

Colorado Legislative Council Staff Fiscal Note

STATE

REVISED FISCAL IMPACT

(replaces fiscal note dated January 22, 2008)

Drafting Number: LLS 08-0177

Date: February 11, 2008

Prime Sponsor(s): Rep. Riesberg
Sen. Bacon

Bill Status: House Appropriations

Fiscal Analyst: Marc Carey (303-866-4102)

TITLE: CONCERNING THE ADVANCEMENT OF BIOSCIENCE DISCOVERIES IN COLORADO.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009	FY 2009-2010
State Revenue	\$0	\$0	\$0
State Transfers or Diversions			
Transfers from:			
Limited Gaming Fund to the Clean Energy Fund		(\$3,500,000)	(\$3,500,000)
Limited Gaming Fund to the Bioscience Discovery Evaluation Cash Fund		3,500,000	3,500,000
State Expenditures			
General Fund Appropriation to the Bioscience Discovery Evaluation Cash Fund	\$3,500,000		
Cash Funds			
Clean Energy Fund	0		(3,500,000)
Bioscience Discovery Evaluation Cash Fund	0	\$3,500,000	\$3,500,000
FTE Position Change	0.0 FTE	0.6 FTE	0.6 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2008-2009: See State Appropriations Section.			
Local Government Impact: None.			

Summary of Legislation

This bill, *as amended by the House Finance Committee*, modifies the structure of the existing Bioscience Discovery Evaluation Grant Program. Specifically, the amended bill repeals provisions concerning grants to federal Small Business Innovation Research programs, Small Business Technology Transfer programs, and biofuel research. The bill adds early-stage bioscience companies as possible recipients of program grants, and specifies that, to be eligible for moneys, such companies must have a licensed technology from a Colorado research institution of higher education. Grants shall be provided in amounts of up to:

- \$150,000 to offices of technology transfer (OTTs) for each project focusing on life sciences, engineering, material sciences, computer sciences, photonics, or nanotechnology; and

- \$250,000 to early-stage bioscience companies for each project accelerating commercialization of therapeutic or diagnostics products, bioscience technologies for agriculture, and biofuels.

The bill specifies that grant money appropriated from the Bioscience Discovery Evaluation Cash Fund is to be allocated at least 30% to OTTs and at least 30% to early-stage bioscience companies. Any remaining moneys in the fund may be used by the Office of Economic Development (OED) to support partnership efforts between the bioscience industry and research institutions for the commercialization of therapeutic or diagnostics products, bioscience technologies for agriculture, and biofuels.

Finally, the amended bill *appropriates* \$3.5 million General Fund in FY 2007-08 to fund program expenditures in FY 2008-09. The bill requires that, for FY 2008-09 through FY 2011-12, of moneys in the Limited Gaming Fund that would have been transferred at the end of each fiscal year to the Clean Energy Fund pursuant to SB07-246, \$3.5 million be transferred instead to the Bioscience Discovery Evaluation Cash Fund to fund program expenses in the following fiscal years.

Background

The Colorado Constitution specifies that, at the end of each state fiscal year, 50% of the balance in the Limited Gaming Fund is to be distributed to the General Fund. However, various statutory provisions transfer all of this money to other cash funds. In particular, pursuant to SB07-246, beginning in FY 2007-08, any remaining funds in the Limited Gaming Fund that would have been transferred to the General Fund are now instead transferred to the Clean Energy Fund. Table 1 details actual distributions for FY 2006-07 the projected distribution of these funds for FY 2007-08 through FY 2009-10 *under current statutory provisions*.

Table 1. Distribution of General Fund Portion of Limited Gaming Fund				
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Limited Gaming Fund (GF Portion)*	\$53,178,357	\$54,773,708	\$56,416,919	\$58,109,427
Local Gaming Fund*	6,913,186	7,120,582	7,334,199	7,554,225
Tourism Promotion Fund**	19,676,799	20,267,103	20,814,315	21,397,116
New Jobs Incentive Fund**	3,106,863	3,200,069	3,286,471	3,378,492
State Council of the Arts Cash Fund**	1,553,432	1,600,035	1,643,236	1,689,247
Film Incentives Cash Fund**	621,373	640,014	657,295	675,699
Bioscience Discovery Eval. Cash Fund	2,500,000	0	0	0
State Highway Fund***	5,259,411	14,292,757	0	0
Clean Energy Fund	<u>7,000,000</u>	<u>7,653,148</u>	<u>22,538,412</u>	<u>23,282,321</u>
General Fund Retention	6,547,293	0	0	0

* The Department of Revenue projects the Limited Gaming Fund to grow at a rate of 3% annually.

** Pursuant to current law, these funds are assumed to grow at the Legislative Council's December 2007 forecasted rate for inflation

*** These amounts are determined annually by the General Assembly.

Transfers or Diversions

In FY 2008-09 through FY 2011-12, out of the portion of the Limited Gaming Fund that would have been transferred to the Clean Energy Fund under current law, this bill transfers \$3.5 million instead to the Bioscience Discovery Evaluation Cash Fund.

State Expenditures

The amended bill appropriates \$3.5 million to the Bioscience Discovery Evaluation Cash Fund in FY 2007-08 for expenditure in FY 2008-09. This money will be used to provide grants to OTTs and early-stage bioscience companies, as well as cover administrative expenses within OED. This bill also transfers a like amount of money to this fund in FY 2008-09 through FY 2011-12. Thus, this fiscal note assumes that grant awards and administrative expenses will continue throughout this 5-year period.

Governor's Office of Economic Development (OED). The office will incur increased administrative expenses of \$44,042 and 0.6 FTE in FY 2008-09 and beyond. These expenses assume that 0.6 FTE General Professional IV will administer the program. Table 2 details these expenses:

Cost Components	FY 2008-09	FY 2009-10
Personal Services	\$36,399	\$36,399
<i>FTE</i>	<i>0.6</i>	<i>0.6</i>
Operating Expenses	\$570	\$570
Capital Outlay (one-time cost)	\$2,073	\$2,073
Travel/Training Expenses	\$5,000	\$5,000
TOTAL	\$44,042	\$44,042

Grant Awards. Assuming that moneys continuously appropriated cover administrative costs, a total of \$3,455,958 remains for grants in FY 2008-09 and beyond. The bill requires that at least 30% of the grant moneys be allocated to OTTs and at least 30% to early stage bioscience companies. The OED is authorized to use any remaining funds to support partnership efforts between bioscience companies and research institutions. The bill also caps grant awards at \$150,000 for OTT projects and \$250,000 for early stage bioscience company projects. Assuming that grant awards are made in these amounts, this implies grant awards for at least 7 OTT projects and 5 early-stage bioscience company projects, with \$1,155,958 remaining to support OED efforts.

State Appropriations

In FY 2007-08, this bill makes a \$3.5 General Fund appropriation to the Bioscience Discovery Evaluation Cash Fund. Moneys in this cash fund are continuously appropriated.

In FY 2008-09, the Governor's Office will require authorization for 0.6 FTE from the Bioscience Discovery Evaluation Cash Fund for the Office of Economic Development (OED).

Departments Contacted

Governor's Office

Revenue