

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB416

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

2. Patron: Marshall, R.G.

3. Committee: Science and Technology

4. Title: Innovative Technology Authority; repealed

5. Summary: Repeals the Innovative Technology Authority (ITA) and the Center for Innovative Technology (CIT). The bill moves the Advanced Communications Assistance Fund, the Commonwealth Technology Research Fund, and the Biotechnology Commercialization Loan Fund under the supervision of the Virginia Economic Development Partnership (VEDP). All references to these entities are removed from the Code of Virginia, effectively ending state funding for any and all functions they currently perform.

6. Fiscal Impact Estimates:

6a. Expenditure Impact: (See Expenditure Impacts table in 8 below for details.)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	\$500,000		GF
2009	-\$5,044,149		GF
2010	-\$5,390,649		GF
2011	-\$5,391,149		GF
2012	-\$5,391,149		GF
2013	-\$5,391,149		GF
2014	-\$5,391,149		GF

6b. No Revenue Impact.

7. Budget Amendment Necessary: Yes. Item 124 needs to be amended for the funding necessary to manage the three funds being moved to VEDP. Item 430 needs to be deleted since the ITA and CIT are being repealed.

8. Fiscal Implications:

This bill eliminates the ITA and all functions performed by the ITA, with exception to the management of three funds being moved to VEDP. To determine the fiscal implications of the bill, the following assumptions were made: (1) all current functions of and appropriation for ITA will be eliminated, (2) the non-stock corporation, CIT created to carry-out the mission of ITA, would be closed by the ITA board of directors, (3) all currently operational contracts with revenue generating clients could not be executed and would be terminated for default with the potential for incurred damages, (4) all outstanding receivables that are

explicitly or implicitly linked to cooperative agreements would require negotiation with the potential for damages, (5) the CIT building and property would require operational management currently provided by CIT staff, at least until point of sale, (6) the VEDP does not currently have excess and appropriate staff that could conduct the operations of the three programs delegated to VEDP, and (7) the VEDP will incur the same costs as CIT in managing the three funds being transferred.

The following table attempts to conservatively summarize the costs identified in 6.a above. Potential legal damages were not included in this assessment as the magnitude could not be projected accurately.

<u>EXPENDITURE IMPACTS</u>							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Savings associated with HB416: ~~Eliminate appropriations to ITA/CIT:		-\$5,847,337	-\$5,847,337	-\$5,847,337	-\$5,847,337	-\$5,847,337	-\$5,847,337
Costs associated with HB416: ~~Manage the CIT building:		\$268,688	\$268,688	\$268,688	\$268,688	\$268,688	\$268,688
~~Manage the ACAF, CTRF, and BCLF funds:		\$187,500	\$187,500	\$187,500	\$187,500	\$187,500	\$187,500
~~Legal services to eliminate existing contracts:	\$500,000	\$500,000	\$500,000				
~~Staff to close out CIT operations		\$346,500					
	\$500,000	-\$5,044,149	-\$5,390,649	-\$5,391,149	-\$5,391,149	-\$5,391,149	-\$5,391,149

The bill could adversely impact Commonwealth technology companies currently receiving CIT services. CIT currently facilitates investment in high-potential early-stage technology firms through its Growth Accelerator Program (GAP). History has shown that there is a critical role that equity investment plays in the initiation and growth of high technology enterprises. If CIT reneged on commitments to the companies involved in the GAP program, the companies would be unable to secure the capital necessary to continue business. The current CIT GAP program projects a contribution of \$500 million of new gross state product by 2012 through new company formation; closure of ITA/CIT would eliminate this growth.

CIT indicates concerns associated with the elimination of CIT's Research and Development (R&D) programs. To enable the development of scientific solutions, CIT conducts high-value scientific projects that push research toward commercialization. These translational R&D programs provide growth opportunities for research and business organizations while solving challenges for Virginia, the region, and the nation. The recently passed federal budget has \$2.25 million of grant payment reserved for CIT. Closure of ITA/CIT would trigger forfeiture of these funds.

9. Specific Agency or Political Subdivisions Affected:

The Innovative Technology Authority; the Virginia Economic Development Partnership.

10. Technical Amendment Necessary: None.

11. Other Comments: None.

Date: 1/21/2008 wfb

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cc: Secretary of Technology