

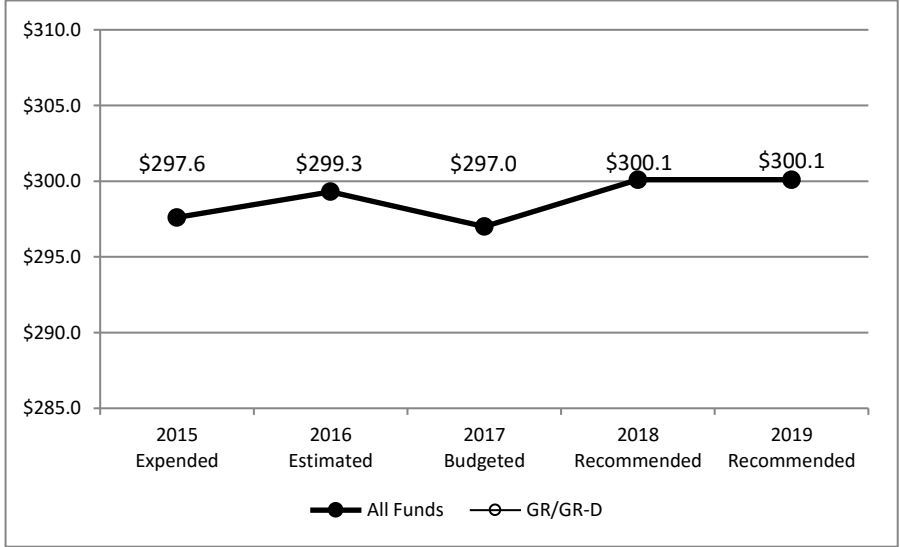
**Cancer Prevention and Research Institute of Texas
Summary of Recommendations - House**

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Wayne R. Roberts, Chief Executive Officer
Lara Bell, LBB Analyst

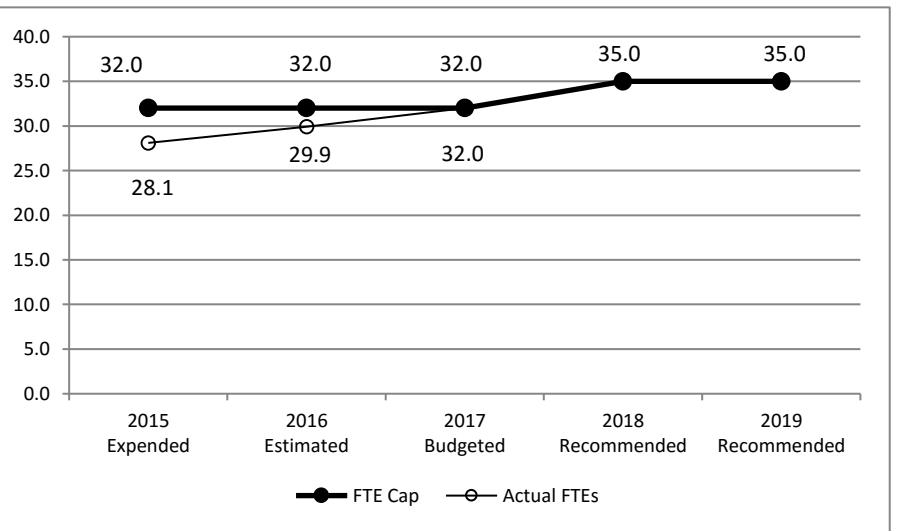
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$596,292,895	\$600,110,000	\$3,817,105	0.6%
All Funds	\$596,292,895	\$600,110,000	\$3,817,105	0.6%

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	32.0	35.0	3.0	9.4%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

**Cancer Prevention and Research Institute of Texas
Summary of Funding Changes and Recommendations - House**

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
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Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):

A)	General Obligation Bond Proceeds to be transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry.	\$0.0	\$0.0	\$0.0	\$6.2	\$6.2	A.1.1
B)	Unexpended balances carried forward from FY 2015 into the 2016-17 biennium and expended.	\$0.0	\$0.0	\$0.0	(\$1.9)	(\$1.9)	A.1.1, A.1.3
C)	Funding adjusted due to statutory limitation that prevention grants are limited to 10.0 percent of total award funds.	\$0.0	\$0.0	\$0.0	(\$0.3)	(\$0.3)	A.1.2
D)	One-time collection of conference registration fees in fiscal year 2016.	\$0.0	\$0.0	\$0.0	(\$0.3)	(\$0.3)	A.1.3
E)	Increase in funds required for salaries in 2018-19 biennium due to lower salary costs in FY 2016 related to unfilled staff positions.	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	B.1.1
F)	Savings realized due to the replacement of three grant compliance contractors with full-time equivalent positions.	\$0.0	\$0.0	\$0.0	(\$0.2)	(\$0.2)	A.1.3
G)	Transfer of savings from Strategy A.1.3, related to the replacement of three grant compliance contractors with full-time equivalent positions, to Strategy A.1.1 for research grants.	\$0.0	\$0.0	\$0.0	\$0.2	\$0.2	A.1.1

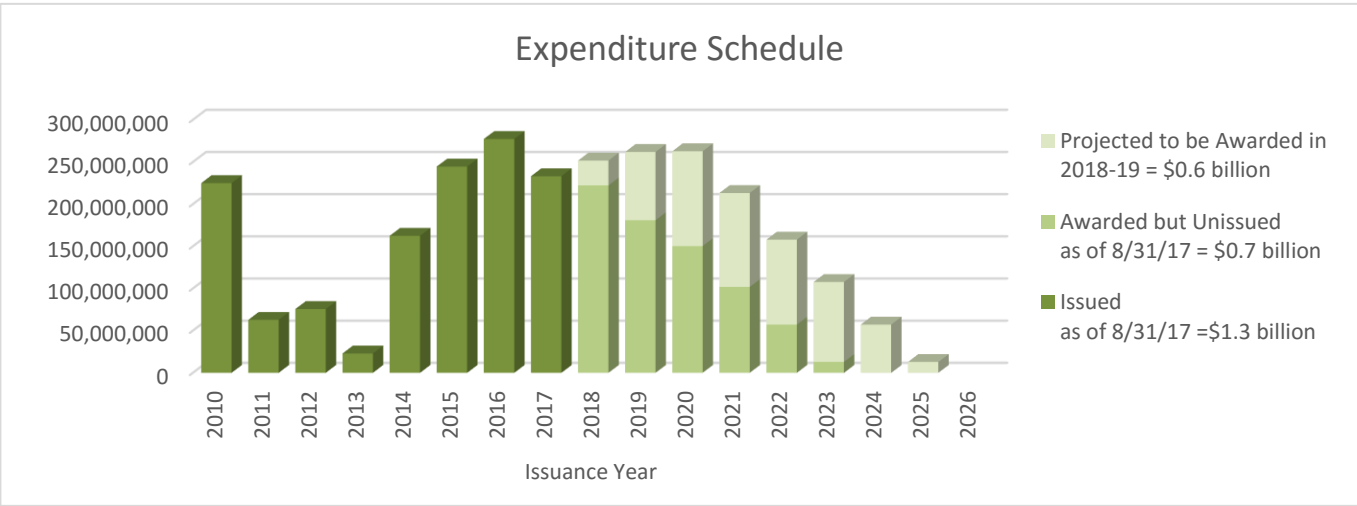
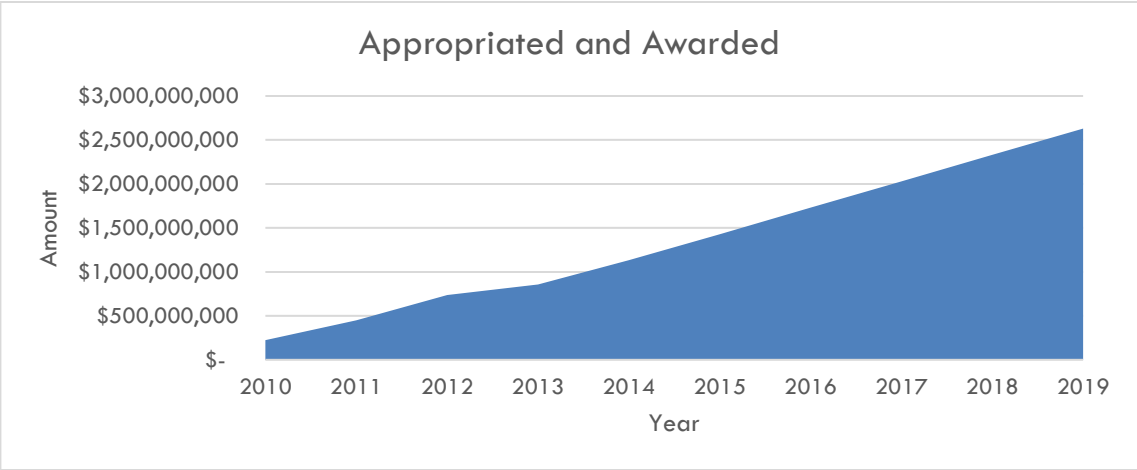
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)	\$0.0	\$0.0	\$0.0	\$3.8	\$3.8	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>	\$0.0	\$0.0	\$0.0	\$6.5	\$6.5	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>	\$0.0	\$0.0	\$0.0	(\$2.7)	(\$2.7)	As Listed

NOTE: Totals may not sum due to rounding.

Cancer Prevention and Research Institute of Texas
Selected Fiscal and Policy Issues - House

1. **Appropriation of Bond Proceeds and Bond Issuances.** HJR 90, Eightieth Legislature, Regular Session, 2007 and approval of Proposition 15 by voters amended Article III of the Texas Constitution to establish Cancer Prevention and Research Institute of Texas (CPRIT) and authorized \$3.0 billion in general obligation bond proceeds, to be issued by Texas Public Finance Authority (TPFA). House Bill 14, Eightieth Legislature, Regular Session, 2007 limits the issuance of bonds and the award of grants to \$300 million each fiscal year, and the authorization to award grants expires after August 31, 2020. The agency is scheduled for review by the Sunset Advisory Commission during the 2020-21 biennium, and would be abolished on September 1, 2021 if not continued by the Legislature.

Currently, approximately \$2.3 billion in CPRIT bond authority has been appropriated to CPRIT since the 2010-11 biennium. However, \$0.3 million in authority lapsed primarily due to the moratorium on grants in fiscal year 2013 and unused previously awarded grant funding. Therefore, of the \$3.0 billion authorization, approximately \$1.0 billion in General Obligation (GO) Bond authority remains and is available for legislative appropriation of up to \$300 million in each fiscal year. If the legislature appropriates \$600 million for the upcoming 2018-19 biennium, \$438.5 million of the GO Bond authorization would remain unappropriated going into the 2020-21 biennium.



TPFA issues the CPRIT bonds as needed for award expenditures, including reimbursements to grant recipients. By the end of the 2016-17 biennium, approximately \$1.3 billion in bonds will have been issued for CPRIT expenditures, and \$0.7 billion in grants funds will have been awarded but not yet issued and expended. Based on the agency's current expenditure schedule, which assumes full appropriation of \$0.6 billion in GO Bond Proceeds for the 2018-19 biennium, the final 20-year bond issuance will be made to fulfill grant award payments in fiscal year 2025.

2. **Certain Tobacco Settlement Funds for CPRIT Debt Service.** Recommendations include \$600.0 million in GO Bond Proceeds to the CPRIT for grants and agency operations. TPFA is appropriated debt service on existing CPRIT debt and debt expected to be issued. TPFA debt service estimates for CPRIT commercial paper in the 2018-19 biennium assume a taxable interest rate of 7.5 percent.

Since fiscal year 2012, certain Tobacco Settlement Funds have been used to pay principal or interest for bonds issued for CPRIT. The appropriated amounts are transferred from three funds outside the treasury on an as needed basis. Balances are projected to be \$98.2 million at the end of FY 2017. Estimates indicate that CPRIT debt service payments will be \$271.3 million in the 2018-19 biennium. Therefore, the legislature would need to appropriate \$173.1 million in General Revenue or other methods of finance to pay the debt service on existing CPRIT debt as well as any new issuances that occur beginning in the 2018-19 biennium.

3. **CPRIT Returns on Investment.** Pursuant to Health and Safety Code, Sec. 102.256, the CPRIT Oversight Committee is required to establish standards to make all grant awards subject to an intellectual property agreement that allows the state to collect royalties and other benefits generated from projects funded by CPRIT grants. Prior to fiscal year 2014, all revenues generated from these agreements were deposited into General Revenue-Dedicated Account No. 5136 Cancer Prevention and Research Institute of Texas Fund. Statute allows the fund to be used to pay debt service on CPRIT bonds, as well as provide CPRIT grants and fund agency operations. Senate Bill 149, 83rd Legislature, Regular Session, 2013, amended Health and Safety Code to establish a cancer prevention and interest and sinking fund to receive any income received under a grant contract and limited the use of the fund to pay only debt service on CPRIT bonds. However, the fund did not make funds consolidation and beginning September 1, 2013 all grant revenues are deposited into General Revenue.

The table below provides an overview of revenues from grant contracts and the funds where the balances currently reside. Revenues total \$3.1 million and revenues are expected to increase as CPRIT continues to invest in companies through product development awards.

	2011	2012	2013	2014	2015	2016	Total
General Revenue-Dedicated Account No. 5136	\$14,367	\$61,644	\$220,618	-	-	-	\$296,629
General Revenue	-	-	\$101,324	\$1,768,790	\$46,774	\$921,686	\$2,838,574
Total Income Received as of 8/31/2016							\$3,135,203

Source: Comptroller of Public Accounts and CPRIT

**Cancer Prevention and Research Institute of Texas
FTE Highlights - House**

Section 3a

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	32.0	32.0	32.0	35.0	35.0
Actual/Budgeted	28.1	29.9	32.0	NA	NA

Schedule of Exempt Positions (Cap)

Chief Executive Officer, Group 7	\$250,000	\$256,250	\$256,250	\$256,250	\$256,250
Chief Scientific Officer	\$540,000	\$553,500	\$553,500	\$553,500	\$553,500

Notes:

- a) The agency is requesting an increase in salary for the Executive Director Exempt Position salary from \$256,250 to \$285,275 per year and from Group 7 to Group 8.
- b) The State Auditor's Office Report, Executive Compensation at State Agencies (Report No. 16-706, August 2016), indicates a market average salary of \$242,373 for the Executive Director position at the Cancer Prevention and Research Institute of Texas and recommends a change from the current Group 7 classification to Group 8. The SAO report did not address the Chief Scientific Officer exempt position.
- c) Recommendations include the agency's request for three (3) additional full-time equivalent (FTE) positions in the compliance program. The grant compliance function is currently performed by contracted employees, therefore, the addition of three FTEs is expected to result in a savings of \$184,270 in Bond Proceeds in Strategy A.1.3 for the 2018-19 biennium.

**Cancer Prevention and Research Institute of Texas
Rider Highlights - House**

Modification of Existing Riders

7. **Limitation on Expenditure for Contracts.** Recommendations revise this rider to increase contract approval threshold from \$250,000 to \$1,000,000.

Cancer Prevention and Research Institute of Texas
Items Not Included in Recommendations - House

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Modify Rider 4, Transfer Authority to remove the LBB approval requirement for transfers out of cancer prevention and research grant award strategies and replace with notification of transfers to the LBB and Governor's Office.	\$0	\$0	0.0	No	Yes	\$0
2)	Modify Rider 5, Transfer to Department of State Health Services for the Cancer Registry to make the transfer of Bond Proceeds (\$3.1 million each year) for the Cancer Registry a sum certain amount that includes the associated employee benefits.	\$0	\$0	0.0	No	No	\$0
3)	Delete Rider 7, Limitation on Expenditure for Contracts relating to the requirement that CPRIT receive LBB approval to execute contracts over \$1,000,000.	\$0	\$0	0.0	No	Yes	\$0
4)	Increase Exempt Salary for the Executive Director to \$285,275 in Group 8.	\$0	\$70,550	0.0	No	No	\$70,550

TOTAL Items Not Included in Recommendations		\$0	\$70,550	0.0			\$70,550
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**Cancer Prevention and Research Institute of Texas
Appendices - House**

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* Appendix is not included - no significant information to report

** Information is included in the presentation section of the packet

**Cancer Prevention and Research Institute of Texas
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS**

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
AWARD CANCER RESEARCH GRANTS A.1.1	\$505,401,845	\$510,536,602	\$5,134,757	1.0%	Recommendations include a decrease of \$1.2 million in Bond Proceeds related to unexpended balances that were issued for grant award contracts in prior biennia and were carried forward and encumbered or expended during the 2016-17 biennium. This amount is offset by an increase of \$6.2 million in Bond Proceeds in the 2016-17 biennium to be transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry and an increase of \$0.2 million in Bond Proceeds in the 2018-19 biennium related to savings realized in Strategy A.1.3 and transferred to A.1.1 related to the replacement of three grant compliance contractors with full-time equivalent positions.
AWARD CANCER PREVENTION GRANTS A.1.2	\$56,355,441	\$56,075,912	(\$279,529)	(0.5%)	Recommendations include a decrease of \$0.3 million in Bond Proceeds due to statutory limitation that prevention grants are limited to 10.0 percent of total award funds.
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$28,581,518	\$27,436,182	(\$1,145,336)	(4.0%)	Recommendations include a decrease of \$0.7 million in Bond Proceeds related to unexpended balances carried forward from FY 2015 into the 2016-17 and a decrease of \$0.3 million in Appropriated Receipts related to the one-time collection of conference registration fees in FY 2016. There is an additional decrease of \$0.2 million in Bond Proceeds in the 2018-19 biennium transferred to Strategy A.1.1 due to the replacement of three grant compliance contractors with full-time equivalent positions.
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$590,338,804	\$594,048,696	\$3,709,892	0.6%	
INDIRECT ADMINISTRATION B.1.1	\$5,954,091	\$6,061,304	\$107,213	1.8%	Recommendations include an increase of \$0.1 million in Bond Proceeds related to salaries requirements in 2018-19 biennium due to lower salary costs in FY 2016 due to unfilled staff positions.
Total, Goal B, INDIRECT ADMINISTRATION	\$5,954,091	\$6,061,304	\$107,213	1.8%	
Grand Total, All Strategies	\$596,292,895	\$600,110,000	\$3,817,105	0.6%	

Cancer Prevention and Research Institute of Texas
Summary of Ten Percent Biennial Base Reduction Options Recommendations - House

			Biennial Reduction Amounts					
Priority	Item	Description/Impact	GR & GR-D	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
TOTAL, 10% Reduction Options			\$0	\$0	0.0	\$0		

Cancer Prevention and Research Institute of Texas is funded entirely through Other Funds, including General Obligation Bond Proceeds, Appropriated Receipts, and License Plate Revenues. A ten percent reduction schedule was not included for this agency.