



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

Legislative Appropriations Request

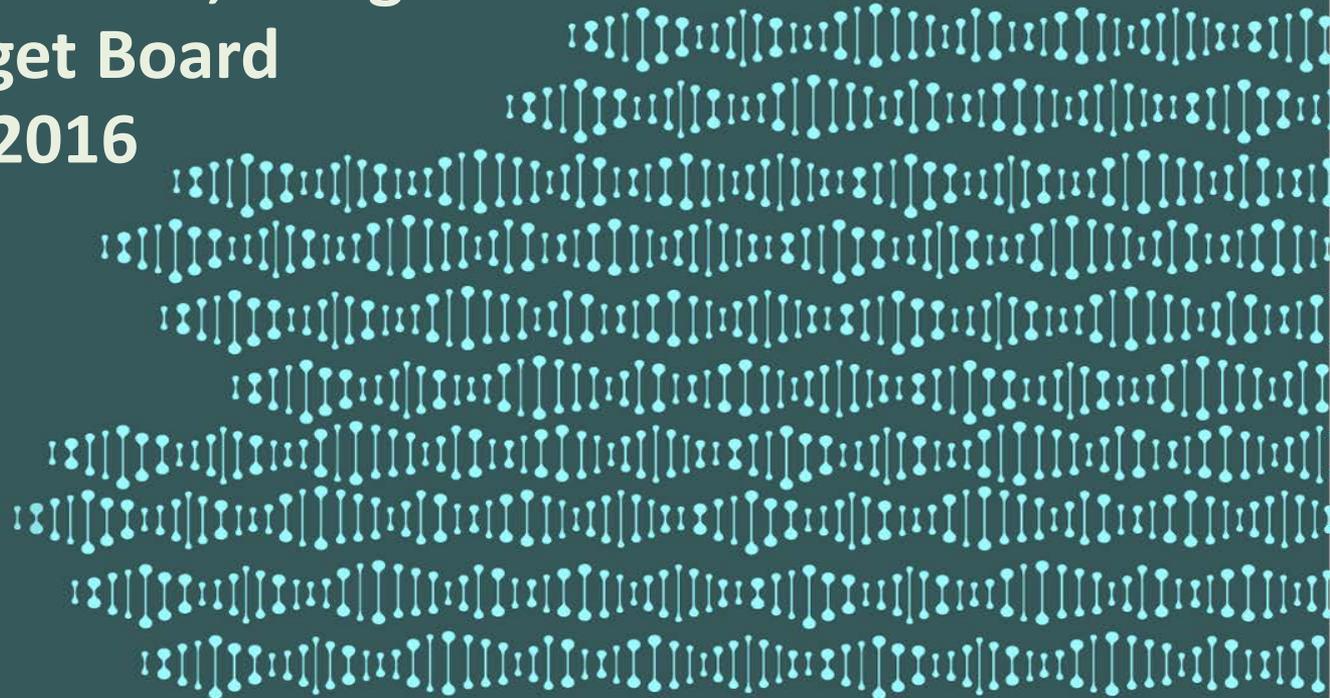
Presented to:

Office of the Governor, Budget Division

Legislative Budget Board

September 14, 2016

Wayne Roberts
Chief Executive Officer



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CPRIT Overview

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Texas Constitution, Article 3 (Proposition 15, November 6, 2007)

Sec. 67. CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS. (a) The legislature shall establish the Cancer Prevention and Research Institute of Texas to:

(1) make grants to provide funds to public or private persons to implement the Texas Cancer Plan, and to institutions of learning and to advanced medical research facilities and collaborations in this state for:

(A) research into the causes of and cures for all forms of cancer in humans;

(B) facilities for use in research into the causes of and cures for cancer; and

(C) research, including translational research, to develop therapies, protocols, medical pharmaceuticals, or procedures for the cure or substantial mitigation of all types of cancer in humans;

(2) support institutions of learning and advanced medical research facilities and collaborations in this state in all stages in the process of finding the causes of all types of cancer in humans and developing cures, from laboratory research to clinical trials and including programs to address the problem of access to advanced cancer treatment; and

(3) establish the appropriate standards and oversight bodies to ensure the proper use of funds authorized under this provision for cancer research and facilities development.



Texas Health & Safety Code, Section 102.002

House Bill 14, 80th Legislature

PURPOSES. CPRIT is established to:

(1) Create and expedite innovation in the area of cancer research and in enhancing the potential for a medical or scientific breakthrough in the prevention of cancer and cures for cancer;

(2) Attract, create, or expand research capabilities at institutions of higher education and other public or private entities that will promote a substantial increase in cancer research and creation of high-quality new jobs in Texas; and

(3) Develop and implement the Texas Cancer Plan.



Oversight Committee Members

Angelos Angelou

Hometown: Austin
Appointed by: Governor
Term: 9/26/13 – 1/31/19

Pete Geren, Presiding Officer

Hometown: Fort Worth
Appointed by: Speaker
Term: 10/22/13 – 1/31/19

Amy Mitchell, Secretary

Hometown: Austin
Appointed by: Lieutenant Governor
Term: 9/26/13 – 1/31/15

Donald “Dee” Margo, II

Hometown: El Paso
Appointed by: Governor
Term: 5/20/15 – 1/31/21

Will Montgomery, Vice-Presiding Officer

Hometown: Dallas
Appointed by: Speaker
Term: 11/20/13 – 1/31/17

Ned Holmes

Hometown: Houston
Appointed by: Lieutenant Governor
Term: 9/26/13-1/31/19

William Rice, M.D.

Hometown: Austin
Appointed by: Governor
Term: 9/26/13 – 1/31/17

Cynthia D. Mulrow, M.D., MSc., MACP

Hometown: San Antonio
Appointed by: Speaker
Term: 10/22/13 – 1/31/15

Craig Rosenfeld, M.D.

Hometown: Dallas
Appointed by: Lieutenant Governor
Term: 9/26/13 – 1/31/17



Budget Request

- \$600 million in GO bond proceeds for the 2018-19 biennium (constitutional authority)
 - Debt service is requested by the Texas Public Finance Authority
- License Plate Revenue (\$15,000/year)
- Appropriated Receipts (\$40,000/year)
 - Product Development Application Fees
 - Conference Income
- Additional 3 FTEs
 - Compliance Program Grant Specialists



Compliance Program Workload

Fiscal Year	Contracted Grants**	Compliance Desk Reviews & Site Visits	CPRIT Compliance FTEs	Compliance Program Support Contract (FTE Equivalent)
2010	182	0	0	0
2011	361	0	0	0
2012	516	0	0	0
2013	604	0	1	0
2014	767	0	2	0
2015	900	63	5	1
2016	997	333	5	3
2017	1122	300	5	3
2018	1247	300	8*	0
2019	1372	300	8*	0
* With approval of exceptional item request for 3 Compliance Program FTEs.				
** Projected numbers in 2017, 2018 and 2019.				



Oversight Committee Requested Change to Exempt Salaries

Increase CEO exempt salary by 10% to \$285,275

Rationale:

SAO August 2016 Report on Executive Compensation changes the position from Group 7 to Group 8 with a recommended range of up to \$299,813.

- CPRIT is experiencing pay compression.

Increase is critical in recruiting a successor to the current CEO in the event he vacates the position. CPRIT is unique in that it is a hybrid between an institution of higher education and general state agency. Due to subject matter expertise, several positions are best filled by individuals with extensive university or venture capital industry experience. As a result, CPRIT must compete with health science centers and industry. In addition, CPRIT has less than 5 years remaining in its statutory authorization. Finding someone willing to leave an established career for a temporary position will require extra consideration for this uncertainty.

The Oversight Committee (OC) is committed to providing salary increases to the incumbent only based on merit after a professional evaluation of the incumbent's work product in relation to stipulated high OC expectations.



Requested Rider Changes to Proposed 2018-19 Budget

- 1. Eliminate required transfer of \$2,969,554/year to DSHS to fund the Texas Cancer Registry (current Rider #5)**
 - Also results in estimated \$130,000/year charge from CPRIT to ERS for retired DSHS employee health insurance payments (\$604,687 to date)
 - If transfer not eliminated, require ERS to deduct from the \$2,969,544 Registry transfer, not in addition to

Rationale:

Demand for CPRIT funds continues to increase. On average CPRIT funds 11-13% of applications. Many worthy projects are not funded. Although the Cancer Registry is a good activity, CPRIT funds should be spent directly on research and prevention. This transfer effectively doubles the amount CPRIT spends on Indirect Administration.



Requested Rider Changes to Proposed 2018-19 Budget

- 2. New Rider: Bond Proceeds.** The bond proceeds listed above are estimated aggregate principal amounts of one or more series of bonds and do not include or limit receipt of any premium generated in connection with the issuance and sale of each series of bonds.

Rationale:

Maximizes the amount of funds available for cancer projects. Clarifies that any bond premiums earned above the bond proceed amounts listed in the General Appropriations Act are appropriated to CPRIT to pay the costs of issuing the bonds. Otherwise, bond issuance costs must be paid from the bond proceeds which reduces the amount of proceeds available for cancer research and prevention grant awards.

(A premium is the additional price a buyer will pay for the bond due to current prevailing interest rates being below those of the bond. This is in contrast to a discount which is a lower price the buyer will pay due to current prevailing interest rates being above those of the bond.)



Requested Rider Changes to Proposed 2018-19 Budget

- 3. Delete current Rider #7 mandating secondary approval of CPRIT contracts over \$250,000 by the LBB in addition to that required by the Oversight Committee.**

Rationale:

This requirement is unnecessarily redundant and time consuming. Delays resulting from this approval have affected the ability of the agency to move quickly in addressing the goals set out for it by the citizens of Texas and the full Legislature.



Requested Rider Changes to Proposed 2018-19 Budget

- 4. Revise current Rider #4 to allow CPRIT's CEO to report appropriations transfers allowed to all agencies within the limits of Article IX, Sec. 14.01.**

Rationale:

Eliminating the requirement for the LBB to approve these transfers maximizes operational efficiency while providing transparency about CPRIT's actions.

CPRIT recognizes why this last restriction was originally placed on its 2014-15 appropriations. However, CPRIT's rapid commitment not only in action but spirit in implementing the recommendations of the State Auditor in his January 2013 management report and the provision of Senate Bill 149, 83rd Legislature, R.S., demonstrate the responsibility and trustworthiness of accountable stewards of public funds that obviates the need for such restrictions in 2018 and beyond.



Other Legislative Requests

- 1. CPRIT requests that the 85th Legislature exempt the Interest and Sinking Fund, a GR-Dedicated account, created by V.T.C.A., Health and Safety Code, Sec. 102.270, from funds consolidation.**

Rationale:

This would allow CPRIT to deposit revenue payments from patent, royalty and licensing agreements into the account. Funds from this account could be used only by the Legislature to retire debt service on CPRIT GO bonds issuances. Currently, revenue payments from these sources are swept into GR. To date, slightly more than \$1.9 million of revenue has been swept.

- 2. Extend Sunset date from 2021 to 2023.**

Rationale:

Allows for maximum use of \$3 billion bond authority. \$138 million is currently estimated as unused on August 31, 2021.



Questions?

www.cprit.texas.gov

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Operations

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Chief Operating Officer

