

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1356 (Delegate Shewell, *et al.*)
 Health and Government Operations

Public Health - Adult Stem Cell Research Program

This bill creates the Adult Stem Cell Research Program within the Department of Health and Mental Hygiene (DHMH) to make grants to qualified applicants conducting biomedical research using adult stem cells. In fiscal 2007, the Governor must include in the State budget a \$25 million appropriation from the Cigarette Restitution Fund (CRF) for the program.

Fiscal Summary

State Effect: No effect in FY 2006. Special fund expenditures could increase by \$25 million in FY 2007 to make biomedical research grants. General fund expenditures could increase by \$220,315 in FY 2007 to cover operational costs. No effect on revenues.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	.2	0	0	0
SF Expenditure	0	25.0	0	0	0
Net Effect	\$0	(\$25.2)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful to the extent that any small business would receive a grant under this program.

Analysis

Bill Summary: Any public or private group or organization, person, or individual from Maryland conducting biomedical research using adult stem cells may apply to DHMH for a grant that must be applied to the cost of conducting the research. The grant amount awarded must be determined on the merits of the application.

The Secretary of Health and Mental Hygiene must establish an institutional review board to which grant applications must be directed. The review board must develop a science-based method of reviewing research projects submitted by applicants and use that method to review the applications. The review board must make a recommendation to the Secretary as to which applications should be approved and for DHMH to make funds available to approved applications. DHMH must approve any application on the review board's recommendation unless the application was not reviewed using the science-based method. The Secretary must adopt regulations for the disbursement of funds to the applicant.

State funds allocated for this program may only be used for biomedical research using adult stem cells. The State may recover funds disbursed under this program from a recipient in the event of the recipient's failure to use the funds for biomedical research using adult stem cells. The State may recover an amount equal to the amount of State funds disbursed for the research project, together with all costs and reasonable attorneys' fees incurred by the State in the recovery proceedings. DHMH must adopt regulations to implement this program.

Current Law: No law in Maryland specifically authorizes, bans, or otherwise regulates embryonic and fetal research. In the absence of State law, privately funded embryonic and fetal research can be conducted in Maryland without regulation.

The CRF is a special, nonlapsing fund supported by revenue from a settlement with the five major tobacco companies. The CRF must be used to fund: the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; and other programs that serve health-related purposes as specified in statute. For each fiscal year for which CRF appropriations are made, at least 50% of the appropriations must be made for these programs. The State will pay the last of five installments to the Law Offices of Peter G. Angelos, P.C. in fiscal 2006, making an additional \$30 million available to the CRF in fiscal 2007. Beginning in fiscal 2008, Maryland could receive about \$28 million annually in strategic contribution payments, which reflects the State's legal contributions to the tobacco settlement.

Background: Several states are funding, or contemplating funding, stem cell research. California's Proposition 71, passed at the November 2004 election, will provide \$3 billion over the next 10 years for embryonic stem cell research. It establishes an Independent Citizens' Oversight Committee to oversee the new California Institute for Regenerative Medicine. New Jersey's fiscal 2005 budget appropriated \$9.5 million for the Stem Cell Institute of New Jersey. The University of Medicine and Dentistry of New Jersey and Rutgers University each provided \$1 million, for a total of \$11.5 million.

Wisconsin Governor Jim Doyle has outlined a multi-faceted strategy for biotechnology, health sciences, and stem cell research requiring \$750 million in expenditures over the next several years. Several components referencing stem cell research include: (1) a Wisconsin Institute for Discovery at the University of Wisconsin built and financed with state and private funds totaling \$375 million; and (2) \$105 million from the public sale of Blue Cross Blue Shield of Wisconsin to be used by the University of Wisconsin (\$75 million) and the Medical College of Wisconsin (\$30 million) to support public health, medical education, and research, including stem cell research.

New York Senate Democratic Leader David A. Patterson announced a \$1 billion stem-cell initiative that would require voter approval. Financing would come from the sale of up to \$1 billion in general obligation bonds, backed by the state's general fund, over a 10-year period. These funds would be used to create a New York Stem Cell Institute to award grants and loans to stem cell research companies and organizations. To put this initiative on the state's November 2005 or 2006 ballot, legislation must first be enacted.

Stem Cell Research

Embryonic research, including stem cell research, involves the destruction of a fertilized ovum. There are two categories of stem cells: adult stem cells (*e.g.*, those derived from specific human tissues such as skin cells); and embryonic stem cells. Embryonic stem cells currently hold the most promise for research but also are more controversial because of their source: fetal tissue; surplus embryos from in vitro fertility procedures; and embryos created by techniques utilized in human cloning technology – somatic cell nuclear transfer.

In August 2001 President Bush limited federal funding for embryonic stem cell research to existing embryonic stem cell lines. Such stem cells are derived from unused embryos from in vitro fertilization donated for research purposes. A Stem Cell Registry maintained by the National Institutes of Health lists the 78 stem cell lines that are eligible for federal funding. In addition, President Bush maintained the ban on federal funds for research involving the destruction or creation of embryos. However, such research can continue with the use of private funds, within the bounds of state law. The President's Council on Bioethics (the council) continues to study and advise the President on the issue of stem cell research.

State Fiscal Effect: No effect on revenues or expenditures in fiscal 2006. Special fund expenditures could increase by an estimated \$25 million in fiscal 2007 to make biomedical research grants. General fund expenditures could increase by an estimated \$220,315 in fiscal 2007, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring three contractual employees (one physician, one program administrator, and one secretary) to manage the program and award the grants. It includes salaries, fringe benefits, one-time start-up costs, and operating expenses.

Biomedical Research Grants	\$25,000,000
Salaries and Fringe Benefits	203,731
Operating Expenses	<u>16,584</u>
Total FY 2007 State Expenditures	\$25,220,315

Future years assume that the program will only be funded and operated in fiscal 2007 because the bill requires the Governor to include an appropriation for the program in the fiscal 2007 budget. The bill does not provide for any unspent special funds to be carried over in the program's budget from fiscal 2007 to future fiscal years.

Additional Comments: SB 751/HB 1183 of 2005 create a Maryland Stem Cell Research Fund to promote scientific and medical stem cell research and cures through grants and loans to public and private entities in Maryland. Annually, beginning in fiscal 2007, the Governor must include in the budget bill a \$25 million appropriation from the CRF to the stem cell fund.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, National Conference of State Legislatures, Department of Legislative Services

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