

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0445-05
Bill No.: HCS for SCS for SB 38
Subject: Boards, Commissions, Committees, Councils; Agriculture and Animals; Energy;
 Economic Development
Type: Original
Date: May 12, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$2,800)	(\$5,600)	(\$5,600)
Total Estimated Net Effect on General Revenue Fund	(\$2,800)	(\$5,600)	(\$5,600)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 11 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

Biomass Technology Commission

Officials from the **Department of Economic Development (DED)** state this proposal would require the Director of the Department of Economic Development to serve on the Missouri Biomass Technology Commission created by this bill. DED assumes there would be no additional cost or personnel required. DED assumes someone other than DED would be required to reimburse DED for expenses incurred by the Director serving on the commission.

Officials from the **Department of Agriculture (AGR)** state their director would serve on the Missouri Biomass Technology Commission and AGR would pay for a portion of the expenses of any non-state employees on the Commission. AGR made the following assumptions: 1) That the directors of the departments of Agriculture, Economic Development, and Natural Resources will be responsible for their own expenses, and 2) that the expenses of the remaining four commission members will be divided equally among the three participating agencies, 3) the commission will meet twice the first year and four times the second year.

AGR estimated the expenses per commission per meeting: \$25/day meals, \$65/day for hotel, \$100/meeting for mileage, \$10/day in tips and parking=\$200 per commissioner. AGR's one-third share per commissioner per meeting=\$67. Therefore, AGR assumed a total expense to their

ASSUMPTION (continued)

budget of \$267 per meeting, or \$534 for the first year (2 meetings), and roughly \$1,100 per year after that (4 meetings each year).

Officials from the **Department of Natural Resources (DNR)** state they would not anticipate a direct fiscal impact as a result of this proposal. This proposal indicates that members would be reimbursed for expenses but does not specify a funding source. DNR states that if they are responsible for paying those expenses, additional resources may have to be requested.

Officials from the **Office of Administration** state this proposal would not fiscally impact their agency.

Oversight assumes the new commission would meet two times in FY 2004 and four times in both FY's 2005 and 2006. Using AGR's estimate of \$200 per commissioner per meeting, this would result in expenses of \$2,800 (7 members x \$200 x 2 meetings) in FY 2004 and \$5,600 in both FY's 2005 and 2006. Oversight assumes this expense will be paid from the General Revenue fund.

Life Sciences Research Trust Fund

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 beginning in FY 2004. SAO notes if the audit would be paid for upon completion, their agency would still need appropriation authority to spend the money received.

Oversight notes the proposal requires depositing money into the Life Sciences Research Trust Fund beginning in FY 2007. Accordingly, **Oversight** assumes no funds will be expended to trigger an audit until FY 2007. **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** assumes, beginning in FY 2007, there would be a cost to the Life Sciences Research Trust Fund for an annual audit and 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

ASSUMPTION (continued)

proposals pass increasing the audit responsibilities of the State Auditor's Office, then additional resources would be required.

Officials from the **Office of the Governor, State Treasurer's Office, Missouri House of Representatives, Office of the State Courts Administrator, Office of Administration – Division of Accounting, Department of Health and Senior Services, Missouri Senate** and the **Department of Agriculture** 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.

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 **Office of Administration – Deputy Commissioner's Office (DCO)** note the proposal delays the date of depositing money into the Life Sciences Research Trust Fund until FY 2007, and therefore, assumes no fiscal cost will result in FYs 2004 through 2006.

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 2007. BAP estimates the total tobacco settlement proceeds will be \$147 million in FY 2007; therefore, \$36.8 million (25%) would be deposited into the new fund. BAP assumes since this money could be deposited to

ASSUMPTION (continued)

General Revenue, this proposal results in a loss to General Revenue of \$36.8 million in FY 2007.

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 \$36.8 million (\$735,000) will be adequate to pay the expenses of the Board, including expenses related to peer review panels.

Oversight notes, beginning in FY 2007, the annual fiscal impact of this proposal would be:

- Loss to General Revenue in the amount of 25% of the tobacco settlement proceeds;
- Income to the Life Sciences Research Trust Fund in the amount of 25% of the tobacco settlement proceeds;
- Cost to the Life Sciences Research Trust Fund (Office of Administration) for administrative expenses (up to 2% of total moneys appropriated), reimbursement of board member expenses, annual audit and research projects.

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>Costs - Office of Administration</u>			
Meeting expenses	<u>(\$2,800)</u>	<u>(\$5,600)</u>	<u>(\$5,600)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$2,800)</u>	<u>(\$5,600)</u>	<u>(\$5,600)</u>

<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

Expanded development of alternative energy sources, such as biomass, may create new economic opportunities for small business.

Beginning in FY 2007, 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

Missouri Biomass Technology Commission

This act creates the "Missouri Biomass Technology Commission". The Commission shall have seven members. The Commission is responsible for:

- 1) Collecting data for the development and use of alternative energy as a source of electricity;
- 2) Evaluating existing incentive programs that promote the development and use of alternative energy;
- 3) Creating new incentives and programs to promote alternative energy use; and
- 4) Making recommendations to the Legislature on program developments and uses for alternative energy.

The commission will develop a comprehensive guide to alternative energy development, production and use. This guide will be submitted to the Legislature.

This act expires on June 30, 2006.

DESCRIPTION (continued)

Life Sciences Research Trust Fund

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 2007;
- (3) Requires that moneys in the Fund will not be subject to appropriations for purposes inconsistent with the proposal without a majority 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, St. Louis and Springfield areas. A statewide center will be established which consists of the campuses of the University of Missouri system;

DESCRIPTION (continued)

(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 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, 80% of the moneys shall be appropriated to build research capacity and 20% of the moneys will be appropriated to promote life science technology transfers and technology commercialization. 20% of the moneys shall be appropriated to promote the development of research of tobacco-related illnesses (§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;

DESCRIPTION (continued)

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);

(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;

DESCRIPTION (continued)

(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;

(25) Contains a non-severability clause (§196.1127); and

(26) Grants rulemaking authority (§196.1130).

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

SOURCES OF INFORMATION

VAL:LR:OD (12/02)

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Office of Administration
Department of Agriculture
Department of Economic Development
Department of Natural Resources
State Treasurer's Office
State Auditor's Office
Missouri Senate
Missouri House of Representatives
Office of State Courts Administrator
Department of Health and Senior Services

SOURCES OF INFORMATION (continued)

Office of Administration
 Commissioner's Office
 Budget and Planning
Secretary of State's Office
University of Missouri



Mickey Wilson, CPA
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