

**Assembly Budget Subcommittee No. 2
On Education Finance
Informational Item Regarding
California Institute for Regenerative Medicine
By Walter Barnes
Chief Administrative Officer and Controller
May 4, 2005**

Since 11/2/2004 when nearly 60% of the voters approved Proposition 71, the California Institute for Regenerative Medicine (CIRM) and the Independent Citizens' Oversight Committee (ICOC) have made significant steps toward the goal of issuing \$3 Billion in research grants and loans for stem cell research and research facilities.

Organization: ICOC

Established the ICOC, a twenty-nine member board, appointed by Governor, Lt Governor, Treasurer, Controller, President Pro Tempore and Speaker that includes representatives from:

- the University of California (five members)
- California universities and nonprofit academic and research institutions with a proven record in stem cell research (eight members)
- California life science commercial entities not involved in stem cell research (four members)
- California regional, state or national disease advocacy groups (ten members)

The ICOC elected two additional members to be the Chair and Vice Chair.

The ICOC held its first meeting on 12/17/2004 and has met monthly since then. All meetings are conducted in strict accordance with Bagley-Keene requirements.

The ICOC established the following five subcommittees at the 1/2005 meeting:

- Working Group Search Subcommittees (three): To direct the recruitment of members for the three working groups – the standing advisory groups -- of standards, grants and facilities.
- Presidential Search Subcommittee: To direct the recruitment and hire of a President for CIRM.
- Site Search Subcommittee: To direct the procurement of a permanent site for CIRM.

The five subcommittees have held a total of twenty two public meetings to date and all expect to complete their work by the end of May.

ICOC has also taken the following significant actions:

- Hired an Interim President, Dr. Zach Hall, to direct the activities of CIRM. Dr. Hall is a former administrator at the National Institutes of Health.
- Approved the hire of a small staff to allow CIRM operations to begin.
- Adopted conflict of interest standards for its members, working groups, and CIRM staff.

Organization: CIRM

Hired 11 staff in January 2005 to set up and begin CIRM operations and to provide staffing and support to the ICOC and the subcommittees.

Acquired temporary space at no cost to house the staff in Emeryville, CA and provided the necessary equipment to allow them to perform their duties.

The State Controller's Office and UCSF have each temporarily loaned one person. They are both experienced in state financial, administrative and personnel matters to ensure that CIRM is in compliance with all state requirements.

A joint Dept of General Services/CIRM project to select a permanent site for CIRM is nearly completed. Ten bids from seventeen cities have been evaluated and a final decision will be made by the full ICOC on 5/6/2005. All finalists are offering free rent and operating costs and other incentives that are valued at up to more than \$17 million over the projected ten year lease. This savings will increase the level of grants that can be awarded.

A final decision on the President will tentatively be made on 5/23/2005.

Grant Programs

Recently hired a Chief of Scientific and Program and Review to work with the Interim President to design grants management and oversight programs and processes for CIRM. Hired grant management experts through temporary contracts to assist them in this work.

CIRM has begun a comprehensive recruitment to fill grant management positions, using nationwide scientific oriented employment sources, including ones that specialize in recruitments directed at diverse populations.

The grant management program will include an extensive post award audit program recommended by the State Controller that is intended to identify any compliance programs early to ensure that all funding will achieve the maximum benefits.

Award of initial grants are expected to be made in fall of 2005 with work to begin shortly after.

Financing

CIRM obtained a \$3 million GF loan in January 2005, in accordance with provisions of Proposition 71, to cover initial administration and implementation costs.

Through stringent use of this resource, CIRM will be able to continue current operations to November 2005.

The California Stem Cell Research and Cures Finance Committee, which is charged with selling bonds to finance the grant programs and operations, has been formed and will hold its first meeting on 5/9/2005. The Finance Committee is made up of the State Treasurer, State Controller, Director of Finance, Chairman of the ICOC and two ICOC board members.

Two lawsuits have been filed with the State Supreme Court challenging implementation on constitutional grounds; while the Court declined to hear them, one has since been refilled in Superior Court. We are working with the Attorney General's Office and other Constitutional Officers (Governor, Lt Governor, Treasurer and Controller) to respond, and we are confident that we will prevail. However, they can delay the issuance of bonds.

At the last board meeting, the ICOC Chairman discussed the possibility of filing a validation action which would be initiated by the Finance Committee. Such an action would address the issues raised in the litigation to allow the bonds to be sold as soon as possible.

The Institute is also working with the Governor, Treasurer, Attorney General and Controller on an interim financing program that does not use state funds. This will be discussed at the May 9 Finance Committee meeting and I would be pleased to brief the members or staff of this committee on any decisions made at your convenience.