

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2074-01
Bill No.: HB 688
Subject: Abortion; Appropriations; Children and Minors; Science and Technology
Type: Original
Date: April 9, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	\$0	(\$36,500,000)
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	(\$36,500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Life Sciences Research Trust Fund	\$0	\$0	\$0 or Unknown
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor, State Treasurer’s Office, Missouri Senate, Missouri House of Representatives, Office of the State Courts Administrator, Department of Health and Senior Services, Department of Agriculture** and the **Office of Administration – Division of Accounting** assume the proposal would have no fiscal impact on their agencies.

Officials from the **University of Missouri** state no additional costs would be incurred if this proposal were enacted.

Officials from the **Secretary of State’s Office (SOS)** state this proposal creates the Life Sciences Trust Fund and the Life Sciences Board. SOS states the Life Sciences Board could promulgate rules to enact this proposal. These rules would be published in both the *Missouri Register* and the *Code of State Regulations*. These rules could require as many as 18 pages in the *Code of State Regulations* and half again as many pages in the *Missouri Register* because cost statements, fiscal notes and the like are not repeated in the *Code*. SOS estimates the cost of a page in the *Missouri Register* and the *Code of State Regulations* to be \$23 and \$27, respectively. SOS estimates costs of \$1,107 for FY 2004. SOS states the impact of this proposal in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple proposals pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **State Auditor's Office (SAO)** state enactment of the proposal would create additional responsibility for their agency which would require more work, more staff and more funding. SAO assumes their agency would require one additional FTE (a Staff Auditor II with an annual salary of \$35,000) to implement this proposal. SAO estimates the cost to General Revenue for the additional FTE to be approximately \$52,000 annually. SAO notes if the audit would be paid for upon completion, their agency would still need appropriation authority to spend the money received.

Oversight assumes passage of this proposal alone would not justify the need for the State Auditor's Office to hire an additional Staff Auditor II. **Oversight** notes the proposal also provides the option for the Board to hire an outside accounting firm to perform the annual audit. Therefore, **Oversight** is reflecting a cost to the Life Sciences Research Trust Fund for an annual audit and is showing no direct fiscal impact to the State Auditor's Office. **Oversight** notes if the Board retains the State Auditor's Office to perform the audit and if other proposals pass increasing the audit responsibilities of the State Auditor's Office, then additional resources would be required.

Officials from the **Office of Administration – Deputy Commissioner's Office (DCO)** note the proposal would establish a Life Sciences Research Board in the Office of Administration as a Type III Division and shall consist of seven members appointed by the Governor with the advice and consent of the Senate. DCO assumes reimbursement for actual and necessary expenses, incurred by the members of the Life Sciences Research Board (Board) in performance of their duties as members of the Board, will come from moneys in the Life Sciences Research Trust Fund. DCO notes the proposal does not specify where or how often this Board will meet. DCO uses the following assumptions to figure the Board's expenses:

- The Board will begin meeting in fiscal year 2006.
- The Board members will meet four times annually.
- The Board could utilize existing conference rooms for meetings.
- Lodging @ \$75.00 per night
- Meals @ \$32.00 per day
- Mileage--300 miles @ \$.335 per mile = \$100.50
- Total expense per member = \$207.50

ASSUMPTION (continued)

DCO calculates the annual cost to be approximately \$5,810 (\$207.50 multiplied by seven members multiplied by four meetings).

Officials from the **Office of Administration – Division of Budget and Planning (BAP)** state this proposal creates the Life Sciences Research Trust Fund and requires 25% of the tobacco settlement proceeds to be deposited into this fund beginning in FY 2006. BAP estimates the total tobacco settlement proceeds will be \$146 million in FY 2006; therefore, \$36.5 million (25%) would be deposited into the new fund. BAP assumes since this money could be deposited to General Revenue, this proposal results in a loss to General Revenue of \$36.5 million in FY 2006.

BAP notes the proposal states up to 2% of the money in the fund can be used for the administrative expenses of the Board although the General Assembly is authorized to provide limited amounts of additional money through appropriation. BAP assumes 2% of the \$36.5 million (\$730,000) will be adequate to pay the expenses of the Board, including expenses related to peer review panels.

Oversight assumes the amount of projects which will be funded is unknown. **Oversight** assumes the balance in the Fund at the end of a given fiscal year could be zero or unknown. **Oversight** notes the proposal requires that moneys which are not distributed by the Board to be held in reserve or be awarded based on a peer-review panel recommendation.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE			
<u>Loss</u> – Various Agencies			
Moneys Received from the Tobacco Master Settlement Agreement	\$0	\$0	(\$36,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>(\$36,500,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
LIFE SCIENCES RESEARCH TRUST FUND			
<u>Income</u> – Office of Administration			
Moneys Received from the Tobacco Master Settlement Agreement	\$0	\$0	\$36,500,000
 <u>Costs</u> – Office of Administration			
Administrative Expenses *	\$0	\$0	(Up to \$730,000)
Reimbursement of Board Member Expenses	\$0	\$0	(\$6,164)
Research Projects	\$0	\$0	(Unknown)
Annual Audit	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<u>Total Costs</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
 ESTIMATED NET EFFECT ON LIFE SCIENCES RESEARCH TRUST FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0 or Unknown</u>

*** The proposal allows up to 2% of total moneys appropriated for administrative expenses. The General Assembly may authorize a limited amount of additional money to be expended for administrative costs through appropriation.**

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business performing life sciences research may be fiscally impacted to the extent they receive additional moneys and incur costs to perform new research projects.

DESCRIPTION

This proposal establishes the Life Sciences Research Trust Fund (Fund) in the State Treasury. In its main provisions, the proposal:

- (1) Requires moneys in the Fund to be held separate from all public moneys, including the Tobacco Securitization Trust Fund moneys;
- (2) Requires the State Treasurer to deposit 25% of moneys received from the Tobacco Master Settlement Agreement into the Fund each fiscal year, beginning in Fiscal Year 2006;
- (3) Requires that moneys in the Fund will not be subject to appropriations for purposes inconsistent with the proposal without a two-thirds vote in each house of the General Assembly. Moneys in the Fund shall not revert to the credit of General Revenue at the end of the biennium (§196.1100.1);
- (4) Requires moneys in the Fund to be used strategically and in cooperation with other governmental entities and non-profit entities to enhance the capacity of the State of Missouri to perform life sciences research, build upon existing research institutions, and commercialize life sciences technologies (§196.1100.2);
- (5) Establishes a seven-member Life Sciences Research Board (Board) within the Office of Administration as a Type-III division. The proposal requires the board to manage and to control moneys allocated from the Fund. The proposal contains the terms and qualifications of board members. Members of the Board shall receive no salary or other compensation for their services, but shall receive reimbursement for their actual and necessary expenses incurred in performance of their duties (§196.1103);
- (6) The proposal defines “Center for Excellence for Life Sciences Research” and establishes centers for excellence for life sciences research in the Kansas City area and the St. Louis area. A statewide center will be established which consists of the campuses of the University of Missouri system;
- (7) Requires the Board to approve any composition and organizational structure of a center of

excellence before its operation. Any center for excellence for life sciences research that is
DESCRIPTION (continued)

established within a geographical area specified in sections 196.1100 to 196.1130 shall be comprised of a consortium of public and private not-for-profit academic, research, or health care institutions or organizations that have collectively at least \$15 million in annual research expenditures in the life sciences, including a collective minimum of \$2 million in basic research in life sciences;

(8) Specifies the organizational composition of a center of excellence. Each center is required to establish a screening committee which will review and prioritize funding proposals before submitting the proposals to the Board (§196.1106);

(9) Requires moneys appropriated by the General Assembly from the Fund to be appropriated to the Board for stated purposes;

(10) Requires that any funds received by the Board will be subject to the provisions of the proposal. In any fiscal year, no more than 10% of the moneys can be appropriated for the construction of physical facilities and at least 20% of the moneys will be appropriated to promote life science technology transfers and technology commercialization (§196.1109);

(11) Requires the Board to consider proposals endorsed by a center for excellence. The proposal contains requirements for dispersing funds to institutions and organizations approved to conduct life sciences research (§196.1112);

(12) Requires that moneys which are not distributed by the Board to be held in reserve or be awarded based on a peer-review panel recommendation;

(13) Requires the Board to utilize as much of the moneys as reasonably possible for building capacity to do research rather than for administrative expenses. The Board shall not in any fiscal year expend more than two percent (2%) of the total moneys appropriated to it and of the moneys that it has in reserve or has received from other sources for its own administrative expenses; provided, however, that the General Assembly by appropriation from the Fund may authorize a limited amount of additional moneys to be expended for administrative costs (§196.1115);

(14) Requires the Board to secure the State Auditor or an outside public accounting firm to conduct an annual audit of the administration of the Fund. The Board is required to make copies of the audit available to the public;

(15) Requires the Board, with assistance from its staff or independent contractors, to prepare a

comprehensive report assessing the work and progress of the life sciences research program every three years (§196.1118);

DESCRIPTION (continued)

(16) Requires grant and contract awards utilizing moneys from the Fund to be used for the reimbursement of costs. Reimbursement of costs will be determined by a four-part balancing process;

(17) Requires grants and contract recipients to preserve research freedoms and to ensure the timely disclosure of research findings. Recipients of research funds will retain intellectual property rights (§196.1121);

(18) Contains a conflict-of-interest provision for Board members (§196.1124);

(19) Prohibits public moneys appropriated to the Board from being used to finance existing or proposed research projects that involve abortion services, human cloning, or prohibited human research. A research project that receives an award of public funds cannot share costs with another research project, person, or entity that is ineligible to receive public funds;

(20) Requires all applicants for and recipients of public funds to comply with cost accounting principles contained in Part 9905, Title 48, of the Code of Federal Regulations or successor regulations;

(21) Requires all moneys for research purposes to be expended by checks, drafts, or electronic transfers and to use a separate accounting process for each research project;

(22) Prohibits moneys from any award from being diverted through other research projects unless included in the original application for an award or stated in subsequent amendments or a request is made to use separate contractors;

(23) Requires award recipients to maintain separate financial records that demonstrate strict compliance with the proposal as revealed by a financial audit;

(24) Provides taxpayers of Missouri standing to bring suit against the state or a recipient of public funds if violations of the proposal occur; and

(25) Contains a non-severability clause (§196.1127).

(26) Grants rulemaking authority (§196.1130).

This proposal is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Governor
State Treasurer's Office
Secretary of State's Office
State Auditor's Office
Missouri Senate
Missouri House of Representatives
Office of the State Courts Administrator
Department of Health and Senior Services
Department of Agriculture
Office of Administration
– Deputy Commissioner's Office
– Budget and Planning
– Division of Accounting
University of Missouri



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