



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

2020-21 Legislative Appropriations Request

Senate Committee on Finance
January 23, 2019



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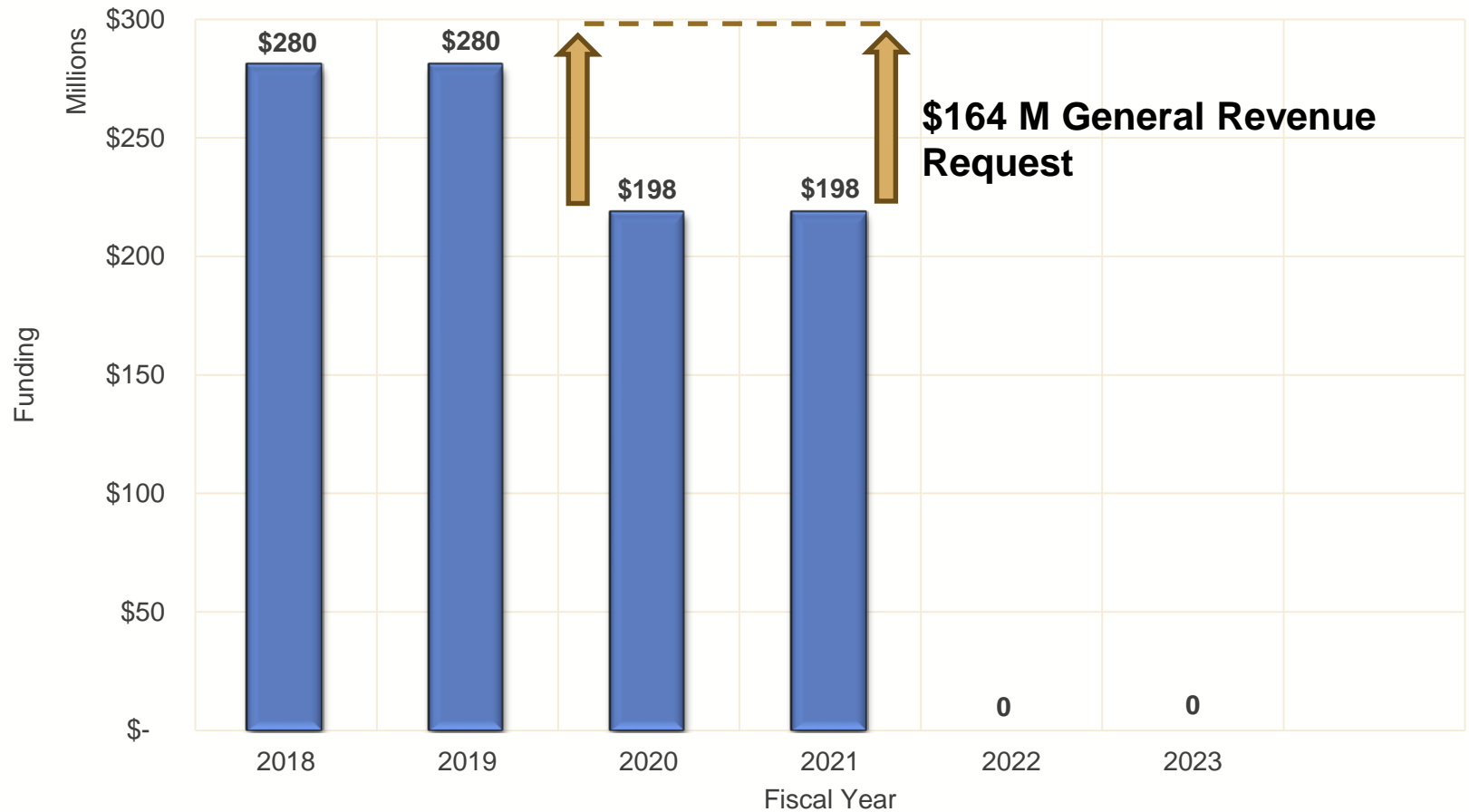


Appropriations Request Summary

1. \$430.1 million in GO bond proceeds (Other Funds) (constitutional authority)
 - Debt service is requested by the Texas Public Finance Authority
2. Exceptional Item: \$164 million in General Revenue to maintain grant program current services resulting from decline in GO bond proceeds
3. Eliminate Transfer to Department of State Health Services for Texas Cancer Registry
4. Maintain Budget Transfer for Increased IT Infrastructure Security Costs (Technical Change)
5. Additional 1 FTE – Information Technology Security
6. Appropriated Receipts (\$40,000/year)
 - Product Development Application Fee
 - Conference Income
7. License Plate Revenue (\$15,000/year)
8. Transfer authority allowed to other state agencies
9. Increase CEO salary and change to Group 8



Maintain Current Grant Program Services



Eliminate Transfer by Rider to DSHS for Texas Cancer Registry

Eliminate the required transfer of \$2,969,554/year to DSHS to fund the Texas Cancer Registry (current Rider #5)

- On top of this transfer, an additional \$166,000/year is charged by ERS for retired DSHS employee health insurance payments due to CPRIT bond funds being used for Cancer Registry staff salaries
- With elimination of the transfer, the exceptional item request for \$164 million can be reduced by \$6 million to \$158 million.

Rationale:

The transfer for Cancer Registry operations plus the ERS draw for DSHS retiree health insurance payments (required by GAA, Article IX provision for benefits paid proportional by method of finance) reduces bond funds for cancer research projects, their constitutional purpose, by more than \$3.1 million/year.

With DSHS' exceptional request to increase the existing transfer by \$148,478 to \$3,118,032 per year in 2020-21 to cover higher operating costs of the registry, the reduction to available funds for cancer research projects would be approximately \$3.3 million/year in 2020-21.



Sum Certain Transfer to DSHS for Texas Cancer Registry Rider Modification (Alternative to Elimination in Slide 5)

Modify the transfer rider for \$2,969,554/year to be sum certain to include the payment of DSHS retiree health benefits from CPRIT bond funds (current Rider #5)

- An additional \$166,000/year charged by ERS for retired DSHS employee health insurance payments

Rationale:

Due to the GAA, Article IX provision for benefits paid proportional by method of finance, the additional DSHS retiree health insurance payments make the total transfer out of Fund 7639 for non-cancer research projects more than \$3.1 million per year.

With DSHS' exceptional request to increase the existing transfer by \$148,478 to \$3,118,032 per year in 2020-21 to cover the increasing operating costs of the registry, the reduction to available funds for cancer research projects would be about \$3.3 million per year.



Maintain Budget Transfer for Increased IT Infrastructure Security Costs (Technical Change)

Maintain the FY 2019 \$547,031 budget transfer approved by the LBB

Rationale:

The LBB approved CPRIT's request for this transfer from Strategy 1.1.1, Award Cancer Research Grants to Strategy 2.1.1, Indirect Administration in FY 2019 on November 16, 2018. This was necessary because of CPRIT Rider 4, Transfer Authority, in the General Appropriations Act for the 2018-19 biennium requiring CPRIT obtain approval to transfer funds from Strategy A.1.1, Award Cancer Research Grants.

This ongoing budget transfer would allow CPRIT to maintain contracted services for an annual IT risk assessment as well as biannual internal vulnerability testing/external vulnerability and penetration testing of IT systems; to have these reports as well as other security reports reviewed and summarized; and to have any remediation of IT systems performed. It would also allow CPRIT to continue to test the Continuity of Operations Plan.



Additional Information Technology FTE

One additional Systems Analyst FTE to address increased workload in information technology security and increase CPRIT's FTE cap to 36

Rationale:

CPRIT currently produces or receives more than 75 reports related to platform security such as third-party IT platform assurance reports, internal and external vulnerability scan reports, external penetration tests, IT risk assessment reports, and IT-related audit reports. This Systems Analyst would track the production and receipt of these reports, coordinate their review, and track and report regularly on any remediation activities mandated as a result of these reports.

The number of IT system platform assurance reports will grow incrementally as the number of CPRIT's cloud-based and subscription services increase.



Requested Rider Change: Allow CEO to Report Appropriations Transfers

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

- With the modification of this rider, the exceptional item request to maintain the budget transfer for \$547,031 would be unnecessary.

Rationale:

Eliminating the requirement for LBB approval of these transfers maximizes operational efficiency yet still provides transparency about CPRIT's actions. Approval on the most recent appropriations transfer request made on August 27, 2018, took 80 days which hindered implementation of necessary IT security projects related to audit remediation activities.

CPRIT recognizes the reason that this restriction was originally placed on its 2014-15 appropriations. However, CPRIT's commitment to responsible and accountable stewardship of public funds negates the need for such restrictions in 2020 and beyond.



Oversight Committee Requested Change to Exempt Salaries

Increase CEO exempt salary by 10% to \$281,875 and change to Exempt Salary Group 8 from Group 7

Rationale:

SAO August 2018 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.

The 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 4 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 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 expectations.



Related Legislation

House Joint Resolution 12 (Zerwas)

Authorizes a second \$3 billion in General Obligation Bonds for cancer research and prevention to be submitted to voters at the November 5, 2019, general election.

House Bill 39 (Zerwas)

Removes restriction against new grant awards in FY 2023 in the event additional GO Bonds are authorized by voters or another funding source is used for FY 2023 and beyond.

Senate Bill 200 (Schwertner)

Requires CPRIT to develop a plan for self-sufficiency once 2007 GO Bond funds expire.





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INSTITUTE OF TEXAS

Program Information

CPRIT Investments

1,321 Awards Totaling \$2.17 B

Academic Research

1077 awards, \$1.57 B

Product Development Research

35 awards, \$380.4 M

Prevention

209 awards, \$223.1 M

Combined research awards:

1,112 awards, \$1.945 B

Clinical Research (30.5%) \$592.8 M

Translational Research (25.3%) \$491.7 M

Recruitment (26.8%) \$522.0 M

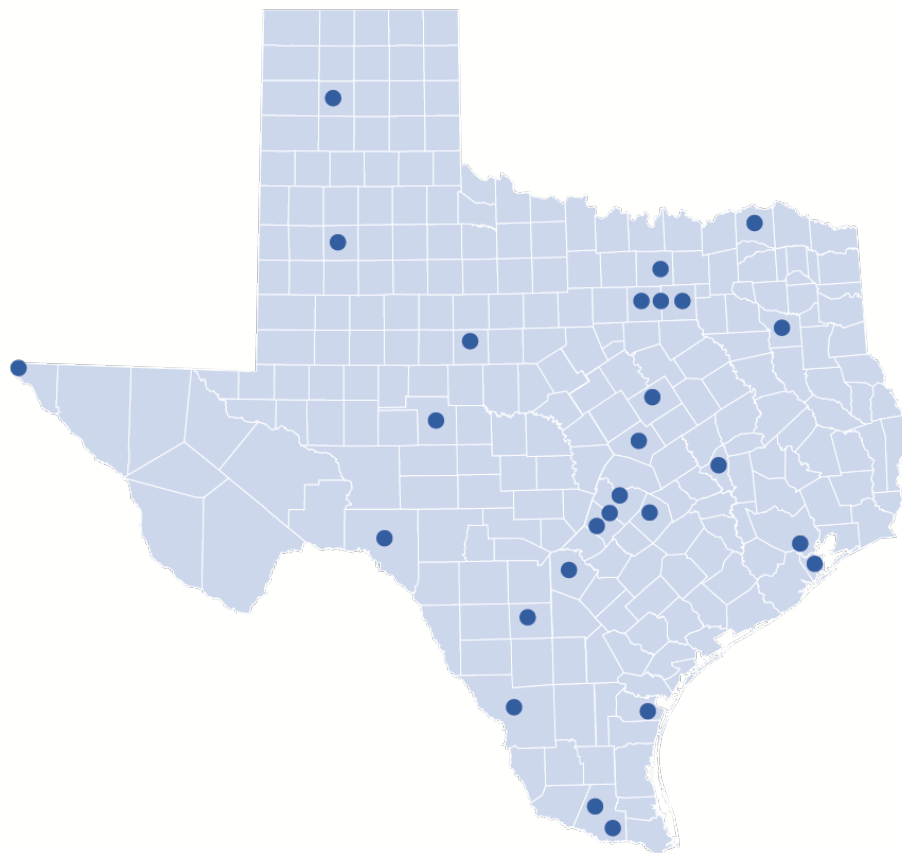
Basic Research (14.3%) \$279.1 M

Research Training (3.1%) \$ 59.9 M



CPRIT Investments: \$2.17 Billion

AWARDS TO 101 ORGANIZATIONS IN 27 CITIES



35

Academic
Research Institutions

36

Community and
other Organizations

30

Companies

CPRIT investments have
built a vibrant life sciences and
prevention infrastructure in Texas



CPRIT Investments: Paying Dividends Now

Dramatically heightened research capabilities in areas like immunotherapy and childhood cancer

Boosted the national and international reputations of Texas' higher education institutions including tripling the number of NCI Designated Comprehensive Cancer Centers

Provided life-extending results through prevention screenings that detected 17,750 cancers and cancer precursors and enrolled 1,963 patients in 63 Phase 1 and 2 clinical trials

Catalyzed the life sciences industry in Texas by bringing companies, expertise, jobs, and over \$1.7 billion in non-state investment; Houston ranks among the top 16 leading life sciences clusters in the nation



CPRIT: Building a Vibrant Infrastructure

Brought talent, high quality jobs, and additional federal and non-state investment- Recruited 166 scientists to 18 institutions adding more than 3,500 productive research years in Texas.

Developed the next generation of cancer researchers and increased cancer research workforce diversity- To date over 800 trainees have been supported through Research Training Awards at 9 institutions

Expanded prevention service delivery- largest prevention program in Texas history reduces risk, prevents cancer, disseminates successful CPRIT-funded projects, improves the healthcare system and reduces health care costs

Strengthened the Texas life sciences ecosystem - Industry has grown by 30 CPRIT-funded companies; including 11 that have relocated and brought new C-level talent. Twenty-three companies connect and collaborate with Texas institutions.



Real Momentum, Measurable Results



CPRIT was established to:

1. Attract, Create and Expand Research Capabilities in Higher Education
2. Attract, Create and Expand the Capabilities of Private Entities and Create High-Quality New Jobs
3. Expedite Innovation in Research and Enhance the Potential of Breakthroughs in Prevention and Cures



1. ATTRACT, CREATE AND EXPAND RESEARCH CAPABILITIES IN HIGHER EDUCATION

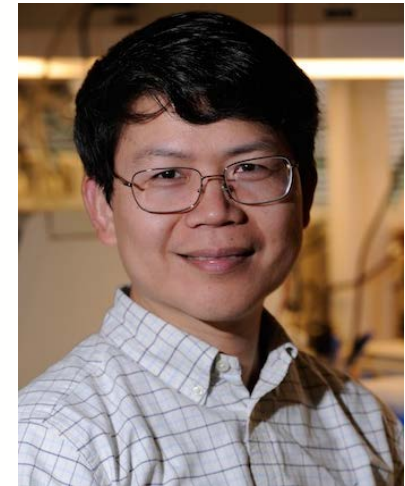
- ❑ **166 stellar researchers** recruited to Texas institutions
- ❑ **3 NCI** comprehensive cancer centers –previously only MD Anderson
- ❑ **\$977 million** in direct follow-on funding to CPRIT academic grantees
- ❑ **43 core** facilities to provide access to cutting-edge shared technology



James Allison
2018 Nobel Prize in
Physiology or Medicine



Livia Schiavinato Eberlin
2018 MacArthur
Foundation Fellowship
“Genius Award”



Zhijian Chen
2018 Breakthrough Prize in
Life Sciences



Academic Research Grant Recipients

- Baylor College of Medicine
- Baylor Research Institute
- Baylor University
- Houston Methodist
- Rice University
- Scott & White Healthcare
- Texas Engineering Experiment Station
- Texas A&M Health Science Center Research Foundation
- Texas A&M University
- Texas A&M University System Health Science Center
- Texas AgriLife Research
- Texas Southern University
- Texas State University - San Marcos
- Texas Tech University
- Texas Tech University Health Sciences Center
- Texas Tech University Health Sciences Center at El Paso
- The Methodist Hospital Research Institute
- The University of Texas at Arlington
- The University of Texas at Austin
- The University of Texas at Dallas
- The University of Texas at El Paso
- The University of Texas at San Antonio
- The University of Texas Health Science Center at Tyler
- The University of Texas Health Science Center at Houston
- The University of Texas Health Science Center at San Antonio
- The University of Texas M. D. Anderson Cancer Center
- The University of Texas Medical Branch at Galveston
- The University of Texas Southwestern Medical Center
- University of Houston
- University of North Texas
- University of North Texas Health Science Center at Fort Worth



Expanding Capabilities and Expediting Innovation

Centers of Excellence Catalyzed by CPRIT



RICE



Nicolaou Research Accelerator
collaboration with AbbVie

THE UNIVERSITY OF TEXAS

MDAnderson
~~Cancer Center~~

Making Cancer History®



SU2C “Immunology Dream Team” &
Parker Institute Center

Baylor
College of
Medicine



NIH Proteogenomic Translational
Research Centers

UTSouthwestern
Medical Center

Kidney Cancer Program



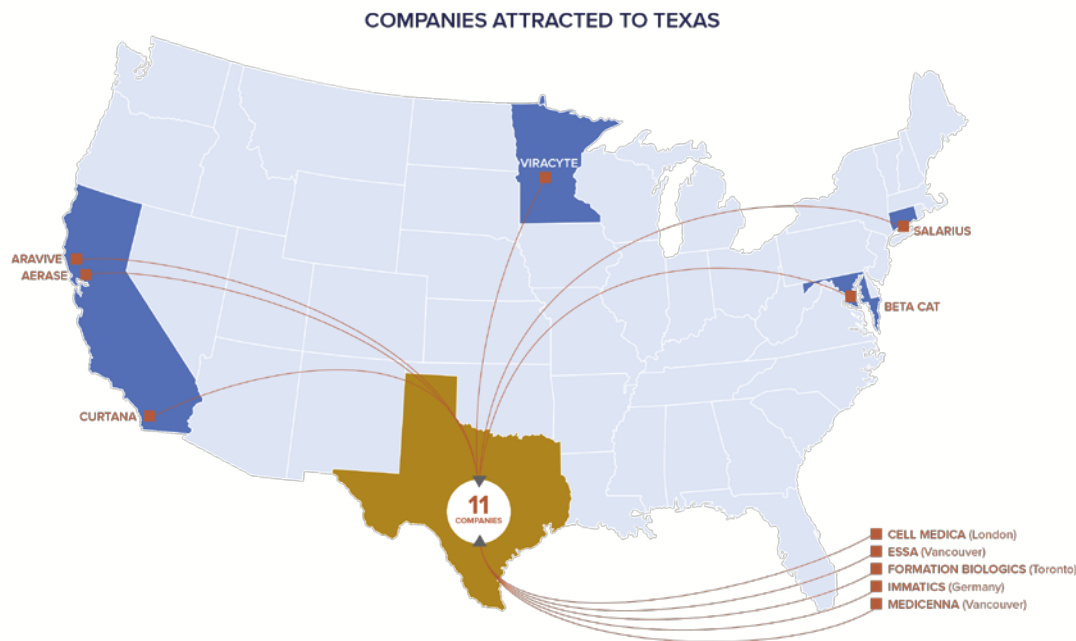
NCI Kidney Cancer SPORE



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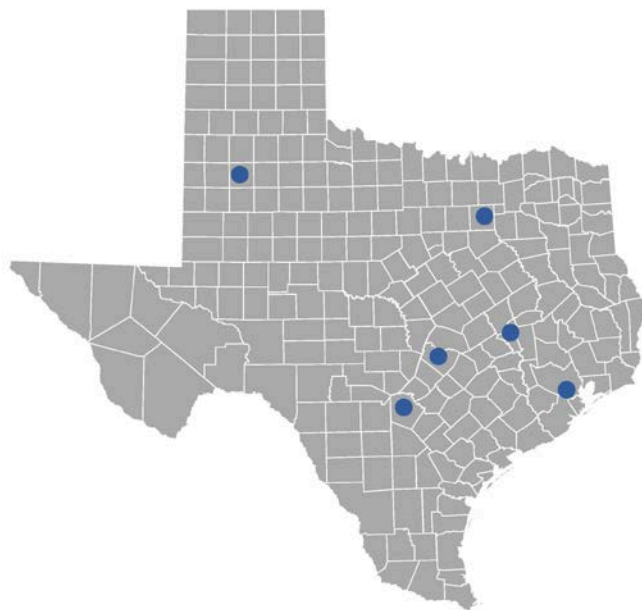
2. ATTRACT, CREATE AND EXPAND THE CAPABILITIES OF PRIVATE ENTITIES AND CREATE HIGH-QUALITY NEW JOBS

- ❑ **30 biotech** companies started or expanded, including 11 brought to Texas
- ❑ CPRIT awards increase VC biotech investment in Texas by **11 percent**
- ❑ **\$1.75 B** (>4 to 1) direct follow-on funding to CPRIT companies
- ❑ **\$1.38 B** in 2018 total expenditures
- ❑ **\$58 million** annual state and local tax collections
- ❑ **Over 10,100** permanent jobs created in 2018



Creating a Cancer Fighting Ecosystem

Location of CPRIT funded companies

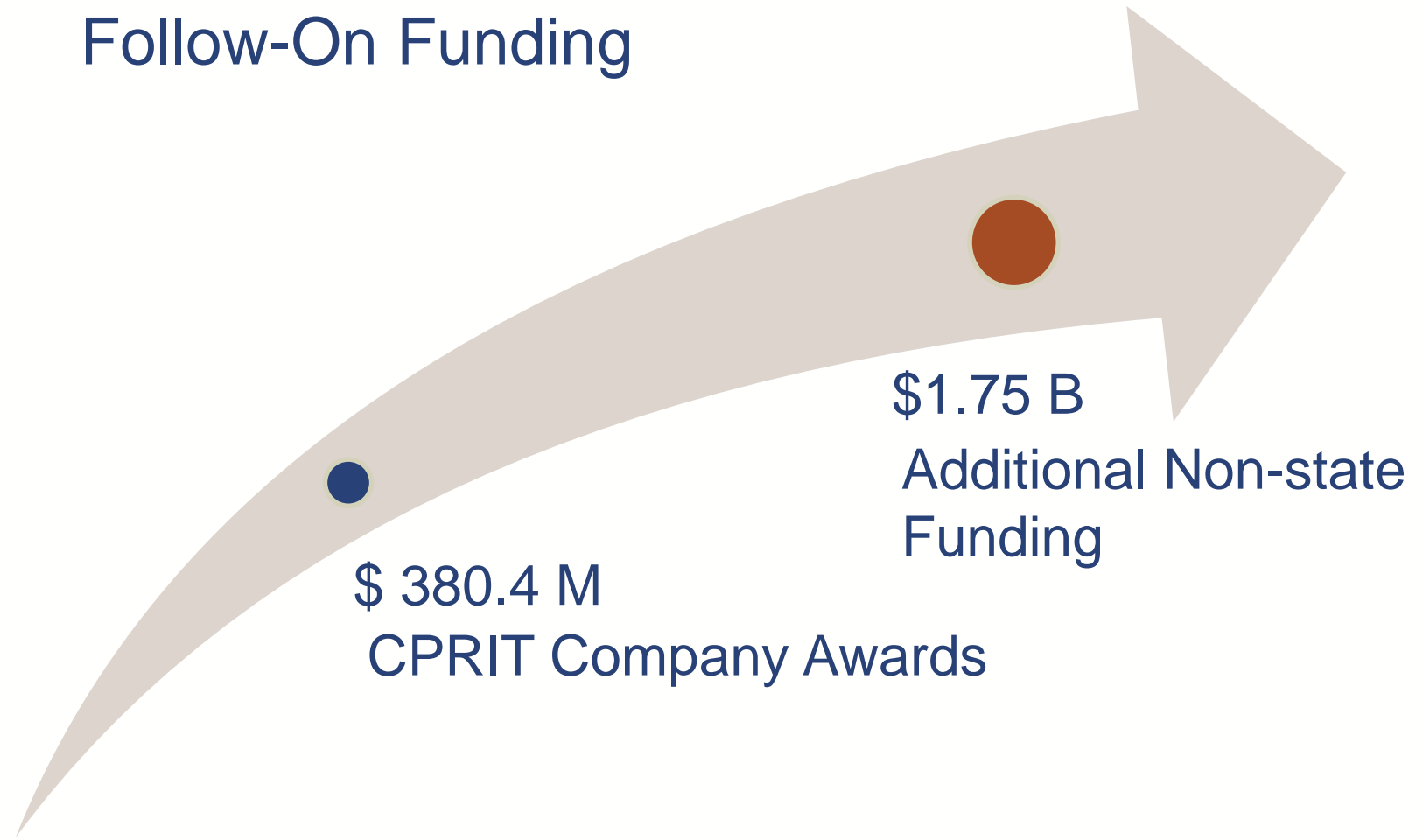


Texas Company Academic Institution Collaborations



Non-Texas Follow On Investment in CPRIT Company Profile

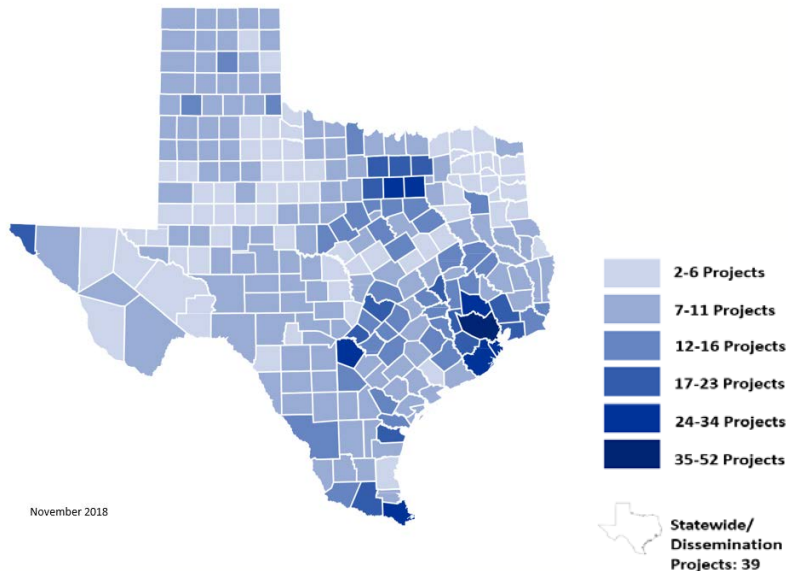
Follow-On Funding



3. EXPEDITE INNOVATION IN RESEARCH AND ENHANCE THE POTENTIAL OF BREAKTHROUGHS IN PREVENTION AND CURES

- ❑ **109** clinical studies with **13,418** patients
- ❑ **14,250** cancer precursors and **3,492** cancers detected
- ❑ **Nationally recognized teams** and centers in immunotherapy and childhood cancers
- ❑ **Over 4,200** published or pending findings & **246** patent applications

COUNTIES OF RESIDENCE OF PEOPLE SERVED BY CPRIT PREVENTION PROJECTS



> 5 Million services provided

2.5 M Education and training of public and professionals

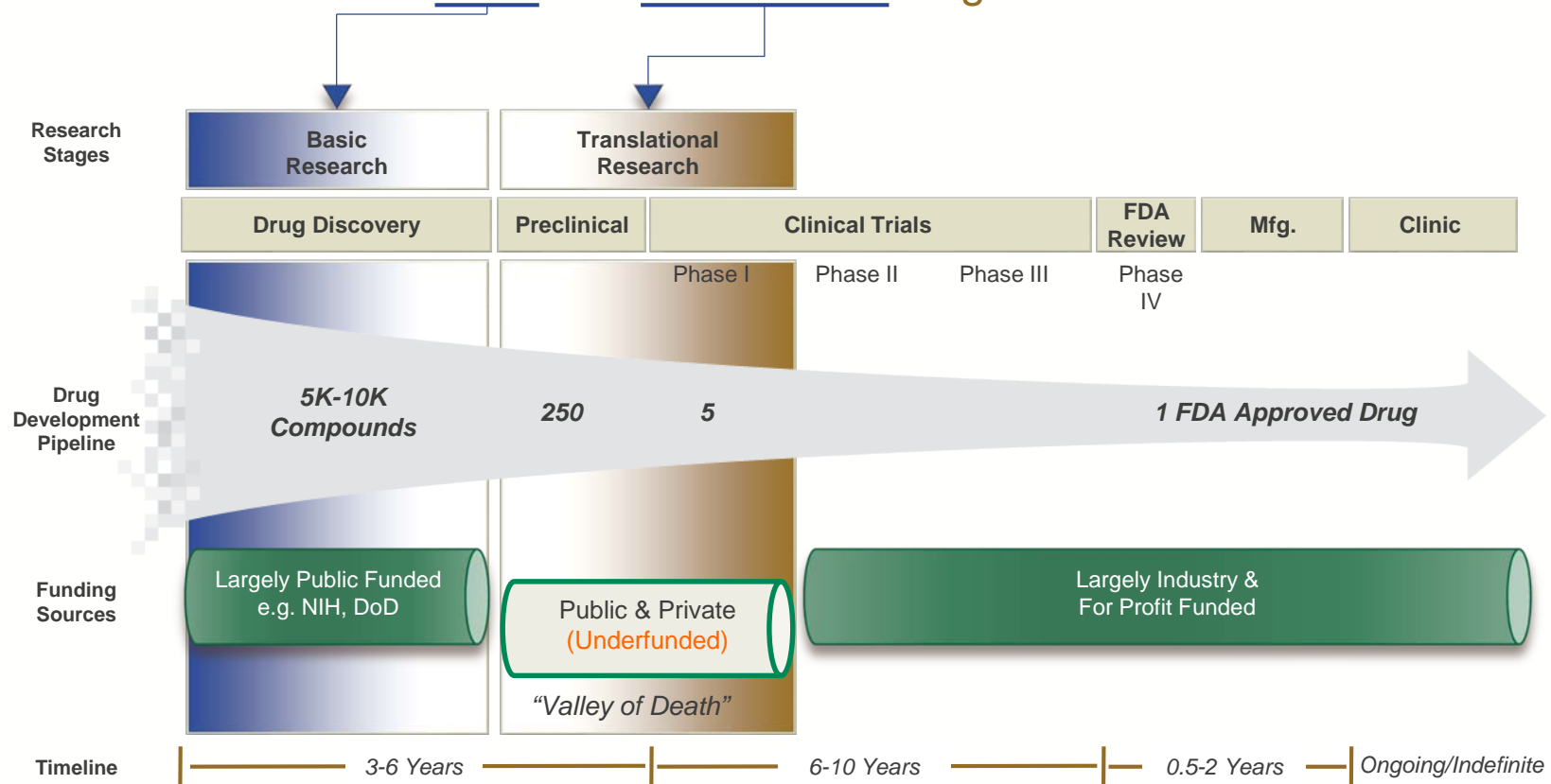
2.5 M Clinical services:

- ✓ Breast, cervical, colorectal screenings & diagnostics
- ✓ Hepatitis B & C screening
- ✓ HPV & Hepatitis B vaccinations
- ✓ Tobacco cessation counseling and treatment
- ✓ Genetic testing
- ✓ Survivor programs and services



Bringing Cures to the Patient

CPRIT focuses on the basic and translational stages of cancer research.

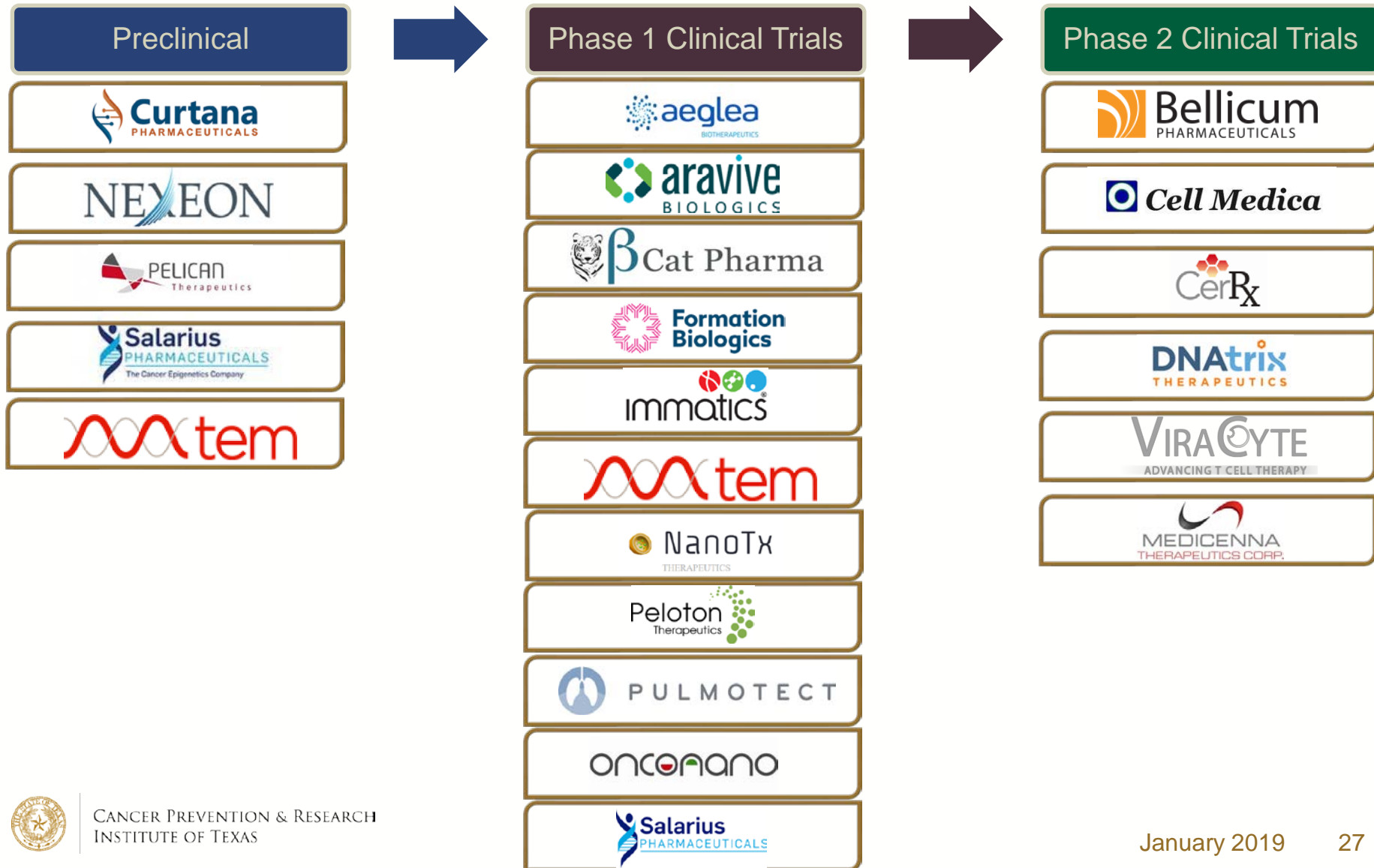


Average R&D cost for approved drug: **\$2 Billion**

General timeframe to approved drug: **10-15 years**



Companies in Active Clinical Trials



Providing Life Extending Results

CPRIT clinical studies



Interventional

84 studies

6,694 patients



Observational

25 studies

6,724 patients



Providing Life Extending Results



“DNAtrix Announces First Pediatric Patient Treated with Oncolytic Virus DNX-2401” - December 2017

The CPRIT grant has accelerated DNAtrix’s efforts to pursue clinical development of our lead oncolytic virus for glioblastoma. This grant has enabled us to initiate a Phase 2 clinical trial in collaboration with Merck to evaluate DNX-2401 with KEYTRUDA for patients with recurrent glioblastoma.”

- Dr. Frank Tufaro, CEO



Oversight Committee Members

Angelos Angelou

Hometown: Austin

Appointed by: Governor

Term: 9/26/13 – 1/31/19

David A. Cummings, M.D.

Hometown: San Angelo

Appointed by: Governor

Term: 8/27/18- 1/31/23

**Donald “Dee” Margo, II
Assistant Presiding Officer**

Hometown: El Paso

Appointed by: Governor

Term: 5/20/15 – 1/31/21

**Will Montgomery
Presiding Officer**

Hometown: Dallas

Appointed by: Speaker

Term: 11/20/13 – 1/31/23

(Reappointed 2/10/17)

**Mahendra C. Patel, M.D.
Secretary**

Hometown: San Antonio

Appointed by: Speaker

Term: 9/15/17 – 1/31/21

William Rice, M.D.

Hometown: Austin

Appointed by: Speaker

Term: 11/14/17 – 1/31/19

Craig Rosenfeld, M.D.

Hometown: Dallas

Appointed by: Lieutenant Governor

Term: 9/26/13 – 1/31/17

Vacant

Vacant



Questions?

www.cprit.state.tx.us

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Wayne R. Roberts
Chief Executive Officer

Academic Research Program

James Willson, MD
Chief Scientific Officer

Product Development Research Program

Kristen Doyle
Interim Chief Product Development Officer

Prevention Program

Rebecca Garcia, PhD
Chief Prevention and Communications Officer

Legal

Kristen Doyle
Deputy Executive Officer
and General Counsel

Operations

Heidi McConnell
Chief Operating Officer

Compliance

Vince Burgess
Chief Compliance Officer

