

Section 1

Cancer Prevention and Research Institute of Texas  
Summary of Recommendations - Senate

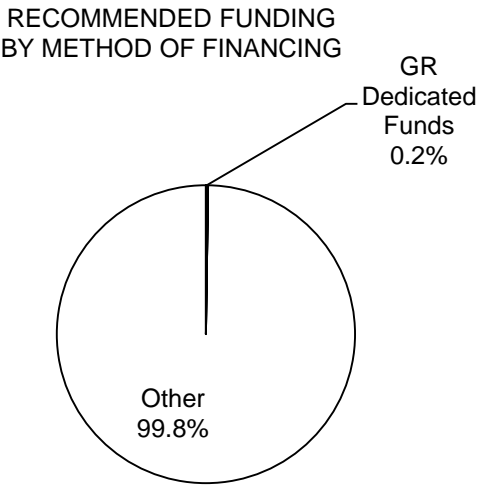
Page: I-16  
Wayne Roberts, Interim Executive Director

Emily Morganti, LBB Analyst

Method of Financing	2012-13 Base	2014-15 Recommended	Biennial Change	% Change
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$24,603	\$24,000	(\$603)	(2.5%)
Total GR-Related Funds	\$24,603	\$24,000	(\$603)	(2.5%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$588,036,333	\$10,322,907	(\$577,713,426)	(98.2%)
All Funds	\$588,060,936	\$10,346,907	(\$577,714,029)	(98.2%)

	FY 2013 Budgeted	FY 2015 Recommended	Biennial Change	% Change
FTEs	24.0	17.0	(7.0)	(29.2%)

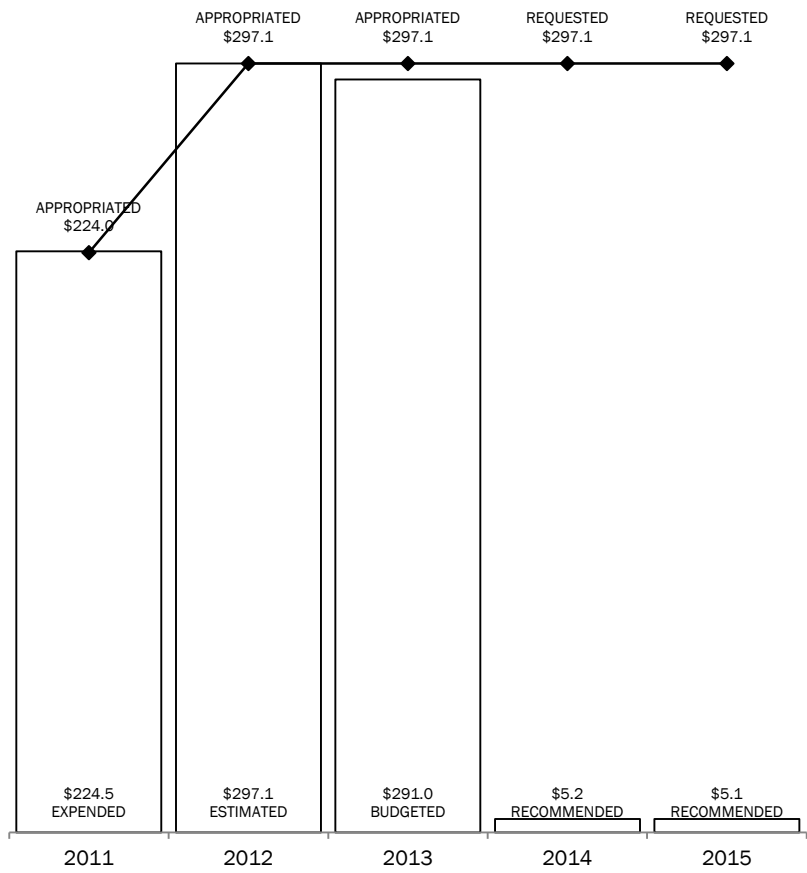
The bill pattern for this agency (2014-15 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2014-15 biennium.



Section 1  
Cancer Prevention and Research Institute of Texas  
2014-2015 BIENNIUM  
IN MILLIONS

TOTAL= \$10.3 MILLION

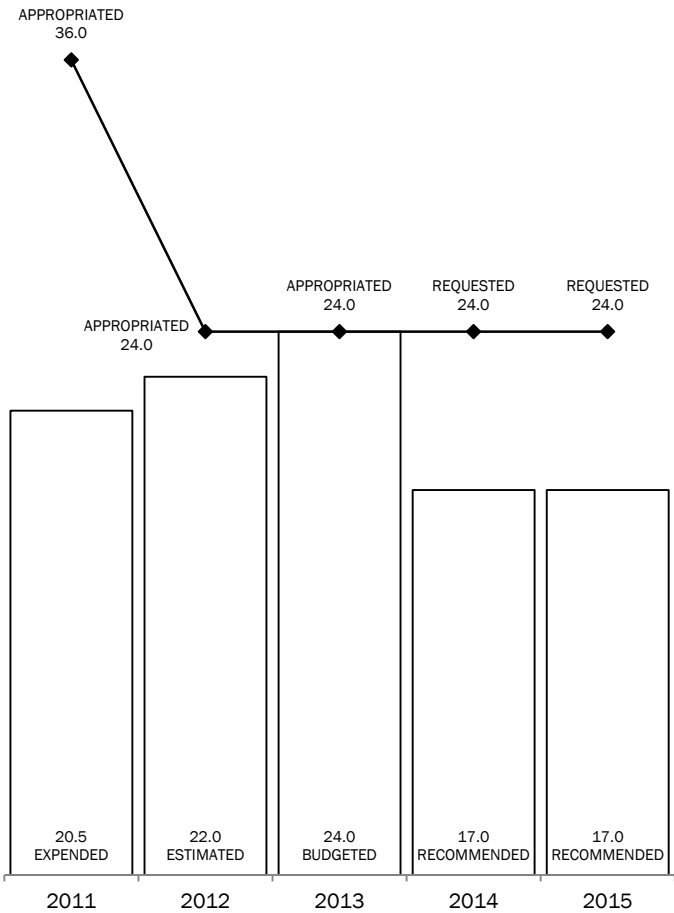
ALL FUNDS



GENERAL REVENUE AND  
GENERAL REVENUE-DEDICATED FUNDS



FULL-TIME-EQUIVALENT POSITIONS



Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS					
Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations assume no new general obligation bond proceeds for cancer prevention and research grants, grant award review and operations, or agency operations.
					Recommendations provide \$10.3 million in General Obligation bond proceeds from estimated unexpended and unobligated balances carried forward from fiscal year 2013 to the 2014-15 biennium for the agency to monitor and administer cancer prevention and research grants awarded in prior biennia.
					Recommendations also provide four months rent for existing leased office space and moving expenses for the agency to move into state-owned space by December 31, 2013.
AWARD CANCER RESEARCH GRANTS A.1.1	\$498,298,276	\$5,939,108	(\$492,359,168)	(98.8%)	
AWARD CANCER PREVENTION GRANTS A.1.2	\$58,037,737	\$24,000	(\$58,013,737)	(100.0%)	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$24,217,153	\$0	(\$24,217,153)	(100.0%)	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$580,553,166	\$5,963,108	(\$574,590,058)	(99.0%)	
INDIRECT ADMINISTRATION B.1.1	\$7,507,770	\$4,383,799	(\$3,123,971)	(41.6%)	
Total, Goal B, INDIRECT ADMINISTRATION	\$7,507,770	\$4,383,799	(\$3,123,971)	(41.6%)	
Grand Total, All Strategies	\$588,060,936	\$10,346,907	(\$577,714,029)	(98.2%)	

Section 2

Cancer Prevention and Research Institute of Texas  
Summary of Recommendations - Senate, By Method of Finance -- 5136 - Cancer Prevention and Research

Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include estimated revenue collections in the 2014-15 biennium of \$12,000 per year out of revenue generated by the Texans Conquer Cancer license plates which is deposited into the General Revenue - Dedicated Account Cancer Prevention and Research Fund No. 5136. This revenue provides grants to non-profits within Texas to provide patient support services, such as wigs, prostheses, transportation to treatment, and other services.
AWARD CANCER RESEARCH GRANTS A.1.1	\$0	\$0	\$0	0.0%	
AWARD CANCER PREVENTION GRANTS A.1.2	\$24,603	\$24,000	(\$603)	(2.5%)	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$0	\$0	\$0	0.0%	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$24,603	\$24,000	(\$603)	(2.5%)	
INDIRECT ADMINISTRATION B.1.1	\$0	\$0	\$0	0.0%	
Total, Goal B, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$24,603	\$24,000	(\$603)	(2.5%)	

Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- 666 - Appropriated Receipts					
Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include a decrease of \$56,000 related to reimbursement for reviewing commercialization grant applications. In the 2012-13 biennium, the agency charged a \$1,000 fee to all applicants that submitted a proposal for commercialization awards, to reimburse the agency for the costs of legal fees related to the due diligence review of a company prior to receiving an award.
AWARD CANCER RESEARCH GRANTS A.1.1	\$0	\$0	\$0	0.0%	
AWARD CANCER PREVENTION GRANTS A.1.2	\$0	\$0	\$0	0.0%	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$56,000	\$0	(\$56,000)	(100.0%)	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$56,000	\$0	(\$56,000)	(100.0%)	
INDIRECT ADMINISTRATION B.1.1	\$0	\$0	\$0	0.0%	
Total, Goal B, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$56,000	\$0	(\$56,000)	(100.0%)	

Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- 780 - Bond Proceed-Gen Obligation					
Strategy/Goal	2012-13 Base	2014-15 Recommended	Biennial Change	% Change	Comments
					Recommendations include a decrease of \$577.7 million in General Obligation (GO) Bond Proceeds for cancer research and prevention grants. Recommendations include no new GO Bond Proceeds (See Selected Fiscal and Policy Issues #1)
AWARD CANCER RESEARCH GRANTS A.1.1	\$498,298,276	\$5,939,108	(\$492,359,168)	(98.8%)	Recommendations include \$5.9 million out of unexpended and unobligated balances from GO Bond Proceeds into Strategy A.1.1, Award Cancer Research Grants to be transferred to the Department of State Health Services (DSHS) for the Cancer Registry.
AWARD CANCER PREVENTION GRANTS A.1.2	\$58,013,134	\$0	(\$58,013,134)	(100.0%)	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$24,161,153	\$0	(\$24,161,153)	(100.0%)	
<b>Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS</b>	<b>\$580,472,563</b>	<b>\$5,939,108</b>	<b>(\$574,533,455)</b>	<b>(99.0%)</b>	
INDIRECT ADMINISTRATION B.1.1	\$7,507,770	\$4,383,799	(\$3,123,971)	(41.6%)	Recommendations include appropriation of \$4.2 million out of unexpended and unobligated balances from GO Bond Proceeds in Strategy B.1.1, Indirect Administration to monitor and administer cancer prevention and research grants awarded in previous biennia. Recommendations also provide \$0.2 million for four months rent for existing leased office space and moving expenses to move into state-owned space by December 31, 2013.
<b>Total, Goal B, INDIRECT ADMINISTRATION</b>	<b>\$7,507,770</b>	<b>\$4,383,799</b>	<b>(\$3,123,971)</b>	<b>(41.6%)</b>	
<b>Grand Total, All Strategies</b>	<b>\$587,980,333</b>	<b>\$10,322,907</b>	<b>(\$577,657,426)</b>	<b>(98.2%)</b>	

**Cancer Prevention and Research Institute of Texas  
Selected Fiscal and Policy Issues**

**1. Fiscal Implications of Recommendations.**

- Recommendations include \$10.3 million out of General Obligation (GO) Bond Proceeds from estimated unexpended and unencumbered balances carried forward from fiscal year 2013 to the 2014-15 biennium. Of that amount, approximately \$5.9 million is directed to be transferred to the Department of State Health Services for administration of the Cancer Registry (See Rider 7, Transfer to Department of State Health Services for the Cancer Registry). The remaining amounts provide for the agency to monitor and administer cancer prevention and research grants awarded in previous biennia and include \$0.2 million for four months rent for existing leased office space and moving expenses for the agency to move into state-owned space.

The agency currently occupies a floor of a building on 7<sup>th</sup> and San Jacinto for 24 full-time equivalents and expends approximately \$196,000 in each fiscal year on rent for office space. The agency would be required to work with the Texas Facilities Commission to move into state-owned space no later than December 31, 2013.

- Recommendations include revising Rider 4, Salary Supplements for Exempt Positions, to reduce appropriated funds for the Executive Director salary and Chief Scientific Officer salary for every dollar their combined salaries, out of appropriated and foundation funds, exceeds the respective limits established within the rider. Recommendations reduce the combined salary limit for the Executive Director to \$214,000 per fiscal year out of appropriated and foundation funds.
- Recommendations include new Rider 6, Transfer Authority, in CPRIT's bill pattern, to limit appropriation transfers among strategies unless approved by the LBB. In the current biennium, and within the limits established by Article IX, Section 14.01, Appropriation Transfers, the agency transferred approximately \$12.0 million from Strategy A.1.1, Award Cancer Research Grants to Strategies A.1.3, Grant Review and Award Operations and B.1.1, Indirect Administration. The transfer of funds out of research grant award strategy reduced the amount available for research grants as well as prevention grants. As a reminder, Health and Safety Code Section 102.203 (e) limits the amount of prevention and control grants to 10 percent of money awarded.

Since fiscal year 2010, CPRIT has awarded a total of \$85.7 million in cancer prevention grants out of \$1,050.0 million available for awards. Prevention grants primarily address early detection and screening services.

- Recommendations eliminate all funding in Strategy A.1.3, Grant Review and Award Operations, including the grant reviewers' honoraria, related to the suspension of any new grant awards. Recommendations include \$4.4 million in Strategy B.1.1, Indirect Administration to maintain the agency's function to monitor awarded cancer prevention and research grants, which includes \$0.2 million for rent on privately leased space for the first four months of fiscal year 2014 and expenses related to moving to state-owned space. The transfer limitations, described above, provide that without LBB approval, the agency operational costs are limited to only the appropriations made to these two strategies.

- Recommendations include a requirement for CPRIT to submit quarterly financial reports to the LBB and the Governor.
- Recommendations include a requirement for CPRIT to obtain LBB approval before entering into contracts greater than \$100,000.
- As a reference, the Texas Constitution, Article III, Section 67 establishes CPRIT and authorizes \$3 billion in GO Bond Proceeds to fund cancer research and prevention grants. The Texas Public Finance Authority is limited by the constitution from issuing no more than \$300 million in Bond Proceeds on behalf of CPRIT in any given year.
- Recommendations include no new appropriation of General Obligation Bond Proceeds for the 2014-15 biennium.

2. **Appropriation of Bond Proceeds and Bond Issuances.** Approximately \$1.1 billion in CPRIT bond authority has been appropriated to CPRIT since the 2010-11 biennium. Therefore approximately \$1.9 billion in GO Bond authority remains of the \$3 billion authorization. Approximately \$677.2 million in Bond Proceeds appropriated to CPRIT during the 2010-11 and 2012-13 biennia remain unissued. The table below provides a summary of bonds appropriated and issued for each fiscal year as of January 2013.

	2010	2011	2010-11 Biennial Total	2012	2013 (thru January 2013)	2012-13 Biennial Total
Appropriated	\$225,000,000	\$225,000,000	\$450,000,000	\$300,000,000	\$300,000,000	\$600,000,000
Issued	225,000,000	\$62,575,000	\$287,575,000	\$75,700,000	\$9,600,000	\$85,300,000

Source: Texas Public Finance Authority and LBB

As a note, House Bill 2251, 82<sup>nd</sup> Legislature, 2011, removed the escrow requirement, which allows the Texas Public Finance Authority to issue the CPRIT bonds as needed for expenditure.

3. **State Auditor’s Report on Grant Management at CPRIT.** In January 2013, the State Auditor’s Office (SAO) released their audit report on CPRIT entitled, *Grant Management at the Cancer Prevention and Research Institute of Texas and Selected Grantees*. The audit highlighted deficiencies within the granting process at CPRIT, both within selecting grant recipients and post-award management and monitoring. The audit also looked into specific grant awards, including CPRIT’s largest single grant award of \$25.2 million to the Statewide Clinical Trials Network of Texas (CTNeT), and determined that a number of CPRIT grant policies and procedures had not been followed. The audit called for increased transparency at CPRIT and provided recommendations for improvement within the following specific areas.
- **Making award decisions:** CPRIT should ensure that all award decisions are free from real or apparent conflicts of interest.



- **Evaluating grant applications:** CPRIT should ensure that its policies and procedures for evaluating grant applications are up to date and consistently followed, and should maintain records of all reviews performed.
- **Verifying compliance with matching funds requirements:** CPRIT should verify the accuracy and availability of the matching funds its grantees report.
- **Processing payments to grantees:** CPRIT should establish requirements to help ensure that the appropriateness of advance payments and reimbursements it makes to grantees.
- **Monitoring grantees expenditures:** CPRIT should improve its processes for monitoring grantees expenditures by ensuring all grantees submit the currently required quarterly financial reports.
- **Assessing and measuring research progress and compliance with grant milestones:** CPRIT should ensure that grantees submit all required annual progress reports by required due dates, and it should review those reports and document those reviews.
- **Managing contract agreements with grantees:** CPRIT should improve its management of the grants and other administrative practices.

The agency generally agreed with all recommendations and indicated plans to make the necessary revisions to current rules and policies.

4. **CPRIT Future Directions Workgroup.** As a reference, the Future Directions Workgroup was established in March 2012 and is made up of 30 members from various advisory councils for the agency. The Workgroup is charged with examining the current review and awards process and determining how to move forward with CPRIT's grant awards in the future. Below are highlights of the Workgroup's findings presented at the CPRIT annual conference in October 2012:
  - Overall grant allocation preference of survey responders of 41-60 percent for research grants and 1-20 percent for both prevention and commercialization grants;
  - Desire for increased transparency related to grant review process; and
  - Consideration to assemble group of 4-5 credible experts from outside the state to review CPRIT's policies, procedures, and strategic direction.

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

Full-Time-Equivalent Positions	Expended 2011	Estimated 2012	Budgeted 2013	Recommended 2014	Recommended 2015
Cap	36.0	24.0	24.0	17.0	17.0
Actual/Budgeted	20.5	22.0	24.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 7	\$214,000	\$214,000	\$214,000	\$214,000	\$214,000
Chief Scientific Officer, Group 6	\$212,000	\$212,000	\$212,000	\$212,000	\$212,000

Recommendations include a reduction of 7.0 FTEs, related to the elimination of funding for Strategy A.1.3, Grant Review and Award Operations, for any grant award functions.

State Auditor's Office Report 12-708, *Executive Compensation at State Agencies*, indicates a market average of \$202,649 for the Executive Director position. No changes to the current Group 7 classification were recommended.

The SAO report did not address the Chief Scientific Officer exempt position.

Section 4

Cancer Prevention and Research Institute  
Performance Review and Policy Report Highlights

Reports & Recommendations	Report Page	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

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

2. **(Revise) Texans Conquer Cancer Plates: Appropriation of License Plate Receipts.** Revise rider to provide unexpended balance authority between fiscal years for revenue collections appropriated to the agency from the sale of license plates.
3. **(Old) Unexpended Balances Within the Biennium.** Delete rider to remove unexpended balance authority for all strategies.
4. **(Revise) Salary Supplement for Exempt Positions.** Revise rider to establish combined salary limit, from foundation funds and appropriations, for the Executive Director and Chief Scientific Officer, and to reduce appropriation for every dollar that the combined salary exceeds such limits.
5. **(Revise) Unexpended Balances of Bond Proceeds.** Revise rider to limit carry forward authority for unexpended and unobligated balances out of GO Bond Proceeds and direct expenditure of \$5.9 million for the Cancer Registry and \$0.2 million for four months of rent.
6. **(New)Transfer Authority.** Add new rider to prohibit transfer of appropriations out of grant-making strategies without written approval from the LBB.
7. **(Old) Contingency Appropriation Requiring Statutory Change: General Obligation Bond Proceeds for Cancer Prevention and Research Grants.** Delete rider due to the enactment of legislation.
7. **(Revise)Transfer to Department of State Health Services for the Cancer Registry.** Rename rider to remove contingency provision due to enactment of legislation.
8. **(New) Limit on Expenditure of Unexpended Balances.** Add new rider to limit expenditure of unexpended balances of bond proceeds for rent through December 2013 and any costs associated with moving the agency into state owned space, and allow expenditure above limit with LBB approval.
9. **(New) Quarterly Financial Report.** Add new rider requiring the agency to submit quarterly financial reports to the LBB and the Governor.
10. **(New) Limitation on Expenditure for Contracts.** Add new rider requiring the agency to obtain LBB approval before entering into contracts greater than \$100,000.

## Section 6

**Cancer Prevention and Research Institute of Texas**  
**Items not Included in the Recommendations - Senate**

### Agency Exceptional Items - In Agency Priority Order

1. Restore the following out of General Obligation Bond Proceeds (\$589.7 million). The related debt service with this request is \$9.1 million out of certain General Revenue - Dedicated accounts related to Tobacco Settlement Funds, and would be appropriated to the Texas Public Finance Authority.
  - a. Cancer prevention grants (\$58.0 million) for evidence-based cancer control programs to enhance the availability and quality of cancer prevention and control intervention across Texas.
  - b. Cancer research grants (\$504.0 million) for research projects into the causes of and cures for cancer, including collaborations among various institutions and product development.
  - c. Authority for 7.0 full-time equivalents and funding (\$24.3 million) for Strategy A.1.3, Grant Review and Award Operations, which includes administration and support activities of grant application submission and review and post-award management of prevention and research awards.
  - d. Additional funding (\$3.4 million) for Strategy B.1.1, Indirect Administration, which includes administration, support, management oversight, and internal control of the Institute, including executive administration, financial and fiscal monitoring, payroll, human resources, internal audit, and legal services .

2014-15 Biennial Total			
GR & GR-Dedicated		All Funds	
\$	9,062,384	\$	598,779,477
\$	9,062,384	\$	598,779,477