

Multiple Agency Fiscal Note Summary

Bill Number: 5581 SB	Title: Life sciences research
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of Financial Management	0	10,500,000	0	10,000,000	0	10,000,000
Total \$	0	10,500,000	0	10,000,000	0	10,000,000

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Financial Management	8.5	500,000	8,996,106	18.2	0	70,926,879	19.0	0	85,089,186
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	8.5	\$500,000	\$8,996,106	18.2	\$0	\$70,926,879	19.0	\$0	\$85,089,186

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Robin Campbell, OFM	Phone: 360-902-0575	Date Published: Final 2/28/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 5581 SB	Title: Life sciences research	Agency: 105-Office of Financial Management
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Tobacco Settlement Account-State 825-1				(67,260,000)	(69,384,000)
Life Sciences Discovery Fund-Non-Appropriated NEW-6	5,500,000	5,000,000	10,500,000	77,260,000	79,384,000
Total \$	5,500,000	5,000,000	10,500,000	10,000,000	10,000,000

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	5.6	11.3	8.5	18.2	19.0
Fund					
General Fund-State 001-1	500,000	0	500,000	0	0
Life Sciences Discovery Fund-Non-Appropriated NEW-6	774,953	7,721,153	8,496,106	70,926,879	85,089,186
Total \$	1,274,953	7,721,153	8,996,106	70,926,879	85,089,186

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Jennifer Strus	Phone: (360)786-7316	Date: 02/02/2005
Agency Preparation: Robin Campbell	Phone: 360-902-0575	Date: 02/04/2005
Agency Approval: Aaron Butcher	Phone: 360-902-0406	Date: 02/28/2005
OFM Review: Robin Campbell	Phone: 360-902-0575	Date: 02/28/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 3: Creates the Life Sciences Discovery Fund Authority as an agency of the state. Seven members will be appointed by the Governor and compensated \$50 per meeting day plus their travel costs.

Section 4: Authorizes the Authority to:

- (1), (2) receive contributions from the State and other sources
- (3) use the contributions for the Life Sciences Discovery Fund program
- (4) establish separate accounts
- (5) make grants for research
- (6) create advisory boards
- (7) adopt policies and procedures regarding grant application, review and award

Section 5: The Authority has authorization to hire staff and pay administrative costs

Section 6: The Governor may irrevocably assign tobacco special contribution payments to the Authority. Once assigned, funds must be paid directly to the Authority.

Section 10: Exempts tobacco special contribution payments from being deposited in the tobacco settlement account.

Section 20: This act is effective immediately upon signature by the Governor.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 4(4) of this legislation permits the Life Sciences Discovery Fund Authority to establish accounts. It is assumed the Authority will establish an account outside the state treasury, and will deposit to the account all state and other contributions.

In fiscal year 2006, a small amount of funding will be necessary for the start-up of the Authority. For the purpose of this fiscal note, it is assumed \$500,000 General Fund-State will be granted to the Authority and deposited into the new account.

It is assumed beginning in fiscal year 2006, the Authority will receive contributions from non-state sources. The amount the Authority will actually receive is indeterminate. Section 6(2) requires that a minimum of \$10 million be received from non-state sources in order for the Authority to receive tobacco strategic contribution payments. For the purpose of this fiscal note, it is assumed that \$5 million will be received from non-state sources in fiscal year 2006 and in each year thereafter.

Section 6 authorizes the Governor to assign tobacco strategic contribution payments to the Life Sciences Discovery Fund Authority once pledges of at least \$20 million and cash receipts of at least \$10 million have been received by the Authority from non-state sources. It is assumed that these requirements will be met in fiscal year 2007. Under current law, the state is anticipating receipt of tobacco strategic contribution payments beginning in fiscal year 2008, and the deposits will be made to the Tobacco Settlement Account. It is assumed the Governor will assign the payments to the Authority, and, under Section 10, the payments will be deposited instead to the new account.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The legislation is effective immediately upon signature by the Governor. It is impossible to know when the legislature might pass and the Governor might sign the bill. For the purposes of this fiscal note, it is assumed the legislation will be in effect on July 1, 2005, and that costs will not be incurred until after that date.

Two scenarios are presented on the attachments to this fiscal note as two potential ways this bill might be implemented. The first scenario estimates costs if three broad areas of research are chosen for awards, and each area had two funding rounds per year. The second scenario estimates costs if five broad areas of research are chosen for awards, and each area had one funding round per year. These are only two of many potential variations. The actual implementation method, and thus precise costs, are unknown at this time. It is important to note that in any scenario, there will be a certain level of fixed costs to operate the program, and total operating costs are estimated at or below five percent.

See the attachments for specific assumptions and cost information.

Expenditure and FTE assumptions in Parts I and III of this fiscal note are from Scenario 1.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	5.6	11.3	8.5	18.2	19.0
A-Salaries and Wages	435,600	871,600	1,307,200	2,917,867	3,063,200
B-Employee Benefits	95,832	191,752	287,584	641,931	673,904
C-Personal Service Contracts	116,200	138,600	254,800	369,600	369,600
E-Goods and Services	439,921	486,921	926,842	876,921	897,922
G-Travel	44,700	32,280	76,980	78,560	84,560
J-Capital Outlays	142,700		142,700	42,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		6,000,000	6,000,000	66,000,000	80,000,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$1,274,953	\$7,721,153	\$8,996,106	\$70,926,879	\$85,089,186

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Aministration Assistant	36,000	0.3	1.3	0.8	2.9	3.0
Executive Assistant	57,600	1.0	1.0	1.0	1.0	1.0
Executive Director	120,000	1.0	1.0	1.0	1.0	1.0
Financial Analyst	60,000	0.3	1.0	0.7	1.0	1.0
Grant Specialist	60,000		1.0	0.5	1.0	1.0
Information Technology Specialist 6	66,000	1.0	1.0	1.0	1.0	1.0
Medical Researcher	100,000	1.0	4.0	2.5	9.4	10.0
Program Manager	60,000	1.0	1.0	1.0	1.0	1.0
Total FTE's		5.6	11.3	8.5	18.2	19.0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

SB 5581 Scenario 1: Two Funding Rounds for each of Three Research Areas Each Year

Administration (Fixed Costs)

Assume general fund-state will be transferred to the Authority for start-up costs until funding is available from private contributions in the first fiscal year of the program, fiscal year 2006.

Board hires staff: executive director, administrative assistant, program manager to raise contributions and develop program. Staff establishes offices in Seattle, establish account, drafts/refines procedures, raise funds. An Internet site will be established, which will include an on-line grant application function, requiring services of an information technology specialist.

Beginning in July 2005, the board meets four days each month for six months to write/review procedures for program, including grant application, review and award. Beginning in January 2006, the board will meet once each month.

Beginning in March 2006, other staff will be required for general administrative purposes of the Authority: an administrative assistant to manage day-to-day functions, a financial analyst and a grant specialist for maintaining appropriate accounting functions.

These costs will remain essentially the same regardless of the grant process scenario.

Grant Process and Monitoring (Variable Costs)

Assume the grant awards made in August 2006 will total \$3 million, with an average grant award of \$250,000. Based on information from the National Institutes of Health, approximately 20% of all applications are awarded grants. If 12 grants are awarded, it is reasonable to expect 60 applications for grants.

Medical researchers with expertise in each area of research will be hired in March 2006 to manage application inquiries, perform initial application review and recruit experts to serve on review panels. Staff will also monitor projects after the grants are awarded. Assume one researcher for every 20 applications, and one assistant for every three reviewers.

In June 2006, review panels will be convened to evaluate, score and prioritize recommendations. It is assumed one review panel will be required for each field of research. Panels will consist of five experts. Experts will receive a stipend of \$100 per day plus travel expenses, estimated to be \$120 per day. Panels will meet for two weeks to make grant recommendations.

Grant awards in August 2006 and March 2007 will each be \$3 million. Review panels for the August 2006 award will meet in June 2006.

Grant awards made in August 2007 will total \$6 million, with an average grant award of \$250,000. If 24 grants are awarded, it is reasonable to expect 120 applications for grants. The Authority will hire three additional researchers and one new assistant in March 2007. Six review panels will meet in June 2007.

Grant awards made in March 2008 and in every funding round thereafter will total \$20 million, with an average grant award of \$500,000. If 40 grants are awarded, it is reasonable to expect 200 applications for grants. The Authority will hire four additional researchers and one assistant in September 2006. Six review panels will meet in January 2007 and for each funding round thereafter, twice each year.

SB 5581 Scenario 1 Total Costs: Two Funding Rounds for Each Research Area Each Year

Section Analysis of Costs	FY06	FY07	FY08	FY09	FY10	FY11
Expenditures						
Section 3: Board						
7 members						
4 days per month for first 6 months						
1 days per month thereafter						
\$50 per day plus \$120 per day travel	35,700	14,280	14,280	14,280	14,280	14,280
Section 4(5): Grant Awards						
\$3 million August 2006		3,000,000				
\$3 million March 2007, \$6 million August 2007		3,000,000	6,000,000			
\$20 million twice each year beginning in March 2008			20,000,000	40,000,000	40,000,000	40,000,000
Grant Awards		6,000,000	26,000,000	40,000,000	40,000,000	40,000,000
Section 4(6): Advisory Panels						
These will actually be application review panels-assume 14 days to review applications						
3 panels of 5 experts at \$220 each day June '06	46,200					
6 panels of 5 experts at \$220 each twice each year beginning June '07		138,600	184,800	184,800	184,800	184,800
Section 5: Staff and Administration						
Staff - Salaries	435,600	871,600	1,386,267	1,531,600	1,531,600	1,531,600
Staff - Benefits (22% of gross salary)	95,832	191,752	304,979	336,952	336,952	336,952
Contracts	70,000					
Goods & Services	439,921	486,921	433,461	443,461	436,461	461,461
Travel	9,000	18,000	22,000	28,000	28,000	28,000
Equipment (computers, servers, furniture, telephones, etc.)	142,700			42,000		
Operating Expenses	1,274,953	1,721,153	2,345,786	2,581,093	2,532,093	2,557,093
Total Estimated Expenditures	1,274,953	7,721,153	28,345,786	42,581,093	42,532,093	42,557,093
Cash Receipts						
Section 4(1): State contribution - GF-State transfer for startup	(500,000)					
Section 10: Exempt special contributions from tobacco settlement account			(33,276,000)	(33,984,000)	(34,692,000)	(34,692,000)
Section 4(1) and Section 6: State contributions	500,000		33,276,000	33,984,000	34,692,000	34,692,000
Section 4(2): Private contributions	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<i>Total Biennial Deposit Estimate in New Account</i>	5,500,000	5,000,000	38,276,000	38,984,000	39,692,000	39,692,000
Net New Account Fund Balance (running balance totals)	4,225,047	1,503,894	11,434,108	7,837,015	4,996,922	2,131,829

SB 5581 Scenario 2: One Funding Round for each of Five Research Areas Each Year

Administration (Fixed Costs)

Assume general fund-state will be transferred to the Authority for start-up costs until funding is available from private contributions in the first fiscal year of the program, fiscal year 2006.

Board hires staff: executive director, administrative assistant, program manager to raise contributions and develop program. Staff establishes offices in Seattle, establish account, drafts/refines procedures, raise funds. An Internet site will be established, which will include an on-line grant application function, requiring services of an information technology specialist.

Beginning in July 2005, the board meets four days each month for six months to write/review procedures for program, including grant application, review and award. Beginning in January 2006, the board will meet once each month.

Beginning in March 2006, other staff will be required for general administrative purposes of the Authority: an administrative assistant to manage day-to-day functions, a financial analyst and a grant specialist for maintaining appropriate accounting functions.

These costs will remain essentially the same regardless of the grant process scenario.

Grant Process and Monitoring (Variable Costs)

Assume the grant awards made in fiscal year 2007, beginning in August 2006, will be made in five funding rounds. Total grants awarded in this year will be \$7.5 million, and each round will total \$1.5 million, with an average grant award of \$250,000. Based on information from the National Institutes of Health, approximately 20% of all applications are awarded grants. If 6 grants are awarded, it is reasonable to expect 30 applications for grants.

Medical researchers with general expertise will be hired in March 2006 to manage application inquiries, perform initial application review and recruit experts to serve on review panels. Staff will also monitor projects after the grants are awarded. Assume one researcher for every 20 applications, and one assistant for every three reviewers.

In addition, a contractor with specialized expertise in the research area for the particular round will be hired to assist with the initial application review. Assume five contracts per year, at an estimated cost of \$10,000 per contract.

Review panels will be convened to evaluate, score and prioritize recommendations. Panels will consist of five experts. Experts will receive a stipend of \$100 per day plus travel expenses, estimated to be \$120 per day. Panels will meet for two weeks to make grant recommendations.

Grant awards made in fiscal year 2008 will total \$25 million, \$5 million per round. The average grant award will be \$500,000. If 10 grants are awarded, it is reasonable to expect 50 applications for grants.

Grant awards made in fiscal year 2009 and each year thereafter will total \$40 million, \$8 million per round. The average grant award will be \$500,000. If 16 grants are awarded, it is reasonable to expect 80 applications for grants.

SB 5581 Scenario 2 Total Costs: One Funding Round for Five Research Areas Each Year

Section Analysis of Costs	FY06	FY07	FY08	FY09	FY10	FY11
Expenditures						
Section 3: Board						
7 members						
4 days per month for first 6 months						
1 days per month thereafter						
\$50 per day plus \$120 per day travel	35,700	14,280	14,280	14,280	14,280	14,280
Section 4(5): Grant Awards						
\$1.5 million per round		7,500,000				
\$5 million per round			25,000,000			
\$8 million per round				40,000,000	40,000,000	40,000,000
Grant Awards		7,500,000	25,000,000	40,000,000	40,000,000	40,000,000
Section 4(6): Advisory Panels						
These will actually be application review panels-assume 14 days to review applications						
1 panel of 5 experts per round at \$220 each day	77,000	77,000	77,000	77,000	77,000	77,000
Section 5: Staff and Administration						
Staff - Salaries	379,600	630,933	763,200	870,400	870,400	870,400
Staff - Benefits (22% of gross salary)	83,512	138,805	167,904	191,488	191,488	191,488
Contracts	70,000	50,000	50,000	50,000	50,000	50,000
Goods & Services	439,921	486,921	433,461	443,461	436,461	461,461
Travel	9,000	18,000	22,000	28,000	28,000	28,000
Equipment (computers, servers, furniture, telephones, etc.)	142,700			42,000		
Operating Expenses	1,237,433	1,415,940	1,527,845	1,716,629	1,667,629	1,692,629
Total Estimated Expenditures	1,237,433	8,915,940	26,527,845	41,716,629	41,667,629	41,692,629
Cash Receipts						
Section 4(1): State contribution - GF-State transfer for startup	(500,000)					
Section 10: Exempt special contributions from tobacco settlement account			(33,276,000)	(33,984,000)	(34,692,000)	(34,692,000)
Section 4(1) and Section 6: State contributions	500,000		33,276,000	33,984,000	34,692,000	34,692,000
Section 4(2): Private contributions	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<i>Total Biennial Deposit Estimate in New Account</i>	5,500,000	5,000,000	38,276,000	38,984,000	39,692,000	39,692,000
Net New Account Fund Balance (running balance totals)	4,262,567	346,627	12,094,782	9,362,153	7,386,524	5,385,895

Department of Revenue Fiscal Note

Bill Number: 5581 SB	Title: Life sciences research	Agency: 140-Department of Revenue
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Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Jennifer Strus	Phone: (360)786-7316	Date: 02/02/2005
Agency Preparation: Steve Smith	Phone: 360-570-6080	Date: 02/08/2005
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/08/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/08/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 declares promotion of life sciences research as a "clear public purpose and governmental function."

Sections 2-8 of this bill do not affect the Department of Revenue.

Section 9 specifically exempts income received by the life sciences discovery fund authority from business and occupation tax.

Section 19 sets an expiration date of June 30, 2005, for Section 12 (reenacting and amending RCW 42.17.310).

Section 20 The bill takes effect immediately, except for section 13 (reenacting and amending RCW 42.17.310), which takes effect June 30, 2005.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

The life sciences research entity established by section 3 "...constitutes a public instrumentality of the state...exercising public and essential governmental functions..." and is therefore assumed to be exempt from business and occupation taxes regardless of the specific exemption mentioned in section 9.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Since this proposal establishes an exempt state agency there is no direct impact on state tax collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule making required.