

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB576

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

2. Patron: Howell

3. Committee: Finance and Appropriations

4. Title: Research and development in the Commonwealth.

5. Summary: Creates the Commonwealth of Virginia Innovation Partnership Authority (the Authority) to oversee and support research, development, and commercialization, as well as related investment and seed-stage funding, in the Commonwealth. Existing grant, loan, and investment funds currently administered by the Innovation and Entrepreneurship Investment Authority (IEIA) and the Virginia Research Investment Committee, repealed under the bill, would be consolidated under the Authority, and the Authority would be responsible for developing an Innovation Index for the Commonwealth. The bill contains technical amendments.

6. Budget Amendment Necessary: See Item 8.

7. Fiscal Impact Estimates: Preliminary.

8. Fiscal Implications: This bill establishes the Virginia Innovation Partnership Authority (VIPA) as the Commonwealth's primary entity for innovation and new technology-based development. HB30/SB30, as introduced, includes \$36.93 million the first year and \$42.13 million the second year from the general fund to support and establish this new authority. The introduced budget bill also eliminates the Innovation and Entrepreneurship Investment Authority (IEIA) and the Virginia Research Investment Committee (VRIC) as the entities are consolidated under the new authority as provided in this bill. As part of the consolidation, HB30/SB30 also shifts appropriation and budgetary language previously included in other Items and agencies for the Virginia Biosciences Health Research Corporation and the Commonwealth Center of Advanced Manufacturing to the new authority.

This bill establishes two funds, the Regional Innovation Fund and the Commonwealth Commercialization Fund, both to be administered by VIPA. The fourth enactment clause of this bill authorizes the transfer of any unobligated funds remaining in the Commonwealth Research Commercialization Fund and the Virginia Research Investment Fund, currently administered by IEIA and VRIC, respectively, to the new Commonwealth Commercialization Fund. In addition, the bill specifies that any unobligated balances in the Commonwealth Growth Accelerator Program, also administered by IEIA, be transferred to the Commonwealth Commercialization Fund. Both the new Commonwealth Commercialization Fund and the Regional Innovation Fund are required to be established on

the books of the State Comptroller pursuant to the bill. However, the new authority is established as a political subdivision and will not have access to or have its expenditures recorded in the state's accounting system. Rather, budgetary language, similar to language applicable to IEIA, is included in the introduced bill and authorizes the State Comptroller to disburse the appropriation for VIPA in twelve equal monthly disbursements. To administer these two new funds on the state books, a fiscal agent will be required. Currently, the Department of Accounts serves as fiscal agent to IEIA. It is anticipated that the current process of administering the Commonwealth Research and Commercialization Fund will continue with the two new funds and can be done within current resources.

The introduced budget bill includes \$36.93 million in FY 2021 and \$42.12 million in FY 2022 from the general fund to support and establish this new authority. Of this amount, \$22.38 million in FY 2021 and \$20.13 million in FY 2022 is designated in budget language for specific programs, and \$3.49 million in each year is for VIPA's administration and operation. If the intent is to operationalize the new Funds, a language amendment to HB/SB30, as introduced, to designate a portion of the remaining funds in the budget bill for VIPA will be required to capitalize the new Funds established in this bill.

The bill provides that VIPA shall be deemed successor to IEIA and any entity controlled by IEIA effective July 1, 2020. Currently, the Center for Innovative Technology (CIT) serves as the nonprofit, nonstock corporation of IEIA. The bill specifies that CIT shall continue as an operating entity of VIPA and shall continue to administer all grants, loans, and investments awarded from the Commonwealth Research and Investment Fund and the Commonwealth Growth Accelerator Program prior to July 1, 2020 and shall begin to administer all grants, loans, and investments awarded from the Virginia Research Investment Fund prior to July 1, 2020, for a period of five years. The provisions repealing VRIC will not become effective until July 1, 2021, and the bill requires VRIC to assist with the transition of its responsibilities to VIPA.

The provisions authorize VIPA to employ staff to carry out its purpose. It is uncertain if the staff presently employed by IEIA will remain a part of the new authority. Employees of IEIA/CIT are exempt from the Virginia Personnel Act, and as such, it is anticipated that no Workforce Transition Act costs will be incurred. Additionally, the bill provides that the employees of VIPA will be eligible for participation in the Virginia Retirement System and all health and other benefits available to state employees. Currently, IEIA/CIT staff are not eligible for these benefits. It is anticipated that costs that may result from these personnel actions can be absorbed within the appropriation provided for VIPA in the introduced bill.

- 9. Specific Agency or Political Subdivisions Affected:** Innovation and Entrepreneurship Investment Authority; Center of Innovative Technology; Virginia Research Investment Committee; Secretary of Commerce and Trade; State Council of Higher Education for Virginia; Department of Accounts; Virginia Biosciences Health Research Corporation; Commonwealth Center for Advanced Manufacturing; Virginia Growth and Opportunity Board.

- 10. Technical Amendment Necessary:** No.

11. Other Comments: HB1017 is the companion to this bill.