

## **Department of Planning and Budget**

### **2015 Fiscal Impact Statement**

**1. Bill Number:** SB1038

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

**2. Patron:** Hanger

**3. Committee:** General Laws and Technology

**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 also streamlines the membership criteria of the Research and Technology Investment Advisory Committee (RTIAC).

The substitute bill requires that the Innovation and Entrepreneurship Investment Authority (IEIA) develop guidelines for the administration of the CRCF in consultation with the Secretary of Technology. Authority to appoint members to the RTIAC is transferred from IEIA to the Speaker of the House of Delegates, the Senate Committee on Rules, and the Governor. A second enactment clause is also added that specifies the bill shall not affect existing appointments to the RTIAC for terms that have not expired as of July 1, 2015.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Fiscal impact estimates are preliminary. 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.

Impact to CRCF administrative costs will depend on changes to application volume. Based on CIT's initial estimates and current administrative costs per application, a 50 percent increase in applications is projected to result in \$99,200 additional administrative costs. 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:** The substitute adopted by the Senate did not change the fiscal impact of this legislation.

**Date:** 2/10/2015

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