

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1651

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

2. Patron: Howell

3. Committee: In Conference.

4. Title: Research and development in the Commonwealth.

5. Summary: 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 (IEIA) and the Virginia Research Investment Committee (VRIC) 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 and the Innovation and Entrepreneurship Investment Authority. The Center for Innovative Technology would move under the authority of the Consortium. A stakeholder group would be appointed to oversee the transition to the Consortium, and the Governor would be authorized to appoint an interim chief executive officer of the Consortium based upon the recommendations of the stakeholder group.

6. Budget Amendment Necessary: See item 8, below.

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

8. Fiscal Implications: The fiscal impact of this bill is indeterminate. This bill eliminates VRIC and IEIA. It is anticipated that appropriations for existing programs affected by this bill will need to be moved under the Commonwealth of Virginia Research Consortium Authority (the Consortium), a new political subdivision under the Secretary of Commerce and Trade in the executive branch.

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, and assumes the transfers would occur on July 1, 2020, following the completion of the stakeholder report no later than December 1, 2019:

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	n/a	n/a	n/a
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	n/a	n/a	n/a
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	n/a	n/a	n/a
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	n/a	n/a	n/a
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 contains several delayed effective dates. The ninth enactment clause requires the establishment of a stakeholder group oversee the transition of responsibilities from IEIA and VRIC to the Consortium. The stakeholder group shall report to the Chairmen of the House

Committee on Appropriations and the Senate Committee on Finance no later than December 1, 2019, regarding the status of the transition and any legislative recommendations regarding the structure, functions, or authority of the Consortium. The bill authorizes the Governor to appoint an interim chief executive officer of the Consortium based upon the recommendations of the stakeholder group convened pursuant to the ninth enactment of this act. Such interim chief executive officer shall be appointed for a term not to exceed one year to oversee the transition of responsibility from IEIA and VRIC to the Consortium. The costs associated to hire an interim chief executive officer are unknown.

This bill establishes a supervisory board of directors. The Board's responsibilities include appointing a Chief Executive Officer who is granted the authority to hire employees to support the mission of the Consortium. At this time, the number of staff that will be required to support the Consortium is unknown; the bill requires the Center for Innovative Technology to provide administrative and support services to the Consortium until January 1, 2020, or until the Consortium is able to provide such services. 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 Commonwealth Research Commercialization Fund (CRCF), currently administered by IEIA, and VRIF, currently administered by the State Council of Higher Education for Virginia (SCHEV), on behalf of the Virginia Research Investment Committee (VRIC), are eliminated. Effective July 1, 2020, VRIC is eliminated.

Similar to VRIF, the Commonwealth Research Consortium Fund is established on the books of the Comptroller and moneys in the Fund may be invested with the Virginia Retirement System. The fifth enactment of this bill provides for the transfer of any funds remaining in the CRCF or the VRIF 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 all commitments related to such grants, loans, or investments in place on June 30, 2019, shall remain obligations of the Consortium. Additionally, this bill provides that any funds remaining in the Commonwealth Growth Accelerator Program Fund (GAP) 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 time of transfer 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.

Because the fifth enactment 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 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. The bill transfers funds for CRCF and GAP to the Consortium but requires that CIT continue oversight awardees for 5 years. CIT charges administrative fees to these funds to cover program costs. Additionally, the bill requires CIT to provide administrative support to the Consortium until January 1, 2020. Currently, it is not possible to estimate what that level of support includes. These programs currently employ 10 individuals. According to IEIA, there will be legal costs and potential severance costs depending on the outcome of the elimination and transfer of the programs once effective in FY 2021.

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, on line 1522, strike “9” and insert “10”. On line, 1536, strike “10” and insert “11”.
- 11. Other Comments:** None.