



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 6192 (Substitute H-1 as reported without amendment)

Sponsor: Representative Donald Gilmer

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT:

The bill would create the "Michigan Biologic Products Institute Transfer Act" to authorize the Michigan Biologic Products Commission, subject to the approval of the State Administrative Board, to negotiate the conveyance of all or part of the assets and liabilities of the Michigan Biologic Products Institute to one or more entities. The bill also would:

- Permit the State Administrative Board to authorize the chair of the Commission, or his or her designee, to enter into agreements in the name of the State to convey all or a portion of the assets and liabilities of the Institute to one or more entities under certain conditions.
- Require that any monetary consideration received for the conveyance of the assets and liabilities of the Institute be deposited in the Pharmaceutical Products Fund, and make certain dispositions of the assets of the Fund.
- Appropriate \$2,000,000 in FY 1996-97 for construction and renovation of an Institute building.
- Allow employees of the Institute or a group made up in whole or in part by Institute employees to enter into an agreement related to the conveyance of the assets and liabilities of the Institute.
- Establish that the authorized conveyance would be free of all liens and claims.
- Transfer any assets remaining after the conveyance of the Institute, and after the expiration of the Commission (February 1998) to the Department of Management and Budget, or other State agency determined by the State Administrative Board.
- Set time limits on bringing an action related to the provisions of the bill or a product of the Institute.
- Specify certain legislative findings and declarations.

FISCAL IMPACT

The bill would result in the loss of approximately \$8 million in annual future revenue from the sale of products; as well as an annual saving of between \$15 million and \$20 million in operating expense, approximately \$4 million of which would be State General Fund money that supported various indirect expenses. The bill also would make a direct appropriation of \$2,000,000 Gross, \$630,000 Federal, and \$1,370,000 biologic sales revenue.

Because of the many variables that must be considered in assigning a value to the Institute, the amount that might be generated from the transfer of the Institute to a private entity is difficult to assess. The State has entered into several contracts over the past three years with private firms to assess the value of the assets of the Institute. One contractor, who focused solely on physical property (i.e., equipment, 52.2 acres of vacant land, and six of 28 buildings that comprise the Institute), arrived at a \$4.7 million estimate. Another contractor, using an income approach to value (i.e., the estimated future income stream of a given asset over the expected remaining life of the asset, given various assumptions about anticipated rates of return on investment), yielded an estimated range for the value of the Institute from nominal, or zero, to \$10.5 million.

Date Completed: 12-6-96

Fiscal Analyst: Pam Graham

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