

Section 1

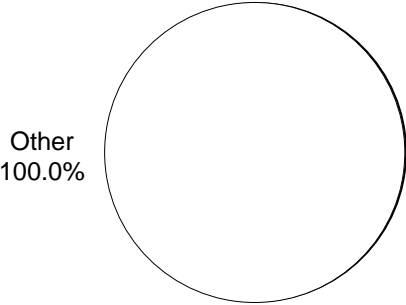
Cancer Prevention and Research Institute of Texas
Summary of Recommendations - Senate

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Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$0	\$0	\$0	0.0%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$596,192,743	\$600,110,000	\$3,917,257	0.7%
All Funds	\$596,192,743	\$600,110,000	\$3,917,257	0.7%

RECOMMENDED FUNDING
BY METHOD OF FINANCING



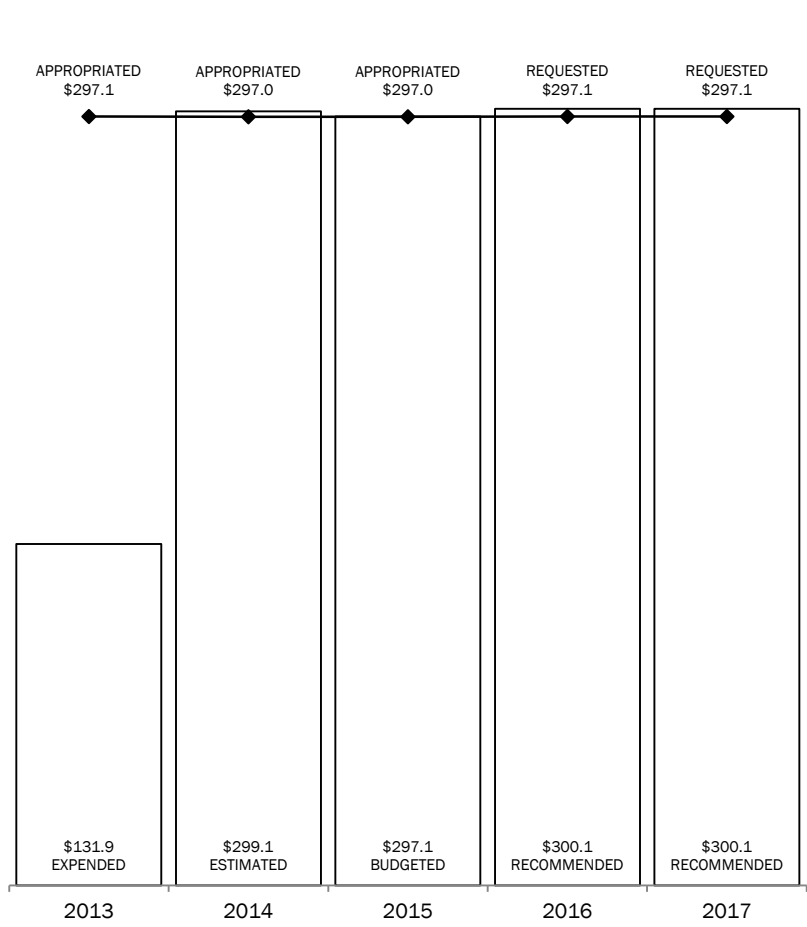
	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	32.0	32.0	0.0	0.0%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1
Cancer Prevention and Research Institute of Texas
2016-2017 BIENNIUM
IN MILLIONS

TOTAL= \$600.2 MILLION

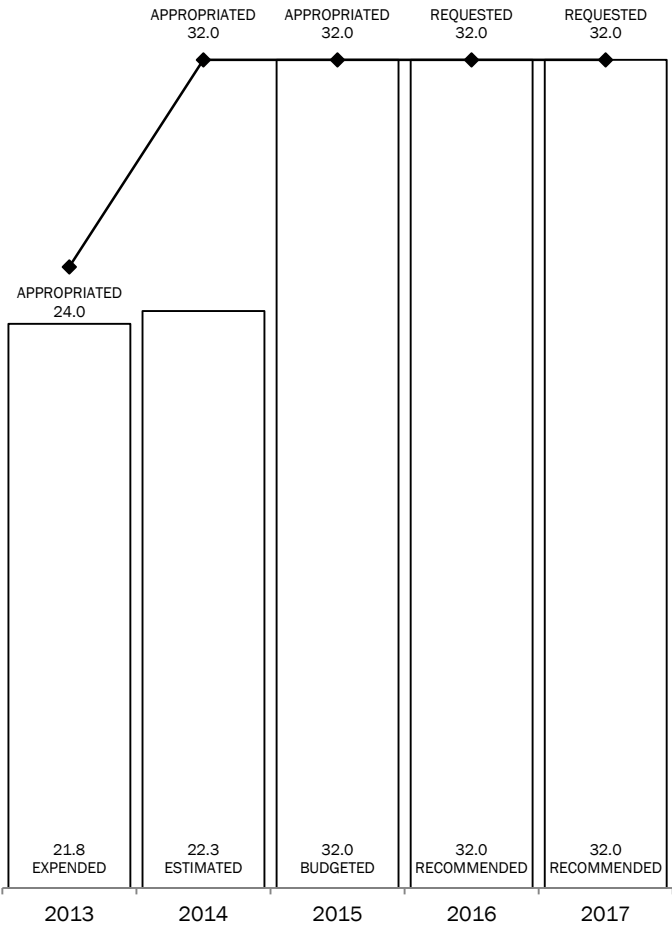
ALL FUNDS



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	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
					Recommendations reflect an increase of \$5.9 million in General Obligation Bond Proceeds to be transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry. This increase is partially offset by \$2.0 million in unexpended balances for bonds that were issued for grant award contracts in prior biennia and were carried forward and encumbered or expended during the 2014-15 biennium.
AWARD CANCER RESEARCH GRANTS A.1.1	\$510,583,167	\$509,805,127	(\$778,040)	(0.2%)	
AWARD CANCER PREVENTION GRANTS A.1.2	\$58,044,134	\$56,674,347	(\$1,369,787)	(2.4%)	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$20,212,708	\$27,617,389	\$7,404,681	36.6%	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$588,840,009	\$594,096,863	\$5,256,854	0.9%	
INDIRECT ADMINISTRATION B.1.1	\$7,352,734	\$6,013,137	(\$1,339,597)	(18.2%)	
Total, Goal B, INDIRECT ADMINISTRATION	\$7,352,734	\$6,013,137	(\$1,339,597)	(18.2%)	
Grand Total, All Strategies	\$596,192,743	\$600,110,000	\$3,917,257	0.7%	

Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- 666 - Appropriated Receipts					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
AWARD CANCER RESEARCH GRANTS A.1.1	\$0	\$0	\$0	0.0%	Recommendations include a decrease of \$28,000 related to reimbursement for reviewing product development grant applications. The agency charges a \$1,000 fee to all product development grant applicants, which is applied to costs related to the due diligence review of a company prior to the company receiving a product development award. Recommended funding levels align with the agency's estimated number of Requests for Applications for product development grants during the 2016-17 award cycle.
AWARD CANCER PREVENTION GRANTS A.1.2	\$0	\$0	\$0	0.0%	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$108,000	\$80,000	(\$28,000)	(25.9%)	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$108,000	\$80,000	(\$28,000)	(25.9%)	
INDIRECT ADMINISTRATION B.1.1	\$0	\$0	\$0	0.0%	
Total, Goal B, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$108,000	\$80,000	(\$28,000)	(25.9%)	

Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- 780 - Bond Proceed-Gen Obligat					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
AWARD CANCER RESEARCH GRANTS A.1.1	\$510,583,167	\$509,805,127	(\$778,040)	(0.2%)	Recommendations include a reallocation of \$6.7 million to A.1.3, Grant Review and Award Operations to reflect the agency's planned expenditures for Grant Review and Award Operations, which is partially offset by an increase of \$5.9 million in General Obligation Bond Proceeds for the 2016-17 biennium to be transferred to the Department of State Health Services (DSHS) for administration of the Cancer Registry.
AWARD CANCER PREVENTION GRANTS A.1.2	\$58,013,134	\$56,644,347	(\$1,368,787)	(2.4%)	Recommendations reflect a decrease of \$1.4 million primarily related to canceled grant awards in prior biennia out of issued debt that were carried forward and encumbered or expended during the 2014-15 biennium. Article IX, Sec. 8.09, Appropriation of Bond Proceeds, in the 2014-15 General Appropriations Act appropriates proceeds from issued CPRIT debt to the agency.
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$20,104,708	\$27,537,389	\$7,432,681	37.0%	Recommendations reflect a reallocation of funds from Strategy A.1.1, Award Cancer Research Grants, for pre- and post-award grant management services.
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$588,701,009	\$593,986,863	\$5,285,854	0.9%	
INDIRECT ADMINISTRATION B.1.1	\$7,352,734	\$6,013,137	(\$1,339,597)	(18.2%)	Recommendations include a decrease of \$1.3 million primarily related to one-time expenses for construction, rent, and move costs associated with moving the agency from privately-leased space to state-owned space during the 2014-15 biennium.
Total, Goal B, INDIRECT ADMINISTRATION	\$7,352,734	\$6,013,137	(\$1,339,597)	(18.2%)	
Grand Total, All Strategies	\$596,053,743	\$600,000,000	\$3,946,257	0.7%	

Section 2

Cancer Prevention and Research Institute of Texas					
Summary of Recommendations - Senate, By Method of Finance -- 802 - License Plate Trust Fund No.					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
AWARD CANCER RESEARCH GRANTS A.1.1	\$0	\$0	\$0	0.0%	Recommendations include estimated revenue collections in the 2016-17 biennium of \$15,000 per year out of revenue generated by the Texans Conquer Cancer license plates, which is deposited into the License Plate Trust Fund No. 802 (Other Funds). This revenue funds grants to non-profits within Texas that provide patient support services, such as wigs, prostheses, transportation to treatment, and other services.
AWARD CANCER PREVENTION GRANTS A.1.2	\$31,000	\$30,000	(\$1,000)	(3.2%)	
GRANT REVIEW AND AWARD OPERATIONS A.1.3	\$0	\$0	\$0	0.0%	
Total, Goal A, CANCER RESEARCH AND PREVENTION SVCS	\$31,000	\$30,000	(\$1,000)	(3.2%)	
INDIRECT ADMINISTRATION B.1.1	\$0	\$0	\$0	0.0%	
Total, Goal B, INDIRECT ADMINISTRATION	\$0	\$0	\$0	0.0%	
Grand Total, All Strategies	\$31,000	\$30,000	(\$1,000)	(3.2%)	

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

1. **Certain Tobacco Settlement Funds for CPRIT Debt Service.** Recommendations include \$600 million in General Obligation Bond Proceeds to the Cancer Prevention and Research Institute of Texas (CPRIT) for grants and agency operations. The Texas Public Finance Authority (TPFA) estimates that related debt service would be approximately \$7.3 million. This would be appropriated to TPFA. In addition, debt service on existing CPRIT debt and debt expected to be issued from appropriations made in prior biennia is estimated by TPFA to be \$182.0 million in the 2016-17 biennium. TPFA debt service estimates for the 2016-17 biennium assume a tax-exempt interest rates of 5.0 percent and a taxable interest rate of 7.0 percent.

Texas Government Code Chapter 403, Sections 105, 1055, and 106 to allow certain Tobacco Settlement Funds (see table below) 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. For the 2014-15 biennium, the legislature appropriated \$128.3 million combined out of these three funds to pay debt service associated with CPRIT bonds. TPFA estimates lapsing approximately \$60.6 million during the 2014-15 biennium due to changes in CPRIT’s expenditure schedule and lower interest rates than expected. The table below provides updated expenditure projections by fund for fiscal year 2015 and estimated debt service requirements for the 2016-17 biennium, as well as fund balance as of August 31, 2014.

General Revenue – Dedicated Fund	Balance as of 8/31/2014	FY 2015 Estimated Expenditures	2016-17 Estimated Debt Service Requirement for CPRIT Debt	Projected Remaining Balance at End of FY 2017
Permanent Fund for Health and Tobacco Education and Enforcement No. 5044	\$135,263,396	\$18,408,370	\$94,669,883	\$22,185,143
Permanent Fund for Children and Public Health No. 5045	\$67,632,064	\$9,204,184	\$47,334,941	\$11,092,939
Permanent Fund for Emergency Medical Services and Trauma Care No. 5046	\$67,632,044	\$9,204,184	\$47,334,941	\$11,092,919
Total	\$270,527,504	\$36,816,738	\$189,339,765	\$44,371,001

Sources: LBB, TPFA and Texas Treasury Safekeeping Trust

The projected remaining balance at the end of fiscal year 2017 for the combined funds is approximately \$44.4 million. Estimates indicate that Tobacco Settlement Funds would not be sufficient to pay CPRIT debt service beyond the 2016-17 biennium. Therefore, the legislature would need to consider appropriating General Revenue, or other methods of finance, to pay the debt service on existing CPRIT debt as well as any new appropriations that occur after the 2016-17 biennium.

Section 3

For additional consideration, the Department of State Health Services (DSHS) receives appropriations from the interest earned from the corpus of the three Tobacco Settlement GR-D accounts noted above for certain public health services to communities and various grant programs. The amount of interest generated from the corpus of these funds is decreasing as the corpus of the funds is expended for CPRIT debt service. In the 2014-15 biennium, DSHS received approximately \$9.5 million less than the prior biennium in interest earnings from these three funds. As the corpus of these funds are appropriated to pay CPRIT related debt service, interest earnings are expected to continue decreasing, which may require the legislature to consider appropriating General Revenue or other methods of finance to DSHS to maintain these services at current levels.

2. **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. CPRIT requested creation of this fund as a General Revenue-Dedicated account during the Eighty-fourth Legislative Session (see Section 6, Items not Included in Recommendations). This would require that the fund established through Health and Safety Code, Section 102.270 is exempted from the funds consolidation bill.

The table below provides an overview of revenues from grant contracts and the funds where the balances currently reside. Revenues total \$2.2 million from six companies, including one buyout, and revenues are expected to increase as CPRIT continues to invest in companies through product development awards. Revenues are available for appropriation by the legislature to TPFA to pay debt service on CPRIT bonds out of the two accounts in the amounts indicated below.

	2011	2012	2013	2014	Total
General Revenue-Dedicated Account No. 5136	\$14,367	\$61,644	\$220,618	-	\$296,269
General Revenue	-	-	-	\$1,871,474	\$1,871,474
Total Income Received as of 8/31/2014					\$2,167,743

Source: Comptroller of Public Accounts and CPRIT

On September 3, 2014, the Oversight Committee adopted a standard set of Revenue Sharing Terms and Conditions, which include a 4 percent state share in revenue until twice the grant amount is realized, at this time the revenue share drops down to 2%. Statute was changed in fiscal year 2011 to allow CPRIT to take equity in companies that receive a CPRIT award. Under the approved revenue sharing agreement, companies can buy out the revenue sharing terms by repaying the total grant award amount plus 9 percent.

Section 3

Cancer Prevention and Research Institute of Texas
FTE Highlights - Senate

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	24.0	32.0	32.0	32.0	32.0
Actual/Budgeted	21.8	22.3	32.0	NA	NA
Schedule of Exempt Positions (Cap)					
Chief Executive Officer, Group 7	\$214,000	\$250,000	\$250,000	\$250,000	\$250,000
Chief Scientific Officer	\$212,000	\$540,000	\$540,000	\$540,000	\$540,000

The agency is not requesting any changes to its Exempt Positions.
State Auditor's Office Report 14-705, *Executive Compensation at State Agencies*, indicates a market average of \$230,924 for the Chief Executive Officer position at the Cancer Prevention and Research Institute of Texas. No changes to the current Group 7 classification were recommended.
The SAO report did not address the Chief Scientific Officer exempt position.

Section 3

Cancer Prevention and Research Institute of Texas
Performance Measure Highlights - Senate

	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
<ul style="list-style-type: none">Percent of Texas Counties with Cancer Prevention Services and Activities Initiated as Addressed in the Texas Cancer Plan through Grant Awards <p>Recommendations change this measure from key to non-key since the agency consistently meets the target.</p>	100%	100%	100%	100%	100%
<ul style="list-style-type: none">Number of People Served by Institute Funded Cancer Prevention and Control Activities <p>Recommendations change this measure from non-key to key due to reflect the number of Texans served by CPRIT activities.</p>	837,217	567,169	400,000	800,000	800,000
<ul style="list-style-type: none">Number of Entities Relocating to Texas for Cancer-Research Related Projects <p>Recommendations reflect a decrease in targets to align with the agency's estimated number of Requests for Applications for relocation grants during the 2016-17 award cycle. Since development of this measure, the agency has identified significant hurdles involved with companies relocating to Texas and revised the estimate to better reflect the actual number of expected relocations.</p>	1	0	7	2	2

Section 5

Cancer Prevention and Research Institute of Texas Rider Highlights - Senate

3. (old) **Salary Supplements for Exempt Positions.** Delete rider to align with statute.
4. (revised) **Transfer Authority.** Revise rider to add requirement that agency make request no later than 45 days prior to when transfer is needed.
6. (revised) **Transfer to Department of State Health Services for the Cancer Registry.** Revise rider to remove contingency language.
7. (old) **Limitation on Expenditures.** Delete rider related to moving the agency into state owned space, which is expected to occur in FY 2015.
7. (revised) **Limit on Expenditure for Contracts.** Revise rider to increase request threshold and include contract renewals, extensions, and increases of contracts that would require LBB approval. Also revise to add requirement that agency make request now later than 45 days prior to when contract is needed and include automatic approval 30 days after LBB staff completes review.
8. (new) **Unexpended Balances Within the Biennium.** Add rider to provide unexpended balance authority within the biennium and require the agency to report any balances carried forward to the Legislative Budget Board.
10. (old) **Contingency for Administration of the Cancer Prevention and Research Institute of Texas.** Delete rider due to passage of relevant legislation.

Section 6

Cancer Prevention and Research Institute of Texas		2016-17 Biennial Total	
Items not Included in Recommendations - Senate		GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order			
1. Add new rider to provide unexpended balance authority between biennia.		\$ -	\$ -
2. Creation of the Cancer Prevention and Research Interest and Sinking Fund, pursuant to Health and Safety Code, Section 102.270. (This fund was established by SB 149, Eighty-third Legislature, Regular Session, 2013, but was not created through the funds consolidation bill, House Bill 6, Eighty-third Legislature, Regular Session, 2013. A similar funds consolidation bill exempting this fund would allow for its creation during the Eighty-fourth Session).		\$ -	\$ -
Total, Items Not Included in the Recommendations		\$ -	\$ -

Section 7

Cancer Prevention and Research Institute of Texas
Summary of 10 Percent Biennial Base Reduction Options - Senate

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