	Indeterminate	General Fund

The transfer amounts listed above net to zero each year. Because there are unknown factors concerning the new Consortium, like new staffing requirements and operating costs, there are aspects that likely may have a fiscal impact and will require additional funds, however, they are indeterminate at this time.

This bill eliminates the Virginia Research Investment Committee and establishes a new political subdivision, the Commonwealth of Virginia Research Consortium Authority, under the Secretary of Commerce and Trade in the executive branch. A supervisory board of directors is established. The Board shall appoint a Chief Executive Officer who is granted the authority to hire employees to support the mission of the Consortium. The bill establishes five divisions within the Consortium: the Division of Operations, the Division of Finance, the Division of Grants, the Division of Entrepreneurship, and the Division of Technology Transfer and Commercialization. At this time, the number of staff that will be required to

support the Consortium is unknown. As the size of the new entity is unknown, the space required for a location, and associated costs for rent and operations are indeterminate. In addition, as the new Consortium is a political subdivision and will not have access to the state's accounting system, a fiscal agent will be required to administer the new fund established, the Commonwealth Research Consortium Fund, which is required to be established on the books of the Comptroller. A fiscal agent has not been specified in the bill.

The Virginia Research Investment Fund (VRIF), currently administered by the State Council of Higher Education for Virginia (SCHEV), on behalf of the Virginia Research Investment Committee (VRIC), is eliminated. Additionally, the Commonwealth Research Commercialization Fund (CRCF), currently administered by the Innovation and Entrepreneurship Investment Authority (IEIA), is eliminated.

A new fund is established under the Consortium, the Commonwealth Research Consortium Fund. Similar to VRIF, the new Fund is established on the books of the Comptroller and moneys in the Fund shall be invested by the Virginia Retirement System. Any funds remaining in the CRCF or the VRIF upon the effective date of this bill shall be transferred to the Commonwealth Research Consortium Fund. Further, the bill establishes the Consortium as the successor of any grant or investment funds administered by IEIA and provides that any funds remaining in the Commonwealth Growth Accelerator Program Fund (GAP) upon the effective date of this act shall be transferred to the Consortium for investment in venture capital funds. At this time, the amount of unexpended funds that may exist in these various funds at the end of FY 2019 cannot be determined. A budget amendment will be required to appropriate any balances that may remain for deposit in the new Fund and use by the Consortium.

The introduced budget (HB1700/SB1100) includes \$534,036 from the general fund in Item 143 (SCHEV) to assist with the development of the Commonwealth Research and Technology Strategic Roadmap and to support VRIC and the VRIF. At this time, it is uncertain if the funding in this Item supports staff that may be eliminated as a result of the bill, and if SCHEV will incur any potential WTA costs. Item 252 includes \$28.0 million from the general fund for deposit to VRIF in FY 2020.

HB1700/SB1100 includes \$3.1 million from the general fund in FY 2020 for GAP and \$2.8 million in FY 2020 for CRCF. Currently, IEIA provides grants through the GAP and CRCF programs to 150 research and entrepreneurial companies. It is anticipated that GAP notes and equities will transfer to the Consortium. IEIA estimates that the transition of assets may take up to 12-24 months. These programs currently employ 10 individuals. According to IEIA, the legal costs to support the provisions of this bill are estimated to cost approximately \$634,000 in FY 2020. As a result, Item 126.10 of HB1700/SB1100 includes approximately \$5,266,000 that could be transferred to the Consortium in FY 2020. This would increase to \$5,900,000 in all future years.

The bill provides that the Research and Technology Investment Advisory Council be continued as the Virginia Research and Technology Advisory Council, with any member currently appointed to the Research and Technology Investment Advisory Council

continuing to serve out the term of his appointment as a member of the Virginia Research and Technology Advisory Council.

9. Specific Agency or Political Subdivisions Affected: Innovation and Entrepreneurship Investment Authority; Virginia Research Investment Committee; State Council of Higher Education for Virginia; Research and Technology Investment Advisory Council; Secretary of Commerce and Trade; Virginia Retirement System; Virginia Economic Development Authority; Virginia Biosciences Health Research Corporation; Commonwealth Center for Advanced Manufacturing; Virginia Growth and Opportunity Board; Department of Housing and Community Development; higher education institutions.

10. Technical Amendment Necessary: Yes, line 1443, after “created” strike “pursuat” and insert “pursuant”.

Line 498 references the “Commonwealth Biosciences Health Research Consortium” which should be changed to the “Virginia Biosciences Health Research Corporation”.

11. Other Comments: SB1597 and SB1651 also address research and commercialization in the Commonwealth.